

Te Pūrongo ā-Tau Annual Report Summary



Kia whakatōmuri te haere whakamua

I poua te kaupapa o te pūrongo o tēnei tau ki te whakataukī nei, **kia whakatōmuri te haere whakamua**, e kōrero ana mō te aronga a te Māori ki te wā, e whiri tahi ana te wā o mua, o nāianei, o muri hoki, ā, he tukanga mutunga kore nō tuarangi. He pū matua te onamata ki, he hanga hoki i, te tuakiri o te inamata me te anamata.

I tētahi tau rerekē me hoki whakamuri te titiro ki ngā wero me ngā āheinga i tūtakina e tātou, ā, me whaikaha ki te ārahi whakamua i tō tātou tāone nui ki te arotakenga o te Mahere Mau-roa i te 2020/2021. E kore mātou e hiahia ki te hoki noa ki te wā i mua o te KOWHEORI-19, ki te whakakore rānei i ō tātou wero hanganga me te aumangea - e hiahia ana mātou ki te hanga i tētahi tāone nui pai ake mō anamata. Mai i tēnei tirohanga, ka kawea e mātou ngā mahi o mua ki anamata hei tūāpapa kaha mō te angitu.

Walk backwards into the future with eyes fixed on the past

The kaupapa (theme) for this year's report is based on the whakataukī, **kia whakatōmuri te haere whakamua**, which speaks to Māori perspectives of time, where the past, the present and the future are viewed as intertwined, and life as a continuous cosmic process. The past is central to and shapes both present and future identity.

In an unusual year, we must reflect on the challenges and opportunities we faced and be strong in leading our city forward into our Long-term Plan review in 2020/21. We do not simply want to return to life before COVID-19 or ignore our infrastructure and resilience challenges - we want to create a better city fit for the future. From this perspective, we will carry the past events into the future as a strong foundation for success.

The city's international
relations don't stop
when borders close



Nau mai ki tā mātou tirohanga rāpopoto o te tau 2019/20

Welcome to our snapshot of the 2019/20 year

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 summary financial statements and specific disclosures have been extracted from the full Annual Report 2019/20 that was adopted by the Council on 16 December 2020.

A qualified opinion was received on the statement of service provision. For more information refer to the following pages of the full Annual Report: fault response times (pg 330); maintenance of the reticulation network - water supply (pg 330); total number of complaints

received (pg 330); and dry weather overflows (pg 330). Also included, and without further modifying the auditor's opinion, is an Emphasis of Matter - Impact of COVID-19 regarding the disclosures relating to COVID-19 on the Council, as set out in the full Annual Report in Table 1 on page 195, and in notes 1, 2, 12, 18, 21, 24, 30 and 34 to the financial statements and pages 21 to 134 of the statement of service provision.

The financial statements in this summary of the 2019/20 Annual Report do not include all the disclosures provided in the full report and therefore cannot be expected to provide as complete an understanding of the Council's financial position.

Copies of the full Annual Report 2019/20 and this summary are available at Council offices, libraries, or at wellington.govt.nz

Andy Foster
Mayor

16 December 2021

Barbara McKerrow
Chief Executive

16 December 2021

Sara Hay
Chief Financial Officer

16 December 2021

Ihirangi

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Suzanne Tamaki
Creative Events Specialist

2020 was hōhā,
but also a chance to
do things differently

Tō tātou tāone nui

Our city

Living our best Wellington life

Located at the heart of New Zealand, Wellington is the southern-most capital city in the world, and the centre of the country's government, coffee and film industries.

Its unique landscape features bush covered hills, rivers and streams, a large natural harbour, rocky and sandy coastlines and a growing population of wildlife. It is the pride and taonga of many Wellingtonians and is actively protected, nurtured and restored.

Through centuries of settlement by Māori and then Pākehā, the area has quickly developed into a creative and vibrant city.

We acknowledge our mana whenua

The Waitangi Tribunal found that at 1840 the iwi groups that had "take raupatu" (right of conquest) over the wider area were: Te Atiawa, Ngāti Ruanui, Taranaki, Ngāti Tama and Ngāti Toa. The Tribunal also found that these iwi each had their own ahi kā (rights over particular areas):

- Te Atiawa at Te Whanganui-a-Tara and parts of the south-west coast
- Taranaki and Ngāti Ruanui at Te Aro
- Ngāti Tama at Kaiwharawhara and environs, and parts of the south-west coast
- Ngāti Toa at parts of the south-west coast

These tribes are Wellington's iwi mana whenua and we work with their mandated iwi entities, the Port Nicholson Block Settlement Trust and Te Rūnanga o Toa Rangatira.

Ko wai tātou

Who we are ¹

210,400

Population

51.4%

of population under 35

14.9%

Over 60

10.1%

of Māori descent

33.4%

of Wellingtonians born overseas

\$110,446 ²

Average household income

Ō tātou wāhi noho

Where we live

2,207 ³

Sunshine hours a year

98.9km

of coastline

355km

of walking and biking tracks

1,800 ⁴

hospitality businesses

202m² ⁵

of open space per person

\$825,000 ⁶

Median house price

¹ Figures in this section from Profile ID and 2018 and 2013 census

² Regional figure, StatsNZ household income as at June 2019

³ Niwa Annual Climate Summary Figure 2019

⁴ Coastline, tracks, playgrounds, reserve and hospitality businesses data from WCC Sources

⁵ WCC 4251 total hectares divided by 2019 population 210,400

⁶ REINZ Monthly Property Report 14 July 2020

E whakarite ana i a Te Whanganui-a-Tara mō tētahi anamata kaha

Nau mai ki te tirohanga iti o te tau 2019/20 – kātahi rawa te tau ko tērā. I tū ngā pōtītanga kaunihera ā-rohe, i whakanuia te 150tau o te Māra Huaotia, he raumati puhake i ngā taiopenga pēnei i ngā whakataetae pūrua a ngā Pōtae Pango me ngā Rarauwhe Mā, me te kōnehete a Queen rāua ko Adam Lambert, engari i te marama o Poutūterangi, tērā te wero nui a te KOWHEORI-19 ki te ao, tē matakitea. Ko te āhua nei nō uki rawa tēnei āhuatanga.

Tō tātou hapori pakari

I te wā i whakaputaina e te Kāwanatanga te rāhui ā-motu, i tere te Kaunihera ki te whakawhanake i tētahi Mahere Urupare Urutā me te Whakaora hei tautoko i ngā kainoho me ngā pakihī o Te Whanganui-a-Tara. I uru hoki ngā kaupapa pēnei i te whakaiti i ngā wā mō ngā utunga ki ngā kaiwhakarato, te whakarato i te āheinga ki te whakatātanga i ngā utu rēti o te hauwhā tuawhā 2019/20 mō te ono marama me te kore whai hāmene, me te whakaiti i ngā utu raihana waipiro me te kai ki te tautoko i te rāngai manaaki.

I manawanui te Kaunihera ki te pakari o ngā kainoho o Te Whanganui-a-Tara i te wā, i muri hoki o te rāhui. Kia manawanui ai te iwi, me te tautoko anō i a rātou ki te hāereere, i tukuna e mātou ngā kuhunga kore utu ki te hūhū o te mātou whare, pēnei i te Whare Kararehe me Zealandia. E mōhio ana ahau i pārekareka ēnei whai wāhitanga ki te mano tini, ā, he koanga ngākau te kite atu i te tāone nui e ora mai ana anō.

I te tau 2020/21 ka arotahi tonu mātou ki te whakaoranga me te hapori hoki kia kapakapa kaha anō ai te manawa o tō tātou tāone nui. Hei tauira, e mahi ana a WellingtonNZ i runga i tētahi hōtaka taiopenga e whai ana ki te tautoko i ngā rāngai kohohoko, ratonga hoki.

Te tau kua mahue ake nei

Ahako he uaua te tau, ā, he pānga nui tō te KOWHEORI-19, tērā anō ōna miramiratanga, pēnei i:

- te whakatuwheratanga o te Nōhanga Museum i whakapakaritia, i whakahoutia hoki i te Basin Reserve;
- te timatanga o te hanganga o te Pokapū Whakaaturanga o Tākina;
- te kōkiri nui tonu i ngā ara pahikara huri noa i te takutai mai i Whanga o Oriental ki te Taunga Rererangi o Te Whanganui-a-Tara; me;

- te whakatuwheratanga o ētahi whare pukapuka hou e toru: Te Pokapū Hapori o Waitohi i Johnsonville, He Matapihi i Te Puna Mātauranga o Aotearoa me te pokapū tohatoha o Te Pātaka i Johnsonville. I whakatuwherahia hoki e mātou te Whare Pukapuka o Te Awe i te Hōngongoi 2020.

