

2022/2023

Te Pūrongo ā-Tau Annual Report



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Nau mai, haere mai – Welcome

Nau mai ki tā mātou tirohanga rāpopoto o te tau 2022/23. Welcome to our report of the 2022/23 year.

61% KPIs met targets (up from 51% last year)	\$(74.2)m Deficit result for the year (\$87.4m surplus result last year)
38% Outcome indicators positively trending (36% increase from last year)	\$369.4m Total capital expenditure (27% increase from last year — \$290.4m)
2031 Total workforce (1,967 in 2021/22)	\$1.25b Total debt (17% increase from last year — \$1.07b)
\$425m Total rates collected (9% increase from last year — \$388.2m)	\$773.3m Total operational expenditure (24% increase from last year — \$622.4m)

Our report

The Annual Report describes how Wellington City Council and the Council-controlled organisations (CCOs) performed in the 2022/23 financial year. Included in the full report is our progress on delivering the key projects, programmes and services that will help Wellington to be the capital we want it to be.

The period covered is from 1 July 2022 to 30 June 2023. It reports against our 2021–31 Long-term Plan and fulfils our obligations under the Local Government Act 2002.

The Annual Report 2022/23 was adopted by the Council on 25 October 2023, and received an unmodified opinion on the audited information, except for the statement of service provision.

A qualified opinion was received for four performance measures, three relating to the total number of complaints received for our three waters network (page 59, 61 and 63 of Volume 1 of the full report) and one was the measurement of our greenhouse gas emissions (pages 57-58 of Volume 1 of the full report).

The report comprises two volumes – Volume 1 Performance Overview and Service Statements and Volume 2 Financial Statements for Council and Group.

- **Volume 1 includes:** An overview of our year including a summary of non-financial and financial performance, detailed service performance information, and the governance and organisational structures for Council. The Independent Auditor's Report is also in this volume.
- **Volume 2 includes:** Our statement of compliance and responsibility, comprehensive revenue and expenses, financial position, changes in equity, and cash flows. Other disclosures, along with financial prudence and funding impact statements are also in this volume.

Copies of the full Annual Report and this summary are available at wellington.govt.nz.

In line with the Council's ongoing commitment to sustainability, a limited number of hard copies of the Annual Report are produced. These can be viewed at our Arapaki Service Centre and any of our libraries. Alternatively, a copy of the report can be requested by calling the Contact Centre on (04) 499 4444.

Whanaungatanga – partnership, working together and collective spirit.

The theme for this year encapsulates an area that Council wanted to focus on and be better at – involving our iwi partners, our businesses and our public in our decision making. We want to build trust and confidence in the direction we are heading in.

Whanaungatanga is about building relationships through shared experiences which strengthen all members.

The city we are living in now has changed through the pandemic. There are increases in cost-of-living, climate change impacts are being felt and people are choosing to work and live in the city differently. We are also heading into a time of urban transformation that is going to cause disruption. Positive outcomes are on the way, but we need to make sure we plan right now so we transform our city with our residents.

This year was about joining together to celebrate the lifting of COVID-19 restrictions, working together with our arts sector and businesses to return some of the city's vibrancy that our residents treasure, communicating and consulting on the changes to come, and enacting our new partnership and strategy with mana whenua.

He whakawhanaungatanga ki Pōneke, ki te iwi, ki te Taiao – Establishing relationships with Wellington, the people and the environment.



Tory Whanau

Mayor

25 October 2023



Barbara McKerrow

Chief Executive

25 October 2023

Andrea Reeves

Chief Financial Officer

25 October 2023

We acknowledge mana whenua

Through the signing of Tākai Here, the Council has forged stronger partnerships with the mana whenua in Te Whanganui ā Tara. This partnership agreement allows for a stronger governance relationship and sets out the principles, values, and priorities for the way in which we work together. The signing of the document took place 182 years to the day that Te Tiriti was signed here in Te Whanganui ā Tara, acknowledging the creation of a new partnership.

Through Tākai Here, we work in partnership with:

- Taranaki Whānui Ki Te Upoko o Te Ika (Port Nicholson Block Settlement Trust)
- Te Rūnanga o Toa Rangatira
- Te Rūnanganui o Te Āti Awa Ki Te Upoko o Te Ika a Māui

We also have relationships with the Te Aro Pā Trust and the Wellington Tenths Trust.

We acknowledge Te Tiriti o Waitangi

We recognise that Te Tiriti o Waitangi forms the underlying foundation of the Council and mana whenua relationship, and that the Council acts in accordance with Te Tiriti o Waitangi.

Reporting entity and compliance

Wellington City Council is a territorial local authority governed by the Local Government Act 2002. It is a public benefit entity for financial and non-financial reporting purposes and is audited by the Office of the Auditor General.

The service performance information and 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, including the new PBE FRS 48 standard for non-financial reporting.

The Council and management of the Council confirm that all the statutory requirements in relation to the Annual Report, as outlined in Schedule 10 of the Local Government Act 2002, including the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP) have been complied with.

The reporting entity is the same for the financial and non-financial reporting as outlined in the Statement of Compliance and Responsibility in Volume 2: Financial Statements on page 4.

The financial statements are denominated in New Zealand dollars.

Message from our Mayor and Chief Executive

The past year has posed its fair share of challenges, but we have also seen some positive developments in our city.

After several years of border closures, we saw the return of cruise ships and a resurgence in international visitor numbers, reaching the levels we had pre-COVID. Major events were successfully hosted, bars and restaurants enjoyed the absence of restrictions, and our attractions experienced a surge in popularity. All of this contributed to restoring the vibrancy that we sorely missed.

In our 2022/23 Annual Plan we noted that the operating environment continued to be challenging and impacted by the following conditions:

- COVID-19 restrictions and impacts
- Construction and supply chain pressures
- Increasing inflation and interest rates

While we expected high inflation and interest rates when setting our budget, the actual costs were still higher than anticipated, this resulted in increased costs to Council. Further, we incurred additional expenditure relating to unexpected weather-related events after record rainfall in July and August 2022.

The increase in expenditure was offset to some extent by higher than anticipated investment revenue and vested assets, including a \$20.4m dividend from Wellington Airport which is the first dividend since COVID-19 restrictions began.

Our overall result was an operating deficit of \$74.2m – this was planned. Due to a significant revaluation of water assets in the prior year the Council decided to change the approach of funding three waters depreciation from rates to debt funding an amount equal to the difference between depreciation and capital expenditure renewals. Over time we expect to move back towards fully funding three waters depreciation.

To take this prudent approach, as well as manage the challenges presented by the current economic conditions, we will need to continue to take a very careful approach to our finances.

That being said, we have successfully delivered several projects. Tākina, the Wellington Convention & Exhibition Centre, was completed and opened in June 2023 with its first exhibition proving popular with Wellingtonians and visitors. Strengthening work on Te Matapihi Central Library started in September 2022, and we've been steadily expanding Wellington's growing cycle network. These accomplishments are something we can take immense pride in.

Tory Whanau
Mayor of Wellington

Barbara McKerrow
Chief Executive

Section 1: Our city

[Te reo heading]

In this section

This section includes an overview of the city's history, our population, economy, location, and our environment.

City profile

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 culture and film industries.

Its unique 289.91 square kilometre¹ landscape is the taonga of many Wellingtonians. It is actively protected, nurtured and restored. It features bush-covered hills, rivers and streams, a large natural harbour, rocky and sandy coastlines and a growing population of native wildlife.

Our community can discover walks and walkways, beaches and rock pools, parks and gardens, playgrounds and mountain bike tracks all within a short trip from the central city. The compact size provides many options for transportation. Although many drive private vehicles, many also enjoy walking, running, cycling, and using public transportation to get around the city.

Wellington at a glance

Our people ²	Our city
212,849 Wellington City population ²	2,096 Sunshine hours in 2022 ³
34.1 years Median age of population ⁴	98.9km Length of coastline
33.7% Population born overseas	381km Walking and biking tracks
10.1% Population of Māori descent	4073 hectares Open green space across the city
24.8% Population speaks more than one language	1500 (TBC)⁵ Houses powered each year by the Southern Landfill Power Station
46% Degree qualification or higher ⁶	303m Tinakori Hill, highest point of Town Belt
\$157,697 Average household income ⁷	113kmph Top wind gust ⁸
107 Play areas in Wellington ⁹	798 Places to eat

Our history

According to Māori tradition, Whatonga, a chief of the Kurahaupō waka was the first person to settle the lands at the southern tip of the North Island which was known as Te Upoko-o-te-Ika, the head of

¹ StatsNZ Geographic Boundary View

² From SensePartners in 2023 for [population as at 2022](#)

³ NIWA Annual Climate Summary 2021

⁴ Population breakdown figures from 2018 Census

⁵ WCC Southern Landfill Power Station

⁶ Median age, Overseas, Māori descent, language, qualification: [2018 Census place summary for Wellington, Stats NZ](#)

⁷ Infometrics Wellington City Economic Profile – Living Standard – [Household Income 2022](#)

⁸ [Weatherspark, Historical Weather Data](#), 11am 21 July 2022

⁹ WCC figures for Coastline, Tracks, Eateries and Playgrounds

the fish. Whatonga's son, Tara, was said to be enamoured with the deep and beautiful harbour at the nostrils of the fish, and so Whatonga named the harbour Whanganui-a-Tara after his son.

The region was slowly populated with peoples of Kurahaupō descent including Ngāi Tara, Mua-upoko, Ngāti Apa, Ngāti Rangitāne and Ngāti Tu-mata-kokiri who established hilltop pa (fortresses) on strategic and sheltered sites around the Wellington harbour. In the 1820s, tribes from the Taranaki region also moved south to Te Upoko-o-te-Ika.

In the 1840s, European settlers began to arrive and settle in the region. Wellington became New Zealand's capital in 1865, with Parliament officially sitting in the city for the first time on 26 July 1865.

Wellington City Council met for the first time on 28 September 1870.

As the city grew, so did its responsibility for the introduction of fresh drinking water, the sewerage system, social housing, libraries, swimming pools and a host of amenities. Today the Council manages more than 400 different services and facilities.

Our economy

Wellington is the creative heart of the Greater Wellington region with an economy vital to the economic wellbeing of the region and, as the capital city, to New Zealand as a whole. Our local economy sustains 169,300 jobs¹⁰ and our city is home to 27,700 businesses. Our local economy produced over \$30.3 billion (b)¹¹ this year in GDP with exports estimated at \$2.9b.¹²

The year has been a challenging one for the city, its businesses and people as the long tail of the global pandemic continues to have an impact along with inflation and cost of living pressures. New patterns of working have seen changes to city and suburban spending. However Wellington is starting to see green shoots with the opening of the Tākina Convention and Exhibition Centre and the success of its first exhibition, the return of international visitors and migrants, and the buzz and excitement of major events such as the FIFA Women's World Cup (July 2023).

Employment of Wellington residents grew 2.1 percent in the year to June 2023¹³ with growth in the health, education, and public sectors contributing to around a third of the annual growth in jobs. Employment growth has brought the city's unemployment rate down to a low of 3.2 percent¹⁴.

Our environment

Wellingtonians are proud that they are actively working to conserve, restore and enhance the natural flora and fauna of the city. Community programmes to eradicate pests and bring back native species are supported by the Council and residents, and are having good results.

Over the past 12 months 110,000 native plants were planted by staff, volunteers, and contractors as part of our ongoing revegetation programme. Wild kiwi have returned and are living in the Wellington hills, native bird counts are increasing, and our bush-clad hills are a sign that regeneration is possible.

Like many other regions in New Zealand, the city is already affected by climate change. For example, we are experiencing more frequent and intense weather events that are causing more flooding and disruption to services. In June 2019, we declared a climate and ecological emergency, which means our commitment to our environment becomes even more important to the wellbeing of the city.

¹⁰ Source: NZ Stats Geographic units by region and industry 2000-2022

¹¹ for the year to December 2022 (2022 prices) (Source Infometrics QEM Dec 2022)

¹² Source: modelled data using 54 components of [GDP by Infometrics](#)

¹³ [Stats NZ Business employment data June 2023](#)

¹⁴ [Infometrics employment comparison](#)

Section 2: Our leaders and strategic direction

[Te reo heading]

In this section

This section outlines our Strategic Direction - our vision, our strategic outcomes, and the role Council plays, along with an introduction of our Mayor, Councillors, and Executive Team.

