
Wellington City Council 2017/18 Summary Annual Report

Welcome to our Summary of the Annual Report 2017/18

Each year, local authorities are required to present an annual report that includes a set of audited financial statements. Our Annual Report 2017/18 was adopted on 26 September 2018 with an unmodified audit opinion.

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

During the year, we made progress on improving the city's resilience, continued to deliver the essential services well and progressed a number of high-profile citywide initiatives. The Council has performed strongly financially over the past year by achieving a budgeted net surplus and achieving a near break-even underlying result, within 0.1 percent of total budgeted operating expenditure.

We consulted Wellingtonians on Our 10-Year Plan 2018-28. Public engagement was high and we are now focused on a number of initiatives across five priority areas - resilience and environment, housing, transport, sustainable growth and arts and culture.

We're in a healthy financial position. Our goal is to keep rates low while delivering core and value-added projects and services that will help Wellington grow and be stronger.

Copies of the full Annual Report 2017/18 are available at Council offices, libraries, or at wellington.govt.nz

Wellington City Council is a public benefit entity for financial reporting purposes. The financial statements within the Annual Report were prepared in accordance with and comply with New Zealand Generally Accepted Accounting Principles (GAAP) and comply with Public Sector Public Benefit Entity Accounting Standards (PBE accounting standards) for a Tier 1 entity. The financial statements are denominated in New Zealand dollars.

The financial statements in this summary of the 2017/18 Annual Report do not include all the

disclosures provided in the full 2017/18 Annual Report and therefore cannot be expected to provide as complete an understanding of the Council's financial position.

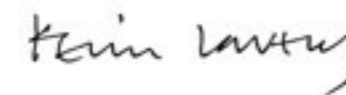
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Justin Lester
Mayor
28 September 2018



Kevin Lavery
Chief Executive
28 September 2018



Andy Matthews
Chief Financial Officer
28 September 2018



Who we are

Wellington City Council is a local authority established under the Local Government Act 2002. We are tasked with meeting the needs of communities for good-quality local infrastructure, local public services, and the effective administration of regulations, plans and bylaws.

The Council is made up of 14 elected Councillors and a Mayor. Elections are held every 3 years. The Mayor is elected by the city's residents. The Councillors are elected by voters from their respective wards as their city representatives.

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

The Council manages many services and assets - from parks and parking to water supply and cycleways. We group our work into seven activity areas:

Governance - we manage local elections, inform residents, and engage with them about the city and the issues it faces, and work with mana whenua to make decisions in the best interests of the city and its people.

Environment - we provide water, stormwater and wastewater services and look after waste reduction and disposal. We fund conservation attractions, look after parks, reserves, tracks and walkways.

Economic development - we attract and support business activity, market Wellington to tourists from New Zealand and overseas, and own and operate performance venues and conference facilities. We also help promote links with sister cities such as Sakai in Japan and Sydney in Australia.

Cultural wellbeing - we fund city events and festivals such as the New Zealand Festival and CubaDupa. We also support attractions, galleries, and museums, as well as community art and cultural activities.

Social and recreation - we provide community facilities throughout the city. This includes swimming pools, sportsfields, recreation centres, and playgrounds, as well as two marinas and a golf course.

Urban development - we manage urban planning and design, control building activity and land use, and assess risks from earthquake-prone buildings. We also develop and enhance public spaces.

Transport - we provide and maintain roads, bridges, tunnels, walls, cycleways, and pedestrian paths. We also provide bus shelters, bus stops, and bus lanes, and signs and traffic signals.

General overview

Three years ago, as part of the 2015-25 10-year plan, our economy was underperforming and we had to invest in projects that would help rejuvenate the city.

Today, we have a different set of challenges. Strong population growth on the back of a stronger economy has exacerbated housing and transport issues.

While we've always been conscious of the city's vulnerabilities, and worked to address these, the 2016 Kaikoura earthquake emphasised the need to invest more in infrastructure and community resilience.

This has involved the continuation of a long-term investment programme in cycleways, major water infrastructure, building strengthening work, and improving community resilience infrastructure through the distribution of alternative water supply bladders in key parts of the city that can be used in an emergency.

The focus for the last year has been on addressing topical issues while also delivering all our essential services.

Many factors go into determining people's overall quality of life. The core services we provide as a Council are a big part of that.

Wellington is recognised nationally and globally for its liveability. Over the last 2 years, the city has topped Deutsche Bank's list of 50 cities for the best quality of life.

The year culminated with an in-depth discussion with the community through Our 10-Year Plan 2018-28 for significant additional investment in the coming years to make the city more resilient. This was strongly supported by the community, and approved by the Council in June.




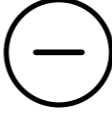
Over the last 2 years, Wellington has topped Deutsche Bank's list of 50 cities for the best quality of life.

Summary of activity area performance

During the year, we made progress on improving the city's resilience, continued to deliver the essential services well, progressed a number of high-profile, citywide initiatives and performed strongly financially (achieving budgeted net surplus and a near break-even underlying result). This overall performance - including the challenges we have been addressing are reflected in our achievement against performance measures for the year.

Our key performance measures (KPIs) and their targets are how we track and assess the delivery of Council services. They are set out in our long-term and annual plans and cover the performance of all Council business units along with Council-controlled organisations.

For more information on our outcome indicators and key performance results, see the "Our performance in detail" section of the full Annual Report 2017/18.

