Absolutely Positively
Wellington City Council
Me Heke Ki Pōneke

Ordinary Meeting of Kōrau Tōtōpū | Long-term Plan, Finance, and Performance Committee

Rārangi Take | Agenda

9:30 am Rātū, 29 Whiringa ā-nuku 2024
9:30 am Tuesday, 29 October 2024
Ngake (16.09), Level 16, Tahiwi
113 The Terrace
Pōneke | Wellington

MEMBERSHIP

Mayor Whanau
Deputy Mayor Foon
Councillor Abdurahman
Councillor Apanowicz (Deputy Chair)
Councillor Brown
Councillor Calvert
Councillor Chung
Councillor Free
Pouiwi Hohaia
Pouiwi Kelly
Councillor Matthews (Chair)
Councillor McNulty
Councillor O'Neill
Councillor Pannett
Councillor Randle
Councillor Rogers
Councillor Wi Neera
Councillor Young

Have your say!
You can make a short presentation to the Councillors, Committee members, Subcommittee members or Community Board members at this meeting. Please let us know by noon the working day before the meeting. You can do this either by phoning 04-499-4444, emailing public.participation@wcc.govt.nz, or writing to Democracy Services, Wellington City Council, PO Box 2199, Wellington, giving your name, phone number, and the issue you would like to talk about. All Council and committee meetings are livestreamed on our YouTube page. This includes any public participation at the meeting.

AREA OF FOCUS

The Kōrau Tōtōpū | Long-term Plan, Finance, and Performance Committee has responsibility for:

1) Long-term planning and annual planning.
2) Financial and non-financial performance oversight in relation to the long-term plan and annual plan.
3) Financial oversight.
4) Procurement policy.
5) Non-strategic asset investment and divestment as provided for through the long-term plan (recommending to Council where matters are not provided for in the long-term plan).
6) Council-controlled Organisation oversight and performance.
7) Council-controlled Organisation director review and appointments.
8) WellingtonNZ oversight and performance.
9) Approve asset management plans.

To read the full delegations of this committee, please visit wellington.govt.nz/meetings.

Quorum: 9 members

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1. Meeting Conduct

1.1 Karakia

The Chairperson will open the hui with a karakia.

Whakataka te hau ki te uru,	Cease oh winds of the west
Whakataka te hau ki te tonga.	and of the south
Kia mākinakina ki uta,	Let the bracing breezes flow,
Kia mātaratara ki tai.	over the land and the sea.
E hī ake ana te atākura.	Let the red-tipped dawn come
He tio, he huka, he hauhū.	with a sharpened edge, a touch of frost,
Tihei Mauri Ora!	a promise of a glorious day

At the appropriate time, the following karakia will be read to close the hui.

Unuhia, unuhia, unuhia ki te uru tapu nui	Draw on, draw on
Kia wātea, kia māmā, te ngākau, te tinana, te wairua	Draw on the supreme sacredness
I te ara takatū	To clear, to free the heart, the body
Koia rā e Rongo, whakairia ake ki runga	and the spirit of mankind
Kia wātea, kia wātea	Oh Rongo, above (symbol of peace)
Āe rā, kua wātea!	Let this all be done in unity

1.2 Apologies

The Chairperson invites notice from members of apologies, including apologies for lateness and early departure from the hui, where leave of absence has not previously been granted.

1.3 Conflict of Interest Declarations

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

1.4 Confirmation of Minutes

The minutes of the meeting held on 26 September 2024 will be put to the Kōrau Tōtōpū | Long-term Plan, Finance, and Performance Committee for confirmation.

1.5 Items not on the Agenda

The Chairperson will give notice of items not on the agenda as follows.

Matters Requiring Urgent Attention as Determined by Resolution of the Kōrau Tōtōpū | Long-term Plan, Finance, and Performance Committee.

The Chairperson shall state to the hui:

1. The reason why the item is not on the agenda; and
2. The reason why discussion of the item cannot be delayed until a subsequent hui.

The item may be allowed onto the agenda by resolution of the Kōrau Tōtōpū | Long-term Plan, Finance, and Performance Committee.

Minor Matters relating to the General Business of the Kōrau Tōtōpū | Long-term Plan, Finance, and Performance Committee.

The Chairperson shall state to the hui that the item will be discussed, but no resolution, decision, or recommendation may be made in respect of the item except to refer it to a subsequent hui of the Kōrau Tōtōpū | Long-term Plan, Finance, and Performance Committee for further discussion.

1.6 Public Participation

A maximum of 60 minutes is set aside for public participation at the commencement of any hui of the Council or committee that is open to the public. Under Standing Order 31.2 a written, oral, or electronic application to address the hui setting forth the subject, is required to be lodged with the Chief Executive by 12.00 noon of the working day prior to the hui concerned, and subsequently approved by the Chairperson.

Requests for public participation can be sent by email to public.participation@wcc.govt.nz, by post to Democracy Services, Wellington City Council, PO Box 2199, Wellington, or by phone at 04 499 4444 and asking to speak to Democracy Services.

2. General Business

LONG-TERM PLAN AMENDMENT AND 2025/26 ANNUAL PLAN PROCESS

Kōrero taunaki | Summary of considerations

Purpose

1. This report outlines the process, scope and timeline for the 2024-34 Long-term Plan (LTP) amendment and the 2025/26 Annual Plan.
2. The paper includes the principles that will guide the review of the capital programme for the LTP amendment. Decisions on these will be made on 21 November along with the updated financial parameters that the Council will work towards in its financial strategy.
3. The process and timeline outlined in this paper has been updated from what was agreed by Committee on 26 September to reflect the work needed to deliver an LTP amendment in addition to the 2025/26 Annual Plan.

Strategic alignment

4. The LTP amendment may impact several community outcomes, strategic approaches, and priorities to varying degrees. This will be considered in more detail as the LTP amendment takes shape.

Relevant previous decisions

5. 10 October Council Meeting:
    - Agree to commence a process to amend the 2024-34 LTP with Council's objective being No Sale of any of its shareholding in Wellington International Airport Limited.
    - Agree, while the Council is progressing an LTP amendment to remove the share sale from the LTP, to:
        - Direct officers and relevant contractors to cease all work to progress the share sale including the currently scheduled report for December 2024;
        - Direct that no further money is spent on establishing a Perpetual Investment Fund (PIF) through the share sale.

    26 September Committee Meeting:
    - That the Kōrau Tōtōpū | Long-term Plan, Finance, and Performance Committee:
    - Note the key dates for the 2025/26 Annual Plan outlined in Attachment 1.
    - Note the draft baseline budget is year two of the 2024-34 LTP inflated at the same inflation rates used to prepare the LTP, which was agreed by Council on 27 June 2024.

- Note that interim inflation rates for 2025/26 are higher than those used to prepare the 2024-34 LTP.
- Note the intention to provide a draft 2025/26 Annual Plan budget to the Committee by 11 December 2024.
- Note there are significant uncertainties and risks detailed in this paper that may impact the 2025/26 Annual Plan process and budget and may trigger an amendment to the 2024-34 LTP.
- Note detailed briefings on the key decisions noted in this paper will be provided as follows:

  a. Wellington International Airport Limited shares sale notice of motion on 10 October 2024;

  b. Regional Water Services Delivery Plan on 31 October 2024; and

  c. NZTA transport funding on 29 October 2024.

Significance

6. The decision is **rated high significance** in accordance with schedule 1 of the Council's Significance and Engagement Policy.

Financial considerations

☒ Nil	☐ Budgetary provision in Annual Plan / Long-term Plan	☐ Unbudgeted $X

7. No financial or budget decision is required in this paper. Any financial impact from recommendations on the Long-term Plan amendment will be presented to the 21 November committee meeting

Risk

☐ Low	☐ Medium	☒ High	☐ Extreme

8. All risks have been considered and outlined within the paper.

Authors	Matthew Deng, Senior Advisor Kirralee Mahoney, Principal Advisor Financial Planning Baz Kaufman, Manager Strategy and Research Raina Kereama, Manager Financial Planning and Policy
Authoriser	Andrea Reeves, Chief Strategy and Finance Officer

Taunakitanga | Officers' Recommendations

Officers recommend the following motion:

That the Kōrau Tōtōpū | Long-term Plan, Finance, and Performance Committee:

1. **Receive** the information.
2. **Note** that the driver for the LTP amendment is the decision of 10 October not to proceed with the sale of Wellington International Airport shares and establish a PIF, and the process, scope and focus of the work programme outlined in this paper has been integrated with the annual plan programme to achieve that.
3. **Note** that Council's Water Services Delivery Plan options and the impact of reduced NZTA funding will also be included in the 2025/26 Annual Plan / LTP amendment process as per the committee paper of 26 September**.**
4. **Note** that the 10 October Notice of Motion paper included a series of principles that will be used to develop options for the review of the capital programme, and these are outlined in the paper.
5. **Note** the principles are being used to develop options to reduce the capital works programme in the early years of the LTP including the impact of reduced National Land Transport Programme (NLTP) revenue.
6. **Agree** to delay the review of the rating base (Land value or Capital value) until after the 2024-34 LTP amendment. Recommendations following the review of the rating base will be used to inform the 2027-37 LTP.

Whakarāpopoto | Executive Summary

9. As a consequence of Council passing the Notice of Motion (NOM) on 10 October 2024 Council is now required to make an amendment to its 2024-34 LTP. This will be done in conjunction with the development of the 2025/26 Annual Plan.

10. The LTP amendment will look out over nine years and focus on the risks we face being an undiversified investment portfolio and a large and growing insurance risk. The 2025/26 Annual Plan will focus on variances to year two of the 2024-34 LTP.

11. Options for the Water Services Delivery Plan and the impact of reduced NZTA funding will also be included in the process so that there is one 'joined up' conversation with the community on key issues and budget matters. There is a separate paper scheduled for committee on Local Water Done Well in the coming months.

12. In June 2024 the Te Kaunihera o Pōneke | Council adopted the 2024-34 LTP, which included a decision to sell Wellington International Airport Limited (WIAL) shares to establish a Perpetual Investment Fund (PIF). The PIF was intended to support the risks that the Council faces including an undiversified investment portfolio and a large and growing insurance risk. The passing of the 10 October 2024 NOM initiated a LTP amendment process to reverse the decision to sell the shares and halted all work on the share sale and PIF establishment. In response to this NOM, Officers have stopped all work on the sale and PIF establishment.

13. This report contains a new process and an updated timeline for the 2025/26 Annual Plan and the LTP amendment, which includes criteria on reassessing and reducing the capital programme.

14. A key objective of the compressed Annual Plan / LTP amendment timeframe and approach in this report is on ensuring that Council meets the statutory process and deadline obligations as required by the Local Government Act 2002 (LGA).

15. While on 22 October 2024 the Government announced its intention to appoint a Crown Observer (the Observer) to the Council, Council remains responsible for producing an Annual Plan and LTP amendment that meets the statutory process, deliverables and adoption timings obligations in the LGA.

16. The timing and approach in this report recognises that bringing an LTP Amendment and Water Reform options into an annual planning cycle involves considerably more work in what is a tight timeline. The organisation has done LTP Amendments previously and has the resourcing in place to deliver a combined 2025/26 Annual Plan and LTP amendment.

17. While the 2025/26 Annual Plan work programme is already underway, key briefing and decision points for the LTP amendment are not scheduled until the latter half of November and the Crown Observer terms of reference are expected to be finalised by then, and the appointment made.

18. Any delay to the timeframes outlined in this report could impact the Council meeting its statutory timings and deliverables.

Takenga mai | Background

19. The 2024-34 LTP had been developed in a challenging environment. The city’s infrastructure is aging and requires significant investment, while the cost of delivering council’s existing services continues to increase as a result of inflationary pressures.

20. During the development of the 2024-34 LTP, we had identified that:

    - A large and growing insurance risk – we do not have sufficient insurance to respond to future financial and natural hazard risks. Currently our underinsurance is estimated at $2.6B and expected to grow as the costs of insurance rise and the availability of insurance continues to be challenging.
    - An undiversified investment portfolio – 93% of the Council’s portfolio is held in airport shares and ground leases. This means that all the portfolio is exposed to the same kinds of risks – both sudden and unforeseen catastrophes, and also slower moving climate and market risks.

21. To mitigate the risks, the 2024-34 LTP proposed and consulted with the community on the sale of the Council’s 34% shareholding in Wellington International Airport (and a selected number of ground leases), in order to capitalise a PIF - as outlined on 20 May 2024 Kōrau Tōtōpū | Long-term Plan, Finance, and Performance Committee Paper.

22. On 27 June, Te Kaunihera o Pōneke | Council (Council) adopted the 2024-34 LTP, which included the plan to sell the WIAL shares and commence work on a PIF.

23. On 26 September, we provided the Committee with an update on the current 2025/26 Annual Plan (year 2) context, including uncertainties and risks that may impact the 2025/26 Annual Plan process, timelines and budget, and collateral impact on the LTP. The key uncertainties identified included:

- Wellington International Airport Limited shares sale NOM;
- Regional Water Services Delivery Plan; and
- NZTA transport funding.

24. On 10 October, a NOM was considered by Council, to “commence a process to amend the 2024-34 LTP with Council’s objective being No Sale of any of its shareholding in WIAL.” The purpose of the NOM was to initiate an LTP amendment process to reverse this core component of the LTP and stop all work on the share sale and fund establishment until this LTP amendment is completed, likely June 2025.

25. The ‘no sale’ option in the NOM did not address the Council’s underlying risks, particularly the lack of diversification in the Council’s investment portfolio and the increasing underinsurance risk.

26. The sale of the WIAL shares and design of a PIF were significant measures in the LTP, and the passing of the NOM triggers an LTP amendment. This amendment will run in conjunction with the development of the 2025/26 Annual Plan. The proposed LTP amendment - removing the sale of the WIAL shares - will be subject to public consultation, alongside other options to address the Council’s insurance and diversification risks.

27. The proposed removal of the PIF from the LTP, without other mitigating measures, leaves the underlying financial risks unaddressed. It also does not meet the Council’s ability to meet the LGA requirement for prudent financial management.

28. In responding to this the Council has a legal obligation under the LGA to identify all reasonable and practical options to address the above risks and the prudent financial management of the Council’s LTP.

29. In the absence of the decision to sell the shares and establish a fund (i.e. to self insure), the Council needs to consider alternative levers to mitigate its risk. In the absense of sufficient insurance and diversification, we should look to alternatives such as our capacity to borrow if requried.

30. Reducing the LTP capital programme would contribute to a freeing up of borrowing headroom (within existing limits) to address the risks, albeit not to the level of the self insurance we were seeking to achieve.

31. For the year ended 30 June 2024, the total value of the Council’s property, plant and equipment is $11.4b, of this $4.4b is excluded from insurance contracts (primarily land). The maximum amount to which assets are insured under Council insurance policies is $0.8b and the total value of assets that are self-insured is $0.5b. These are the amounts required to be reported for financial accounting purposes, this does not detail the third party funding which contributes to the risk transfer, nor does this include the risk which has been quantified through loss modelling.

32. On 22 October 2024 the Government announced its intention to appoint a Crown Observer (the Observer) to the Council. The Council remains responsible for producing an Annual Plan and LTP amendment that meets the statutory process, deliverables and adoption timings obligations in the LGA. The Observer will support the LTP amendment process in line with their terms of reference.

33. The timing of the LTP amendment process ensures that decisions on the LTP amendment content are not transacted until the Observer is in place.

34. Both the Annual Plan and LTP amendment need to be approved and adopted before 1 July 2025.

Kōrerorero | Discussion

Timeline and process

35. The updated timeline and approach for developing the LTP amendment and the 2025/26 Annual Plan is outlined below and also in Attachement 1. This timeline aligns the Annual Plan and LTP amendment processes, and is designed to meet the requirements of the LGA (including external audit). The timeline is tight and cannot accommodate any delays.

36. The timeline and approach focus on delivering the 2025/26 Annual Plan and the LTP amendment as it relates to the passing of the 10 October NOM - within the requirements of the LGA. Consideration of other initatives that may trigger an amendment are not planned for.

37. Attachment 1 provides a high-level timeline from 21 November, where committee makes decisions on the capital programme, to 26 June where Council adopts the 2025/26 Annual Plan and the amended 2024-34 LTP.

38. The key changes to the timeline and process that was presented to Committee on 26 September relates to the capital programme review, which also includes additional workshops in mid-November and a Committee decision meeting on 21 November. Decisions from this meeting will be used to draft the budget for the 2025/26 Annual Plan and the newly amended forecast for the current 2024-34 LTP.

39. There is also a need to allow sufficient time for the audit of both the Consultation Document and the final LTP amendment prior to adoption by Council. We are currently working with Audit New Zealand to finalise the timing of these audits.

Proposed approach for reviewing the capital programme

40. In the absence of the decision to sell the shares and establish a fund (i.e. to self insure), the Council needs to consider alternative levers to mitigate its risk. In the absense of sufficient insurance and diversification, we should look to alternatives such as our capacity to borrow if requried.Reducing the LTP capital programme would contribute to a freeing up of borrowing headroom (within existing limits) to address the risks, albeit not to the level of the self insurance we were seeking to achieve.

41. In revieiwing the capital programme, the Council paper of 10 October indicated that the following principles would guide decisions on changing the content of the programme:

    - The capital programme should prioritise the maintenance and renewals of existing assets over upgrading or building new. Under the current LTP, renewals expenditure is already set at 75% of unconstrained renewal funding (apart from water) for the first ten years of the plan, and this is subject to a matter of emphasis by the auditor; any cuts to the captial programme should avoid further reducing renewals expenditure;

    - Projects that are substantively in train (i.e., contractually committed and spend well advanced) should continue;

- The capital programme should ensure the Council meets its legislative and regulatory requirements;
- Changes/reductions are required over the full term of the LTP, however, savings that can be found early should be prioritised as they have more significant impacts on operating costs and capital savings required over the later years of the programme; and
- Projects part funded from development contributions could move to later in the LTP period, but if removed from the plan entirely, development contributions would need to be returned and/or the DC policy amended.

42. Currently the 2024 LTP's capital programme over years 2 to 10 of the LTP equates to $4.2b. Excluding renewals and major projects that are substantively in-train (e.g., Te Matapihi, sludge, Town Hall),the indicative value of the reamining capital spend over years 2 to 10 is approximately $1.95b.

43. The principles outlined above will be used to provide initial advice on options for how the capital programme can be reduced. These draft options are scheduled to be considered by committee on 21 November.

44. As the LTP amendment will require a range of changes to the planned capital programme, the organisation is not entering into any major capital works contracts until a clearer picture emerges of the final capital works programme for the next nine years. Note this may have a minor impact on delivery of planned works.

Financial Strategy

45. A workshop would be held on 12 November 2024 to discuss the new financial strategy parameters that the Council wishes to work towards. This will include:
    - Debt Capacity the Council wants to operate within;
    - Required Insurance headroom Council wants to hold to mitigate risks;
    - LGFA Limit;
    - Rates limits; and
    - The impact of the National Land Transport Plan (NLTP) decisions, which results in lower funding than was assumed in the 2024-34 LTP. This amounts to lost revenue of approximately $68m over years 1 to 3 of the LTP. This means a further reduction of $130m is required over years 1 to 3 of the LTP. These reductions should be based on the projects that have not received funding through the NLTP.

46. Following the workshop we will address any questions/concerns and develop the next iteration of options. Briefing to the Committee will follow on how questions/concerns have been addressed.

47. The Committee meeting to make decisions on capital programme review will be held on 21 November.

48. The aim is to produce the draft budget for the 2025/26 Annual Plan and the newly amendment forecast for the current 2024-34 LTP before Christmas. As outlied earlier, the draft budget would incorporate the impact of the capital programme review.

Rates review postponement

49. Approval of consultation material for the 2025/26 rating policy review was scheduled to be approved by the the Committee on 7 November 2024.

50. The consultation was to seek feedback on proposed changes to the rating base (land value versus capital value) and charging short term accommodation providers the Commercial, Industrial and Business differential.

51. Based on the LTP amendment process, officers are recommending that the proposed change to the rating base (land value versus capital value) is postponed. Ensuring that we can get robust feedback from the community to inform this decision is important and the LTP amendment will likely be the main focus.

52. Officers will continue with the work on short term accommodation providers and this will be included for consultation as part of the 2025/26 Annual Plan and LTP amendment.

Insurance roadmap

53. In 2022 officers developed an Insurance roadmap in conjunction with the Council's insurance advisors which was endorsed by the Audit and Risk Committee.

54. The roadmap sets out a medium term workplan set up to assess and respond to Councils insurance risks and how we manage this in a more strategic and intergenerational way on behalf of our residents.

55. Key current workstreams include completing detailed risk modelling of the Council's assets and developing up alternative risk transfer methods to provide more insurance cover for Wellington City Council assets that can be purchased via traditional insurance products.

56. One of these alternative risk transfer methods (as introduced via the Audit and risk committee on 14 August 2024) is a captive insurance company to meet the needs of Council to close the insurance gap.

57. An elected member briefing on insurance and financial prudence are scheduled for 12 November. An Unaunahi Māhirahira | Audit and Risk Committee workshop focussing on Captive Insurance Solutions and Catastrophe Bonds has been scheduled for November 13.

Kōwhiringa | Options

58. Following the Council's NOM decision on 10 October, officers have stopped work on the airport share sale and establishment of a PIF as planned in the 2024-34 LTP.

59. In addressing all reasonable and practical options (as indicated in paragraph 28) to deliver the 2025/26 Annual Plan and Amended LTP, should the Council wish to continue to explore the establishment of a PIF (e.g., by establishing a smaller fund using proceeds from ground leases, carbon credits, and/or other sales), it will need to reinitiate work currently ceased through an amendment to this paper.

60. If the Council directs officers to restart work, Officers will bring back advice by December on the following:

- Options for structure and objectives for the PIF;
- Options for capitalisation that could be used to establish the PIF (i.e., advice on ground leases, carbon credits and/or other sales); and
- How a PIF can work alongside other work being explored through the Council's insurance roadmap (e.g., a captive insurer).

Whai whakaaro ki ngā whakataunga | Considerations for decision-making

Alignment with Council's strategies and policies

61. The 2024-34 LTP outlines a number of Council strategies and policies. The NOM unwinds the critical part of the LTP Financial Strategy without a specified alternative plan; leaving the Council's underlying financial and balance sheet risks unaddressed. This paper outlines the approach to help mitigate the financial and balance sheet risk.

Engagement and Consultation

62. A full LTP amendment process would be undertaken including community consultation on the reasonably practicable options to address the Council's insurance and financial resilience risks and any other impacts.

63. A full engagement plan will be presented to committee on 15 February 2025 meeting.

Māori Impact Statement

64. The relevance for Māori is not part of this paper but any changes or impact will be outlined in future reports.

Financial implications

65. Full financial implications will be developed and brought back to the Council as part of the Annual Plan budget and LTP amendment process. This includes decision on the review of the capital programme.

Legal considerations

66. The Annual Plan is governed by S95 of the Local Government Act 2002 (LGA). This section states firstly that an Annual Plan must be prepared and adopted for each financial year (S95(1)). Secondly, the Annual Plan must be adopted before the commencement of that financial year (s95(3)).

67. The LTP is governed by S93 of the LGA. This section states firstly that a LTP must, at all times, have a long-term plan under this section (s93(1)). Secondly, it states that the local authority must use the special consultative procedure in adopting a long-term plan (s93(2)). It also states that a local authority must use the special consultative procedure in making any amendment to a long-term plan (s93(5)).

68. The special consultative procedure is governed by S83 of the Local Government Act. With specific regard to the timing of amending a long-term plan, this section instructs that the public consultation period may not be less than 1 month from the date it begins (s83(1)(b)(iii)).

69. Further, the Act requires that if a local authority carries out consultation in relation to an amendment to a long-term plan at the same time as, or combined with, consultation on an annual plan:

    a) the content of consultation documents required under any of sections 93D, 93E, and 95A, as the case may be, for each consultation process must be combined into 1 consultation document; and

    b) the special consultative procedure must be used in relation to both matters.

70. The consultation document must further contain a report from the Auditor-General, confirming that it (the consultation document) gives effect to the purpose for which it is intended (s93C(4)(a)). The Auditor-General's report must also be on the quality of the information and assumptions underlying the information provided in the document (s93C(4)(b)).

71. The timeline for the Annual Plan 2025/26 and LTP 2024/34 amendment ensures they can be adopted within the statutory timeframes required by the LGA It accounts for:

    - the timing required for developing options for the Committee's consideration
    - development of a consultation document
    - review of the consultation document by the Auditor General prior to its release
    - the public consultation requirements in the special consultative procedure
    - the further requirement for the final Annual Plan 2025/26 and the LTP 2024/34 amendment to be audited prior to adoption.

Risks and mitigations

72. This paper outlines the process and approach to the 2025/26 Annual Plan and LTP amendment. The updated process now allows both to be delivered at the same time. There is sufficient time and resources available to complete the necessary work by the end of June 2025. Risks associated with changes to specific components of the LTP, such as the Financial Strategy and the capital programme will be detailed in future reports.

Disability and accessibility impact

73. Full details will be developed through the LTP amendment process. Projects that aim to improve the city's accessibility for people with disabilities or meet accessibility requirements may be impacted by changes to the capital programme.

Climate Change impact and considerations

74. Full details would be developed through the LTP amendment process. Projects that will help us meet our emission reduction target may be impact by capital programme changes.

Communications Plan

75. A full communication plan will be developed to be used across the amendment process, including key messaging, information on what is in and out of scope and updates to a public website, similar to the process used for the 2024-34 LTP.

Health and Safety Impact considered

76. The health and safety implications of any changes to the LTP will be considered as part of future reports.

Ngā mahinga e whai ake nei | Next actions

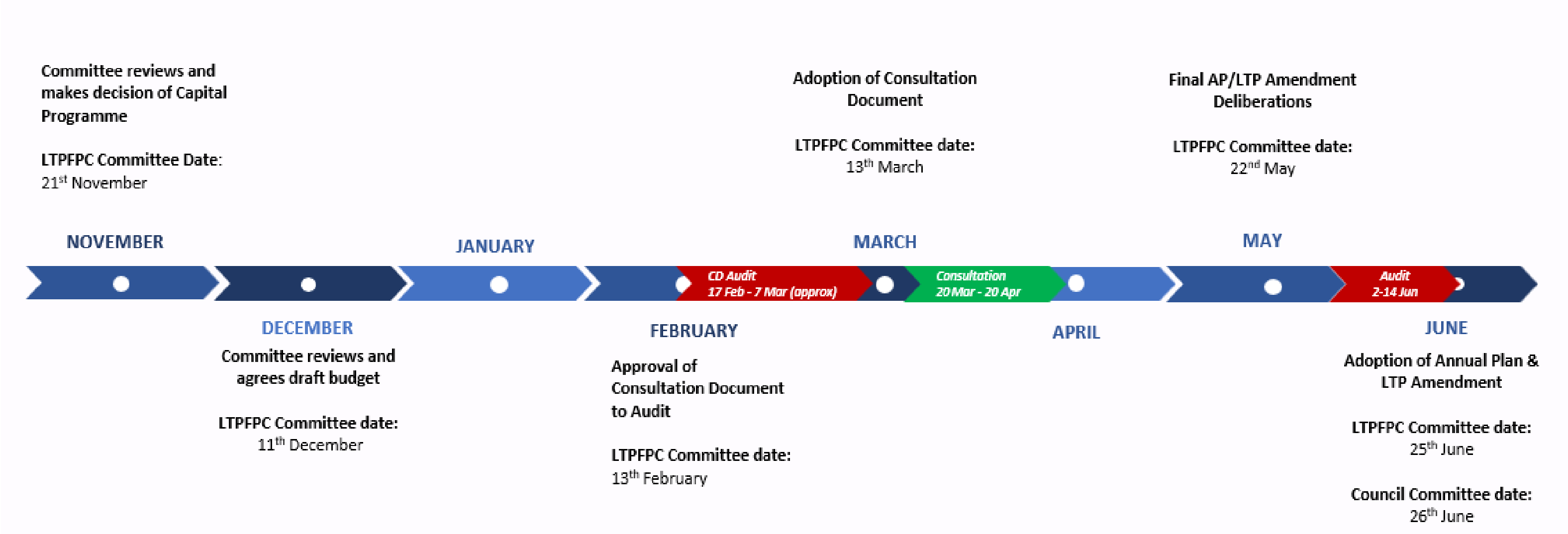
77. If the Committee agrees the recommendations of this paper, we will:

- Review and create a list of capital programme based on the principles outlined in the paper; and
- Present at a workshop briefing on 12 November to consider insurance and financial prudence; and
- Present at a workshop on 13 November the capital programme review; and
- Present a paper Committee to make decisions on capital programme review on 21 November.

Attachments

Attachment 1.	2025-26 Annual Plan and LTP Amendment Process Timeline ⇩	Page 20

2025/26 Annual Plan and LTP Amendment timeline



LOCAL WATER DONE WELL. WATER REFORM - REGIONAL JOINT WATER SERVICES MODEL AND EVALUATION OBJECTIVES

Kōrero taunaki | Summary of considerations

Purpose

1. This report to Kōrau Tōtōpū | Long-term Plan, Finance, and Performance Committee seeks agreement to continue with the regional process to develop a proposal for a joint water services entity.

Strategic alignment

2. The delivery of water services and the matters in this report broadly relate to all the Council's Community Outcomes, and to several of the Council's strategic priorities. Decisions on the future model of water services delivery relate most directly to the strategic priority to 'fix our water infrastructure and improve the health of waterways'. This priority sits under the environmental wellbeing community outcome 'a city restoring and protecting nature'.
3. The Council's five strategic approaches are embedded throughout the work to support decision-making on the model for future water services delivery, including the draft delivery model and stewardship objectives presented for endorsement in this paper. Given the importance of wai to mana whenua and hapori Māori, ensuring the integration of te ao Māori is critical.

Relevant previous decisions

4. **Kōrau Tūāpapa | Environment and Infrastructure Committee** – 14 March 2024. Resolution (3) Approves signing of an MOU to jointly develop a water service delivery plan with the other councils within the Wellington region.

Significance

5. The decision is **rated medium significance** in accordance with schedule 1 of the Council's Significance and Engagement Policy.
6. Whilst the Local Water Done Well reforms and the choice of a future water services delivery model is of high significance, the decisions sought in this paper are of medium significance.

Financial considerations

☒ Nil	☐ Budgetary provision in Annual Plan / Long-term Plan	☐ Unbudgeted $X

7. While the Local Water Done Well reforms will likely result in significant changes to the Council's financial projections, none of the decisions sought in this report commit Council to any changes to the water capital programme or transfer of water debt and revenue to another entity. Further advice on these financial implications will be brought to you in December and in the first half of the 2025 calendar year.

Risk

☒ Low	☐ Medium	☐ High	☐ Extreme

8. The level of risk associated with the Local Water Done Well reforms is high due to ongoing change and uncertainty in the legislative and regulatory environment, the participation of other councils in any joint arrangement, and the lack of detail related to transition arrangements at this point in the process.

9. The level of risk associated with the decisions sought in this paper are **low**, as no options are being ruled out at this stage and further evaluation will be forthcoming on the advantages and disadvantages of options in December.

Authors	Margo Ray, Chief Advisor to Chief Operating Officer Jenny Condie, Business Case Development Specialist
Authoriser	Andrea Reeves, Chief Strategy and Finance Officer Beth Keightley, General Counsel

Taunakitanga | Officers' Recommendations

Officers recommend the following motion

That the Kōrau Tōtōpū | Long-term Plan, Finance, and Performance Committee:

1) **Receive** the information.

Water Services Delivery Plan requirements

2) **Note** that council is required to submit a Water Services Delivery Plan to the Secretary for Local Government by 3 September 2025 and that this plan will be binding
3) **Note** that the Local Government (Water Services Preliminary Arrangements) Act 2024 provides alternative decision making and consultation arrangements that Councils must use when considering the future water services delivery model
4) **Note** that under these arrangements Council must consider and consult on the (enhanced) status quo and the proposed or anticipated model, and may consider and consult on additional options if it chooses to
5) **Note** that the option to establish a water services CCO would involve transferring the ownership of water assets to an independent water entity (in which WCC would have a shareholding interest)
6) **Note** that the consultation on the options to establish a new water services entity, will take place in conjunction with the broader 2025 LTP amendment activity.

Regional collaboration

7) **Note** that on 14 March 2024 Council agreed to adopt the non-binding MoU to jointly investigate a water service delivery plan with the other councils in the region
8) **Note** the attached *Recommended regional approach to a joint Water Services Delivery Plan and delivery model report* ('the report') is the result of the work so far on this joint regional option
9) **Agree** to continue with the regional process to develop a joint regional option for a water services CCO
10) **Note** in line with DIA guidance, Officers will prepare a draft local WSDP, in addition to contributing to the draft joint regional WSDP

Water Services Delivery Model – requirements, objectives, and principles

11) **Note** the proposed requirements and objectives for the evaluation of a future model of water services delivery outlined in paragraphs 49-64.
12) **Note** that these endorsed requirements and objectives will be used to develop and evaluate the options for a future water services delivery model and that this evaluation (including the advantages and disadvantages of each option) will come back to committee in December 2024.

Whakarāpopoto | Executive Summary

10. The government is implementing their Local Water Done Well reforms at pace. New legislation requires all councils to prepare a Water Services Delivery Plan (WSDP) by 3 September 2025. This Plan must contain information about the current state of water services and assets, as well as the proposed future delivery model to ensure water services are financially sustainable by 2028.
11. Since signing the regional collaboration MOU, good progress has been made on considering different entity types, governance arrangements, and financial modelling for a regional water entity. The regional approach report (attached) sets out the progress on these and other issues.
12. This report seeks approval to continue to participate in the regional process to develop a proposal for a regional water services CCO.
13. Further work is needed to develop this option sufficiently for consultation.
14. This report also outlines the proposed requirements, objectives and principles that will be used to evaluate the different possible delivery models. This options analysis will come to Committee in December to support a decision on which options to include in consultation early in the 2025 calendar year.
15. This report does not consider any specific options for water services delivery. Officers will present advice in December on the possible options and provide an evaluation of the advantages and disadvantages of those options.

Takenga mai | Background

Local Water Done Well legislation

16. The second piece of legislation in the Local Water Done Well reform programme was enacted on 2 September 2024. The Water Services Preliminary Arrangement Act requires all councils to prepare a Water Services Delivery Plan (WSDP) to be submitted to the DIA for approval no later than 3 September 2025. Councils must give effect to approved WSDPs.
17. The Act sets out what needs to be included in the WSDP and has provisions for streamlined consultation and decision-making in relation to future water services delivery. These are both discussed below.
18. Councillors have received a briefing on this new framework and DIA guidance is attached to this report which includes further details.
19. The third piece of legislation (the ‘Local Government Water Services Bill’) is expected to be introduced in December 2024 and enacted mid 2025. This will establish the enduring settings for the new water services system. Further information about what is expected to be covered in this Bill is included in the attached regional approach report.

Water Services Delivery Plans

20. DIA have released a template and supporting guidance for preparing a WSDP.
21. The Plan is made up of an introductory section, an information disclosure section, and three sections setting out the proposed future delivery model.

22. The table below sets out the template structure, with some of the critical sub-sections identified.

Part A: Overview of water services delivery, proposed delivery model and implementation plan	
	Implementation plan – requires process, timeline and milestones only
Part B: Network performance (current state)	
	Investment to meet levels of service, regulatory standards and growth needs
Part C: Revenue and financing arrangements (proposed future state)	
	Revenue and charging arrangements Funding and financing arrangements
Part D: Financial sustainability assessment	
	Revenue sufficiency Investment sufficiency Funding sufficiency
Part E: Projected financial statements for water services	
	Includes four versions: drinking water, wastewater, stormwater, and three waters combined

23. The financial forecasts in the Water Services Delivery Plan will be highly uncertain given the long timeframes, changing regulatory environment, and data limitations. These could not be relied on for detailed investment planning but they will be valuable to inform the high level strategic decisions that need to be made at this point in the process.

Process for decisions and consultation

24. The Local Government (Water Services Preliminary Arrangements) Act 2024 (WSPA Act) sets out alternative consultation and decision-making requirements. These replace equivalent sections of the Local Government Act 2002.

25. The Council must consult on two options: the status quo and a water services CCO or local government arrangement.

26. The Council may consult on additional options if they choose. The Council does not need to consult on all reasonably practicable options.

27. The WSPA Act requires that councils must consult on the proposed delivery model for water services but can choose whether to consult on the full WSDP..

28. Councils must use the alternative requirements set out in the WSPA Act when consulting on the proposed delivery model for water services.

29. The WSPA Act does not specify whether the water services CCO covers two waters or three waters, nor the scale of the CCO. The status quo will be the existing delivery model *enhanced* to meet the new minimum standards of the Local Water Done Well framework.

30. If an LTP amendment is needed in relation to the water services delivery model, the WSPA Act says that further consultation is not required if Council is satisfied that the community has a good understanding of the proposal, and it understands those views. The LTP amendment would not require any further consultation or a Special Consultative Procedure, although one could be carried out if the council chooses.

Decision and consultation timeline

Indicative timeline and milestones:

a) Agree options to include in consultation document

b) Agree preferred option

c) Agree to send consultation document to audit

d) Agree to send audited document out for consultation

e) Receive consultation feedback / oral submissions

f) Agree option to include in WSDP

g) Approve WSDP for submission to DIA

h) Submit WSDP to DIA no later than 3 September 2025

i) Begin implementation of chosen service model

Note: steps c – e will be delivered as part of the 2025 LTP Amendment activity.

Regional process

31. On 14 March 2024 the Kōrau Tūāpapa | Environment and Infrastructure committee approved signing an MOU to jointly develop a water service delivery plan with the other councils within the Wellington region.

32. The other 9 councils participating in this joint process are: Hutt City, Upper Hutt, South Wairarapa, Carterton, Masterton, Porirua, Kāpiti Coast, Horowhenua, and Greater Wellington Regional Council.

33. The participating councils agreed to jointly fund a regional project team that would evaluate possible types of regional entities and prepare financial modelling for such an entity.

34. The regional team have prepared the attached report *Recommended regional approach to a joint Water Services Delivery Plan and delivery model.* This recommends that a water services CCO is the best option for the Wellington region as it is the only entity type that can access the additional LGFA borrowing up to an equivalent 500% of revenue.

35. This will be one of several options that will be brought to councillors for consideration in December. Councillors will be asked to decide which options to include in consultation, informed by options analysis.

36. Currently, it is premature to determine a preferred option as a full options analysis has not been completed.

Kōrerorero | Discussion

37. The challenges associated with providing water services in New Zealand are widespread and well-known. Across the country these issues include:

    - Incidents where drinking water has been contaminated causing illness and boil water notices;
    - Poor compliance with existing wastewater consents, with many consents needing renewals in the near future;
    - Prior underinvestment in network renewal projects means that some assets are in poor condition and prone to failure;
    - Lack of water infrastructure (or lack of capacity within the existing network) can be a constraint on housing growth;
    - Many councils cannot access sufficient borrowing needed to deliver the uplift in capital spending to address these issues;
    - Current construction industry has insufficient capacity

38. Wellington City Council has already made significant investments since 2019 to address these issues. However, the new legal requirements for financial sustainability set out in the Local Government (Waters Services Preliminary Arrangements) Act are expected to require further funding increases.

39. Many councils also face challenges in delivering the necessary works due to a lack of sufficient:

    - Funding capacity;
    - Construction industry capacity;
    - Specialised workforce.

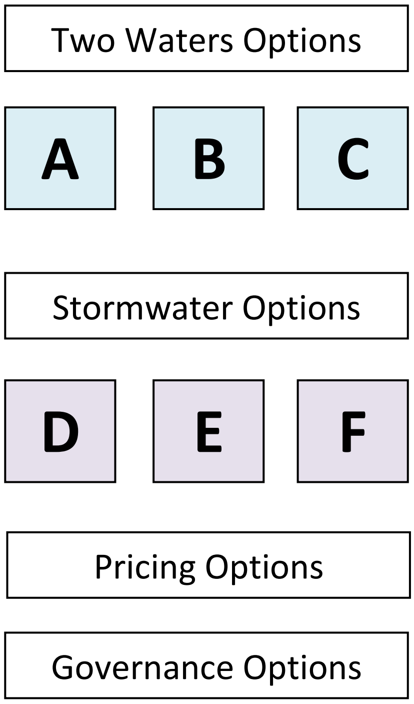
40. User charges will also need to increase to fund this construction programme. However, the choice of delivery model can influence how much and how quickly these charges will need to increase.

Water Services Delivery Model – requirements and objectives

41. The decisions that need to be made related to water reform are complex, with multiple options and competing priorities. Our primary consideration when developing an approach to comparing and evaluating options has been how to make consultation as simple and accessible as possible.

42. For the consultation, we propose to take the same approach used in the waste collections item in the LTP Consultation Document to split a complex decision into two related but independent decisions.

43. For water reform this approach will first consider the options for the two waters delivery model, and then consider the options for the stormwater delivery model. Finally, additional matters related to governance and pricing methodology will be considered. The diagram below shows how this could work, with options A, B and C for two waters and options D, E and F for stormwater.



44. We propose to consider stormwater separately from two waters due to the government announcements in August that the legal responsibility for stormwater must stay with councils, regardless of how the service is delivered. The announcement also stated that councils must retain the responsibility for collecting stormwater revenue. Given that decisions on stormwater are therefore subject to different constraints we propose to treat this as a separate but related decision.

45. This approach to the consultation therefore drives how we identify and evaluate options. Each consultation item will have its own set of options, objectives, and evaluation criteria. While there will be overlap in the objectives for two waters and stormwater, there are also important differences.

46. There are many different priorities for water reform. The report for example, includes 25 different items under the “key requirements” for a possible regional entity. The Regulatory Impact Statements prepared by DIA and the council papers prepared by Auckland Council on Watercare included further priority items.

47. We propose grouping these different priorities to enable a focused and constructive evaluation of the options for two waters, stormwater and governance. We propose to use three categories of priorities:

- Requirements – established by the central government legislative framework
- Delivery Model Objectives – to support the evaluation of different delivery models
- Stewardship Objectives – to ensure important governance and management matters are addressed regardless of the delivery model chosen.

48. The following table sets out the difference between a Requirement and an Objective.

Requirements	Delivery Model Objectives
External constraints	Local priorities (may differ across councils)
Critical parts of the legislative and regulatory framework	Desired outcomes based on existing strategies and prior reviews
Use to establish common elements of the delivery model eg minimum investment pathway	Use to compare and evaluate delivery model options on the short list
Use to reduce long list to short list	Should change across options

Requirements and Objectives for Two Waters

49. The proposed Delivery Model Requirements and Objectives for Two Waters are:

Two Waters Requirements	
	Fix our drinking water and wastewater infrastructure and improve the health of waterways by improving the water network to: • comply with all public health, economic, environmental, network quality, and accountability regulations • provide for growth
	Revenue and debt for drinking water and wastewater services are ringfenced
	The model for delivering drinking water and wastewater services enables access to increased LGFA borrowing
Two Waters Objectives	
	Drinking water and wastewater services are affordable for the community • Delivery model keeps the cost of required investment as low as possible by delivering high potential for efficiency gains and high likelihood those cost savings will be realised • Delivery model spreads the unavoidable cost of required investment over time to cap price increases at an affordable level
	The model for delivering drinking water and wastewater services is financially sustainable
	Wellington City Council can continue to invest in the city once the new water services delivery model is in place

	The transition to the delivery model for drinking water and wastewater services is smooth, and necessary improvements begin quickly
	The delivery model for drinking water and wastewater services enables improvements in network resilience and progress on other Council, mana whenua, and community aspirations that exceed the regulatory requirements

50. ”Access to LGFA funding” has been included as a requirement as it covers a number of important priorities. In order to access the higher LGFA borrowing limits of up to 500% of revenue the entity must be a CCO. The additional borrowing will not be available to in-house delivery or consumer trusts.

51. Bill 3 is expected to specify a number of parameters for water organisations (including CCOs):

    a) Current council staff and elected members cannot be appointed to boards
    b) Water organisations must be companies with activities limited to water services
    c) Only councils or consumer trusts can be shareholders of a water organisation
    d) Board appointments must be competency-based and have the appropriate mix of skills, knowledge, and experience
    e) There will be a range of protections against privatisation
    f) Shareholding council/s will issue Statement of Expectations; the water organisation will prepare a Water Services Strategy
    g) Council/s may provide feedback but may not amend the Water Services Strategy.

52. In addition to these expected legislated conditions for water organisations, the LGFA requires the following conditions are met before they would lend to a water services CCO. The water CCO must[1]:

    - Be a council owned company
    - Own the council’s water infrastructure assets
    - Have the power to assess, set and collect water services charges from consumers
    - Be financially supported by its parent council

53. Therefore, by including ”access to additional LGFA borrowing” in the requirements, all of these other matters are also covered.

[1] https://www.lgfa.co.nz/sites/default/files/2024-08/02.%20Factsheet%20-%20Financing%20for%20councils%20and%20water%20organisations.pdf

Requirements and Objectives for Stormwater

54. The key difference between the stormwater requirements and those for two waters is that we propose not to include ”access to LGFA funding“ as a requirement and that this is included in the objectives instead.

55. There are benefits to an in-house delivery model for stormwater that may justify the trade-off of sacrificing the access to additional LGFA borrowing. There are two key drivers of these benefits. First is the differing regulatory framework for stormwater that requires legal responsibility and revenue collection to remain with council. Second is that the reticulated pipe network is only part of the whole stormwater system. The public realm, including the roading network and the green network, are critical elements of the whole system.

56. Stormwater is also the lowest value part of the network since it is almost entirely gravity driven and therefore has no moving parts. Therefore, it may be possible for the Council to deliver the necessary future investment in stormwater without access to the higher borrowing limits.

57. Auckland Council have chosen to transfer ownership and management of the drinking water and wastewater network to Watercare while retaining ownership and management of the stormwater network. This demonstrates this is a reasonably practicable option that should be considered and assessed by Wellington City Council.

58. For two waters there are no significant benefits that would justify sacrificing the additional LGFA borrowing. It is also very unlikely that the Council could afford the necessary future capital investment needed in drinking water and wastewater without accessing the LGFA funding available to CCOs.

59. All of the Delivery Model Objectives for Two Waters also apply to Stormwater (with one wording adjustment to account for the aspirations for a Water Sensitive City). There are also two additional objectives:

    a) the ability to access LGFA funding, which has been moved from a requirement to an objective as discussed above.

    b) the delivery model to provide alignment between accountability and control of stormwater services. Noting that one of the key challenges with the current Wellington Water arrangements is that both WCC and WWL are accountable for water services in the eyes of the public, but neither organisation has complete control over their ability to deliver those services.

60. Therefore, the proposed Delivery Model Requirements and Objectives for Stormwater are:

Requirements	
	Fix our stormwater infrastructure and improve the health of waterways by improving the water network to: • comply with all public health, economic, environmental, network quality, and accountability regulations • provide for growth
	Revenue and debt for stormwater services are ringfenced

Objectives	
	Stormwater services are affordable for the community • Delivery model keeps the cost of required investment as low as possible by delivering high potential for efficiency gains and high likelihood those cost savings will be realised • Delivery model spreads the unavoidable cost of required investment over time to cap price increases at an affordable level
	The model for delivering stormwater services is financially sustainable
	Wellington City Council can continue to invest in the city once the new water services delivery model is in place
	The transition to the delivery model for stormwater services is smooth, and necessary improvements begin quickly
	The delivery model for stormwater services enables improvements in network resilience and progress on other Council, mana whenua, and community aspirations to become a Water Sensitive City
	The delivery model for stormwater services provides control to those who are accountable
	The model for delivering stormwater services enables access to increased LGFA borrowing

Stewardship Objectives

61. Finally, we consider Stewardship Objectives for critical governance and management issues. There are several significant issues with high public interest that do not vary across the options. It is important that we address these issues, but it is not useful for them to be included in the multi criteria analysis. We have therefore gathered these objectives in a separate category.

62. All of these matters can be dealt with in the constitution and shareholders agreement for the water services CCO. DIA guidance encourages the preparation of a constitution for a water services CCO although it is not mandatory. There are no restrictions on what can be included in a company constitution provided it meets the requirements of relevant legislation. It is unknown at this time how bill 3 will constrain the content of a WSCCO constitution. At a minimum, bill 3 will contain statutory objectives for water services CCOs. The constitution will not be able to contradict any of those objectives.

63. The proposed Stewardship Objectives related to mana whenua were informed by their participation on the Advisory Oversight Group for the regional process. The pricing objectives were developed based on the approach to pricing taken by the Electricity Authority, the regulator of the pricing methodology for electricity lines companies.

64. The proposed Stewardship Objectives for water services are:

Stewardship Objectives	
Water services delivery and governance arrangements give effect to Te Tiriti o Waitangi and Tākai Here	
	Water services delivery and governance arrangements acknowledge, respect and enhance te mana o te wai
	Water services delivery and governance arrangements provide meaningful influence to mana whenua
Pricing methodology should:	
	Acknowledge that access to water is a human right and therefore take into account 'ability to pay' for financially vulnerable residents
	enable economically efficient investment in the network by aligning price with cost-to-serve
	allow prices to rise faster in areas that have been historically undercharging for the cost of water services (consistent with the cost-to-serve principle)
	support intergenerational equity by spreading the network investment costs over time (consistent with the cost-to-serve principle)
	encourage water conservation to reduce water usage
Council has appropriate powers to manage poor performance of the water services delivery entity	
Customers and community groups have influence over the priorities for water services delivery	
Water services delivery model can adapt to future structural changes such as merger with other councils or the availability of new organisational types	

Regional process and joint options

65. Further work is needed to finalise the information needed to include a regional water services CCO option in consultation.

66. The attached report includes a placeholder amount for WCC compensation that has not been agreed by WCC. This is being progressed and is expected to be resolved and included in the options analysis modelling ahead of the planned December report back.

67. There is currently some uncertainty about whether all 10 councils will include a joint regional option in their consultation documents. In particular, the Wairarapa councils are considering their own provincial option that may include Tararua District Council. Kāpiti Coast District Council and Horowhenua District Council are also considering a provincial option that may include Manawatu District Council.

68. We expect that these councils will commit to consulting on either a provincial or regional option in the coming weeks. If some councils withdraw then the modelling underpinning the regional option will need to be updated to reflect this.

69. The first phase of regional work was funded from remaining water transitional funding from the previous reform process. This funding has all but been spent on work to date. The remaining balance has been earmarked for WCC activities including external advice on modelling and analysis. The proportion of WCC costs to fund the next phase of the regional teams work will be funded through forecast underspends in the WCC internal cost of water budgets (interest costs and remaining better off funding).

70. A full options analysis will be prepared by Wellington City Council officers before the end of 2024. Council officers will draw on external expertise where appropriate. Current planning indicates that this work will be delivered within existing budgets.

71. DIA recommends that all councils that are considering a joint arrangement first complete the WSDP template for their council alone before completing the template for the joint arrangement. This provides clear information to each council on their own position and the potential advantages and disadvantages of a joint arrangement. Officers will be preparing a draft local WSDP as per DIA advice.

Kōwhiringa | Options

72. Councillors could choose to withdraw from the regional process to develop a joint entity. This is not recommended as we do not yet fully understand the costs and transition arrangements that would be involved with exiting from the current joint arrangements with Wellington Water, nor have we fully considered the benefits that could come from a joint regional arrangement.

73. Councillors could choose to rule out all options apart from the enhanced status quo and a regional WSCCO at this time. This is not recommended as a full options analysis has not been prepared. Keeping a local WCC only option on the table provides a fall back position if regional joint arrangements fall through or change significantly.

74. Councillors could direct officers not to prepare a draft local WSDP. This is not recommended as it is contrary to DIA advice. Also, this would not reduce officer workload signficantly since much of the material needs to be gathered for the regional WSDP anyway.

Whai whakaaro ki ngā whakataunga | Considerations for decision-making

Alignment with Council's strategies and policies

75. 'Fix our water infrastructure and improve the health of waterways' is identified as a key priority in the LTP 2024-34.

76. The proposed objectives for two waters and stormwater set out in this report align with several of the Council's key strategies including the Wellington Resilience Strategy, Our Natural Capital, the Green Network Plan, and Tūpiki Ora.

Engagement and Consultation

77. There are no immediate engagement and consultation requirements as a result of the decisions in this paper. A substantial consultation process will be carried out in early 2025 as part of the LTP amendment activity.

78. Alternative consultation requirements are described in the body of this report.

79. Officers are already considering how we can make this consultation process accessible to the public given the inherent complexity and uncertainty involved in water reform.

Māori Impact Statement

80. Water and environmental wellbeing are key priorities for mana whenua and hapori Māori.

81. Environmental wellbeing is articulated in several of the strategic documents of the Council's mana whenua partners:
    - A strategic goal of Taranaki Whānui ki Te Upoko o Te Ika is to restore and enhance our natural resources and environmental well-being.
    - A strategic focus area of Te Rūnanga o Toa Rangatira is Te Ao Tūroa, nurturing a resilient environment to sustain future generations.
    - One of the values of Te Rūnanganui o Te Āti Awa ki te Upoko o te Ika a Maui is Tū Tāngata – being accountable for our actions, supporting the sustainable development of people, communities, cultures and the environment.

82. Given the importance of water for Māori, and to reflect the Council's commitments under Tākai Here, the stewardship objectives presented for endorsement in this paper include that water services delivery and governance arrangements give effect to Te Tiriti o Waitangi and Tākai Here, acknowledge, respect and enhance Te Mana o Te Wai, and provide meaningful influence to mana whenua.

83. Additionally, the objectives for both two waters and stormwater reflect that it is a Council priority for water services arrangements to enable progress on priorities for mana whenua which are over and above regulatory requirements.

Financial implications

84. Future decisions made throughout the development of a WSDP and future choice of delivery model could have significant financial implications on the Council. The shape of these will be brought to you in December.

85. The results of the independent debt transfer review are currently being drafted and will not be finalised until after the publication of this report. The findings will be communicated to you as soon as reasonably possible and will be factored into the options analysis presented in December.

86. There are no additional funding requests resulting from the decisions in this paper. The proportion of WCC costs to fund the next phase of the regional teams work will be funded through forecast underspends in the WCC internal cost of water budgets (interest costs and remaining better off funding). This has no impact on the amount of funding available to Wellington Water.

Legal considerations

87. The water services delivery model and WDSP are subject to alternative decision-making and consultation requirements set out in the WSPA Act. These requirements are described in the body of this report.

88. The regional project team have received external legal advice on the WSPA Act, which was shared with all participating councils to ensure we properly implement the new legislation. Further legal advice will be sought as needed throughout the water reform process.

Risks and mitigations

89. The decisions sought in this paper will enable the programme team to stay on track to meet the September 2025 legislated timeframe.

90. Delays to timely decision making increase the likelihood of issues arising in the Legal and Regulatory Compliance strategic risk area i.e. risk of non-compliance with legislative frameworks, acts and plans.

91. Water services delivery more broadly has the potential to impact on a further 4 strategic risk areas noted below. At this time all four risk areas are currently assessed as low – medium.

    - Critical Services Delivery
    - Our wellbeing outcomes services delivery
    - Environmental
    - Our finances

Disability and accessibility impact

92. There are no accessibility impacts as a result of the decisions sought in this report.

Climate Change impact and considerations

93. There are no climate change impacts as a result of the decisions sought in this report.

94. Reducing emissions from water services will need to be considered as part of the renewal and upgrade of the network. Water network assets are at risk from rising sea levels which will need to be considered as part of the renewal and upgrade of the network.

Communications Plan

95. The Water Reform page on WCC website (Local Water Done Well - Water - Wellington City Council) will be updated to reflect decisions taken as a result of this report.

96. In addition, should the Committee decide to continue exploring a regional approach to water services delivery, WCC will confirm this decision to partner councils and the regional project team.

Health and Safety Impact considered

97. There are no health and safety impacts as a result of the decisions sought in this report.

98. Meeting the minimum public health regulatory standards for drinking water and wastewater is a key element of the Local Water Done Well framework. The water network also impacts on public safety during flooding events.

99. As well as public health and safety considerations, water services activities and infrastructure must be safe for the people who work in or around them.

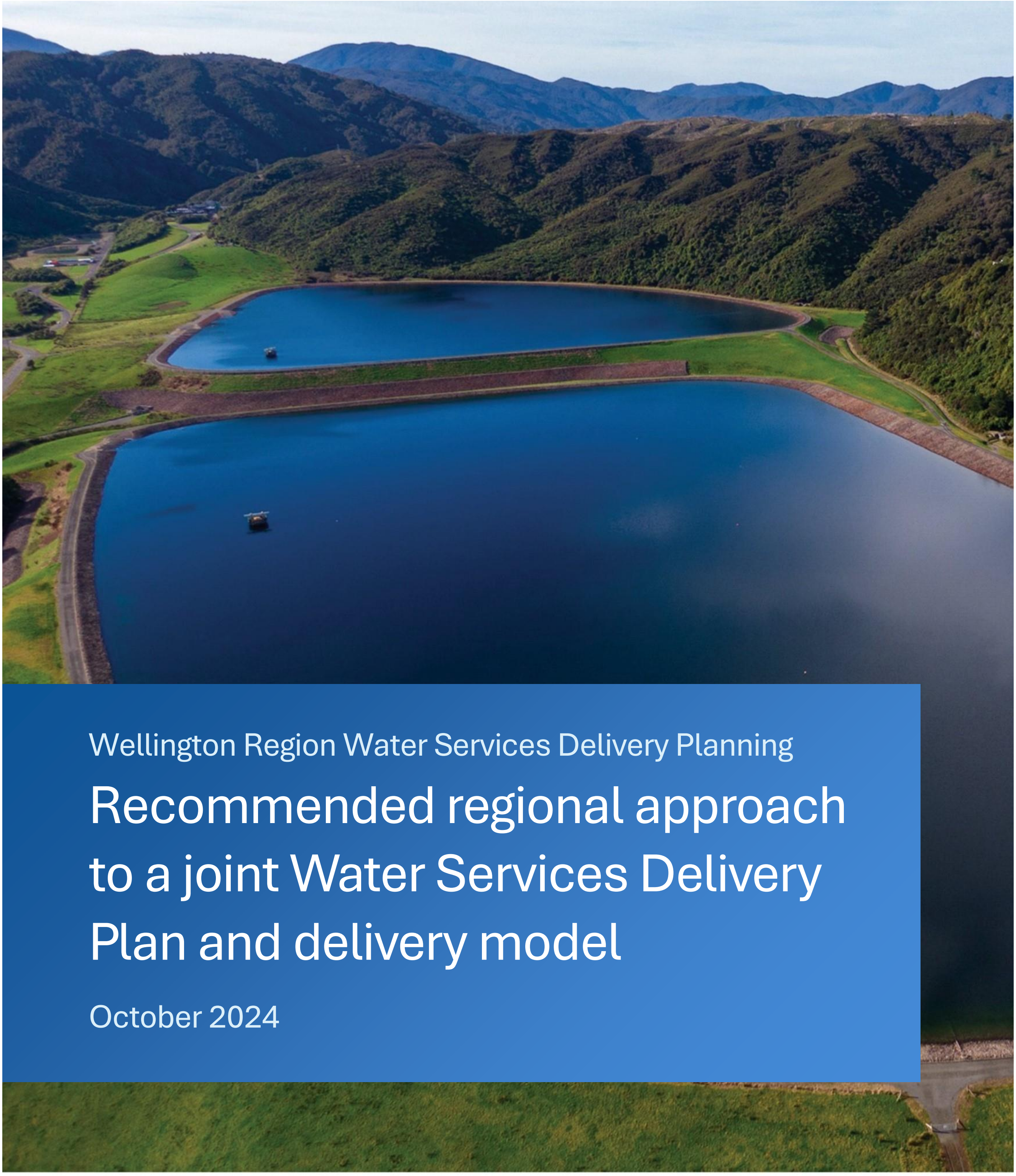
Ngā mahinga e whai ake nei | Next actions

100. Following decisions from councillors, officers will:

- begin preparing the options evaluation for decision in December
- begin work preparing a local draft WSDP as per DIA guidance
- (subject to councillors decision) continue working with the regional project team to progress a joint WSDP
- work with the Strategy and Policy team to prepare for water reform consultation via LTP amendment consultation activity.

Attachments

Attachment 1.	Regional Approach Report (1 of 3) ⇩	Page 38
Attachment 2.	Regional Approach Report (2 of 3) ⇩	Page 136
Attachment 3.	Regional Approach Report (3 of 3) ⇩	Page 194
Attachment 4.	DIA Factsheet - Financing for councils and water organisations ⇩	Page 214



Wellington Region Water Services Delivery Planning

Recommended regional approach to a joint Water Services Delivery Plan and delivery model

October 2024

LIMITATIONS AND DISCLAIMER:

Purpose of the report

This report aims to provide information to support decision making by councils on whether to develop a joint Water Services Delivery Plan (WSDP), and joint delivery model with other councils in the region.

The report does not represent the position of any of the councils involved in this process. Rather, it outlines a recommended 'best for region', concept-level delivery model for a regional Water Services Council Controlled Organisation (WSCCO) to deliver water services in the region, should councils decide to adopt this approach. It follows the requirements of Government policy and legislation and provides a robust strategic-level analysis of the case for change and investment required. This report is not intended to fulfil the statutory requirements for a WSDP nor be a basis for investment decisions. A full WSDP along with further development and decisions on the proposed delivery model will need to be developed by councils later, based on the confirmed approach and in line with the requirements of legislation. Councils will need to separately consider and evaluate alternative options in relation to the recommended model to inform decision making.

Limitations of information and analysis

The analysis set out in this report in relation to the current state of the water services network has been based on best available information and is intended as a strategic and directional-level analysis to inform decision making on an approach to a WSDP, rather than the level required to complete a WSDP or to inform investment decisions. Where possible, the sources and limitations have been noted. As new or more robust information becomes available, this will be used to further inform and refine the analysis. Key assumptions, sources of information and levels of confidence are set out in Appendix C. This includes how information has been verified where possible, including through discussions with council officers and Wellington Water (WWL) staff to ensure accuracy and correct interpretation. There are a number of documents referenced in this report, (such as the draft Entity G Asset Management Plan) that were developed by the Department of Internal Affairs (DIA) but never finalised. These have been relied upon in the absence of other information in order to significantly reduce the time and costs of this process. As noted, reasonable efforts have been made to cross-check such information with other sources.

It should be noted that:

- Forecasts almost always turn out incorrect, especially over a 30-year horizon.
- There is great difficulty in estimating investment requirements over the next 30 years, given poor information on asset condition, lack of detailed engineering assessment of what is required to address water quality to match the proposed water quality standards, and uncertain growth investment.
- Choices need to be made over a myriad of modelling approaches, inputs, and assumptions that reasonable minds may disagree with over some decades.
- There is a range of decisions yet to be made and legislation to be enacted to give effect to reform of water services.
- All modelled network economics figures should assume to have a +/-20% accuracy, such as in relation to revenue, investment and debt over the 30-year period, which is considered a sufficient level of accuracy for strategic decision-making purposes at this stage. Some of these, such as the available asset condition metrics, are known to be weak.
- However, based on the analysis of information and cross-checking, there is a relatively high level of confidence that the analysis is directionally correct and sufficiently robust to support the strategic level of analysis in this report and the decision making that it is intended to support.
- As noted, the detail will be subject to ongoing refinement and change as more accurate, specific information is identified and councils complete the required detail in a WSDP.
- This analysis and report structure is aligned with the requirements of the Local Government (Water Services Preliminary Arrangements) Act 2024 in relation to the content of a WSDP as outlined in Appendix A.

Prepared by:	Scott Consulting Ltd
Prepared for:	Councils in the Wellington Region and Horowhenua District
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Contents

Abbreviations

AOG	Advisory Oversight Group
AMP	Asset Management Plan
Bill 3	Local Government Water Services Bill (expected to be introduced in December 2024)
CCO	council-controlled organisation
COC	council-owned company
DIA	Department of Internal Affairs
EoSL	end of service life
FDS	The Wairarapa-Wellington-Horowhenua Future Development Strategy 2024–2054
FFO	funds from operations
FTE	full time equivalent
FY	financial year
GDP	gross domestic product
GWRC	Greater Wellington Regional Council
HBA	2023 Wellington Regional Housing and Business Capacity Assessment
LGA	Local Government Act 2002
LGFA	New Zealand Local Government Funding Agency
LGOIMA	Local Government Official Information and Meetings Act 1987
LOS	level of service
LTP	Long-term Plan
MoU	Memorandum of Understanding
NPS-FM	National Policy Statement for Freshwater Management
pa	per annum
Preliminary Arrangements Act	The Local Government (Water Services Preliminary Arrangements) Act 2024
WICS	The Water Industry Commission for Scotland
WSCCO	water services council-controlled organisation
WSDP	water services delivery plan
WSS	water services strategy
WWC	Wellington Water Committee
WWL	Wellington Water Limited

Foreword

Everyone in the Wellington Region relies on our water services. These are critical to enable the health, well-being and economy of our towns and cities. However, it is also very easy to take water for granted, until something goes wrong.

All of us in the region have directly experienced some of the issues we face with our water services – whether that is an old water pipe bursting on a Wellington street, water shortages meaning you can't water your garden over summer or the impacts of stormwater or sewage on swimming spots.

Our drinking water, wastewater and stormwater services need fixing. We know it will be expensive and will take an ongoing effort. We want to ensure safe, reliable and sustainable water services so the Wellington Region can be more resilient, restore Te Mana o te Wai, enable new homes to be built, and safeguard the well-being of our communities.

The overall state of our water services network is simply not good enough. Water supply services are often unreliable, with old pipes resulting in about half of the water supply for the metropolitan area being lost through leaks.

We know our region has a significant backlog of investment in three waters infrastructure. To address this, enable new housing growth and maintain the network, we estimate for the greater Wellington area, about $15-$17 billion needs to be invested in water infrastructure over the next 20-25 years.

If delayed, we risk significant network failure, further deterioration and increased costs for more 'fixes'. We won't be able to build the 99,000 new homes that are needed across the region for a growing population. Our major wastewater treatment plants will continue to fall short of environmental standards and our drinking water supplies may be compromised. And we push this issue on to future generations.

There is no easy fix. The Government is putting in place legislation which will change how we manage water and is changing funding limits so councils can address the issues we face. Councils must make some bold and brave decisions with the backing of our communities. We need to be confident that we are making the best choices to address the critical challenges, that are deliverable and financially sustainable.

There is a need to increase revenue and effective use of borrowing to ensure cost increases are more affordable for households. This will be a significant challenge and will need to be carefully managed working with the water sector to find ways to do this work more efficiently.

While different parts of the region may have different priorities, all of us face issues with water services. This is everyone's problem, and it makes sense for us all to work together to turn the tide.

Taking a broader regional view will give councils confidence to make some hard decisions in the best interests of our region as a whole. This document aims to support this process. Many options have been worked through to find a better pathway forward. I urge both council officers and elected members to carefully consider the recommendations here.

I would like to extend my thanks to members of the Advisory Oversight Group and everyone involved in this report, which has been shaped by many people's expertise and hard work. It is an example of how well we can work together.

"Nāu te rourou, nāku te rourou, ka ora ai te iwi – With your food basket and my food basket, the people will thrive."

Dame Kerry Prendergast

Chair of the Advisory Oversight Group

Executive Summary

Troubled waters

Water services in much of New Zealand, including the Wellington Region, are suffering long-standing and serious challenges, mainly due to a lack of sufficient investment over a long period.

Transformational reform is needed with significant and sustained investment over coming decades to fix the network, which is at risk of critical failure in places. Urgent attention is also needed to enable new housing growth, provide safe drinking water, improve environmental water quality and enhance resilience.

The Government is introducing legislation to address New Zealand's water services, with a requirement that all local councils and Greater Wellington Regional Council (GWRC) must prepare a Water Services Delivery Plan (WSDP) by September 2025. This may include establishing a new organisation to deliver water services.

Councils within the Wellington Region face some stark decisions and challenges in preparing a WSDP and meeting all the requirements and investment needed to improve water services, including drinking water, wastewater, stormwater, infrastructure and storage.

The purpose and limitations of this report

Under the Local Government (Water Services Preliminary Arrangements) Act 2024 (the Preliminary Arrangements Act), councils need to confirm their approach to a WSDP – whether they want to develop a joint WSDP with other councils and the extent of any joint arrangements; for example, for all or only some water services.

This report aims to provide information to support decision making by councils on whether to develop a joint WSDP, and joint delivery model with other councils in the region.

The report does not represent the position of any of the councils involved in this process but rather outlines a recommended 'best for region', concept-level delivery model for a regional Water Services Council Controlled Organisation (WSCCO) to deliver water services in the region, should councils decide to adopt this approach.

In the course of the decision-making process on the WSDP, councils must assess both their existing service delivery model and the option of establishing, joining or amending a WSCCO or a joint local government arrangement. If they choose, they may also consider other options for delivery of water services. The assessment of (at least two) alternatives needs to be credible with sufficient information to ensure decision-makers can reach a properly informed view.

This report does not deal with the assessment of the status quo delivery model in each district, or potential options for delivering water services other than the recommended model, as these are matters for each council to consider.

The report follows the requirements of Government policy and legislation and provides a robust strategic-level analysis of the case for change and investment required. This report is not intended to fulfil the statutory requirements for a WSDP nor be a basis for investment decisions. A full WSDP will need to be developed by councils later along with further development and decisions on the proposed delivery model, based on the confirmed approach and the requirements of Bill 3 (Local Government Water Services Bill).

A regional approach

The nine councils within the Wellington regional area, and Horowhenua District Council, signed a Memorandum of Understanding (MoU) in May 2024 to work together on a joint WSDP process. This included GWRC on the basis of its role as bulk water provider to the Wellington metropolitan area.

An Advisory Oversight Group (AOG) was established with elected member representatives and Iwi/Māori partners. This is supported by a Chief Executives' steering group, project team, joint budget and an agreed development process. The councils and Iwi/Māori partners made a commitment to work together through a collaborative and non-binding process, which does not transfer any formal decision-making responsibilities or delegations from any council. Each council within the Wellington Region still needs to make their own decisions on a WSDP and a preferred model for delivering water services in future.

The AOG has helped to test options and provide direction on a set of key requirements for a possible regional WSDP. They identified an agreed goal to: *ensure the delivery of safe, reliable, environmentally and financially sustainable water services so the region can be resilient, restore Te Mana o te Wai, and enable new homes and the well-being of communities*.

Current state of the network and case for change

Every day, millions of litres of safe drinking water are delivered to homes across the region and millions of litres of wastewater are safety treated and discharged. This relies on the hard work and dedication of more than 1,000 local people, who work directly on three waters networks for councils, Wellington Water Limited (WWL) and a range of partners, contractors and suppliers. Their day-to-day mahi and commitment to water services on behalf of the people in the region should be recognised and celebrated.

However, the Wellington Region also faces significant failure and deterioration in water infrastructure, with a risk of network fault runaway[1] in parts of the network. There are significant constraints to growth and new housing in many areas, with the need to meet regulatory standards and compliance requirements for water, and to build better seismic, network, and climate resilience. Challenges with current delivery models include lack of scale, workforce skills and capacity, and funding.

While not all councils have the same issues, all councils in the region have major challenges to address. About 45% of all drinking water in the metropolitan area of Wellington is lost to leaks. While the quality of asset condition information is very poor, across the region an average of about 21% of the total three water pipe infrastructure has been assessed as worn out. Wastewater is generally in the worst condition with about 33% of the pipes worn out. Many wastewater treatment plants are failing to meet compliance requirements and need large-scale replacement or investment, with immediate risks of structural failure of some wastewater pipes.

The costs for repairing and strengthening regional water services will be substantial. To address the backlog of investment needed in three waters infrastructure, to enable growth and maintain the network, it is estimated about $15-$17 billion of investment in the water network will be required over the next 20-25 years.

While councils are planning significant investment to manage these risks, combined Long-term Plan (LTP) investment over the next ten years is about $4.82 billion (real), which is approximately $470 million (or about 10%) less than the estimated investment required based on the recommended investment strategy in this report over the next 10 years and about 30-40% less than what will be required, on average over the next 20-25 years.

[1] Network fault runaway occurs when the operational capacity to fix faults is exceeded by the fault rate. The consequences of this include extended periods of water outages, sewage spills, and localised flooding.

The evidence in this report confirms the need for change. The status quo cannot continue and, under the requirements for developing a WSDP, councils will need to make some difficult choices about how to fund and deliver the urgent work needed on the three waters network and demonstrate financial sustainability by 30 June 2028.

Options and recommendations for a regional delivery model

The process has included working through a range of options and considerations to inform 'best for region' options for a joint WSDP and a concept-level design for a future delivery model. The councils have taken a collaborative approach, facilitated by a joint regional team, based on a series of workshops with the officers, council Chief Executives and the AOG to consider options and alternatives, provide feedback and direction.

This process has included:

- confirming what success looks like through identification of the key requirements for councils and a shared goal,
- consideration of the state of the network, level of investment required and case for change,
- consideration of how financially sustainable delivery of water services will be achieved by 30 June 2028,
- testing a range of possible structures and models for a joint WSCCO, including in-house delivery models; Council Controlled Organisation (CCO); a consumer trust; and a private sector option (which was not supported due to opposition to the privatisation of water), and
- development of governance and oversight arrangements, including design principles and assumptions for a new entity, including the relationship between the proposed WSCCO, councils and other key players.

While the model will need to be fully designed and confirmed in subsequent phases of work in line with Bill 3, **the recommended delivery model is for a joint council-owned company, (that is, a full-breadth water utility vested with ownership of all regional water assets, revenues and liabilities**). This would have a similar structure to a CCO under the Local Government Act 2002 (LGA) but with reduced council oversight, enabling the company to have greater control and certainty over investment plans and clarity of accountability.

The entity would be within the new class of financially independent water CCOs, which according to Government policy announcements on 8 August 2024, will be provided for in Bill 3 to be introduced into Parliament in December 2024.

The new WSCCO model will operate in a much more regulated environment, providing a strong focus on assurance, quality, delivery and value for money. The primary relationship of a WSCCO will be with its customers, not its shareholders (or owners). Council direction and oversight would therefore be less than under traditional CCO models. The new entity needs the independence and accountability to deliver. A skills-based Board with a clear set of competencies is at the heart of the recommended governance model.

Councils are keen to ensure that any future regional WSCCO will provide a high level of local service delivery, including good compliance, response times and supply. The new WSCCO would provide all services directly to water customers and bill them for water usage and services provided.

Financial sustainability

A WSDP will need to demonstrate how financially sustainable delivery of water services will be achieved by 30 June 2028. This requires confirmation of:

- 'investment sufficiency' – projected investment is sufficient to meet levels of service, regulatory requirements and provide for growth,
- 'revenue sufficiency' – sufficient revenue to cover the costs (including servicing debt) of water services delivery, and
- 'financial sufficiency' – funding and financing arrangements are sufficient to meet investment requirements.

This document does not provide this level of detail but does provide a strategic level of analysis of these matters to ensure councils to have sufficient understanding of the level of investment required and a potential pathway to financial sustainability including opportunities to use new financing arrangements to help manage cost increases.

The new entity would be able to raise significant long-term debt. The Government recently confirmed that the New Zealand Local Government Funding Agency (LGFA) will:

- provide financing and increased levels of borrowing to support WSCCOs,
- treat borrowing by water organisations as separate from borrowing by parent council or councils, and
- lend to multiple-owned water organisations, that are financially supported by the parent councils. It is important to note that financially supported means either a guarantee or uncalled capital will be required from councils to match the liabilities of the water CCO.

After consideration of a range of investment scenarios, the recommended investment strategy to ensure financial sustainability is based on increased debt and pricing to enable an investment programme that will '**keep up'** with network maintenance, '**catch up'** on the backlog of worn-out infrastructure, **'build up'** network capacity to enable growth and **'clean up'** wastewater and stormwater to improve discharge standards by upgrading assets as they are replaced at end-of-life.

To ensure that this strategy is affordable, careful use of long-term financing will be required to smooth and balance cost increases over time. This is expected to result in a more affordable rate of increased costs to water consumers than would otherwise be possible under current local government funding arrangements.

It is estimated that it will take about 20-25 years to replace worn-out parts of the network and ensure substantial environmental compliance. It is also possible to extend the time for this catch-up period, which may result in lower costs but is likely to result in increased risk of network failure and consequential failure and repair costs.

The actual investment and therefore financial strategy and price path will be informed by development of the WSDP and then implemented by a WSCCO. This will be done in the context of a new economic regulator that will have a strong focus on quality and price based on the actual cost to provide sustainable networks and services.

A range of scenarios has been modelled to provide an indication of average potential price increases across the region and do not reflect the actual cost to serve a particular local area, existing prices or an agreed price transition. Under all scenarios modelled, prices will need to increase to address the backlog of investment needed. Price rises will need to be managed through the use of financing tools and effective and efficient targeting of the works required. Based on the scenarios modelled:

- Price rises could be up to 9% per annum on average across the region to address the backlog of investment in the network. This rate of price increase will need to be managed through financing arrangements and/or the level of investment undertaken.

- The average price per connection across the region in 2024 is $1,711[2]. The amount that this increases could be up to twice current prices or a peak of about $3,000 to $4,000. However, it may be possible to reduce this peak price through financing arrangements and a sustainable price is estimated at about $2,596 when the catch-up phase is completed in about 20 years' time. This sustainable price is about 51% above the level of current charges, meaning that this level of increase could be gradually managed over time.

To manage affordable changes in prices, key assumptions include:

- Economic regulation will include a core principle that water prices must be based on the cost to provide services to the relevant group of customers.
- The WSCCO will need to work with the economic regulator to develop and agree a pricing and revenue strategy that will balance price and quality.
- The WSCCO will use LGFA financing arrangements and additional debt headroom to manage rate of cost increases.
- People across our region currently pay different amounts for water services depending on where they live and whether water use is metered. These existing price differentials will be locked in for a three-year transitional period to help ensure that consumers do not receive a major price shock.

Evaluation of the recommended model and benefits

All councils will need to assess both the WSCCO model and the status quo, and if they choose, other service delivery options during their decision-making process.

This report does not deal with those assessments, but rather evaluates a recommended regional option in relation to the key requirements and other key factors, including the Government's minimum requirements, cost to implement, risks, level of benefits and political acceptability. For each factor, the relevant benefits, risks, challenges and key assumptions have been identified.

This evaluation will help councils to undertake a comparative analysis in relation to the status quo and any other identified options.

Some of the identified benefits of the recommended model include:

- ongoing public ownership through shareholding councils,
- replacement of about 44% of the network over the next 20 years,
- new homes and growth,
- better resilience,
- scale to enable efficiency and continuous improvement,
- focus on affordability through more effective use of funding and financing arrangements than are currently available to local councils,
- better compliance and network performance through more investment,
- customer focus and local delivery,
- clarity of accountability, and
- long-term approach to planning and investment.

[2] Based on 2024 costs.

Implementation considerations

Legislation requires councils to have a WSDP by September 2025. Therefore, decisions on subsequent phases of work to consider a joint WSDP and WSCCO are expected to be made on an in-principle basis by late 2024 to enable this work to be progressed.

Work from late 2024 will need to focus on development and delivery of the WSDP. Councils will need to undertake communications, engagement and formal consultation (on at least the part of the WSDP that outlines the proposed service delivery model) during this time, as well as implementation planning. This will involve some significant decision making in relation to the development and adoption of a WSDP that meets councils' legislative obligations, as well as establishing any joint arrangements for the delivery of water services, with early establishment resources, accountabilities and funding.

The draft regional WSDP will need to be aligned with the legislative requirements and will include asset condition information and a related AMP; funding, financing and revenue requirements; the proposed model for delivering water services, including meeting compliance requirements; and an implementation plan, including timeframes and milestones.

Implementation planning will consider the potential establishment of a large full-service, multi-council-owned WSCCO, which would be entrusted with the stewardship of critical regional assets with a replacement value of about $19 billion. This will also have a significant impact on councils including future role, operating model, financial arrangements and scale.

Details regarding the structure, accountabilities, decision-making rights and resourcing will need to be finalised. Decisions will need to be made on a high-level operating model and organisational design, a service delivery model, change process and strategy, as well as information systems, legal, procurement, costs, budget and funding. The strategy, processes and principles will also need to be established for debt and asset transfer, pricing, contract transfer, people transition, customer experience and billing. This report gives an indicative timeline and costs, with key transition principles that will need to be followed.

Next steps

The recommended regional model is well aligned with the key requirements set by councils, legislation and recent Government policy announcements.

To meet the legislated deadline, councils need to maintain momentum by:

- considering the recommended regional model and deciding whether to develop a joint WSDP with other councils,
- assessing status quo, an alternative model (may or may not be recommended regional model) and, if they choose, additional reasonably practicable alternatives,
- making in-principle decisions on the proposed model by late 2024 in order for this to be further developed,
- consulting on draft WSDP (at least on proposed delivery model) from late 2024 and into 2025,
- considering the implications for council, including the need to amend the LTP,
- adopting the WSDP (and any LTP amendment), and
- planning for implementation of WSDP in 2025 (especially if the new model is adopted).

Table 1: Summary of recommended regional model

Aspect	Key features
Councils and ownership	• Public ownership through council-owned organisation. • Ownership rights in constitution/shareholder agreement. • Full-breadth water utility with ownership of all regional water assets, revenues and liabilities.
Governance	• Empowered to operate independently with ability to prioritise investments. • Shareholders' panel appoints an independent, skills-based Board (not representative-based Board). • Key skills: commercial, asset management, network utilities, Treaty of Waitangi, customer, local government, and local knowledge.
Iwi/Māori	• Treaty of Waitangi obligations are honoured. • Governance role confirmed through constitution. • Range of enduring relationships and Memorandum of Understanding.
Customer	• Key relationship is with customers including service and billing. • Customer interests supported by economic regulator. • Local service delivery model backed by capability and scale to deliver efficiency.
Strategy	• Shareholders agree Statement of Expectations. • WSCCO prepares Statement of Intent, Annual Plan and Water Services Strategy (WSS).
Accountability and regulation	• Statutory objectives per Bill 3. • Annual reporting and public meetings. • Oversight from regulators – Taumata Arowai, Commerce Commission, Regional Council(s). • Single point of accountability for service delivery. • Financially sustainable and compliant with regulation.
Borrowing	• Borrowing initially from LGFA based on debt covenants. • Focus on affordability through effective use of funding and financing arrangements. • Certainty to plan, fund and invest optimally with confidence that it has committed access to long-term funding at a reasonable cost.

Purpose of this report

Section summary

The Government is in the process of introducing legislation to address New Zealand's long-standing water infrastructure challenges. This includes a requirement under the Preliminary Arrangements Act that councils must prepare and submit to the Secretary of Local Government a WSDP by September 2025.

This report aims to provide information to support decision making by councils on whether to develop a joint WSDP and joint delivery model with other councils in the region.

It follows the requirements of Government policy and legislation and provides a robust strategic-level analysis of the case for change and investment required. The report does not represent the position of any of the councils involved in this process but rather outlines a recommended 'best for region', concept-level delivery model for a regional WSCCO to deliver water services in the region, should councils decide to adopt this approach.

This report is not intended to fulfil the statutory requirements for a WSDP nor be a basis for investment decisions. A full WSDP will need to be developed by councils later, based on the confirmed approach.

This report outlines a recommended delivery model for a regional WSCCO to deliver water services in the region, should councils decide to adopt this approach.

It is not intended to support other subsequent decisions by councils which may be necessary, such as whether to adopt a WSDP. Such decisions will be supported by further analysis and advice.

1. Purpose of this report

This report was commissioned by the nine councils in the Wellington Region and Horowhenua District Council to respond to the direction of the Government's Local Water Done Well[3] policy. This collective approach is discussed in more detail in the Regional Approach section of this report.

Local Water Done Well signalled an expectation that councils would prepare a WSDP within 12 months of legislation providing for the WSDP being enacted and that councils would consider collective approaches to the delivery of financially sustainable water services.

The purpose of this report is to provide information to support decision making by councils on whether to develop a joint WSDP, and joint delivery model with other councils in the region. Councils will need to separately consider and evaluate at least the status quo and may also consider other alternative options in relation to the recommended model to inform decision making.

[3] https://www.dia.govt.nz/Water-Services-Policy-and-Legislation.

This report provides a regional analysis of:

- **Current state of the network and case for change**. This looks at why change is needed and the scale of the problem. This includes analysis of the level of investment required to fix the poor condition of much of the network, maintain the network, enable new housing, and ensure compliance with drinking water and environmental regulation.
- **Options and recommendations for a regional delivery model**. This includes a range of considerations for different types of models, governance and delivery. This section sets out a recommended concept model for a new WSCCO and looks at the importance of quality local service.
- **Financial sustainability of water services**. This outlines an investment strategy and potential financing arrangements to demonstrate how financially sustainable delivery of water services can be achieved by 30 June 2028 including investment, revenue and financing sufficiency.
- **Evaluation of the recommended regional delivery model.** This considers how well the recommended model meets key requirements as well as an assessment of key benefits, challenges and risks.
- **Implementation considerations.** This includes indicative time and costs, engagement and consultation with the community and looks at 'where to now'.

Limitations and disclaimer

Please refer to the limitations noted on page 2 of this report. In particular, it is noted that this report provides a strategic-level analysis of the case for change, a concept-level design for a recommended delivery model for a regional WSCCO, which councils will be empowered to establish under the Local Government Water Services Bill (Bill 3), and an investment strategy to inform how financially sustainable delivery of water services can be achieved by 30 June 2028 including investment, revenue and financing sufficiency.

This report is **not** intended to fulfil the requirements of a WSDP nor provide the basis for investment decisions or future pricing. Development of a full WSDP will need to be completed by councils during late 2024 and 2025 based on the confirmed approach.

2. Legislative requirements

Local Water Done Well is the Government's plan to address New Zealand's long-standing water infrastructure challenges.

It recognises the importance of local decision making and flexibility for communities and councils to determine how their water services will be delivered in the future.

It will do this while ensuring a strong emphasis on meeting economic, environmental and water quality regulatory requirements. Key components of Local Water Done Well include:

- Fit-for-purpose service delivery models and financing tools.
- Ensuring water services are financially sustainable.
- Introducing greater central government oversight, economic and quality regulation[4].

Local Water Done Well is being implemented in three stages, each with its own piece of legislation.

Bill 1: Water Services Acts Repeal Act 2024. This repealed the previous Government's water reforms legislation.

[4] https://www.dia.govt.nz/Water-Services-Policy-and-Legislation.

Bill 2: The Local Government (Water Services Preliminary Arrangements) Act 2024 establishes the Local Water Done Well framework and the preliminary arrangements for the new water services system. This was enacted on 2 September 2024.

The Preliminary Arrangements Act lays the foundation for a new approach to water services management and financially sustainable delivery models that meet regulatory standards.

Key areas included in the Preliminary Arrangements Act are:

1. Requirements for councils to develop WSDPs by 3 September 2025.
2. Requirements that WSDPs outline future water services delivery arrangements, and for councils to commit to an implementation plan.
3. Requirements for councils to include in their WSDPs baseline information about their water services operations, assets, revenue, expenditure, pricing, and projected capital expenditure, as well as necessary financing arrangements, as a first step towards future economic regulation.
4. Streamlined consultation and decision-making processes for setting up future water services delivery arrangements.
5. Provisions that enable a new, financially sustainable model for Watercare, including the appointment of a Crown monitor for the interim regulation of Watercare.
6. Interim changes to the Water Services Act, which mean the Te Mana o te Wai hierarchy of obligations in the National Policy Statement for Freshwater Management (NPS-FM) will not apply when Taumata Arowai sets wastewater standards.

Bill 3: In August 2024 the Government outlined key Local Water Done Well policy decisions, including those that will be reflected in the proposed Local Government Water Services Bill (Bill 3).

The Government will introduce Bill 3 in December 2024 that will establish the enduring settings for the new water services system. This will set out a range of changes to the water services delivery system and to the water services regulatory system. This includes:

- New water services delivery models for councils to choose from, including new water organisations that can be owned by councils and/or consumer trusts,
- Minimum requirements for local government water services providers,
- A new economic regulation regime for local government water services providers, to be implemented by the Commerce Commission,
- Changes to improve the efficiency and effectiveness of the drinking water regulatory regime, and the approach Taumata Arowai takes to regulating the regime,
- Changes in the approach to applying Te Mana o te Wai, affecting drinking water suppliers as well as wastewater and stormwater networks,
- A new approach to managing urban stormwater, including changes to improve the management of overland flow paths and watercourses in urban areas, and
- Changes relating to wastewater environmental performance standards and national engineering design standards.

The announcements in August 2024 included confirmation of financial arrangements that the LGFA will provide financing to support water council-controlled organisations[5] (CCOs and trusts). LGFA will extend its existing lending to new water organisations that are CCOs and are

[5] '**Water services provider**' is defined as meaning all forms of local government provider and including councils that continue with direct (in-house) delivery as well as new water organisations. The term '**water organisation**' refers only to separate organisations that councils may establish to provide water services and does not include councils with direct (in-house) delivery.

financially supported by their parent council or councils. It is important to note that financially supported means either a guarantee or uncalled capital will be required from councils to match the liabilities of the water CCO.

LGFA will support leverage for water CCOs based on an assessment of operating revenues, subject to water CCOs meeting prudent credit criteria. LGFA will treat borrowing by water CCOs as separate from borrowing by their supporting parent council or councils. These same lending arrangements would not apply to in-house delivery models.

3. Council decisions

Under the provisions of the Preliminary Arrangements Act, councils need to make a series of decisions. Some of these will be decisions required under the LGA, or the Preliminary Arrangements Act, while others will be non-statutory.

These non-statutory decisions may be tactical decisions to inform the project scope and approach, or strategic decisions (for example, to develop a joint WSDP) that are precursors to formal statutory decisions.

Key decisions councils may need to make include:

1. **Confirming the approach to a WSDP**: Whether to develop a joint WSDP with other councils and the extent of joint arrangements, for example, for all or some water services. (Sections 10 and 11 of the Preliminary Arrangements Act)
2. **Consultation**:
    a. Whether to consult on the draft WSDP beyond the proposed model for service delivery (which must be consulted on), and when and how to consult.
    b. The timing and approach to decision making, e.g., in relation to CCO establishment and governance, (should council plan to establish a new delivery model).
3. **Implementation**:
    a. Whether to adopt a WSDP (Section 17 of the Preliminary Arrangements Act).
    b. Whether to establish a new service delivery model.

This report aims to support decision number 1 above, *Confirming the approach to a WSDP*. Ongoing analysis and development of a WSDP will be required to support decisions 2 and 3 and to ensure councils have confidence that they are able to give effect to the WSDP. To enable this, a three-phase programme has been established, with indicative decision points (and potential exit gates) for councils at the end of Phases 1 and 2. See more detail in Section 37 of this report: *Next phases of work*.

Regional approach

Section summary

Local government is under considerable pressure to address current water service issues as well as the complex and evolving challenges ahead. The nine councils within the Wellington regional area and Horowhenua District signed a Memorandum of Understanding in May 2024 to work together on a joint WSDP process.

A joint elected-member governance group (the Advisory Oversight Group) was established alongside Iwi/Māori partners, a Chief Executives' steering group, project team, joint budget and an agreed development process. Our councils and Iwi/Māori partners have made a commitment to work together through a collaborative and non-binding process.

The process does not transfer any formal decision-making responsibilities or delegations from any council. Decisions on the WSDP, preferred models or commitments to future change remain with each council. There are points in the process where councils will need to reconfirm their commitment to remaining part of the collective. Any council may choose to leave the collective at any point.

The Advisory Oversight Group (AOG) has helped to progressively test and provide direction on a set of key requirements for a regional WSDP. It also identified an agreed goal to: ***ensure the delivery of safe, reliable, environmentally and financially sustainable water services so the region can be resilient, restore Te Mana o te Wai and enable new homes and the well-being of communities.***

As well as considering at least the status quo as an alternative to a WSCCO, councils will need to undertake a process of engagement and formal consultation on at least part of the WSDP from late 2024 and into 2025, in line with legislation.

4. Wellington Region and the Horowhenua District

The councils working together in the Wellington Region and Horowhenua District include GWRC and nine territorial authorities:

- Horowhenua District Council
- Kāpiti District Council
- Porirua City Council
- Wellington City Council
- Hutt City Council
- Upper Hutt City Council
- South Wairarapa District Council
- Carterton District Council
- Masterton District Council.

Represented by the four Iwi/Māori representatives on the AOG (see Table 3 below), the Iwi/Māori partners in this regional area include:

- Rangitane o Wairarapa
- Ngāti Kahungunu ki Wairarapa Tamaki Nui-a-Rua Treaty Settlement Trust
- Ngāti Kahungunu ki Wairarapa – Rūnanga
- Ngāti Kahungunu ki Wairarapa Tāmaki-Nui-a-Rua – PSGE
- Rangitāne Tu Mai Rā Trust – PSGE
- Rangitāne o Wairarapa Inc – Rūnanga
- Te Atiawa ki Whakarongotai
- Ngā Hapū o Ōtaki
- Ngāti Toa Rangatira/Te Rūnanga o Toa Rangatira
- Muaūpoko Tribal Authority
- Te Iwi o Ngāti Tukorehe Trust
- Te Tumatakahuki (rōpū of Raukawa hapū representatives within the Horowhenua)
- Te Runanga o Raukawa.

Figure 1: The nine territorial authorities and Greater Wellington Regional Council

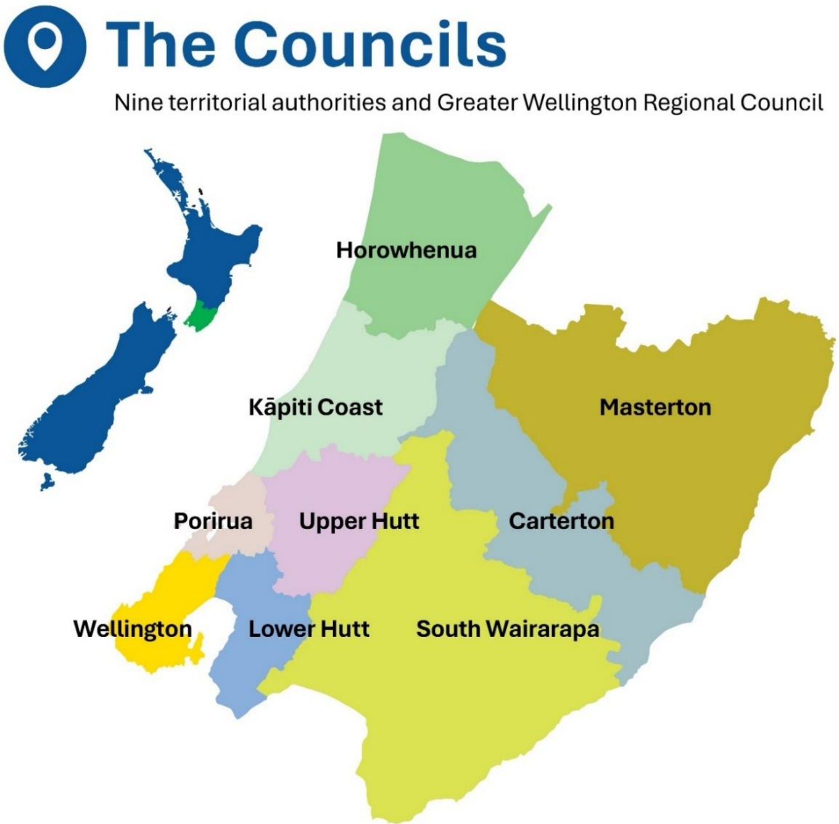


Table 2: Wellington Region population inclusive of Horowhenua[6]

Regional population 2024:	~588,000
Regional population projection 2054:	Up to about 775,000[7]
Number of households 2024:	~224,000
Number of households 2054:	~323,000
Percentage of households served by connected water networks:	~89-90%
GDP per capita:	Wellington Region data was reported at $NZ86,805 GDP in 2023[8]
Land area:	813,500 hectares[9]

The region actively works together through a range of forums, planning processes, partnerships and projects to plan, coordinate and invest in the well-being of our communities. This includes:

- housing and growth,
- economic development,
- delivery of social and health services,
- transport,
- emergency management and resilience,
- climate change response,
- waste minimisation and management, and
- delivery of water services.

5. Challenges and change for local government

There are challenges to working collectively as a region, in part due to the disjointed nature of local government boundaries and different interests and pressures each council must manage. This has been the subject of several reviews and processes to consider council amalgamation at both a regional and provincial level.

Local government is under considerable pressure to address current issues as well as the complex and evolving challenges ahead, including those driven by a range of legislative changes. Proposed legislative change in relation to water services has the potential to fundamentally shift the scale, role and relationship between councils and communities in relation to water services. A significant contributing factor to these challenges is the funding model for local government.

> *"The financing of local government is a major barrier, local government needs a much-improved system of funding. In addition to an inefficient financing system, the pressures of inflation, increasing cost of living, skills shortages and climate change add to the challenge of funding for growth and delivering community aspirations." – Upper Hutt City Council[10]*

[6] https://wrlc.org.nz/reports/housing-data estimated 2024 population including Horowhenua.
[7] https://wrlc.org.nz/reports/housing-data.
[8] New Zealand GDP per Capita: Wellington | Economic Indicators | CEIC (ceicdata.com). Does not include Horowhenua.
[9] Greater Wellington — Your Region | Tō Rohe (gw.govt.nz). Does not include Horowhenua.
[10] Review into the Future for Local Government, He piki tūranga, he piki kotuku, pg 54. June 2023.

6. A regional approach to water services delivery planning

In anticipation of legislative requirements for councils to develop a WSDP, the councils in the Wellington Region and Horowhenua District earlier this year agreed to work together to consider a joint approach towards development of a WSDP. This was formalised in May 2024 when the ten councils signed an MoU to work together on a joint regional WSDP process.

The process was deliberately started as early as possible in recognition of the tight timeframe and complexity involved in developing a joint WSDP within the 12-month period signalled under the Local Water Done Well policy and is now required under the Preliminary Arrangements Act.

The councils made a commitment to work together through a collaborative and non-binding process. To provide direction and oversight, the ten councils set up the AOG, made up of an elected member from each council and four Iwi/Māori representatives[11]. This process is supported by a Chief Executives' steering group, a joint project team, a joint budget and an agreed project approach.

The approach has included running a series of workshops with the officers, Chief Executives and the AOG to consider options and alternatives, providing feedback and direction to guide the development of this process and this report. The key deliverable from this joint process is intended to eventually be a joint WSDP, including implementation plan for a future delivery model. The AOG is chaired by Dame Kerry Prendergast and members are listed in Table 3 below.

