

Wellington City Council

# **Te Pūrongo ā-Tau 2018/19**

# **Annual Report 2018/19 Summary**

Absolutely Positively  
**Wellington City Council**

Me Heke Ki Pōneke



# Nau mai

# Welcome

## Nau mai ki tā mātou tirohanga rāpopoto o te tau 2018/19

### Welcome to our summary of the 2018/19 year

Each year, local authorities are required to present an annual report that includes a set of audited financial statements. Our Annual Report 2018/19 was adopted by Council on 25 September 2019, with an unmodified audit opinion.

During the year, we made progress on improving the city’s resilience, continued to deliver the essential services well, and advanced several high-profile citywide initiatives.

The Council has performed strongly financially over the past year. It has achieved an underlying surplus of \$1.5 million, within 0.3 percent of budgeted operating expenditure. The operating surplus of \$26.6 million is impacted by the \$50.5 million impairment to the value of the Civic Precinct buildings, resulting in a net deficit of \$23.9 million. Our financial position remains healthy.

The theme for this year’s report is Adaptability: ensuring our people and places remain strong and resilient. This report celebrates the way our people and communities come together, recognises our natural environment and the work done to restore and protect it, and looks at the challenges faced this year in our urban areas because of our location in an earthquake-prone landscape.

## Ā mātou mahi Our role

The role of Wellington City Council is to deliver services that support a well-functioning city, develop our infrastructure and invest in key projects that address the current and future needs and advance the aspirations of our communities, the city and the region.

The Council manages a significant number of assets and delivers an extensive range of services - from parks and cemeteries to parking and pools, from water supply and waste management to cycleways and animal control. We also have projects and initiatives that actively support the city’s economic growth and cultural development.

We are also responsible for controlling and regulating activities such as building, land use, noise, food preparation, liquor sales, and ownership of dogs and other animals.

The Local Government Act 2002, sets our statutory role as being:

- to enable democratic local decision-making and action by, and on behalf of, the people of Wellington
- to promote the social, economic, environmental, and cultural wellbeing of the people of Wellington, in the present and for the future.

Copies of the full Annual Report 2018/19 and this summary are available at Council offices, libraries, and at [wellington.govt.nz](http://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 2018/19 Annual Report do not include all of the disclosures provided in the full report and therefore cannot be expected to provide as complete an understanding of the Council’s financial position.

Published by Wellington City Council, 113 The Terrace, Wellington, New Zealand.

Printed on paper sourced from sustainable forests.

**Justin Lester**  
Mayor  
4 October 2019

**Kevin Lavery**  
Chief Executive  
4 October 2019

**Andy Matthews**  
Chief Financial Officer  
4 October 2019

He rau ringa,  
e oti ai –  
with many  
hands the job  
is finished

# Ihirangi

# Contents

<b>Wāhanga 1:</b> <b>Tō Tātou Tāone Nui</b> <b>Section 1: Our city</b>	<b>4</b>	<b>Wāhanga 3:</b> <b>Ngā Tauākī Ahumoni</b> <b>Section 3: Financial Statements</b>	<b>26</b>
Wellington today	6	Our Finances	28
Challenges our city faces	8	Where do my rates go?	34
On the horizon	10	Summary statement of comprehensive revenue and expense	35
The city’s strategic direction	11	Summary statement of financial position	36
Our organisation’s vision and values	12	Summary statement of changes in equity	38
Your representatives	13	Summary statement of cash flows	39
<b>Wāhanga 2:</b> <b>He whakarāpopotoi tō mātou tau</b> <b>Section 2: Summary of our year</b>	<b>14</b>	<b>Independent auditor’s report</b>	<b>40</b>
Mayor’s introduction	16		
Chief Executive’s introduction	18		
Highlights of the year	20		
Summary of what we do	21		
Summary of our performance	22		

Wāhanga 1  
Section 1

# Tō tātou tāone nui Our city

## I tēnei wāhanga

Kei tēnei wāhanga he tirohanga whānui o te tāone nui o Pōneke, ngā wero kei mua i te aroaro, tā tātou rautaki ahu whakamua, te tirohanga anamata, ngā uarā hoki o tō tātou kaunihera.

## In this section

This section includes an overview of Wellington city, the challenges we face, and our city's strategic direction, our organisation's vision and values.



# Wellington today

## Who we are

### 216,300

residential population of Wellington City\*

### 59.6%

of the population is under 40\*

### 10.4%

over 65\*

### 9.1%

of Māori descent\*\*\*

### 30.7%

of Wellingtonians were born overseas\*\*\*

### \$54,860

median income, higher than national\*\*

## Where we live

### 2000

sunshine hours a year

### 102

playgrounds

### 98.9km

of coastline

### 4073

hectares of green open space

### 355km

of walking and biking tracks

### 887

places to eat

## Ngake and Whātaimai

According to Māori tradition, Wellington harbour was originally a lake, and home to two great taniwha (mythic water monsters) named Ngake and Whātaimai.

Both taniwha could hear the sounds of the waves breaking on the rocks of the south coast and longed to explore the open seas.

As the years passed, Ngake grew frustrated with his confinement and decided to break free. He coiled his powerful tail into a spring and launched himself at the cliffs shattering them and creating a pathway to Te Moana-o-Raukawa. Battered and bruised, Ngake was able to slip into the sea.

Whātaimai attempted to follow, but he wasn't as strong or fit as Ngake, so ended up stranded in shallow water as the tide went out.

Many years later there was a great earthquake and it lifted up Whātaimai out of the shallows to high above the sea.

Whātaimai could do nothing, he was stranded high above the water and he knew his life would end. He bade farewell to his many bird friends and animals and soon after gasped his final breath.

Over the years Whātaimai's body turned to stone, earth and rock and is known to this day as Hataitai.

## Key

- Walking tracks
- Urban areas
- Rural areas and farmland
- Parks and Reserves
- Regional parks and reserves



\*StatsNZ 2018 population estimates \*\*Stats NZ 2018 \*\*\*2013 Census data

# Challenges our city faces

Wellington offers a very high quality of life, provides a good range of quality services and facilities, and looks after its people and the environment, but there are always challenges to be addressed.

Adaptability is the theme of this year's report, because how we respond to challenges is what will impact the liveability of our city. Many of these are challenges we share with other cities in New Zealand, and indeed globally.

## Operating in a growth environment

A stronger economy and strong population growth has come with challenges. About 50,000 to 80,000 more people are expected to call Wellington home over the next 30 years. This will put pressure on transport, infrastructure, and housing affordability and supply, particularly in the inner city.

The economic growth we've been working towards is occurring; GDP has been strong for the past three years, unemployment is low, and house prices have significantly increased. However, there are significant labour and skills shortages in key industry sectors. This is particularly felt at all levels of the construction sector - everyone from skilled trade workers and construction managers through to engineers are in high demand.

A focus for the past year has been starting conversations about how we should respond to the forecast growth. The Let's Get Wellington Moving and Planning for Growth projects have been at the heart of that.

## Resilience and climate change

The Council has been proactively developing the city's resilience for decades. The impact earthquakes and climate change can have on Wellington, its communities and buildings is not a new phenomenon. However, with every shake or storm we are learning more about our infrastructure, our land, our coast and our vulnerabilities.

In 2018/19, the legacy of the 2016 Kaikoura earthquake is still being addressed. Engineers have put in place more stringent guidelines, insurance costs have increased and earthquake strengthening timeframes have been decreased. We also closed the Central Library in the interests of public safety while we, with our community, consider the options for the future.

We are also working to protect and enhance our natural environment to ensure we meet our obligations as kaitiaki (guardians) of the city's environment. We have also declared a Climate and Ecological Emergency recognising that the city is already seeing the effects of more water in and around the city. This declaration, along with the adoption of Te Atakura - First to Zero, will shape our decisions in the future.

## Transport

A good transport system should benefit people's overall quality of life, support economic productivity, help create healthy urban neighbourhoods that are people-focused, and reduce the city's carbon emissions.

We are a small city and have congestion challenges. Data shows that travel time reliability continues to be an issue for car and commercial journeys at peak times. Nevertheless, car travel is often still much faster than public transport, with bus journeys taking about twice as long on average.

In May 2019, there was the joint announcement of Let's Get Wellington Moving, a partnership between Central Government (through NZTA), the Greater Wellington Regional Council and ourselves. The \$3 billion uninflated capital programme is a once-in-a-lifetime opportunity that is not just about moving more people with fewer vehicles but also a city-shaping opportunity aimed at improving the liveability of Wellington and the Wellington region.

This year also hasn't been without its challenges when it comes to public transport. Significant feedback and media coverage has highlighted the community impact

of the changes to the bus network. The changes were implemented by GWRC, which owns and manages the bus and train network. Wellington City Council is currently working with GWRC to improve bus priority and reliability across the city.

## Housing our people

Housing is expected to remain a key issue for many years in Wellington. For many it is significantly unaffordable and not everyone is well housed in the city. The issues are complex and the range and scale of work planned will take some time. Addressing the housing challenge remains a top priority for the Council. It led to the Council's 10-year Housing Strategy, which focuses on people right across the housing continuum and sets the vision of "all Wellingtonians well housed".

In Our 10-Year Plan 2018-28 - which has housing as a key priority - we have included several long term strategies and on the ground projects in direct response to the city's housing challenges. These include partnering with government and the private industry on initiatives to improve and increase housing availability and quality. This includes entering into an agreement with Housing NZ for the development of Arlington sites 1 and 3.