		Outcome indicator trends	KPI compared to target	KPI compared to last year
	Positive result	27 (28%) of 95 indicators showed positive trend	86 (62%) of 138 measures met or exceeded target	29 (21%) of 138 measures improved
	Within 5% or no change	39 (41%) of 95 indicators maintained their direction from previous years	19 (14%) of 138 measures were within 5% of target	90 (65%) of 138 measures were maintained
	Not met or decreased	18 (19%) of 95 indicators are not trending in desired direction	28 (20%) of 138 measures did not meet target by more than 5%	14 (10%) of 138 measures were lower than last year
	Not measured or not comparable	11 (12%) of 95 indicators were not able to be tracked	5 (4%) of 138 measures could not be compared to target	5 (4%) of 138 measures could not be compared to previous year
Totals		95	138	138

Mana Whakahaere Governance

What we did

We consulted on a range of initiatives, policies and plans, including our new te reo Māori policy and Our 10-Year Plan 2018-28. We completed the representation review for the 2019 and 2022 Council local elections and will be trialling a new online voting system ahead of the 2019 local elections. We implemented the NZ Living Wage for staff.

Highlights

- **Community engagement.** We made significant improvements in the way we engage with people by engaging earlier. We consulted on a range of initiatives, including our te reo policy, the Karori Project, and Our 10-Year Plan 2018-28.
- **Living Wage.** In 2017/18, the Council paid the Living Wage Aotearoa rate of \$20.20 to its staff and expanded this to Council-Controlled Organisations (CCOs) and core contractors. The Council was set to raise the minimum hourly rate paid to \$20.55, the Living Wage Aotearoa rate announced in April 2018, from 1 July 2018.
- **Te reo policy.** We consulted the public on a draft te reo Māori policy, which was adopted on 27 June 2018.

What it cost (operating expenditure (\$000))





ACTUAL 2015/16	ACTUAL 2016/17	ACTUAL 2017/18	BUDGET 2017/18	VARIANCE 2017/18
15,497	16,153	17,017	18,423	1,406

We were under budget due to lower personnel costs and professional fees.

What it cost (capital expenditure (\$000))

ACTUAL 2015/16	ACTUAL 2016/17	ACTUAL 2017/18	BUDGET BROUGHT FORWARD	BUDGET 2017/18	VARIANCE 2017/18
-	-	8	8	-	(0)

Performance summary

	Outcome indicator trends	KPI compared to target	KPI compared to last year
 Positive result		6 of 10 measures met or exceeded target	5 of 10 measures improved
 Within 5% or no change	5 of 6 outcome trends were maintained	3 of 10 measures were within 5% of target	4 of 10 measures were maintained
 Not met or decreased		1 of 10 measures (website ease of use) did not meet target by 16%	1 of 10 measures (satisfaction with involvement with decision-making) was 9% lower than last year
 Not measured or not comparable	1 of 6 outcomes could not be measured as there was no local election in 2017/18		

Overall in 2017/18, we improved the way we engage with the public, but we can do more to make our information clear and accessible.



Taiao Environment

What we did

We carried out upgrade work around Lyall Bay to improve resilience issues with coastal erosion. At Makara Peak, we built two new trails and provided support to the Makara Peak Supporters Group to build an additional trail. We broke ground for the installation of three EV fast charging stations in Wellington and enabled the launch of the first free-floating car share in Australasia. We conducted another 500 annual Home Energy Saver evaluations with the Sustainability Trust. We completed a number of projects aimed at improving quality and resilience in our drinking water, stormwater and wastewater infrastructure.

Highlights

- **Electric vehicles (EVs) and car share car parks.** The numbers of electric vehicles increased by more than 50 percent over the past year. There are 24 car sharing vehicles around the city. Wellington city has more than 600 electric vehicles, and Wellington region has more than 1200.
- **Landfill emissions.** We were successful in having our latest application for a unique emissions factor (UEF) for our landfill emissions approved. The UEF for 2017 calendar year is 0.52 - a reduction of 56 percent from the default emissions factor, and a decrease in liabilities of 27 percent from 2016. This will help reduce our overall carbon liabilities (note this is carbon unit market price dependent).
- **Conservation attractions.** Visitor numbers at Zealandia and Wellington Zoo continued to grow, the former driven by the growing popularity of guided tours and the latter possibly by an effective advertising strategy. Good weather also helped boost numbers.

What it cost (operating expenditure \$000)

ACTUAL 2015/16	ACTUAL 2016/17	ACTUAL 2017/18	BUDGET 2017/18	VARIANCE 2017/18
120,392	132,545	140,115	146,711	6,593





We were under budget mainly due to accounting for unbudgeted vested assets which lead to higher revenue.

What it cost (capital expenditure \$000)

ACTUAL 2015/16	ACTUAL 2016/17	ACTUAL 2017/18	BUDGET BROUGHT FORWARD	BUDGET 2017/18	VARIANCE 2017/18
36,901	40,982	45,428	455	45,491	518

We reprioritised the planned capital works programme during the year from the water network, sewage collection and disposal network, to stormwater.

Performance summary

	Outcome indicator trends	KPI compared to target	KPI compared to last year
 Positive result	5 of 13 outcomes displayed positive trends	30 of 43 measures were met or exceeded	8 of 43 measures improved from last year
 Within 5% or no change	4 of 13 trends were maintained	4 of 43 measures were within 5% of target	30 of 43 were maintained
 Not met or decreased	3 of 13 outcomes trended downwards	8 of 43 measures did not meet target by more than 5%	4 of 43 were lower than last year
 Not measured or not comparable	The biodiversity outcome was not reported last year so cannot be compared	1 measure (milestone reporting for grants) was not reported	1 measure (milestone reporting for grants) was not reported.

Overall in 2017/18, we made progress in water quality, energy saving measures, and resident recycling volumes, but there's room for improvement.

Whanaketanga ōhanga

Economic development

What we did

We held a wide range of sports and cultural events. Highlights included All Black matches against the British and Irish Lions and France, the Asia-Pacific amateur golf championship and the All Whites versus Peru FIFA World Cup Intercontinental Play Off, as well as the World of WearableArt and the Jim Henson Retrospectacle. Work on assessing the feasibility of developing an indoor arena for the city and region advanced, culminating in the publication of a strategic assessment by WREDA.