Our strategic direction

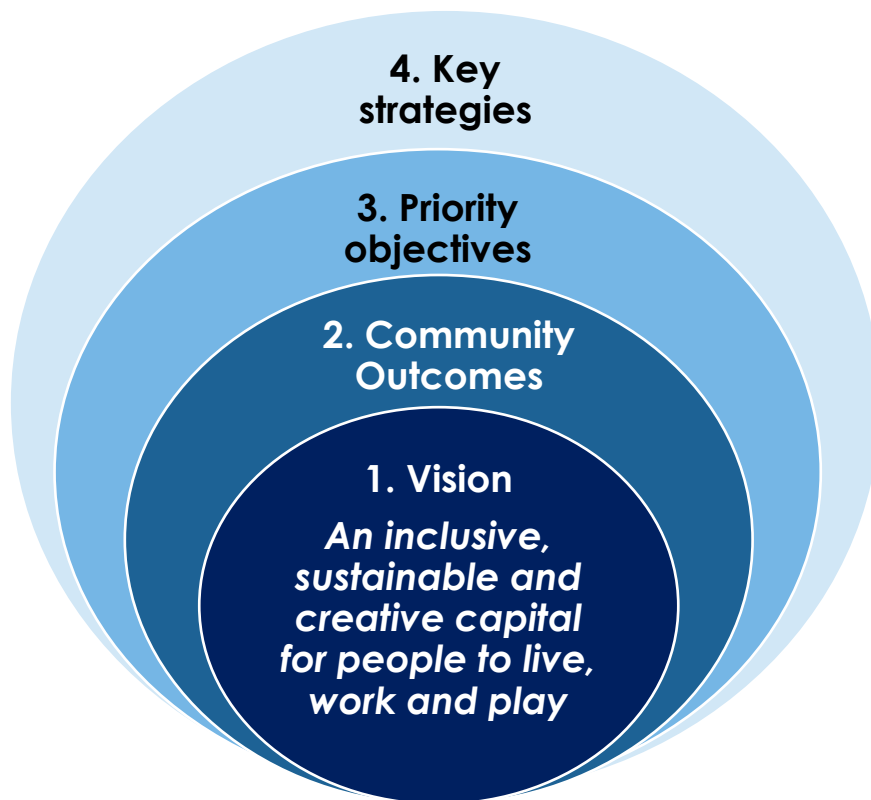
The key focus for local authorities is promoting the social, economic, environmental, and cultural wellbeing of their communities in a sustainable way, as required by the Local Government Act 2002.



Our long-term strategic vision of an inclusive, sustainable and creative capital is supported by four community outcomes that reflect each of the four dimensions of wellbeing. These outcomes are at the centre of our 2021–31 Long-term Plan. Our outcomes are the basis for all of our activities, with the rationale for each of our services being the contribution they make towards one or more of them.

The Long-term Plan identified six priority objectives to focus on. The priority objectives are a result of engagement with business groups, community groups, student, and the public, who told us that water, transport, and housing are particularly important.

Our key strategies guide how we will move forward in this strategic direction.

Overview of our strategic direction



2. Community Outcomes	
 <p>Environmental <i>A sustainable, natural Eco city</i></p> <p>A city where the natural environment is being preserved, biodiversity improved, natural resources are used sustainably, and the city is adapting to climate change – for now and future generations</p>	 <p>Cultural <i>An innovative, inclusive and creative city</i></p> <p>Wellington is a vibrant, creative city with the energy and opportunity to connect, collaborate, explore identities and openly express, preserve and enjoy arts, culture and heritage.</p>



Social

A people friendly, compact, safe and accessible capital city

An inclusive, liveable and resilient city where people and communities can learn, are connected, well housed, safe and healthy.



Economic

A dynamic and sustainable economy

The city is attracting and developing creative talent to enterprises across the city, creating jobs through innovation and growth while working towards a sustainable future.

3. Priority Objectives for the next three years

A functioning, resilient and reliable three waters infrastructure – with improving harbour and waterway quality, and reducing water usage and waste

Wellington is an affordable, resilient and safe place to live – with an accessible, connected, and compact city

The city’s core transport infrastructure is a safe, resilient, reliable network – that supports active transport choices, and an efficient, productive and sustainable economy

The city has resilient and fit-for-purpose community, creative and cultural spaces – including libraries, museums and community halls, where people connect, develop, and express their arts, culture and heritage

An accelerating zero-carbon and waste-free transition – with communities and the city economy adapting to climate change, development of low carbon infrastructure and buildings, and increased waste minimisation.

Strong partnerships with mana whenua – weaving Te Reo and Te Ao Māori into the social, environmental and economic development of our city and, restoring the city’s connection with Papatūānuku

4. Key strategies

Aho Tini 2030: Arts, Culture and Creativity Strategy

This strategy combines the review of the 2011 Arts & Culture Strategy, together with the original Aho Tini principles (2018), to give new direction for cultural wellbeing for the city.

Economic Wellbeing Strategy

The goal of this strategy is to create a dynamic city with a resilient, innovative, low waste/low carbon, circular economy that provides opportunities for all and protects and regenerates our environment

Tūpiki Ora Māori

This strategy reflects a shared commitment between Wellington City Council, mana whenua and Māori to support a Māori-led response to uplifting the state of wellbeing of whānau, anchored in the whakapapa relationships between people, place and nature.

Strategy for Children and Young People

This strategy gives context and direction to the work of the Council about the wellbeing of children and young people in Wellington.

Te Atakura – First to Zero

This is our blueprint to make Wellington City a zero carbon capital (net zero emissions) by 2050.

Our strategic direction is reviewed every three years. The last review was undertaken in April and May 2023. The result of this review will form the core direction for the upcoming 2024–34 Long-term Plan.

The 2021 Long-term Plan Strategic Direction, as outlined above, will continue to guide the Council for the 2023/24 year, with the new direction formally adopted on 30 June 2024.

Monitoring city and Council trends

Outcomes

We actively monitor our progress towards the community outcomes. In this report, we include the outcome indicator trends that provide us with information on the city's wellbeing. This information helps us understand how the city is changing and informs future investment in developing the city and the Council's services to the community. The outcome indicator trends that we monitor, and report include:

Environmental	Cultural	Social	Economic
<ul style="list-style-type: none"> • Energy consumption, city greenhouse gas emissions • Eco-system health • Waste management & reduction • Sustainable living • Climate change impacts, adaptation • Three Waters quality, supply, customer satisfaction 	<ul style="list-style-type: none"> • City vibrancy • Cultural diversity • Artistic talent and expression • City heritage • Cultural infrastructure 	<ul style="list-style-type: none"> • Quality of life • Community sense of purpose and place • Community connection & participation • Community safety • Community engagement • Satisfaction with partnerships 	<ul style="list-style-type: none"> • Growth • Labour force participation • Household income • Public transport utilisation, reliability • City economic activity • Changes in business activity by sector • Consenting activity • Housing affordability

Service performance

We use a suite of Key Performance Indicators (KPIs) to track performance across the services we deliver. Some KPIs are required by statute and others monitor progress in key areas. In general, we report service performance against the targets we set in the 2021–31 Long-term Plan.

Section 4: Our performance in detail provides the detailed Statements of Service Provision which outline our performance within each of our seven strategic activity areas:

1. **Pārongo ā-tāone** – Governance
2. **Te Taiao me te hanganga** – Environment & infrastructure
3. **Whanaketanga ōhanga** – Economic development
4. **Oranga ahurea** – Cultural wellbeing
5. **Pāpori me te hākinakina** – Social and recreation
6. **Tāone tupu ora** – Urban development
7. **Ngā waka haere** – Transport

Our role

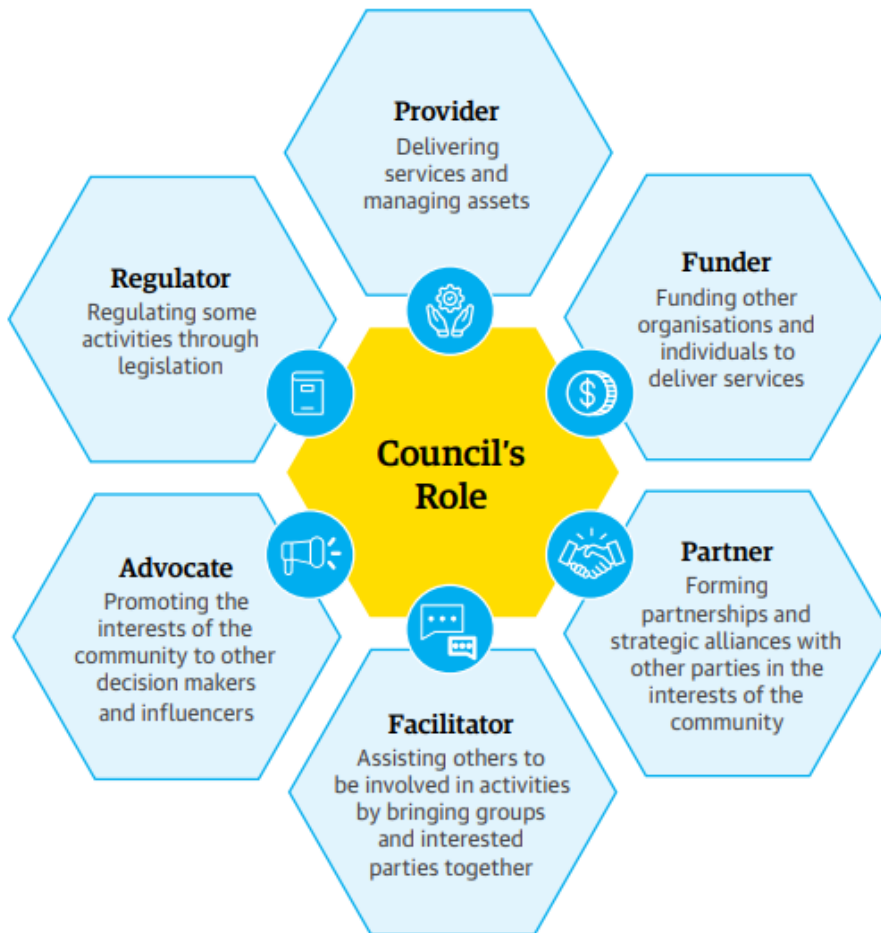
The Local Government Act 2002 sets our statutory role as being:

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

While the Council is involved in many aspects of the ongoing operation of the city, it cannot do this alone. The development of the city’s wellbeing is a partnership involving the whole Wellington community – including regional and central government.

The graphic below outlines some of the more significant roles for Council in the operation and development of the city. Through our Long-term Plan, we provide funding for the services and development projects that reflects these roles.

Council’s roles in the city



Role of government in Wellington

Wellington City Council is a local government organisation and focuses on issues and opportunities specific to our local area.

In New Zealand there are two types of local government organisations: **territorial authorities** and **regional councils**. We have both in Wellington – the Wellington City Council operates as the territorial authority for the city and the Greater Wellington Regional Council operates on behalf of the wider Wellington region, including the Wairarapa and the Kāpiti Coast.

The services provided by Wellington City Council are explored in more detail in Section 4: Our performance in detail, page 36-119 of Volume 1 of the full report.

Understandably, confusion sometime occurs between the services provided by Wellington City Council and Greater Wellington Regional Council.

Below, is an example of the differences between some of the services Wellington's two councils offer in similar spaces.

Wellington City Council	Greater Wellington Regional Council
Maintenance of roads, bus lanes, cycleways and footpaths	Work with transport operators to deliver Wellington's public transport network
Regulatory services, including building consents and rates collection	Regulatory services, including managing pollution and environmental incidents
Maintaining local reserves, tracks, beaches and parks	Maintaining regional parks and forests

Being the capital city, we also have a large central government presence in the city. About 27,600 people work as public servants in Wellington¹⁵.

Central government is made up of 120 elected members of Parliament, who oversee 32 institutions that give advice to the politicians and deliver services to the public. These are the organisations with 'ministry' or 'department' in the title such as the Ministry for the Environment, Ministry of Corrections and the Inland Revenue Department. There are also 27 Crown Entities – organisations such as Accident Compensation Corporation (ACC), Fire and Emergency NZ (FENZ), and Sport New Zealand.

Central government politicians, ministries, departments and crown entities focus on broader issues that affect all New Zealanders.

In other words – central government looks at the big picture. It makes sure all parts of the country are working as they should, while local government focuses on a particular area.

¹⁵ Public Service Commission, 30 June 2022

Our Council

The elected members

The essence of Te Kaunihera o Pōneke | Wellington City Council's role is to set strategic direction and priorities through policy decisions and the Long-term and Annual Plan processes, and to provide governance oversight of the organisation.

Every three years, 15 people are elected as Councillors and one is elected as Mayor. Together, these 16 people represent the city's residents and ratepayers in the Council and are the governors of the city.

The Mayor is elected 'at large', meaning by all the city's residents who are eligible to vote. The Councillors are elected by voters from their respective geographical areas (wards). The Deputy Mayor is appointed by the Mayor. Additionally, two representatives of our mana whenua partners are appointed to Council committees and have voting rights for the 2022-2025 triennium. Residents in Tawa and in Mākara/Ōhāriu also vote to elect six members to their local community boards.

The election held in October 2022 was the first in which voters on the Māori roll were able to vote in the new Māori Ward. This increased the number of Councillors from 14 to 15.

The current Council

Mayor Tory Whanau

Matairangi/Eastern Ward

- Councillor Tim Brown
- Councillor Sarah Free
- Councillor Teri O'Neill

Paekawakawa/Southern Ward

- Councillor Nureddin Abdurahman
- Deputy Mayor Laurie Foon

Pukehīnau/Lambton Ward

- Councillor Iona Pannett
- Councillor Tamatha Paul
- Councillor Nicola Young

Wharangi/Onslow-Western Ward

- Councillor Diane Calvert
- Councillor Ray Chung
- Councillor Rebecca Matthews

Takapū/Northern Ward

- Councillor John Apanowicz
- Councillor Ben McNulty
- Councillor Tony Randle

Te Whanganui-a-Tara Māori Ward

- Councillor Nīkau Wi Neera

The profiles of elected members and details of committee roles are provided in Volume 1, Section 5: Our Council and organisation on page 121.

For details of the Mayor's, Deputy Mayor's and Councillors' remuneration, see Note 38 in Volume 2: Financial statements on page 119.

The organisation

Under the Local Government Act 2002, certain powers are reserved for the elected Council.