## Our creative city

We've invested extensively in the arts over many decades and our city has an enviable reputation as a centre of culture. That didn't happen by accident: we, along with the government and others, have been supporting and investing in the sector for years. But other cities are also investing in these areas, and we need to make sure investment levels are high enough to support a thriving arts and culture sector in the city. We are working on Aho Tini - a new strategy that aims to bring together the different sectors and encourage greater collaboration, so creativity is woven through the fabric of our city and the way we do business at the Council.

The arts and culture sector relies heavily on Council support and Council-owned facilities to showcase their talent. Many of those buildings - like the Town Hall and the St James Theatre - are old, earthquake prone and heritage listed. However, work to strengthen the Town Hall and St James Theatre is under way.

About 50,000 to 80,000 more people are expected to call Wellington home by 2043.

# On the horizon

The following reviews are part of the Central Government agenda and will impact the Council in the upcoming financial years.

## Three Waters review

The Government is reviewing how to improve the regulation and supply arrangements of drinking water, wastewater and stormwater (three waters). Most three waters assets and services are owned by local government authorities, with aging and at-capacity infrastructure a common issue across the country. Initial findings asked questions about the effectiveness of the regulatory regime for the three waters and the capability and sustainability of water service providers. While clarity on water quality standards is welcomed, the question of funding remains unanswered. The Council is also a member of the Te Whanganui-a-Tara Whaitua and Te Awarua-o-Porirua Whaitua committees, which are tasked with developing a programme to improve the quality of our region's streams, rivers and harbour. The recommendations of this community-led process will impact water management in the near future.

## Resource management act review

The Government is conducting a two-stage review of the Resource Management Act 1991. In late 2019, stage one will be a Bill to make the RMA less complex, give people more certainty on RMA issues and increase public participation. Stage two will be a more comprehensive review of the resource management system in 2020. The timing of this review coincides with Council's Planning for Growth programme, which includes a new spatial plan and a review of the District Plan.

## Urban development authority legislation

The Government is in the process of developing legislation to enable urban development at an increased pace and scale to respond to the challenges of population growth. The legislation will establish Kāinga Ora - Homes and Communities, the Central Government Urban Development Authority. This Crown entity will manage the delivery of urban development projects of all sizes. A second Bill (due mid 2020) will confirm the powers available to the UDA. Council is interested in how these powers will be able to be applied at a local level.

## Building system legislative reform

Earlier this year the Government consulted on proposed reforms to New Zealand's building laws. These are the most significant reforms since the current Building Act was introduced in 2004. Council is of the view that the proposal does not go far enough, but supports the general direction of the proposed reforms. In the coming months, the Council will continue to liaise with Central Government and advocate for changes that will make a meaningful difference to the building sector.

# The city's strategic direction

In 2012, Council adopted its 'Smart City' vision. This vision is the Council's long-term aspiration for the city and is supported by four pillars:

- **People-centred** - a city that is healthy, vibrant, affordable, accessible and resilient, with a strong sense of identity and place
- **An eco-city** - a city where natural resources are proactively protected, where environmental challenges are addressed and the transition to becoming a low-carbon city is managed
- **Connected** - a city with easy access to regional, national and global networks that allows people and goods to move freely, with a world-class infrastructure that enables people to connect with each other and their communities
- **Dynamic central city** - a place of creativity, exploration and innovation that offers the lifestyle, entertainment options and amenities of a much bigger city and where the city centre drives the regional economy.

By many measures Wellington is already a very successful city and is often recognised internationally for its outstanding quality of life. It is regarded as a city where people like to live, work and play. In 2017 and 2018 Wellington topped the Deutsche Bank's list of 50 most liveable cities.

Wellington also has the foundations needed for achieving these Smart City aspirations - an educated population, quality education institutions, knowledge-based industries that are growing, a compact urban environment with high use of public and active transport modes, low-carbon emissions per person, good job opportunities and the ability to live a very high quality of life.

We actively monitor several indicator trends that help us understand how the city is changing. This information, along with our service performance measures, allows us to assess progress towards these long-term aspirations and respond to challenges.

In Our 10-Year Plan 2018-28 we continued the focus on the Smart City vision and aspirations. This plan centres on five strategic priorities with supporting work in transport, housing, arts, culture, resilience, environment and, sustainable growth programmes to strengthen the city's existing assets and services, as well as building for the future. The clear focus for these programmes is:

- Building on the city's strengths
- Improving the quality of life of all residents
- Responding to the challenges and risks facing the city.

This Annual Report sets out what the Council has delivered and progressed in the 2018-19 year - year one of Our 10-Year Plan.

By many measures Wellington is already a very successful city and is often recognised internationally for its outstanding quality of life.

# Our organisation's vision and values

Supporting the strategic direction is the Council's organisational vision and values that focus on what we want to achieve as an organisation and how we will work together to deliver on Wellington's ambitions for the future.

The Council's organisational vision and values were reviewed and updated in July 2019, with extensive input from staff.

## Our Council vision

**Kia mahi: ngātahi mō Pōneke mō tōna āpōpō**  
**Working together for Wellington's future**

## Our Council values:



**He tangata, he tangata, he tangata**  
**We put people at the heart of what we do**

- We anticipate our customers' needs
- We support our colleagues
- We listen to our customers and each other
- We act with integrity and respect



**Whakapai ake**  
**We're always improving**

- We are open to new ideas and innovation
- We encourage creativity
- We learn from our mistakes
- We give constructive feedback, compliment good work and reward success



**Mahi ngātahi**  
**We collaborate**

- We share our skills and knowledge
- We have confidence in our colleagues
- We work together to get the best results
- We are accountable for our actions and decisions

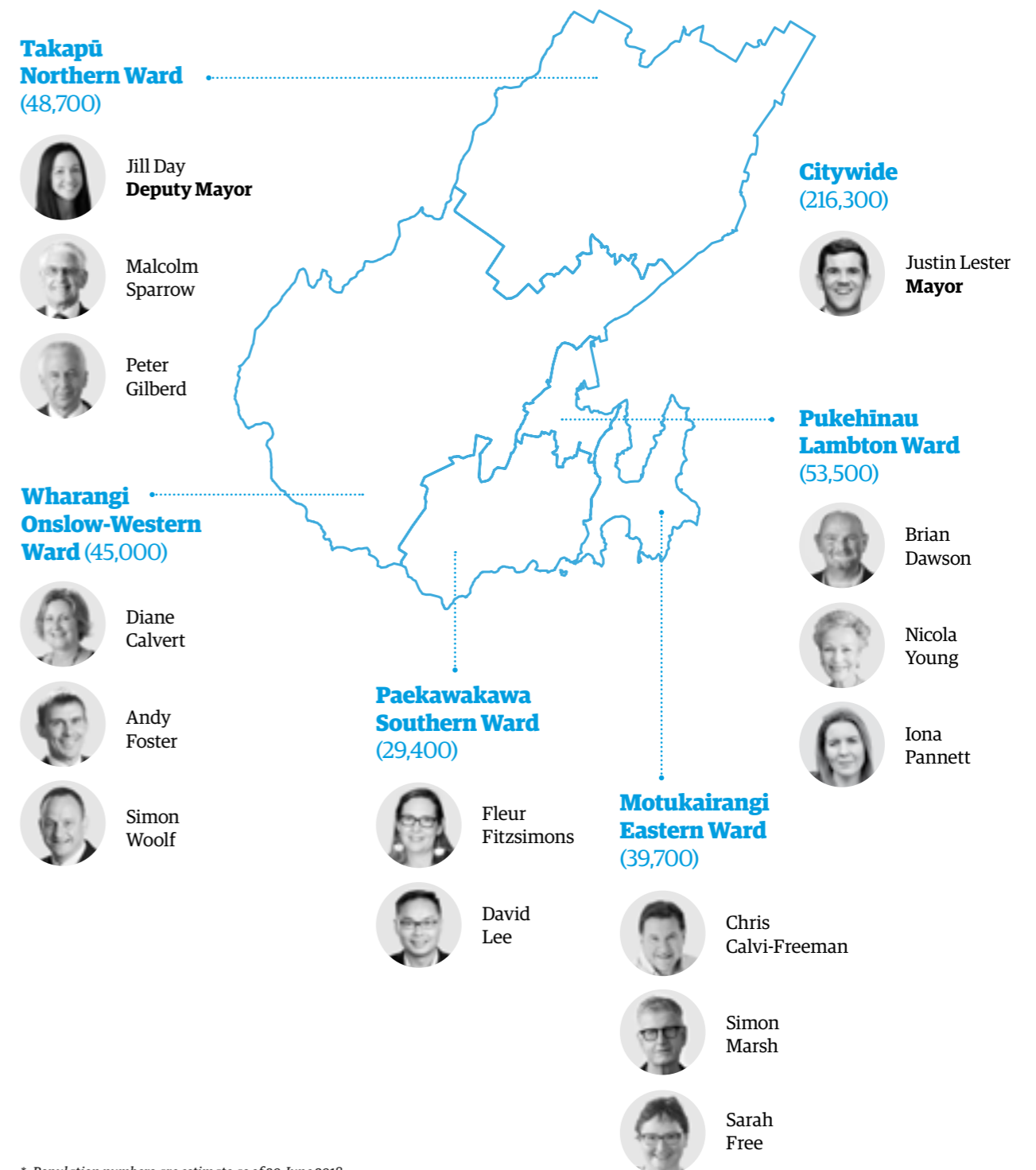


**Mana tiaki**  
**We care for our places**

- We protect our environment for future generations
- We are guardians of our city's assets
- We nurture our communities
- We consider the impact of what we do

# Your representatives

The wards and elected Councillors for each are:



\* Population numbers are estimate as of 30 June 2018.



