

**This annual report is a snapshot of our work during
2006/07.**

**It's our way of making ourselves accountable to you –
the people of Wellington.**

Contents

INTRODUCTION

From the Mayor
From the Chief Executive
Awards
Our Activities at a Glance
Financial Overview

STRATEGIES

Introduction
Urban Development
Transport
Economic Development
Environmental
Cultural Well-being
Social and Recreation
Engagement / Governance

FINANCIAL STATEMENTS

Statement of Compliance and Responsibility
Statement of Financial Performance
Statement of Movements in Equity
Statement of Financial Position
Statement of Cash Flows
Statement of Accounting Policies
Notes

GOVERNANCE AND MANAGEMENT

Governance
Management and Staff
Our Environmental Impact

APPENDICES

Report on Council Controlled Organisations
Monitoring Information
Audit Report

Population growth, changing lifestyles, environmental pressures and growing public expectations all create challenges for the Council. This report explains how we're responding to those challenges.

FROM THE MAYOR

Wellington is in good shape. In the latest survey of New Zealand's largest cities we once again came out on top, with over 93% of residents rating their quality of life as good or very good.

The vast majority of our residents rate Wellington as a great place to live, work and play. This isn't by accident - it is the result of good planning, great ideas and the hard work of Wellingtonians. My thanks therefore go to our councillors, managers and staff and to the many other people throughout the city whose efforts make Wellington such a fantastic place.

The past year has been one of progress. Among the most notable developments was our agreement with central government to a \$220 million partnership to upgrade our social housing.

Karori Park was completed and is now the region's largest outdoor playing fields. We helped low income Wellingtonians insulate their homes, opened a new community centre in Tawa, extended the Johnsonville Community Centre, and continued our support for the hundreds of events and festivals that make this city so vibrant. Other highlights included the centenary celebrations for Otari Wilton's Bush and Wellington Zoo.

We made important steps towards our goals that aim to manage pressure on the city's land and resources as our population grows, and to provide the living standards expected of a world class city while balancing the need to protect and enhance our environment and maintaining infrastructure.

As you glance through this report, you'll see some ambitious programmes – such as becoming the world's first carbon neutral city by 2050, ensuring affordable, high-speed broadband access throughout the city by 2012, working to channel future urban growth and development where the benefits are greatest, working with others to develop a more efficient and convenient public transport service, and working to protect our rugged natural landscape and the city's heritage buildings that are such a big part of the city's character. We've also confirmed our proposal to build a 12-court Indoor Community Sports Centre at Cobham Park.

You'll see how our work to guide growth is also aimed at assisting economic development, and how we're taking a regional, long term approach to strengthening the region's economy and attracting more and better jobs. You'll also see how we're working to ensure that everyone has an opportunity to share in the many great services that our city offers.

What all of this work has in common is a commitment to improving quality of life for all Wellingtonians, now and into the future.

KERRY PRENDERGAST

MAYOR

This annual report explains how we've delivered on the work programme for the 2006/07 year – the work we've done, our reasons for doing it, whether that work met expectations and required standards of service, and how we performed against budget.

FROM THE CHIEF EXECUTIVE

The 2006/07 year has been another great year for Wellington. There are many achievements referred to throughout this report. All reflect the effort and commitment of Wellington City Council officers working in partnership with the community and other agencies to deliver high quality services to all Wellingtonians.

As always, we have continued to carefully manage the city's finances and assets. In 2006/07, we recorded an operating surplus for the Council of \$35.7 million, compared with a budgeted deficit of \$1.8m, and the city's assets have increased in value to \$5.911 billion.

Although the Council's reported financial performance is very positive, ratepayers can be assured that they have not paid too much in rates during the year. During the year we have adopted the New Zealand equivalents to International Financial Reporting Standards. The majority of the Council's reported surplus arises from the way that we are now required to treat increases in the value of our investment properties.

For the year ended 30 June 2007 the Council's investment properties grew in value by \$31.750 million. This increase in value now appears as income in the Council's financial statements. This does not represent additional cash collected by the Council.