These powers include setting bylaws and rates, setting the city's budget and direction through long-term and annual plans, making decisions about borrowing money and buying or selling assets. They also include setting up and giving powers to Council committees and subcommittees, determining how Council meetings will be run, setting a code of conduct for elected representatives, and adopting annual reports.

The Council employs the Chief Executive to manage the day-to-day operation of the city and its services, who in turn employs the Council’s managers and staff. The Councillors have a governance function of monitoring their progress.

Councillors also engage with the community on most decisions being made, ensuring people can have their say, and contribute to and influence how their city is shaped.

The Council as a whole strives to ensure our decision-making processes are fair, transparent and robust.

Wellington City Council also has eight Council-Controlled Organisations (CCOs) that independently manage some of the Council’s facilities, and deliver services and activities for residents and visitors to enjoy.

The profiles and responsibilities of our current Executive Leadership Team (ELT) are outlined in Section 5: Our Council and organisation from page 131 of Volume 1 of the full report.

For details of ELT remuneration, see Note 38 in Volume 2: Financial statements on page 115. The makeup of our staff is detailed in Section 5 from page 142 of Volume 1 of the full report.

Governance structure



Wellington City Council does not have any statutory committees. Each incoming Council determines the committee structure that will work best for its term.

The current committee structure and the changes after the October 2022 election are detailed in Volume 1, Section 5: Our Council and organisation on page 121.

A more detailed organisational structure including business units is also in Volume 1, Section 5 from page 134.

Section 3: Summary of our year

[Te reo heading]

In this section

This section includes summaries of our performance, including some challenges and highlights of the 2021/22 year, and an overview of our core business.

Introduction

This year we continued to deliver our services in a challenging operating environment, resulting in 61 percent of our performance measures tracking to target. Timeliness and satisfaction have been the greatest performance challenges. Positively, more than half of our key performance indicators (KPIs) reported improved performance this year.

Our financial result for the year was a \$74.2 million (m) deficit compared to a planned deficit of \$68.1m. Council's revenue and expenditure for the year were both higher than planned. Council received higher than anticipated dividend revenue and vested assets. Expenditure on insurance and weather-related events was higher than forecast. Inflation also contributed to higher than expected costs incurred by Council. Higher than forecast interest rates had an impact on both finance revenue and expenditure.

Challenges

To perform effectively and efficiently 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 changes and the associated challenges will affect the future. We also need to understand the wider issues affecting New Zealand and how they will shape our city.

The challenges outlined below had significant impacts on the Council's performance during the 2022/23 year.

Upgrading our ageing infrastructure

The Council owns more than \$10b worth of assets, including tunnels, bridges, reservoirs, and retaining walls.

In the 2021 Long-term Plan, Council committed to upgrading much of the city's ageing infrastructure, particularly the water network, so it could manage the city's growth. Many councils across New Zealand are experiencing this problem.

We also reviewed and changed parts of our District Plan to account for where and how we envisioned this growth happening, and committed to the Let's Get Wellington Moving programme to provide more travel choices for Wellingtonians and to improve connections across the city.

These priorities increased our total capital expenditure for the 2021 Long-term Plan from \$2.3b to \$3.2b, putting pressure on our budgets at a time when traditional sources of non-rates revenue (such as the dividend from our airport shares) were declining or becoming less secure.

The size of the increase in the capital programme also meant a necessary change in how Council operated. Going from spending \$157m on capital expenditure per year in 2015/16 to \$369.4m this year required a fine balance between delivering our promised programme and considering the impact that would have on rates. It has also meant that the Council has strengthened its capability, to manage and deliver projects and programmes of work.

There was also pressure to deliver this programme at a time when the construction market was constrained and in a year of increasing costs, inflation and shortages due to the ongoing global effects of the COVID-19 pandemic. This meant that while we spent more this year on our capital programme and more than 80 percent of what was budgeted, part of this funding was needed to cover the increase in costs, and not necessarily to deliver more of the work. Our Project Management Office is tasked with making sure we are getting best value for money, delivering our projects and tracking progress more effectively.

Experiencing the impacts of climate change

In 2019, we declared a Climate and Ecological Emergency and adopted our climate action plan *Te Atakura – First to Zero*. It stated that the years leading up to 2030 were crucial for us if we were to have a chance of staying below 1.5°C of global warming. It set a target of reducing city emissions by 57 percent by 2030, being a net zero carbon capital by 2050, and supporting Wellington to adapt to the impacts of climate change.

Climate change affects all of us and exacerbates other problems — equity, biodiversity, housing, the economy, immigration, and social justice. We already see the impacts in Wellington from extreme weather and rising seas to increased food prices and travel costs. These impacts disproportionately affect the most vulnerable.

Wellington City Council's climate response and work towards a sustainable future cannot be delivered by one team or business unit alone – it is a whole-of-Council mission.

Direct impacts

The Wellington region experienced its wettest winter on record in 2022. This resulted in hundreds of slips, 26 households being displaced, and 12 road closures, with some of these closed for months. The clean-up of slips cost \$1.8m in 2022, a large increase from the \$0.3m spent in 2021. However, the full cost of repairing all the slip sites and protecting against future slips will be \$7.9m over the next two years. This is double what is currently budgeted and will need to be addressed in the 2024 Long-term Plan.

If Wellington continues to experience larger amounts of rain, then slips are likely to become more frequent and have an impact on general land stability.

In 2023, Wellington escaped unscathed from the wild weather that affected the north and east of the North Island. However, these events served as indicators of the need to rapidly reduce emissions and adapt to climate change.

More details about these events are included in our Transport activity area, on page 107 of Volume 1 of the full report.

Climate change response

The biggest opportunities to reduce emissions in Wellington are through transport changes and urban development. Infrastructure changes that favour housing densification, a reduction in private vehicle use in the city centre and improved transport options are underway and will help us advance towards our net-zero target. Good urban planning is good climate policy.

Te Atakura also includes initiatives that provide seed funding to leverage impact by businesses and community groups, supporting residents to be motivated to take action, advocating for supportive central government policies, and investigating other potential initiatives.

More information on how we responded to this challenge is included in Volume 1 of the full report:

- Providing insights and engaging residents on climate change, Governance, page 39
- Council emissions reduction programme, Environment and Infrastructure, page 50
- Support for community groups to leverage their impact, Social and recreation, page 89
- District Plan review and proposal, Urban Development, page 99
- Transport infrastructure changes, Transport, page 109
- Support for residents to take up new transport habits, Transport, page 112

Council also publishes an annual update on progress on the Te Atakura Implementation Plan. See our website for the latest update.

Increasing costs to run our city

In the 2022/23 year, the Council experienced increased costs in several areas that were significantly higher than what was expected in the Annual Plan:

- higher inflation than expected, impacting the cost of construction;
- increased interest rates; and
- higher insurance costs for the same level of cover, influenced by seismic and natural disaster events.

These were nationwide and global issues and resulted in the New Zealand economy going into a recession from June 2023.

This year, we also received more feedback from our community about the cost of living, the affordability of our rates and services and the need to cut spending. This was most notable in the Annual Plan 2023/24 engagement in April 2023.

More information about this challenge is included in our financial summary, page 35 of this summary, and in Volume 2: Financial Statements.

Central government reforms

Over the past three years, central government has undertaken a significant reform programme that affects local government. The reforms outlined below could lead to fundamental changes to how the local government sector is structured and the services councils deliver.

As well as the three key reforms detailed below, central government has made amendments to the National Policy Statements on Urban Development and Fresh Water Management in the past three years that have affected how we plan our city. The biggest impact was the change to how high buildings could be in some areas and how much land could be used for urban development.

Affordable Water Reforms

The Government has passed legislation for New Zealand's three water services – drinking water, wastewater, and stormwater, to be managed by publicly owned water entities, replacing the services currently managed by 67 councils.

The 10 publicly owned water service entities are to be established via a 'staggered approach', with all entities fully operational by 1 July 2026. Entity A was expected to be formed by 1 July 2024, with Entity G (which includes the Wellington region) earmarked to be established next. However, the Government would confirm the order of establishment by December 2023.

More information on this is in Volume 2, Note 39, page 118.

Resource Management reform

In February 2021, the Government announced that it would replace the Resource Management Act 1991 with a new legislative framework, reflecting that the RMA had not delivered the desired environmental and development outcomes, and did not consistently give effect to Te Tiriti o Waitangi.

This new legislative framework would include the Natural and Built Environments Act, Strategic Planning Act, and Climate Adaptation Act.

The purpose of the new framework was to support the protection and restoration of the environment, guide long-term regional spatial planning, and address issues associated with climate change adaptation.

Future for Local Government Review

In 2021, the Government appointed a panel to identify how our system of local democracy and governance needed to evolve over the next 30 years to improve the wellbeing of New Zealand communities and the environment, and actively embody the Treaty partnership.

The scope of this local government review covered all aspects of local government, including the functions, roles, and structures of local government; relationships between local government, central government, iwi, Māori, businesses, communities, and other organisations; the embodiment of Te Tiriti o Waitangi; and funding and financing arrangements.

The Future for Local Government Review Panel released its final report to the Minister of Local Government in 2023, with 17 recommendations. It can be viewed here:

futureforlocalgovernment.govt.nz

External awards and nominations

The Council received several significant awards and nominations in 2022/23. They acknowledge innovative work in key areas and our leadership role in the local government sector.

- The Council's Chief Executive Barbara McKerrow won the Distinguished Management Award at the Taituarā Local Government Excellence Awards in recognition of her 37-year career in local government.
- Ōtari-Wilton's Bush (6-stars) and Botanic Garden ki Paekākā (5-stars) were highly commended and ranked as Gardens of National Significance by the NZ Garden Trust.
- The Council was named one of 10 winning cities of the Bloomberg Initiative for Cycling Infrastructure, with \$650,000 prize money to create a nature-based, off-road bike network – an idea developed by the Trails Wellington community group. This is our second award from the global Bloomberg Philanthropies Council in the past two years.
- The Tahitai coastal walking and biking route between the city and Miramar Peninsula won a Te Kāhui Whaihanga New Zealand Institute of Architects (NZIA) award for the transformation of Ōmarukaikuru/Pt Jerningham. This is the third award for this route.
- The "When to put out your rubbish and recycling" section of the Council website won the People's Choice Award at the Plain Language Awards.
- The Council's *Annual Report 2021/22* received a Gold Award at the Australasian Reporting Awards (ARA). This is the seventh year the Council has participated in the awards, with two gold awards, four silver and one bronze.
- The Council collaborated with leading Wellington digital company ClickSuite, the Royal New Zealand Ballet and projection company Streamliner to bring the theatre to life with a spectacular video animation projection showcasing the Cinderella ballet. The projection received the prestigious Good Design Award Winner Accolade in the Communication Design category, in recognition of outstanding design and innovation.
- The transformation of Dixon Street received a highly commended award at the national Taituarā Local Governance Excellence Awards. Judges acknowledged that this was just the start of a wider programme focused on improving safety in our central city through the Pōneke Promise.

Overview of our non-financial performance

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

In Section 4: Our performance in detail outlines each activity area, including an overview of the highlights, challenges, performance information and what the activities cost. This 2022/23 Annual Report is a report against year two of the 2021–2031 Long-term Plan.

Community outcomes

Meeting our vision and community wellbeing goals is not just the work of Council, but also of the city, so we look to track meaningful changes to our outcomes over time.

This is the second year we are monitoring our outcome indicators for trends in community wellbeing.

We are continuing the journey to improve underlying data to reflect the work the city is currently delivering, and in anticipation of any changes to the outcomes through the work on the 2024 Long-term Plan.

Summary of outcome performance

Some of the underlying data sources we used in 2021/22 to report on our progress are not produced annually or are no longer available. As a result, there is some variation in sources, and these are noted in Appendix 3 to Volume 1 of the full report, from page 164.

Environmental wellbeing

Although there is still work to be done in becoming a more sustainable city, there are indications that we're making improvements. Residents have a high awareness of the current state of our environment, including issues related to pollution and waste.

Social wellbeing

Despite city safety being a concern, there is a strong feeling of being connected to the community for residents. Compared to previous years, there are positive improvements in housing affordability and healthy housing, with fewer residents reporting damp homes and many reporting improvements in home heating.

Cultural wellbeing

The city's cultural and arts sector is still in recovery mode from COVID-19. However, residents have expressed very strong support for arts and culture, and a sense of pride in the city.

Economic wellbeing

Permanent and long-term migration has significantly increased this year, and the economy shows great signs of recovery post COVID-19 with the return of international events, visitors and residents.

Emerging trends

Highlights

- A steady increase from the previous year in the capacity of solar as a renewable energy source, with solar energy installations rising 96 percent over the past five years.
- City greenhouse gas emissions fell by 9 percent between 2020 and 2022
- Positive trends in city food rescue and redirection, resulting in meals being provided to those in need and a reduction of CO2 emissions.

- Improvements in people’s ability to contribute to, and be a part of, a community and to interact in society.
- Very positive increase in permanent and long-term migration to Wellington City.
- Steady increase in long term growth of GDP per capita, with improved housing affordability and wellbeing, and household income.

Challenges

- A slow decline in residents' perceptions of our rich and diverse arts scene, however there’s high satisfaction with Council-run events attended by residents.
- A slight decrease in resident’s sense of pride in their area, but an increase in positive perceptions of the whole city.
- Fewer residents feel it is easy to access the city, which is attributed to bus network issues and fewer parking options in the city.
- The proportion of residents who have confidence in Council's decision-making processes is still low, although confidence has increased from last year’s results.