Wāhanga 2  
Section 2

# He whakarāpopoto i tō mātou tau

## Summary of our year

### I tēnei wāhanga

Kei tēnei wāhanga he tirohanga whānui o te tau nā te Koromatua me te Tumu Whakarae, te tirohanga whānui ki tō mātou pakihi matua, he whakarāpopoto hoki i ā mātou whakatutukinga i tēnei tau.

### In this section

This section includes an overview of the year from the Mayor and Chief Executive, the overview of our core business, and summaries of our performance this year.

# Te whakarite i a Pōneke kia pakari ai te anamata

Kei te paripari o panoni a Pōneke. I tēnei tau kua hori kua whai whakataunga uaua mātou hei whakarite tūāpapa kia pai ake ai, kia pakari ake ai tō tātou tāone nui. Ka maha ake ēnei whakataunga nui hei ngā tau e heke mai nei.

Mā ā mātou mahi o nāiane e taea ai te pupuri tō tātou tupuranga, tō tātou maneatanga, tō tātou nōhanga pai hoki, i a tātou e aro ana ki ngā wero kei tua. Me takatū tātou mō te tupuranga taupori, mō ngā huarere matewhawhati nā te hurihanga āhuarangi me te tūponotanga o tētahi anō rū whenua.

Me tiaki hoki tātou i te āhuatanga motuhake o tō tātou tāone nui. I tēnei tau i koke tātou i te whakaurunga o te reo Māori ki roto i ā tātou mahi o ia rā mā te waihanga i tētahi mahere whakahohe mō Te Tauihu, arā ko tā tātou kaupapa here reo Māori. I manaakitia hoki e tātou Te Matatini ki te Ao, te ahurei kapa haka ā-motu, te ahurei i tauawhitia e ngā tāngata 40,000 o Pōneke, o waho atu hoki.

He rā pōuri i te marama o Poutūterangi i te wā i katia Te Whare Pukapuka Matua, ā, i tauākītia ka raru ina tūpono ai he rū whenua. Heoi anō, he hōnora mōku te whakatuwhera i te Pokapū Ratonga Arapaki me Te Whare Pukapuka nō muri tata mai, ā, e manawanui ana te Kaunihera kia pupuri tonu i ngā ratonga whare pukapuka i tō tātou Pokapū Tāone Nui, te wāhi i whakaratohia ai aua ratonga mai i te tau 1893.

Kua tīmata te whakapakari i te Whare Tapere o Hato Hēmi, ā, he kāinga hou tō te Royal NZ Ballet kei tētahi whare taupua, kei te tūnga waka o Michael Fowler. I tēnei tau kua tīmata hoki te mahi ki tō tātou tino Hōro Tāone, me te aha, ka hangaia houtia kia hoki anō ki tōna hanga o mua me te whakapūmau i tōna haumarutanga mō ngā tau 100 kei tua.

He wāhanga nui tō te taiao māori e motuhake ai a Pōneke. I tēnei tau i whakaae ngā Kaikaunihera ki tā tātou mahere Tuatahi ki te Kore (Te Atakura) mō te whakahahe i ā tātou whakaputanga haukino, i tīmata tā tātou mahi tuatahi ki te Tāpui Wai 35-miriona-rita o Omārora/Wheao o Wērā ki Pukeahu, ā, kua whakaterere ake i ā mātou mahi kia noho konihi-kore a Pōneke.

He mea nui kia whakahihiko tonu tātou i tō tātou ōhanga me te whakarauora i tō tātou taiao māori. I whakaaetia te whakaaetanga rawa taiao mō te Whare Hui, Whare Whakaaturanga o Pōneke i te Hōngongoi, ā, ka tīmata te hanga hei te mutunga o 2019. Mā te whare e tahuri te wāhi e karapoti ana i a ia, ā, e hiamō ana ahau ki te maeatanga ake o tētahi wāhi hou, ngangahau hoki o te tāone nui.

Nā ngā whakaritenga huhua i tēnei tau i whiwhi tonu ai mātou i te tautoko nui mō ā mātou whakapaunga moni whakaarotau: te manawaroatanga me te taiao, te hanga whare, te kawē tāngata, te tupuranga toitū, te mahi toi me te ahurea. Ka kitea i tēnei pūrongo

i kaha whakatutuki mātou i ēnei whakaarotau i tēnei tau, ā, ka pērā tonu i a mātou ka whakarite i a Pōneke mō te anamata whakaihiihi.

I haere tonu te whakapakari i te āheinga ki te tō mai i ngā manuhiri ki te tāone matua mō te mahi pakihi, mō te ahurea hoki, koia i tū ai ngā takunetanga ā-motu āhua maha mō te hākinakina, mō te ōhanga, mō te ahurea hoki. I piki te tokomaha o ngā manuhiri nō whenua kē, ā, mō te tau tuarua piritata neke atu i te \$2.5 piriona i whakapaua e ngā manuhiri i Pōneke. Kua haere tonu hoki tā mātou tautoko i te hunga e matea nuitia ana mā ngā kaupapa hapori, hei āwhina hoki ki te hono i ngā hapori, tae rawa tonu ki te tāone nui.

He wā panoni tēnei mō Pōneke, me te aha, me rite ngā tāngata o Pōneke mō ētahi tauwhatinga. E tonoa ana kia manawanui mai.

Kua whakapau kaha mātou kia ngāwari ai te utu o ngā rēti. He Kaunihera ahumoni pakari mātou, e whai ana i tētahi hōtaka mahi whai wawata. E pai ana ā mātou pukapuka, ā, ina tautoko mai koutou, e taea ai e mātou te whakatutuki.



**Koromatua  
Justin Lester**

# Preparing Wellington for a strong future

Wellington is on the precipice of change. We've spent the past year making some hard calls to ensure we are laying down the foundations for a better, stronger version of our city. There will be more of these big decisions in the years to come.

The work we're doing now means we can maintain our growth, attractiveness and liveability, while facing the challenges ahead. We need to be prepared for population growth, more erratic weather patterns due to climate change, and the likelihood of another earthquake.

We also need to preserve our city's unique character. This year, we took another important step towards making te reo Māori a part of our everyday lives by creating an action plan for Te Tauihu, our te reo Māori policy. We also hosted Te Matatini ki te Ao, the national kapa haka festival, which was embraced by about 40,000 Wellingtonians and visitors.

It was a sad day in March when we closed our Central Library and declared it earthquake prone. However, I was honoured to open the Arapaki Service Centre and Library soon afterwards and Council is committed to keeping library services in our central city, where they have been since 1893.

Strengthening work is now well under way on the St James Theatre and the Royal New Zealand Ballet is now homed in a new temporary facility on the Michael Fowler carpark. This year work has also

started on our much-loved and iconic Town Hall, meaning it will be rebuilt to its former glory, while ensuring it is safe for the next 100 years.

Our natural environment is a big part of what makes Wellington special. This year, Councillors agreed to our Te Atakura - First to Zero blueprint for reducing our carbon emissions, we started the preliminary work on the 35 million litre Omārora/Prince of Wales Reservoir in Mt Cook, and we have accelerated our efforts to make Wellington predator-free.

It is important we keep stimulating our economy alongside revitalising our natural environment. The resource consent for the long-awaited Wellington Convention and Exhibition Centre was approved in July and construction will begin towards the end of 2019. The centre will transform the surrounding area and I look forward to a new and vibrant quarter emerging.

Through multiple engagements this year we have continued to receive strong backing for our spending priorities: resilience and the environment, housing, transport, sustainable growth, and arts and culture. As this report shows, we delivered strongly against these priorities this year and we will continue to do so as we prepare Wellington for an exciting future.

We continued to improve our capacity to draw visitors to the capital for business and

culture, with several national sports, economic and cultural events taking place. Domestic and international visitor numbers grew and, for the second year in a row, visitor spending in Wellington exceeded \$2.5 billion. We've also continued to support those who need it most through social initiatives, and to help communities connect, particularly in the inner city.

It's a period of change for Wellington and what that means is Wellingtonians can expect a degree of disruption. We ask for your patience.

We've done our utmost to keep rates affordable. We're a financially sound Council, undertaking an ambitious programme of work. But our books are in good order and with your support, we can deliver.



**Mayor  
Justin Lester**



# Mā te wero e puta ai he auahatanga, he whai wāhitanga hoki

Kātahi te tau nui, ko tēnei. Kei te ora rawa atu, kei te tupu hoki a Pōneke, e tīmata ana mātou ki te whakatutuki i ētahi hinonga nui, ā, he tokomaha ake ngā tāngata e haramai ana kia rongō ai i ngā painga maha e tāpaetia ana. Inā te nui o ō tātou wawata mō te anamata o tēnei tāone nui, heoi, e whakahihī ana mātou kia tika ai ngā mahi māori noa.

E tū pakari ana tātou ā-ōhanga nei nā te whakarirā. Ka kitea i tēnei pūrongo, e pakari ana te taha ahumoni, he tūnga taurewa AA tā tātou

Kua āhei mātou te nuku mai i te whakaihiihi tupuranga ā-ōhanga ki te whakahaere atamai i te tupuranga. Heoi anō, e maea ake ana ētahi tino wero, ā, kua noho ērā ki te pūtaka o ngā whakawhitinga kōrero maha i tēnei tau i te tēpu Kaunihera rānei, i ngā tēpu rānei o tētahi o ngā toa inu kawhe maha

I tēnei tau kua tere urutau ngā tāngata o Pōneke me Te Kaunihera o Pōneke ki te whakataui i ngā whiringa uaua mō ngā wāhi o te tāone nui e ngākaunuitia ana. He wero nui tā tātou i a Te Ngākau, te Wāhi Tūmatawhānui. E noho ana ki runga whenua tāmata, e tuwhera ana ki te pikinga taumata moana, ā, kāore e pakari ngā whare ina tūpono ai he rū. I tēnei tau i whakarērea e ngā kaimahi Kaunihera tētahi o ō mātou whare mahi, ā, i katia hoki Te Whare Pukapuka Matua. Engari e kore mātou e mate wheke.