Table 3: Membership of the Advisory Oversight Group

Council/Organisation	Representative
Chair	Dame Kerry Prendergast
Greater Wellington Regional Council	Cr Ros Connolly
Upper Hutt City Council	Mayor Wayne Guppy
Hutt City Council	Mayor Campbell Barry
Porirua City Council	Mayor Anita Baker
Wellington City Council	Mayor Tory Whanau
South Wairarapa District Council	Cr Colin Olds
Carterton District Council	Mayor Ron Mark
Masterton District Council	Cr David Holmes
Kāpiti Coast District Council	Mayor Janet Holborow
Horowhenua District Council	Mayor Bernie Wanden
Iwi/Māori representative Porirua/Kāpiti	Helmut Modlik, Tumu Whakarae – CEO, Te Rūnanga o Ngāti Toa
Iwi/Māori representative Te Awa Kairangi/Poneke	Kara Puketapu-Dentice – Chief Executive of Taranaki Whānui ki te Upoko o Te Ika
Iwi/Māori representative Wairarapa	Jo Hayes – Trustee of Rangitāne Tū Mai Rā Trust
Iwi/Māori representative/Horowhenua	Di Rump – Chief Executive at Muaūpoko Tribal Authority

The process does not transfer any formal decision-making responsibilities or delegations from any council. Decisions on the WSDP, preferred models or commitments to future change remain with each council. There are points in the process where councils will need to reconfirm their

[11] Note, the Iwi/Māori representatives were progressively confirmed and joined the AOG during this process.

commitment to remaining part of the collective. Any council may choose to leave this collective at any point.

The AOG has met on five occasions to date to consider options and alternatives, and to provide feedback and direction for guiding the process. Workshops have included:

- Workshop 1: 10 May 2024 – MoU, membership, process, key requirements for success.
- Workshop 2: 21 June 2024 – network economics, funding and financing.
- Workshop 3: 5 July 2024 – governance and structure options.
- Workshop 4: 9 August 2024 – concept model, funding and pricing pathways.
- Workshop 5: 10 September 2024 – council positions, draft report and transitional issues.

Further meetings for the AOG are planned for the remainder of 2024. Next steps in the process are set out in Section 43 of this report.

Scale of the WSDP challenge

The issues considered in relation to a WSDP for the region are significant, requiring investment planning for billions of dollars of investment in water assets and operations. Implementation planning will consider the potential establishment of a large full-service, multi-council-owned WSCCO, which would be entrusted with the stewardship of critical regional assets with a replacement value of about $19.7 billion. This will also have a significant impact on councils including future role, operating model, financial arrangements and scale.

Development of a joint WSDP will be a challenging, complex and highly political process in the context of evolving legislation. Additional challenge will come from the need to work across multiple councils, Iwi/Māori partners, and central government, including statutory consultation with the public and input from other stakeholders.

7. What is important for our region

Under the MoU, it was agreed that any future model options need to respond to agreed objectives and consider approaches that are workable, affordable, sustainable and meet the needs of communities and the environment.

Critical success factors included that the plan and any future delivery model would:

- be supported by all participating councils and Iwi/Māori partners,
- be supported by the Government policy and enabled through legislative change,
- be based on a sustainable funding model, and
- enable councils and Government to commit to subsequent phases of detailed design, delivery and implementation.

Building on these factors, the regional WSDP process has progressively tested and confirmed a goal, and a set of key requirements based on the needs of different interest groups and organisations[12]. These are summarised in Table 4 below and the detailed requirements are provided in Appendix B.

[12] It is recognised that the categorisation used here of different organisations and groups is subjective and that some requirements relate to multiple groups (for example, water is a taonga for all, not just for Iwi/Māori).

The goal identified by the AOG is to ensure the delivery of safe, reliable, environmentally and financially sustainable water services so the region can be resilient, restore Te Mana o te Wai and enable new homes and the well-being of communities.

Table 4: Requirements for regional WSDP process and WSCCO

Stakeholder	What they need
Consumers	Water services must be: • in public ownership. • affordable with fair, equitable and transparent pricing. • high-quality, seamless, environmentally compliant services. • customer focused. • continuously improved.
Iwi/Māori	Water services must: • be treated as a taonga. • have an aspirational vision to restore and protect Te Mana o te Wai. Iwi/Māori should: • have meaningful influence with a skills-based Board where Treaty and cultural awareness are two key skills required. Iwi/Māori are looking for: • a genuine commitment to local and Māori procurement. • a major and fast revival of our waterways, well-being and people.
Councils	Councils require: • financially sustainable water services with the debt from water services assessed separately to parent councils' business by the LGFA, subject to a guarantee from owning councils, the WSCCO meeting prudent lending criteria and having the characteristics of an investment-grade utility provider over the medium term[13]. • local influence to ensure alignment of outcomes, particularly for supporting housing growth. • single point of accountability for service delivery. • assurance that the water delivery entity has strong processes, high-quality systems and core data. • a long-term planning horizon. • economies of scale and integration. • residual council financial sustainability (see more below).
Central Government	Water services must • be financially independent and sustainable. • be compliant with regulation. • allow for housing growth.

[13] Note this has been updated in line with Government policy announcements on LGFA lending and was previously: "balance sheet separation – so water services' revenue, costs, asset ownership and debt are recognised on the new water service entity's balance sheet and separated from councils' balance sheets as far as reasonably possible"

Future water entity	A future water entity needs: • to be empowered to operate independently with freedom to prioritise investments. • to have an independent professional skills-based Board and an exceptional executive leadership team. • certainty to plan, fund and invest optimally with confidence that it has committed access to long-term funding at a reasonable cost. • to be a full-breadth, integrated utility, that owns assets, bills revenue and raises own debt. • high-quality systems and staff, as the new regulatory environment requires a quantum shift in the data collection, analysis and reporting capabilities of all water delivery services.

These critical requirements provide the basis for consideration and testing of a joint WSDP and the design of a potential water delivery model. During the process, options were tested regarding entity structure, governance, infrastructure strategy, price and debt funding.

A suite of transition requirements will also need to be met to achieve a smooth and seamless transition, including an equitable allocation of revenue and debt, as well as sound asset and contract transfer rules. These are detailed in Section 42 of this report: *Key Transition Principles*.

8. The role of Greater Wellington Regional Council

GWRC has a unique role as a regional council in New Zealand as it is responsible for collecting, treating and distributing safe and healthy drinking water to Wellington, Hutt, Upper Hutt and Porirua City Councils.

This work is carried out for GWRC by WWL. City and district councils are responsible for the distribution of water to households and businesses through their own networks[14].

This unique role is recognised under legislation through the Wellington Regional Water Board Act 1972. Under this Act, GWRC which has a role in bulk water supply in the Wellington Region, does not need to prepare its own WSDP, but may be involved in developing a joint WSDP. GWRC has committed to this process but also noted that their intent is to focus on their resource management regulatory role and in time may plan to exit from asset ownership and associated accountabilities related to bulk water supply on the understanding that[15]:

- they will retain ownership of water catchment land at Kaitoke and Wainuiomata to support broader outcomes including biodiversity, recreation and climate change mitigation and adaption.
- any new entity has the structural and operational factors needed for success.

> *"We believe that the region can agree on a new model that will provide better water services for Wellingtonians. However, we will require evidence that a new model will provide for better and more sustainable asset management before considering the transfer of our assets."[16]* Daran Ponter, Chair GWRC

[14] GRWC LTP 2024-2034.
[15] Letter from Chair of GWRC Daran Ponter to the Chair of the AOG dated 7 May 2024.
[16] Letter from Chair of GWRC Daran Ponter to the Chair of the AOG dated 7 May 2024.

9. Engagement and consultation

To date, there has been no formal engagement or consultation on this report with other stakeholders or the public. The views of communities and Iwi/Māori have been represented by AOG members and council officers. This report is intended to support a process of engagement and formal consultation from late 2024 and into 2025, as councils consider service delivery options as part of the development of a WSDP in line with the requirements of legislation.

Current state of the network and case for change

Section summary

Councils in the Wellington Region face stark challenges to meet the investment needed for drinking water, wastewater and stormwater services and infrastructure. It is clear that transformational reform is required in water services for most councils, with significant and sustained investment over the coming decades to fix, maintain and improve the network - which is at risk of critical failure in some areas – as well as to enable growth, provide safe drinking water, improve environmental water quality, and enhance resilience. The issues are urgent and will also take sustained effort to address.

This section analyses the current state of the water services network based on best available information and varies from council to council. Key regional challenges include significant network failure and deterioration, risk of network fault runaway, constraints to growth and housing, more stringent regulatory standards and compliance requirements, as well as building seismic, network and climate resilience. Work is needed on wastewater, stormwater and drinking water supply to meet climate change and population growth. Some of the other system issues are lack of scale, workforce skills and capacity, and funding. There are also concerns regarding low revenue for water relative to actual costs, household affordability, risk management, and insurance.

While not all councils have the same issues, all councils in the region have major challenges to address. About 45% of all drinking water in the metropolitan area of Wellington is lost to leaks. Across the region, about 21% of the total three water pipe infrastructure has been assessed as worn out. Wastewater is in the worst condition with about 33% of the pipes worn out. Meanwhile, many wastewater treatment plants are failing to meet compliance requirements and need large-scale replacement or investment, with immediate risks of structural failure of some wastewater interceptor pipes.

A description of current levels of service and delivery models is set out in this section of the report. There are challenges with current delivery models with compliance issues and growth not being well managed.

While councils are planning significant investment to manage these risks, combined LTP investment over the next ten years is about $4.82 billion (real), which is approximately $470 million (or about 10%) less than the estimated investment required based on the recommended investment strategy in this report over the next 10 years and 30-40% less than what will be required, on average over the next 20-25 years.

10. An agreed need for change

Much of New Zealand has significantly underinvested in water infrastructure and water services over several decades. Councils around the country and in the Wellington Region now face stark challenges to meet the investment needed for drinking water, wastewater, and stormwater infrastructure.

This is not a new issue. The need to change how water services are funded and delivered has been the subject of several major reviews, policy processes and legislative reform. In 2000, the Parliamentary Commissioner for the Environment concluded the existing model for water services had reached the end of its design life, and this is even more the case in 2024[17]. Two more recent major reviews (the Havelock North Drinking Water Inquiry 2016-2017, and the Three Waters Review 2017-2019), both concluded that councils were struggling to maintain their ageing water infrastructure.

The 2020 Wellington City Council Mayoral Taskforce declared that "***tinkering is not going to cut it. Transformational reform is required.***"

While there may be disagreement on exactly how much investment is required, or how this is best resolved, there is compelling evidence[18] and political alignment that there is a significant infrastructure investment deficit for three waters and change is urgently required.

Significant and sustained investment in water services and infrastructure is required over the coming decades to fix the network – which is at risk of critical failure in places – as well as to enable growth, provide safe drinking water, improve environmental water quality, and enhance resilience to potential future seismic and climate change events.

While some parts of the network are in much better condition currently (in particular in Kāpiti Coast District Council), these will require a significant increase in planned renewals to avoid the risks being faced in older parts of the network. To address these issues, an estimated $15-$17 billion of investment in the water network will be required over the next 20-25 years.

This level of investment is not possible for local government under current borrowing settings. In the current context, the steep increase in rates or water charges, will be unaffordable for communities. A sustained investment will also be very challenging in relation to sector capacity. There will be a need to work closely with contractors and suppliers to grow the workforce, explore new delivery models and find new and lower-cost solutions.

[17] Water NZ "How councils can steer clear of troubled waters".
[18] Water Industry Commission for Scotland, 2021; Beca DIA Three Waters Reform WIS modelling review, 2021.

> *"The current funding and financing approach is not sustainable in the context of complex wellbeing challenges and increasing community expectations.*
>
> *Numerous previous reviews of local government funding have highlighted the problems and recommended changes to the system to ensure that councils can more sustainably fund their activities (NZPC 2019). However, central government has failed to enact these recommendations and the issues are compounding.*
>
> *The Panel recommends some significant changes to the local government funding and finance system that will coincide with the new system of local government. This time, change must happen. Without it, local communities and future generations will be the ones missing out."*[19]
>
> – *Review into the Future for Local Government, He piki tūranga, he piki kotuku*

It is accepted that the region's population ultimately needs to be able to sustain the cost of delivering high-quality water services. This issue is urgent and any delay to new solutions will push a bow wave of costs and investment forwards into the future and risk council and communities' ability to ensure clean and safe water.

11. Summary of key regional challenges

Every day, millions of litres of safe drinking water are delivered to homes across the region and millions of litres of wastewater are safety treated and discharged. This relies on the hard work and dedication of more than 1,000 local people that work directly on three waters networks for councils, WWL and a range of partners, contractors and suppliers. Their day-to-day mahi and commitment to water services on behalf of the people in the region should be recognised and celebrated.

However, the Wellington Region has a significant backlog of investment needed in three waters infrastructure and an increasing number of faults and network failures. The worn-out state of the network poses significant risk of increasing major service failures.

Critical risks include:

Significant network failure: Investment is needed to replace an ageing and failing network, including addressing the impacts of failing asbestos pipes. Currently about 21% of the network is worn out leading to an increased risk of major failure. This includes more than 1,300 kilometres of asbestos concrete pipes[20]. About $4.2 billion of investment is needed to replace the worn-out parts of the network. This equates to about $200 million per annum for the next 20–25 years.

Network deterioration: In addition to replacing the most worn-out parts of the network, to avoid further deterioration and increased costs of reactive 'fixes', ongoing investment of about $250 million per annum is needed to maintain the network as an ongoing cost every year.

Risk of network fault runaway: This can occur in any network where the fault rate generated by failing assets exceeds the operational capacity to fix them. This issue is starting to be seen across the metropolitan area of Wellington in relation to water leaks. The short-term effect is that there is always a growing backlog of outstanding faults. This typically cannot be remedied

[19] He piki tūranga, he piki kōtuku – The future for local government (dia.govt.nz), 2023 page 54.
[20] Based on WWL information there are 1,392kms of AC pipes for all three waters (not including KCDC, CDC, MDC, or HDC).

without shutting down and renewing the part of the network affected. The longer-term effect is the diversion of resources and funding away from keeping the rest of the network operational.

Constraints to growth and housing: Funding and capacity for three waters infrastructure is a key constraint for greenfield and brownfield development and is already stopping some development occurring. An estimated additional 200,000 residents will live in the Wellington Region and Horowhenua by 2053, requiring about 99,000 new homes. While growth needs to pay for growth, challenges include current capacity constraints and financing infrastructure ahead of the recovery of costs.

New regulatory standards and compliance requirements: A new, more stringent regulatory environment for water services has been introduced which will require significant investment in plant, equipment, information systems and new, specialist skill sets to ensure clean and safe drinking water and improve environmental impacts of stormwater and wastewater. Currently three of the four major wastewater treatment plants in the metropolitan area are non-compliant and investment is required to ensure sufficient clean and safe drinking water and improve water quality. Further investment will also be required to meet economic regulations and focus on quality and price.

Seismic resilience: The entire region is highly sensitive to seismic activity and the 2016 Kaikōura earthquake clearly had a significant impact on the region's buildings and water infrastructure. The earthquake revealed weaknesses in the ageing network and significantly accelerated leaks with an urgent need to replace large areas of the failing water reticulation network. Serious seismic risk exposures remain for all water networks, particularly for the main trunk water supply network to Wellington running the length of the Hutt Valley beside State Highway 2.

Network resilience and redundancy: There are critical risks of summer water shortages in the metropolitan area and wastewater pipe failures. The network also has low levels of inherent resilience, particularly in storage, with a high risk of water shortages due to the current layout of water reservoirs and lack of network cross connections. For example, if the drinking water connections from the Hutt Valley to Porirua City fail, the city would only have two to three days of drinking water capacity. WWL estimates that in the event of a strong earthquake in the Wellington Region, some suburbs could be without water for 100 days and possibly longer[21].

Climate change: The biggest risks driven by climate change are increasing severe weather events and coastal inundation and drainage. This risk is shared across the region but is particularly severe for the western lowlands of Horowhenua, Kāpiti, and coastal areas of Porirua City and Hutt City. Some parts of the region such as Wairarapa are expected to experience drier weather leading to less availability of drinking water. Metropolitan issues are also growing, as both parts of the lower Hutt Valley and Wellington CBD lie close to Wellington Harbour and are slowly subsiding, relative to average tides. In Hutt City, the wastewater treatment plant at Seaview faces the combined effects of sea level rise and flooding risk from the Hutt River. The iron trunk network in the Wellington CBD, which is already past End of Service Life[22] (EoSL), is experiencing accelerated corrosion due to the ingress of saltwater from higher tides.

Wastewater: Significant and increasing inflow and infiltration into the network is resulting in more wet weather overflows from the network and treatment facilities in Wellington and the Hutt Valley. Compounded by increasing equipment failures, this reduces the ability to manage increasing loads. Treatment plants in Porirua and South Wairarapa are also reaching capacity and equipment failure risks are growing, limiting their ability to manage bigger flows. Treatment plants in Kāpiti will face challenges in consenting for discharges to meet growth. In some cases worn-out pipes are causing sea water to be ingested into the wastewater system and fed into

[21] https://www.wellingtonwater.co.nz/resources/topic/emergency-water-3/.

[22] The economic definition for 'End of Service Life' (EoSL) for an asset is when the "expected forward risk cost of asset failure exceeds the replacement cost of the asset". This means that it is more expensive to leave the asset in the network than it is to replace it. It does not necessarily mean that the asset has failed, although typically it means the asset is likely to fail.

wastewater treatment plants. This is exacerbated by the increased production of hydrogen sulfide, which is corrosive to both wastewater pipes and wastewater treatment plants.

Stormwater: More frequent and larger flooding events are expected due to climate change and urban densification. As community expectations rise, a significant increase in the need for flood mitigation initiatives is anticipated. Stormwater quality treatment and restoration of our waterbodies is also going to become increasingly important. This is already becoming evident as comprehensive consents in the Wellington Region are lodged. The stormwater system is incomplete within the Wellington Region and in some places has cross connections with the wastewater system. During high rain events, these cross connections can cause the wastewater network to overflow, spilling untreated wastewater into the environment.

Poor reliability of water supply services is challenged by worn-out pipe failures, limited storage, and limited water supply availability. This is exacerbated by nearly half of the drinking water supply being lost through leaks in the metropolitan area.

Other key water network challenges the Wellington Region needs to address include:

Lack of scale: The size and disjointed nature of councils constrain opportunities for efficiency, strategic investment and the ability to meet local challenges. It also makes it more challenging to invest in joint solutions, such as for wastewater treatment.

Workforce, skills and capacity: The capacity and capability of the water sector will need to be progressively increased to deliver on the investment needed. All councils and WWL advise that it is challenging to recruit and retain high-quality staff into the water services workforce. Reasons include lack of career paths, lack of training programmes, and better conditions in some water consulting firms. The risk is particularly acute for smaller councils that do not have the team depth to provide back-up for key skill sets or ensure cover for emergency events. New and different skills and experience will also be required to respond to economic regulation as this is phased in.

Funding and financing challenges: Councils have a diverse mix of funding challenges. Some councils are constrained in how much they can borrow, most are sensitive to affordability and face significant trade-offs with other activities or capital programs that need to be delivered. Funding for the sector is largely provided by the LGFA, at very favourable interest rates. With significant capital programmes the main constraint is in funding headroom (with flow-on challenges in serviceability). This constraint is also influenced strongly by credit ratings. It should be noted that an underpricing of water services and an overreliance on debt funding lies at the root of the funding challenge.

Low revenue for water relative to cost: Revenue from water users is significantly below what is required to fix and sustain the network, constraining both investment and borrowing. The average cost per household for three water services in the Wellington Region is about $140/month[23] relative to about $250/month for average power costs.

Household affordability: Monitoring affordability constraints on households is a key requirement with rising costs of living placing a strain on many households. This constraint will remain, with pressure on households only likely to grow where water revenue is funded by council rates.

[23] Note these figures are based on 2024 average rating costs for water at $1,711/household.

Risk management and insurance: Insurance costs and the assumed reinstatement costs have escalated significantly in recent years. This is making it challenging for councils to ensure risks are adequately managed including sufficient insurance of three water assets.

Network Failure Case Study: Dixon St Adit Tunnel, Wellington City

Failures of water infrastructure can be sudden with severe impacts, as seen in the collapse of the Dixon St adit tunnel (wastewater connector) in Wellington in late 2019.

A targeted focus on improving health and safety has led to more costs and difficulties in inspecting large, buried water pipelines and tunnels. This has sometimes led to challenges in adequately understanding the condition of these extensive critical assets, says Wellington City Council Chief Infrastructure Officer Siobhan Procter.

Although earlier inspections of the central city Dixon Street adit tunnel had noted significant deterioration, the problem areas were unable to be readily accessed. Later inspections were less detailed because of the increased difficulties and costs. As a result, the tunnel discharging into the main wastewater interceptor was not identified as being at risk of failure. Without warning, the adit tunnel collapsed in the week before Christmas 2019, leading to a significant cavity in the carriageway, potentially threatening the stability of nearby structures and health and safety in the vicinity of Dixon Street and Willis Street.

Upstream pumping stations were temporarily turned off to divert wastewater away from the collapse, while immediate repair work took place. Emergency actions were also taken to minimise the overflows, which were directed to the stormwater overflow system and then into the harbour. However, approximately 6,500m^3 of untreated wastewater was discharged over about 46 hours.

"Financial consequences of the unexpected failure far exceeded the cost of planned inspections of the adit with any subsequent rehabilitation or upgrade work prior to failure," says Siobhan. Costs included those associated with the cleanup and provision of temporary solutions, investigations and monitoring, communications, delivery of the permanent solution in an urgent reactive manner, as well as third party loss of revenue and the risk of possible legal action. In addition to these financial consequences, there were significant:

- health and safety risks associated with both the untreated wastewater discharges as well as the road collapse,
- third party loss and significant disruption caused from closure, odour and construction activity,
- environmental risks and cultural offence to Iwi from discharge of untreated wastewater into the harbour, and
- council reputational damage.

"This incident showed that the huge impacts from unexpected failures dwarf those of planned works," says Siobhan. "Out of sight should not mean out of mind."

12. Summary of key issues by council

While not all councils have the same issues, all councils in the region have major challenges to address including debt constraints, network condition, resilience, climate change, compliance and growth. Some councils have immediate challenges; others have challenges to come over the coming decades.

A more detailed outline of the network and key challenges for each council, including network condition, is set out in the council profiles in Appendix D[24].

[24] At time of writing, no information on key challenges had been received from Carterton District Council.

Table 5: Key challenges for each council

Council	Key issues
Horowhenua District Council	• Ageing infrastructure such as the Levin Wastewater Treatment Plant. • Securing sustainable sources of water supply for growth, especially in Levin. • Infrastructure capacity to meet future population growth demand. • Increased severe weather events and stormwater impacts on wastewater and stormwater infrastructure. • Restoring the mauri of the water at Lake Horowhenua (Punahau) as this is a culturally significant and community asset.
Kāpiti Coast District Council	• Infrastructure capacity to meet future population growth demand. • Providing water supply network to unserved rural areas. • Water supply compliance to meet regulatory requirements. • Resource consents for wastewater treatment plants and proposed upgrades to meet future consent requirements. • Address flood hazards identified in 30% of urban properties. • Stormwater pipe network under capacity (50%) for one in 10-year event. • Organisational capacity and systems to meet future regulatory regime demands.
Porirua City Council	• Significant and growing renewals backlog in water and wastewater due to age profile of pipe materials. • The speed of population growth is ahead of current water infrastructure capacity. • High per capita water demand is outstripping supply due to water loss in the network and growth. • The condition of reservoirs makes them vulnerable to contamination. • The council is reliant on landfills accepting sludge from wastewater treatment plants which constrains ability to minimise waste. • Streams, rivers and harbours contain coliforms and other contaminants such as heavy metals and microplastics.
Wellington City Council	• Significant and growing renewals backlog in water and wastewater due to age profile of pipes. • Infrastructure capacity to meet future population growth demand. • High per capita water supply demand is outstripping supply due to water loss in the network and growth. • Water reservoirs conditions vulnerable to contamination. • Moa Point Wastewater Treatment Plant condition is resulting in ongoing compliance issues. • Karori Wastewater Treatment Plant outfall compliance issue. • Streams, rivers and harbours contain coliforms.
Hutt City Council	• Ageing water infrastructure and pipes that are failing and requiring urgent investment, i.e. 109km of water supply galvanised pipes. • Investing in finding and fixing leaks and managing water loss to avoid water shortages.

	• Infrastructure capacity to meet future population growth demand. • High per capita water supply demand is outstripping supply due to water loss in the network and growth. • Reservoir conditions mean they are vulnerable to contamination. • Wastewater investment is well short of what is required to renew ageing parts of the network (estimated only 10% of what is required). • Issues with compliance and ageing parts at the Seaview Wastewater Treatment Plant, i.e. sludge dryer. • Streams, rivers and harbours contain coliforms. • A significant increase in the value of water assets is expected this year resulting in significant increases in depreciation which are currently unfunded. • Market capacity issues regionally to undertake the level of renewals required.
Upper Hutt City Council	• Significant and growing renewals backlog in water and wastewater. • New environmental quality standards require very high investment to achieve wastewater and stormwater consent compliance. • Population growth is ahead of three waters infrastructure provision. Major investment is needed, especially in the wastewater network to enable growth to occur. • High per capita water demand is outstripping supply due to water loss in the network and growth. • As a bulk water purchaser, Council is a cost and service taker with limited influence over these aspects. • Major shared assets need upgrades, including sludge dryer at Seaview Wastewater Treatment Plant nearing end of life. • Network infiltration and inflows. • Wet weather overflows. • Contamination and overflows into waterways.
South Wairarapa District Council	• An ageing network results in asset failure and requires an increase in renewals. • The speed of population growth is ahead of current water infrastructure capacity. • Emissions from three waters are not reducing. • Lack of redundancy in critical systems to provide safe drinking water in accordance with the Water Services Act. • Poor condition of assets compromising water system and wastewater resiliency. • Inability to comply with resource consents. • Treatment plants lack multi-barrier protection and have significant operational and seismic resilience challenges. • Streams and rivers contain coliforms. • Flooding. • No new wastewater connections are available in Martinborough or Greytown.

Masterton District Council	• Meeting population growth demand. • Resource consent renewals. • Climate change impacts. • Affordability of levels of service. • Network capacity. • Compliance with new regulatory requirements.
GWRC	• Ageing water network that requires increased investment in renewals. • The speed of population growth is ahead of current water infrastructure capacity. • High per capita water demand for the metropolitan councils is outstripping supply due to water loss in the network and growth. • Current demand is highlighting that GWRC may not be able to meet its duty of care obligations as an asset owner under the Water Services Act in the long term. • Seismic resilience of the bulk water assets does not meet the required earthquake resiliency standard. • Work is underway, but the system is not yet reliable to meet regulatory requirements for fluoride due to lack of redundant systems and asset reliability. • Current demand is placing at risk the existing assets due to lack of headroom to allow major assets to be taken off-line. • Significant investment is required for the Pakuratahi lakes in the near future.

13. Current state of the water services network

Current condition, lifespan, and value of the water services networks

Network asset condition (such as for a power or telecommunications network) is usually assessed at quite a granular level and is considered a core requirement for mature essential network management. For water networks, most assets are underground and not easily inspected.

The Wellington Region’s asset condition assessment is less mature than it should be. Accordingly, analysis is based on sample condition assessments of network pipes available from the latest AMPs. Key sources of information regarding asset condition, and the relatively low level of confidence in this information, are noted in the appendices.

Based on available information for most parts of the Wellington Region, three waters infrastructure is considered to be in a very poor condition (relative to a sustainable network) due to underinvestment over decades, as well as failure of asbestos pipes and impacts of the Kaikōura earthquake.

Asbestos Concrete Pipes

The Wellington Region has more than 1,300 kilometres of asbestos concrete pipes. Most of these were laid in the 1950s and 1960s and are now past their EoSL. They are susceptible to sudden collapse because over time, water flow has washed out most of the asbestos fibres[25] which make up the inside lining of the pipe and provides them with much of their strength. The residual concrete outer layer becomes porous, brittle, and liable to collapse due to vibration and earth movement in dry periods. Pipe failures are increasing rapidly and there is a high risk of wastewater pipes that remove waste for multiple streets or parts of suburbs failing.

While there is variability across the region (in particular, the asset condition of Kāpiti Coast District Council and GWRC networks are substantively better than other councils), an estimated 21% of the total three water pipe infrastructure has been assessed as worn out. This is a serious situation. Wastewater is in the worst condition with about 33% of the pipes worn out. This is a very high level for any network.

Key metrics for the three waters network are shown in the table below.

Table 6: Pipe network

	Drinking water	Wastewater	Stormwater	Total/Average
Length of pipe network[26]	3,743km	3,445km	2,165km	9,353km
% in poor or very poor condition[27]	17%	33%	15%	21%
Estimated average life	55 years	70 years	100 years	74 years

Meanwhile most treatment plants need large-scale replacement or investment. In the short term, there are immediate risks of structural failure of some wastewater interceptor pipes.

These worn-out assets (which are past the end of their 'End of Service Life') are generating faults such as water leaks, pipe failures, major road closures, inundation of wastewater with stormwater during rain events, untreated discharges and localised flooding. These events undermine the economic efficiency of the network by placing an additional cost burden on councils and diverting funds and maintenance resources away from productive activities including preventative maintenance and asset replacement.

The only way to address the deteriorating condition of the network assets is to aggressively replace worn-out assets with new ones until the risk of further major failures becomes manageable.

[25] Please note that asbestos concrete pipes do not pose a threat to human health. Refer to the background document for development of WHO Guidelines for drinking-water quality: https://www.who.int/publications/i/item/WHO-HEP-ECH-WSH-2021.4 and information is also available on the Wellington Water website: https://www.wellingtonwater.co.nz/help-desk/water-pipe-networks/.

[26] AECOM and Tonkin and Taylor, Initial Draft Asset Management Plan, Entity G Wellington Wairarapa Draft version 2.0 December 2023 and updates from individual councils – refer Appendix E.

[27] AECOM and Tonkin and Taylor, Initial Draft Asset Management Plan, Entity G Wellington Wairarapa Draft version 2.0 December 2023 and updates from individual councils – refer Appendix E.

Figures 2 and 3 below show an analysis of the problem and the gap that needs to close. The condition of the wastewater network is particularly concerning, which is a key driver for investment.

Figure 2: State of the network[28]

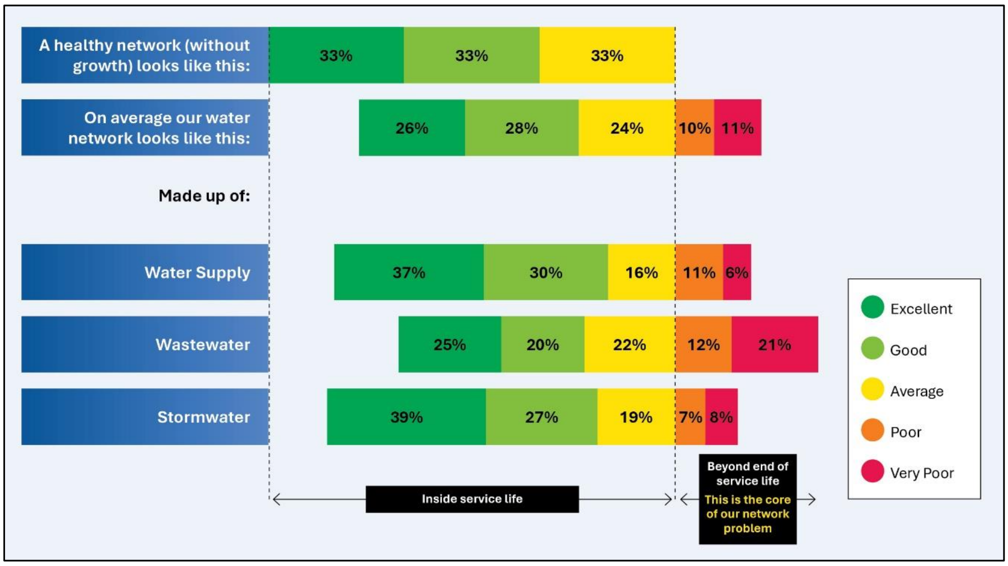
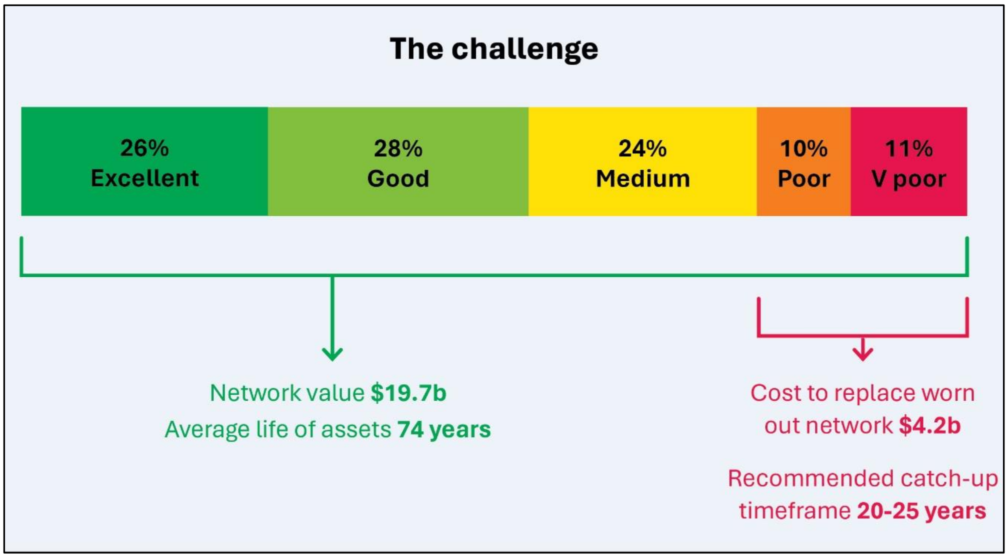


Figure 3: The challenge



[28] AECOM and Tonkin and Taylor, Initial Draft Asset Management Plan, Entity G Wellington Wairarapa Draft version 2.0 December 2023.

A note on network maintenance and renewal (catch up)

It is important to have a correct understanding of the terms ‘maintenance’ versus ‘renewal’ when applied to networks.

Once an asset has become worn out, it is often impractical and economically inefficient to continue to spend money maintaining it, if doing so no longer prevents its failure. Instead, it has to be replaced. This process is called ‘network renewal’ and is usually an ongoing process in large essential networks. Water networks need about 1/74th of the network on average replaced every year because the average maximum age of the assets – based on measuring when they wear out – is 74 years.

The key reason that large parts of our water networks are now suffering continual and increasing failures is not necessarily because the network has not been maintained properly, but because the worn-out assets have not been replaced or renewed sufficiently, due to underfunding. This has resulted in a large backlog of worn-out assets, which are now generating high volumes of network failures, including leaks.

This is also exacerbated at points in the ‘lifecycle’ of a city. For example, the region has a number of suburbs such as Naenae, Avalon and Taita which were developed over a short time period with all of those assets laid at around the same time and now due for renewal creating a large bulge of renewals over a relatively short time period.

These failures cannot be controlled by fixing the leaks themselves, because the underlying assets are worn out and just break again in a different place or way. The only way to fix the network, including getting rid of the leaks, is to replace or renew these assets. Funding both regular renewal (keep up) at the same time as renewing the backlog of worn-out assets (catch up) is what is driving the high cost required to fix our networks.

Other examples of the poor state of the water network

Loss of drinking water and leaks:

- About 45% of all drinking water in the metropolitan area of Wellington is lost to leaks[29]. This equates to approximately 30 Olympic-sized swimming pools every day.
- At 30 June 2024, WWL reported 1,601 open leak jobs and had fixed 10,160 leaks over the previous 12 months[30]. (Note: at time of writing this number has since declined, which is in line with reduced reported leaks during winter and increased council investment in leak repair).

Drinking water restrictions and drought resilience

- The metropolitan area faces ongoing severe water restrictions over summers or an acute water shortage. This includes low resilience to risk of droughts with current supply capacity only able to meet unrestricted water demand in a one in 13-year drought, as opposed to a target of one in 50 years.
- Changes in climate, water shortages during drought years and rising demand from increases in population will contribute to the network’s ability to meet current and future demand.

[29] WWL reporting.
[30] WWL report to Wellington Water Committee 26 July 2024.

Network Condition Case Study: Hutt Valley

Hutt City Council has allocated about $1.6 billion over the next 10 years and is proposing a 16.9% increase to rates to address water issues, as well as increasing debt to $1 billion. Hutt City Council Strategic Advisor Bruce Hodgins says “that is still far below the estimated $2.6 billion needed for capital works. If we were to try and fund all that from rates, it would mean they would go up astronomically and unacceptably.”

But the challenges cannot go unaddressed. A recent report to Hutt City Council’s Audit and Risk Committee listed 23 major risks. These included an 18km sewerage pipe that could cost about $700 million to replace, unresolved odour issues at the Seaview Treatment Plant, and the possibility of running out of drinking water.

The report noted that wastewater and stormwater network resilience, as well as drinking water network safety, was compromised due to poor condition of assets and underinvestment in maintenance and renewals. “Hutt City Council has invested a lot in water assets already, but significantly more is needed,” says Bruce.

“We were told we need to renew 30km of pipe every year for the next 30 years to get on top of the issue. We’re doing about half of that at the moment.”

Meanwhile the wastewater treatment plant is coming to the end of its working life and requires another $225 million in investment over the next 10 years. Locals complain about the smell and the GWRC has issued many infringement notices, and an abatement notice in response to breaches of consent conditions.

Although only about 20 years old, many critical components have deteriorated with equipment failures severely limiting the plant’s ability to manage any additional flows or to realistically undertake any significant maintenance programmes. Significant renewal investment is underway to avoid further consent breaches, including an odour control upgrade, sludge dryer replacement and the UV system renewal.

“We’re talking some big money that needs to be invested and it’s going to be difficult,” says Bruce.

“There is unanimous support around the council table for investment in water service delivery and the community also understands that assets have aged, and it is part of the life cycle of the city,” he says.

“This is not something we can solve in 10 years. It will take 20 years to get to a point where we can deal with all of this under a new model.”

14. Current levels of service and delivery models

The Wellington Region includes about 224,000 residential properties. Of these, an estimated 89-90% are served by a connected public water network.

Key areas that do not receive three waters services include the rural areas of the region, while some smaller towns do not have a connected piped stormwater network.

This report does not go into detail on current levels of service for water services, which is a requirement of a WSDP, but rather provides an overview of current service delivery models.

Water services are provided through two main delivery models as detailed below.

In-house service delivery models

Of the five district councils in the region, four operate in-house delivery models while South Wairarapa District Council is part of the WWL model.

Each town in these areas typically has its own, standalone water supply and wastewater networks. There are a few instances where interconnections have been built to provide a secondary water supply as a backup to the main source of water supply (such as between Greytown and Featherston). Most of the towns are situated on flatter terrain. This makes water supply and wastewater reticulation easier but often presents greater stormwater challenges.

A brief summary of each of the in-house delivery models follows.

Horowhenua District Council

Over the last seven years, Horowhenua has run its three waters service model through the Horowhenua Alliance Agreement. In 2023, a full review of the agreement was undertaken and in May 2024, the Council approved the three waters service model be returned in house, effective from 6 November 2024.

The current Horowhenua Alliance Model employs 26 staff dedicated to operation and maintenance of reticulation, waste and water treatment plants. The Council has a small three waters team of 12 staff, who oversee asset management, engineering, projects and project planning. Two staff in the finance team perform water billing, budgeting and forecasting roles.

Horowhenua's water services charges are collected primarily from targeted rates, general rates and development contributions. Currently, Horowhenua is rolling out a 24-month project to install water meters throughout the district. This project is due to be completed by December 2025 and is currently approximately 14% completed.

Masterton District Council

Masterton District Council's water service delivery is a hybrid model of in-house and outsourcing. Revenue is derived from targeted rates, general rates and development contributions. The Council plans to introduce water meter-based charges from 1 July 2025 and is developing the policy framework to support this. The majority of residential and industrial or commercial premises are currently metered. Consumption will not be fully meter-based; there will be a threshold allowance and anything over that will attract charges.

The Council contracts the maintenance of the water, stormwater, water race and wastewater reticulation networks to City Care; the operation of the two water treatment plants and four wastewater treatment plants is carried out by in-house staff. Larger water projects are awarded through a competitive tender process under the Council's procurement policy. A number of projects are managed in-house by a small project team with specialist support.

The Council has customer service staff supporting water services and a team of technical staff managing the water infrastructure. The small team includes seven staff directly operating the treatment plants, and four people responsible for the operation of the reticulation networks, managing the service contract and planning larger water projects. Compliance and asset management functions are supported in-house by staff in the Environmental Health and Asset Management teams.

Kāpiti Coast District Council

Kāpiti Coast District Council's water service delivery is currently run in-house. This includes bulk water and wastewater treatment, network maintenance and asset management of all three waters. Water services charges are collected primarily from targeted rates, general rates and development contributions. The council rolled out water metering 10 years ago and all reticulated supplies pay for water via a volumetric charge.

The Council has developed a staged 100-year water supply strategy to ensure the district's future and has implemented an active leakage control programme and volumetric consumer charging. A 2018 Auditor-General report, "Managing the supply of and demand for drinking water", showed that Kāpiti was setting a good example with its future-focused approach to supplying drinking water. Consequentially, Kāpiti has not needed to apply summer water restrictions since the last phase of measures, which included universal metering, was introduced in 2014.

The district has a wide distribution of assets across four main communities serviced by a number of water and wastewater treatment plants. The completion of Transmission Gully and other recent transport network improvements have had a major impact on the rate of growth being experienced across the district.

The Council has a dedicated Project Management Office in-house which manages the larger water capital projects. Operations and maintenance works are carried out by in-house resources, but all large capital works are carried out by external contractors. The current service model runs well and meets water quality standards. However, there are significant future challenges. These are growth-related pressure, potential increased environmental compliance in the future and resourcing, both operationally and in the asset management area.

The Council has 51 FTE staff supporting water billing and customer services, operations and maintenance of water infrastructure and the planning, investment and management of water.

Carterton District Council

Carterton District Council delivers water services on a hybrid model consisting of an in-house operations team and contractors for delivering major projects and network renewals.

Water services charges are collected primarily from targeted rates and general rates. Almost all water users are on smart water meters which makes billing relatively easy.

The current model delivers a very high level of customer service that meets all regulatory requirements for water supply and wastewater treatment, including making good progress towards a long-term goal of 100% land discharge of treated effluent. All major water service issues are included in the AMP and funded through the LTP. The delivery of the AMP will ensure continued compliance with all regulatory requirements as well as catering for anticipated growth.

The council has a three waters operations and maintenance team of ten staff, two support staff, a project manager and an asset development engineer.

Wellington Water Limited model

WWL was established in September 2014 as a result of a merger between Capacity Infrastructure Services and GWRC's water supply group. WWL became jointly owned by the Hutt City, Porirua City, Upper Hutt City, Wellington City and Greater Wellington Regional Councils in 2015. South Wairarapa District Council joined as a shareholder in 2019.

WWL does not own any water infrastructure, or set policies or user charges, or control rates. These functions sit with the six shareholding councils.

The model primarily services the metropolitan city areas comprising 75% of the region's population. The services rely on integrated water supply, wastewater and stormwater networks. For example:

- Drinking water collected and treated in the Hutt Valley. Bulk water is collected and treated from the Waiwhetu Aquifier and Wainuiomata River in Lower Hutt as well as from the Hutt River in Upper Hutt.
- Wastewater from Upper Hutt is piped to and treated in Seaview (Lower Hutt).
- Wastewater from northern areas of Wellington City is piped to and treated in Titahi Bay (Porirua City).

The WWL councils have a history of working together to address the challenges of local water services. This includes forming WWL as the second largest CCO in the country. WWL currently employs close to 400 staff, although it has a total workforce capacity of about 1,000 people, which is procured through a combination of supplier arrangements. This includes partnerships with Fulton Hogan, Veolia, and contractor and consultancy providers[31].

WWL delivered an annual capital programme of $329.3 million for the year ended 30 June 2024.

The WWL model has been successful in many respects and provides invaluable learnings for the region:

- **Integrated network management:** The collective management of the city councils' integrated three waters network has provided opportunities to benefit from a larger scope and scale.
- **Scale:** The size of the WWL model enables it to employ a depth of water expertise and capability, which would be challenging for most of the owner councils if they operated an in-house model.

The WWL model does however have significant limitations which will constrain shareholding councils to meet the challenges going forward. These include fragmented accountabilities between WWL and its shareholding councils, constrained and uneven funding across the shareholding councils and the limited investment in critical core IT systems.

Other key limitations include:

- **Accountability:** The dispersement of accountabilities, especially of price, revenue setting and collection, investment planning, asset ownership and borrowing have been the source of many issues. As a result, WWL has to operate more than 20 different sets of accounts, such as an opex and capex account for each council. This is very time-consuming and prevents the design and execution of an investment programme which is optimised for the network as a whole. The fragmentation also inhibits the efficient and optimal operation of many other processes, such as investment planning, governance, customer service and consistency of bylaws.
- **Systems:** WWL was established on a constrained budget. There was minimal investment in providing the essential core IT systems. More than a decade on, WWL relies on Wellington City Council's financial system, third parties' maintenance management system and has no customer management system. This creates significant operational risk, impairs the ability of WWL to be effective and efficient in its performance, provide high-quality information and implement best practice financial processes.

Key aspects of the WWL model include:

- **Service provision:** WWL is contracted to provide water management, operations, maintenance services, future infrastructure and investment planning, and capital programme delivery services. It operates a mixed in-house and outsourced service model.
- **Asset ownership, revenue and debt funding:** All the water service assets, revenues (targeted rates, metering charges, development contributions etc) and debt remain with each council. As a result, WWL must agree discrete maintenance, capital works and funding programmes separately with each council. This inhibits WWL's ability to optimise investment across the network as a whole.
- **Shareholding:** WWL is 100% council owned. The councils' shareholdings approximately reflect their funding commitments (Wellington City 40%, Hutt City 20%, GWRC 15%, Porirua City 12%, Upper Hutt City 8%, South Wairarapa District 5%). Each council has an equal number of voting shares.

[31] Source WWL figures at 30 June 2024.

- **Governance:** The key governance bodies are the (i) Shareholder Committee (Wellington Water Committee); and (ii) Board of Directors.
- **Shareholder Committee:** This committee comprises a representative from each council and Iwi/Māori representatives. Its role includes providing strategic direction, formulating a Letter of Expectations, coordinating feedback on the annual Statement of Intent and monitoring performance.
- **Board of Directors:** The company is governed by an independent Board which is appointed by the Water Committee. The Board appoints the Chief Executive.

WWL has been the subject of several reviews over the past two years, which have highlighted limitations and areas for improvement, including the need for clearer accountabilities and evolution of the model.

WWL is responding to these issues through an 'Organisational Capability Plan[32]'. This includes a range of actions in response to the findings of these reviews including improvements to accountability, assurance, financial controls, responsibility to shareholders, preparation for transition from reforms and embedding organisational values and behaviours.

WWL is also investigating the potential requirements and costs for enhanced IT systems and processes which are likely to require significant investment from shareholding councils and would need to be considered in council annual planning and budgeting processes for the 2025/26 and 2026/27 financial years.

Table 7: Key findings of reviews in relation to Wellington Water Limited

Review	Key findings
Inquiry into the cessation of water fluoridation by Wellington Water, Martin Jenkins, 2022	• Fluoridation was not a priority for WWL. • Drinking water has been safe but not optimally fluoridated. • Fluoridation was stopped to ensure the safety of the drinking water and operators, with no plan to turn it back on. • There were long-standing challenges to providing fluoridation safely. • There was good awareness of these issues within the organisation at operational levels, and attempts to address them, albeit slowly. • There were organisational barriers to raising and addressing issues. • The Board did not have the technical expertise to realise that they needed to be asking questions about fluoride in relation to oral health. • Escalation and communication of the decision to stop fluoridation took too long. • The complexity of the WWL model makes service delivery challenging. • The prospect of reform appears to be challenging for WWL's performance.
Wellington Water Contract Review, FieldForce4, 2023	• Maintenance costs had increased by 71% over the last three years. This review also found that the level of reporting from WWL was insufficient for a water utility of its size. • The review suggested that efficiencies could be found if there was more focus on performance measures and cost targets. • The report findings included: suboptimal contract management between WWL and its contractors; failure to ensure the performance and financial risk is proportionately shared between Wellington City Council, WWL and contractors; and a finding that the WWL reporting

[32] WWL Committee report 27 September 2024.

	to the City Council fails to accurately capture and link network performance to the physical work programme and associated budgets.
Wellington Water Limited: capital programme estimating and budget systems, Roy Baker and Kevin Jenkins, 2024	• This noted the organisation was not as mature as reviewers would expect. • WWL is now 10 years old, but it has not evolved in step with the evolution of its functions and as an organisation has not kept pace with increased demand. • Unclear structures and accountabilities, with like functions not being grouped with like; a control environment that is loose and not fit for purpose; inadequate systems and processes; some missing competencies (including strategic leadership); underresourcing in the finance and the risk functions; and a mismatch between WWL's values and, as described, its culture. • A culture of not wanting to hear or present bad news. There is a tendency to want to manage bad news before informing stakeholders, and to try to shape their perceptions and reaction to the problem in order to minimise it. Although staff and middle management had formed good relationships with the shareholders, reviewers were told that WWL comes across as defensive to shareholders. • Problems from the 2022 fluoride review had not been addressed. • Issues in this review need to be addressed urgently, otherwise similar errors will happen again. The critical work to be done includes recovering the lost trust and confidence of WWL's shareholder councils. For the senior leadership, it also includes recovering some lost trust and confidence among their own people.

15. Enabling growth

This report does not go into detail on the future investment required to enable population growth and development capacity, which is a requirement of a WSDP. It focuses on demand for new housing growth and the extent to which this is currently being constrained due to a lack of capacity in existing infrastructure and little investment for new three waters infrastructure in areas that are set to intensify.

Planning for growth and housing demand

The Horowhenua-Wellington Region has been experiencing steady growth and development, with the population projected to reach more than 775,000 people by 2054. The Carterton and Masterton Districts' populations are expected to increase by more than 50%. In Wellington City the population may grow to more than 271,000.

The Wairarapa-Wellington-Horowhenua Future Development Strategy 2024–2054 (FDS),[33] sets out how the region plans to deliver well-functioning urban environments in existing and future towns and cities over the next 30 years. It proposes where to prioritise housing and business development, as well as investment in infrastructure to support this development. The strategy guides regional policy development, including Regional and District Plan changes in the future, as well as Land Transport Plans, infrastructure strategies, councils' budgets (LTPs) and other policies.[34]

[33] 1404-GWRC-WLRC-Future-Development-STRATEGY-2024-240223-06.pdf (wrlc.org.nz).
[34] https://wrlc.org.nz/future-development-strategy.

The Wairarapa-Wellington-Horowhenua FDS informed by the 2023 Wellington Regional Housing and Business Capacity Assessment (HBA) Update,[35] projects that an additional 200,000 residents will live in the Wellington Region by 2053, requiring 99,000 more homes to be built over that period. These additional homes are expected to be built in both new greenfield locations and redeveloped brownfield locations within existing urban areas.

Constraints on growth

The regional HBA has identified that there is sufficient plan-enabled housing development capacity up until 2053 due to either plan changes, variations, or full District Plan reviews that will enable intensification as required by the National Policy Statement – Urban Development. This is currently being updated to reflect new Government policy and direction.

However, in some cases councils have identified housing capacity which does not have accompanying LTP funding for infrastructure investment to address constraints. An example is in Porirua City for the Northern Growth Area (NGA) which is considered the Wellington Region's most important greenfield housing opportunity[36] with capacity for 5,000-7,000 new homes. Porirua City has not included all the three waters infrastructure costs to enable development in the NGA in the 2024-2034 LTP due to affordability and balance sheet constraints.

Furthermore, in some areas, critical issues exist in allowing new water connections to reservoirs, which in metropolitan areas are nearly all in Levels of Service (LOS) deficit.

Some new wastewater connections are managing LOS by using retention tanks on private property, but the lack of monitoring and compliance could result in significant environmental and health issues as these systems fail and are not maintained.

The implementation plan for the FDS[37] highlights that investment in the required three waters infrastructure is unconfirmed for some key development areas including:

- Te Aro growth corridor, Johnsonville (Wellington City) – three waters.
- Trentham priority development area, Upper Hutt strategic public transport corridor (Upper Hutt) – potable water, wastewater and stormwater.
- Te Āhuru Mōwai (Western Porirua), Kenepuru, Northern Growth Area – potable water, wastewater and stormwater.
- Hutt Central priority development area – wastewater pipeline, pump station and emergency storage.
- Featherston priority development area – potable water, wastewater and stormwater.
- Carterton – new water supply.
- Masterton - wastewater treatment upgrade.

Other examples of capacity restrictions on growth

- **Martinborough:** Significant performance and compliance issues resulted in GWRC issuing an abatement notice for the Martinborough Wastewater Treatment Plant in August 2022. The plant has also reached its design capacity as population growth and annual connections have far exceeded expectations. Due to these issues, South Wairarapa District Council is no longer issuing building consents that need new wastewater connections[38].

[35] Regional Housing & Business Development Capacity Assessment 2023 - WRLC.
[36] Northern-Growth-Area-Selection-Decision-Report.pdf (kaingaora.govt.nz).
[37] GWRC FDS Implementation Strategy June 2024.
[38] https://swdc.govt.nz/martinborough-wwtp/ and https://swdc.govt.nz/greytown-wwtp/.

- **Greytown:** In June 2024, WWL advised South Wairarapa District Council that there was not enough capacity at the Greytown Wastewater Treatment Plant to allow development of a proposed 200 lot subdivision or sufficient capacity for new connections to the wastewater network in Greytown. The plant was designed to service 2,200 connections and is currently servicing 2,700 connections[39].
- **Growth planning:** Porirua City Council, Upper Hutt City Council, Wellington City Council and Hutt City Council are all working with WWL to understand funding and constraints of current and future growth demands.
- **Water supply:** The region is approaching capacity constraints to meet current water demand in the greater Wellington metropolitan area, leading to the risk of more severe water restrictions and water shortages (see case study below). This has required a comprehensive programme of demand management (education, water restrictions and planning for water meters) and asset development (treatment plant upgrades), and potential additional storage[40].

Housing demand and projected shortfall

- Besides the very significant funding constraints facing councils, sustained growth pressures are affecting the Wellington Region including a current deficit of 9,500 - 12,000 houses and 2,400 families on the social housing register (representing an increase of more than 1,000 families since 2019).
- For the year ended 2023, a total of 2,427 new residential dwelling consents were issued, representing a 33% decrease since the end of 2021[41]. Based on current residential consenting rates for the past 10 years, it is expected there will be a housing supply deficit of 21,000 houses in the next 30 years.

Funding for growth

Along with the advantages of growth for the region comes the difficulty of funding and building sufficient infrastructure and community facilities (such as reserves and community infrastructure) to service a growing community.

Much of the cost of the infrastructure for new growth is covered by developers, particularly within property boundaries or where large-scale, comprehensive greenfield development occurs. This can include local pipe networks, stormwater detention and drinking water reservoirs.

However, development also adds pressure to existing infrastructure and the wider three waters network, which requires upgrades to add capacity. This includes water supply and reservoirs (especially where these serve multiple development areas), stormwater retention and discharge, and wastewater collection and treatment. These capacity upgrades are often very expensive and need to be integrated with other planned renewals work, which can lead to complex investment planning and long lead times.

Typically, councils recover much of the cost of these upgrades through development contributions or financial contributions[42]. These range significantly across the region in terms of costs to developers. There is however often a significant timing gap between the upfront investment to enable development and receipt of revenues. For example, a major wastewater upgrade may be required to enable development which will then repay these costs over the next

[39] https://swdc.govt.nz/news/pause-on-new-applications-to-connect-to-greytowns-wastewater-treatment-plant/.
[40] https://www.wellingtonwater.co.nz/our-wai-can-run-dry/.
[41] WRLC Housing Data.
[42] The purpose underlying development contributions as outlined in s197AA LGA2002 "is to enable territorial authorities to recover from those persons undertaking development a fair, equitable, and proportionate portion of the total cost of capital expenditure necessary to service growth over the long term.

20 years. The gap needs to be bridged by councils using debt and this is a problem for funding-constrained councils. Where infrastructure is not provided in a timely manner this can constrain development, as evidenced by the examples above.

Case Study: Mitigating the risk of water shortages for metropolitan areas of Wellington

GWRC owns the bulk water supply network for Wellington, Porirua, Lower Hutt and Upper Hutt. This involves large water collection areas, four water treatment plants, 15 pumping stations and more than 180kms of large-diameter pipelines.

On a typical day:

- Upper Hutt, Porirua and Wellington's northern suburbs are supplied from Kaitoke.
- Lower Hutt is supplied from Waterloo.
- Wellington's CBD, southern and eastern suburbs are supplied from a combination of Waterloo and Wainuiomata.

An important feature of the bulk water supply system is the interconnection between the two main pipelines (Kaitoke to Karori and Wainuiomata to Wellington) at Ngauranga. This interconnection provides some degree of security of water supply to the cities. This bulk water supply network is managed by WWL.

WWL plans to work with shareholding councils to reduce the rising risk of more severe water restrictions and water shortages and to reduce the impact on communities as much as possible. WWL reports that, based on planned activity and the level of investment councils can afford, removing the risk of Level 3 and 4 water restrictions is not realistic. Instead, WWL is aiming to reduce the risk of entering Level 4 water restrictions for the 2024/25 summer.

WWL's approach to this work is driven by three key outcomes: keeping the water in the pipes, reducing water demand and adding more water supply.

WWL is working on behalf of shareholding councils across a range of activities to mitigate these risks:

- **Fix the network:** continue to increase investment into finding and fixing leaks, managing water loss and replacing old infrastructure.
- **Reduce demand:** continue to encourage customers to reduce water use.
- **Water metering:** investigate and plan for water metering. All metropolitan councils have indicated they will support work towards water metering and will progress this on varying timeframes (South Wairarapa District Council already have residential meters).
- **Increase supply:** in the long term, there is a need to increase the amount of bulk water supplied to the Wellington, Porirua and Hutt and Upper Hutt City Councils by building two more water storage lakes. These lakes will ensure the region has sufficient water supply in the summer to meet demand in Wellington, Porirua and the Hutt Valley. WWL will develop concept designs, and work through consenting. The cost to build the lakes will be high and as a region, there is a need to first reduce the use of water by fixing leaks in the parts of the system owned by the city councils, and by reducing demand. Construction of any new water storage lakes will be subject to community consultation and resource consent approvals.[43]

[43] GWRC LTP 2024-2034.

16. Compliance

New Zealand is in the early stages of implementing a system of water regulation. The Taumata Arowai – Water Service Regulator Act 2020 and the Water Services Act 2021 introduced a new regulatory environment for water services.

This is an evolving space and will require all water providers to have the capability, capacity and investment needed to meet regulatory and compliance standards.

Major changes to the compliance framework include:

- **Establishment of Taumata Arowai:** Taumata Arowai has established new Drinking Water Standards and is establishing Wastewater Discharge Standards. Taumata Arowai has made significant progress in developing and monitoring drinking and wastewater quality since it was established. Government announcements on 8 August 2024 signalled changes to how Taumata Arowai regulates drinking water suppliers. The changes will "...remove barriers to Taumata Arowai taking a proportionate, cost effective and efficient approach in its functions and duties.[44]"
- **Tightening of environmental compliance requirements:** Direction is set by the Government via its NPS-FM, which is currently under review. GWRC implements this through changes to the Regional Policy Statement and Natural Resources Plan and ensures compliance with environmental standards, including the allocation of water supply (take) from natural sources and for wastewater/stormwater discharge requirements. Government announcements on 8 August 2024 signalled further changes including:
    - It will require Taumata Arowai to take account of the NPS-FM, and any regional plans, prepared under the Resource Management Act, that relate to freshwater, as part of the exercise of its functions, duties and powers.
    - Development of wastewater environmental performance standards that are being developed by Taumata Arowai under the Water Services Act. The legislation will be amended so there will be a single standard, rather than a minimum or maximum.
    - These amendments would be designed to ensure regional councils implement a single standard approach in resource consents and cannot exceed the standard in consenting conditions apart from on an 'exceptions' basis.
- **Appointment of the Commerce Commission** as the consumer protection and price/quality regulator for water delivery services (with detail and legislation to be confirmed in late 2024). More details of the economic regulatory regime will be announced later this year when Bill 3 is enacted. It is expected that the Commerce Commission will regulate the economic performance of water delivery through regulation of price and delivery service quality. Government announcements on 8 August 2024 confirmed an intent to introduce economic regulation primarily based on information disclosure with additional powers of oversight. The main purpose of this regulation will be to ensure the right level of investment to ensure good quality water services at an affordable level. This is a critical part of the new water regulatory framework and will be necessary to give communities assurance that prices set for water services are fair and reasonable.

[44] https://www.dia.govt.nz/Water-Services-Policy-Future-Delivery-System.

Drinking water

Most water supply treatment plants in the region are compliant for safety and those that are not, have existing remediation plans. There are several exceptions to this where water take and bore reliability will require more detailed and high-priority planning. While water safety requires continued investment, this is at a much lower scale than that required for water supply capacity, both in terms of supply take and storage. A summary of key compliance issues for drinking water is included in Appendix F.

Water pipes failure and capacity

The impact of water pipe failure will be considered as part of the quality component of water delivery service price/quality regulation and monitored by the Commerce Commission. The absence of sufficient focus on this issue by councils, when compared to water quality and environment regulation, has left this as the highest risk with the largest consequential cost to society from network asset failure.

Pipes represent about 80-90% of the total asset value of the water network, depending on differing locations in the region. As noted above, asset condition information on the pipe networks is currently incomplete. Water pipe condition assessment, identification of existing or imminent pipe failure, and the subsequent replacement of these pipes is considered the highest priority for the network, with the obvious exception of maintaining safe drinking water.

Wastewater pipe capacity is currently seriously impacting growth for many councils in the region including the targeted high-growth rate expected in Porirua and Kāpiti.

Wastewater header and interceptor pipe failures have been the predominant form of major network failure over the last few years and represent one of the highest risks of major network failure.

Wastewater

Many of the wastewater treatment plants in the region are not currently compliant. There are also serious capacity risks in both forms of treatment plant which is currently limiting population growth of many cities and districts within the Wellington Region. Because capacity constraints are not regulatory in nature, this is becoming a lower priority issue. It will be necessary to unlock these capacity constraints as a remediation priority for the network. A summary of key compliance issues for the main wastewater treatment plants is set out in Appendix F.

The high proportion of worn-out assets, and limited storage and sourcing capacity of the network is expected to result in significant economic regulatory non-compliance and required improvements as part of regulation by the anticipated economic regulator. The low historical priority given to network fault rates, failures and renewal is likely the consequence of not having economic regulation for water to date.

As noted above, the network has a very high percentage of worn-out assets and these give rise to frequent failures, repair backlogs, and divert remediation and network maintenance funds to fixing leaks and trying to achieve environmental compliance. This also raises the cost of running the network due to the burden of high levels of faults.

In practice, it will not be possible to achieve sustained compliance to wastewater discharge standards with the network failures that are currently occurring and the current design of the stormwater network including cross connections. These will need to be fixed first, as no amount of treatment plant enhancement will be able to cope with these two upstream weak spots in the network.

Priority must be given first to fixing the pipe networks because this will:

- reduce water supply leaks to both lower cost and retain water supply capacity for our summers, and
- allow wastewater treatment plants to operate at known peak load capacity without the significant ingestion of seawater and groundwater.

17. Current and required expenditure and funding

All councils (with the exception of South Wairarapa District Council) have recently consulted their communities and confirmed proposed three waters investment (capital and operating expenditure) for 2024-2034 through the LTP process.

While councils are planning significant investment to manage network risks, combined LTP investment over the next 10 years is about $4.82 billion (real), which is approximately $470 million (or about 10%) less than the estimated investment required based on the recommended investment strategy in this report over the next 10 years and 30-40% less than what will be required, on average over the next 20-25 years.

Based on the assessment of the condition of the network, as well as investment required to enable growth and meet compliance requirements, the level of funding planned under LTPs is considered below what is needed and this will lead to further network deterioration and increasing risks. This is highlighted starkly in the WWL Statement of Intent 2024 which states that "*The likely levels of funding will exacerbate the region's critical risks and create new ones*".

Investment required versus what is affordable – increasing the risks

As part of the LTP process, WWL shareholding councils are advised on required funding by WWL. From the WWL 2024 Statement of Intent[45]:

Wellington Water advised councils that regional capital investment in the order of $10 billion is required over the next 10 years to deliver on all the region's strategic priorities. This level of investment is unaffordable and currently undeliverable.

Based on delivery to date, Wellington Water recommended that councils (excluding South Wairarapa District Council) invest $7.6 billion in capital expenditure over the 2024-34 LTP period. This level of funding is the maximum that can be delivered in the region[46].

Some councils have invested more in water infrastructure than ever before. However, the councils have been clear to Wellington Water that $7.6 billion is still unaffordable due to council debt headroom constraints and impact on ratepayers.

The capital investment programmes agreed by councils collectively totals $3.6 billion, around half of what Wellington Water recommended as being deliverable. Funding is particularly constrained in the first three years of the 2024-34 LTP period.

Wellington Water recommended a regional 10-year operating expenditure budget totalling $1.7 billion (excluding South Wairarapa District Council). Councils have provided a 10-year operating expenditure budget of approximately $1.5 billion.

The level of funding set by councils for the 2024-34 LTP period means we cannot achieve a balanced programme that delivers on all the region's strategic priorities.

$2.8 billion baseline programme – based on funding assumptions from councils' 21-31 LTPs, this is the basic level of capital investment to keep the lights on but won't improve the region's water assets to a sustainable and manageable level.

The likely levels of funding will exacerbate the region's critical risks and create new ones. Of particular concern is the ability to supply water to communities in the coming summers and the longer-term costs of deferring this investment now. Based on councils' proposed level of funding, there will be limited work to support population growth, renew infrastructure at a sustainable rate, improve water quality and resilience and reduce carbon emissions.

The risks below are key risks that all our councils across the region face. The likelihood of these risks occurring is dependent on the level of investment each council provides and some, therefore, will vary by council:

- *Severe water restrictions or an acute water shortage in future summers.*
- *Continued risk to drought resilience across the region. In the Wellington metro area, the current supply capacity is only able to meet unrestricted water demand in a 1 in 13-year drought, as opposed to 1 in 50 years.*
- *Wastewater treatment plants are not reliable and do not comply with consent conditions with limited ability to bring the wastewater treatment plants back to compliance reliably in the next three years.*
- *Environmental damage and not meeting communities' and mana whenua expectations due to wastewater overflows from network and treatment plants.*
- *Assets fail more regularly due to lack of investment in proactive activities such as renewing and replacing assets, planned maintenance, leak detection and condition assessments.*
- *Customers face more disruption and longer waits for repairs on the wastewater and stormwater networks.*
- *Disruption and repair times on the drinking water network will initially improve but begin to worsen from July 2025.*
- *Additional population growth puts pressure on the capacity of the network and treatment plants, leading to impacts on customers and the environment.*

[45] WWL Statement of Intent 2024 https://www.wellingtonwater.co.nz/.
[46] This is based on a 30% uplift of work year on year that plateaus at $1b per year. WWL Statement of Intent 2024.

Planned renewals

Another example of planned investment relative to required investment is the:

- planned length of pipe replacement (renewals) relative to the length of the network, and
- average service life (how long a pipe is expected to last - this is a proxy for actual asset condition information).

This table helps to illustrate how long it would take, at that rate, to replace a pipe network. For 2024/2025, the planned meters of pipe replacement for each council are shown in the table below.

Table 8: Planned pipe replacement for Wellington Water Shareholder Councils 2024/2025 financial year[47]

Council	Planned pipe replacement 2024/25 (km)	Total meters of pipe in network (km)	No. of years to replace pipe network at 2024/25 rate
Hutt City	4.971	1,845	371
Wellington City	0.427	2,728	6,388
Porirua City	0.200	1,065	5,325
Upper Hutt City	2.838	662	233
South Wairarapa District	0.472	209	442
GWRC	0.180	187	1,038
Total	9.088	6,696	736

[47] WWL Statement of Intent 2024 https://www.wellingtonwater.co.nz/.

Options and recommendations for a regional delivery model

Section summary

This section outlines the process followed and key considerations and options for a joint WSDP and high-level design for a future delivery model.

The process focused on the development of 'best for region' options. This section sets out a *recommended* delivery model which needs to be endorsed and then fully developed in subsequent phases of work as part of the decision making regarding a joint WSDP and potential establishment of a WSCCO. This will require consideration of the provisions in Bill 3 when this is introduced into Parliament (expected to be December 2024).

The councils took a collaborative approach, facilitated by a joint regional team based on a series of workshops with the officers, Chief Executives and the AOG to consider options and alternatives, provide feedback and direction. This process helped confirm the key requirements and case for change.

A range of possible different models and structures for a joint delivery model were considered, informed by current models in the region including in-house delivery models; a joint CCO service delivery only; a joint CCO full-breadth, asset-owning, a joint council-owned company (COC); a consumer trust; and a private sector option, which was not explored.

Based on the analysis of options and direction from workshops, the recommended option is for a **joint council-owned company** (that is, a full breadth water utility, owning all assets, revenues and liabilities). This would have a similar structure to a CCO but with reduced council oversight, enabling the company to have greater control and certainty over investment plans. The recommended option is consistent with the Government's policy announcements on 8 August 2024 relating to a new class of financially independent water CCOs that councils will be empowered to establish under Bill 3.

The new WSCCO model will operate in a much more regulated environment, which will provide a strong focus on assurance, quality, delivery and value for money. The primary relationship of a WSCCO will be with its customers, not its shareholders (or owners). Council direction and oversight would therefore be less than under traditional CCO models. The new entity needs the independence and accountability to deliver. A skills-based Board with a clear set of competencies is at the heart of the recommended governance model.

The new WSCCO would provide all services directly to water customers and bill them for water usage and services provided. Councils are keen to ensure that any future regional WSCCO will provide a high level of local service delivery, including good compliance, response times, and supply. The new model needs to be able to meet these expectations.

18. Process to test options for a joint WSDP and joint delivery arrangements

As mentioned, the councils in the Wellington Region have agreed to work together to consider a joint approach to development of a WSDP. Dependent on decision making of councils, the key deliverable from this joint process is intended to eventually be a draft joint WSDP, including implementation plan for a delivery model.

The process for this report focused on the development of 'best for region' options and did not consider alternative council-specific or provincial options – these are being developed and evaluated in parallel to this process by councils to inform their own decision making in relation to the WSDP.

Outlined below is a recommended approach which would need to be confirmed as part of future work relating to the development and decision making of a joint WSDP and the implementation planning and establishment of a WSCCO.

The approach was informed by a series of workshops with the officers, Chief Executives and the AOG to consider options and alternatives, provide feedback and direction to guide the development of this process. The workshops were supported by analysis of information, data, options and alternatives, to support informed discussion and direction.

The key stages of the approach are set out below.

Table 9: Workshops

	Workshop 1	Workshop 2	Workshop 3	Workshop 4	Workshop 5
Overall focus	Process Key requirements for success	Network economics, funding and financing	Governance and structure options	Concept model, funding and pricing pathways	Council positions, draft report and transitional issues
Summary of options and direction	Confirmation of process Key requirements Preferred type of model	Approach to network economics and scale of the challenge Level of investment required	Governance design principles and model including role of council owners, Board and Iwi/Māori	Key elements of concept model Risks and benefits of different funding and pricing pathways to achieve financial sustainability Transition principles	Council position updates Draft regional report feedback Key activity in September and October Transitional issues and alignment
Timeline	April/May 2024	June 2024	July 2024	August 2024	September 2024

19. Type of model

A WSDP is required to identify the likely form of any joint arrangement, including whether it is anticipated to involve water services being delivered by a joint delivery model and the proposed model or arrangements for delivering water services.

In terms of different types or structures of joint delivery models, a range of options were considered. This assessment was informed by consideration of what does or does not work well in current models across the region, including council-delivered options and through WWL. Key learnings were:

- In-house delivery models can be prone to underfunding, less commercial expertise and potential lack of role clarity.
- WWL Board's power to chart strategic direction is hindered by not owning assets or controlling funding and the WWL model has led to underfunding.
- The WWL model has a practical overlap between Committee and Board.
- Wellington Water Committee (WWC) has a strong focus on operations, relative to performance oversight.
- Shareholder representatives on the WWC can focus on local issues at the expense of a regional and network-wide focus.
- Small shareholding councils of WWL can feel their voices are not heard.
- Consumers have underpaid for the full cost of services under all models and there has been little use of all potential funding and price levers.

Key options considered and recommended model

More details on the key options can be seen in Appendix G. A range of possible structures for a joint delivery model were considered, informed by current models in the region, including:

1. In-house delivery models,
2. Joint CCO – service delivery only,
3. Joint CCO - full-breadth, asset-owning,
4. Joint COC (which is a slightly modified version of number 3) [48],
5. Consumer trust, and
6. Private sector option (Note: this was not explored due to strong opposition from councils to the privatisation of water).

Recommended delivery model

Based on the analysis of options (summarised in Appendix G) and direction from workshops, the recommended delivery model is for a **joint council-owned company** (that is, a full breadth water utility, owning all assets, revenues and liabilities).

This recommended option was selected as it was the only option that met the key requirements of councils, aligned with Government policy intentions, and the anticipated requirements of the Preliminary Arrangements Act and Bill 3.

The entity would be of the type that councils will be empowered to establish under Bill 3 to be introduced in December 2024. It would have a similar structure to a CCO under the LGA, but with reduced council oversight (as provided for under Bill 3), enabling the company to have greater control and certainty over investment plans. This is one of the features necessary to enable borrowing by the new entity.

A key assumption is that Government will introduce details for a new asset-owning WSCCO through Bill 3 – in line with the announcements on 8 August 2024 – which will provide this type of organisation with the necessary purpose, powers and functions to meet the region's requirements.

The recommended model is well aligned with the guidance on delivery models announced on 8 August 2024. This includes a similar structure to the 'multi-council-owned water organisation'

[48] Since the workshops, the government has adopted the term Water Services Council-Controlled Organisation (WSCCO) in legislation to describe the new type of water services entity. This aligns with other regulations. Throughout this report therefore we also use this term as the description of the new proposed entity.

outlined in DIA guidance including a similar governance and accountability framework. The exception to this is in relation to stormwater, as discussed below.

The announcements on 8 August also support the recommended model option in that:

- this delivery model is well aligned with the minimum requirements that will be set out in Bill 3, and
- it would meet the requirements for a 'water organisation' (which refers to separate organisations that councils may establish to provide water services), which will be necessary to ensure lending from the LGFA.

Since AOG workshops on governance arrangements, the Government has provided broad details of the governance and accountability arrangements that will apply to the new class of CCOs that will be enabled under Bill 3. The three accountability documents provided for in these announcements are a Statement of Expectations, WSS and water services annual report. The Statement of Expectations is directly comparable to the Letter of Expectations considered during the council workshops. Similarly, the proposed water services annual report is as envisaged during those workshops. The workshops anticipated a Statement of Intent which is currently the primary accountability document for CCOs established under the LGA, but it seems likely that water CCOs established under Bill 3 will have a WSS in place of a Statement of Intent.

Until Bill 3 is enacted, however, there remains some (albeit a relatively low) risk that this type of WSCCO is not fit for purpose or able to meet the region's identified key requirements. This will require ongoing engagement with the legislative process.

20. Design principles and assumptions

Informed by the policy announcements on Bill 3, a number of design principles and assumptions have been identified for the recommended model. This includes the relationship between the proposed WSCCO and the other key "players" who form part of the water service delivery ecosystem.

Key relationships

- **Councils (owners):** New council-owned WSCCO delivering three waters services across the region directly to customers. This will ensure ongoing public ownership and control. Bill 3 is likely to confirm further protections against privatisation[49]. Councils will have some ability to set purpose and direction including processes to appoint and hold the Board to account through the constitution.
  - Transfer of assets and debt: Councils transfer all their water assets, liabilities and customers to create a full-breadth water utility.

[49] Protection against privatisation. Government announcements on 8 August confirmed that legislation will likely include the following statutory protections:

- Only local authorities and/or consumer trusts will be permitted to own shares in a water organisation.
- Provisions that prevent:
  - water infrastructure assets from being used as security for any purpose
  - divestment of ownership or other interest in a water service except to another local government organisation or water organisation; and
  - lose control of, sale, or other form of disposal of the significant infrastructure necessary for providing water services in its region or district, unless, in doing so, the local authority or water organisation retains its capacity to meet its obligations
- Shares in water organisations cannot give any right, title or interest in the assets, security, debts, or liabilities of the entity, and would not be able to be sold or transferred.

   - The existence of strong regulators and an independent Board leaves councils with a relatively light, residual oversight role. The shareholders provide a Statement of Expectations and the WSCCO Board, having considered the Statement of Expectations, prepares and adopts the WSS (after having provided shareholders with an opportunity to comment on a draft) and an annual report. See Section 21: Ownership and Governance.

- **Water customers:** Water consumers become customers of the WSCCO. The WSCCO provides all services directly to water customers and bills them for their water usage and services provided.
- **Iwi/Māori partners:** Embraced as partners of the WSCCO, as both parties work to achieve an aspirational vision to restore Te Mana o te Wai. See Section 21: Ownership and Governance.
- **WSCCO:** The WSCCO is 'non-profit making' in that it is not allowed to pay dividends but needs to generate a sufficient and fair surplus. 'Sufficient' means that the surplus revenue is sufficient to fund the renewals to maintain a high-quality water network and to operate the organisation with sufficient investment in people, systems and processes. 'Fair' means that there is good alignment between the generation that funds the cost of infrastructure and the generation that benefits from that investment.
- **Governance – Board:** The WSCCO is governed by a professional, independent Board with members selected for their skill sets and experience.
- **Debt funders:** The LGFA is likely to be the WSCCO's main funder at first. Government announcements on 8 August 2024 confirmed that the LGFA would immediately be able to lend to new water organisations[50]. Over the longer term, the WSCCO is likely to develop the financial strength and maturity to be investment grade in its own right.
- **Regulators – wastewater quality:** Taumata Arowai sets the three waters' standards and monitors the performance of drinking water. At a local level, the regional council applies the standards and ensures compliance for discharges and bulk water takes. Additionally, regional councils are environmental regulators under the Resource Management Act.
- **Regulators – economic efficiency:** The economic regulator role will be to regulate availability and quality of services, and to protect consumers' interest by ensuring that the WSCCO sets fair prices and drive cost efficiency.

The key operating relationships and design principles are shown in Figures 4 and 5 below.

[50] Defines '**water services provider**' means all forms of local government provider and including councils that continue with direct (in-house) delivery as well as new water organisations. The term '**water organisation**' refers only to separate organisations that councils may establish to provide water services and does not include councils with direct (in-house) delivery.

Figure 4: WSCCO operating relationships

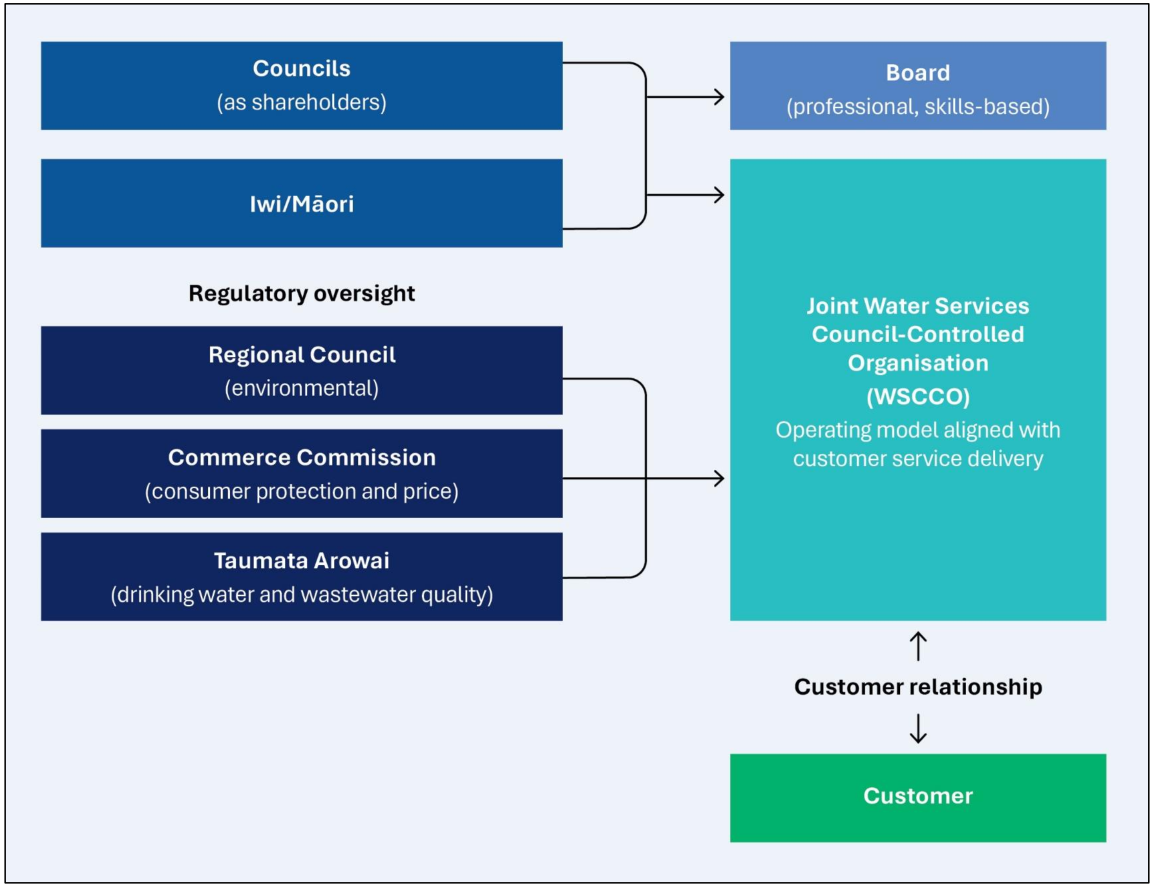
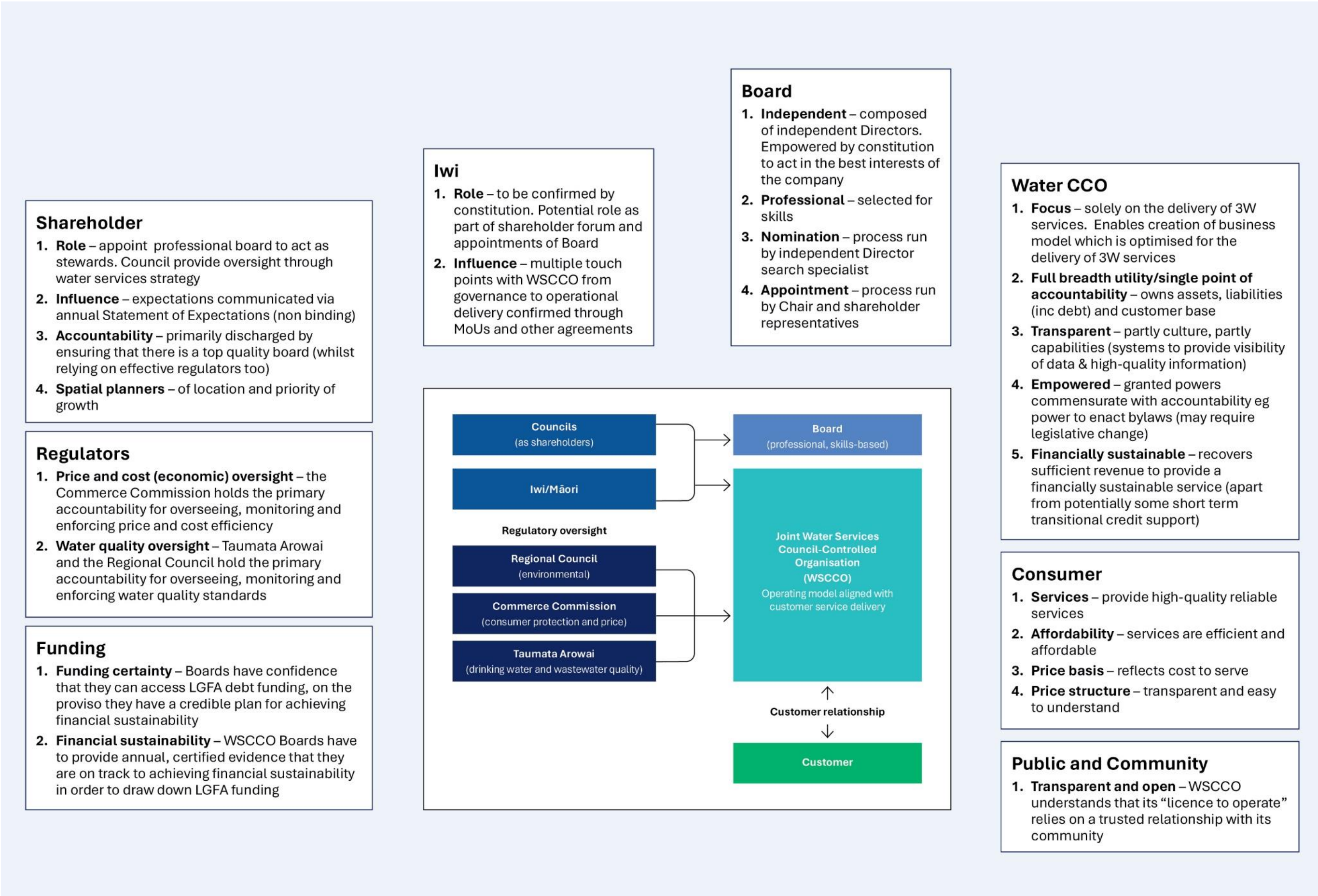


Figure 5: WSCCO key design principles



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21. Ownership and governance

Through the workshops, councils considered a range of options for ownership and governance of a WSCCO. These were guided by the following council requirements relating to governance and have been updated in line with the policy announcements on Bill 3:

- Public ownership – no privatisation of water assets or delivery.
- Local (shareholder) influence to ensure alignment and enable broader outcomes.
- Single point of accountability for service delivery and wider clarity of role.
- An independent, professional Board appointed based on skills, with strong commercial discipline.
- Iwi/Māori input must be meaningful.
- Board to be empowered to operate independently and innovate to achieve outcomes.
- Board has certainty to plan, fund and invest (implies limit on shareholder role).
- Board adopts a long-term planning horizon.

Other key considerations were:

- The new WSCCO model will operate in a much more regulated environment – economic, environmental, quality, so not the same as existing CCO models.
- Regulation provides a strong focus on quality, assurance, delivery and value for money. These also provide channels for customers.
- The need to recognise that the primary relationship of WSCCO will be with its customers, not its shareholders (owners).
- Role of shareholders will be less than under traditional CCO models – with direction and oversight through Board appointments, Statement of Expectations and annual plan reporting.
- In this context, there is a need for clarity on the role and influence of shareholders and focus, such as outcomes, alignment with growth and housing.
- The new entity needs independence and accountability to deliver.
- A skills-based Board with a clear set of competencies is at the heart of the proposed governance model.

Options considered focused on the role of the Board of a WSCCO and the role of shareholders.

Table 10: Appointment of the Board of Directors – recommended model and other options

	Recommended option and design principles	Other options considered
Board appointment process	• Shareholder agreement covers appointment rights • Appointment process should be apolitical • Shareholder appoints member to appointments panel which (with Board Chair) then appoints directors by unanimous vote • Appointments panel adds rigour	• Directors appointed by unanimous shareholder committee resolution (current WWL model) • Same as option above but appointment by majority vote • Same board for entity establishment and BAU operation

	• Small establishment Board can have different focus	
Board skills and membership	• Experienced professional directors given WSCCO's challenges • Director skills matrix is key to having relevant skill sets and experience on Board • No elected members or specific local representation on Board • Key skills would include commercial, asset management, network utilities, Treaty of Waitangi, customer, and local government	• Constitution could allow or prohibit elected members on Board • Iwi/Māori representation on Board

Table 11: Role of shareholders – recommended model and other options

	Recommended option and design principles	Other options considered
Shareholder role and influence	• Shareholder forum to agree Statement of expectations and comment on draft WSS • Panel to appoint/remove directors • Objectives in WSS to reflect entity's statutory purpose and responsibilities • Bill 3 may need to provide more independence especially around WSS	• Statement of Expectations only • Statement of Expectations and power to modify WSS • Individual shareholders produce Statement of Expectations and comment on draft WSS • Bill 3 may provide new options to consider
Performance monitoring	• Annual report only • Compliance burden on CCO needs to be managed • Annual report should not duplicate plans required by regulators	• Half yearly/quarterly reports • Residual monitoring
Oversight	• Two meetings in public only, and Parts 1-6 of LGOIMA (availability of information) • One additional shareholder meeting (AGM) • Regulators, Auditor-General and Ombudsman will provide oversight across all areas of activity	• All Board meetings in public • Additional shareholder meetings • Bill 3 will clarify oversight by Commerce Commission and Taumata Arowai.

Other feedback and future considerations

Specific matters will require further consideration in the detailed development of the recommended model, including alignment with the minimum requirements for delivery models under Bill 3[51]. These will need to be worked through as part of any shareholding agreement, constitution and clarification of the roles and process for appointment of the Board. Issues include:

- Details in Bill 3 – this is likely to define the purpose of a new WSCCO established under that legislation and may clarify the roles of owners and Board as well as reporting requirements.
- The importance of economic regulation in a new model – vital to ensure fair prices and sustainable investment. Economic regulation oversight and price change will need to be phased in over time, to ensure that there is sufficient capability for both the regulator and delivery models.
- Role and oversight from owner councils and Iwi/Māori partners:
  - There will be a transitional development of the new entity and significant compliance requirements in the first few years. There is a need to ensure the Board and WSCCO are not overloaded. Council oversight may change as regulators are established.
  - There will need to be some form of shareholder forum to set and agree direction, with a need to clarify membership or role of Iwi/Māori on this.
  - Key roles of councils include holding Board to account, alignment with growth, and equity.
  - Foundation documents will need to provide clarification on the role of councils and mana whenua in relation to Board appointments panel – membership, process, decision making; and shareholder forum – such as membership, role, key areas of focus, representation.
  - Councils will need to communicate the changes to their communities, including the shift in relationship from council-customer to WSCCO-customer, with the regulator as 'backup'.
- Board of WSCCO and entity:
  - It is important to have skilled people on the Board and get the setting right to make this attractive. Skills/competencies to be considered would include commercial, asset management, network utilities, Treaty of Waitangi, customer, local government, and local knowledge.
  - The Board needs to be professional and skills-based, not representative – with appointments by panel. The appointments process will need to work through challenges and options regarding the membership of the appointments panel and decision-making requirements – such as consensus or majority, and role of Iwi/Māori.
  - Unanimous decision making often does not work, and this is a learning from WWL. Particularly when appointing directors to boards, the decisions should not need unanimity.

[51] Government announcements on 8 August noted councils can design own arrangements as long as these meet minimum requirements:

- Will have to meet clear minimum requirements set out in legislation. This includes meeting regulatory standards, financial sustainability requirements such as ringfencing of water services.
- Restrictions against privatisation.
- Additional requirements for water organisations to ensure they are operated and governed effectively.

- There is potential for a transitional Board during the establishment period.
- There is a need to be clear on how to ensure effective day-to-day operations and in relation to a skills-based governance board.
- The new model must not impact on Treaty settlements.
- Following a concern that smaller councils may not get same priority as bigger councils, there should be a focus on a baseline of level of service and local delivery.

Establishment period and rights of entry and exit

A further matter for consideration in the next phase of work and the establishment documents will be rights of entry and exit as shareholders.

During the first 3–5 years of the new WSCCO it may be necessary that there is a 'lock down' period of shareholders.

This is to provide the WSCCO with sufficient certainty of accountabilities, shareholders and investment and to avoid potential significant distraction caused by shareholders joining or leaving the model while the WSCCO is developing capability.

This approach would potentially also allow for a formal review point for the WSCCO that could provide for a review of constitution, governance arrangements and shareholders.

This process would need to recognise the potential cost and resource implications for the WSCCO and shareholders of this review and for joining or leaving.

GWRC has indicated a preference to focus on their resource management regulatory role and in time may plan to exit from asset ownership and associated accountabilities related to bulk water supply.

22. Treaty obligations, principles and partnership

Two of the key design principles are to ensure that:

1. Iwi/Māori have meaningful influence and
2. Treaty of Waitangi obligations are honoured.

The role of Iwi/Māori in relation to the governance of a WSCCO is discussed above and will need to be confirmed through any foundational documents such as the constitution, shareholders' agreement and role of the Board appointment panel. This includes a potential role as part of a shareholder forum and Board appointments. The Board would also need to have suitable competencies and skills in relation to the Treaty of Waitangi.

The new WSCCO will need strong relationships with Iwi/Māori in operations and delivery. There is an opportunity to learn from the Watercare model, which has enduring MoU arrangements that set durable and long-term arrangements which go beyond the transactional.

This will need to be confirmed through the development of the WSDP to ensure that the organisational design has clear, designated roles to partner with Iwi and to give effect to any Treaty settlement obligations which transfer across from the councils.

Watercare model and partnership with Iwi/Māori

Watercare is the CCO, 100% owned by Auckland Council, that provides water supply and wastewater services in Auckland. As well as being a CCO, Watercare is an "Auckland Water Organisation (AWO)" as defined in the Local Government (Auckland Council) Act 2009 (LGACA), and as an AWO is given various rights and obligations under Part 5 of that Act.

The LGACA does not require that the Watercare Board has any particular level of mana whenua representation on it. Instead, Auckland Council appoints the directors of the Watercare Board in the normal way, and subject to ordinary LGA requirements.

These include section 57(3) of the LGA, which states that when identifying the skills, knowledge and experience required of directors of a CCO, the local authority must consider whether knowledge of tikanga Māori may be relevant to the governance of that CCO.

Auckland Council has an Appointments and Remuneration Policy for Board members of Council Organisations. One of the core competencies the Council requires on the boards of its substantive CCOs, including Watercare, is: uphold the principles of the Treaty of Waitangi, readiness to promote improved outcomes for Māori and knowledge of Te Ao Māori and established Māori networks.

In 2012, Watercare established the Mana Whenua Kaitiaki Forum (the Forum) to encourage discussion and guidance, and to share views on the management of water and wastewater. The Forum's focus has widened to all Watercare matters affecting the strategic interests of mana whenua across the Auckland Region. There are 19 tribal authorities represented on the Forum.

The Kaitiaki Schedule is regularly sent to the 19 tribal authorities on the Forum. It sets out Watercare's planned work programme, most of which requires resource consent. Representatives are invited to express interest in projects.

Watercare has also entered into relationship agreements with various Iwi and hapu in Tāmaki Makaurau (Auckland) and beyond. These include kawenata with Waikato Tainui and other 'river Iwi' that acknowledge the parties' respective interests, desired outcomes, and sets out how the parties will work together. Watercare also from time to time enters into agreements with Iwi/Māori entities relating to specific projects.

Watercare's Board is supported by the Executive Leadership Team at Watercare, including the Tumuaki Rautaki ā-Iwi me ngā Hononga (Chief, Māori Strategy and Relationships.) This officer is responsible for ensuring Watercare has the structures and resources to meet its obligations under Te Tiriti o Waitangi.

23. Joint arrangements and stormwater management

A WSDP must confirm the extent of any joint arrangements, including whether the joint arrangement will deliver all water services for all the territorial authorities that are parties to the joint arrangement, or other arrangements.

Through the workshops, councils considered the extent of joint arrangements and whether this would cover two or three waters. Councils have confirmed a preference for the recommended model to include all three water services. This would also mean the transfer of these assets and any relevant liabilities.

A three waters delivery model aligns with the current WWL service model for shareholding councils, and it would be challenging for councils to build or retain sufficient internal capacity for stormwater outside a separate WSCCO.

The identified exceptions to these recommended joint arrangements are:

- Non-piped stormwater networks in urban areas would remain under council ownership. It is likely that councils would enter into service level agreements to confirm management for these areas as part of an integrated approach to stormwater.
- GWRC intends to retain ownership of drinking water catchment areas in Kaitoke and Wainuiomata to support broader outcomes including ecosystems, recreation and climate change.
- Wairarapa councils intend to retain water races that service agriculture.

This recommended model may not fully align with the Government announcements on 8 August 2024 in relation to stormwater management and expected content of Bill 3. The announcements[52] set out that:

> *Councils will retain legal responsibilities for the management of stormwater services, but they can choose to:*
>
> - *continue to deliver stormwater services in-house and contract aspects of stormwater service delivery to a new water organisation,*
> - *transfer aspects of stormwater service delivery (this might include stormwater network assets) to a water organisation, and*
> - *contract aspects of stormwater service delivery to a third-party provider, via long-term contract or public-private partnership.*
>
> *Councils can determine the levels of service and performance targets for the delivery of stormwater management services. Water service organisations identify the costs of delivering stormwater management services that meet the expected levels of service and meet performance targets.*
>
> *Councils will continue to collect revenue through rates from residents and businesses for stormwater management services. Revenue for the delivery of stormwater management services is identified separately within council's accounts (ring fenced). Depending on the stormwater management services that are contracted or transferred, the revenue collected through rates may be allocated between councils and water service delivery vehicles to deliver stormwater service outcomes.*

The key potential issue here is for conflict of accountabilities and funding under a model where councils choose to transfer delivery and assets to a WSCCO but are legally required to collect revenue (ring-fenced) and have legal responsibility for stormwater. This is particularly challenging where there are cross connections in the network between wastewater and stormwater.

The approach to stormwater is an issue that councils will need to further consider in Phase 2 of this process and may need to submit on in relation to Bill 3 including further engagement with DIA.

Separation of stormwater and clarification of optimal arrangements for the region may be complex and key aspects to work through will be:

- legislative requirements,
- network condition and investment required to deliver outcomes including improved discharge quality,
- achieving financial sustainability, including council financial positions, pricing and financing,

[52] https://www.dia.govt.nz/Water-Services-Policy-Future-Delivery-System.