Performance measures (KPIs)

This is year two of reporting our performance against the 2021-31 Long-term Plan. The Council provides about 400 services to the city and we have 95 KPIs to gauge our performance across these services. This includes those related to Council-controlled Organisations (CCOs), which also have their own annual Statements of Intent that confirm their programmes for the year.

When reporting performance, we indicate whether the measure was in one of the following result categories:

- **Met** (within 10% below target)
- **Not met** (greater than 10% below target)
- **Not reported** (where a performance result was not available at the time of publication).

Performance summary

<p>10 out of 19 satisfaction measures were met showing the impact from delays in providing our services.</p>	<p>6 out of 19 Timeliness measures were met showing delay experienced in providing our services</p>
<p>11 out of 25 measures relating to our delivery of the water network were met this year</p>	<p>49 of our 95 KPIs reported improved performance this year</p>

The Council has improved its performance against a backdrop of the challenges outlined earlier in this section (particularly material cost increases, contractor resourcing constraints and external advisory service delays). Our result of 61 percent of KPIs (58 out of 95) meeting their target is a good improvement on last year’s result of 51 percent met.

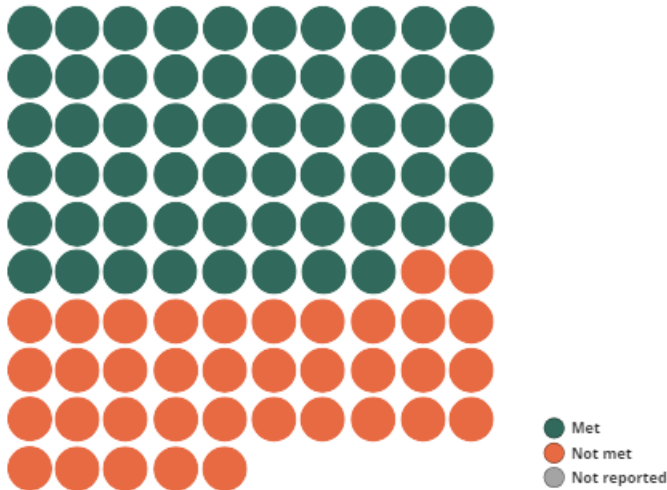
The improvement came from a mixture of making internal processes better (for example Land Information Memorandums page 105 and the Contact Centre page 45 of Volume 1 of the full report) and increases in positive perceptions and satisfaction with Council services.

Drilling down further, of the 58 KPIs which met their target, 31 of these have improved performance over last year's result. Of the 37 KPIs which did not meet their targets, 18 had improved results compared to last year.

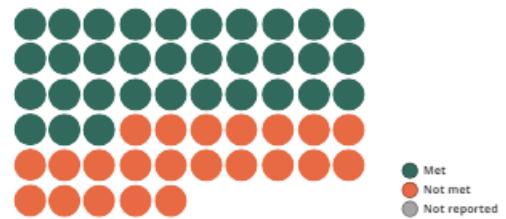
We are continually working to improve the underlying systems and processes for our services, which will then flow on to improve the overall levels of satisfaction. However, this year we experienced delays in providing our services because of staff illness and turnover, and delays with external advisory services, which impacted performance.

The following graphs indicate the overall performance for all 95 KPIs. The result is also split to show the total performance for Council and the total performance for our CCOs.

Total



Wellington City Council



Council-controlled organisations



A comparison of performance for the CCOs between this year (70%) and last year (58%) showed a significant improvement, mostly attributed to the return of tourists and visitors to the city.

The following table provides a summary of KPI results by Strategic Activity area. The results are ordered as per the service descriptions which outline what Council does in each area, with more detail in Section 4: Our Performance in Detail of Volume 1 of the full report.

Strategic activity and service description	Met	Not met	Total
Governance	4	3	7
Facilitate democratic decision-making and open access to information to build trust and confidence	3	3	6
Develop, maintain and inspire meaningful relationships so that our partnerships with mana whenua, tangata whenua and Māori within our community are mana enhancing	1		1
Environment and infrastructure*	18	18	36
Provide access to green open spaces and enhance biodiversity to improve the quality of our natural environment	3	1	4
Reduce our impact on the environment by minimising and managing the disposal of waste and by reducing our carbon footprint	2	3	5
Increase the security of potable and stored water	2	8	10
Provide safe and sanitary removal of wastewater	2	4	6
Protect people, property and the environment from flooding and storm runoff	7	2	9
Protect flora and fauna through conservation and biodiversity	2		2
Economic development	8	1	9
Grow tourism spend and economic returns from events that bring visitors and extra spending to the city	8	1	9
Cultural wellbeing	3	0	3
Build and maintain a sense of place and identity	3		3

Strategic activity and service description	Met	Not met	Total
Social and recreation	12	5	17
Encourage active and healthy lifestyles important for people's health and wellbeing	3	2	5
Foster diverse communities and enable people to connect with information and each other	6		6
Maintain public health standards and promote individual wellbeing, safe neighbourhoods and a safe inner city	3	3	6
Urban development	6	5	11
Help protect, restore and develop the city's heritage and character assets	1		1
Provide building and development control and facilitation activities to protect public and environmental health and safety, and to protect future users of land and buildings	5	5	10
Transport	6	5	12
Deliver an accessible, safe, regulated and reliable transport network	7	3	10
Manage parking in line with the aims and objectives of the 2020 parking policy		2	2
Total			95

Notes:

1. Two of our KPIs in Social and Recreation are being reported for the last time. This relates to the establishment of Te Toi Mahana Community Housing during the 2022/23 financial year.
2. The performance results for our three waters KPIs impacted the overall performance in our Environment and Infrastructure activity area. The three performance measures for complaints received for water supply, wastewater and stormwater received a qualified Audit Opinion from our external auditors. The results and variance explanations for the qualified measures are on pages 59, 61 and 63 of Volume 1 of the full report.
3. We also received a qualification on our greenhouse gas emissions because the Council had relied on spend-based emissions factors based on 2015 data. For more information see our KPI measure on pages 57-58 and Appendix 1 on page 157 of Volume 1 of the full report.

For more information on our 2022/23 performance measure results for each activity area see Section 4: Our performance in detail, from page 36-119 of Volume 1 of the full report. That section includes commentary for met and not met variance results.

Key projects and programmes

In our 2021-2031 Long-term Plan, we outlined the major projects we intended to complete during the year. These are highlighted in the relevant chapters of the full report of Volume 1, Section 4: Our performance in detail. Page numbers for where more information is available in Volume 1 is included with each project.

Key programmes

In our Long-term Plan we had agreed to complete some city-wide, multi-year programmes. They will contribute to significant change in much of the city's infrastructure for example transport, climate change mitigation and adaptation, mana whenua relationships, planning, and three waters (waste, drinking and storm water). More details are available about each of these projects:

Mana whenua partnerships: page 40

Last year was significant in the way the Council serves mana whenua and Māori. We embarked on a new partnership journey with Te Rangapū Ahikāroa, a new body of mana whenua partners representing Te Rūnanganui o Āti Awa ki te Upoko o te Ika a Māui, Taranaki Whānui ki te Upoko o te Ika and Te Rūnanga o Toa Rangatira. We also adopted Tūpiki Ora Māori Strategy with mana whenua and Māori across Te Whanganui-a-Tara. This is the first year of being accountable to those agreements.

Projects and initiatives delivered are listed in the full report.

Te Atakura – First to Zero: page 66

Te Atakura includes initiatives that provide seed funding to leverage impact by businesses and community groups, supporting residents to be motivated to take action, advocating for supportive central government policies, and investigating other potential initiatives.

More information is included in:

- Providing insights and engaging residents on climate change, Governance, page 39
- Council emissions reduction programme, Environment and Infrastructure, page 50
- Support for community groups to leverage their impact, Social and recreation, page 89
- District Plan review and proposal, Urban Development, page 99
- Transport infrastructure changes, Transport, page 109
- Support for residents to take up new transport habits, Transport, page 112

Sludge minimisation facility: page 51

Work has started on the Sludge Minimisation Facility, which is the next important piece of infrastructure for Wellington. Sludge is a by-product of wastewater treatment, and is currently piped to the Southern Landfill where it is semi-dried then mixed with household waste and disposed of in the landfill. In December 2022, Council approved construction of the project which is being funded through the Infrastructure Funding and Finance Act 2020.

Work at the site will begin in 2023/24 and the facility is expected to be operational in 2026.

Three waters work programme: page 51

In the 2021–31 Long-term Plan we increased the level of investment in our three waters network to begin to address the issues with it. This was mainly about looking after existing infrastructure and completing targeted growth investments. The 2022/23 year was year two of this programme and included:

- **CBD Wastewater Pump Station and Rising Main Projects:** The Wellington CBD’s wastewater pumping stations and rising mains upgrade programme is a multi-year project to renew, upgrade and reconfigure a significant proportion of the Wellington CBD wastewater pressured pipe network and associated pump stations. This will increase capacity and resilience in the local network, minimise the risk of pipe failures, improve network redundancy, and help protect Te Whanganui-a-Tara from risk of wastewater overflows.
- **Omāroro Reservoir:** The new 35-million-litre Omāroro Reservoir project in Prince of Wales Park, Mount Cook was completed in December 2022. The reservoir is providing a significant increase in water storage for Wellington city. If pipes are disrupted, the reservoir will be able to supply 48 hours’ worth of water to the CBD.
- **Leak management:** The shortage of resources available to fix the leaks meant the Council committed a further \$2m towards Wellington Water’s operations budget for additional resources to reduce the leak backlog. This year WWL fixed 3,254 leaks in the financial year, with a back log of nearly 1,500 leaks at the end of the year.
- **Compliance and maintenance:**
 - **Drinking Water Fluoridation:** Wellington Water Ltd resumed fluoridation at all Metropolitan Water Treatment Plants during the first half of the financial year, after it was turned off at the Te Mārua and Gear Island Water Treatment Plants in 2021 due to health and safety issues.
 - **Notifying incidents and overflows:** This year, WWL received three infringement notices from Greater Wellington Regional Council (GWRC), in its role as the environmental regulator, for letting sediment-laden water into the environment.
 - **Moa Point wastewater clarifier:** Wellington Water replaced one of three wastewater clarifiers at the Moa Point wastewater treatment plant after a bearing in the drive assembly failed. There were significant delays to the repair because of international shipping and supply issues.
 - **New water standards:** This year saw significant changes to the rules that govern how the safety of drinking water is measured and reported on, as Taumata Arowai (the new national regulator for water services) replaced the previous standards with new, more rigorous standards. These standards came into effect on 15 November 2022. Wellington Water Ltd has delivered safe drinking water, however, there were non-compliances with both the old standards (1 July 2022 – 14 November 2022) and the new standards (15 November 2022 – 30 June 2023).
 - **Error in 2021/22 response times:** Wellington Water has corrected an error in applying the DIA guidance to the methodology used to measure the attendance and resolution times for water supply and wastewater. These changes relate to excluding records that were previously included, the most significant of which was the inclusion of duplicate records (where multiple people reported the same incident). Due to the treatment of this data, duplicate records were closed before jobs were completed, impacting the results. Wellington Water has also now removed additional jobs that were not strictly in line with the performance measure guidelines. The results include responses to call outs where there was no fault. The restated KPIs for the 2021/22 results are in Volume 1, Environment & infrastructure performance, from page 58.

Planning for growth: page 9

The District Plan, which was started in 2021 and expected to be complete in the 2024 financial year, was notified on 18 July 2022. Hearings commenced before an Independent Hearings Panel on 21 February 2023. Four streams of hearings have been completed on the Intensification Streamlined Planning Process (ISPP), which is the fast-tracked portion of the Plan. The completed streams are – Strategic Direction, Residential, Heritage and Centres. Two streams remain to be heard – General District Wide Matters and the wrap up hearing for ISPP provisions.

A four-month extension of timeframes to the ISPP process has been sought from the Ministry for the Environment.

This will allow time for the final ISPP streams to be heard in full and for recommendations to be collated and brought back to Council by March 2024. The remainder of the Plan is being consulted on via the First Schedule process, and hearings are due to be completed in mid to late-2024.

Council's Housing Action Plan: page 100

As a key priority of the Housing Action Plan, Council is increasing its delivery of affordable housing solutions in the city through programmes of work which are to be delivered at net neutral cost to Council.

In June 2023, Council reaffirmed its commitment to its target of 1,000 affordable rental units to be either under contract or delivered by 2026. Three buildings are now live within the programme and comprise 210 units, including several fully wheelchair accessible units. A fourth building with 78 units is due for completion in November 2023. This is the first new build in the programme and achieves a Homestar 6 certification. Negotiations are underway with several partners for the next tranche of supply. The current programme has 97% occupancy, with 97% of our tenants indicating they would recommend Te Kainga to their friends or family and 82% indicating they feel they are receiving good value for money.

Let's Get Wellington Moving: page 109

Let's Get Wellington Moving (LGWM) is central to the Council's work to encourage mode shift and reduce transport emissions, while delivering improved liveability, accessibility, safety, and resilience. Through investments in mass rapid transit and improving public transport, walking and cycling LGWM will provide the infrastructure to move more people with fewer vehicles, enabling the development of more housing, and lowering emissions from transport, while making the central city a more attractive place to live, work and play.

