

SUMMARY ANNUAL REPORT 2009/10

WELLINGTON CITY COUNCIL

The year at a glance

Wellington has enjoyed another strong year despite global economic turbulence.

There are many forces – local and global – influencing Wellingtonians' quality of life.

The global economic downturn slowed growth during the year, making affordability a pressing issue for households and businesses. The city continued to face competition for investment, skills and tourism dollars. Environmental issues, from climate change to water use, also demanded attention.

But the city continued to grow, and to welcome a wide range of people, representing many cultures and interests.

Our response to these trends is to preserve what makes Wellington special, to invest in areas where we have a competitive advantage – for example our compact form, tolerant attitudes and reputation for being able to deliver major events – and to look after crucial infrastructure such as transport and water networks, while ensuring our services and activities remain affordable. Although our work programme for the 2009/10 year focused largely on 'business as usual', we did continue to invest

in the city's future. That investment is reflected in the completion of exciting visitor attractions such as the new Carter Observatory, Zealandia's new visitor centre and the expanded City Gallery; in progress on areas such as the new Indoor Community Sports Centre and Manners Mall; and in the huge range of events that kept the city humming during the year.

As you'll see throughout this summary report, we are generally performing well against our targets and past achievements. Where we fell short of the levels we expect, we are working to address this to sustain the city's place as a vibrant, affordable and internationally competitive city.

Despite the tough economic environment, Wellington has enjoyed another good year – and we can look forward to an absolutely positive future.



Kerry Prendergast
Mayor
22 September 2010



Garry Poole
Chief Executive
22 September 2010



Peter Garty
Chief Financial Officer
22 September 2010

Who we are

The Wellington City Council is made up of the Mayor and 14 Councillors. It's their job to make bylaws, set the city's overall strategic direction, and approve budgets, policies and plans aimed at achieving that direction. Part of their role is to listen and take the pulse of the community before making decisions.

They are supported in their governance role by two community boards: Tawa and Makara/Ohariu.

The elected representatives are supported by the Council's Chief Executive and 1,500+ staff, who provide advice, implement Council decisions, and look after the city's day-to-day operations.

Our aim

The Council's aim is for Wellington to be a vibrant, internationally competitive, and affordable city.

We've set in place 13 long-term outcomes – the things we want for the city. These are for Wellington to be: more liveable; more compact; more eventful; more inclusive; more actively engaged; to be better connected; more sustainable; safer; healthier; more prosperous; more competitive; and more entrepreneurial and innovative; and to have a stronger sense of place.

Everything that we do contributes to one or more of these outcomes and they act as stepping stones to achieving our aim for the city.

Our activities at a glance

The following pages provide a snapshot of our work over the financial year to 30 June 2010.

A full account of what we achieved is contained in the Annual Report. Copies are available online at www.Wellington.govt.nz or by calling 499 4444.

GOVERNANCE

Building trust and confidence in civic decision-making.

Our governance work includes all of the activities that make us accountable to the people of Wellington. This includes running local elections, holding meetings, keeping residents informed about the city and our work, and involving the community in decision-making through consultations.

While Wellington residents generally feel reasonably well involved in Council decision-making, there are challenges. These include declining involvement in local elections, consulting in ways that residents find meaningful, and demonstrating that decisions are made in the wider interests of the city.

Highlights

- **We're making it more convenient for people to comment on Council proposals.**

Three-quarters of residents (77%) agree that Council information is easy to access. Providing information online and using email alerts and social media such as Facebook and Twitter - are new ways we're informing residents about council proposals and decisions facing the city.

- **We've strengthened relationships with government and the wider region.**

In collaboration with central government, we launched the 'Capital City Initiative' recognising our status as the nation's capital. We're also working with other council's on a review of governance arrangements for the region.

- **We're sustaining and enhancing our relationships with mana whenua.**

We promote and celebrate Māori culture, through events such as Matariki, through public art and heritage sites, and through initiatives such as the development of the wharewaka on the waterfront. The majority (81%) of Māori residents are satisfied or neutral with their involvement in Council decisions.

What it cost

Activity component	Total annual cost (\$000)	Weekly cost per resident ¹
Information, consultation and decision making	13,069	\$1.29
Maori engagement	131	\$0.01
Total Governance	13,200	\$1.30

These services are funded mainly from general rates, and some user charges.

¹ Wellington's estimated population: 195,500

ENVIRONMENT

Protecting and enhancing Wellington's environment.

We manage just over 40 square kilometres of land, as well as beaches, coastline, and world class botanic gardens. We fund Wellington Zoo and Zealandia - the Karori Sanctuary.

We also supply water, stormwater and wastewater disposal systems; provide recycling and waste disposal services; offer grants for environmental initiatives, support volunteers and promote energy efficiency and sustainability.

All cities face significant environmental challenges in responding to climate change, using resources such as water and energy wisely, and managing waste.

Highlights

- **Wellington is one of the greenest cities in the world.**

Wellington was ranked the 5th greenest city in the 2010 Mercer Quality of Living Survey's list of eco-cities. On a per resident basis, the amount of waste dumped at the landfill and water used declined during 2009/10. We also worked to restore natural ecosystems and, as part of our Biodiversity Action Plan, established weed control programmes at 11 sites.

- **Zealandia and Wellington Zoo continued to promote conservation.**

Our conservation activities attract about quarter of a million visitors each year. Zealandia works to restore native forest and bird life to pristine condition and was featured in the UK's *Guardian Green Travel Guide's* list of 'green attractions'.

The Nest - Te Kōhanga, the Zoo's state-of-the-art animal hospital opened in December and won the Australia, New Zealand and South Pacific Zoo and Aquarium Association's Best New Large Exhibit Award.

- **We adopted the Climate Change Action Plan.**

The Plan focuses on mitigating and preparing for the impacts of climate change on the city. As part of this plan we recommitted to ambitious targets for reduction of greenhouse gases, and a range of programmes to reduce energy use.

- **We're working to secure Wellington's water supply.**

Per resident water use has declined over the last three years; however, continued population growth may eventually lead to shortages, especially during dry periods. During the year we agreed to a draft Water Conservation and Efficiency Plan aimed at stabilising the city's water use - we'll be publicly consulting on this plan in 2010/11.

What it cost

Activity component	Total annual cost (\$000)	Weekly cost per resident
Gardens and beaches	12,682	\$1.25
Green open spaces	14,193	\$1.40
Water	32,756	\$3.22
Wastewater and stormwater	47,919	\$4.71
Waste reduction and energy conservation	9,549	\$0.94
Environmental conservation attractions	5,619	\$0.55
Quarry	204	\$0.02
Total Environment	122,922	\$12.09

These services are mainly funded from general rates. A smaller component is funded from user charges, other income and targeted rates.