- asset ownership, debt transfer, revenue transfer,
- asset and network types and interconnections including between piped networks, overland flow paths, roading and other parts of the stormwater system,
- accountabilities and potential service delivery and resourcing options, and
- interrelationship with flood management, risks and accountabilities.

24. Customer model and local service delivery

The new WSCCO would provide all services directly to water customers and bill them for water usage and services provided. Councils are keen to ensure that any future regional WSCCO will provide a high level of local service delivery, including good compliance, response times, and supply. The new model needs to be able to meet these expectations.

Under the recommended model, water consumers would become customers of the WSCCO. The WSCCO would provide all services directly to water customers and bill them for water usage and services provided. This would require the WSCCO to have the ability to:

- proactively communicate to customers,
- receive and respond to service requests, and advice regarding leaks on private property,
- transparently bill customers based on an agreed price basis, and
- ensure service levels are met.

As reflected in the key requirements, councils have expressed a strong view that any future regional WSCCO would need to provide a high level of local service delivery and not result in a loss of service levels for communities. Typical levels of services and performance measures include:

Compliance and quality:

- compliance for drinking water supply with Taumata Arowai drinking water quality assurance rules,
- providing an efficient and effective stormwater system to minimise the impact of heavy rainfall,
- delivering stormwater services in a manner that is acceptable, safe and, where possible, enhances the environment, such as water quality at beaches,
- number of flooding events due to stormwater overflows,
- number of complaints received about water clarity, taste, odour, pressure, flow, and continuity of supply, and
- compliance with resource consents.

Response times:

- response times to a fault or unplanned interruption to the water network,
- resident satisfaction with the water supply service they receive,
- resolution of urgent callouts,
- attendance for non-urgent callouts, and
- resolution of non-urgent callouts.

Supply:

- average drinking water consumption per resident per day,

- percentage of real water loss from networked reticulation system, and
- kilometres of renewals for three waters infrastructure.

It will be important that the organisational design and operating model for a regional WSCCO is set up to meet these expectations for local service delivery. This may draw upon the benefits of scale which provides additional capacity and capability with a local focus to ensure effective customer services, including website, channels, and call centre and quality local service delivery; including local depots for service delivery to ensure local knowledge and efficient response to service requests.

Based on the Government announcements on 8 August, it is expected a WSCCO would be required to develop and implement a WSS which will likely include elements to:

- state publicly the activities and intentions of the water services provider, and the objectives and outcomes to which those activities will contribute,
- provide transparency about the regulatory requirements and other expectations that apply to the provider (including financial sustainability), how it proposes to meet those requirements and expectations, and the associated costs and levels of investment needed, and
- provide a basis for the accountability of the provider for its performance.

25. Capability and capacity development

The intended reforms represent a significant opportunity for the water industry and for local employment, and there will be a need for a national focus on capability and capacity development. Working with wider sector partners, a new WSCCO would need to have a significant focus on capability and capacity development to be able to deliver the scale of investment required, meet new regulatory requirements, service customer needs and drive efficiency gains.

While it is assumed that many of the people working in the water sector will continue to do so, this new model will also require new and different skills that are not currently part of the WWL or in-house council delivery models.

This will require a focus on:

- IT systems and processes: significant investment will be required to ensure that the WSCCO has the full end-to-end digital capability to undertake its functions effectively.
- Quality and completeness of asset data including asset condition information: greater focus on asset data, condition inspections and the management and use of this information to support effective investment decision making.
- Planning: long-term strategic network planning and investment to support financial sustainability and meet the requirements of the regulators.
- Regulation: new and enhanced capability to meet regulatory requirements, in particular for economic regulation.
- Supply chain and procurement: working with the wider sector to identify opportunities to drive efficiency and support private sector investment in new capability and capacity building.
- Training and development partnerships: working with a range of partners and stakeholders to identify and provide training and career pathways. Leveraging existing local providers where possible.
- Technology and innovation: new ways to do work more effectively, especially for pipe condition assessment and replacement work as this represents the greatest challenge.

- Customer focus and billing processes: to ensure good quality service provision, and transparent and effective service delivery.

Financial sustainability of water services

Section summary

A WSDP will need to demonstrate how financially sustainable delivery of water services will be achieved by 30 June 2028. This document does not provide this level of detail but does provide a strategic level of analysis of these matters to ensure councils to have sufficient understanding of the level of investment required and a potential pathway to financial sustainability, including opportunities to use financing arrangements to help manage cost increases.

Informed by modelling of a range of investment scenarios, the recommended investment strategy to ensure financial sustainability is based on increased debt and pricing to enable an investment programme that will **'keep up'** with network maintenance, **'catch up'** on the backlog of worn-out infrastructure, **'build up'** network capacity to enable growth and **'clean up'** wastewater and stormwater to improve discharge standards by upgrading assets as they are replaced at end-of-life.

To ensure that this strategy is affordable, careful use of long-term financing will be required to smooth and balance cost increases over time.

It is estimated that it will take about 20-25 years to replace worn-out parts of the network and ensure substantial environmental compliance. It is also possible to extend the time for this catch-up period, which may result in lower costs but is likely to result in increased risk of network failure and consequential failure and repair costs.

The actual investment and therefore financial strategy and price path will be informed by development of the WSDP and then implemented by a WSCCO. This will be done in the context of a new economic regulator that will have a strong focus on quality and price based on the actual cost to provide sustainable networks and services.

A range of scenarios has been modelled to indicate average potential price increases across the region and do not reflect the actual cost to serve a particular local area, existing prices or an agreed price transition. Under all scenarios modelled, prices will need to increase to address the backlog of investment needed. Price rises will need to be managed through the use of financing tools and effective and efficient targeting of works required. This is expected to result in a more affordable rate of increased costs to water consumers than would otherwise be possible under current local government funding arrangements.

Based on the scenarios modelled:

- Price rises could be up to 9% per annum on average across the region to address the backlog of investment in the network. This rate of price increase will need to be managed through financing arrangements and/or the level of investment undertaken.

- The average price per connection across the region in 2024 is $1,711[53]. The amount that this rises to could be up to twice current prices or a peak of about $3,000 to $4,000. However, it may be possible to reduce this peak price through financing arrangements and a sustainable price is estimated at about $2,596 when the catch-up phase is completed in about 20 years' time. This sustainable price is about 51% above the level of current charges, meaning that this level of increase could be gradually managed over time.

To manage affordable changes in prices, key assumptions include:

- Economic regulation will include a core principle that water prices must be based on the cost to provide services to the relevant group of customers.
- The WSCCO will need to develop and agree a pricing and revenue strategy working with the economic regulator that will balance price and quality.
- The WSCCO will use LGFA financing arrangements and additional debt headroom to manage the rate of cost increases.
- People across our region currently pay different amounts for water services depending on where they live and whether water use is metered. These existing price differentials will be locked in for a three-year transitional period to help ensure that consumers do not receive a major price shock.

26. Financial sustainability

A WSDP will need to demonstrate how financially sustainable delivery of water services will be achieved by 30 June 2028. This requires confirmation of:

- Investment sufficiency – the projected level of investment is sufficient to meet levels of service, regulatory requirements and provide for growth;
- Revenue sufficiency – there is sufficient revenue to cover the costs (including servicing debt) of water services delivery; and
- Financing sufficiency - funding and financing arrangements are sufficient to meet investment requirements.

Further guidance has recently been provided by the DIA on how financial sustainability should be demonstrated within a WSDP[54].

This document does not provide this level of detail but does provide a strategic level of analysis of these matters to ensure councils have sufficient understanding of the level of investment required and a potential pathway to financial sustainability, including opportunities to use financing arrangements to help manage cost increases. This has been informed by a network economics approach (see Appendix H).

Further work will be undertaken to demonstrate financial sustainability in line with legislative requirements, departmental guidance and associated templates as investment scenarios are refined and the WSDP is developed. In particular, this will need to focus on financing arrangements to manage affordability and rate of cost increases. This work is expected to result in a more affordable rate of increased costs to water consumers than would otherwise be possible under current local government funding arrangements.

[53] Based on 2024 costs.
[54] https://www.dia.govt.nz/Water-Services-Policy-Water-Services-Delivery-Plans.

Limitations: It is important to note that this report is intended as a strategic level of analysis and investment strategy to support this phase of council decision making. This modelling is indicative only and the actual WSDP will need to demonstrate financial sustainability by 30 June 2028. The financing, pricing and investment strategy will be developed as part of the WSS by the Board of a WSCCO over some decades, with oversight from the economic and quality regulators to ensure a balance of compliance, quality and affordability.

27. Approach to modelling

This report has been informed by network economic and financial modelling to support strategic options assessment and initial consideration of financial sustainability requirements. The methodology followed is based on established best practice network economics for regulated networks (see Appendix H).

The network economic and financial modelling is multi-dimensional and can be used to test a wide range of alternative investment, price, debt and risk scenarios. These scenarios are not intended to represent planned investment or financial arrangements, but to help understand tradeoffs and potential options.

Apart from the rate of catch-up investment, the total investment required was taken as an assumed fixed quantum on the basis that it is the essential investment required to turn the network around and to meet growth and compliance standards. It is noted that this is an *estimate* only of the level of investment required and will require significant further refinement through the development of the WSDP. These estimates will continue to be reviewed and refined as part of a WSDP based on more robust bottom up analysis of the investment needed.

The variables to trade off then become a scale of capital programme (which informs the network remediation period) and the funding sources, being price and debt. In assessing financial sustainability and arriving at a recommended investment strategy, several key considerations need to be balanced including:

- addressing the critical network challenges through increased revenue from price and borrowing. The WSCCO will also need to ensure that the level of borrowing is sustainable and within covenants agreed with the LGFA,
- rates of price increase and ensuring cost increases are affordable for households. All scenarios modelled require price increases over time. Without price increases, it will not be possible to catch up and the region will face ongoing risks of significant network failure,
- balancing the risk and costs of network failures with affordability of price increases and with the level of debt that is sustainable. Taking a longer time to fix worn-out pipes will mean increased risk of critical network failures as well as carrying the faults cost burden for longer,
- financing arrangements, including how the WSCCO can utilise and structure borrowing to manage and smooth the rate of cost increases (note, only limited focus has been undertaken to date on financing opportunities and this will need to be fully explored in subsequent phases of work) and
- being deliverable based on sector capacity.

28. Scenarios

The considerations outlined above inform a two-stage logic to modelling scenario options for network remediation, price and debt. The modelled scenarios have been based on the information, assumptions and limitations as noted in Appendix C, are intended to inform strategic trade-offs only and are not the basis for investment decisions or price pathways.

The scenarios are all modelled based on FY24 real numbers (not inflated) and all scenarios assume pricing for Years 1-3 are based on LTP investment levels and rates increases.

Consideration one – scale of capital programme and network remediation period

The amount of network to be remediated is fixed (this is estimated at ~$4.2 billion based on 21% of the network being worn out with a total replacement value of $19.7 billion). Remediation of the network can be practically achieved over about 20-30 years based on sector capacity.

The slower this occurs, the lower the annual capital spend required because it spreads the $4.2 billion catch-up cost over a longer period. This means that fixing the network over a longer period may result in lower costs overall because the lower capital spend means that less borrowing is required while prices are being raised until Funds from Operations (FFO)[55] cover capital requirements.

However, the slower the network is fixed, the more investment will be required to fix faults. Also, this will lead to higher risks of both critical network failure and network fault runaway increasing, due to leaving worn-out assets in the network for longer.

These risks are assessed as already having high likelihood of occurrence with corresponding serious consequences and potentially very high associated costs which are not currently factored into the modelling. These include consequential costs from sustained or regular occurrences of lack of water supply delivery, lack of wastewater delivery and localised flooding from stormwater. Once these are factored into modelling, these may outweigh additional interest costs from lower borrowings.

Consideration two – price rise rate and debt

Until the FFO exceed capital expenditure, the balance must be borrowed in some form of debt. Use and structure of debt will be an effective way to efficiently and equitably invest in the network over time, and deliver network improvements faster.

Raising prices more quickly lowers the total debt required and reduces the overall cost to the consumer over the longer term.

Raising prices slowly is more affordable to consumers but may also raise the overall cost during network remediation due to the increased overall debt and associated interest cost burden.

Modelled scenarios

Based on the considerations above, the range of scenarios modelled include testing of the following variables (see Appendix I):

- lower and higher rates of price increases,
- slower and faster rates of network remediation,
- higher and lower construction costs,
- higher faults costs,
- higher debt, and
- investment based on LTP investment levels.

[55] Funds from operations (FFO) is the actual amount of net cash flow generated from a company's business operations. FFO Formula = Net Income + Depreciation + Amortization +/- Gains or Losses on Property Sales.

29. Investment sufficiency - Level of investment required

Requirement: the projected level of investment is sufficient to meet levels of service, regulatory requirements and provide for growth.

Informed by consideration of a range of scenarios, the recommended investment strategy to ensure investment sufficiency is to **'keep up'** with network maintenance, **'catch up'** on the backlog of worn-out infrastructure, **'build up'** network capacity to enable growth and **'clean up'** wastewater and stormwater to improve discharge standards by upgrading assets as they are replaced at end-of-life, and as much as possible separate the stormwater system from the wastewater system (so that the latter can be made discharge compliant).

It is estimated that it will take about 20-25 years to replace worn-out parts of the network and ensure substantial environmental compliance. It is also possible to extend the time for this catch-up period to around 30 years, which may result in lower costs but is likely to result in increased risk of network failure and consequential failure and repair costs.

Even with an optimised investment strategy, the costs will be substantial. It will rely on a combination of price and debt. Over the next 20-25 years, the total network investment required is estimated at about $15-$17 billion at an average of approximately $700-$750 million per annum (note this will require a gradual increase in investment to ensure market capacity to deliver).

This is based on investment sufficiency to:

1. **Keep up by investing an average $250 million per year in sustaining investment.**
   This is the investment required to simply maintain the network in its current state. The $250 million is the average annual sustaining investment required for a $19.7 billion network with an average 74-year maximum asset life and a 1.3% per annum population growth over an initial 10 years.

2. **Catch up by investing an average of $200 million per year to redress the renewal backlog over 21 years.**
   Based on the $19.7 billion replacement cost, a $4.2 billion investment is required to replace the 21% of assets which are in poor or very poor condition. The rationale for selecting a 21-year recovery period is explained below.

3. **Build up capacity by investing $150 million per year in growth.**
   This is the annual growth investment required to expand the capacity of the network to support the forecast population growth of 1.3% per annum. This figure has been matched to current annual capital growth costs for the region net of development contributions.

4. **Clean up by investing $90 million per year to meet drinking and wastewater quality standards.**
   There is huge uncertainty regarding the cost and timeframe for achieving water quality standards, particularly around wastewater. In the absence of a solid fact base, it has been assumed partial compliance can be achieved by upgrading assets when they are replaced at the end of their lives. The $90 million per annum is a placeholder calculated at 5% of the replacement cost of the assets replaced each year. Once the network has been fixed, the remainder of the $2 billion allocation to compliance will be spent on remaining wastewater pipes that have not yet been replaced during the catch-up period, and on treatment plant compliance.

5. **Faults**

The annual cost of fixing faults (including leaks) is currently estimated at more than $41 million per annum (based on the WWL Annual Report). This cost is driven largely from the fault repair cost associated with worn-out assets in the network and will reduce over time as parts of the network are fixed resulting in an average assumed cost of $25 million per annum over a 20-year period. If fault rates continue to increase (due to non-replacement of worn-out assets) then this cost burden will also increase. There is low confidence in this figure of $41 million due to leaks only being classed as faults when reported by the public (in the absence of metering), increasing fault backlogs (which do not create an accounting cost until they are repaired), and underground leaks (which are often not visible), so on review this figure may need to become much larger. Nearly all faults (particularly leaks) represent capital inefficiency in the network because they occur only at low levels when the network is functioning properly.

Figure 6: Infrastructure investment strategy (figures are indicative and subject to ongoing review and validation)

Infrastructure investment strategy

The recommended network investment strategy to fix the network and deliver compliance over a 20-25 year period will require $15-$17 billion at an average of about $700-$750 million per year, based on:

Keep up with sustaining investment $250m pa

Catch up to clear the renewal backlog $200m pa

Build up to enable growth of 1.3% pa $150m pa

Clean up to address compliance with wastewater and stormwater $90m pa

Faults $25m pa

This strategy renews 44% of the network, significantly reduces risk, and provides both growth capacity and compliance enhancements in the most efficient way.

Basis for catch-up timeframe

The current condition of the network, and the high risk and cost of major failures, highlight the need for early and significant network intervention, mainly in the form of asset renewals for pipes and plants.

However, the 'low' price being charged for water by councils does not currently allow the network to be sustained in its current state, let alone remediate a large portion of worn-out assets.

The recommended investment strategy is to complete the catch-up investment over about 20-25 years. This balances the cost of faults versus the cost of interest. It also results in the replacement of about 44% of network assets over this time, due to both sustainable asset renewal and catch-up renewal.

Through increased use of financing tools and debt, an alternative investment strategy would be to target a 12-15-year catch-up period. This would significantly lower the risk of network failure but is unlikely to be deliverable based on sector capacity. The alternative to this is to spread the costs over 30 years but would also have higher risk of network faults due to the extended period the network continues to be held in its current poor condition.

The cost of a failing asset

The cost of a failing asset depends on its position in the network because this impacts the consequential cost of its failure. An asset which is centrally located (upstream) in the water supply network (and downstream in wastewater and stormwater networks) is typically replaced earlier in its degradation process because its failure causes a larger impact on the delivery edge (downstream) of the network.

A typical example would be a low-cost rubber seal in a pump that supplies water to a reservoir. A failure of this seal causes a failure of the pump, which prevents the filling of the reservoir that may then run out of water for all the downstream connections. For highly critical network components, assets are replaced earlier in their degradation cycle. Conversely, even seriously failing assets on the edge of the network that impact only a few customers are often intentionally run to failure because this is still cheaper than replacing the asset earlier.

30. Revenue sufficiency - Revenue required and affordability

Requirement: there is sufficient revenue to cover the costs (including servicing debt) of water services delivery.

As noted above, the actual investment and therefore financial strategy and price path to deliver the investment strategy will be informed by development of the WSDP and then implemented by a WSCCO with oversight from the economic regulator. The revenue and price analysis below is intended to help illustrate how much could be funded based on a range of scenarios and is not intended as an accurate estimate of actual price increases or an investment strategy.

To understand potential trade-offs to deliver on the 'investment sufficiency' and also ensure affordability, a range of scenarios has been modelled. Further analysis of these will be required informed by financing arrangements (see Section 31: Financing sufficiency) to smooth and balance cost increases over time.

Delivering affordable water is a major challenge, not just in New Zealand but in most developed economies. A recent World Bank Study determined that the percentage of GDP spent on water infrastructure by developed economies is currently 2% and needs to rise to 4%. This is consistent with the economic analysis in this report and is a material change.

Councils are keen to ensure that any future regional WSCCO will provide a high level of local service delivery, including good compliance, quality, response times, and supply while also ensuring that these services remain affordable.

The new WSCCO would provide all services directly to water customers and bill them for water usage and services provided.

Currently the full costs of delivering water services are not fully funded by the water portion of council rates, and current council LTPs do not make an allowance for full funding of water services into the coming years.

A new water company will be required by the economic regulator to fully fund the costs of water services. Because of this, the WSCCO will need to effectively use debt and households are also going to have to pay more for water than they have been.

The scenarios have been modelled to provide an indication of average potential price increases across the region. These do not reflect the actual cost to serve a particular local area, existing prices or an agreed price transition. Under all scenarios modelled, prices will need to increase to address the backlog of investment needed. Price rises will need to be managed through use of financing tools and effective and efficient targeting of the works required. Based on the scenarios modelled:

- Price rises could be up to 9% per annum on average across the region to address the backlog of investment in the network. This rate of price increase will need to be managed through financing arrangements and/or the level of investment undertaken.
- The average price per connection across the region in 2024 is $1,711[56] . The amount that this rises to could be up to twice current prices or a peak of about $3,000 to $4,000. However, it may be possible to reduce this peak price through financing arrangements and a sustainable price is estimated at about $2,596 when the catch-up phase is completed in about 20 years' time. This sustainable price is about 51% above the level of current charges, meaning that this level of increase could be gradually managed over time.

Key assumptions in relation to pricing and ensuring a focus on affordability include:

Economic regulation:

- Legislation will confirm the Commerce Commission as the economic regulator. They will have a key role in customer protection and ensuring a focus on both price and quality.
- In particular, the Government has stated that the economic regulations will include a core principle that water prices must be based on the cost to serve the relevant group of customers.

Financing, pricing and revenue strategy:

- The WSCCO will use LGFA financing arrangements and additional debt headroom to manage the rate of cost increases.
- Actual price increases from about 2027 will be based on the actual investment required and an agreed pricing and revenue strategy that the WSCCO develops with the economic regulator.

Harmonisation of pricing structures, over time:

- People across our region currently pay different prices for water. This varies a lot depending on where they live and whether their water use is metered.

[56] Based on 2024 costs.

- The WSCCO will inherit a diverse suite of revenue sources and pricing structures from across the region. Given this, revenue and pricing will be very complex. For example, there are very diverse charging structures for non-residential services such as development contributions, although there is scope for these to be set (and continue to be set, even by a regional or sub-regional entity) on a local 'catchment' (as opposed to 'district' or 'service-area') basis. Charging structures are likely to require simplification and alignment over time, to avoid overcomplicating the new entity's systems on day one and to avoid early price shocks for consumers.
- The WSCCO will have a significant challenge to transition these into a simple set of services with fair and transparent prices. This will be a key task for the first three years of operation, which will be supported by the proposed economic regulation framework.

Transitional period:

- Until a WSCCO is fully up and running (about 2027), water prices are likely to be based on existing council rates with increases based on what councils have set through their LTPs. These levels of increase will vary from council to council.
- A key assumption is that there will be a **three-year price differential lock in period** to help ensure that consumers do not receive a major price shock on transition. This could be applied evenly to residential charges across the region, thereby maintaining existing residential price differentials. (Note: This is subject to existing revenues being sufficient to cover the full costs of water service provision, i.e. the council having set the existing revenue at a sufficient level to fully fund the costs of water service provision per the water services Financial Impact Statement).

Ability to charge customers

Based on the Government announcements on 8 August 2024, it is assumed that legislation will include provisions to enable boards of water organisations to:

- assess, set and collect water services charges, including charges for any or all of the following:
  - water supply, wastewater, and stormwater (where applicable),
  - the initial connection to one or more of the above services,
  - contributions to the capital costs of infrastructure needed to service additional demand on the network, and
  - meeting the costs that the water organisation incurs in performing and exercising its functions.
- determine how charges are assessed and invoiced, when they are due, and how they will be paid or collected.

31. Financing sufficiency - Financing and borrowing

Requirement: funding and financing arrangements are sufficient to meet investment requirements.

Actual debt required will depend on the selected investment strategy and will need to balance efficient financing of long-term assets to ensure equity. The WSCCO will need to carefully use increased levels of debt to manage the rate of price increases, balanced with the costs of servicing debt and therefore the longer-term total cost to consumers.

The Government announcements on 8 August 2024 and subsequent information from the LGFA confirmed some of the financing arrangements that will be available to support WSCCOs.

- The LGFA will support leverage for water organisations up to a level equivalent to 500% of operating revenues (around twice that of existing councils), subject to water organisations meeting prudent credit criteria.
- The LGFA has subsequently indicated that this will be based on FFO. Basing the criteria on FFO is likely to result in the WSCCO being able to borrow less than the indicated 5x revenue limit. This would be negotiated between the LGFA and WSCCO.
- LGFA will treat borrowing by water organisations as separate from borrowing by parent council or councils.
- A parent council(s) guarantee or uncalled capital (proportionate amongst shareholders) will be required.
- The additional debt funding from the LGFA is only available to water CCOs ('water organisations')[57] who must meet prudent lending criteria and have the characteristics of an investment-grade utility provider over the medium term (within 10 years).

Key points to note based on the in relation to financing and borrowing:

1. **Opening debt:** It has been assumed that the WSCCO will inherit about $2.3 billion of debt in 2027 from the councils. This is because when water assets transfer, so would the associated revenue collection powers and associated debt. *The opening debt at 1 July 2027 is currently a placeholder and subject to ongoing review will need to be confirmed as part of Phase 2 and 3.*
2. **Source of funds:** It is assumed that as a water organisation, the entity will rely on the LGFA as its lender. The LGFA is currently working on the covenant framework that will apply to WSCCOs. LGFA has indicated it will align with the covenants used by the WSCCO international peers. The primary metric being the ratio of Funds from Operation to Net Debt, where a ratio of >9% is the minimum standard setting required to maintain an investment grade rating.
3. The **long-term funding** objective is to reach a sustainable position, whereby operations and infrastructure are funded by the generation(s) that benefit. The long-term strategy for achieving this objective is to:
   - ensure today's revenues are sufficient to fund the delivery, operation and maintenance of fully compliant services/infrastructure for today's generation[58] (sustaining + catch up + growth + compliance), and
   - use debt to fund capacity growth for the benefit of future generations.
4. **Transitional funding:** For about 10 years, revenue is likely to be insufficient to cover the full delivery and investment costs of the current network and services, resulting in a potential funding shortfall. Therefore, the transitional funding strategy is to:
   - phase in the price increases necessary to correct the revenue shortfall at a rate which is acceptable to consumers,

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[57] '**Water services provider**' means all forms of local government provider and including councils that continue with direct (in-house) delivery as well as new water organisations. The term '**water organisation**' refers only to separate organisations that councils may establish to provide water services and does not include councils with direct (in-house) delivery.

[58] A utility operating at a financially sustainable level would typically have an optimal gearing ratio of about 40%. Once the optimal gearing level is reached, and depending on the level of debt used to fund growth, equilibrium can likely be maintained by ensuring operating cash flows are sufficient to cover renewals expenditure and using debt to fund growth expenditure.

- spread catch-up remediation over a 20–25-year period. This is still relatively fast and would help to stabilise and prevent further deterioration of the network, and
- gear up the balance sheet to a fiscally prudent level to manage the rate of price increases and ensure efficient and equitable use of debt.

The accompanying financial projections are set out in Appendix J.

32. Potential for efficiency gains and economies of scale

Efficiency can be defined as: the act of spending less and receiving the same outcome, or of receiving a better outcome for the same level of spending. This does not mean less jobs. On the contrary, this report assumes that significantly more people will be employed in the water sector.

The scenarios modelled have not made any assumptions or allowance for efficiency gains.

It is considered that it will be challenging to deliver efficiency at a meaningful scale during the early establishment years of a WSCCO as the organisation sets in place the required capability and capacity to deliver. As the organisation then grows in maturity there will, however, be some significant opportunities for efficiency gains over time which can lead to overall lower costs for consumers and better outcomes for the community and the environment.

Key opportunities to deliver efficiency include[59] [60]:

Preconditions: Efficiency is dependent on the set-up of the organisation and the broader water services system including governance and regulation, and:

- the entities need to have effective governance arrangements and be able to attract and retain appropriately skilled management,
- regulatory compliance and enforcement with water quality and other matters is effective,
- effective economic regulation is established, and
- the entities have access to the necessary resources to fund the amalgamation and reform processes and over time make the required investment.

Economy of scale: Efficiency can be achieved through economies of scale, focused on shared consumer use of networks. This includes:

- standardisation of materials and plant and consumables,
- fit for purpose procurement and supplier management processes,
- power cost savings,
- improved systems and use of technology,
- focused design principles for network design to provide for reliability, capacity, redundancy, and growth in all planning[61],
- ensuring that the assets in the network are maintained and replaced appropriately to avoid the additional cost burden from failing assets such as leaks,
- certainty of workflow which allows the supply chain both to invest and reduce unit costs,
- a genuine commitment to benefit sharing and sharing the risks of innovative approaches, and

[59] Water Industry for Scotland, Economic analysis of water services aggregation, May 2021.
[60] Three waters reform, review of methodology and assumptions underpinning economic analysis of aggregation. May 2021, farrierswier.
[61] Cost estimate for Phase 2 and 3 is indicative only and subject to a range of risks and assumptions including the passage of legislation.

- both capital and operational savings achieved through asset rationalisation.

Capability: Scottish Water managed to retain and reward the high-quality staff, attracting talented senior management and building the required capabilities (for example, on strategic asset management and water modelling). This has, in turn, allowed it to achieve additional capital investment efficiencies through improved asset planning and strategic asset management.

Network efficiency: Optimal network efficiency requires intensive designing and planning, with focus on the in-house skills required to do this. It is a lot cheaper to change a design before it is implemented rather than after. It makes sense to make sure it is right before building it as the network will need to last for many decades. This includes:

- building for long life – this is the only way to get efficiency from capital – reworking networks destroys this,
- maintaining the network well – the network is at its most efficient when it is not 'going wrong', all forms of which create a cost burden, and
- ensuring a mechanism for continuously piloting innovation.

Compliance costs: Planning for and investing to make resilient networks, rather than continually undertaking reactive maintenance leads to lower compliance costs. Besides the highest priority being on safety (drinking water, wastewater containment, flooding management etc), the main focus of compliance should be on network and plant reliability and immediate capacity constraints.

Evaluation of the recommended regional delivery model

Section summary

Under the Preliminary Arrangements Act, councils need to confirm their approach to a WSDP – whether they want to develop a joint WSDP with other councils and the extent of any joint arrangements; for example, for all or only some water services.

Councils must assess in the course of the decision-making process on the WSDP, both their existing service delivery model and the option of establishing, joining or amending a WSCCO or a joint local government arrangement. If they choose, they may also consider other options for delivery of water services. The assessment of (at least two) alternatives needs to be credible with sufficient information to ensure decision-makers can reach a properly informed view.

This report does not deal with the assessment of the status quo delivery model in each district, or potential options for delivering water services other than the recommended model, as these are matters for each council to consider. However, to support councils to undertake this assessment, the recommended regional option has been evaluated here in relation to the key requirements and other key factors including cost to implement, risk, level of benefits and political acceptability.

The evaluation will help councils to undertake a comparative analysis of service delivery options, as well as the scope and approach to ongoing development of a joint WSDP and WSCCO.

33. Assessment of options

Under the provisions of the Preliminary Arrangements Act, councils need to **confirm their approach to a WSDP**: Whether to develop a joint WSDP with other councils (section 10) and the extent of joint arrangements (section 11), for example, for all or some water services.

Each council's assessment of service delivery options (at least 2 as noted above, one of which is the status quo) needs to be credible. The analysis can identify a preferred option but must also ensure that decision-makers have sufficient information to reach a properly informed view and make their own assessment of advantages and disadvantages of the different options, including by reference to the matters set out Part 3 of the Act.

Making this decision should enable the council to commit to the development of a joint WSDP, or to take another approach. This will then inform the scope, approach and timeline for this work.

34. Evaluation of recommended model

The recommended model is for a full-breadth water utility vested with ownership of all regional water assets, revenues and liabilities; with a similar structure to a CCO but with reduced council oversight, to ensure sufficient financial and decision-making separation from council owners.

An *initial* evaluation of the recommended model has been undertaken in relation to the key requirements and other key factors, including the ability to meet new regulatory requirements, alignment with Government announcements on 8 August 2024 (including minimum requirements), cost to implement, risk, level of benefits, and political acceptability.

For each factor, the relevant benefits, risks and challenges and key assumptions have been identified. This evaluation is subjective and has been informed by the current state case for change as outlined above.

The evaluation is intended to help support and inform:

- councils to undertake a comparative analysis of the recommended model and the status quo, and
- the scope and approach to ongoing development of a joint WSDP and WSCCO.

Table 13: Evaluation of recommended regional model - benefits, risks and challenges, assumptions

Key requirements identified by councils	Alignment with council requirements	Benefits	Risks and challenges	Assumptions and details to work through
Water consumers	Good alignment	• Council ownership ensures ongoing public ownership and protection from privatisation. • More affordable and transparent pathway for water services than may be possible under current local government funding constraints. • Customer focus and local delivery model part of design. • Compliant services through increased investment and capability. • Scale of organisation enables continuous improvement. • Higher rates of investment deliver better network outcomes and levels of service.	• Assurance of no loss of service and local delivery. • Ability to meet environmental compliance requirements in the short term will be challenging. • Will require price increases under all scenarios. • Transitional pricing arrangements. • Understanding that key relationship will be with WSCCO not with councils.	• Establishment of the economic regulator to support consumer protections. • Role of Taumata Arowai and GWRC as environmental regulators. • Organisational design and operating model for a regional WSCCO is set up to meet these expectations for local service delivery. • Overall impact of change (increased and separate water services charges, impacts on rates) to be understood.
Councils	Good alignment	• Financial separation from councils will result in improved council financial metrics including revenue to debt for most councils. • Council governance role enables alignment of investment and outcomes. • Clarity of accountability between WSCCO and councils. • Long-term approach to planning and investment. • Scale to enable efficiency and capability. • Three waters model.	• Financial impacts on councils post reform to be confirmed. • Confidence of alignment on outcomes given financial pressure on WSCCO.	• Confirmation of principles and process for transfer of debt, revenue and liabilities. • Assessment of alternative options. • Public acceptability of need for change and preferred model. • Approach to stormwater in relation to Bill 3.
Iwi/Māori	Good alignment	• Meaningful role and influence through governance and operations. • WSCCO to embrace Te Mana o te Wai. • Improvement to water quality.	• Time to address water quality issues.	• Confirmation of role and influence through foundational documents. • Establishment of meaningful operational relationships and structures.

Future water entity	Excellent alignment	• Empowered to operate independently. • Skills-based Board. • Long-term planning and investment. • Full service and good quality systems. • Depth and breadth of people.	• Time to establish and reach full organisational maturity. • High consumer expectations with high price rises. • Establishment costs.	• Sufficient investment to 'set up right'. • Establishment process and timeframes. • Ability to retain and grow capability and capacity.
Central Government	Good alignment	• Alignment with minimum requirements for delivery models. • Financially sustainable model by 30 June 2028. • Scale to deliver. • Increased compliance with regulation and ability to comply with economic regulation. • Enables housing growth.	• Alignment on stormwater policy settings.	• Public acceptability of need for change and preferred model.
Transition	Reasonable alignment	• Equitable and fair process for transfer. • A focus on people with clear pathways. • Seamless change.	• Time and cost to agree preferred model and implementation. • Costs to establish. • Risks of disruption during establishment phase – delivery, people, networks. • Lack of certainty of which councils are part of a future WSCCO / WSDP	• Confirmation of principles and process for transfer of debt, revenue and liabilities. • Confirmation of principles for transfer of people. • Alignment with requirements of Bill 3. • Sufficient resourcing to plan and deliver change process.

Table 14: Other key factors

Other key factors	Alignment with other key factors	Comment
Ability to meet new regulatory requirements	Good alignment	• Scale and level of investment, capacity and capability of the WSCCO will enable alignment with compliance including economic regulation and improved water quality. • Will be some ongoing challenges to deliver full compliance in the shorter term with environmental compliance due to costs and level of investment required.
Alignment with Government announcements 8 August 2024	Good alignment	• Recommended model aligns very well with Government announcements on 8 August 2024 including minimum requirements for delivery models. This includes protection against privatisation and a similar structure to the 'multi-council owner water organisation' outlined in DIA guidance including similar governance and accountability framework. • Recommended model well aligned with the proposed funding arrangements from the LGFA including meeting requirements for a 'water organisation'. It is important to note that LGFA will only lend to WSCCOs that are financial supported by their parent council(s). This means that either a guarantee or uncalled capital will be required from councils to match the liabilities of the water CCO. • Potential area of misalignment is in relation to urban stormwater and policy requirement that councils retain legal responsibility for stormwater including revenue, even if service delivery and assets are transferred to a water organisation. This will require further consideration. It appears workable but may pose challenges in relation to ensuring sufficient revenue for stormwater and alignment of broader investment by a WSCCO.
Cost to implement	Some challenges	• Costs to complete detailed work required to complete a joint WSDP and an implementation plan will be high and are not currently budgeted for by councils. • Implementation costs for a full service WSCCO are expected to be high, in part driven be the need for fit for purpose IT processes and systems. This will need to be funded by way of an establishment fund against the balance sheet of the new WSCCO.
Risk	Some challenges	• Shorter term: Coordination of planning and delivery of a joint WSDP and joint WSCCO will be challenging with multiple risks of time, cost and scope. See list of risks and assumptions below. • Longer term: The scale of a joint WSCCO will have significant ability to manage network and investment risks due to scale, capacity and capability.
Level of benefits	Excellent alignment	Investment in water is critical to the health, well-being and economic sustainability of our region and will enable significant regional benefits. A large, full-service, asset-owning WSCCO is considered to provide opportunity to deliver on a range of benefits based on effective leadership, depth of expertise, influence with government, easier integration with regional spatial planning, digital capability and financial scale to tackle network challenges. Key potential benefits include: • New homes: The investment will better enable planned growth and new housing of both greenfield and brownfield for the region.

		• More jobs: The investment will require growing the capability and capacity of the water industry to deliver the required works. • Resilience: Over the next 20 years, an estimated 44% of the network could be replaced, building significant resilience for future events. Investment will also address the region's critical water shortage challenges through meters, increased water storage and fixing leaks. • Scale and efficiency: Addressing these issues at scale and coordinating efforts across council boundaries offers significant opportunities for efficiency and reduced long-term costs. • Focus on affordability: Household costs for water services will increase. Under the proposed regional model, there is an opportunity to ensure that affordability remains a key focus for delivery with lower total costs in the long run through effective use of funding and financing arrangements than are currently available to councils. • Potential efficiency gains over time through strategic investment decisions, supply chain management and reduction in duplication of roles. • More expertise and capacity. • Better able to respond to regulators.
Political acceptability	Good alignment	• Recommended model aligned with expected direction in Bill 3 for asset-owning WSCCO as outlined by Government announcements on 8 August 2024. • The level of political acceptability across multiple councils is still to be confirmed through council decision-making processes.
Position of councils	Good alignment	• The recommended regional model was developed with considerable input from councils from the AOG, Chief Executives and officers through workshops and feedback. • At time of writing and based on feedback from councils on the draft version of this report, no significant issues with the recommended model have identified and the model is considered to be the 'best for region'. This is not the same as 'best for council' and each council will need to undertake its own evaluation and decision-making process in line with the requirements of legislation.

35. Other key assumptions

Other relevant assumptions include:

- Bill 3 policy parameters as expressed in the 8 August 2024 announcements, are given effect in the Bill introduced in December 2024.
- Bill 3 is introduced into the House in December 2024 and will introduce details for a new asset-owning WSCCO, that will provide this type of organisation with the necessary purpose, powers and functions to meet the region's requirements.
- Councils have sufficient information to confirm a preferred approach to water services delivery by the end of October 2024 in order that detailed development of a WSDP can get underway from November 2024.
- Councils are able to undertake stakeholder and community engagement as required by legislation. Councils have sufficient information to undertake annual plan reviews and amend their LTPs as required.

36. Other key risks and challenges

Other relevant key risks and challenges include:

- **Mandate and support**
  - political support, including due to timing of local government elections,
  - lack of alignment on decision making by councils,
  - lack of support or loss of confidence in the process by councils,
  - lack of support from Government, including required legislative changes,
  - lack of buy-in or understanding from community, and
  - lack of support or loss of confidence in the process by Iwi/Māori partners.
- **Decision making** – process and requirements for council decision making is unclear or not understood resulting in rework and/or challenges to decision making (such as judicial review).
- **Model** – future models are not financially viable.
- **Resourcing** – lack of effective resourcing for the process by councils, including capacity of senior staff, or funding for future phases.
- **Scope** – balancing expectations of detail vs progress.
- **Quality** – analysis and outputs do not support effective decision making.
- **Timing**
  - ability to be agile and respond to changing needs,
  - ability of councils to make decisions on a timely basis,
  - alignment of process and consultation to LTP amendment process, and
  - ability of councils to make decisions ahead of local government elections in 2025.
- **Legislation** – misalignment with legislation or legislation does not enable the preferred model.
- **Engagement** – lack of clarity on engagement and consultation requirements of new legislation or these are unworkable.

- **Impacts on existing delivery models** and productivity due to uncertainty of the potential change process.
- **Impact on councils' ability to enable and deliver on growth**. The decisions, priorities and capacity of a water services organisation will have significant impact on a range of council activities. It will be challenging to ensure close coordination between councils and the water organisation to ensure councils are able to drive and deliver on directions without an added layer of complexity or being at the mercy of another organisation's priorities. This is especially important for housing growth where the water organisation will be a growth plan taker rather than a plan maker.

Implementation considerations

Section summary

Decisions on subsequent phases of work to consider a joint WSDP and WSCCO are expected to be made on an in-principle basis by late 2024 in order that these can be further developed.

Phase 2 will need to include development and delivery of the WSDP. This will support councils to make decisions in relation to the development and adoption of a regional WSDP that meets councils' legislative obligations, as well as establishing joint arrangements for the delivery of water services and preparing for the subsequent implementation of the preferred approach in Phase 3.

Phase 2 includes the need to undertake consultation and engagement on at least part of the WSDP relating to the proposed service delivery model, and the implementation planning required for Phase 3. This will involve significant decision making in relation to early establishment resources, accountabilities and funding.

The draft regional WSDP will need to be aligned with requirements of Part 2 of the Preliminary Arrangements Act including:

- asset condition information and a related AMP,
- funding, financing and revenue requirements to achieve financial sustainability,
- the anticipated or proposed model or arrangements for delivering water services, including how these will meet compliance requirements, and
- an implementation plan for the WSDP including timeframes and milestones, and how a future delivery model would be established in Phase 3.

Implementation planning will consider the potential establishment of a large, full-service, multi-council-owned WSCCO.

Details regarding the structure, accountabilities, decision-making rights and resourcing will need to be finalised. Decisions will need to be made on a high-level operating model and organisational design, with a service delivery model, change process and strategy, entry and exit rights, as well as requirements for information systems, legal, procurement, and costs, budget and funding.

The strategy, processes and principles will also need to be established for debt and asset transfer, pricing, contract transfer, people transition, customer experience and billing.

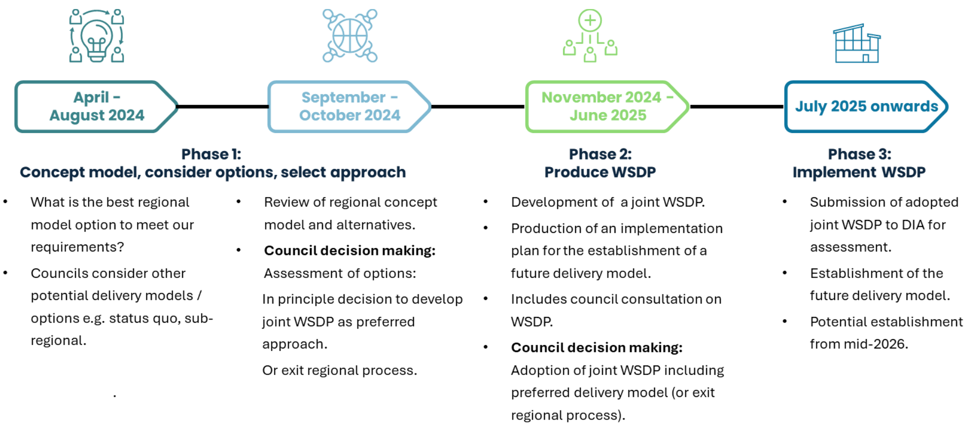
Councils will need to undertake communications, engagement and formal consultation during Phase 2. It is assumed that councils will confirm a regionally coordinated approach to this with the process still based on individual decision making by each council.

An indicative timeline and costs are shown below. Key transition principles will need to be followed to complete the transition in a fair and equitable manner.

37. Next phases of work

Subsequent phases of work to consider a joint WSDP and WSCCO will be informed by the decisions councils make in relation to a joint WSDP and joint arrangements. It is expected that these will be made on an in-principle basis by late 2024. This is on the assumption that some or all councils commit to an ongoing process to develop a joint WSDP.

Figure 10: Phases of work



Phase 2 will include development and delivery of the WSDP. This will support councils to make decisions in relation to:

- the development and adoption of a regional WSDP that meets councils' legislative obligations, and
- establishing joint arrangements for the delivery of water services as described in the WSDP and preparing for the subsequent implementation of the preferred approach in Phase 3.

Phase 2 includes the need to undertake consultation and engagement on at least part of the WSDP relating to the delivery model and the implementation planning required for Phase 3. This will involve some significant decision making in relation to early establishment resources, accountabilities and funding.

The two key outputs from Phase 2 are:

- a draft regional WSDP, and
- an implementation plan for the establishment of the selected future delivery model.

Scope of a regional WSDP

The draft regional WSDP will need to be aligned with requirements of Part 2 of the Preliminary Arrangements Act. Guidance and templates provided by the DIA in September 2024 have helped to clarify requirements but, in general, the WSDP can be conceived as having four parts:

- asset condition information and a related AMP,
- funding, financing and revenue requirements to achieve financial sustainability,
- the anticipated or proposed model or arrangements for delivering water services, including how these will meet compliance requirements, and
- an implementation plan for the WSDP including timeframes and milestones.

38. Implementation plan

The implementation plan is also to be aligned with the requirements of Part 2 of the Preliminary Arrangements Act and will need to comprise the plan for how a future delivery model would be established in Phase 3. The detail of the plan will be driven by the delivery model selected by councils. Initial planning will need to be on the assumption that the selected model will be a WSCCO as outlined in DIA guidance in August 2024. The details of what this entails, its powers and funding arrangements will not be known until the Bill 3 is released in late 2024. Pending this, it is expected that the implementation plan will include:

- The preconditions that need to be met before the establishment of the entity can commence.
- Governance arrangements during both the establishment period and steady state, including arrangements for establishing an appointments panel, the role of Iwi/Māori, a Board constitution, shareholder agreements, and clear timelines and decision points for the establishment and transfer of decision-making rights to the establishment Board and Chief Executive.
- Entry and exit rights of shareholders and the timing and process for this including potential review point after 3-5 years.
- The structure, accountabilities, decision-making rights and resourcing for an establishment entity (potentially comprising a Chief Executive, selected functional leads and specialist support). This would include clear handover points between the project team and the establishment entity.
- The strategy, processes and principles for:
  - debt and asset transfer
  - financing for new WSCCO
  - pricing
  - contract transfer
  - people transition
  - customer experience and billing.
- A high-level operating model and organisational design.
- Service delivery model and local service locations.
- Change process and strategy.
- Information systems requirements.
- Legal requirements, including merger and acquisition, incorporation, banking and tax.
- Costs, budget and funding.
- Procurement strategy.

39. Engagement and consultation

To meet legislative requirements, and understand the position of partners, stakeholders and the community, it is assumed that councils will undertake communications, engagement and formal consultation on at least part of the WSDP (relating to the proposed service delivery model) during Phase 2.

Further details on required public consultation are set out in the Preliminary Arrangements Act, including a simplified consultation and decision-making process. It is assumed that councils will confirm a regionally coordinated approach to consultation and engagement and a key question for Phase 2 is the optimal timing for consultation. Any consultation process will still be based on individual decision making by each council.

The scope and approach of this will be confirmed as part of the establishment of Phase 2 based on the legislative requirements of the LGA and the Preliminary Arrangements Act.

This process is likely to include:

- early engagement with key partners and stakeholders – from September 2024,
- confirmation of consultation approach and alignment with LTP amendment processes – by March 2024, and
- formal consultation process on the WSDP and WSCCO linked to consultation on an amendment to the LTP - April/May 2024.

40. Indicative time and cost for Phase 2

The issues considered during Phase 2 are significant, relating to investment planning for billions of dollars of investment in water assets and operations. Implementation planning will consider the potential establishment of a large, full-service, multi-council-owned WSCCO. This will have a significant impact on councils, including future role, operating model, financial arrangements and scale.

This is a challenging, complex and highly political process in the context of evolving legislation and is made more challenging due to the need to work across multiple councils, Iwi/Māori partners, central government, statutory consultation with the public and input from other stakeholders.

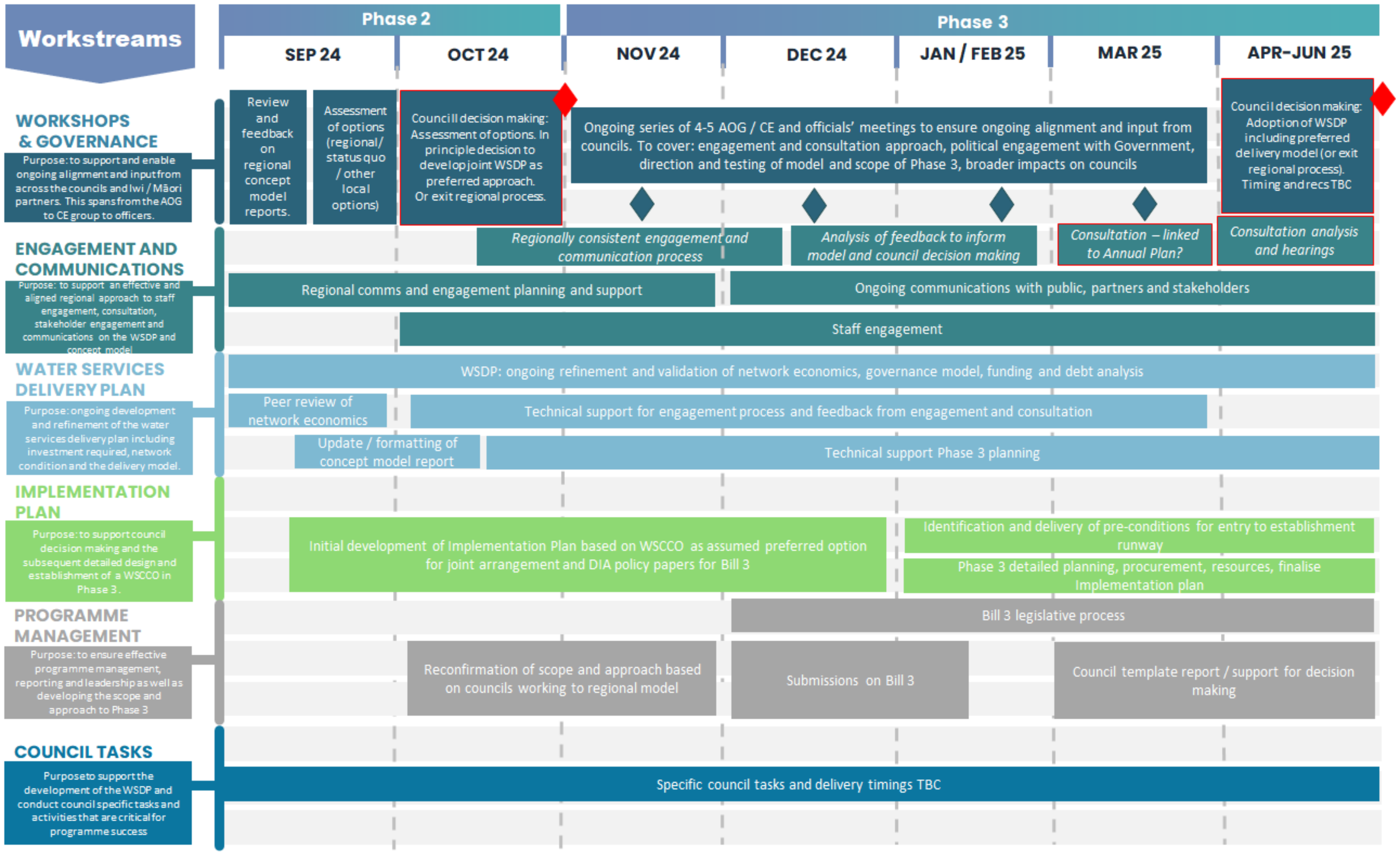
This will be challenging to complete in the 12-month period required by Bill 3 and is highly contingent upon the timing of Bill 3 and ability of councils to align consultation processes with LTP amendments.

Indicative costs to complete this work will depend on a range of factors including number of councils, timeline, consultation requirements, and guidelines from DIA. At this point the indicative cost range to complete Phase 2 for all ten councils on the timeline above is in the order of $2-$3 million[62]. This cost would need to be split across participating councils on an agreed basis.

The indicative timeline and key workstreams to enable delivery of a joint WSDP by September 2025 is shown below. This is a work in progress and will continue to be refined and confirmed by late 2024 informed by decisions by councils on whether to remain part of the regional WSDP process.

[62]This is an indicative cost estimate and will be further refined and confirmed by the end of October 2024.

Figure 11: Workstream phases



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41. Indicative timeline and cost for Phase 3 – establishment of a WSCCO

Implementation costs and timeline will be developed during Phase 2 and are highly contingent on the model, scale, and day one requirements of a WSCCO.

It is assumed at this point that the best-case scenario for time required to fully establish a WSCCO once councils adopt a WSDP is 12 months. This is based on the modelling and timeline developed by DIA to establish the proposed 10-entity structure. A tentative 'go live' date for a new WSCCO is therefore assumed to be by early 2026 with some ongoing transitional handover from councils to the WSCCO through to 2027. This may include a staged process to manage resourcing and risks.

Phase 3 costs are expected to increase markedly, as this phase involves establishment of a new entity, including set up of systems and processes. This will require a larger and more dedicated team and budget.

During Phase 2, the potential option of an early drawdown on the new WSCCO funding facilities to cover the costs of Phase 3 will be explored. It is anticipated that the entity's funding facilities would be provided by the LGFA with any early drawdown guaranteed by the owner councils.

Phase 3 establishment of a large regional WSCCO entity is estimated to cost somewhere in the order of $75 million to more than $125 million. The wide range is due to the costs for establishment of a new delivery model depending on many factors (scale, timing, resourcing model etc). These costs would need to be staged over time and in large part are driven by the costs of fit for purpose IT systems and processes.

42. Key transition principles

The transition process from existing delivery models to a new delivery model will be very challenging. Through the key requirements, councils have identified some issues that will need to be successfully navigated during the transition phase. These will help complete the transition in a fair and equitable manner and have been captured as key transitional principles. These will need to be reviewed and reconfirmed as part of the next phase of work to develop a WSDP and implementation plan.

People

- **People are at the heart:** The region has a team of highly committed people with irreplaceable expertise who deliver the region's water services and who have remained dedicated through an extended period of uncertainty within the water sector. The region has a values-based duty to water service teams and people to resolve the uncertainty, establish a high-quality future entity and make the staff transition as smooth and seamless as possible.
- From an operational perspective, the region cannot deliver high-quality water services without the support of these teams and people. The water sector currently has a **significant skills deficit,** and the region can ill-afford to lose valuable staff due to a poorly executed transition.
- **Job guarantee and pathway:** An intention to provide water services staff with certainty as quickly as possible. Accordingly, the new WSCCO would need to consider putting in place a job guarantee and pathway for all water staff from Level 3 down (Level 1 and 2 being Chief Executive and senior executive levels respectively).

- **Clear communication and dialogue:** There is a need to open clear communications and dialogue channels with all affected employees as soon as there is a way forward.

Financial transition principles

- **Equitable debt transfer:** The amount of debt that each council transfers to the new water entity will have a major bearing on the financial health of both the water service entity and each council. Agreeing a fair and equitable debt figure with each council will be a complex exercise.
- **Independent expert:** The standard practice for this type of 'merger transaction' is to appoint an independent financial expert to establish the accounting principles for preparing the settlement accounts, including the debt figure.
- **Review of accounts:** The external financial expert reviews each party's settlement accounts to ensure that they have been prepared in accordance with the specified principles. If the expert deems that the accounting principles have not been equitably and consistently applied, then they are empowered to issue a determination as to the final figures to appear in the settlement accounts. This approach provides all parties with confidence that the debt figures will be determined on a fair, consistent and equitable basis.
- **Equitable asset transfer:** A number of councils have experienced very large changes in their water asset valuations in recent years (for example, Wellington City Council saw an 88% uplift in 2022 and Hutt City Council approximately 300% in 2024). The valuation of assets is likely to be less contentious than debt, but accounting standards require a consistent and current valuation at the date of transfer. Accordingly, an independent valuer will be retained to provide a consistent and up-to-date valuation at the date of transfer.
- **Primary purpose:** Assets whose primary purpose is to enable the provision of water services will transfer to the new entity. During the transition phase, a principle-based framework will be designed and applied to determine the treatment of shared assets.
- **GWRC:** It is noted that GWRC has stated that the Hutt and Wainuiomata conservation/catchment land will not be transferring, and that the new entity will be granted the necessary rights to continue using and accessing the catchments and land identified for future storage, for water supply purposes.
- **Share allocation:** The shareholdings will be allocated between councils. A potential approach is based on pro rata of the value of net assets transferred. This would ensure that the value of shares received by a council matches the net asset value of the water services balance sheet it transfers. As a result, the transfer should have a neutral impact on a council's P&L account (i.e. it should not generate a profit or loss for the transferring council).

Consumer transition principles

- **Three-year price differential lock in period:** A common concern raised by councils in workshops was the need to ensure that ratepayers did not receive a major price shock on joining a regional entity, as a result of price harmonisation or price rises to cross subsidization of adjacent regions. To alleviate this concern, during the first three years, the potential price rises outlined in the section above on local delivery, customer service and price will be applied evenly to residential charges across the region, thereby maintaining existing residential price differentials. (Note: This is subject to existing revenues being sufficient to cover the full costs of water service provision, i.e. the council having set the existing revenue at a sufficient level to fully fund the costs of water service provision per the water services Financial Impact Statement).

- **Revenue and pricing** will be a very complex area given the diverse pricing structures that exist across the region. For example, there are very diverse charging structures for non-residential services such as developer contributions. These are likely to require simplification and alignment to avoid over complicating the new entity's systems on day one. This is the reason for applying the "differential lock in" principle to residential charges only.

Contract and relationship transition principles

- **Contract transfer:** To smooth the transition and continuity of service provision, the baseline principle will be to roll over existing contracts and relationship agreements, by way of novation or assignment to the new entity. A clear detailed framework and rules for shared contracts or unusual contracts will be developed during the detailed design phase.
- **Te Tiriti obligations:** The transition will pay particular care to ensure that any Te Tiriti undertakings are not only legally transferred, but that Iwi/Māori have a clearly identified relationship structure to work with the new entity. The aim is to ensure that both the legal agreement and personal relationships are seamlessly transitioned (noting that it will take time to nurture new relationships and trust).

43. Next steps

Based on the requirements of legislation, councils will each need to make decisions on whether to develop a joint WSDP with other councils in the region with joint delivery arrangements, for example, across drinking water, wastewater and stormwater services; and whether to establish a joint delivery model.

It is expected that councils will make this in-principle decision by late 2024 in order that work can be progressed. Councils may choose to continue to develop other options in parallel.

The evidence in this report confirms the need for change. The status quo cannot continue and, under the requirements for developing a WSDP, councils will need to make some difficult choices about how to fund and deliver the urgent work needed on the three waters network.

The recommended regional model is considered well aligned with the key requirements set by councils and the emerging legislative framework that gives effect to Local Water Done Well. This recommended model will need to be assessed in relation to the status quo and any alternative arrangements that councils might choose to identify and assess.

Significant aspects of the recommended model will require further development and decision making in line with the requirements of Bill 3. This will require ongoing input and discussions with DIA to ensure that there is alignment.

Completion and decision making in relation to a joint WSDP and WSCCO in the 12 months required by the Preliminary Arrangements Act across multiple councils will be challenging. This will be a complex process in the context of evolving legislation working across multiple councils, Iwi/Māori partners, central government, statutory consultation with the public and input from other stakeholders. It will therefore be imperative that councils work effectively together and with the Government to maintain momentum and ensure analysis and further phases of work support effective decision making.

Councils can maintain momentum by:

- considering the recommended regional model and deciding to whether to develop a joint WSDP with other councils and the extent of any joint arrangements,
- assessing the status quo, alternative CCO model (may or may not be the recommended model) and, if they choose, other service delivery options,
- making in-principle decisions on the proposed model by late 2024 in order that this can be further developed,
- consulting on the draft WSDP (at least the part containing the proposed model) from late 2024 and into 2025,
- considering the implications for council, including the need to amend the LTP,
- adopting the WSDP (and any LTP amendment that may be required), and
- planning for implementation of the WSDP in 2025 (especially if a new model is to be adopted).

Appendices

Note: A separate document containing detailed appendices is available, including:

Appendix A: Clarification of the alignment with the requirements of a WSDP

Appendix B: Detailed key requirements

Appendix C: Key assumptions, sources of information and levels of confidence

Appendix D: Council profile summaries (separate document)

Appendix E: Network condition information

Appendix F: Key compliance issues

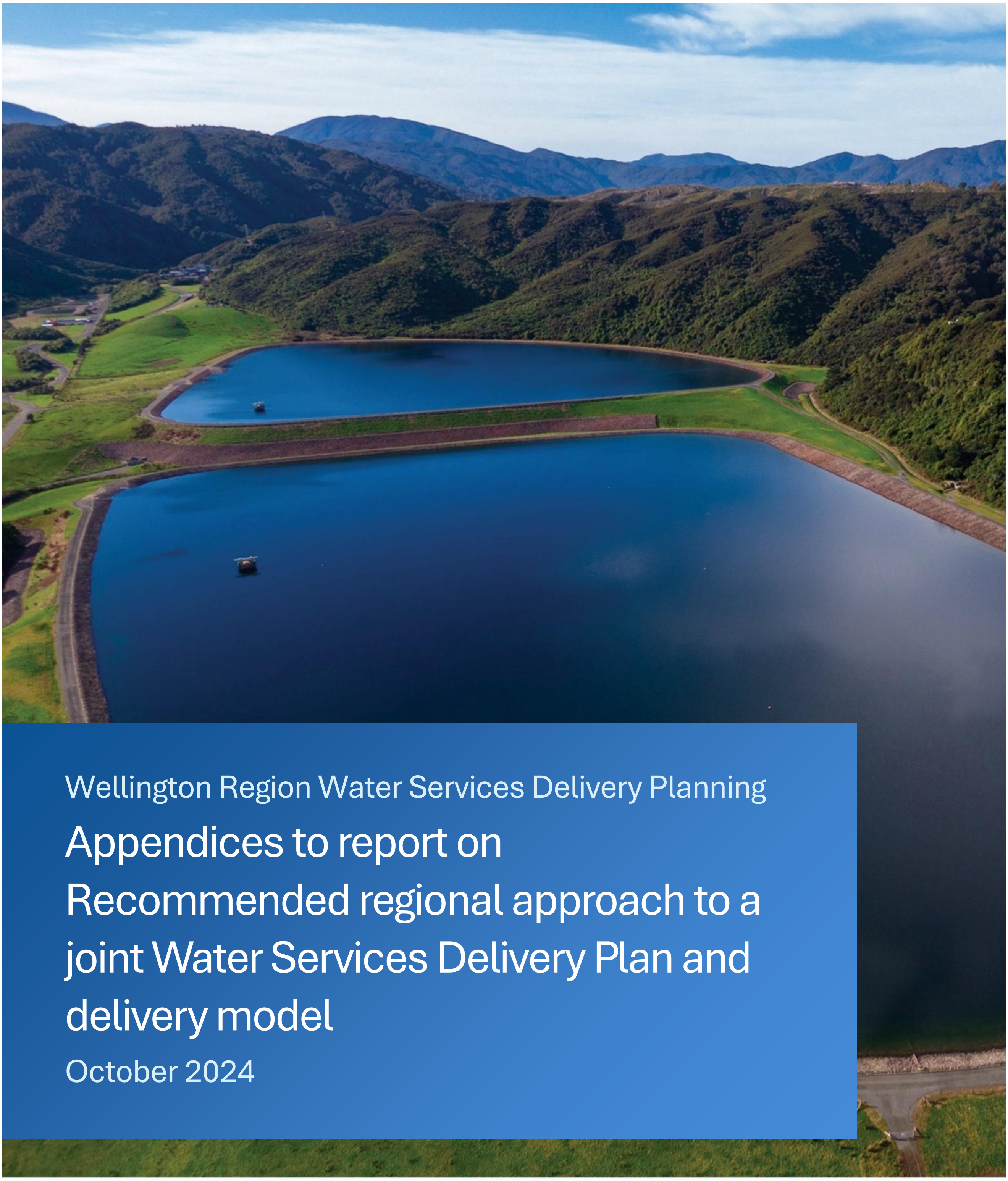
Appendix G: Types of entity model options

Appendix H: Network economics approach

Appendix I: Investment, price and debt scenarios

Appendix J: Financial projections

Absolutely Positively Wellington City Council
Me Heke Ki Pōneke



Wellington Region Water Services Delivery Planning

Appendices to report on Recommended regional approach to a joint Water Services Delivery Plan and delivery model

October 2024

LIMITATIONS AND DISCLAIMER:

Purpose

These appendices support the report titled "Recommended regional approach to a joint Water Services Delivery Plan and delivery model" dated 4 October 2024.

That report aims to provide sufficient information to support decision making by councils on whether to develop a joint Water Services Delivery Plan (WSDP), and joint delivery model with other councils in the region.

The report does not represent the position of any of the councils involved in this process but rather outlines a recommended 'best for region', concept-level delivery model for a regional Water Services Council Controlled Organisation (WSCCO) to deliver water services in the region, should councils decide to adopt this approach. It follows the requirements of Government policy and legislation and provides a robust strategic-level analysis of the case for change and investment required.

The report is not intended to fulfil the statutory requirements for a WSDP nor to be a basis for investment decisions. A full WSDP along with further development and decisions on the proposed delivery model, will need to be developed by councils later, based on the confirmed approach. Councils will need to separately consider and evaluate alternative options in relation to the recommended model to inform decision making.

Limitations of information and analysis

The information in these appendices has been based on best available information and is intended as a strategic and directional-level analysis to inform decision making on an approach to a WSDP, rather than the level required of a complete WSDP or to inform investment decisions. Where possible, the sources and limitations have been noted. As new or more robust information becomes available, this will be used to further inform and refine the analysis. Key assumptions, sources of information and levels of confidence are set out in Appendix C. This includes how information has been verified where possible, including through discussions with council officers and Wellington Water (WWL) staff to ensure accuracy and correct interpretation. There are a number of documents referenced in this report, (such as the draft Entity G Asset Management Plan) that were developed by the Department of Internal Affairs (DIA) but never finalised. These have been relied upon in the absence of other information in order to significantly reduce the time and costs of this process. As noted, reasonable efforts have been made to cross-check such information with other sources.

It should be noted that:

- Forecasts almost always turn out incorrect, especially over a 30-year horizon.
- There is great difficulty in estimating investment requirements over the next 30 years given poor information on asset condition, lack of detailed engineering assessment of what is required to address water quality to match the proposed water quality standards, and uncertain growth investment.
- Choices need to be made over a myriad of modelling approaches, inputs, and assumptions that reasonable minds may disagree with over some decades.
- There is a range of decisions yet to be made and legislation to be enacted to give effect to reform of water services.
- All modelled network economics figures should assume to have a +/-20% accuracy such as in relation to revenue, investment and debt over the 30-year period, which is considered a sufficient level of accuracy for strategy decision-making purposes at this stage. Some of these, such as the available asset condition metrics, are known to be weak.
- However, based on the analysis of information and cross-checking, there is a relatively high level of confidence that the analysis is directionally correct and sufficiently robust to support the strategic level of analysis in this report and the decision making that it is intended to support.
- As noted, the detail will be subject to ongoing refinement and change as more accurate, specific information is identified and councils complete the required detail in a WSDP.

Prepared by:	Scott Consulting Ltd
Prepared for:	Councils in the Wellington Region and Horowhenua District
Date:	4 October 2024
Status:	Final appendices for release

Contents

Appendix A: Clarification of the alignment with the requirements of a WSDP

Table 1: Alignment of the report with requirements of a WSDP (as described in Section 13 of the Local Government (Water Services Preliminary Arrangements) Act 2024)

Contents of Water Services Delivery Plan: A territorial authority's Water Services Delivery Plan must contain the following information in relation to the water services delivered in the authority's district:

Section 13(1)	Relevant section of this report	Notes and limitations
(a) a description of the current state of the water services network:	Sections 10 -17	
(b) a description of the current levels of service relating to water services provided:	Section 14	High-level delivery models only
(c) a description of — (i) the areas in the district that receive water services (including a description of any areas in the district that do not receive water services); and (ii) the water services infrastructure associated with providing for population growth and development capacity:	n/a	
(d) whether and to what extent water services — (i) comply with current regulatory requirements: (ii) will comply with any anticipated future regulatory requirements	Section 16 Appendix F	High-level overview only
(e) if any water services do not comply with current regulatory requirements or will not comply with any anticipated future regulatory requirements — (i) a description of the non-compliance; and (ii) a description of how the anticipated or proposed model or arrangements provided under paragraph (j) will assist to ensure water services will comply	Section 16 Appendix F	High-level overview only
(f) details of the capital and operational expenditure required — (i) to deliver the water services; and (ii) to ensure that water services comply with regulatory requirements	Sections 17, 26-32	High-level overview only
(g) financial projections for delivering water services over the period covered by the plan, including —	Section 29 Appendix I	High-level overview only

(i) the operating costs and revenue required to deliver water services; and (ii) projected capital expenditure on water services infrastructure; and (iii) projected borrowing to deliver water services:	Appendix J	
(h) an assessment of the current condition, lifespan, and value of the water services networks:	Section 13	High-level overview only
(i) a description of the asset management approach being used, including capital, maintenance, and operational programmes for delivering water services:	n/a	
(j) a description of any issues, constraints, and risks that impact on delivering water services:	Sections 10-17	High-level overview only
(k) the anticipated or proposed model or arrangements for delivering water services (including whether the territorial authority is likely to enter into a joint arrangement under section 9 or will continue to deliver water services in its district alone):	Sections 18-25	High-level overview only
(l) an explanation of how the revenue from, and delivery of, water services will be separated from the territorial authority's other functions and activities:	n/a	
(m) a summary of any consultation undertaken as part of developing the information required to be included in the plan under paragraph (j):	n/a	
(n) an explanation of what the territorial authority proposes to do to ensure that the delivery of water services will be financially sustainable by 30 June 2028:	n/a	
(o) an implementation plan — (i) for delivering the proposed model or arrangements described under paragraph (j); and (ii) if a territorial authority is proposing to deliver water services itself and not as part of a joint arrangement for delivering water services, that sets out the action that the territorial authority will take to ensure its delivery of water services will be financially sustainable by 30 June 2028:	Sections 37-43	High-level overview only
(p) any other information prescribed in rules made by the Secretary under section 14.	n/a	

Section 13 (2)
For the purposes of subsection (1)(o), an implementation plan must include the following: (a) a process for delivering the proposed model or arrangements: (b) a commitment to give effect to the proposed model or arrangements once the plan is accepted: (c) the name of each territorial authority that commits to delivering the proposed model or arrangements: (d) the time frames and milestones for delivering the proposed model or arrangements.

Section 14
Contents of joint water services delivery plan (1) A joint water services delivery plan must contain the following: (a) information that clearly identifies each territorial authority that is proposed to be a party to the joint arrangement: (b) information as to whether the joint arrangement will deliver— (i) all water services for all of the territorial authorities that are parties to the joint arrangement; or (ii) all water services except for some or all services in relation to all of the territorial authorities' stormwater networks; or (iii) all water services for some of the territorial authorities, and all water services except for some or all services in relation to stormwater networks for the other territorial authorities: (c) all of the information listed in **section 13**: (d) information on the likely form of the joint arrangement, including whether it is anticipated it will involve water services being delivered by— (i) a joint WSCCO; or (ii) an arrangement described in section 137 of the LGA2002; or (iii) another organisation or arrangement that the territorial authorities are considering. (2) To the extent that further information about the joint arrangement is available when the plan is submitted to the Secretary under **section 18**, a joint water services delivery plan may also contain that information, including— (a) the ownership structure; and (b) the governance structure; and (c) the control and financial rights of each territorial authority in the joint arrangement. (3) For the purposes of **subsection (1)(c)**, a joint plan must contain the information required under **section 13** in relation to— (a) each territorial authority that is a party to the joint arrangement; and (b) all water services delivered in the joint service area (including services relating to each territorial authority's stormwater network). (4) **Subsection (1)(c)** applies to a territorial authority's delivery of water services relating to its stormwater network even if the delivery of those services is not part of the joint arrangement. (5) A joint plan must also comply with any requirements prescribed in rules made by the Secretary under **section 16.**

Appendix B: Detailed key requirements

As part of the development of a recommended 'best for region' approach, councils identified a number of issues that will need to be addressed as part of the development of a WSDP and WSCCO and these have been captured as key requirements. It is recognised that the categorisation used here for different organisations and groups is subjective and that some requirements relate to multiple groups (for example, water is a taonga for all, not just for Iwi/Māori).

These will need to be reviewed and reconfirmed as part of the next phase of work to develop a WSDP and implementation plan based on the outline below, as well as the minimum requirements for delivery models expected to be set out in Bill 3.

Consumer requirements

Public ownership: All councils in the region have expressed an absolute commitment to ensure that the provision of water services remains under public ownership. This is consistent with the model adopted by most countries around the globe with many examples of the model working successfully (for example Australia).

Affordable water; fair, equitable and transparent pricing: Delivering affordable water is a major challenge, not just in New Zealand but in most developed economies. A recent World Bank Study ("Funding a Water Secure Future") determined that the percentage of GDP spent on water infrastructure by developed economies was currently 0.5% and needed to rise 2.7-3 times current levels in order to achieve Sustainable Development Goal targets. This is consistent with the economic analysis in this report and is a material change from current price levels.

Increases to price and ensuring affordability will need to be managed very carefully and will require ongoing engagement with communities and careful use of financial tools to manage the rate of cost increases.

Recent consultation by councils through LTP processes has identified that ratepayers are prepared to spend more on fixing the water infrastructure if there are demonstrable improvements. Implementing an efficient and effective model will be essential to secure consumer support.

Price setting and price increases will ultimately need to be determined by a new WSCCO. This will be done in the context of new economic regulation, which will have a strong focus on price and quality based on actual cost to provide sustainable networks and services.

The new entity will inherit a diverse suite of revenue sources and pricing structures. It will be very challenging for the entity to transition these into a simple set of services with fair and transparent prices. This will be a key task for the first five years of operation. The transition principles in the main report are designed to provide councils with confidence that their residential ratepayers will not experience any major rebalancing of prices in the early years of the entity and that any subsequent rebalancing of charges will be phased in over time.

High-quality, seamless, environmentally compliant services: As noted, ratepayers (water consumers) have indicated a willingness to pay more for water services if they experience demonstrable improvements in service quality (reliability, reduced leaks, improved discharge quality etc).

Customer focus: This is a key requirement, particularly for smaller councils such as Kāpiti Coast and the Wairarapa councils, where there is a strong concern about loss of service levels to a larger regional model. Councils have expressed a strong view that any future regional WSCCO would need to provide a high level of local service delivery and not result in a loss of service quality levels for communities.

Continuous improvement: The extent of the challenges faced means that the creation of a new model and delivery entity will be merely the start of a continuous drive to optimise services and delivery processes. The range of services and processes to be optimised is extremely wide. For example, from the optimisation of pipe replacements in the field to the streamlining of data collation and reporting for regulatory purposes.

Iwi/Māori requirements

Aspirational vision and water treated as taonga: The most important requirement expressed by Iwi/Māori is that the entity shares an aspirational vision to restore te mana o te wai. This should be at the heart of a new entity's vision and DNA.

Meaningful influence: Iwi/Māori feedback has been supportive of a skills-based Board where treaty and cultural awareness are two of the key skills required. Iwi/Māori also want to see a genuine commitment to local/Māori procurement.

Water & environmental quality improvement: Iwi/Māori are looking for a major, ongoing commitment to improvement of water quality.

Future water entity

Empowered to operate independently: The entity will inherit a wide range of services, assets, systems, investment requirements and billing arrangements. This includes assets and systems which are beyond the end of their life. The entity will require mandate to prioritise investments if it is to resolve the challenges in a cost-effective and optimal manner.

Independent, skills-based Board: Following on from the previous requirement, the magnitude of the challenges will require not only the mandate to optimise but also the appointment of an exceptionally skilled Board. These skills will need to include commercial, cultural, people and transformational expertise. The Board will need to appoint an exceptional executive leadership team.

Certainty to plan, fund and invest optimally: This is firstly about independence so that the entity can commit to a long-term investment plan without the plan being "chopped and changed" by short-term funding and political shifts. Secondly, given the potential funding shortfall, the entity will also need to have confidence that it has committed debt funding lines, albeit that they may be linked to the entity demonstrating that it is on track to achieve its key business plan milestones.

Full breadth, integrated utility: One of the major learnings from the current WWL model is that there needs to be a single entity accountable for the effective delivery of water services. In particular, the entity needs to own, and have full control over the assets, revenue streams and funding facilities, if it is to resolve the challenges and provide seamless services to water consumers.

High-quality systems and staff: High-quality people and system capabilities will be essential for the entity to meet the challenges it inherits. The new regulatory environment will also require a quantum shift in the data collection, analysis and reporting capabilities of all water delivery services.

Councils

Sustainable funding and financing (prior to the Government's policy announcements made in August 2024 around new financing options for councils via the LGFA, this was noted as 'balance sheet separation'): Local councils and central government require water services revenue, costs and borrowings to be financially sustainable in line with legislative requirements by 30 June 2028.

Local influence to ensure alignment of accountabilities, particularly for growth: While recognising that the entity has to be independent, councils also require the entity to support urban growth and deliver broader community outcomes. Historically, councils have found it challenging to fully fund new growth from Development Contributions or Financial Contributions. Councils have had to fund growth infrastructure from general rates, debt or defer growth infrastructure. Councils have a requirement that the new entity must support housing growth and also plan and invest to ensure the entity supports broader outcomes of the community.

Single point of accountability for service delivery: One of the learnings from the Wellington Water model is that all parties (including consumers, councils and entity staff) require a single point of accountability who is responsible and takes ownership for the delivery of water services.

Water delivery entity has strong processes, systems and data: As noted, the lack of investment in WWL's foundational systems, and associated high-quality information has inhibited the performance of WWL and has also been a perpetual source of frustration for councils. Councils require a new entity that has high-quality core systems.

Long-term planning horizon: Councils need to work with utilities (electricity, water, telecommunications) that take a long-term approach and can be meaningful partners with councils in planning the long-term development of the region.

Economies of scale & integration: All councils require a regional entity to deliver economies of scale, both financial and depth of operating model capabilities. In addition, the city councils require a single entity to manage the highly integrated city water services network.

Three waters (for all?): Further consideration will be required in relation to urban stormwater. WWL currently manages the delivery of all three water services for the metropolitan councils and South Wairarapa District Council. This includes responsibility for the reticulated stormwater network. Over the past decade, this definition of the scope of the stormwater responsibilities delivered by WWL has worked well. It provides a relatively simple delineation point and suits the metropolitan area, which has legacy waste and stormwater networks that were designed with a high number of integration and interconnection points. Accordingly, the metropolitan councils will require a future, regional entity to provide a similar scope of stormwater services. The situation in the semi-urban or rural council areas is different. The network topography has a lower level of integration between the wastewater and stormwater networks. In addition, these areas make greater use of open, as opposed to reticulated, stormwater drains.

Council financial sustainability: The demerger of each council's water services creates two potential issues for each council in respect of their residual activities:

i. Stranded costs: i.e. overheads which a council will still incur, that were previously recovered from the water services. Examples include the fixed cost of support services and fixed software licence costs;

ii. Reduced debt capacity: the LGFA typically sets a council's maximum debt limit at 3 times revenue. If a council's water-related debt:revenue ratio is less than the council's current average ratio then the demerger of the water services will leave the residual council with a higher debt:revenue ratio and reduced debt capacity than it has today.

These two issues are likely to affect all councils. They may even create financial sustainability issues for some councils.

Central Government

The Government has several requirements for delivery models, with further details of these expected as part of Bill 3. The Government has stated that councils can design their own arrangements as long as they meet clear, minimum requirements set out in legislation including meeting regulatory standards and financial sustainability requirements. There will be restrictions against privatisation and there will be additional requirements for water organisations to ensure they are operated and governed effectively.

Financially independent and sustainable: Central Government requires water service entities to be financially sustainable.

Compliant with regulation: Central Government requires water service entities to be able to "meet all regulatory standards and requirements for delivering water services". This requirement will be very challenging for the region's wastewater discharges and will depend on how the changes to the National Policy Statement for Freshwater Management flow down into the Taumata Arowai wastewater standards and then into the Regional Councils' plan and resource consent process. The timeframe for achieving standard compliance will be particularly important.

Enables housing growth: The Government has simply stated that a water services entity is required to demonstrate how it will "unlock housing growth".

Scale: The legislation supports regional collaboration and the creation of regional water services delivery entities.

Appendix C: Key assumptions, sources of information and levels of confidence

Table 2: Key assumptions – Economic Model

Item	Assumption	Sources of information	Confidence/Limitations
Network condition	21% of regional network in poor or very poor condition	• AECOM Entity C Working Draft Asset Management Plan 2024 – 35 (draft, not finalised). • AECOM Entity G Wellington/Wairarapa Initial Draft Asset Management Plan 2024 – 35 Version 1.1 October 2023 (draft, not finalised). • AECOM and Tonkin and Taylor, Entity G Wellington Wairarapa Initial Draft Asset Management Plan Version 2.0 December 2023. • Feedback and clarifications from councils on asset condition information • Interviews with council staff. • Interviews with WWL staff. • Council staff review and feedback.	• Network pipe condition assessment by approximately 10% sampling. • Pipe condition assessment extrapolated to treatment plant condition assessment due to lack of specific data. • Low-medium data accuracy confidence. • Confidence in impact of asset condition assessment on required funding is considered acceptable.
Network valuation	Network replacement value $19.7 billion	The valuation is based on the triangulation of the following valuations: • $21.2 billion WICS Entity G valuation produced for DIA ($20.4 billion plus $0.8 billion for Horowhenua). • $21 billion indicative valuation provided by WWL for WWL Councils to Entity G team, plus the replacement cost asset values for Horowhenua, Kāpiti, Carterton and Masterton.	• Reasonable level of confidence that the value of the network is between $19 - $21 billion. The latest council asset valuations indicate $19 billion, but majority of these are still in draft and not yet final. • Asset replacement valuations in water networks fluctuate due to changes in available civil contracting costs.

		• $19.2 billion latest three water asset valuations from WWL Councils (but with latest WCC, HCC and UHCC valuations and associated uplifts yet to be added in). Plus, the replacement cost asset values for Horowhenua, Kāpiti, Carterton and Masterton. https://www.dia.govt.nz/diawebsite.nsf/Files/Water-Services-Reform/$file/Entity-G-(Wellington)-2054-projected-household-costs.xlsx	
Levels of service		• WWL Quarterly reporting to the Wellington Water Committee. • WWL Statement of Intent. • Council LTP information. • Council feedback on challenges and issues.	Low confidence in reported fault rates for councils without metering due to: • increasing faults backlog not included in fault costing. • historical financial reporting of leak cost means costs are at least one year behind actual. • leaks require public reporting. • underground leaks are not visible and not included in reporting in areas without metering.
Compliance		• WWL reporting. • Council reporting. • Council feedback on compliance issues.	• Drinking water compliance is well specified. • Wastewater discharge compliance standards are still fluctuating. • Economic compliance (waters delivery price & quality) is yet to be introduced.
Operational expenditure		• Council LTP information.	• High confidence in the draft LTP numbers and detailed budgets for strategic modelling purposes. • The draft LTP information will be updated with the final council approved

			LTP budgets for the next version of the model. • The detailed budget and assumptions could be refined further at a later stage once the entity setup is confirmed, and more detailed information is available from councils.
Capital expenditure			• 2024 LTP 10 yr forecast intentionally does not contain all capital required to maintain the water network or to support growth over the 10 years. • Many of the large capital expenditure items required sit outside of the 10 yr LTP process and are not yet allocated to water by councils.

Table 3: Key assumptions – Financial Model

Item	Assumption	Sources of information	Confidence / Limitations
Revenue – price change	9% real pa after growth and inflation	• Base case assumption per economic modelling chapter. • Range of different price scenarios are able to be modelled.	• This is a placeholder based on average price. Further work is required to conclude the price affordability vs financial sustainability challenge. • This is not an indication of actual price or charging.
Revenue – population growth	Average 1.3% pa	• Local council projections for the 2024 LTP, including forecast information from the 2023 Wellington Regional Housing and Business Capacity Assessment (HBA) Update report prepared for the Wairarapa-Wellington-Horowhenua region in September 2023.	• Reasonably reliable noting has been ongoing fluctuations in population growth and immigration / emigration.

		https://wrlc.org.nz/wp-content/uploads/2024/04/HBA3-Draft-full-report-with-COVER-updated-16.02.24.pdf	
Revenue & Expenses – water consumption volumes	No change to current consumption		• This will become important if meters and volumetric charges are rolled out. • Typically, meters lead to a ~30% reduction in water required.
Revenue & Expense Inflation – staff, maintenance, operations & capital expenses	2.6% 27/28 2.5% 28/29 2.3% 29/30 2.2% average pa thereafter	• Sourced from the *'Cost adjusters 2023 interim update'* produced by BERL for 2024-34 Long Term Planning purposes. The water and environmental management adjustor have been used.	• Accurate at date of estimate. • Likely to reduce based on slowing economy. • Reduction in expense inflation will be counterbalanced by reduction in revenue inflation.
Staff Expense – vacancy rate	8%	• Expense based on costed organisation design reduced by 8% assumed level of vacancies.	• Reasonable confidence as this is based on Wellington Water Limited's historical vacancy rate.
Staff Expenses – capitalisation of labour	40% of personnel costs	• Capitalised labour is a conservative assumption based on Wellington Water Limited's 23/24 labour recharge to projects budget scaled up for the regional entity.	• This is a conservative assumption. e.g. Watercare capitalise almost 80% of staff costs.
Consequential Operating & Maintenance Expenses – from new capital expenditure	0% except $5.4 million for sludge minimisation	• The one material growth investment is the Wellington Sludge Minimisation Facility. • A $5.4 million pa uplift in operating costs has been factored in from 27/28 based on information provided by Wellington City Council.	• 80%+ of capital expenditure is renewal or improvement to existing infrastructure. • This should lead to a longer-term reduction in repair costs - hence the assumed 0%. • The one material growth investment is the Wellington Sludge Minimisation Facility.

			• A $5.4 million pa uplift in operating costs has been factored in from 27/28 based on information provided by Wellington City Council.
Interest Rates	5.47% 27/28 5.47% 28/29 5.47% 30/31 6.01% average pa thereafter	• Years 1-4 based on LGFA borrowing yield for an unrated guarantor plus a credit rating adjustment of 5 basis points pa for a regional water entity.	• Accurate at date of estimate. • Likely to reduce based on slowing economy. • Any reduction in interest rates likely to be accompanied by reduction in inflation and hence offset reduction in revenue inflation assumption.
Depreciation (useful lives on **existing** assets) • Drinking Water • Wastewater • Stormwater	31 years 37 years 61 years	• Average remaining useful lives on existing assets were calculated based on depreciation budgets and asset book values provided by Councils.	• High level of confidence for strategic modelling purposes. • Actual useful lives of individual assets may vary and can be refined at a later stage once detailed asset information is available from councils.
Depreciation (useful lives on **new** assets) ➢ Drinking Water ➢ Wastewater ➢ Stormwater	55 years 70 years 100 years	• A weighted average useful life of 74 years has been used across the 3 water assets based on the book value information provided by councils.	• There is a reasonable level of confidence on the weighted average useful life for strategic modelling purposes. Actual useful lives of individual assets maybe higher or lower than forecasted. • This information can be further refined at a later stage once the detailed investment is confirmed for the new water entity.
Opening debt	The opening debt of $2.3 billion at 1 July 2027 is a placeholder at this stage. The final will	• The opening debt for 1 July 2027 is based on the forecasted opening debt figure for 2025 provided by Councils, which have been rolled forward based	• The debt figures for the 10 councils are placeholders only and will need to be agreed during Phase 2 and the Establishment Phase.

	be based on figures agreed with councils.	on the final adopted 2024 LTP income and expenditure.	
Forecast opening asset book value	$9.5 billion for 24/25	• The forecast opening asset book value for 24/25 is based on council forecast 24/25 opening asset book value of $7.4 billion plus the impact of recent draft valuations on Optimised Depreciated Replacement Cost (ODRC) of $2.1 billion.	• There is a reasonable level of confidence in the draft valuation figures. The assumptions can be refined once the current valuations are finalised, and when a full valuation is undertaken prior to transition to the new entity.
27/28 Opening revenues	$697 million	For the first 3 years of the plan, the forecast uses the councils' 2024 final adopted LTP operating revenue as a base after adjusting for known revenue that will no longer exist under the new entity such as the GWRC Levy. The revenue is then projected out from year 4 based on the following assumptions: • Adjusting for known one-off revenue and other revenue that will no longer exist under the new entity such as the Wastewater Joint Venture revenue. • It is also assumed that IFF levies on the new Sludge Minimisation Facility will remain with Council. • Rates revenue – the real price path 9% per annum assumption (after allowing for inflation and growth). • Non-rates revenue – BERL inflation adjustor (after growth has been applied to customer base where applicable). Note: Other income may include some interest income which should be netted off against interest expense. The amount is not material.	• There is a high level of confidence in the final adopted LTP information, but the forecast price increase of 9% is a placeholder at this stage. Further work is required to conclude the price affordability vs financial sustainability challenge.

27/28 Staff (net of capitalised labour) Expense	$64 million	• Staff costs ($109 million) are based on the Entity G detailed organisational design and estimated job-sizing for roles, including other employment costs. • Any potential savings from governance arrangements are offset by additional staff transferred from Horowhenua. • A vacancy factor of 8% has been applied, and 40% of the remaining total personnel costs is assumed to be capitalised.	• There is a reasonable level of confidence in the estimates as it is based on best available information at the time. • The forecast assumes that all roles are full-time equivalents, but some roles may potentially be part time. The cost would reduce accordingly. This can be refined further at a later stage once the entity setup is confirmed.
27/28 Maintenance Expense	$71 million	• Maintenance costs largely consist of planned/routine and reactive maintenance. • The forecast spend is based on WWL's maintenance budget forecast for Year 1 of the 2024 LTP for WWL shareholding councils with a 15% uplift for Carterton, Kāpiti Coast, Masterton and Horowhenua based on historical portion of spend between the councils.	• There is a reasonable level of confidence in the estimates as it is based on best available information at the time. • The detailed budget and assumptions can be refined further at a later stage once the entity setup is confirmed, and more detailed information is available from councils.
27/28 Operations Expense	$80 million	• Operations costs mainly consist of operation technology, disposal, general treatment plant operations, and compliance costs. • The forecast spend is based on WWL's operations budget forecast for Year 1 of the 2024 LTP for WWL shareholding Councils with a 15% uplift for Carterton, Kāpiti Coast, Masterton and Horowhenua based on historical portion of spend between the Councils, plus provision for power costs of $16 million that is currently paid by the Councils (not included in WWL forecasts).	• There is a reasonable level of confidence in the estimates as it is based on best available information at the time. • The detailed budget and assumptions can be refined further at a later stage once the entity setup is confirmed, and more detailed information is available from councils.
27/28 Planning & investigations	$41 million	• The forecast spend is based on WWL's budget forecast for Year 1 of the 2024 LTP for WWL shareholding Councils with a 15% uplift for	• There is a reasonable level of confidence in the estimates as it is

		Carterton, Kāpiti Coast, Masterton and Horowhenua based on historical portion of spend between the Councils.	based on best available information at the time. • The detailed budget and assumptions can be refined further at a later stage once the entity setup is confirmed, and more detailed information is available from councils.
27/28 Other Operating Expenses	$78 million	• Digital costs - $19 million budget based on a pro-rata of Watercare's digital costs (e.g. IaaS, software licensing etc). 7 FTEs for technology staff have been budgeted under personnel costs. • Rates expense - $15 million based on the national forecast from the Three Waters programme allocated on population. • It assumes 70% of three waters related land will transfer to the entity. • Insurance - $15 million based on 2022 council premiums with an uplift applied for impact of asset valuations and inflation increase based on analysis done through the Three Waters programme. • Other costs of $29 million including administration, consultancy, motor vehicles, telecommunications, bad and doubtful debts, Taumata Arowai regulatory costs – based on a combination of pro-rating Watercare’s costs or based on forecast from the Three Waters programme as appropriate. • The Data and Digital costs were a placeholder until the impact of the actual system solution and costs are known, therefore the related costs may be higher or lower than forecasted.	• There is a reasonable level of confidence in the estimates as it is based on best available information at the time. • The detailed budget and assumptions can be refined further at a later stage once the entity setup is confirmed, and more detailed information is available from councils.

		• The Rates Expense costs were based on high-level estimates from the Three Waters programme and require detailed information from Councils to understand actual costs which may be higher or lower than forecast. • Insurance costs were a placeholder until an insurance strategy is worked through for the new entity.	
27/28 Depreciation	$277 million	• Depreciation is based on assumed asset lives rather than actual asset lives and calculated on the projected capital investment profile with an allowance for the impact of asset revaluations. • Actual useful lives may be shorter or longer than the assumptions used, therefore the depreciation cost maybe higher or lower than forecasted.	• Reasonable level of confidence based on assumed average useful lives. Actual useful lives may be shorter or longer than the assumptions used and can be refined at a later stage.
27/28 Capital	$522 million	• For Years 1-3, the capital investment profile is taken from councils' final adopted 2024 LTPs. • For Years 4 onwards, the capital investment total is taken from the Network Economic Analysis and inflation adjusted. • The resulting value of the total envelope should more than encompass the existing Year 4-10 LTP. • However, the new entity will almost certainly recast the capital plan for this period. • At this stage, the capital expenditure figures exclude establishment, transition and set up costs. These will be significant. • $20 million pa has been allowed for ongoing property, vehicles, digital and sundry capital expenditure. This is based on a pro-rata of Watercare and Wellington Water Ltd budgets.	• There is a high level of confidence in the final adopted LTP information. • The capital investment plan from Year 4 onwards will likely be recast by the new entity. Provisions for establishment and transition setup costs need to be made at a later stage.

Table 4: Other key documents and sources

Documents and sources
• Review into the Future for Local Government (2023) He piki tūranga, he piki kōtuku, Wellington: New Zealand.
• Wellington Regional Leadership Committee Regional Dashboard, https://wrlc.org.nz/reports/housing-data
• The Mayoral Taskforce on the Three Waters Report (2020)
• Wellington Water Limited Statement of Intent (2024)
• Water Industry Commission of Scotland (WICS) Reports (2021)
• DIA Three Waters Reform – WICS Modelling Phase 2. Beca Ltd (April 2021)
• Three Waters Review: Release of second stage evidence base. DIA briefing to Government (20 May 2021)
• Report of the Havelock North Drinking Water Inquiry: Stage 2 (2017)
• Three waters reform. Review of methodology and assumptions underpinning economic analysis of aggregation. farrierswier (May 2021)
• Water Industry for Scotland, Economic analysis of water services aggregation (May 2021)
• Wellington Water Limited: capital programme estimating and budget systems. Roy Baker and Kevin Jenkins (2024)
• Contract Optimisation review conducted by FieldForce4. (2023)
• Inquiry into the cessation of water fluoridation by Wellington Water. MartinJenkins (2022)

Appendix D: Council profiles

See separate document – Appendix D[1]

[1] At time of writing, no information for the profile had been received from Carterton District Council.

Appendix E: Network condition information

Overall network asset condition assessment

Information below uses the calculations as follows:

1. Each of the asset measurements is normalised (total set to 100%) from raw data as wastewater adds to 99%, and stormwater has 11% of the network as "not assessed".
2. Weight average asset conditions are calculated weighted by pipe length.
3. Pipe condition was extrapolated to include other asset classes (only treatment plants are material) as there are no individual condition assessment of other asset types, and pipes make up 80-90% of asset replacement value (dependent on council district) and so is likely materially accurate.

Note: This approach is less than ideal but is the only reasonable approach given the scarcity of good asset condition assessment.

Table 5: Overall network asset condition assessment

Asset	Condition	As reported	Normalised
Water supply			
	Excellent	37%	37%
	Good	30%	30%
	Medium	16%	16%
	Poor	11%	11%
	Very Poor	6%	6%
	Not assessed	0%	
Total		100%	100%
Wastewater			
	Excellent	24%	24%
	Good	20%	20%
	Medium	22%	22%
	Poor	12%	12%
	Very Poor	21%	21%
	Not assessed	0%	
Total		99%	99%
Stormwater			
	Excellent	33%	38%
	Good	25%	28%
	Medium	17%	19%
	Poor	6%	7%
	Very Poor	7%	8%
	Not assessed	11%	
Total		99%	100%

Reticulation (km)			
	Water supply	3,310	
	Wastewater	3,090	
	Stormwater	1,930	
Total		8,330	
Weighted Average Condition			
	Excellent		26%
	Good		28%
	Medium		24%
	Poor		**10%**
	Very Poor		**11%**
Total			99%

Source: Base information is AECOM Asset Management Plan V2.0 figure 11, page 34.

Original information was taken from AECOM Asset Management Plan V1.1 figure 11, which did not contain asset class values or regional breakdowns.

This asset condition information has been checked by councils and WWL and further updates on asset condition information have been received from councils.

Note: There appears to be an arithmetic error in AECOM Asset Management Plan V2.0 page 35 which incorrectly states:

"Around 15% of the pipe network has been assessed as in poor or very poor condition, representing more than 1,200 km of pipe that will be requiring increasing maintenance and renewal in the short term. This is described further in Section 9 - Asset Renewals Needs"

The 15% appears to be calculated incorrectly but only in this version of the report. The raw figures provided are the same as per version 1.1 and correctly add to 22% as per version 1.1 and calculations as per Table 6 and Table 7 below which have also been adjusted with further updates from councils.

Combining the 10% Poor and 11% Very Poor results in **21%** of the network past the end of service life (EoSL).