The programme has reached several milestones this year:

- **Mass rapid transit:** The programme partners selected light rail from the Railway Station to Island Bay as the preferred option for mass rapid transit, while continuing to investigate bus rapid transit in further detail. Detailed investigation of the preferred option is underway.
- **Golden Mile:** In April, the detailed designs for the transformation of the Golden Mile were consulted on with the public and in June the Council approved changes. Early work will start near Lambton Quay in September 2023, ahead of the main construction in 2024.
- **Northern connection improvements:** Construction of a new roundabout on Aotea Quay, began in April and is due to be completed by late 2023/early 2024. The public was consulted on bus, cycling and walking improvements to Thorndon Quay in November and December 2022. Construction is scheduled to start in late 2023.
- **People-friendly City Streets programme:** LGWM has started walking and amenity improvements across the central city to ensure safer, quicker, and easier walking facilities, and is developing preferred options to improve connections for people on bikes, buses, and walking on key corridors between suburban centres and the central city.

Key Long-term Plan and Annual Plan 2022/23 projects

Key projects were also outlined in the Long-term Plan. Some of these were one-year projects that were completed during the year or are soon to be completed, and others are multi-year projects.

City Archives – Digitisation: page 39

A key focus for City Archives is to digitise all our holdings, which date back to 1842. We started the project in October 2020 to digitise key property records critical to supporting the Land Information Memorandum (LIM) process and the public Building Consent Search Service. This project has been

extended to now finish in September 2024. In 2022/23, 7.5m pages were digitised. The total digitised to date is 13.7m pages, or 72 percent of the planned work.

2022 local election: page 46

In October, a new Council was elected following the 2022 local elections, with a 45.41% voter turnout, the largest turnout increase in any non-rural Council and the fourth highest increase in New Zealand. The result was gained through the dedication of six different workstreams and the work of more than 10 per cent of Council staff. More on the election is in the Spotlight at the end of the Governance chapter, page X of Volume 1 of the full report.

Southern Landfill extension: page 51

The consent for the current Southern Landfill runs out in 2026, and despite waste minimisation initiatives, the landfill is likely to be full by that time. After public consultation, it was decided that a new landfill will be constructed on top of the existing landfill, providing space for about 15–20 years of residual waste disposal, based on the current volumes.

The business case for the new landfill was approved in April. In the coming year Council will seek resource consent for the landfill from Greater Wellington Regional Council, with a decision expected in early 2024.

Tākina Convention and Exhibition Centre: page 69 and 75

Tākina, Wellington Convention & Exhibition Centre, was completed and opened on 1 June 2023. It will boost the city's economy by an estimated \$70.4m between 2023–26 – with more than \$44m in the first 12 months. It is the first convention and exhibition centre in New Zealand to have been awarded a 5 Green Star Design Certification. More information about this project is at the end of the Economic chapter, page X of Volume 1 of the full report

St James Theatre strengthening: page 69

The work to strengthen the St James Theatre to a minimum 67 percent of the New Building Standard started in April 2019 and was completed in June 2022. Other improvements to the building were made at the same time, including upgrades to staging, lighting, sound and rigging systems, as well as the fire protection, and mechanical and electrical systems.

Te Matapihi ki te Ao Nui Central Library: page 88

This year, the Council has progressed from the spatial and architectural design to the detailed design phase and developed the operational model for the new facility. We also developed the programme plan.

The building was handed over to LT McGuinness in September 2022 to prepare the building for the enabling and strengthening works that will make the building ready for reconstruction. Work completed to date includes the piling plant and equipment being installed on the ground floor in early 2023, then all 49 piles completed by the end of the year. This is a significant milestone and will create the foundations for the base isolators. The piles went down as far as 21 metres deep before they hit rock.

Frank Kitts Park playground upgrade: page 86

This project was reassessed this year following delays from the original contractor going into receivership and cost escalations. A proposal will be presented to Council in August 2023 so that a new contractor can be appointed, and work can restart.

The playground will be a downscaled, more modest design incorporating key elements from the previous plans but in a simpler and more cost-effective way. Weather permitting, the playground is scheduled to be completed by mid-summer with a full blessing ceremony planned around the finished project in February.

FIFA Women's World Cup upgrades: page 70 and 87

We upgraded our facilities at Martin Luckie Park and Newtown Park, which were used as training grounds for the FIFA Women's World Cup. This included upgrades to the sportsfields and changing facilities to be welcoming for all genders, and the installation of lighting for the sportsfields. These will continue to be used to support community sport.

At Sky Stadium, major projects completed in preparation for this event included retrofitting pitch lighting with LED lights, upgrades of changerooms to gender neutral specifications, replacement of the turf and installation of new turnstiles. The Stadium secured Green Star Performance Certification for its work in improving sustainable building operations.

In the lead-up to Wellington hosting nine matches in this year's FIFA Women's World Cup, WellingtonNZ executed its plan to make the most of the tournament for the city with several milestone events and announcements. The countdown and activities began with the launch of a "100 days to go" event at the waterfront featuring the FIFA Unity pitch at Queens Wharf where communities, organisations and officials played football to promote the tournament.

City Housing transition: page 87 and 96

In June 2022, the Council decided to establish a new Community Housing Provider named Te Toi Mahana to take over the operation of the Council's social housing service. This decision was taken following community consultation in 2022 which indicated strong support for the change. The purpose of the change is to address the long-standing financial challenges associated with our social housing, to improve tenant rental affordability over time, and to grow the supply of social housing in Wellington.

In the 2022/23 year, the Council progressed the completion of the transfer of the social housing service to the new entity. More information on the new community housing provider is in the spotlight article at the end of the Social and recreation chapter, page X of Volume 1 of the full report.

Te Ngākau Civic Precinct: page 100

We conducted a review of the programme in early 2023 which has led to a reset. We produced Te Ngākau Programme Strategy to guide the Council on the future management of the site. One of the actions is to understand the extent and complexity of all the seismic, geotechnical and climate change risks associated with the precinct.

We have completed some of these assessments including a Detailed Seismic Assessment of the Municipal Office Building (MOB) and the Michael Fowler Centre. As a result, both buildings have been deemed earthquake prone, MOB with a 15% New Build Standards (NBS) rating and Michael Fowler Centre with a 20% NBS.

All other assessments are progressing and are due to be finalised by the end of 2023. These include detailed assessment of the civic basement and underground parking area (joining Te Matapihi Central Library and the Town Hall projects), the City to Sea bridge and the City Art Gallery. We also started discussions with developers regarding the redevelopment of the Citizens Advice Bureau (CAB) and MOB sites, and several parties are interested in participating in a formal tender process.

Town hall strengthening: page 100

The Wellington Town Hall is a grade one listed heritage building and is nearly 120 years old. Since 2019, the Council has been reconstructing and redeveloping the building to make it resilient and meet current earthquake standards.

The crane that had been installed on the site since 2020 was removed in December 2022 marking the end of the 'heavy-lifting' stage of the project and meaning work could commence in the main auditorium. In the last financial year work focused on excavating the basement including de-watering, installing the piles including base isolators and general work to strengthen the building.

From its inception the project was considered highly complex with several known challenges. After the end of the financial year, further information primarily relating to the complexity of the ground works and challenges with the building due to its age has been obtained and it is anticipated this will impact the time and cost of the project.

Public space upgrades: page 101 and 106

The Swan Lane and Garrett Street laneway project has improved walkability, increased safety, and offered a convenient and enjoyable way to cut across our city blocks. The upgrade on Swan Lane began in January 2022 and was completed in late 2022, while the Garrett Street upgrade began in mid-2022 and was completed in December 2022. The new space was officially opened in February. More information about this upgrade is at the end of the Urban Development chapter, page X of Volume 1 of the full report

Our work continued to garner high-level recognition, with the transformation of Dixon Street receiving a highly commended award at the national Taituarā Local Governance Excellence Awards. Judges acknowledged that this was just the start of the wider programme focused on improving safety in our central city through the Pōneke Promise. Ngaio Gorge slope stabilisation: page X

Transport network resilience: page 110

Over the course of this year, we continued to invest in strengthening essential transport infrastructure to make the transport system more resilient. The largest of these projects was the slope stabilisation work in Ngaio Gorge, which also included work to provide space for slope hazard mitigation work, a new uphill bike lane and a wider footpath. This multi-year project was successfully completed this year and the road reopened.

We experienced a record amount of rain in July and August 2022. The extreme weather, combined with Wellington's modified landscapes, resulted in a record number of landslips around the city.

Due to limited resources in both professional services and construction, the Council is currently working on a delivery model to spread the major remediation needed over a period of three to four years. Options to accelerate the delivery will be prepared for 2024 Long-term Plan discussions.

More information about this area and the weather impacts in the Spotlight article at the end of the Transport chapter, page 118 of Volume 1 of the full report.

Wellington events 2022/23

The lifting of COVID-19 restrictions meant a full calendar of events was possible for the first time since the summer of 2019/20. These included the largest crowd ever for an event at the Sky Stadium, with 48,000 attending Ed Sheeran, the first Cuba Dupa in three years, the first World of WearableArt Show in two years and a bumper summer calendar.

The following is a snapshot of some of the events held during the year. These events were run by Council, run in partnership with the community, run by the community or organisations with support from Council, or held in Council-owned facilities or on Council land, including the Sky Stadium, the waterfront, theatres, sports centre, sportsfields and pools.

2022

July

- Mana Moana Waterscreen
- St James Theatre opening
- Wellington Ice Rink
- Beyond the Page – Children’s Literacy Festival
- Festival for the Future
- Eid al-Adha at Sky Stadium
- Māori All Blacks vs Ireland
- All Blacks vs Ireland

August

- Classical on Cuba
- Beervana
- Visa Wellington On a Plate
- NZ International Film Festival
- Les Miserables at St James Theatre
- AA Zone Basketball Premiership

September

- Te Wiki o te reo Māori
- Ahi Kā: I Noho Koniahi! Ki Ngā Taringa I Kite art installation
- Tama Iti exhibition – I will not speak Māori
- Rā Tūwhera ki Ōtari – Ōtari Open Day
- Art Splash
- Spring Festival
- NZ Chinese Language Week
- World of WearableArt Show
- NZ Handball Club Championships
- Queen’s death and King’s ascension events
- NZ Underwater Hockey Secondary Schools Nationals Tournament
- University & Tertiary Sport NZ Netball Tournament

October

- Spring into Tawa
- Namaste whānau friendly event
- Diwali Festival of Lights
- Truby King Park Open Day
- Oktoberfest
- Seniors’ Week
- Wellington Heritage Week
- Wellington Lions quarter and semi finals
- SIX60 Saturdays concert
- Mind Aid Festival
- Bowlzilla
- Boccia National Championships

November

- Lumino City Lantern Festival
- Senior Regional Games
- Pink Star Walk
- A Very Welly Christmas
- Black Caps vs India T20
- Beers at the Basin
- Polish Christmas Markets
- Verb Readers & Writers Festival

December

- NZ Futsal Youth Championships
- Tawa Christmas Parade
- Johnsonville Lions Christmas Parade
- Thorndon Fair
- Kilbirnie Santa Parade
- Khandallah Village Street Fair
- The Extravaganza Fair
- Armageddon Expo
- Guns N’ Roses
- Wine and Food Festival
- Wellington City Mission Silent Night
- White Ferns vs Bangladesh ODI
- New Year’s Eve
- NZ Water Polo 14 & Under National Championships

2023

January

- Gardens Magic
- NZ Cycle Classic
- Gindulgence
- Youthtown 3x3 quest basketball
- Swim the Lighthouse Ocean Swim
- Football Ferns vs USA
- Lunar New Year events
- Wellington Summer Sampler
- Artist in Residence

February

- Pasifika Festival
- Te Rā o Waitangi
- Round the Bays
- U R Here outdoor theatre
- Capital Enduro
- Black Caps vs England test match
- Tall Blacks vs Lebanon
- Island Bay Festival
- Whānau film night
- NZ Jet Sport Championships
- Wellington Fried Chicken Fest
- Performance Arcade
- NZ Fringe Festival
- Wellington Pickleball Cup
- Ed Sheeran concert
- Water Play in the Bay
- Black Sticks Women vs China and USA
- Bowlzilla
- New Zealand National Bowl Skating Championships
- Weta Workshop LOTR Costume Trail

March

- Pipes in the Park
- Newtown Festival
- Capital E's Children's Day
- St Patrick's Day Parade
- CubaDupa
- Park(ing) Day
- PRIDE Festival
- Dragon Boat Festival
- Homegrown
- NZ Futsal Secondary Schools Champs
- NZ Underwater Hockey InterZone Championships
- NZ Warriors vs Newcastle Knights
- All Whites vs China PR
- Dogs 'n' Togs

- Local Food Week
- Black Caps vs Sri Lanka test match
- NZ Gardens Trust Conference
- Ōtari Seminar Series
- Weetbix Tryathlon

April

- ANZAC Day Services
- NZ Futsal Super League Finals
- Armageddon Expo
- FIFA Unity Pitch
- Floorball Secondary School Competition

May

- Coronation tree planting
- UFBA National Combat Challenge
- Visa Wellington On a Plate events, Dine and Cocktails
- NZ Comedy Festival
- Eat Drink Play
- 2023 City Nature Challenge
- Botanic Garden Open Day
- Diving NZ North Island Championships
- Swimming NZ Division II Swim Meet

June

- Festival for the Future
- Loemis
- Wellington Marathon 2023
- NZ Art Show
- Eid al-Adha at Sky Stadium
- Jurassic World by Brickman
- Doc Edge Festival
- Artistic Swimming NZ North Island Championships
- NZ Canoe Polo National Grade C&D Final

Wāhanga 4: Ā mātou pūtea

Section 4: Our finances

I tēnei wāhanga

Kei roto i tēnei wāhanga, te whakarāpopototanga o ngā tauākī Tūtohu me te Takohanga, te Moni Whiwhi me te Whakapaunga, Te Tūnga Pūtea, Ngā Panoni Tūnga Pūtea, me te Rerenga Moni. Kei roto hoki tētahi tirohanga whānui o te pānga ā-pūtea o te KOWHEORI-19 me ētahi atu whākitanga whai pānga ki Te Kaunihera o Te Whanganui-a-Tara, mō te tau i mutu i te 30 o Pipiri 2023.

