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# Wellington City Council 2015/16 Summary Annual Report

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## Welcome to our summary of the 2015/16 Annual Report

Every year all local authorities are required to present to their community an annual report that includes a set of audited financial statements.

Our strategic vision is straightforward: to grow and promote Wellington as an inclusive, diverse, smart capital where talent wants to live and in the past year Wellington City Council has helped deliver on this vision.

We worked with our partners to deliver on the diverse key aspects of our Long-term plan - from promoting economic growth and securing Wellington's membership in the 100 Resilient Cities programme to our commitment to end homelessness and provide affordable housing to our communities in need.



CELIA WADE-BROWN  
Mayor

07 October 2016



KEVIN LAVERY  
Chief Executive

07 October 2016



ANDY MATTHEWS  
Chief Financial Officer

07 October 2016

***We are a great city - A place  
where people from all walks  
of life want to come and work,  
play and live.***

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## Who we are

Wellington City Council is a local authority established under the Local Government Act 2002 to carry out specific legislative functions. Our overall objective is working to make sure Wellington is a great place to live, work, play and visit.

We work to achieve this through the collective effort of our 15 elected representatives - the Mayor and 14 Councillors, our staff and our partners - all working together for our residents and ratepayers.

The Mayor, Celia Wade-Brown and Councillors' role is 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 to and take the pulse of our community before making decisions.

Our elected representatives are supported by our Chief Executive, Kevin Lavery, and more than 1500 staff who provide advice, implement Council decisions and look after the city's day-to-day operations.

We have 77,271 ratepayers and an estimated 205,199 residents and they contribute to the funding of our activities through property rates and user fees.

### **OUR CORE SERVICES AND VALUE-ADDING ACTIVITIES**

We carry out a combination of core services and value-adding activities. Our core infrastructure and regulatory services and functions include:

- Water, wastewater, stormwater and transport network infrastructure
- Waste collection and reduction
- Urban planning and building regulation
- Public health and safety

We also provide our residents and ratepayers with a number of important services such as libraries, museums, nature reserves, and other recreational facilities and community amenities.

Our value-adding activities are things we do in addition to delivering the basics well. These often include initiatives that we undertake with our partners. Their purpose is to strengthen the diversity and resilience of Wellington's economy, enhance Wellingtonians' quality of life and encourage our communities to participate in social, recreational and arts and cultural activities.

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## Our performance story

Our performance story explains the relationships between what we do, why we do it, and how we do it.



The “why” is simply our strategic framework - our vision and outcomes. Our vision is simple - grow and sustain Wellington City as ‘an inclusive, diverse and smart capital where talent wants to live, set in a flourishing natural environment’. Our four desired outcomes that will create long-term positive change for our community are:

- Connected-city
- People-centred city
- Eco-city
- Dynamic-city

The following activities are the “what” of our business and are outlined in our long-term plan 2015-25 (LTP) and include the following:

- **Governance** - delivering trust and confidence in decision-making
- **Environment** - protecting and enhancing Wellington’s environment
- **Economic development** - promoting the city’s competitive advantages in order to enhance quality of life
- **Cultural wellbeing** - reflecting and shaping Wellington’s unique cultural identity
- **Urban development** - preserving Wellington as a compact, vibrant and attractive city, now and into the future

- **Social and recreation** - sustaining safe, resilient and healthy communities
- **Transport** - delivering an efficient and safe transport system that connects people and places

We carry out these activities in the context of the objectives in our LTP:

- “Investing to grow” through establishing a programme of major projects that grow the economy and deliver returns on investment
- Investing to maintain and improve existing services, including making infrastructure more resilient and the city’s transport system more efficient
- Increasing the use of existing assets rather than spending on new infrastructure
- Improving asset management practices to better manage risk and the timing of asset replacement
- Achieving ongoing efficiencies from shared services and improved customer experiences

The way we work as an organisation to achieve our activities is the “how”, and includes our people, stakeholders and customers, our systems and processes, our money and our assets.

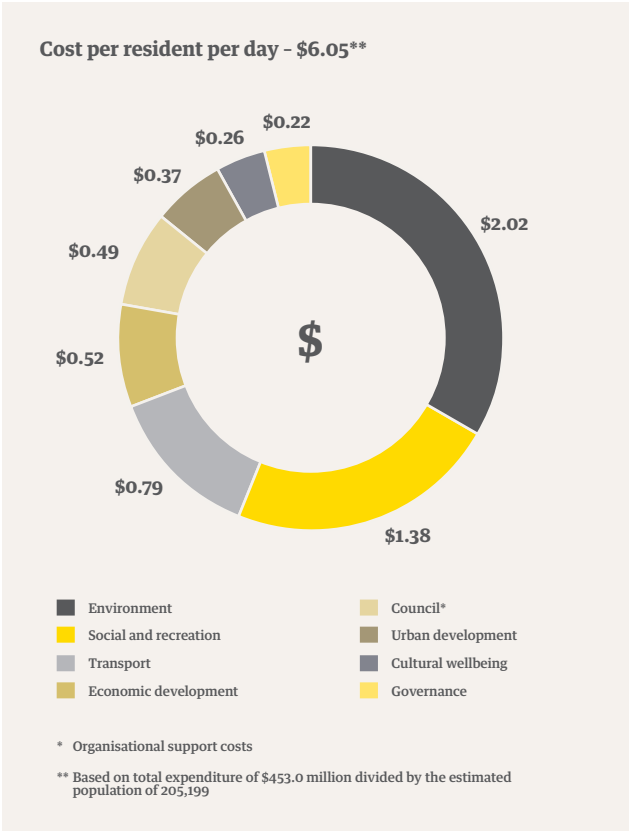
We measure our performance against the “what” activity areas using the performance measures and outcome indicators included in our LTP.

# Our key achievements and challenges

We made good progress on our work programme in year one of our LTP and made no cuts to any of our services. Some of our capital projects were delayed - often for reasons beyond our control. We learnt a lot about the way we work from projects unnecessarily delayed, particularly the proposed Island Bay cycleway network. We are better positioned to prevent similar delays in subsequent years.

Our core business activities were of a high quality and generally received good resident satisfaction ratings. There are areas where we could lift our performance - and we will focus on these activities next year.

Set out below is a detailed description of the services we deliver, for a cost of \$6.05 per resident per day.



# 1

## Governance Pārongo ā-tāone

### OUR KEY ACTIVITIES INCLUDE:

**City governance and engagement:** We provide advice, research and administrative support to elected members and community boards. We host local body elections and undertake accountability planning and reporting functions. We also engage and consult on key issues and have a number of advisory groups who provide advice on our work programme.

**Civic information:** Our Contact Centre and website provides 24/7 access to information, including the ability to log service faults.