Highlights

- **Business Improvement Districts (BIDs).** Through the Karori Project, it was recommended Karori establish a BID. The Marsden Village Association commissioned a report to ascertain the viability of a combined Marsden Village and Karori BID. Tawa BID completed a report to develop their strategic plan and define their economic growth opportunities.
- **City promotion and events.** Domestic and international visitor numbers grew in the past year and for the first time in a 12-month period visitor spending in Wellington exceeded \$2.5 billion. There were 487 major conferences.
- **Sports events.** We supported a range of international cricket, rugby, soccer and golf events. We hosted the Special Olympics New Zealand National Summer Games, with more than 1300 athletes participating.

What it cost (operating expenditure \$000)

ACTUAL 2015/16	ACTUAL 2016/17	ACTUAL 2017/18	BUDGET 2017/18	VARIANCE 2017/18
23,655	27,892	23,011	27,835	4,824





We were under budget due to a planned grant to Wellington Stadium Trust being incurred in 2016/17.

What it cost (capital expenditure \$000)

ACTUAL 2015/16	ACTUAL 2016/17	ACTUAL 2017/18	BUDGET 2017/18	VARIANCE 2017/18
1,669	886	599	5,016	4,417

We were under budget due to delays in the Wellington Venues renewals programme (\$1.640 million) and the deferred decision on the combined Convention Centre project (\$2.777 million).

Performance summary

	Outcome indicator trends	KPI compared to target	KPI compared to last year
 Positive result	11 of 18 outcomes showed positive trends	2 of 4 measures met or exceeded target	2 of 4 measures improved on last year
 Within 5% or no change	4 of 18 outcome trends were maintained	1 of 4 was within 5% of target	1 of 4 measures was maintained
 Not met or decreased	2 of 18 outcomes trended downwards		
 Not measured or not comparable	1 of 18 outcomes (the count for tertiary students) was not reported	1 of 4 measures (grants milestones) was not reported	1 of 4 measures (grants milestones) was not reported

Overall in 2017/18, visitor numbers grew and visitor spending reached record levels. But the number of major conferences held here continues to decline.



Oranga ahurea

Cultural wellbeing

What we did

We delivered a diverse range of events and festivals including a Very Welly Christmas and Mataraki. We also delivered a number of projects under the pakiTara-Toi art on walls programme. Experience Wellington exceeded its annual visitor target for its six venues, with a total of 725,214 visitors. Te Papa exceeded its target for the year, with key highlights including the new Toi Art Gallery, the LEGO exhibition, strong local support during school holiday periods, and high numbers of international visitors during the summer cruising season.

Highlights

- **Wellington Museums Trust (trading as Experience Wellington).** Experience Wellington exceeded its total annual visitor target for four of its six venues – City Gallery, Capital E, Cable Car Museum and Space Place. Both Wellington Museum and Nairn Street Cottage fell short of target. Altogether, the six venues greeted 725,214 visitors.
- **Public art.** This year has seen a number of projects delivered under the pakiTara-Toi art on walls programme, including Johnson Witehira’s Ngā Kākano: The Seeds, which was installed on the hoardings around the Council’s Civic Administration Building (CAB) near Civic Square in November 2017.
- **Te Papa.** The Council provides funding support to Te Papa. A total 1,514,896 people visited the museum, with 50 percent of visitors coming from overseas. Contributing factors included a LEGO exhibition, high number of international visitors, and the opening of the new Toi Art. The Gallipoli exhibition has drawn more than two million visitors since it opened 3 years ago.

What it cost (operating expenditure \$000)





ACTUAL 2015/16	ACTUAL 2016/17	ACTUAL 2017/18	BUDGET 2017/18	VARIANCE 2017/18
18,367	19,877	20,510	20,037	(473)

What it cost (capital expenditure \$000)

ACTUAL 2015/16	ACTUAL 2016/17	ACTUAL 2017/18	BUDGET 2017/18	VARIANCE 2017/18
1,968	1,286	443	1,258	815

We were under budget due to deferred decisions on the Movie Museum component of the Convention Centre project.

Performance summary

	Outcome indicator trends	KPI compared to target	KPI compared to last year
 Positive result	2 of 14 outcomes had a positive trend	2 measures met or exceeded targets	
 Within 5% or no change	7 of 14 outcomes maintained their trends	1 of 7 measures was within 5% of target	3 of 7 measures were maintained
 Not met or decreased	5 of 14 outcomes trended downwards	4 of 7 measures did not meet target by more than 5%	4 of 7 were lower than last year
 Not measured or not comparable	–		

Overall in 2017/18, residents continued to engage actively and to be satisfied with the city’s arts and culture scene, but fewer people attended the NZ Festival and Council-subsidised events.

Kaupapa Pāpori me ngā Mahi a Rēhia

Social and recreation

What we did

We continued work on the Waitohi Johnsonville Community Hub, which is on track for completion in September 2019. We contributed \$750,000 to the establishment of a new sports hub in Kilbirnie and developed two new artificial sportsfields. We started developing a work programme that will ensure Wellington has a sustainable, local food network. We supported 45 organisations with ongoing contract funding, totalling \$2,734,205. We continued to support organisations that help refugees and homeless people. We also increased funding for organisations delivering programmes and services which prevent sexual and gender violence. Finally, we completed and implemented our Domestic Animal Policy.