ECONOMIC DEVELOPMENT

Supporting economic growth to enhance quality of life.

Our role is to provide a supportive environment in which businesses can operate. This means ensuring that the city is an appealing place to live, work, play and visit; that it has a high quality environment, excellent facilities, and a vibrant and appealing inner city where people can get together.

We support major events; fund tourism promotions; support attractions such as Te Papa; provide venues such as the Wellington Convention Centre; keep the city centre vibrant by providing free weekend parking; provide grants for community projects with economic benefits; and support the Wellington Regional Strategy that guides the work of the regional economic development agency Grow Wellington.

Highlights

- Wellington is New Zealand's events capital.**

The majority of Wellingtonians (70%) regard Wellington as the events capital of New Zealand - compared with 65% in each of the previous two years; and 50% of New Zealanders regard Wellington as the nation's events capital, up from 42% in 2009 and 40% the previous year. This is reinforced by the great successes of the two sell-out AC/DC concerts in January, Peter Jackson's *The Lovely Bones* red carpet premiere, the FIFA world-cup qualifying match between the All Whites and Bahrain, and other regular iconic events such as the New Zealand International Arts Festival, the World of WearableArt show; and the NZI Sevens.

Overall, the 44 events we supported generated \$69 million for Wellington.

The refurbished Carter Observatory also opened in March, adding to the city's range of science based visitor attractions.

- We strengthened our ties with China and other international partners.**

The Council led a delegation to the Shanghai World Expo, our sister cities Beijing and Xiamen, and to our partner city Tianjin. The trips enabled many leaders from Wellington's creative industries to make contacts and, in some cases, forge deals.

- We're counting down to the Rugby World Cup 2011.**

We're working with businesses, local authorities and rugby authorities to ensure the city and its facilities are ready to accommodate the thousands of domestic and international visitors expected to come to Wellington. Soon we'll be starting work on the 'rugby village' that will be developed around the new wharewaka (canoe house) on Taranaki Street Wharf.

What it cost

Activity component	Total annual cost (\$000)	Weekly cost per resident
City promotions, events and attractions	23,418	\$2.30
Business support	1,628	\$0.16
Total Economic Development	25,046	\$2.46

These services are funded through general rates, targeted rates (commercial and the downtown levy), and some user charges.

CULTURAL WELL-BEING

Shaping Wellington's unique cultural identity.

We fund the city's popular art galleries and museums, operate Toi Pōneke Arts Centre, and support the New Zealand International Arts Festival, the St James Theatre and the NZ Symphony Orchestra. We also provide cultural grants, support community events and festivals, and run the City Archives.

Highlights

- **Thirty years of Summer City.**

During the year we celebrated the 30th year of the Summer City festival and supported a wide range of cultural and community arts. We also opened the arts 'hub' at the Toi Pōneke Arts Centre – a 'one stop shop' for arts activity in the city – and established a 10-month artist in residency programme.

- **The revitalised City Gallery opened.**

In September, the expanded City Gallery was reopened with *Mirrored Years*, an exhibition by celebrated Japanese artist Yayoi Kusama, *Make Way*, a major installation by local artist Regan Gentry, and works by Parihaka artist Ngaarina Hohai.

What it cost

Activity component	Total annual cost (\$000)	Weekly cost per resident
Galleries and museums	7,066	\$0.70
Heritage	1,310	\$0.13
Community arts and cultural support	3,484	\$0.34
Arts partnerships	1,947	\$0.19
Total Cultural Well-being	13,807	\$1.36

These services are mainly funded from general rates, and some user charges, targeted rates, and other income.

SOCIAL AND RECREATION

Sustaining strong, safe, healthy communities.

We provide the city's sportsfields, swimming pools, recreation centres, and playgrounds to encourage people to get active. We aim for our libraries to be neighbourhood institutions and bring people together. We provide over 2,300 homes to people whose needs are not met by state housing or the private housing market, fund projects to help homeless people, support community organisations, and provide community centres and halls.

We also work to protect public health and safety through projects such as monitoring the city centre with CCTV and Walkwise officers, control liquor and food sales, regulate public health risks, provide public toilets, and prepare the city for emergencies such as earthquakes.

Challenges include meeting the needs of a population that is ageing and becoming more diverse, as well as maintaining the city's existing strengths such as safety, strong communities, open and tolerant attitudes and high quality of life.

Highlights

- **We continued our programme to weatherproof winter sports.**

A full-size artificial pitch was installed at the Wellington Show Grounds, adjacent to Rugby League Park and we are planning to build five more artificial pitches in the coming years. The Indoor Community Sports Centre was also progressed.

- **We invested in recreation facilities.**

We installed a new play area at Kentwood Drive in Woodridge, and upgraded or refurbished play equipment in eight other centres. We also adopted the Community Facilities Policy. It outlines future council investment in community facilities such as pools, recreation centres, libraries, and community centres and halls.

- **Most residents continue to feel safe in the city during the day and at night.**

The city's crime rate fell during the year, and we completed safety improvements along Courtenay Place – including the installation of CCTV, increased monitoring by city safety officers, and improved lighting to ensure public places are well lit.

- **We provided homes for more than 4,000 people. These homes are being upgraded to make them warmer and healthier to live in.**

We completed the upgrade of Newtown's Te Ara Hou flats, and started upgrading Hanson Court. Plans were developed for future upgrades of Regent Park (Newtown), Central Park (Te Aro) and Marshall Court (Miramar).

What it cost

Activity component	Total annual cost (\$000)	Weekly cost per resident
Libraries	21,539	\$2.12
Recreation promotion and access	1,660	\$0.16
Recreation services	25,702	\$2.53
Public health and safety	11,510	\$1.13
Housing	17,061	\$1.68
Community participation and support	8,296	\$0.82
Total Social and Recreation	85,768	\$8.44

These services are mainly funded from general rates, and some user fees and targeted rates. The housing upgrade is funded by Central Government.

URBAN DEVELOPMENT

Preserving Wellington as a compact, vibrant, and attractive city

Our urban development work includes enhancing the waterfront and city and suburban centres, developing public spaces such as urban parks and squares, managing heritage sites, assessing and issuing building and resource consents, ensuring earthquake-prone buildings are strengthened, and planning for the city's future growth and development.

The key challenge we face is to manage growth in ways that are sustainable and retain the city's special character.