Asset condition assessment by council

Table 6: Summary of asset condition assessment by council

Weighted Average Condition	Greater Wellington Regional Council	Carterton District Council	Horowhenua District Council	Hutt City Council	Kāpiti Coast District Council*	Masterton District Council	Porirua City Council	South Wairarapa District Council	Upper Hutt City Council	Wellington City Council	Weighted
Network Length (km)	187	159	961	1845	1065	444	1065	209	662	2,728	~9,325
Reticulation											
Excellent	16%	12%	22%	26%	22%	38%	38%	6%	54%	35%	31%
Good	39%	23%	51%	39%	33%	14%	20%	18%	20%	24%	30%
Medium	39%	36%	10%	16%	10%	14%	10%	46%	11%	15%	15%
Poor	5%	22%	3%	10%	11%	14%	11%	11%	9%	10%	10%
Very Poor	0%	7%	5%	8%	23%	19%	20%	17%	7%	16%	14%
Not Assessed	1%		9%	1%	1%	1%	1%	2%			
Total	100%	100%	100%	100%	100%	100%	100%	100%	101%	100%	100%
Beyond EoSL	5%	29%	20%	24%	2%	34%	23%	14%	15%	26%	21%

Table 7: Detailed asset condition assessment by Council

			Greater Wellington Regional Council	Carterton District Council	Horowhenua District Council	Hutt City Council	Kāpiti Coast District Council	Masterton District Council	Porirua City Council	South Wairarapa District Council	Upper Hutt City Council	Wellington City Council	
Asset Condition													
	Water supply												
		Excellent	16%	10%	25%	38%	6%	31%	7%	8%	50%	43%	
		Good	39%	23%	53%	32%	42%	17%	16%	25%	25%	38%	
		Medium	39%	36%	10%	3%	50%	13%	33%	53%	10%	9%	
		Poor	5%	26%	2%	7%	2%	16%	16%	10%	11%	7%	
		Very Poor	0%	5%	2%	20%	1%	8%	18%	2%	4%	4%	
		Not assessed	1%	0%	8%	0%	0%	16%	10%	2%	0%	0%	
			100%	100%	100%	100%	100%	100%	99%	100%	100%	101%	
	Wastewater												
		Excellent		13%	5%	11%	0%	47%	10%	3%	53%	29%	
		Good		23%	69%	37%	23%	6%	15%	12%	17%	16%	
		Medium		32%	6%	23%	77%	10%	46%	45%	13%	12%	
		Poor		22%	5%	12%	0%	12%	23%	15%	8%	17%	
		Very Poor		11%	1%	17%	0%	10%	4%	23%	9%	26%	
		Not assessed			14%	0%	0%	14%	1%	2%	0%	0%	
				101%	100%	100%	100%	100%	100%	100%	100%	100%	
	Stormwater												
		Excellent		18%	49%	23%	5%	9%	10%	0%	61%	35%	
		Good		25%	11%	47%	1%	10%	18%	0%	16%	18%	
		Medium		53%	16%	17%	1%	13%	70%	0%	8%	27%	
		Poor		3%	2%	12%	2%	8%	1%	0%	5%	4%	
		Very Poor		1%	22%	1%	2%	2%	1%	100%	9%	15%	
		Not assessed					90%	58%					
				100%	100%	100%	100%	100%	100%	100%	99%	99%	

			Greater Wellington Regional Council	Carterton District Council	Horowhenua District Council	Hutt City Council	Kāpiti Coast District Council	Masterton District Council	Porirua City Council	South Wairarapa District Council	Upper Hutt City Council	Wellington City Council	Weighted
Asset Sizing													
	Reticulation (km)												
		Water supply	187	75	428	711	478	218	344	118	281	922	
		Wastewater		66	351	680	354	214	427	75	226	1077	
		Stormwater		18	182	454	233	55	294	16	155	729	
		Total	187	159	961	1,845	1,065	487	1,065	209	662	2,728	~9,325
	Treatment Plants												
		Water supply	4	2	5	0	5	2		4			
		Wastewater		1	6	1	2	4	1	4		2	
		Stormwater		0	1	5	0	3					
	Pump Stations												
		Water supply	15	1	1	13	9	1	15		9	34	
		Wastewater		17	53	48	153	13	67	11	17	69	
		Stormwater			19	12	18				7	2	
	Replacement Value ($m)												
		Reticulation	507	38	234	314	553	128	181	70	200	1,904	4,129
		Treatment Plants	429	36	321	688	390	211	400	43	222	2,973	5,713
		Pump Stations	364	11	80	531	189	57	323	9	232	2,309	4,105
		Total	1,300	85	635	1,533	1,132	396	904	122	654	7,186	13,947

Source: Base information is AECOM Asset Management Plan V2.0 Appendix 2. This asset condition information has been checked by councils and WWL and further updates on asset condition information has been received from councils including KCDC, PCC, MDC and HCC.

Calculations are as follows:

1. Each of the asset measurements is not normalised (total set to 100%) because of the risk of high uncertainty when raw data is inflated by high proportions of unassessed network, in particular stormwater for:
   - Horowhenua District Council 22%,
   - Kāpiti Coast District Council 90%,
   - South Wairarapa District Council 100%
2. Weighted average asset conditions are calculated weighted by asset class value, as this metric was provided in V2.0 for regions.
3. It is likely the pipe condition asset assessment (V1.1) has been used to calculate asset class condition (V2.0) as the figures line up well. This is likely the same approximation that was made for the whole network condition assessment above, but this is not explicit in the V2.0 report.

Appendix F: Key compliance issues

Disclaimer: Compliance information changes from month to month and the material in the table below is based on best available information at the time of this report. For the facilities managed by Wellington Water this information has been taken from the Wellington Water Operations Report to the Wellington Water Committee dated 12 September 2024. For other councils, the information is as supplied in response to the draft of this report in September 2024.

Table 8: Drinking water compliance status

Area / Plant	Compliance	Comment
Waterloo	x Non-compliant	Due to changes in the assurance rules, the capability of the existing Waterloo treatment plant facilities, and the layout of the network, a significant treatment plant upgrade and/or additional network infrastructure is needed to achieve compliance with the rules as written.
Wainuiomata	✓ Compliant	Wainuiomata water treatment plant is compliant with the Water Services Authority bacterial and protozoal compliance rules.
Te Marua	✓ Compliant	Te Marua water treatment plant is compliant with the Water Services Authority bacterial and protozoal compliance rules.
Gear Island	✓ Compliant	Gear Island water treatment plant is compliant with the Water Services Authority bacterial and protozoal compliance rules.
Waiohine	✓ Compliant	The Waiohine water treatment plant is compliant against new bacterial and protozoal Rules. However further work is required to meet process assurance rules e.g. development of standard operating procedures, operators completing qualification requirements, and implementation of an asset maintenance recording system.
Memorial Park	✓ Compliant	The Memorial Park water treatment plant is compliant against new bacterial and protozoal Rules. However further work is required to meet process assurance rules e.g. development of standard operating procedures, operators completing qualification requirements, and implementation of an asset maintenance recording system.
Martinborough	✓ Compliant	The Martinborough water treatment plant is compliant against new bacterial and protozoal Rules. However further work is required to meet process assurance rules e.g. development of standard operating procedures, operators completing qualification requirements, and implementation of an asset maintenance recording system.
Pirinoa	✓ Compliant	Pirinoa is compliant against new bacterial and protozoal rules. However further work is required to meet process assurance rules, such as development of standard operating procedures, and implementation of an asset maintenance recording system.
Ōtaki (KCDC)	✓ Compliant	
Hautere/Te Horo (KCDC)	✓ Compliant	

Waikanae Paraparaumu Raumati (KCDC)	✓ Compliant	
Paekākāriki (KCDC)	✓ Compliant	
Horowhenua District Council	No information supplied	
Masterton District Council	✓ Compliant	Masterton District Council have two drinking water treatment plants, both of which are compliant.
Carterton District Council	No information supplied	

Table 9: Wastewater treatment compliance status

Area / Plant	Compliance	Comment
Moa Point	x Non-compliant	The plant remains non-compliant for suspended solids and faecal coliforms. Steps to fix this are being undertaken. However, breakdowns and planned maintenance work have delayed a return to compliance.
Porirua	✓ Compliant (with noted issues)	The plant is compliant for effluent quality. The treatment plant has higher levels of solids in the process than normal. This can cause partially treated discharges especially during heavy rain. Steps are being taken to address this. There are UV performance issues. Changes made to date have improved UV performance during high volume flows, but occasional faults are still occurring. The system will continue to be closely monitored.
Seaview	x Non-compliant	The plant remains non-compliant for faecal coliforms. Improvements have been observed in the biological process.
Western	✓ Compliant	The plant is compliant for effluent quality.
Greytown	x Non-compliant	Current plant design and processes are inadequate for the connected population, resulting in non-compliance (specifically related to ammonia concentration in the effluent) which is affected by seasonal weather patterns. In 2023, Greater Wellington Regional Council (GWRC) requested explanations of non-compliance. Wellington Water is implementing the required corrective actions where possible within plant and resource constraints. Major investment is required, and current approved funding levels do not meet this. A compliance upgrade project is underway (excluding growth). The plant is already operating beyond its design loading capacity and so new connections have been paused. Funding has been approved to complete a Growth-Capacity Study in conjunction with Martinborough's study. The degree of desludging that will be achieved at Greytown is

		not yet determined.
Featherston	x **Non-compliant**	Major investment is required to achieve a new consent. Renewal of the consent is being managed as a major project and plant is currently operating on an extension of the old consent. The consent approval process will better inform the required capacity of the plant to cater for growth in Featherston beyond 2032. A significant effluent non-compliance occurred in May-June. This was due to the high volume of septic tank discharges (from Lake Ferry wastewater treatment plant) being pumped into the pond via a nearby manhole. Operational mitigation of this event continues; other septic tank discharges have been stopped until the plant recovers adequately. Plant continues to require ongoing management of resources, focused on effluent quality, to achieve compliance with consent requirements.
Lake Ferry	✓/x **Partially compliant**	Further investment is required to achieve a management plan and consent compliance into the future. Stantec has been commissioned to prepare and develop a new resource consent application by 30 March 2025. Early conversations suggest that the current scheme will require capital works because of consenting requirements. More funding is required for the consent 2024-25 renewal project than currently allocated. The extra funding is required to prepare an adequate application and undertake community consultation. The source of current high inflow and infiltration is still not funded for investigation. Peak loads are near the plant's hydraulic capacity. Septic tank cleanouts and filter cleaning has been completed. The effect on effluent compliance will be assessed in coming months. The treatment process is being tested and assessed for optimised operation. Plant valving automation is required to better comply with consent discharge requirements; however, this is not funded. Projects underway include sodium bicarbonate dosing improvements and optioneering dripline leaks – some repaired, more require repair.
Martinborough	x **Non-compliant**	In June 2024, a new 'To Do Abatement Notice' was issued for Martinborough wastewater treatment plant with a deadline of May 2025 to complete desludging This superseded the May 2024 and August 2023 'To Do Abatement Notices', which in turn replaced the Abatement Notice issued in 2022, although the WWTP still remains non-compliant. WWL and SWDC are working together to address the items raised in the new Notice, as part of the compliance upgrade project underway. Major investment is required, and current approved funding levels do not meet this requirement. Current plant design is insufficient to avoid non-compliance. Effluent discharge rate and quality to land continues to exceed current consent limits. Effluent volume discharged to river continues to exceed the annual average consent limit. GWRC has issued an updated To Do Abatement notice, with a deadline of May 2025 to complete desludging. Progress is being made on the desludging geobag laydown area consenting and tendering process, as well as UV optimisation.

Paraparaumu Wastewater Treatment Plant (KCDC)	✓ Compliant	Operating on expired consent conditions. Securing new consent for the Paraparaumu Wastewater Treatment Plant.
Ōtaki Wastewater Treatment Plant (KCDC)	✓ Substantively compliant	Increasing nitrogen levels in the discharge from the Otaki Wastewater Treatment Plant.
Tokomaru Wastewater Working Party (HDC)	x Non-compliant	An abatement notice has been issued regarding the Tokomaru Wastewater Working Party. Capacity to meet consenting conditions is limited.
Masterton District Council	✓/x Partially compliant	Masterton District Council have four wastewater treatment plants, and all have a high level of compliance and environmental sampling does not show any adverse effects on the environment.
Carterton District Council	No information supplied	

Appendix G: Types of entity model options

NOTE: This report focuses on the assessment of regional models and is intended to support councils to undertake an assessment of other options, including those focusing on council alone or provincial options. There will be many sub-variants that councils could identify. A range of these sub-variants has been identified in the table below, but there are others, such as:

- whether joint arrangements cover 2 or 3 waters,
- number of councils or mix of councils in joint options e.g. 3 or 4 councils,
- staging and timing,
- asset and debt transfer arrangements, noting the detail of which would need to be considered as part of the WSDP (Phase 2); and,
- transition – there are a range of options for transition that need to be considered through Phase 2 and 3.

Table 10: Delivery models considered

Option	Description	Comments
1. Council alone, in-house delivery	Delivery of water services in house, e.g., as per the current Masterton, Carterton, Kāpiti Coast, and Horowhenua models. No joint WSDP or arrangements. Sub-variants include: • Resourcing, procurement and contracting models • Deliver in house in a financially ring-fenced Business Unit • Deliver in house as a single council CCO	**NOT RECOMMENDED AS BEST FOR REGION** *Councils will each evaluate an in-house option as an alternative option to a regional model.*
2. Joint CCO – service delivery only	Joint WSDP and arrangements. Multiple council-owned CCO. CCO role: • Plans, designs, operates and maintains as per the current WWL model. • Assets, liabilities and debt remain on council balance sheets.	**NOT RECOMMENDED AS BEST FOR REGION** *The current WWL model has struggled with a number of structural challenges which inhibit its effectiveness. Therefore, a narrow CCO option is not considered to meet regional requirements.*
3. Joint CCO – full breadth	Joint WSDP and arrangements. Multiple council-owned CCO. CCO role: • Full-breadth water utility vested with ownership of all water assets, revenues & liabilities. • Debt is transferred from councils. • Owned by local councils through shares. • Bills users directly for charges. • Must enable sufficient borrowing.	**RECOMMENDED FOR CONSIDERATION** *This option is likely to be a modified form of a CCO which should achieve balance sheet separation. (Note: Bill 3 will clarify the nature of the powers of this new type of entity).*

4. Joint council-owned company (COC)	Joint WSDP and arrangements. Multiple council-owned COC COC role: • Full breadth water utility vested with ownership of all water assets, revenues and liabilities. • Similar structure to a Council Controlled Organisation but with reduced Council oversight provisions thereby enabling the company to have greater control and certainty over its investment plans.	**RECOMMENDED FOR CONSIDERATION** *This option is likely to be a modified form of a CCO which should achieve balance sheet separation. (Note: Bill 3 will clarify the nature of the powers of this new type of entity). This is the option underlying the design set out in this report. It mirrors the structure now referred to as a joint water services council-controlled organisation (WSCCO) in the Local Government (Water Services Preliminary Arrangements) Act 2024.*
5. Consumer trust	Trust role: • Full breadth water utility but owned by a trust. • Overseen by independent trustees appointed by consumers. See detail below on variants and issues. Variants: • Council alone or joint model. • Council alone or joint WSDP and arrangements.	**NOT RECOMMENDED AS BEST FOR REGION** *This would require councils to transfer their water assets to a consumer-owned trust. The trust would also have challenges accessing the necessary funding. In particular, it would not be able to access LGFA funding as the LGFA's current constitution limits lending to councils and CCOs only.*
6. Private sector	Transfer or sale or assets, liabilities and revenue to private sector investor. Variants: • Transfer in whole. • Transfer in part e.g. JV type model.	**NOT RECOMMENDED AS BEST FOR REGION** *This was not explored. The councils held strong views that this was not an acceptable option.*

Other possible model options

Below is a summary of other technically possible model options which were not considered to be practical options for further development.

Trust (Potential CCO)

This would be an independent legal entity, established through its trust deed. The trust would have the power to hold and operate the relevant assets, which would be owned by the trust. Some or all trustees could be appointed by the councils. If the councils had the right to appoint 50% or more of the trustees, the trust would be a CCO (meaning LGA accountability measures like the statement of expectations and statement of intent would apply). The trust deed would set out the basis on which the trust would operate, and the powers of its trustees. This model would allow some council control over the entity if the trust were a CCO. However, the model is unlikely to be suitable because councils would have to transfer their water assets to a trust, which is not owned by the councils. Also, for international capital and insurance markets a corporate structure is a more "vanilla" structure.

Non-CCTO Charitable Trust

Another option is a charitable trust (with an incorporated board of trustees or a company trustee), which should be tax-exempt provided that the trust is not a council-controlled trading organisation (CCTO) under the Local Government Act 2002 and is registered under the Charities Act 2005 (such registration being a prerequisite for income tax exemptions for charities). A not-for-profit public water services trust (reinvesting funds in its assets/services) should be able to be structured as a charity and non-CCTO.

While this option is theoretically possible, charitable status would place significant governance restrictions on the new entity, would involve ongoing regulatory oversight by DIA Charities Services and mean that the assets would be locked up for exclusively charitable purposes in perpetuity. In addition, a non-corporate trust model, even with a corporate trustee, would not enable council ownership of the entity. This option is therefore not recommended, especially if income tax exemption for the new entity can be achieved via legislation (see above).

Limited Partnership

Limited partnerships are legal entities governed by a limited partnership agreement (which the entity must have) and the Limited Partnerships Act 2008. Councils could be the limited partners in a limited partnership; the Limited Partnerships Act requires them to not be involved in management of the limited partnership, in order to maintain the limited liability protection that this model provides. A limited partnership is managed by a general partner. In this instance it would need to be a company that has responsibility for managing the limited partnership. The councils could be shareholders in the company that is the general partner. Another possible option would be for the councils to contribute the assets to, and be limited partners in, a limited partnership that is not a CCTO (as above), which would not be taxed in its own right as its income would be attributed to its limited partners (the councils) and tax-exempt at council level.

While theoretically possible, a limited partnership structure is likely to be unsuitable. It may not achieve the desired balance sheet separation from councils, while from a governance and management perspective it would be desirable for the general partner to not be controlled by the councils. While this model does enable council ownership of water services assets, it is complex and does not result in any material benefits as against using a CCO or COC.

Port company/energy company model

The current definition of "council-controlled organisation" in s6 of the Local Government Act 2002 excludes a port company within the meaning of the Port Companies Act 1988, and an energy company within the meaning of the Energy Companies Act 1992. In both the cases, the apparent policy rationale for these companies not being CCOs, and (notwithstanding that a port company or energy company might otherwise qualify as a CCO, if a local authority owns shares carrying 50% or more of voting rights) is that they are subject to their own regulatory regimes, which require accountability documents such as a statement of corporate intent. Those regimes are inconsistent with, and would to some extent duplicate, the regime for CCOs in the Local Government Act 2002. It is possible that when the Government prepares legislation providing for a new type of COC/CCO (i.e. Bill 3 expected late-2024), it takes guidance from the Port Companies Act 1988 and Energy Companies Act 1992. Accordingly, there may be some similarities between a new COC model and the existing Port and Energy Company models.

Appendix H: Network economics approach

Purpose

The purpose of network economic analysis is to provide transparency to the cause/effect relationships that exist in both technical and economic views of networks. This technique is useful to examine the trade-offs between decisions that include pricing, growth support, network reliability and risk, capital allocation, debt, compliance, network remediation pace, fault rates and costs, and debt requirements. It is a high-level view of making the primary cost structures, constraints, and decision levers visible to governance and other decision makers. It is primarily used for choosing scenarios and focusses on differing effects of capital investment distribution.

This helps to provide simple and clear answers to the following critical questions:

1. What is the **problem**? How big is the **gap**?
2. What is the **best investment strategy**? What is the **risk** of severe network failures? How **quickly** do we need to do it? What will it **cost**?
3. How much can be funded from **price**?
4. What is the residual that will need to fund from **debt**?
5. Where will the **debt** come from? What **credit support** is required?

The network model enabled analysis to:

- assess the cost of remediation and ongoing investment for maintenance and renewal,
- support analysis of different scenarios and remediation pathways,
- consider remediation investment, time, efficiency, price, and debt,
- consider decision drivers of risk and cost,
- model a range of investment scenarios, including price, debt and risk, and
- recommend a practical scenario to support strategic understanding of:
  - high-level capital requirements and associated timing, and
  - the impact on price, debt, risk, and cost and timing.

It is common practice that once these scenarios including capital distribution are chosen, then an investment grade cash-flow analysis is provided using the key decision metrics of the economic analysis.

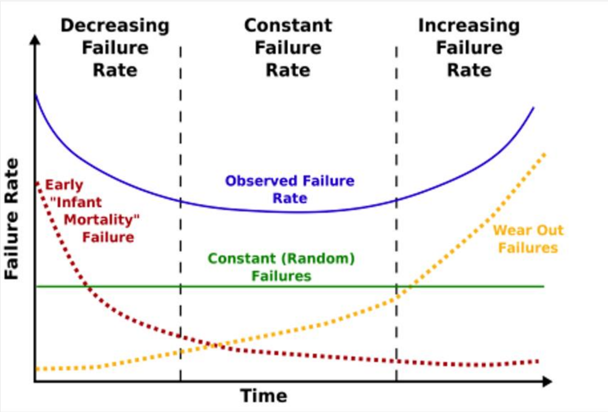
There are two frameworks commonly used for the network economic analysis of capital efficiency. These are:

- “Bathtub Failure Rate Curve” (an engineering concept at the heart of reliability estimation), and
- “Sustainable Replacement Cost” (a microeconomic concept used extensively in asset management).

The modelling used these two frameworks individually to cost the minimum continual investment in the network to maintain its current state (sustaining “keep-up” investment). These were then used together to cost some of the consequential failures generated by worn-out assets, including estimating the cost of network leaks.

Concept 1 – Asset failure rate ("Bathtub") curve

Figure 1: The asset failure rate ("Bathtub") curve



Key points of the asset failure rate curve:

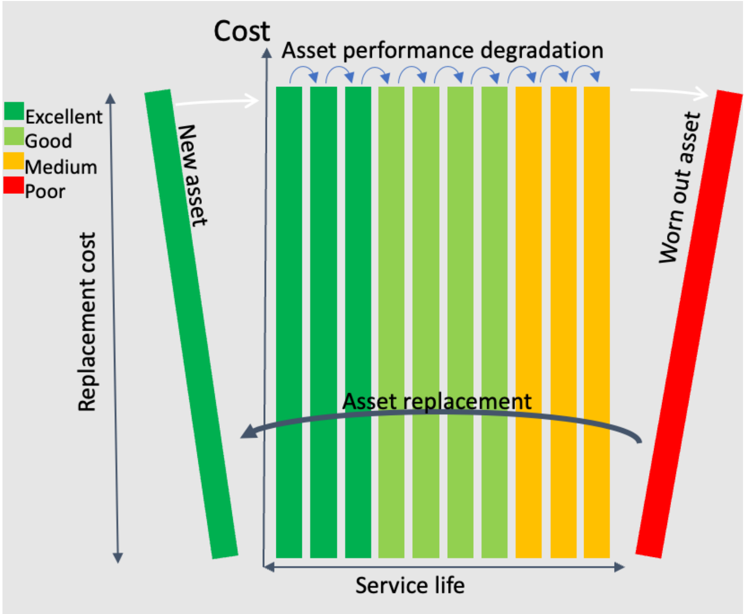
> When the network starts to fail, costs increase exponentially. Fixing faults does not fix the network unless you replace the assets.

- The ability of all assets to meet their service function declines with use or age.
- Ageing assets start to generate faults due to their reduced condition. In a network, these faults may occur with an asset itself, but also may occur elsewhere in the network due to the interaction between connected assets. This is known as the 'Network Effect'.
- The more worn-out an asset is, the more faults it generates, and the rate of fault generation often increases exponential as an asset's condition reduces (ages).
- There is a natural point at which the expected network fault costs caused by asset deterioration exceed the cost of replacing the asset. This point of asset deterioration is known as the End of Service Life (EoSL) of the asset and is often described in 'years in service', although the actual measurement to determine this metric is measurement of the asset condition. When an asset condition reaches the end of its service life, it is economically sensible to replace it.
- This means that for every asset in a network there is an optimum service life; so, the whole network also has an optimum service life. In practice, this is calculated from assessing the condition of costly and critical assets in the network.
- This means that the optimal use of capital to maintain a network of assets occurs at the maximum average age of the assets. If the assets in a network are used beyond their EoSL, then the cost of the network increases, due to the increased cost of faults from assets that fail. Conversely, if assets are replaced too quickly, then the network also costs more to support because the capital involved is unnecessarily high.
- There is a 'sweet spot' for the efficient use of capital in any network. How far off the actual condition of the network assets are from this sweet spot allows assessment of how much additional cost is being generated by the network.

Concept 2 - Sustainable network renewal costs

Once a network is operating in its economic sweet spot, it is relatively simple to determine its sustainable capital replacement cost.

Figure 2: Determining sustainable capital replacement cost



Worn-out assets should be replaced with new ones at the same rate as the old ones are wearing out. This annual cost is known as the sustainable (capital) cost of the network ('keep up' investment). It is worth noting that replacing assets at this rate does not improve the condition of the network overall – it simply keeps it at the same condition it is already at.

Replacing assets more slowly than this rate degrades the network and generates an additional cost burden from faults. Conversely replacing assets faster than the sustainable rate improves this condition of the network and lowers consequential costs until the network is back to its economic sweet spot.

It is useful to distinguish between network replacement costs and network fault costs. Network replacement costs are an inherent part of maintaining the network and are not discretionary if network efficiency is to be maintained.

Faults costs (including leaks) are generated mainly by worn-out assets and are one of the consequential costs of network failure. Investing in mitigating consequential costs is not the same as investing in the network itself and, in practice, often diverts investment in network maintenance which further accelerates network degradation.

> **Asset Life**
>
> The 'End of Service Life' (EoSL) for an asset means that its condition has deteriorated sufficiently and that it is economically sensible to replace it with a new one. While the asset age is measured in years of life, it is not its age that determines when it should be replaced – it is its condition.

In the absence of intervention, the increasing and continuous cost of fixing leaks diverts investment from replacing the worn-out pipes that are the root cause of most of the leaks and so the network generates more leaks. This is a network cost 'runaway' situation – and this is the situation potentially facing much of Wellington's regional water networks.

Network risk analysis is often a major component of network economic analysis and is performed using the trend information on faults, condition assessments and a view of the current fault/expected baseline fault information. Probability of critical major network failures can be determined if a base probability of failure from a good condition network is provided.

The condition of much of the Wellington regional water networks with its current high rate of leaks and other asset failures means that the chance of a critical network failure event is currently high (estimated as 10 times that of a remediated network). The long timeframes involved in remediating the network (18-30 years) mean that this high risk of critical network failure remains for some time and any extension to the remediation process increases this risk of network failure.

Appendix I: Investment, price and debt scenarios

The network economic modelling is multi-dimensional and can be used to test a wide range of alternative investment, price, debt and risk scenarios. These scenarios are not intended to represent planned investment, but to help understand tradeoffs.

Apart from the rate of catch-up investment, the total investment required was taken as an assumed fixed quantum on the basis that it is the essential investment required to turn the network around and to meet growth and compliance standards. It is noted that this is an *estimate* only of the level of investment required and will require significant further refinement through the development of the WSDP.

Notes:

- Further analysis of financing arrangements, including how the WSCCO can utilise and structure borrowing to manage and smooth the rate of cost increases will need to be fully explored in subsequent phases of work.
- The versions of modelling scenarios have been based on the information, assumptions and limitations as noted in Appendix C.

Table 11: Scenario Modelling

Scenario Name	Scenario Purpose	Comments and key Insights
Main price and debt scenarios		
Optimised base scenario	Based on consideration and testing of a range of variables, including price, debt, cost and risk, this outlines an overall optimised scenario to remediate the network in 21 years and deliver substantial compliance in 23 years. The scenario can then be used to compare and contrast other scenarios.	There is further optimisation that can be achieved through further refinement of this scenario, but it gives an indication of an optimal and affordable investment pathway based on assumed average of 9% increase in prices.
1. Higher early price of 25% and then 9%	This scenario is based on the impact of a higher Year 4 price increase in order to reduce total debt and interest costs and achieve an investment-grade FFO:Debt Ratio >9% earlier.	A higher price increase may be considered unaffordable to water consumers. However, this results in lower peak debt and therefore lower costs to service debt and peak prices than the base scenario.
2. Lower and longer price rise - 5% pa	This scenario takes the investment required to turn around the network as a given and models a lower price rise. It calculates debt as the balancing variable.	This scenario results in a lower average peak price but would result in the network remediation taking 5 years longer. The scenario may also result in the WSCCO exceeding FFO debt limits in early years.
Main speed of catch up (Backlog Renewal Scenarios)		
3. Go slower – 30-year remediation period with 9% price rise	This scenario looks at remediating the renewal backlog and compliance issues over a longer period. This spreads the capital remediation impact.	This scenario results in a lower average peak price. However, it would also have higher risk of network faults due to the extended period the network continues to be held in its current poor condition.
Alternative investment scenarios		

Scenario Name	Scenario Purpose	Comments and key Insights
4. Investment if 20% increase in construction costs	This scenario models a 20% increase in construction/capex costs and allows for demand inflation due to many national water networks needing to be remediated at the same time.	Results in higher prices to customers – peak and long term and longer term to fix network.
5. Investment if 20% decrease in construction costs	This scenario models a 20% decrease in construction/capex costs, recognising that high interest rates and a downturn in the economy have led to some reduced construction costs.	Results in lower prices to customers – peak and long term and shorter term to fix network.
6. Faults cost increase	This scenario models $120 million of faults costs pa.	Results in higher prices to customers – peak and long term and longer term to fix network.
7. Increased opening debt	This scenario models if the WSCCO has an opening debt of an additional $500m or total of $2.8b. This helps to understand potential impacts of additional financing arrangements.	Results in a potential credit shortfall in 2028 which could be managed based on actual year of borrowing. Results in higher peak and sustainable price.
8. Investment level set at LTP levels	This scenario models what the faults costs, risk, price and debt impacts are if the investment level is set at the aggregate of the 10 councils' LTP capital spends for the next 10 years.	This level of investment continues to degrade the network, increases costs to the consumer and results in a continually increasing consequential cost from network failure. This level of investment makes the eventual remediation of the network more expensive and costs to the consumer rise.

Table 12: Financial modelling and analysis – refer also to the diagrams below that explain the linkage from economic modelling to financial modelling.

Aspect	Economic model is:	Economic model is not:
Purpose	To enable rapid exploration of different strategic options and scenarios to support strategic decision making (this aims to enable councils to evaluate the merits of a strategic, "regional water delivery entity" option).	Designed to support more detailed tactical decisions. For example, detailed, accurate pricing of specific services or detailed investment plan (this level of modelling detail would be undertaken in the establishment phase of a WSCCO).
Level	Strategic, macro model.	Tactical, micro model.
Timeframe	30+ years.	Short-term financial model (noting that a financial accounting perspective of the first 10-year horizon is included in Appendix J.)
Inflation	Using real numbers. This makes comparisons clearer and underlying trends more transparent.	Using nominal, inflated numbers (but the report provides a set of 10-year financial projections which incorporate inflation in Appendix J.)
Accuracy	Targeting +/-20% around revenue, investment, debt etc over the 30-year period, i.e. a sufficient level of accuracy for strategy decision-making purposes (note modelling used the "best available data and assumptions". Some of these,	Not intended as the basis for investment decisions but is intended to inform scenarios that investment planning can be based upon.

	such as the available asset condition metrics, are known to be weak[2]).	
Investment	Calculating top-down investment "envelope" required by main category (sustaining, catch up, growth, compliance).	Bottom-up project by project build-up of a detailed Investment or Asset Management Plan.
Price	Calculating aggregate "Revenue Requirement" and revenue path (rather than price for a specific service).	Designed to calculate prices for specific services, specific regions etc.
Averaging	Averaging costs over long-term timeframes, e.g. 20 - 30 years for sustaining or catch-up period.	Designed to provide finely phased figures that factor in ramp-up periods and inconsistent levels of investment for major projects.

[2] Refer to Appendix C for assumptions

Economic & Financial Modelling - Approach

ECONOMIC MODEL (30 Year)

Purpose: **Enable strategic analysis to:**

1. Explore options for turning the network performance around

2. Land a preferred option

Model uses:

1. Macro assumptions.
2. Real, not inflated figures.

1. Build Model | **2. Populate & Calibrate Model** | **3. QA Model** | **4. Analyse** | **5. Report**

Sanity check providing similar results

1. **Turnaround Strategy** (clear, compelling, optimised)
2. **Investment required**
3. **Price path & revenue funding**
4. **Residual debt required**

a) Opening revenue
b) Expenses
c) Funds from operation
d) Opening debt

a) Year 4 onwards <u>real</u> Capex
b) Year 4 onwards <u>real</u> price path

FINANCIAL MODEL (10 Year)

Purpose: **Fine tune preferred option to produce**

1. Robust Year 1 -10 financial projections (inc price, FFO, capex & debt)

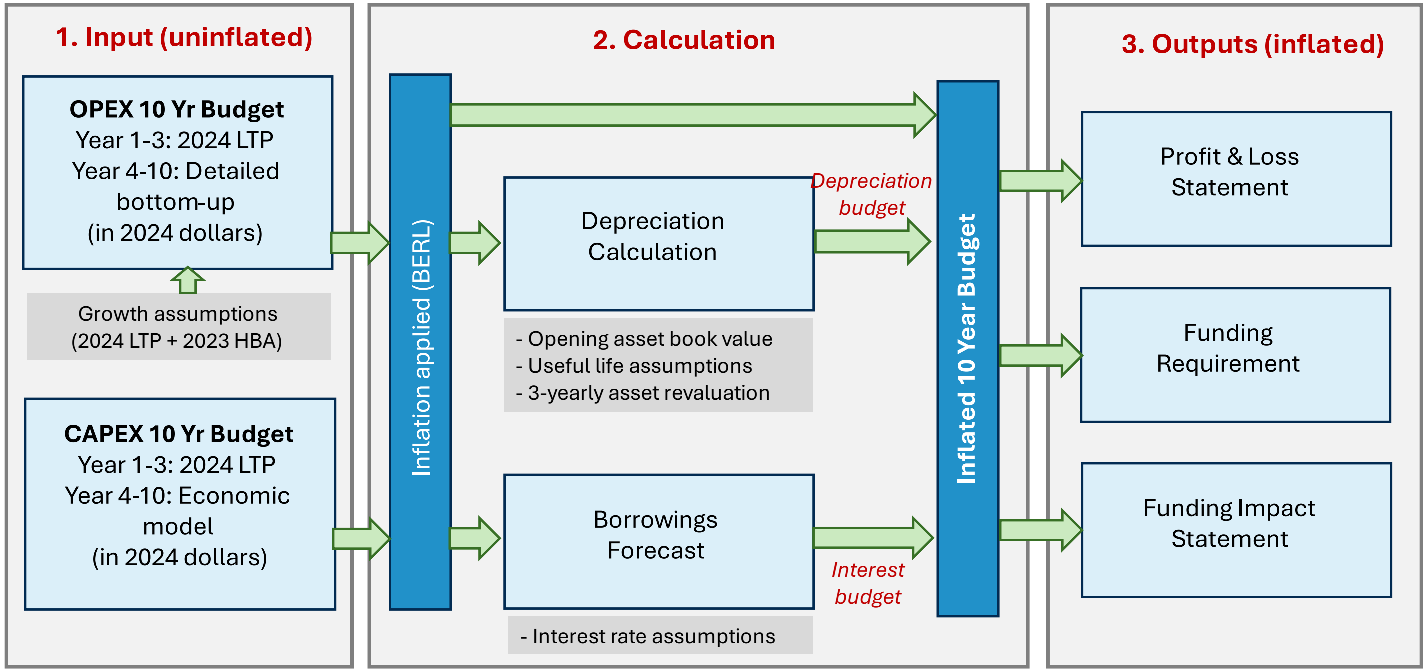
Model uses:

1. Micro assumptions (LTP etc).
2. Nominal figures (ie factors in inflation)

1. Build Model | **2. Populate & Calibrate Model** | **3. QA Model** | **4. Analyse** | **5. Report**

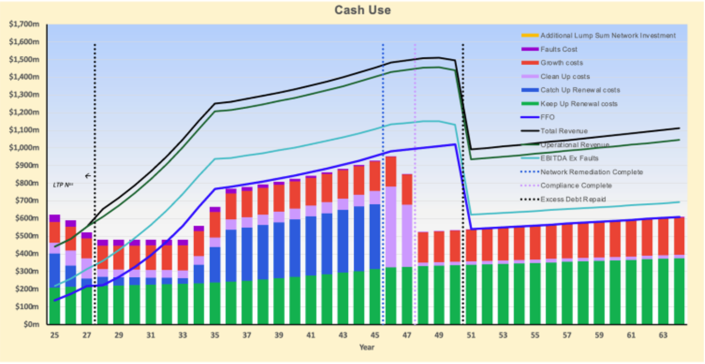
1. **10 Year Financials**
2. **Info to populate business plan section**
3. **10 year nominal price path**
4. **10 year nominal debt profile**
5. **10 year credit rating metrics**

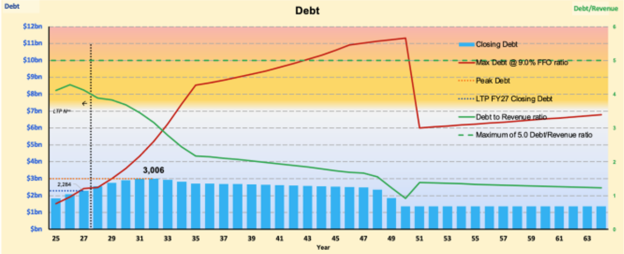
Model Overview – 10 Year Financial Projection Model

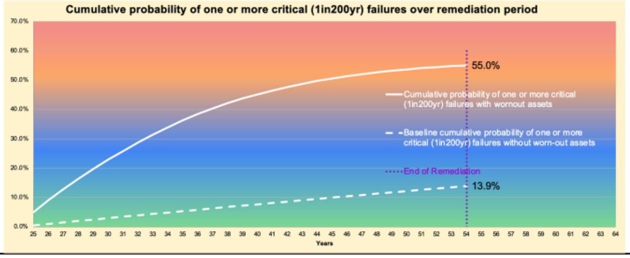


Scenario Baseline: 9% pa (*all values are in $FY24*)

Headline Metrics



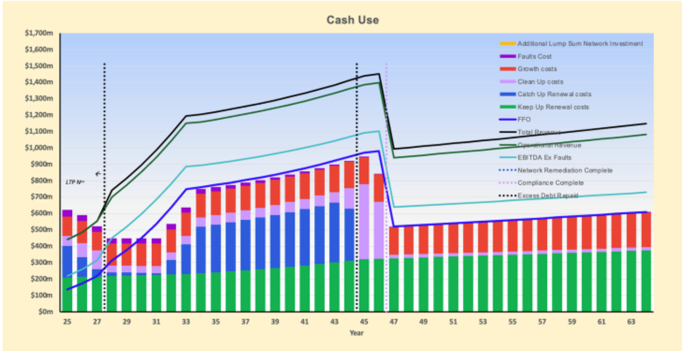




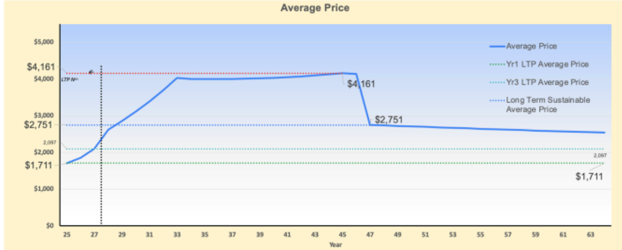
Long-term average sustainable price	$2,596	in 2051
Peak average price	$4,239	~2035-2050
Peak debt	$3.0bn	2032
Peak credit limit shortfall	$0.0bn	
Network fixed	2045	
Network self funding	2033	
Debt repaid	2050	
Network investment costs	74%	
Interest costs	23%	
Faults costs	3%	
Network critical failure risk increase	55% vs 13.9%	

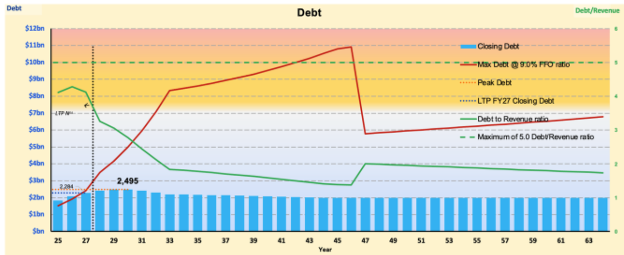
Scenario 1: 25% yr4 price rise, then 9% pa *(all values are in $FY24)*

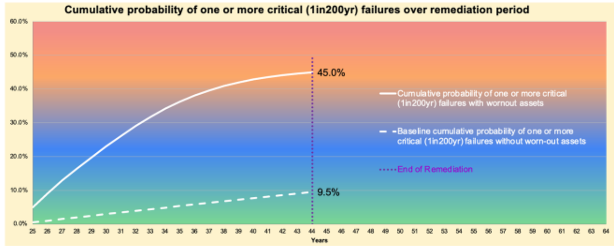
Headline Metrics



Long-term average sustainable price	$2,751	in 2047
Peak average price	$4,161	~2033-2046
Peak debt	$2.5bn	2030
Peak credit limit shortfall	$0.0bn	
Network fixed	2044	
Network self funding	2030	
Debt repaid	2043	
Network investment costs	81%	
Interest costs	16%	
Faults costs	3%	
Network critical failure risk increase	45% vs 9.5%	

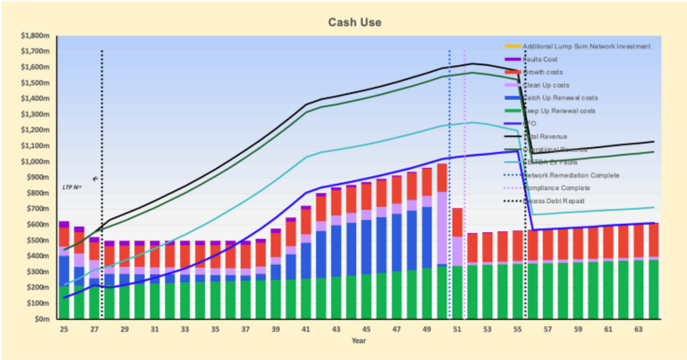




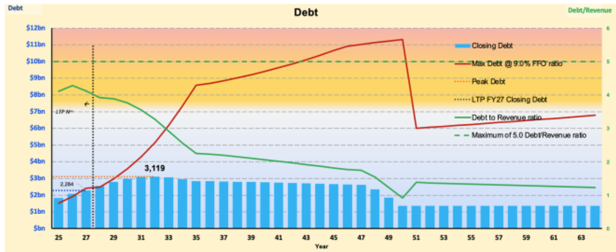


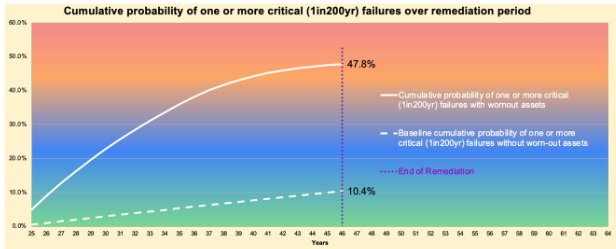
Scenario 2: 5% pa price rise *(all values are in $FY24)*

Headline Metrics



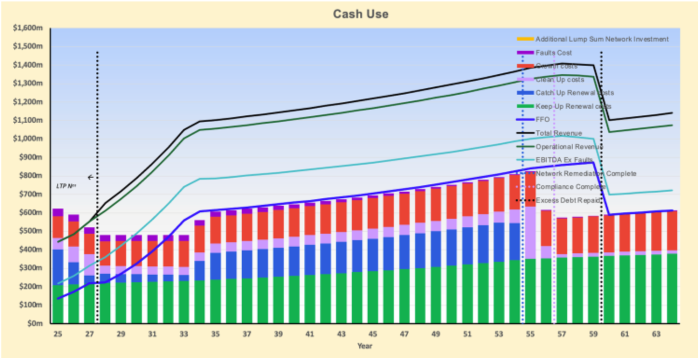
Long-term average sustainable price	$2,584	in 2056
Peak average price	$4,330	~2041-2055
Peak debt	$3.1bn	2032
Peak credit limit shortfall	$0.5bn	2030
Network fixed	2050	
Network self funding	2037	
Debt repaid	2055	
Network investment costs	70%	
Interest costs	27%	
Faults costs	3%	
Network critical failure risk increase	47.8% vs 10.4%	



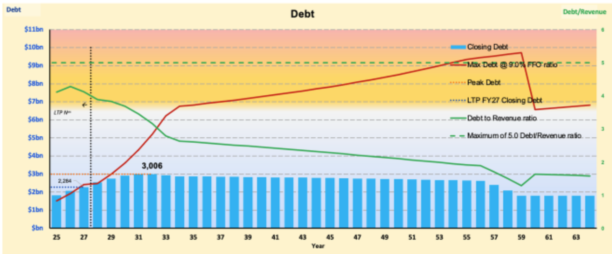


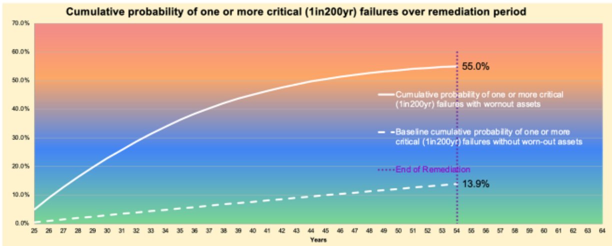
Scenario 3: 30yr network recovery, 9% pa price rise, reduced peak funds (85%) to lengthen remediation period *(all values are in $FY24)*

Headline Metrics



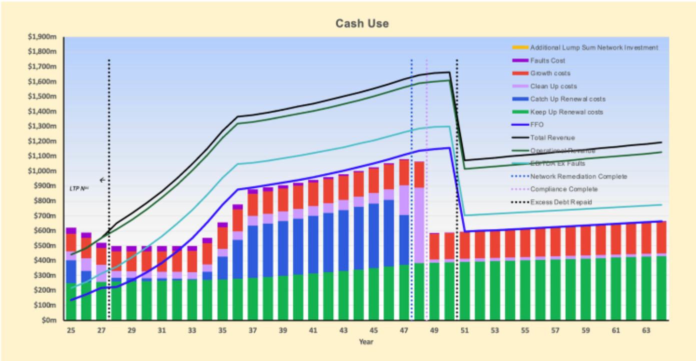
Long-term average sustainable price	$2,567	in 2060
Peak average price	$3,628	~2034-2059
Peak debt	$3bn	2032
Peak credit limit shortfall	$0.0bn	
Network fixed	2054	
Network self funding	2033	
Debt repaid	2059	
Network investment costs	73%	
Interest costs	24%	
Faults costs	3%	
Network critical failure risk increase	55% vs 13.9%	



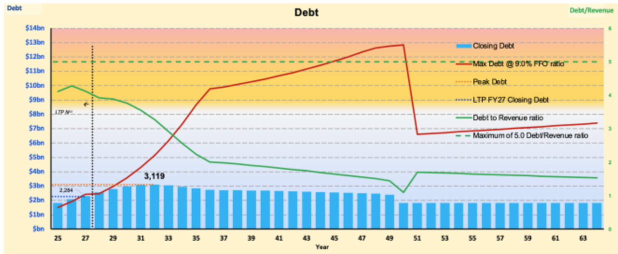


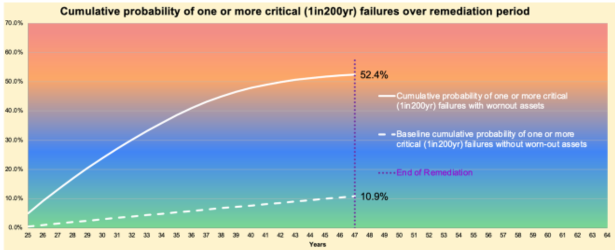
Scenario 4: 20% increase in cost, +9% pa price rise *(all values are in $FY24)*

Headline Metrics



Long-term average sustainable price	$2,824	in 2051
Peak average price	$4,592	~2036-2050
Peak debt	$3.1bn	2032
Peak credit limit shortfall	$0.0bn	
Network fixed	2047	
Network self funding	2033	
Debt repaid	2050	
Network investment costs	77%	
Interest costs	20%	
Faults costs	3%	
Network critical failure risk increase	52.4% vs 10.9%	

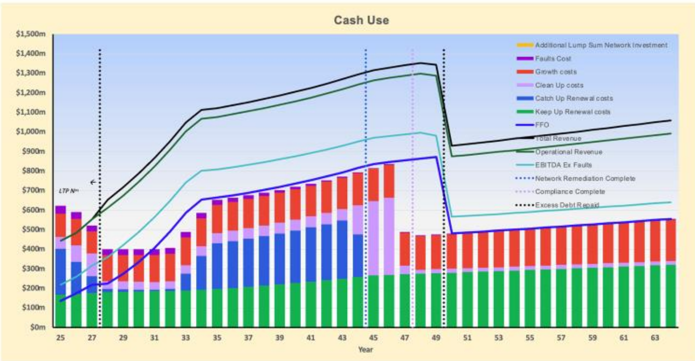




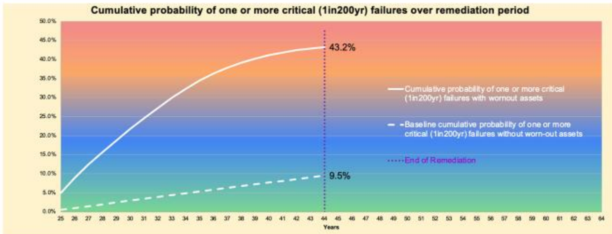
Absolutely Positively Wellington City Council
Me Heke Ki Pōneke

Scenario 5: 20% decrease in cost, +9% pa price rise *(all values are in $FY24)*

Headline Metrics

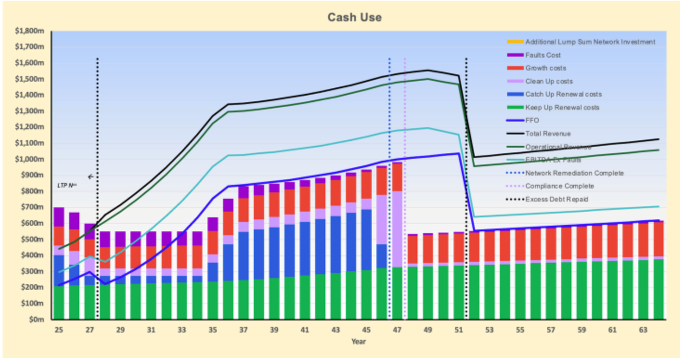


Long-term average sustainable price	$2,461	in 2050
Peak average price	$3,796	~2034-2049
Peak debt	$2.7bn	2030
Peak credit limit Shortfall	$0.0bn	
Network fixed	2044	
Network self funding	2031	
Debt repaid	2049	
Network investment costs	74%	
Interest costs	23%	
Faults costs	3%	
Network critical failure risk increase	43.2% vs 9.5%	

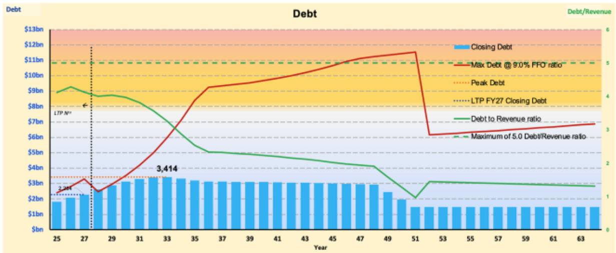


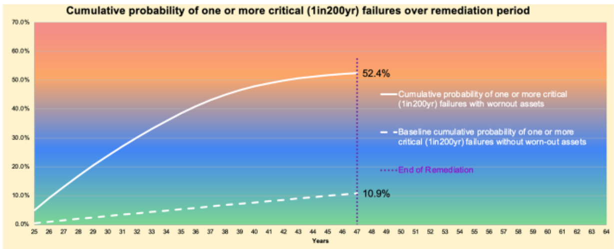
Scenario 6: $120m fault cost, 9% pa price rise *(all values are in $FY24)*

Headline Metrics



Long-term average sustainable price	$2,623	in 2052
Peak average price	$4,368	~2036-2051
Peak debt	$3.4bn	2033
Peak credit limit shortfall	$0.1bn	2028
Network fixed	2046	
Network self funding	2034	
Debt repaid	2051	
Network investment costs	69%	
Interest costs	23%	
Faults costs	8%	
Network critical failure risk increase	52.4% vs 10.9%	





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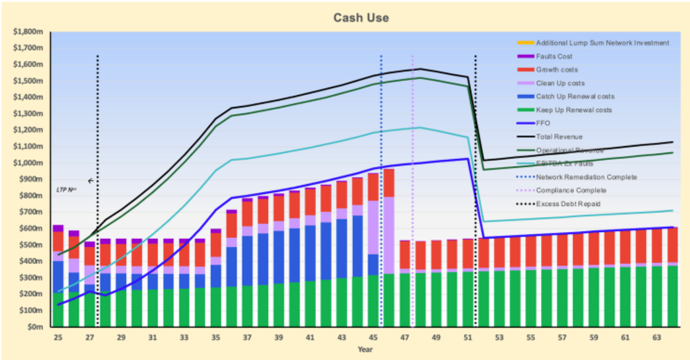
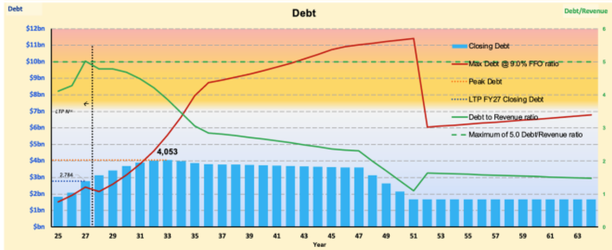
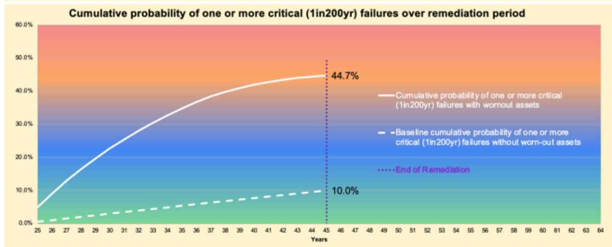
Scenario 7: Increased opening Debt (+$500M), 9% pa price rise *(all values are in $FY24)*

Headline Metrics



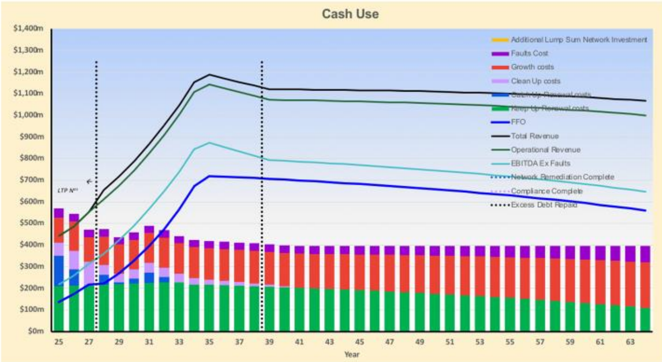




Long-term average sustainable price	$2,632	in 2052
Peak average price	$4,441	~2036-2051
Peak debt	$4.0bn	2033
Peak credit limit shortfall	$1.0bn	2028
Network fixed	2045	
Network self funding	2034	
Debt repaid	2051	
Network investment costs	70%	
Interest costs	28%	
Faults costs	2%	
Network critical failure risk increase	44.7% vs 10%	

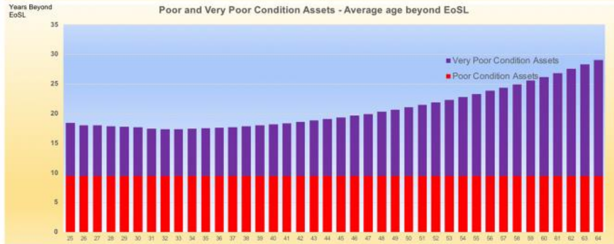
Scenario 8: Consolidated Council LTPs: 9% price rise (*all values are in $FY24*)

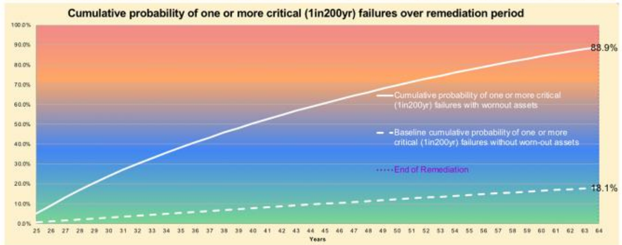
Headline Metrics



Long-term average sustainable price — is not able to be achieved
Peak average price — $3,899 — ~2035 onwards
Peak debt — $3.0bn — 2031
Peak credit limit shortfall — $0.0bn

Network fixed — never
Network self funding — 2031
Debt repaid — 2038
Network investment costs: - are increasingly used to meet increasing faults and growth costs, removing the ability to fund Network Renewal with continued decline in asset condition
Network critical failure risk increase: — 88.9% vs 18.1%





Appendix J: Financial projections

This section outlines the 10-Year financial projections. The financial projections assume that the new entity comes into operation on 1 July 2027 (start of Year 4). As noted in the body of the report, this may in fact be earlier, from early 2026 with a staged implementation approach.

The first three years of the financial projections are taken from councils' final adopted 2024 Long-term Plans (LTPs). The following seven-year figures are the financial projections for the new entity based on the 9% pa price scenario set out in the Financial Sustainability section.

Forecast Profit & Loss Account (P&L)

Table 8 sets out the forecast 10-Year Profit & Loss account. This is based on the Key Financial Assumptions detailed in below. The salient points to note are:

1. **Nominal** - the figures in the Profit & Loss account are shown in nominal (inflated) dollars.
2. **Revenue** – is based on the revenue levels set in the final adopted 2024 LTP for the first three years and an average annual price increase of 9% is applied from Year 4 (2027/28) onwards (after adjusting for growth and inflation).
3. **Expenses** – we have not factored in any efficiency savings. Rather, the assumptions are that (i) any efficiency savings will be sufficient to fund the continuous improvement projects one would expect a business to invest in each year and (ii) any efficiency savings above that will be used to accelerate the speed of rectifying the renewals backlog.
4. **Funds from operation (FFO) and surplus** – as discussed in the Financial Sustainability section, with the 9% pa steady price rise it takes until 2033 for FFO to be sufficient to cover the c$550 million pa capital investment ($ quoted in real terms here). The surplus reflects this situation.
5. **Explanation for dynamic** – the shortfall is the result of the inherited revenue streams being significantly short of the amount required to fund the required level of investment. Hence, the rise in revenue needs to be sufficient to close the gap and to fund the rapidly increasing interest burden arising from the debt used to fund the gap until the price path catches up.
6. **Establishment costs** – at this stage, we have not factored in any of the operational or capital investment required to establish a new entity. The Transition section below provides a rough indication of potential establishment costs.

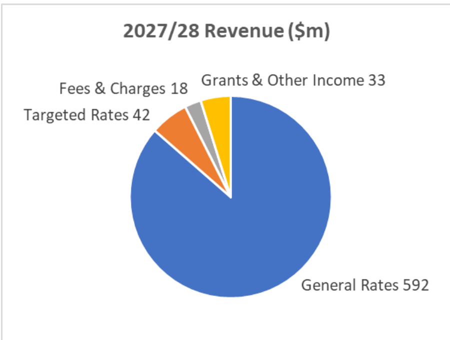
Table 13 – Profit and Loss Account, 3- and 10-Year Summary

Profit and Loss Account, 3- and 10-Year Summary ($m)	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Revenue[3]	**460**	**518**	**620**	**697**	**782**	**875**	**982**	**1,098**	**1,227**	**1,372**
Expenses	**364**	**378**	**426**	**465**	**488**	**507**	**521**	**560**	**561**	**559**
Staff[4]	-	-	-	*109*	*112*	*114*	*117*	*120*	*122*	*125*
less Capitalised labour	-	-	-	*(45)*	*(46)*	*(47)*	*(48)*	*(49)*	*(50)*	*(51)*
Maintenance	-	-	-	71	73	75	77	78	79	81
Operations	241	246	272	80	82	84	86	88	87	89
Monitoring & Investigations	-	-	-	41	42	44	46	48	49	50
Other – *digital, insurance, property, admin etc*	38	42	50	78	82	84	86	88	90	92
Integration & Efficiency Initiatives	-	-	-							
Interest	85	90	105	131	143	153	158	188	183	174
Funds from Operations	**96**	**140**	**194**	**232**	**293**	**369**	**461**	**538**	**666**	**813**
Depreciation	241	249	270	277	288	313	324	336	363	371
Net Surplus/(Deficit)	**(145)**	**(109)**	**(76)**	**(45)**	**6**	**56**	**137**	**202**	**303**	**442**

An explanation of each of the line items follows below. The explanations focus on the composition of the Year 4 figures, being the first year of the new regional entity's operation. Given the stable nature of the business, the composition of the subsequent years figures is very similar with inflation being the main reason for the year-on-year change.

Revenue ($685 million): The revenue figures comprise a blend of rate and service fees (refer to the chart below). The water rating revenues equate to a cost of approximately $2,003 per residential household and $5,025 per business (excluding GST) based on current council rating differentials. The core targeted rates, general rates and fee revenues streams are relatively stable. Grants are more volatile.

Underlying the revenue streams are a very diverse and fragmented range of service and pricing structures inherited from the 10 legacy councils. A key task for the new entity will be to simplify and rationalise the service, pricing & tariff structures. This will be an essential foundation for enabling customer transparency and rebalancing revenues to sustainable levels which reflect the cost to serve.



Staff expenses ($109 million): The staff expenses are based on the detailed organisation structure which was designed for the regional entity during the Three Waters programme (Entity G). The design has been adjusted to back out roles no longer required under the new legislation and to add in roles from Horowhenua District Council. The total headcount of the new organisation design is 727. This is an increase of 143 (11%) new roles on the roles transferring in from councils and WWL. The main drivers behind the increase are roles to furnish new capabilities for: (i) the new regulatory regime; (ii) retail customer billing/support; and (iii) additional corporate support capacity. The additional corporate

[3] Revenue excludes capital contributions (e.g. development contributions). These are accounted for and discussed in the Capital and Funding sections below.
[4] Staff costs of temporary people ($0.8m) employed to work on initiatives are included in the initiative costs line, not the staff cost line.

support capacity is required because, while significant operational staff would transfer from councils, hardly any corporate/customer staff would transfer.

Some parts of the organisational structure are driven by the need for some extra support in the "frenetic" early years. Accordingly, there will be opportunities to streamline some areas of the organisation structure as the organisation matures and staff turnover.

Maintenance expenses ($71 million): The main components are planned maintenance ($22m), reactive maintenance ($46m) and general maintenance such as plant & equipment maintenance ($3m). The high level of reactive maintenance reflects the ageing network. This is a significant opportunity to improve efficiency as the entity ramps up sustaining maintenance and remediates backlog renewals.

Operations expenses ($80 million): The major components of these expenses are general operations costs ($55m); consisting of work such as leak detection, backflow prevention, land disposal, costs associated with the new sludge minimisation facility operations, power ($17m), compliance costs, chemicals ($6m) and operating technology ($2m).

Monitoring and investigation expenses ($41 million): The main components here are: investigations ($11m), asset management improvements ($9m), strategic planning ($2m), sampling and monitoring ($5m) and other general operational planning and investigation work ($14m) such as carbon management, hydraulic modelling, universal water meters business case, growth planning and modelling, seismic and resilience assessments, water conservation, and facility management plans.

Efficiency: The cost base included in the P&L is high compared with comparative water businesses (refer Appendix J). There are a number of areas which should be targeted for efficiency improvement as the organisation stabilises. As noted above, we have not factored in any efficiency costs at this stage. Rather, we assume that any efficiency savings will be reinvested in continuous improvement initiatives and to accelerate the remediation of the renewals backlog.

Other expenses ($78 million): The main components of other expenses are professional services ($12m), insurance ($15m), rates expense ($15m), digital services ($19m), telecommunications ($1m), other operating costs such as rent, doubtful debts, security, vehicle costs, community engagement ($10m), and administration costs ($6m), including Commerce Commission and Taumata Arowai levies.

Interest expense ($131 million): The interest expense rises steeply as a result of higher interest rates and high debt driven by:

- $2,273 million inherited from Councils on 1 July 2027
- $536 million pa debt required to fund average capital expenditure in first three years of the new entity.

Note: Watercare does not capitalise interest and it is assumed that the WSCCO would also adopt this stance.

Operating cashflow ($240 million): The funds from operations improve significantly driven by the increase in revenue.

Depreciation expense ($232 million): Depreciation is currently based on assumed asset lives and the latest council revaluations. A full revaluation will be undertaken on acquisition. The actual asset lives will also be available on acquisition. Both of these actions will result in some change to the asset and depreciation figures.

Net surplus/deficit ($45 million): The deficit primarily reflects the revenue shortfall as previously discussed, along with the "full" costs resulting from the entity being a standalone, fully-fledged utility (for example, having its own billing systems, finance systems, paying regulator fees, paying rates etc).

Sensitivity and risks: There is still a relatively high level of uncertainty surrounding a number of the assumptions and figures. The main uncertainties are summarised in Table 14 below. The key assumptions are set out in Appendix C.

Table 14 – Risks and sensitivities

Risks and sensitivities ($m)		
Item	Level of Uncertainty	Comment on major risks
Revenue		
Operating Income	High (>$10m)	May be a rationale for choosing a different % price increase than the 9% placeholder.
Capital Income	Med (<$10m)	Forecast prices for DCs may change depending on final capex profile and population growth forecasts.
Expenses		
Staff	Low (<$4m)	The forecast assumes that all roles are full-time equivalents. Potentially, some roles may be part-time. The cost would reduce accordingly.
Maintenance	Low (<$4m)	The forecast is based on WWL's forecast budget for Year 1 of the 2024 LTP for WWL shareholding councils with a 15% uplift for Carterton, Kāpiti Coast, Masterton and Horowhenua based on historical portion of spend between the councils. The final costs may be less than forecast.
Operations	Med (<$10m)	The forecast is based on WWL's forecast budget for Year 1 of the 2024 LTP for WWL shareholding councils with a 15% uplift for Carterton, Kāpiti Coast, Masterton and Horowhenua based on historical portion of spend between the councils, plus provision for power costs of $16 million that are currently paid by councils (not included in WWL forecasts). The final costs may be less than forecasted. The only consequential opex costs factored in are for the new Sludge Minimisation Facility.
Planning & Investigations	Med (<$10m)	The forecast is based on WWL's forecast budget for Year 1 of the 2024 LTP for WWL shareholding councils with a 15% uplift for Carterton, Kāpiti Coast, Masterton and Horowhenua based on historical portion of spend between the councils. The final costs may be less than forecasted.
Other	Med (<$10m)	Uncertainty about $15 million rates expense forecast. Have budgeted based on the CV-forecast from the Three Waters programme. It assumes that only 70% of land will transfer (Watercare %), but actual costs may be higher or lower.
Interest	Med (<$10m)	Uncertainty is low for interest rate, but medium for quantum of debt. Approx $5.47 million interest per $100 million of capex/debt.
Depreciation	Med (<$10m)	Dependent on capex profile and still based on estimated useful lives for assets rather than actual.

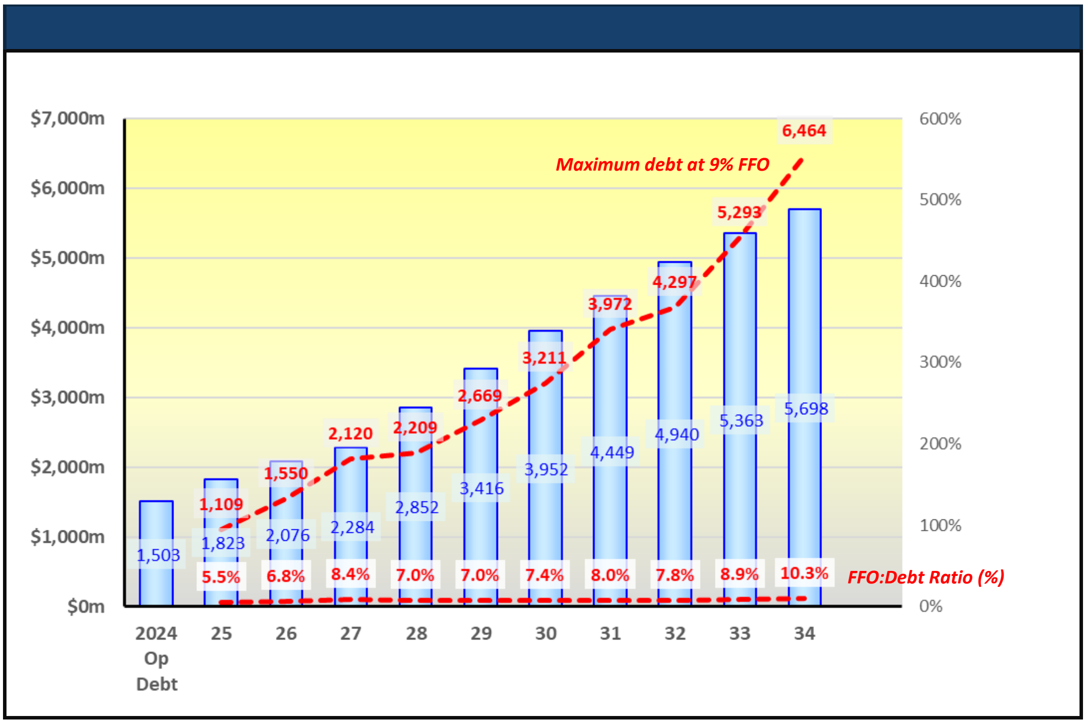
Forecast 10-Year capital investment and funding requirements

The forecast 10-Year capital investment, funding requirements and associated funding metrics are shown in Table 15 & Figure 3 below. They reflect the proposed investment and funding strategy set out in the Financial Sustainability section. As noted earlier, they (1) are based on nominal, inflated figures; and (2) exclude the capital investment costs required to establish a new entity.

Table 15 – Summary 3- and 10-Year Investment Plan and Funding Requirement

Summary 3- & 10-year investment plan and funding requirement ($m)	25	26	27	28	29	30	31	32	33	34
Current Infrastructure Projects										
Renewals	201	220	222	-	-	-	-	-	-	-
Keep up				246	255	264	274	283	292	302
Catch up				77	75	73	70	67	63	139
Clean up				30	31	32	32	33	34	39
Levels of Service	268	242	161	-	-	-	-	-	-	-
Digital	-	-	-	18	19	19	20	20	21	21
Sundry (e.g. property)	-	-	-	2	2	2	2	2	2	2
Total Current	469	462	383	374	382	390	398	405	412	503
Growth Projects	121	117	136	148	154	160	165	171	177	183
Total Capital Spend	590	579	518	522	536	549	563	576	589	686
Funded By:										
Capital income	166	208	105	56	31	40	50	47	59	31
Funds from Operations	96	140	194	232	293	369	461	538	666	813
Debt	328	231	220	234	211	140	52	(8)	(136)	(158)
	590	579	518	522	536	549	563	576	589	686

Figure 3 – Summary of debt level vs investment vs price



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Appendix D: Council profiles

The following pages provide an overview of water service delivery for each council. These overviews were initially prepopulated with information from the Entity C working draft asset management plan appendix A, the AECOM Asset Management Plans, council websites, and the Long-term Plans. Councils reviewed the prepopulated information and corrected or updated where possible*. The table below summarises the sources of information for each section.

Section	Information source	Notes
Council overview	• Council websites, reviewed and adjusted by council staff • ArcGIS, Statistics NZ • WWL Stormwater Management Strategy	
Population	• The Wellington Regional Leadership Committee regional dashboard • Census 2023	
Projected population for 2054	• The Wellington Regional Leadership Committee regional dashboard: WRLC Housing Data	
Water asset information	• AECOM Asset Management Plan V1.0	• Note that Kāpiti Coast District Council provided updated information from 2024 Asset Management Plan.
Water asset condition	• AECOM Asset Management Plan V2.0 • WWL Addendum supplied as part of the MVP Asset Management Plan material for the 2024-34 LTP	• Note that Kāpiti Coast District, Hutt City, Masterton District and Greater Wellington Regional Councils provided updated asset condition information.
Water challenges and projects	• Largely from AECOM Asset Management Plan V1.0, some councils provided additional information out of LTPs	• Note that Kāpiti Coast District Council provided updated information from 2024 Asset Management Plan.
Compliance issues	• Entity C working draft AMP council summaries were used as the base with updates provided by councils	
Planned pipe replacement	• All information provided by councils • 2024-34 Investment Planning and Advice, Porirua City Council	

* Note – no information was received from Carterton District Council.

Water service delivery overview – Horowhenua District Council

Horowhenua District Council

Council overview

- The Horowhenua District offers a stunning natural environment on the lower west coast of the North Island. Kilometres of unspoilt beaches, forest walks and a hinterland that is rich in both Māori and European history. Bound by the Tasman Sea to the west and the bush-clad Tararua Ranges to the east, Horowhenua is blessed with superb natural assets, treasured historical heritage and a thriving cultural life, all within easy reach of New Zealand's capital city Wellington.
- Horowhenua encompasses an area of **106,400 hectares**.
- **Major waterways** are Ōhau and Manawatū rivers, Lake Horowhenua, Koputaroa Stream, Tokomaru River, Mangahao River.

POPULATION
36,693 (Census 2023).

- Projected population of **65,589** for **2054**.

Water asset information (current state)

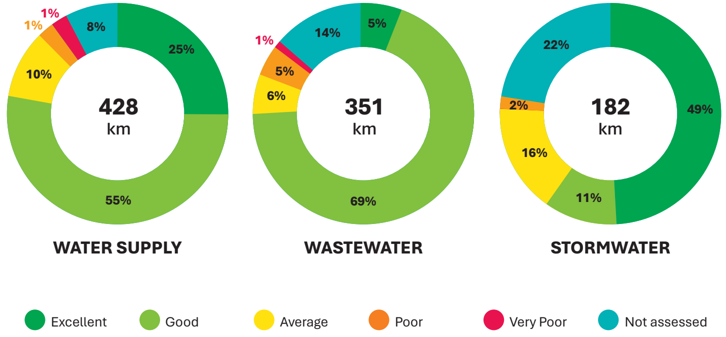
RETICULATION
428km of water supply pipes
351km of wastewater pipes
182km of stormwater pipes

TREATMENT ASSETS
5 water treatment plants
6 wastewater treatment plants

STATIONS
1 water supply
53 wastewater
19 stormwater pump stations

REPLACEMENT VALUE
Combined replacement value **$635m**

Water asset condition (current state)



Water service delivery overview – Horowhenua District Council

Water challenges and projects

Type	Key water risks, issues and challenges for the next ten years
3W general	• Ageing infrastructure – treatment plants like the Levin Wastewater Treatment Plant. • Resilience in managing aging infrastructure during a natural disaster. • Growth predictions impact infrastructure capacity. • Climate change – increased weather events and stormwater impacts on wastewater infrastructure. • Data quality and reliability, including assumed condition.
Water services	• Ageing infrastructure of water supply assets. • A major challenge Council faces is securing a sustainable source of water supply for growth, specifically in Levin. There are quantity issues that need addressing to ensure Council can secure water supply to existing and future communities.
Wastewater	• A major challenge is the increasing age of Council's wastewater assets especially within the Levin reticulation and treatment plant. Poor pipe condition is a major cause of groundwater infiltration which adds unnecessary volume to the amount of wastewater collected during wet weather events. • Meeting with growth demand. Anticipated growth is leading to increased residential, commercial and industrial demand. • Sludge treatment and disposal over recent years been challenging for Council including the increased cost for disposal. • Resource consent process and complying with consent conditions can be expensive, particularly with increased expectations from the public and stakeholder groups.
Stormwater	• Localised flooding and drainage issues. • Stormwater quality issues especially around Lake Horowhenua (Punahau). • Another challenge faced by Council is that the quality of freshwater in streams, river systems, and water catchments in general is affected by water runoff, erosion, and contaminants (whether chemical or solid waste) which can be present in stormwater.

Type	Top priority projects / key planned investments in water for the next ten years
3W general	• Any activities concerning Lake Horowhenua (Punahau). This is a community asset and culturally significant. An unwavering commitment has been made with iwi and stakeholders to restore the mauri of the wai.
Water services	**Levin** • Installation of state of the art Water Demand Management system. **Foxton** • Installation of steel reservoir (500m³) in 2018 at the Foxton Water Treatment Plant. • Removal of manganese in sand filters at the Foxton Water Treatment Plant in early 2017 to supply aesthetically acceptable water to consumers. **Foxton Beach** • Installation of green sand filters in Foxton Beach water treatment plant in 2017. **Tokomaru** • Construction of new timber reservoir (200m³) in 2017 to increase the total storage capacity of the treated water to 677m³. **Other** • Further improvement work on Water Demand Management in Levin, Shannon, and Foxton areas, but not Foxton Beach. • Increasing water storage capacity in Levin. • Finding an alternative water supply source for Levin, including a supplementary sustainable water supply. • The requirements for a reticulated water supply to growing smaller settlements, such as Waitārere Beach and Ōhau, which will only be considered once a long-term water source for Levin has been secured. • Strategic upgrade of the Levin Water Treatment Plant to increase capacity of the clarifiers, filters, and chemical dosing plant, increase treated water storage capacity and to improve the backwash water process and re-use. • The Levin (Poads Road) Water Supply Reservoir – build a new large-scale water reservoir. • Roll out the water meters project.
Wastewater	• Levin Wastewater Treatment Plant upgrades. • Plant Inlet and Headworks. This is required to increase hydraulic capacity at the head of plant, reduce grit carryover to downstream systems, prepare for future upgrades, and tie in with planned work such as the septage screening facility and new inlet line. • Sludge Dewatering Plant. This is required due to lack of capacity, resiliency, and excessive operating demands. • Sludge Balance Tank. The sludge balance tank has been identified as structurally unsound. • Extension and reconsenting of irrigation of treated effluent.
Stormwater	• District wide stormwater improvement works. Including: – Foxton Drainage Resilience Project – Foxton Beach Global Consenting Program – Lake Horowhenua Master Plan – Levin Stormwater Consents projects – Makerua Drainage Scheme

Planned pipe replacement

To be confirmed

Compliance issues

DRINKING WATER STANDARDS

WASTEWATER STANDARDS

- Abatement Notice 1428 – Tokomaru Wastewater Working Party – non-compliance.
- Capacity to meet consenting conditions is limited.

STORMWATER STANDARDS

Absolutely Positively **Wellington** City Council
Me Heke Ki Pōneke

Water service delivery overview – Kāpiti Coast District Council

Kāpiti Coast DISTRICT COUNCIL

Council overview

- Kāpiti Coast District has an area of **731.52km²** of which **76.7km²** is urban and **654.8km²** is rural. It is **50kms** north of Wellington City. The population of the district is concentrated in the chain of coastal settlements along SH1: Ōtaki, Te Horo, Waikanae, Paraparaumu, Raumati Beach, Raumati South and Paekākāriki. Paraparaumu is the most populous of these towns and the commercial and administrative centre for the district.
- Kāpiti Coast encompasses an area of **731,520 hectares**.
- **4 major waterways** Waikanae, Ōtaki, Waimeha, Mangaone which all to the Tasman Sea.

POPULATION
58,744 (2024).

- Projected population of **80,924** for **2054**.

Water asset information (current state)

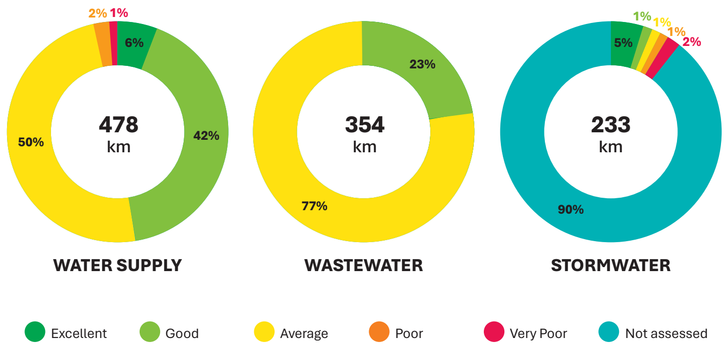
RETICULATION
588km of water supply pipes, including **110km** of service laterals
18 water supply service reservoir sites
354km of wastewater pipes
5 wastewater storage ponds
233km of stormwater pipes
52km of open waterways

TREATMENT ASSETS
17 water bores
2 surface water intakes
5 water treatment plants
2 wastewater treatment plants

STATIONS
9 water supply pumping stations
153 wastewater pumping stations
18 stormwater pumping stations

REPLACEMENT VALUE
Combined replacement value
$1,132m

Water asset condition (current state)



Water service delivery overview – Kāpiti Coast District Council

Water challenges and projects

Type	Key water risks, issues and challenges for the next ten years	Top priority projects / key planned investments in water for the next ten years
3W general	• Meeting population growth demand - growth – capacity. • Climate change impacts. • Affordability of levels of service – funding. • Seismic hazards. • Government changes to three waters services. • Regulatory changes.	• Developing long term solutions with Iwi partners. • Water treatment plant resilience programme. • Strategic water supply network and storage upgrades. • Wastewater treatment plant consent renewal and treatment plant upgrades. • Wastewater septage reception facility and strategic network upgrades. • Prioritised stormwater network upgrades programme.
Water services	• Extension of existing water supply network to unserved rural areas. • Compliance to meet new regulatory requirements. • Waitua Recommendations (Impacts on Water Allocation).	• Treatment plant resilience upgrades – Waikanae, Ōtaki and Hautere. • Ōtaki reservoirs. • Strategic Network Upgrades.
Wastewater	• Resource consents for Paraparaumu wastewater treatment plants expired in 2022. Application for renewal of consent submitted in Dec 2021. • Proposed upgrades likely to meet future consent requirements. • Iwi partners' support for developing long-term, sustainable delivery. • The rise of the water table. • Condition data for linear network assets. • Waitua Recommendations (Impacts on Wastewater discharges).	• Wastewater consent renewals. • Proposed treatment plant upgrades both at Ōtaki and Paraparaumu. • Wastewater network emergency storage pond lining completed. • Inlet works upgrade, concept design complete. • To develop long-term sustainable solutions with iwi partners. • Septage collection facility. • Strategic Network Upgrades
Stormwater	• Flood hazards in 30% of urban properties. • 50% of piped network is under capacity for a 1:10 year event. • 30-40% cost increases impacting on what can be delivered. • Inflow infiltration issues. • Privately owned SW assets (ponds, soak pits, down pipes etc.) not maintained. • Increased urbanisation (Intensification). • Emergency response. • Open drain/stream maintenance. • Waitua recommendations.	• Major projects assets upgrades and renewals programme. • Minor projects assets upgrades and renewals programme. • IAF Ōtaki Growth Project – ANZAC Road stormwater upgrades. • IAF Ōtaki Growth Project – Rangiuru Road stormwater upgrades.

Planned pipe replacement

1km/year is adequate over the next 10 years for potable water

Compliance issues

DRINKING WATER STANDARDS

WASTEWATER STANDARDS

- Securing new consent for the Paraparaumu Wastewater Treatment Plant
- Increasing nitrogen levels in the discharge from the Otaki Wastewater Treatment Plant

STORMWATER STANDARDS

- Securing the renewal of the global stormwater discharge consent

Water service delivery overview – Porirua City Council

poriruacity

Council overview

- The Porirua District covers about **175km²** and is formed around the two arms of Te Awarua-o-Porirua Harbour and the coastline. The Porirua City Centre was developed in the 1960s, and much of the residential areas were developed between the 1940s and 1960s.
- Porirua is centrally located in the Wellington Region and is connected to Kāpiti Coast and Wellington City via commuter rail, to the Hutt Valley by SH58, and to the rest of the North Island by SH1.
- Porirua encompasses an area of **175km²**, with about **61km²** being urban and **114km²** classed as urban rural.
- The city is built around Te Awarua-o-Porirua Harbour, with many waterways flowing into it. There are seven sub-catchments and over **275km** of streams in Te Awarua-o-Porirua Whaitua.

POPULATION
59,445 (Census 2023).

- Projected population of **83,000** for **2054**.

Water asset information (current state)

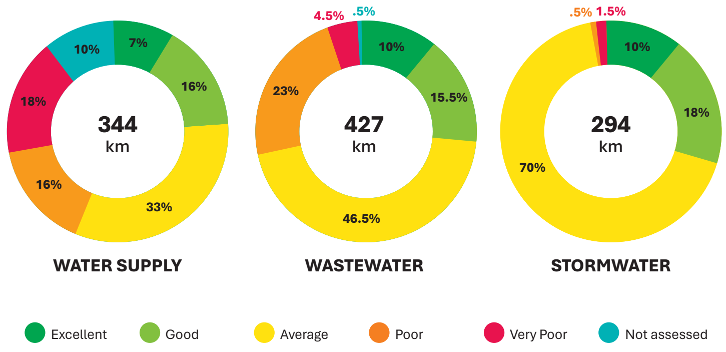
RETICULATION
344km of water supply mains
427km of wastewater pipes
294km of stormwater pipes

TREATMENT ASSETS
1 wastewater treatment plant
Water is supplied via a bulk water main from treatment facilities owned by the Greater Wellington Regional Council.

STATIONS
15 water supply
67 wastewater pump stations

REPLACEMENT VALUE
Combined replacement value **$906m**

Water asset condition (current state)



Water service delivery in the Wellington region – Porirua City Council

poriruacity

Water challenges and projects

Type	Key water risks, issues and challenges for the next ten years	Top priority projects / key planned investments in water for the next ten years
3W general	• Significant and growing renewals backlog in water and wastewater due to age profile of pipe materials. • Population growth is ahead of three waters infrastructure.	• For drinking water, we will continue with our plan to install residential water meters. This will help identify where our major leaks are, so they can be fixed. It will also help raise awareness around water usage. • For wastewater, we will continue to support Kāinga Ora's significant Bothamley Park project. We will also continue the Central City Storage Tank and the Know Your Pipes initiatives (where we help identify wastewater leaks – mostly on private pipes). These initiatives will lead to better sanitation and environmental outcomes, particularly for the health of our harbour. • There is limited capacity for investment in stormwater. So, our approach here is to improve our modelling and identify where to invest our limited resources, to combat the more intense flooding and slips we anticipate from more intensive weather events. • Projects that improve the health of Te Awarua-o-Porirua Harbour are a priority for Te Rūnanga O Toa Rangatira and Porirua City Council.
Water services	• Water demand for Porirua City is outstripping supply due to water loss in the network and growth. Networks are not optimised in accordance with Te Mana o te Wai. • The condition of our reservoirs makes them vulnerable to contamination.	• Universal metering (smart network). • Low level (Aotea) reservoir. • Whitby high-level trunk water main.
Wastewater	• The Council is reliant on landfills accepting sludge from wastewater treatment plants.	• Wastewater network overflow consents. • Wastewater treatment plant consent renewal. • Paremata Wastewater Trunk Upgrade Stage 2. • Porirua Central City wastewater storage tank.
Stormwater	• Streams, rivers and harbours contain coliforms and other contaminants e.g. heavy metals and microplastics.	• Stormwater consents. • Taupo Stream stormwater catchment improvements. • Karehana stormwater catchment. • Commit to the health of Te Awarua-o-Porirua Harbour and its catchment through investment, advocacy and regulation.

Planned pipe replacement

15km of pipe renewals are required per year for 30 years to address the current backlog

Compliance issues

DRINKING WATER STANDARDS

WASTEWATER STANDARDS

- Some overflows during storm events

STORMWATER STANDARDS

- None (some overflows during storm events)

Absolutely Positively Wellington City Council
Me Heke Ki Pōneke

Water service delivery overview – Wellington City Council

Council overview

- Wellington is New Zealand's centre of government and the world's southernmost capital city. It is also the country's cultural capital and the third most populous urban area in New Zealand. The city is situated alongside Wellington Harbour and surrounded by natural beauty, including Zealandia, an award-winning eco-attraction just minutes from the central business district.
- Wellington City encompasses an area of **44,400 hectares**.
- **9 major waterways** (Karori, Mākara, Ohariu, Opau, Oteranga, Owhiro, Kaiwharawhara, Ngauranga and Porirua Streams).

POPULATION
213,269 (2024).

- Projected population of **271,288** for **2054**.

Water asset information (current state)

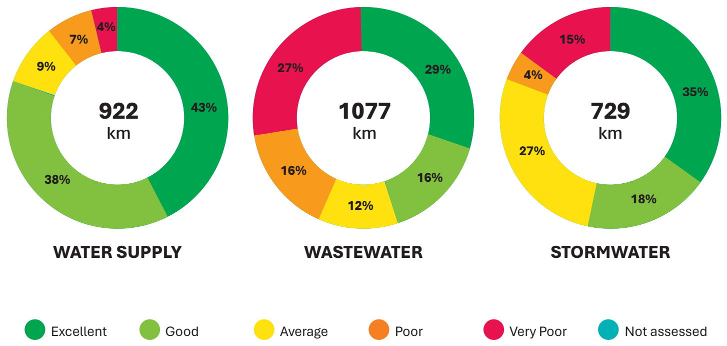
RETICULATION
922kms of water supply mains
1077kms of wastewater pipes
729kms of stormwater pipes

TREATMENT ASSETS
2 wastewater treatment plants
Water is supplied via a bulk water main from treatment facilities owned by the Greater Wellington Regional Council.

STATIONS
34 water supply stations
69 wastewater stations
2 stormwater pump stations

REPLACEMENT VALUE
Combined replacement value
$7,186m

Water asset condition (current state)



Water service delivery overview – Wellington City Council

Absolutely Positively **Wellington** City Council
Me Heke Ki Pōneke

Water challenges and projects

Type	Key water risks, issues and challenges for the next ten years	Top priority projects / key planned investments in water for the next ten years
3W general	• Significant and growing renewals backlog in water and wastewater due to age profile of pipe materials. • Population growth is ahead of three waters infrastructure.	• Fix water infrastructure and improve health of waterways.
Water services	• Water demand for Wellington City is outstripping supply due to water loss in the network and growth. • Reservoirs condition means they are vulnerable to contamination.	• Seismic improvements at Wrights Hill drinking water reservoir. • Critical assets reservoir water quality renewals (all 64 water reservoirs identified as very high criticality assets). • Investigate and install water meters. • Reactive maintenance to clear the backlog of leak repairs in Wellington before summer 2024/2025.
Wastewater	• Moa Point condition is leading to ongoing compliance issues.	• Renewals of critical wastewater assets at Moa Point and Western Wastewater Treatment Plants. • Remedial work on Karori effluent pipelines. • Eastern Trunk Wastewater Main, stage 1 cargo area pipe. • Airport wastewater interceptor contingency pipe. • CBD Pump Station 01-07 rising main replacement including Taranaki Street Pump Station.
Stormwater	• Our streams, rivers and harbours contain coliforms. • Coastal stormwater outfalls experiencing sea level risk resulting in increased sedimentation and need for more frequent clearing.	• Prioritise investment in stormwater filtration and flood protection in conjunction with or ahead of transport infrastructure investment.

Planned pipe replacement
194kms of pipes to be replaced over the next 10 years

Compliance issues

DRINKING WATER STANDARDS

WASTEWATER STANDARDS

- Moa Point condition is leading to ongoing compliance issues.

STORMWATER STANDARDS

Water service delivery overview – Hutt City Council

Council overview

- Hutt City is located approximately 15kms north-east of Wellington CBD. It is also adjacent to Wellington, Porirua, Upper Hutt and the South Wairarapa District. The city stretches from Petone in the west, Stokes Valley in the north, and down to Cape Palliser in the south.
- The floor of the Hutt Valley is the most densely populated flood plain in New Zealand and the central area of Hutt City serves as the main urban centre of the Hutt Valley.
- Hutt City encompasses an area of **37,600 hectares**.
- **3 major waterways** (Orongorongo River, Hutt River and Wainuiomata River).

POPULATION
114,006 (2024).

- Projected population of **150,237** for **2054**.

Water asset information (current state)

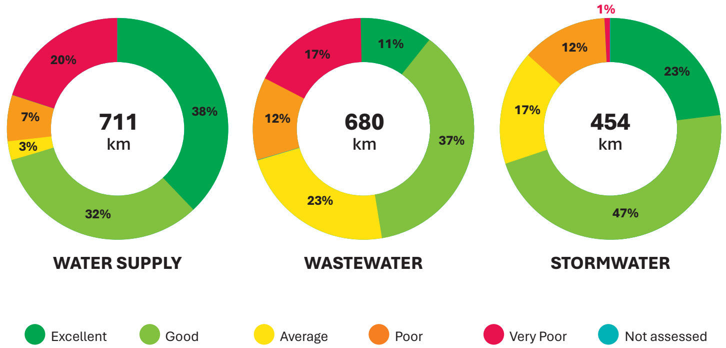
RETICULATION
711km of water supply mains
680km of wastewater pipes
454km of stormwater pipes

TREATMENT ASSETS
13 water supply stations
48 wastewater stations
12 stormwater pump stations

STATIONS
1 wastewater treatment plant
5 stormwater detention dams
Water is supplied via a bulk water main from treatment facilities owned by the Greater Wellington Regional Council.

REPLACEMENT VALUE
Combined replacement value **$6-7b**

Water asset condition (current state)



Water service delivery overview – Hutt City Council

Water challenges and projects

Type	Key water risks, issues and challenges for the next ten years	Top priority projects / key planned investments in water for the next ten years
3W general	In summary, despite the increasing investment Council has and will make in water network renewal, current water storage constraints as well as capacity constraints in the regional water infrastructure workforce will impact the level of increased system and network capacity that can be achieved in the short to medium term. In combination with the need for Council to operate with fiscal prudence, this means there are two potentially unavoidable future risks: • The likelihood of ongoing and potentially increasing water shortages across the Wellington Region. • Council will be unable to provide infrastructure support in all areas of housing development or renew ageing water infrastructure on a lifecycle basis in Te Awa Kairangi ki Tai. Our greatest water infrastructure challenge is a rapidly ageing water network. Council's strategic approach to investing in water infrastructure, namely: • Keeping the water in the pipes by investing in finding and fixing leaks, managing water loss, and replacing ageing infrastructure. • Minimising the future cost of water infrastructure by exploring ways of reducing the demand for water and influencing water use behaviour. • Building additional water storage capacity.	1. **Address ageing water infrastructure:** • Three waters network renewals. • Seaview Wastewater Treatment Plant renewals. • Petone Stormwater improvements. • Petone Collecting Sewer renewal. 2. **Meeting growth demand** • Eastern Hills Reservoir and outlet main. • Implementing universal smart meters. 3. **Building network resilience** • Black creek stormwater improvements.
Water services	• Water supply reliability over summer is at risk and a new water supply is needed. • Reservoirs condition means they are vulnerable to contamination. • Water demand for Hutt City is outstripping supply due to water loss in the network and growth. • Current 10-year LTP investment is well short of what is required to renew ageing parts of the network (estimated that only 50% of what is required). • 109kms of galvanized water pipe that is failing and requires urgent replacement along with significant amount of AC pipe that is failing earlier than expected.	• Approximately 60km of pipe renewal has been planned for the next 10 years in the LTP. • New water reservoir on Eastern Hills planned to meet growth and improve resilience.
Wastewater	• Current 10-year LTP investment is well short of what is required to renew ageing parts of the network (estimated that only 10% of what is required). • Main outfall pipe working at around 50% capacity needs renewing or upgrading with no budget provision for physical works expected to be around $700m. • Erosion occurring on the Hutt River potentially undermining 825mm bulk wastewater pipeline adjacent Taita rock. • Sludge dryer at Seaview WWTP is nearing end of life. • The redundancy of Seaview WWTP is inadequate for major maintenance while ensuring compliance can be met.	• Investment of over $200m is earmarked for renewing much of the working plant and equipment at the Seaview Wastewater Treatment Plant over the next 1-5 years. The sludge dryer is the most significant of these expected to cost $85m.
Stormwater	• Streams, rivers and harbours contain coliforms. • Coastal stormwater outfalls experiencing sea level rise resulting in increased sedimentation and need for more frequent clearing. • Growth Study notes that approximately $800m of investment is required to upgrade stormwater across the City to meet growth and achieve target standards. This is not currently funded.	• Approximately 10km of pipe renewal has been planned for the next 10 years in the LTP.

Planned pipe replacement
Renew approximately **175kms** of pipe network over the next 10 years

Compliance issues

DRINKING WATER STANDARDS

The Waterloo Water Treatment Plant is non-compliant with bacterial compliance rules around chlorine contact time, which affects around 700 households. While this issue does not affect drinking water safety, work is currently underway to achieve compliance by reconfiguring the network.

WASTEWATER STANDARDS

The Seaview Wastewater Treatment Plant has had recent issues with a failure to comply with both water effluent and air quality consent requirements, largely due to ageing plant and equipment. A major capital renewals programme over the next three years has been included in the LTP to overcome these issues.

STORMWATER STANDARDS

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Water service delivery overview – Upper Hutt City Council

Te Kaunihera o Te Awa Kairangi ki Uta Upper Hutt City Council

Council overview

- Upper Hutt enjoys the character of a small city, while having the second largest land area of a city council in New Zealand. Easy access to an expansive natural environment featuring Te Awa Kairangi/Hutt River, regional parks and hills surrounding the city is part of our identity.
- Upper Hutt is a family-oriented city, with spacious suburban housing development occupying around 3.24% of the land area, encompassed by treasured open spaces. Traditionally a commuter city with over half of the people working outside the city, the local economy is growing and diversifying including new commercial developments and niche industry hubs.
- Upper Hutt encompasses an area of **54,000 hectares**
- **5 major waterways** The Whakatikei, Akatārawa, Pākuratahi and Mangaroa rivers feed Te Awa Kairangi/Hutt River, which flows into Te Whanganui-a-tara Wellington Harbour.

POPULATION
48,240 (2024).

- Projected population of **64,238** for **2054**.