He mea tango mai te whakarāpopototanga o ngā tauākī pūtea me ngā whākitanga motuhake i te Huinga 2 i te Pūrongo ā-Tau matua. Nō reira, kāore i uru atu ngā whākitanga katoa i te pūrongo matua, ā, nā reira e kore pea e tuku i te māramatanga nui o te tūnga pūtea o te Kaunihera.

In this section

This section includes summary Statements of Compliance and Responsibility, Revenue and Expense, Financial Position, Changes in Equity, and Cash Flows. It also includes relevant disclosures for Wellington City Council for the year ended 30 June 2023.

The summary financial statements and specific disclosures have been extracted from Volume 2 of the full Annual Report. Therefore, they do not include all the disclosures provided in the full report and cannot be expected to provide as complete an understanding of the Council's financial position.

Overview of our finances

The Council budget is set through the Long-term Plan and updated in the Annual Plan if needed. It supports the delivery of our services and development projects to improve the city.

The 2021–31 Long-term Plan and budget, which set the Council’s direction for the next 10 years, was developed and adopted in a time of high uncertainty. At the time, the ongoing impacts of the COVID-19 pandemic were unknown and there was a focus on city recovery. This is the second year of reporting against the Long-term Plan and any amendments made to the budget and plans in the 2022/23 Annual Plan.

This year, we have also dealt with ongoing supply chain blockages, increased costs, additional reactive work and clean ups due to weather events and the rising cost of inflation. See the challenges outlined on page 19-22 of this summary for more information.

\$(74.2)m Deficit – result for the year	\$(68.1)m Budgeted deficit in Annual Plan 2022/23
AA+ Credit rating issued Note – on negative watch	82.2% Revised capital programme budget spent

A balanced budget

\$773.3m Cost of running the city	\$9.95 Operational cost of Council services per resident per day
\$150.9m or 24.2% Increase in operating costs	\$6.1m or 9% Over Annual Plan budget

Under the Local Government Act 2002, councils are expected to operate a balanced budget. This means we want to achieve an end-of-year result where rates and other revenue equals our operating expenses. A balanced budget helps to ensure we are not passing on the cost of running the city today to future generations, and also guards against imposing costs now for projects that may not deliver benefits to Wellingtonians until the future. This means each generation pays its fair share.

As part of the 2020/21 Annual Plan and 2021–31 Long-term Plan, several items related to the impact of COVID-19 were funded through debt, such as the loss of our airport dividend revenue. The rates repayments for this debt are spread over 10 to 15 years to minimise the impact on rates in the short term.

During the period of consultation on the 2022/23 Annual Plan, additional information came to light that meant we needed to increase the value of our water, sewerage and stormwater networks by 80 percent. The flow-on effect was an increase of about \$60.1m in the depreciation cost we needed to budget for these assets. The depreciation would normally be fully funded by rates, but this would have meant an additional nine percent increase that hadn’t been consulted on.

The Council therefore resolved that it would be prudent to budget for a deficit and fully fund only the renewal of the three waters assets for 2022/23 and 2023/24 financial years, rather than fully fund the increased level of depreciation. More information about this decision can be found here [insert link]

Key variances to budget

Our overall result is a \$6.1m difference in what was budgeted in the 2022/23 Annual Plan. The cost of delivering and running Council services and operating projects in 2022/23 was \$47.1m higher, but we also received \$41.0m more revenue than planned which helped to mitigate the rising costs.

The revenue and expenditure sections of this summary outline the key variances to the budget in more detail. However, the key changes are:

- We received a \$20.4m dividend from Wellington International Airport Ltd, which was not expected and budgeted for in the Annual Plan. This helped to decrease the overall deficit and mitigate increases in expenses.
- A \$14.1m higher spend on our operating activities due to increases in insurance, higher inflation than expected and costs related to the extreme weather-related events in 2022.
- A \$10.7m increase in the cost of paying interest on debt was due to interest rate increases.
- There was a \$8.7m increase in depreciation costs due to the revaluation of infrastructure assets in 2021/22, and \$13.3m fair value loss due to the revaluation of our investment properties.

Expenditure

Operational spend

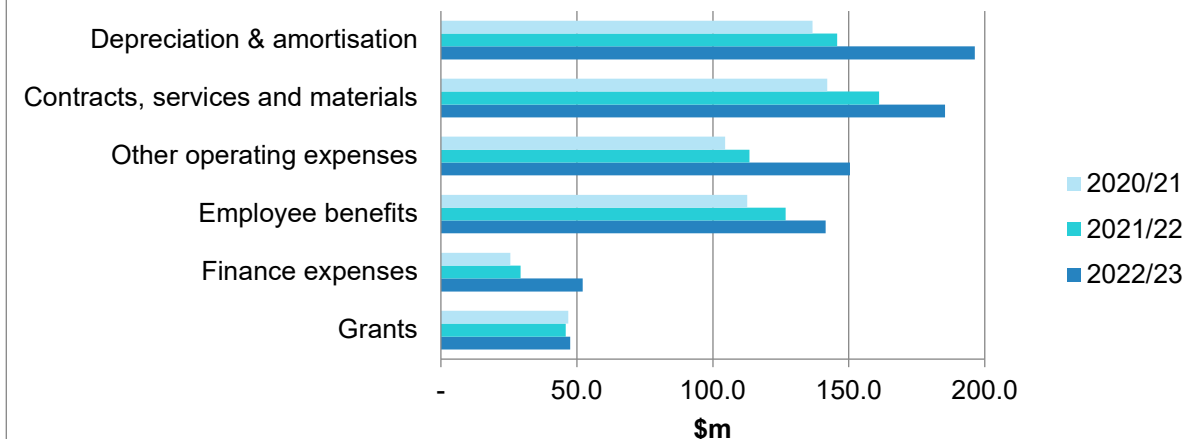
The 2022/23 Annual Plan forecast an operating cost of delivering Council services of \$726.2m. This was a significant increase on the previous year and related to increased depreciation due to new assets and the 2021/22 infrastructure assets revaluation, and inflation on contracts and personnel costs.

The operational expense this year totalled \$773.3m. The main area of spend was our Environment and Infrastructure activity (37%) with increases in the amount spent on our water network and increased depreciation as outlined above. Inflation also had an impact on costs across the Council.

The graph below shows the top five areas of operational spend, along with other operating expenses.

- Contracts services and materials: includes our maintenance and renewals programme, Government waste and landfill fees and levies, contracts, consumable materials and the cost of our consenting and compliance functions.
- Employee benefits: includes remuneration, training and development, superannuation and other personnel costs.
- Other operating expenses: includes as an example utility costs, insurance premiums, professional fees, information and communication technology and operating leases.

Sources of Council expenses



For the first year, depreciation & amortisation is the Council's biggest expense due to the increase in the three waters assets outlined earlier. This cost continues to grow each year, with \$49.8m more depreciation & amortisation expenditure this year than in 2021/22.

Contracts, services and materials cost was \$24.3m more than last year due to inflation, the cost of the reactive work needed after the major slips in 2022, increases in the waste levy per tonne, more expenses occurring in our venues with the lifting of COVID-19 restrictions, and increases in the Let's Get Wellington Moving programme.

More information about our operational expenses for the year is detailed in Note 7 to the financial statements, on page 22 of Volume 2 of the full report.

Capital spend

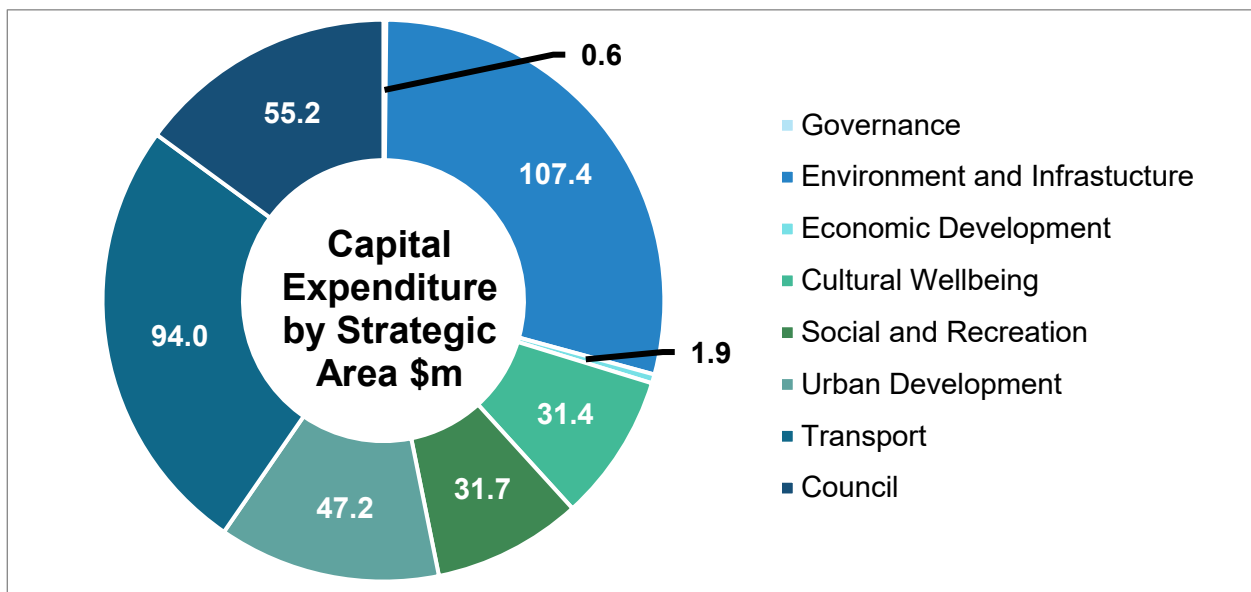
During 2022/23 we delivered capital projects totalling \$369.4m, this is the highest capital expenditure programme Wellington City Council has delivered. The revised capital expenditure budget includes changes approved during the year by the Council to the 2022/23 Annual Plan budget. In total, the revised budget was \$449.6m with an underspend of \$80.2m.

However, while we have spent a significant proportion of our revised capital budget, there were challenges with increases in materials, labour, contracts and delays in timing of projects throughout the year.

The key highlights and differences to the revised budget are listed below:

- Significant investment was made in the three waters network, totalling \$91.5m of our total capital expenditure. This area was under budget by \$43.0m because the sludge minimisation project is behind schedule due to delays in signing the contacts. There was an overspend of \$5.4m from Wellington Water. More details on these areas can be found on page 51, 52 and 54 of Volume 1 of the full report.
- Allocation for the transport network, totalling \$80.1m of our total capital expenditure, was slightly overspent by \$1.0m, which is close to budget of \$80m. However, the work completed this year changed from what was planned because of the required slip remediation work. This resulted in large overspends in the Ngaio Gorge resilience upgrades, retaining wall upgrades and footpath upgrades.
- Council completed the construction of Tākina with capital expenditure for 2022/23 totalling \$30.2m.

- Supply chain issues and other factors caused delays in several projects, including the Frank Kitts Park upgrade, Te Ngākau Civic Square upgrades, our Housing Investment Programme, and renewals of community and recreation facilities.



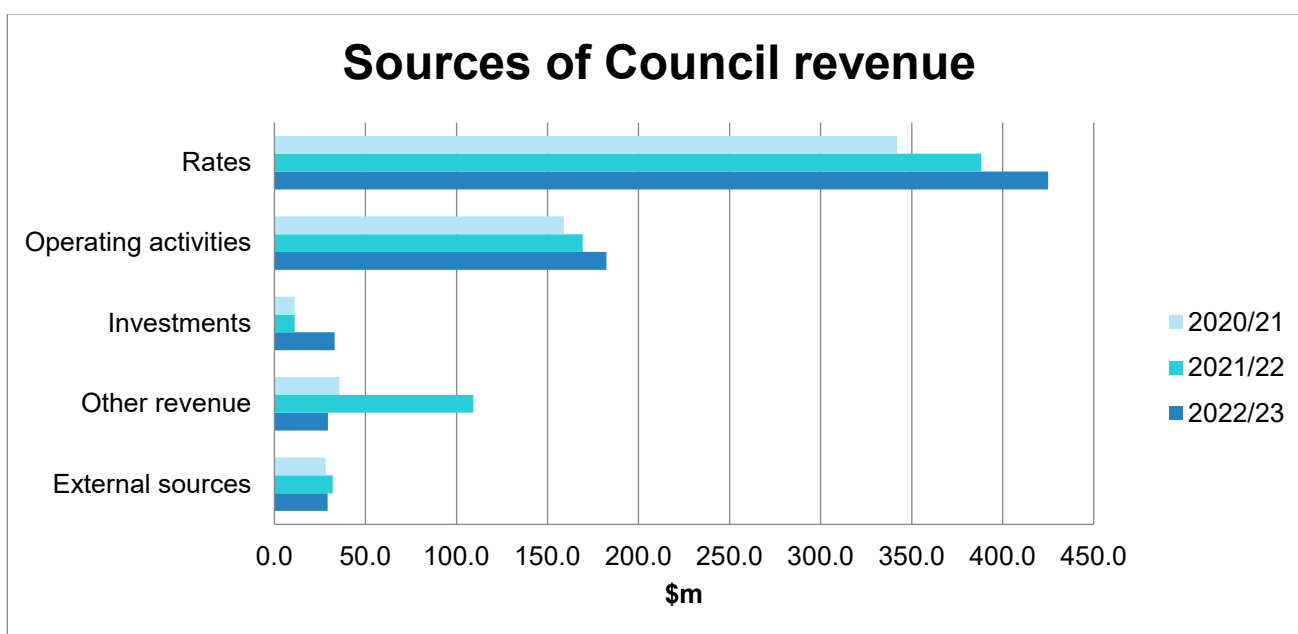
Revenue

Operational income

Our main source of funding is from rates – 60.8 percent of the total revenue of \$699.1m – with the next largest source being from operating activities including user fees at 26.1 percent. We also received revenue from other external sources (mainly from central government) to fund capital expenditure and from investment revenue.