E tautokohia ana Te Kaunihera o Pōneke e ngā kaimahi 1800 whakahohe, auaha hoki e ngākau

whiwhita ana ki te mahi mō tō rātou tāone nui. E poho kererū ana ahau i te āhua o tā rātou urupare ki ngā wero o tēnei tau. Hei tauira, i mua tonu i te paunga o te 10 wiki whai muri i te katinga o te whare pukapuka, i whakamahere, i whakatinana, ā, i whakatuwhera ā mātou kaimahi i tētahi whare pukapuka taupua i te Pokapū Tāone ki te tiriti o Manners.

Ka whakarato hoki ā mātou kaimahi i ngā ratonga 400 neke atu ki ō tātou kainoho i ia rā. Ko te kohi rāpihi, ko te whakapai tiriti, ko te tiaki papa tākaro, ko ngā ratonga ruapara me te maha noa atu e tumanakohia ana ka whakaratohia, heoi, e kore e kaha kōrerotia

I tēnei tau i riro i a mātou he tautoko nui mai i te Kāwanatanga hei whakapai ake i te pūnaha kawhe tāngata mā te kaupapa Let's Get Wellington Moving. Mā tēnei hōtaka \$6.4 piriona e tahuri tō tātou kawenga tāngata, te hanga whare, te tupuranga me te tōnuitanga anamata o tō tātou tāone nui. Kihai i te hitori o tō tātou tāone nui he whai wāhitanga kia pēnei ai te nui o te hurihanga. Me haere tonu tā tātou mahi auaha, whakaaro rerekē hoki kia pūmau ai tā tātou whakatinana i tō tātou pito mata.

I ōna wā ko tātou kē te ika ka haongia e tō tātou ake kupenga: kāore e rahi ngā kaimahi, ā, he hirahira te whakapikinga utu mākete hanga whare i te wā e haere tonu ana ngā mahi whakapakari whare mō te rū whenua, ā, e whanaketia ana, e hanga houtia ana rānei ngā whenua noho.

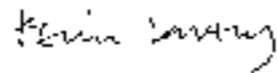
He raru tūturu kei reira mehemea e kore tātou e whakaaro atamai ina tāpirihia ai ngā taumahatanga ahumoni, rawa hoki o te Let's Get Moving Wellington, te whakapakari i tō te tāone nui manawaroatanga, ā, ki hea, pēhea ai hoki te whakanoho i tō tātou taupori e tupu haere nei kia haumarū ai.

I tēnei tau i whakarato hoki mātou i tētahi hōtaka moni tōpū nui \$170 miriona - tae atu ki ngā papa tākaro hou, ngā wharenoho hapori, ngā pūnaha tuku para, ngā whakahoutanga hoki ki ngā wāhi me ngā whakaurunga tūmatawhānui.

E whakaatu ana tēnei pūrongo e pakari tonu ana ngā whakatutukinga mō tēnā, mō tēnā mahi i ngā marama 12 kua hori, otirā e urupare pai ana ki ngā wero o ia rā, o ia rā.

Ka whakaratohia e mātou ngā ratonga 400 neke atu ki tōna 212,700 tāngata mō te \$7 iti iho rānei i ia rā, mō ia tangata. E manawanui ana mātou kia noho ngāwari tonu ngā rēti

He whāinga waewae kaikapua ā mātou mahere engari e pakari ana te taha ahumoni. I te tau kua hori e kitea ana kei runga tātou i te ara tika. Me koke tonu.



**Tumu Whakarae  
Kevin Lavery**

# Through challenge comes innovation and opportunity

It's been a big year. Wellington is thriving and growing, we are starting to deliver on some big projects and more people are coming to enjoy the many attractions we have to offer. We have big plans for the future of the city, but pride ourselves on doing the basics well.

We are in a strong position economically because of hard work. As you will read in this report, we are a tight ship and financially sound, with an AA credit rating.

We have been able to shift from stimulating economic growth to the smart management of growth. However, there are some real challenges emerging and they have been the centre of many discussions this year, both around the Council table or tables in one of our many cafes.

This year Wellingtonians and the Wellington City Council have had to adapt quickly and make some hard calls about beloved parts of the city. We have a huge challenge in Te Ngākau, our Civic Precinct. It sits on reclaimed land, is vulnerable to sea level rise and many of the structures are not strong seismically. This year, Council staff have temporarily left one of our major office buildings on the site and we had to close our Central Library. But we are not surrendering.

Wellington City Council is supported by an energised and innovative, 1800-strong workforce who are passionate about working for their city. I am proud of the way

they have risen to the challenges of this year. For example within 10 weeks of the library closure, our staff had planned, implemented and opened a new pop-up library in the central city on Manners Street.

Our staff also deliver more than 400 services to our residents each day. The rubbish collection, street maintenance, recreation ground management, landfill services and many others that you expect to be delivered and we don't often talk about.

This year we secured significant government backing to improve our transport network through the Let's Get Wellington Moving package. This \$6.4 billion programme will transform our transport, housing and the future growth and prosperity of our city. Never before in the history of our city have we been presented an opportunity for transformational change on this scale. We will need to continue to innovate and think differently to ensure we can realise our potential.

To some extent we are the victims of our own success: we have labour shortages, and construction market inflation is significant as earthquake strengthening work continues and properties are developed or redeveloped.

They could be real problems if we don't think smartly when adding in the financial and resource demands of Let's Get Wellington Moving, increasing the city's resilience and where

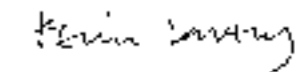
and how to safely accommodate our growing population.

This year we also delivered a substantial \$170 million capital programme - this includes new playgrounds, social housing apartments, sewage systems, and upgrades to public spaces and facilities.

This report shows that in the last 12 months our performance in each of the activity areas remains strong while at the same time responding constructively to day-to-day challenges.

We deliver more than 400 services to about 216,300 people for less than \$7 per day per person. We're committed to keeping rates manageable.

Our plans are ambitious but our finances are in good order. The past year has shown we're on the right track. Let's keep building on the good work.



**Chief Executive  
Kevin Lavery**



# Highlights of the year



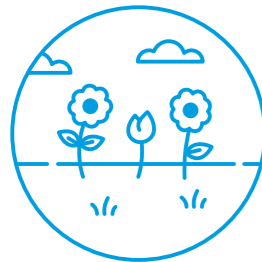
**70,230**  
environment  
volunteer hours



**Carbon Zero**  
Te Atakura - First to Zero  
policy passed



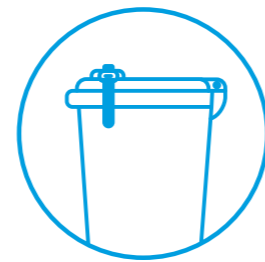
**5 millionth**  
customer at ASB  
Sports Centre



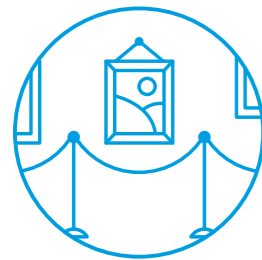
**150th**  
anniversary of  
the Botanic Garden



**270,675**  
calls to call centre



**40,000**  
recycling wheelie bin clips



**770,320**  
gallery and museum visits



**\$34m**  
strengthening of St James  
Theatre underway



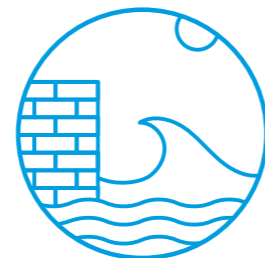
**\$1m**  
Tawa Town Centre  
and Plaza upgrade



**40ha**  
total area of roads  
resurfaced



**20**  
haka pedestrian  
lanterns installed



**33**  
retaining and sea walls  
built or renewed

# Summary of what we do

## Most of the work we do and the services we provide are in seven activity areas.

While the five priority areas of Our 10-Year Plan 2018-28 drive a structured effort in areas that need work, the seven strategic areas represent how we work.

The full 2018/19 Annual Report is a report against year one of Our 10-Year Plan.

Our seven activity areas are:



### Whanaketanga ōhanga 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.



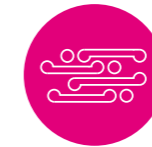
### Tāone tupu ora Urban development

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.



### Pārongo ā-tāone Governance

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



### Oranga ahurea 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.



### Waka Transport

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



### Taiao Environment

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



### Kaupapa pāpori me ngā mahi a rēhia Social and recreation

We provide community and social facilities throughout the city. This includes libraries, community centres, swimming pools, sportsfields and playgrounds. We also work to reduce homelessness and begging, and improve city safety.

# Summary of our performance

During the year, we continued to deliver our services well while adapting to an increasingly challenging operational environment

(see page 8).

In addition, we have a substantial capital works programme under way that spans several years. While we progressed several citywide capital works initiatives during the year, sustained delivery of the capital works programme has been challenging. At end of the year, we had a 29 percent under delivery on our Council capital programme covering several activity areas.




### Outcome indicators

Progress towards our aspirations for Wellington is monitored by following the trends in 115 high-level outcome indicators for our activity areas and in aggregate. By the end of the year, 21 percent (24 out of 115) of our outcome indicators were trending in the desired direction. A further 63 percent (73 out of 115) had no

trend from the previous year. Of the 73 with no trend, 25 were new indicators and were not comparable to previous years. This suggests that overall the city is making progress towards our aspirations - but not on all fronts.