It would be similar to ratepayers including the increase in value of their residential property in their annual tax return – your home may have increased in value and you may be better off as a result but you would not have received any additional cash during the year. Until you sell the property you won't realise the cash arising from the increased value.

Several Council initiatives have won national awards throughout the year. The Council was recognised for the way we carry out our strategic planning, how we communicate through our award-winning website, the success of Waitangi Park, and the way we make ourselves accountable through annual reports. On page **XX** you will find a highlight of the awards we received during the year.

Wellingtonians are positive about the city and about the levels and quality of service we provide. In our February 2007 resident survey, 69% rated the Council's overall performance as good or very good, and the vast majority of residents also say the city is a great place to live.

While overall levels of satisfaction with the city and our work remain high, in some areas of our work we have noticed a small decline in resident satisfaction during 2006/07. As you'll see throughout this report, we're working hard to respond.

We have made significant progress towards positioning ourselves as an internationally competitive city. I would like to thank the Mayor and Councillors, Council officers, the agencies and organisations that we

work with, and the hundreds of volunteers and community organisations that have worked hard to make this city even better.

GARRY POOLE

CHIEF EXECUTIVE

INTRODUCTION: OUR ROLE AND DIRECTION

Our role and direction

WHO WE ARE

We have two key jobs. The first is to promote the well-being of Wellington and its people. The second is to facilitate democratic local decision-making.

The Wellington City Council is made up of 15 elected representatives – the mayor and 14 councillors. It's their job to make bylaws, set the city's overall strategic direction, and approve budgets, policies and plans aimed at achieving that direction. Part of their role is to listen and take the pulse of the community before making decisions.

The elected representatives are supported by the Council's chief executive and 1500+ staff, who provide advice, implement Council decisions, and look after the city's day to day operations.

OUR DIRECTION

We aim to help Wellington reach its potential as a truly world class city.

In 2006, we adopted a new 10-year strategic direction, based on 13 goals or 'outcomes' for the city. These goals are: to make Wellington more liveable, more compact, more eventful, more inclusive, more actively engaged, better connected, more sustainable, safer, healthier, more prosperous, more competitive, more entrepreneurial and innovative, and to help the city develop a stronger sense of place.

These outcomes were developed after engagement with Wellingtonians during 2005 and 2006 about their aspirations for the city. They support our overall vision of creating global competitive advantage by positioning the city as Creative Wellington – Innovation Capital.

The detail of what our outcomes mean, and what we plan to achieve, is contained in our 2006-16 strategies for urban development, transport, economy, environment, cultural wellbeing, social and recreation, and governance and citizen information. These strategies provide coherence in our work and ensure we retain a clear sense of what we want to achieve. They also show how all areas of our work are interlinked – how, for example, town planning rules influence demand for transport and how people do business and interact with each other.

We're facing challenges associated with factors such as population growth, rising public expectations, and cost and environmental pressures. The strategies guide our response to those challenges.

MEASURING OUR PERFORMANCE

We keep track of our performance during the year so we can measure how effective we have been in delivering on our plans for the city.

We keep track of the state of the city and the impact of our work by asking residents' views, gathering information from official sources such as Statistics New Zealand, and gathering data internally about the work we do and the impact it has. This monitoring helps to guide our work – by, for example, helping us to determine priorities, allocate resources and decide whether and how we should provide a service.

The vast majority of residents are satisfied with their quality of life and believe Wellington is a great place to live. In national surveys, we consistently have the highest quality of life ratings of any New Zealand city. In some areas – in particular, our work to protect and enhance the city's environment – performance for the year has generally exceeded expectations. In others, performance fell below expectations or residents were less satisfied than previously. These included safety on roads and cycleways, frequency and reliability of public transport, and views about the quality of the urban environment.

As you'll see throughout this report, we're working to address the areas where performance is declining or has fallen short of the standards we expect.

EXPLAINING OUR WORK

We aim to keep you informed and make ourselves accountable.

In July 2006, we published our 2006-16 long-term plan explaining the services we planned to deliver, the costs, how we expected to pay for those services, and how we'd measure our performance. This annual report explains how we've delivered on the first year of that plan.

