

Greater Wellington Regional Council

Annual Report Summary 2011/12

Summarising Greater Wellington's Annual Report 2011/12

Chair's report

The past year has been busy and challenging for Greater Wellington and the local government sector as a whole. These are interesting times with a Local Government Bill before Select Committee and further legislative changes expected in the near future.

Earlier this year our Council and Porirua City Council jointly commissioned an independent review panel to investigate local government reform in the Wellington region. The Panel is looking at the functions and structure of local government in the Wellington region as well as some wider-scale issues such as planning, infrastructure and regional leadership. In particular, we asked them to consider carefully how local and neighbourhood decision-making on community issues could be strengthened. We are looking forward to their report at the end of October, prior to adopting a formal Council position.

Over the previous year we have been extra vigilant in our planning and budgeting to ensure we achieve the best value for money for ratepayers. Through the development of the 2012-22 Long Term Plan, Greater Wellington underwent a rigorous process to analyse how we could reduce costs while continuing to provide the core services and infrastructure that the community has said it wants. Over the coming year we will continue to look at our bottom lines and how we might be able to deliver the same level of service at less cost.

In the year under review in this report we delivered a number of diverse programmes and projects, including progressing the Wairarapa Water Use Project, completion of the upgrade and strengthening of the first of the two Te Marua water storage lakes and commemoration of the 70th anniversary of the US Marine occupation of Queen Elizabeth Park with the Kapiti Marines Trust.

In the resource management space we are continuing development of a new Regional Plan, under the governance of Te Upoko Taiao – the Natural Resource Management Committee. Along with this work we published *Air, land and water in the Wellington region – state and trends*. This is a comprehensive report on the state of the region's environment which indicates that although some of our physical environment is doing well, there are a number of areas that are deteriorating. This data enables us to target our environmental programmes.

At Greater Wellington we work in partnership with the region's district and city councils on a range of issues. One of these was the completion of the Porirua Harbour and Catchment Strategy in collaboration with Porirua City Council, Wellington City Council and Ngati Toa Rangitira. This is a major catchment-based programme that will require close collaboration over many years to deliver. We also worked alongside the district and city councils to refresh the Wellington Regional Strategy and establish the Wellington Region Emergency Management Office which brought together the civil defence and emergency management resources of the region's nine councils into a single shared agency.

Much of our work is around regional infrastructure and planning – the big things that are important for whole communities. But we also have opportunities to make a difference in the lives of Wellingtonians on a smaller scale. One such initiative has been the Warm Wellington insulation scheme. Greater Wellington has been involved in this as part of the Government's Warm up New

Zealand: Heat Smart programme since it began in 2009. At the end of the year under review our scheme of loans against rates had assisted the insulation of 3,505 homes in the Wellington region, contributing to the health and wellbeing of the occupants.

New Zealand's general economic situation looks as if it will still be testing in the coming year as our nation continues to be caught up in global trends. Within this context we will be endeavouring to deliver top quality, appropriate and efficient services to our region and we look forward to working with our communities in a variety of ways.

A handwritten signature in black ink, appearing to read 'Fran Wilde', with a stylized, cursive script.

Fran Wilde

Key achievements for 2011/12

Resource management

In 2012 we released '*Air, Land and Water in the Wellington Region – state and trends*' – a comprehensive report into the state of the region's environment. Overall the findings show that our region's air is clean in most places, we've plenty of healthy soils and most of our beaches and many of our rivers and streams are safe to swim in on most occasions. There are some localised pressures around water quality and quantity. The development of a new regional plan has also been continuing this year under the governance of Te Upoko Taiao – The Natural Resource Management Committee. The last twelve months have seen an ongoing programme of community engagement around the plan, and the development of policy options around areas such as freshwater management, coastal biodiversity and land use. As part of our regulatory functions we issued 575 consents, of which 99.8% were processed within statutory timeframes. We also responded to more than 1,000 pollution incidents. The Wairarapa Water Use Project has further progressed this year, including refining the list of possible water storage sites.

Transport

The last year was an important one for transport in the region with the commencement of Matangi train services on the Kapiti and Johnsonville lines. At the end of June 2012, 36 Matangi trains were in passenger service. We funded 1.2 million bus, rail and ferry services, and over 35 million passenger trips. We commenced the Wellington Public Transport Spine Study to investigate the feasibility of high quality, high frequency public transport through the Wellington central city from the railway station to the regional hospital. We also made significant progress on the Wellington City Bus Review which attracted significant public interest. We completed the Regional Land Transport Programme 2012-15, a review of the Western Corridor Plan and the upgrade of the suite of regional transport models. Real time information for Hutt Valley bus services were rolled out and upgrading of 15 new bus shelters and a number of upgrades to stations and park and ride spaces were undertaken. We continued to fund the Total Mobility Scheme which provides subsidised transport for people with disabilities and promote road safety and sustainable transport choices, including the 'Lets Carpool' programme which has expanded to become a national website and brand.