I te Hakihea me te Kohitātea i tatū ētahi mūhoretanga paipa waipara e rua, haurongo nui hoki, i whakararu i ngā pakihī me ngā kainoho me te ara anō o ngā pātai mō te āhua me te kaha o tō tātou pūnaha wai. He whakahirahira tonu ngā mahi a Wellington Water ki te whakatātanga i ēnei. I tere tonu tā mātou haumi i ētahi pūtea ki ngā aromatawai paipa me ngā tira mātāi. I whakaritea e au tētahi rōpū mahi ki te pākiki i ngā raru e pā ana ki ngā take wai i Te Whanganui-a-Tara me te tautohu i ngā kaupapa hei whakatātanga i ēnei mā roto i te tukanga mahere mau-roa. Ko ngā hua o tēnei ka whakaaturia ki te Kaunihera hei te roanga o 2020.

Ngā mahi whakamahere mō anamata

Hei te tau e tū mai nei e arotakehia ana e mātou ētahi o ngā pepa matua a te Kaunihera. Tuatahi ko te Mahere ā-Rohe, e whakatau nei i ngā ture mō te whanaketanga o te tāone nui. Mā te arotake nei e whakarite i te āheinga o te mahere ki te tautoko i tō mātou moemoeā mō anamata. Tuarua, ka arotakehia tā mātou Mahere Mau-roa. He take nui tēnei arotake i te mea ka whakaarotia ngā pānga pūtea mai i ngā wero i hua ake i te 2020. E anga atu ana a Te Whanganui-a-Tara ki te whakarite i tētahi mahere pūtea tino whakatara rawa. He waiwai te whakawhiti kōrero ki te hapori mō ō moemoeā me ō wawata i a mātou e matapae ana i ngā mahere mō tō tātou anamata.



Koromatua
Andy Foster

Preparing Wellington for a strong future

Welcome to the snapshot of the 2019/20 year – and what a year it has been. We had the local body elections, the Botanic Garden's 150th anniversary, a full summer of events including Black Caps and White Ferns double headers and the Queen and Adam Lambert concert, but in March, COVID-19 changed the world in a way no one predicted. That seems a very long time ago.

Our resilient community

When the Government announced the lockdown, Council acted quickly to develop a Pandemic Response and Recovery Plan to support Wellington residents and businesses. This included initiatives like reducing timeframes for payments to suppliers, providing the ability to defer 2019/20 fourth quarter rates for six months without penalty, and reducing alcohol and food licence fees to support the hospitality sector.

The Council was heartened that Wellingtonians were resilient during and after lockdown. To ensure people were confident and supported to get out and about we offered free entry to many of our facilities, including the Zoo and Zealandia. I know thousands enjoyed taking up these opportunities and it was a joy to watch the city come alive again.

In 2020/21, we will continue to focus on recovery and community to get the heart of our city pumping strongly again. For example, WellingtonNZ is working on an events programme aimed at supporting the retail and service sectors.

The year that was

While the year was challenging and significantly impacted by COVID-19, it was not without its highlights, including:

- opening the strengthened and refurbished Museum Stand at Basin Reserve;
- beginning the construction of Tākina Convention & Exhibition Centre;
- making significant progress on cycleways around the coast from Oriental Bay to Wellington Airport; and
- opening three new library facilities: Waitohi Community Hub in Johnsonville, He Matapihi Library in the National Library and Te Pātaka distribution centre in Johnsonville. We also opened Te Awe Library in July 2020.

In December and January we were faced with two high-profile wastewater pipe failures that created disruption for businesses and residents and raised questions about



the condition and performance of our water network. Wellington Water did an extraordinary job in repairing these. We also immediately invested in the funding for condition assessment and roving crews. I convened The Three Waters Taskforce to inquire into the problems relating to water issues in Wellington and identify initiatives to address these through the long-term planning process. The outcome of this will be presented to Council later in 2020.

Future planning

In the next year we are reviewing some of our key Council documents. Firstly, the District Plan, which sets the rules for the city's development. This review will ensure the plan is able to support our vision for the future. Secondly, we will be reviewing our Long-term Plan. This review will be significant as it will consider how our budget will be impacted by the challenges that we have faced this year. This will be the most challenging budget our city has ever faced.

The community will be able to engage with us and pass on feedback for both reviews, and I encourage all of you to do so. These documents will set out our city's future and we want to make sure we have heard from you on your dreams and aspirations for our capital.



Mayor
Andy Foster

E pūmau ana kia pai ake te mahi tahi

I uru mai au ki te tūranga o te Tumu Whakarae i te Poutūterangi 2020, e toru wiki noa i mua o te rāhuitanga o te tāone nui hei urupare ki te KOWHEORI-19. He wā ngākaua te hauwhā whakamutunga o tēnei tau engari e whakahihī ana au i te aranga mai o ngā kainoho o Te Whanganui-a-Tara me te Kaunihera ki te hiki i te mānuka.

He take nui hoki i te wā e noho ana te tāone nui i ō rātou kāinga, i whakarite mātou kia haere tonu ngā ratonga waiwai a te Kaunihera. Tāpiri ki tēnei ko te tiaki i ngā tiriti kia noho tuwhera, te whakahaere i ngā kawenga para, ngā ratonga urupā me te whakarato tautoko ki tō tātou hapori.

I roto i te rua rā o te nekehanga ki te Pae Mataara 4, i whakawhiti te nuinga o ā mātou kaimahi tari ki te mahi mai i te kāinga, i katia ngā whare mahi, i whakawhiti kōrero ki ngā kainoho, ā, i whāia ngā ara kia wātea tonu ai ngā kaimahi ratonga waiwai me ngā kaikirimana ki te mahi haumaruru tonu i roto i te hapori.

I taua wā hoki i tata tā mātou mahi tahi ki ētahi atu tari puta noa i te rohe ki te whakarite kia haumaruru tonu a Te Whanganui-a-Tara me te tiaki hoki i ngā kirirarau e tino whakaraerae ana.

I te taha o ngā hoa hapori, i urupare wawe ngā kaimahi Kaunihera ki te tautoko i te hunga e tino matea ana. Ko ētahi o ngā kaupapa i arahina e tō mātou tira, ko ngā kaupapa pēnei i te whakarite kia wātea ngā ratonga kai ohotata i te roanga o te rāhuitanga me te whakawhanake i tētahi mahere pāhekoheko tuihono e whakaatu ana me pēhea te āhei atu ki ngā ratonga waiwai, hapori hoki.

Ngā Pūtea

Arā anō hoki te pānga o te KOWHEORI-19, kua ki ō tātou hapori me ngā kaimahi engari ki ngā pūtea hoki. I heke ngā whiwhinga pūtea i waho atu o ngā utu rēti i te katinga o ngā whare, i whakatārewatia ētahi atu utunga, ā, i heke hoki te monihua i hua mai i a Wellington Airport Ltd. Ahakoa he iti ake te ngarohanga pūtea mai i tērā i matapaetia nā te wawe o te whitinga ki te Pae Mataara 1, he pānga nui tonu tō te \$13.6m. I runga i te mōhio, tūturu, he kōtuku rerenga tahi tēnei, i mino pūtea mātou e kawa ai tēnei ngarohanga pūtea.

I whakapikihia hoki te nama kia pai ai te tautoko i te \$10.1m o ētahi atu āhuatanga tē maheretia, arā ngā mahi whakatikatika i te ana waipara o Mt Albert. E pūmau ana mātou ki te penapena pūtea hei tauaro i te pānga o ēnei, me te taurite anō i ngā pikinga utu o te tuku i ngā ratonga o te

wā nei, me te urupare ki ngā take rū, take noho pakari hoki. Ka whakapātaritariā ā-pūtea mātou ā ngā tau e whai ake ana i te wā e mahi ana mō te painga o tō tātou tāone nui, engari ko te hoa haere o tēnei ko te āheinga kia eke panuku mātou i roto i ā mātou mahi me te arotahi ki ngā āhuatanga e whai take ana ki ngā kainoho o Te Whanganui-a-Tara.

E pūmau ana te Kaunihera o Te Whanganui-a-Tara ki te mahi pai ake i te taha o tō mātou hapori ki te tuku i ngā putanga pai, me ngā ratonga kouna hoki ki ā mātou kiritaki. Ko te tikanga o tēnei ko te tuku tonu i ngā wahanga o ā mātou mahi e noho ana i te manawa tonu o ngā mahi o ia rā o tō tātou tāone nui - te tiaki i ngā puna kaukau, ngā whare pukapuka me ētahi atu whare hapori kia tuwhera tonu; te tiaki i ngā whakahaerenga para, huarahi, tūnga motukā; me ngā wāhanga o ā mātou mahi e muramura ai a Te Whanganui-a-Tara, e noho hei wāhi taurikura ki te noho, tae atu ki ngā taiopenga, ngā wāhi taiao me ngā toi o te tāone nui.

Anō te mea nui, he nui ngā mahi hei whakatutuki i a mātou e anga atu ana ki te waihanga i te anamata o tō tātou tāone nui me te whakamahere mō ngā pānga o te tipunga o te taupori, te tawhito rawa o ngā hanganga me te panoni huarere. Ka noho tēnei hei aronga nui mōku i taku tūranga hei Tumu Whakarae me taku tira hoki i Te Kaunihera o Te Whanganui-a-Tara i a mātou e mahi tahi ana mō te painga o Te Whanganui-a-Tara.