This annual report is a little shorter than past Wellington City Council reports. That's because we've been able to integrate elements of work within our seven strategies. We've grouped some information together so you can more easily see our work in its proper context. For example, we describe all of our work relating to the transport network (footpaths, signage, roads etc) in one place rather than separating these out. Though the report is shorter, it still contains considerable detail about our work programme and our financial and service performance.

In the Governance and Management section, which provides a 'real world' explanation of how we go about making decisions, we've provided more precise information about the powers retained by the elected Council, the governance principles that guide decisions, and the resource consent hearing process.

We have a strong track record of providing clear, accessible, high quality annual reports. This document builds on that tradition.

SNAPSHOT OF A GROWING CITY

	Wellington city now	Wellington city then	Did you know?
People	Wellington city had a population of 179,466 on census day 2006. Wellington city makes up 40.0% of the region's total population.	In 2001, our city had a population of 167,187. Wellington city made up 39.1% of the region's total population.	Our population is expected to increase to 201,100 people by 2021.
Urban form	Wellington has an estimated 620.9 people per square kilometre.	In 2001, our city had an estimated 576.5 people per square kilometre.	Wellington city residents have access to 35.5 square kilometres of Town Belt, park and reserve land, and over 300km of maintained tracks and walkways.
Diversity	According to the census 2006, 70.1% of people identified themselves as European, 13.2% as Asian, 7.7% as Maori, 5.2% as Pacific people, 2.1% as either Middle Eastern, Latin American or African and 10.6% as 'other'.	In 2001, 81.7%* of people identified themselves as European, 10.8% as Asian, 7.6% as Maori, 5.3% as Pacific Peoples and 1.7% as 'other'.	Wellington is a city of diversity, and this is reflected in a substantial calendar of festivals and events such as Matariki, Diwali Festival of Lights, Chinese New Year celebrations and the Cuba Carnival.
Recreation	Most Wellington residents (85%) spend more than 2 ½ hours a week in physical activity.	In 2002, only 80% of residents were spending more than 2 ½ hours a week in physical activity.	Wellington City Council swimming pool and recreation centre facilities received over 1.5 million visitors during the year.
Knowledge	In 2006, 32.9% of Wellingtonians over the age of 15 had a degree level qualification.	In 2001, 26.7% of Wellingtonians over the age of 15 had a degree level qualification.	Wellington city has the highest percentage of people with a degree level qualification of New Zealand's major cities.
Workforce	Employment continues to grow, with 132,780 people being employed in Wellington city in 2006.	In 2001, 108,910 people were employed in Wellington city.	The property and business services industry employs more Wellingtonians than any other industry (20%).
Income	Wellington city employees earn an average of \$28.33 per hour (March quarter 2007).	In 2004, the average employee earned \$24.97 per hour (March quarter 2004).	Wellington city employees have the highest average hourly earnings of all major cities in New Zealand.
Travel	34% of Wellingtonians who travel into central Wellington on a weekday use public transport, 45% use a car and 10% walk.	In 2001, 30% of people used public transport, 52% drove and 14% walked.	Wellington city has the largest proportion of residents who use public transport of all major cities in New Zealand.
Water	Each Wellington resident uses the equivalent of almost 174,000 litres of water per year. That's 476 litres per person per day.	In 2001, each resident used 179,600 litres of water per year.	Daily water use rises every summer, by as much as 50 percent.
Waste	The amount of waste sent to the landfill continues to decline with a total of 388 kilograms per person.	In 2004, a total of 496 kilograms of waste per person went to the landfill.	The vast majority of Wellington residents (86%) use WCC kerbside recycling on a weekly basis.

*The change is likely the result of the increased number of people identifying themselves as New Zealander – which is categorised as an 'other' response.

Awards

WWW.WELLINGTON.GOV.TZ WEBSITE

Our website www.Wellington.govt.nz was nominated as one of the world's best government websites in the 11th Annual Webby Awards, a leading international award honouring excellence on the internet. The awards celebrate outstanding internet work and are regarded as the internet Oscars. Ours was the only non-US website in the government category. The website also won the best New Zealand plain English category at the inaugural Writemark New Zealand Plain English Awards.

