

Keeping Auckland's future bright

Auckland City Council Annual Report Summary 2006/2007



Auckland city's volcanic cones, two sparkling harbours and size and status as New Zealand's largest city offer enviable lifestyle opportunities.

Auckland City Council is responsible for providing, protecting and enhancing what we have today to keep Auckland's future bright. This report looks at how we are facing the challenges of managing our resources to ensure our economy, environment, society and culture are developed in a way that will enrich our city today, tomorrow and into the future.

It summarises some of the things the council has been getting on with over the past year.

It also reports on the progress we have made on the projects, plans and everyday services we outlined in our long-term plan set in 2006.



Across Auckland: our city life from coast to coast

Take the coast to coast walk for an overview of your rates in action, and how this work contributes to sustaining the city.

1 Waitemata waterfront

Linking people, city and sea
The coast to coast walk starts at the CBD waterfront.

The council began buying land in 2004 to guide and integrate the development of this historic area, and as a commitment to extending access to the water for future generations. This year we secured 13ha of land and wharves for public spaces and walkways at a cost of \$79 million.

Our plans for the waterfront will also ensure the marine and fishing industries continue to have a home here.

2 CBD

Keeping the heart of the city pumping

Auckland has long been the hub of New Zealand's business and financial sector.

The \$167 million, 10-year plan to revitalise the CBD is about more than making streets, parks and footpaths safer and easier to use. To keep attracting global businesses, visitors and students, we need to make the CBD a dynamic business and cultural centre.

Join the 300,000 people who walk along Queen Street every day and see how its biggest makeover in 150 years is going. Stop to view the Britomart project, which is creating a lively 5ha of shops, cafes, apartments, new public spaces and restored heritage buildings.

3 Albert Park

Enjoying culture in parks

Albert Park is Auckland's best-preserved Victorian park and the site of an old Maori village (papakainga). It is one of about 800 open spaces and contains some of the more than 100,000 trees the council looks after. This year we spent \$36 million on keeping our parks in tip-top shape.

Its cultural heritage makes Albert Park an appropriate home for the annual Lantern Festival. This festival celebrates Chinese New Year and helps create better understanding among Auckland's 185 ethnic groups, particularly now the city has a 23 per cent Asian population.

We support 2000 events across the city every year. Like the Pasifika and Diwali festivals, the council sponsors the lantern festival.

4 Grafton Gully

Making city bus travel an attractive choice

As you cross Grafton Domain towards Auckland Domain, you will see a completed junction of motorways now feeding into and out of the city and the port.

Later this year construction of a \$45 million bus priority project called the Central Connector will begin. It will be routed across Grafton Bridge to link the CBD with Newmarket and is the council's biggest public transport initiative since Britomart.

The Central Connector will make bus travel a better choice for Aucklanders by enabling quicker journeys and more reliable services.

Coast to coast

www.aucklandcity.govt.nz/walkways





5 Maungawhau-Mt Eden

Protecting our volcanic cones

Now it is time to climb. At 196m, Maungawhau-Mt Eden is one of the tallest of the city's 23 volcanic features. Its slopes, which were once populated by Maori, offer a spectacular panoramic view of Auckland.

The council's vision to protect this important historic site is equally wide-ranging. The final management and conservation plans were drawn up in the past year in consultation with many groups connected with the mountain, including local iwi.

Together we are exploring options for a visitor centre and a transport link to remove cars and buses from the cone and help protect its integrity.

6 One Tree Hill Domain

Playgrounds large and small

One Tree Hill Domain is Auckland's largest playground and contains Maungakiekie – the largest volcanic cone fortress in the southern hemisphere.

The council maintains 200 playgrounds around the city that give people a chance to get outdoors and exercise locally, without getting in their cars.

We own and support recreation centres, pools (including two new pools being developed in Avondale and Otahuhu) and community stadiums that are used 3.1 million times each year. An average of 135 different groups use our 21 community centres and 29 halls every day.

7 Royal Oak

Moving from rubbish to resource

If you are walking through Royal Oak on Monday, the kerbsides will be lined with council-provided rubbish and recycling bins.

We want to reduce the amount of waste going to landfill from people living and working in Auckland city. Each month the city produces enough waste to fill a rugby field to a height of five storeys. Almost half this waste is organic garden or kitchen material.

We offer free courses on how to compost and are researching many citywide options to turn waste into a resource.