Highlights

- **Swimming pools.** A total of 1,236,169 swimming pool visits were recorded during the year. This is 6 percent lower than in the previous year (1,318,555). The decline is partly due to the closure of Karori Pool for its 5-yearly maintenance.
- **Libraries.** We welcomed 2,440,718 visitors to our libraries, which is an increase of 4 percent over 2015/16 (2016/17 was impacted by some closures).
- **City Housing.** We signed off on a housing strategy for the city that provides a blueprint for how we'll invest to improve housing choices for Wellingtonians in the future. We continued our social housing upgrade programme and development of Arlington site 2 is due for completion in September.
- **Harm reduction.** We consolidated and increased funding for key organisations delivering programmes and services which prevent sexual and gender violence.

What it cost (operating expenditure \$000)





ACTUAL 2015/16	ACTUAL 2016/17	ACTUAL 2017/18	BUDGET 2017/18	VARIANCE 2017/18
52,172	57,058	61,229	61,442	220

What it cost (capital expenditure \$000)

ACTUAL 2015/16	ACTUAL 2016/17	ACTUAL 2017/18	BUDGET BROUGHT FORWARD	BUDGET 2017/18	VARIANCE 2017/18
26,269	30,186	40,253	21,647	24,684	6,079

We were under budget due to the timing of a number of pieces of work: the completion of the Basin Reserve Master Plan, the Johnsonville Library development project, several of the community centre upgrades - Aro Valley, Kilbirnie, Newtown and Strathmore, and the public conveniences and pavilions work programme (Alex Moore Park, Ben Burn Park and Island Bay).

Performance summary

	Outcome indicator trends	KPI compared to target	KPI compared to last year
 Positive result	3 of 19 outcome indicators showed positive trend	24 of 39 measures met or exceeded target	5 of 39 measures improved on last year
 Within 5% or no change	7 of 19 outcome trends were maintained	6 of 39 measures were within 5% of target	29 of 39 measures were maintained
 Not met or decreased	2 outcomes trended downwards	8 of 39 measures did not meet target by more than 5%	4 of 39 measures were lower than last year
 Not measured or not comparable	7 of 19 outcomes could not be compared to previous results due to data not being available or changes to the way the data is collected	1 of 39 measures (outcome reporting for grants) was not reported.	1 of 39 measures (outcome reporting for grants) was not reported.

Overall, in 2017/18 fewer people were satisfied with the range of recreation activities on offer. We continued to support a range of community groups helping the city's most vulnerable people.

Tāone tupu ora

Urban development

What we did

We completed our Lombard Lane and Bond St upgrade project. We also advanced our building-strengthening work which required the owners of 113 at-risk buildings to secure their façades and parapets by 30th September 2018. The majority of the work has been completed or is near completion. We received the resource consent for strengthening work at the Town Hall in May 2018. We issued 2605 building consents, which is slightly more than in the previous year, and we've simplified consenting processes.

Highlights

- **Urban Activation.** Lombard Lane and the Bond Street upgrade project were completed. A temporary activation in lower Tory Street was implemented and trialled over a 3-month period as part of the Reimagine Tory Street initiative between Wellington City Council and Victoria University of Wellington.
- **Earthquake strengthening.** Many buildings were earthquake strengthened in the city during the year or had their unreinforced masonry elements removed to make the city safer. Much of this work related to the Hurunui/Kaikoura Earthquakes Recovery (Unreinforced Masonry) Order 2017 made under the Building Act.
- **Simplified consenting process.** In 2017/18, we introduced GoShift, a portal for the electronic lodgement of building consent applications. Eighty percent of building applications are now being lodged through the portal.

What it cost (operating expenditure \$000)

ACTUAL 2015/16	ACTUAL 2016/17	ACTUAL 2017/18	BUDGET 2017/18	VARIANCE 2017/18
15,682	15,882	15,821	16,337	516





We were under budget due to lower costs incurred supporting the resolution of weathertight homes claims and additional building consent income through greater volumes of consent applications, as well as higher than planned volumes of consents processed on behalf of other councils.

What it cost (capital expenditure \$000)

ACTUAL 2015/16	ACTUAL 2016/17	ACTUAL 2017/18	BUDGET BROUGHT FORWARD	BUDGET 2017/18	VARIANCE 2017/18
7,621	9,784	19,504	8,886	20,773	10,156

We were under budget due to the timing of work undertaken in relation to the Town Hall and St James earthquake strengthening projects.

Performance summary

	Outcome indicator trends	KPI compared to target	KPI compared to last year
 Positive result	3 of 12 outcome indicators showed positive trends	15 of 18 measures met or exceeded target	4 of 18 measures improved
 Within 5% or no change	7 of 12 outcome trends were maintained	1 of 18 measures was within 5% of target	14 of 18 measures were maintained
 Not met or decreased	1 outcome indicator (non-residential building consents) trended downwards	2 of 18 measures did not meet target by more than 5%	
 Not measured or not comparable	1 outcome from the 2018 Census could not be reported		

Overall, in 2017/18 we carried out a range of strengthening works across the city and improved our consenting processes. Resident satisfaction with their local suburban centre dropped significantly.



Waka Transport

What we did

All urban cycleway projects were successfully approved and funded. We carried out a wide range of transport network operational tasks including maintenance, renewal and strengthening work. We implemented a 24-hour time restricted parking scheme in Miramar south to mitigate parking pressure in local streets resulting from airport-related non-resident parking. With our partners, we ran a public engagement programme for Let's Get Wellington Moving and developed a draft recommended programme of investment based on the feedback we received.

Highlights

- **Let's Get Wellington Moving.** This is a joint initiative by Wellington City Council, the New Zealand Transport Agency and Greater Wellington Regional Council to deliver better city and regional outcomes through investment in a modern integrated transport network. Progress included a public engagement programme and the development of a draft recommended programme of investment for review and approval by the partners in early 2018/19.
- **LED street lighting.** To date, over 6000 LED lights have been installed out of a total 14,500 older lights, and the programme is due for completion later this year.
- **Miramar parking scheme.** In June 2017, we introduced a 24-hour time restricted parking scheme in Miramar south designed to mitigate parking pressure in local residential streets resulting from airport-related non-resident parking. The scheme resulted in considerably fewer vehicles being parked both during daytime and at night in the restricted area.