Highlights

- We adopted a Centres Policy.**
 The policy provides a framework to guide development of Wellington's City Centres.
 Implementation of the Adelaide Road Framework also got underway, including public space and streetscape improvements on Drummond Street.
- We agreed our approach to the leaky homes issue.**
 We agreed in principle to participate in the Government's Financial Assistance Package for Leaky Buildings. A final decision on our participation will be made in 2010/11.
- We made it easier to apply for Land Information Memorandums (LIMs).**
 We have seen a 33% increase in the number of LIMs issued since online applications were introduced.
- We earthquake strengthened our buildings**
 Earthquake strengthening work on the Chest Hospital and City Gallery were completed during the year, and strengthening of the Embassy Theatre got under way. We also assessed 515 potential earthquake prone buildings and issued 131 notifications.

What it cost

Activity component	Total annual cost (\$000)	Weekly cost per resident
Urban planning and policy	2,271	\$0.22
Building control and facilitation	10,685	\$1.05
Development control and facilitation	5,417	\$0.53
Earthquake risk mitigation	563	\$0.06
Public spaces development	9,890	\$0.97
Total Urban Development	28,826	\$2.84

These services are funded mainly from general rates, and some user charges.

TRANSPORT

Delivering an efficient and safe transport system that connects people and places.

We look after 670km of streets and roads, as well as footpaths, cycle lanes, traffic signals, car parks and so on. We also support public transport through bus priority measures such as bus lanes, letting buses go first at traffic lights, and providing bus shelters; work suburb by suburb to improve road safety; and plan to ensure the city's transport network meets future needs.

The key challenges we face are to deal with congestion and support healthy, sustainable alternatives to the private car.

Highlights

- Road safety has improved in recent years.**
 The number of road crashes has considerably declined, from 521 in 2007/08 to 433 in 2009/10, while the number of serious crashes has significantly dropped from 89 to 53 over the same period.
 We introduced a clearway along Thorndon Quay to improve safety for cyclists, installed speed cushions on Breaker Bay Road, and lowered speed limits in Aro Street and Tinakori Road. We also installed new traffic lights and speed humps in Newtown as part of an ongoing road safety project.
- Most residents find the city easy to get around.**
 In our 2010 Residents' Satisfaction Survey, 80% said the transport system allows easy access from the suburbs to the city (compared with 80% in 2009 and 75% in 2008). The majority of residents (94%) feel the city is easy or very easy to walk around.
- The Council made a decision in December 2009 to open Manners Mall to buses.**
 Opening Manners Mall to buses will provide a quicker, more direct bus route through the central city. As part of the plan, lower Cuba Street will become a shared space, improving pedestrian links to Civic Square and the waterfront.

What it cost

Activity component	Total annual cost (\$000)	Weekly cost per resident
Transport planning	834	\$0.08
Transport networks	35,727	\$3.51
Car parking	11,038	\$1.09
Total Transport	47,599	\$4.68

These services are funded by general rates, other income and user charges.

Financial Summary

During the year, we continued to manage the city's finances prudently on behalf of the people of Wellington.

The following pages provide an overview of the Council and Group's¹ financial performance for the year to 30 June 2010.

Overall results – at a glance

The net surplus is calculated using the formula:

- Total income – total expenses = net surplus.

The Council has recorded a net surplus for the year of \$30.3 million. The underlying surplus is \$1.5 million.

The Council budgeted for a surplus of \$24.1 million in the 2009/10 long term plan. The majority of the reported surplus represents funding received from third parties for capital purposes. As this income is received for specific capital projects, it cannot be used to reduce rates.

Key facts at a glance

PEOPLE

Number of ratepayers: 74,372

Number of residents: 195,500

NUMBERS

Total assets: \$6,325.8 million

Total liabilities: \$392.6 million

Total income: \$398.6 million

Total expenses: \$368.3 million

Summary Statement of Comprehensive Financial Performance

	COUNCIL			GROUP	
	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000	ACTUAL 2010 \$000	ACTUAL 2009 \$000
Total income	398,589	366,189	369,566	401,434	379,138
Total expense (excluding finance expense)	(349,849)	(320,170)	(331,238)	(368,188)	(348,925)
Finance expense	(18,410)	(21,891)	(22,271)	(18,467)	(22,337)
TOTAL OPERATING SURPLUS	30,330	24,128	16,057	14,779	7,876
Share of equity accounted surplus from associates	-	-	-	8,783	8,092
NET SURPLUS BEFORE TAXATION	30,330	24,128	16,057	23,562	15,968
Income tax expense	-	-	-	(17)	-
NET SURPLUS FOR THE YEAR	30,330	24,128	16,057	23,545	15,968
Other comprehensive income					
Revaluations	(234)	-	80,427	(234)	80,427
Cash flow hedges	(5,326)	-	(2,196)	(5,326)	(2,196)
Fair value through other comprehensive income	1,080	-	-	1,080	-
Share of other comprehensive income of associates	-	-	-	1,461	13,954
TOTAL OTHER COMPREHENSIVE INCOME	(4,480)	-	78,231	(3,019)	92,185
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	25,850	24,128	94,288	20,526	108,153

1. The 'Council' column includes Wellington City Council, Wellington Waterfront Project and the joint ventures with Porirua City Council. The Group covers the 'Council' and its interests in associate and subsidiary entities, including the Wellington International Airport Limited and Council Controlled Organisations such as St James Theatre Trust and Capacity.

UNDERSTANDING THE COUNCIL'S UNDERLYING RESULT FOR THE YEAR ENDED 30 JUNE 2010

The financial performance outlined below shows an underlying surplus of \$1.5 million versus the budgeted surplus for the year after the exclusion of fair value movements and other items that cannot be used to fund operating expenditure. There were two items which have had a significant impact on the underlying surplus for the year.

The first item was the \$14.2 million increase in the Council's provision for non-weather-tight homes. The social, economic and health costs of non-weather-tight homes are affecting a number of home owners and their families across the country and have had an effect on our financial results for the year. The Council is actively working with the Crown to address non-weather-tight homes with the introduction of the Government's financial assistance package.

The second item was the receipt of two years of dividends from Wellington International Airport Limited. Total dividends received in the year were \$15.4 million compared with a budget of \$5.3 million which served to significantly reduce the impact of the increase in the provision for non-weather-tight homes on the reported result.

We also continued to manage our costs within budgeted levels and make savings in areas such as interest costs, despite increasing financial pressures.