**City archives:** We manage archival information in line with relevant legislation.

**Māori and mana whenua partnerships:** We maintain formal relationships and work alongside Māori and mana whenua.

### OUR KEY HIGHLIGHTS AND CHALLENGES INCLUDE:

#### Highlights

- **City archives:** Our new DigiHub provides timely access to all Council electronic information such as old house drawings or site plans
- **Māori and mana whenua:** Mana whenua were 'satisfied' with Council relationships. This is consistent with the result over the last 2 years

#### Challenges




- The percentage of residents satisfied with the level of consultation was the same as last year, but the percentage satisfied with their involvement in decision-making was lower than last year. Similarly, Māori residents' satisfaction with their involvement in the Council decision-making process didn't meet its target

- To better engage with our community so they feel more involved in decision-making and improve access to our information. We will implement our Customer Strategy in 2016/17. We will also put into practice the lessons we learnt when engaging with the community on the Wellington City Urban Cycleways Programme (WCUCP) of which the Island Bay cycleway is a part. We will build on the positive feedback we received on our social housing engagement for which we won International and Australasian awards
- We also didn't meet our target for residents who agree Council information is easy to access although there was a slight improvement from last year. In addition, we didn't meet our target for the percentage of residents who agree our website is easy to use

### WHAT IT COST IN 2015/16

ACTIVITY COMPONENT	TOTAL COST (\$000)	COST PER RESIDENT PER DAY (\$)
Governance, information and engagement	15,974	0.21
Māori and mana whenua relationships	274	0.0036

### GOVERNANCE - OVERALL PERFORMANCE BY NUMBERS

PERFORMANCE*	Total			
Performance measures	10	2	1	6
Outcome indicators	6	1	4	1

\* Some measures are new in the LTP and/or have no target to benchmark against.



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# 2

## Environment Taiao

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### OUR KEY ACTIVITIES INCLUDE:

**Environmental management:** We manage Wellington's gardens, beaches and green open spaces, and protect and restore the city's biodiversity.

**Waste reduction and energy conservation:** We provide waste disposal and recycling services, encourage waste minimisation, and promote energy efficiency and conservation.

**Supply services - the 3 waters:** Through a council-controlled organisation - Wellington Water Ltd - we provide water, waste and stormwater services.

**Conservation attractions:** We support and fund Wellington Zoo and Zealandia.

#### Did you know?

There are 365 kilometres of Council-managed tracks and walkways in our open spaces, we have 99 kilometres of coastline and an average of 2,050 sunshine hours a year. Our great outdoors are accessible, close to the city and full of variety.

### OUR KEY HIGHLIGHTS AND CHALLENGES INCLUDE:

#### Highlights

- **Gardens, beaches and green open spaces:** We had a successful year in our newly-branded Wellington Gardens with well-attended events at both the Botanic Gardens and Otari-Wilton's Bush. We also ran a successful Parks Week and a successful Summer City and Spring Festival
- We invested to maintain and improve existing assets by improving our network of walking tracks and mountain bike facilities

- **Waste:** We commercialised our successful start-up - the Kai to Compost food waste collection service. This means we can better meet the increasing demand for food waste diversion, by extending the collection boundaries to Porirua, Upper Hutt, and beyond. We continued to work with other councils in the region on the Love Food Hate Waste prevention programme that aims to educate households about how to reduce food waste, save money, and have fun at the same time
- There was a significant improvement in the percentage of residents who regularly recycle and we exceeded the target we set for the year. We exceeded our target for the amount of waste diverted from the landfill, but this figure was lower than last year
- **Energy conservation:** We launched the Wellington 2050 Energy Calculator which allows our residents to explore how their energy and transport use shapes our carbon footprint. We also insulated 167 homes through our Warm Up Wellington initiative. Our Low Carbon Challenge brought together innovators to develop initiatives to reduce emissions. Six teams were selected to enter the incubator programme, of which three qualify for match (Like-for-like) funding with us. We also produced a Low Carbon Capital Plan for 2016-2018 - a plan we will implement over the next 3 years
- There has been an increase in our energy use in our swimming pools to reflect the increased size of the Keith Spry Pool and the reopening of Tawa Pool. However, there has been an overall decrease in our corporate energy consumption
- **Water, wastewater and stormwater:** Through Wellington Water Ltd (a CCO) - we continued to maintain and improve existing water, wastewater and stormwater facilities over the year. We continue to fully comply with New Zealand drinking water standards and maintain the water supply quality gradings from the Ministry of Health and maintained resource consent compliance (stormwater)

- The quality of our potable water is monitored for indicators of contamination and chlorinated to reduce the risk. There are procedures in place to ensure the quality of water supplied and to deal with any quality issues. Contractors who work on the network also have quality control procedures to reduce the risk of contamination
- Response times to urgent and non-urgent callouts and customer satisfaction with our water supply and wastewater services have increased and our stormwater activities resulted in an increase in the number of days monitored beaches are suitable for recreation use
- Our wastewater network is of a high quality with few reticulation incidents and our response time was well within our targets. In relation to our response times we received 904 service requests compared to 1,095 last year
- **Conservation attractions:** Visitor numbers at the Zoo and Zealandia continue to grow, with a significant increase in both visitors and education visits to Zealandia

### Challenges




- **Gardens, beaches and green open spaces:** We didn't meet our target for the number of residents who were satisfied with the quality and maintenance of our natural environment. Our performance on this measure was lower than last year and this will be an area of focus in the future
- Another priority will be to continue working with our new partners to make sure we get back on track to plant two million trees by 2020 after our previous partner re-prioritised its strategic activities and departed from the programme. This curtailed the number of trees planted last year
- **Waste:** Our residents' satisfaction with waste collection services was the same as last year but below our target
- **Energy conservation:** Slightly more energy was sourced from the Southern Landfill than last year but this was also below our target. There are many possible reasons for this including a drop in general waste going to landfill, a higher proportion of food waste being diverted from landfill and less rainfall
- We will investigate the reasons why we aren't meeting our resident satisfaction target for the quality of street cleaning as there has been no increase in complaint numbers

- **Water, wastewater and stormwater:** One of our main challenges in 2016/17 will be to better understand and mitigate residents' declining satisfaction with our stormwater services and dry weather wastewater overflows

### WHAT IT COST IN 2015/16

ACTIVITY COMPONENT	TOTAL COST (\$000)	COST PER RESIDENT PER DAY (\$)
Gardens, beaches, and green open spaces	34,609	0.46
Waste reduction and energy conservation	13,661	0.18
Water	38,433	0.51
Wastewater	41,432	0.55
Stormwater	16,936	0.23
Conservation attractions	6,384	0.09

### ENVIRONMENT - OVERALL PERFORMANCE BY NUMBERS

PERFORMANCE*	Total			
Performance measures	<b>39</b>	19	7	6
Outcome indicators	<b>12</b>	8	2	1

\* Some measures are new in the LTP and/or have no target to benchmark against.

# 3

## Economic development Whanaketanga ōhanga

### OUR KEY ACTIVITIES INCLUDE:

**City promotions and business support:** We support major cultural and sporting events around the city - and we worked with our council-controlled organisation WREDA to deliver business sector support and growth.

#### Did you know?

Wellington has a highly educated and skilled workforce, with 38% of residents holding a bachelor degree or higher compared to the rest of New Zealand.