What it cost (operating expenditure \$000)

ACTUAL 2015/16	ACTUAL 2016/17	ACTUAL 2017/18	BUDGET 2017/18	VARIANCE 2017/18
22,119	25,836	32,514	31,228	(1,286)





We were over budget due to higher storm clean-up costs and depreciation expenditure. Parking meter income was also lower than budgeted. Variance was reduced by additional income from bus shelter signage, bus priority planning and NZTA funding, along with unbudgeted vested assets.

What it cost (capital expenditure \$000)

ACTUAL 2015/16	ACTUAL 2016/17	ACTUAL 2017/18	BUDGET BROUGHT FORWARD	BUDGET 2017/18	VARIANCE 2017/18
36,534	34,318	55,465	2,624	60,247	7,406

We were under budget due to the timing of work undertaken for the cycling programme and the LED street light transition project.

Performance summary

	Outcome indicator trends	KPI compared to target	KPI compared to last year
 Positive result	3 of 13 outcome indicators showed positive trends	7 of 17 measures met or exceeded target	5 of 17 measures improved on last year
 Within 5% or no change	5 of 13 outcome trends were maintained	3 of 17 measures were within 5% of target	9 of 17 measures were maintained
 Not met or decreased	5 of 13 outcome indicators trended downwards	5 of 17 measures did not meet target by more than 5%	1 measure was lower than last year
 Not measured or not comparable	-	2 of 17 measures could not be compared to last year because of changes to data collection	2 of 17 could not be compared to last year because of changes to data collection

Overall, in 2017/18 resident satisfaction with traffic volumes and public transport declined slightly, but we progressed plans to upgrade and improve the city's transport network.

Summary of financial performance

This section outlines our financial results. For more details, see the “Financial statements” section of the full Annual Report 2017/18.

Snapshot of financial performance

The Council performed strongly financially over the past year by achieving our budgeted net surplus and achieving a near break-even underlying result, within 0.1 percent of total budgeted operating expenditure. Our financial position remains healthy. Council debt is equivalent to less than one year’s revenue and we have investments that provide returns exceeding debt servicing costs. Accordingly, we have maintained our AA credit rating with Standard & Poor’s, the highest for a public sector entity.

Key influences on our overall financial performance and position were:

- the revaluation of assets increased the value of our assets by \$180.4m
- increased renewal of earthquake insurance costs
- uncertainty on weathertight homes costs resulting increased in provision for claims costs by \$12.5m.

\$(0.6) million

Underlying result for 2017/18,
0.1% of operating expenditure

The underlying deficit is the reported net surplus (\$32.2 million,) excluding non-funded (\$15.3 million) and capital (\$48.5 million) transactions and other adjustments (\$0.4 million) that do not affect the Council’s rating requirements. (Council budgets are set to have a nil underlying net result).

\$6.48

The operational cost of
delivering all Council services
per resident per day

Our services include managing and maintaining facilities like libraries, swimming pools, sportsfields, community centres and parks, as well as keeping our roads and footpaths at a high standard, making sure we all have safe water to drink, and supporting arts, cultural and sporting events.

\$476 million

Borrowing position for 2017/18

This is an increase of \$57.2 million from last year, which equates to \$2,239 per person in Wellington. We use borrowing to spread the cost of new facilities or infrastructure over the multiple generations that will benefit from that facility or infrastructure. We believe this is the fairest way to do things.

\$1:\$1.10

Debt servicing costs to
investment returns

For every \$1 the Council incurs on paying interest on debt, it receives \$1.10 from its investments.

\$503 million

Cost of running the city
for the year 2017/18

Our total operating expenses for the year were \$503.2 million (compared to \$494.5 million in 2016/17), which represents the cost of running the city during the year.

\$172.9 million

Of capital spend for 2017/18

We spent \$172.9 million on building new assets for the city. This was lower than our planned \$182.5 million. This was as a result of the re-phasing of some projects over a longer period of time.

\$7.2 billion

Of assets

The Council provides a broad range of services to the city through a range of infrastructure networks and facilities (Council assets). These have been built up over many generations and equates to around \$34,000 net worth of value for every person in the city.

AA

Credit rating

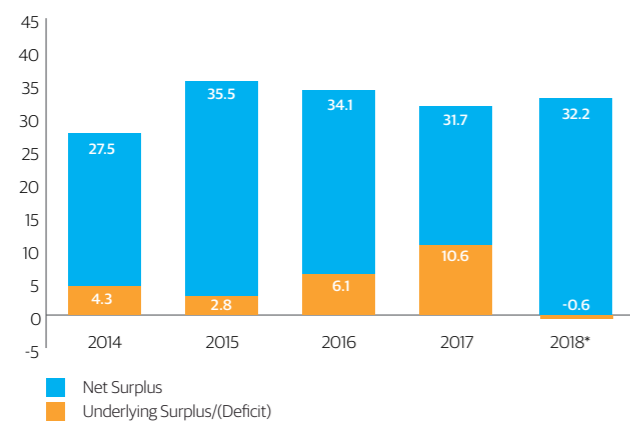
The Council is in good financial health - it has an AA credit rating with Standard & Poor’s.

Our underlying operating result

The underlying operating result provides a comparison with the rates requirement we budgeted for in our Annual Plan to achieve a balanced budget. It shows how closely our annual income matches how much we spend in any given year. A balanced budget helps ensure that we are not passing the costs of running the city today onto future generations and imposing future costs on current generations. On the other hand we also need to ensure the current generation pay their fair share and do not pass on current costs to future generations. Our goal is therefore to have an underlying surplus or deficit close to zero.