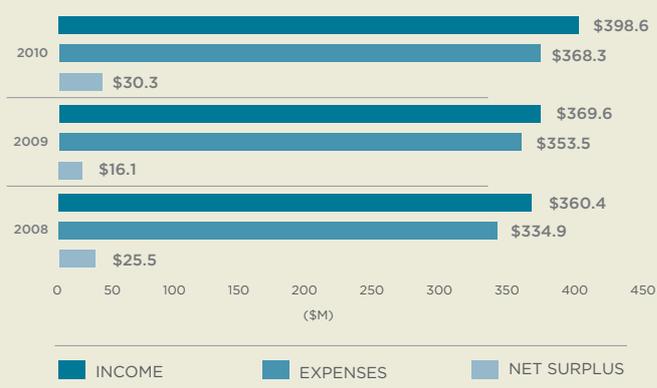
	\$M
REPORTED COUNCIL SURPLUS	30.3
Adjusted by:	
Fair Value movements	6.5
Expenditure from Wellington Waterfront Project and joint ventures	2.3
Additional expenditure not funded under section 100 of LGA	1.7
Vested assets	(15.2)
Adjusted surplus	25.6
Council budgeted surplus	24.1
UNDERLYING SURPLUS	1.5

Fair value movements - These amounts are non-cash, and reflect changes in the fair value of our investment properties, loans to related parties and interest rate swaps. These fair value movements are non-cash in nature, but are recognised in our Statement of Comprehensive Financial Performance.

Additional expenditure not funded under section 100 of Local Government Act 2002 - Certain depreciation charges are not funded through rates as they are either fully or partially funded by external parties.

Vested assets - Vested assets are those assets transferred to the Council from a third party and are recognised as income. The majority of the \$15.2 million in vested assets represents the fair value of infrastructural assets such as roading, drainage, water and waste assets that have been constructed by developers and transferred to the Council on completion. It also includes the transfer of the Carter Observatory assets to the Council during the year from the Crown.

The Council's income and expenses - three year trends - \$M



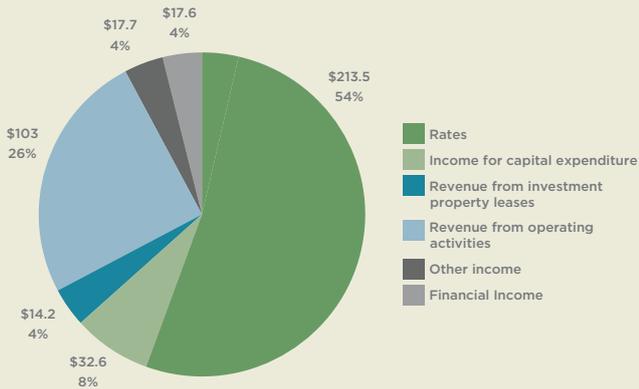
	2008 (\$M)	2009 (\$M)	2010 (\$M)
Income	360.4	369.6	398.6
Expenses	(334.9)	(353.5)	(368.3)
NET SURPLUS	25.5	16.1	30.3

INCOME

We received \$398.6 million of income from a variety of sources.

The following graph shows the various sources of the Council's income of \$398.6 million during 2009/10. While rates continue to be the main source of funding, the Council also received income from a number of other sources including funding for capital expenditure as well as fees and user charges. The breakdown is as follows:

The Council's sources of income - \$M

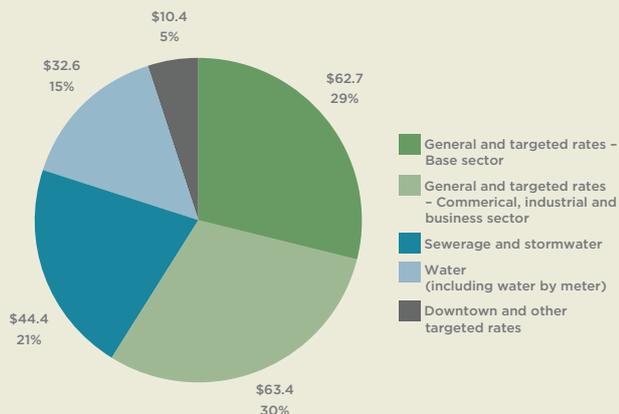


The proportion of total rates that are paid by the commercial and non-commercial sectors is 48% and 52% respectively.

We received \$213.5 million of our income from rates.

The Council receives income from general rates, and from a range of targeted rates including water, stormwater and sewerage rates. The breakdown of rate sources is outlined below.

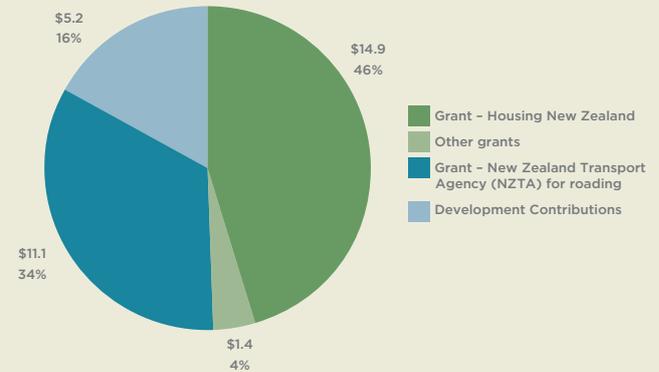
The Council's sources of rates income - \$M



\$32.6 million of the income we received was for funding of capital expenditure and so cannot be used to reduce rates.

The following graph shows where we received our capital funding from. We record this amount as income even though it is not used to fund operating activities.

The Council's sources of income for capital expenditure - \$M

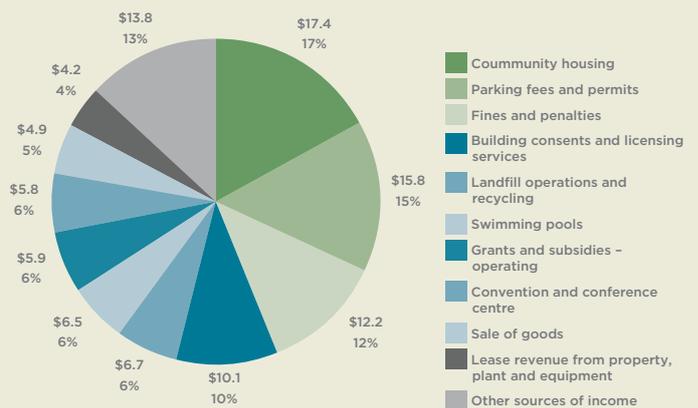


The grant from Housing New Zealand provides financial assistance over an investment period of 10 years to assist with the upgrade of the Council's housing portfolio.

The income from the New Zealand Transport Agency is used to help fund capital expenditure on the Council's road corridor, which includes roads, footpaths and streetlights.

Revenue from operating activities of \$103.3 million was sourced mainly from fees and user charges as listed below.