8 Onehunga Mainstreet

Mainstreets do the business

The walk is now drawing to an end through Onehunga. Nearby, Onehunga's main street is a business community that is one of 17 in the Mainstreets programme. Mainstreets are a partnership between local business sectors and the council. They aim to maintain the unique, historical identity of each town centre while supporting new businesses and increased employment opportunities.

In 2006/2007 more than \$5 million was collected and spent through the targeted rate from local businesses to fund Mainstreet projects.

9 Manukau Harbour

Cleaning up our water

Each time it rains, Auckland's sub-tropical downpours have to be soaked up by the soil or find their way back to the oceans. Otherwise, we have flooding. The city has 1200km of stormwater pipes, some of which also collect our sewage. Over the past year, we spent almost \$35 million on renewing and improving this network so that the water flowing into our harbours is less polluted.

We also promote alternative ways to reduce the impacts of stormwater.

Next year we will spend \$36 million on reducing the effects our daily lives have on our recreational harbours and waterways. Like you, we want them to be safer and more attractive for traditional Kiwi activities such as swimming or gathering shellfish.



What we've been getting on with



In 2006/2007 in the CBD, we revitalised numerous streets and open spaces, with wider paved footpaths, attractive lighting, art works, trees and seating.



These areas include Quay Street, Lorne Street, Lower Khartoum Place, Karangahape Road, stage one of Queen Street and Beach Road, where pedestrians will take priority and general traffic will take a back seat.



The state-of-the-art Vector Arena opened in March 2007 and seats 12,000 people. It is already attracting major events that would normally bypass New Zealand such as Red Hot Chili Peppers, Pink, Gwen Stefani, Bob Dylan, The Cure and Burt Bacharach. Crowded House, The Beach Boys and Lionel Richie are coming up.



We finalised the design for the Central Connector busway between downtown and Newmarket.



We secured 13ha of land and wharves for high-quality public spaces as part of our plan to turn the CBD waterfront into a world-class destination. These areas include:

- Harbour Park
- Westhaven Drive
- Public spaces on Wynyard Point
- Halsey Street Wharf
- Hobson Wharf and the New Zealand National Maritime Museum
- Teal Park.

We developed exciting new preliminary plans for Wynyard Quarter (formerly the Tank Farm) to include:

- more public space such as parks, plazas, paths, a bridge and boardwalks
- areas for the marine and fishing industries
- commercial and residential development.

A district plan change for Wynyard Quarter is in progress to make the development possible.



We finished the preliminary design for \$1.3 billion of transport solutions under the Auckland-Manukau Eastern Transport Initiative (Ameti), enhanced Panmure and Glen Innes town centres and upgraded the rail stations.



The initiatives are needed to cope with the extra 30,000 people expected to be living and working in the Tamaki Edge area in 20 years. We consulted with people in the eastern suburbs as part of our planning. Ameti is a joint project with Manukau City Council.

The Environment Court approved a district plan change for the development of the former Mt Wellington quarry by owner Landco Ltd. The development will provide a mix of housing for at least 6500 people, together with a primary school, shops and commercial development.

Work continued on double-tracking parts of the city's rail network and we secured government funding to electrify the network.

We upgraded another 105km of footpaths and made major progress on the Tiverton-Wolverton road widening in New Windsor.

Seven more schools met Land Transport New Zealand's criteria for 40km/h speed zones and 586 more children are involved in the walking school bus initiative at city schools.

All up, we improved another 87km of roads and created 2km of new bus lanes.

We completed a management plan for Maungawhau-Mt Eden to protect the mountain while improving visitor experiences.

We bought more land for parks, including the historic stonefields at Maungarei-Mt Wellington.

We increased funding for community facilities such as the Otahuhu Recreation Centre.



The \$48 million redevelopment of the Talbot Park residential area in Glen Innes was completed with Housing New Zealand Corporation. It resulted in 52 new houses and units, and a better living environment.

We invested in our libraries to help fund longer opening hours and free internet access. To make it easier to find information at our libraries we also boosted funding for childrens collections, literacy and outreach programmes.

“Westhaven Marina, which the council owns and operates, won a coveted international Blue Flag award for water quality.”

Grants totalling \$50,000 were allocated to landowners for 16 conservation projects on Waiheke, Great Barrier, Rakino and The Noises islands. The Auckland Zoo's New Zealand Centre for Conservation Medicine opened in June 2007.