This year we got very close to a breakeven result, with an underlying deficit of \$0.6 million, within 0.1% of our planned balanced budget. Zero on the graph represents a balanced budget.

figure 1 Net surplus and underlying result (\$m)



* See table 10 in full Annual Report (page 32) for explanation of movement from reported net surplus to underlying deficit.

Where our money comes from

Rates are our main source of funding (55% of \$535 million) with revenue from operating activities (including user fees) the next largest source (29%). We also receive revenue from other external sources (mainly government) to fund capital expenditure, revenue from interest, and dividends.

figure 2 Sources of Council revenue for 2017/18 (\$m)

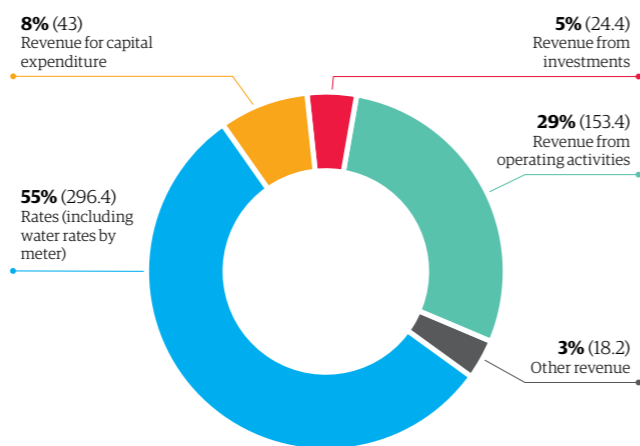
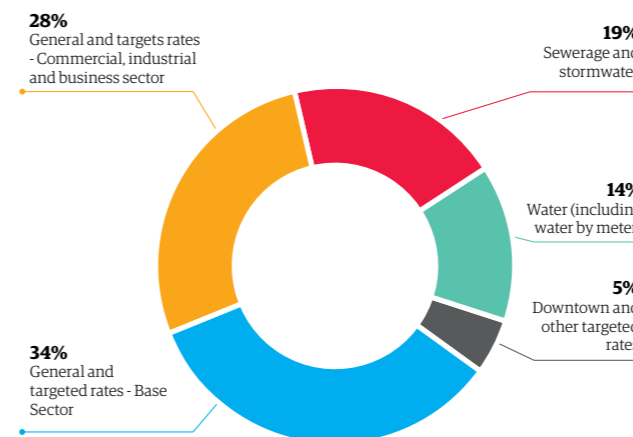


Figure 3 shows the sources of the Council's rates revenue for the year. The majority of the Council's \$296 million of rates revenue received during the year was from general rates. Other sources were sewerage and stormwater targeted rates with the fresh water provision making up most of the balance.

figure 3 Sources of Council rates revenue for 2017/18



In 2017/18, the Council received higher cash revenues than budgeted from:

- landfill fees due to increased waste volumes (\$3.8 million)
- higher-than-anticipated dividends from our investment in Wellington International Airport Ltd (\$1.5 million)
- an increase in central government subsidies for transport (\$1.5 million).

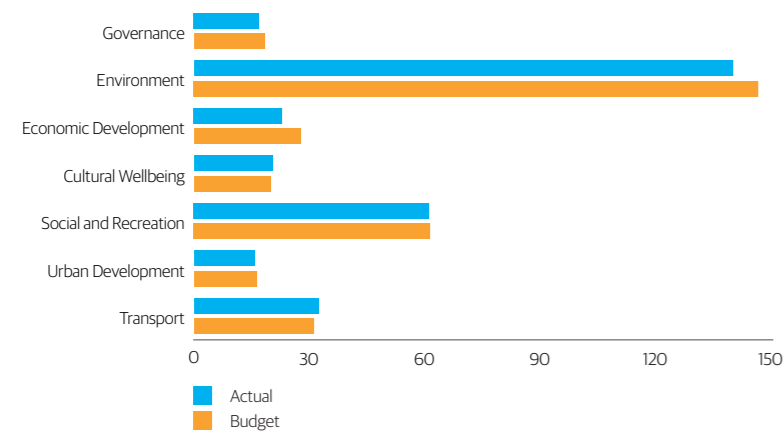
The Council also received higher non cash revenues than budgeted for vested assets (\$8.1 million) and an increase in investment property valuations that is recognised as revenue (\$6.9 million).

A balanced budget helps ensure that we are not passing the costs of running the city today onto future generations and imposing future costs on current generations.

Where the money goes

The following graph summarises the difference between the actual and budgeted net expenditure for each strategy area. They show how the Council has prioritised its spending to support the operational and strategic direction that has been set during the Annual Plan process. Net expenditure is calculated by offsetting activity expenditure, with user charges and other direct activity revenue. This is the amount that is funded by rates and other corporate revenue such as dividends and rental revenue.