ANNUAL REPORT

Our 2005/06 report won the supreme award at the 2007 NZ Institute of Chartered Accountants Annual Report Awards – the second year running that the report had taken top honours. Wellington is the only local authority to have won the supreme award, and the only organisation to have won the award in consecutive years. The report also won the local government category and was commended for its governance section.

WAITANGI PARK

The New Zealand Institute of Architects recognised the outstanding success of Waitangi Park by awarding a 2007 Supreme Award to the park's designers Athfield Architects and Wraight Associates. The park was one of only three Supreme Award winners, and the only urban design project to win an award.

STRATEGIC PLANNING

For the third year in a row, we received the New Zealand Planning Institute's Nancy Northcroft Planning Practice Award. This year's award recognised the planning process and practice associated with the development of our seven overarching strategies – for urban development, transport, the environment, economic development, cultural well-being, social and recreation, and governance.

BUSINESS SUPPORT

Positively Wellington Business (PWB) won the local government category at the 2007 Vero Excellence in Business Support Awards. To win the award, PWB's services and programmes were independently evaluated by the NZ Business Excellence Foundation and found to be innovative, benefit client companies, and offer a high level of business support.

CITY GALLERY MAORI LANGUAGE EVENTS

The City Gallery received the inaugural Arts Award at this year's Te Tohu Whakanui i te Wiki o te Reo/Maori Language Week Awards for its education activities and public events.

CABLE CAR MUSEUM

The Wellington Cable Car Museum won a number of awards including the 2006 New Zealand Tourism Award for visitor activities and attractions: culture and heritage tourism and a Council of Tramway Museums of Australasia award for the display and restoration of Grip Car 3.

CONTACT CENTRE

The quality of the service offered by our Contact Centre was again recognised in the CRM Contact Centre Customer Service Awards 2006, with awards in the city council and online (web/email) customer service categories. One of our customer service representatives shared the individual award for most outstanding customer service representative nationwide across all industries.

Our activities at a glance

URBAN DEVELOPMENT

Our built environment work includes enhancing the waterfront and city and suburban centres, developing public spaces such as urban parks and squares, looking after heritage sites, assessing and issuing building and resource consents, ensuring earthquake-prone buildings are strengthened, and planning for the city's future growth and development.

The significant growth and development expected in Wellington over the next 20 years creates some challenges for us. We're aiming to respond to those challenges in ways that are sustainable and preserve the city's special character.

A key priority through to 2009 is to improve land use and transport by focusing development along a 'growth spine' stretching from Johnsonville in the north, to the central city, and Newtown and Kilbirnie in the south. Other priorities include improving the way we manage infill development in residential areas, and improving the quality of the city's urban design. During the year, progress was made on all of these priorities. Specifically:

- We sought public views on infill housing (i.e. 'backyard' developments in some city areas) with the aim of improving the way it is managed. Our draft policy proposed having some areas of the city where infill will be encouraged and other areas where it will be tightly controlled or not allowed at all.
- We reviewed rules for development of the inner city and proposed some changes including provisions to encourage higher quality building design. We also proposed lower building height restrictions in heritage areas.
- We developed a strategy for growth in Johnsonville, aimed at turning it into the city's second biggest centre after the CBD.
- We adopted District Plan changes to protect heritage in Newtown, Kilbirnie and Berhampore, and took other steps to protect heritage buildings throughout the city.

In addition, we provided funding to *Wellington: It's Our Fault* – a long-term scientific study of the risk and likely impact of a major earthquake on Wellington.

TRANSPORT

We look after 670km of streets and roads, as well as footpaths, cycle lanes, traffic signals, car parks and so on. We also: support public transport through bus priority measures such as bus lanes, letting buses go first at traffic lights, and providing bus shelters; work suburb by suburb to improve road safety; and plan to ensure the city's transport network meets future needs.

Our transport system is generally performing well – Wellington's streets are safe by national standards, we're high users of public transport, and most residents believe the city is easy to get around.

However, we do face challenges such as ensuring the transport network can keep up with growing demand, and reducing harmful environmental effects such as noise and air pollution.