The 18 indicators that are not trending in the desired direction - notably some indicators in economic development, urban development and transport - are subject to on-going monitoring. In addition, Our 10-Year Plan signals investment that is likely to enable improved outcome trends over time, for example our continued investment in transport.

**Table 1: Overview of outcome indicators against desired trend**

	 Negative trend	 No trend & new	 Positive trend	Grand total
<b>Governance</b>		6	2	8
<b>Environment</b>		14	4	18
<b>Economic development</b>	5	9	11	25
<b>Cultural wellbeing</b>	1	11		12
<b>Social and recreation</b>	1	11	2	14
<b>Urban development</b>	5	17	4	26
<b>Transport</b>	6	5	1	12
	<b>18</b>	<b>73</b>	<b>24</b>	<b>115</b>

### Performance measures

Our key performance measures and their targets are how we track and assess the delivery of Council services. Our 10-Year Plan 2018-2028 included a comprehensive update of the Council and Council-Controlled Organisation's suite of performance indicators and measures. These measures were implemented during 2018/19 and are reported for the first time this year.





Some of the updated measures are new or changed and are not comparable to previous results. The 2018/19 year has been used to gather sufficient information on the operation of these performance measures to set sound targets for subsequent years. In some cases these measures have a target of "Baseline" which means the first year's data will be used to set subsequent years' targets.

The Council undertakes the Residents' Monitoring Survey (RMS) on an annual basis. The survey has a margin of error of +/- 4.4 percent.

Overall, in 2018/19 we have achieved a positive key performance result. Of the 222 activity area measures with targets:

- 143 (64%) were within 10% of target
- 40 (18%) exceeded targets by greater than 10%
- 39 (18%) did not meet target by greater than 10%.

**Table 2: Overview of performance measures against 2018/19 targets**

 Not met	39
 Within 10%	143
 Exceeded	40
 Baseline	30
<b>Grand total</b>	<b>252</b>

## Our activity areas







### Pārongo ā-tāone Governance

This year's highlights included the successful engagements on Planning for Growth, Te Atakura - First to Zero and the Outer Green Belt Management Plan. We have also placed the 125,000 records from City Archive online, commenced planning for the local elections in October 2019 and signed a Memorandum of Understanding with Te Taura Whiri i te reo Māori to work together on the revitalisation of te reo Māori.

We continued to improve our engagement with the public and to strengthen our partnership with mana whenua. However, more work is needed to ensure the public understand how we make decisions, that our information is clear and accessible and to revitalise te reo Māori and Māori culture in the city.

### Performance summary

#### Pārongo ā-tāone Governance

 Not met	4
 Within 10%	9
 Exceeded	1
 Baseline	1
<b>Total measures</b>	<b>15</b>

### Financial summary

For more detail on expenditure, refer to Tables 4 & 5 on pg 34 & 35

**Net operating expenditure \$000**

Actual: 17,426

Budget: 17,515

**Capital expenditure \$000**

Actual: 0

Budget: 51

Revised budget: 22



**Taiao Environment**

A significant highlight for this activity area is our commitment to working in partnership with government and the private sector on initiatives to reduce the impact of carbon. As part of this, we passed our Te Atakura - First to Zero policy in June 2019. Our work over the past 12 months has also included strengthening infrastructure such as pipes and reservoirs, addressing issues like coastal erosion and looking at ways to save energy and reduce waste.

In our key performance measures Zealandia and Wellington Zoo had an increase visitor numbers for the third year, including an increase in education visitors. However, over the past three years, satisfaction in the recycling and rubbish services has decreased.

**Performance summary**

Taiao Environment		
⊗ Not met	8	
⊙ Within 10%	36	
⊕ Exceeded	20	
⊖ Baseline	8	
<b>Total Measures</b>	<b>72</b>	

**Financial summary**

For more detail on expenditure, refer to Tables 4 & 5 on pg 34 & 35

**Net operating expenditure \$000**

Actual: 148,686  
Budget: 155,085

**Capital expenditure \$000**

Actual: 40,471  
Budget: 52,030  
Revised budget: 49,885



**Whanaketanga ōhanga Economic development**

In the past 12 months, through the support of Council, the city hosted several cultural and sports events and attracted growing numbers of visitors, particularly from overseas. A list of many of these events is at the end of this section. Of particular note was the Eminem ‘Rapture’ concert held at Westpac Stadium, which broke attendance records with 46,474 fans and 56 percent of tickets sold to out-of-region purchasers.

Other highlights included visitor spending exceeding \$2.7 billion for the first time, lodging of the resource consent for the Convention and Exhibition Centre and nearly \$2 million allocated from the City Growth Fund. However, the number of events in Wellington and our share of multi-day conferences was down because of the closure of several venues for earthquake strengthening

**Performance summary**

Whanaketanga ōhanga Economic development		
⊗ Not met	2	
⊙ Within 10%	14	
⊕ Exceeded	1	
⊖ Baseline	0	
<b>Total measures</b>	<b>17</b>	

**Financial summary**

For more detail on expenditure, refer to Tables 4 & 5 on pg 34 & 35

**Net operating expenditure \$000**

Actual: 20,763  
Budget: 21,723

**Capital expenditure \$000**

Actual: 738  
Budget: 3,357  
Revised budget: 3,650



**Oranga ahurea Cultural wellbeing**

Over the past year, we focused on strengthening our buildings and our cultural programme. Strengthening of the St James Theatre and Town Hall is under way, and despite these closures we had an increase in performers and attendees at Council supported events in Venues Wellington locations.

We developed and delivered city events and festivals such as A Very Welly Christmas Festival, Ahi Kā, Sky Show, Gardens’ Magic, Te Rā o Waitangi, Pasifika Festival and ReCut. We also commissioned nine new murals in the city as part of the PakiTara-toi Art on Walls initiative.

The Wellington Museums Trust (Experience Wellington) delivered 564 experiences including 25 exhibitions, and 17 theatre shows, four of which went on national tours.

**Performance summary**

Oranga ahurea Cultural wellbeing		
⊗ Not met	1	
⊙ Within 10%	13	
⊕ Exceeded	2	
⊖ Baseline	0	
<b>Total measures</b>	<b>16</b>	

**Financial summary**

For more detail on expenditure, refer to Tables 4 & 5 on pg 34 & 35

**Net operating expenditure \$000**

Actual: 22,457  
Budget: 21,740

**Capital expenditure \$000**

Actual: 4,145  
Budget: 906  
Revised budget: 1,801



**Kaupapa pāpori me ngā mahi a rēhia - Social and recreation**

The number of visits to Council swimming pools and recreation centres increased this year, with the ASB Sports Centre welcoming its five millionth visitor since opening in 2011. Work started on the Renouf Tennis Centre and Basin Reserve Museum Stand redevelopments, Tawa Pool was upgraded and we demolished the old Lyall Bay Surf Club building.

However, this year the Central Library was closed on 19 March because of engineering advice about how the building would perform in the event of a significant earthquake. This meant a decrease in the physical visits to our libraries, but an increase in online visits.

We have also continued to advance the Te Mahana strategy to end homelessness by supporting a range of services and responses, including the Housing First programmes now active in Wellington.

**Performance summary**

Kaupapa Pāpori me ngā Mahi a Rēhia Social and recreation		
⊗ Not met	9	
⊙ Within 10%	40	
⊕ Exceeded	14	
⊖ Baseline	13	
<b>Total measures</b>	<b>76</b>	

**Financial summary**

For more detail on expenditure, refer to Tables 4 & 5 on pg 34 & 35

**Net operating expenditure \$000**

Actual: 93,919  
Budget: 80,438

**Capital expenditure \$000**

Actual: 30,025  
Budget: 39,693  
Revised budget: 41,149



**Tāone tupu ora Urban development**

Significant highlights this year included entering into a partnership with Housing NZ for the redevelopment the Arlington 1 and 3 sites in Mount Cook. We also upgraded Lombard Lane and Bond St, which has created a vibrant precinct out of a service laneway and under-used green space, and Tawa Town Centre and Forrester’s Lane. Build Wellington has also undertaken to work with private developers to secure long-term building leases as part of the central city apartment conversions programme.

Altogether, 2883 building consents were issued by the Council in the 2018/19 financial year, a slight increase from 2605 last year. However, we failed to meet our performance measures for issuing building consents or code of compliance certificates within 20 working days, or LIMs within 10 working days.

**Performance summary**

Tāone tupu ora Urban development		
⊗ Not met	3	
⊙ Within 10%	8	
⊕ Exceeded	0	
⊖ Baseline	7	
<b>Total measures</b>	<b>18</b>	

**Financial summary**

For more detail on expenditure, refer to Tables 4 & 5 on pg 34 & 35

**Net operating expenditure \$000**

Actual: 16,826  
Budget: 18,511

**Capital expenditure \$000**

Actual: 14,610  
Budget: 44,270  
Revised budget: 48,483



**Waka Transport**

Highlights for the year included the consenting of seven new bus passenger interchange stations, the completed strengthening of the Northland Tunnel and 1648 sq m of new retaining walls that were built to ensure our roading network remains resilient. Progress was also made on the new bike paths and routes programme with the completion of the Oriental Bay and Kilbirnie routes. We also introduced weekend parking charges in September 2018.

Central government announced a \$6.4 billion indicative package for Wellington’s transport future, which includes a walkable central city, a connected cycleway network, and public transport improvements such as mass transit between the central city and the airport.