We made a policy change in October 2006 to allow primary schools to use kerbside recycling.



Energy-efficient street lights were installed on Beach Road at the northern end of the CBD.

We have invested \$12 million to improve our regulatory services which will shorten the time it takes to get resource or building consents, licences for food premises and dog registrations.



The council required a new rail station to be built at Sylvia Park to give shoppers another public transport option.



“In 2006, a \$4.2 million fund was allocated to boost heritage and urban design projects over three years to ensure a high-quality natural and urban environment.”

Summary financial statements

Auckland City Council group ¹ \$000	Actual 2007	Budget 2007	Actual 2006	Comments
Financial performance to 30 June				
Revenue	759,010	777,235	710,244	Includes rates, income from core activities, dividends, interest and capital subsidies
Expenditure	694,832	606,146	723,378	
Finance costs	9,563	11,379	8,424	
Share of surplus/(deficit) of associates	(2,406)	(2,406)	17,099	
Net surplus/(deficit) before taxation ²	57,021	162,116	(38,657)	
Taxation	4,438	6,497	4,030	
Net surplus/(deficit) after taxation	52,583	155,619	(42,687)	
Net surplus/(deficit) after taxation – parent	51,689	151,975	(24,055)	
Net (deficit) after taxation – minority interests	(183)	(184)	(184)	
Changes in the value of net assets owned by ratepayers to 30 June				
Net surplus/(deficit) for the year ²	52,583	155,619	(42,687)	
Property, plant and equipment – revaluation gain taken to equity	424,355	167,663	945,470	
Financial assets at fair value through equity – valuation gain/(loss)	173,113	0	(34,238)	
Cashflow hedges taken to equity – gain/(loss)	3,999	0	1,223	
Deferred tax on equity item	(30,635)	0	(71,442)	
Other equity movements	844	(966)	4,464	
Total movements for the year	624,259	322,316	802,790	
Equity at beginning of year ³	8,393,371	8,270,677	7,590,581	
Equity at end of year	9,017,630	8,592,993	8,393,371	Net assets owned by ratepayers
Assets and liabilities (financial position) at 30 June				
Equity ³	9,015,544	8,590,736	8,391,114	
Equity – minority interests	2,086	2,257	2,257	
Total equity	9,017,630	8,592,993	8,393,371	Net assets owned by ratepayers represented by:
Current assets	111,194	115,814	283,001	assets expected to be converted to cash within the next 12 months
Non-current assets ³	9,622,979	8,890,538	8,788,734	assets expected to be held for longer than 12 months
Current liabilities	278,422	196,241	311,539	items due for repayment within 12 months
Non-current liabilities	438,121	217,118	366,825	items due for repayment after 12 months.
Cash movements to 30 June				
Cash balance – 1 July	78,640	83,512	66,517	
Net cash from operating	254,859	285,481	256,934	Includes rates, receipts from customers, subsidies, financial contributions and payments to suppliers and employees
Net cash from investing	(248,766)	(331,133)	(254,442)	Includes capital expenditure and investments
Net cash from financing	(57,149)	(18,102)	9,631	Includes borrowing and repayment of debt
Cash balance – 30 June	27,584	19,758	78,640	

Notes to the table above

- Auckland City group includes all subsidiaries and associates.
- Net surplus for the year to 30 June 2007 is \$53 million. This is below budget as a result of:
 - reduction in capital subsidy revenue from third parties because of delays to major projects
 - increased provisions for legal and weathertightness settlements and remediation of contaminated sites and landfills
 - lower development contribution revenue.
- Total assets of \$9.734 billion is \$0.7 billion higher than budget. The significant variances were:
 - an increase in property, plant and equipment arising from revaluation of \$321 million
 - an increase in Auckland International Airport Limited (AIAL) share value of \$173 million at 30 June 2007, based on a share price of \$3.28 (2006: \$2.17).

Events after balance date

Subsequent to 30 June 2007, Auckland City Council completed the agreement to purchase public space and wharf property in the Wynyard Quarter for cash consideration of \$67.9 million. These properties will be developed in accordance with the council's long-term vision for the waterfront.

Capital commitments and contingent liabilities

Auckland City group has contracts committing us to spend \$99.6 million (2006: \$85.6 million) on capital works. Contingent liabilities, which are dependent on other future events, are \$273 million (2005: \$220.2 million).