Tuma Whakarae
Barbara McKerron

Committed to working better together

I stepped into the role of Chief Executive in March 2020, just three weeks before the city went into lockdown in response to COVID-19. The fourth quarter of this year was a time of uncertainty for all of us, but I am incredibly proud of the way both Wellingtonians and the Council team have risen to the challenge.

It was important that while the city stayed at home, we ensured essential Council services continued to operate. This included keeping our streets open and safe, managing waste, operating cemetery services, and providing support to our community.

Within two days of the move to Alert Level 4, we had transitioned the majority of our office-based staff to working from home, closed facilities, communicated with residents, and taken steps to ensure essential services staff and contractors were able to continue to work safely in the community.

Throughout this time, we collaborated closely with other agencies across the region to ensure we kept Wellington safe and looked after our most vulnerable citizens.

Alongside community partners, Council staff responded quickly to step up support for those in need. Some of the initiatives led by our team included helping ensure emergency food supplies were available throughout lockdown and developing an interactive online map showing how to access essential and community services.

Finances

COVID-19 not only impacted our communities and staff but also our finances. Non-rates revenues reduced as facilities closed, other fees and user charges were suspended, and there was a reduced Wellington International Airport Ltd dividend. While the loss in revenue was less than expected, because of the quick transition to Alert Level 1, \$13.6m is still a significant impact. Recognising this was indeed a rainy day, we borrowed money to cover this lost revenue.

Debt was also raised to fund \$10.1m in other unplanned, emergency operational work to repair the Mt Albert wastewater tunnel. We are committed to cost savings to offset these impacts, while also balancing the increasing costs of delivering existing services and responding to earthquake and resilience issues. The next few years will challenge us financially as we work to deliver for our city, but with this comes the opportunity to make



sure we are performing at the top of our game and focussing on the things that matter to Wellingtonians.

Wellington City Council is committed to working better together with our community to deliver great outcomes and excellent services to our customers. This means continuing to deliver those elements of our work that sit at the heart of our city's day-to-day operations - keeping our pools, libraries and other community facilities running; maintaining waste management, traffic management and car parking; and the aspects of our work that make Wellington a vibrant and special place to live including events, natural spaces and city arts.

Just as importantly, there is much work to do as we look ahead to shaping our city's future and planning for the impacts of a growing population, aging infrastructure and climate change. This will be a focus for me in my role as Chief Executive and my team at Wellington City Council as we work together for Wellington's future.



Chief Executive
Barbara McKerron

Tā mātou tūranga

Our role

Our role is to support the current and future needs and advance the aspirations of our communities, the city and the region.

The Council delivers an extensive range of services to achieve this - from parks and cemeteries to parking and pools, from water supply and waste management to cycleways and road safety. 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.

Our role is to support the current and future needs and advance the aspirations of our communities, the city and the region.

Tō mātou anga rautaki

Our strategic direction

In 2012, the Council adopted its 'Towards 2040: Smart Capital' vision: **A compact, smart, inclusive and resilient capital where it is easy to live, work and play safely and sustainably.**

Towards 2040: Smart Capital outlines Wellington's strengths and what we will work on to help achieve economic growth, greater success and an improved quality of life for all Wellingtonians.

Towards 2040 also reflects a set of values that strengthens the city's special character and identifies four strategic goals (outcomes) for the city:

- **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, and 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.

We actively monitor several outcome indicator trends alongside our Council KPIs that help us understand how the city is changing and how we are going towards achieving these goals. This year, the monitoring of these trends and the results have been impacted by COVID-19, with details in *Section 2: Our performance in detail* in the full Annual Report.

The goals guide our seven strategic activity areas, which are presented in separate chapters in the Annual Report. They highlight the variety of activities that we deliver and the progress we are making towards the outcomes.

Whakarāpopoto o ā mātou mahi

Summary of our performance

Introduction

During the year, we continued to deliver our services well, however there were some significant challenges that impacted how we operated, including COVID-19.

While we progressed several citywide capital works initiatives during the year, costing more than \$213m, sustained delivery of the capital works programme was challenging with only part of the impact due to COVID-19. At end of the year, we had a 20 percent under delivery on our Council capital programme covering several activity areas (see pg 23 for details).

Material issues

To perform effectively as a Council, we need to understand Wellington. Not just our infrastructure, services and facilities, but also the changes the city and communities experience and how these and the associated challenges will shape the future.

This year's report theme emphasises the need to learn from the challenges we faced this year to ensure our city is resilient going forward. The two challenges outlined below had significant impacts on the Council's performance during the year.

The COVID-19 pandemic

On 25 March, New Zealand went into lockdown for over a month to stop the spread of COVID-19. This had an immediate and adverse impact on the city's development and social, environmental, economic, and cultural wellbeing. The lockdown closed facilities, disrupted the delivery of services to residents, and delayed significant capital projects.

The Council quickly developed a Pandemic Response and Recovery Plan to support Wellington residents and businesses which included direct financial support, provision of wellbeing services, and economic recovery and support initiatives. The plan we implemented can be viewed online at wcc.govt.nz/covid-19

The pandemic affected the operation of all our 400 services and their KPIs in different ways. We stopped some services, operated others in a reduced capacity, and introduced new services to support our community, including the following changes during Level 4 lockdown:

- Public toilets closed, except those used by the street community
- Most facilities closed, including playgrounds, pools, fenced dog parks, the golf course, Makara Mountain Bike Park, Zoo and ZEALANDIA
- Kerbside rubbish collection continued, but recycling was stopped
- Southern Landfill closed to public, open to commercial customers
- Work on capital projects stopped
- Online library membership opened to non-members
- 38 self-contained units opened to support homeless population
- Helped create the Rippl app for contact tracing
- #LoveLocal and We Wellington campaigns to assist local economy.

The COVID-19 lockdown had a significant impact on the Council's non-rates revenue for the year as a result of lost revenue from facilities being closed; and additional spending on initiatives agreed by the Council to ease the impact of lockdown on the city such as reducing fees for alcohol and food licence fees and providing a rebate for pavement licence holders. The overall impact was a \$13.6m revenue loss. More detail on the financial impact is on page 195.

The pandemic also impacted our non-financial performance with a 17 percent decrease in the measures that were achieved (within 10 percent of target) or exceeded by 10 percent when compared to last year.

More details on the impact of the pandemic are included in the full Annual Report.

Three waters network

No city can function effectively without a reliable and fully functioning three waters network, which is made up of drinking water, stormwater and wastewater. Our water infrastructure and services are managed by Wellington Water Limited, a Council-controlled organisation co-owned by councils in the Greater Wellington region. Wellington Water Ltd has its own board of directors.

In 2019/20, the city experienced some large-scale network failures that created disruption for communities and businesses, and raised questions from the public, the media and Councillors about the condition of our network and how it is being managed.

On 20 February, Mayor Andy Foster announced the establishment of a Mayoral Taskforce to inquire into the problems with our water network and how we can address them. The Mayoral Taskforce reported back to Council in late 2020.

Our Performance

This section summarises our Statement of Service Provision (SSP), which is how we performed for each of our seven strategic activity areas and our Council-controlled organisations. Each activity area in the full Annual Report includes an overview of the activities from the year, a summary of financials and performance measures.

Performance measures

Our key performance measures (KPI) and their targets are how we track and assess the delivery of Council services.

Of Council's 227 key performance indicators:

- 84 (37 percent) did not meet target by greater than 10 percent; and
- 104 (46 percent) were achieved within 10 percent of target +/-; and
- 39 (17 percent) exceeded target by greater than 10 percent.

COVID-19 did impact the overall result. This year 63 percent of KPIs were achieved (within 10 percent of target) or exceeded by 10 percent. Last year the result was 82 percent.

A common performance measure used by Council is visitor numbers or utilisation rates of our facilities. This includes facilities like swimming pools, libraries, sportsfields and recreation centres. These measures were impacted due to COVID-19 lockdown.

Leading into the pandemic, the performance of the Council was broadly consistent quarter on quarter with previous years. However, some KPIs were immediately impacted meaning the performance at Q3 and end of year decreased.

- In quarter three: 66 percent of KPIs were achieved or exceeded; and
- In quarter two: 77 percent of KPIs were achieved or exceeded; and
- In quarter one: 79 percent of KPIs were achieved or exceeded.

Community outcomes

In addition to our key performance indicators, we also track progress towards our 154 community outcome indicators.

Outcome indicators do not measure Council services, but instead track how the city is performing over time towards our goals of being an eco, people-centred, dynamic and connected city, and therefore do not have targets. By the end of the financial year, 20 percent (31 out of 154) of those indicators were trending in the desired direction, with 11 percent (17 out of 154) presenting negative trends. There were no conclusive trends for the remaining 69 percent (106 out of 154) outcome indicators, which is a larger group than last year (65 percent).

More information on our 2019/20 performance measure results and outcomes for each activity area are included in the following pages and in *Section 2: Our performance in detail* in the full Annual Report.

On 20 February, Mayor Andy Foster announced the establishment of a Mayoral Taskforce to inquire into the problems with our water network and how we can address them

Summary of what we do

Most of the work we do, our budgets and the services we provide are in seven activity areas that represent how we work.