Water supply

For the 2011/12 year we supplied 50,722 million litres of water to the region, a reduction of 3.9% from last year and the lowest annual supply since 1974. The water we supply continues to be of the highest quality with our treatment plants and our distribution system having the highest quality grading possible for their type. Our success over recent years in improving the effectiveness and efficiency of our water supply system while reducing costs was recognised in being awarded 'Special Recognition' at the IPANZ Gen-i Public Sector Excellence Awards in 2012. We have completed the upgrade and earthquake strengthening of the first of the Stuart Macaskill Lakes in Te Marua to ensure that stored water is retained after a major earthquake and to increase storage volume. Work on the second lake is due to start in November 2012, once the first lake has been refilled. Work on planning for the region's future water supply continues, with a decision on the next major source upgrade is expected in late 2012.

Parks and forests

A highlight for the year was the collaboration with the Kapiti US Marines Trust to commemorate the 70th anniversary of the US Marines occupation of Queen Elizabeth Park during World War II. The celebration included the unveiling of an upgraded US Marines memorial, and a defined route for the new Yankee Trail from Paekakariki to Whareroa Road. Whitireia Park, of which we took over day to day operation in March 2011, is now well integrated into the parks network. Close relationships have been developed with Ngati Toa Rangitira through the Whitireia Park Board. We have also established a Roopu Taiki (management group) with the Port Nicholson Block Settlement Trust to develop and implement a management plan for the Parangarahu Lakes Area. The Baring Head Ōruapouanui amendment to the Parks Network Plan was approved and provides direction for the development and protection of this part of the East Harbour Regional Park.

Land management

We worked with the Animal Health Board and the Department of Conservation to provide intensive possum control across more than 80% of the region. We also worked with landowners to plant 516ha of erosion-prone land and bring 74% of the region's erosion-prone land under farm or sustainability plans. 2011/12 was the first full year of operation for our new Biodiversity department and a three-year operational plan has been developed to carry out the Greater Wellington Biodiversity Strategy. The Porirua Harbour Catchment Strategy and Action Plan was launched in collaboration with Porirua City Council, Wellington City Council and Ngati Toa Rangitira.

Safety and flood protection

The region's nine councils agreed to establish the shared Wellington Region Emergency Management Office (WREMO), bringing together the civil defence and emergency management resources of the region's nine councils into a single shared agency. Flood protection work continues with good progress made over the last year with the completion of the Tobins stopbank on the Ruamahanga river a year ahead of schedule. The start date for the construction of the Boulcott-Hutt stopbank work was also brought forward. Over the year we had 450 requests from landowners for information about flood hazards to help them make decisions about what sort of development might be appropriate for their site.

Regional sustainable development

A commitment was made, along with the region's eight city and district councils, to continue the Wellington Regional Strategy, the regions economic development strategy and to refresh the strategy to focus on six key areas. We also received the EECA Fijitsu General NZ Community Award 2012 for Warm Greater Wellington insulation scheme that has helped insulate over 3,500 homes in the region and is now being used as a model by five other regions around New Zealand.

Community

In March 2012 the Government announced its intention to make significant changes to the legislative framework (Local Government Act 2002) guiding how local government operates and manages its business. As a result of the Government's announcement, Greater

Wellington and Porirua City Council established the independent Wellington Local Government Review Panel to investigate local government arrangements in the Wellington region. The Panel will report their recommendations by the end of October 2012. We also undertook a required statutory review of the Council's representation arrangements for the 2013 elections. An initial proposal for consultation released for consultation in June 2012.

Financial Overview

For the year ending 30 June 2012

Greater Wellington's net operating surplus for the 2011/12 year before fair value gains and losses and transport improvements was \$5.887 million, compared with a budgeted deficit of \$3.512 million. Including the expenditure on transport improvements, fair value movements, tax and asset revaluations the net surplus was \$44.175 million, which is \$30.435 million ahead of budget.