For the period to 2009, key priorities include managing demand on the transport network, advocating for investment in the city's state highway network, further developing our bus priority measures, and improving access to the port and ferry terminals. During the year, councillors considered options for extending the bus lane network throughout key arterial routes. Work started on the port and ferry access – this will continue over the next three years. We agreed on roading priorities for the region, and started work on a walking and cycling plan.

Highlights for 2006/07 included:

- We reduced speed limits on Lambton Quay and Willis St to improve safety. New speed limits were also set on rural roads in Ohariu and Makara.
- Road safety improvements were carried out in Wilton, Wadestown, Northland and Karori.
- The inner city bypass was opened.

ECONOMIC DEVELOPMENT

We work to attract major events such as the World of WearableArt Awards and the International Sevens. We also fund tourism promotions, and support attractions such as Te Papa and conference venues such as the Wellington Convention Centre. To support businesses, we: provide free weekend parking in the city, provide grants to help community projects with economic benefits for the city; and market the city as a destination of choice. We also funded Positively Wellington Business to provide business development and incubator programmes, and programmes to attract businesses, investment and skilled people to the region.

Key challenges are to make the city more internationally competitive, foster innovation and entrepreneurship, and lift Wellington's sustainable economic growth.

Priorities for the period to 2009 include: implementing the Wellington Regional Strategy to guide economic development; strengthening the city's status as a centre of creativity and innovation; and attracting at least one regular long-haul air service to Wellington from a south-east Asian market.

In 2006/07, the first key steps were taken to implement the strategy with the establishment of a new regional economic development agency which is part funded by our residents through the Greater Wellington Regional Council. The new agency has taken over the work of Positively Wellington Business.

Positively Wellington Tourism and Wellington International Airport made progress towards attracting a long-haul air service, and steps were taken to encourage innovation by looking into ways to secure a world-class broadband network.

Other highlights for 2006/07 included:

- Several high profile events were held, including the World Golden Oldies Rugby Festival, Elton John's December 2006 concert, the World of WearableArt Awards and the IRB Rugby Sevens. Altogether, Council-supported events had an estimated economic impact of \$50 million.
- Positively Wellington Business won a national award for its business support activities, and launched the Greater Wellington Industry Development Centre aimed at lifting the performance of the city's manufacturing sector.

ENVIRONMENT

We look after the city's 34+ square kilometres of reserve land, as well as beaches, coastline, and botanical gardens. We fund Wellington Zoo and the Karori Sanctuary, and work to develop other world-class nature-based visitor attractions such as the Marine Education Centre. We also: provide water supply, stormwater and sewage disposal; provide recycling and waste disposal services; offer grants for environmental initiatives; run the Kiwi Point Quarry; and promote energy efficiency and sustainability.

Though Wellington enjoys a stunning natural environment, we also face some significant challenges. Like other cities, we need to find ways of becoming more sustainable – to address broad issues such as climate change – by producing fewer greenhouse gas emissions, dumping less waste, using resources such as water and energy more efficiently, and protecting biodiversity and ecosystems.

Over the period to 2009, key priorities include promoting water and energy efficiency, improving protection of streams, developing a coherent plan to address biodiversity issues, and strengthening our partnerships with stakeholders to increase environmental awareness, community participation, and the achievement of environmental goals.

During the year, we made progress on most of these priorities. We asked for public input on a Biodiversity Action Plan to restore and protect streams, coast and bush areas. We also developed a stream protection programme and continued restoration work within the Kaiwharawhara catchment. We adopted an ambitious goal of becoming a carbon neutral city by 2050. And we strengthened community engagement through our environmental grants process and by funding environmental education in schools.

Other environment highlights included:

- Otari Wilton's Bush and Wellington Zoo both celebrated their centenaries. We committed \$15 million to a 10-year redevelopment of the zoo, which includes a new entrance plaza, bird aviaries and animal hospital, and redeveloped monkey islands.
- We completed plans for upgrades of the Owhiro Bay quarry site and Tinakori Hill, bought 70 hectares of ridge top farmland to add to the Outer Green Belt, and made a commitment to a long-term upgrade and expansion of the Town Belt/Outer Green Belt track network.
- We completed the new Te Aro stormwater culvert and started upgrades of the Johnsonville and Wakefield/Mercer/Victoria Street sewer mains.