In the *Section 2: Our performance in detail* in the full Annual Report we outline each activity area, including an overview of the highlights, challenges, performance information and what the activities cost. This 2019/20 Annual Report is a report against year two of Our 10-Year Plan 2018-2028.

The next section provides an overview of our performance by activity area.

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 for the city and its people.

What we did

- Held local Council elections in October 2019
- Moved all decisions and community engagement online during COVID-19 lockdown
- Agreed a Pandemic Response & Recovery Plan to support the city
- Implemented Archives Online to enable digital access to our information
- Work continued with Te Taihū revitalisation through annual events and increasing bilingual signage in facilities.

Performance results

Achieved	50%
Not met	43%
Exceeded	7%

Environment and Infrastructure

We manage waste reduction and disposal, fund conservation attractions, and look after parks, reserves, tracks and walkways. Through Wellington Water Ltd, we provide water, stormwater and wastewater services.

What we did

- Water disruptions and wastewater network failures occurred in Dixon Street and in the Mt Albert tunnel. These were repaired and resolved during the year.
- Upgraded Makara Peak Mountain Bike main entrance and carpark.
- Made entry to the Zoo and Zealandia free for a time to encourage people out into the city after lockdown.

Performance results

Achieved	46%
Not met	26%
Exceeded	29%

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.

What we did

- Construction of Tākina Convention & Exhibition Centre and St James Theatre strengthening progressed during the year. There was a delay during lockdown and both projects restarted in Level 3.
- Provided commercial rates deferral for the fourth quarter, a \$7.6m recovery fund, a rebate on some fees to support the hospitality sector, and launched #LoveLocal to supporting local businesses.

Performance results

Achieved	50%
Not met	30%
Exceeded	20%

Cultural Wellbeing

We fund city events and festivals. We also support attractions, galleries and museums, as well as community art and cultural activities.

What we did

- Had a full summer of events, but some events in the last months of the year were cancelled or postponed.
- Other events like Matariki were reimagined because of COVID-19 restrictions. The final event (held in July 2020) included the best of physical and online activities.

Performance results

Achieved	29%
Not met	57%
Exceeded	14%

Social and Recreation

We provide community and social facilities, including libraries, community centres, swimming pools, sportsfields and playgrounds. We also provide social housing, work to reduce homelessness and begging, and improve city safety.

What we did

- Approved additional grant funding for community and social service organisations.
- Worked with community partners to ensure everyone was homed during the lockdown.
- Completed seismic strengthening and refurbishment of the Museum Stand at the Basin Reserve.
- Opened Waitohi Community Hub in December 2019. It includes Keith Spry Pool, Johnsonville Library, Waitohi Kindergarten, Common Ground Café, and Johnsonville Community Centre.

Performance results

Achieved	39%
Not met	45%
Exceeded	16%

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.

What we did

- Progressed the draft Spatial Plan to draft form, but formal consultation was delayed until August 2020 due to COVID-19.
- Grey Street Pocket Park was upgraded to include new paving, seating, trees, and improved lighting.

Performance results

Achieved	56%
Not met	28%
Exceeded	17%

Transport

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

What we did

- Implemented a lower 30kmh speed limit on South Coast and Miramar Peninsula roads during the lockdown because of an increase in pedestrians and cyclists.
- Arranged the Courtenay Place weekend closure to traffic to support local bars and restaurants.
- Progressed business cases for LGWM and agreed a new Relationship and Funding Agreement for the detailed investigation phase.
- Completed the earthquake strengthening of the Seatoun Tunnel and retaining wall on the Strathmore side.

Performance results

Achieved	60%
Not met	40%
Exceeded	0%

Ā mātou whakapaunga pūtea

Our finances

-\$27.5m

Underlying result for 2019/20

The underlying deficit excludes non-funded or separately funded items, capital funding, and ring-fenced activities. The above result includes \$23.7m of operating expenditure (\$10.1m related to the Mt Albert wastewater tunnel and \$13.6m of revenue losses associated with COVID-19), which the Council has chosen to debt fund.

\$7.14

Operational cost of Council services per resident per day

Our services include managing and maintaining facilities like libraries and sportsfields, keeping our roads and footpaths at a high standard, and supporting arts, cultural and sporting events. This figure excludes costs related to asset impairments.

\$548.4m

Cost of running the city

Our total operating expenses for the year were \$548.4m. This figure excludes \$10.2m related to asset impairments, largely related to the Te Ngākau Civic Precinct.

\$213.1m

Capital spend

We spent \$213.1m on building new assets for the city. This was lower than our planned \$267.8m as a result of COVID-19 delays and the re-phasing of some projects over a longer period of time.

\$647.4m

Net borrowing position

This is an increase of \$102.7m from last year, which equates to \$3,077 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.

\$7.8b

of assets

The Council provides several services to the city through infrastructure networks and facilities. These have been built up over many generations and equate to about \$37,000 net worth of value for every person in the city.

\$1:\$1

Debt servicing cost to investment returns

For every \$1 the Council incurs on paying interest on debt, it receives \$1 from its investments. Investment revenue was down on budget due to the impact of COVID-19.

AA

Credit rating

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

Overview

For the financial year Council has achieved an underlying deficit of \$27.5m.

The operating surplus of \$15.1m includes \$10.2m of asset impairments, largely related to the Te Ngākau Civic Precinct buildings, as well as lower revenue due to COVID-19. This was offset by insurance proceeds recognised of \$33.0m related to the Civic Administration Building (CAB). Our financial position remains healthy. Council debt is within our borrowing policy and we have investments that provide returns equal to our 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:

- recognition of insurance proceeds related to CAB of \$33.0m;
- the revaluation of investment properties, which increased the value of our assets by \$7.6m;
- impairments of Property, Plant and Equipment including Te Ngākau Civic Precinct buildings, totalling \$10.2m; and
- the impact of the COVID-19 pandemic resulting in loss of revenue totalling \$13.6m.

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 pays its fair share and the Council does not pass on current costs to future generations. Therefore, our goal is 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 \$3.8m, within 0.7 percent of our planned balanced budget.

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

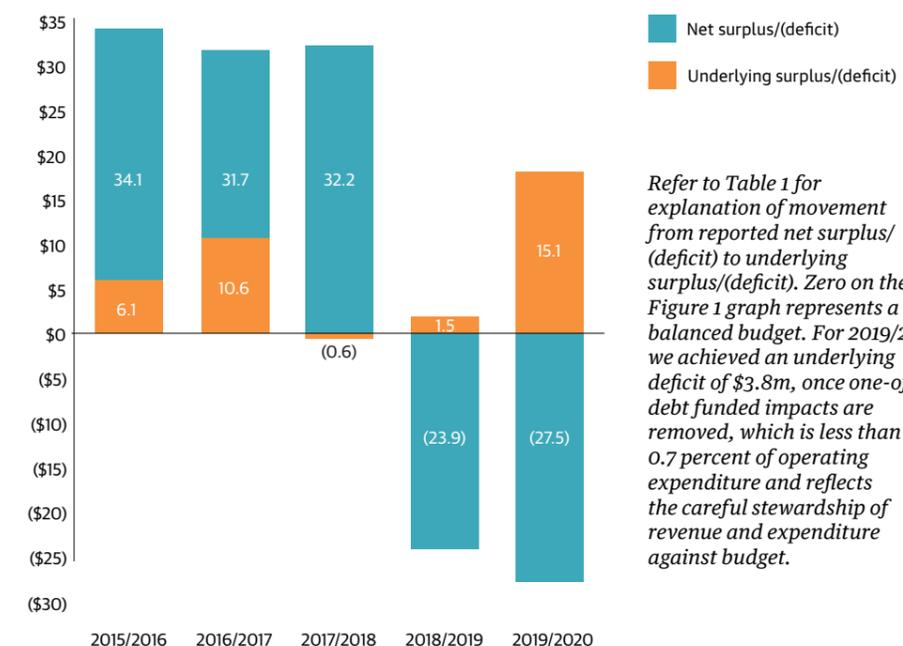
- revenue received for capital items, for example, funding received from NZTA for roading;
- non-funded transactions - either where, through the Annual Plan, it was deemed appropriate that future ratepayers shared the costs incurred in a particular year, or where another organisation was liable for the funding;
- separately funded items where funding was through other mechanisms;
- ring-fenced activities for housing and waste minimisation;
- insurance proceeds related to CAB; and
- items that Council decided to debt fund during the year. In 2019/20 this includes the Mt Albert wastewater tunnel repair and the loss of revenue associated with COVID-19.

These items are excluded because they generally don't affect rates and were excluded from our Annual Plan balanced budget calculation. Table 1 summarises the capital and non-funded adjustments made to the net surplus/(deficit) to arrive at the underlying result.