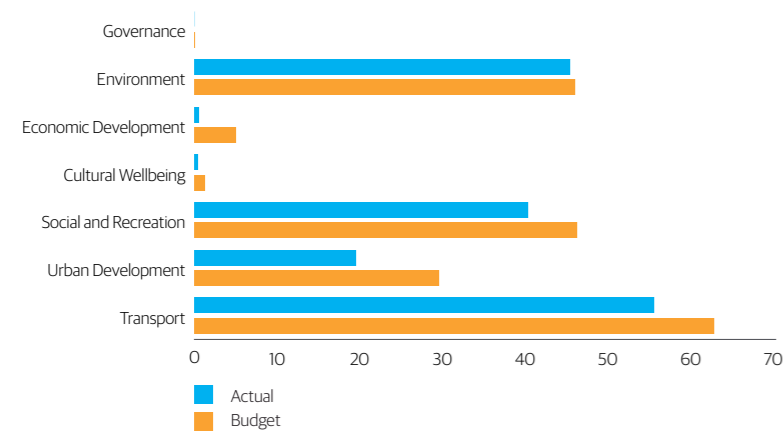
figure 4 2017/18 Net operating expenditure compared to budget (\$m)



Summary of capital expenditure

We have a comprehensive renewal and upgrade programme for our assets and have completed \$172.9 million of capital expenditure during the 2017/18 year. This equates to 95% of the annual budget or 80% once utilisation of budgets brought forward from prior years is included. Delays in a number of projects occurred during the year due to changes in design, negotiations or consultation and consents requirements. Budgets to complete these projects have been included in Our 10-Year Plan 2018-28.

figure 5 Capital expenditure by activity area budget versus actual (\$m)



In addition to the above capital expenditure, the Council spent \$11.2 million of a budgeted \$25 million on corporate Council projects, which include buildings, equipment replacement and IT projects. The unspent portion relates to deferred building projects.

Cost of Council services

The Council provides over 400 services for Wellington residents. The following shows the annual gross operational spend on Council services for 2017/18.

In 2017/18, it cost this much (\$m) to deliver these services

<p>\$23m Pools</p>	<p>\$21m Libraries</p>	<p>\$42m* Water supply</p>
<p>\$43m** Sewerage network</p>	<p>\$7m Pedestrian network</p>	<p>\$4m Public toilets</p>
<p>\$10m Local parks</p>	<p>\$13m Galleries and museums</p>	<p>\$8m Arts and cultural festivals</p>
<p>\$5m Sportsfields</p>	<p>\$17m Waste management</p>	<p>\$3m Community halls</p>

* Includes network, collection and treatment
 ** Includes collection, disposal and treatment

Summary statement of comprehensive revenue and expense for the year ended 30 June 2018

	Council		Group		
	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Actual 2017 \$000
Total revenue	535,453	512,687	526,153	556,785	549,344
Total expense (excluding finance expense)	(479,164)	(454,906)	(470,514)	(511,573)	(502,639)
Total finance expense	(24,082)	(25,420)	(23,960)	(24,094)	(23,970)
Total operating surplus	32,207	32,361	31,679	21,118	22,735
Share of equity accounted surplus/(deficit) from associates and jointly controlled entity	-	-	-	16,243	13,313
Net surplus before taxation	32,207	32,361	31,679	37,361	36,048
Income tax expense	-	-	-	(429)	102
NET SURPLUS	32,207	32,361	31,679	36,932	36,150
Other comprehensive revenue and expense					
Cash flow hedges - FV movement (net)	(4,079)	-	17,447	(4,380)	17,447
Fair value through other comprehensive revenue and expense	856	-	1,240	1,615	1,195
Revaluations of property, plant and equipment	180,413	122,876	295,254	180,413	295,254
Share of other comprehensive revenue and expense of associates	-	-	-	20,588	24,165
Total other comprehensive revenue and expense	177,190	122,876	313,941	198,236	338,061
TOTAL COMPREHENSIVE REVENUE AND EXPENSE	209,397	155,237	345,620	235,168	374,211

The main variances from budget are discussed in the section following the Statement of Comprehensive Revenue and Expense in the Annual Report 2017/18.

Strong finances

There are a number of aspects to being in a strong financial position, and some of them have been covered in the previous section. Central to this is the Council's careful stewardship of its revenue and expenditure against budget as well as how close the Council was to a balanced budget (underlying result) this year. This ensures that the current generation pay their fair share and do not pass current costs onto future generations.

Summary statement of financial position as at 30 June 2018

	Council		Group		
	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Actual 2017 \$000
Current assets	178,832	64,032	137,510	193,972	147,991
Non-current assets	7,526,675	7,296,239	7,268,890	7,707,615	7,425,977
Total Assets	7,705,507	7,360,271	7,406,400	7,901,587	7,573,968
Current liabilities	238,174	365,011	213,041	246,525	218,546
Non-current liabilities	527,815	288,374	463,238	528,751	464,279
Total liabilities	765,989	653,385	676,279	775,276	682,825
TOTAL EQUITY	6,939,518	6,706,886	6,730,121	7,126,311	6,891,143

The Council's financial health continues to be sound, giving us the ability to deal with any challenges arising. This is reflected in our consistently high AA credit rating with Standard & Poor's. We have assets worth over \$7.2 billion and liabilities of \$766 million.

Our debt position remains very conservative and we work with other councils to reduce costs wherever possible. We also have far less debt than many local authorities. High-yielding investments such as our ground lease portfolio in the central city, and our shares in Wellington International Airport Limited, help offset rates requirements.

Assets, investments and liabilities

The Council continues to have a very strong financial position which is explained by the following major asset types:

Current Assets

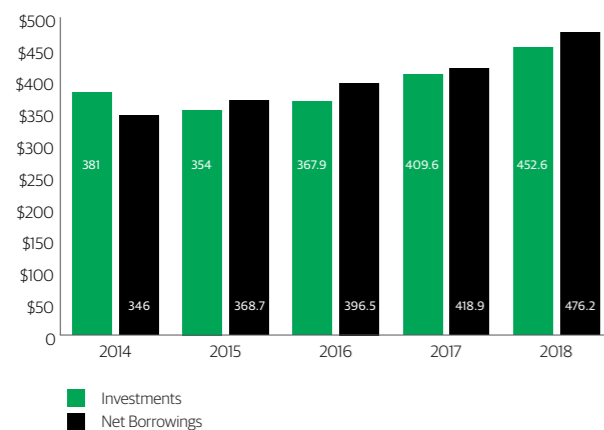
- Cash and cash equivalents (including cash on hand and at bank and short term bank deposits up to 3 months) - \$96.0 million. This is an increase of \$40.0 million in cash holdings from the previous year due to timing differences of cash flow requirements.