The Council's sources of revenue from operating activities - \$M

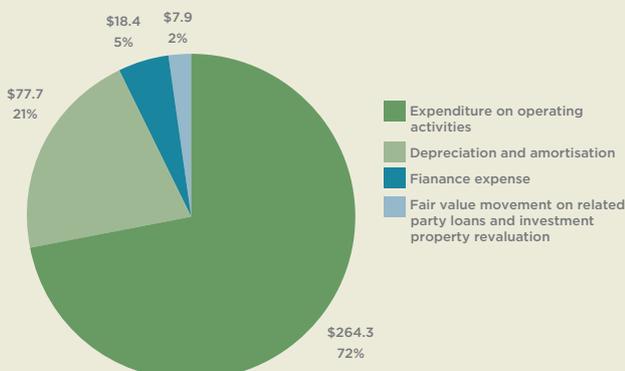


EXPENDITURE - WHAT WE SPENT

The Council's total expenditure during the year was **\$368.3 million**.

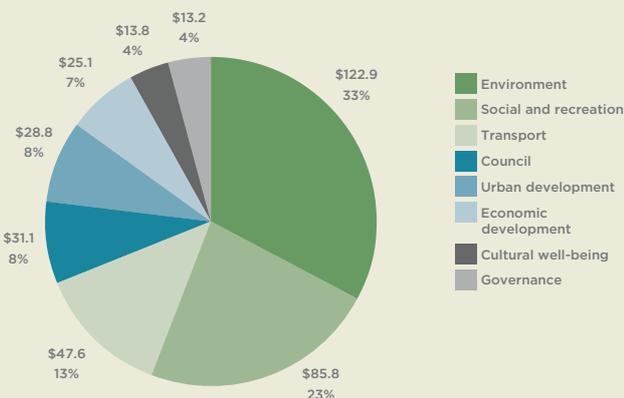
The following graph shows where the money was spent.

The Council's operational expenditure - \$M



Below is a breakdown of our operational expenditure by strategic area.

Breakdown of our operational expenditure by strategy - \$M



The biggest areas of operational expenditure are the environment, social and recreation services, and transport.

DECIDING WHO PAYS

When we're deciding how to fund an activity (whether to use rates, user charges, or other sources of income), we consider:

- **community outcomes** (i.e. aspirations for the city) – that the activity contributes to
- **who benefits** – individuals, identifiable parts of the community, or the community as a whole

- the **timeframe** in which the benefit occurs – for example, an asset that lasts for several generations will generally be funded through borrowing and depreciation so that everyone who benefits, present and future, contributes.

Our Revenue and Financing Policy sets out how each Council activity will be funded, based on these criteria. The policy is available on our website www.Wellington.govt.nz.

BREAKDOWN OF HOW WE FUNDED OUR EXPENDITURE THIS YEAR

The table below outlines how we funded our expenditure this year. The total operating expenditure to be funded of \$347.2 million excludes the items in total operating expenditure that do not require funding.

	\$M
TOTAL OPERATING EXPENDITURE	368.3
Exclude	
City housing ring-fenced surplus	1.5
Expenditure not funded under section 100 of LGA ¹	
NZTA Transport funded projects	(7.5)
Clearwater sewerage treatment plant	(4.6)
Expenditure from Wellington Waterfront Project and joint ventures	(2.3)
Fair value movements	(8.2)
TOTAL OPERATING EXPENDITURE TO BE FUNDED	347.2
Funded by	
Rates	
General rates	116.6
Targeted rates	97.0
User charges and other income	
Revenue from operating activities	97.1
Grants and subsidies	5.9
Revenue from investment property leases	14.2
Other income	2.1
Finance income	15.8
TOTAL SOURCES OF FUNDING	348.7
UNDERLYING SURPLUS	1.5

¹ The Council does not fund the depreciation on these assets because either:

- the replacement of the asset at the end of its useful life will be funded by a third party;
- a third party has a contractual obligation to either maintain the service potential of the assets throughout all or part of its useful life (or to replace the asset at the end of its useful life) and the Council already effectively funds this through operating grants/tariffs payable to a third party.

The total sources of funding of \$348.7 million above excludes income received for capital expenditure, vested assets income and other non-cash items which have been reported within income in the Statement of Comprehensive Financial Performance but which cannot be used to fund operating expenditure.

FINANCIAL POSITION

The Council's total net worth at the end of the financial year was \$5,933.2 million – a \$25.9 million improvement from 2008/09.

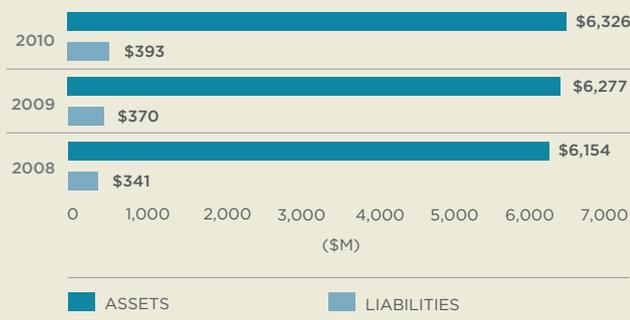
The Summary Statement of Financial Position shows what we own (our assets), what we owe (our liabilities) and our net worth (represented by net assets).

Summary Statement of Financial Position

	COUNCIL			GROUP	
	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000	ACTUAL 2010 \$000	ACTUAL 2009 \$000
Current assets	58,778	37,040	54,846	64,392	60,492
Non-current assets	6,267,043	6,273,726	6,222,247	6,421,308	6,382,552
TOTAL ASSETS	6,325,821	6,310,766	6,277,093	6,485,700	6,443,044
Current liabilities	175,726	176,759	163,875	180,002	168,811
Non-current liabilities	216,897	240,079	205,870	217,598	206,659
TOTAL LIABILITIES	392,623	416,838	369,745	397,600	375,470
TOTAL EQUITY/ NET ASSETS	5,933,198	5,893,928	5,907,348	6,088,100	6,067,574

Variances to budget primarily reflect lower borrowings as a result of changes in timing of the Council's capital expenditure programme as well as increased current assets due to properties - in the process of being sold - classified as current assets.

Further information in respect of key Statement of Financial Position balances is outlined below.



OUR ASSETS - WHAT WE OWN

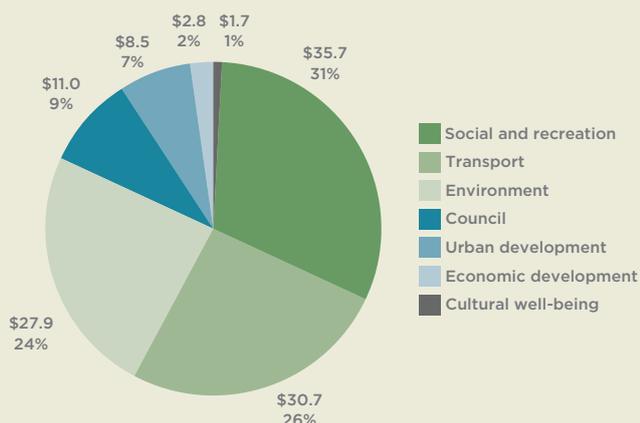
Our major assets include:

- Property, Plant and Equipment (including land, buildings, drainage, waste and water assets) – \$6,012.8 million.
- Investment Properties – \$213.1 million
- Other assets – \$99.9 million.