**Performance summary**

Waka Transport		
⊗ Not met	12	
⊙ Within 10%	23	
⊕ Exceeded	2	
⊖ Baseline	1	
<b>Total measures</b>	<b>38</b>	

**Financial summary**

For more detail on expenditure, refer to Tables 4 & 5 on pg 34 & 35

**Net operating expenditure \$000**

Actual: 31,014  
Budget: 40,223

**Capital expenditure \$000**

Actual: 54,313  
Budget: 74,324  
Revised budget: 75,454

Wāhanga 3  
Section 3

# Ngā Tauākī Ahumoni Financial statements

## **I tēnei wāhanga**

Ko tēnei wāhanga he whakarāpopoto o te tūnga ahumoni me ngā tauākī. Mō ngā taipitopito, tirohia ki te Wāhanga Tuarima: Te Pūrongo Pūtea, mai i te whārangi 246 o te Pūrongo ā-Tau.

## **In this section**

This section is a summary of our financial results, including statements. For more detail, see Section 5: Financial Statements from page 246 of the full Annual Report.

# Our finances

For the financial year Council has achieved an underlying surplus of \$1.5 million, a result within 0.3 percent of budgeted operating expenditure. The operating surplus of \$26.6 million is impacted by the \$50.5 million impairment to the value of the Civic Precinct buildings, resulting in a net deficit of \$23.9 million.

Our financial position remains healthy. Council debt is within Council's borrowing policy 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.

## \$1.5 million

### Underlying result for 2018/19, 0.3% of operating expenditure

The underlying surplus is the reported net deficit (\$23.9m,) excluding non-funded / separately funded items (\$36.1m), capital funding (\$34.3m), ring-fenced activities (\$22.1m) and other adjustments (\$1.5 m) that do not affect the Council's rating requirements. (Council budgets are set to have a nil underlying net result).

## \$6.75

### 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. To arrive at the cost of Council services per resident per day, we have excluded Civic Precinct impairment costs from total operational costs.

## \$533.2 million

### Cost of running the city

Our total operating expenses for the year were \$533.2m (compared to \$503.2m in 2017/18), which represents the cost of running the city during the year. This figure excludes \$50.5m related to Civic Precinct impairments.

## \$171.7 million

### Capital spend

We spent \$171.7 million on building new assets for the city. This was lower than our planned \$243.3 million. This was as a result of the re-phasing of some projects over a longer period of time.

Key influences on our overall financial performance and position were:

- the revaluation of investment properties, which increased the value of our assets by \$18.5 million
- impairments of Civic Precinct buildings, totalling \$50.5 million
- effects of the Housing New Zealand lease for Arlington sites 1 and 3, including \$13 million for the release from the Deed of Grant.

## \$544.7 million

### Net borrowing position

This is an increase of \$68.5 million from last year, and equates to \$2,561 per person in the city. 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:\$1.17 debt servicing

### Costs to investment returns

For every \$1 the Council incurs on paying interest on debt, it receives \$1.17 from its investments. Council received \$25.9m from investments and paid \$22.2 million in net interest.

## \$7.2 billion

### of assets

The Council provides a several services to the city through a range of infrastructure networks and facilities (Council assets). These have been built up over many generations and equate 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 revenue 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 that the current generation pay their fair share and to 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 surplus of \$1.5 million, within 0.3 percent of our planned balanced budget.

To get from net surplus/(deficit) to underlying result, the following is excluded:

- revenue received for capital items: for example, the funding we receive from NZTA for roading
- non-funded transactions: either where, through the Annual Plan, it is deemed appropriate that future ratepayers share the costs incurred in a particular year, or where another organisation is liable for the funding

- separately funded items where funding has been funded through other mechanisms
- ring-fenced activities for housing and waste minimisation
- other minor adjustments.

These items are excluded because they generally don't affect rates and were excluded from our Annual Plan balanced budget calculation. Table 3 summarises the capital and non-funded adjustments made to the net surplus/(deficit) to arrive at the underlying result.

**Table 3: Summary of the underlying result**

Underlying result	Actual \$m	Budget \$m	Variance \$m
Reported net surplus/(deficit)	(23.9)	17.8	(41.7)
Add items or budgeted differences not required to be rates funded	45.0	18.4	26.6
Exclude government funding for capital projects	(34.3)	(36.0)	1.7
Items separately funded	(8.9)	(8.9)	0.0
Ring-fenced activities	22.1	6.4	15.7
Other adjustments	1.5	2.3	(0.8)
<b>Underlying surplus</b>	<b>1.5</b>	<b>0.0</b>	<b>1.5</b>

**Figure 1: Net surplus/(deficit) vs underlying result (\$m) over the past 5 years**



\*Refer to Table 3 above for explanation of movement from reported net surplus/(deficit) to underlying surplus.

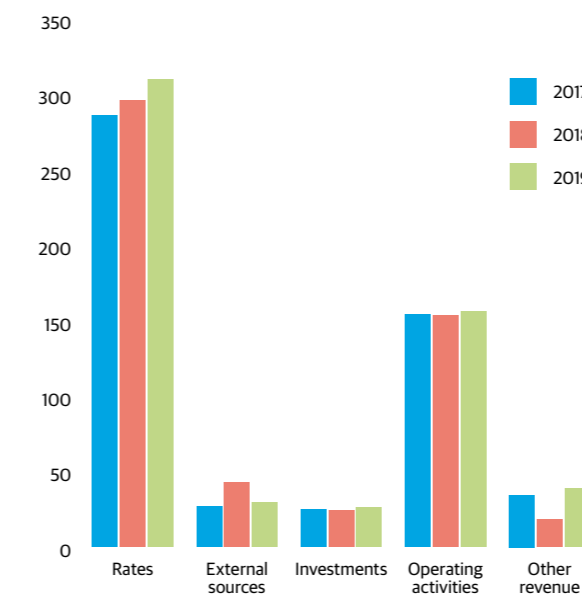
## Where our money comes from

Zero on the graph in Figure 1 represents a balanced budget. For 2018/19 we achieved an underlying surplus of \$1.5 million which is less than 0.3 percent of operating expenditure and reflects the careful stewardship of revenue and expenditure against budget.

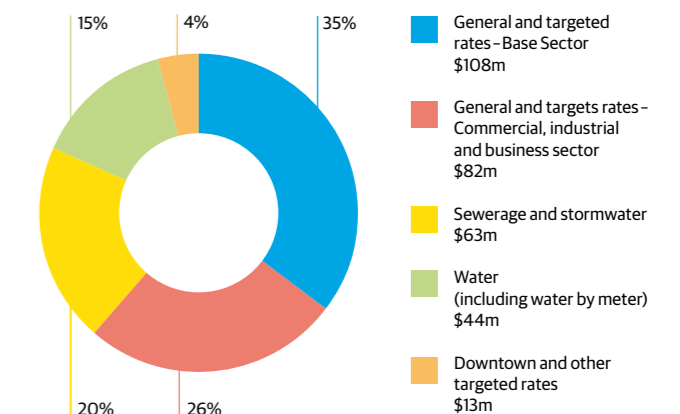
Rates are our main source of funding (55 percent of \$560 million) with revenue from operating activities (including user fees) the next largest source (28 percent). We also receive revenue from other external sources (mainly government) to fund capital expenditure, revenue from interest, and dividends.

Figure 3 shows the sources of the Council's rates revenue for the year. The majority of the Council's \$310 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 2: Overall sources of revenue (\$m) for the past 3 years**



**Figure 3: Sources of council's rates revenue for the year**



In 2018/19, the Council received higher cash revenues than budgeted from:

- higher-than-anticipated dividends from our investment in Wellington International Airport Ltd (\$1.0 million)
- an increase in central government operating subsidies for transport (\$2.0 million).

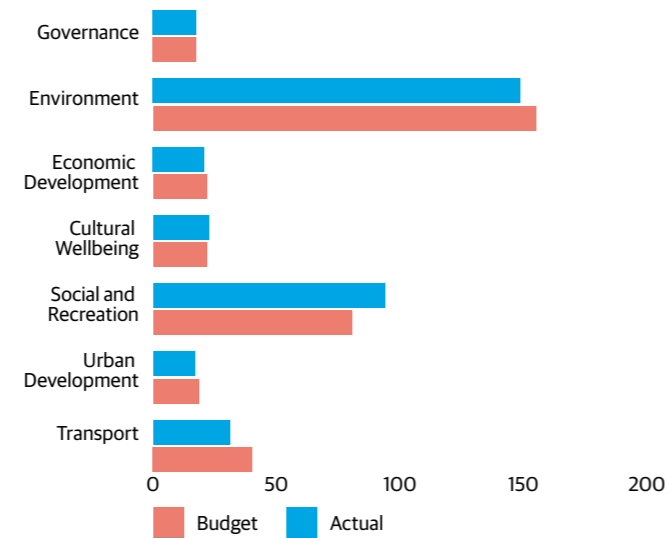
The Council also received higher non-cash revenues than budgeted for vested assets (\$13.4 million) and an increase in investment property valuations, which is recognised as revenue (\$18.5 million).

## Where the money goes

### Summary of operating expenditure

Figure 4 summarises the difference between the actual and budgeted net expenditure for each strategy area. It shows 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 income. This is the amount that is funded by rates and other corporate revenue such as dividends and rental income.