Summary financial statements

Explanation of transition to New Zealand International Financial Reporting Standards (NZ IFRS)

Auckland City Council adopted NZ IFRS on 1 July 2006 and its full set of NZ IFRS financial statements are for the year ending 30 June 2007. NZ IFRS requires full restatement of comparative balances for the year ending 30 June 2006.

\$000	Note	Group		
		Previous reporting 30 June 2006	Effect on transition to NZ IFRS	NZ IFRS 30 June 2006
Financial performance				
Income	1	709,654	590	710,244
Expenditure	2	732,035	(233)	731,802
Operating deficit		22,381	(823)	21,558
Share of deficit of associate	3	18,990	(1,891)	17,099
Operating deficit before tax		41,371	(2,714)	38,657
Taxation expense		61	3,969	4,030
Net deficit after tax		41,432	1,255	42,687
Attributable to				
Auckland City Council		(41,248)	(1,255)	(42,503)
Minority interest		(184)	0	(184)
		(41,432)	(1,255)	(42,687)
Financial position				
Total non-current assets	4	9,003,373	(214,639)	8,788,734
Total current assets	5	284,782	(1,781)	283,001
Total assets		9,288,155	(216,420)	9,071,735
Total equity	6	8,831,364	(437,993)	8,393,371

Explanatory notes on the changes

This table summarises the changes for the group for the year ended 30 June 2006.

- Revenue in advance, NZ IFRS led to a change in the recording of building inspection fees \$345,000 partially offset by a reclassification of the revenue within the group (\$50,000). Interest rate swaps and the corresponding debt was classified as "fair value through profit and loss"; the net gain was \$295,000.
- Significant movements in expenditure include a reduction in depreciation and amortisation of \$364,000 in the group accounts, offset in the parent accounts by a movement in community loans, an increase of \$81,000.
- The share of (surplus)/deficit for associates adjustment is as a result of Watercare Services Ltd's restatement to NZ IFRS of \$1.9 million. Previously the current and deferred tax expense represented 50 per cent of the operating surplus before taxation. This arose because the company policy to revalue its fixed assets created a permanent difference between the surplus for accounting purposes and taxable income. However, under NZ IFRS the revaluation component of depreciation is now regarded as a temporary difference on which deferred taxation is provided. The results in net tax expense are more in line with the underlying tax rate of 33 per cent.
- The parent accounts show the investment in Watercare Services Ltd, an associate of Auckland City Council, has been restated to show the investment at its original amount. The impact is a decrease in the investment of \$59 million. In addition, the group accounts show the impact of Watercare Services Ltd adopting NZ IFRS, a decrease of \$156 million in 2006 due to changes in their general equity and revaluation reserve. (See note 6).
- On first-time adoption, Auckland City Council designated the investment portfolio as "fair value through equity". The impact at 30 June 2006 is estimated to be an increase of \$0.5 million. At 30 June 2006, overnight investments of \$1.1 million have been reclassified from current investments to cash.
- Auckland City Council group has elected to apply the deemed cost exemption available under NZ IFRS 1 First-time adoption of NZ IFRS in relation to its infrastructure, property and other assets that are carried at valuation. Under this exemption, Auckland City Council is permitted to use the carrying values of property, plant and equipment under current reporting as deemed cost. This is a one-off exemption that can only be applied on the opening NZ IFRS balance sheet. The net impact for Auckland City Council is the transfer of \$277 million from the revaluation reserve to retained earnings. The net impact of the adjustment to the revaluation reserve of Watercare (an associate) is a decrease of \$160 million at 1 July 2005.
- In group accounts, the deferred tax liability in relation to revalued assets was calculated based on the income tax effects that could crystallise if the asset was sold at its revalued carrying amount. Although any capital gain on the sale of fixed assets would be non-taxable in most situations, any tax depreciation recovered on the sale of fixed assets would be subject to tax. Therefore, if fixed assets have been revalued above tax cost, the deferred tax liability would generally equal the tax effect of the accumulated tax depreciation claimed on the fixed assets. The Metro Water Ltd impact was \$228 million as at 1 July 2005.
- Under NZ IFRS, any impairment of financial assets is recognised only if there is objective evidence that the financial asset or group of financial assets is impaired. The adjustment at 1 July 2005 is \$6.3 million.



Auckland City Council is a public benefit entity as defined under New Zealand International Financial Reporting Standards (NZ IFRS). The information included in this report has been prepared in accordance with FRS43: Summary financial statements.