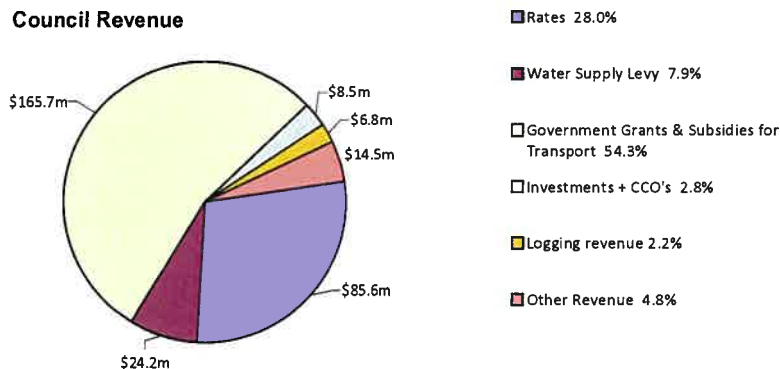
Significant components of this variance are:

- Transport Grants and subsidies - Revenue and Transport improvement expenditure

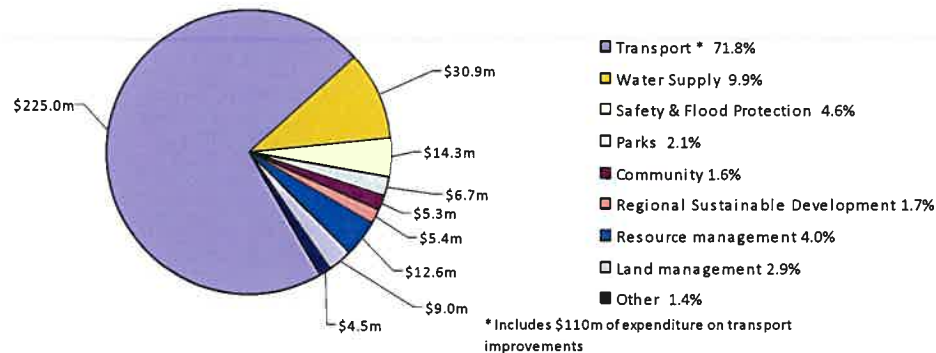
Greater Wellington receives grant revenue to fund various transport projects. Revenue is only received when expenditure is incurred including:

- Lower expenditure for purchase of Matangi EMU's of \$28.0 million due to a revised payment schedule and reduced grant revenue by \$2 million. The remaining Matangi's are expected to be in service and paid for by the end of 2012.
- Lower project expenditure including Ganz Mavag upgrade/replacement \$11.9 million, real time information and infrastructure upgrades of \$4.6 million reduced grant revenue by \$4.2 million.
- Finance costs were lower than budget due to lower level of capital expenditure compared to budget.

Council Revenue



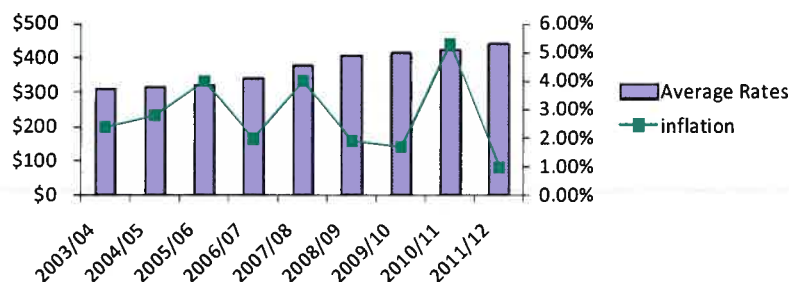
Council Operational Expenditure



**Summary statement of comprehensive income
for the year ended 30 June 2012**

	Greater Wellington Group		Greater Wellington		
	2012 Actual \$000s	2011 Actual \$000s	2012 Actual \$000s	2012 Budget \$000s	2011 Actual \$000s
Operational revenue	253,331	229,463	191,768	187,113	173,796
Finance costs	(16,463)	(10,359)	(7,233)	(8,533)	(5,424)
Operational Expenditure	(234,707)	(185,946)	(178,648)	(182,092)	(165,290)
Operational surplus / (deficit) for the year	2,161	33,158	5,887	(3,512)	3,082
Fair value of Kiwirail Assets	-	83,417	-	-	-
Transport Improvement Grants and subsidies	113,497	116,365	113,497	120,767	116,365
Transport improvement expenditure	(6,993)	(95,064)	(121,566)	(130,570)	(110,028)
Net revenue / (expenditure) for transport improvements	106,504	21,301	(8,069)	(9,803)	6,337
Surplus / (deficit) for the year before tax and fair value gains / (losses)	108,665	137,876	(2,182)	(13,315)	9,419
Fair value gains / (losses)	(21,329)	(3,910)	(3,343)	743	3,784
Tax	(26,614)	(28,930)	1,500	-	-
Operating surplus / (deficit) after tax	60,722	105,036	(4,025)	(12,572)	13,203
Net profit from discontinued operations	364	1,075	-	-	-
Other comprehensive income					
Increases / (decreases) in revaluations	43,400	(1,187)	48,200	26,312	336
Total comprehensive income for the year	104,486	104,924	44,175	13,740	13,539
Attributed to:					
Non controlling interest	(1,374)	1,377	-	-	-
Equity holders of the parent	105,860	103,547	44,175	13,740	13,539
Total comprehensive income for the year	104,486	104,924	44,175	13,740	13,539