**Figure 4: Difference between actual and budgeted net expenditure (\$m)**



**Table 4: Gross operational expenditure by activity area (\$000)**

	2016/17 Actual	2017/18 Actual	2018/19 Actual	2018/19 Budget	Variance
Governance total	17,157	17,519	17,982	18,050	68
Environment total	160,277	169,254	180,748	175,418	(5,330)
Economic development total	42,434	37,051	34,954	36,366	1,412
Cultural wellbeing total	20,625	21,256	23,268	22,766	(502)
Social and recreation total	112,657	115,358	134,717	121,004	(13,713)
Urban development total	29,507	29,403	30,709	31,767	1,058
Transport total	62,401	69,480	74,559	78,308	3,749
<b>Total strategic areas</b>	<b>445,058</b>	<b>459,321</b>	<b>496,937</b>	<b>483,679</b>	<b>(13,258)</b>
Other council activities	49,417	43,925	86,831	24,513	(62,318)
<b>Grand total full council</b>	<b>494,475</b>	<b>503,246</b>	<b>583,768</b>	<b>508,192</b>	<b>(75,576)</b>

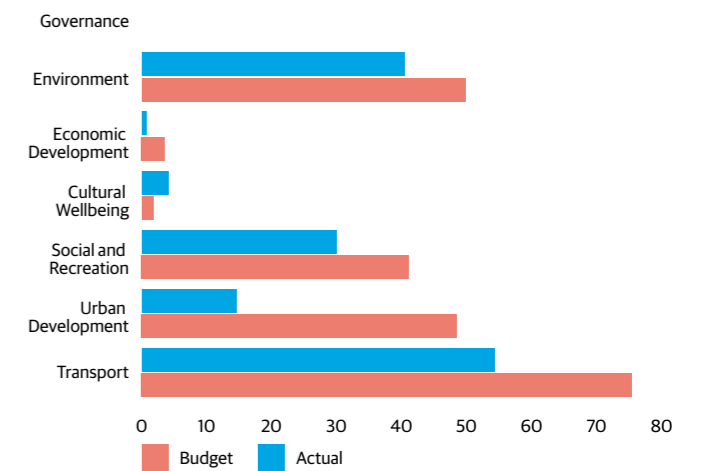
Note: figures in brackets () equal negative variance to budget or overspend

### Summary of capital expenditure

We have a comprehensive renewal and upgrade programme for our assets and have completed \$171.7 million of capital expenditure during the 2018/19 year. This equates to 71 percent of the annual budget or 68 percent once budgets brought forward from prior years and other adjustments are 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 Annual Plan for 2019/20.

There were several non-renewal capital projects that were delayed due to various timing issues arising from project design and costing, public consultation and consenting requirements. The main projects affected involved the Town Hall, St James Theatre, cycling improvements, Southern Landfill and Community Halls. The delay in these projects amounted to \$46.8 million and equates to more than half the variance shown on the right.

**Figure 5: Budget vs actual capital expenditure for each activity area**



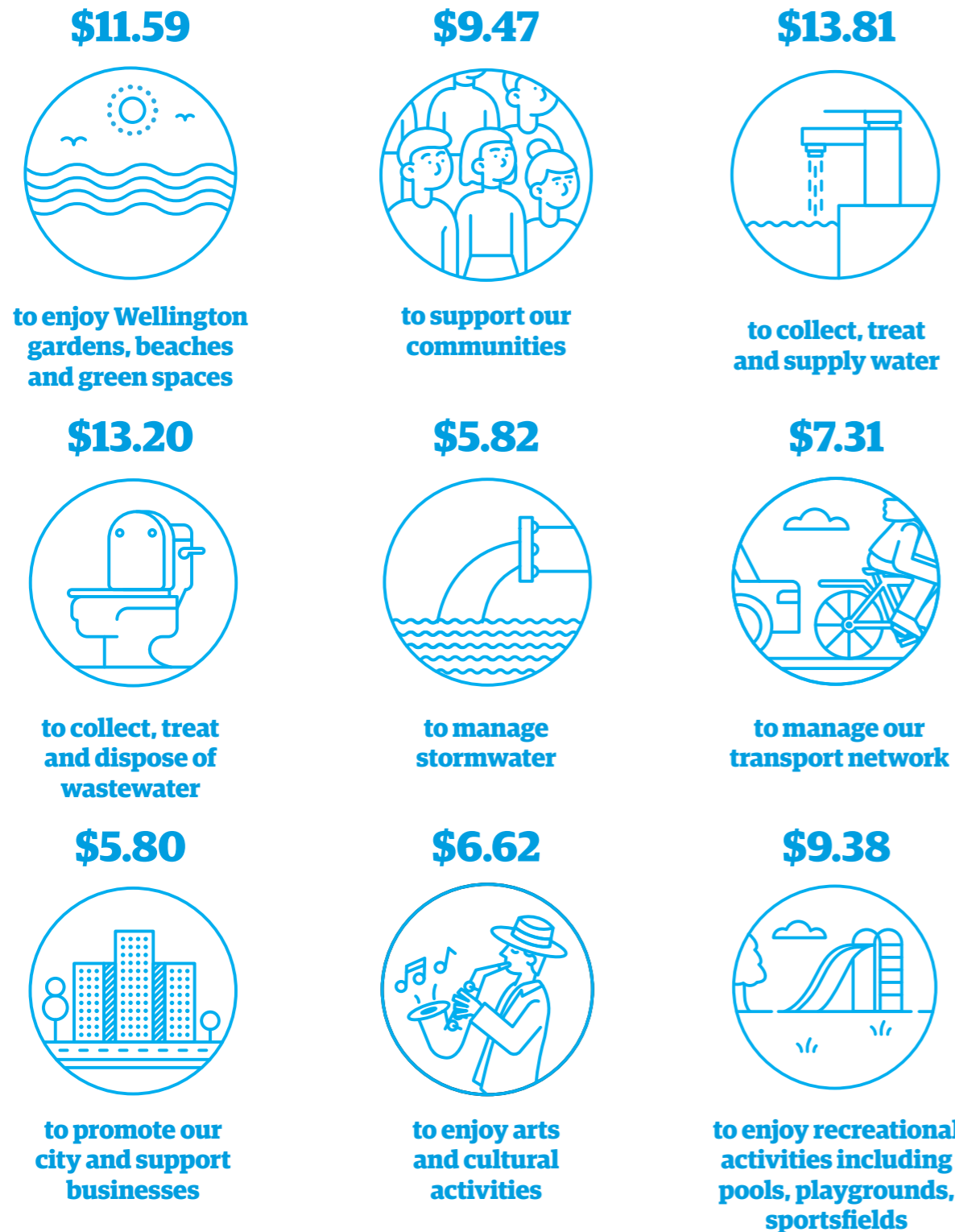
**Table 5: Capital expenditure by activity area (\$000)**

	2016/17 Actual	2017/18 Actual	2018/19 Budget	2018/19 Revisions	2018/19 Actual	2018/19 Revised Budget	Variance to revised budget
Governance	-	8	51	(29)	0	22	22
Environment	40,982	45,428	52,030	(2,145)	40,471	49,885	9,414
Economic development	886	599	3,357	293	738	3,650	2,912
Cultural wellbeing	1,286	443	906	896	4,145	1,802	(2,343)
Social and recreation	30,186	40,253	39,693	1,456	30,025	41,149	11,124
Urban development	9,784	19,504	44,270	4,213	14,610	48,483	33,873
Transport	34,318	55,465	74,324	1,129	54,313	75,453	21,140
<b>Total strategic areas</b>	<b>117,442</b>	<b>161,699</b>	<b>214,631</b>	<b>5,813</b>	<b>144,301</b>	<b>220,444</b>	<b>76,142</b>
Total Council activity area	19,781	11,241	28,688	3,822	27,401	32,510	5,110
<b>Grand total full council</b>	<b>137,223</b>	<b>172,940</b>	<b>243,319</b>	<b>9,635</b>	<b>171,702</b>	<b>252,954</b>	<b>81,252</b>

Note: figures in brackets () equal negative variance to budget or overspend

# Where do my rates go?

Wellington City Council provides more than 400 services for Wellington residents. The following shows some of the services delivered for every \$100\* of rates.



\* Dollar figures are based on budgeted operating expenditure in the Long-term Plan Budget for the 2018/19 year funded from general and targeted rates only

# Summary statement of comprehensive revenue and expense

For the year ended 30 June 2019

	Council			Group	
	Actual 2019 \$000	Budget 2019 \$000	Actual 2018 \$000	Actual 2019 \$000	Actual 2018 \$000
Total revenue	559,901	525,949	535,453	577,779	556,785
Total expense (excluding finance expense)	(507,527)	(483,274)	(479,164)	(536,946)	(511,573)
Total finance expense	(25,719)	(24,918)	(24,082)	(25,725)	(24,094)
<b>Operating surplus before Civic Precinct impairment</b>	<b>26,655</b>	<b>17,757</b>	<b>32,207</b>	<b>15,108</b>	<b>21,118</b>
Civic Precinct impairment	(50,522)	–	–	(50,522)	–
Share of equity accounted surplus/ (deficit) from associates and jointly controlled entity	–	–	–	16,332	16,243
<b>Net surplus/(deficit) before taxation</b>	<b>(23,867)</b>	<b>17,757</b>	<b>32,207</b>	<b>(19,082)</b>	<b>37,361</b>
Income tax credit/(expense)	–	–	–	(187)	(429)
<b>Net surplus/(deficit) for the year</b>	<b>(23,867)</b>	<b>17,757</b>	<b>32,207</b>	<b>(19,269)</b>	<b>36,932</b>
<b>Other comprehensive revenue and expense</b>					
Cash flow hedges - FV movement (net)	(42,776)	–	(4,079)	(42,094)	(4,380)
Fair value through other comprehensive revenue and expense gains	546	–	856	492	1,615
Non-controlling interest	–	–	–	–	–
Revaluations of property, plant and equipment	(3,256)	–	180,413	(3,256)	180,413
Share of other comprehensive revenue and expense	–	–	–	4,761	20,588
<b>Total other comprehensive revenue and expense</b>	<b>(45,486)</b>	<b>–</b>	<b>177,190</b>	<b>(40,097)</b>	<b>198,236</b>
<b>Total comprehensive revenue and expense</b>	<b>(69,353)</b>	<b>17,757</b>	<b>209,397</b>	<b>(59,366)</b>	<b>235,168</b>

The main variances from budget are discussed in the notes following the Statement of Comprehensive Revenue and Expense in the full Annual Report 2018/19.