This summary of financial information comes from the full version of the Annual Report 2006/2007 (see back page for how to get a full report). This summary cannot provide a comprehensive understanding of the council's operations and financial position.

The full financial report and this summary received an unqualified audit opinion. This summary was authorised by the Auckland City Council General manager finance, Andrew McKenzie, 20 September 2007.

This financial report is for the financial year 1 July 2006 to 30 June 2007.

It reports on the plans for that year that were outlined in the first year of the 10-year plan, which was published in 2006.

Financial overview

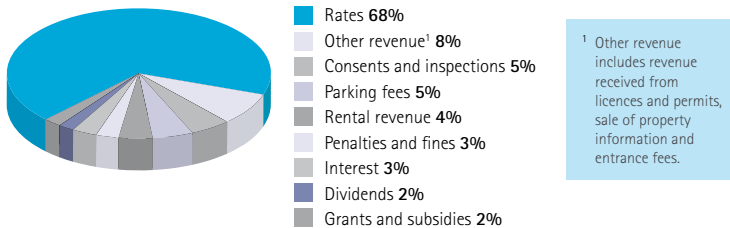
The council achieved an operating surplus of \$40.3 million for the year, in line with budget. The surplus before tax was \$51.3 million, down \$100.7 million on budget because of timing differences in receiving capital subsidies. This was due to delays in some capital projects. We also needed to provide for cleaning up landfills and contaminated sites, together with settling claims related to the weathertightness of buildings.

Ratepayers' equity in the city increased by 7.1 per cent to \$8.3 billion. This was due in part to the revaluation of the council's assets, and a \$172.9 million increase in the value of the council's Auckland International Airport Limited shareholding at 30 June 2007.

Operating revenue including rates

The council received \$552 million of operating revenue during the year, including \$374 million (68 per cent) from rates.

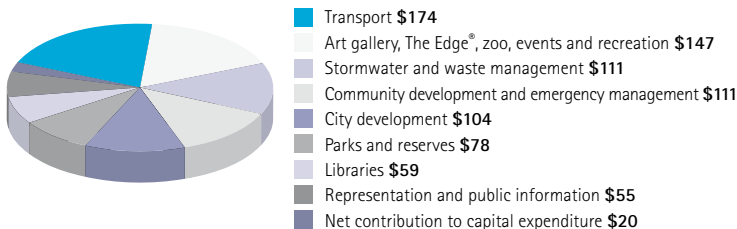
Operating revenue by type



Where your rates were spent this year

The graph below shows where the average rates each ratepayer pays each year of \$859 were spent in 2006/2007. Spending on transport initiatives topped the priority list, followed by providing events, recreation facilities and attractions such as the art gallery and zoo.

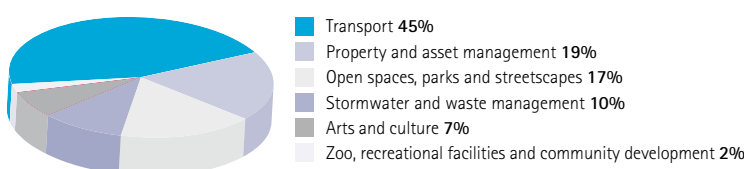
Rates expenditure per resident (\$)



Capital expenditure this year

We spent \$343 million on capital projects in 2006/2007. Of this, \$151 million was spent on providing more sustainable transport choices in the city such as improving footpaths to make walking safer and easier.

Capital expenditure by type



Audit report

Audit report to the readers of Auckland City Council and Group's summary annual report for the year ended 30 June 2007.

We have audited the summary annual report.

Unqualified opinion

In our opinion:

- the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the information reported in the summary financial statements complies with FRS-43: Summary Financial Reports and is consistent with the full financial statements from which it is derived.

We expressed an unqualified audit opinion, in our report dated 20 September 2007, on:

- the full financial statements; and
- the Council and group's compliance with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report.

Basis of opinion

Our audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards. Other than in our capacity as auditor we have no relationship with or interests in Auckland City Council or any of its subsidiaries.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report and we are responsible for expressing an opinion on that report. These responsibilities arise from the Local Government Act 2002.

Bede Kearney, Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand - 26 September 2007



If you would like a copy of Auckland City Council's annual report, please phone (09) 379 2020 or visit www.aucklandcity.govt.nz

Check *City Scene* for more information about how we're getting on with other things in the city.