Water asset information (current state)

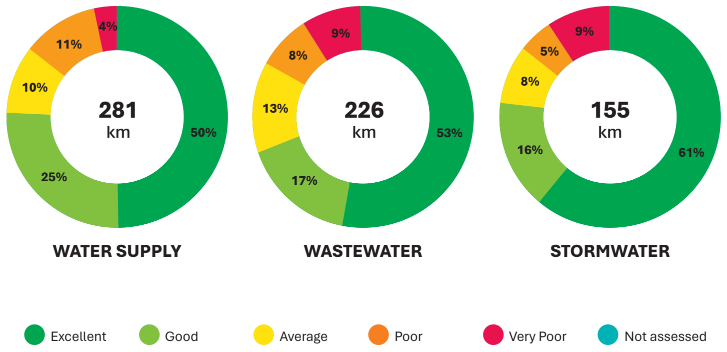
RETICULATION
281km of water supply mains
226km of wastewater pipes
155km of stormwater pipes

STATIONS
9 water supply pipes
17 wastewater pipes
7 stormwater pump stations

TREATMENT ASSETS
- All wastewater is collected and treated via the Hutt Valley joint venture system.
- Water is supplied via a bulk water main from treatment facilities owned by the Greater Wellington Regional Council

REPLACEMENT VALUE
Combined replacement value
$1.464b ORC (30 June 2024)

Water asset condition (current state)



Water service delivery overview – Upper Hutt City Council

Water challenges and projects

Type	Key water risks, issues and challenges for the next ten years	Top priority projects / key planned investments in water for the next ten years
3W general	• Significant and growing renewals backlog in drinking water and wastewater. • New environmental quality standards require very high investment to achieve wastewater and stormwater consent compliance. • Population growth is ahead of three waters infrastructure provision. Major investment is needed, especially in the wastewater network to enable growth to occur.	**Critical assets:** 7 pump stations • Our pipes are critical assets in the three waters network – approximately 661,700 metres of which around 40% (by length) need replacing in the next 30 years to keep the network operating. Due to the size, type and age of pipes, the wastewater pipe network renewals are the most critical focus area.
Water services	• Water demand and use is outstripping supply due to water loss in the network and growth. • As a bulk water purchaser, Council is a cost and service taker with limited influence over these aspects.	**Critical assets:** All 16 reservoirs have been identified as high criticality assets and based on condition some require a level of short-term remedial works. • All planned water reservoir upgrades and renewals. • New storage to address level of service deficits and to enable growth. • Pipe renewals.
Wastewater	• Major shared assets need upgrades, including sludge dryer at Seaview WWTP nearing end of life. • Network infiltration and inflows. • Wet weather overflows.	**Critical assets:** 2km wastewater pipes • Wastewater network overflow consents and subsequent improvements. • Hutt Valley shared asset projects including bulk sewer interceptor improvements (at Petone) and Seaview WWTP and outfall upgrade. • Pipe renewals
Stormwater	• Contamination and overflows into waterways.	**Critical assets:** 24km stormwater • The Pinehaven Stream Improvements Project. • Global stormwater consents and subsequent improvements.

Planned pipe replacement
To be confirmed

Compliance issues

DRINKING WATER STANDARDS

WASTEWATER STANDARDS

STORMWATER STANDARDS

Water service delivery overview – South Wairarapa District Council

SOUTH WAIRARAPA DISTRICT COUNCIL
Kia Reretahi Tātau

Council overview

- The South Wairarapa District is situated at the southernmost corner of the North Island and has an area of approximately 248,455 hectares (2,484km^2). In the south, the district boundary follows the coastline from the western end of Palliser Bay in Cook Strait to Honeycomb Rock, east of Martinborough. The western boundary follows the main divide of the Remutaka and Tararua Ranges to Mount Hector, from which the boundary runs south-east across the Wairarapa Plains to the coast. The district includes the towns of Featherston, Greytown and Martinborough, which are the main population centres.
- The South Wairarapa District encompasses an area of **248,455 hectares**
- **4 major waterways** (Ruamāhanga, Huangarua, Tauwharenīkau, and Waiohine Rivers) and Wairarapa Moana which has been handed back to iwi under a settlement agreement and is Ramsar protected.

POPULATION
11,811 (Census 2023).

- Projected population of **16,606** for **2054**.

Water asset information (current state)

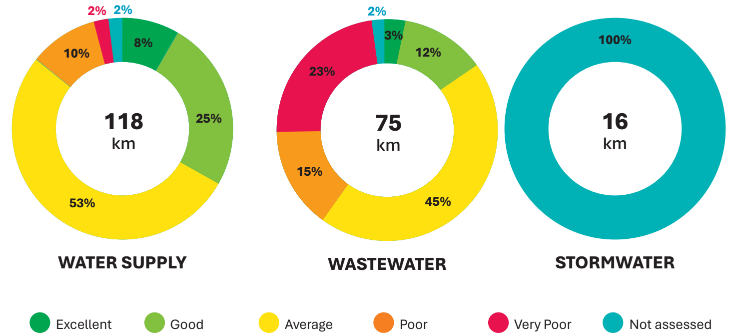
RETICULATION
118km of water supply mains
75km of wastewater pipes
15km of stormwater pipes

TREATMENT ASSETS
4 water treatment plants
4 wastewater treatment plants

STATIONS
11 wastewater pump stations

REPLACEMENT VALUE
Combined replacement value **$133m**

Water asset condition (current state)



Water service delivery overview – South Wairarapa District Council

SOUTH WAIRARAPA DISTRICT COUNCIL
Kia Reretahi Tātau

Water challenges and projects

Type	Key water risks, issues and challenges for the next ten years	Top priority projects / key planned investments in water for the next ten years
3W general	• An ageing network results in asset failure and requires an increase in renewal. • Population growth is ahead of three waters infrastructure. • Emissions from three waters are not reducing.	
Water services	• There is a lack of redundancy in critical systems (source, treatment, network) to provide safe drinking water in accordance with the Water Services Act. • Featherston / Greytown / Martinborough water system resiliency is compromised due to poor condition of assets. • Boar Bush Gulley Road and Boar Bush reservoir and inlet/outline pipe scour damage.	• Featherston security of supply – single compromised pipeline (Tauherenikau). • Featherston Waiohine WTP Stage 3 upgrades. • Martinborough Water Treatment Plant – New water source upgrade.
Wastewater	• Inability to comply with resource consents. • Condition and resiliency of the Martinborough / Featherston wastewater networks is deteriorating. Featherston wastewater network has very high inflow of groundwater. • No new wastewater connections are available in Martinborough or Greytown.	• Martinborough WWTP compliance upgrade programme. • Featherston WWTP – Major plant upgrade - Stage 2. • Greytown WWTP stage 2 of land disposal programme upgrades. • Featherston pipe renewals – rising main.
Stormwater	• Streams and rivers contain coliforms. • Flooding.	• Stage 1 global stormwater consents. • Stormwater flood modelling. • Infiltration and Inflow modelling and investigations, particularly Featherston.

Planned pipe replacement

To be confirmed

Compliance issues

DRINKING WATER STANDARDS

WASTEWATER STANDARDS

STORMWATER STANDARDS

Water service delivery overview – Masterton District Council

Council overview

- Masterton District has an area of **2,295km².** It is located between the Tararua Range to the west and the Pacific Ocean to the east. The main urban area is Masterton located on the Wairarapa valley between the Ruamāhanga, Waipoua and Waingawa Rivers.
- Masterton encompasses an area of **229,500 hectares**
- **5 major waterways** Waipoua, Waingawa, Tauweru all flow into the Ruamāhanga that flows down the valley to the south coast. The Whareama is the largest of the rivers flowing from the eastern hill country to the east coast.

POPULATION
29,894 (2024)

- Projected population of **42,984** for **2054**

Water asset information (current state)

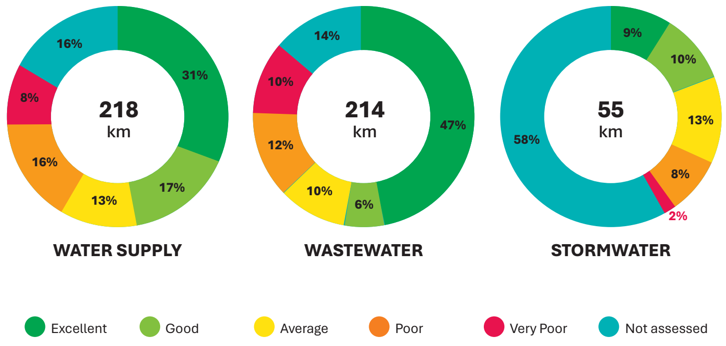
RETICULATION
218km water supply pipes
214km wastewater pipes
55km stormwater pipes

TREATMENT ASSETS
2 water treatment plants (1 is a small plant supplying 20 properties in Tinui)
4 wastewater treatment plants (Homebush, Riversdale, Castlepoint, Tinui)
Localised stormwater assets (Masterton, Riversdale, Castlepoint)
3 rock weirs at Waipoua river

STATIONS
1 water supply boost pump station
13 wastewater pump stations

REPLACEMENT VALUE
Combined replacement value **$390m**

Water asset condition (current state)



Water service delivery overview – Masterton District Council

Water challenges and projects

Type	Key water risks, issues and challenges for the next ten years	Top priority projects / key planned investments in water for the next ten years
3W general	• Meeting population growth demand. • Resource consent renewals. • Climate change impacts. • Affordability of levels of service.	
Water services	• Raw water storage dam construction. • Trunk main renewals. • Meet compliance with new regulatory requirements. • Improve supply pressure in some suburbs. • Increase treated water storage. • Transition to charging by metered usage.	• Water storage dam (raw water) and additional reservoir. • Water Trunk Main replacement. • Reticulation renewal programme.
Wastewater	• Understanding current state. • Resource consents for Masterton Wastewater Treatment Plant expire in 2034. • Upgrades will need to meet new consent requirements as per NPS Freshwater – which are uncertain. • Network capacity, ingress and infiltration reduction.	• Sewer reticulation renewals (ingress and infiltration reduction). • Homebush land-based irrigation system upgrade.
Stormwater	• Areas of flooding across the district. History of extreme weather events. • Consideration of increasing design standards to meet climate change challenges.	• Enhanced operations and maintenence for stormwater to prevent localised flooding.

Planned pipe replacement

Stormwater 6km in 10 years (0.6km/year) (new and renewals)
Note – there is very low confidence in the long term spend profile and needs relating to stormwater.
The expenditure required is expected to be significantly higher than reflected in LTP.
Work is under way at present to attempt to quantify this but it will take some time.

Water 24km in 10 years (2.4km/year)

Wastewater 20km to 30km in 10 years (2km to 3km/year)

Compliance issues

DRINKING WATER STANDARDS

Treatment plant monitoring regime in place.

WASTEWATER STANDARDS

Significant compliance requirements relating to wastewater treatment, land disposal and discharge to river (Homebush).

STORMWATER STANDARDS

Global stormwater consent. Compliance with to be determined.

Water service delivery overview – Greater Wellington Regional Council

Greater Wellington Te Pane Matua Taiao

Council overview

The region makes up the southern reaches of the North Island comprising the Kāpiti Coast, Porirua-Tawa, Wairarapa South, Te Awa Kairangi ki Uta/Upper Hutt, Te Awa Kairangi ki Tai/Lower Hutt, and Pōneke/Wellington councils. Its northern boundary extends from north of Ōtaki on the west coast across to north of Castlepoint on the east coast. The nonurban environment comprises approximately 80% of the region, with 320km of rivers and waterways, and a coastal marine area of 7,867km². Wellington is the most populated city, however over 50% of our regional population lives outside of the capital in cities and smaller towns.

The Greater Wellington Regional Council (GWRC) drinking water network supplies water to four surrounding cities: Lower Hutt, Porirua, Upper Hutt and Wellington. The water provided by GWRC goes to reservoirs owned by each city. From there, city council infrastructure conveys the drinking water from the reservoirs to local residents and businesses.

- Wellington Region encompasses 811,100ha. 16,000ha are managed as Water Collection Areas.
- 5 regional catchment areas, known as Whaitua: Kāpiti Coast, Te Awarua-o-Porirua, Te Whanganui a Tara, Ruamāhanga, and Eastern Wairarapa.

POPULATION
549,841 (2024).

- Projected population of **724,906** for **2054**.

Water asset information (current state)

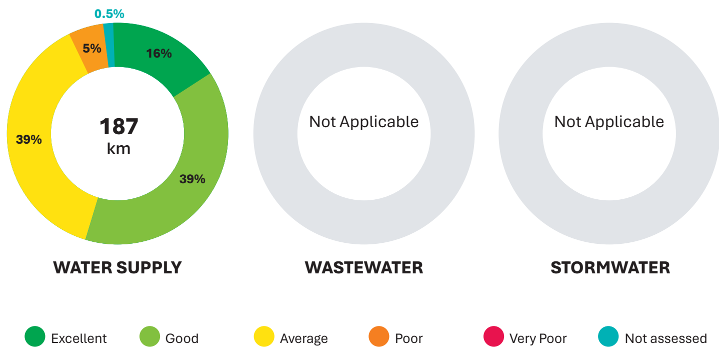
RETICULATION
187km of water supply pipes
3 water supply reservoirs and tanks (total volume of 40 million litres)

TREATMENT ASSETS
15 water supply pump stations

STATIONS
4 water treatment plants

REPLACEMENT VALUE
Combined replacement value @ 2021
$1,300m

Water asset condition (current state)



Water service delivery overview – Greater Wellington Regional Council

Greater Wellington
Te Pane Matua Taiao

Water challenges and projects

Type	Key water risks, issues and challenges for the next ten years	Top priority projects / key planned investments in water for the next ten years
3W general	• An ageing network results in asset failure and requires an increase in renewal. • Population growth is ahead of water infrastructure. • Water demand for the metropolitan councils is outstripping supply due to water loss in the network. • Current demand is highlighting that GWRC may not be able to meet its duty of care obligations as an asset owner under the Water Services Act in the long term. • Waterloo Treatment Plant is subject to liquefaction in the event of high ground shaking.	
Water services	• Current demand is placing the existing assets at risk due to lack of headroom to allow major assets to be taken off-line, compromising the resilience of the bulk water supply. Maintenance and replacement of bulk water meters, treatment plant clarifiers and reservoirs are examples of the issues. • Seismic resilience of the bulk water assets does not meet the required earthquake resiliency standard for ensuring provision of safe drinking water following a significant earthquake event. • The system is not yet able to reliably meet regulatory requirements for fluoride due to lack of redundant systems and asset reliability. • Waste stream at Wainuiomata Water Treatment Plant lacks redundancy and capacity. A failure of the plant, prior to completion of Wash Plant Capacity and Quality Upgrade in 2031/32, would impact the performance of the Water Treatment Plant and would eventually cause failure of provision of water.	• Kaitoke main on Silverstream Bridge. • Te Marua WTP Capacity optimisation. • Kaitoke Flume Bridge. • New Gear Island and Waterloo Wells – Part 2+3. • Water Storage Lakes (Te Marua Water Treatment Plant Scheme Expansion Stage 1 (Pakuratahi Lakes 1 and 2) – Pre-construction). • Regional Fluoridation Improvement Stage 2. • Relocation of Te Marua/Ngauranga pipeline. • Wainuiomata Water Treatment Plant – Washplant Capacity and Quality Upgrade. • Wellington Metro Water Treatment Plant Planned Renewals (Continuous programme). • Water Supply Pump Station Renewals.
Wastewater	Not Applicable.	Not Applicable.
Stormwater	Not Applicable.	Not Applicable.

Planned pipe replacement

30kms of pipes being replaced (based on 40% of 180kms needed to be replaced in the next 30 years)

Compliance issues

DRINKING WATER STANDARDS

Currently, water supplied from the Waterloo Treatment Plant is not compliant for up to 800 Lower Hutt households.

WASTEWATER STANDARDS

Not Applicable.

STORMWATER STANDARDS

Not Applicable.

Te Tari Taiwhenua
Internal Affairs

August 2024

LOCAL WATER DONE WELL

Factsheet: Financing for councils and water organisations

This is one of a series of factsheets giving an overview of key Local Water Done Well policy decisions, including those that will be reflected in the proposed Local Government Water Services Bill, which is expected to be introduced to Parliament in December 2024.

It is based on Cabinet decisions announced by the Minister of Local Government and Minister of Commerce and Consumer Affairs in August 2024.

This factsheet provides an overview of financing options for local government water service providers[1] under Local Water Done Well, resulting from ongoing work with New Zealand Local Government Funding Agency Limited (LGFA). It covers current and emerging options.

It should be read alongside other Local Water Done Well factsheets. More detailed information can be found in the associated Cabinet papers that have been proactively released on the Department of Internal Affairs' website.

What are the proposed changes?

LGFA has confirmed that it will provide financing to support water council-controlled organisations (CCOs) established under Local Water Done Well and look to assist high growth councils with additional financing.

LGFA will extend its existing lending to CCOs to new water organisations[2] that are CCOs and are financially supported by their parent council or councils. The ability of councils to establish water organisations will be provided for by the Local Government Water Services Bill.

- LGFA will support leverage for water organisations up to a level equivalent to 500 percent of operating revenues[3] (around twice that of existing councils), subject to water organisations meeting prudent credit criteria. LGFA will treat borrowing by water organisations as separate from borrowing by parent council or councils.

[1] 'Water service provider' means all forms of local government provider – including councils that continue with direct (in-house) delivery, and water organisations.

[2] 'Water organisation' means the separate organisations that councils may establish to provide water services – and does not include councils. There will be various types of water organisation under Local Water Done Well, and LGFA will only be lending to water organisations that meet the qualifying criteria for LGFA membership as a CCO. In particular, financially independent water organisations will not meet the qualifying criteria.

[3] Note that this metric is being used for comparative purposes only and a more appropriate metric for water organisations will ultimately be used.

Page 1 of 6

- LGFA will lend to multiply-owned water organisations, who are supported by the parent councils.
- LGFA will make available to water organisations its existing suite of financial products that are currently made available to councils and CCOs. These include green and sustainable loans and climate action loans, short and long-term loans and standby facilities.

Councils will also retain the ability to borrow through LGFA should they choose to keep water services 'in house' rather than establish a water organisation.

LGFA is also reviewing whether it can prudently provide additional flexibility to councils to meet the future challenges faced by the sector. That work will include consideration of the following options:

- LGFA increasing debt limits for high growth councils beyond the current ceiling of 285 percent of operating revenues; and
- In time, and subject to prudent criteria and LGFA stakeholder approval, LGFA lending to water organisations on an unsupported basis.

The Crown confirms the existing supports it provides to LGFA, and as part of the review will consider whether those supports remain appropriately sized given the growth in LGFA's balance sheet.

Why are these changes needed?

LGFA is the source of most debt financing accessed by local government. This is because LGFA is the lowest cost provider of financing to local government as a result of its scale and its AAA credit rating which is similar to that of central government due to the support of both central and local government.

LGFA has various requirements that councils need to meet and stay within to access LGFA funding. These requirements are to preserve the credit quality of the LGFA lending book in order to maintain its AAA credit rating. A key requirement is that total council debt cannot be more than 285[4] percent of council operating revenues for rated councils and 175 percent for unrated councils, plus there are interest cover ratios based on rates and total council revenues.

Many councils will need to increase borrowing in order to make the necessary investments to bring water infrastructure up to standard and support new housing. Some councils are already close to their LGFA debt limits.

Without change to key financing ratios, some councils will find it difficult to stay under the current LGFA debt to revenue 'ceiling' while making necessary water investments.

[4] This reduces to 280% from 1 July 2025.

The changes proposed under Local Water Done Well enable councils to choose what structural options for water services delivery work best for them. One of those options is to establish a water organisation. That option is expected to have multiple benefits:

- It will result in an organisation that is dedicated to water services, their delivery and their quality.
- It will reduce the debt directly attributed to the parent council(s) if councils transfer water related debt to the water organisations.
- Water organisations will be able to borrow more than councils can and therefore make the necessary investments to provide quality water services.

If councils establish water organisations and do not provide financial support, those organisations could not as it currently stands, access LGFA funding and would need to seek debt funding directly from the private sector.

In addition to cost benefits, an advantage of financing through LGFA is that there will be no transition issues for eligible water organisations. Water organisations are not required to join LGFA and once they have joined, they are not obliged to borrow from LGFA.

Under Local Water Done Well, the Government has been working with LGFA to confirm its intended approach to increased lending to councils and water organisations.

LGFA has also taken steps to improve its working capital and financial strength over time. From 1 July 2024, both borrower loan margins and the borrower notes subscription rate have been increased.

Financial benefits for new water organisations and parent councils

The establishment of new water organisations will enable additional debt financing to fund capital investment into water infrastructure. In practice, this will enable:

- An increased proportion of capital expenditure for water infrastructure to be financed by debt rather than operating revenues – spreading the cost of the infrastructure asset over its useful life;
- A reduction in operating revenue requirements for a financially sustainable water organisation against the status quo – where additional debt financing will mean operating revenues will only need to cover the interest costs and debt repayments, as opposed to direct funding investment;
- Enable borrowings for water services infrastructure to be directly supported by water services revenues at a higher gearing, negating the requirement to use non-water services council revenues to borrow for water services;
- Additional borrowing headroom to be realised for parent councils whose current water services borrowings exceed council borrowings for other activities on a debt to revenue basis; and

- The opportunity for parent councils to pass on the benefit of any additional debt headroom created to consumers, by utilising this to finance non-water capital expenditure with a corresponding reduction to rates revenue requirements.

Proposed economic regulation of all local government water services providers will ensure closer scrutiny that costs are ring-fenced and providers become more efficient. The recovery of costs through water rates are expected to give lenders greater confidence in the financial sustainability of water service providers.

To illustrate these benefits, the new financing arrangements have been applied to a hypothetical council in Annex A.

What does this mean for consumers?

Consumers will benefit from increased lending flexibility because it will support greater investment to improve water infrastructure and services at a lower cost of borrowing than other sources.

Increased borrowing to fund necessary investment in water infrastructure reduces the need to fund investments directly from rates and other revenue. This can smooth the impact of investments across longer periods of time, which should be reflected in smaller increases in rates and water charges.

Next steps

LGFA and the Government will update the sector on how these proposed changes can be implemented ahead of LGFA's November 2024 Annual Meeting of Shareholders.

The Department of Internal Affairs will work with LGFA to develop guidance for councils on financing options, as this work progresses.

Local Government (Water Services Preliminary Arrangements) Bill

The second Local Water Done Well Bill, the Local Government (Water Services Preliminary Arrangements) Bill, is currently before Parliament and is expected to be enacted in August 2024.

The Department will be providing guidance and information for councils' development of Water Services Delivery Plans, following the enactment of the Bill.

Further information

For further information about Local Water Done Well, visit www.dia.govt.nz/Water-Services-Policy-and-Legislation

Questions? Contact waterservices@dia.govt.nz

Annex A: An illustrative example for 'Council A'

To illustrate the financial benefits for new water organisations and parent councils, the new financing arrangements have been applied to the hypothetical 'Council A' which has established a new water organisation ('Water Organisation A'), which LGFA has agreed to lend to at up to 500% of operating revenues. Water Organisation A is financially supported by uncalled capital issued to Council A.

'Water Organisation A':

- Has been established as a company, owned by 'Council A', with appropriate protections against privatisation;
- Owns Council A's water infrastructure assets and has the power to assess, set and collect water services charges from consumers;
- Has its activities limited to the provision of water services and directly-related activities; and
- Is governed by a board which is independent from the council in terms of having no council staff or elected members, with directors appointed for their competency and to ensure an appropriate mix of skills, knowledge and experience.

Through the creation of 'Water Organisation A', Council A has transferred staff, assets and debt relating to water services to the new water organisation. LGFA has agreed to lend up to 500% of operating revenues, subject to 'Water Organisation A' demonstrating sufficient projected cashflows to meet LGFA's covenants and meeting prudent credit criteria.

'Water Organisation A' has identified that it can reduce its projected revenue requirements, by utilising debt financing for capital expenditure, keeping revenues to a level sufficient to cover the costs of service and to meet LGFA's cashflow covenants requirements. These lower revenue requirements are translated into savings for consumers.

The establishment of the new water organisation has also generated additional borrowing headroom for Council A, as its water services were more highly leveraged than remaining council business. Council A has opted to utilise this additional borrowing ability to fund non-water capital expenditure over three years, passing on a corresponding saving to ratepayers.

This arrangement will enable:

- 'Water Organisation A' to reduce projected water charges by $16.4 million over three years (15.4% saving), through more efficiently utilising debt to fund capital expenditure; and
- 'Council A' to utilise additional debt headroom of $14.1 million from the separation of water services for funding non-water capital expenditure, reducing rates requirements by $13.7 million over three years (7.7% saving); for
- Total savings passed on to ratepayers and water consumers of $30.1 million over three years (10.6% saving).

Table 1: Council A's projected rates revenues and charges in the current LTP

Council A's current LTP	Year 1	Year 2	Year 3	3 Year Total
Council rates revenue ($m)	$85.3m	$95.0m	$104.1m	$284.4m
Council rates revenue increases, including water charges (%)	13.6%	11.3%	9.6%	38.7%
Council rates revenue increases, excluding water charges (%)	10.4%	6.1%	4.2%	22.0%
Water services charges ($m)	$29.2m	$35.4m	$42.1m	$106.7m
Water services charges increases (%)	20.3%	21.4%	18.8%	73.5%
Projected debt for water services ($m)	$103.0m	$114.9m	$131.3m	
Water debt to operating revenue (%)	332%	308%	299%	

Table 2: Water Organisation A's projected charges, borrowings and savings to water services consumers

Water Organisation A	Year 1	Year 2	Year 3	3 Year Total
Water services charges ($m)	$27.0m	$29.9m	$33.4m	$90.3m
Updated water services charges increases required (%)	11.4%	10.7%	11.8%	37.7%
Reduction in water services charges – savings ($m)	$2.2m	$5.5m	$8.7m	$16.4m
Reduction in water services charges – savings (%)	7.4%	15.6%	20.6%	15.4%
Projected debt for water services ($m)	$105.3m	$123.1m	$149.0m	
Water debt to operating revenue (%)	364%	387%	423%	

Table 3: Councils A's additional debt headroom passed as savings to ratepayers

Council A (excluding water services)	Year 1	Year 2	Year 3	3 Year Total
Debt headroom from separating water services ($m)	$14.1m			$14.1m
Updated non-water services rates increases required (%)	2.9%	5.1%	3.1%	11.5%
Capital expenditure financed by debt headroom ($m)	$3.8m	$4.7m	$5.6m	$14.1m
Additional interest costs ($m)	$0.0m	$0.1m	$0.2m	$0.4m
Reduction in non-water services rates – savings ($m)	$3.8m	$4.6m	$5.4m	$13.7m
Reduction in non-water services rates – savings (%)	6.8%	7.7%	8.6%	7.7%

Table 4: Combined savings to ratepayers and water services consumers

Council A and Water Organisation A (combined)	Year 1	Year 2	Year 3	3 Year Total
Projected rates increases – per current LTP (%)	13.6%	11.3%	9.6%	38.7%
Projected rates increases – Council/Water Org combined (%)	5.6%	7.0%	6.1%	20.0%
Savings to water services consumers – Water Org A ($m)	$2.2m	$5.5m	$8.7m	$16.4m
Savings to ratepayers – Council A ($m)	$3.8m	$4.6m	$5.4m	$13.7m
Total savings ($m)	$6.0m	$10.1m	$14.0m	$30.1m
Total savings (%)	7.0%	10.6%	13.5%	10.6%

DECISION REGISTER UPDATES AND UPCOMING REPORTS

Kōrero taunaki | Summary of considerations

Purpose

1. This report provides an update on which previous decisions have been implemented and which are still outstanding. It also provides a list of items scheduled to be considered at the next two meetings (hui).

Strategic alignment

2. N/A. This report is considered at every ordinary meeting and assists in monitoring progress.

Author	Leteicha Lowry, Senior Democracy Advisor
Authoriser	Sean Johnson, Democracy Team Leader Andrea Reeves, Chief Strategy and Finance Officer

Taunakitanga | Officers' Recommendations

Officers recommend the following motion:

That the Kōrau Tōtōpū | Long-term Plan, Finance, and Performance Committee:

1. Receive the information.

Whakarāpopoto | Executive Summary

Decision register updates

3. A full list of decisions, with a status and staff comments, is available at all times on the Council website. Decisions where work is still in progress, or was completed since the last version of this report can be viewed at this link: Council meetings decision register (wellington.govt.nz)

4. If members have questions about specific resolutions, the best place to ask is through the written Q&A process.

5. This body passed 22 resolutions at the last meeting.

   - 20 are now complete and 2 are still in progress.

6. 52 in progress resolutions were carried forward from previous reports:

   - 8 are now complete and 44 are still in progress.

Upcoming reports

7. The following items are scheduled to go to the next two hui:

8. Rāpare, 7 Whiringa-ā-rangi 2024 (Thursday, 7 November 2024):

   - Tākina Operating Model (Chief Economic and Engagement Officer).
   - CCO Q1 Reports (Chief Economic and Engagement Officer).

- CCO Annual Reports FY23/24 (Chief Economic and Engagement Officer).
- 2024-34 LTP Quarterly 1 Performance Report (Chief Strategy and Finance Officer).
- Te Toi Mahana Quarterly Report (Chief Infrastructure Officer).
- Rating Policy review consultation document (pre consultation survey) (Chief Strategy and Finance Officer).

9. Rāapa, 21 Whiringa-ā-rangi (Wednesday, 21 November 2024):
    - Annual Plan 2025/26 and Long-term Plan Amendment

Takenga mai | Background

10. The purpose of the decisions register is to ensure that all resolutions are being actioned over time. It does not take the place of performance monitoring or full updates. A resolution could be made to receive a full update report on an item, if desired.
11. Resolutions from relevant decision-making bodies in previous trienniums are also included.
12. Elected members can view public excluded clauses on the Council website: Council meetings decision register (wellington.govt.nz).
13. The upcoming reports list is subject to change on a regular basis.

Attachments

Nil

3. Committee Reports

REPORT OF THE UNAUNAHI MĀHIRAHIRA | AUDIT AND RISK COMMITTEE MEETING OF 22 OCTOBER 2024

Members: **Mayor Whanau, Councillor Apanowicz, Councillor Chung, Councillor Matthews, Councillor Pannett, Councillor Randle (Deputy Chair), Bruce Robertson (Chair), Wendy Venter, Pouiwi Kelly (absent – apology accepted).**

The Unaunahi Māhirahira | Audit and Risk Committee recommends that the Kōrau Tōtōpū | Long-term Plan, Finance and Performance Committee:

1. Recommend that the Te Kaunihera Pōneke | Council:

    a) Approve the Accounting Policies contained in the draft financial statements (Attachment 2) for adoption for the financial statements for the year ended 30 June 2024.

    b) Approve the draft Financial Statements and Statements of Service Provision for Wellington City Council and Group within the draft Annual Report for the year ended 30 June 2024, subject to the resolution of any matters identified during the meeting and those arising from the annual audit from Audit New Zealand.

    c) Approve the draft Annual Report for Wellington City Council and Group for the year ended 30 June 2024 (Attachment 1 and 2).

    d) Delegate to the Chair and Deputy Chair of the Audit and Risk Committee the authority to deal with any significant issues arising after this meeting that are under the delegations of the Committee, ensuring they are appropriately addressed through discussions with Officers and liaison with other Committee members if necessary.

    e) Delegate to the Chief Executive Officer the authority to make minor editorial changes that may arise as part of the finalising the 2023/24 Annual Report.

Note: Clauses d) and e) were misnumbered when resolved at the hui of the Unaunahi Māhirahira | Audit and Risk Committee and are included here, as is consistent with previous years' recommendations.

Attachment 3 provides a summary of the draft Annual Report.

The following attachments for this report were not available at the time of agenda publication, pending Audit clearance:

- Draft Audit Opinion.
- Draft Letters of Representation.

These documents will be published as supplementary attachments once they are available.

The public-excluded minutes for the Unaunahi Māhirahira | Audit and Risk Committee hui of 22 October 2024 were provided to elected members.

Attachments

Draft

Te Pūrongo ā-Tau

Annual Report 2023/24

Volume 1: Performance Overview and Service Statement

DRAFT – SUBJECT TO AUDIT

Rārangi Take | Contents

Nau mai, haere mai – Welcome

Nau mai ki tā mātou tirohanga rāpopoto o te tau 2023/24. Welcome to our report of the 2023/24 year.

61%

KPIs met or substantially met targets
(same as 61% last year, two not reported)

66%

KPIs had improved performance or were at max of target
(performance for the three years of the 2021 LTP)

1,939

Total workforce
(down from 2,065 in 2022/23)

$464.2m

Total capital expenditure
(18% underspend against budget of $566.1m, see page X)

$8.7m

Surplus - result for the year
($56.1m lower surplus than budgeted, see page X)

$483.3m

Total rates collected
(54.6% of $885.8m total revenue, in line with budget, see page X)

$877.1m

Total operational expenditure
(7% overspend against budget of $817.6m, see page X)

$1.4b

Total net borrowing
(11% down on forecast of $1.6b, increase on $1.1b in 2022/23, see page X)

DRAFT – SUBJECT TO AUDIT

Our report

This Annual Report describes how Wellington City Council and our Council-controlled organisations (CCOs) performed in the 2023/24 financial year. It states our progress on delivering the key projects, programmes and services that will help us create a dynamic, sustainable and vibrant city.

The period covered is from 1 July 2023 to 30 June 2024. It is the final report against our 2021–31 Long-term Plan and fulfils our obligations under the Local Government Act 2002.

This Annual Report was adopted by the Council on X October 2024, and received an unmodified opinion on the audited information, except for the statement of service provision.

A qualified opinion was received for X performance measures, three relating to the total number of complaints received for our three waters network (page X, X, and X) and one was the measurement of our greenhouse gas emissions (pages X).

This 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, funding impact statements, 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 measures and benchmarks are also in this volume.

Copies of the full Annual Report and the 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 any of our libraries. Alternatively, a copy of the report can be requested by calling the Contact Centre on (04) 499 4444.

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.

Tākai Here

Through the signing of Tākai Here, the Council has forged stronger partnerships with mana whenua in Te Whanganui-a-Tara. This collective agreement allows for a stronger governance relationship and sets out the principles, values, and priorities for the way we will work together.

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

He moana pukepuke, e ekengia e te waka

Unsettling times can be overcome if the people are resolute to do so

The theme for this year's Annual Report is a whakataukī (proverb) that speaks to perseverance tenacity, staying power, purpose and determination. That we can overcome the rough seas, if we have a plan and purpose.

And with this mindset, those journeying together in the waka can navigate the roughest, highest (hilltop), choppiest waters.

Our city is experiencing rough waters with strong economic headwinds, the impacts of earthquakes, the aftermath of the global pandemic, issues with our ageing three waters network, and impacts from climate change.

Along with these are financial pressures, with higher inflation and increases in the cost of interest, insurance and from asset ownership (for example, higher depreciation).

We are committed to navigating these waters with our communities.

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 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 have been complied with in relation to the Annual Report, as outlined in Schedule 10 of the Local Government Act 2002, including the requirement to comply with NZ GAAP.

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 X.

The financial statements are denominated in New Zealand dollars.

Message from our Mayor and Chief Executive

The 2021-31 Long-term Plan was ambitious. During a time of uncertainty, it was built on replacing ageing infrastructure, preparing for population growth, earthquake-strengthening our buildings, and responding to the climate crisis.

It set out the investment we needed to become a modern, dynamic, creative, and sustainable city.

Three years on the increased investment means the city is undergoing a significant transformation programme. At the same time, the Council alongside the community, is facing major financial pressures, including increased inflation, borrowing and insurance costs.

This year's Annual Report looks at how we performed in balancing affordability against the need to invest. This is the final year of reporting against that plan.

We have a great capital city with a lot of heart. Art, nature and diverse communities – it's what makes the city such an amazing place to live, work and play.

This year, we hosted nine games as part of the FIFA Women's World Cup, celebrated 25 years of Makara Mountain Bike Park, had wild kiwi return to the hills of the city, hosted 127 events and two international exhibitions in the first year of Tākina Wellington Convention & Exhibition Centre, and adopted part of our new District Plan that aims to greatly increase the construction of new housing around the city.

In our 2023/24 Annual Plan we noted that the operating environment continued to be challenging and we made the following decisions to keep our costs down:

- deferred decisions about some new additional funding,
- delayed debt repayments for COVID-related borrowing costs,
- used some surplus funds from previous years, and
- increased some user fees and charges

The Council achieved its highest ever delivery of capital projects totalling $464.2m. We have also continued the strengthening work on Te Matapihi Central Library which has reached the halfway point, and started construction of Te Whare Wai Para Nuku, the Sludge Minimisation Facility at Moa Point, which will reduce the volume of sludge created by up to 80% and reduce emissions created through the treatment and processing of sludge by up to 60%.

Despite challenging economic conditions our overall result was an operating surplus of $8.7m, compared with a planned surplus of $64.8m. Revenue and expenditure were well managed and predominately as budgeted, but the grant revenue from the off-balance sheet loan for the Sludge Minimisation Facility was lower than expected due to the timing of the project and when spend occurred across financial years.

Since the end of the reporting year (30 June 2024), the Council has received a lowered credit rating from S&P and voted in support of a Notice of Motion to start a process to amend its 2024-34 Long-term Plan, which may mean stopping the sale of its shareholding in Wellington International Airport Limited. Central government also announced that it will appoint a Crown Observer to provide advice and guidance to the Council to support the LTP amendment process.

These threeo factors, along with other financial pressures, means we will continue to take a very careful approach to our finances in future years.

Tory Whanau

Mayor of Wellington

Barbara McKerrow

Chief Executive

Wāhanga 1| Section 1

Tō tātou tāone nui
Our city

Kei tēnei wāhanga

Kei tēnei wāhanga he tirohanga whānui ki te hītori o te tāone, te taupori tāngata, te ohanga, te tauwāhi me te taiao.

In this section

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

DRAFT – SUBJECT TO AUDIT

Kōtaha tāone
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 kilometre[1] 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

202,689 Wellington City population[1]

11.1% Population of Māori descent[1]

2,038 Sunshine hours in 2023[2]

391km Walking and biking tracks[5]

34.9 years Median age of population[1]

24.8% Population speaks more than one language[4]

1,100 Houses powered each year by the Southern Landfill Power Station[3]

4,073 Hectares of open green space across the city[5]

33.7% Population born overseas[4]

46% Degree qualification or higher[4]

98.9km Length of coastline[5]

303m Tinakori Hill, highest point of Town Belt[5]

$165,914 Average household income[5]

107 Play areas in Wellington[6]

163kmph Top wind gust[7]

798 Places to eat[5]

1 Population total and high level breakdown figures from 2023 Census
2 NIWA Annual Climate Summary 2023
3 WCC Southern Landfill Power Station
4 Detailed population breakdown figures from 2018 Census. 2023 release not available at time of publication.
5 Infometrics Wellington City Economic Profile – Living Standard – Mean Household Income, year to March 2024
6 WCC figures for Coastline, Tracks, Eateries and Playgrounds
7 NIWA Climate data, 17 Sept 2023

Our history

Tapatapa tū ana Te Wai Mānga
i te tini tipua kai tangata,

Tāia te kawa e te Kāhui
Mounga, ka hua ko Whātaitai,
ka hua ko Ngake,

Ka hāmama te waha o te ika, ka
puta ki whei ao, ki te ao
mārama.

This song speaks of a time long ago, before the arrival of the waka, when Wellington's harbour was a lake, settled by the Kāhui Mounga people and many creatures that wreaked havoc on the land and its people.

Two guardian beasts were called to bring peace, they were Ngake, and Whātaitai. They opened the lake to the sea and they raised the land, creating the mountains, valleys, and harbour we know today.

Te Whanganui-a-Tara, or the Wellington region has been known by many names, its earliest name is said to be given by the Kāhui Mounga people, the original inhabitants of the land -Te Upoko-o-te-ika-a-Māui, or the head of the fish of Māui.

The arrival of the migrating waka meant waves of iwi who settled in the Wellington region. The name Te Whanganui-a-Tara is said to have come from Whātonga, who captained the Kurahaupō waka, he named the harbour after his son Tara. Te Whanganui-a-Tara translates to the great harbour of Tara. 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 provision of fresh drinking water, the sewerage system, social housing, libraries, swimming pools and a host of amenities. Today the Council manages hundreds of different services and facilities.

Our economy

Wellington remains the creative heart of the Greater Wellington region, with an economy that is central to the wellbeing of the region and, as the capital city, to New Zealand as a whole. Our local economy sustains approximately 171,700[8] jobs and is home to around 28,845[9] businesses.

This year, our economy produced over NZ$31.9 billion in GDP with exports estimated at NZ$3.1 billion.

Like all global cities, this past year has been challenging for Pōneke with ongoing impacts from global economic conditions, inflation, and cost of living pressures. Additionally, a reduction in public sector employment has tempered employment growth (0.4% to June 2024)[10] contributing to a more complex economic landscape in the city, with reduced consumer spending affecting retail and hospitality businesses, and impacting confidence. Shifts in work patterns continue to influence spending in the city and suburbs.

The opening of Tākina and a world class Major Events programme continue to be significant economic contributors for Pōneke, generating a combined $109m[11] to the local economy and enhancing Wellington's profile as a vibrant and attractive destination for both domestic and international visitors.

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 over 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.

8 Stats NZ - Geographic units by region and industry 2000-2023

9 Infometrics - 2024 Wellington City economic information (Business Counts, GDP, exports) qem.infometrics.co.nz/wellington-city/

10 Infometrics - 2024 Wellington City economic information (Labour market) https://qem.infometrics.co.nz/wellington-city/

11 WellingtonNZ (out of region spend generated via Major Events for FY 23/24) and Wellington City Council

DRAFT – SUBJECT TO AUDIT

Wāhanga 2 | Section 2

Ō tātou kaiarataki me te ahunga nui
Our leaders and strategic direction

Kei tēnei wāhanga

Kei tēnei wāhanga ko te tirohanga whānui ki te Ahunga Nui - tō tātou whakakitenga, ngā whāinga nui me te tūranga a te Kaunihera, āpiti atu ko te tūtakitaki ki tō tātou Koromatua, ngā mema Kaunihera me te Kāhui Whakahaere.

In this section

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

Tō tātou ahunga nui
Our strategic direction

Our Council's vision for the city

Wellington 2040 – an inclusive, sustainable and creative capital for people to live, work and play.

This vision for Wellington City is our guiding star, it anchors us in what we are trying to achieve for the city and how we will get there.

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 (2021 LTP).

Our four community outcomes

Environmental: A sustainable, climate friendly eco capital	A city where the natural environment is being preserved, biodiversity improved, natural resources are used sustainably, and the city is mitigating and adapting to climate change – for now and future generations
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
Cultural: An innovative, inclusive and creative city	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
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 an environmentally sustainable future

DRAFT – SUBJECT TO AUDIT

Our six priorities

The 2021–31 Long-term Plan (2021 LTP) identified six priority objectives to focus on.

The priority objectives are a result of engagement with business groups, community groups, students, and the public, who told us that water, transport and housing were particularly important.

How we performed against our six priorities over the past three years of the 2021 LTP is outlined on page X.

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

New Strategic Direction in the 2024-34 Long-term Plan

Our strategic direction is reviewed every three years and refined based on any changes in the city to make sure we remain on track.

We completed this review in April and May 2023 as part of the 2024–34 Long-term Plan (2024 LTP) that was adopted on 27 June 2024. This can be viewed at wellington.govt.nz/ltp

The 2021 LTP Strategic Direction, as outlined here, guided the Council for the 2023/24 year and this report outlines our performance against that direction over the past three years.

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 delivering Council services to the community. The outcome indicator trends that we monitor, and report include:

Environmental

- Energy consumption, city greenhouse gas emissions
- Eco-system health
- Waste management & reduction
- Sustainable living
- Climate change impacts, adaptation
- Three waters quality, supply, customer satisfaction

Cultural

- City vibrancy
- Cultural diversity
- Artistic talent and expression
- City heritage
- Cultural infrastructure

Social

- Quality of life
- Community sense of purpose and place
- Community connection & participation
- Community safety
- Community engagement
- Satisfaction with partnerships

Economic

- 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

DRAFT – SUBJECT TO AUDIT

Tō mātou tūranga

Our role

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

- To enable 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.

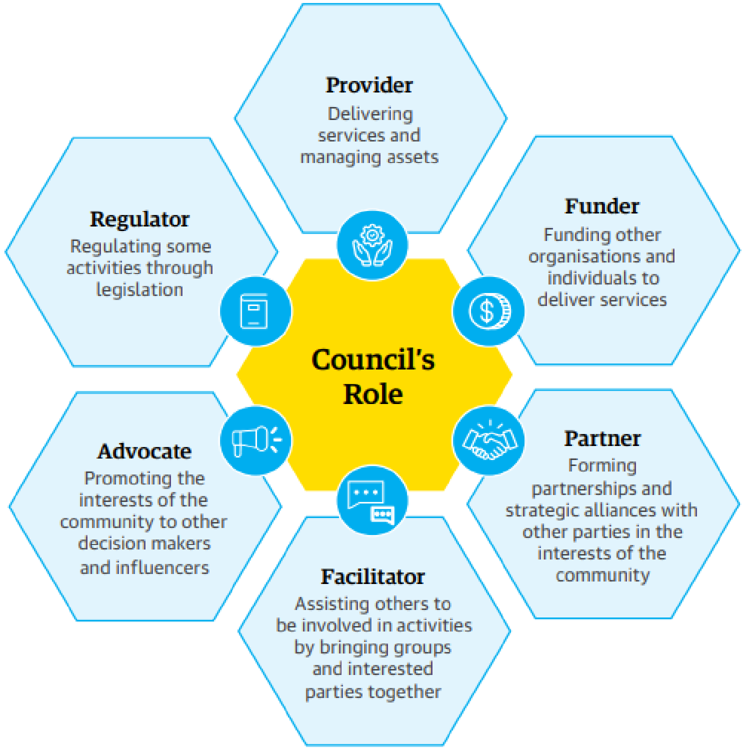
While the Council is involved in many aspects of the ongoing operation of the city, it cannot do this alone.

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 2021-31 Long-term Plan, we provide funding for the services and development projects that reflect these roles.

Council's roles in the city



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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 –Wellington City Council operates as the territorial authority for the city and 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 X to X.

Understandably, there can be some confusion about which services are provided by Wellington City Council and Greater Wellington Regional Council.

Here is an example of the differences between some of the services Wellington's two local government councils offer in similar service areas.

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

As the capital city, we also have a large central government presence in the city. About 28,700 people work as central government public servants in Wellington[12].

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
- Local government focuses on a particular area.

[12] Public Service Commission, 2023

DRAFT – SUBJECT TO AUDIT

Tō tātou Kaunihera
Our Council

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. Residents in Tawa and in Mākara/Ōhāriu also vote to elect six members to their local community boards.

Two representatives of our Tākai Here partners are also appointed to Council committees and have voting rights.

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

Te Kaunihera o Pōneke | Wellington City Council established a Māori ward in 2021, and the election held in October 2022 was the first where those on the Māori electoral roll were able to vote in the new ward. This increased the number of Councillors from 14 to 15.

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

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 Geordie Rogers
- 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

Pouiwi mana whenua representatives
- Holden Hohaia
- Liz Kelly

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 on page X.
- For details of ELT remuneration, see Note 38 in Volume 2: Financial statements on page X. The staff structure of the organisation is shown in Section 5 from page X.

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 is detailed in Section 5: Our Council and organisation on page X.
- A more detailed organisational structure including business units is also in Section 5 from page X.

Our Council governance
Mayor and 15 Councillors, two pouiwi representatives
The 2022 to 2025 triennium is the first with an elected representative from the newly established Te Whanganui-a-Tara Māori ward.

Community boards
- Tawa
- Mākara/Ōhāriu

Implement decisions

Reporting, support and advice

Accountability

Our Council management
The Chief Executive and ELT cover the following functions
- Strategy & Governance
- People & Culture
- Māori
- Finance
- Planning
- Digital
- Infrastructure
- Customer & Community

2000+ staff deliver 400 services and facilities, from libraries and museums to street maintenance and the landfill.

Council-controlled organisations
- Basin Reserve
- Experience Wellington
- Sky Stadium
- Wellington Cable Car
- WellingtonNZ
- Wellington Water Ltd
- Wellington Zoo
- Zealandia

Wāhanga 3 | Section 3

Rapopototanga mō te tau
Summary of our year

Kei tēnei upoko

Kei tēnei upoko ko ngā whakakōpakitanga o ngā tutukihanga, āpiti ake ko ētahi o ngā aupiki me ngā auheke o te tau 2023/24 me te tirohanga whānui ki ngā mahi matua.

In this section

This section includes summaries of our performance, including some of the challenges and highlights of the 2023/24 year, and an overview of our core business.

Ā mātou tutukihanga
Our performance

Introduction

We are in an important period in which our city is undergoing a significant transformation programme – replacing ageing infrastructure, preparing for population growth, earthquake-strengthening our buildings, and responding to the climate and ecological crisis.

At the same time, the Council is facing major financial pressures, including increased inflation, borrowing and insurance costs.

This year we continued to deliver our services in a challenging operating environment, with 61% of our active performance measures having a met or substantially met result. See page X for more details.

Our financial result for the year was a $8.7m surplus compared to a planned surplus of $64.8m. See from page X for details.

Challenges

Our city is currently experiencing the impacts of key public buildings and spaces having seismic issues, the aftermath of the global pandemic, issues with our ageing three waters network and climate change. We also have financial and economic pressures and we know our community faces the same issues.

The challenges outlined in this section had significant impacts on the Council's performance during the 2023/24 year.

Affordability and increasing costs

The Council and residents of the city are facing affordability challenges. Put simply, everything we do is costing more to deliver, which increases costs for our community.

The economic and community operating environment has changed dramatically since the Council prepared its 2021 Long-term Plan (2021 LTP).

In 2023/24 we were operating in an environment of:

- 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.

The 2023/24 Annual Plan included a 12.3% rates increase. On top of this the Council consulted during the year on the 2024 LTP, which had a Year 1 rates increase (2024/25) of 16.9% (after growth) and an average annual increase over the 10 years of the plan of 8%.

Residents' ability to pay more rates is limited and we are increasingly hearing during consultations that the cost of rates is having an impact in a tough economic climate.

We need to continue to work to keep our budgets affordable and to have money available for future risks, such as the need to respond to natural disasters.

Unfortunately, local government has a narrow range of tools for funding projects and everyday costs. Most of our operating revenue comes from residents through rates, or fees and user charges, and our capital investments are paid for through debt. We also receive some funding for projects from the NZ Transport Agency Waka Kotahi (NZTA).

We have been able to access funding through the Infrastructure Funding and Finance Act 2020 for the new Te Whare Wai Para Nuku Moa Point Sludge Minimisation Facility.

Funding this asset via a central government pathway means we don't increase our debt directly, but it still impacts ratepayers through a levy on rates bills from August 2024 (a 1.6% increase in 2024/25).

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

Upgrading our ageing infrastructure

The Council owns more than $11.4b worth of assets, including pipes, reservoirs, roads, tunnels, bridges and retaining walls. We all know that a city's infrastructure is crucial for residents to thrive, but it is often taken for granted.

Much of the city's infrastructure was built in waves when parts of the city were urbanised, including a sizeable portion that was built after World War Two. This means a lot of our infrastructure will reach the end of its life in the next 30 years.

In the 2021 LTP, Council committed to upgrading much of the city's ageing infrastructure, particularly the water network, so it could manage the city's growth. We continued this investment in the new 2024 LTP.

We have also reviewed and changed parts of our District Plan to account for where and how we envision growth happening in our city, and are working with Central Government on how we can provide more travel choices for Wellingtonians to improve connections across the city.

These priorities increased our total capital expenditure for the 2021 LTP from $2.3b to $3.2b. The size of the increase in the capital programme meant a necessary change in how the Council operated, requiring us to balance delivering our promised programme and considering the impact that would have on rates. It has also led to the Council strengthening its capability to manage and deliver more projects and programmes of work.

There is pressure to deliver this programme when the construction market is constrained and in a year of increasing costs. This meant that while we spent more this year on our capital programme and 82% 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.

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 states that the years leading up to 2030 are crucial for us if we are to have a chance of staying below 1.5°C of global warming. It targets reducing city emissions by 57% by 2030, being a net zero carbon capital by 2050, and supporting the city 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. The most vulnerable people are often the most affected by climate change impacts.

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.

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. The Council also has key roles in the waste system.

Over the past year we have invested in bus, cycle and pedestrian network upgrades, the new sludge treatment plan, and decided to introduce a kerbside collection of organic waste in 2027.

These investments are setting our residents up for success, with affordable, safe and accessible options to change how they live, as our world changes.

We are also continuing to deliver a targeted, streamlined set of initiatives to maximise the use of these infrastructure changes, and collaborating with communities and partnering with mana whenua on how to navigate the economic and physical transitions of our city.

More information is included in:

- Te Atakura milestones, Governance, page X
- Waste infrastructure upgrades and Council emissions reduction programme, Environment and Infrastructure, page X
- Support for community groups to leverage their impact, Social and Recreation, page X
- District Plan adoption and public space upgrades, Urban Development, page X
- Transport infrastructure upgrades and community programmes, Transport, page X

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 here, central government has made amendments to two National Policy Statements in the past three years on Urban Development and Fresh Water Management 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

In December 2023 the Government announced a new direction for water services (drinking water, wastewater and stormwater services) policy and legislation. These changes are called Local Water Done Well. We are working with the other councils in the Greater Wellington region as well as the Horowhenua District on a Water Services Delivery Plan (WSDP) to reform the region's water services.

The 10 councils, representing more than half a million people, are committed to the process and are working at pace to ensure we establish an enduring approach to water management ahead of the local government elections in 2025.

More information on this is in Volume 2, Note 39, page 118 and on our website here: Local Water Done Well - Water - Wellington City Council.

Resource Management reform

In February 2021, the Government announced 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.

The change of Government in 2023 changed the direction of the RMA reforms. A new Resource Management Ministerial Group was formed in March 2024 to progress the National-led coalition's direction, which includes a new fast-track consenting regime; and targeted changes to the RMA to reduce unnecessary regulation, and support housing development and renewable energy projects. By mid-2025, the Government plans to introduce legislation to replace the RMA.

The changes may have an impact on parts of our work in consenting, compliance, urban planning and development.

Future for Local Government Review

The 2023 Future for Local Government Review report, commissioned in 2021 by the Labour-led Government, had 17 recommendations on how local government needed to change over the next 30 years. The National-led Government, elected in 2023, has decided that the 17 recommendations will not be progressed. The Government is working on a regional deals framework and other options for new local government funding and financing tools.

External awards and nominations

The Council received several significant awards and nominations in 2023/24. They acknowledge innovative work in key areas and our leadership role in the local government sector.

- The Council won the Rāngai Tūmatanui – Public Sector award for advocacy, innovation and leadership for te reo Māori in 2024 Ngā Tohu Reo Māori.
- The Council won the Big Street Bikers' Breakthrough Biking City of the Year Award in 2023 at the Local Government NZ conference. The annual award celebrates a city or town which has demonstrated outstanding initiatives and actions that enable more people to cycle more often.
- In November 2023, our Council-controlled organisation Zealandia Te Māra a Tāne was named the top tourism operation in Aotearoa New Zealand as the winner of the prestigious Air New Zealand Supreme Tourism Award. As well as taking out the top award, Zealandia won the category of the Airbnb Tourism Excellence Award (Small–Medium Business).
- The Cinderella projection on St James Theatre won an award for Excellence in Design and Innovation in September 2023 at the prestigious Australian International Good Design Awards. The animations were a partnership between the Royal New Zealand Ballet, Wellington City Council, and Wellington creative companies ClickSuite and Streamliner, demonstrating collaboration under the Council's Aho Tini 2030 Arts, Culture, and Creativity Strategy.
- Three Council supported facilities were winners in their categories at the region's Te Kāhui Whaihanga New Zealand Institute of Architects awards in May 2024.
    - Tākina Wellington Convention & Exhibition Centre (Studio of Pacific Architecture) and Te Nukuao Wellington Zoo's snow leopard habitat (Architecture Workshop) both won awards for Public Architecture.
    - An Enduring Architecture award went to City Gallery Wellington | Te Whare Toi (1992–1993, by Gardyne Architecture now Architecture Plus).
- At the New Zealand Commercial Project Awards in May 2024, both Tākina (LT McGuinness) and Te Nukuao Wellington Zoo snow leopard habitat (Naylor Love Wellington) won gold in the Built Tourism and Leisure Project category, and the Newtown Community & Cultural Centre upgrade (WSP) won a silver award.
- In 2023 Council was invited to apply for a place on the Harvard Bloomberg City Leadership Initiative. Our proposal was then selected as one of 10 cities to participate in the Collaboration Track. The programme focuses on building the skills in how to collaborate effectively to make progress on a complex city problem. The programme was fully funded by Bloomberg Philanthropies.
- Te Whai Oranga Pōneke, our Open Space and Recreation Strategy, won the Outstanding Research Planning and Policy Awards at the 2023 New Zealand Recreation Awards.
- In May 2024, Wellington was recognised as one of five cities shortlisted and with a Special Mention in the 2024 Lee Kuan Yew World City Prize, for its exemplary commitment towards living with nature, and dedication to conserving and restoring natural habitat in both urban and natural areas through innovative programmes.
- The Council's *2022/23 Annual Report* received a Gold Award at the Australasian Reporting Awards (ARA). This is the third successive gold award for our annual reports.

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.

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 2023/24 Annual Report is a report against Year 3 of the 2021-31 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 third 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 LTP.

Summary of outcome performance

Some of the underlying data sources we use to report on our progress are not produced annually and some have ceased during the reporting period. Additionally the date at which data is released varies, which means that not all data is the most recent at the time of reporting.

When monitoring trends, we have indicated the most recent data, as noted in Appendix 3, from page X.

Environmental wellbeing

We are making some progress in the awareness and actions needed to become a more sustainable city. However more work needs to be done to reduce waste to landfill

Social wellbeing

At a city level there have been small improvements in housing, sense of community, participation and wellbeing, with a larger improvement in civic awareness. However when comparing nationally, Wellington scores lower than our counterparts for confidence in Council's decision making and perceptions of overall quality of life.

Cultural wellbeing

There has been a reduction in residents' perceptions of the way the city looks and feels, but there is a steady positive perception relating to the city's arts scene. While the data is from 2021, there is a potential positive trend for Te Ao Maōri cultural activities. The City's Pōneke Promise programme of works seeks to address these elements.

Economic wellbeing

Employment-related indicators all showed improvement with the city well below the national average for young people not in education, employment or training, as well as improvement in the average annual household income. There has been a small increase in the diversity of our economy. However, it is less diverse than the national average and the wider Wellington region.

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 160% over the past five years.
- City greenhouse gas emissions fell by 9% between 2020 and 2022.
- Positive trends in city food rescue and redirection, resulting in meals being provided to those in need and a reduction in CO_2 emissions.
- Improvements in residents' sense of community, participation and wellbeing.
- An increase in residents feeling the transport system allows easy to access the city, which is attributed to the improved reliability of the bus service.
- Steady increase in long-term growth of GDP per capita, with improved housing affordability and wellbeing, and household incomes.

Challenges

- More needs to be done to reduce waste to landfill. We are working to address this through the actions in our Zero Wate strategy – He anamata para kore mō Pōneke.
- Perceptions of the way the city looks and feels, and its character have declined. However Wellingtonians have a strong, positive sense of our arts scene.
- The proportion of residents who have confidence in Council's decision-making processes is still low, although confidence has increased across all three years.
- The city's economic diversity remains below the national average, but our second largest industry, professional, scientific and technical services, contributed to the city's GDP at higher rates than the national average.

Performance measures

This is the final year of reporting our performance against the 2021 LTP. The Council set 95 key performance indicators (KPIs) to gauge our performance across the services we provide the city.

This includes those related to Council-controlled organisations (CCOs), which have 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** (at or exceeding target)
- **Substantially met** (within 10% of target, new category*)
- **Not met** (greater than 10% of target)
- **Not reported** (where the result was not available at the time of publication).

***** This year changes to Audit NZ guidance means we have updated how we report our results to include a new category of substantially met. This category means we can show a more detailed view of our performance.

A new performance framework, KPIs and targets will apply from the 2024/25 financial year onwards. More information on the new framework is included [Volume 2 of the 2024 LTP](#).

12 out of 20

Satisfaction measures were met or substantially met. This is an improvement on last year, but shows the impact of delays in providing our services.

13 out of 25

Measures relating to our delivery of the water network were met this year

12 out of 25

Timeliness measures were met or substantially met showing delays were experienced in providing our services

41 of our 95

KPIs show improved performance this year

More details are in the KPI tables in the Statements of Service Provision for each activity area.

Summary of KPI performance

The Council has maintained its performance against a backdrop of challenges outlined earlier in this section. These challenges have impacted on the performance of the KPIs across the three years of the 2021-31 Long-term Plan.

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

Our result of 60% of KPI targets (57 out of 95) being met or substantially met is a small decrease in performance against last year's results (61%).

However, if we remove the two KPIs that we ceased reporting on in 2022/23 (related to social housing which moved to Te Toi Mahana, our new community housing provider) the net result improves to 61%. These two KPIs are included as 'not reported' this year.

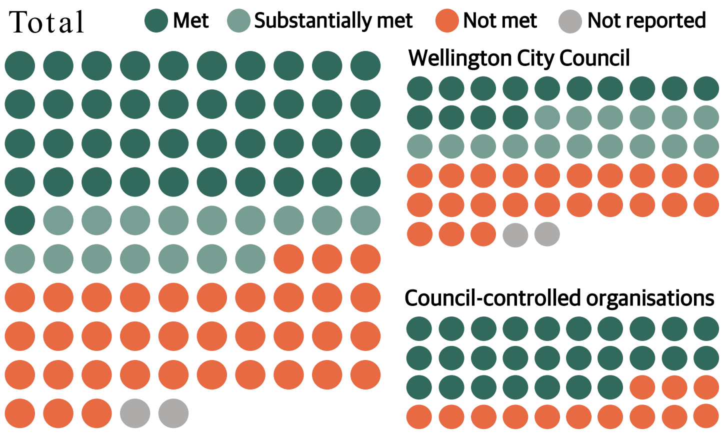
Of the 57 KPIs that are met or substantially met, 31 are at or exceeded their target, a further 10 are at the maximum of the target, and 16 are substantially met (within 10% of their target).

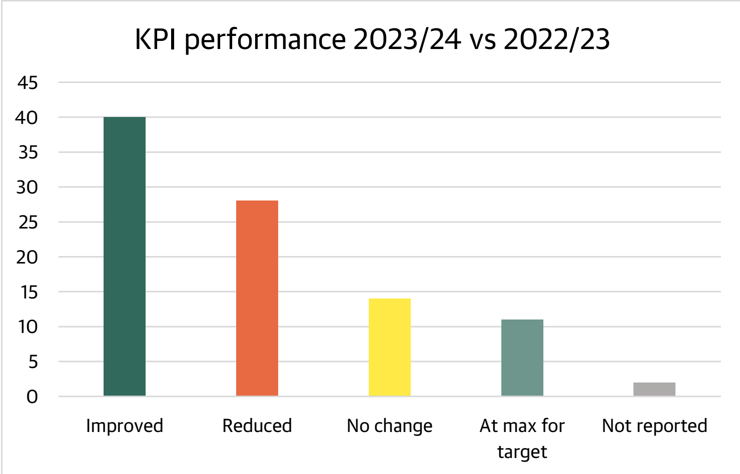
Drilling down further, of the 55 Council-based KPI targets which were met or substantially met, 45% (25) had improved performance over last year's result, a further 7% (4) were at the max of their targets and 31% (17) had a reduction in performance.

For our CCOs 68% were met or substantially met compared to last year's 63%, which showed the city continued to enjoy the benefit of high-profile events after COVID-19 such as the FIFA Women's World Cup. Increased utilisation of funding by Wellington Water has also led to improved performance.

Overall, 54% of our 95 measures had an improvement in performance this year or were at the max for their targets, compared to 29% (28) that had a reduction in performance. This reflects that there has been an uplift in how we have been providing our services.

This is best exemplified by the *Building consents (%) issued within 20 working days* KPI for which we achieved a significant 24% jump in performance over 2022/23 despite not meeting the target. This result was mainly due to process improvements, but it also reflects that construction activity has slowed – reducing the number of building consent applications to be processed.





Overview of KPI results

The following table provides a summary of KPI results by strategic activity area. Results are ordered as per the service descriptions that outline what Council does in each area.

Notes:

- We reported on two of our KPIs in Social and Recreation for the last time in 2022/23. Both relate to the establishment of Te Toi Mahana Community Housing during the 2022/23 financial year.
- 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 X, X and X.
- Our greenhouse gas emissions KPI also received a qualification because changes to how emissions were calculated meant we were unable to report Scope 3 emissions in time for publication of this report. For more information see our KPI measure on pages X and Appendix 1 from page X.

For more information on our 2023/24 performance measure results for each activity area see Section 4: Our performance in detail, from page X to X.

Strategic activity and service description	Met	Substantially met	Not met	Not reported	Total
Governance	**3**	**1**	**3**	**-**	**7**
Facilitate democratic decision-making and open access to information to build trust and confidence	2	1	3	-	6
Develop, maintain and inspire meaningful relationships so that our partnerships with mana whenua, tāngata whenua and Māori within our community are mana enhancing	1	0	0	-	1
Environment and infrastructure*	**19**	**1**	**16**	**-**	**36**
Provide access to green open spaces and enhance biodiversity to improve the quality of our natural environment	2	0	2	-	4
Reduce our impact on the environment by minimising and managing the disposal of waste and by reducing our carbon footprint	2	1	2	-	5
Increase the security of potable and stored water	2	0	8	-	10
Provide safe and sanitary removal of wastewater	3	0	3	-	6
Protect people, property and the environment from flooding and storm runoff	8	0	1	-	9
Protect flora and fauna through conservation and biodiversity	2	0	0	-	2
Economic development	**8**	**0**	**1**	**-**	**9**
Grow tourism spend and economic returns from events that bring visitors and extra spending to the city	8	0	1	-	9
Cultural wellbeing	**2**	**1**	**0**	**-**	**3**
Build and maintain a sense of place and identity	2	1		-	3
Social and recreation	**4**	**6**	**5**	**2**	**17**
Encourage active and healthy lifestyles important for people's health and wellbeing	1	3	1	-	5
Foster diverse communities and enable people to connect with information and each other	2	2	0	2	6
Maintain public health standards and promote individual wellbeing, safe neighbourhoods and a safe inner city	1	1	4	-	6
Urban development	**2**	**2**	**7**	**-**	**11**
Help protect, restore and develop the city's heritage and character assets	0	0	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	2	2	6	-	10
Transport	**3**	**5**	**4**	**-**	**12**
Deliver an accessible, safe, regulated and reliable transport network	3	4	3	-	10
Manage parking in line with the aims and objectives of the 2020 Parking Policy	0	1	1	-	2
Total	41	16	36	2	95

Delivering our services

Analysis of our performance across the service dimensions (the KPI categories relating to the services we deliver) is shown here.

Overall, the Council performed well with results above 60% in five of the eight service dimensions, with one, Affordability, at 80%. However, utilisation and timeliness were impacted with results of 25% and 48% respectively.

Service dimension*	Result 2023/24				Performance against 2022/23			Total
	Met	Substantially met	Not met	% Met or Substantially met	Improved	Reduced	No change	
Satisfaction	4	7	8	55%	12	4	3	19
Affordability	3	1	1	80%	1	2	2	5
Clean and Safe	7	0	2	78%	4	2	3	9
Compliance	2	3	3	63%	3	3	2	8
Customer expectations	11	0	4	73%	7	3	5	15
Utilisation	1	0	3	25%	2	2	0	4
Timeliness	7	5	13	48%	10	9	6	25
Sustainability	6	0	2	75%	2	1	5	8

*excludes not reported

Out of the four utilisation KPIs, the three not meeting their targets were real water loss and water consumption, which had results higher than target, and parking utilisation, which was lower than target.

For timeliness, response times for water network issues (five KPIs); public health services such as food registrations or graffiti removal (four KPIs); as well as urban development services (four KPIs) were all below set targets.

However, 10 KPIs in the timeliness dimension did improve their performance over the previous year's result. This encompassed three KPIs in responding to water network issues, four in the consenting, noise control and roading areas plus three in the public health and contact centre service areas. Nine KPIs had no change in performance.

This compared with nine KPIs which experienced a reduction in performance.

In the satisfaction dimension, the results are based on our annual Residents Monitoring Survey, see page X for more.

This year, 12 KPIs improved their performance against 2022/23 results. These include open spaces, kerbside recycling, waste collection and the stormwater system. Satisfaction with our arts and cultural activities, pools and library services also improved. There were also improvements in the number of residents satisfied with the levels for transport systems – walking, and in perceptions of the fairness of parking enforcement.

The service dimension analysis does not include the two housing related KPIs which ceased reporting in the 2022/23 year.

Long-term Plan performance

The following is a snapshot of our KPI performance trends across the past three years.

We have focused on two areas.

Firstly, if the KPIs did or did not meet targets for the past three years.

- Met: Those always at target, including those at the max of their targets, or those that exceeded targets.
- Substantially met: Those always within 10% of target.
- Exceeded: those that always exceeded targets where this was possible.
- Not met: more than 10% away from target.
- No pattern: those that had differences in results over time. Many of these were impacted by COVID-19 in the first years of the 2021 LTP.

Secondly, we have analysed where our KPIs showed improved performance against the performance baseline of the Year 1 result.

This is irrespective of whether the target was met or not. This includes KPI results which:

- at the max for their target. e.g. binary yes/no targets or at 100%.
- had improved or reduced performance against the Year 1 baseline.
- had no change and/or did not show a pattern to their performance against the Year 1 baseline.

Results

- 11 KPI results exceeded their targets for the full three years. These include six water related measures and three residents' satisfaction measures.
- 26 KPIs met or substantially met their targets for the full three years. These include most non-water related CCO performance KPIs, official information requests, residents' satisfaction with library services, and transport measures.
- 25 KPIs were consistently not met. These include residents' satisfaction with Council decision making, access to information, waste diversion, and water response and resolution times to call outs.
- Water related services had mixed results with 13 improving, 10 having reduced performance and two having no change or no performance pattern.

Summary of three-year Long-term Plan performance

Performance for LTP – to target		
Met: Exceeded target	11	12%
Met: at target or max of target	13	14%
Substantially met	13	14%
Not met: >10% away from target	25	26%
No pattern	33	35%

Performance change for LTP		
At max for target	9	9%
Improved performance	54	57%
Reduction in performance	24	25%
No change	5	5%
No pattern	1	1%
Ceased reporting	2	2%

The analysis of our KPIs' performance in each strategic activity area is provided in the Statements of Service Provision which make up Section 4: Our Performance in Detail, from page X to X.

95
Number of KPIs

37
Met or substantially met all three years

25
Not met all three years

54
Improved performance against year 1 result

24
Reduction in performance against year 1 result

Overview of our finances

Introduction

The Council creates plans, including 10-year and annual budgets, to make sure we are working towards the best future for our city.

This report holds us accountable to those plans and how we are spending our money.

This section outlines how we have financially performed against the 2021 LTP (as amended) and the 2023/24 Annual Plan.

Our planning documents

The Long-term Plan (LTP) is a key planning tool for councils. It keeps us accountable to our communities and provides a long-term view of our projects and the Council's budgets.

The Council is required to revise the Long-term Plan every three years and must always have one in place. Importantly, through public engagement, the review of the Long-term Plan is a chance for the community to have a say on the future of our city.

The Council is also required to adopt an Annual Plan (the LTP is the Annual Plan for the first year it is set). The Annual Plan sits alongside the LTP as a record of annual changes that needed to be made.

This includes setting a budget that supports the delivery of our services and development projects to improve the city.

Financial Context

The context in which the 2021 LTP was set is significantly different to the environment in which we are now operating. There was significant uncertainty because the ongoing impacts of the COVID-19 pandemic were unknown in 2021 and there was a focus on the city's economic recovery.

As outlined in detail in the challenges section on page X, we now face affordability challenges, plus higher inflation, increases in the cost of interest and insurance, as well as higher costs associated with asset ownership (for example, higher depreciation). These challenges are being faced by councils across the country and we need to be conscious of our financial impact on our ratepayers and residents.

In the 2021 LTP, the Council committed to upgrading much of the city's ageing infrastructure, particularly the water network. This has meant increases year-on-year in our capital expenditure and our debt.

All of our budgets are linked - increasing our debt also increases the operating costs for paying it back, including the cost of interest.

Therefore, we need to balance having a city we can all enjoy, with the ability of residents to pay rates.

$8.7m

Surplus – result for the year

$64.8m

Budgeted surplus in Annual Plan 2023/24

82%

Capital programme budget spent

$877.1m

Cost of running the city

$11.8

Operational cost of Council services per resident per day

AA+

S&P credit rating for the year

(Note: this was downgraded in August 2024 to AA)

A balanced budget

Under the Local Government Act 2002, councils are expected to operate a balanced budget. This means rates and other revenue equals or is greater than 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 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 2021-31 Long-term Plan and subsequent annual plans several items related to the impact of COVID-19 were funded through debt. For example, the Council did not receive any airport dividends during the pandemic period and had to borrow to cover the shortfall in 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 2023/24 Annual Plan, the revaluation of water, sewerage and stormwater networks increased the value of our assets by 80%. This increased depreciation expenditure by $60.1m. Depreciation would normally be fully funded by rates, but this would have meant an additional 9% rates increase on top of the 12.3% proposed. The Council therefore resolved that it would be prudent to work towards fully funding depreciation over a period of time rather than imposing this cost immediately.

The Council forecast a surplus in the 2023/24 Annual Plan. However, the plan included $126.2m of revenue from grants, subsidies and reimbursements for the Sludge Minimisation Facility. This was accounted for in accordance with accounting rules. If the capital grant revenue had not been included, the Council would have budgeted a deficit position.

Key variances to budget

We achieved a $8.7m surplus compared with a budgeted surplus of $64.8m. The overall surplus is $56.1m lower than what was budgeted in the 2023/24 Annual Plan.

The key changes are

- The cost of delivering and running Council services and operating projects in 2023/24 was $59.5m higher, driven by non-cash expenses such as depreciation and adverse fair value movements.
- Grants, subsidies and reimbursements received were $46.6m less than budget because of lower sludge minimisation grant revenue. This revenue is used to fund the construction of the new sludge facility. The project spend is behind budget, so the associated grant revenue is too.
- Vested assets and other revenue were $34.7m higher than budget. During the year we recognised vested asset revenue of $33.6m largely relating to water assets from new subdivisions and roading assets from the Let's Get Wellington Moving partnership. Given the uncertain nature of vested assets we do not budget for these.
- Fair value movements were $32.8m lower than budget. This is primarily due to investment property revaluation decreases. The Annual Plan predicted a fair value gain of $13.9m compared to an actual net fair value loss of $18.9m.
- Depreciation and amortisation expenses were $14.6m higher than budget. This is mainly due to higher depreciation based on the significant increase in the value of our assets from the previous year.

The Revenue and Expenditure sections of this summary outline the key variances to the budget in more detail.

See the Glossary from page X for definitions of key terms.

Expenditure

Operational spend

The 2023/24 Annual Plan forecasted an operating cost of delivering Council services of $817.6m. This was a significant increase compared with previous year's budgets and related to the increased costs of contracts, personnel and interest.

The operational expense this year totalled $877.1m driven by non-cash expenses such as depreciation and adverse fair value movements.

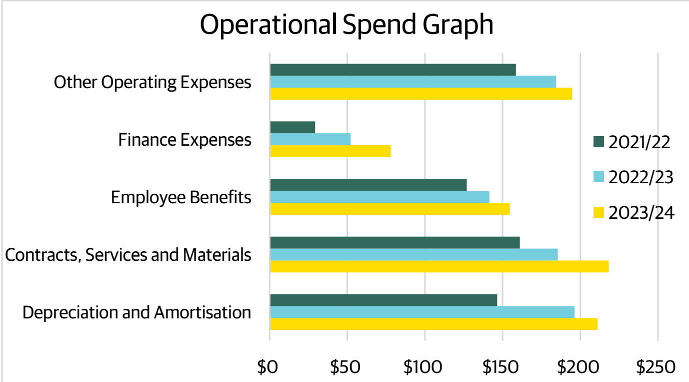
The main area of spend was our Environment and Infrastructure activity (43% of all of actual Council spend) with increases in the amount spent on our water network and increased depreciation as outlined above. Inflation also had an impact on costs across the Council.

Depreciation and amortisation continues to rise driven by increases in asset valuations such as three waters assets and the large capital expenditure programme that is underway. This cost continues to grow each year, with $14.7m more depreciation and amortisation expenditure this year than in 2022/23.

Contracts, services and materials costs were $218.3m in 2023/24. This spend represents a $32.9m increase in spend compared to last year. This was driven by continued investment in the environment and our transport network.

The graph to the right 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 utility costs, insurance premiums, professional fees, information and communication technology and operating leases.



Capital Spend

During 2023/24 we delivered capital projects totalling $464.2m. This is the highest capital expenditure programme Wellington City Council has delivered. In total, the Annual Plan forecast a capital spend of $566.1m. We therefore underspent our capital budgets by 18%, or $101.9m.

The key highlights and differences, to the 2023/24 Annual Plan are listed below:

- Our largest capital spend in 2023/24 was $90m on the sludge minimisation facility/Te Whare Wai Para Nuku compared with the Annual Plan budget of $126m. This capital spend is behind budget because the timing of key equipment purchases has been slightly later than expected. The project is still well advanced.
- We invested in the remediation of critical community assets such as Te Matapihi and the Town Hall, spending $118m on these projects (2023/24 Annual Plan budget: $122m).
- Significant investment occurred in the three waters network this year, with $67.5m spent on capital expenditure. We had planned to spend $60m (in the 2023/24 Annual Plan budget) and during the year the Council approved an additional $11m in response to critical investment needs.
- The capital spend on our transport network including the bike network, Paneke Pōneke, and Let's Get Wellington Moving (LGWM) was $111.1m in 2023/24 compared to the $128.5m set aside in the Annual Plan. This spend changed during the year due to the decision to wind down the LGWM programme which caused delays in the associated projects.

More information about our expenses for the year is detailed in Note 7 to the financial statements, on page X of Volume 2

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 by balancing the needs of the community, demand for services and rates affordability. The money helps us deliver hundreds of day-to-day services and pays for the interest on loans 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 $483.3m (GST exclusive) of rates during 2023/24.

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

416 litres of drinkable water supplied per resident per day[13]	**110,105** native plants planted with the community	**169,628** calls answered by our Contact Centre staff
827km stormwater pipes	**2m** physical items borrowed from our 13 libraries	**204 sqm** open space per Wellingtonian
1,085km wastewater pipes	**391km** walking and biking tracks	**107** play areas
995km footpaths	**803,971** resources in City Archives	**18,828** streetlights operated

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

Revenue

Operational income

Our main source of funding is from rates – which makes up 54.6% of our total revenue of $885.6m. The next largest source is user fees, at 20%. (Money charged for using Council services such as swimming pools and the landfill).

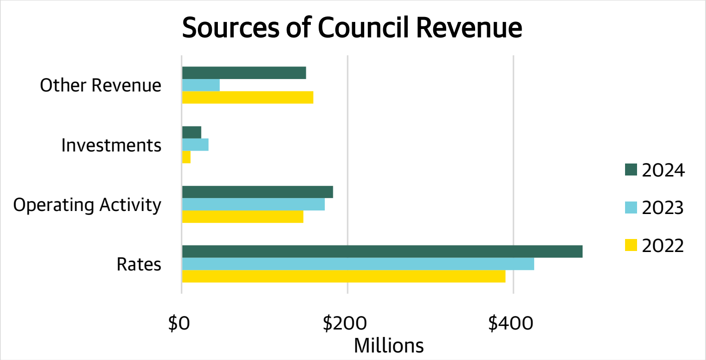
We also received 15.6% of our revenue from other external sources (mainly from central government) and gained some from investment revenue.

The graph to the right shows the main sources of revenue for the Council.

Our total revenue for the year is in line with the 2023/24 Annual Plan at $885.6m. There was a decrease in grant revenue compared with the budget. Grant revenue was provided to us when capital spend on the sludge minimisation plant was incurred. As the actual project spend has been lower than expected, grant revenue has also been lower ($47.0m).

This has been offset by revenue which is not budgeted such as vested asset revenue of $33.6m and interest revenue of $17.5m.

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



- City housing – $2.5m (2023: $27.0m). This revenue fell as Te Toi Mahana took over City Housing operations in August 2023. Lease revenue has increased to $29.4m from $8.3m in 2022/ 23.
- Landfill operations and recycling – $34.2m (2023: $31.1m).
- Parking fees and permits – $23.4m (2023: $24.4m).
- Consents and licensing services – $18.0m (2023: $17.5m).
- Convention and conference centres – $15.2m (2022: $15.9m).

More information about these revenue sources is detailed in Note 2 to the Financial Statements, on page xx of Volume 2.

Capital income

The 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. This includes grant revenue to fund the construction of the sludge minimisation plant and Waka Kotahi NZ Transport Agency's contributions towards the Paneke Pōneke cycleways network.

Borrowing for the year

Total net borrowings increased by $301.5m to fund the capital expenditure programme for the 2023/24 year.

Net borrowing is made up of gross borrowings minus cash and term deposits. Net borrowing was $1.44b at the end of the year compared to $1.59b forecast in our 2023/24 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:$0.40. This means that every $1 paid in interest costs is offset by 40c of investment income received.

Before COVID-19, this ratio was $1:$1 or higher, but it dropped in 2021/22 because we did not receive a dividend from Wellington International Airport Ltd due to the impact of the pandemic. The 2022/23 dividend was $20.4m and this year's dividend was $12.0m.

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

Key projects and programmes

In our 2021-31 Long-term Plan, we outlined the major projects we intended to complete during the year.

These are highlighted in the relevant chapters of Section 4: Our performance in detail, from page X to X.

Key programmes

In our 2021-31 Long-term Plan we had agreed to focus on 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 (wastewater, drinking water and storm water). More details are available about each of these projects:

- Mana whenua partnerships: page X
- Te Atakura – First to Zero: page X
- Sludge minimisation facility: page X
- Three waters work programme: page X
- Planning for growth: page X
- Council's Housing Action Plan: page X
- Let's Get Wellington Moving: page X

Key Long-term Plan and Annual Plan 2023/24 projects

Key projects were also outlined in the 2021-31 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.

- 2024-34 Long-term Plan: page X
- Southern Landfill extension: page X
- Tākina Convention and Exhibition Centre: page X
- Te Matapihi ki te Ao Nui Central Library: page X
- Frank Kitts Park playground upgrade: page X
- Te Ngākau Civic Precinct: page X
- Town Hall strengthening: page X
- Public space upgrades: page X
- Transport network upgrades: page X

Wāhanga 4 | Section 4

Ngā taipitopito mō a mātou tutukihanga

Our performance in detail

Kei tēnei upoko

Kei tēnei upoko ko tā mātou Tauāki Tutukihanga Ratonga, ā, he āta whakarārangi i ngā mea i puta i roto i ngā kaupapa nui e whitu a te Kaunihera me ngā rōpū e whakahaerehia ana e te Kaunihera (kua rārangihia ki te whārangi x). Kei ia kaupapa nui ko tētahi tirohanga whānui o ngā mahi o te tau me tētahi whakakōpakitanga ki te ine o ngā mahi me ngā mōhiohio ā-pūtea.

In this section

This section is our Statement of Service Performance and describes in detail how we performed in each of the Council's seven strategic activity areas and in our Council-controlled organisations (which are detailed on page X). Each activity area includes an overview of the activities from the year, and a summary of financial information and performance measures.

Me pēhea te pānui i tēnei upoko
How to read this section

All local government entities must provide a view on their performance which meets the PBE FRS 48[14] reporting standards.

The purpose of the standard is to provide readers of an organisation's main reporting documents with the information they need to fully understand performance.

A full outline of how we monitor and report our performance is detailed in Appendix 2 from page X.

A glossary of some of the key terms used in this section is in Appendix X from page X.

What's being reported?

This section of the report includes the following matters for each activity area:

- **Overview of the year:** includes the summary of our financial and non-financial information.
- **Overview of LTP performance:** includes a summary of the performance and key work programmes over the three years of the 2021 LTP.
- **Activity areas:** what we did and key projects from our work programme for the year.
- **Financial information:** capital expenditure and operational expenditure.
- **Performance information:** includes detailed key information on our KPIs and targets.
  - For substantially met, we use a range of 10% from target as this allows for variations in performance across the year (e.g. seasonal changes). This is consistent with the reporting of our performance during the year (e.g. in Quarterly Reports).
  - Measures that are at or over target are recorded as Met, those outside the 10% threshold are Not met.
  - All of the 95 KPIs this year have a reported result, which is either met or not met. Variance commentary is provided where a target has not been met and also where further detail is useful.
  - The KPI results included in this report show our performance for the three years of the 2021 LTP, including the trends over this time.
- **Funding impact statements:** includes the funding sources and applications.
  - An annual report must include an audited funding impact statement for the financial year to which the report relates.
  - The funding impact statements disclose funds produced from each source of funding, how the funds were applied and provide a comparison against:
  - Previous year's performance
  - 2021 LTP Year 3 (2023/24 LTP, for all activities except 5.2 Community Support)
  - 2021 amended LTP (adopted on 30 June 2022 for 5.2)
  - 2023/24 Annual Plan.
- One statement is prepared for the whole of the Council's activities (page X) as well as individual statements for each strategic activity area in the relevant chapters.

The External Reporting Board (XRB) is an independent Crown entity whose purpose is to establish and maintain New Zealand's financial reporting strategy through the establishment of an accounting and assurance standards framework.
PBE FRS 48 Service Performance Reporting standard applies to annual reports covering periods beginning on or after 1 January 2022 and is part of GAAP.

1 Pārongo ā-tāone Governance

This chapter explains what we did and how we performed in our Pārongo ā-tāone – Governance portfolio of activities.

Overview of the year

Our services in this section include governance support, strategy and policy work, information collection and archiving, community engagement, climate change engagement and Māori and mana whenua partnerships.

This year we developed and successfully adopted the 2024 LTP, including extensive public engagement across the year. This involved holding our first Citizens' Assembly, which is detailed in the Spotlight feature at the end of this chapter, on page X. We also held two by-elections – one for the Tawa Community Board and one for the Pukehīnau / Lambton General Ward.

Supporting business, community groups and residents to take action to reduce their emissions was an important part of our climate change initiatives, which included advocacy for supportive central government policies. We also used our understanding of climate change to shape policies and programmes focused on a zero-carbon city, increased housing density and a low-carbon transport system.

Challenges

The main challenge in this area continued to be how we improve our community engagement to build trust and confidence in Council decision making and the relationship we have with our residents. This has been trending down in previous years.

Three performance measures for Governance showed improvement over last year's performance. Of these measures:

- one met the target:
  - Another improvement in Contact Centre response times (95%, meeting the target of 90%)
- two did not meet the target
  - those who think they have adequate opportunities to have their say in Council activities – 38%, not meeting the target of 45%, but improving on the 37% result from last year
  - the percentage of residents satisfied with the process by which Council makes decisions – this is still very low at 20% against a target of 45%, but the result has improved compared to 12% in 2021/22.

Satisfaction with decision making processes was the particular focus of the engagement plan for the 2024 LTP, which started six months earlier than usual to include more community voices in the process.

The evaluation of this engagement process will identify what improvements can be applied to our wider engagement practices.

Absolutely Positively **Wellington** City Council
Me Heke Ki Pōneke

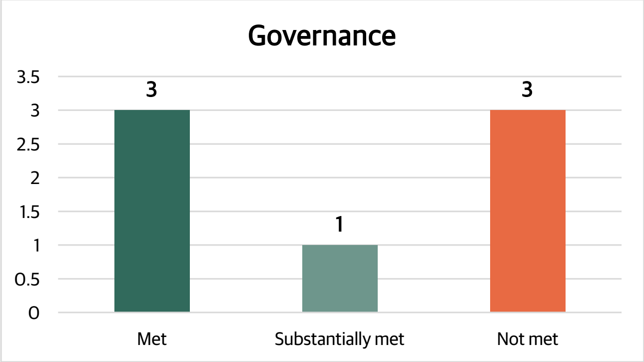
Performance Summary

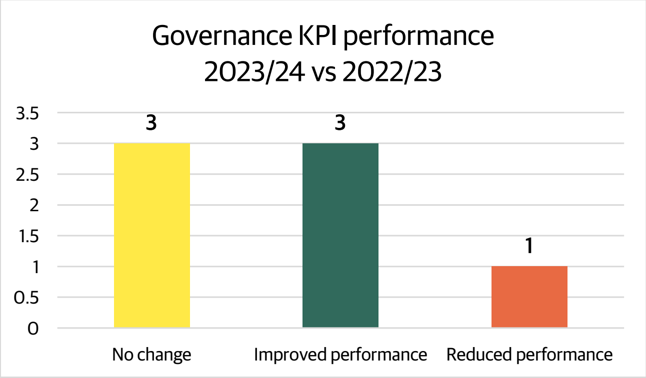
This strategy area is responsible for delivering just over eight percent or seven of Council's performance measures.

This year we met or substantially met four targets and did not meet the other three. Of the total seven measures, three had improved performance this year compared to last year. Of the other four measures, three showed no change and one had reduced performance between the two years.

Despite not meeting the target, two of the Residents Monitoring Survey measures showed an improvement against previous years. This is an area we continue to work on to improve residents' satisfaction with decision making, community engagement and access to information.

For the full set of key performance indicators and variance explanations, please see pages X to X.





95%

Our KPI on Contact Centre response times has met and exceeded target this year and shows a significant improvement in performance across the life of the 2021-31 Long-term Plan.

0 out of 3

For the third year, none of our three targets for residents' satisfaction met their targets. However, there was improvement across the three years of the 2021 LTP and we will continue to work on uplifting our performance in this area.

Financial summary

Operational expenditure

Total: $28.6m against budget of $33.7m

Variances across several areas in operational expenditure contributed to lower costs. This included Internal Charges and Overheads (both Recovered and Applied) being lower than budgeted in the Annual Plan stemming from projects in the City Archives and Climate Change Response areas being delayed and lower Organisations Costs being allocated.

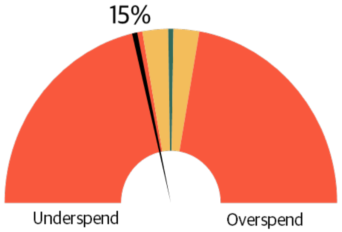
Capital expenditure

Total: $0.94m against budget of $1.6m

The capital expenditure tracked behind schedule due to delays in the Climate Change Response work programme. For example, delays in the conversion of our Council fleet to EVs and the installation of public EV charging stations.

For more details on the Governance finances, see page X.

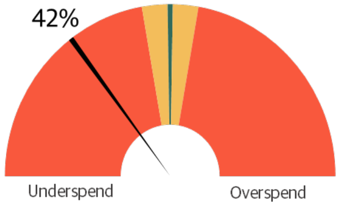
Net operating expenditure



$5.1m underspend

Total spend: $28.6m

Capital expenditure



$0.67 underspend

Total spend: $0.94m

Pārongo ā-tāone – Governance activities

This section outlines some of the projects and programmes we have undertaken this year. It also provides detailed financial and non-financial performance information for the two key groups of activities.

What we do:

1.1 Kāwanatanga, Pārongo me ngā mahi whai wāhi | Governance, information and engagement

In this area, we seek to be as transparent as possible to build public confidence in the way the Council operates. This means, clearly communicating the reasons for the things we do and encouraging public participation in decision-making processes. We prepare and run local body elections. We also provide insights, data and analysis to engage the city in climate action, and support communities to plan for climate change impacts.[15]

1.2 Rangapū Māori/mana whenua – Māori and mana whenua partnerships

Grounded by our Tākai Here partnership agreement, we work with mana whenua at the governance table, at a strategic level and operationally. We acknowledge our partners' status as mana whenua and recognise their whakapapa relationship with the land, waterways and wider environment. We have shifted our focus from solely operational matters to setting our strategic direction as a collective, looking for opportunities for Māori to provide Council with a strong Māori voice. This way of working is being embedded across our organisation so we can all champion mana whenua and Māori aspirations for the city.

Key projects

The following section outlines how we performed this year on the key projects or programmes identified in the 2021-31 Long-term Plan (Year 3) and the 2023/24 Annual Plan.

2024–34 Long-term Plan

The Council developed and engaged on the 2024-34 Long-term Plan (2024 LTP), before adopting the final plan on 27 June 2024. The work took more than two years and included multiple rounds of community engagement. The updated plan sets a new strategic framework and new priorities to guide service delivery and capital works for the next three to 10 years. All the information on the new plan can be viewed on our website (wellington.govt.nz/ltp).

The results of the engagement are included in Volume 1 of the 2024 LTP, including what key decisions were made as an outcome of feedback received from Wellingtonians. We engaged with our communities via multiple channels including social media, delivery of online and in-person public engagement events, and advertising. There was also wide-spread media coverage of the key issues.

For the first time, we held a Citizens' Assembly representing Wellington's population across age (16+), gender, ethnicity, education levels, and home ownership. The Assembly developed and presented a report to councillors and the Mayor providing advice to help inform decision-making. Our collective work resulted in a steep increase in participation in the final formal consultation with double the number of formal submissions (4,077) compared to the 2021 LTP.

Tūpiki Ora Māori Strategy

Our Tūpiki Ora Māori Strategy and Action Plan sets goals and targets for short term and long-term success. Each year we build on the work of the previous year to create enduring change that delivers better outcomes for Māori and the whole city.

While this report includes many other projects and initiatives that reflect our commitments to these outcomes, some significant highlights from this year are listed here:

[15] Note that consideration of the city's carbon emissions and how they can be reduced doesn't sit in this activity alone. When we make decisions on transport, landfill management, and how and where the city grows, climate change impacts are considered. Te Atakura – First to Zero outlines how we will deliver on our emission reduction goals over time.

- Te Hui Ahurei Māori: a creative collaboration between Wellington City Council, Te Rūnanganui o Te Āti Awa ki te Upoko o te Ika, Taranaki Whānui and Te Rūnanga o Toa Rangatira, featuring arts and cultural events across the city to celebrate te ahurea Māori and te reo Māori.
- Correcting the name Epuni Street to Hōniana Te Puni Street, which correctly recognises the role that rangatira Honiana Te Puni played as an iwi leader who had a significant impact on Wellington's history during the nineteenth century.
- Te Piere o te reo and Te Matoe o te reo were collaborations between Wellington City Council and mana whenua for reo Māori revitalisation held within Te Whanganui-a-Tara.
- Te Tāpuhipuhi: the first national local government conference for Māori councillors and staff to share insights and opportunities.
- He Māori Ahau: a collaborative event by Wellington City Council and Te Rau Hihiri uniting kaimahi Māori working in and with the public service across various sectors.

Te Atakura milestones

Many highlights were achieved during the year and these are included throughout this report as Te Atakura is a cross-Council strategy function, and not the responsibility of this activity area alone (see page X for more details). The strategy articulates the role of Council in reducing city and Council emissions.

Examples from this year in this activity area include:

- engaging with 49 groups on community climate action planning
- approving Climate and Sustainability Fund grants for 11 community projects
- approving our Council Emissions Reduction Plan in November 2023, enabling us to apply for a Climate Action Loan with the Local Government Funding Agency that gives us a discount on our debt.
- finalising and publishing the Wellington Regional Climate Change Impact Assessment. This involved all the councils in the region and enables us to proceed to the next stage of regional adaptation planning.

Strategy, Policy and Research

An extensive programme of policy work was progressed during the year. This included: completing Te Awa Māpara – the Council's Community Facilities Plan which will guide future investment in facilities; reviewing and adopting new Dog and Animal Policy and Bylaws after a 30 percent increase in dog ownership during COVID-19; and completing reviews and updates on the Water Service Bylaw, the Freedom Camping Bylaw and the Commemorative Policy. We also started work on the Development Contributions Policy, the Half Cost Paths Policy and the Alcohol Fees Bylaw. These will be completed in the next financial year.

Communications and Engagement

In the past three years, we have improved how we communicate and engage with our communities. We have focused on growing the audience for our Council-owned online channels to reach Wellingtonians in a cost-effective way via the channels that suit them – including Facebook, Instagram, TikTok, LinkedIn, X and the Our Wellington news on our website.

- Followers across the social media channels have grown by more than 50,000 people.
- Annual Facebook reach has increased by 144% from 11.6 million people in 2020/21 to 28.3 million this year.
- Annual page views for Our Wellington stories on the Council website have increased by 156% from 281,400 annually to 722,021.
- Media requests and enquiries have increased from about 200 per month to 250 per month.

However, the Council has also experienced increased trolling and harassment – the tone, frequency and volume of unpleasant and threatening messages via the Council channels and increased negative behaviour at public consultation events can compromise Council officers' safety. One result of this was the decision to hold many of the public consultation events online for the 2024 LTP.

Governance

We delivered two by-elections this year. In October 2023, Liz Langham was elected to the Tawa Community Board, following the resignation of Janryll Fernandez. In January 2024, Geordie Rogers was elected to the Pukehīnau / Lambton General Ward following the resignation of Councillor Tamatha Paul in 2023 after their election to Parliament.

Hahana mai:
Spotlight on: 2024-34 Long-term Plan Citizens' Assembly

In 2023/24, the Council reviewed and adopted a new Long-term Plan. This process happens every three years to ensure the strategic direction and planning for the city remains relevant.

Public engagement is an essential part of the Long-term Plan process, and this year the Council made the decision to build the plan with early input from the community by forming a Citizens' Assembly.

This was a ground-breaking piece of deliberative democracy engagement work, which involved a representative group of Wellingtonians coming together for four days to give a collective view on prioritising Council services. It was deliberately timed so the Assembly's advice could be provided to the Council before any key decisions were made on the 2024 LTP review.

Invitations were sent to 10,000 randomly selected Wellington addresses. About 800 people responded, and the final 42 participants were selected by an independent research agency to represent Wellington's population in terms of age (16+), gender, ethnicity, education levels, and home ownership.

They met over four weekends in September and October and were asked to consider the question, "We need to find a balance between what Wellington City Council could deliver, and what resource it has available, which is fair to everyone. How might we do this?"

The result was a report providing advice about revenue, capital expenditure, open spaces, housing, community funding and Council processes, which was presented to the Mayor and Councillors to help inform their decision-making on the 2024 LTP.

"We were able to give Council a really good, in-depth view of how Wellingtonians are feeling," said Citizens' Assembly member Hinetiwai Emmerson-Marchant.

"It makes you feel like you're being listened to – and you're being heard."

What is a Citizens' Assembly?

Citizens' Assemblies are a form of deliberative democracy. They focus on collaborative decision-making by bringing a diverse and representative group together, to discuss and make an informed decision on a complex topic where there is strong public interest.

The focus is not on finding a perfect solution, but a decision that everyone in the group can compromise on, in which the trade-offs are understood and weighed up.

The Assembly was the one of the first of its kind in New Zealand and received enthusiastic support and praise from academics, local government organisations and experts around the world.