The graph below shows the main sources of revenue for the Council.

Operating activities include the fees we charge for using Council services such as pools and the landfill.



Our revenue for the year was higher than budgeted due to the \$20.4m dividend from Wellington International Airport Ltd, a \$14.0m increase in vested assets and \$8.0m in higher interest revenue. Revenue from interest and from vested assets is not budgeted for in our Annual Plan.

For revenue from Council operating activities, the main sources are:

- City housing - \$27.0m (2022: \$27.4m)
- Landfill operations and recycling - \$31.1m (2022: \$23.4m) – including unbudgeted revenue of \$2.6m from the joint Spicer Landfill operation with Porirua City Council (2022: \$2.4m).
- Parking fees and permits – \$24.4m (2022: \$21.4m)
- Consents and licensing services – \$17.5m (2022 \$18.3m)
- Convention and conference centres – \$15.9m (2022: \$6.2m)

More information about these revenue sources is detailed in Note 2 to the financial statements, on page 15 of Volume 2 of the full report.

Your rates at work

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

We set our rates in the Annual Plan based on the needs of the community, demand for services and affordability in rates. The money helps us deliver more than 400 day-to-day services and pays for the borrowings used to fund big capital projects across Wellington.

There are different types of rates. Targeted rates are paid by a specific group of ratepayers who receive a specific service. General rates are paid by all ratepayers and applied to services which benefit the whole community. If you rent, or you own a home or business in Wellington you contribute to Council rates either directly or indirectly.

We collected \$425.0m (GST exclusive) of rates during 2022/23.

Some of the services and facilities Wellingtonians received this year through their rates were:

402 litres of drinkable water supplied per resident per day ¹⁶	110,000 native plants planted with the community	204,861 calls answered by our Contact Centre staff
824km stormwater pipes	1.9m physical items borrowed from our 14 libraries	191 sqm open space per Wellingtonian
1,083km wastewater pipes	407km walking and biking tracks	\$4.9m funding to community projects and organisations
968.5km footpaths	794,948 resources in City Archives	18,659 streetlights operated
108 play areas	36 free public events	9 new public murals

¹⁶ Not all of this water is used in a resident's home. Other users include industry, businesses, schools, hospitals, the fire service and councils.

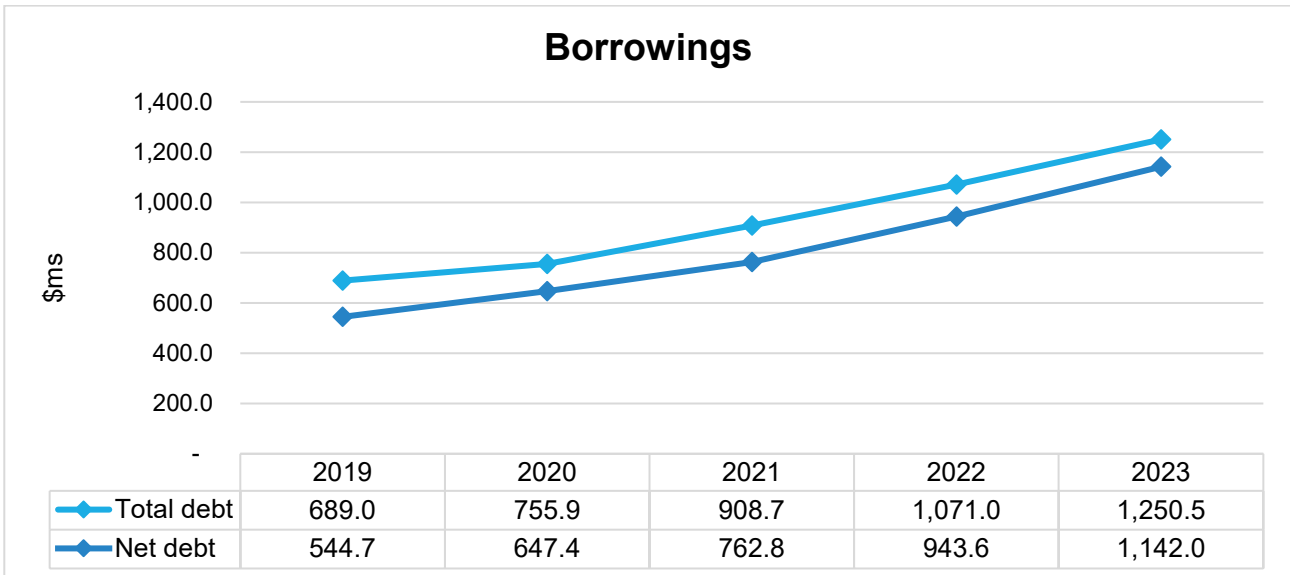
Capital income

Our main source of funding for our capital programme is from borrowing. We also receive revenue from other external sources, mainly central government, to fund particular parts of our work. For example, Waka Kotahi NZ Transport Agency contributes towards the Paneke Pōneke cycleways network.

\$1:\$0.75 Debt servicing costs to investment returns	\$198.4m Increase in net debt over 2021/22
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Borrowing for the year

Total net borrowings increased by \$198.4m to fund the capital expenditure programme for the 2022/23 year. Net borrowing is made up of gross borrowings minus cash and term deposits. Net borrowing was \$1.14b at the end of the year. This compares to \$1.33b forecast in our 2022/23 Annual Plan. At the end of the year, the average borrowing per resident is \$5,365.



The ratio of debt servicing costs to investment returns is \$1:\$0.75. This means that every \$1 paid in interest costs is offset by 75c of investment income received. Before COVID-19, this ratio was \$1:\$1 or higher, but it dropped in 2020/21 and 2021/22 because we received no dividend from Wellington International Airport Ltd due to the impact of the pandemic. A dividend of \$20.4m was paid out by the Airport this year, which is an improvement in this ratio.

More information about our borrowing for the year is detailed in Note 24 to the Financial Statements, on page 68 of Volume 2 of the full report.

Summary Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2023	Council			Group	
	Actual	Budget	Actual	Actual	Actual
	2023	2023	2022	2023	2022
	\$000	\$000	\$000	\$000	\$000
Total revenue	699,120	658,077	709,788	705,375	734,502
Total expense (excluding finance expense)	(721,261)	(684,825)	(593,057)	(746,503)	(618,845)
Total finance expense	(52,085)	(41,375)	(29,296)	(52,097)	(29,305)
Operating surplus/ (deficit)	(74,226)	(68,123)	87,435	(93,225)	86,352
Share of equity accounted surplus/(deficit) from associates and joint venture	-	-	-	7,627	2,213
Net surplus / (deficit) before taxation	(74,226)	(68,123)	87,435	(85,598)	88,565
Income tax credit/(expense)	20	-	-	(304)	56
NET SURPLUS / (DEFICIT) for the year	(74,206)	(68,123)	87,435	(85,902)	88,621
Net surplus/(deficit) attributable to:					
Wellington City Council and Group	(74,206)	(68,123)	87,435	(85,811)	88,699
Non-controlling interest	-	-	-	(91)	(78)
	(74,206)	(68,123)	87,435	(85,902)	88,621
Other comprehensive revenue and expense					
Cash flow hedges - Fair value movement (net)	15,556	-	104,646	15,556	104,646
Share of other comprehensive revenue and expense of associates and joint venture - Cash flow hedges - Fair value movement (net)	-	-	-	1,588	1,167
Fair value through other comprehensive revenue and expense (net)	34	-	825	(205)	1,327
Revaluations of property, plant and equipment (net)	(59,615)	-	1,854,026	(59,615)	1,854,026
Share of other comprehensive revenue and expense of associates and joint venture - Revaluations of property, plant and equipment (net)	-	-	-	33,015	21,535
Total other comprehensive revenue and expense	(44,025)	-	1,959,497	(9,661)	1,982,701
TOTAL COMPREHENSIVE REVENUE and EXPENSE for the year	(118,231)	(68,123)	2,046,932	(95,563)	2,071,322
Total comprehensive revenue and expense attributable to:					
Wellington City Council and Group	(118,231)	(68,123)	2,046,932	(95,472)	2,071,400
Non-controlling interest	-	-	-	(91)	(78)
	(118,231)	(68,123)	2,046,932	(95,563)	2,071,322

The main variances from budget are discussed in the notes following the Statement of Comprehensive Revenue and Expense in the full Annual Report 2022/23.

Significant variations from budgeted revenues and expenses are as follows:

Revenues were \$41.0m higher than budgeted. The major variances included:

- Investment revenues were \$20.7m higher than budget. This is primarily due to the receipt of Wellington International Airport Limited dividend of \$20.4m.
- Vested assets and other revenues were \$20.3m higher than budget. This is primarily due to due to recognition of \$14.0m of unbudgeted vested assets.

Expenses were \$47.1m higher than budgeted. The major variances included:

- Fair value movement losses were \$13.6m higher than budget. This is primarily due to investment property revaluation decreases of \$13.3m. This was budgeted as a revaluation increase.

- Finance expenses were \$10.7m higher than budget. This is due to higher actual interest rates than budgeted.
- Expenditure on operating activities were \$14.1m higher than budgeted. This is due to a range of factors including higher than budgeted insurance, higher inflation than expected and expenditure relating to weather-related events.
- Depreciation and amortisation expenses were \$8.7 higher than budget. This is primarily due to the significant upward revaluation of infrastructure assets at the end of the prior year, after the 2022/23 budget was set which resulted in higher actual depreciation than budgeted.

Other comprehensive revenue and expense was \$44.0m lower than budgeted. The major variances included:

- \$15.6m of unrealised fair value gain on cash flow hedges due to higher floating interest rates compared to the fixed swap rates held via interest rate derivatives. We do not budget for this item.
- \$32.5m fair value movement losses due to the decrease in the revaluation of operational land and building assets which was originally scheduled for revaluation on 30 June 2024 and therefore not budgeted for in 2022/23.
- \$28.1m fair value movement losses due to impairment of water assets and revaluation adjustments on roading assets. We do not budget for this item.

Summary Statement of Financial Position

As at 30 June 2023	Council			Group	
	Actual	Budget	Actual	Actual	Actual
	2023	2023	2022	2023	2022
	\$000	\$000	\$000	\$000	\$000
Current assets	198,374	228,806	248,606	225,286	271,927
Non-current assets	10,867,122	10,883,081	10,728,600	11,142,654	10,978,420
Total assets	11,065,496	11,111,887	10,977,206	11,367,940	11,250,347
Current liabilities	362,500	223,918	335,349	380,014	346,382
Non-current liabilities	1,081,251	1,461,448	901,231	1,083,633	903,459
Total liabilities	1,443,751	1,685,366	1,236,580	1,463,647	1,249,841
EQUITY					
Wellington City Council and Group	9,621,745	9,426,521	9,740,626	9,903,575	9,999,709
Non-controlling interest	-	-	-	718	797
TOTAL EQUITY	9,621,745	9,426,521	9,740,626	9,904,293	10,000,506

The main variances from budget are discussed in the notes following the Statement of financial position in the full Annual Report 2022/23.

Significant variations from budget are as follows:

Current assets were \$30.4m lower than budgeted. The major variances included:

- Cash and cash equivalents were \$42.0m higher than budget.
- Prepayments were \$11.1m lower than budget, mainly due to timing of paying insurance invoices.
- Other financial assets were \$69.8m lower than budget, which is offset by a lower borrowings amount than budgeted.

Non-current assets were \$16.0m lower than budgeted. The major variances included:

- Derivative financial assets were \$65.2m higher than budget due to higher floating interest rates when compared to fixed swap rates held via interest rate derivatives.
- Other financial assets were \$14.3m higher than budget.
- Property, plant and equipment were \$96.8m lower than budget. This is due to the revaluation of operational land and buildings that was originally scheduled for 30 June 2024, other asset impairments and lower capital expenditure than budgeted.