Non-current Assets

- Property, plant and equipment (including land, buildings, pipes, roads and other infrastructure assets) - \$7,227.0 million. The movement of \$260.6m from the previous year is due to the revaluation of both operational land and buildings and investment property along with another year of high capital expenditure.
- Other assets (including investment properties and investments in controlled entities and associates) - \$478.5 million.

The Council's level of investments continues to perform strongly compared to the level of borrowings where investment returns continue to be higher than borrowing costs. For every \$1 the Council incurs on paying interest on debt, it receives \$1.10 from its investments. The graph below compares the balance of investments and net borrowings over the past 5 years.

Investment and borrowings - 5 year trend - (\$m)



^ Note: Investments comprise investment properties; investment in associates and jointly-controlled entities and investment in controlled entities and other financial assets. Net borrowings comprise current and non-current borrowing offset by cash and cash equivalents.

Our major liabilities include:

Current Liabilities

- Borrowings (maturing in the next 12 months) - \$131.0 million¹

Non-current Liabilities

- Borrowings (maturing past 12 months) - \$451.1 million¹
- Other liabilities (including provisions and trade and other payables) - \$183.9 million.

The combined movement for liabilities is mainly due to an increase in gross borrowings of \$86.4 million.

Unquantified contingent asset

As at 30 June 2018 the Council has an unquantified contingent asset for insurance recoveries. The insurance claim (the claim) is related to the Civic Administration Building and is still in progress. The claim covers both repair costs and relocation costs. The Council's preliminary assessment of earthquake repairs is about \$33.0 million.

Summary statement of changes in equity for the year ended 30 June 2018

	Council			Group	
	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Actual 2017 \$000
Equity at the beginning of the year	6,730,121	6,551,649	6,384,501	6,891,143	6,516,932
Net surplus for the year	32,207	32,361	31,679	36,932	36,150
Other comprehensive revenue and expense	177,190	122,876	313,941	198,236	338,061
Total comprehensive revenue and expense	209,397	155,237	345,620	235,168	374,211
Equity - closing balances					
Accumulated funds	1,269,134	1,269,134	1,269,134	1,293,162	1,293,162
Retained earnings	3,819,629	3,808,695	3,793,827	3,818,478	3,788,286
Revaluation reserves	1,857,464	1,611,454	1,677,312	2,016,078	1,815,338
Hedging reserve	(25,362)	-	(21,283)	(25,663)	(21,283)
Fair value through other comprehensive revenue and expense reserve	3,744	1,648	2,888	4,836	3,221
Non-controlling interest	-	-	-	284	284
Restricted funds	14,909	15,955	8,243	19,136	12,135
TOTAL EQUITY	6,939,518	6,706,886	6,730,121	7,126,311	6,891,143

Changes in net worth

The Council's net worth is represented by equity, which is the difference between what the community owns (assets of \$7,705.5 million) and what the community owes (liabilities of \$766 million).

The Council's net worth at the end of the year was \$6,939.5 million, an increase of \$209.4 million from 2016/17. The major reason for the increase was the additional revaluation increases in operating land and buildings as well as investment properties caused mainly by the very strong property market in Wellington.

The Council's net worth is represented by equity, which is the difference between what the community owns and what the community owes.

¹ See Notes to the financial statements, Note 23: Borrowings, page 201 of the Annual Report 2017/18

Summary statement of cash flows for the year ended 30 June 2018

	Council			Group	
	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Actual 2017 \$000
Net cash flows from operating activities	127,097	122,293	113,170	131,738	114,112
Net cash flows from investing activities	(171,389)	(173,452)	(112,704)	(173,457)	(114,684)
Net cash flows from financing activities	63,381	61,180	(17,568)	63,209	(17,685)
Net increase/(decrease) in cash and cash equivalents	19,089	10,021	(17,102)	21,490	(18,257)
Cash and cash equivalents at beginning of year	76,907	(8,877)	94,009	85,366	103,623
CASH AND CASH EQUIVALENTS AT END OF YEAR	95,996	1,144	76,907	106,856	85,366

Rates and user charges are the primary source of our operating activities cash inflows. The majority of these net cash inflows, together with new borrowings (financing activities), are used in the purchase and development of assets around the city (investing activities).

Independent auditor's report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of Wellington City Council and group's summary of the annual report for the year ended 30 June 2018.

The summary of the annual report was derived from the annual report of the Wellington City Council (the City Council) for the year ended 30 June 2018.

The summary of the annual report comprises the following summary statements on pages 7 to 27 and 34 to 38:

- the summary statement of financial position as at 30 June 2018;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2018;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary of activity area performance.

Opinion

In our opinion:

- the summary of the 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 FRS 43: Summary Financial Statements.

Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2018 in our auditor's report dated 26 September 2018.

Council's responsibility for the summary of the annual report

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS 43: Summary Financial Statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: Summary Financial Statements.

Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit of the audited information and our report on the disclosure requirements, we have audited the City Council's 2018-28 long term plan, and performed a limited assurance engagement related to the City Council's debenture trust deed, and performed a review of the revenue and expenditure of the Clifton Terrace car park management by the City Council and Group on behalf of the New Zealand Transport Agency. Other than these engagements, we have no relationship with, or interests in, the City Council or its subsidiaries and controlled entities.

Karen Young

Karen Young
Audit New Zealand
On behalf of the Auditor General
Wellington, New Zealand
5 October 2018

J006599

Absolutely Positively
Wellington City Council
Me Heke Ki Pōneke