CULTURAL WELLBEING

We fund the city's popular art galleries and museums, operate Toi Poneke – the Wellington Arts Centre, and support the NZ International Arts Festival, the St James Theatre and the NZ Symphony Orchestra. We also provide cultural grants, support community events and festivals, and run the City Archives.

Wellington's arts and culture scene is thriving. Our key goal is to maintain this strength, and to ensure that all Wellingtonians can participate in the city's cultural life. Be that through artistic expression or simply sharing in a victory at the stadium.

Over the period to 2009, our key priorities include: protecting and enhancing local 'sense of place'; enhancing the area at the top of the Cable Car; strengthening our partnerships with arts organisations; and engaging more effectively with grass-roots arts and cultural communities. During the year, progress was made on several initiatives that contributed to these priorities. We committed to a \$3.4m expansion of the City Gallery, and continued our support for the new photography and portrait gallery to host exhibitions in Shed 11. A Matariki festival was added to our programme of 100+ arts and cultural events and several new public artworks were installed. The government also confirmed funding for the School of Music proposed for Jack Illot Green, which we are also supporting.

SOCIAL AND RECREATION

We provide housing for people whose needs are not met by state housing or the private housing market, fund projects to help homeless people, support community organisations, and provide community centres and halls. We also work to protect public health and safety through projects such as monitoring the city centre, banning liquor consumption in public in parts of the city, licensing food and liquor outlets, animal control, regulating other public health risks, providing toilets and preparing the city to deal with emergencies such as earthquakes. We also provide two cemeteries.

Our recreation work includes: providing libraries, playgrounds, swimming pools, recreation centres, sports fields and marinas; running recreation programmes; and reducing the costs of using sport and recreation facilities for people who have community services cards.

Our key challenges include providing for a population that is growing in size and diversity, and catering for a wider range of recreation activities.

Over the period to 2009, priorities include increasing the value of community facilities to their communities, promoting social cohesion and sound social infrastructure, and promoting participation in sport and recreation, particularly for youth.

During the year, we made progress on several initiatives that contribute to these priorities. Specifically:

- We worked with the Downtown Community Ministry to develop a survival guide for people on low incomes.
- The upgrade of Karori Park was completed.
- The Wellington Night Shelter reopened. We provided funding to help with its refurbishment.
- A new community centre opened in Tawa, a new hall in Newtown, and the Oriental Bay band rotunda was opened for community use.

During the year, we agreed to form a partnership with the government to upgrade our social housing. The partnership will see the government invest \$220 million, to be used for work such as improving building code compliance (including earthquake strengthening), insulation and ventilation, safety and security, upgrading kitchens and bathrooms, enhancing community facilities, and reconfiguring many Council bedsits into larger accommodation.

We also started funding the Healthy Homes project, which installs insulation and carries out other heating efficiency upgrades in the homes of low income people.

GOVERNANCE

Our governance work includes all of the activities that make us accountable to the people of Wellington: running local elections; holding meetings of the Council and its committees, and of community boards; producing annual plans and reports, along with policies and strategies to guide our work; and seeking feedback on our proposals from members of the public, Maori and stakeholder groups.

It also includes informing residents about our activities and services, through our call centre and service centre, and working with mana whenua to ensure they have a say in the development of the city.

The key challenge we face is to increase resident participation levels and build trust and confidence in civic decision-making. Our priorities for the period to 2009 include improving the transparency and quality of processes for public involvement in civic decision-making, improving consultation, and increasing participation rates in democratic processes. During the year, we adopted a new Engagement Policy setting out how we involve people in our decision-making. We also increased resourcing for our website

and took steps to allow the website to host online petitions from residents. Our website, contact centre and annual report all won national awards (see page XXX).

Other highlights for 2006/07:

- We carried out a representation review to determine ward boundaries, councillor numbers etc for the 2007 council elections.
- A book about Wellington's civic history, *Wellington: Biography of a City*, was published which we funded.