Total liabilities were \$241.6m lower than budgeted. The major variances included:

- Derivative financial liabilities were \$54.8m lower than budgeted. The budget was struck when the fixed interest rate of the derivative financial instruments was higher than floating rates leading to a budgeted liability position. The actual result at reporting date resulted in an asset position because floating interest rates were, at that time, higher than the fixed rate under the derivative financial instruments.
- Borrowings were \$223.8m lower than budget. This is due to a range of factors including lower capital program delivery than budgeted and offset by lower other financial assets than budgeted.

Summary Statement of Changes in Equity

For the year ended 30 June 2023	Council			Group	
	Actual	Budget	Actual	Actual	Actual
	2022	2022	2021	2022	2021
	\$000	\$000	\$000	\$000	\$000
Equity at the beginning of the year	9,739,976	9,494,644	7,693,695	9,999,856	7,929,184
Net surplus / (deficit) for the year	(74,206)	(68,123)	87,435	(85,902)	88,621
Other comprehensive revenue and expense	(44,025)	-	1,959,497	(9,661)	1,982,701
Total comprehensive revenue and expense	(118,231)	(68,123)	2,046,932	(95,563)	2,071,322
Equity - closing balances					
Accumulated funds	1,269,134	1,269,134	1,269,134	1,293,162	1,293,162
Retained earnings	3,828,987	3,741,728	3,903,366	3,826,006	3,911,964
Revaluation reserves	4,424,407	4,437,653	4,484,022	4,677,956	4,704,556
Hedging reserve	73,180	(47,022)	57,624	75,316	58,172
Fair value through other comprehensive revenue and expense reserve	6,888	6,029	6,854	7,778	7,983
Non-controlling interest	-	-	-	718	797
Restricted funds	19,149	18,999	19,626	23,357	23,872
TOTAL EQUITY	9,621,745	9,426,521	9,740,626	9,904,293	10,000,506
Total comprehensive revenue and expense attributable to:					
Wellington City Council and Group	(118,231)	(68,123)	2,046,932	(95,472)	2,071,400
Non-controlling interest	-	-	-	(91)	(78)
	(118,231)	(68,123)	2,046,932	(95,563)	2,071,322

The main variances from budget are discussed in the notes following the Statement of Changes in Equity in the full Annual Report 2022/23.

Changes in net worth

The Council's net worth is represented by equity, which is the difference between what the community owns (assets of \$11.1 billion) and what the community owes (liabilities of \$1.4 billion).

The Council's net worth at the end of the year was \$9.6 billion, a decrease of \$118.2 million from 2021/22. The major reasons for the decrease were the \$74.2 million net deficit for the year and \$59.6 million of property, plant and equipment net revaluations.

Summary Statement of Cash Flows

For the year ended 30 June 2023	Council			Group	
	Actual	Budget	Actual	Actual	Actual
	2023	2023	2022	2023	2022
	\$000	\$000	\$000	\$000	\$000
Net cash flows from operating activities	187,525	155,763	140,720	194,245	140,935
Net cash flows from investing activities	(277,727)	(397,145)	(333,735)	(279,413)	(339,908)
Net cash flows from financing activities	132,156	256,859	135,241	132,148	136,158
Net increase/(decrease) in cash and cash equivalents	41,954	15,477	(57,774)	46,980	(62,815)
Cash and cash equivalents at beginning of year	26,575	11,004	84,349	40,727	103,542
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	68,529	26,481	26,575	87,707	40,727

The main variances from budget are discussed in the notes following the Statement of Cash Flows in the full Annual Report 2022/23

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).

Notes to the summary

Budget information

The 2022/23 Annual Plan (AP) budget figures included in these financial statements are for the Council as a separate entity. The AP figures do not include budget information relating to controlled entities or associates. These figures are those approved by the Council at the beginning of each financial year following a period of consultation with the public as part of the AP process. The AP figures have been prepared in accordance with GAAP and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements.

Contingencies

Legal proceedings

Legal proceedings are current claims against the Council and Group as a result of past events which are currently being contested. The maximum exposure to the Group is anticipated to be less than \$1.6m (2022: \$0.4m). The amounts shown reflect potential liability for financial reporting purposes only and do not represent an admission that any claim is valid. The outcome of these remains uncertain at the end of the reporting period.

Unquantified contingent liabilities

Riskpool – winding up

Wellington City Council was previously a member of the New Zealand Mutual Liability Riskpool scheme ('Riskpool'). The Scheme is in wind down; however the Council has an ongoing obligation to contribute to the scheme should a call be made in respect of any historical claims (to the extent those claims are not covered by reinsurance), and to fund the ongoing operation of the scheme. The likelihood of any call, in respect of historical claims, diminishes with each year as limitation periods expire.

However, as a result of the Supreme Court decision on 1 August 2023 *in Napier City Council v Local Government Mutual Funds Trustee Limited*, it has been clarified that Riskpool has a liability for that member's claim in relation to non-weather-tight defects (in a mixed claim involving both weather-tight and non-weather-tight defects). Riskpool has advised that it is working through the implications of the Supreme Court decision. At this point any potential liability is unable to be quantified.

Holidays Act 2003

A number of New Zealand's public and private organisations have identified issues with the calculation of leave entitlements under the Holidays Act 2003 ("the Holidays Act"). During 2019/20, Council completed its own review of payroll processes which identified instances of non-compliance with the Holidays Act. This review resulted in Council establishing a project team to further look at system configuration and business processes to better understand the areas of non-compliance with the Holidays Act.

This is a significant undertaking and due to this Council decided that the project would be split into two phases; phase one is the rectification of known system configuration and business process issues while phase two is the remediation. Council is near to completing phase one of the project with a completion date estimated to be early 2024.

Council have engaged a third party to undertake the remediation phase of the Holiday Act Project. This is a significant undertaking to calculate all non-compliance. The remediation calculation model

has been built and is undergoing user acceptance testing. Due to current progress on the testing, a reliable estimate of the liability cannot be determined at this time. Therefore no provision has been recognised at 30 June 2023. The completion date for Phase 2 is estimated to be mid-2024.

The Council has agreed to pay any remediation costs for Council Controlled entities where the Council was responsible for processing their payroll.

Council acknowledges that the potential liability could be significant as the issue affects current and past employees and covers a period going back six years plus one from October 2020.

Other claims

In June, there was a fire on Council-owned land causing reasonable damage and impact to the surrounding area. WCC has undertaken to complete clean up works with urgency, recognising the significant impact of this event. A reliable estimate of the potential financial exposure cannot be determined at this time and therefore no provision has been recognised at 30 June 2023.

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.

Events after the end of the reporting period

There are no events after the end of the reporting period that require adjustment to the financial statements or notes to the financial statements.

The following updates have been included due to their significance.

Water services reform programme

The New Zealand Government is implementing a water services reform programme that is intended to ensure all New Zealanders have safe, clean and affordable water services. The Government believes this will be achieved by establishing new public entities to take on the delivery of drinking water, wastewater and stormwater services across New Zealand. The reform will be enacted by three pieces of legislation:

- The Water Services Entities Act 2022, which (as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023) establishes ten publicly owned water services entities and sets out their ownership, governance and accountability arrangements. A water services entity is established (for transitional purposes) on the date on which the appointment of the entity's establishment board takes effect, and its establishment date (operational date) will be a date between 1 July 2024 and 1 July 2026.
- The Water Services Legislation Act 2023, which amended the Water Services Entities Act 2022 on 31 August 2023 to provide for the transfer of water services assets and liabilities to the water services entities.
- The Water Services Economic Efficiency and Consumer Protection Act 2023, which provides the economic regulation and consumer protection framework for water services. The consumer protection framework will come into force on 1 July 2024 and the rest of the Act came into force on 31 August 2023

Sludge Minimisation Project

To address the issues identified with Wellington wastewater treatment, and achieve the objectives identified, Wellington City Council has entered into an Infrastructure Funding and Financing Administration Agreement (IFFFAAA) on the 2 August 2023. This will enable Wellington City Council to raise up to \$400.0m to fund the construction of the Sludge Minimisation Facility (SMF) at Moa Point.

The funding is provided by a special purpose vehicle (SPV) owned by Crown Infrastructure Partners. The finance raised will stay off Council's balance sheet, providing flexibility to fund other infrastructure and community amenity projects within existing borrowing limits.

The Council is responsible for the construction of the SMF and in July 2023 entered into a contract with a joint venture partnership between McConnell Dowell Constructors Limited and HEB Construction Limited to build the first stage of the sludge minimisation facility at Moa Point. The new facility will substantially reduce the wastewater treatment sludge volume discharged to the southern landfill. The SMF will play a key role in ensuring that the Council's waste management systems are effective and sustainable and is an important enabler of the Council achieving its emission reduction targets.

The Infrastructure Funding and Financing (Wellington Sludge Minimisation Facility Levy) Order 2023 has been made and became effective on the 1 October 2023. The order appoints Wellington City Council as the responsible levy authority. This will require Wellington City Council to assess, administer and collect Levy on behalf of the SPV. The levy applies to all properties within the

Wellington City Council rating area, excluding protected Māori land. The Levy Period starts 1 July 2024 and ends on the close of 30 June 2057. The levy received will be passed on to the SPV.

Te Toi Mahana (Wellington Community Housing Provider Trust)

The Council made the decision to establish a Community Housing Provider (CHP) called Te Toi Mahana and this was incorporated on 28 April 2023. It received Community Housing Provider status from the Ministry of Housing and Urban Development on 26 July 2023.

On 1 August 2023, Wellington City Council entered into a lease agreement with Te Toi Mahana for the Council's City Housing properties. This allowed Te Toi Mahana to take over the operations of the City Housing division on the same day and Te Toi Mahana now manage the tenancies and maintenance of the building assets.

Independent Auditor's Report

Independent Auditor's Report

To the readers of Wellington City Council and Group's summary of the annual report for the year ended 30 June 2023

The summary of the annual report was derived from the annual report of the Wellington City Council and Group (the City Council) for the year ended 30 June 2023.

The summary of the annual report comprises the following summary statements on pages 23 and 26, and 42 to 50:

- the summary statement of financial position as at 30 June 2023;
- 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 2023;
- 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. 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 and an unmodified opinion on the other audited information in the full annual report for the year ended 30 June 2023 in our auditor's report dated 25 October 2023. The basis for our qualified opinion on the statement of service provision is explained below.

Measurement of Wellington City Council Group greenhouse gas emissions

The Council has chosen to include a measure of the quantity of greenhouse gas emissions (GHG) emissions from the Council and group in its performance information. This includes emissions generated directly by the Group itself, as well as indirect emissions related to the products and services used by the Council and Group. We consider this material performance information because the Council has declared a climate emergency and because of the public interest in climate change related information.

In measuring the GHG emissions associated with certain goods and services purchased by the Council 2023 performance year, including capital goods, the Council has relied on spend-based emissions factors based on 2015 data. There is insufficient evidence to show that these factors are relevant for use in measuring the Council's GHG emissions for the year ending 30 June 2023, and we were unable to obtain sufficient alternative evidence to conclude that the reported performance is materially correct.

As a result of this issue, our work over the Council's scope three emissions was limited and there were no practicable audit procedures we could apply to obtain assurance over the reported results for the performance measure described above. Our opinion on this performance measure was also qualified in the 2022 performance year, on the basis that the Council had relied on spend-based emissions factors based on 2007 data in that year.

Without further modifying our opinion, we also draw attention to the inherent uncertainty disclosure in Volume 1, page 57 and 58 of the annual report, which outlines the inherent uncertainty in the reported GHG emissions. Quantifying GHG emissions is subject to inherent uncertainty because the scientific knowledge and methodologies to determine the emissions factors and processes to calculate or estimate quantities of GHG sources are still evolving, as are GHG reporting and assurance standards.

Water services' performance measures

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 issues with some of these performance measures as described below.

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

The City Council was unable to provide a complete record of all complaints received as some complaints were made directly to Wellington Water. The City Council was unable to reconcile its information with that held by Wellington Water. There were no practical audit procedures we could apply to obtain assurance over the completeness or accuracy of reported results for these performance measures. Our opinion on these performance measures was also qualified for the 2022 performance year.

Information about these matters are also disclosed on page 26 of the City Council's summary annual report.

Emphasis of matter - uncertainty over the water services reform programme

Our auditor's report on the full annual report also includes an emphasis of matter paragraph drawing attention to the Government's three waters reform programme.

The Water Services Entities Act 2022, as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023 and the Water Services Legislation Act 2023 on 31 August 2023, establishes ten publicly owned water services entities to carry out responsibilities for the delivery of three waters services and related assets and liabilities currently controlled by local authorities. Water services entities' establishment dates are staggered, with all the water services entities becoming operational between 1 July 2024 and 1 July 2026. The financial impact of the water services reform on the City Council as outlined in note xx remains uncertain until the relevant water services entity's establishment date is known, and the allocation schedule of assets, liabilities, and other matters to be transferred is approved.

Council's responsibility for the summary of the annual report

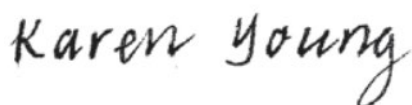
The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: Summary Financial Statements.

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 and the reporting on the summary and full annual reports, we have carried out a limited assurance engagement related to the City Council's debenture trust deed, provided probity assurance over the tender process for Takina facilities maintenance and performed a review of the revenue and expenditure of the Clifton Terrace Car Park managed by the City Council on behalf of Waka Kotahi NZ Transport Agency. These engagements are compatible with those independence requirements. Other than these engagements, we have no relationship with or interests in the City Council or its subsidiaries and controlled entities.



Karen Young
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand
27 November 2023