### OUR PERFORMANCE, KEY HIGHLIGHTS AND CHALLENGES INCLUDE:

#### Highlights




- **Council-supported events:** We supported a number of major events that included the New Zealand Festival (395 performances and seven world premieres), Beervana, Wellington on a Plate, the World of WearableArts, Elton John, Royal Edinburgh Military Tattoo, the Super Rugby final, the All Blacks tests against Wales and Australia, and the ICC Cricket World Cup
- We continued to support arts and cultural activities, and supported Te Papa during its most successful year with 1,784,939 visitors attending
- **Our investments in economic development:** Commercial guest nights in the city's hotels were strong and over the last year logins into our CBD Free wifi increased by 161%
- The Basin Reserve Trust significantly exceeded its targets for sport and community events held at the Basin Reserve
- During the last year we agreed to support the movie museum and convention centre and purchased the site between Wakefield and Cable streets

- **International relations:** We attended the New Zealand-China Mayoral Forum hosted by our Chinese sister city Xiamen, which focussed on trade and investment opportunities where the Mayor opened the New Zealand section of the Seashine Supermarket
- On Anzac day we signed a Memorandum of Understanding with the Turkish city of Çanakkale - where Gallipoli is located

### WHAT IT COST IN 2015/16

ACTIVITY COMPONENT	TOTAL COST (\$000)	COST PER RESIDENT PER DAY (\$)
City promotions and business support	38,788	0.52

### ECONOMIC - OVERALL PERFORMANCE BY NUMBERS

PERFORMANCE*	Total			
Performance measures	4	3	0	0
Outcome indicators	12	8	2	2

\* Some measures are new in the LTP and/or have no target to benchmark against.

# 4

## Cultural wellbeing Oranga ahurea

### OUR KEY ACTIVITIES INCLUDE:

**Arts and cultural activities:** Our key activities revolve around the provision of arts and cultural activities, including funding places such as Te Papa, the Great War Exhibition, Wellington Museum, supporting events and cultural festivals, managing Toi Pōneke Arts Centre and the city's art collection and providing access to, and support for, community arts.

#### Did you know?

Wellington is renowned for its coffee culture - with more than 300 cafes, bars and restaurants (more per capita than New York), 100-plus food events during Wellington on a Plate and a growing craft beer industry - totalling 40% growth over the past 4 years.

### OUR PERFORMANCE, KEY HIGHLIGHTS AND CHALLENGES INCLUDE:

#### Highlights

- **Museums, galleries and visitor attractions:** In addition to the successful high-profile events such as the 100th anniversary of WWI, we supported a number of more local events such as Summer City, Capital Christmas and the Sky show. The Wellington Museums Trust also exceeded its visitor target for the year
- Even though the economic impact of the New Zealand Festival was below target because many regional visitors chose to attend the Royal Edinburgh Military Tattoo instead, the overall visitor numbers and tickets sold increased from 2014
- Customer satisfaction with the New Zealand Festival has increased from 2014

### Challenges

- **Arts and culture support activities:** Even though there was an increase (from last year) in attendee satisfaction with the arts and cultural festivals we supported, we were below our target and this is largely due to events such as weather postponements that were beyond our control

### WHAT IT COST IN 2015/16

ACTIVITY COMPONENT	TOTAL COST (\$000)	COST PER RESIDENT PER DAY (\$)
Arts and cultural activities	19,243	0.26

### CULTURAL WELLBEING - OVERALL PERFORMANCE BY THE NUMBERS

PERFORMANCE*	Total	Green	Orange	Red
Performance measures	7	3	1	3
Outcome indicators	11	8	1	1

\* Some measures are new in the LTP and/or have no target to benchmark against.

# 5

## Social and recreation Pāpori me to kākinakina

### OUR KEY ACTIVITIES INCLUDE:

**Recreation, promotion and support:** We provide swimming pools, sportsfields, recreation centres and other recreational facilities

**Community participation and support:** We provide libraries, community centres and halls, community advocacy and support programmes and social housing

**Public health and safety:** We carry out legislative obligations to maintain public health standards by regulating food and liquor outlets, animals and environmental noise problems and provide public toilets, cemeteries and crematorium services.

#### Did you know?

Wellington is the 12<sup>th</sup> most liveable city in the world according to the 2016 Mercer Quality of Living Index. It is also the ninth safest city in the world - and the only capital city to be accredited in the World Health Organisation's International Safe Communities programme.

### OUR PERFORMANCE, KEY HIGHLIGHTS AND CHALLENGES INCLUDE:

#### Highlights

- **Community facilities and services:** We invested in and maintained existing services by upgrading the Wellington Regional Aquatic Centre and worked with sports clubs and schools to form community sports hubs at Kilbirnie Park, Alex Moore Park, and Hataitai Ballpark. Our Pools Partnership Fund enabled Wellington East Girls' College and Rewa Rewa, Berhampore and Kilbirnie schools to improve their pool facilities
- Visits to our recreation centres including the ASB Sports Centre increased from last year
- User satisfaction with our e-library, library services and facilities and website visits also increased over the year
- There was an increase in visits to pools from last year and we exceeded our target
- **City Housing:** We continued to provide affordable city housing (for around 4000 people) and started renewal and upgrading works at the Kotuku and Arlington apartments. We exceeded our targets for tenant satisfaction with services and facilities and the overall condition of their houses. Our occupancy rate of available houses is also above the target
- We achieved all of our milestones for our Housing Upgrade Project with the Crown
- We won the regional and national New Zealand Institute of Architects Award for the Marshall Court redevelopment in Miramar. Marshall Court also won the Winstone Wallboards Residential award at the New Zealand Commercial Project Awards
- **Public health and safety services and programmes:** Our response to urgent requests from the public and the cleanliness and maintained state of our public toilets met or exceeded their targets. Our response rate to urgent requests exceeded our performance last year. We achieved our target for peak trading-hour inspections of high-risk premises although this figure declined from last year




## Challenges

- **Community facilities and services:** One of our key challenges in 2016/17 is the under-utilisation of our sports and community centres and halls. Even though occupancy rates for our community centres and halls (excluding the ASB Sports Centre) increased from last year we didn't meet our target. This was largely because of the variable demand for space over the calendar year - which often prevents weekly bookings
- User satisfaction with swimming pools was also below our target, although an improvement on last year
- **Library services:** Physical visits to our libraries decreased from last year and were below our target. This decline was largely a result of under-reporting by our door counters (since resolved through our new RFID exit gates), closure of the Newtown Library for a 3 month planned-maintenance period and our online services (such as making payments, reserving books, and borrowing e-books and magazines)
- The number of library items issued increased from last year but did not meet our target. This is largely because of continued declining issue rates for DVDs and CDs as more download and streaming options become available in the marketplace. Over the coming year we will review the viability of continuing to provide CD collections as the decline has accelerated faster than we had projected

## WHAT IT COST IN 2015/16

ACTIVITY COMPONENT	TOTAL COST (\$000)	COST PER RESIDENT PER DAY (\$)
Recreation promotion and support	37,886	0.51
Community support	51,745	0.69
Public health and safety	14,047	0.19

## SOCIAL AND RECREATION - OVERALL PERFORMANCE BY THE NUMBERS

PERFORMANCE*				
	Total			
Performance measures	<b>39</b>	25	4	10
Outcome indicators	<b>16</b>	8	4	3

\* Some measures are new in the LTP and/or have no target to benchmark against.

# 6

## Urban development Tāone tupu ora

### OUR KEY ACTIVITIES INCLUDE:

**Urban development, heritage and public spaces:** We look after, plan and upgrade public spaces, including the waterfront, to enhance people's enjoyment of the city and contribute to our civic pride and sense of place.

**Building and development control:** We manage development control under the Resource Management Act 1991, building control under the Building Act 1991, and earthquake risk mitigation through our Earthquake Prone Buildings Policy.

#### Did you know?

Wellington had 76,145 occupied private dwellings in 2015. The prime central city office vacancy was 3% in 2015 and the retail vacancy was 2%.