The project will be evaluated as part of broader efforts to improve Council engagement processes, participation rates and accessibility.

10,000
Invitations to participate

42
Members of the assembly

10
Pieces of advice to Council

1
First time this process has been used by a Council for a LTP in NZ

Governance performance

Key Performance Indicators

Key performance indicators (KPIs) allow us to track how well we are delivering services against the targets in the 2021-31 Long-term Plan and its associated Annual Plans.

The Council reports on an exception only basis, so where a KPI doesn't meet its performance target, a variance commentary is provided. To assist in telling our performance story, additional commentary may be provided even though a KPI target may have been met.

Commentary is also provided for those KPIs which report a narrative rather than a numbers-based result.

Key to help understand our results:

- **Met: at or exceeding target**
- **Substantially met: is within 10% of the target**
- **Not Met is >10% below target.**
- **LTP performance**: Year 1 (baseline) vs Year 3 results.

Summary of three-year 2021LTP performance:

7	3	3	5	0	2	0
Number of KPIs	Within 10% of target all three years	Not met all three years	Improved performance	Reduction in performance	At max for target	No change

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
1. Pārongo ā-tāone Governance						
Pārongo me ngā mahi whai wāhi | Governance, information, and engagement Service description: Facilitate democratic decision making to build trust and confidence in the Council.						
Facilitating democratic decision-making						
Meeting and committee agendas (%) made available to the public within statutory timeframes	100%	100%	Met	The result this year continues strong performance for this KPI across the life of the 2021 LTP. This KPI will continue for the 2024 LTP. *Note: The statutory timeframe is defined as at least two working days before every meeting as per the Local Government Official Information and Meetings Act 1987.*	100%	100%

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
Percentage of residents who have adequate opportunities to have their say in Council activities	38%	45%	Not met	This year there has been a continuation in the minor uplift in performance for this KPI, but results remain below target. Council has worked hard in the last two years to broaden the opportunities for residents to have their say, especially in the 2024 LTP process where 4077 submissions were received. This is a substantial increase on the 1999 submissions received during the 2021 LTP process. Council will continue to develop opportunities for residents to participate in city decision making. For more detail visit the full Residents Monitoring Survey. This KPI will continue with minor amendments for the 2024 LTP.	37%	34%
Percentage of residents satisfied with the process by which Council makes decisions	20%	45%	Not met	The result is the third successive year of improved results, however it is still significantly below target. The Council has broadened opportunities for residents to participate in and interact with Council decision making. The significant increase in submissions for the 2024 LTP (4,077 vs 1,999 in 2021) suggests a greater engagement with Council, but it has not translated into increased satisfaction levels. For more detail visit the full Residents Monitoring Survey. This KPI will be replaced in the 2024 LTP.	17%	12%
Providing information and a point of contact						
Percentage of residents that can easily access Council information (via website, libraries, social media, newspapers etc)	49%	55%	Not met	The result this year reflects a steady and consistent below-target outcome across the life of the 2021 LTP. While the result is below target, data for specific channels (Our Wellington magazine, social media, website, libraries) shows a more positive response (ranging from 54% to 67% satisfaction with access to Council information) than the general sentiment expressed in the Residents' survey. For more detail visit the full Residents Monitoring Survey. This KPI will continue with minor amendments in the 2024 LTP.	49%	48%
Contact Centre – Contacts responded to within target timeframes (all)	95%	90%	Met	We have met and exceeded the KPI target this year and the results show a significant improvement in performance across the life of the 2021 LTP. The Contact Centre undertook a two-year improvement journey in which all elements of service delivery were assessed against and aligned with best practice. The outcomes of this journey can be seen in the significant year-on-year uplift in performance. This KPI will continue in the 2024 LTP. *Note: The target timeframes are defined as:* ■ *% of calls handled answered within 240 seconds* ■ *% of emails received responded to within 24 hours*	87%	75%

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
Official information requests (%) handled within Local Government Official Information and Meetings Act legislative timeframe	94%	95%	Substantially met	This year's result reflects the impact of the 2024 LTP process, which increased demand for official information requests. The results for this KPI show a solid performance has been maintained against the target across the life of the 2021 LTP. As we now proactively release all Official Information requests on our website, this KPI will not continue for the 2024 LTP. *Note: The timeframe is defined as 10 working days.*	95%	92%
1.2 Rangapū Māori/Mana Whenua | Māori and mana whenua partnerships **Service description: Develop, maintain and inspire meaningful relationships so that our partnerships with mana whenua, tangata whenua and Māori within our community are mana enhancing**						
Customer focus						
Number of annual initiatives delivered that strengthen WCC relationships, presence, and intelligence so that Māori are engaged in Wellington's future	Achieved	Achieved	Met	We have consistently met the target over the 2021 LTP, demonstrating the Council's commitment to positive outcomes for Māori. The foundation for this direction was established with the signing of the Tākai Here Partnership Agreement in April 2022, the adoption of the Tūpiki Ora Strategy in May 2022 and the Tūpiki Ora Action Plan in September 2022. With the agreement and strategy now being implemented (20 actions underway or completed this year), this KPI has come to its natural end and new KPIs for the 2024 LTP have been developed to track our progress against our strategic aspirations for Māori. *Note: Achieved is defined as progress against the Tūpiki Ora Action Plan*	Achieved	Achieved

Governance finances

Funding impact statements – 1 July 2023 to 30 June 2024

Services in this activity area are mostly funded through general rates, with a small portion funded through fees and user charges for Civic Information and City Archives.

1.1 Governance, information and engagement ($000s)

Variance explanation notes:

1. Subsidies and grants for operating purposes was below plan estimates due to the reduction in NZTA subsidies with the early ending of the LGWM programme.
2. Fees and charges were favourable to plan estimates as a result of obtaining fees from Scooter operators, which included some fees relating to previous years.
3. Internal charges and overheads (both recovered and applied) were lower than plan estimates from delays in the projects in City Archives and Climate Change Response and lower organisational costs being allocated.
4. Capital expenditure to improve levels of service was below plan estimates due to the budget being underspent particularly for the EV fleet and Charger projects.

1.1	2022/23 LTP	2022/23 Actual	2023/24 LTP	2023/24 AP	2023/24 Actual
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	25,219	26,806	24,569	25,674	25,674
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes [1]	-	-	-	350	185
Fees and charges	706	733	554	546	1,285
Internal charges and overheads recovered [2]	70	253	-	247	142
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	**25,995**	**27,792**	**25,123**	**26,817**	**27,286**
Applications of operating funding					
Payments to staff and suppliers	16,770	16,248	15,319	16,077	15,246
Finance costs	19	30	21	28	27
Internal charges and overheads applied [3]	8,333	9,580	8,642	9,838	8,776
Other operating funding applications	10	259	75	1,627	262
Total applications of operating funding (B)	**25,132**	**26,117**	**24,057**	**27,570**	**24,311**
Surplus (deficit) of operating funding (A - B)	**863**	**1,675**	**1,066**	**(753)**	**2,975**
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	70
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	926	114	574	2,368	1,876
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	**926**	**114**	**574**	**2,368**	**1,946**
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service [4]	1,655	625	1,641	1,615	941
- to replace existing assets	134	-	-	-	-
Increase (decrease) in reserves	-	1,164	(1)	-	3,980
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	**1,789**	**1,789**	**1,640**	**1,615**	**4,921**
Surplus (deficit) of capital funding (C - D)	**(863)**	**(1,675)**	**(1,066)**	**753**	**(2,975)**
Funding balance ((A - B) + (C - D))	**-**	**-**	**-**	**-**	**-**
Expenses for this activity grouping include the following depreciation/amortisation charge	358	5	561	256	4

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1.2 Māori and mana whenua partnerships ($000s)

Variance explanation notes:

1. Payments to staff and suppliers were lower than plan estimates, driven by significant staff vacancies and lower than planned engagement of external expertise.

	2022/23 LTP	2022/23 Actual	2023/24 LTP	2023/24 AP	2023/24 Actual
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	5,185	4,669	5,075	5,269	5,269
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	5	-	-	-
Fees and charges	-	-	-	-	-
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	5,185	4,674	5,075	5,269	5,269
Applications of operating funding					
Payments to staff and suppliers [1]	4,154	3,182	4,249	5,032	3,179
Finance costs	1	1	1	1	1
Internal charges and overheads applied	1,008	695	797	1,071	1,087
Other operating funding applications	20	-	20	20	-
Total applications of operating funding (B)	5,183	3,878	5,067	6,124	4,267
Surplus (deficit) of operating funding (A - B)	2	796	8	(855)	1,002
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	(2)	(1)	(8)	(1)	(1)
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	(2)	(1)	(8)	(1)	(1)
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	-	-	-	-	-
- to replace existing assets	-	-	-	-	-
Increase (decrease) in reserves	-	795	-	(856)	1,001
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	-	795	-	(856)	1,001
Surplus (deficit) of capital funding (C - D)	(2)	(796)	(8)	855	(1,002)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	2	1	8	1	1

2 Te Taiao me te hanganga Environment and infrastructure

This chapter explains what we did and how we performed in our Te Taiao me te hanganga – Environment and infrastructure portfolio of activities.

Overview of the year

Our services in this section are extensive and include open spaces, waste reduction and energy conservation, water, wastewater and stormwater. Our conservation attractions, Wellington Zoo and ZEALANDIA - Te Māra a Tāne, are also part of this activity area.

This year, we celebrated 25 years of Makara Mountain Bike Park, continued to plant native plants across the city with the community, began construction of our new sludge minimisation plant, progressed the extension of the Southern Landfill, continued to focus on our three waters network and enjoyed a bumper summer at our conservation attractions.

Challenges

The challenges outlined on page X to X have had a significant effect in this area – namely rising costs, climate change impacts and fixing our ageing infrastructure.

We increased the level of investment in our three waters network through the 2021 LTP to begin to address the issues in network.

Since then, there were further challenges with the rising cost of materials and labour, interruption in the supply chain, and general capacity and capability limitations in the sector that limited how much progress we could make.

This led to a further increase in funding for Wellington Water in the 2023/24 Annual Plan.

While Wellington produces few emissions compared with other major cities in New Zealand and Australia, we need to do more to achieve our target of being a net zero emission city by 2050 as set out in Te Atakura – First to Zero, our blueprint for becoming a zero-carbon capital.

The Council is committed to being more sustainable and we have achieved good results this year. However, weather events across the country in the past few years have shown how vulnerable cities are to the impacts of climate change.

Performance summary

This strategy area is responsible for delivering about 37%, or 36, of Council's performance measures, including all of the Wellington Water Ltd (WWL) measures.

Wellington Water Ltd is responsible for the delivery of water services that are represented by 25 KPIs in this activity area.

This year we met or substantially met 21 of the KPI targets and didn't meet 15 targets. Of the total 36 measures, 16 had improved performance this year compared with last year. Of the balance, 10 showed no change and nine had reduced performance between the two years.

The Council-controlled organisations that support our natural environment (Wellington Zoo and ZEALANDIA) are responsible for delivering against the KPIs in their respective Statements of Intent. ZEALANDIA met nine of its 10 KPI targets, and has had an excellent year including winning the Supreme Award at the Air New Zealand Tourism Awards. The Wellington Zoo had another strong result with seven of its eight KPI targets being met, including exceeding targets for both visitor and student and education visits.

While Wellington Water Ltd (WWL) continues to struggle with the service demands of ageing infrastructure, this year we met 14 of the 25 KPI targets (compared with 11 last financial year). Of the total 25 water-services measures, 11 had improved performance this year versus last year whereas seven showed no change and eight had reduced performance between the two years.

The challenge this year continues to be water consumption versus the impact of leaks. The summer water shortage and the subsequent resident response played a part in keeping overall water consumption to 3% better than 2022/23.

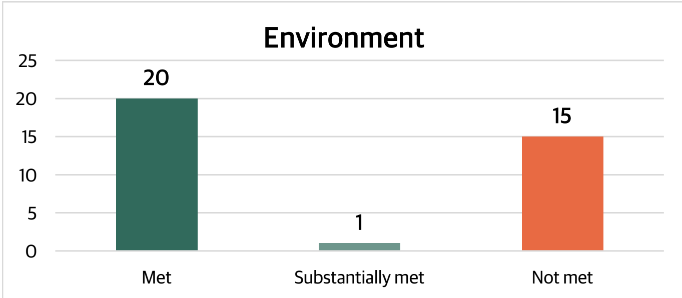
For the full set of key performance indicators and variance explanations, please see pages X to X.

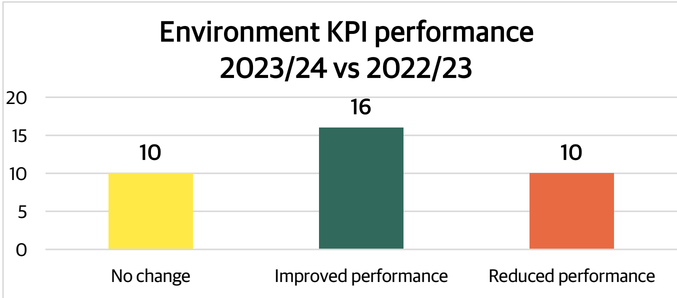
4 out of 4

KPI targets relating to enhancing and managing our natural environment and the cost to ratepayer for visits to the Botanic Gardens and Ōtari-Wilton's Bush were met.

0 out of 3

KPI targets for recycling and waste collection and waste diverted from landfill were met due to COVID-19 interruptions to services.





Financial summary

Operational expenditure

Total: $220.17m against budget of $220.68m

The net operating expenditure result for Environment and Infrastructure was on budget.

We had increased revenue from landfill fees because of higher than anticipated contaminated soil received, which helped to offset some areas where payments to staff and suppliers were higher than budgeted. This includes the additional $2m payment to Wellington Water to fix leaks and for unexpected events.

Capital expenditure

Total: $174.5m against budget of $209.6m

In capital expenditure, we overspent in the Gardens, Beaches and Open Spaces area due to land in the Outer Green Belt becoming available for purchase earlier than planned. This was offset by delays and lower than planned spend in others areas such as the Southern Landfill extension and the Sludge Minimisation Facility build.

For more details on the Environment finances, see page X.

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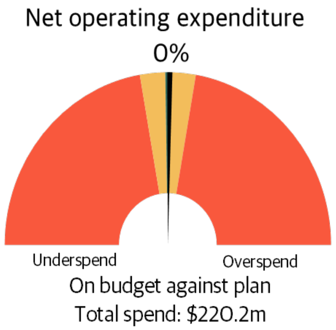

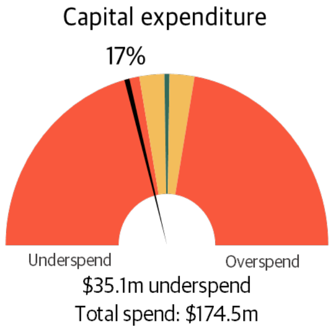

Te Taiao me te hanganga – Environment & infrastructure activities

This section outlines some of the projects and programmes we have undertaken this year. It also provides detailed financial and non-financial performance information for the two key groups of activities.

What we do:

2.1 Gardens, beaches and green open spaces

In this area we seek to manage and restore our natural areas. This includes providing quality, accessible green open spaces, maintaining and managing walking and biking tracks, ensuring the Wellington Gardens are cared for, and enhancing Wellington's biodiversity, including supporting extensive trapping through Predator Free Wellington.

2.2 Waste reduction and energy conservation

In this area we aim to reduce our impact on the environment by minimising and managing the disposal of waste, by making more efficient use of existing resources, measuring and reducing our carbon footprint, and by shifting toward renewable energy resources.

Note: Our performance measure on greenhouse gas emissions received a modified audit opinion. For detailed information on our greenhouse gas emissions, see our KPI measure on pages X and Appendix 1 from page X.

2.3 Water, 2.4 Wastewater & 2.5 Stormwater

In these three areas the regionally owned Council-controlled organisation Wellington Water Limited (WWL) is responsible for the provision, management and quality of clean, safe drinking water and efficient wastewater and stormwater services. This organisation is profiled on page X in the Council-controlled organisations section, including details of its board and governance structure.

Note: Three performance measures in the water activity areas received a modified audit opinion. They all relate to customer complaints. See pages X for details.

2.6 Conservation attractions

The activities in this area are managed by two Council-controlled organisations – Wellington Zoo Trust and Karori Sanctuary Trust, which trades as ZEALANDIA. These organisations are profiled on pages X and X in the Council-controlled organisations section, including details of their board and governance structures.

Key projects

The following section outlines how we performed this year on the key projects or programmes that were identified in the 2021–31 Long-term Plan (Year 3) and 2023/24 Annual Plan as being areas of focus.

Environment

The following is a snapshot of the work in this area in 2023/24.

- We acquired 57 hectares of land that helped us fill a key gap in the Outer Green Belt Skyline Track. We are also in negotiations to purchase land in the Crofton Downs area of the Outer Green Belt and expect to take ownership in late 2024.
- We began work on the Coastal Reserves Management Plan which will replace the South Coast Management Plan.
- Te Whai Oranga Pōneke, our Open Space and Recreation Strategy, won the Outstanding Research Planning and Policy Award at the 2023 New Zealand Recreation Awards.
- We completed asset renewals and upgrades, including completing repairs to the Ōtari Wilton's Bush service driveway after a large slip in 2021, and continued the safety improvements work on the Hawkins Hill Right of Way.
- We planted more than 110,000 native plants and are seeing positive improvements to our coastal environment as we manage ecosystem weeds.
- Wellington was recognised as one of five cities shortlisted and with a Special Mention in the 2024 Lee Kuan Yew World City Prize, for its exemplary commitment towards living with nature, and dedication to conserving and restoring natural habitat in both urban and natural areas through innovative programmes.
- We continued to expand the possum control network and established new traplines in partnership with community groups across the reserve network.
- We completed a 400m track from the Basin Reserve to Hataitai that provides a nature-based and off-road alternative commuter route. The work was carried out in collaboration with the Bloomberg Infrastructure Cycling Initiative (BICI), Wellington East Girls College and Matarangi Trail Builders.

Mākara Peak Mountain Bike Park

In March 2024, we celebrated 25 years of the Mākara Peak Mountain Bike Park. The park now has more than 45 kilometres of trails to suit all riding levels and approximately 15% of users are also runners or walkers. The supporters have contributed more than 4,500 to maintain the park and have planted more than 60,000 native plants.

Begonia House

Begonia House was closed to the public for several weeks in late April after strong wind gusts caused damage to the glass panes in the roof. Urgent and unbudgeted repairs were undertaken so the building could reopen. We progressed a review of options for the House's planned upgrade and renewal project, along with the indicative business case for the preferred project option.

Impact of dry weather in parks and open space

Drought and water restrictions over summer saw us reduce water use across our parks and open spaces. Watering of gardens was reduced to minimum levels and undertaken at specific times of day to maximise benefits. Bush areas around Wellington were very dry and we lost some new plantings and plants in established areas. For the first time, access to Te Kopahau Reserve and Pariwhero Red Rocks was closed to motor vehicles from mid-February to the end of March, due to the high fire risk with tinder-dry conditions.

Waste changes

Council approved changes to the kerbside waste collections through the Long-term Plan 2024–34. From 2027/28 we are changing our services to: a new organics collection service in wheelie bins, a wheelie bin collection for rubbish, larger 240L recycling wheelie bins, and no change to the 45L glass crate collection service. There will be a new targeted rate to fund the rubbish and organics changes.

Southern Landfill extension

The consent for the current Southern Landfill runs out in 2026, and despite waste minimisation initiatives, there is a possibility that the landfill will 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.

A detailed design was completed for the Southern Landfill Extension following the granting of a 35-year resource consent. Procurement of the main contractor is progressing, with early work scheduled to start in late 2024. The first part of the extension is expected to be ready by April 2026.

Te Whare Wai Para Nuku

The Moa Point Sludge Minimisation Facility was gifted a te reo Māori name, Te Whare Wai Para Nuku, by Te Ātiawa Taranaki Whānui at a Matariki ceremony in June 2024. More information on the meaning behind the name is available on the Council website: wellington.govt.nz/sludge

Sludge is the name for the solids created through the wastewater treatment process. The new facility will be a game-changer for the city, helping reduce carbon emissions created by the treatment and processing of sludge by up to 60%, as well as reducing the volume of sludge produced and piped to the landfill by up to 80%. Processing at the facility will result in a Grade A bio-solid with reuse potential.

The initial groundwork began on the new plant in May 2023, and piling began in November 2023. The facility is expected to be operational in 2026.

Three Waters work programme

In the 2021-31 Long-term Plan we increased the level of investment in our three waters network. This was mainly about looking after existing infrastructure and completing targeted growth investments. Further funding has also been approved, resulting in the 2023/24 Annual Plan operational budget for WWL being more than $50.6 million - 27% higher than the approved LTP budget for 2023/24.

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.

The Taranaki Street wastewater pump station was largely completed, with one final small part to finish in July. The Taranaki Street wastewater rising main experienced some delays with mechanical issues on the bore machine, however about four of the planned six sections of pipe have been installed via trenchless technology and the project is still four months ahead of schedule.

For more on this project read the Spotlight article at the end of this chapter.

Omāroro Reservoir

The new 35-million-litre Omāroro Reservoir project in Prince of Wales Park, Mount Cook was completed in December 2022, with the site officially handed back to the Council and open to the public in December 2023. The space now includes new plantings on the buried reservoir and upgraded sportsfields.

The new 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. The $70 million project was delivered on time and within the approved budget, with the reservoir put into service one year ahead of schedule.

Leak management

On top of the increased funding committed in the 2021 LTP, the Council has provided an additional $29m of operational funding to Wellington Water (WWL) in the past three years. Much of this has been spent on addressing leaks in the network. This financial year WWL fixed 3,669 leaks in Wellington City, with a back log of 978 leaks remaining at the end of the financial year. Regionally, WWL fixed 9,090 leaks, with a backlog of 1,562 confirmed leaks and 140 unconfirmed leaks at the end of June.[16]

New water standards

In the 2022/23 year, changes were made 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.

The new standards require an increase to a value known as a 'Ct' (Contact Time) which is the amount of chlorine added to drinking water and the time that it must spend in contact with the water before reaching consumers. The change means the water supplied from the Waterloo Treatment Plant is not compliant for up to 800 Lower Hutt households. Wellington Water has not received an exemption from Taumata Arowai on these households.

Wellington Water Ltd has reported on the region as a whole and Wellington City Council has therefore received a non-compliant result, see page X for more details.

[16] Weekly leaks dashboard (wellingtonwater.co.nz)

Error in 2021/22 response times:
Wellington Water corrected an error in how it applied the Department of Internal Affairs (DIA) methodology guidance on how to measure the attendance and resolution times for water supply and wastewater services. 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 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 the KPI tables at the end of this chapter, from page 58. These were first published in the 2022/23 Annual Report and remain in this format for consistency.

Council carbon reduction programme

One of the goals of our climate action plan Te Atakura – First to Zero is for Council to lead by example and reduce its greenhouse gas emissions.

Emissions are classified under three scopes.

- Scope 1 and 2 emissions include direct combustion of fuels (petrol and diesel purchases), natural gas use, refrigerants, purchased electricity and the emissions from the city's wastewater and from the landfill managed by the Council.
- Scope 3 emissions encompass our broader value chain (purchased goods and services, external waste services, travel, and our investments) and includes emissions caused by others in undertaking services for us, and from customers or service recipients using goods and services that we provide.

Council's emissions are primarily from our ownership of the Southern Landfill (Scope 1 emissions as the waste in the landfill releases methane as it breaks down), and the Scope 3 emissions of our construction activities (building and maintaining water and transport infrastructure).

In November 2023, the Executive Leadership Team approved the Council's Emissions Reduction Plan, including a 57% reduction target for Scope 1 & 2 emissions between 2020 and 2030 which aligned with our city reduction target.

The Emissions Reduction Plan includes decarbonisation of swimming pools, electrifying vehicles, improving sludge processing, and diverting organics from landfill. These projects are budgeted for in the 2024 LTP and are expected to achieve the remaining emissions reductions required to meet the target

The emissions result for Scope 3 has historically received a qualified audit opinion. Due to limited emission data available directly from suppliers, we use spend-based emission factors to estimate a large portion of these emissions. In previous years, we have used emissions factors that were quite old and as such we were unable to provide evidence that these emission factors were appropriate. As such, we received a qualified audit opinion.

In the current year, we have identified a new data source for these spend-based emission factors. However, due to the extent of changes required to implement these factors, we have been unable to complete the calculation of FY24 Scope 3 emissions and hence these are not included in this Annual Report. When this work is completed, we will publish our full Greenhouse Gas Inventory Report on our website and in our annual update on Te Atakura First to Zero, our climate action strategy.

The result for this financial year is reported in the KPI tables at the end of this chapter, on page X. It shows a continued reduction trend for our Scope 1 and 2 emissions, as expected.

More detailed information on our greenhouse gas emissions is available in Appendix 1 from page X.

Conservation attractions

In January 2024 Wellington Zoo had the highest visitation month in the history of Te Nukuao Wellington Zoo with more than 44,000 visitors – highlighting the continued positive impact of the snow leopards Asha and Manju. The 2023 calendar year also marked 20 years since Wellington Zoo became a charitable trust and a Council-controlled organisation.

Zealandia also enjoyed a bumper summer. February was the single most successful month for Zealandia with 4,367 visitors taking tours. Zealandia was also awarded Aotearoa's highest tourism accolade—the Air New Zealand Supreme Tourism award—for its sustainable and regenerative business. This award recognises the significant leadership in showing how restoring a city's biodiversity can be the model for sustainable tourism.

The Council is supporting the construction of Tanglewood House. The construction of the purpose-built facility for staff, researchers and volunteers was delayed by the impact of COVID-19 on the building industry. It will be completed by September 2024.

Hahana mai:

Spotlight on: Taranaki Street Rising Main Project

Wellington Water is building a major new wastewater “rising main” (a pipe that carries wastewater under pressure) along Taranaki Street from Market Lane to Wigan Street.

This project is part of a major programme of work for Central City Wastewater Renewals and Upgrades. The programme will cater for growth, improve network resilience, environmental and health outcomes and provide extra flexibility in how the system can be managed.

The new Taranaki Street rising main will allow wastewater to be diverted to the main interceptor, which carries wastewater to the Moa Point Wastewater Treatment Plant. This will connect to the lower rising main system to provide continued service while the other rising mains are replaced in the future.

The project will provide additional redundancy in the system. This ensures if a problem arises such as a pipe burst or an upgrade is needed, there is capacity to pick up the load and store it or pump it via an alternative route to the interceptor.

Work started in August 2023 and is expected to be completed four months ahead of schedule in early 2025.

The underground pipe has been laid utilising open trenching and trenchless Guided Auger Bore technology where possible (a way to install pipes under the ground without having to dig up the road). Approximately 861m out of a total of about 900m new pipe has been laid (381m open trench, 480.7m trenchless).

This is a significant win for Wellington ratepayers and road users, as this technology has enabled the team to deliver the project quicker than planned and to drill right under sections of Taranaki Street (including beneath State Highway 1 at the Vivian Street, Ghuznee Street and Courtenay Place intersections), reducing disruption to the traffic and pedestrian flows.

It’s also a win for the environment, with the Guided Auger Bore reducing the amount of contaminated waste disposed to landfill.

Over this past year, we reached a major milestone with the installation of the pipe from Market Lane to Wigan Street, under Vivian Street and Ghuznee Street and reinstatement of all of Taranaki Street from Ghuznee Street southwards.

During the last quarter of 2024, the team will be working on a range of other activities to connect the new rising main to the existing network ready for commissioning in early 2025. This includes connecting the new rising main to Pump Station 5 in Market Lane and to the new pump station in Inglewood Place as well as completing a new gravity network that will enable wastewater to be diverted into the new pump station.

When completed, the Taranaki Street Rising Main project will deliver a great outcome for our communities and our environment.

Environment & infrastructure performance

Key Performance Indicators

Key performance indicators (KPIs) allow us to track how well we are delivering services against the targets in the Long-term Plan and its associated Annual Plans.

The Council reports on an exception only basis, so where a KPI doesn't meet its performance target, a variance commentary is provided. To assist in telling our performance story, additional commentary may be provided even though a KPI target may have been met.

Commentary is also provided for those KPIs which report a narrative rather than a numbers-based result.

Key to help understand our results:

- Met: at target, on track or exceeding target
- Substantially met: is within 10% of the target
- Not Met is >10% below target.
- **LTP performance**: Year 1 (baseline) vs Year 3 results.

Summary of three-year 2021 LTP performance:

36	11	13	20	11	2	3
Number of KPIs	Within 10% target all three years	Not met all three years	Improved performance	Reduction in performance	At max for target	No change

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
2. Taiao | Environment						
2.1 Ngā māra, tātahi, whenua pārae, ngahere | Gardens, beaches and green open spaces						
Service description: Provide access to green open spaces and enhance biodiversity to improve the quality of our natural environment						
Utilisation						
Residents (%) satisfied with the quality and maintenance of green open spaces (local parks and reserves, playgrounds, botanic gardens, beaches and coastal areas, walkways and trails,	78%	90%	Not met	While not meeting this KPI target, there has been a consistent rise in satisfaction over the life of the 2021 LTP. Overall, streams and play areas score the lowest satisfaction rates, with increases for our local parks and outer green belt, and for coastal areas and beaches. For more detail see the full Residents Monitoring survey. This KPI will continue in the 2024 LTP.	71%	76%

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
waterfront, forested areas and green belts)						
Affordability						
Cost ($) to the ratepayer per visitor to the Wellington Botanic Gardens and Ōtari-Wilton's Bush	$5.89	$7.00	Met	We have consistently met this KPI target over the life of the 2021 LTP. This financial year visitation across both facilities was 1,190,067. This KPI will continue in the 2024 LTP.	$4.70	$6.73
Protect and enhance our biodiversity						
Plant 3 million native plants by December 2030	2,319,682	2,319,000	Met	We have continued our programme of planting native species to enhance and protect Pōneke. This year 110,105 plants were planted, which exceeded the KPI target. In the 2024 LTP, reporting for this measure moved to the Impact space of the new performance framework. It is associated with the Strategic Priority: Collaborate with our communities to mitigate and adapt to climate change.	2,209,577	2,096,548
Hectares of high-value biodiversity sites covered by coordinated pest management	368.5	426	Not met	Measuring coordinated pest management across both animal and weed species is challenging. Lessons learnt from this KPI has informed a new measure for the 2024 LTP. This KPI will not continue in the 2024 LTP. We are delivering great value across our biosecurity programmes including Predator Free Wellington achieving elimination in Miramar and expanding to Phase 2, with the possum programme. Within our current weed control programme we controlled weeds across 460ha of our parks and reserves network, and now have new sites being controlled for ecosystem weeds. *Note: High-value biodiversity sites are defined as WCC reserves or open space which have different species or ecosystem diversity, including plants and animals, several ecosystem types and associated biological habitats.*	367.1	339
2.2 Tiaki pūngao, whakahere para | Waste reduction and energy conservation **Service description: Reduce our impact on the environment by minimising and managing the disposal of waste and by reducing our carbon footprint**						
Waste minimisation activities						
Volume of waste diverted from landfill	15,440	20,000	Not met	The overall volume of waste being diverted from landfill has been decreasing since 2020 even though we have made system improvements related to waste diversion. Materials diverted such as hazardous waste, green and organic waste have remained relatively static, while scrap metal diversion is an average of 30 tonnes lower since 2020. Glass recycling weights decrease year on year reflecting the beverage market's move to aluminium. A weekly average of 0.4 tonnes of waste is diverted to the Tip Shop from the waste transfer station. New waste measures are included in the 2024 LTP, so this is the last year this KPI will be reported.	16,719	17,179

Performance measures		2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
Residents (%) satisfied with kerbside recycling service		79%	85%	Substantially met	The results for this KPI continue to reflect the modest levels of improvement in residents' satisfaction with the kerbside recycling service. New waste measures are included in the 2024 LTP, so this is the last year this KPI will be reported. *For more detail visit the full Residents Monitoring survey.*	73%	72%
Users (%) satisfied with waste collection service		80%	90%	Not met	The results for this KPI continue to reflect the modest levels of improvement in residents' satisfaction with the waste collection service, but we did not meet the KPI target. New waste measures are included in the 2024 LTP, so this is the last year this KPI will be reported. *For more detail visit the full Residents Monitoring survey*	78%	76%
Greenhouse gas emissions reduction							
WCC Group greenhouse gas emissions (tCO_2-e decreasing)	Scope 1	48,827	Achieve 2050 target of net zero – overall total emission reduction against prior year	Met [on track]	Note: Emissions are classified under three scopes (defined on page X). Te Atakura First to Zero is the underpinning strategy for this KPI, and includes a target to achieve net zero emissions in 2050 across all three scopes. In November 2023, a nearer term target was set for Scope 1 & 2 emissions only (57% reduction of 2020 emissions by 2030, in alignment with our city reduction target, and this is the target we will report against in the 2024 LTP.	48,978	58,330
	Scope 2	2,083				2,072	3,058
	Total Scope 1 and 2	50,909			This KPI is categorised as met as the total of Scope 1 and 2 emissions has reduced significantly from 2020/21 (the base year, 91,303tCO_2-e) meaning we are on track to reach our 2050 target. More information on our Emissions Reduction Plan is on page X of this chapter.	**51,050**	**61,388**
	Scope 3	NR			Scope 3 data for the base year (2020/21), current year and prior year is being recalculated using recently published emissions factors. When finalised, the Council's complete Greenhouse Gas Inventory Reports, including Scope 3, will be available on our website.	47,742	54,276
	Overall Total	50,909*			Note: To be net zero carbon means we reduce our emissions to as close to zero as we can, and then use forestry, known as 'carbon sinks', to offset the remaining emissions. *The overall total for 2023/24 is not comparable to previous years as it does not include Scope 3 emissions. For more detailed information on our greenhouse gas emissions measure see the Appendix on page X which includes details of the limitations of this area.	**98,791**	**115,664**

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
Qualified measure: A full carbon footprint accounts for emissions from Wellington City Council's complete value chain - the emissions caused by the full progress of any product or service from creation to completion. For several material Scope 3 emissions sources, there is limited emission data available directly from suppliers, so we use spend-based emission factors to estimate emissions. In the current year, we have identified a new data source for these spend-based emission factors. However due to significant changes required on the adoption of a new data source for these Scope 3 spend-based emissions factors, the Council has been unable to complete the calculation in time for this Annual Report. As a result, the Council has been unable to report completely against this KPI this year. For more detailed information on our greenhouse gas emissions measure see the Appendix on page X. Proposed remedial action: When the work on recalculating our emissions is completed, we will publish our full Greenhouse Gas Inventory Report on our website and in our annual update on Te Atakura First to Zero, our climate action strategy. The Council will continue to work to further refine our models and assumptions as the industry allows. As the science evolves in this area the ability to measure greenhouse gas emissions more accurately will become available. Inherent uncertainty: There is a level of inherent uncertainty in reporting greenhouse gas emissions, due to the inherent scientific uncertainty in measuring emissions factors, as well as estimation uncertainty in the measurement of activity quantity data. For more detailed information see the Appendix on page X.						
Climate insights and engagement						
Progress on achievement of Te Atakura implementation plan	Achieved	Achieved	Met	This summary considers the overall health and progress in implementation of all aspects of the Te Atakura strategy as being Amber. However, progress against the Te Atakura Implementation plan in FY24 is Achieved This is because of the 37 actions planned for this financial year, 28 (76%) are either underway, ongoing or completed, showing clear progress against the plan. Another nine actions are not continuing. Details can be found in the annual Te Atakura update for 2024, due for publication in late November. Reduce City emissions by 57% between 2020 and 2031, and net zero by 2050 - status is Amber: ▪ Annual total gross emissions decreased by 1.4% from FY22 to FY23 driven by a reduction in the emissions intensity of national electricity generation which meant that electricity was 44% less carbon intensive per unit consumed than in FY22. ▪ City emissions have reduced by a total of 10% between FY20 and FY23 against the target of 57%. ▪ Reduce Council's Scope 1 & 2 emissions by 57% between 2020 and 2032, and overall to net zero by 2050 - status is Green ▪ A significant reduction in emissions from the landfill that has reduced Council Scope 1 & 2 emissions by 44% between FY21 and FY23. Create a resilient city and Council - status is Amber: ▪ Adaptation work programme is on track. *Note: Achieved is defined as progress against the Te Atakura Implementation Plan*	Achieved	Achieved

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
2.3 Waimāori | Water supply **Service description: Increase the security of potable and stored water**						
Clean and Safe						
Compliance with Drinking Water Standards for NZ 2005 (revised 2008) (Part 4 bacterial compliance criteria)*	Compliant	Compliant	Met	This KPI will not continue in the 2024 LTP.	Non compliant	Compliant
Compliance with Drinking Water Standards for NZ 2005 (revised 2008) (Part 5 protozoal compliance criteria)*	Non-Compliant	Compliant	Not met	The result is against the protozoal rules contained in the Drinking Water Quality Assurance Rules 2022 This KPI will not continue in the 2024 LTP.	Non-compliant	Complaint
Non-compliance with new standards: The new rules introduced last year by Taumata Arowai, the national regulator for water services, replaced the previous water quality standards. This year, there was a non-compliance with the new protozoal rules on 11 March 2024 at the Wainuiomata Water Treatment Plant that supplies water to both Wainuiomata in Lower Hutt and parts of Wellington City. The new rule is that water passing through the treatment plant should not exceed a certain level of turbidity (cloudy water that is used as an indicator for the presence of bugs that could cause public health risk) for more than 72 minutes per day. On 11 March, the spike in turbidity exceeded the maximum allowable time by one minute (73 minutes), meaning that the plant was non-compliant on that day.						
Meeting customer expectations						
Number of complaints about the drinking water's clarity, taste, odour, pressure or flow, continuity of supply, and supplier responsiveness, expressed per 1000 connections*	23.2	<20 per 1000	Not met	The network is ageing, and the associated fault volumes are increasing. WWL is battling with ageing pipes that are prone to bursts or in need of repairs. This results in an increase in the volume of complaints. This KPI will continue in the 2024 LTP.	18.7	16.8
Qualified measure: The number of customer complaints for each of the three-water services was unable to be accurately reported. A complete record of all complaints was not available. Consequently, WWL's auditor was unable to gain sufficient comfort over the completeness of complaints for the year. This measure was also qualified for the past two years. Proposed remedial action: The Council manages its customer complaints system (both in business hours and after hours). Wellington Water will ask customers to make their complaints directly to the Council so that all complaints are recorded in the Council's system. This ensures there is one source of truth. Any changes in this area are awaiting the outcome of Central Government three waters reform.						
Continuity of water supply and resolution of faults						
Water supply interruptions (measured as customer hours)	0.6	<2 hours	Met	This KPI will continue in the 2024 LTP.	0.4hours	0.7 hours

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
Median response time for attendance for urgent call outs* (a) attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site	151 minutes	≤60 minutes	Not met	Response times continued to exceed targets this year and over the life of the long term plan due to increasing work volume. This KPI will continue in the 2024 LTP.	132 minutes	66 minutes (reported) 114 minutes (restated)
Median response time for resolution for urgent call outs* (b) resolution of urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption	13.6 hours	≤4 hours	Not met	Resolution times, while continuing to exceed targets for this and previous years, has trended downward in the face of an increasing work volume. This KPI will continue in the 2024 LTP.	13.4 hours	1.8 hours (reported 17.4 hours (restated)
Median response time for attendance for non-urgent call outs* (c) attendance for non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site	555 hours	≤36 hours	Not met	Response times continued to exceed targets this year due to increasing work volume and resource constraints. However, response times improved in the second half of the year due to operational efficiencies which was driven by a reduction in the backlog of open leaks and increased investment. This KPI will continue in the 2024 LTP.	654 hours	66.8 hours (reported) 334 hours (restated)
Median response time for resolution for non-urgent call outs* (d) resolution of non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption	45.1 days	≤5 days	Not met	Resolution times continued to exceed targets this year due to increasing work volume and resource constraints, however response times improved in the second half of the year due to operational efficiencies which was driven by a reduction in the backlog of open leaks and increased investment. This KPI will continue in the 2024 LTP.	40 days	3.1 days (reported) 22 days (restated)
Efficiency and sustainability						
The percentage of real water loss from the local authority's networked reticulation system	28%	<17%	Not met	Per capita demand increased 4% year-on-year, while the estimated annual average water loss for FY2023/24 is down 3% on FY2022/23 (31%).	31%	26%

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
(including a description of the methodology used to calculate this). Calculated as a regional mean value				In 2023 WWL created a dedicated water loss management team and contracted dedicated crews to find leaks and repair those with the biggest impact. WWL fixed 9,988 leaks this year. The backlog of leaks was reduced from 2,561 in February 2024 to 1,489 by the end of the year. WWL has also improved their back-office triage process, and now bundles leaks by location, allowing crews to be more efficient and reducing the disruptions to residents. This KPI will continue in the 2024 LTP.		
Average drinking water consumption resident/day* The average consumption of drinking water per day per resident within the territorial authority district	416 litres	<365 litres	Not met	Per capita demand increased 4% year-on-year, while the estimated annual average water loss for FY2023/24 is down 3% on FY2022/23 (31%). Efforts from residents and businesses to manage and reduce water use through the peak summer period helped to curb the increase in demand, combined with increased funding to address leakage resulted in the first monthly (March 2024) improvement in demand per capita in more than three years. Overall, there has been a 1.5% reduction in demand over the final four months of 2023/24. This KPI will continue in the 2024 LTP.	402 litres	389.5 litres
* Department of Internal Affairs mandatory measure						
2.4 Waipara | Wastewater **Service description: Provide safe and sanitary removal of wastewater**						
Compliance and sustainability						
Dry weather wastewater overflows, expressed per 1000 connections* The number of dry weather sewerage overflows from the territorial authority's sewerage system expressed per 1000 sewerage connections to that sewerage system	2.9	0	Not met	An annual result of 2.9 overflows per 1000 connections is a significant improvement on the previous Financial Year and continues a trend of continuous improvement, thanks to increased planned operational maintenance activities. This KPI will continue in the 2024 LTP.	5.5	6.16
Compliance with the resource consents for discharge from the sewerage system, measured by the number of: a) abatement notices, b) infringement notices, c) enforcement orders and	1 Abatement notice 3 Infringement notices	Nil	Not met	An abatement notice was received for the repairs to the Western Wastewater Treatment Plant main outfall pipeline. Three infringement notices were received by Wellington City Council and Wellington Water this year relating to non-compliant wastewater discharges from the Moa Point Wastewater Treatment Plant and discharge of non-compliant effluent from the Western Wastewater Treatment Plant. This KPI will continue in the 2024 LTP.	2 Infringement notices	3 notices: 1 infringement, 2 abatement

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
d) convictions received by the territorial authority in relation to those resource consents*						
Meeting customer expectations						
The total number of complaints received by the territorial authority about any of the following: sewage odour, sewerage system faults, sewerage system blockages, and the territorial authority's response to issues with its sewerage system, expressed per 1000 connections to the territorial authority's sewerage system * 1	19.8	<30 per 1000	Met	The number of complaints has trended down across the life of the 2021 LTP. This KPI will continue in the 2024 LTP.	22.8	24.3
Qualified measure: The number of customer complaints for each of the three-water services was unable to be accurately reported. A complete record of all complaints was not available. Consequently, WWL's auditor was unable to gain sufficient comfort over the completeness of complaints for the year. This measure was also qualified for the past two years. Proposed remedial action: The Council manages its customer complaints system (both in business hours and after hours). Wellington Water will ask customers to make their complaints directly to the Council so that all complaints are recorded in the Council's system. This ensures there is one source of truth. Any changes in this area are awaiting the outcome of Central Government three waters reform.						
Continuity of service and resolution of faults						
Median response time for wastewater overflows* (attendance time) Where the territorial authority attends to sewerage overflows resulting from a blockage or other fault in the territorial authority's sewerage system, the following median response times measured: (a) attendance time: from the time that the territorial authority receives notification to the time that service personnel reach the site	80minutes	≤60 minutes	Not met	While still over target, response times have continued to trend down over the life of the Long Term Plan despite the challenges associated with resourcing and aging infrastructure Our region faces significant challenges with aging infrastructure. Many assets are near, or at the end of their operational lives, and the cost and effort to maintain and replace them is growing. These challenges mean that we exceeded targets again this year with the work needed to address these issues. This KPI will continue in the 2024 LTP.	85 Minutes	162 minutes (reported) 100 minutes (restated)

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
Median response time for wastewater overflows* (resolution time) (b) resolution time: from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault	4.7	≤6 hours	Met	This KPI has met its target for the first time in the 2021 LTP, which reflects the efforts by Wellington Water to prioritise repair in the face of resourcing and aging infrastructure challenges. This KPI will continue in the 2024 LTP.	7.9 hours	20.5 hours (reported) 17.7 hours (restated)
Number of wastewater reticulation incidents per km of reticulation pipeline (blockages)	0.31	≤0.8	Met	This KPI will continue in the 2024 LTP.	0.27	0.39
2.5 Waiawhā | Stormwater **Service description: Protect people, property and the environment from flooding and storm runoff**						
Continuity of service and resolution of faults						
Number of flooding events*	Nil	≤2	Met	There were no significant flooding events that affected the Council during the year. This KPI will continue in the 2024 LTP.	0	4
Number of stormwater pipeline blockages per km of pipeline	0.01	≤0.5	Met	This KPI will continue in the 2024 LTP.	0	0.03
Number of habitable floors per 1000 connected homes per flooding event* For each flooding event, the number of habitable floors affected. (Expressed per 1000 properties connected to the territorial authority's stormwater system.) * The regional consistency for habitable floors affected in a flooding event is 10 per event, however as the DIA measure is per 1000 properties connected, we have calculated this based on connections in 20/21.	Nil	<0.13	Met	There were no significant flooding events that affected the Council during the year. This KPI will continue in the 2024 LTP.	0	1

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
Median response time to attend a flooding event (minutes)* The median response time to attend a flooding event, measured from the time that the territorial authority receives notification to the time that service personnel reach the site.	Nil	≤60 minutes	Met	There were no significant flooding events that affected the Council during the year. This KPI will continue in the 2024 LTP.	0 minutes	3732 minutes
Compliance with the resource consents for discharge from the stormwater system, measured by the number of: a) abatement notices, b) infringement notices, c) enforcement orders and d) convictions*	Nil	Nil	Met	There have been no breaches for resource consents over the life of the 2021 LTP. This KPI will continue in the 2024 LTP.	Nil	Nil
Days (%) during the bathing season (1 November to 31 March) that the monitored beaches are suitable for recreational use	98%	90%	Met	This KPI will continue in the 2024 LTP.	98%	100%
Monitored sites (%) that have a rolling 12 month median value for E.coli (dry weather samples) that do not exceed 1000 cfu/100ml	94%	90%	Met	There has been a significant increase in improvement linked to the Human Health Mitigation project and targeting environmental health improvements at catchments across Wellington City. This KPI will continue in the 2024 LTP.	78%	79%
Meeting customer expectations						
Number of complaints about stormwater system performance per 1000 connections* The number of complaints received by a territorial authority about the performance of its stormwater system, expressed per 1000 properties connected to the territorial authority's stormwater system.	8.4	≤20 per 1000	Met	This KPI has remained below target across the life of the 2021 LTP. This KPI will continue in the 2024 LTP.	14.5	8.9

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
Qualified measure: The number of customer complaints for each of the three-water services was unable to be accurately reported. A complete record of all complaints was not available. Consequently, WWL's auditor was unable to gain sufficient comfort over the completeness of complaints for the year. This measure was also qualified for the past two years. Proposed remedial action: The Council manages its customer complaints system (both in business hours and after hours). Wellington Water will ask customers to make their complaints directly to the Council so that all complaints are recorded in the Council's system. This ensures there is one source of truth. Any changes in this area are awaiting the outcome of Central Government three waters reform.						
Residents (%) satisfied with the stormwater system	35%	75%	Not met	Results for this KPI show a consistent level of resident dissatisfaction with the stormwater services with results in the 30-39% range for the life of the Long Term Plan. This is likely to continue until infrastructure renewals and water reform changes are completed. This KPI will continue in the 2024 LTP. For more detail visit the full Residents' Monitoring survey.	34%	39%
* Denotes Department of Internal Affairs mandatory measure For more information on Wellington Water performance results, refer to published Annual Reports via https://www.wellingtonwater.co.nz/resources/documents/document-library/						
2.6 Ngā painga kukume papa atawha | Conservation attractions [17] Service description: Protect flora and fauna through conservation and biodiversity						
Wellington Zoo						
Achievement of measures within Wellington Zoo's Statement of Intent	Achieved	Achieved	Met	7 out of 8 KPIs achieved. The Zoo has had an excellent trading year with Snow Leopards and a Baby Giraffe helping to exceed targets for: visitors and student and education visits, and above target performance for Trust generated income. Details of the Statement of Intent KPIs are as follows: 1. Visitors (annual): Met 279,656 visitors; Target = 265,815 visitors. 2. Student & education visits (annual): Met 25,8780 visits; Target = 21,000 visits. 3. Council operating grant per visitor (annual): Met $14.90; Target = $15.67. 4. Full cost to Council (annual): Not met $7.577m; Target = $6.867m. 5. Trading revenue per visit (excl. grants & interest) (annual): Met $20.54; Target = $17.93.	Achieved (unaudited result)	Not achieved

[17] Council Controlled Organisation performance is reported as Met when at least half of the underpinning Statement of Intent measures have met their individual targets

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
				6. Non-Council donations & funding (annual): Met $425,000; Target = $364,000. 7. Percentage operating costs generated by the Trust (annual): Met 55%; Target = 53%. 8. Trust generated income as % of the Council grant (annual): Met 138%; Target = 125%. This KPI will continue in the 2024 LTP. For more information on performance results, refer to published Annual Reports via https://wellingtonzoo.com/about-us/about-our-zoo/		
Zealandia – Te Māra a Tāne						
Achievement of measures within Karori Sanctuary Trust's (Zealandia – Te Māra a Tāne) Statement of Intent	Achieved	Achieved	Met	9 out of 10 KPIs achieved Zealandia has had an excellent year from winning the Supreme Award at the Air New Zealand Tourism Awards through closing the year with a very healthy financial result. This means the organisation has fully recovered from the financial impacts of Covid-19, and can now begin to make headway on refurbishment projects that will ensure its facilities remain fit for purpose. Details of the Statement of Intent KPIs are as follows: 1. Visitors (annual): Met 149,327 visitors; Target = 100,000 visitors. 2. Student & education visits (annual): Met 8,831 visits; Target = 4,000 visits. 3. Individual members (annual): Not met 15,140 members; Target = 16,000 members. Target not met due to lower retention following membership promotions during Covid 19, and technical challenges presented by an outdated Customer Relationship Management system (CRM). The CRM system has been replaced and Zealandia is now planning for a c.7% year on year growth in membership. 4. Percentage of satisfied visitors (annual): Met 98%; Target >95%. 5. Volunteers (annual): Met 535 volunteers; Target = >500 volunteers. 6. Council operating grant per visitor (annual): Met $9.92; Target = $11.56. 7. Full cost to Council (annual): Met $2.067m; Target = $2.050m. 8. Trading revenue per visit (excl. grants & interest) (annual): Met $37.07; Target = $28.38. 9. Non-Council donations & funding (annual): Met $832,114; Target = $200,000. Result exceeded target by more than four times its value. An excellent result.	Achieved (unaudited result)	Achieved

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
				10. Membership subscription revenue (annual): Met $509,734; Target = $400,000. This KPI will continue in the 2024 LTP. For more information on performance results, refer to published Annual Reports via https://www.visitzealandia.com/About/Reports-and-Awards		

Environment & infrastructure finances

Funding impact statements – 1 July 2023 to 30 June 2024

Services in this activity area are funded through a mixture of general rates, targeted rates, user charges and other revenue.

2.1 Gardens, beaches and green open spaces ($000s)

Variance explanation notes:

1. Payments to staff and suppliers were below plan due to the timing of projects being later than initially planned.
2. Capital expenditure to meet additional demand was above Plan due to the purchase of outer green belt land that became available. The timing of the land availability was earlier than planned.
3. Capital expenditure to meet levels of service was below Plan due to due to some changes in levels of service.

2.1	2022/23 LTP	2022/23 Actual	2023/24 LTP	2023/24 AP	2023/24 Actual
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	49,701	50,640	50,760	55,429	55,429
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes [1]	1,257	928	1,392	1,574	1,878
Fees and charges	1,924	2,049	2,130	2,071	2,487
Internal charges and overheads recovered	5,875	4,786	5,964	6,229	5,099
Local authorities fuel tax, fines, infringement fees, and other receipts	-	972	-	-	22
Total operating funding (A)	58,757	59,375	60,246	65,303	64,915
Applications of operating funding					
Payments to staff and suppliers [2]	31,511	29,850	31,940	33,789	32,732
Finance costs	3,402	5,031	3,584	5,265	5,571
Internal charges and overheads applied	14,815	15,043	14,493	16,301	15,229
Other operating funding applications	167	131	168	169	176
Total applications of operating funding (B)	49,895	50,055	50,185	55,524	53,708
Surplus (deficit) of operating funding (A - B)	8,862	9,320	10,061	9,779	11,207
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	104
Development and financial contributions	320	1,313	320	320	-
Increase (decrease) in debt	(2,632)	(4,079)	(2,121)	538	(1,001)
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	(2,312)	(2,766)	(1,801)	858	(897)
Applications of capital funding					
Capital expenditure					
- to meet additional demand [3]	1,922	287	2,600	3,867	5,834
- to improve the level of service	576	2,465	956	2,098	915
- to replace existing assets	4,052	5,092	4,704	4,672	4,623
Increase (decrease) in reserves	-	(1,290)	-	-	(1,062)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	6,550	6,554	8,260	10,637	10,310
Surplus (deficit) of capital funding (C - D)	(8,862)	(9,320)	(10,061)	(9,779)	(11,207)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	8,808	10,557	10,008	9,762	12,251

2.2 Waste reduction and energy conservation ($000s)

Variance explanation notes:

1. Fees and Charges are favourable to Plan due to higher than anticipated contaminated soil received at Landfill.
2. Payments to staff and suppliers were unfavourable to Plan due to higher than expected spend on contracts and services as a result of higher revenues received at Landfill.
3. Capital expenditure to replace existing assets was well below Plan due to the start of the SLEPO (Southern Landfill Extension Piggyback Option) project being delayed. Project delivery in 2024/25 will be ramped up to compensate for the delay.".

2.2	2022/23 LTP	2022/23 Actual	2023/24 LTP	2023/24 AP	2023/24 Actual
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	1,026	914	878	216	216
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges [1]	26,621	34,917	29,031	31,271	36,727
Internal charges and overheads recovered	634	484	643	674	581
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	28,281	36,315	30,552	32,161	37,524
Applications of operating funding					
Payments to staff and suppliers [2]	22,508	22,637	24,549	26,038	28,637
Finance costs	1,074	943	1,163	760	1,113
Internal charges and overheads applied	3,551	3,962	3,538	4,124	3,793
Other operating funding applications	191	-	188	272	(1,180)
Total applications of operating funding (B)	27,324	27,542	29,438	31,194	32,363
Surplus (deficit) of operating funding (A - B)	957	8,773	1,114	967	5,161
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	3,394	(5,362)	10,205	10,372	(462)
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	3,394	(5,362)	10,205	10,372	(462)
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	8	-	-	-
- to improve the level of service	-	-	-	-	-
- to replace existing assets [3]	4,351	2,952	11,319	11,339	4,010
Increase (decrease) in reserves	-	451	-	-	998
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	4,351	3,411	11,319	11,339	5,008
Surplus (deficit) of capital funding (C - D)	(957)	(8,773)	(1,114)	(967)	(5,470)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	751	995	685	991	990

2.3 Water ($000s)

Variance explanation notes:

1. Payments to staff and suppliers were above plan after a Council decision to increase the Operating expenditure budget for repairing water leaks and other unexpected events.
2. Capital expenditure was below Plan as WWL operates on one budget model and reallocate capex expenditure based on approved works programmes, funding was reallocated from the Storm Water Capital expenditure budget to meet demand in this area.

2.3	2022/23 LTP	2022/23 Actual	2023/24 LTP	2023/24 AP	2023/24 Actual
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	-	-	-	-	-
Targeted rates	58,112	50,216	62,332	68,437	68,437
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	47	1	48	49	28
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	58,159	50,217	62,380	68,486	68,465
Applications of operating funding					
Payments to staff and suppliers [1]	32,901	39,457	34,035	48,038	50,658
Finance costs	3,807	4,588	3,952	6,195	6,035
Internal charges and overheads applied	766	1,332	787	1,267	1,704
Other operating funding applications	-	-	-	-	-
Total applications of operating funding (B)	37,474	45,377	38,774	55,500	58,397
Surplus (deficit) of operating funding (A - B)	20,685	4,840	23,606	12,986	10,068
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	1,175	337	1,175	1,175	1,917
Increase (decrease) in debt	3,958	28,340	(2,373)	11,018	7,314
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	5,133	28,677	(1,198)	12,193	9,231
Applications of capital funding					
Capital expenditure					
- to meet additional demand	13,625	12,698	703	2,224	2,220
- to improve the level of service [2]	3,843	3,918	11,507	8,777	3,695
- to replace existing assets	8,350	12,991	10,198	14,178	16,971
Increase (decrease) in reserves	-	3,910	-	-	(3,587)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	25,818	33,517	22,408	25,179	19,299
Surplus (deficit) of capital funding (C - D)	(20,685)	(4,840)	(23,606)	(12,986)	(10,068)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	20,500	25,422	23,421	25,387	26,054

2.4 Wastewater ($000s)

Variance explanation notes:

1. Approved spend to increase wastewater capabilities, Taranaki Street Rising Main bring forward of spend from future years
2. Capital expenditure was below Plan due to the delay in spend profile of the Sludge Minimisation Project. Council approved to carry forward that portion of the budget to 2024/25.
3. For capital expenditure to replace existing assets, we approved bringing forward of outer year spend to speed up the delivery of urgent renewals across the network.

2.4	2022/23 LTP	2022/23 Actual	2023/24 LTP	2023/24 AP	2023/24 Actual
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	-	-	-	-	-
Targeted rates	58,702	46,906	59,399	64,586	64,586
Subsidies and grants for operating purposes	-	-	-	-	314
Fees and charges	863	650	894	905	1,136
Internal charges and overheads recovered	-	-	-	277	511
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	59,565	47,556	60,293	65,768	66,547
Applications of operating funding					
Payments to staff and suppliers	29,105	37,050	26,472	37,716	38,461
Finance costs	5,699	6,447	5,912	10,144	8,670
Internal charges and overheads applied	1,675	2,758	1,792	2,362	2,725
Other operating funding applications	-	-	-	-	-
Total applications of operating funding (B)	36,479	46,255	34,176	50,222	49,856
Surplus (deficit) of operating funding (A - B)	23,086	1,301	26,117	15,546	16,691
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	126,243	78,693
Development and financial contributions	961	114	961	961	1,703
Increase (decrease) in debt	19,205	44,181	(9,217)	12,402	30,555
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	20,166	44,295	(8,256)	139,606	110,951
Applications of capital funding					
Capital expenditure					
- to meet additional demand [1]	4,646	9,125	3,180	10,260	19,100
- to improve the level of service [2]	24,721	24,294	798	131,502	91,987
- to replace existing assets [3]	13,885	23,190	13,882	13,390	15,827
Increase (decrease) in reserves	-	(11,013)	1	-	728
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	43,252	45,596	17,861	155,152	127,642
Surplus (deficit) of capital funding (C - D)	(23,086)	(1,301)	(26,117)	(15,546)	(16,691)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	21,662	40,150	24,692	40,229	40,646

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2.5 Stormwater ($000s)

Variance explanation notes:

1. Capital expenditure is above plan as a result of WWL changes. WWL operates a one-budget model and reallocates capex expenditure based on approved works programmes - funding was reallocated from Potable Water Capex budget to meet demand in this area.

2.5	2022/23 LTP	2022/23 Actual	2023/24 LTP	2023/24 AP	2023/24 Actual
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	-	-	-	-	-
Targeted rates	26,726	29,001	33,547	25,690	25,690
Subsidies and grants for operating purposes	194	130	171	230	171
Fees and charges	3	2	3	3	3
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	26,923	29,133	33,721	25,923	25,864
Applications of operating funding					
Payments to staff and suppliers	9,923	10,750	14,910	13,165	10,603
Finance costs	4,638	5,086	4,958	7,546	7,353
Internal charges and overheads applied	635	600	652	765	534
Other operating funding applications	-	-	-	-	-
Total applications of operating funding (B)	15,196	16,436	20,520	21,476	18,490
Surplus (deficit) of operating funding (A - B)	11,727	12,697	13,201	4,447	7,374
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	102	-	102	102	111
Increase (decrease) in debt	(4,083)	(10,053)	(4,540)	1,445	2,863
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	(3,981)	(10,053)	(4,438)	1,547	2,974
Applications of capital funding					
Capital expenditure					
- to meet additional demand	168	-	174	-	-
- to improve the level of service [1]	3,566	2,553	4,339	5,994	596
- to replace existing assets	4,012	2,749	4,250	-	6,979
Increase (decrease) in reserves	-	(2,658)	-	-	2,773
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	7,746	2,644	8,763	5,994	10,348
Surplus (deficit) of capital funding (C - D)	(11,727)	(12,697)	(13,201)	(4,447)	(7,374)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	11,602	21,416	13,077	21,402	21,556

2.6 Conservation attractions ($000s)

Variance explanation notes:

1. Capital expenditure to replace existing assets was above Plan. This was due to the Council approved increase in the Zoo renewal budget, which was funded by Zoo generated funding.

2.6	2022/23 LTP	2022/23 Actual	2023/24 LTP	2023/24 AP	2023/24 Actual
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	7,766	7,794	8,201	8,955	8,955
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	-	-	-	-	-
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	7,766	7,794	8,201	8,955	8,955
Applications of operating funding					
Payments to staff and suppliers	148	189	147	164	167
Finance costs	530	740	630	846	910
Internal charges and overheads applied	198	123	203	107	132
Other operating funding applications	4,874	5,233	5,042	5,648	6,146
Total applications of operating funding (B)	5,750	6,285	6,022	6,765	7,355
Surplus (deficit) of operating funding (A - B)	2,016	1,509	2,179	2,190	1,600
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	230	2,796	(887)	(898)	(772)
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	230	2,796	(887)	(898)	(772)
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	1,000	3,892	-	-	-
- to replace existing assets [1]	1,246	1,160	1,292	1,292	1,703
Increase (decrease) in reserves	-	(747)	-	-	(875)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	2,246	4,305	1,292	1,292	828
Surplus (deficit) of capital funding (C - D)	(2,016)	(1,509)	(2,179)	(2,190)	(1,600)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	1,978	2,218	2,141	2,151	2,437

3 Whanaketanga ōhanga Economic Development

This chapter explains what we did and how we performed in our Whanaketanga ōhanga - Economic Development portfolio of activities.

Overview of the year

Our services in this section include city promotions and business support. Most of our performance measures under Economic Development are related to the work that the Council-controlled organisation Wellington Regional Economic Development Agency (WellingtonNZ) delivers on behalf of the city. This strategy area is also key to delivering several of the metrics for other performance indicators - for example economic growth, tourism, and international students.

This year, was the first year of operations of Tākina, the Wellington Convention and Exhibition Centre, which included international conferences and exhibitions. We also had a good cruise ship season, big city-wide events, continued to experience growth in the tech sector and developed the Courtenay Place Precinct Plan in collaboration with businesses.

We began work on implementing our new Economic Wellbeing Strategy, which was adopted in June 2022. It is a step-change away from a traditional economic development focus towards a more holistic and inclusive approach that takes into consideration the four wellbeings: social, cultural, economic and environmental wellbeing.

Challenges

The three years of the 2021 LTP have been challenging for this area. While there were no COVID-19 restrictions and tourist were back in the city, the past 12 months has seen a decline in discretionary income due to tough economic times. This impacts across venues, events, tourism and Tākina conferences and exhibitions making it more challenging to achieve target outcomes.

Cost pressures continue to be a challenge for CCOs and Tākina and was a focus of the 2023/24 Annual Plan development with an operating grant funding review and living wage assistance support provided for CCOs. However, cost pressures remain - particularly staff remuneration. The 2024 LTP placed a strong focus on the need for CCOs and Tākina to focus on commercial outcomes.

It is often reported through surveys and the media that business and consumer confidence is declining in Wellington because of broader economic conditions, which this year have also been impacted by Central Government job cuts and disruption caused by infrastructure projects. Additionally high development and insurance costs are impacting private investment and development further dampening confidence in the Capital.

To help mitigate these challenges and support the implementation of the Economic Wellbeing Strategy, there has been a renewed focus on strengthening business relationships, with the appointment of the Central City Manager and Chief Licensing Officer roles, a dedicated programme of engagement through regular business and property developer hui alongside specific project engagements such as the co-design of the Courtenay Place Precinct plan

Performance Summary

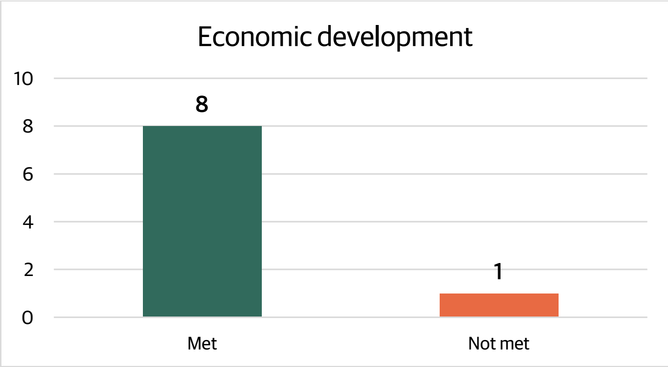
This strategy area is responsible for delivering about nine percent, or nine, of Council's performance measures.

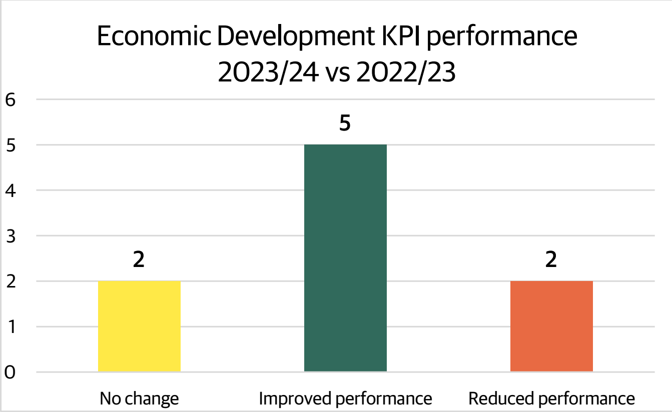
This year eight measures met their targets with one not meeting target. Of the total nine measures, five had improved performance this year versus last year. Of the balance, one showed no change and two had reduced performance between the two years.

Wellington Regional Economic Development Agency, trading as WellingtonNZ, and Wellington Regional Stadium Trust both support economic development and are responsible for delivering seven of these KPIs.

WellingtonNZ achieved seven of its eight KPIs, with improved performance in value of expenditure generated from events and the number of different business engagements in WellingtonNZ programmes. The Wellington Regional Stadium Trust achieved all of the KPIs in its Statement of Intent.

For the full set key performance indicators and variance explanations, please see pages X to X.





$133m

in value of expenditure generated from events (including business, performance and major events) for WellingtonNZ

584,352

Wellington regional residents who attend events. This was down on the 615,181 last year

Financial summary

Operational expenditure

Total: $47.0m against budget of $51.6m

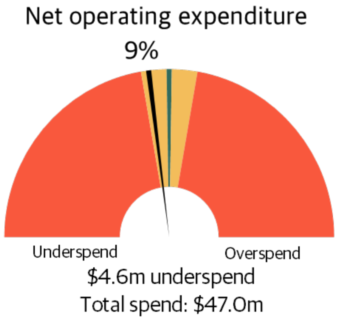
The net operating expenditure result was unfavourable for the year because fees and charges were lower than planned. This was due to fewer bookings than expected at Tākina as well as at other venues, stemming from the challenging economic environment.

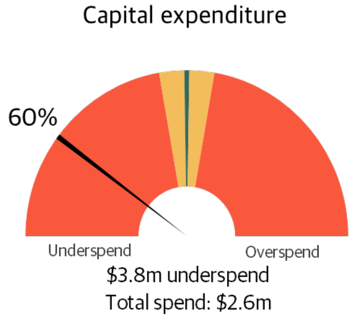
Capital expenditure

Total: $2.6m against budget of $6.4m

The capital expenditure for this activity is behind budget due to some venues upgrades no longer being required. This was partially offset by increased renewal spending across various venues because of work carried into this financial year after delays in 2022/23.

For more details on the Economic Development finances, see page X.





Whanaketanga ōhanga – Economic development activities

This section outlines some of the projects and programmes we have undertaken this year. It also provides detailed financial and non-financial performance information for this group of activities.

What we do:

3.1 Whakatairanga tāone – City promotions and business support

In this area we support Wellington's economic growth by encouraging high-quality events and promoting tourism, attracting and supporting business activity, and delivering major economic development initiatives. Economic growth means Wellingtonians can continue to enjoy a high quality of life.

Some of the activities in this area are managed or supported by WellingtonNZ or operated by the Wellington Regional Stadium Trust (Sky Stadium). These organisations are profiled from page X in the Council-controlled organisations section, including details of their boards and governance structures.

Key projects

The following section outlines how we performed this year on the key projects or programmes that were identified in the 2021-31 Long-term Plan (Year 3) as being areas of focus.

Tākina Wellington Convention & Exhibition Centre

Tākina, Wellington Convention & Exhibition Centre, was completed and opened on 1 June 2023. It is the first convention and exhibition centre in New Zealand to have been awarded a 5 Green Star Design Certification.

In its first year, the centre has hosted 127 events, two international exhibitions and delivered approximately $43m in new expenditure to Wellington's economy. Tākina has gone on to win architectural construction and property industry awards over the last year recognising the efforts of the Wellington-based teams involved.

Major events

Major events have been a significant contributor in the recovery of Wellington's tourism sector and visitor spend following COVID.

- The World of Wearable Art continues to be a huge asset regularly selling about 60,000 tickets annually with 60% out-of-region visitation.
- During the FIFA Women's World Cup hosting in 2023, the Wellington Regional Stadium hosted nine matches for a total attendance of more than 230,000 spectators - an average of 25,696 fans per match and saw a $24.6million net benefit to the city.
- Sky Stadium hosted the Wellington Phoenix's highest ever crowd of 33,297 in the A-League semi-final match against Melbourne Victory in May.

Tech sector

Wellington's tech sector continues to go from strength to strength. The Summer of Engineering 2023 programme was completed with 16 placements across 10 organisations and the Summer of Tech had 224 internships successfully secured. A three-day New Zealand Game Developers Conference was held at Tākina in August with 2,200+ attendees.

In June, a Climate Tech Summit was held with 500+ attendees and the Electrify Aotearoa conference for female founders was held in Wellington as a sold-out event.

Courtenay Place Precinct Plan

The Economic Wellbeing Strategy identified Courtenay Place as a priority area for regeneration. Therefore, the Courtenay Place Precinct Plan was developed in collaboration with businesses, Pōneke Promise partners, and other stakeholders in late 2023.

The work identified a unifying vision – Courtenay Precinct: Our Premier Place to Play – to help guide the action plan and tell the story of the area. Several key actions have been delivered including increased cleaning, funding business-led activations, increased night-time support, and new lighting. This work is critical to building resilience in the precinct ahead of significant development work via the Golden Mile project

Wellington Development Response Plan

In early 2023, the Development Response Plan was established to help manage and mitigate the impacts of significant infrastructure works in the central city via three streams of work:

1. ensuring the city can continue to function during disruption through network planning and coordination;
2. the establishment of a dedicated business support service delivered by WellingtonNZ to assist independent small businesses in areas where works are taking place; and
3. Positively Pōneke a communications and engagement approach to take Wellingtonians on the journey of change through an information-based campaign including wayfinding digital platforms project updates activations marketing and promotions to encourage visitation to areas where footfall may be disrupted.

To date more than 200 engagements with businesses have taken place across Thorndon Quay, Te Ngākau Civic Square and Courtenay Place.

Hahana mai:

Spotlight on: FIFA Women's World Cup impact on Wellington

The FIFA Women's World Cup (FWWC) was held across New Zealand and Australia in July and August and was one of the largest and most complex sports events ever hosted in Wellington.

Preparations began in the 2022/23 year with upgrades at key sportsfields to ensure training facilities were up to the FIFA standards required – including new flood lighting, gender neutral changing rooms and grass turf upgrades. This included new LED lights at the Wellington Regional Stadium.

Nine of the 29 FWWC matches held in New Zealand were held in the capital – the same number as Auckland. However, Wellington had the busiest schedule of any stadium in Australia and New Zealand with seven pool games played over 14 days, which meant a match every second day.

There was also an extensive line-up of free events, city activations, and Fan Festivals to help visitors and residents be excited about the tournament.

A report commissioned by WellingtonNZ to evaluate the costs and benefits to Wellington of hosting the FWWC identified a net benefit to the city of $24.6 million.

The cost benefit ratio is 1.42, meaning that for every dollar invested there was a returned benefit of $1.42. The ratio was higher than that achieved in Auckland, Hamilton and Dunedin. Nationally the cost benefit ratio was 1.34.

The evaluation, undertaken by Fresh Information, exceeds expectations and is a strong result compared to the projections made in 2019 when the tournament was confirmed to be heading to the country.

WellingtonNZ events and experience general manager Warrick Dent said the report shows the tournament was an outstanding success for the city, enjoyed by locals and visitors alike and provided a sound economic return.

"The FIFA Women's World Cup exceeded expectations across many areas and has left a lasting positive impact on Wellington showcasing the city as a vibrant and friendly place to visit capable of hosting major events which augurs well for the future. It also generated significant social, economic and cultural benefits and was embraced by locals.

"We are very proud to have delivered such a successful event which would not have been possible without the input of a range of people and organisations and we hugely appreciate the work of everyone involved."

In addition to strong economic results, this evaluation found that hosting FWWC 2023 delivered a range of intangible benefits for football and women in Wellington and New Zealand including achievement of the key objective of "increasing the visibility of, and value placed on, women in sport and wider society".

The report also stated that the knowledge and experience from hosting the matches has enhanced Wellington's major event capability.

Other results included:

- 243,645 tickets issued across the nine matches – an average of 27,072 per match. This is the equivalent of 0.45 tickets per capita, more than twice the 0.21 rate of Auckland.
- 94,085 unique attendees with 61% from Wellington, 18.4% from other parts of New Zealand and 20.1% international visitors.
- 60,000 people visited the FIFA Fan Festival run by WellingtonNZ at the waterfront.
- 57,817 Wellingtonians went to a FIFA game – 92% of those thought hosting the FIFA games increased their pride in the city and made it a more enjoyable place to live.
- 100, 124 visitor nights in Wellington with $44.7 million of additional expenditure in Wellington across event operations and tourism.
- Increased visitation to key tourism attractions such as Zealandia and the Cable Car.

Economic development performance

Key Performance Indicators

Key performance indicators (KPIs) allow us to track how well we are delivering services against the targets in the Long-term Plan and its associated Annual Plans.

The Council reports on an exception only basis, so where a KPI doesn't meet its performance target, a variance commentary is provided. To assist in telling our performance story, additional commentary may be provided even though a KPI may have met its target.

Commentary is also provided for those KPIs which report a narrative rather than a numbers-based result.

Key to help understand our results:

- Met: at or exceeding target
- Substantially met: is within 10% of the target
- Not Met is >10% below target.
- **LTP performance**: Year 1 (baseline) vs Year 3 results.

Summary of three-year 2021LTP performance:

9	3	0	5	3	1	0
Number of KPIs	Within 10% of target all three years	Not met all three years	Improved performance	Reduction in performance	At max for target	No change

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
3. Whanaketanga ōhanga | Economic development						
3.1 Whakatairanga tāone tautoko ā pākihi | City promotions and business support Service description: Grow tourism spend and economic returns from events that bring visitors and extra spending to the city						
WREDA - Wellington NZ						
WellingtonNZ is delivering direct value/ROI on our shareholder's investment - direct economic impact of Wellington NZ's activities and interventions ($m)	$230m	$150m	Met	[Provisional Result] This KPI will continue in the 2024 LTP. In 2022/23 $296.2m was the provisional result reported in our Annual Report. The final result reported in WellingtonNZ's 2022/23 Annual Report was $321.46m	$321.46m updated result	$105m

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Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
WellingtonNZ is shaping and amplifying the regional destination/brand story						
Equivalent Advertising Value (EAV) from media activity ($m)	$34m	$30m	Met	[Provisional Result] This KPI will continue in the 2024 LTP.	$20.4m	$28m
Value of expenditure generated from events, including business, performance and major events ($m)	$133m	$110m	Met	[Provisional Result] This KPI will continue in the 2024 LTP. In 2022/23 $79.1m was the provisional result reported in our Annual Report. The final result reported in Wellington NZ's 2022/23 annual report was $103.3m	$103.3 updated result	$47m
The number of Wellington region residents that attend events	584,352	550,000	Met	[Provisional Result] This KPI will continue in the 2024 LTP.	615,181	156,561
WellingtonNZ is supporting businesses to upskill and grow						
Number of different business engagements in WellingtonNZ programmes	2,847	2,300	Met	[Provisional Result] This KPI will continue in the 2024 LTP. In 2022/23 2221 was the provisional result reported in our Annual Report. The final result reported in Wellington NZ's 2022/23 annual report was 3302	3302 updated result	2,926
Financial health						
% of Revenue from commercial / non council funding and commercial activity (combined WellingtonNZ and CreativeHQ)	27.4%	34%	Not met	[Provisional Result] WellingtonNZ has aspirational goals to increase its non-shareholder revenue. A combination of Covid19 recovery funds coming to an end, Commercial partnerships being constrained due to economic conditions and a reduction in Commercial revenue generated from CreativeHQ in the period compared to budget means WellingtonNZ have not met their KPI this period. WellingtonNZ remains committed to continue to increase non-Shareholder revenue. This KPI will continue in the 2024 LTP.	25%	32%
Budget on track – income, expenditure and surplus	To budget	To budget	Met	[Provisional Result] This KPI will not continue in the 2024 LTP.	To budget	To budget
Stakeholder relations health						
Stakeholder satisfaction	94%	90%	Met	[Provisional Result] This KPI will continue in the 2024 LTP. For more information on performance results, refer to published Annual Reports	92%	96%

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
Wellington Sky Stadium						
Achievement of measures within the Wellington Regional Stadium Trust Statement of Intent	Achieved	Achieved	Met[18]	[Provisional Result] This year the Stadium hosted a total attendance of 512,112, the largest number of event attendees at the Stadium since 2016. The annual result was positively impacted by FIFA Women's World Football Championship 2023, which had a cumulative audience of 197,675 over the nine hosted matches. FY2023-34 financial result is a net surplus of $3.7 million compared to a budgeted surplus of $8.1 million. This result is inclusive of grant income. The operating surplus (before depreciation) was $5.2 million compared to a budgeted surplus of $1.8 million. looking forward there are positive discussions with hirers and promoters on future event bookings. It will also be an important year in relation to the asset as the Stadium begins the seismic resilience project. This KPI will continue in the 2024 LTP. Annual Reports via https://www.skystadium.co.nz/contact-us/about-us/stadium-trust	Achieved	Not achieved

[18] The Wellington Regional Stadium Trust is not a Council-controlled Organisation, however it allows its performance to be included here for transparency.

Economic development **finances**

Funding impact statements – 1 July 2023 to 30 June 2024

Most of the Economic Development services are paid for by commercial ratepayers, as this covers the cost of tourism promotion, economic grants, and other activities that directly benefit the sector.

3.1 City promotions and business support ($000s)

Variance explanation notes:

1. Fees and Charges were below Plan due to lower than expected activity at Takina as well as other venues stemming from the challenging economic environment.
2. Capex venues upgrade in plan not required, so no spending occurred
3. Capex venues renewals increased budget carried forward from previous year approved, spread across various venues.

3.1	2022/23 LTP	2022/23 Actual	2023/24 LTP	2023/24 AP	2023/24 Actual
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	11,288	8,015	14,704	13,710	13,710
Targeted rates	17,479	15,250	18,539	18,229	18,229
Subsidies and grants for operating purposes	-	74	-	769	1,353
Fees and charges [1]	10,661	16,698	25,203	23,759	15,671
Internal charges and overheads recovered	-	-	-	-	88
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	39,428	40,037	58,446	56,467	49,051
Applications of operating funding					
Payments to staff and suppliers	14,981	22,750	28,536	27,246	24,307
Finance costs	3,175	3,558	3,401	3,662	3,759
Internal charges and overheads applied	1,215	1,227	1,664	2,007	2,389
Other operating funding applications	15,817	16,694	18,563	18,694	16,511
Total applications of operating funding (B)	35,188	44,229	52,164	51,609	46,966
Surplus (deficit) of operating funding (A - B)	4,240	(4,192)	6,282	4,858	2,085
Sources of capital funding					
Subsidies and grants for capital expenditure	-	45	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	10,391	2,008	(2,020)	1,559	(4,197)
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	10,391	2,053	(2,020)	1,559	(4,197)
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service [2]	2,050	46	2,101	4,500	-
- to replace existing assets [3]	6,991	1,897	2,161	1,917	2,577
Increase (decrease) in reserves	5,590	(4,082)	-	-	(4,689)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	14,631	(2,139)	4,262	6,417	(2112)
Surplus (deficit) of capital funding (C - D)	(4,240)	4,192	(6,282)	(4,858)	(2,085)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	2,530	3,663	4,614	5,323	7,239

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4 Oranga ahurea
Cultural Wellbeing

This chapter explains what we did and how we performed in our Cultural Wellbeing portfolio of activities. This includes arts and cultural activities.

Overview of the Year

Our services in this section are centred on people and places – delivering events and activities, city events and festivals, attractions, and galleries and museums.

It was a busy year for the Creative Capital team, which included continuing to implement the Aho Tini 2030 strategy across City Events and City Arts, and for the Toi Pōneke Arts Centre as it worked to future proof the service in a new location.

We were able to host or provide support to the free public events Wellingtonians enjoy each year, including a bumper Gardens Magic season, Cuba Dupa, street festivals and festive summer season celebrations.

Challenges

The past three years of the 2021 LTP have had a big impact on this area of our organisation. Due to closed borders and government restrictions, Wellington's Council-controlled organisations (CCOs) and our City Events had a decline in audience for two years, as limiting restrictions meant events couldn't be held and international events and visitors couldn't enter the country.

While there were no COVID-19 restrictions and tourists were back in the city, the past 12 months saw a decline in discretionary income due to tough economic times and job losses in the Central Government sector. This impacts across our museums, arts organisations, venues, and events making it more challenging to achieve outcomes.

Cost pressures continue to be a challenge for CCOs, including Experience Wellington, and was a focus of the 2023/24 Annual Plan development with an operating grant funding review and living wage assistance support provided for CCOs. However, cost pressures remain - particularly staff remuneration. The 2024 LTP placed a strong focus on the need for CCOs to focus on commercial outcomes.

Performance Summary

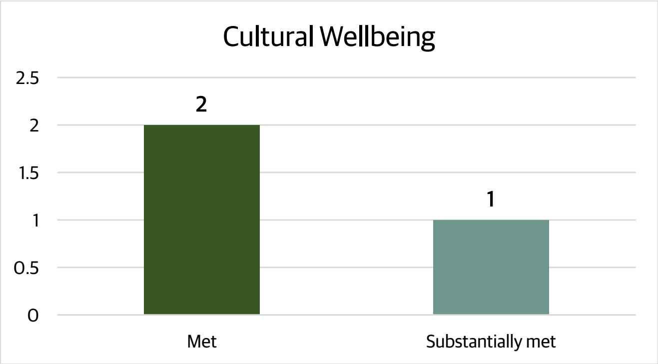
This strategy area is responsible for delivering about three percent, or three, of Council's performance measures.

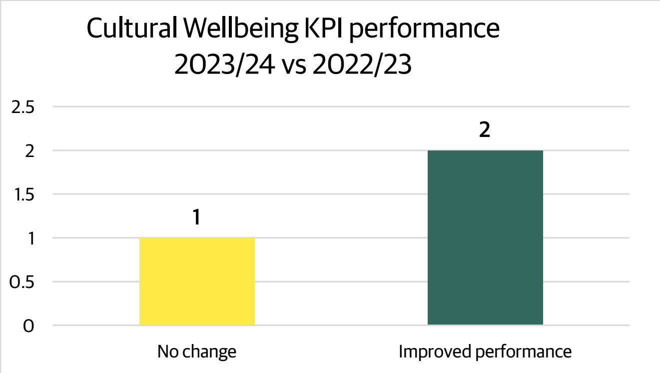
The low representation of performance measures for this strategic area is acknowledged and will be addressed in the next Long-term Plan.

All three of the performance measures were met or substantially met, with two measures demonstrating an improved performance this year versus last year. The remaining one measure had no change in performance.

Wellington Museums Trust, trading as Experience Wellington is one of our Council-controlled organisations that supports cultural wellbeing, met five out of the seven KPIs in its Statement of Intent. Additionally Experience Wellington exceeded the targets for two of its measures - with 622,511 visitors vs target of 405,600 and for visitors who rate the quality of their experience as good or very good (95% vs target of 90%).

For the full set key performance indicators and variance explanations, please see page X.





95%

of visitors to Wellington Museum Trust venues rated their experience as good or very good

622,511

visitors to Wellington Museum Trust venues which represents an increase of 61,628 against last year, demonstrating a continued strong interest in our cultural facilities

Financial summary

Operational expenditure

Total: $26.8m against budget of $26.5m

The net operating expenditure result was close to budget, with some budgeted revenue in City Events not occurring.

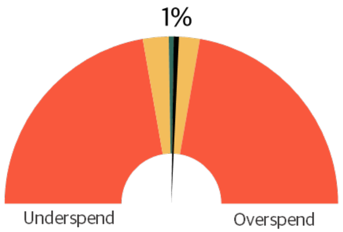
Capital expenditure

Total: $1.7m against budget of $1.2m

In capital expenditure the over expenditure was predominantly on the Tākina project with additional costs approved to finalise and wrap up the project at the beginning of this financial year.

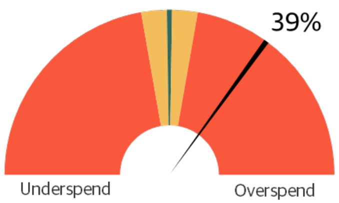
For more details on the Cultural Wellbeing budget and variance explanations, see page X.

Net operating expenditure



$0.26m overspend
Total spend: $26.8m

Capital expenditure



$0.47m overspend
Total spend: $1.69m

Oranga ahurea – Cultural wellbeing activities

This section outlines some of the projects and programmes we have undertaken this year. It also provides detailed financial and non-financial performance information for the two key groups of activities.

What we do:

4.1 Ngohe toi, ahurea hoki – Arts and cultural activities

In this area we provide opportunities to develop the city's cultural scene to build engaged and curious communities, as well as support for galleries and museums, community arts and cultural events, and arts partnerships. We develop and deliver a range of city events, and support community events.

Some of the activities in this area are managed by the Wellington Museums Trust which, trades as Experience Wellington, and is a Council-controlled organisation. This organisation is profiled on page X, including details of its board and governance structure.

Key projects

The following section outlines how we performed this year on the key projects or programmes that were identified in the 2021-31 Long-term Plan (Year 3) as being areas of focus.

Aho Tini is our Arts, Culture and Creativity Strategy, which was adopted in 2021. The strategy was developed in collaboration with the Wellington creative sector and provides direction for Council and CCOs in supporting cultural wellbeing. It will guide the shape of all our arts, culture and creative activities over the next 10 years.

Wheako Pōneke Experience Wellington

Te Waka Huia Wellington Museum tapped into global Barbie mania in August and September with The Barbie Collector, attracting a record 47,000 visitors during its 11-week run. From December to July, a collaboration with Toi Māori Aoteaora Māori Arts New Zealand was presented, Te Ohonga: The Awakening, which featured 19 contemporary Māori artists and artist collectives from the George Pain collection of undocumented taonga Māori.

City Gallery Wellington Te Whare Toi celebrated its 30th year in Te Ngākau Civic Square, with exhibitions including work by Ayesha Green, George Watson and Nova Paul along with Diane Arbus, Sione Tuívailala Monū, Don Driver and Julia Robinson, Julia Morison and street artist Ahsin Ahsin. At year end, the gallery needed to temporarily leave home six months earlier than expected, with maintenance and earthquake strengthening planned. We managed to find new locations for three significant exhibitions they could continue despite the early closure.

We had near sell-out audiences at the stunning psychedelic planetarium show Pink Floyd: Dark Side of the Moon at Space Place.

Fund cultural and art projects and performances

We committed ongoing support for 21 organisations for the next three years through the 2021 LTP. As our key partners these organisations deliver activities in the theatre, visual and performing arts. This includes support for national and regional arts organisations such as the Royal New Zealand Ballet, Circa and Bats theatres, Tawata Productions, Footnote New Zealand Dance, Taki Rua, Creative Capital Arts Trust for NZ Fringe Festival and Cuba Dupa, The New Zealand Portrait Gallery, the New Zealand Symphony Orchestra and Orchestra Wellington.

A total of $5m was delivered in multi-year and one-off funding, including $620,620 through the Arts and Culture Fund that was split across 100 applicants this year.

City events

This year we delivered signature and partnership events attracting approximately 360,000 attendees, including two iterations of Matariki Ahi Kā and Mana Moana.

- **Signature Events:** Gardens Magic, Waitangi Day, Pasifika Festival, ANZAC Day, Matariki Ahi Kā, Christmas in the Quarters, and New Year's Eve.
- **Partnership Events:** Diwali and Mana Moana, created with community and sector partners.
- **Supported Community Events:** Supported externally delivered events like Fringe Festival, Newtown Festival, Cuba Dupa, Performance Arcade, and more.
- **One-off Events:** Delivered the Loafers Lodge Memorial and Sir Jon Trimmer Memorial.

We were also called upon to deliver two memorial events, one for the victims of the Loafers Ledge Fire and one for RZNB dancer and prominent Wellingtonian Sir John Trimmer.

Hannah Playhouse

In the second year of the pilot project, a partnership with the Hannah Playhouse Trust, the Hannah Playhouse exceeded its KPIs, with significant public and artist engagement. The installation of a new flexible seating block was a key milestone, enhancing the venue's versatility. Some key milestones from the year were 107 public performances to 10,735 attendees; 19% of arts practitioners were Māori, and artist occupancy was 85% of the days available.

City Arts highlights

- **Te Aro Mahana Playspace:** New Frank Kitts Park playground includes a sculpted waka (Whetuu Maarama) by Matthew McIntyre-Wilson.
- **Public Art Additions:** These public art additions were part of broader Council projects, with City Arts providing support in artist relationship management, contracting, and other coordination efforts. The team delivered eight murals in various city locations, enhancing the visual landscape. More on these murals is in the Spotlight article at the end of this chapter.
- **The Public Art Fund** supported various initiatives, including:
  - **Courtenay Place Lightboxes:** Three Lightboxes were installed, showcasing works by local artists, Massey students, and Tamariki from Te Kura Kaupapa Māori o Ngā Mokopuna.
  - **Masons Screen:** Held 9 exhibitions, in partnership with Circuit Artist Moving Image Aotearoa and the Performance Arcade, including new commissions and a curated Matariki commission.
  - **Cobblestone Exhibitions:** Partnered with Te Herenga Waka Victoria University for 2 exhibitions.
  - **Wellington Sculpture Trust Projects:** Delivered 'Parking Day' in Cuba St, 'Halo' along the Waterfront Promenade, and the 'Colin Post Four Plinths' outside Te Papa. Celebrated the Trust's 40th anniversary and acknowledged Sue Elliott's contribution as Chair.

Re-imagining Toi Pōneke

Toi Pōneke Arts Centre's lease term expires in 2025, so a major project in this area was the Re-imagining Toi Pōneke project in laste 2022, which engaged multiple users in re-energising the approach for our arts centre in Wellington. Ongoing research and public engagement included five public talks and sector wānanga to consider how the Arts Centre should develop beyond 2025. The feedback received was used to develop the options for the 2024 LTP and funding was ultimately included for the project when the plan was adopted in June 2024. The design group, including mana whenua and creative sector representatives, will now develop a service design for the new look offering.

Toi Pōneke has exceeded its targets this year, with close to 40,000 visitors, 12 exhibitions, with approximately 58% from Māori, Pacific peoples, and minority groups, 6 artist residencies including Visual Arts, Sonic Art, Dance Development, Production Design, and Screenwriting, and 30 public programmes, including talks and workshops.

Hahana mai:

Spotlight on: Celebrating City Gallery Wellington

This year, Te Whare Toi – City Gallery Wellington celebrated 30 years of being located at the heart of Te Ngākau Civic Square. But the gallery hasn't always called Civic Square its home.

City Gallery Wellington as we know it today opened its doors 30 years ago in 1993, but the institution has actually been running since 1980. It started with humble beginnings in a small, two-story building at 65 Victoria Street. The exhibition space was 265 square metres, had only three full-time staff, no public toilet and shows ran every 4-6 weeks.

Prior to this, Wellington boasted both the National Art Gallery and the New Zealand Academy of Fine Arts, but it had never had a gallery in its own right. After years of discussion with the art community, the Council recognised that the city needed its own public art gallery that would be accessible for everyone, from "city workers" to the "casual viewer". This was the first time that the Council had any direct involvement with what was then called the “graphic arts”.

While the gallery was a great first step, it wasn’t without its challenges. For example, international artists who travelled to Wellington for residencies had to work from places like Eastbourne because there was no studio space.

The value of contemporary visual arts had also become more apparent, especially in a city that has such a high percentage of people employed in the arts per capita. More funding was allocated to the gallery, more staff were hired, and the hunt began for a new permanent home.

In 1989, the gallery moved into the old Post Office shed on Chews Lane where it would live for four years before moving making the final journey into the old city library building in Civic Square in 1993.

But before the gallery could move into its new home, the art deco library building (which was built in 1940) had to be renovated and made fit for its new purpose. The architect responsible for the conversion was Stuart Gardyne. Stuart is a director of local architecture studio Architecture + which has also produced iconic buildings like Te Wharewaka and Pataka art gallery in Porirua. The design won an Enduring Architecture award the region’s Te Kāhui Whaihanga New Zealand Institute of Architects awards in May 2024, to celebrate its place in the city.

Today, City Gallery Wellington is a dynamic cultural presence in our city, and no visit to the capital is complete without a wander through. The gallery has hosted major exhibitions from local and international artists such as Hilma af Klint, Rita Angus, Colin McCahon, Cindy Sherman, Keith Haring, Annie Leibovitz and Bill Hammond.

The gallery also hosts regular artists talks, family days, tours, film screenings and their popular Tuatara Open Late events where the whole community is welcome to explore the gallery after dark.

Work is underway to transform Wellington, including Te Ngākau Civic Square and the City Gallery Wellington.

The gallery closed in May 2024 for two years while the construction work on the square and repairs to the building is undertaken.

30

Years that City Gallery has called Te Ngakau home

265

Square metres of space in the original gallery on Victoria St

3,900

Square metres of space in the Civic Square gallery

X

Exhibitions held at the City Gallery Wellington

2026

The City Gallery will re-open after earthquake strengthening

Cultural wellbeing performance

Key Performance Indicators

Key performance indicators (KPIs) allow us to track how well we are delivering services against the targets in the Long-term Plan and its associated Annual Plans.

The Council reports on an exception only basis, so where a KPI doesn't meet its performance target, a variance commentary is provided. To assist in telling our performance story, additional commentary may be provided even though a KPI may have met its target.

Commentary is also provided for those KPIs which report a narrative rather than a numbers-based result.

Key to help understand our results:

- Met: at or exceeding target
- Substantially met: is within 10% of the target
- Not Met is >10% below target.

Summary of three-year 2021LTP performance:

3	3	0	2	0	1	0
Number of KPIs	Within 10% of target all three years	Not met all three years	Improved performance	Reduction in performance	At max for target	No change

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
4. Oranga ahurea | Cultural wellbeing						
4.1 Ngohe toi, ahurea hoki | Arts and cultural activities **Service description: Build and maintain a sense of place and identity**						
High quality experience						
Attendees (%) satisfied with Council-delivered arts and cultural festivals	86%	90%	Substantially met	As new arts and culture focused measures are included in the 2024 LTP, this is the last year this KPI will be reported. For more detail visit the full Residents' Monitoring survey	85%	81%

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
Wellington Museums Trust						
Achievement of measures within Wellington Museums Trust Statement of Intent	Achieved	Achieved	Met[19]	[Provisional Result] 5 out of 7 KPIs achieved. Details of the SOI KPIs are as follows: 1. Visitors (annual): Met 622,511 visitors Target = 405,600 visitors 2. Student & education visits (annual): Not met 7,705 visits Target = 23,100 visits. Teacher confidence has been slow to return as a result of the pandemic. Building works in Te Ngākau and the closure of the City Gallery have also impacted student and education visits 3. Council operating grant per visitor (annual): Not met $21.53 Target = $22.38 4. Full cost to Council (annual): Met $13,221,451 no set target 5.Trading revenue per visit (excl. grants & interest) (annual): Met $8.04 Target = $4.20 6. Non-Council donations & funding (annual): Not met $403,373 Target = $913,000. Constrained revenue generation environment alongside challenges in fundraising 7. Percentage of satisfied visitors (annual) shown below as separate KPI This KPI will continue in the 2024 LTP. Annual Reports via https://experiencewellington.org.nz/corporate-information/	Achieved	Achieve d
Experience Wellington						
Percentage of visitors who rate the quality of their experience (good or very good)	95%	90%	Met	[Provisional result] This KPI has consistently exceeded its target across the life of the 2021 LTP. This KPI will continue in the 2024 LTP.	92% [Unaudited result]	92%

[19] Council Controlled Organisation performance is reported as Met when no less than half of the underpinning Statement of Intent measures have met their individual targets

Cultural Wellbeing finances

Funding impact statements – 1 July 2023 to 30 June 2024

Services in this activity area are funded through a mixture of general and targeted rates and external grants and subsidies from non-Council sources.

4.1 Arts and cultural activities ($000s)

Variance explanation notes:

1. Payments to Staff and Suppliers were below plan due to some of the budgeted revenue in City Events Other Revenue not materialising.
2. Capital Expenditure was above Plan due to additional spend on Tākina where additional budget was approved in order to finalise and wrap up the Tākina upgrade project.