Table 1: Summary of the underlying result (\$m)

Underlying result	Actual	Budget	Variance
Reported net surplus/(deficit)	15.1	(8.5)	23.6
Add items or budgeted differences not required to be rates funded	19.6	12.7	6.9
Exclude government funding for capital projects	(31.3)	(33.7)	2.4
Items separately funded	(9.2)	(9.2)	0.0
Ring-fenced activities	2.5	26.7	(24.2)
Insurance proceeds	(33.0)	0.0	(33.0)
Other adjustments	8.8	12	(3.2)
Underlying surplus/(deficit)	(27.5)	0.0	(27.5)
Debt funded items from 2019/20:			
- Mount Albert operating expenditure	10.1	0.0	10.1
- COVID-19 revenue loss	13.6	0.0	13.6
Remaining underlying surplus/(deficit)	(3.8)	0.0	(3.8)

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



Summary of revenue

Figure 2 below shows that rates are our main source of funding (56 percent of \$573.7m) with revenue from operating activities (including user fees) the next largest source (26 percent). We also receive revenue from other external sources (mainly government) to fund capital expenditure and revenue from interest and dividends. In 2019/20 there is also \$33.0m of insurance proceeds within Other Revenue related to CAB.

Figure 2: Overall sources of revenue for the past 3 years (\$m)

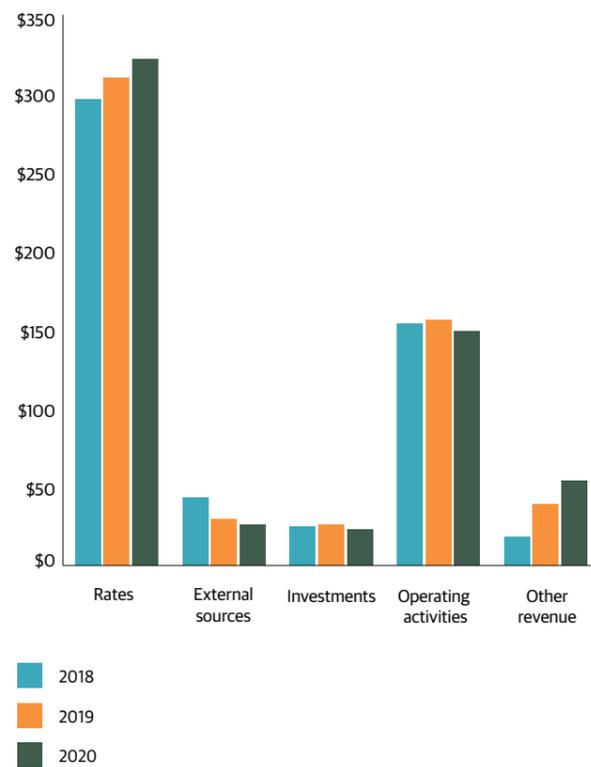


Figure 3: Sources of Council's rates revenue for the year (\$m, percent)

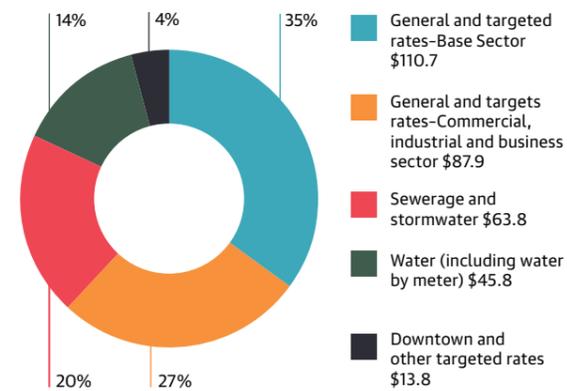


Figure 3 shows the sources of the Council's rates revenue for the year. The majority of the Council's \$322.0m of rates revenue received during the year was from general rates. Other sources were sewerage and stormwater targeted rates, with the freshwater provision making up most of the balance.

In 2019/20, the Council received higher revenues than budget. Major variances included:

- recognition of insurance proceeds related to CAB not in the budget (\$33.0m)
- vested assets revenue not in the budget (\$7.6m)

Some areas were lower than budget:

- dividends from our investment in Wellington International Airport Ltd (\$2.5m)
- lower than budgeted revenue from COVID-19 lockdown and requirements around limiting numbers and social distancing at Council venues under Alert Level 2 (\$13.6m)

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 set in the Annual Plan. 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.

Details of the financial performance against budget for each activity can be found in full Annual Report in the Section 2: Our performance in detail from pages 26 to 157.

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

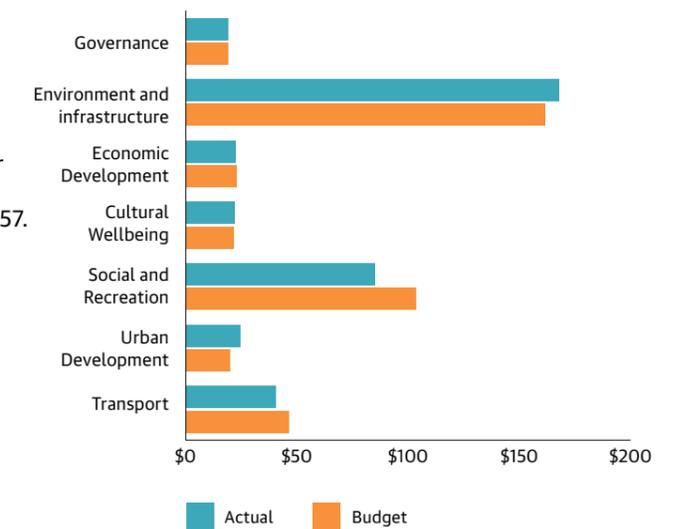


Table 2: Gross operational expenditure by activity area (\$000)

	2017/18 Actual	2018/19 Actual	2019/20 Actual	2019/20 Budget	Variance to budget
Governance	17,519	17,982	19,776	19,901	125
Environment and infrastructure	169,253	180,748	198,522	182,721	(15,801)*
Economic development	37,051	34,954	31,206	38,108	6,902*
Cultural wellbeing	21,256	23,268	22,478	22,595	117
Social and recreation	115,358	134,717	126,047	144,337	18,290*
Urban development	29,402	30,709	36,531	34,069	(2,462)*
Transport	69,480	74,559	79,702	87,128	7,426*
Total strategic areas	459,319	496,937	514,262	528,859	14,597
Other Council activities	43,927	86,831	44,312	28,171	(16,141)
Grand total full Council	503,246	583,768	558,574	557,030	(1,544)

Figures in brackets () equals negative variance to budget or overspend.
* Significant variance in operating expenditure explained on next page.

Operational expenditure variance summary

Many of our operating budgets had significant variances in 2019/20 due to COVID-19 restrictions or changes made because of COVID-19. These variances are summarised below, including the overall net position, and explained in detail in the full Annual Report *Section 2: Our Performance in Detail*.

Significant additional operating expenditure for wastewater accounted for 75 percent of overspend in this year's Environment and infrastructure budget. However, overall this additional spending was largely offset by additional revenue from waste operations meaning a net variance of only 4 percent over budget.

Although Economic Development operating expenditure and revenue were greatly impacted by COVID-19, with revenue under budget by 42 percent and expenditure reduced by 18 percent, the overall variance was immaterial (\$644k).

This year, there was 25 percent revenue loss in the Social and Recreation area, which was partially offset by deferred maintenance and lower operating costs. However, this deficit is obscured by a 2018/19 budget reallocation of \$17.0m [of community

support expenditure as reported in the 2018/19 Annual Report, for release of the Deed of Grant with the Crown for Arlington], resulting in a positive net overall operating position of 18 percent.

In Urban Development, the 6.2 Building and development activity area was over budget on expenditure and under budget on revenue, causing 54 percent net operating expenditure overspend in this area – translating to a 23 percent overspend overall. The reduction in economic activity and therefore revenue is directly linked to COVID-19 lockdown restrictions.

Operating expenditure for the Transport activity area was underspent by 9 percent. However, revenue was over budget by 42 percent due to additional NZTA subsidies, taking the net position to \$9.6m underspent. The net position for parking was down 25 percent due to the waiving of parking fees in response to COVID-19 restrictions. Overall, the operating budget was \$5.8m underspent.

Many of our operating budgets had significant variances in 2019/20 due to COVID-19 restrictions or changes made because of COVID-19

Summary of capital expenditure

We have a comprehensive renewal and upgrade programme for our assets and have completed \$213.1m of capital expenditure during the 2019/20 year. This equates to 89 percent of the annual budget or 80 percent once budgets brought forward from prior years and other adjustments are included. There were several capital projects that were delayed due to various timing issues arising from project design and costing, public consultation, and consenting requirements. There were also some delays to projects resulting from the COVID-19 lockdowns. These are discussed in more detail in the Capital Underspend table in this section.