### OUR PERFORMANCE, KEY HIGHLIGHTS AND CHALLENGES INCLUDE:

#### Highlights

- **Urban planning and development:** Consistent with our objective to invest to maintain and improve our urban areas we revitalised a number of public spaces, including a series of public lanes that make the city a livelier place to be
- We exceeded our target for residents satisfied with the waterfront, although the number was lower than last year
- **Resilience:** We were selected to join the Rockefeller Foundation 100 Resilient Cities programme and are developing a Resilience Strategy that focusses on earthquake recovery, sea level rise, quality of life and economic prosperity

- **Regulatory services:** The majority of our customers are happy with our building control services. This reflects the effort we put into our customers to help them through their building consent and associated processes. Based on the fact that none of our earthquake-prone building notifications were successfully challenged over the year, we are confident that our protocols in place are robust
- **Building and development control:** We exceeded our targets for investigating excessive noise complaints and monitoring of resource consents. These results were, however, lower than last year. We met our targets to issue non-notified resource consents and subdivision consents in statutory timeframes, and actioned environmental complaints within 48 hours. Our performance was consistent with last year
- We were above our target for monitoring resource consents within 3 months of work commencing on site, although our performance was not as good as last year




#### Challenges

- **Urban planning and development:** Next year we will focus on our suburban centres as resident perception of them being lively or attractive has declined. Our work on business improvement districts is one way of improving our suburban centres. The type of traffic work recently carried out in Johnsonville is another way of addressing the liveliness of these suburban areas
- **Building and development control:** One of our challenges in 2016/17 is to improve the timeliness of issuing building consents, codes of compliance and land information memorandums and to meet our statutory timeframes. The timeliness of our building consents was lower than last year because numbers increased in the second half of the year and coincided with a period of recruitment and training of new staff
- Over the year we issued 2,139 codes of compliance with 74 not issued within the statutory timeline - of these 19 were historical issues that have subsequently been fixed. We are improving monitoring systems to improve our performance

## WHAT IT COST IN 2015/16

ACTIVITY COMPONENT	TOTAL COST (\$000)	COST PER RESIDENT PER DAY (\$)
Urban planning, heritage and public spaces	7,107	0.09
Building and development control	20,700	0.28

## URBAN - OVERALL PERFORMANCE BY THE NUMBERS

PERFORMANCE*	Total			
Performance measures	17	11	2	4
Outcome indicators	13	6	5	0

\* Some measures are new in the LTP and/or have no target to benchmark against.





# Transport Waka

## OUR KEY ACTIVITIES INCLUDE:

**Transport:** We carry out transport planning and provide the transport network, that enables Wellington’s vehicle, passenger transport, and pedestrian and cycle networks to operate.

**Parking:** We provide 10% of the parking in central Wellington and manage off-street parking at Clifton Terrace, Michael Fowler Centre and beneath Civic Square.

### Did you know?

17% of Wellington residents walk to work (compared to 5% nationally) and 65% central city residents commute to work by public transport, on foot or cycling.

## OUR PERFORMANCE, KEY HIGHLIGHTS AND CHALLENGES INCLUDE:

### Highlights

- **Transport infrastructure and services:** We exceeded our target for the percentage of roads that meet compulsory smooth road standards
- The increase in residents and visitors in the city has resulted in more passengers using the Wellington Cable Car

### Challenges

- **Transport infrastructure and services:** Our key challenge for 2016/17 is the Island Bay component of the Wellington City Urban Cycleways Programme (WCUCP). The method and level of community engagement on the cycleway resulted in significant unease that impacted on other projects in the programme and confidence in the Council’s ability to deliver the programme. A review of the programme commissioned by New Zealand Transport Agency (NZTA) made a series of recommendations for change. In 2016/17, working with NZTA, we are refreshing the cycle way programme and our engagement process with the community

- While we achieved our level of service standards, we failed to meet our target for the percentage of residents who consider roads and footpaths good or very good. This decline reflects re-prioritisation of maintenance/renewal work over a contract transitional period
- Even though we failed to meet our response rate target for urgent and non-urgent work our levels of service for urgent responses are the same as last year
- The percentage of our major roads that meet national street lighting standards was below target and the resulting resident dissatisfaction is largely due to power cuts - an issue beyond our control. As failures occur we are upgrading our lights with more reliable LEDs
- **Quality of parking provision:** Turnover rates for on-street parking were below our target and last year’s performance largely due to an increase in parking demand
- Fewer of our residents perceive parking enforcement as fair and we will put more effort into these areas

## WHAT IT COST IN 2015/16

ACTIVITY COMPONENT	TOTAL COST (\$000)	COST PER RESIDENT PER DAY (\$)
Transport	46,628	0.62
Parking	12,262	0.16

## OUR OVERALL PERFORMANCE - BY THE NUMBERS

PERFORMANCE*	Total			
Performance measure	17	4	5	5
Outcome indicator	9	6	2	1

\* Some measures are new in the LTP and/or have no target to benchmark against.

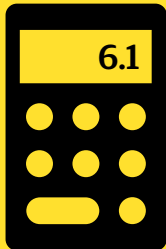




***Wellington continues to be the  
arts, culture and events capital.***

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# Financial highlights



**\$6.1  
million**

underlying net surplus

**\$10.2  
million**

assets vested to the City

**\$6.05**

cost per resident per day

**\$145.9  
million**

spent on assets

**AA**

credit rating maintained

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## **Finances made simple**

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**This section outlines what our financial results mean to you. For greater detail on our financial performance and position, see the Financial Statements on page 138 of the Annual Report.**

As part of the LTP, we committed to the following approach:

- Do the basics well
- Have sound finances
- An external focus on growing the local economy and ratepayer base

The following pages explain how well we've performed in relation to this overall approach.

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## Doing the basics well

### UNDERLYING SURPLUS

We are doing the financial basics well. We have achieved our goal of a small underlying surplus of \$6.1 million - equivalent to 1.3% of operating expenditure for the financial year. We are successful if the underlying surplus or deficit is close to break-even (zero), as our aim is to have operating revenue equal to operating expenditure.

The balanced budget requirement (as per the Local Government Act 2002) is closely linked to the principle of intergenerational equity - the notion that each generation of ratepayers pays their fair share for the goods and services they use.

In order to calculate the underlying surplus, we exclude certain accounting transactions such as vested assets, fair-value movements and other items that are recognised as revenue but are really capital or non-cash in nature.

We exclude these because they do not impact on the amount of the rates we collect.