4.1	2022/23 LTP	2022/23 Actual	2023/24 LTP	2023/24 AP	2023/24 Actual
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	18,054	18,192	18,964	19,111	19,111
Targeted rates	5,963	5,968	6,128	6,433	6,433
Subsidies and grants for operating purposes	324	212	340	324	-
Fees and charges	657	643	700	699	797
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	24,998	25,015	26,132	26,567	26,341
Applications of operating funding					
Payments to staff and suppliers [1]	5,542	5,248	6,163	6,228	5,902
Finance costs	60	90	53	71	99
Internal charges and overheads applied	1,747	2,660	1,839	2,095	2,666
Other operating funding applications	17,045	17,453	17,344	18,121	18,109
Total applications of operating funding (B)	24,394	25,451	25,399	26,515	26,776
Surplus (deficit) of operating funding (A - B)	604	(436)	733	52	(435)
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	30,316	30,843	7,851	1,182	1,602
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	30,316	30,843	7,851	1,182	1,602
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service [2]	30,920	30,505	8,584	275	1,322
- to replace existing assets [3]	-	935	-	940	366
Increase (decrease) in reserves	-	(1,033)	-	19	(521)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	30,920	30,407	8,584	1,234	1,167
Surplus (deficit) of capital funding (C - D)	(604)	436	(733)	(52)	435
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	566	559	696	576	629

5 Pāpori me te hākinakina
Social and recreation

This chapter explains what we did and how we performed in our Pāpori me te hākinakina – Social and Recreation portfolio of activities.

Overview of the year

Our services in this area include everything from libraries and sportsfields to social housing, community centres, and our regulatory public health functions such as alcohol and food licensing, and dog registrations. Through this work, we also address several Tūpiki Ora aspirations, with thriving and vibrant communities being a central outcome of this area.

We supported the FIFA Women's World Cup with training facilities, opened two major new playground upgrades at Frank Kitts Park (Te Aro Mahana) and the Botanic Garden, and progressed several key projects during the year, including the upgrade of Te Matapihi Central Library.

Challenges

Sportsfield allocations and utilisation were challenging at the end of the 2023 winter season. The support for FIFA Women's World, the WXV International Women's Rugby Tournament and football clubs involved in autumn national league competitions impacted community sports and budgets, with games held at parks when fields would normally be closed for renovation before summer. We worked to move games to alternate grounds when possible to help mitigate this. We also had issues providing grounds for summer sports with a dry summer and water restrictions, meaning the ground was too dry to roll and mow. Work is currently underway to install water sensors on our irrigated sports fields, which will help manage future watering use based on real time ground conditions and moisture levels.

There were increased utility costs for gas, electricity and water across our indoor and outdoor recreation facilities. The biggest cost impact was for gas used for heating at the pools. The new 2024 LTP includes funding to upgrade the pool network away from needing gas over the next 10 years. This will help to manage the risk of higher gas costs and help us meet our climate change obligations through the shift to electric heating.

There has been an increased focus on the cost of sport in Wellington, with the Affordable Sports Wellington community group calling for an independent review into the cost of sports ground fees charged by councils in the region. This review started in August 2023 and was completed over the year. The report was released to the public in August 2024.

We also need to address a rise in street begging and homelessness, which has made for increased narrative in the public realm and media about perceptions of safety in the central city. The need for more funding for city safety measures came through strongly in the public submissions on the 2024 LTP and an uplift of $XX was adopted in the final plan.

Performance Summary

This strategy area is responsible for delivering about 18 percent, or 15, of Council's performance measures.

This year ten of the 15 measures met or substantially met their target, which is a reduction on last year (12, two of these measures ceased reporting as at 2023).

Of the 15 measures, five recorded an improvement in performance, three had no change and seven had reduced performance against the previous year. This analysis does not include the two measures which ceased reporting as at 2023, however both are included in the statements of service performance tables below.

Our timeliness measures had a poor year. The only measure to meet its target was the Toilets that met required cleanliness standards. While not meeting its target, Food registrations has significantly improved performance against previous year as did Alcohol licenses. However Graffiti removal and Dog Control measures all had a reduction in performance against the previous year.

The seasonality of the activity underpinning the Alcohol measure has impacted performance.

Specifically the majority of inspections are undertaken during the summer months, at night, when licensed premises are at their busiest, with little activity in the winter months, with the outcome that results were skewed.

We redefined how we removed graffiti by proactively removing offensive tags and those in high priority (main arterial routes and central city) areas. This impacted the way the measure was calculated and thus performance. A large increase in dog ownership since the pandemic has resulted in an ongoing increase in dog-related issues and complaints. This has impacted the performance of this measure, with results dropping from a triennium high of 99% to current financial year of 90%.

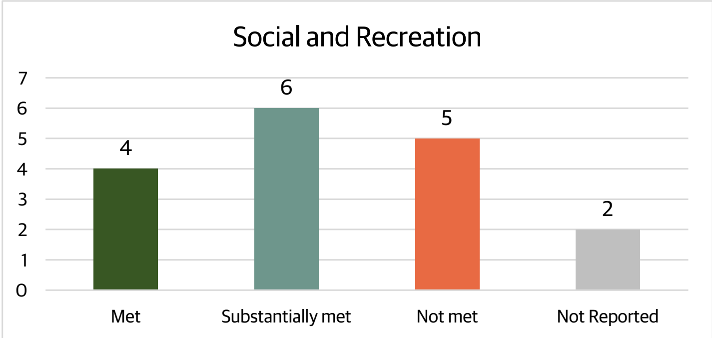
For the full set of key performance indicators and variance explanations, please see pages 92-95.

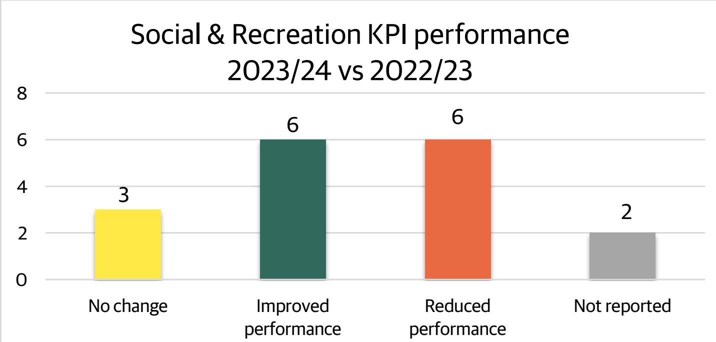
1 out of 6

There were challenges with timeliness measures, with only one consistently meeting its target across the life of the 2021 LTP.

5 out of 5

All satisfaction measures met their target with library services once again showing a high level of resident satisfaction





Financial summary

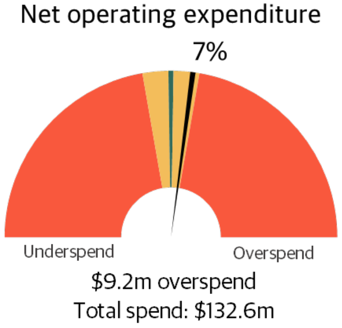
Operational expenditure
Total: $132.6m against budget of $123.4m

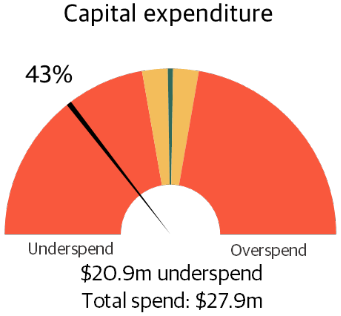
The net operating expenditure result was overspent due to unbudgeted funding payments from ACC to fund the Sexual Violence Prevention Coordinator role. Fees and Charges had increased revenue from Social Housing, which helped to offset some of the overspend in Social Housing within Payments to Staff & Suppliers.

Capital expenditure
Total: $27.9m against budget of $48.8m

In capital expenditure, the under spend was due to delays in several projects, including in the Khandallah Pool upgrade, the Karori Events Centre fit out and construction of the Te Aro Park precinct new public toilets.

For more details on the Social & Recreation budget and variance explanations, see page X.





Kaupapa pāpori me ngā mahi a rēhia – Social and recreation activities

This section outlines some of the projects and programmes we have undertaken this year. It also provides detailed financial and non-financial performance information for the three key groups of activities.

What we do:

5.1 Whakatairanga mahi ā rēhia – Recreation promotion and support

In this area we encourage active and healthy lifestyles and enable participation in play, active recreation and sporting activities. We support this by providing swimming pools, recreation centres, sportsfields, playgrounds and marinas, and delivering recreation programmes and events in our facilities and in the community.

Some services for this activity are delivered by the Basin Reserve Trust. This organisation is profiled on page X in the Council-controlled organisations chapter, including details of its board and governance structure.

5.2 Tautoko hāpori – Community support

In this area we aim to develop highly liveable, safe and inclusive communities by providing community support initiatives, and access to housing for those in need, and by operating community facilities such as community centres and libraries to support overall quality of life. We also support homeowners to have warmer, drier, healthier homes, and support community groups wanting to take local climate action.

5.3 Hauora/haumaru tūmatanui – Public health and safety

In this area we seek to address the city's public health and safety needs. This activity covers our public health regulatory functions, such as dog and animal control, and food premises and alcohol licensing. The activity also covers the city's public conveniences, and funding support for agencies in the city that work towards improving the health, safety and wellbeing of our communities.

Key projects

The following section outlines how we performed this year on the key projects or programmes that were identified in the 2021-31 Long-term Plan (Year 3) as being areas of focus.

Recreation highlights

The following is a snapshot of the work in this area in 2023/24.

- We began developing a masterplan for Kilbirnie Park as a destination skate and youth space. Designs will be finalised in the coming year with construction starting in 2025/26.
- Asset renewals included work on the Pukehuia Park sportsfield pavilion, the Nairnville Park artificial turf and lighting, and changing the Ākau Tangi Sports Centre court lighting to LEDs.
- We completed the six-yearly maintenance closure at Freyberg Pool, with improved spa and sauna facilities, a new main reception and staff facilities. We also replaced the leaking upstairs gallery windows at the Wellington Regional Aquatic Centre.
- We completed the renewal of four playgrounds, built a new playground in Korimako Reserve in Woodridge, and upgraded the Botanic Garden playground; with new equipment including a large tower slide, interactive communication boards and sensory items such as music panels, and a dual flying fox.
- Our ClubActive Fitness Centres at Freyberg Pool and Wellington Regional Aquatic Centre continued their strong membership growth, achieving our highest fitness membership numbers.
- We adopted Te Whai Oranga Pōneke, our new Open Space and Recreation Strategy, which will provide the overarching framework and strategic direction for the Council to manage its open space and its recreation facilities programmes and services over the next 30 years. Te Whai Oranga also links closely with our Tūpiki Ora Māori Strategy and incorporates the aspirations of Māori into open spaces and recreation.

FIFA Women's World Cup

Along with the nine games held at the Wellington Regional Stadium, our sportsfields team supported the global event with three training fields at Newtown and Martin Luckie Parks. These two parks also had investment in 2022/23 for the tournament to upgrade facilities such as playing surfaces, changing rooms and lighting to comply with FIFA requirements. During the tournament the sportsfields team undertook many hours of maintenance and field preparation to support 18 training sessions over the 23 days of the tournament. For more on the impact of the tournament on the city, read the Spotlight article at the end of our Economic Development chapter, page X.

Frank Kitts Park playground upgrade

This project was reassessed in 2022/23 and re-scaled. The new design incorporated the main elements from the previous plans, but simplified these and added greater accessibility and mana whenua design elements. The original iconic lighthouse was refurbished to meet contemporary safety standards and with more durable materials and children can now climb up via an internal rope to the new slides.

The new interactive waka designed by Matthew McIntyre-Wilson (Taranaki, Ngā Māhanga, and Titahi), is named Whetuu Maarama, meaning Bright Star, lies at the heart of the rejuvenated space.

Taranaki Whānui ki te Upoko o te Ika gifted the new playspace the name Te Aro Mahana, translated as warm front.

The playground re-opened to the public in February, following a dawn blessing ceremony. The new space was celebrated with a full day of activities on Te Rā o Ngā Tamariki - Childrens' Day in March.

Connecting our communities

The following is a snapshot of the work in this area in 2023/24.

- Kai kitchen continues as a strong community event in Linden with 80 to 90 people attending each time. Newlands and Tawa Community Centres now also offer a free soup lunch for their communities. The demand for food support has increased as unemployment rates rise across the city.
- Work progressed on Te Tai Ohinga, the central city youth hub, which was a flagship item in the Children & Young People Strategy action plan. It is set to be blessed and opened in August 2024.
- We established a Māori Kai Sovereignty Network intended to disperse funding for mana whenua and Māori-led kai and soil sovereignty projects. The first network hui will be held at the end of July 2024.
- We established a growing fund for Te Toi Mahana (previously City Housing) tenants to increase their access to affordable healthy food and gardening knowledge.
- Four hubs have been established as part of the Community composting hubs trial. Data is being collected to enable a full review.
- $4.860,541 was allocated through our social and community funding programme to both multi-year and one off funding. This included:
  - Ongoing support for 49 organisations that include, community safety and street outreach services in the central city, youth development and community volunteering organisations, harm reduction and sexual violence prevention, help and advice programmes.
  - $540,000 was allocated through Sports partnership funding to local community sports groups for facility improvements.
  - $15,000 allocated through Tawa Community Grants.

Basin Reserve Trust

The Basin Reserve successfully hosted sold-out Black Caps cricket test matches against England in 2023 and Australia in 2024. In addition, the three-year period of the 2021 LTP saw the successful delivery and near completion of the decade long Master Plan project to enhance the Basin Reserve and ensure its continued recognition as the premier International Cricket venue in New Zealand

Te Matapihi Central Library

Significant progress was made towards the 2026 opening of Te Matapihi ki te Ao Nui, the Central Library. We're strengthening and modernising the building. The project is tracking on time and within budget:

- **Physical build:** See our Spotlight article at the end of this Section, from page X.
- **Engagement with mana whenua:** Established a co-commissioning process for embedding mana whenua cultural narratives and co-design principles in the building's final design, including interior finishes, artworks, and landscaping.
- **Harness the power of partnerships:** Strong collaboration and close working relationships with the Experience Wellington team, to drive: completion of the spatial design; service development; and a clear roadmap to get to 'Day 1' and beyond.

Library highlights

The following is a snapshot of the work in this area in 2023/24.

- The branch libraries celebrated various events and supported national campaigns throughout the year, including language weeks, Diwali, the centenary of Katherine Mansfield, and Out on the Shelves, which aims to connect rainbow young people with the stories that represent them.
- Comic Fest was hugely successful at the beginning of May. This was a major event collaboration with the National Library of NZ with a full day of workshops, talks and master classes. It attracted about 2,000 attendees of all ages.
- We launched two new te reo Māori initiatives: Nohinohi Reorua, bilingual sessions for pre-school children; and Te Reo Kete bags, which contain 10 books to help everyone in the whānau start learning te reo words and grammar.
- In June, we closed He Matapihi Molesworth, our interim branch in Thorndon. Since opening, it had welcomed more than 170,000 visitors of all ages and was a popular destination to use the internet or to pick up requested books.
- Across December and January, our family Summer Reading Adventure was very successful. Participants recorded 22,910 books as being read as part of the Adventure and we received 7,692 book reviews.

Public health

- We have actively addressed food verification backlogs that arose from previous COVID restrictions and these have reduced significantly during the year.
- Work has been undertaken to move all alcohol licence applications online and this will be live in the 2024/25 year.
- The Chief Licensing Inspector launched the development of a tri-agency operational strategy for alcohol licensing with NZ Police and Health NZ which will ensure consistency in licensing approaches between the reporting agencies.
- In April, the Council adopted a new animal bylaw and amended dog policy after feedback from the public, with a focus on protecting wildlife sensitive areas.

Hahana mai:

Spotlight on: Te Matapihi ki te Ao Nui Central Library construction: One year to go

We have entered the last year of the work to strengthen and modernise Te Matapihi ki te Ao Nui Central Library, with the main parts of construction planned for completion by the end of August 2025.

Work started in December 2022, by main contractor L.T. McGuinness, and the strengthening will be followed by the fit-out phase, ahead of the public opening in early 2026. Find out more about where we are at with construction, with one year to go.

The project is tracking on time and within budget to bring Wellingtonians a modern, uniquely Wellington community facility, co-designed with mana whenua. It will house integrated Library, City Archives, and Capital E services.

Construction to date

Construction to date has seen the internal finishes, services, and escalators 'stripped' out of the building and the installation of extensive propping of the building to make it safe while it is undergoing strengthening.

The 49 piles have been drilled and fitted – going down a cumulative total of 878m in depth. About 3,150m^3 of concrete has been poured on site to date, including a new ground floor concrete slab. The build has also installed more than 1,000 tonnes of structural steel.

Earthquake proofing

Work on strengthening the entire building, including installation of K-bracing, is well underway and 16 out of 24 base isolators and 23 out of 58 sliders have been installed.

The strengthening will make the whole building rigid so it can move as one unit in an earthquake on approximately 80 base isolators (lead rubber bearers and sliders) into the 800mm wide seismic gap (a rattle zone) that is being dug around the building perimeter. Underground services have been re-aligned to make room for the rattle zone.

What next?

The final year of construction focuses on the completion of the building's structural steel works and bracing, the final re-alignment of the underground services, and the rattle zone. The windows will be installed, making the building waterproof once again.

A key milestone for the project will be when the reinforced building is released to rest on its base isolators and sliders.

The walls will go in, the central staircase will be re-instated, and the escalators installed. The construction fit-out will also be completed – including the basement, bathrooms, and entrances.

Passers-by will see the Nikau palms being reinstated, and the landscaping work done before the building is handed over to Council in early September 2025. Council will then commence the final fit-out.

Fun facts

1. The strengthened building will be 17,000 sqm, from the basement to level 4, an increase of 880sqm from extending levels 3 and 4.
2. The library will be structurally remediated to greater than 100% NBS IL3. (New Building Standard), the criteria established by the New Zealand Building Code.
3. Te Matapihi will aim to be a New Zealand Green Building Council (NZGBC) 5-star rated building. This will help towards the goal of making Wellington a zero-carbon city (net zero emissions) by 2050.
4. A time capsule from 1994 has been uncovered and will be reburied in the same location on Victoria Street.
5. There are approximately 150 workers on the building site daily, with over 253,000 hours recorded so far on site. 20 microwaves on site cater for lunches, and countless cups of coffee have been bought locally.

Te Matapihi ki te Ao Nui or The Window to the Wider World, is a place where experiences open windows to knowledge and connection.

The name was given to the library by Te Taura Whiri i Te Reo Māori (Māori Language Commission) when the building opened in 1991.

Social and recreation performance

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Summary of three-year 2021LTP performance:

17	7	3	7	6	1	1	2
Number of KPIs	Within 10% of target all three years	Not met all three years	Improved performance	Reduction in performance	At max for target	No change	Ceased reporting

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
5. Pāpori me te hākinakina | Social and recreation						
5.1 Whakatairanga Mahi ā Rēhia | Recreation promotion and support **Service description: Encourage active and healthy lifestyles important for people's health and wellbeing**						
High quality experience						
User satisfaction (%) – pools	82%	90%	Substantially met	There has been an increase from the previous year however the low sample sizes mean it is difficult to determine clear trends. Over the life of this Long Term Plan we have encountered challenges in ensuring consistency in delivery of services across our facilities. We are now in a more stable resource situation and have moved to self-serve online services to build greater client independence in accessing services.	77%	83%

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
				This KPI will continue in the 2024 LTP. For more detail visit the full Residents' Monitoring survey.		
User satisfaction (%) – recreation centres including ASB Sports Centre	82%	90%	Substantially met	Improvements to programmes have broadened the number of participants engaging in our services, and our utilisation has steadily increased over the last two years of the 2021 LTP, however this has not translated into improved satisfaction over this financial year. Unexpected third-party issues (Wishbone liquidation) impacted available café services, this is now remedied so overall we expect levels of satisfaction to increase. This KPI will continue in the 2024 LTP. For more detail visit the full Residents' Monitoring survey.	87%	88%
User satisfaction (%) – sportsfields	81%	85%	Substantially met	Results for this KPI have maintained a steady rate of satisfaction across the life of the 2021 LTP. Weather patterns impact utilisation, for example we would expect to see grass fields having slightly less satisfaction than artificials due to the challenges of managing natural turf in wet or dry seasons, and also when water restrictions are applied. This KPI will continue in the 2024 LTP. For more detail visit the full Residents' Monitoring survey.	81%	84%
Affordability						
Ratepayer subsidy per swimming pool visit	$19.32	<$15.00	Not met	While attendance has improved (1.23million 2023-24 vs 1.06 million 2022-23), the ongoing resource and utility costs to run and maintain pools plus depreciation, has increased resulting in the subsidy being over target. This KPI will continue in the 2024 LTP.	$22.41	$24.27
Basin Reserve Trust						
Achievement of measures within Basin Reserve Trust's Statement of Intent	Achieved	Achieved	Met[20]	[Provisional Result] 4 out of 8 KPIs achieved. The Basin Reserve had a mixed year with picket fence upgrades restricting winter sports activity and weather impacting the season. Details of the Statement of Intent KPIs are as follows: 1. Cricket event days: Met 56 days; Target = 56 days. 2. Functions: Met 79 days; Target = 60 days. 3. Other sports event days: Not met 15 days; Target = 24 days.	Not Achieved[21] updated result	Achieved

[20] Council-controlled Organisation performance is reported as Met when at least half of the underpinning Statement of Intent measures have met their individual targets

[21] The Basin Reserve Trust reported a provisional result of Achieved for 2022/23. This was amended to Not achieved in their final audit

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
				This did not meet its target due to winter sport not being able to resume on the Basin due to picket fence upgrades. 4.Community event days: Met 2 days; Target = 2 days . 5. Practice facility usage days: Not met 80 days; Target = 100 days. This did not met target due to rain impacted season. 6.Numbers attending events: Not met 53,880 attendees; Target = 55,000 attendees. 7. Cash subsidy (grant) per attendance: Met $13.64; Target of $13.36. 8. Event Income: Not met $399,754; Target of $465,820. This KPI will continue in the 2024 LTP For more information on performance results, refer to published Annual Reports via https://basinreserve.nz/about/basin-publications/		
5.2 Tautoko Hāpori | Community support **Service description: Foster diverse communities and enable people to connect with information and each other**						
Affordability						
Cost to the ratepayer per library transaction	$2.76	<$2.79	Substantially met	For the last two years of the 2021 LTP, this KPI has maintained a lower than target outcome for cost to ratepayer for customer transactions such as collections issues, online usage and in-library activities such as events. This KPI will continue in the 2024 LTP	$2.68	$3.96
Utilisation						
Utilisation of Leisure card (increase in number of active users)	29%	27%	Met	Over the life of the 2021 LTP, this KPI has maintained a steady increase in the number of active leisure card users. We expect to see this continue in the new long term plan. This KPI will continue in the 2024 LTP *Note: Target for this KPI is prior year's attainment.*	27%	24%
Customer focus						
User satisfaction (%) of community centres and halls	82%	90%	Substantially met	Satisfaction levels have remained constant and below target for the life of the 2021 LTP. This KPI will continue in the 2024 LTP. For more detail visit the full Residents' Monitoring survey.	84%	81%
User satisfaction (%) with library services	90%	90%	Met	Satisfaction levels have improved over the life of the 2021 LTP with the KPI meeting its target this financial year. This KPI will continue in the 2024 LTP. For more detail visit the full Residents' Monitoring survey.	88%	85%

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
Occupancy rate of available housing facilities	N/A	95%	N/A	This KPI ceased reporting in the 2022-2023 financial year due to the establishment of the Community Housing Provider Te Toi Mahana Community Housing which became active from 1 July 2023.	94%	97%
Tenant satisfaction (%) with services and facilities (includes neutrals)	N/A	90%	N/A	This KPI ceased reporting in the 2022-2023 financial year due to the establishment of the Community Housing Provider Te Toi Mahana Community Housing which became active from 1 July 2023.	91%	Not reported
5.3 Hauora/haumaru tūmatatanui | Public health and safety **Service description: Maintain public health standards and promote individual wellbeing, safe neighbourhoods and a safe inner city**						
Timeliness						
Alcohol Licences – premises inspected within target timeframes (%)	97%	100%	Substantially met	In the first year of the 21-31LTP, this KPI was severly impacted by flow on effects of Covid when inspections were delayed and/or rescheduled causing considerable backlog. The backlog combined with changes in the way alcohol licences were managed and an unusually high staff turnover at the end of 22/23 FY meant performance was constrained again in year 2. Process improvements, and newly trained and warranted staff has resulted in 97% of renewal applications being completed within timeframes for Year 3. While outside of the current KPI but allied with the licensing process, 100% of large events (>500 people) were completed on time. This KPI will not continue in the 2024 LTP, rather it will be replaced with new KPI which measures the efficiency of the alcohol licensing process which reflects industry feedback and priorities. *Note: Target timeframes are defined as;* ▪ *All high-risk premises are to be inspected at least once a year with 25% of those inspections to be undertaken at peak times.* ▪ *Very high-risk premises to be inspected at least twice a year.*	31%	29%
Food registrations – premises (%) inspected within Food Act regulation required timeframes (new business and existing businesses)	56%	100%	Not met	Performance for this KPI has improved 19% from the prior year, and 15.3% over three years. This continual improvement can be attributed to successfully clearing a substantial backlog created during COVID and the aligned impact of a Ministry of Primary Industry requirement that all verifications due must be completed, and attaining a full complement of trained staff. This KPI will not continue in the 2024 LTP, rather it will be replaced with new KPI which measures performance against verification of food premises to better inform the status against statutory timeframes. *Note: Target timeframes are defined as;* ▪ *New business: 6 weeks after registration is approved*	34%	39%

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
				▪ *Existing business: Dependent on the outcome of previous verification (between 3 months – 3 years).*		
Graffiti removal – response time frames (%) met	52%	80%	Not met	We redefined how we removed graffiti by proactively removing offensive tags and those in high priority (main arterial routes and central city) areas. This has meant that the removal of larger and/or highly visible graffiti was prioritised over removal of less visible, reported tags. This approach impacted the performance of the KPI as the underpinning methodology required tags to be accounted for in the response categories shown below. While this KPI will not continue in the 2024 LTP, data for graffiti removal will be maintained *Note: Response timeframes are defined as* ▪ *Urgent/offensive: to be removed within 4 hours* ▪ *High: to be removed within 3 days.*	79%	93%
Dog control – response timeframes (%) met	90%	100%	Not met	There has been a large increase in dog ownership since the pandemic with the resulting increase in dog-related issues and complaints. The performance of this KPI has mirrored this increase and has dropped from a triennium high of 99% to current financial year of 90%. While this KPI will not continue in the 2024 LTP, data for animal control will be maintained *Note: Response timeframes are defined as:* ▪ *1 hour for urgent* ▪ *24 hours for non-urgent* *For more information on our dog control work visit: https://wellington.govt.nz/dogs-and-other-animals/dogs/policies-bylaws-and-dog-control-reports/dog-control-reports*	97%	99%
Public toilets – response timeframes (%) met	57%	95%	Not met	Contractor resourcing and underlying system challenges has impeded the performance of this KPI which has seen a steady reduction in reported results over the life of the 2021 LTP. This KPI will not continue in the 2024 LTP *Note: Response timeframes are defined as:* ▪ *P1 (urgent): Attend and make safe within 1 hour, completed within 1 business day (BD)* ▪ *P2 (high): Attend and make safe within 2 hours, completed within 2 BD* ▪ *P3 (medium): Attend and make safe within 1 BD, completed within 5 BD* ▪ *P4 (low): Attend and make safe within 10 BD, completed within 20 BD*	63%	71%
Hygiene standard						
Toilets (%) that meet required cleanliness performance standards	97%	95%	Met	This KPI has consistently met its target over the life of the 2021 LTP. This KPI will continue in the 2024 LTP	97%	97%

Social and recreation finances

Funding impact statements – 1 July 2023 to 30 June 2024

Services in this activity area are funded through a mixture of general rates and user charges.

5.1 Recreation promotion and support ($000s)

Variance explanation notes:

1. Capital expenditure was below plan due to underspend on the Khandallah pool planned upgrade project which was put on hold whilst Councillors considered whether to close the pool as part of the Long Term Plan process.

5.1	2022/23 LTP	2022/23 Actual	2023/24 LTP	2023/24 AP	2023/24 Actual
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	35,121	36,240	34,261	38,569	38,569
Targeted rates	1,931	1,955	2,553	2,118	2,118
Subsidies and grants for operating purposes	20	27	21	20	-
Fees and charges	12,169	12,189	13,351	13,489	13,820
Internal charges and overheads recovered	1,180	1,186	1,198	1,251	1,159
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	50,421	51,597	51,384	55,447	55,666
Applications of operating funding					
Payments to staff and suppliers	23,573	26,241	23,839	26,926	26,488
Finance costs	2,816	1,747	2,684	3,220	2,322
Internal charges and overheads applied	12,691	15,309	12,701	13,914	16,674
Other operating funding applications	932	1,004	951	969	1,050
Total applications of operating funding (B)	40,012	44,301	40,175	45,029	46,534
Surplus (deficit) of operating funding (A - B)	10,409	7,296	11,209	10,418	9,132
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	785	776	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	4,852	3,176	(4,019)	3,784	(2,101)
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	4,852	3,176	(3,234)	4,560	(2,101)
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service [1]	412	2,509	1,380	5,336	755
- to replace existing assets	14,849	11,235	6,595	9,642	9,044
Increase (decrease) in reserves	-	(3,272)	-	-	(2,768)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	15,261	10,472	7,975	14,978	7,031
Surplus (deficit) of capital funding (C - D)	(10,409)	(7,296)	(11,209)	(10,418)	(9,132)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	10,036	10,194	10,836	10,254	11,735

5.2 Community Support ($000s)

Variance explanation notes:

1. Fees and Charges are favourable to plan due to Social Housing recovered revenue which offsets the unfavourable spend in Social Housing within Payments to Staff & Suppliers.
2. Capital expenditure was below Plan due to lower than planned spend on the Karori Event Centre. The project was put on hold while consultation occurred with the community to obtain agreement on how to proceed. Consultants have been engaged to determine the cost of getting the Karori Event Centre compliant. Housing Upgrade Programme and Housing Renewals programme was $11m behind budget as programme was delayed to future years.

5.2	2022/23 LTP	2022/23 Actual	2023/24 LTP	2023/24 AP	2023/24 Actual
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	34,804	35,536	36,182	39,015	39,015
Targeted rates	6,806	6,940	7,608	8,744	8,744
Subsidies and grants for operating purposes	-	71	-	-	144
Fees and charges [1]	28,325	27,662	14,578	14,803	19,839
Internal charges and overheads recovered	924	751	186	190	593
Local authorities fuel tax, fines, infringement fees, and other receipts	-	53	-	2	72
Total operating funding (A)	**70,859**	**71,013**	**58,554**	**62,754**	**68,407**
Applications of operating funding					
Payments to staff and suppliers	38,445	42,500	25,663	31,175	39,791
Finance costs	315	(1,650)	276	455	(1,162)
Internal charges and overheads applied	16,022	20,406	13,399	17,793	19,913
Other operating funding applications	4,785	4,992	8,252	8,590	5,423
Total applications of operating funding (B)	**59,567**	**66,248**	**47,590**	**58,013**	**63,965**
Surplus (deficit) of operating funding (A - B)	**11,292**	**4,765**	**10,964**	**4,741**	**4,442**
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	4
Development and financial contributions	-	414	-	-	-
Increase (decrease) in debt	24,010	5,114	31,365	24,456	9,005
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	**24,010**	**5,528**	**31,365**	**24,456**	**9,009**
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	5,479	4,785	210	1,849	998
- to replace existing assets [2]	29,823	10,035	42,119	27,348	14,271
Increase (decrease) in reserves	-	(4,527)	-	-	(1,818)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	**35,302**	**10,293**	**42,329**	**29,197**	**13,451**
Surplus (deficit) of capital funding (C - D)	**(11,292)**	**(4,765)**	**(10,964)**	**(4,741)**	**(4,442)**
Funding balance ((A - B) + (C - D))	**-**	**-**	**-**	**-**	**-**
Expenses for this activity grouping include the following depreciation/amortisation charge	23,484	22,631	26,471	23,180	20,698

5.3 Public health and safety ($000s)

Variance explanation notes:

1. Capital expenditure was below plan due to underspend on the Te Aro Park Safety project. Secondly, the construction of the Te Aro Precinct New Public Toilets was delayed because Inglewood Place was a Wellington Water construction site and their project was delayed and only completed at the end June 2024. The toilet block is prefabricated off site and this has been built, and the on-site work will be completed in 2024/25.

5.3	2022/23 LTP	2022/23 Actual	2023/24 LTP	2023/24 AP	2023/24 Actual
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	14,561	15,304	14,555	15,936	15,936
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	12	-	13	12	108
Fees and charges	3,994	4,246	5,069	5,163	4,767
Internal charges and overheads recovered	680	650	690	721	542
Local authorities fuel tax, fines, infringement fees, and other receipts	23	89	24	23	210
Total operating funding (A)	19,270	20,289	20,351	21,855	21,563
Applications of operating funding					
Payments to staff and suppliers	10,560	12,277	10,932	11,346	12,492
Finance costs	236	290	207	393	440
Internal charges and overheads applied	6,903	8,302	6,987	8,589	8,809
Other operating funding applications	56	167	58	57	374
Total applications of operating funding (B)	17,755	21,036	18,184	20,385	22,115
Surplus (deficit) of operating funding (A - B)	1,515	(747)	2,167	1,470	(552)
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	2,771	1,525	2,723	3,177	1,241
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	2,771	1,525	2,723	3,177	1,241
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	1,379	308	-
- to improve the level of service	58	1,244	65	63	75
- to replace existing assets [1]	4,228	1,843	3,446	4,276	2,778
Increase (decrease) in reserves	-	(2,309)	-	-	(2,164)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	4,286	778	4,890	4,647	689
Surplus (deficit) of capital funding (C - D)	(1,515)	747	(2,167)	(1,470)	552
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	1,295	1,342	1,995	1,398	1,540

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6 Tāone tupu ora
Urban development

This chapter explains what we did and how we performed in our Tāone tupu ora – Urban Development portfolio of activities.

Overview of the year

Our services include urban planning, heritage and public spaces development, and building and development control.

This year, we continued with strengthening of the Town Hall, upgraded Berhampore and Island Bay town centres, and carried out our regulatory building and development control functions. We adopted our new District Plan and continued our Laneways upgrade programme.

Challenges

As with other areas, Urban Development was impacted by staff shortages due to illness once the COVID-19 restrictions were lifted. This meant delays in service levels and timeliness was unavoidable. Rostering and use of overtime in some service delivery areas was required to manage staff shortfalls.

Another flow-on impact of the COVID-19 restrictions was the shortage of building supplies (for example, plasterboard), price increases and global shipping delays. This increased the number of working days for processing building and resource consents. However, this increase in processing times is multi-faceted. Product substitution due to shortages of some products and systems can slow down both consent processing and inspections, but this is difficult to quantify outside of anecdotal evidence that there are more substitutions occurring. We also experienced some delays in the delivery of our public space projects. For example, the Swan Lane and Garrett St project was affected by supply chain delays in the delivery of materials such as paving.

Performance Summary

This strategy area is responsible for delivering about 12 percent, or 11, of Council's performance measures.

Four of the 11 measures in this area met or substantially their target this financial year, a reduction from six last year. Across the suite of 11 measures three improved performance against previous year, whereas four experienced no change, and four reduced performance. While not meeting target, Building consents issued within 20 working days experienced a consistent increase in performance across the financial year with a 24% jump in performance against previous year.

After challenges with contractor resourcing in previous years, the Noise complaints measure exceeded target this financial year. Land information memorandums has had a rocky performance road, with remarkably strong performance improvement between years 1 and 2 of the triennium, but then reducing at current years end.

Starting in 2021/22 with 58%, a concerted series of process improvements increased this to 100% in 2022/23 and for the first two quarters of the current year. Unfortunately, the adoption of the new District Plan combined with high staff turnover and an unexpectedly high number of applications resulted in a reduction in performance over the later part of Quarters 3 and 4 for 2023/24.

Process improvements have contributed to the improved performance of both Resource consents that are monitored within 3 months and Subdivision certificates issued within statutory timelines. Both improved across the triennium from 91% and 92% to 98% and 94% respectively.

For the full set key performance indicators and variance explanations, please see pages 104-105.

98%

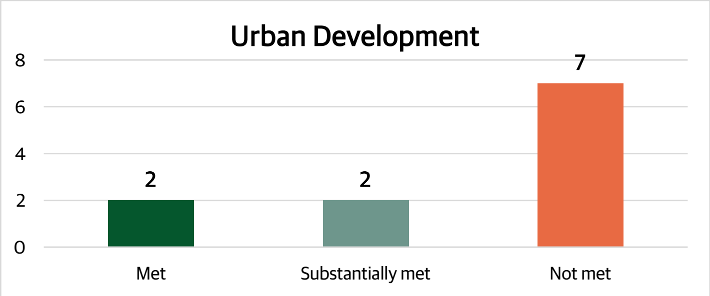
resource consents monitored within three months of project commencement

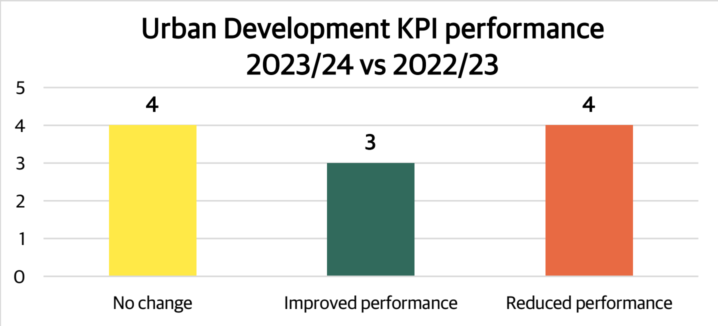
94%

subdivision certificates were issued in statutory timelines.

4 out of 7

Timeliness measures all improved against last year, but only building and resource consents, issuance of code of compliance and land information memorandums met targets.





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Financial summary

Operational expenditure

Total: $66.8m against budget of $60.2m

The Operating financial result is overspent due to an increase in Fees and Charges from an unbudgeted building in the Te Kainga programme generating additional revenue.

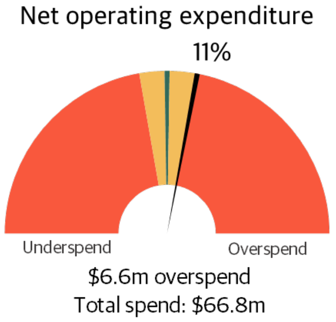
Payments to staff and suppliers are unfavourable to Plan due to the impact of Shelly Bay and the higher than planned rent costs in the Te Kainga programme through the unbudgeted Haining Street building becoming operational and professional costs associated with Te Ngākau. These impacts were partially mitigated through personnel costs being under plan, mostly due to vacancies.

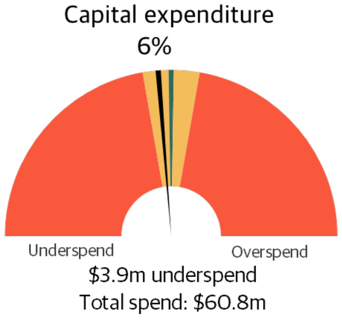
Capital expenditure

Total: $60.8m against budget of $64.7m

Capital expenditure was lower than planned due to the decision not to proceed with the Owen St Housing Development and delays with Frederick St Park.

For more details on the Urban Development budget and variance explanations, see pages XX





Tāone tupu ora – Urban development activities

This section outlines some of the projects and programmes we have undertaken this year. It also provides detailed financial and non-financial performance information for the two key groups of activities.

What we do:

6.1 Whakamahere tāone, whakawhanake wāhi tuku – Urban planning, heritage and public spaces development

In this area, we deliver on the vision for Wellington as a net zero carbon city with streets made for people, high-quality affordable homes, and thriving businesses. We are planning for the city we will need as the population grows and challenges around seismic risk and climate change increase. We also want to build on the city's unique character and increase density, protect heritage, and improve its resilience. We carry out strategic planning and public space improvements to contribute to achieving these goals.

6.2 Whakahaere hanga whare – Building and development control

In this area, we undertake regulatoryF functions for the built environment, including issuing building and resource consents.

Key projects

The following section outlines how we performed this year on the key projects or programmes that were identified in the 2021-31 Long-term Plan (Year 3) as being areas of focus.

Planning for Growth – District Plan

The District Plan review began in 2021 and will be completed by the end of the 2024/25 financial year.

The plan creates a more transparent and efficient resource consent regime, meets Council's requirements to sustainably manage the shape and function of the city under the RMA and implement the housing reforms of the National Policy Statement on Urban Development and other national directions.

Hearings on the Part 1 Schedule 1 matters of the District Plan are presently concluding, and the Independent Hearings Panel will make its recommendations to Council in the first months of the 2025 calendar year.

Affordable housing supply

As a key priority of the Housing Action Plan, Council is increasing its delivery of affordable housing solutions in the city. In June 2023, Council recommitted to a target of 1,000 affordable rental units to be either under contract or delivered by 2026. There are currently 290 apartments within the programme offering below market rents and several additional tenant benefits. This includes several accessibly designed apartments in each building. A further two buildings are under contract and development and will be completed by the end of 2025. These two buildings will add another 183 units to the scheme, and 25% of the units in each building will achieve LifeMark 4 certification for universal design.

The 2024 annual tenant survey indicate 84% of tenants are satisfied with their home and 91% would recommend Te Kāinga to a family member or friend.

Te Ngākau Civic Precinct

Te Ngākau Civic Precinct is home to many of Wellington's key civic and cultural venues and connects the city to the waterfront. However, it has seismic issues and many of the buildings have notices and require work. As part of this, we are currently developing a Te Ngākau masterplan to look at the Civic Square precinct as a whole as well as progressing some key building work projects.

More information on this project and the Town Hall upgrade is in the Spotlight article at the end of this chapter on page X.

Waterfront

The waterfront safety enhancement programme continued to address health and safety along all aspects of the waterfront. This work is informed by the Crime Prevention Through Environmental Design (CPTED) and Injury Prevention Through Environmental Design (IPTED) approaches incorporated into design and delivery. This included CCTV provision, and the ongoing assessment of provision, maintenance and inspection of sea ladders and life rings.

We began work to design and pilot new lighting and edge protection solutions for the waterfront, which will have new spine lighting that meets the NZ/Australasian public lighting standard, with installation continuing in 2024/25. We continue to investigate design solutions for appropriate edge protection taking a risk-based approach. We continue to investigate the future options for Sheds 1, 3, and 5 on the Waterfront, this work will inform future Council's decision regarding investment and ownership.

Frank Kitts Park Redevelopment

The Frank Kitts Park Redevelopment is a comprehensive urban revitalisation initiative aimed at transforming Wellington's iconic waterfront park into a vibrant, sustainable, and culturally rich public space. The redevelopment includes a nationally significant Fale Malae, being designed and developed by the Fale Malae Trust, and the Garden of Beneficence, which is being designed and development by the Chinese Garden Society and our sister cities.

Since adoption of the redevelopment plan in June 2023, we have been working with the Fale Malae Trust on terms to develop the Fale Malae in the park. Alongside that work we have been preparing a resource consent application for the redevelopment, with lodgement scheduled for November 2024. Major construction and demolition activities are planned to start in 2027.

Public space upgrades

Island Bay

The Island Bay Town Centre upgrade is a significant project that is currently under construction. This project has both a permanent cycleway and urban design upgrades as its scope of works.

The improvements include a focus on accessibility and walkability, increased safety, creation of urban public space with places design with the community in the main shopping area.

The design of the cycleway is fully integrated with the public realm upgrades, changes to parking and public transport to create a holistic design that provides benefits to all modes of transport.

The public realm improvements have delivered new planting areas with new street trees, significant increase in seating elements to provide a flexible public space that can be used by the community.

Several mural art works, by local artists and a visual interpretation of Island Bay history have been designed using local flavour photographs that will be attached to the renovated bus stop. Construction Works are currently ongoing and will be completed later in 2024.

Berhampore

The Berhampore Town Centre upgrade was a public space upgrade project, completed early in 2024. This project was focused of providing light touch urban design upgrades to the Berhampore shopping area, with a focus on placemaking, accessibility and walkability. The creation of a small usable public space on the corner of Adelaide and Luxford Streets involved new planting areas including trees, better arrangement and opportunities for seating and opening up the corner connections to the Spig and Fern Tavern. Several mural art works, by local artists, , Tracy Underwood (Ngāti Raukawa) and Ruth Robertson-Taylor, provide colourful and playful art throughout the space The upgrades have been well received by the community.

Farmers Lane

The Farmers Lane laneway upgrade project was a joint project between WCC and Cornerstone Developers who own the adjacent building. Both partners invested in this project which has improved walkability, increased safety, and offered a more convenient and enjoyable way to access between The Terrace and Lambton Quay. The improvements also delivered new planters and seating elements to provide a public space off the busy Lambton Quay thoroughfare. Works were completed early in 2024.

Works included raising the road to create a single surface to improve accessibility, upgrades to the storm water and drainage, new lighting in the walkway up to the Terrace, new planters with trees and shrubs and seating elements and new pavements. An art light element was installed at The Terrace end to highlight this connection and the Developer commissioned a mural across the lower portion of the laneway.

Central city

This year we also continued the planning of two central city parks. A new park on the corner of Fredericks St and Taranaki St and an upgrade of Te Aro Park. In both of these projects we have been working with key stakeholders to design projects grounded in the history of the places, but designed for a dense and vibrant city where people live, work and play.

City consenting and compliance

This year we have performed well following process changes. For example, performance against the KPI for building consent processing times has increased by 22.5%, and the performance against the KPI for resource consent processing times has increased by 21.8%. Some of this improvement has been due to a reduction in resource and building consenting workload to a level that matches Council resources. We also established a Business Improvement and Assurance team to improve our capability to conceive, plan and do the types of projects necessary to underpin long-term performance improvement. The team will enable improvements in performance to continue into coming years.

Hahana mai:

Spotlight on: Restoring the heart of our capital city? Absolutely

Te Ngākau Civic Precinct is the civic and cultural heart of the city, and the gateway to the waterfront. Many buildings in the precinct were damaged during the 2013 and 2016 earthquakes, which means that a lot of strengthening, and redevelopment work is necessary.

With projects like the Town Hall and Te Matapihi Central Library underway, we're rebuilding Te Ngākau to ensure it is safe, well-designed, vibrant and fulfils its potential as the heart of our growing city - and we are making good progress.

CAB and MOB site redevelopment

The exciting future of Te Ngākau Civic Square continues to take shape with the announcement in April that the Council has selected Precinct Properties as its preferred developer for the Civic Administration Building (CAB) and Municipal Office Building (MOB) sites in Te Ngākau Civic Square.

Once CAB is demolished by the end of 2024 and MOB by the end of 2025, development of a new building can proceed on the two empty sites.

The new five-star green building will activate Te Ngākau by enabling a range of around-the-clock activity including retail, hospitality, co-working and office space, alongside civic and cultural spaces. It will also provide the front-of-house functions for the Town Hall and any national music centre requirements, while adding to the green space in Te Ngākau.

Te Matapihi

The work on Te Matapihi Central Library is highlighted in our Social and Recreation chapter, from page X, and is currently on time and on budget. The completed building will be a space for everyone, with each experience opening a window to knowledge and connection, and a sense of belonging. It will be a place where people can learn, cultures and communities can connect and everyone can enjoy access to special public spaces.

Town Hall strengthening

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. When it re-opens, Te Whare Whakarauika Town Hall will be a world-class musical and recording venue with improved rehearsal and performance space. It will be a base for civic and community events and part of a centre of musical excellence for New Zealand Symphony Orchestra and Te Herenga Waka—Victoria University of Wellington's New Zealand School of Music.

The seismic strengthening and redevelopment has reached an important milestone, with the majority of seismic strengthening works coming to an end. So far, a base isolation system has been retrofitted, alongside a new foundation system. Work has now started on completing the basement structure along with reinstating works, including the reconstruction of key heritage elements.

From its inception the project was considered highly complex with several known challenges. In October 2023, the Council voted to increase the project's budget by up to an additional $140m, increasing the total cost to $329m. Project costs have continued to increase since the Council first increased the project's budget in 2022 due to ongoing difficulty with ground conditions, complexity of the temporary works, piling in the auditorium, dewatering the auditorium basement, existing building fabric condition, and multiple other construction and design challenges.

Te Ngākau masterplan

For the rest of the precinct, we are looking at how should we best use this space and what are the opportunities to make changes to the area to give effect to the Council's vision for Te Ngākau. It will include mana whenua aspirations, landscaping, building interfaces, connectivity to the sea and city, and circulation within the precinct. The draft development plan will presented in September and then out for initial public consultation later in 2024, with final decisions likely forming part of the 2027-37 Long-term Plan.

Urban development performance

Key Performance Indicators

Key performance indicators (KPIs) allow us to track how well we are delivering services against the targets in the Long-term Plan and its associated Annual Plans.

The Council reports on an exception only basis, so where a KPI doesn't meet its performance target, a variance commentary is provided. To assist in telling our performance story, additional commentary may be provided even though a KPI may have met its target.

Commentary is also provided for those KPIs which report a narrative rather than a numbers-based result.

Key to help understand our results:

- Met: at or exceeding target
- Substantially met: is within 10% of the target
- Not Met is >10% below target.

Summary of three-year 2021LTP performance:

11	3	4	8	1	1	1
Number of KPIs	Within 10% of target all three years	Not met all three years	Improved performance	Reduction in performance	At max for target	No change

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
6. Tāone tupu ora | Urban development						
6.1 Whakamahere tāone whakawhanake wāhi tuku iho tūmatanui | Urban planning, heritage and public spaces development (including waterfront development) **Service description: Help protect, restore and develop the city's heritage and character assets**						
Protecting heritage						
Number of heritage-listed buildings that are earthquake prone	132	112	Not met	This financial year changes to the district plan have increased the number of earthquake-prone heritage buildings. Newly identified buildings, such as the Opera House and City Gallery, have been added to the earthquake-prone list over the past twelve months. While the resolution of a building depends significantly on factors outside the Council's control, such as finance, insurance, and financial viability, the	124	132

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Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
				Heritage Resilience and Regeneration Fund has been Councils' most effective tool in progressing many buildings towards resolution. This KPI will not continue in the 2024 LTP *Note: Target is defined as a 10% reduction in overall number of EQP heritage building*		
6.2 Whakahere hanga whare | Building and development control **Service description: 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**						
Timeliness						
Building consents (%) issued within 20 workings days	84%	100%	Not met	This financial year there has been a fourth successive quarter of improved performance which brings achievement up to 82% with a year to date result of 84%. This represents a significant 24% jump from the year prior. Improvement over the triennium is largely attributable to a combination of slowing of the construction industry and a consequential alignment between workloads and resourcing. In addition, the introduction of the 'Toha Mahi' allocations app has enabled a much more efficient workflow management. A structural engineering improvement 'sprint', including changes to vetting procedures, a new points-based triage system and employing a new structural engineer, has significantly reduced the impact of structural engineering reviews on overall consenting timeframes. This KPI will continue in an amended format in the 2024 LTP	60%	75%
Code of compliance certificates (%) issued within 20 working days	86%	100%	Not met	While still below target, performance for this KPI has improved 10% from the first year of the Long Term Plan. This reflects investment in our systems, along with a gradual reduction in inspection workload as developments consented during the COVID boom reach completion. While this KPI will not continue in the 2024 LTP, data associated with Code of Compliance activity will be maintained.	86%	75%
Land Information Memorandums (LIMs) (%) issued within 10 working days	62%	100%	Not met	This KPI has demonstrated remarkably strong performance improvement between year 1 and 2 of the triennium. In 2021/22 we achieved 58% and a concerted series of process improvements increased performance to 100% in 2022/23 and for the first two quarters of the current year. Unfortunately the adoption of the new District Plan combined with high staff turnover and an unexpectedly high number of applications resulted in a reduction in performance over Quarters 3 and 4 for 2023/24 resulting in a cumulative annual performance of 62%. The performance of this KPI is expected to improve in the next Long Term Plan. This KPI will continue in the 2024 LTP	100%	58%

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
Resource consents (non-notified) (%) issued within statutory time frames	83%	100%	Not met	While below target, performance for this KPI has increased 8% over the life of the Long Term Plan (but 23% over last years' result). This is largely attributable to a slowing of the construction industry and consequential alignment between workloads and resourcing. Our performance continues to be impacted by the increasing complexity of applications, requirements for specialist advisor inputs, and the timeliness of those inputs. This KPI will not continue in the 2024 LTP Note: statutory timeframe is 20 working days. External advisor timeliness is responsible for the loss of performance for this KPI. We are actively seeking opportunities for improvement in the advisor processing service.	60%	75%
Resource consents (%) that are monitored within 3 months of project commencement	98%	100%	Substantially met	Performance for this KPI has improved over the life of the 2021 LTP to the current 98% high as a result of well-developed underlying processes. This KPI will continue in the 2024 LTP	98%	91%
Subdivision certificates – Section 223 certificates (%) issued within statutory timeframes	94%	100%	Substantially met	Performance for this KPI has remained relatively consistent over the life of this Long Term Plan, meeting target in each of the three years of the plan. This KPI will not continue in the 2024 LTP *Note: statutory timeframe is as per section 223 of the Resource Management Act 1991*	96%	92%
Noise control (excessive noise) complaints (%) investigated within 1 hour	94%	90%	Met	This KPI maintained above target performance for two of the years of the 2021 LTP, with contractor resourcing issues explaining 2022/23 performance. This KPI will not continue in the 2024 LTP	79%	92%
Customer focus						
Customers (%) who rate building control service as good or very good	62%	70%	Not met	While under target, this KPI has performed consistently over the life of this Long Term Plan. This KPI will continue in the 2024 LTP.	62%	61%
Customers (%) who rate resource consent service as good or very good	79%	90%	Not met	Performance for this KPI has reduced from a 2021 LTP high of 93% to the current years result of 79%. Satisfaction levels are linked to the resource consent process which has seen a post COVID boom and a greater complexity in applications often requiring multiple specialist advisor inputs, resulting in longer timeframes and applicant frustrations. Increased fees has also impacted satisfaction levels. This KPI will continue in the 2024 LTP	83%	93%
Building Consent Authority (BCA) accreditation retention	Retained	Retain	Met	The Building Consent accreditation was last renewed in 2023 with the next accreditation occurring in 2025. This KPI will continue in the 2024 LTP.	Retained	Retained

Urban Development finances

Funding impact statements – 1 July 2023 to 30 June 2024

Services in this activity area are funded through a mixture of general rates, fees and charges, and grants and subsidies.

6.1 Urban planning, heritage and public spaces development ($000s)

Variance explanation notes:

1. Subsidies and Grants are below plan due to the Sub-surface Asset Data Project's operational expenditure being capitalised, therefore the Subsidy revenue became Capital Revenue.
2. Fees and Charges are above plan due to the unbudgeted Haining Street building for Te Kainga programme generating additional revenue.
3. This has also meant higher than planned rent costs in Payments to staff and suppliers for the unbudgeted Te Kainga building, this area was also unfavourable due to professional costs associated with Te Ngākau. These impacts were partially mitigated through personnel costs being under plan, mostly due to vacancies.

6.1	2022/23 LTP	2022/23 Actual	2023/24 LTP	2023/24 AP	2023/24 Actual
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	14,902	17,200	14,894	17,772	17,772
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes [1]	-	547	-	2,610	1,360
Fees and charges [2]	5,642	3,267	8,595	5,989	8,148
Internal charges and overheads recovered	647	264	687	881	279
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	21,191	21,278	24,176	27,252	27,559
Applications of operating funding					
Payments to staff and suppliers [3]	26,898	15,482	18,816	21,377	27,765
Finance costs	(73)	(14)	(21)	(87)	(8)
Internal charges and overheads applied	4,529	5,890	3,276	6,039	5,952
Other operating funding applications	507	448	513	509	524
Total applications of operating funding (B)	31,861	21,806	22,584	27,838	34,233
Surplus (deficit) of operating funding (A - B)	(10,670)	(528)	1,592	(586)	(6,674)
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	33,943	13,830	7,306	18,968	9,298
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	33,943	13,830	7,306	18,968	9,298
Applications of capital funding					
Capital expenditure					
- to meet additional demand [4]	9,932	2,868	66	3,568	871
- to improve the level of service [5]	7,169	7,068	6,659	11,260	6,611
- to replace existing assets [6]	6,172	2,214	2,173	3,554	1,228
Increase (decrease) in reserves	-	1,152	-	-	(6,086)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	23,273	13,302	8,898	18,382	2,624
Surplus (deficit) of capital funding (C - D)	10,670	528	(1,592)	586	6,674
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	114	104	434	100	97

6.1 Variance explanation notes continued:

4. Capital expenditure to meet additional demand is below plan due to not proceeding with the Housing Development Owen Street project and delays with the Frederick Street park.
5. Capital expenditure to improve levels of service is below plan due to not proceeding with the Shelly Bay Road project as well as revised timing on the Poneke Promise programme. This was offset by higher than planned costs for the Fran Kitts Park Playground, as we needed to engage a new contractor, and Waterfront developments.
6. Capital expenditure to replace assets is below plan due to spend on several Waterfront projects being lower than planned, the largest variance being on Shed 5.

6.2 Building and development control ($000s)

Variance explanation notes:

1. Fees and Charges is below plan due to lower value building applications, despite the volume of applications being higher than the previous year. This reflects the economic conditions and is aligned with anecdotal narratives from the development sector.
2. Capital expenditure is above plan due to increased spend on the Town hall project. This unfavourable variance will be reduced by approval being obtained for prior year underspent budget to be brought forward to this financial year.

6.2	2022/23 LTP	2022/23 Actual	2023/24 LTP	2023/24 AP	2023/24 Actual
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	11,948	13,183	11,781	13,773	13,773
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges [1]	18,232	16,308	18,779	18,844	16,054
Internal charges and overheads recovered	-	141	-	86	220
Local authorities fuel tax, fines, infringement fees, and other receipts	11	-	11	11	1
Total operating funding (A)	30,191	29,632	30,571	32,714	30,048
Applications of operating funding					
Payments to staff and suppliers	18,418	18,863	18,520	19,878	19,514
Finance costs	2	-	1	3	-
Internal charges and overheads applied	11,006	12,973	11,289	12,454	12,745
Other operating funding applications	21	242	22	21	274
Total applications of operating funding (B)	29,447	32,078	29,832	32,356	32,533
Surplus (deficit) of operating funding (A - B)	744	(2,446)	739	358	(2,485)
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	32,514	37,237	3,720	45,951	51,628
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	32,514	37,237	3,720	45,951	51,628
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service [2]	33,058	33,801	4,459	46,309	51,506
- to replace existing assets	200	1,210	-	-	557
Increase (decrease) in reserves	-	(220)	-	-	(2,920)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	33,258	34,791	4,459	46,309	49,143
Surplus (deficit) of capital funding (C - D)	(744)	2,446	(739)	(358)	2,485
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	40	69	36	38	116

7 Ngā waka haere
Transport

This chapter explains what we did and how we performed in our Ngā waka haere – Transport portfolio of activities.

Overview of the year

Our transport services include everything from looking after traffic signals and retaining walls, and resurfacing roads, and footpaths, through to building new bike lanes and footpath connections to improve safety on our streets for everyone. We also operate and enforce on-street parking across the city and the suburbs, and in the Clifton Car Park on behalf of Waka Kotahi NZ Transport Agency.

During the year installed 8 EV chargers, continued to install new seawalls around the coast from Oriental Bay to Evans Bay, worked with schools on street safety improvements, completed the Aotea Quay roundabout, and continued to roll out Paneke Pōneke – our bike network – including installing some key transitional cycleways in Karori, Island Bay and Berhampore, Cambridge Tce and Adelaide Road, and maintained our extensive transport network.

Challenges

Let's Get Wellington Moving was wrapped up in the year and projects handed back to the Council to complete. The development of plans and strategies to ensure the successful delivery of the Thorndon Quay and Golden Mile projects continues to be a challenge given the complexities of the projects. This has caused delays in this area. However, the Aotea Quay roundabout portion of the Thorndon Quay project has been delivered on time and within budget.

A key health and safety risk in this area has been the street light adaptor fault. The remediation programme was delivered ahead of time and under budget resolving this risk.

Performance Summary

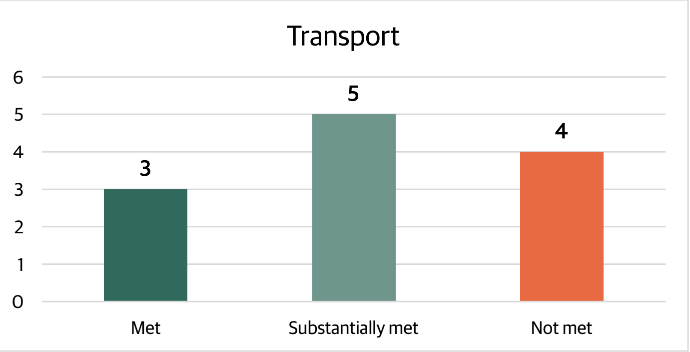
This strategy area is responsible for delivering about 13 percent, or 12, of Council's performance measures.

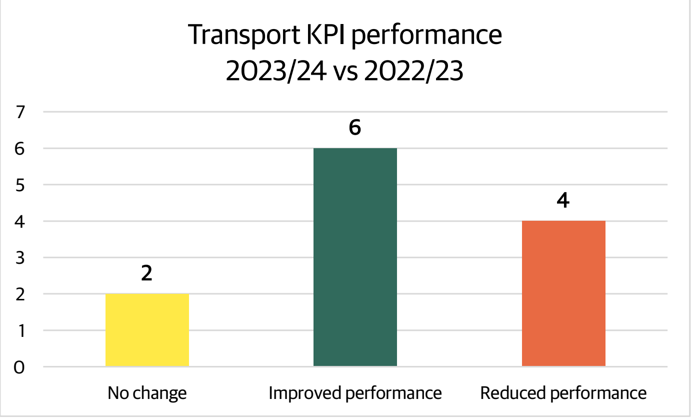
This year eight of the 12 measures met or substantially met their targets, an improvement of one against 2022/23. Across the measures, 6 improved against previous year, with four having reduced performance.

Two of the three mandated performance measures relating to footpaths and roads substantially met their target this year. The Sealed local road network measure, while not meeting its target, improved across all three years. The single timeliness measure, met its target this year and has had a 7% increase in performance across the three years.

Residents' perception of parking enforcement being seen as fair has steadily increased since 2021, but is still below target. This KPI has had a 10% improvement in performance despite the nature of paid parking within the city continuing to change as the implementation of the Council's Parking Policy progresses.

For the full set key performance indicators and variance explanations, please see page X.





95%

of Wellington's footpaths are in average or better condition (measured against the Council condition standards) continuing the improvement from year 1 of this triennium

2 out of 4

Satisfaction measures relating to the condition of local roads and street lighting were not met. There was a continued increase in satisfaction with the transport network – walking, suggesting residents feel safer walking in the city.

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Financial summary

Operational expenditure
Total: $90.0m against budget of $100.7m

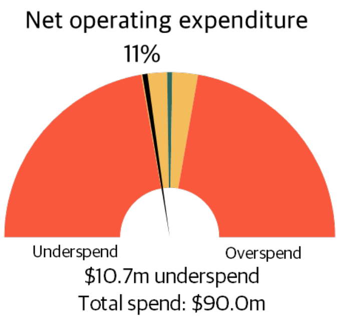
Subsidies and grants for operating purposes and also Payments to staff and suppliers were below plan because lower contractor spend for repairs and maintenance meant lower NZTA funding

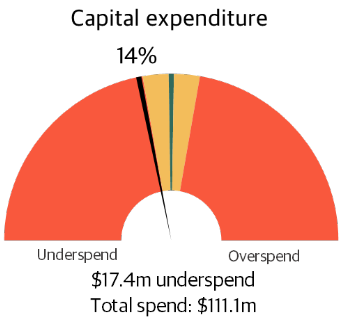
Parking revenue for this activity was unfavourable due to parking occupancy levels being 23% lower than the assumed in the Annual Plan and delays in enforcement cameras for bus lanes coming online.

Capital expenditure
Total: $111.1m against budget of $128.5m

Capital expenditure was lower than Plan due to Golden Mile and Thorndon Quay/Hutt Road budget being delayed to future years from delays in getting the project on track. This was partially offset by the final confirmed price for the pay-by-plate parking technology change being higher than estimated in the Annual Plan.

For more details on the Transport budget and variance explanations, see pages X





Waka – Transport activities

This section outlines some of the projects and programmes we have undertaken this year. It also provides detailed financial and non-financial performance information for the two key groups of activities.

What we do:

7.1 Waka – Transport

In this area, we manage, maintain and improve the city's transport network so that people can get to places easily and safely. We look after hundreds of kilometres of city accessways, footpaths and pedestrian crossings, bike paths and bike lanes, and roads, including bus lanes and bus stops, parking areas, traffic signs and signals, and street lighting.

Some of the activities in this area, including the cable car and associated bridges and buildings, are managed by the Council-controlled organisation Wellington Cable Car Limited. This organisation is profiled on page X, including details of its board and governance structure.

7.2 Tūnga waka – Parking

In this area, we operate about on-street parking spaces in the central city, and about 1,000 parking spaces in off-street locations. Most of the off-street parks are in the Clifton and Tory Street Car Parking areas and are mix of casual and reserved parks. The Clifton Parking Area is managed by the Council on behalf of New Zealand Transport Agency Waka Kotahi (NZTA). In addition, the Council manages resident and coupon parking zones across the central city and enforces parking restrictions and parking-related bylaws in surrounding suburbs.

Key projects

The following section outlines how we performed this year on the key projects or programmes that were identified in the 2021-31 Long-term Plan (Year 3) as being areas of focus.

Transport network changes

- Street activities have supported 34 Road closures, along with 37 footpath events.
- The Regulatory Processes committee have approved more than 9,683m of broken yellow lines to help with safety and visibility.
- Resurfaced 55.5km of road or 7.9% of the network and undertaken maintenance on 1967m² of access paths.
- Completed the Aotea Quay roundabout construction which was opened with a 3am blessing service that was facilitated by our Mana Whenua partners. This project was delivered on time and on budget.
- Installed two new pedestrian crossings and relocated a crossing, this was complemented by completing nine pedestrian crossings upgrades across the city including upgrading lighting and relocating parking on Bay Road to assist mobility impaired users.
- Installed a new footpath in a section of Karepa Street which previously had no footpath to connect both ends of the street.
- Installed an additional 8 EV chargers, bringing the total number to 22 installed as at 30 June 2024.
- Continued to install safety and accessibility improvements around schools, retirement villages and in our suburban town centres.
- Started works renewing two seawalls, to widen the carriage way to complete the Tahitai cycleway around Evans Bay and futureproof our road for sea-level rise and increased severity of weather events.
- Delivered bike/scooter parking across the city including in collaboration with six pilot schools. We are now working with the pilot schools to increase the uptake of active transport in their school communities.
- Gathered data for the Freyberg Street 'Friendly Street Trial' in Lyall Bay, through student and parent interviews, observations, a public online survey and input from the project working group.

This culminated in proposing to extend the trial an extra 12 months and to install extra traffic-calming measures on Queens Drive.

- This year there were 89,482 trips made through our two car sharing operators. This initiative supports inner city residents and businesses who may only rarely need a car, and those living where space is limited.
- There were 840,615 public share e-scooter trips and 33,979 public share e-bike trips taken in Wellington. Micromobility share schemes have the potential to reduce car trips within the central city, and provide another transport option.

Paneke Pōneke – Cycleways

We progressed the inner ring of projects connecting our suburbs to the central city. These included Karori Connections, Island Bay and Berhampore to Newtown transitional bike, bus and walking improvement projects. Also continues the upgrade around Evans Bay Parade and opened new cycle lanes along Cambridge Terrace and Adelaide Road.

In 2023, Wellington was selected as one of 10 cities from around the world to be part of the Bloomberg Initiative for Cycling Infrastructure (BICI) programme, with a $650,000 grant from Bloomberg Philanthropies. This grant helped develop an off-road commuter track across Mt Victoria, with the help of Wellington East Girls College. More details on this is in our Spotlight article at the end of this chapter on page X.

Let's Get Wellington Moving projects

In December 2023 the Government, Wellington City Council and Greater Wellington Regional Council agreed to dissolve the Let's Get Wellington Moving (LGWM) programme. The partners agreed:

- further work to implement the Golden Mile project and the Thorndon Quay to Hutt Road project will be led by Wellington City Council.
- further work on the Basin Reserve and Mount Victoria Tunnel options will be led by NZTA.
- the partners acknowledge investment in core North-South, East-West and Harbour Quays' bus corridors was a key priority of LGWM and continues to be a key priority for Wellington.

We reassessed some key projects from LGWM as part of the 2024 LTP development, and as a result the scope of the Thorndon Quay Hutt Road project was reduced to remove Hutt Road.

For people friendly city streets, we will progress the highest priority people-friendly city streets projects, such as a second bus-priority route through the central city and improvements on the routes between the CBD and Miramar for biking, walking and bus priority.

Wellington Cable Car Ltd (WCCL)

The Cable Car is one of the most iconic tourist attractions in Wellington. It is an experience that connects our people, spaces, places, and venues. This year the Cable Car continued its post-pandemic recovery with 1,040,718 passenger trips achieving 13% year-on-year growth.

The Cable Car embraced several Wellington events during the year from the Fault Ultra through to Light Cycles in the Botanic Gardens. The FIFA Women's World Cup was a particular highlight with the Cable Car receiving excellent coverage from the four international broadcasters it hosted during the tournament.

Streetlight adaptor fault

In 2018, the Council began changing all existing high-pressure sodium lights to more energy-efficient LEDs. This project had tight timeframes as the Council received an 85 percent subsidy from Waka Kotahi, saving the Council about $15m, but only if it was completed by 30 June 2018.

There was some concern, due to Wellington's often hilly topography, that the brighter LEDs could cause glare issues, especially for property owners immediately adjacent to lamp posts. To proactively address this issue, the Council contracted the construction of aluminium-alloy adaptors that connect the lamps to the pole for 17,000 streetlights – allowing a greater degree of tilt, thereby allowing for greater control over light spillage or glare.

In February 2023, the Council commissioned engineering laboratory WSP to stress-test a sample of the fixtures. The testing showed that, despite the adaptors being able to carry a static load of up to 60kg, they were unsuitable for Wellington's windy conditions and were fatiguing over time.

A risk-based remediation plan for the streetlight network was developed, and, starting in areas of high wind or heavier lamps, contractors removed the adaptors and replaced the lamps. This was originally forecast to take until November 2024 to complete however, with the help of extra contractors, and an efficient electronic reporting system, 13,798 streetlights across the city 10 months ahead of schedule.

Parking

The Council replaced its existing parking meters and other parking-related equipment. The new parking meters were installed from September 2023 and operational from January 2024. The new meters moved the Council away from the existing pay-by-space arrangement to one that is based on pay-by-plate, which will provide greater flexibility as the city continues to change. The pay-by-plate system also brought us in line with the systems used in Lower Hutt and Porirua. The new meters offer the choice of English or te reo Māori instructions.

The Council also consulted on and then implemented changes to parking in Berhampore and Newtown to manage the competing demand for space from residents, commuters and workers and patients at the Wellington Regional Hospital. Changes were made to the final scheme based on community feedback. The parking scheme gives residents priority and help ease parking pressures, provides more short-stay parking for tradespeople and visitors and more fairly manages the demand and allocation of parking permits.

Spotlight on: Ain't no mountain high enough for college enviro-club

Students walking or biking to Wellington East Girls School from 'over the hill' had a problem.

With the school located on the city-side of Matairangi Mt Victoria, students could take the shorter but narrow, noisy and fume-filled shared path through Mt Victoria tunnel, or navigate an unmaintained, steep track over the hill, scale the two-metre-high fence at the bottom, and hopefully get to school in one piece and on time.

The college's enviro-club members wanted a way for students from the eastern suburbs to get to school that was pleasant, safe, convenient, and good for the environment.

Lucy and Maya, two enviro-club leaders, say: "We often walked over an extremely steep track which was completely impossible to bike up. We wanted to make it more accessible for people to bike and walk to our school so they could have a nice commute through the bush, instead of the fume-filled tunnel.

The students laid out their idea to create an easy commuter track over Mt Victoria to school, with support from Wellington City Council schools' liaison officer Alex Litherland, from the Climate Change Response team.

With the newly built Cambridge Terrace bike lane just 500-metres down the hill from school, the connection would complete a missing link through Wellington's green belt for students and city workers in the eastern suburbs to the growing bike network.

A few things fell into place – Jonathan Kennett, the Council's project manager for several of Wellington's new bike routes, had already been thinking about a set of 'commuter links' that would get people on bikes through Wellington's parks and reserves to the road-based bike network.

Wellington city had also recently been awarded a grant from the Bloomberg Initiative for Cycling Infrastructure to help give people more options for getting around, and a network of link tracks fit the bill.

Over three weekends, the enviro-club built the new track by hand. Supported by teachers and the volunteer Matairangi Trail Builders and Wellington City Council, the old track was widened, re-routed where it was too steep, retained, re-surfaced, and last of all, a gate was installed in the fence.

"I've ridden the track many times now, and the thing that pleasantly surprised me most is how easy it is to ride up," Lucy says. "The trails on Mt Vic are all quite steep, however this one is a super comfortable ride.

Nature is a big part of the experience, says Maya.

"I really like that it gives me a chance to reconnect with the outdoors after being inside all day. We're super excited to see how people continue to use the trail, and we're positive it's going to make a great impact for future East students.

This is the last year at college for some of the enviro-club leaders, but they're not done yet. The club is looking at setting up group rides to support less confident riders to have a go on Wellington's bike network which now, thanks to them, connects more conveniently to their school.

Transport performance

Key Performance Indicators

Key performance indicators (KPIs) allow us to track how well we are delivering services against the targets in the Long-term Plan and its associated Annual Plans.

The Council reports on an exception only basis, so where a KPI doesn't meet its performance target, a variance commentary is provided. To assist in telling our performance story, additional commentary may be provided even though a KPI may have met its target.

Commentary is also provided for those KPIs which report a narrative rather than a numbers-based result.

Key to help understand our results:

- Met: at or exceeding target
- Substantially met: is within 10% of the target
- Not Met is >10% below target.

Summary of three-year 2021LTP performance:

11	6	4	7	3	1	1
Number of KPIs	Met target all three years	Not met all three years	Improved performance	Reduction in performance	At max for target	No change

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
7. Waka | Transport						
7.1 Waka | Transport **Service description: Deliver an accessible, safe and reliable transport network**						
Network condition and maintenance						
Roads (%) which meet smooth roads standards*	68%	70%	Substantially met	This KPI has seen a minor reduction in performance across the life of the 2021 LTP. Overall, there has been a slight deterioration of the network over time with more deterioration showing on highly trafficked routes. This could be attributed in some parts to deferral of maintenance activities to enable key projects to occur in line with the Councils' Development Response Plan principles. This KPI is mandated by NZTA, so it will continue in the 2024 LTP.	69%	72%

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
Residents (%) satisfaction with the condition of local roads in their neighbourhood	54%	75%	Not met	The decline in satisfaction, beginning in 2019, has continued over the life of the 2021 LTP. This KPI will be replaced by a suite of transport related measures in the 2024 LTP. For more detail visit the full Residents' Monitoring survey	55%	61%
Structures (%) in serviceable (average) condition or better	91%	97%	Substantially met	Transport structures include tunnels, bridges, retaining walls roadside and on access paths, rockfall protection and sea walls. All four of our tunnels have had strengthening work completed and all bridges are High Productivity Motor Vehicle (specialist heavy vehicle class) capable. While 91% of walls are of average condition or better (this is includes retaining walls roadside and on access paths, rockfall protection and sea walls), there are walls that need maintenance or renewal work and required strengthening of walls on emergency routes. Performance has been consistent across the life of the 2021 LTP. This KPI will be replaced by a critical structure risk-based measure in the 2024 LTP.	92%	91%
Customer service requests (%) relating to roads and footpaths that are responded to within timeframe (urgent within 2 hours and non-urgent within 15 days)	95%	98%	Substantially met	This KPI has improved performance over the life of this Long Term Plan. This KPI will continue in the 2024 LTP.	89%	88%
Footpaths (%) in average condition or better (measured against WCC condition standards)*	95%	96%	Substantially met	This KPI has improved performance over the life of this Long Term Plan. This KPI is mandated by NZTA, so it will continue in the 2024 LTP.	94%	91%
Residents (%) satisfied with street lighting	62%	75%	Not met	Sixty six percent of residents in the central city are satisfied with street lighting, while 58% of suburban residents are satisfied, resulting in an average of 62%. This is below our 75% target and is likely due to the issues around infill lighting and the streetlight spigot issue that Council experienced last year. We expect that this figure will begin to rise since the spigot issues have been addressed and a large portion of infill lighting has been completed. This KPI will be replaced by a suite of transport related measures in the 2024 LTP. For more detail visit the full Residents' Monitoring survey.	62%	61%
Sealed local road network (%) that is resurfaced*	7.93%	9.4%	Not met	While still not met, this year's result is an improvement upon last year. Membrane seals of 5.06km were installed beneath the top surfaces. Overall there was an improvement across the 2021 LTP. This KPI is mandated by NZTA so it will continue in the 2024 LTP. *Note: KPI uses a range of 8.9%-9.9%. The mid point 9.4% is used as the target.*	7.8%	7.1%
Active modes promotion						

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
Kilometres of cyclepaths and lanes in the city (increasing)	50.4km	>40km	Met	Since July 2021,15.29 kilometres of cycleways (cycle lanes, cycle paths and shared paths) have been installed, including 10.4 kilometres this financial year. A further 10 kilometres of cycleways has been installed but not yet captured in Councils' Road Asset Maintenance Management data,- these values will be captured in 2024/25 Financial year. This KPI will continue in the 2024 LTP. *Note: Target for this KPI is prior year's attainment.*	40km	39.5km (reported) 35.6km (restated)
Residents (%) who are satisfied with the transport network - walking	82%	75%	Met	This KPI has met its target for the second year in a row. We have developed a more detailed indicator for the 2024 LTP, so this KPI will not continue.	81%	75%
Wellington Cable Car Company Limited						
Achievement of measures within Wellington Cable Car Limited's Statement of Intent	Achieved	Achieved	Met[22]	[Provisional Result] 5 of 5 KPIs met or exceeded targets across all five performance measures. Details of the KPIs in the Statement of Intent are as follows: Quality Trip Advisor/Google: Met 4.5. Target>=4.2. Quality: Met Qualmark target = Gold. Reliability/timeliness: Met 99.64%. Target = 99%. Visitation: Passenger trips: Met 1,040,718 passengers; Target = 990,000 passengers. Fare revenue: Met $3.87m; Target = $3. This KPI will continue in the 2024 LTP. For more information on performance results, refer to published Annual Reports via https://www.wellingtoncablecar.co.nz/corporate-information	Achieved	Achieved
7.2 Tūnga Waka | Parking Service description: Manage parking in line with the aims and objectives of the 2020 Parking Policy						
Availability						
City parking peak occupancy (utilisation)	52%	70-80%	Not met	Performance for this KPI has remained consistent and below target for the life of this Long Term Plan. Since COVID wider economic factors have impacted the behaviours of commuters and subsequent parking demand which have contributed to the overall peak occupancy utilisation rates. This KPI will not continue in the 2024 LTP.	53%	53%

[22] Council-controlled Organisation performance is reported as Met when at least half of the underpinning Statement of Intent measures have met their individual targets

Performance measures	2023/24 result	2023/24 target	Result	Variance commentary	2022/23 result	2021/22 result
Residents (%) who perceive that parking enforcement is fair	46%	>50%	Substantially met	This year's result is an improvement on last year but is still below the target. This KPI has seen a 10% improvement in performance across the life of the 2021 LTP despite the nature of paid parking within the Central Business District continuing to change as the implementation of the Council's Parking Policy progresses which affects availability of parking, with a flow on impact to perceptions of enforcement fairness. This KPI will not continue in the 2024 LTP. For more detail visit the Residents' Monitoring survey.	41%	36%

Transport finances

Funding impact statements – 1 July 2023 to 30 June 2024

Services in this activity area are funded through a mixture of general rates, fees and charges, and grants and subsidies received from Waka Kotahi NZTA for transport related activities.

7.1 Transport ($000s)

Variance explanation notes:

1. Subsidies and grants for operating purposes were below plan due to lower NZTA funding.
2. Payments to staff and suppliers were below Plan due to lower than planned contract spend on R&M.
3. Subsidies and Grants for capital expenditure were higher than plan due to a reduced Capital works programme.
4. Capital expenditure was lower than Plan due to Golden Mile and Thorndon Quay/Hutt Road budget being delayed to later years due to delays in getting the project on track.

7.1	2022/23 LTP	2022/23 Actual	2023/24 LTP	2023/24 AP	2023/24 Actual
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	57,279	59,336	84,595	71,938	71,938
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes [1]	7,619	5,970	7,374	12,294	10,021
Fees and charges	3,562	3,096	3,714	3,720	4,675
Internal charges and overheads recovered	-	4,593	-	325	3,278
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	**68,460**	**72,995**	**95,683**	**88,277**	**89,912**
Applications of operating funding					
Payments to staff and suppliers [2]	35,242	33,692	44,761	52,612	39,814
Finance costs	9,504	12,687	10,094	16,871	16,812
Internal charges and overheads applied	8,623	11,339	10,235	11,451	13,418
Other operating funding applications	1,642	1,666	1,200	588	654
Total applications of operating funding (B)	**55,011**	**59,384**	**66,290**	**81,522**	**70,698**
Surplus (deficit) of operating funding (A - B)	**13,449**	**13,611**	**29,393**	**6,755**	**19,214**
Sources of capital funding					
Subsidies and grants for capital expenditure	28,514	20,223	33,108	38,892	42,221
Development and financial contributions	942	59	942	942	2,329
Increase (decrease) in debt	65,068	37,966	56,059	79,104	48,923
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	**94,524**	**58,248**	**90,109**	**118,938**	**93,473**
Applications of capital funding					
Capital expenditure					
- to meet additional demand [3]	20,663	16,647	33,680	36,107	22,966
- to improve the level of service [4]	51,432	35,177	54,842	53,404	48,336
- to replace existing assets	35,878	28,249	30,980	36,182	34,600
Increase (decrease) in reserves	-	(8,214)	-	-	6,785
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	**107,973**	**71,859**	**119,502**	**125,693**	**112,687**
Surplus (deficit) of capital funding (C - D)	**(13,449)**	**(13,611)**	**(29,393)**	**(6,755)**	**(19,214)**
Funding balance ((A - B) + (C - D))	**-**	**-**	**-**	**-**	**-**
Expenses for this activity grouping include the following depreciation/amortisation charge	**37,095**	**43,239**	**54,135**	**43,298**	**48,974**

7.2 Parking ($000s)

Variance explanation notes:

1. Fees and Charges was below plan. This was due to Parking occupancy levels being 23% lower than the assumed occupancy levels in the plan. Parking revenue was behind due to reduced number of car parks from cycle ways and bus lanes being installed earlier than initially planned.
2. Local authorities infringement fees were below plan - Revenue from parking fines was impacted by low occupancy levels (Planned for 75%; Actual occupancy was 52%). The assumption in the plan was static cameras would be operational by Q4 but there were delays in locating suitable sites to allow active enforcement of particular bus lanes. This impacted enforcement revenue.
3. Capital expenditure was above plan. The planned change from "Pay by space" to "Pay by plate" was implemented this year. The final pricing was higher than estimates. The technology costs associated with implementing the new Residents Permit Scheme was funded through this project, but not part of the original scope. Additional contractor expenses were incurred to prepare and implement the new Pay by plate parking sensor technology.

7.2	2022/23 LTP	2022/23 Actual	2023/24 LTP	2023/24 AP	2023/24 Actual
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	(21,975)	(21,094)	(29,010)	(21,265)	(21,265)
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges [1]	29,212	24,862	35,148	30,451	24,561
Internal charges and overheads recovered	55	436	-	166	408
Local authorities fuel tax, fines, infringement fees, and other receipts	10,741	7,281	13,125	10,741	8,095
Total operating funding (A)	**18,033**	**11,485**	**19,263**	**20,093**	**11,799**
Applications of operating funding					
Payments to staff and suppliers	12,644	12,611	13,454	13,728	14,223
Finance costs	10	20	14	798	200
Internal charges and overheads applied	4,103	4,569	4,279	4,654	4,639
Other operating funding applications	2	449	2	2	258
Total applications of operating funding (B)	**16,759**	**17,649**	**17,749**	**19,182**	**19,320**
Surplus (deficit) of operating funding (A - B)	**1,274**	**(6,164)**	**1,514**	**911**	**(7,521)**
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	1,031	12,641	474	**1,852**	4,257
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	**1,031**	**12,641**	**474**	**1,852**	**4,257**
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	13,181	-	-	19
- to improve the level of service	190	16	198	194	199
- to replace existing assets [2]	2,115	705	1,167	2,569	4,984
Increase (decrease) in reserves	-	(7,425)	623	-	(8,466)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	**2,305**	**6,477**	**1,988**	**2,763**	**(3,264)**
Surplus (deficit) of capital funding (C - D)	**(1,274)**	**6,164**	**(1,514)**	**(911)**	**7,521**
Funding balance ((A - B) + (C - D))	**-**	**-**	**-**	**-**	**-**
Expenses for this activity grouping include the following depreciation/amortisation charge	**332**	**319**	**623**	**457**	**491**

Section 4 appendix: Additional finances

Whole of Council Funding impact statement ($000s) – 1 July 2023 to 30 June 2024

Whole of Council	2022/23 AP	2022/23 Actual	2023/24 AP	2023/24 Actual
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	270,117	267,087	286,872	288,454
Targeted rates	156,236	157,903	194,238	194,798
Subsidies and grants for operating purposes	9,558	9,244	19,599	16,335
Fees and charges	167,109	171,932	175,548	176,366
Interest and Dividends from investments	1,913	28,472	10,913	28,792
Internal charges and overheads recovered	42,820	44,095	49,989	44,561
Local authorities fuel tax, fines, infringement fees, and other receipts	11,874	8,395	11,876	9,475
Total operating funding (A)	**659,627**	**687,128**	**749,035**	**758,781**
Applications of operating funding				
Payments to staff and suppliers	448,359	459,782	500,776	508,516
Finance costs	41,375	51,497	60,972	75,892
Internal charges and overheads applied	42,820	44,095	49,989	44,561
Other operating funding applications	49,085	50,665	59,384	48,561
Total applications of operating funding (B)	**581,639**	**606,039**	**671,121**	**677,530**
Surplus (deficit) of operating funding (A - B)	**77,988**	**81,089**	**77,914**	**81,251**
Sources of capital funding				
Subsidies and grants for capital expenditure	30,720	32,273	166,011	122,264
Development and financial contributions	3,500	4,739	3,500	6,713
Increase (decrease) in debt	307,566	249,832	308,807	251,460
Gross proceeds from sales of assets	2,000	4,293	9,834	2,478
Lump sum contributions	-	-	-	-
Total sources of capital funding (C)	**343,786**	**291,137**	**488,152**	**382,915**
Applications of capital funding				
Capital expenditure				
- to meet additional demand	61,756	54,846	56,334	51,010
- to improve the level of service	200,126	195,229	354,436	278,685
- to replace existing assets	160,040	119,264	155,296	134,471
Increase (decrease) in reserves	(148)	2,887	-	-
Increase (decrease) in investments	-	-	-	-
Total applications of capital funding (D)	**421,774**	**372,226**	**566,066**	**464,166**
Surplus (deficit) of capital funding (C - D)	**(77,988)**	**(81,089)**	**(77,914)**	**(81,251)**
Funding balance ((A - B) + (C - D))	**-**	**-**	**-**	**-**
Expenses for this activity grouping include the following depreciation/amortisation charge	**164,172**	**173,138**	**196,468**	**210,291**

Wāhanga 5 | Section 5

Tō tātou Kaunihera me te rōpū whakahaere

Our Council and organisation

Kei tēnei upoko

Kei tēnei upoko he whakamāramatanga mō ngā whakaritenga manapori, kaporeihana hoki a te Kaunihera me te whakapuaki mōhiohio e pā ana ki ngā mema, ngā komiti, ngā rōpū me ngā ohu pakihi, te hanganga o te rōpū whakahaere me ngā kaimahi.

In this section

This section describes the Council's democratic and corporate governance arrangements and presents information relating to our elected members, committees, groups and business units, organisational structure and staff.

Te Kaunihera o Pōneke
Our Council

Te Kaunihera o Pōneke | Wellington City Council is made up of the Mayor and 15 Councillors, one of whom serves as Deputy Mayor.

The Mayor is the leader of the Council and has the statutory role to lead the Councillors and people in the city. They lead the development of the Council's plans, policies and budgets for consideration by the Council. The Mayor is the primary Council spokesperson and leads central government liaison, supported by relevant councillors.

The role of our elected members is to set the direction of the city, approve the budgets which fund the city's services and facilities, and adopt bylaws, policies and plans to meet the needs of our diverse communities.

Councillors are also responsible for representing those from the geographical area (ward) that elected them.

The elected members conduct their business and make decisions at open and publicly advertised council, committee and subcommittee meetings.

The Council also has two elected Community Boards that make decisions for set areas in the city, and Advisory Groups that provide advice from the perspective of their lived experiences.

The next election will be held in October 2025.

The profiles and responsibilities of the Council are detailed in this section.

Committee structure

The Mayor put in place the current structure of committees and subcommittees at the beginning of the triennium.

All Councillors are appointed to Council and the three committees of the whole. All committees and subcommittees have a chair and deputy chair as detailed in the Councillor profiles, along with any additional committee appointments.

Two representatives of our Tākai Here partners have been appointed to most of Council's committees and subcommittees for the 2022-2025 triennium: Pouiwi Liz Kelly from Ngāti Toa Rangatira and Pouiwi Holden Hohaia from Taranaki Whānui ki te Upoko o te Ika.

Council

- Te Kaunihera o Pōneke | Council

Committees of the whole

- Kōrau Tōtōpu | Long-term Plan, Finance, and Performance Committee
- Kōrau Mātinitini | Social, Cultural, and Economic Committee
- Kōrau Tūāpapa | Environment and Infrastructure Committee

Additional committees and subcommittees

- Koata Hātepe | Regulatory Processes Committee
- Unaunahi Māhirahira | Audit and Risk Committee
- Unaunahi Ngaio | Chief Executive Performance Review Committee
- Pītau Pūmanawa | Grants Subcommittee

Hearing panels

- Environment and Infrastructure Hearings Panel
- Social, Cultural, and Economic Hearings Panel

Our elected members

Citywide

Mayor Tory Whanau

Contact: tory.whanau@wcc.govt.nz

Tory was elected Mayor in 2022 and is the Council's first wahine Māori Mayor.

As Mayor, Tory is Chair of Te Kaunihera o Pōneke | Council and the Unaunahi Ngaio | Chief Executive Performance Review Committee, as well as a member of all committees and subcommittees.

Her external appointments include being member of Wellington Regional Leadership Committee; Tākai Here Leadership Forum, Joe Aspell Trust; Wellington International Airport Ltd; NZ International Arts Festival Trust; Thomas George Macarthy Trust; Wellington Regional Leadership Committee; Wellington Water Committee, and she is a Wellington City Council LGNZ Zone 4 representative.

Paekawakawa Southern General Ward

Deputy Mayor Laurie Foon

Contact: laurie.foon@wcc.govt.nz

Laurie was first elected to Council in 2019 as a Paekawakawa/Southern General Ward Councillor.

Laurie is the Deputy Mayor, and deputy chair of Te Kaunihera o Pōneke | Council, and deputy chair of Unaunahi Ngaio | Chief Executive Performance Review Committee. She is a member of the Pītau Pūmanawa | Grants Committee.

Laurie is a member of the following external appointments: Local Government New Zealand Zone 4, Tākai Here Leadership Forum, and the Waste Forum - Wellington Region; and she is an alternate member of the Wellington Regional Leadership Committee and Wellington Regional Waste Management and Minimisation Plan Joint Committee.

Councillor Nureddin Abdurahman

Contact: nureddin.abdurahman@wcc.govt.nz

Nureddin Abdurahman was elected to represent the Paekawakawa/Southern General Ward in 2022.

Nureddin is deputy chair of Kōrau Matinitini | Social, Cultural, and Economic Committee, and the chair of the Social, Cultural, and Economic Hearings Panel. He is also a member of the Kōrau Hātepe | Regulatory Processes Committee, and the Environment and Infrastructure Hearings Panel.

Nureddin is a member of the Wellington Zoo Trust and an alternate liaison with the Wellington Multi-Cultural Council.

Motukairangi/Eastern General Ward

Councillor Sarah Free

Contact: sarah.free@wcc.govt.nz

Sarah was first elected as a Motukairangi/Eastern General Ward councillor in 2013 and served as Deputy Mayor from 2019-2022.

Sarah is the chair of the Kōrau Hātepe | Regulatory Processes Committee. She is also a member of the Environment and Infrastructure Hearings Panel and the Social, Cultural, and Economic Hearings Panel.

Sarah is a member of the Local Government New Zealand Zone 4, Pacific Advisory Group, and was a member of the Safe and Sustainable Transport Forum (November 2022 - February 2024) and is now the alternate member.

Councillor Teri O'Neill

Contact: teri.oneill@wcc.govt.nz

Teri was elected to Council in 2019 as a Motukairangi/Eastern General Ward councillor.

Teri is the chair of Kōrau Mātinitini | Social, Cultural, and Economic Committee. They are a member of the Unaunahi Ngaio | Chief Executive Performance Review Committee, the Pītau Pūmanawa | Grants Subcommittee, and the Social, Cultural, and Economic Hearings Panel.

Teri is a member of the Creative Communities Local Funding Scheme and an alternate liaison for the Takatāpui Rainbow Advisory Council.

Councillor Tim Brown

Matairangi/Eastern General Ward
Contact: tim.brown@wcc.govt.nz

Tim was elected into Council 2022 as a Motukairangi/Eastern General Ward councillor.

Tim was the Deputy Chair of the Kōrau Tūāpapa | Environment and Infrastructure Committee (November 2022 - November 2023) and is now the chair of the Kōrau Tūāpapa | Environment and Infrastructure Committee (November 2023 - current) and the Environment and Infrastructure Hearings Panel. He is member of the Pītau Pūmanawa | Grants Subcommittee.

Tim is a member of the Wellington Community Housing Provider Trust and Joe Aspell Trust, and an alternate member of the Wellington Water Committee

Wharangi/Onslow-Western General Ward

Councillor Diane Calvert

Contact: diane.calvert@wcc.govt.nz

Diane Calvert was first elected as a Wharangi/Onslow-Western General Ward councillor in 2016.

She is a member of the Kōrau Hātepe | Regulatory Processes Committee.

Diane is a member of the Wellington Regional Stadium Trust.

Councillor Ray Chung

Contact: ray.chung@wcc.govt.nz

Ray was elected to Council in 2022 as a Wharangi/Onslow-Western General Ward councillor.

He is a member of the Kōrau Hātepe | Regulatory Processes Committee (Feburary 2024 - current), the Unaunahi Mahirahira | Audit and Risk Committee, and the Social. Cultural, and Economic Hearings Panel.

Ray is appointed to Local Government New Zealand Zone 4, Guardians of Karori Sanctuary, and the Joe Aspell Trust, and he is also a liaison with the Wellington Multi-Cultural Council.

Councillor Rebecca Matthews

Contact: rebecca.matthews@wcc.govt.nz

Rebecca was first elected to represent the Wharangi/Onslow-Western General Ward in 2019.

Rebecca is the chair of Kōrau Tōtōpū, Long-term Plan, Finance, and Performance Committee and the Deputy Chair for the Kōrau Tūāpapa | Environment and Infrastructure Committee (Feburary 2024 - Current) She is a member of the Unaunahi Ngaio | Chief Executive Performance Review Committee, the Kōrau Hātepe | Regulatory Processes Committee (February 2024 - current) and the Environment and Infrastructure Hearings Panel. Rebecca was also a member of the Pītau Pūmanawa | Grants Subcommittee (November 2022 - Feburary 2024)

Rebecca is a member of the Wellington Community Housing Provider Trust, the liaison for the Accessibility Advisory Group and an alternate liaison for the Pacific Advisory Group.

Takapū/Northern General Ward

Councillor Ben McNulty

Contact: ben.mcnulty@wcc.govt.nz

Ben McNulty was elected to represent the Tākapū/Northern General Ward in 2022.

Ben is deputy chair of Koata Hātepe | Regulatory Processes Committee.

Ben is a member of the Tawa Community Board and Wellington Museums Trust and is the liaison for Youth Council.

Councillor Tony Randle

Contact: tony.randle@wcc.govt.nz

Tony was elected to represent the Tākapū/Northern General Ward in 2022.

Tony is the Deputy Chair of the Unaunahi Māhirahira | Audit and Risk Committee and is a member of the Environment and Infrastructure Hearings Panel.

Tony is a member of the Tawa Community Board, the chair of the Safe and Sutainable Transport Forum (February 2024 - current), and an alternate member of the Regional Transport Committee.

Councillor John Apanowicz

Contact: john.apanowicz@wcc.govt.nz

John Apanowicz was first elected to represent the Takapū/Northern General Ward in 2022, after having been a Mākara/Ōhāriu Community Board member since 2016.

John is the Deputy Chair of Kōrau Tōtōpū, Long-term Plan, Finance, and Performance Committee. He is a member of the Kōrau Hātepe | Regulatory Processes Committee, the Unaunahi Ngaio | Audit and Risk Committee, and the Social. Cultural, and Economic Hearings Panel.

John is a member of the Basin Reserve Trust, and an alternate member of the Environment Reference Group. John was also the alternate for the Safe and Sustainable Transport Forum (November 2022 - February 2022).

Pukehīnau/Lambton General Ward

Councillor Iona Pannett

Contact: iona.pannett@wcc.govt.nz

Iona was first elected to Council in 2007 as a Pukehīnau/Lambton General Ward councillor.

She is a member of the Unaunahi Ngaio | Audit and Risk Committee, and the Social, Cultural, and Economic Hearings Panel.