Figure 5: Budget vs actual capital expenditure for each activity area (\$m)

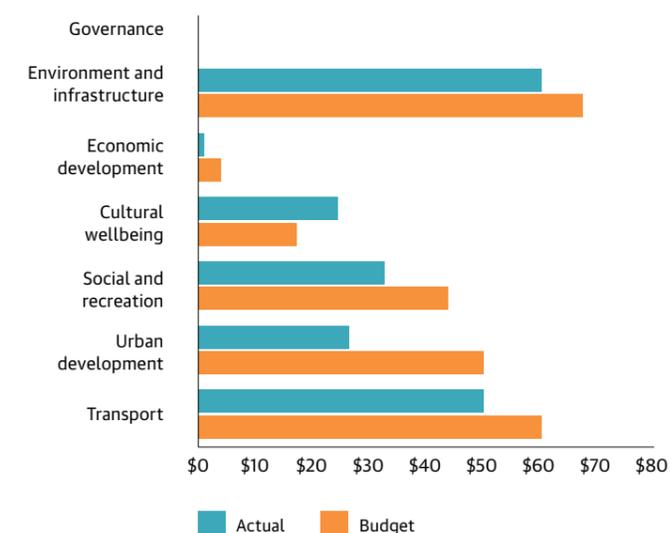


Table 3: Capital expenditure by activity area (\$000)

	2017/18 Actual	2018/19 Actual	2019/20 Budget	2019/20 Revisions	2019/20 Actual	2019/20 Revised budget	Variance to revised budget	Carry forwards
Governance	8	-	123	22	48	145	97	-
Environment & infrastructure	45,428	40,471	58,029	8,045	58,587	66,074	7,487	7,476
Economic development	599	738	3,089	1,050	1,111	4,139	3,028	3,352
Cultural wellbeing	443	4,145	16,941	237	23,536	17,178	(6,358)	(4,221)
Social & recreation	40,253	30,025	36,214	6,690	31,651	42,904	11,253	12,490
Urban development	19,504	14,610	43,622	4,859	25,599	48,481	22,882	27,977
Transport	55,465	54,313	58,107	614	49,090	58,721	9,631	10,702
Total strategic areas	161,700	144,302	216,125	21,517	189,622	237,642	48,020	57,776
Other Council activities	11,240	27,400	24,327	5,824	23,486	30,150	6,664	8,235
Grand total full Council	172,940	171,702	240,452	27,341	213,108	267,792	54,684	66,011



Bobby Bir
Tenancy Advisor

Many of our
vulnerable tenants
needed extra help

Capital programme variance summary (\$m)

Many of our significant capital projects involve collaborative partnerships with community, suppliers and other stakeholders. We also want to ensure projects are fit for purpose as circumstances or requirements change. The timing of these projects therefore needs to

be flexible. There were several capital projects that were delayed due to various timing issues arising from project design and costing, public consultation and consenting requirements. There were also some delays to projects resulting from the COVID-19 lockdowns, which resulted in a capital underspend at the end of the 2019/20 year.

Table 4: Capital programme variance explanations (\$m)

Project	\$m	Comments
Earthquake Risk Mitigation	12.9	Under spending due to the earthquake strengthening of the St James Theatre and the Town Hall being behind (partially due to the impacts of COVID-19).
Transport projects	9.5	Under budget due to delays on road surface renewal work and timing of other large projects (Bus Priority Planning - linked to LGWM, Ngaio Gorge and Wadestown route resilience). The cessation of work through the COVID-19 lockdown, other than safety related, caused significant underspending.
Organisational Projects	6.7	Under budget mainly due to delays in Te Ngākau Civic Precinct work programme. This is mostly offset by increased spend on ICT infrastructure and staff accommodation projects.
Water - upgrades and renewals	4.7	The current position is due to the Wallace St network project being ahead of schedule and phasing of the budget. This is partially offset by delays in the Omāroro project and wider programme due to COVID-19 lockdown.
Central City Framework	3.9	The North Lambton Quay project was delayed to be aligned with the LGWM Golden Mile workstream and there were delays in the laneways programme (Swann/Garrett will be delivered next year, and Stout St is dependent on LGWM decisions).
Community Halls - upgrades & renewals	3.6	Under budget primarily due to the delayed Community Halls work programmes. This will be reviewed as part of the LTP planning process.
Southern Landfill Improvement	3.5	Under budget on the Landfill Stage 4 development due to consent delays and further consultation with the community.
Stormwater - upgrades and renewals	3.4	Non-essential work was impacted due to the focus on Wastewater issues. The work programme will be reassessed during the LTP planning process.
Wellington Venues renewals	3.0	Under budget on the fitout upgrade, which is dependent on the delayed earthquake strengthening on St James Theatre.
Public Convenience and pavilions	2.3	Under spend relates to delays caused by unforeseen additional work and re-working of the Alex Moore Park Sports Hub project.
Wellington Waterfront Development	2.2	Under spend due to later than planned signoff on Frank Kitts Park.
Coastal	1.9	Under budget mainly due to re-phasing of the Coastal programme of works. This will be reassessed during the LTP planning process.
Basin Reserve	(1.1)	Over budget predominantly due to increased costs relating to the Basin Reserve Museum Stand.
Wellington Convention & Exhibition Centre (WCEC)	(6.6)	The Convention Centre project is forecast to deliver on budget for the completion of the project with the current variance being due to the phasing of the budget.
Wastewater - upgrades and renewals	(9.4)	Increased capital expenditure as a consequence of remedying the Mt Albert sludge pipeline, CBD tunnel and Cuba Street interceptor, partially offset by delays due to COVID-19.
Other	14.2	Smaller miscellaneous delays in a number of projects.
Total 2019/20 variance	54.7	Underspend

Where do my rates go?

Explaining your rates

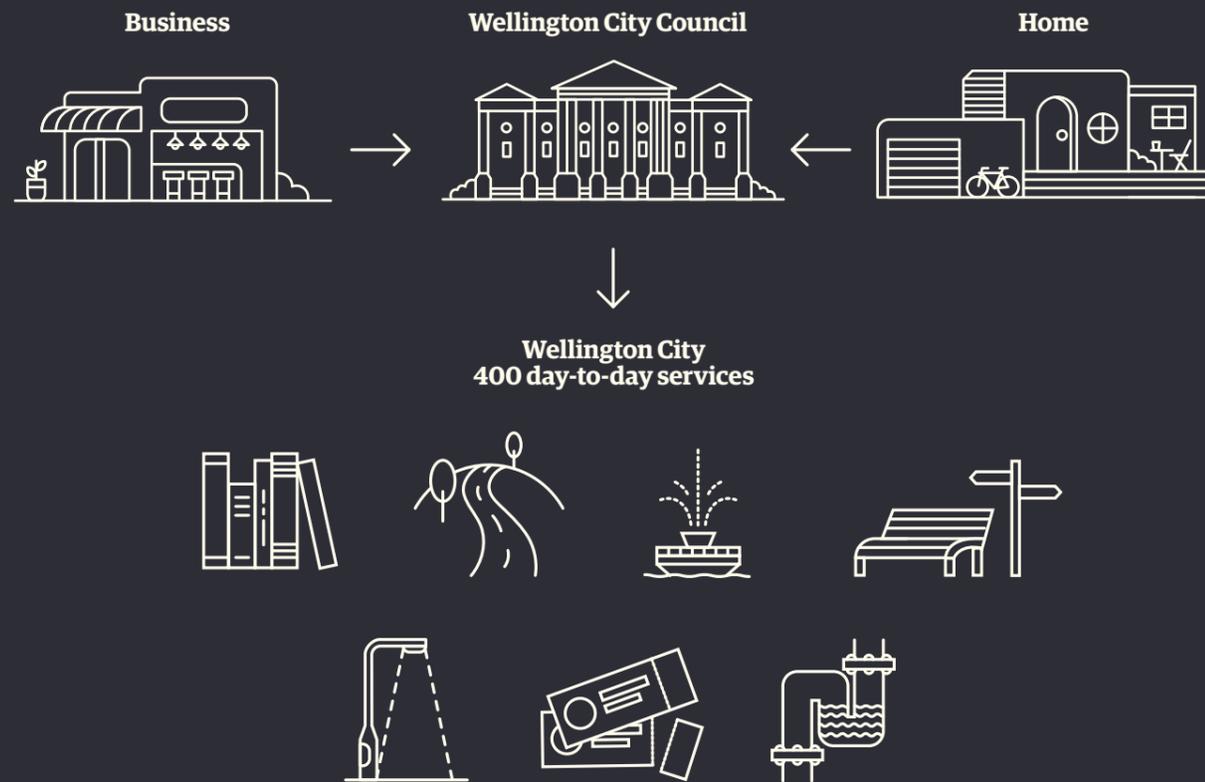
We set our rates based on the needs of the community, their demand for services and affordability in rates. Our rates revenue is split between targeted rates and general rates. The Council collected \$322.0m (GST exclusive) of rates during 2019/20.

General rates are paid by all ratepayers and applied to services which benefit the whole community – for example, maintaining parks and walkways, operating our libraries, and renewing our roads and footpaths.

Targeted rates are paid by a specific group of ratepayers who receive a specific service – for example water, stormwater and wastewater services in rural areas, and business improvement districts (BIDs).

Whether you rent, own a home or a business in Wellington you'll be contributing to Council rates either directly or indirectly.

Your money helps us deliver more than 400 day-to-day services and pay for the borrowings used to fund big capital projects across Wellington.



What are rates for, and why are they important?*

In the same way our taxes contribute to the running of the country, rates are important to ensure Wellington continues to function.