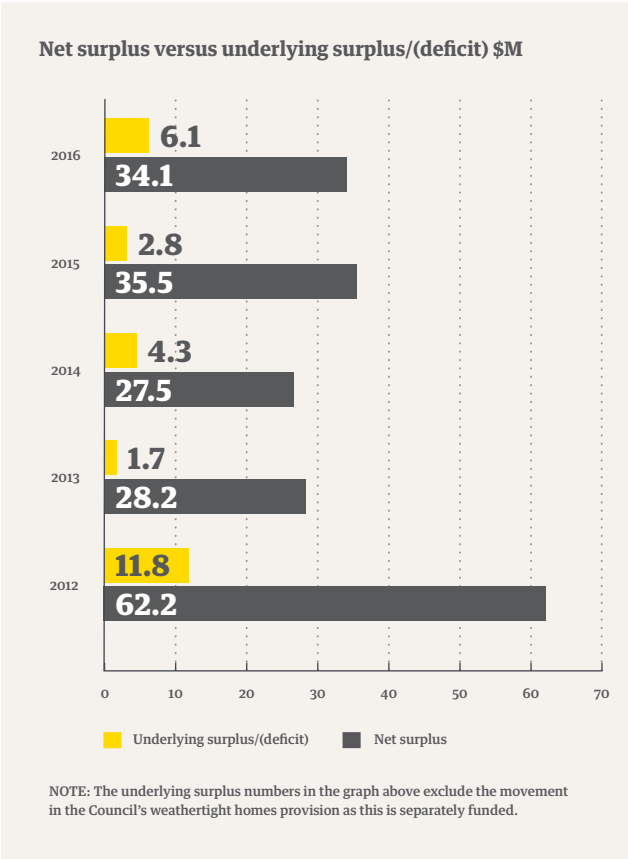
	ACTUAL 2016 \$M	BUDGET 2016 \$M	VARIANCE 2016 \$M
<b>Reported net surplus</b>	<b>34.1</b>	<b>23.1</b>	<b>11.0</b>
Add back non-cash funded items <sup>1</sup>	1.7	11.2	(9.5)
Less revenue for capital items <sup>2</sup>	(28.3)	(38.0)	9.7
Other adjustments	(1.4)	3.7	(5.1)
<b>UNDERLYING SURPLUS</b>	<b>6.1</b>	<b>0</b>	<b>6.1</b>

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1 Items such as vested assets (assets where the ownership of the asset have been transferred to the Council) or fair-value movements (changes in market value for assets that are revalued - primarily annual Investment Property revaluations) are transactions that are non-cash in nature but are required to be recognised as part of the net surplus.

2 Revenue for capital items refers to subsidies we receive for the construction of capital items such as roads and social housing but are required to be recognised as part of the net surplus.

For 4 of the last 5 years we have consistently achieved our goal of coming close to break-even. For instance, in 2016, operating expenditure was \$453.0 million for the year and the underlying surplus was 1.3% of that total.



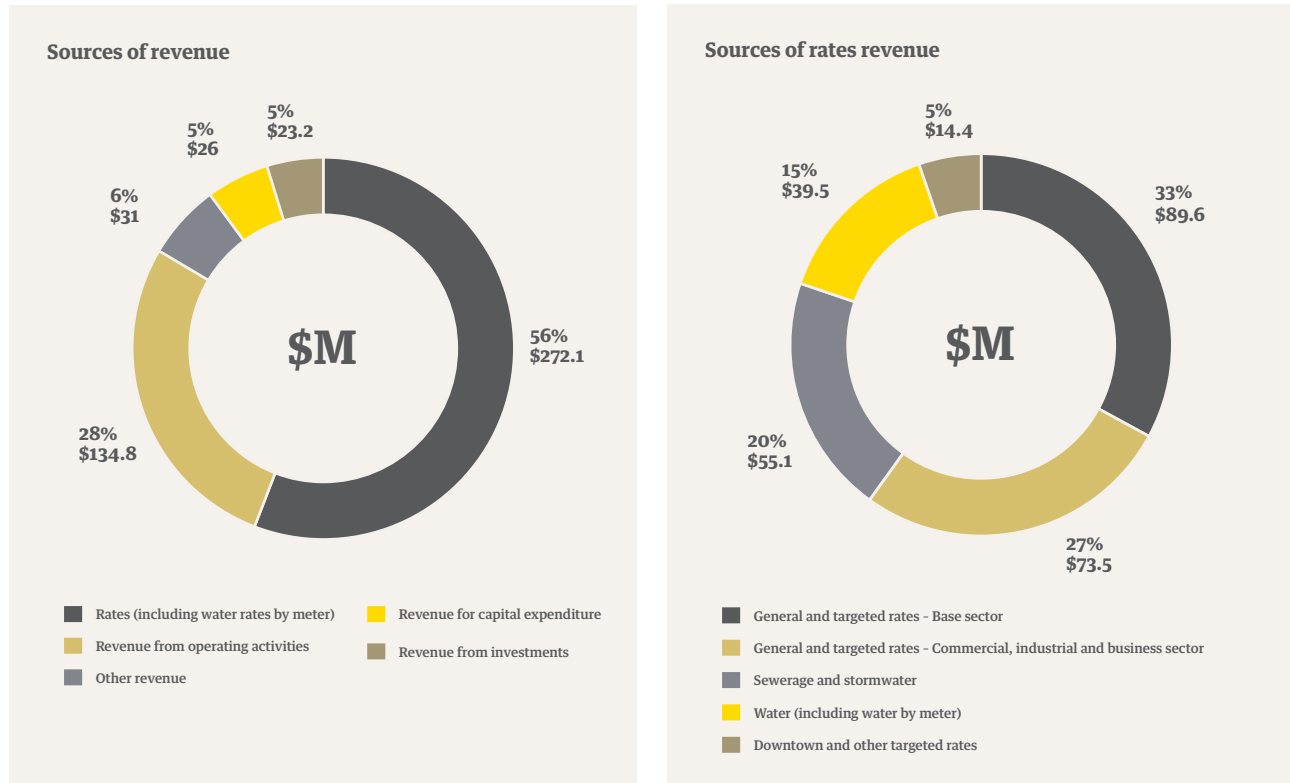
During this time, we have delivered a wide range of services, from resurfacing roads and managing the water network to providing parks, pools, sportsfields and libraries at a cost of \$6.05<sup>3</sup> per day per resident.

3 Based on the total rates revenue divided by the estimated total number of residents (205,199).

## REVENUE

During the year we received total revenue of \$487.1 million (2015: \$469.9m) compared to a budget of \$462.2 million. The difference is largely due to unbudgeted vested assets (which, while non-cash in nature, are required to be shown as revenue) and higher than expected revenue from Wellington Venues and our share in joint ventures with Porirua City Council.

Rates are our main source of funding, with revenue from operating activities (including user fees) the next largest source. Some of our other sources include revenue from capital expenditure, revenue from interest and dividends.



In 2016 we received \$272.1 million (2015: \$253.6m) of revenue from rates<sup>4</sup>. Rates revenue includes general rates levied on properties and a range of targeted rates including water, stormwater and sewerage rates, along with sector and area-based rates. The average increase in rates was 3.9%, as outlined in the LTP.

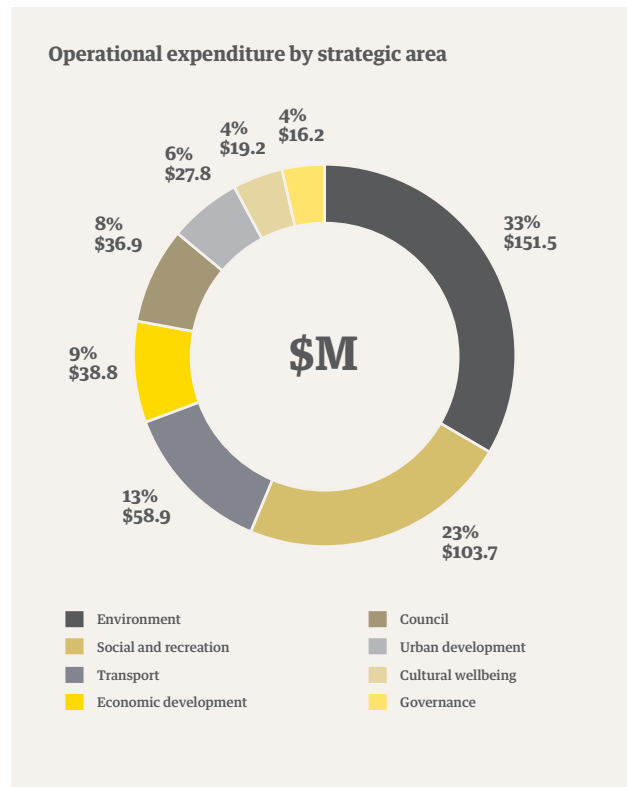
As part of doing the basics well, we need to ensure we collect the revenue we have charged. We have achieved this, and only have a small proportion of current rates revenue (1.8%) still to be collected. This compares favourably with previous years, where the 3-year average and 5-year average is 2.1% of rates revenue.

