2 October 2024

Absolutely Positively
Wellington City Council
Me Heke Ki Pōneke

File Ref: IRC-7066

[redacted]

Tēnā koe [redacted]

Thank you for your Facebook comment of 5 September 2024 to Te Kaunihera o Pōneke | Wellington City Council (the Council) requesting the following information:

> *The Mayor today justifies the soaring spending at Council and rates increasing saying that rates have been kept artificially low - that's not the full story and the increases are now hurting people, including renters. How can the Major justify this claim?*

Your request has been considered under the Local Government Official Information and Meetings Act 1987 (LGOIMA). Please see the response below.

The recently adopted 2024-34 Long-Term Plan (LTP) outlines several factors contributing to increasing rates. The plan acknowledges that past rates were lower than necessary, resulting in underinvestment in essential infrastructure and services – particularly three waters. This has led to a backlog of maintenance and upgrades which now requires additional funding.

The Council owns a range of public and civic buildings that are earthquake-prone and need to be remediated, contributing to the increased costs. Other pressures on the budget come from significant investments in critical infrastructure such as transport and community facilities, which are necessary to meet the city's growth and resilience needs. Further, inflationary pressures in materials, labour, and financial factors such as insurance, inflation, and interest rates have also impacted overall expenditure, resulting in increased rates.

As part of the LTP, we have updated our financial strategy for the next 10 years. The strategy's key focus is to ensure long-term financial sustainability while balancing significant infrastructure investments, operational cost and rates affordability at a time when the Council's finances are materially constrained.

Specific goals in the financial strategy include:

- ***Managing rate increases:*** maintaining rates increases on average between 5-8% over the next decade, while allowing higher-than-average increases in the first few years to continue to fund the current levels of service.
- **Investing in Critical Infrastructure:** ensuring substantial additional investment in water as well as improvements in transportation infrastructure, and improved resilience to future-proof the city.
- **Maintaining Debt-to-Revenue Ratio:** maintenance of the council's self-imposed debt-to-revenue ratio of 225% thereby providing borrowing headroom for investment in the future

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- **Service Delivery and Efficiency:** making targeted service reductions and efficiency savings to offset rising costs, such as delaying asset depreciation funding and reducing non-essential services. These savings help to balance the need for investment with the need to limit the financial burden on ratepayers.
- **Improving Balance Sheet Resilience:** using proceeds from the sale of our 34% shareholding in the Wellington International Airport to create a Perpetual Investment Fund (PIF) to support the city in responding to future disasters and to diversity our investment portfolio. This fund would reduce current pressure on the Council's balance sheet by removing the need to carry significant insurance headroom (in the face of rising insurance costs) and free up capital for infrastructure investment

If you require further information, please contact official.information@wcc.govt.nz.

Nāku noa, nā

Chelsea McHugh
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