Some of the services and facilities that Wellingtonians receive through their rates include:

- 81** million litres of drinkable water piped per day
- 700** km of footpaths maintained and upgraded
- 101,234** native plants planted with the community
- 1,048** km of wastewater pipes maintained and upgraded
- 14,500** LED streetlights operated
- 105** playgrounds maintained and upgraded
- 350** km of walking and biking tracks maintained
- 242,065** calls answered by our Service Centre staff
- 802,000** items can be borrowed from our 14 libraries
- 202** sqm of open space per Wellingtonian
- 671** km of stormwater pipes maintained and upgraded
- 800,000** resources in City Archives

Summary of COVID-19 financial impact

An assessment of the main impacts of COVID-19 on the Council's financial statements is outlined in Table 5 below. It includes a brief note on what the financial impact was, and references to the relevant Note to the financial statements from the full Annual Report where more information is detailed.

Table 5: COVID-19 Financial Impact Assessment

Item	Financial impact	\$000	Note
Revenue	Lost revenue for facilities being closed and due to initiatives agreed by Council to ease the impact of lockdown on residents and businesses.	13,577	2
Rates postponement	Deferral of Quarter 4 rates payment.	2,182	1
Remuneration	Teams unable to work during lockdown. Discretionary leave totalling 81,500 hours paid to 738 employees where alternative work was not available.	1,958	N/A
Employee liabilities	Increase in annual leave liability.	1,529	24
Cash flow hedges	Downward trend in interest rates has increased the negative value of the interest rate swap portfolio.	N/A	12
Payment terms	Reduction in payment timeframes from 20 to 5 days.	N/A	21
CCO support	Joint loan facility agreed between Council and Greater Wellington Regional Council for the Wellington Regional Stadium Trust.	2,100	34
CCO support	Provision of shareholder support to Wellington International Airport Limited.	25,758	34
CCO support	Provision of a 'letter of comfort' to CCOs and additional grant funding of up to \$5.0m for 2020/21.	5,000	34
City recovery fund	Establishment of City Recovery Fund (CRF) being the aggregation of three existing funds (City Growth Fund, the Capital of Culture activity and Destination Wellington).	2,017	30
Revaluations	Valuation reports for investment property and infrastructural assets contain statements around the heightened uncertainty relating to COVID-19.	N/A	18

Summary statement of comprehensive revenue and expense

For the year ended 30 June 2020

	Council			Group	
	Actual 2020 \$000	Budget 2020 \$000	Actual 2019 \$000	Actual 2020 \$000	Actual 2019 \$000
Total revenue	540,720	548,493	559,901	553,627	577,779
Total expense (excluding finance expense)	(532,033)	(532,128)	(558,049)	(556,705)	(587,468)
Total finance expense	(26,541)	(24,902)	(25,719)	(26,569)	(25,725)
Operating surplus/ (deficit) before insurance proceeds	(17,854)	(8,537)	(23,867)	(29,647)	(35,414)
Insurance proceeds	33,000	-	-	33,000	-
Share of equity accounted surplus/(deficit) from associates and jointly controlled entity	-	-	-	18,838	16,332
Net surplus / (deficit) before taxation	15,146	(8,537)	(23,867)	22,191	(19,082)
Income tax credit/(expense)	-	-	-	621	(187)
NET SURPLUS / (DEFICIT) for the year	15,146	(8,537)	(23,867)	22,812	(19,269)
Other comprehensive revenue and expense					
Cash flow hedges - FV movement (net)	(38,903)	-	(42,776)	(39,330)	(42,094)
Fair value through other comprehensive revenue and expense	795	-	546	772	492
Revaluations of property, plant and equipment	493,980	204,856	(3,256)	493,980	(3,256)
Share of other comprehensive revenue and expense of associates	-	-	-	9,265	4,761
Total other comprehensive revenue and expense	455,872	204,856	(45,486)	464,687	(40,097)
Total comprehensive revenue and expense	471,018	196,319	(69,353)	487,499	(59,366)

The main variances from budget are discussed in the notes following the Statement of Comprehensive Revenue and Expense in the full Annual Report 2019/20.

Summary statement of financial position

For the year ended 30 June 2020

	Council		Actual 2019 \$000	Group	
	Actual 2020 \$000	Budget 2020 \$000		Actual 2020 \$000	Actual 2019 \$000
Current assets	242,213	208,988	237,473	261,999	256,087
Non-current assets	8,134,358	7,897,263	7,543,628	8,339,052	7,733,584
Total Assets	8,376,571	8,106,251	7,781,101	8,601,051	7,989,671
Current liabilities	285,976	226,085	230,644	296,807	241,305
Non-current liabilities	749,412	772,813	680,292	749,800	681,421
Total liabilities	1,035,388	998,898	910,936	1,046,607	922,726
Total equity	7,341,183	7,107,353	6,870,165	7,554,444	7,066,945

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 after allowing for one-off debt funded impacts. This ensures that the current generation pay their fair share and do not pass current costs onto future generations.

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 \$8.3 billion and liabilities of only \$1.0 billion.

Our debt position remains very conservative and we work with other Councils to reduce costs wherever possible. High-yielding investments such as our ground lease portfolio in the central city, and our shares in Wellington International Airport Ltd, 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) – \$99m. This is a decrease of \$37m in cash holdings from the previous year due to timing differences of cash flow requirements and \$21m of longer-term investments.
- Other current assets (including receivables and recoverables, other financial assets, prepayments and non-current assets held for sale) – \$144m.

Non-current Assets

- Property, plant and equipment (including land, buildings, pipes, roads and other infrastructure assets) – \$7.8b. The increase of \$586m when compared to 2019 largely reflects the \$494m of net revaluations and the capital spend of \$213m offset by depreciation expense of \$118m.
- Other non-current assets (including investment properties and investments in controlled entities and associates) – \$325m.

The Council's level of investments continues to perform well, but not as strongly compared to previous years due to impacts of COVID-19 on investment revenue. For every \$1 Council incurs on paying interest on debt, the Council receives \$1 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 the joint venture, 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) - \$ 186m
- Other liabilities (payables and provisions) - \$100m

Non-current Liabilities

- Borrowings (maturing past 12 months) - \$590m
- Other liabilities (provisions and derivatives) - \$160m

The combined movement for liabilities of \$125m is mainly due to an increase in gross borrowings of \$87m and the movement in the valuation of interest rate swaps of \$39m.

Contingencies**Structural defect claim**

A large and novel claim alleging a breach of duty to a tenant of a commercial building was filed in August 2019. The claim is at an early stage. Council's current estimated financial exposure for this claim is \$50,000 being the insurance excess payable.

Unquantified contingent liabilities**Holiday Pay remediation**

Council has completed an independent external audit to assist in determining our level of compliance with the Holidays Act. Through this process we have found that we have paid some payment types with incorrect Holidays Act configurations. However, we are yet to do the work to understand the level of remediation required.

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.

The uncertainty that existed at the end of the current period and previous periods relating to a defective product has now been removed. A notice of discontinuance was signed on 3 September 2020, resulting in the Council no longer subject to this legal proceeding, with no settlement.

Summary statement of changes in equity

For the year ended 30 June 2020

	Council			Group	
	Actual 2020 \$'000	Budget 2020 \$'000	Actual 2019 \$'000	Actual 2020 \$'000	Actual 2019 \$'000
Equity at the beginning of the year	6,870,165	6,911,034	6,939,518	7,066,945	7,126,311
Net surplus / (deficit) for the year	15,146	(8,537)	(23,867)	22,812	(19,269)
Other comprehensive revenue and expense	471,018	196,319	(69,353)	487,499	(59,366)
Total comprehensive revenue and expense	486,164	187,782	(93,220)	510,311	(78,635)
Equity - closing balances					
Accumulated funds	1,269,134	1,269,134	1,269,134	1,293,162	1,293,162
Retained earnings	3,809,762	3,835,960	3,795,806	3,821,257	3,799,312
Revaluation reserves	2,348,061	2,045,106	1,854,208	2,520,701	2,017,583
Hedging reserve	(107,041)	(62,495)	(68,138)	(107,087)	(67,757)
Fair value through other comprehensive revenue and expense reserve	5,085	3,744	4,290	6,100	5,328
Non-controlling interest	-	-	-	284	284
Restricted funds	16,182	15,904	14,865	20,027	19,033
Total equity	7,341,183	7,107,353	6,870,165	7,554,444	7,066,945

Changes in net worth

The Council's net worth is represented by equity, which is the difference between what the community owns (total assets of \$8.376b) and what the community owes (total liabilities of \$1.035b).

The Council's net worth at the end of the year was \$7.3b, an increase of \$471m from 2018/19. The major reasons for the increase were the \$494m of property, plant and equipment net revaluations offset by \$39m lower hedging reserves.

Summary statement of cash flows

For the year ended 30 June 2020

	Council			Group	
	Actual 2020 \$000	Budget 2020 \$000	Actual 2019 \$000	Actual 2020 \$000	Actual 2019 \$000
Net cash flows from operating activities	106,673	97,298	112,776	108,895	117,824
Net cash flows from investing activities	(204,640)	(221,223)	(155,856)	(205,997)	(157,921)
Net cash flows from financing activities	61,298	94,560	82,330	61,298	82,330
Net increase/(decrease) in cash and cash equivalents	(36,669)	(29,365)	39,250	(35,804)	42,233
Cash and cash equivalents at beginning of year	135,246	160,025	95,996	149,089	106,856
Cash and cash equivalents at end of year	98,577	130,660	135,246	113,285	149,089

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).