### Strong finances

There are a number of aspects to being in a strong financial position, and some of them have been covered earlier in this section. Central to our strong position is the Council's careful stewardship of its revenue and expenditure against budget, as well as how close 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 of 30 June 2019

	Council			Group	
	Actual 2019 \$'000	Budget 2019 \$'000	Actual 2018 \$'000	Actual 2019 \$'000	Actual 2018 \$'000
Current assets	237,473	65,084	178,832	256,087	193,972
Non-current assets	7,543,628	7,535,874	7,526,675	7,733,584	7,707,615
<b>Total Assets</b>	<b>7,781,101</b>	<b>7,600,958</b>	<b>7,705,507</b>	<b>7,989,671</b>	<b>7,901,587</b>
Current liabilities	230,644	228,840	238,174	241,305	246,525
Non-current liabilities	680,292	531,634	527,815	681,421	528,751
<b>Total liabilities</b>	<b>910,936</b>	<b>760,474</b>	<b>765,989</b>	<b>922,726</b>	<b>775,276</b>
<b>Total equity</b>	<b>6,870,165</b>	<b>6,840,484</b>	<b>6,939,518</b>	<b>7,066,945</b>	<b>7,126,311</b>

The Council's financial health continues to be sound, giving Council 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 \$7.7 billion and liabilities of \$910.9 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

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

### Current Assets

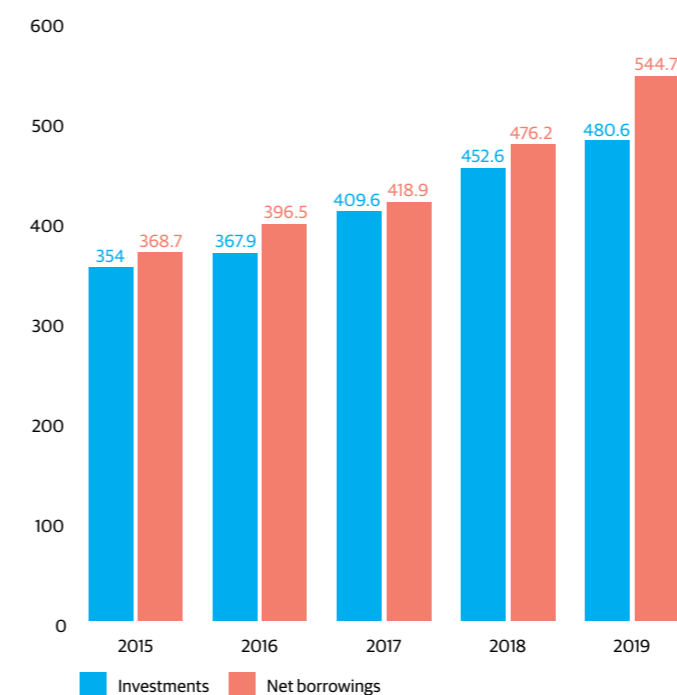
- Cash and cash equivalents (including cash on hand and at bank and short term bank deposits up to 3 months) - \$ 135.2 million. This is an increase \$39.2 million in cash holdings from the previous year due to timing differences of cash flow requirements.
- Other current assets (including receivable and recoverables, prepayments and non-current assets held for sale) - \$102.2 million.

### Non-current Assets

- Property, plant and equipment (including land, buildings, pipes, roads and other infrastructure assets) - \$ 7,223.6 million. The small downward movement of \$3.4 million when compared to 2018 reflects: that no asset classes were revalued during the period, the effect of depreciation and the impairment of the Civic Precinct buildings, all offset by another year of high capital expenditure.
- Other non-current assets (including investment properties and investments in controlled entities and associates) - \$320.1 million.

The Councils level of investments continues to perform strongly compared to the level of borrowings where investment returns continue to be higher than borrowing costs. As every \$1 Council incurs on paying interest on debt, the Council receives \$1.17 from its investments. The graph below compares the balance of investments and net borrowings over the past 5 years.

Figure 6: Investment and borrowings, 5 year trend \$m



Note: Investments comprise investment properties; investment in associates and jointly-controlled entities; 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) - \$ 125.0 million
- Other liabilities (payables and provisions) - \$105.6 million

### Non-current Liabilities

- Borrowings (maturing past 12 months) - \$563.9 million
- Other liabilities (provisions and derivatives) - \$116.4 million.

The combined movement for liabilities is mainly due to an increase in gross borrowings of \$106.8 million.

## Unquantified contingent asset

As at 30 June 2019, 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 \$36.6 million.

## Unquantified contingent liabilities

### Defective product

In December 2016, Carter Holt Harvey commenced third party proceedings against 48 Councils, including Wellington City Council alleging a breach of duty in the processing of building consents, undertaking building inspections and issuing Code Compliance Certificates in relation to school buildings. The Councils were partially successful in having parts of the claims struck out. At present there is insufficient information to conclude on potential liability and claim quantum, if any.

### Structural defect claim

In February 2019, Council entered into a standstill agreement in respect of a large claim alleging a breach of duty to a tenant of a commercial building. A claim was filed in August 2019. Due to the nature of the issues, the uncertainty of the outcome and the novel legal claim, Council is unable to conclude on potential liability and claim quantum, if any.

### Other claims

There are various other claims that the Council and Group are currently contesting which have not been quantified due to the nature of the issues, the uncertainty of the outcome and/or the extent to which the Council and Group have a responsibility to the claimant.

The possibility of any outflow in settlement in these cases is assessed as remote.

### Changes in net worth

The Council's net worth is represented by equity, which is the difference between what the community owns (assets of \$7,781.1 million) and what the community owes (liabilities of \$910.9 million).

The Council's net worth at the end of the year was \$6,870.2 million, a decrease of \$69.353 million from 2017/18. The major reasons for the decrease were the \$50.5 million impairment of the Civic Precinct buildings and a \$13 million enabling adjustment in relation to the long-term lease of the Arlington sites 1 and 3 to Housing New Zealand, due to the previously recognised capital grant for the Housing upgrade project.

## Summary statement of changes in equity

### For the year ended 30 June 2019

	Council		Group		
	Actual 2019 \$000	Budget 2019 \$000	Actual 2018 \$000	Actual 2019 \$000	Actual 2018 \$000
<b>Equity at the beginning of the year</b>	<b>6,939,518</b>	<b>6,822,727</b>	<b>6,730,121</b>	<b>7,126,311</b>	<b>6,891,143</b>
Net surplus / (deficit) for the year	(23,867)	17,757	32,207	(19,269)	36,932
Other comprehensive revenue and expense	(45,486)	–	177,190	(40,097)	198,236
<b>Total comprehensive revenue and expense</b>	<b>(69,353)</b>	<b>17,757</b>	<b>209,397</b>	<b>(59,366)</b>	<b>235,168</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	3,795,806	3,842,083	3,819,629	3,799,312	3,818,478
Revaluation reserves	1,854,208	1,716,629	1,857,464	2,017,583	2,016,078
Hedging reserve	(68,138)	–	(25,362)	(67,757)	(25,663)
Fair value through other comprehensive revenue and expense reserve	4,290	2,888	3,744	5,328	4,836
Non-controlling interest	–	–	–	284	284
Restricted funds	14,865	9,750	14,909	19,033	19,136
<b>Total equity</b>	<b>6,870,165</b>	<b>6,840,484</b>	<b>6,939,518</b>	<b>7,066,945</b>	<b>7,126,311</b>

### Changes in cash held

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).

## Summary statement of cash flows

### For the year ended 30 June 2019

	Council			Group	
	Actual 2019 \$000	Budget 2019 \$000	Actual 2018 \$000	Actual 2019 \$000	Actual 2018 \$000
Net cash flows from operating activities	112,776	132,824	127,097	117,824	131,738
Net cash flows from investing activities	(155,856)	(230,934)	(171,389)	(157,921)	(173,457)
Net cash flows from financing activities	82,330	97,900	63,381	82,330	63,209
Net increase/(decrease) in cash and cash equivalents	39,250	(210)	19,089	42,233	21,490
Cash and cash equivalents at beginning of year	95,996	650	76,907	106,856	85,366
<b>Cash and cash equivalents at end of year</b>	<b>135,246</b>	<b>440</b>	<b>95,996</b>	<b>149,089</b>	<b>106,856</b>

# Independent auditor's report

AUDIT NEW ZEALAND  
Mana Arolake Aotearoa

## To the readers of Wellington City Council's annual report for the year ended 30 June 2019

The summary of the annual report was derived from the annual report of Wellington City Council and group (the City Council) for the year ended 30 June 2019.

The summary of the annual report comprises the following summary statements on pages 22-25 and 35-39:

- the summary statement of financial position as at 30 June 2019;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2019;
- 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 2019 in our auditor's report dated 25 September 2019.

## 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 long term plan amendment, 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  
25 October 2019



J009736

**Absolutely Positively**  
**Wellington City Council**

Me Heke Ki Pōneke