<sup>4</sup> Annual Report, Notes to the financial statements, Note 1: Rates Revenue, page 147 of the Annual Report.



## EXPENSE

Our total expenses for the year were \$453.0 million (2015: \$434.3m), which represents the cost of running the city during the year. Our activities and their related expenditure are divided into strategic areas of focus, as shown in the graph below:



## NET SURPLUS

As discussed above, there is a difference between the reported net surplus and the “Underlying Surplus” due to the exclusion of non-funded and capital-related transactions and what is required to be reported under Financial Reporting Standards. On this basis, we have achieved a \$34.1 million net surplus (2015: \$35.5m) compared to a budgeted \$23.1 million - a favourable difference of \$11.0 million.

## SUMMARY STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

	COUNCIL			GROUP	
	ACTUAL 2016 \$000	BUDGET 2016 \$000	ACTUAL 2015 \$000	ACTUAL 2016 \$000	ACTUAL 2015 \$000
Total revenue	487,095	462,192	469,890	496,953	480,889
Total expense (excluding finance expense)	(428,766)	(416,130)	(411,110)	(448,691)	(432,272)
Total finance expense	(24,223)	(22,961)	(23,238)	(24,223)	(23,239)
<b>Total operating surplus</b>	<b>34,106</b>	<b>23,101</b>	<b>35,542</b>	<b>24,039</b>	<b>25,378</b>
Share of equity accounted surplus/(deficit) from associates and jointly controlled entity	-	-	-	12,811	11,612
<b>Net surplus before taxation</b>	<b>34,106</b>	<b>23,101</b>	<b>35,542</b>	<b>36,850</b>	<b>36,990</b>
Income tax expense	-	-	-	(240)	(609)
<b>NET SURPLUS</b>	<b>34,106</b>	<b>23,101</b>	<b>35,542</b>	<b>36,610</b>	<b>36,381</b>
<b>Other comprehensive revenue and expense</b>					
Cash flow hedges - FV movement - (net)	(21,268)	-	(17,059)	(21,268)	(17,059)
Fair value through other comprehensive revenue and expense	1,542	-	43	1,521	442
Non-controlling interest	-	-	-	(32)	316
Revaluations	(211)	-	11,168	(211)	11,168
Share of other comprehensive revenue and expense of associates	-	-	-	-	3,889
<b>TOTAL OTHER COMPREHENSIVE REVENUE AND EXPENSE</b>	<b>(19,937)</b>	<b>-</b>	<b>(5,848)</b>	<b>(19,990)</b>	<b>(1,244)</b>
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b>	<b>14,169</b>	<b>23,101</b>	<b>29,694</b>	<b>16,620</b>	<b>35,137</b>

## Sound finances

There are a number of aspects to being in a sound financial position, and some of them have been covered in the previous section. Central to this is the Council's debt position and future borrowing capacity. Constraints on borrowing could affect our ability to maintain assets or fund growth initiatives.

### SUMMARY STATEMENT OF FINANCIAL POSITION

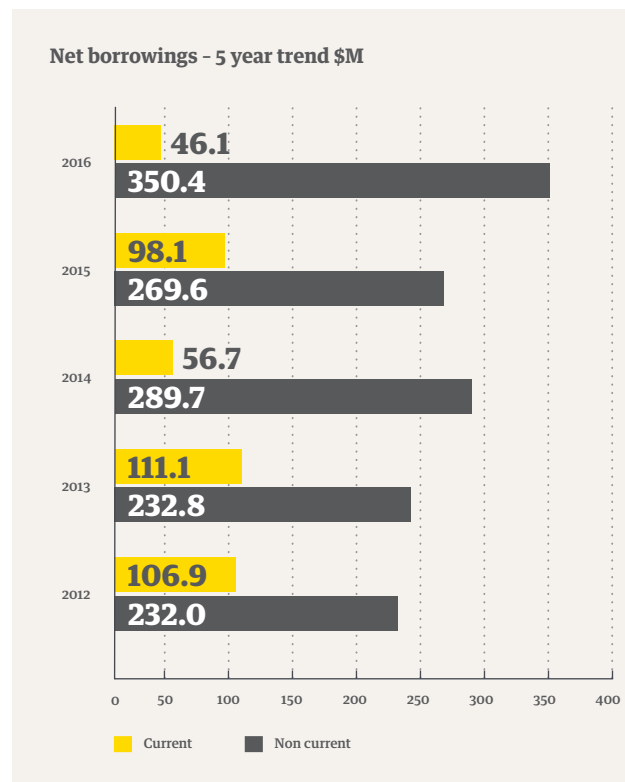
	COUNCIL			GROUP	
	ACTUAL 2016 \$000	BUDGET 2016 \$000	ACTUAL 2015 \$000	ACTUAL 2016 \$000	ACTUAL 2015 \$000
Current assets	154,569	56,566	121,097	166,932	134,708
Non-current assets	6,925,535	6,934,148	6,853,586	7,054,487	6,980,593
<b>TOTAL ASSETS</b>	<b>7,080,104</b>	<b>6,990,714</b>	<b>6,974,683</b>	<b>7,221,419</b>	<b>7,115,301</b>
Current liabilities	255,111	331,042	273,224	262,452	282,561
Non-current liabilities	440,492	222,757	331,127	442,035	332,428
<b>TOTAL LIABILITIES</b>	<b>695,603</b>	<b>553,799</b>	<b>604,351</b>	<b>704,487</b>	<b>614,989</b>
<b>TOTAL EQUITY</b>	<b>6,384,501</b>	<b>6,436,915</b>	<b>6,370,332</b>	<b>6,516,932</b>	<b>6,500,312</b>

## BORROWINGS

Net borrowings have increased by \$28.7 million (2015: \$21.3m) during the year to \$396.5 million (2015: \$367.8m). Net borrowings are the total borrowings less any cash and cash equivalents and current deposits. The average borrowing per resident is \$1,932 (2015: \$1,844). The total net borrowing of \$396.5 million (2015: \$367.8m) is less than 82% (2015: 80%) of our annual revenue and makes up 10% (2015: 10%) of total assets. This is equivalent to a household with a property value of \$570,000 earning \$70,000 a year, having a mortgage of less than \$57,000.