Events after the end of the reporting period

On 20 October 2020, the Council agreed to a settlement for its insurance claim related to the Civic Administration Building (CAB), which covers both the repair costs and the relocation costs. The amount of this settlement was \$38.0m and an amount of \$33.0m has been included within insurance proceeds revenue, and receivables and recoverables for the year ended 30 June 2020 being the \$38.0m settlement amount less the deductible of \$5.0m.

The financial impact of COVID-19 to Council was significant as outlined in the separate disclosure on page 28. The impact has continued after 30 June 2020, with measures such as deferred payments for the rates instalment 1, due 1 September and other financial assistance measures such as additional grants which may or may not be required.

Despite the brief return to Alert Level 2 in August 2020, Council has been able to operate relatively as normal since first returning to Alert Level 1 in June 2020. The on-going financial impacts of COVID-19 will be disclosed in the 2020/21 Annual Report.

Oscar Doorne
Customer Service Representative

Things changed quickly so we needed to respond

THE UNIVERSITY OF CHICAGO

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 2020

The summary of the annual report was derived from the annual report of the Wellington City Council (the City Council) and group (the Group) for the year ended 30 June 2020.

The summary of the annual report comprises the following summary statements on pages 13 to 16, 20 to 23 and 28 to 35:

- the summary statement of financial position as at 30 June 2020;
- 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 2020;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service provision.

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.

However, the summary statement of service provision information includes a limitation in scope to the equivalent extent as the full audited statement of service provision in the full audit report. This limitation is explained below in the full annual report and our audit report thereon section.

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 a qualified opinion on the statement of service provision in the full audit report and an unmodified opinion on the other audited information in the full annual report for the year ended 30 June 2020 in our auditor's report dated 16 December 2020. The basis for our qualified opinion on the statement of service provision in the full audit report is explained below.

Basis for our qualified opinion

Six councils, including the City Council, are joint shareholders in Wellington Water Limited (Wellington Water). Wellington Water manages the six councils' water assets and services on their behalf. A Committee represented by a member of each shareholding council monitors the performance of Wellington Water. Wellington Water reports its performance in respect of water services to the six councils, which are required to report thereon in their respective statements of service provision.

We identified a number of significant issues with the performance measures as described below.

Fault response times – Water supply, Wastewater and Stormwater

Wellington Water was unable to accurately report on fault response times for each of the three water services. The information produced by the system used to report on fault response times was not reliable because attendance and resolution times for service requests were not always recorded at the point in time they occurred.

Maintenance of the reticulation network – Water supply

Wellington Water was unable to report a reliable water loss percentage for each shareholding council due to the limited number of water meters across the reticulation network.

Instead, the water loss percentage for the City Council was reported at a regional level. However, the reliability of this regional water loss percentage was also affected by the limited number of water meters.

Total number of complaints received – Water supply, Wastewater, and Stormwater

Wellington Water was unable to accurately report the number of complaints for each of the three water services. Complete records of all complaints were not available, and the complaints system used also did not classify complaints between wastewater, water supply and stormwater.

Number of dry weather sewerage overflows – Wastewater

Wellington Water was unable to accurately report the number of dry weather sewerage overflows, as the system used for recording events included blockages in the wastewater network that did not necessarily result in an overflow.

As a result of these issues, our work was limited and there were no practicable audit procedures we could apply to obtain assurance over the reported results for the performance measures described above.

Information about this matter is also disclosed on page 3 of the City Council's summary annual report.

Our auditor's report on the full annual report also includes an emphasis of matter paragraph drawing attention to the disclosures about the impact of Covid-19 on the City Council as set out in the full annual report in Table 1 on page 195, and in notes 1, 2, 12, 18, 21, 24, 30 and 34 to the financial statements and pages 26 to 150 of the statement of service provision.

An extract of this information is included in the summary of the annual report on pages 13–16 and 28.

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 reporting on the summary and full annual reports, we have 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 managed by the City Council and group on behalf of the New Zealand Transport Agency. These engagements are compatible with those independence requirements. Other than this reporting and 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
18 January 2021

Appendix

Glossary

Annual Plan (AP). Our Annual Plan is our budget, showing the expected cost of running the city for the financial year, and how the costs will be funded. An Annual Plan is not prepared in years when a Long-term Plan is prepared (see Long-term Plan).

Baseline target. A baseline target is established when a performance measure is new, the results are inconclusive, or the methodology has changed. The first year(s) data is used to collect and assess results to establish a “baseline” from which a target can then be set for future years.

Capital expenditure. Capital expenditure, also referred to as CAPEX, is the money that we spend to buy, maintain, or improve our fixed assets, such as buildings, vehicles, equipment, or land.

Cash and cash equivalents. This includes cash as well as deposits that mature in three months or less.

Council-Controlled Organisations (CCOs). These organisations were set up to independently manage Council facilities, or to deliver significant services and undertake developments on behalf of the Wellington community. Each year performance measures are agreed under a Statement of Intent. Results against these measures are reported in each CCO’s Annual Report

Current asset. This is an asset that can be readily converted to cash or will be used to repay a liability within 12 months of balance date.

Current liability. This is a liability that is required to be discharged within 12 months of balance date.

Depreciation (amortisation). This is an expense charged each year to reflect the estimated cost of using our assets over their lives. Depreciation relates to physical assets such as buildings, and amortisation relates to intangible assets such as software.

External funding for capital expenditure. This is funding recorded as revenue but used to fund capital expenditure projects.

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

Investment properties. These are properties primarily held by the Council to earn rental revenue.

Liquidity/funding risk. This is the risk that the Council will not have access to the required funds to meet its present obligations.

Long-term Plan (LTP). This 10-year plan, revised every three years, shows the expected cost of running the city for the following 10 years, and how the costs will be funded. Also known as Our 10-Year Plan.

Net borrowings. These are total borrowings, less any funds held on deposit.

Net surplus/(deficit). This is the difference between total revenue and total expenses. It includes both operating revenue and operating expenditure, as well as other non-funded items of revenue and expenditure such as capital funding, vested asset revenue and fair value movements.

Operational expenditure. This is expenditure that is not capital expenditure (see capital expenditure).

Percentage (%) variance. The difference between the actual performance measure result and the target result is reported as the result’s percentage above or below target. For example, the difference between an actual performance result of 20 percent and the target result of 40 percent is -50 percent. This is because the result is 50 percent less than the target. While the numerical difference between the two figures is 20 percentage points, we do not report percentage point results unless otherwise stated.

Prudential limits. These are limits applied to the level of borrowings to ensure we are managing the Council’s assets and liabilities prudently. These limits are outlined in the Investment and Liability Management Policy in the Long-term Plan.

Reported result icon. The icons provide a visual indication of the performance measure and outcome indicator results. For Key Performance Measures they show whether the reported result is in one of four categories:

- ⊗ Not met: greater than 10 percent below target; or
- ⊙ Within 10 percent: between zero percent and 10 percent above or below target; or
- ⊕ Exceeded: greater than 10 percent above target; or
- ⊖ NA: - not applicable/appropriate to determine a performance outcome.

We use a range of +/- 10 percent from target as it allows for fluctuations in performance across the year (eg seasonal changes). This is consistent with the reporting of other performance information during the year for example in Quarterly Reports.

Outcome Indicators are shown as trends over time with an icon that provides an indication of the trend direction. Where outcomes display a positive trend these will be shown with an up arrow, a negative trend with a downward arrow and no trend with either a blank or as a dash.

Residents Monitoring Survey (RMS). This survey is undertaken annually by Council. The survey is conducted in two parts. This year, the survey was sent out during the COVID-19 restriction to just over 3,000 residents and remained open until minimum quotas for age, gender and ward were met. The final sample size for 2020 was 696 for Part 1 and 627 for Part 2, post-weighting. The standard margin of error at 95 percent confidence level was 4 percent.

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

Total comprehensive revenue and expense. This is the net surplus/deficit adjusted for fair value movements of some of our assets including property, plant and equipment, and financial instruments such as cash flow hedges. These movements are non-cash in nature and reflect the changing fair value of assets owned by the Council.

Underlying funding surplus/(deficit). The underlying surplus or deficit is the reported net surplus or deficit, less any government funding for capital projects, plus items not required to be funded by ratepayers this year and other adjustments that do not affect the rating requirements of Council.

Unfunded depreciation. This is the amount of depreciation not funded by rates. This relates mainly to roading assets funded by NZTA and wastewater treatment assets where the operator has responsibility for asset renewal.

Vested assets. These are assets created by others and passed into Council ownership (for example - roads built by a developer as part of a subdivision).

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The Annual Report 2019/20 was adopted by the Council on 16 December 2020 in compliance with the Local Government Act 2002

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Absolutely Positively
Wellington City Council

Me Heke Ki Pōneke