Average rates collected per property*



*The average is for all property types, including residential, rural and commercial properties

Over the last nine years, rates for all properties have increased by an average of 5.3% including inflation. Over this period inflation averaged 2.8% per annum.

This increase includes the change for Greater Wellington taking on rating for economic development for the region in 2008; the major investment in improving the rail network and the continuation of the flood protection programme.

**Summary statement of financial position
as at 30 June 2012**

	Greater Wellington Group		Greater Wellington		
	Actual	Actual	Actual	Budget	Actual
Current assets	103,924	245,055	89,308	86,295	78,347
Non-current assets	1,392,560	1,156,880	827,402	806,453	756,256
Total assets	1,496,484	1,401,935	916,710	892,748	834,603
Current liabilities	84,162	260,040	71,287	62,725	114,803
Non-current liabilities	369,590	202,449	127,929	159,931	46,481
Total liabilities	453,752	462,489	199,216	222,656	161,284
Net Assets	1,042,732	939,446	717,494	670,092	673,319
Equity attributed to:					
Equity holders of the parent	996,038	892,752	717,494	670,092	673,319
Non controlling interests	46,694	46,694	-	-	-
Total equity	1,042,732	939,446	717,494	670,092	673,319

- Cash and cash equivalents and other financial assets

Cash and other financial deposits held at balance date is higher than budget due to the prefunding of capital expenditure that was then delayed.

- Forestry investments

Greater Wellington's forestry investments are valued each year. Higher market prices at year end resulted in an increase in the forestry valuation. The budget variance arises from the difference in valuation expectations at the time of the budget and year end.

- Investment in subsidiaries

Council share of the new rail rolling stock is funded by way of share capital in GW Rail Ltd. The timing of the Matangi expenditure is different to budget noted above. This movement for the year is attributed solely to share capital called of \$9.3 million compared to a budget of \$35 million.

- Property, plant and equipment – capital expenditure

Delays in the Real time information \$2.6 million and flood protection projects \$3.6 million have contributed to lower level of expenditure compared to budget.

- Debt

Debt has shifted to long-term from current in alignment with councils treasury management policy. Overall term debt was lower than budget due to the lower level of capital expenditure compared to budget.

Fran Wilde

Chair

Date

David Benham

Chief Executive

Date

Bruce Simpson

Chief Financial Officer

Date

**Summary statement of changes in equity
for the year ended 30 June 2012**

	Greater Wellington Group		Greater Wellington		
	Actual	Actual	Actual	Budget	Actual
Equity - opening balance as at 1 July	939,446	835,445	673,319	656,352	659,780
Total comprehensive income for the year	104,486	104,924	44,175	13,740	13,539
Dividend to non controlling interest	(1,200)	(923)	-	-	-
Total closing equity at 30 June	1,042,732	939,446	717,494	670,092	673,319
Equity attributed to:					
Equity holders of the parent	996,038	892,752	717,494	670,092	673,319
Non controlling interests	46,694	46,694	-	-	-
Total closing equity at 30 June	1,042,732	939,446	717,494	670,092	673,319

**Summary statement of cashflows
for the year ended 30 June 2012**

	Greater Wellington Group		Greater Wellington		
	Actual	Actual	Actual	Budget	Actual
Cashflows from operating activities	29,023	39,616	15,034	(626)	37,349
Cashflows from investing activities	40,126	(40,283)	(23,935)	(73,042)	(41,326)
Cashflows from financing activities	(60,683)	4,075	18,023	75,123	6,537
Net increase / (decrease) in cash, cash equivalents	8,466	3,408	9,122	1,455	2,560
Opening cash equivalents	39,919	36,511	38,547	36,899	35,987
Closing cash equivalents	48,385	39,919	47,669	38,354	38,547

Independent Auditor's report