How much we need to borrow depends on the level of capital expenditure during the year. We have a comprehensive renewal programme for our assets and have completed \$124.4 million of capital expenditure (excluding unbudgeted expenditure of \$21.5 million relating to the purchase of land for the proposed movie museum and convention centre) which equates to 72% of our planned capital expenditure of \$173.8 million for the year. The difference is mainly due to major upgrade projects being delayed including earthquake-strengthening of the Town Hall and in our social housing upgrade programme. We will carry forward \$48.0 million into future years to finish what we have started.

In terms of borrowings compliance, we have maintained our AA rating with the independent credit rating agency Standard and Poor's. The credit rating is a comparative measure of our financial strength. Our AA credit rating is the highest given to any council in New Zealand. Holding and maintaining such a high credit rating provides us with a range of benefits that would not otherwise be available. These benefits include access to lower-cost borrowings and a wider range of borrowing alternatives.

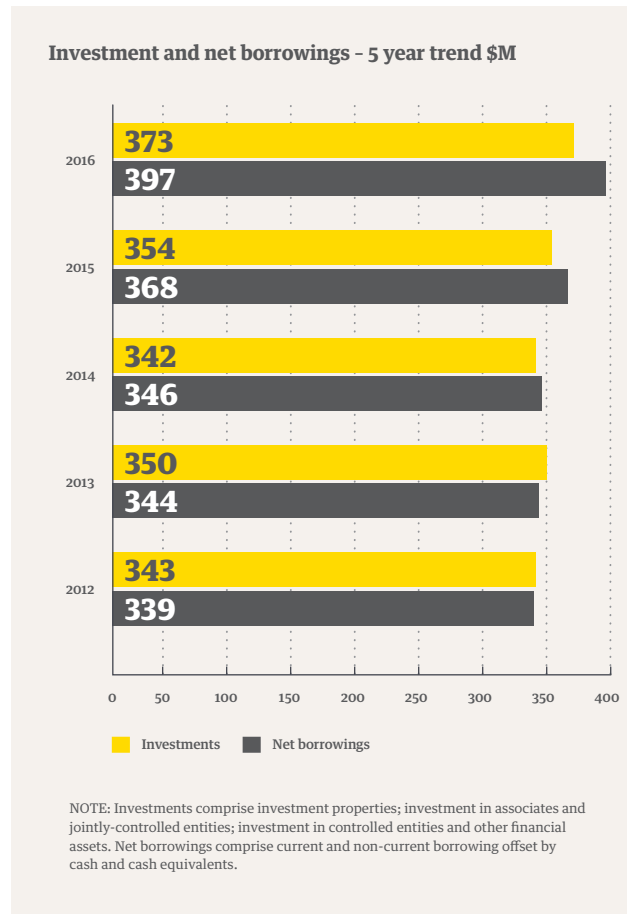


## ASSETS, INVESTMENTS AND LIABILITIES

As detailed below, we have a very strong financial position based on the following major asset types:

- Property, plant and equipment (including land, buildings, pipes, roads and other infrastructure assets) - \$6,645.9 million
- Other assets (including investment properties and investments in controlled entities and associates) - \$434.2 million

These assets have increased due to the level of capital expenditure and investment property revaluations. We also continue to maintain a strong investment position when compared with the level of borrowings. The graph below compares the balance of investments and net borrowings over the past 5 years.



The value of investments mainly relates to investment properties, our share of the net assets of our associates (including Wellington International Airport Limited) and other financial assets.

We have prudently managed our borrowings to ensure we meet the specified requirements in our Long-term Financial Strategy. Net borrowings at 30 June 2016 were 81% (2015: 79%) of revenue, within the target of 150% set by the Council and significantly less than the 175% limit contained within our Financial Strategy.

Our major liabilities include:

- Gross borrowings - \$490.5 million<sup>5</sup>
- Other liabilities (including trade and other payables) - \$205.1 million

There have been no significant changes in “Other Liabilities” during the year.

<sup>5</sup> Annual Report, Notes to the financial statements, Note 23 Borrowings , page 191 of the Annual Report

## CHANGES IN NET WORTH

The Council's net worth is represented by equity, which is the difference between what the community owns (assets of \$7,080.1 million) and what the community owes (liabilities of \$695.6 million).

The net worth of the Council at the end of the year was \$6,384.5 million, an increase of \$14.2 million from the previous year. The main reasons for the increase were the net surplus generated for the year offset by the fair value movement in our cash flow hedges.

## SUMMARY STATEMENT OF CHANGES IN EQUITY

	COUNCIL			GROUP	
	ACTUAL 2016 \$000	BUDGET 2016 \$000	ACTUAL 2015 \$000	ACTUAL 2016 \$000	ACTUAL 2015 \$000
<b>Equity at the beginning of the year</b>	<b>6,370,332</b>	<b>6,413,814</b>	<b>6,340,638</b>	<b>6,500,312</b>	<b>6,465,175</b>
Net surplus for the year	34,106	23,101	35,542	36,610	36,381
Other comprehensive revenue and expense	19,937	-	5,848	19,990	1,244
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b>	<b>14,169</b>	<b>23,101</b>	<b>29,694</b>	<b>16,620</b>	<b>35,137</b>
<b>Equity - closing balances</b>					
Accumulated funds	1,269,134	1,269,134	1,269,134	1,293,162	1,293,162
Retained earnings	3,756,048	3,725,547	1,722,229	3,745,251	3,709,806
Revaluation reserves	1,382,337	1,429,106	1,383,201	1,496,198	1,497,062
Hedging reserve	38,730	137	17,462	38,730	17,462
Fair value through other comprehensive revenue and expense	1,648	63	106	2,026	505
Non-controlling interest	-	-	-	284	316
Restricted funds	14,064	12,928	13,124	18,741	16,923
<b>TOTAL EQUITY</b>	<b>6,384,501</b>	<b>6,436,915</b>	<b>6,370,332</b>	<b>6,516,932</b>	<b>6,500,312</b>

## SUMMARY STATEMENT OF CASH FLOWS

The summary cash flow statement shows how we generated and used cash during the year.

	COUNCIL			GROUP	
	ACTUAL 2016 \$000	BUDGET 2016 \$000	ACTUAL 2015 \$000	ACTUAL 2016 \$000	ACTUAL 2015 \$000
Net cashflows from operating activities	121,632	117,976	129,347	124,715	136,191
Net cashflows from investing activities	(127,167)	(143,765)	(107,718)	(130,321)	(109,157)
Net cashflows from financing activities	33,631	18,632	(8,289)	33,631	(8,289)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>28,096</b>	<b>(7,157)</b>	<b>13,340</b>	<b>28,025</b>	<b>18,745</b>
Cash and cash equivalents at beginning of year	65,913	8,406	52,573	75,598	56,853
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>94,009</b>	<b>1,249</b>	<b>65,913</b>	<b>103,623</b>	<b>75,598</b>

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).

## Growing the local economy and ratepayer base

We are also focussed on developing the local economy and encouraging commercial development and population growth. We achieved our budgeted growth in the rating base of 1.2 percent (2015: 1.4%). Growth through residential and commercial developments means we can further spread the rates impact of the broad range of services that the Council provides.

The most significant growth initiative we are working on is the new movie museum and convention centre. We have already purchased the land and are now developing plans and budgets for its construction.

Another measure of growth in the city is the level of development contributions and vested assets to the Council. Vested assets are non-cash in nature - such as roads, streetlights, water, wastewater, and stormwater pipes - that are often the result of subdivision work. The Council received \$2.7 million (2015: \$2.1m) of development contributions, and \$10.2 million (2015: \$12.4m) of assets were vested during the year. This takes the level of development contributions and vested assets transferred to the Council to \$37.1 million over the past 3 years.