The increase in the Council's assets is mainly due to the \$118.2 million we spent purchasing, constructing and developing assets around the city (e.g. parks, stormwater pipes and roads). Below is a breakdown of our capital expenditure by strategic area.



Breakdown of capital expenditure by strategy - \$M



For more information on the work that we have completed, see “Our Activities at a Glance”.

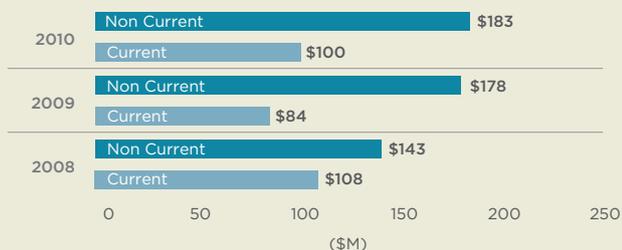
OUR LIABILITIES - WHAT WE OWE

The major components of our liabilities include:

- Borrowings \$283.2 million
- Trade and other payables \$49.7 million
- Other liabilities \$59.7 million.

The Council’s gross borrowings have increased by \$20.1 million to \$283.2 million as at 30 June 2010.

Our borrowings position - three year trend - \$M



The increase in the Council’s total level of borrowings reflects the utilisation of funds to complete the 2009/10 capital expenditure programme.

The Council borrows to fund the purchase or construction of new assets or upgrades to existing assets that are approved through the Annual Plan

process. This included completing the extension of the City Gallery and beginning construction of the Indoor Community Sport Centre.

The Council has managed its debt well by meeting all of the core policy compliance requirements set out in the Council’s Investment and Liability Management Policy.

PRUDENTIAL LIMITS	POLICY LIMIT	ACTUAL	COMPLIANCE
Borrowings as a % of equity	<10%	5%	Yes
Borrowings as a % of income	<150%	71%	Yes
Net interest as a % of annual rates income	<15%	8%	Yes

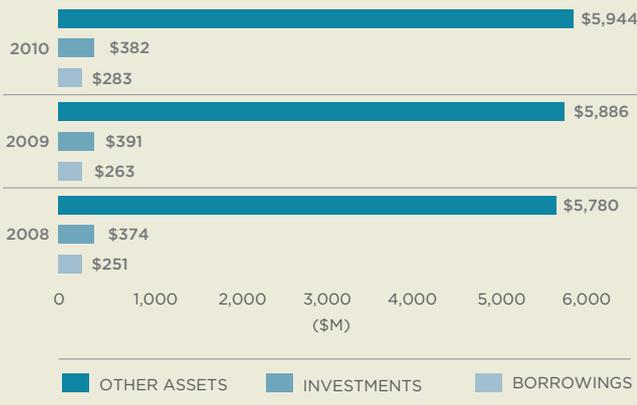
The Council has hedged itself against the unexpected increases in interest rates by ensuring that a large portion of the debt is at fixed interest rates. Currently 81% of the total debt is effectively at fixed rates. The table below shows the amount of borrowings hedged against changes in interest rates by maturity.

INTEREST RATE RISK CONTROL LIMITS (INTEREST RATE EXPOSURE)	POLICY LIMIT	ACTUAL	COMPLIANCE
1-3 year bucket	20%-60%	21%	Yes
3-5 year bucket	20%-60%	24%	Yes
5-10 year bucket	20%-60%	55%	Yes

The Council manages its liquidity risk by spreading the maturity of debt by ensuring we have unused facilities available to fund future spending and by ensuring the maturity of our borrowings is well spread. There are \$77 million of unused facilities available at 30 June 2010 to cover future spending requirements and ensure the Council has adequate access to funds at all times. The table below shows the maturity profile of our total facilities.

LIQUIDITY/FUNDING RISK (ACCESS TO FUNDS)	POLICY LIMIT	ACTUAL	COMPLIANCE
Liquidity/funding risk (access to funds)	>110%	110%	Yes
0-3 year bucket	20%-60%	56%	Yes
3-5 year bucket	20%-60%	24%	Yes
5-10 year bucket	15%-60%	20%	Yes

The Council continues to maintain a strong investment position when compared to the level of borrowings.



The Council’s investments include cash and cash equivalents, investment properties, our share of the net assets of our associates (including Wellington International Airport) as well as our other financial assets.

Key investment highlights during the year include:

- We received \$15.4 million in dividends from our investment in Wellington International Airport Limited.
- We received \$14.2 million from the lease of our investment properties.

CASH FLOWS

The Summary Statement of Cash Flows shows how we generated and used cash during the year.

Summary Statement of Cash Flows

	COUNCIL			GROUP	
	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000	ACTUAL 2010 \$000	ACTUAL 2009 \$000
Net cash flows from operating activities	101,140	113,600	98,888	101,605	107,907
Net cash flows from investing activities	(107,077)	(137,876)	(90,263)	(107,616)	(98,072)
Net cash flows from financing activities	4,341	24,276	(6,987)	4,061	(7,173)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(1,596)	-	1,638	(1,950)	2,662

Our operating activities generate cash inflows and the primary source is from rates and user charges. Most of the net cash inflows from these operating activities together with new borrowings (financing activities) are used to purchase and develop assets around the City (investing activities).

EQUITY

The Summary Statement of Changes in Equity shows what the community owns minus what the community owes.

Equity is represented by the Council's net worth, that is 'what we own' (total assets of \$6,325.8 million) minus 'what we owe' (total liabilities of \$392.6 million). Equity as at 30 June 2010 was \$5,933.2 million, an increase of \$25.9 million since last year.

Summary Statement of changes in Equity

	COUNCIL			GROUP	
	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000	ACTUAL 2010 \$000	ACTUAL 2009 \$000
EQUITY AT THE BEGINNING OF THE YEAR	5,907,348	5,869,800	5,813,060	6,067,574	5,959,421
Net surplus for the Year	30,330	24,128	16,057	23,545	15,968
Other comprehensive income	(4,480)	-	78,231	(3,019)	92,185
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	25,850	24,128	94,288	20,526	108,153
EQUITY AT THE END OF THE YEAR	5,933,198	5,893,928	5,907,348	6,088,100	6,067,574
Comprising:					
Accumulated funds and retained earnings	4,801,720	4,794,070	4,769,715	4,880,421	4,855,281
Revaluation reserves	1,117,615	1,075,322	1,118,338	1,194,025	1,194,748
Hedging reserve	(4,465)	3,057	861	(7,120)	(3,255)
Fair value through other comprehensive income reserve	1,080	-	-	1,080	-
Restricted funds	17,248	21,479	18,434	19,694	20,800
EQUITY AT THE END OF THE YEAR	5,933,198	5,893,928	5,907,348	6,088,100	6,067,574

SUMMARY PER RESIDENT

This table shows a simple 'per resident' calculation using asset, liability, equity and gross operating costs divided by the total estimated number of Wellington residents.

	2008	2009	2010
Number of Residents ¹	190,500	192,500	195,500
Assets	\$32,305	\$32,608	\$32,357
Liabilities	\$1,790	\$1,921	\$2,008
Equity	\$30,515	\$30,688	\$30,349
Operating Costs	\$1,758	\$1,836	\$1,884

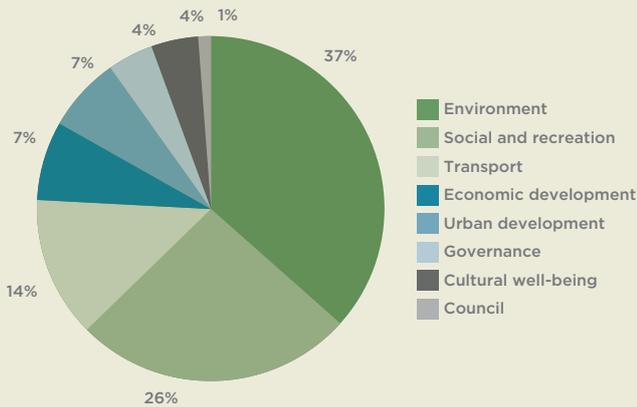
¹ Based on Statistics NZ estimate: 195,500.

LOOKING FORWARD

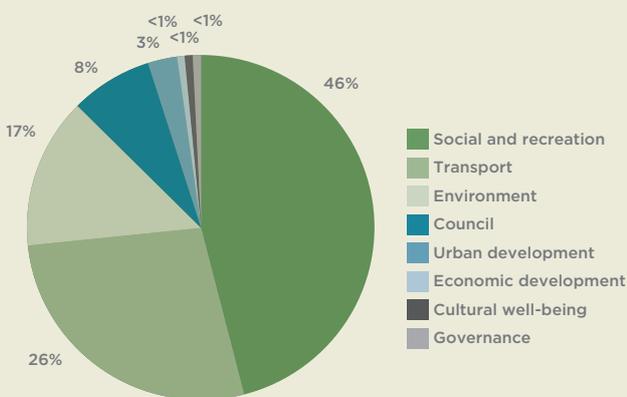
The Council's financial results for the year ended 30 June 2010 reflect the delivery of high quality, cost-effective services and products to Wellington's residents.

The 2010/11 Annual Plan sets out the Council's planned operating and capital expenditure programmes for 2010/11. The following graphs highlight the Council's spending plans for the 2010/11 financial year.

Forecast operating expenditure by strategy 2010/11



Forecast capital expenditure by strategy 2010/11



GLOSSARY OF TERMS AND DEFINITIONS

Amortisation/Depreciation - an expense charged each year to reflect the estimated cost of using our assets over their lives. Amortisation relates to 'intangible' assets such as software (as distinct from physical assets, which are covered by the term depreciation).

Associates - are entities that the Council owns a share of but does not control. Our share of the associates' surplus/ deficit and net assets is recorded in the Group financial statements. The Council's associates are Basin Reserve Trust (50%), Capacity (62.5%), Chaffers Marina Holding Ltd (14.7%), Wellington International Airport Limited (34%) and Wellington Regional Stadium Trust (50%).

Cash and Cash Equivalents - includes cash as well as deposits which mature in less than 3 months.

Fair Value - essentially reflects the market value of assets or liabilities.

Investment Properties - these are properties that are primarily held by the Council to earn rental income.

Liquidity/Funding Risk - this is the risk that the Council will not have access to the required funds to meet its present obligations.

Prudential Limits - these are limits applied to the level of borrowings to ensure we are managing the Council's assets and liabilities prudently. These limits are outlined in the Investment and Liability Policy in the Long Term Council Community Plan.

Ring-fenced - funds that can only be used for a specific purpose.

Vested Assets - assets that are created by others and passed into Council ownership (i.e. roads built by a developer as part of a subdivision).

Our performance

An important part of our planning and reporting process is to identify indicators that show progress in key areas. Our Outcome Indicators are things that we can influence but not control, and provide a high level outline of the 'state of the city.' Our Activity Performance Indicators measure things that we have a high degree of control over for example the timeframes for delivering work.

Some of this information is gathered internally, from residents' surveys and our business units, but also from external sources such as Statistics New Zealand. We consider outcome trends to be improving or declining if it has varied by +/-5% from the previous year. We provide a selection of our Outcome Indicators below, along with a summary of our performance in each strategy.

GOVERNANCE

Our Outcome Indicators	Assessment
Residents' perceptions of their influence on Council decision-making	Stable (65%)
Residents' rating of agreement that decisions are made in the best interests of the city	Stable (61%)
Residents' perceptions that they understand how the Council makes decisions	Improving (51%)

Activity Performance: We achieved the majority of our targets. The proportion of committee agendas made publicly available five days before meetings was below target; however it was a nine point improvement on last year. The Local Government Official Information and Meetings act 1987 requires us to make all agendas available two days before meetings. We have set a higher standard for ourselves by aiming for five days.

ENVIRONMENT

Our Outcome Indicators	Assessment
Hours worked by recognised environmental volunteer groups.	Improving (25,000 hours)
Residents' actions to reduce waste from homes (including recycling, composting etc)	Stable (varies with action)
Residents' usage of the city's open spaces	Declining (residents' not using open spaces increased to 31%)
Key Wellington natural environment attractions visitor numbers (Wellington Zoo, Zealandia)	Stable (245,340)
Air quality - particulate matter	Improving (Maximum = 31; Mean (annual) = 13)
Fresh water quality	Stable (Fair quality)
Bird counts - selected bird species	Stable (varies with species)

Activity Performance: We achieved the majority of our targets. There were a higher number of complaints relating to water quality due to the chemical treatment of algae in the Te Maura lakes. There were more algae than usually experienced, but at no point did the water quality drop below national drinking standards.