## OVERALL

As we have explained, we are sticking to the direction (and delivering on the financial approach) contained in our LTP. We have performed well in our stewardship and financial governance role on behalf of ratepayers. We have managed the finances so the rates requirement has not exceeded what was committed to in the LTP, and have managed our borrowings in a prudent manner for all ratepayers.

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## How we supported ourselves to do well

We will only achieve our aims if we work well as an organisation. This means working well internally as well as with others - our customers, stakeholders, providers and partners. This is a new section included in our Annual Report and is driven by good management practices and the LTP objectives: improving asset management practices to better manage risk and the timing of asset replacement, and achieving ongoing efficiencies from shared services and improved customer experiences.

Over the year we made progress to support ourselves and the achievement of our intended outcomes. At a strategic level we developed a new customer-focussed and digital operating model and are now creating a plan for how to implement its principles and objectives. This is a business model that places our customers at the centre of what we do, and we will be progressively adapting how we deliver services so they are more customer-centric. We also carried out activities in the following areas:

- **People:** A Health and Wellbeing Strategy containing wellbeing programmes. We developed a Leadership Development Programme, focussing on emerging leaders and those who 'lead where they stand'. We also introduced an integrated framework for the delivery of skills to make sure we have the right skills and competencies across our organisation. We introduced the living wage and a social responsibility clause in our procurement contracts
- **Culture and values:** In response to our Climate and Culture Survey we delivered the Crucial Conversation programme and our Leadership Development Programme. We also delivered a Performance Development Framework to improve individual and/or team performance, and a Health and Safety Plan in response to recent legislative reforms

- **Customers and stakeholders:** We worked on our Customer Strategy to ensure we provide the services our customers need and the way our customers want them. We also hosted various stakeholder meetings, in particular with our Treaty partners, in accordance with our obligations under the Resource Management Act 1991. To connect iwi and the community we provided cultural advice and generally engaged with the wider Māori community
- **Systems and processes:** We continued working on our Odyssey project which will improve our customer service, reduce IT costs, increase our business efficiency and position us for future changes in the way we work. OneCouncil is the platform for our transformation and will merge our current applications (customer service, land, property, regulatory, assets, finance, human resources and payroll functions) onto a single platform. Phase 1 of OneCouncil comprises the Finance, Assets and Payroll modules. The Finance and Assets module went live in July 2016. We also implemented Trove - our new EDRMS and entered into an ICT shared service with the Porirua and Upper Hutt city councils and Wellington Water. We continue to maintain and improve our business continuity plans
- **Assets:** Our OneCouncil enterprise asset management module, which replaces over 20 separate systems and tools, went live in July 2016. This will provide better management information to ensure more efficient use of our assets and better align renewal cycles with the life of the assets
- **Money:** We primarily focussed on ways to improve financial forecasting from the point of view of continuous improvement

On balance we made significant progress to improve and enhance the health of our people, culture and values, customers and stakeholders, systems and processes, assets and our money over 2015/16. In the future we will develop 'fit for purpose' measures on each of these areas to report on.



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## Where we are going

### OUR ANNUAL PLAN 2016/17

Under the Local Government Act 2002, we are required to adopt an Annual Plan for each financial year. In our Annual Plan 2016/17, we have committed to undertaking work in each of our seven strategic activity areas (the what). We set the direction for Wellington during the last Long-term plan and the next year we will be implementing year 2 of our strategic vision.

As part of our annual business planning process we have also committed to a number of activities relating to our people, culture and values, customers and stakeholders, systems and processes, assets and money (the how).

Some of the focus areas for the coming year will be:

- Making the city more resilient and better able to cope with environmental shocks such as earthquakes and climate change
- Continuing our investment for economic growth by delivering on major catalyst projects and improving our connections to the world
- Working with others to make the city's transport system more efficient
- Establishing an urban development agency to allow the Council to more actively deliver on the city's Urban Growth Plan





***Wellingtons compact, walkability  
allows for nature and theatre all  
in an afternoon.***

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# Independent Auditor's Report

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

## To the readers of Wellington City Council and group's summary annual report for the year ended 30 June 2016

The summary annual report was derived from the annual report of the Wellington City Council (the City Council) and group for the year ended 30 June 2016. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 6 to 15 and 24 to 29:

- the summary statement of financial position as at 30 June 2016;
- the summaries of the statement of comprehensive revenue and expenditure, statement of changes in equity and statement of cash flows for the year ended 30 June 2016;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service provision of the City Council and group.

We expressed an unmodified audit opinion on the City Council and group's full audited statements in our report dated 28 September 2016.

### Opinion

In our opinion:

- the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS43: Summary Financial Statements.

### Basis of opinion

Our audit was carried out in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand), and in particular with the International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements. These standards require us to carry out procedures to confirm whether the summary annual report contains the information necessary, and at an appropriate level of aggregation, so as not to be misleading.

The summary statements and the full audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 28 September 2016 on the full audited statements.

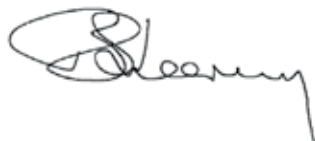
The summary statements do not contain all the disclosures required for full audited statements under generally accepted accounting practice in New Zealand. Reading the summary statements, therefore, is not a substitute for reading the full audited statements in the annual report of the City Council and group.

### Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements, in accordance with PBE FRS43: Summary Financial Statements. The Council is also responsible for the publication of the summary annual report, whether in printed or electronic form.

We are responsible for expressing an opinion on whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report and whether the summary statements comply with PBE FRS 43: Summary Financial Statements.

In addition to reporting on the summary annual report, we have reported on the full annual report, and carried out a range of other engagements in the areas of an audit of the City Council and group's LTP amendment, an independent assurance review under the City Council and group's Debenture Trust Deed, and a review of the revenue and expenditure of the Clifton Terrace car park managed by the City Council and group on behalf of the New Zealand Transport Agency. These engagements are compatible with the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. Other than this reporting and these engagements, we have no relationship with or interests in the City Council or any of its subsidiaries." (Refer to ISA (NZ) 810, AG ISA (NZ) 810 and AG PES-1 for guidance.)



BEDE KEARNEY  
Audit New Zealand  
On behalf of the Auditor General  
Wellington, New Zealand

27 October 2016



This summary report, extracted from our 2015/16 Annual Report, does not provide as complete an understanding of our activities as the full Annual Report 2015/16.

Copies of the full Annual Report 2015/16 are available at the Council offices, 101 Wakefield Street, libraries or at [www.wellington.govt.nz](http://www.wellington.govt.nz).

Our Annual Report, adopted on 28 September 2016, was prepared in accordance with the Tier 1 PBE Standards and contains specific detailed information about our finances and service provision. Audit New Zealand has audited the full Annual Report and has issued an unmodified opinion.

This summary has been prepared in compliance with PBE FRS-43 and examined by Audit New Zealand for consistency with the full Annual Report.

Wellington City Council is a public benefit entity for financial reporting purposes. The financial statements within the Annual Report were prepared in accordance with New Zealand Generally Accepted Accounting Practises (GAAP) and comply with PBE standards as appropriate for public benefit entities. The financial statements are denominated in New Zealand dollars.

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