Owhiro Bay was closed three times, including for an extended period between February and April, after bacteria counts exceeded safe levels. Extensive investigation revealed a number of illegal connections, and broken sections in wastewater and stormwater pipes. Pipes were fixed and the beach was reopened.

ECONOMIC DEVELOPMENT

Our Outcome Indicators	Assessment
A-level events held in the city, and their economic contribution	Declining (9 events, \$34.8m)
Number of domestic and international visitors entering Wellington Airport	International - Improving (626,365) Domestic - stable (4.5m)
Number of people undertaking industry training (Wellington City)	Declining (5,697)
Employees engaged in the research and development sector	Improving (5,050)
Number of major conferences	Declining (647)
Broadband usage - home access	Improving (86%)

Activity Performance: We achieved the majority of our targets. There was a reduction in the number of attendees to Council-supported events due to weather. There were fewer events at the Convention Centre and occupancy was down on last year due to the economic environment.

CULTURAL WELL-BEING

Our Outcome Indicators	Assessment
New Zealanders' and Wellingtonians' perceptions that 'Wellington is the arts capital of New Zealand'	NZ: Improving (68%); Wgtn: Stable (81%)
New Zealanders' and Wellingtonians' perceptions that 'Wellington has a culturally rich and diverse arts scene'	Stable (NZ: 85%; Wgtn: 94%)
Residents' perceptions that Wellington's local identity (sense of place) is appropriately valued and protected.	Stable (81%)
Number of national arts organisations, professional and amateur theatre groups based in Wellington	Stable (23,4,5)
Percentage of businesses and employees engaged in the arts and cultural sector	Businesses: Stable (1.99%); Employees: Declining (1.51%)

Activity Performance: We achieved the majority of our targets. We fell slightly short of our target for casual room occupancy at Toi Pōneke Arts Centre. The establishment of the arts hub meant that some casual rooms were unavailable. We exceeded our occupancy targets for studios and tenancies.

SOCIAL AND RECREATION

Our outcome indicators	Assessment
Residents' perceptions that Wellington offers a wide range of recreation activities	Stable (91%)
Residents' perceptions that they feel a sense of community with others in their local neighbourhood.	Declining (51%)
Residents' usage of Council community and recreational facilities.	Stable (varies by facility)
Number of notifications of the most prevalent food and water-borne diseases	Improving trend (fewer notifications - 291)
Crime - number and resolution rate	Stable (3% fewer crimes reported)

Activity Performance: The majority of performance targets were achieved. There were fewer users of recreation programmes (excluding recreation centres). This was due to the Stepping Out Walking programme and Dance Your Socks Off monthly dance programme now being delivered by external organisations. We will be updating our target in 2011/12.

The number of dog related complaints was higher than the target; however, there were fewer this year compared with 2008/09 and 2007/08.

URBAN DEVELOPMENT

Our outcome indicators	Assessment
Residents' perceptions that Wellington is a great place to live	Stable (94%)
Population density - inner-city residential, suburban residential, along 'Growth Spine' (long-term indicator)	Improving (increasing density in line with our long term objectives)
Residents' perceptions that heritage items contribute to the city's unique character and to their local community's unique character	Stable (91% city; 80% local area)
Value of residential and commercial building consents	Commercial: Stable (\$307.9m) Residential: Declining (\$210.8m)
New Zealanders' perception that Wellington is an attractive destination	Stable (82%)
Residents' rating of their sense of pride in the way the city looks and feels	Stable (86%)

Activity Performance: The majority of performance targets were achieved. We fell slightly short of our target for issuing building consents within 20 working days. This was due to an increased number of consent applications needing to be processed during a peak period.

TRANSPORT

Our Outcome Indicators	Assessment
Residents (%) using buses or walking into the CBD	Buses: Improving (38%) Walking: Stable (16%)
Road crashes	Improving (fewer crashes: 433 total)
Residents' perceptions that the transport system allows easy access from the suburbs to the city	Stable (80%)
Residents' perceptions that the peak traffic volumes are acceptable	Stable (66%)

Activity Performance: The majority of our performance targets were achieved. We fell short of our cycleway user satisfaction target (maintenance and safety). We have introduced a clearway along Thorndon Quay during peak travel times to improve cyclist safety along this key arterial road into the city.

This summary report, which has been extracted from our 2009/10 Annual Report cannot be expected to provide as complete an understanding of Council's activities as the full document. Copies of the Annual Report 2009/10 are available at the Council Offices, 101 Wakefield St, Wellington or at www.Wellington.govt.nz. The Annual Report, which was adopted on 25 August 2010, contains detailed information about our finances and service performance. Audit NZ has audited the full Annual Report and issued an unqualified opinion. This summary has been prepared in accordance with FRS-43 and examined by Audit NZ for consistency with the full Annual Report.

Wellington City Council is a public benefit entity for financial reporting purposes. The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (GAAP) and comply with New Zealand equivalents to IFRS and other applicable Financial Reporting Standards, as appropriate for public benefit entities. The financial statements include a Statement of Compliance to this effect. The financial statements are denominated in New Zealand Dollars.

Audit Report

To the readers of Wellington City Council and group's summary annual financial statements, service provision information and the other requirements for the year ended 30 June 2010.

We have audited the summary financial statements, service provision information and the other requirements of Schedule 10 of the Local Government Act 2002 as set out in pages 2 to 18.

UNQUALIFIED OPINION

In our opinion:

- the summary financial statements, service provision information and the other requirements represent, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the information reported in the summary financial statements, service provision information, and the other requirements complies with FRS-43: Summary Financial Statements and is consistent with the full financial statements, service provision information, and the other requirements from which they are derived.

We expressed an unqualified audit opinion, in our report dated 25 August 2010, on:

- the full financial statements;
- the service provision information; and
- the Council and group's compliance with the other requirements of Schedule 10 of the Local Government Act 2002 that are applicable to the annual report.

BASIS OF OPINION

Our audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards. During the year we undertook a review of the Clifton Terrace Carpark managed by the Council on behalf of the New Zealand Transport Agency. Other than the audit, the review of the Clifton Terrace Carpark and the audit of the long-term community plan, we have no relationship with or interests in the Council or any of its subsidiaries.

RESPONSIBILITIES OF THE COUNCIL AND THE AUDITOR

The Council is responsible for preparing the summary financial statements, service provision information and the other requirements of Schedule 10 of the Local Government Act 2002 and we are responsible for expressing an opinion on those summary financial statements, service provision information and the other requirements of Schedule 10 of the Local Government Act 2002. These responsibilities arise from the Local Government Act 2002.



Andy Burns
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand
22 September 2010