Iona is the chair of Wellington Regional Waste Management and Minimisation Plan Joint Committee, a liaison for the Takatāpui Rainbow Advisory Council, a member of the Regional Transport Committee, and an alternate for the Waste Forum - Wellington Region and the Accessibility Advisory Group.

Councillor Tamatha Paul

Tamatha was first elected to Council in 2019 as a Pukehīnau/Lambton General Ward councillor. Tamatha resigned as councillor November 2023.

Before then she was the chair of the Kōrau Tūāpapa | Environment and Infrastructure Committee and a member of the Unaunahi Ngaio | Chief Executive Performance Review Committee, the Kōrau Hātepe | Regulatory Processes Committee, and the Environment and Infrastructure Hearings Panel.

Councillor Geordie Rogers

Contact: geordie.rogers@wcc.govt.nz

Geordie was elected to Council February 2024 in the Pukehīnau/Lambton General Ward by election.

Geordie is a member of the Koata Hātepe | Regulatory Process Committee.

Councillor Nicola Young

Contact: nicola.young@wcc.govt.nz

Nicola is a fourth-term city councillor for the Pukehīnau/Lambton General Ward, having been first elected in 2013.

Nicola was the chair of Pītau Pūmanawa | Grants Subcommittee (November 2022 - February 2024) and is now the deputy chair (February 2024 - current).

Nicola is a member of the Joe Aspell Trust, the Sheilah Maureen Winn Charitable Trust, and the Art Acquisition Panel.

Te Whanganui-a-Tara Māori Ward

Councillor Nīkau Wi Neera

Contact: nikau.wineera@wcc.govt.nz

Nīkau Wi Neera (Ngāti Toa Rangatira, Kāi Tahu) was elected to Council as the first Te Whanganui-a-Tara Māori Ward councillor in 2022.

Nīkau was the deputy chair of Pītau Pūmanawa | Grants Subcommittee (November 2022 - February 2024) and is now the chair (February 2024 - current). He is a member of the Environment and Infrastructure Hearings Panel, and the Social, Cultural, and Economic Hearings Panel.

Nīkau has been appointed to the Creative Communities Local Funding Scheme, is a liaison for the Environmental Reference Group, and an alternate member of Youth Council and the Art Acquisition Panel.

Tākai Here representatives

Pouiwi Holden Hohaia, Taranaki Whānui ki te Upoko o te Ika

Holden (Ngāti Maru, Taranaki Whānui ki te Upoko o te Ika) was appointed pouiwi to Council by the post settlement governance entity of his iwi Taranaki Whānui for the start of the 2022-25 triennium. He is a qualified lawyer and Māori language interpreter and has spent his career working in local and central government roles. He is currently a trustee of the Ngāti Maru Post Settlement Entity - Te Kāhui Maru and a past Chair of Taranaki Whānui ki te Upoko o te Ika. Holden is a member of all committees of the whole and is also a member of the Pītau Pūmanawa | Grants Subcommittee.

Pouiwi Liz Kelly, Ngāti Toa Rangatira

Liz (Ngāti Toa Rangatira) is a previous Deputy Mayor and councillor of Porirua City and was appointed as pouiwi for Ngāti Toa in 2021. She brings vast knowledge from her former local government roles, where she worked within Strategy and Finance, the District Plan Review, Employment and Economic Development, Joint Wastewater and Landfill and the Sister Cities portfolios. She is a former Certified Resource Management Commissioner, a current Justice of the Peace and remains the CEO for the Porirua Whānau Centre. Liz is a member of all committees of the whole and is also a member of the Unaunahi Māhirahira | Audit and Risk Committee and the Koata Hātepe | Regulatory Processes Committee.

Code of Conduct and Conflicts of interest

The Code of Conduct for elected members provides guidance on the standards of behaviour that are expected from the Mayor and other elected members.

Both the Code of Conduct and councillors' responsibilities to declare conflicts of interest are covered extensively as part of the induction programme after an election.

Code of Conduct Complaints

The Code of Conduct complaints process applies to all elected members in their dealings with each other, the chief executive, staff, the media, and the general public.

Any alleged breach by a member of the provisions of the code for which there is not a process and penalty provided elsewhere shall be reported in a timely manner to the appropriate person.

Any allegation is considered in a manner that is fair to all parties involved, including ensuring that due process is respected. This includes ensuring that the elected member is given an opportunity to consider and respond to the allegation.

One Code of Conduct complaint, concerning multiple councillors, was considered during 2023/24.

Conflict of Interest Declarations

At the start of the triennium, all councillors are asked to declare their interests. Follow-ups occur to ensure that Councillors comply with the provisions of the Local Government Act 2002 and Local Authorities (Members' Interest) Act 1968, which covers pecuniary interests as well as other requirements relating to non-pecuniary interests.

At meetings, members are asked to declare any conflicts of interest in relation to any items/reports on the agenda, whether pecuniary or non-pecuniary. If a member declares an interest, they will not vote on or speak to the item.

There were six conflicts of interests declared in committee meetings and six in Community Board meetings during 2023/24.

Councillor meeting attendance

The meeting attendance figures shown in the table relate to Council, committees, and subcommittee meetings of which the councillor is a member.

The meeting attendance figures do not include Councillors' attendance at external meetings, including for boards of Council-controlled organisations, community boards, working parties, advisory groups and other external bodies.

Excluded from this list are committees administered by other councils such as the Wastewater Treatment Plant and Landfill Joint Committee, Wellington Regional Transport Committee, Wellington Region Leadership Committee, and the Let's Get Wellington Moving Governance Group. For more information on those external committees, see Council and Committee meetings at www.poriruacity.govt.nz or www.gw.govt.nz.

* Mayor is ex-officio on all Council committees and subcommittees; therefore, attendance percentage is not comparable with other elected members.

Elected members	Meetings held (member)	Meetings Attended	
Mayor Tory Whanau	56*	52	93%
Deputy Mayor Laurie Foon	40	39	98%
Councillor Nureddin Abdurahman	47	47	100%
Councillor John Apanowicz	40	38	95%
Councillor Tim Brown	38	37	97%
Councillor Diane Calvert	45	45	100%
Councillor Ray Chung	45	45	100%
Councillor Sarah Free	47	46	98%
Councillor Rebecca Matthews	41	41	100%
Councillor Ben McNulty	45	42	93%
Councillor Teri O'Neill	41	41	100%
Councillor Iona Pannett	45	45	100%
Councillor Tamatha Paul (July 2023 – November 2023	18	17	94%
Councillor Tony Randle	40	40	100%
Councillor Geordie Rogers (February 2024 – June 2024)	20	20	100%
Councillor Nīkau Wi Neera	39	36	92%
Councillor Nicola Young	37	36	97%
Pouiwi Holden Hohaia (Taranaki Whānui)	32	31	97%
Pouiwi Liz Kelly (Ngāti Toa Rangatira)	42	38	90%
Total meetings held:	62		

Community boards

Wellington City Council has two community boards constituted under section 49 of the Local Government Act 2002 – Tawa Community Board and Mākara/Ōhāriu Community Board.

Both community boards have six members elected triennially by the electors in the respective communities. The Tawa Community Board also has two Takapū Northern General Ward Councillors appointed as members.

Tawa Community Board

Chair: Jill Day

Deputy Chair: Miriam Moore

Members: Rachel Allan,Tim Davin, Liz Langham, Jackson Lacy.

Council Appointed Members: Cr Ben McNulty, Cr Tony Randle

The Tawa Community Board met ten times in 2023/24. It discussed matters affecting the community, including updates on the Long-Term Plan, District Plan, Metlink, Wellington Water Greater Wellington Regional Council and Tawa specific projects such as the Tawa pool and swimming programmes, Salvation Army, and events and activities in both the Tawa and Linden Community.

The Board was also regularly updated on allocations of the Tawa Community Board Discretionary Fund, resource consent applications and approvals, as well as current or upcoming Council consultations and surveys affecting Tawa.

Tawa Community Grants: Six grants were made totalling $15,000.

Mākara/Ōhāriu Community Board

Chair: Mark Reed

Deputy Chair: Darren Hoskins

Members: Christine Grace, Chris Renner, Wayne Rudd, Hamish Todd.

The Mākara/Ōhāriu Community Board met eight times in 2023/24. It discussed matters affecting the community, including ongoing challenges with roading repairs and general maintenance in Mākara and Ōhāriu, reviews resource consents in the area, and this year has fed into both the Long-term Plan and the District Plan.

Advisory Groups

Forums and advisory groups help specific sectors of the community to have their say and guide us in our work.

We have six advisory groups – Accessibility Advisory Group; Environmental Reference Group; Pacific Advisory Group; Rainbow Communities Advisory Group; Safe & Sustainable Transport Forum; and Youth Council.

Advisory groups consist of members of the community with lived experience that the Council wish to encourage engagement with. Their role is to help their communities understand Council processes, participate in the Council decision-making processes, and help the Council understand the needs of their communities and how those may be addressed. They are not seen as representing all views on their specialist areas or communities in Wellington.

Accessibility Advisory Group (AAG)

Co-Chairs: Susan Williams, Erikka Helliwell

Members: Ali Aminifard, Cyrus Dahl, Donna Fasaval, Hannah Gibson, Humphrey Hanley, David Karl, Olivia Murphy, Rachel Noble, Ra Smith, Renee Patete.

Council Appointed Liaisons: Cr Rebecca Matthews, Cr Iona Pannett (alternate)

The AAG met 11 times and provided feedback and advice to Council on: Berhampore Town Centre Upgrades, the Wellington Design Manual, Golden Mile revitalisation, Te Matapihi, Tākina, Long-Term Plan, and Advisory Group review engagement.

Environmental Reference Group (ERG)

Co-Chairs: Michelle Rush, Shannon Wallace

Members: Steven Almond, Sally Faisandier, George Hobson, , Ben Zwartz, Summer Satherwaite, Spencer Clubb, Matt Scott, David Binstead, Eugene Doyle, Emina Petrovic

Council Appointed Liaisons: Cr Nīkau Wi Neera, Cr John Apanowicz (alternate)

The ERG met 10 times and provided feedback and advice to Council on: The Climate Work Programme, Lets Get Wellington Moving, Waste Strategy, the Long-term Plan, the District Plan, The Climate and Sustainability Fund, and the Advisory Group Review

Pacific Advisory Group (PAG)

Co-Chairs: Anthony Carter and Natalia Fareti

Members: Maikali Kilione, Maria Clark, Sandra Tisam, Nia Bartley, Āpeāfusia Katalina Semisi, Fiemalie Pe Fale, Inangaro Vakaafi, Laauli Joseph Seupule, Nathaniel Lennon Rigler Siguenza, Nesleen Pentani, Suliana Vea

Council Appointed Liaisons: Cr Sarah Free, Cr Rebecca Matthews (alternate)

The PAG has specific membership requirements to ensure it represents a broad range of the Pasifika communities in Wellington: Cook Islands, Fiji, Melanesia, Micronesia, Niue, Samoa, Tokelau, Tuvalu and Tonga, with up to 17 members.

The PAG met 10 times and provided feedback and advice to Council on: Pasifika Festival, WCC Inclusion Strategy, Long-term Plan, and the Advisory Group Review.

Takatāpui and Rainbow Advisory Council (TRAC)

Co-Chairs: Tyler Dunkel, Moko Mataa

Members: Rākau Buchannan, Mani Mitchell, Maggie Shippam, Sam Low, Vinod Bal, Tatyana King-Finau, Carew Paki, Alex Sawyer, Louis Crawford, Miniruwani Samarakoon.

Council Appointed Liaisons: Cr Iona Pannett, Cr Teri O'Neill (alternate)

The TRAC met 9 times and provided feedback on: Homelessness Action plan, Long-term Plan, Advisory Group review, Frederick Street Park Upgrades, and WCC Grants funding.

Safe & Sustainable Transport Forum (SASTF)

Members: Representatives from 12 organisations and agencies interested in road safety and/or sustainable transport are invited to participate in the quarterly SASTF meetings.

These organisations include Greater Wellington Regional Council, Living Streets Wellington, Cycle Wellington, Waka Kotahi New Zealand Transport Agency, New Zealand Police, Automobile Association, Equestrian Safety, Accessibility Advisory Group, Accident Compensation Corporation, Regional Public Health, Bikers' Rights Organisation of New Zealand (BRONZ) and Wellington City Councillors.

This forum met X times during 2023/24, either online or in person.

Youth Council

Chair: Anastasia Reid

Deputy Chair Nīkau Edmond-Smaill:

Members: Ben Bridle, Teresa Ng, Finley Duncan, Kady Saxon, Caspar Levack, August Metherell, Andrew Ackerley, Ashleigh Putt-Fallows, Kalani Fransen, Diana Milne, Maddalena Dalasso, Aarthi Candadai, Brynn Pierce, Sofia Newmann, Shelly Liang, Albert Ututaonga, Sophie Lee, Ashika Chander

Council Appointed Liaisons: Cr Ben McNulty, Cr Nīkau Wi Neera (alternate)

The Youth Council met 20 times and provided feedback and advice to Council on: Youth Hub, Children and Young People Strategy, the Long-term Plan, Te Matapihi, Coastal Management Plan, and the Advisory Group Review.

Youth Council was particularly involved in developing the capabilities of its members including leadership and engaging with the wider youth community.

Tō tātou rōpū whakahaere
Our organisation

The Mayor and Councillors employ and delegate the management and delivery of Council services to the Chief Executive. The Chief Executive is the sole employee of the elected Council and is the employer of all other staff.

The Executive Leadership Team supports the Chief Executive to provide advice to the Council, manage the Council organisation and implement Council decisions. The team is made up of eight members who lead functional Groups based on key areas of focus.

Alongside the Council organisation, the Council has established several Council-controlled organisations to help it achieve its goals for Wellington. The governance structures and purposes of those organisations are profiled here.

Any related performance information is detailed in Section 4: Our performance in detail.

Our Executive Leadership Team

The Chief Executive manages Wellington City Council under elected member approved Annual and Long-term Plans, and relevant legislation, policies and guidelines.

The Chief Executive is responsible for the efficient and effective implementation of the Council's decisions within agreed parameters. The Chief Executive employs the Council's 2,061 staff to help with these responsibilities.

The Chief Executive ensures the Council has effective systems to monitor financial and service level performance and to recommend changes where appropriate. The Council's Performance Review Committee regularly monitors the Chief Executive's performance.

Barbara McKerrow

Tumu Whakarae | Chief Executive Officer

Barbara commenced her role as Chief Executive in March 2020, following three years as the Council's Chief Operating Officer. Prior to that she served nine years as the New Plymouth District Council Chief Executive.

Barbara has approximately 30 years' experience as a senior and executive leader in local government. She has also served in several senior governance roles including a three-year term as the national President of the Society of Local Government Managers (SOLGM), where she is now recognised as a life member.

Her aim is to ensure the Council continues to develop as a high performing organisation and employer of choice, driving visible progress on the strategic priorities of the Council and delivering excellent service to the communities of Wellington.

Stephen McArthur

Tātai Heke Rautaki | Chief Strategy & Governance Officer

Stephen was appointed to this role in July 2019, from his position as the Council's Manager Community Networks. He left the role in July 2024. Stephen has more than 30 years of experience in senior leadership and management roles in the public, private and not-for-profit sectors, including extensive local authority experience.

He was responsible for risk, strategy, policy and reporting, research, communications and engagement, assurance, governance, economic wellbeing and Council-controlled organisations. This includes responsibility for the Council's Annual and Long-term Plans.

Meredith Blackler

Tātai Heke Tāngata | Chief People & Culture Officer

Meredith was appointed to her role in July 2019. Meredith has more than 17 years of experience in human resource management, with previous executive leadership roles in both local government and the education sector.

She is responsible for human resources, payroll, safety, security and staff wellbeing, organisational culture, staff engagement and building capability, including leadership development.

James Roberts
Tātai Heke Auaha | Chief Digital Officer (June to Sept 2023)
Tātai Heke Hapori | Chief Operating Officer (Oct 2023 onwards)

James joined the Council in December 2017 and was appointed to the Chief Digital Officer role in March 2020. In 2021 James took on the Senior Responsible Officer (SRO) role for the Te Matapihi central library project, and in 2023 his SRO role was extended to the Town Hall and the rest of Te Ngākau civic square.

James was appointed Chief Operating Officer in October 2023. As COO, James is responsible for libraries, community centres, arts & events, parking, parks, sport & recreation and technology, as well as continuing in his Te Ngākau SRO role.

Kym Fell
Tātai Heke Hapori | Chief Customer and Community Officer

Kym was appointed as Chief Customer and Community Officer in November 2021. He joined Council from his role as the Chief Executive Officer of the Whanganui District Council which he held from 2016 and, prior to that was the Director Corporate of Regional Facilities Auckland, a council-controlled organisation.

He is responsible for creative capital, city housing, city parking, parks, sports and recreation, community services, libraries and community spaces.

Kym left his role in September 2023. James Roberts was appointed Chief Operating Officer and the Digital directorate was merged with the Customer and Community directorate

Andrea Reeves
Tātai Heke Tahua | Chief Financial Officer

Andrea was appointed as Chief Financial Officer (CFO) in March 2023. She was previously in senior leadership roles at the Office of the Auditor General and Audit New Zealand.

In her role, she is responsible for financial strategy and planning, financial accounting, transactional services, funding and treasury, commercial partnerships and procurement. A strategic focus area is identifying new financing and funding arrangements to meet the city's infrastructure investment requirements.

Liam Hodgetts
Tātai Heke Maherehere | Chief Planning Officer

Liam joined the Council on 5 October 2020 from New Plymouth District Council, where he was the Group Manager Strategy, overseeing district planning, consenting, strategic projects, governance, policy, iwi relationships and community partnerships. He has more than 20 years' experience as a senior executive in local government.

In his role, he is responsible for strategic planning (including the Spatial Plan and District Plan), city design, city development, housing development, climate change response and city consenting and compliance.

Siobhan Procter
Tātai Heke Waihanga | Chief Infrastructure Officer

Siobhan was appointed Chief Infrastructure Officer in October 2021. She joined Council in 2018 as the Transport and Infrastructure Manager and has also undertaken secondment roles as Asset Management Transformation Manager and Three-Year Programme Director at Let's Get Wellington Moving.

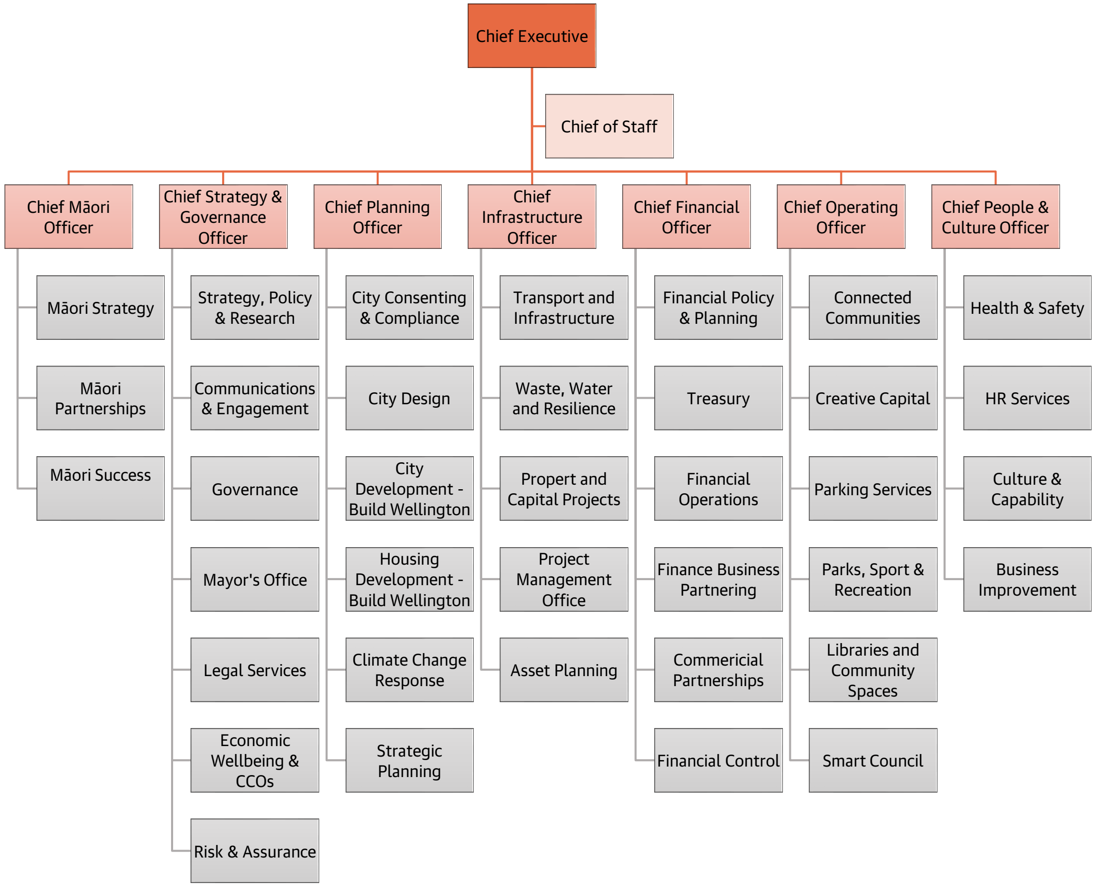
In her role she is responsible for city transport and infrastructure, property, waste management, resilience, Te Ngākau programme of works, the project management office and the asset planning function for infrastructure assets. She also manages the relationship with Wellington Water, which manages the Council's water assets on its behalf.

Karepa Wall
Tātai Heke Māori | Chief Māori Officer

Karepa Wall, of Manukorihi, Taranaki, Ngāti Ruanui, Ngāti Tūwharetoa, and Te Ati Awa descent, joined the Council's Executive Leadership Team in September 2020 from the Ministry of Education. His role, a first for the Council, was established to emphasise the importance of fostering meaningful relationships, partnerships, and engagements to ensure Māori success. He has supported embedding te ao Māori across the organisation while sharpening the organisational focus towards cultivating deeper relationships and building cultural intelligence.

Karepa leads Mataaho Aronui, the Council's Māori Strategic Outcomes group. Through this team, Karepa delivers Māori strategy and partnerships, specialised projects, and ensures that Tūpiki Ora is embedded into the fabric of the organisation

Organisation chart – Groups and business units June 2023



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Our organisation's unifying purpose

The Council's Strategic direction is outlined on page X. It sets the direction for the city and helps shape the programme of work that is decided in the Long-term Plan.

We have a clear unifying purpose to ensure the Council operates effectively: Kia mahi ngātahi mō Pōneke mō tōna ā āpōpō: Working together for Wellington's future.

We have four core values for how we work.

The Council values are:

Ngā kaha
Our values

He tangata, he tangata, he tangata
We put people at the heart of what we do

- We anticipate our customers' needs
- We support our colleagues
- We listen to our customers and each other
- We act with integrity and respect

Whakapai ake
We're always improving

- We are open to new ideas and innovation
- We encourage creativity
- We learn from our mistakes
- We give constructive feedback, compliment good work and reward success

Mahi ngātahi
We collaborate

- We share our skills and knowledge
- We have confidence in our colleagues
- We work together to get the best results
- We are accountable for our actions and decisions

Mana tiaki
We care for our places

- We protect our environment for future generations
- We are guardians of our city's assets
- We nurture our communities
- We consider the impact of what we do

Council-controlled organisations

Alongside our seven groups and business units, Wellington City Council has seven Council-controlled organisations that undertake activities on behalf of the Council and are each governed by an independent board.

Council-controlled organisations (CCOs) enable the Council to use specialist expertise to manage Council assets or deliver Council services.

The Wellington Regional Stadium Trust is not a Council-controlled organisation, however its relationship with Council is conducted in a similar manner so it is reported here in a similar fashion.

The organisations are:

- **Basin Reserve Trust** manages and promotes the Basin Reserve for recreation, leisure, and games of domestic and international cricket.
- **Karori Sanctuary Trust** trades as ZEALANDIA – Te Māra a Tāne and manages ongoing conservation and restoration work at its sanctuary in Karori.
- **Wellington Cable Car Ltd** maintains and operates Wellington's iconic Cable Car.
- **Wellington Museums Trust** trades as Wheako Pōneke Experience Wellington and manages educational and cultural facilities and experiences.
- **Wellington Regional Economic Development Agency Ltd (WREDA)** trades as WellingtonNZ and is the city and region's economic development organisation.
- **Wellington Regional Stadium Trust** owns, operates and maintains the Sky Stadium as a high-quality multi-purpose sporting and events venue
- **Wellington Water** manages all three water services for Hutt, Porirua, Upper Hutt and Wellington City Councils, and South Wairarapa District Council.
- **Wellington Zoo Trust** manages Te Nukuao Wellington Zoo, provides experiences and education and supports conservation initiatives.

Further reading: For details on the performance of each entity, please refer to Section 4: Our performance in detail, or their respective annual reports.

The governance arrangements for each of the organisations are outlined in the following pages.

Basin Reserve Trust

The Basin Reserve Trust is responsible for the operation and management of Wellington's Basin Reserve. It is the home of Cricket Wellington and the home ground for the Wellington Blaze (women) and Wellington Firebirds (men) cricket teams. It is also a busy route for commuters on cycles, riding scooters and walking to and from the city.

The day-to-day operational activities are carried out by Cricket Wellington under a management agreement with the Trust. The Trust is comprised of four members, two elected by Wellington City Council including the chairperson and two members elected by Cricket Wellington.

The board of trustees is: Alan Isaac (Chair and Council appointee), Councillor John Apanowicz (Council appointee), Mike Horsley (Cricket Wellington appointee), and John Greenwood (Cricket Wellington appointee).

Karori Sanctuary Trust

The Karori Sanctuary Trust is a not-for-profit community-led organisation and trades as ZEALANDIA – Te Māra a Tāne. It is the world's first fully fenced urban ecosanctuary, with a 500-year vision to restore Wellington's forest and freshwater ecosystems as closely as possible to their pre-human state. The 225-hectare, renowned and popular conservation project has reintroduced more than 20 species of native wildlife back into the area, and as a result of 'spill-over' beyond the fence, has significantly changed the birdlife of Wellington. The organisation also has a significant engagement, education and empowerment programme.

The board of trustees is: Russell Spratt (Chair), Professor Margaret Hyland, Jo Breese, Dr Libby Harrison, Pete Monk, Paul Atkins, and Councillor Teri O'Neill. The Chief Executive is Dr. Danielle Shanahan.

Wellington Cable Car Company Limited

Wellington Cable Car Company Ltd owns and operates the city's iconic funicular railway that runs between Lambton Quay and Kelburn, a hill suburb overlooking the city and harbour. The first journey was taken on 22 February 1902. The Cable Car is one of Wellington's most well visited attractions and records more than a million passenger journeys a year, comprising of commuters, students and residents as well as the many visitors to Wellington.

Wellington Cable Car Ltd is wholly owned by the Council and directors appointed to the board are Council officers. The Chief Executive is Tansy Tompkins, who joined the Cable Car Company in October 2022.

The board of directors is David Perks (Chair), Kennie Tsui and Emma Christie.

Wellington Museums Trust

The Wellington Museums Trust, which trades as Wheako Pōneke Experience Wellington, operates six institutions on behalf of the Council. These are Capital E, Space Place at Carter Observatory, City Gallery Wellington, Nairn Street Cottage, the Cable Car Museum, and Wellington Museum.

In addition to operating these diverse facilities, the Trust manages the Plimmer's Ark display in Old Bank Arcade, the recovered Plimmer's Ark timbers in storage, and Wellington city's heritage collections, and provides support to the New Zealand Cricket Museum.

The board of trustees is: Jane Wrightson (Chair), Heather Galbraith, Suzanne Snively, Peter Jackson, Martin Matthews, Peter Johnson, and Councillor Ben McNulty The Chief Executive is Diana Marsh.

Wellington Regional Economic Development Agency Ltd

The Wellington Regional Development Agency Ltd (trading as WellingtonNZ) supports economic performance across the region to enhance prosperity, vibrancy and liveability for the people who live and work in the region.

WellingtonNZ markets the Wellington region as a destination for visitors, migrants and investors; it helps businesses grow and innovate; it advocates for the region's economy, and attracts and promotes major events, and runs the Wellington City civic venues.

The board of directors is: Tracey Bridges (Chair), Jill Hatchwell, , Jo Healey, Daphne Luke, David Wilks, Paul Retimanu, Councillor John Apanowicz from Wellington City Council and Janet Holborow (Greater Wellington Regional Council appointee) . The Chief Executive is John Allen.

WellingtonNZ also reports regularly to the Wellington Regional Leadership Committee which oversees the implementation of the Wellington Regional Economic Development Plan.

Wellington Regional Stadium Trust

The Trust owns, operates and maintains the Sky Stadium as a high-quality multi-purpose sporting venue. The stadium, opened in 2000, also hosts musical and cultural sponsored events, a variety of trade shows, plus community events. The Stadium is home to the Hurricanes and Wellington Lions rugby teams, the Wellington Phoenix men's and women's football teams, and regularly hosts the New Zealand national men's and women's teams in rugby, football and cricket.

The board of trustees is jointly appointed by the Council and Greater Wellington Regional Council. The board of trustees is: Rachel Taulelei (Chair), Tracey Bridges, Steve Tew, Phillippa Harford, Owen Gibson, , Councillor Diane Calvert from Wellington City Council, and Councillor Penny Gaylor from Greater Wellington Regional Council. The Chief Executive is Warrick Dent .

Note: The Trust is not a Council-controlled organisation, however its relationship with Council is conducted in a similar manner so it is included here in a similar fashion for this reason.

Wellington Water Ltd

Wellington Water Limited is a council-controlled organisation owned by the Hutt, Porirua, Upper Hutt and Wellington City Councils, South Wairarapa District Council and Greater Wellington Regional Council. The councils are all equal shareholders.

The role of Wellington Water is to manage the drinking water, wastewater and stormwater services of its shareholder council owners. Wellington Water's main activities include:

- managing water treatment and supply
- managing stormwater and wastewater service delivery in the Wellington region
- promoting water conservation and sustainability.

Wellington Water does not own any drinking water, stormwater, wastewater or bulk water assets. Nor does it set policies or control rates or user charges. These functions remain with the local councils and Greater Wellington Regional Council.

The board of directors is: Lynda Carroll (Chair), Kim Skelton, Mike Underhill, Leanne Southey, Nick Leggett, and Alexandra Hare.

A representative from each territorial authority sits on the Wellington Water Committee that provides overall leadership and direction for the company.

The Wellington Water Committee is: Mayor Campbell Barry (Chair) – Hutt City Council, Ros Connelly (Deputy Chair) – Greater Wellington Regional Council, Mayor Wayne Guppy– Upper Hutt City Council, Mayor Martin Connelly and Deputy Mayor Melissa Sadler-Futter – South Wairarapa District Council, Mayor Tory Whanau – Wellington City Council, Mayor Anita Baker – Porirua City Council, Helmut Modlik – Te Rūnanga O Toa Rangatira, and Lee Rauhina-August – Taranaki Whānui ki te Upoko o te Ika.

The Chief Executive is Tonia Haskell (note: she resigned from the role in August 2024).

Wellington Zoo Trust

Te Nukuao Wellington Zoo was New Zealand's first zoo, opening in 1906.

Te Nukuao Wellington Zoo Trust manages the progressive and award-winning 13-hectare Wellington Zoo, home to native and international animals, and is recognised locally and globally for leadership and expertise in animal welfare, conservation, visitor experience, animal habitat design and sustainability.

The Zoo delivers learning sessions to thousands of children a year to grow their understanding of animals and the natural world. It also partners with conservation organisations for at-risk species from New Zealand and around the world and to advocate for animals and save wildlife and wild places. Wellington Zoo treats hundreds of native animals a year at The Nest Te Kōhanga, the Wellington Zoo's animal hospital and centre for wildlife health services and is the world's first carbon zero-certified zoo.

The board of trustees is: Jamie Tuuta (Chair), Jane Diplock, Marie Long, Chris Roberts, Nina Welanyk Brown, and Councillor Nureddin Abdurahman. The Chief Executive is Karen Fifield MNZM, and President of the World Association of Zoos and Aquariums (WAZA).

Making ourselves accountable

We make ourselves accountable in many ways. This Annual Report is one.

It explains what we did during 2023/24, how our work contributed to the city, what it cost, and whether our performance met the expectations we set ourselves. Its contents have been independently scrutinised to ensure they fairly reflect our financial performance and position, and the services provided.

Transparency

The Local Government Official Information and Meetings Act 1987 ensures our community can access official information, participate in meetings and influence local decision making.

All meeting agenda and reports are made public at least two days before meetings. The minutes of our meetings are made available on our website, and we live stream all of our committee and Council meetings.

We ensure any decisions are communicated effectively to the community – through media releases, social media, web alerts, and our website. We also produce quarterly reports which are available to members of the public and media.

We proactively publish responses to official information requests of note on our website and include summary statistics of timeliness and other measures on how we manage requests.

Assurance Framework

The Council's Assurance Framework is based on the Institute of Internal Auditors 'Three Lines Model' to provide confidence to our ratepayers, communities and other stakeholders that the Council is well positioned to deliver its business objectives and outcomes.

Internal control systems at the Council define clear responsibilities and accountabilities across the organisation. Regular assurance is provided that these systems and processes are working as intended. The Council's internal audit programme of work is designed to provide an overview of the effectiveness of the Council's internal control environment. The Unaunahi Māhirahira | Audit and Risk Committee approves and oversees this work programme, with an update provided at every meeting.

Some key work programmes for the year included:

- Nine internal audit engagements, an attestation of legislative compliance across Council and an annual controls assessment.
- We completed three integrity related investigations, promoted channels for reporting integrity related concerns during Fraud Awareness Week, joined a newly established local government community of practice run by the Serious Fraud Office
- We monitor and report on sensitive expenditure and gift declarations, and coordinate a programme of activity to strengthen our internal controls.
- Council adopted the Institute of Internal Auditors Global Internal Audit Standards. This will enhance the credibility of the internal audit function in the delivery of improvements to the internal control framework.

Managing risks

The Council conducts strategic risk assessments to identify the most significant external and internal challenges and uncertainties that could prevent us from functioning and delivering well. We follow the Joint Australian/New Zealand International Standard for Risk Management and use an evidence-based approach to determine the likelihood and severity of our risks.

We assess a range of threats, including from a major earthquake and tsunami, our response to climate change, cyberattacks and fraud to understand the impacts these could have on the Council. We do this so we can make informed decisions about how we manage risks and reduce potential harm to our organisation, our city, and its people.

Managing privacy

The Council takes seriously its obligations under the Privacy Act 2020. We have a privacy programme in place to lift training and awareness, to respond to privacy incidents and breaches, and to provide metrics and communications to Senior Leaders.

Unaunahi Māhirahira | Audit and Risk Committee

Unaunahi Māhirahira | Audit and Risk Committee has governance oversight of risk management systems, processes, and organisational risk management capability. It receives regular reports related to the efficacy of risk management practices, as well as an overview of the Council's strategic risk profile. Risk Appetite Statements have been developed and adopted by Council. The Risk Appetite Statements will provide guidance on how we intend to balance risks and opportunities in order to achieve strategic objectives.

The committee also oversees the work of the Council in the following areas:

- the integrity of financial statements, including confirming that financial statements and statements of service performance are supported by appropriate sign-off, and seeking assurance from external auditors.
- the implementation of the risk management programme of work, and the risk management framework including Council's strategic risks and that there are processes for managing risks within CCOs.
- whether management's approach to maintaining an effective internal control framework is sound and effective.
- the systems that manage compliance with regard to health and safety.

The committee met five times in the 2023/24 year.

Membership of the committee was: Mr Bruce Robertson (Chair, external), Councillor Tony Randle (Deputy Chair), Mayor Tory Whanau, Councillor John Apanowicz, Councillor Ray Chung, Councillor Rebecca Matthews, Councillor Iona Pannett, Pouiwi Liz Kelly and Wendy Venter (external).

The external appointments are recruited based on relevant skills and experience which bring value to the Committee, including financial knowledge, experience in risk management and governance, and local government experience.

Ā mātou kaimahi
Our staff

Our people are our strength. We have many talented, hard-working kaimahi (staff) across Council, and much to celebrate and be proud of. Through their efforts we are able to deliver on our promises to the community.

Having highly engaged kaimahi supports retaining the skills and abilities to deliver Council services. Retaining staff reduces the cost of recruitment and retraining allowing the council to focus on skill development and service delivery.

We have made significant progress over the past three years, building an organisational culture that supports our kaimahi to be high performing and one that looks after their physical and mental wellbeing.

We have designed our support for our kaimahi from the start of the employee journey to the end.

1,939 Total staff headcount (as at 30 June 2024)	1,471 FTE (as at 30 June 2024)
1,342 Total fulltime staff	555 Total part-time staff
7.5% Kaimahi identify as Māori (Increase of 1.7% points from in 2022/23)	1046: 866: 27 Kaimahi by gender: Female vs Male vs Gender diverse/undisclosed
5.96 average tenure of full time employees	6.1% reduction in total headcount
132 Staff in the 20+ service club	30 applications per role in 2023/24 (increase from 12 in 2021/22)
14.9% Our core unplanned turnover (down from 19.1% in 2022/23, excludes Recreation staff)	40% reduction since 2020/21 in total staff injuries
2,232 Course completions (online and workshops) by kaimahi across the Council	$1.6m spent on training opportunities (Business Units: $1.1m; Culture and Capability: $0.5m)
$843 per kaimahi on development and training	74% Current engagement score (9% points higher than the local government benchmark)

Attracting Talent

Attracting the right talent is critical to being able to efficiently and effectively deliver the hundreds of services that make Wellington a great place to live.

Our proposition is unique and is reflected in the Council's purpose: **Kia mahi ngātahi mō Pōneke mō tōna āpōpō - Working together for Wellington's future.**

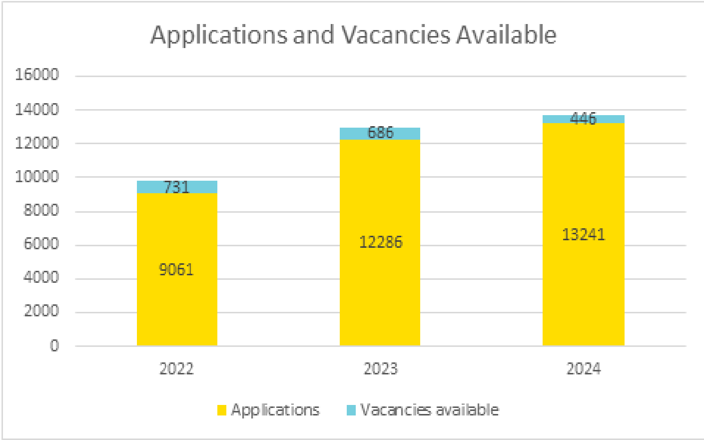
Candidate surveys demonstrate that a key motivation for wanting to work at the Council is the opportunity to help make a tangible difference to Wellington.

We've made substantial improvements to our recruitment processes over the past three years. These include:

- Surveying candidates as part of the onboarding process to support continuous improvement of our process;
- Automating reference checking to reduce the time to hire;
- Expansion of partnerships with other organisations to give WCC greater access to talent pools;
- Establishment of assessment centres to support more efficient recruitment for roles with high volumes;
- Establishment of neurodiverse resources, and education to assist managers recruit and manage neurodiverse talent;
- Evolution of our intern programme to grow future talent; and.
- Reduced use of external recruitment by enhancing our in-house capability.

These initiatives have supported an increase in average applications per role in a period where we had fewer job vacancies.

The reduction in roles available is a benefit of reducing turnover rates through the interventions the Council's People and Culture team has introduced.



Working at Wellington City Council

If we are to effectively deliver the services that Wellington requires, it is important that we retain our kaimahi and they feel supported, celebrated and have opportunities to develop.

We have embedded a culture that supports employee well-being and prioritises the development of the skills and capabilities needed to succeed in current and future roles at the Council.

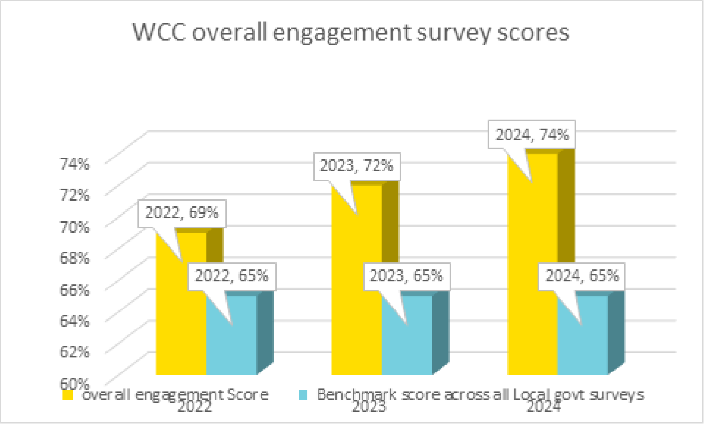
Staff engagement

Our employee engagement survey [23](Kōrero Mai) demonstrates that our kaimahi are engaged and are proud to deliver the services that support Wellington.

Over the past three years we have seen a two-percentage point increase each year in our results. Our survey results are significantly higher than the local government benchmark of 65% engagement.

We have put in place several initiatives to enhance the working environment for our kaimahi. These initiatives cover both the physical and well-being aspects of the workplace.

- Introduction of flexible working practices to assist kaimahi in striking a work/life balance;
- Launch of a new wellbeing brand and hub (Ipukura), with resources to better support the mental health of our kaimahi;
- Kōkiritia programme to increase the cultural capability of our kaimahi and to better support the needs of our Te Tiriti partners;
- Launch a long-term workplace health and safety strategy, and a review and update of the Council's safety management system;
- Upgrade of our online learning platform to enhance the user experience; and
- Upgrade of our performance management system to a digital platform.



"Having a friendly supportive team is really important to me, and I am proud to have such a wonderful group of people to work with every day."

"I'm proud of contributing to initiatives that enhance the community."

"I'm very proud to work for a local council that understands and quantifiably uplifts the value of arts and creativity in bringing well-being to our community and enhancing our sense of place."

[23] Engagement refers to refers to the degree to which kaimahi are invested in, motivated by, and passionate about their jobs and the company for which they work

Staff turnover

Our emphasis on recruiting and retaining high quality staff has contributed to a decrease in our staff turnover rates.

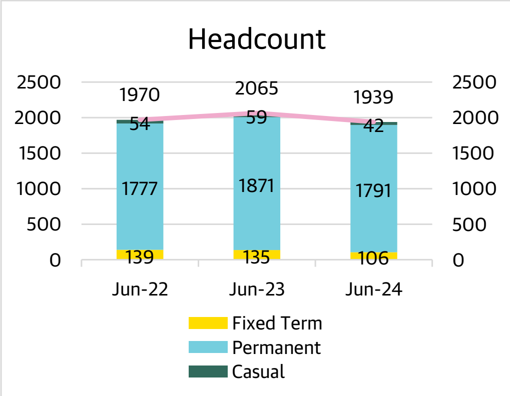
The following graph shows our total turnover rate and turnover excluding recreation staff.

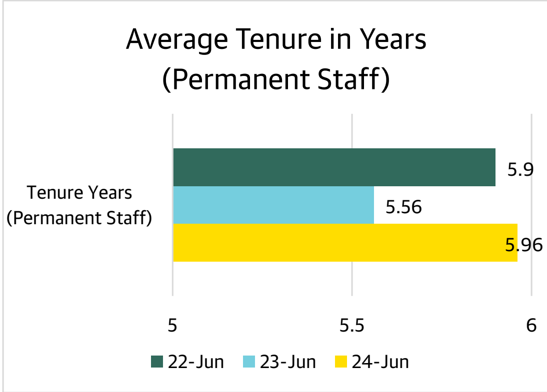
The seasonal nature of many of the roles in our recreation business unit mean they will increase and decrease according to seasonal demands, e.g. lifeguards during the summer months.

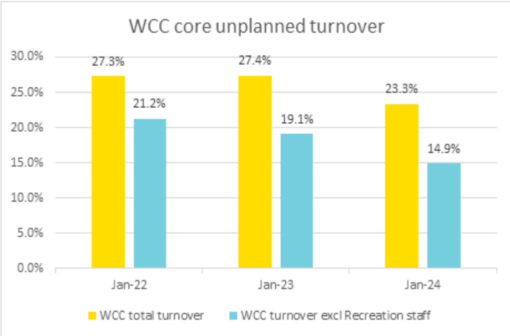
We have also had an increasing proportion of internal staff successfully applying for roles with 39% of roles secured by internal applicants from 1 Jan through 30 June 2024.

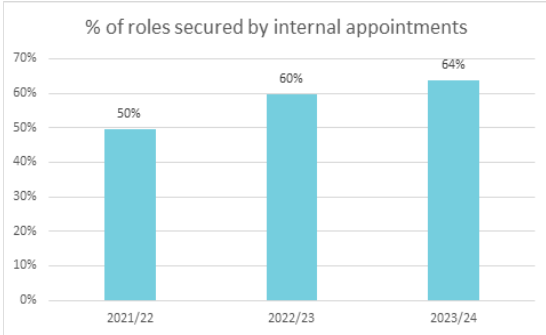
This is a good metric for demonstrating that the Council is creating pathways for its kaimahi to move to the next stage in their careers, but stay within the Council. This means we are successfully growing our internal leadership capability.

In line with the need to retain staff with the skills and experience necessary to deliver on Council objectives, we have sought to reduce the use of casual and fixed term workers.









Doing more with less is an important part of responding to the fiscally constrained environment the Council is operating within. This, along with other policies has meant a decrease in total headcount.

Pay gaps

As part of being an employer of choice, the Council has made improvements in the pay gaps between ethnicities.

This promotes a sense of fairness and equality within the Council and assists with ensuring we have an engaged workforce.

Where we have small numbers of an ethnic minority there is some volatility in the pay gap as the arrival or departure of small numbers of kaimahi can shift the pay gap.

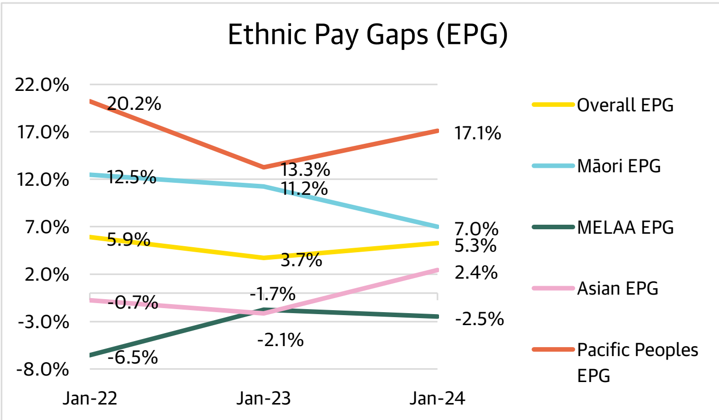
We have made progress in reducing pay gaps by providing training on unconscious bias in hiring and promotion practices, and by conducting pay audits to identify areas within Council where there are pay disparities.

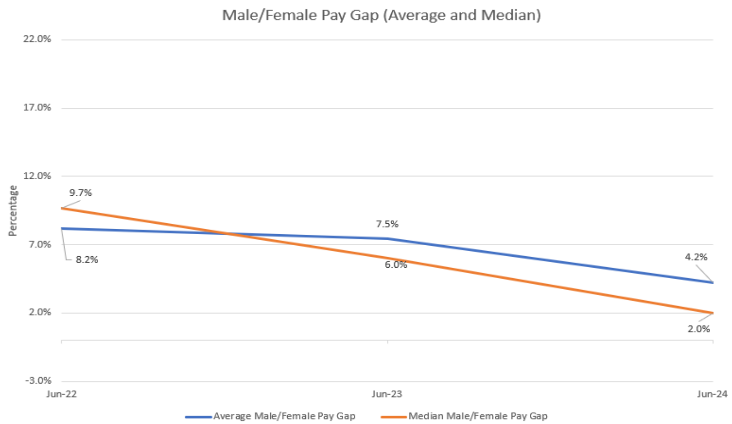
The graph below demonstrates that a positive percentage represents the lower average salary of an ethnic group compared to the Pakeha kaimahi average. A negative percentage represent the higher average salary of an ethnic pay group compared to the Pakeha kaimahi average.

We have also made significant progress reducing the gender pay gap as demonstrated in the graph below on the right

Reducing pay gaps is an ongoing focus for the Council and we will continue to build a diverse and inclusive workforce than can foster innovation, creativity and empathy in the delivery of Council projects and services.

We consider that this is an important part of our employee value proposition in our efforts to recruit and retain kaimahi who can help Council deliver effective and efficient services.





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Staff awards

We celebrated the achievements of our kaimahi (staff) in October 2023 at our fifth annual staff awards ceremony. These awards celebrate the achievements of our people and formally acknowledge the high performers who live our organisation's values, demonstrate strong leadership, and help deliver real progress for our city.

The awards are peer and leader nominated, and in 2023 we received 220 nominations.

Values Awards Winners

- **Adam Sive, Parks, Sport & Recreation – He tangata, he tangata, he tangata:** For exceptional achievement in customer service, working with the community, or in demonstrating care and respect for others.
- **Sarah Dick, Culture & Capability – Mahi ngātahi:** For excellence in collaborating with others inside and outside Council to achieve exceptional results.
- **TJ Fowler, Health & Safety – Whakapai ake:** For innovative thinking that challenges the way we do things or improves our business processes.
- **Ella Hardy, Parks, Sport & Recreation – Mana tiaki:** For exceptional contribution towards making Wellington a great place to live, work and play.
- **Creative Capital team – Ngā Kaha:** For the team that lives 'Our Values – Ngā kaha' every day.

Leadership Awards

- **Clara Breitenmoser, Economic Wellbeing – Emerging leader:** Recognises individuals who have demonstrated leadership potential.
- **Gareth Hancock, Risk and Assurance – Accountable Leader:** Recognises people leaders who demonstrate exceptional leadership skills and demonstrate Working Better Together.
- **Leadership:** recognises individuals who positively influence others by demonstrating good leadership.

Health and Safety Awards

- **H&S Rep of the Year:** Recognises Health and Safety Reps who demonstrate a positive approach to Health and Safety and representing other workers.

Diversity, Inclusion and Wellbeing improvements

Our aspiration is to build a diverse organisation and an inclusive culture, and to extend aroha by caring for and nurturing our people.

To achieve our aspiration, we have established Te Wai Whakaata, an approach to wellbeing anchored in te ao Māori thinking. We weave this through everything we do.

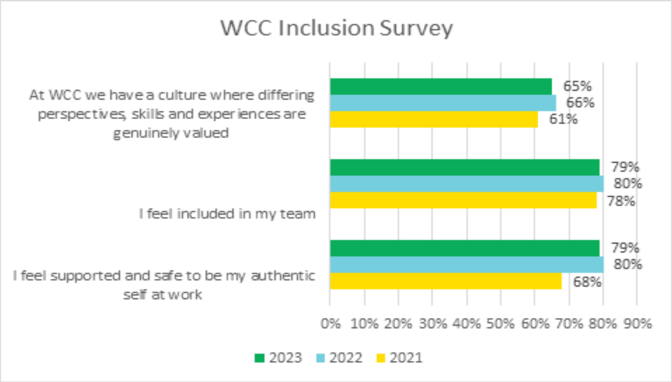
Te Wai Whakaata talks to the shared responsibility of individuals, teams, and the Council in supporting wellbeing.

We conduct an annual inclusion survey to measure our progress towards achieving our Kia oke tapatahi tātou (Together we thrive) vision and outcomes.

The survey also helps us understand whether our inclusion initiatives are making a positive difference, and how. It is also an opportunity for kaimahi to share their thoughts on what else is needed for the Council to become a more inclusive organisation.

Our survey results indicate we are making progress in developing an inclusive culture.

This is important to support the Council's ability to recruit from a larger talent pool and retain high performing kaimahi to deliver efficient and effective services.



Health, Safety and Security

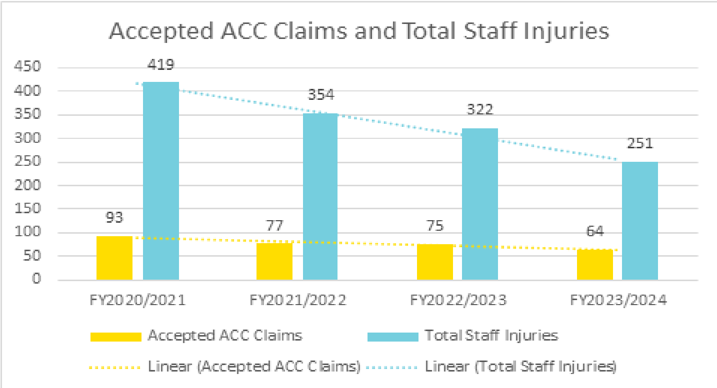
The Health and Safety of our people is a priority and reflected in the investment we have made in the delivery of our Health and Safety strategy and the rollout of a new system for capturing H&S incidents.

The ongoing emphasis on proactively making sure our people and workplaces are safe is helping us achieve reductions in ACC claims and in total staff injuries.

Capability Building

Council remains committed to upskilling our employees to suit the building of a healthy and safe workplace and culture.

Over the past 12 months:



- 105 staff have had training to manage actual or potential aggression so they can keep themselves safe when personal confrontation is experienced. We have trained 805 staff in total.
- 69 new health and safety representatives were trained this financial year
- 102 people completed mental health first aid training, building collective resilience and awareness of psychosocial safety impacts.

Security

The Council has made substantial progress in implementing the Protective Security Requirements (PrSR) framework, a nationally mandated framework for central government agencies, which was adopted in February 2021. Notably, Wellington City Council has been at the forefront as the first local authority to formally embrace this security framework.

This framework enables greater levels of assurance on security performance and enhanced maturity and consistency of security practices. The independent annual audit was completed in March 2024, and assessed the Council as having improved in its maturity from the previous year's rating of Basic (2.0) to a level of Enhanced Basic (2.5) on the scale

To achieve Level 3 (Managed) the security policies, standards and processes across whole framework need to be well defined, understood and consistently followed and, as a result, produce the outcomes expected. This means that Council's threat environment is monitored and informs regular reviews of security risk assessments, so that security risk management can be amended accordingly. To achieve this, a prioritised programme has been developed and rolled out to the appropriate teams.

Volunteers

One of the greatest assets of our city is our people. We are privileged to have hundreds of people willing to donate their time to ensuring the city is a better place for all. Without all the help from these wonderful people, Wellington would not look or feel the same. Our network of volunteers is essential and many of them have worked for the city in their own time for decades.

An example of the great work volunteers contribute to Wellington is from those in the Environmental sector.

Environmental volunteers

We continue to expand our network of volunteers throughout the city. This year they contributed a total of 63,085 hours across our parks and open space network.

Our volunteers undertake various activities including planting, weeding, guiding people, beach and litter clean ups, pest animal control and track building.

- Wellington Gardens: 5,951 hours
- Berhampore Nursery: 355 hours
- Cemetery: 800
- Community trapping: 1,110 hours
- Other community volunteering: 54,869 hours

Leaving Wellington City Council

Our efforts to attract the right talent and to retain our kaimahi are delivering increases in length of service.

This supports our efforts to have a high performing workforce with the experience required to deliver the projects and services Wellington requires.

There has been an increase in tenure year average in permanent staff in the 2023/24 financial year, and combined with reducing our staff turnover rates, this supports having the internal capability to deliver the services Wellington requires.

We have seen solid results from our exit survey of departing staff in 2023/24 with 70% likely or very likely to recommend Wellington City Council to friends or family as a good place to work

Independent Audit Report

Āpitihanga
Appendices

Kei tēnei wāhanga

To come

In this section

This section includes the Council's Greenhouse gas emissions performance measure disclosures and the principles for our non-financial reporting and service information as per the new PBE FRS 48 standard.

Appendix 1: Greenhouse gas emissions performance measure disclosures

The following disclosures relate to our greenhouse gas emissions (GHG) KPI reported on page X of Section 4: Our performance in detail.

Organisational and operating boundaries

The Council's organisational boundaries were set with reference to the methodology described in the Greenhouse Gas Protocol.

The Council has applied an operational control consolidation approach. Under this approach, we measure GHG from sources over which it has operational control – Scope 1 and 2. Emissions from the Council's interests in other entities and assets are accounted for as Scope 3 (indirect) emissions. These are sources where the Council does not have any operational control of the entity or asset.

Significant assumptions, judgements, and methodological choices

The key sources of emission factors are:

- For 2021/22 and 2022/23 Scope 3 emissions - Romanos, Carl, Suzi Kerr and Campbell Will. 2014. "Greenhouse Gas Emissions in New Zealand: A Preliminary Consumption-Based Analysis," Motu Working Paper 14-05, Motu Economic and Public Policy Research. Wellington. Inflation adjustments are applied to these spend based emission factors given that the study was published several years ago. These factors were updated by Motu (received by email) based on 2015 data, for the FY23 inventory.
- Unique Emission Factors (UEF) approved by EPA for landfill emissions. These are calculated by waste operations teams in line with the regulations and verified by an independent verifier.
- Emissions for wastewater are calculated in a 'Domestic Wastewater Treatment Emissions Model' for each treatment plant. The model is based on the 2019 IPCC refinements to the 2006 guidelines for the National Greenhouse Gas Inventories and Water New Zealand's Carbon accounting guidelines for wastewater treatment: CH_4 and N_2O, August 2021.
- Ministry for the Environment's (MfE) 2023 Detailed Guide for Measuring Emissions.

The Council selects factors that have the minimum number of assumptions associated with them whenever possible, having regard to our ability to collect relevant activity level data directly from suppliers or other third parties for many activities. The Council uses New Zealand emission factors for New Zealand based activity whenever possible.

Inherent uncertainty

There is a level of inherent uncertainty in reporting GHGs, due to the inherent scientific uncertainty in measuring emissions factors, as well as estimation uncertainty in the measurement of activity quantity data. We have described significant sources of uncertainty within significant assumptions and judgements disclosed here.

Motu spend-based emission factors (up to and including FY23)

We have needed to rely on modelling and assumptions to measure emissions for some activities. To measure the emissions associated with purchased goods and services, and capital goods, we have developed a model which applies the Motu spend-based emission factors to the Council's spend activity based on the category of spending. This model has certain limitations:

- The Motu factors were developed through research which used measured emissions and spend data from 2015. Although adjusted for inflation, the factors used do not reflect any changes in the underlying drivers of emissions, which may have occurred in the production of goods and services.

- The factors do not reflect any subsequent methodological changes that may have occurred in how greenhouse gas emissions or national expenditure data sets are measured since that date.
- Motu's analysis assumes the carbon intensities of imports are the same as their domestic counterparts and does not consider the international transport emissions associated with importing goods to New Zealand.
- The model assumes that the output from each industry is homogeneous and hence has the same emissions content per dollar of output. This means any procurement decisions which take into consideration emissions are not reflected in this model.

As a result, there could be significant differences between actual emissions and those measured using this model. We are working to further refine this model by increasing the information we can obtain directly from suppliers about the emissions associated with their products and services, and by using more updated spend-based emissions factors when these become available.

Think Step spend based emission factors (to be used going forward)

For 2023/24 we are transitioning to emission factors provided by Think Step, as these emissions factors are significantly more up to date than those published by Motu, and have a broader range of spend categories increasing the data quality of the emissions estimation.

As these factors were released in May 2024, we are still working through system changes and the calculation of 2023/24 results, which means we are unable to report a Scope 3 result within this annual report but will be publishing a separate inventory report. That report will also restate historical periods including the base year for consistency.

Landfill emissions

The method used to calculate emissions from landfill accounts for the lifetime emissions potential in the year waste is deposited. Therefore, emissions from closed landfills and decomposition of landfill waste received in prior years are not reflected in subsequent emission inventories. Our methodology is consistent with ETS regulations, which only require measurement of methane emissions from facilities, not any other greenhouse gas emissions associated with landfills or other methods of waste disposal. There is a high degree of uncertainty in relation to the quantification of emissions from landfill waste. In measuring these emissions, we use landfill tonnage data collected from weighbridge systems, default waste compositions specified in the Climate Change (Unique Emissions Factors) Regulations 2009 and carry out regular testing to ensure our approved UEF remains appropriate.

Emissions from wastewater treatment are calculated in a 'Domestic Wastewater Treatment Emissions Model' for each treatment plant. The model is based on the 2019 IPCC refinements to the 2006 guidelines for the National Greenhouse Gas Inventories and Water New Zealand's Carbon accounting guidelines for wastewater treatment: CH4 and N2O, August 2021.

Reporting boundary

A full carbon footprint accounts for emissions from Wellington City Council's value chain. This means emissions from upstream goods and services received as well as downstream use of the goods and services provided are considered. It is currently not practicable to measure all these emissions with the data and systems currently available. Below we have disclosed the material sources that we are currently including and those that are currently excluded from the reported result.

Wellington City Council's emissions included

The sources included are:

Category	GHG emissions source	Group Coverage
Scope 1 Emissions		
Stationary Combustion	LPG used as fuel	CCOs
	Natural Gas consumption (used mainly to heat buildings and pools)	WCC and CCOs
Mobile Combustion	Fuel (Petrol and Diesel) used in WCC and CCO owned vehicles and equipment	WCC and CCOs
Waste to landfill	Landfill emissions from waste at the Southern Landfill owned and operated by WCC	WCC
Water & Wastewater treatment	Emissions from the treatment of wastewater and sewage at the Moa Point and Western (Karori) plants	WCC
Enteric fermentation	Methane emissions from the enteric fermentation process in Beef Cattle, Deer, and Sheep	CCO: Zoo
Refrigerant emissions	The emission of gases from pressurised equipment due to leaks or unintended releases of gases. Most commonly from refrigerant leakage/top-ups across WCC and CCO operations	WCC and CCOs
Scope 2 Emissions		
Electricity Consumption	Electricity consumed across all of WCC and CCO operations and facilities	WCC and CCOs
Scope 3 Emissions (Calculation of emissions was not available in time for the Annual Report, but will be included subsequently)		
Purchased goods and services (Category 1)	Goods and services purchased not otherwise included in the categories below	WCC
Capital goods (Category 2)	Extraction, production/construction, and transportation of capital goods purchased during the reporting year.	WCC
Fuel and energy related services (Category 3)	Transmission and Distribution (T&D) losses for Natural Gas and Electricity; Third-party electricity usage for water supply from Greater Wellington, and electricity used in WWTPs	WCC CCOs
Upstream transportation & distribution (Category 4)	WCC: transport of waste by third parties to the landfill. Zoo: Air, Land and Sea freight of purchases including animals to the Zoo.	WCC CCO: Zoo
Waste generated in operations (Category 5)	Glass recycling, landfilled LFGR, paper recycling	CCO: Zoo, Zealandia
Business travel (Category 6)	Employee air travel	WCC and CCOs
	Employee car travel by taxis, rental cars, and ride share providers	WCC and CCOs
Downstream transportation & distribution (Category 9)	Postage and Couriers services used in the post / parcels that WCC send out e.g., rates notices, dog licence letters, parking permits etc	WCC
Downstream leased assets (Category 13)	Tenant electricity in community housing properties owned by WCC and leased to the public.	WCC
Investments (Category 15)	WCC's investment in: Basin Reserve Trust (100%) Spicer Landfill (21.5%) Porirua WWTP (27.6%) Wellington Water Corporate (40%) Wellington Regional Stadium Trust (50%) Wellington International Airport (34% share)	WCC

Wellington City Council's emissions exclusions

The main sources excluded are:

Some other GHG sources were determined as de minimis# or not relevant and therefore excluded from our GHG inventory.

Notes:

#: De minimis is defined as an issue that is insignificant to a GHG inventory, usually <1% of an organisation's total inventory for an individual emissions source. Often there is a limit to the number of emission sources that can be excluded as de minimis.

*:The Carbon Neutral Government Programme put Working From Home under the ISO category 4: https://environment.govt.nz/assets/publications/Appendix-1-CNGP-guide.pdf

Category	Activities / GHG Emission source	Reason for exclusion
Scope 1 Emissions		
Agriculture – Fertiliser used	Fertiliser used by various teams	There is lack of available data, but the use of fertiliser and associated emissions are deemed a minimum de-minimis.
Scope 2 Emissions		
Electricity Consumption	Partial electricity usage for 113 The Terrace and 79 Boulcott Street	Unable to obtain specific usage data of WCC's portion of electricity consumption in communal areas of the building (such as lobby and lifts) as this is managed by landlord for the whole building. This is expected to be de-minimis.
Scope 3 Emissions		
Category 4	Working from home*	WCC does not have access to data related to employees' home energy usage, commuting habits, and remote work settings. Therefore, this source of emissions is excluded in the report.
Category 5	Waste generated in operations	This is relevant for WCC and CCOs however given that most if not all office waste goes to the Southern Landfill owned by WCC, the office waste across the group's boundary is already being captured within scope 1.
Category 7	Employee commuting	This is relevant for WCC and its CCOs however there is lack of available data on employee commuting habits. For FY21, WCC have estimated these emissions using 2018 Census data on commuting habits in Wellington and apportioning this to staff numbers within the organisation along with assumptions on travel distance. This method is highly estimated and so has not been included in current year reporting. The estimation resulted in a figure less than 1% of total scope 3 emissions and so we do not consider the exclusion to be material. We have identified this area as an opportunity to improve our emissions reporting and will consider engaging with our employees through a survey in future reporting periods to determine a better way to calculate these emissions that is more robust.
Category 8	Upstream leased assets	WCC group lease office space in various properties, however the emissions from electricity consumption in these locations is included in Scope 2, emissions from natural gas where relevant are also included in scope 1, T&D losses are captured under category 3, and waste to landfill from these premises is technically captured by landfill emissions in scope 1.
Category 11	Use of sold products	The emissions associated with private and commercial vehicle use on Wellington's City Council's roading network are excluded. These are a major contributor to Wellington's total emissions; however data was not available at the time of reporting.
Category 13	Downstream leased assets	WCC group leases many properties to third parties but does not maintain or have oversight for energy usage at all facilities, nor can this information be easily obtained. Where this can be estimated (city housing), or if WCC directly pays for electricity or natural gas this is included in Scope 3, Scope 2 and Scope 1, respectively.

Appendix 2: Principles for service performance information

Service performance reporting changes

In November 2017, the New Zealand Accounting Standards External Reporting Board (XRB) issued a Standard for Service Performance Reporting: Public Benefit Entity Financial Reporting Standard 48 Service Performance Reporting (PBE FRS 48). There were further amendments made in January 2019 ahead of it coming into effect in the 2022/23 reporting year.

The board is an independent Crown entity whose purpose is to establish and maintain New Zealand's financial reporting strategy through the establishment of an accounting and assurance standards framework.

The PBE FRS 48 requirements apply to local governments and to annual reports covering periods beginning on or after 1 January 2022. It is part of generally accepted accounting practice (GAAP).

Our Statement of Service Performance from page X to X has been prepared in accordance with the requirements of the standard and the Local Government Act 2002, which includes the requirement to report on the level of service achieved for a group of activities against the performance target or targets for that group of activities. It reports on the entity described on page X.

This section explains how we measure our non-financial performance for our portfolio of activities. It provides guidance for the principles and judgements used to assess our performance and the background to our Resident's Monitoring Survey.

A: Disclosures for reporting results

The Council's service performance information is summarised in Section 3: Summary of our year and in Section 4: Our performance in detail (the Statements of Service Performance section), which details the financial and non-financial information for each activity.

PBE FRS 48 emphasises the need for judgement when determining the extent of information to disclose concerning the current reporting period and progress toward long-term objectives.

The following should be noted when considering published results.

Service Performance context

1. The key projects and programmes presented are those outlined in the 2021-31 Long-term Plan as being of strategic and/or Community importance. They help us progress towards our Vision and Outcomes as stated on page X.
   a. The summary of our Outcome Indicator trends that contribute towards our outcomes is on page X.
   b. The overall summary of our performance information is in Section 3 from page X to X.
2. The Council presents the non-financial and financial information related to our activity areas together in the Annual Report [FRS 48 para 6] – under the Section 4: Our Performance in detail.
   a. The detailed Funding Impact Statements for our activities are in Section 4: Our performance in detail from page X.
3. The non-financial and financial information presented is for the same entity and same reporting period as the financial statements [FRS 48 para 11] - from 1 July 2023 to 30 June 2024.

Service performance results

1. The Council sets its KPI framework through the Long-Term Plan (LTP) process. This Annual Report is against the framework adopted in the 2021-31 Long-term Plan.
   a. The following characteristics are considered when performance measures are developed: Relevance, Faithful Representation, Understandability, Timeliness, Comparability and Verifiability [FRS 48 para 7].
2. We use a range of +/- 10 percent from target as this allows for fluctuations in performance across the year (e.g., seasonal changes). This is consistent with the reporting of other performance information during the year e.g., in Quarterly Reports.
3. Comparative data, where available, is included for the current and previous two years.
4. Previous years' published results are not updated if revised information is available. This is to ensure continuity of year-on-year point in time comparisons, as the previous years' results were correct at the time of publication.
5. If there has been a change to the methodology of the measure, previously reported results will be updated to reflect that new methodology, where possible.
6. Baselines are established when we are confident that the reported data is stable enough to set a

target (e.g., not influenced by extraordinary events).

7. Trends are only evident over multiple years of data.
8. If data is not available at the time of publication the result is shown as no result/not reported (NR). Missing data is revisited in the next year's Annual Report, if possible.
   a. We have two not reported results in this year's Annual Report, relating to social housing measures that ceased reporting last year after the creation of the new Community Housing Provider.
9. Measures and targets for Council-controlled organisations are set in their annual Statement of Intent.
   a. Results published in the Council's Annual report are subject to the final audits of those entities which are not always completed when the Council's report is adopted and published.
   b. Previous years' results will be updated if needed in the next Annual Report.
10. Some key performance results are reported in Section 4, with no comparison to target when no target has been set or where data is not available to be reported.
11. Variance commentaries are included for performance when significant judgements have been made, the measure has not met target, clarification of the meaning or methodology is needed, or more information is required to have a full understanding of the result.

Community wellbeing outcome indicators

We monitor community wellbeing through outcome indicators that we track over a minimum timeframe (3-5 years) to identify trend directions.

Community wellbeing indicator results display a colour status which shows a positive, negative or steady trend. Indicators with no data will be blank.

Positive		Steady	
Negative		No data	

No trend and no result/not reported is for several reasons, where:

- there are not enough data points for a trend to be derived;
- data points are non-comparable (e.g., a change in methodology, low sample size, data integrity limitations, impact of an extraordinary event like survey during COVID-19);
- or recent data points are not available (e.g., for measures that rely on Census data, last conducted in 2018).

Outcome indicators that reference residents' perceptions are sourced from the annual Resident's Monitoring Survey (RMS). For supplementary survey information refer to our website at https://wellington.govt.nz/rms-survey-and-results.

Outcome results that are sourced from the Quality of Life Survey are released every two years. The Annual Report results will be updated each year to include that latest available data for audited prior to adoption.

B: Residents Monitoring Survey (RMS)

Some of the reported non-financial results (Key Performance indicators and Community Wellbeing outcome indicators) are sourced from the Resident's Monitoring Survey.

This survey is undertaken annually by Council and was conducted in February 2024. It asks a representative sample of Wellington City residents about their engagement and satisfaction with the Council's and Council-controlled organisations' provision and delivery of services and facilities. The survey also asks residents about their behaviours and overall perceptions of Wellington.

The survey is conducted in two parts. This year, the surveys were sent to about 3,200 residents (with approximately a 34 percent response rate for each part). The final sample size for 2024 was 1,094 for part one and 1,093 for part two, which were post-weighted to be representative by age, gender and ward.

The maximum margin of error at 95 percent confidence level was 3.0% for both part one and two. This indicates that we can conclude with 95 percent confidence that the sample results reflect that of the population give or take 3.0%.

More detail on the Residents' Monitoring survey is available online here.

Appendix 3: Detailed community wellbeing outcome indicators

The following results are as at August 2024 and are supporting the Annual Report for this financial year.

We're on a journey to improve the underlying data that supports the work the city is doing in anticipation of our next LTP and the new aligned outcomes, and additional metrics are noted in the table below as new.

The data view being presented is on the following trend status:

Positive		Steady	
Negative		No data	

Environmental wellbeing

A sustainable, climate friendly eco capital

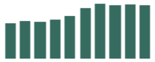
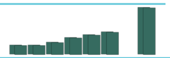
A city where the natural environment is being preserved, biodiversity improved, natural resources are used sustainably, and the city is mitigating and adapting to climate change – for now and future generations.

Commentary:

8 of 10 indicators saw a steady or positive trend over the three years of the 2021-31 LTP. Those that are steady included perceptions of pollution, amount of and access to open space as well as environmental wellbeing.

This coupled with the positive movement involving renewable energy and food rescue including carbon emissions reduction, suggest there we are making some progress in the awareness and actions needed to become a more sustainable city. However more work needs to be done to reduce waste to landfill.

Indicator	2021/22	2022/23	2023/24	Trend	Comments
Renewable energy total capacity installed MW (Wind, Solar, Fresh water, Biomass, Liquid fuel, other).	86.4	88.0	90.5		Positive increase is attributed to a 24% increase in solar energy installations from last year. Solar energy installations have increased 160% over the past 5 year. Data range for chart: 2015- 2024. Source: Electricity Authority
Total city greenhouse emissions	899,964	887,155			Goal: Achieve 57% reduction between 2020 and 2030. Data range for trend chart: 2020-Xx Source: AECOM consultancy for WCC
Kilograms of waste to landfill per person	387	484	656		The increase in this metric is due to contaminated soil being included in general waste as of July 2022. This had previously been diverted from the landfill. Excluding contaminated soil, result is 497kg per person. Data range for trend chart: 2015- 2024. Source: WCC Waste Operations internal data
Residents' perceptions that "Wellington's air pollution is a problem"	2022: 24%	-	Not available		This survey is biennial with 2023/24 data not available for inclusion in this report. At last reporting Wellington was ranked significantly lower than the 8-city total. Data range for chart: 2016- 2022. Source: Quality of Life Survey

Residents' perceptions that "Wellington's water pollution (including pollution in streams, rivers, lakes and in the sea) is a problem"	2022: 67%	-	Not available		This survey is biennial with 2023/24 data not available for inclusion in this report. At last reporting Wellington is ranked significantly higher than the 8-city total, ranked 2nd behind Porirua. Data range for trend chart: 2016- 2022 Source: Quality of Life Survey
Open space land owned or maintained by the Council – square metres per capita	198	203	203		A 1% increase of land from previous year, small decline is due to population growth. Data range for trend chart: 2015-2024. Source: WCC Parks, Sport and Recreation internal data
Access to park or green space	79%	80%	79%		Usage is largely unchanged over previous 4 years. 77% say they are quite satisfied or very satisfied with the quality and maintenance of local parks and reserves. Data range for trend chart: 2015-2024. Source: WCC Residents Monitoring Survey
Kaibosh food rescue					Based on unaudited 2024 data. There was a small increase (2.2%) in kilograms of food rescued and meals provided, and a similar increase in the volume of carbon emissions reduced (using Ministry for the Environment Waste to Landfill Emissions calculator). Data range for trend charts: 2015- 2024 Source: Kaibosh
Kg's of food rescued and redirected	707,508	743929	760,337		
Meals provided	2,020,636	2,125,509	2,172,391		
Carbon emissions reduced(CO_2)	211,545	1,971,140	2,014,893		
Environment wellbeing	57.8	57.8	Not available		This survey is annual with 2023/24 data not available for inclusion in this report. Score of 100. This metric highlights the human impact of living on the natural environment. The environment domain comprises of carbon dioxide emissions and waste diversion rate indicators. Wellington scores higher than the Wellington Region (54.1) but significantly lower compared to the NZ total (76.2), which is largely attributed to a lower score in proportion of waste diverted from landfill. Data range for trend chart: 2017- 2023 Source: Infometrics Regional Economic Profile - Wellbeing overview

Social wellbeing

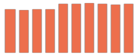
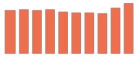
A people friendly, compact, safe and accessible capital city
An inclusive, liveable, and resilient city where people and communities can learn, are connected, well housed, safe and healthy.

Commentary:

8 of 11 indicators showed a positive trend over the life of the 2021-31 LTP. Housing trends for affordability, reduction in reported dampness and wellbeing all showed small improvements, and residents' sense of community, participation and wellbeing also saw improvement. Civic awareness saw a larger improvement with high voter turnout at the last local body election and while low, residents' confidence in Council's decision making rose 6% over the period.

However when comparing nationally Wellington scores lower than the 8-city total for confidence in Council's decision making and perceptions of overall quality of life

Indicator	2021/22	2022/23	2023/24	Trend	Comments
Youth participation in sport and recreation. 5-17-year-olds (surveyed on activity within last 7 days)	91%	92%	Not available		This survey is annual with 2023/24 data not available for inclusion in this report. Data range for trend chart: 2017-2023 Source: Sport NZ - Active NZ: Changes in Participation survey
Housing Affordability Index	8.0	6.2	6.3		Largely unchanged from previous year. Data range for trend chart: 2014-2024 Source: Infometrics Regional Economic Profile
Healthy Housing stock - House is damp (never or rarely)	68%	67%	69%		Largely unchanged from previous year with a small improvement. Data range for trend chart: 2014-2024. Source: WCC Residents Monitoring Survey
Percent of residents who have confidence in Council's decision-making	2020 30%	2022 20%	Not available		This survey is biennial with 2023/24 data not available for inclusion in this report. At last reporting Wellington was ranked significantly lower than the 8-city total, ranking second to last ahead of Hutt City. (2021/22). Data range for trend chart: 2016- 2022. Source: Quality of Life Survey
Percent of residents who have confidence in Council's decision-making	12%	17%	20%		Improved results from previous year. Data range for trend chart: 2019-2024 Source: WCC Residents Monitoring Survey
Local government elections voter turnout	2022: 43.3%	-	Not available		Triennial - no data available for 2023/24. Data range for trend chart: 2014-22 Source: DIA Local Election Stats
Perception of overall quality of life	2022: 89%	-	Not available		This survey is biennial with 2023/24 data not available for inclusion in this report. Data range for trend chart: 2016- 2022. Source: Quality of Life Survey
People's sense of community with others in their neighbourhood	2022: 48%	-	Not available		This survey is biennial with 2023/24 data not available for inclusion in this report. Data range for trend chart: 2016- 2022 Source: Quality of Life Survey

Indicator	2021/22	2022/23	2023/24	Trend	Comments
Social connections wellbeing	96.3	97.8	Not available		This survey is annual with 2023/24 data not available for inclusion in this report. Data range for trend chart: 2014-2023 Source: Infometrics Regional Economic Profile - Wellbeing overview
Housing wellbeing	48.4	53.3	Not available		This survey is annual with 2023/24 data not available for inclusion in this report. Data range for trend chart: 2014-2023 Source: Infometrics Regional Economic Profile - Wellbeing overview
Safety wellbeing	93.7	90.4	Not available		This survey is annual with 2023/24 data not available for inclusion in this report. Data range for trend chart: 2014- 2023 Source: Infometrics Regional Economic Profile - Wellbeing overview

Cultural wellbeing

An innovative, inclusive and creative city

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.

Commentary:

5 of the 10 indicators show a reducing trend for residents' perceptions in the way the city looks and feels however there is a steady positive perception relating to the citys' arts scene.

While the data is 2021, there is a potential positive trend for Te Ao Māori cultural activities. The City's Pōneke Promise programme of works seeks to address these elements.

Indicator	2021/22	2022/23	2023/24	Trend	Comments
Residents' perception that Wellington has a rich and diverse arts scene	82%	81%	81%		Unchanged year-on-year, however an improvement on agreement of a related data point - Wellington is the events capital of New Zealand. Data range for chart: 2015-202. Source: WCC Residents Monitoring Survey
Acceptance of ethnic diversity - People accept and value me and others of my identity (e.g., sexual, gender, ethnic, cultural, faith)	2022: 71%	-	Not available		This survey is biennial with 2023/24 data not available for inclusion in this report. Data collection for this indicator started in 2021-2022 and to date there is insufficient to establish a trend. Source: Quality of Life Survey
People's sense of pride in the area (the way Wellington looks and feels)	59%	56%	50%		Decline in agreement continues, with a 11% decrease year-on-year. Data range for trend chart: 2014-2024. Source: WCC Residents Monitoring Survey

Indicator	2021/22	2022/23	2023/24	Trend	Comments
People's perception of city (great place to live work and play)	76%	79%	73%		Decline of 8% in agreement from previous year. Data range for trend chart: 2017-2024. Source: WCC Residents Monitoring Survey
Residents' perceptions that heritage items contribute to the city's unique character	77%	75%	69%		Decline of 8% in agreement from previous year. Data range for trend chart: 2014-2024. Source: WCC Residents Monitoring Survey
Residents' perceptions that heritage items contribute to the community's unique character	57%	53%	51%		Decline of 4% in agreement from previous year. Data range for trend chart: 2014-2024. Source: WCC Residents Monitoring Survey
Participation in Māori cultural activities in the last 12 months:		-	Not available		Cultural participation was not included in the General Social Survey for 2023 so there is no further data for this indicator. An allied question related to acquisition and use of Te Reo Māori was asked in the General Social Survey for 2023, however data is not available for inclusion in this report. Data range for trend charts: 2016-2021 (5yearly interval) Source: Stats NZ Wellbeing survey
■ Used Māori phrases or words	2021 56%				
■ Watched a Māori television program	2021 34%				
■ Sung a Māori song, performed haka, given a mihi or speech, or taken part in Māori performing arts or crafts	2021 28%				
■ Been to a marae	2021 24%				

Economic wellbeing

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 an environmentally sustainable future.

Commentary:

11 of 18 indicators show an increasing trend. Employment related indicators all showed improvement with the city well below the national average for young people not in education, employment or training and improvement in the average annual household income. Economic diversity, while demonstrating a small increase, is overall less diverse than the national average and the wider Wellington region.

Note: * denotes Department of Internal Affairs mandatory measure

Indicator	2021/22	2022/23	2023/24	Trend	Comments
Economic diversity (HHI industry diversity)	75	76	Not available		This survey is annual with 2023/24 data not available for this report. Data range for trend chart: 2015- 2023. Source: Infometrics Industry Diversity Wellington City

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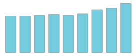
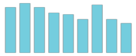
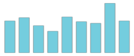
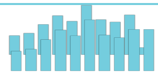
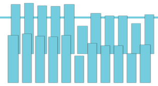
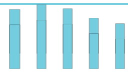
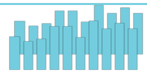
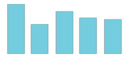
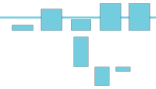
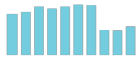
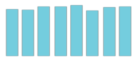
Gross Domestic Product (GDP) per capita	139,151	142,552	Not available		This survey is annual with 2023/24 data not available for this report. Data range for trend chart: 2015- 2023. Source: Infometrics Quarterly Economic Monitor - GDP
Unemployment rate	3.6%	3.2%	Not available		This survey is annual with 2023/24 data not available for this report. Data range for trend chart: 2015- 2023. Source: Infometrics: Unemployment rate
Youth NEET (not in education, employment or training) – as a proportion of 15 to 24-year-olds	8.1%	6.7%	7.7%		A 15% increase year-on-year, however Wellington City is well below the all of NZ result of 12.1%. Data range for trend chart: 2015-2024 Source: Infometrics Wellington City Economic Profile
Average annual household income	150,803	158,247	165,914		Data revised in line with Infometrics. Upward trend continues with a 5% increase from previous year. Data range for trend chart: 2014-2024 Source: Infometrics Wellington City Economic Profile
Number of houses under construction	1112	717	Not available		2023/24 data is not available for inclusion in this report. Data range for trend chart: 2015- 2023. Source: WCC internal report
Number of building consents issued	937	1,157	1159		Growth in the number of new dwelling consents has slowed in the last year after an early triennium increase. Data range for trend chart: 2014-2024 Source: Stats NZ Tatautanga Aotearoa
Residents' perceptions that the transport system allows easy access to the city	50%	40%	51%		Improvements in on-time bus services and driver reliability are likely to have influenced this result which shows a return to earlier tracking. Data range for trend chart: 2014- 2024. Source: WCC Residents Monitoring Survey
Residents' perceptions of public transport services (ease of access)	79%	-	Not available		This survey is biennial with 2023/24 data not available for this report. Data range for trend chart: 2016- 2022. Source: Quality of Life Survey
Residents' perceptions of public transport services (affordability)	2022: 42%	-	Not available		This survey is biennial with 2023/24 data not available for this report. Data range for trend chart: 2016- 2022. Source: Quality of Life Survey
Residents' perceptions of public transport services (reliability)	2022: 38%	-	Not available		This survey is biennial with 2023/24 data not available for this report. Data range for trend chart: 2016- 2022. Source: Quality of Life Survey
Means of travel to work (active modes and public transport)	73%	70%	N/A		The underpinning question in the Residents Monitoring Survey has been replaced with a similar question in the Pōneke Wellington Transport Survey. However, there is sufficient difference in methodology between the two surveys that the data cannot be used interchangeably, therefore reporting for this indicator ceased as at 2022-2023 financial year. Data range for trend chart: 2014- 2023. Source: WCC Residents Monitoring Survey

Number and type of road accidents (serious or fatal)	65	62	Not available		This survey is annual with 2023/24 data not available for inclusion in this report. Data range for trend chart: 2018- 2023. Source: Territorial Authority: Wellington City, Measure: Fatal and injury crashes
Change from previous year in the number of road crashes resulting in fatalities and serious injury*	-12	+3	Not available		This survey is annual with 2023/24 data not available for inclusion in this report. Data range for trend chart: 2016- 2023. Source: Territorial Authority: Wellington City, Measure: Fatal and injury crashes
Permanent and long-term migration to Wellington City	2,290	6,152	6,851		Slight increase from previous year of 11%. Data range for trend chart: 2014-2024. Source: Stats NZ - Permanent and long-term migration
Tourism filled jobs	4.9%	5.6%	Not available		This survey is annual with 2023/24 data not available for this report. Data range for trend chart: 2014- 2023. Source: Infometrics – Regional Economic Profile -Tourism employment
Jobs and earnings wellbeing	86.9	87.9	Not available		This survey is annual with 2023/24 data not available for this report. Data range for trend chart: 2016- 2023. Source: Infometrics Regional Economic Profile - Wellbeing overview
Knowledge and skills wellbeing	97.6	99.4	Not available		This survey is annual with 2023/24 data not available for this report. Data range for trend chart: 2014- 2023. Source: Infometrics Regional Economic Profile - Wellbeing overview

Āpitihanga 4: Kuputaka reo Māori
Appendix 4: Te reo Māori Glossary

- **Āwhina:** Support
- **Haka:** to dance, perform
- **Kaitiaki:** Guardian
- **Kaitiakitanga:** Guardianship
- **Kotahitanga:** United as one, unity, togetherness
- **Mahi:** Work
- **Mana:** Right's, authority, reputation, power, status
- **Mana Whenua:** Māori iwi and hapū who have historic and territorial rights over the land. In Wellington these iwi are Taranaki Whānui ki Te Upoko o Te Ika, Te Āti Awa ki Te Upoko o Te Ika a Māui and Ngāti Toa Rangatira.
- **Manaakitanga:** Caring for others
- **Marae:** courtyard - the open area in front of the meeting house, where formal greetings and discussions take place. Often also means the complex of buildings around the marae.
- **Mātāpono:** Principles
- **Matariki:** A cluster of many stars. The first appearance before sunrise of Matariki in the north-eastern sky, in the Tangaroa phase of the lunar month, indicates the start of the Māori year - usually in mid-June - and is the cause for celebrations.
- **Mātauranga Māori:** Māori education, Māori knowledge
- **Me Heke ki Pōneke:** Absolutely Positively Wellington
- **Mihi:** to greet, pay tribute, acknowledge, thank
- **Mokopuna:** Grandchildren
- **Oranga:** Well-being
- **Pōneke:** Wellington city
- **Pouiwi:** Mana whenua representatives around the Council table
- **Rangatahi:** Youth, young people, younger generation
- **Rangatiratanga:** Sovereignty
- Tākai To wrap up, wrap round, wind round.
- **Takatāpui:** Historically meaning 'intimate companion of the same sex'. The term was reclaimed in the 1980s and used by individuals who were gay, lesbian, bisexual, transgender, intersex or part of the rainbow community. The use of 'takatāpui' as an identity is a response to western ideas of sex, sexuality and gender, and emphasises one's identity as Māori as inextricably linked to their gender identity, sexuality or variation of sex characteristics.
- **Tangata:** People
- **Tangata whaikaha:** People with disabilities
- **Taonga:** Treasure, anything prized - applied to anything considered to be of value including socially or culturally valuable objects, resources, phenomenon, ideas and techniques
- **Te ao Māori:** Māori world
- **Te Awakairangi:** Hutt
- **Te Whanganui-a-Tara:** Wellington harbour
- **Te Ika a Maui:** The fish of Māui, North Island of Aotearoa - New Zealand
- **Te Kaunihera:** the Council
- **Te Matapihi ki te Ao Nui:** Central Library
- **Te Moananui a Kiwa:** Pacific Ocean
- **Te reo Māori:** Māori language
- **Te taha hinengaro:** Mental, emotional wellbeing
- **Te taha tinana:** Physical wellbeing
- **Te taha wairua:** Spiritual wellbeing
- **Te taha whanau:** Whānau, whakapapa wellbeing
- **Te Taiao:** Environment
- **Te Upoko o te Ika:** The head of the fish, the Wellington area
- **Tikanga:** Correct procedure, custom, habit, lore, method, manner, rule, way, code, meaning, plan, practice, convention, protocol - the customary system of values and practices that have developed over time and are deeply embedded in the social context
- **Waka:** Canoe, vehicle
- **Waka hourua:** Double hulled canoe
- **Whakapapa:** Bloodlines, tribal connections
- **Whānau:** Family
- **Whānau hauā:** Māori with disabilities
- **Whanaungatanga:** Bonding, networking, relationship building
- **Whare:** House

Absolutely Positively Wellington City Council
Me Heke Ki Pōneke

Āpitihanga 5: Kuputaka
Appendix 5: Glossary

Council terminology

- **10-year Plan/Long-term Plan:** A document that sets out the council's activities, projects, policies, and budgets for a 10-year period. Also commonly referred to as the LTP.
- **Accessibility:** Set out in Article 9 of the United Nations Convention on the Rights of Persons with Disabilities (UN-CRPD): "To enable persons with disabilities to live independently and participate fully in all aspects of life, State Parties shall take appropriate measures to ensure persons with disabilities access, on an equal basis with others, to the physical environment, to transportation, to information and communications, including information and communications technologies and systems, and to other facilities and services open or provided to the public, both in urban and in rural areas."
- **Activity or service:** The services the council provides to the community. This includes things like running buses, collecting rubbish and maintaining parks.
- **Amortisation**: the practice of spreading an intangible asset's cost over that asset's useful life
- **Annual Plan:** The plan that sets out what the council seeks to achieve in a financial year, the services we will provide, how much money will be spent and where that money will come from. The starting point for the Annual Plan is the relevant LTP, and it then sets out any changes from the LTP – i.e. cost pressures or changes in the work programme.
- **Asset:** An item of value, usually something of a physical nature that you can reach out and touch, that will last for more than one year. Infrastructure assets are physical items such as roads, pipes and council buildings that are needed to provide basic services.
- **Asset management planning / plan:** The ongoing process to manage assets from acquisition, operation, maintenance and renewal throughout the asset lifecycle. The asset management plans set out the level of service to meet demand in the most cost-effective manner possible.
- **Asset recycling or divestment:** This means letting go of some of our less well-used assets to help pay for new ones that will help us deliver better services to the community or to pay off debt to free up funds for other projects. Usually this means selling assets to somebody else, but sometimes someone else will use the asset for a period of time before handing it back to us in the future.
- **Assumptions:** Estimates or predictions that underpin decision making
- **Bylaw:** A rule or regulation made by a local council.
- **Capital Expenditure (Capex):** Capital investment or capital expenditure. Money that is used for building (or buying) assets such as roads, pipes and buildings that are used to provide services to Wellingtonians.
- **Capital programme:** The plan for what capital expenditure will be spent on.
- **Council-controlled organisation (CCO):** A company (or other type of organisation) that is at least 50 per cent owned by the council or for which the council has at least 50 per cent control through voting rights or the right to appoint directors. These organisations each have their own board of directors (or equivalent) and their own staff who manage day-to-day operations.
- **Council Group:** Wellington City Council and the council-controlled organisations, along with the council's investments Chaffers Marina Holdings Ltd, Wellington International Airport Ltd and Wellington Water Ltd. It also includes our joint operations with Porirua City Council – Spicer Valley Landfill and Wastewater treatment plant.
- **Deed of Guarantee:** A binding legal document under which one party (the guarantor) agrees to guarantee that certain obligations of another party will be met.
- **Deficit:** An excess of expenditure or liabilities over income or assets in a given period.
- **Depreciation:** A reduction in the value of an asset with the passage over time, due in particular to wear and tear. Council fund depreciation

from the general rates ensuring we can replace the assets in the future.

- **Development contributions:** A charge paid by developers to the council when they build or subdivide property. The council uses this money to help pay for the new assets such as roads, pipes and parks that are needed to support the new households or businesses that will occupy the new properties that have been developed.
- **Doughnut Economics:** Living within planetary boundaries and fair and just social systems
- **Grants and subsidies:** Money the council pays to a community organisation to provide services to Wellingtonians, rather than council providing those services directly.
- **Hedging position:** A position in an asset of investment that reduces the price risk of an existing position.
- **IAP2 engagement spectrum:** This indicates different engagement approaches on a spectrum from providing information through to community empowerment.
- **Inflation:** The term used to describe a rise of average prices through the economy
- **Infrastructure:** The fixed, long-lived structures that facilitate the production of goods and services and underpin many aspects of quality of life. Infrastructure refers to physical networks, principally transport, water, energy, and communications.
- **Legislation:** Laws, the process of making and passing laws
- **Level of Certainty:** Measure of how likely it is that a certain statement or result is true.
- **Levels of Service (LoS):** An asset management term referring to the quality of a given service.
- **Local Government Act 2002 (LGA 2002):** Legislation that defines the powers and responsibilities of territorial local authorities, like Wellington City Council.
- **Net Surplus:** Measure that shows business income after subtracting costs.
- **Operating Expenditure (Opex):** Operating budget or operating expenditure. Money that the council spends on providing the day-to-day services in the current financial year, as opposed to building or upgrading assets that will provide services for years to come. This includes spending money on staff and contractors to do things like process building consents, open libraries, run buses and maintain parks. It also includes things liking paying grants to community organisations and paying interest on money the council has borrowed.
- **Optimised Replacement Value:** Amount to replace an asset at the present time, according to its current worth.
- **Rates:** Paid by all property units to fund general council services as per the Council's Rating Policy. This includes targeted rates, general rates and commercial rates.
- **Regulatory Mechanisms:** An ordinance, permit, standard, contract language, or any other procedure, that will be enforced by the permittee.
- **Resilience:** The ability of a system or community to maintain certain functions, processes, or populations after experiencing a disturbance.
- **Sludge:** Biosolid residue that accumulates in sewage treatment plants.
- **Vested Assets:** Assets that are transferred to a public entity at nominal or zero cost.
- **Waste Management and Minimisation Plan (WMMP):** The Wellington region-wide plan, aiming at an aspirational goal of Zero Waste, helping people to minimise their waste and create economic opportunities in doing so.

Acronyms

- **BID:** Business Improvement District
- **BERL**: Business and Economic Research Limited
- **CCO**: Council Controlled Organisations
- **CO_2**: Carbon Dioxide
- **CV:** Capital Value
- **DC:** Development contributions
- **GWRC:** Greater Wellington Regional Council
- **IDS**: Infrastructure Design Standards
- **IFFA:** Infrastructure Funding and Financing Act
- **LGFA:** Local Government Funding Act
- **NIWA:** National Institute of Water and Atmospheric Research
- **NSHM:** National Seismic Hazard Model
- **NZTA:** New Zealand Transport Agency
- **NZU:** New Zealand Unit (emissions unit)
- **RAMM:** Road Assessment and Maintenance Management
- **RMA:** Resource Management Act
- **SDGs:** Sustainable Development Goals
- **SPA:** Spatial Planning Act
- **WIAL:** Wellington International Airport Limited

Draft

Te Pūrongo ā-Tau

Annual Report 2023/24

Volume 2: Financial Statements for Council and Group

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Statement of Compliance and Responsibility

Compliance

The Governing Body and management of Wellington City Council confirm that all the statutory requirements in relation to the Annual Report, as outlined in Schedule 10 of the LGA 2002, including the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP) have been complied with. Reporting obligations in relation to the Local Government (Financial Reporting and Prudence) Regulations 2014 have been met.

The financial statements have been prepared to comply with Public Sector Public Benefit Entity Accounting Standards (PBE Accounting Standards) for a Tier 1 entity and were authorised for issue by the Wellington City Council on XX October 2024.

Responsibility

The Governing Body and management of Wellington City Council accept responsibility for the preparation of the annual financial statements and judgements used in them. They also accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of Wellington City Council, the Annual Report for the year ended 30 June 2024 fairly reflects the financial position, results of operations and service performance achievements of the Wellington City Council and Wellington City Council Group.

Tory Whanau **Mayor**	**Barbara McKerrow** **Chief Executive**	**Andrea Reeves** **Chief Strategy and Finance Officer**
XX October 2024	XX October 2024	XX October 2024

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Basis of Reporting

Reporting entity

Wellington City Council (the Council) is a territorial local authority established under the Local Government Act 2002 (LGA 2002) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA 2002 and the Local Government (Rating) Act 2002.

The primary purpose of the Council and Group is to provide goods or services for community or social benefits rather than making a financial return. As a defined public entity under the Public Audit Act 2001, the Council is audited by the Office of the Auditor General and is classed as a Public Sector Public Benefit Entity (PBE) for financial reporting purposes.

The reported Council figures include the results and operations of the Council's interests in joint operations as disclosed in *Note 36: Joint operations* (page X).

The reported Group figures include the Council, the Council's controlled entities as disclosed in *Note 20: Investment in controlled entities* (page X) and the Council's equity accounted interest in the associates and joint venture as disclosed in *Note 21: Investment in associates and joint venture* (page X). A diagram of the Council and Group is included on page X.

This section contains the significant accounting policies of the Council and Group that relate to the financial statements as a whole. They are additional to the significant accounting policies relating to specific account balances which are included in the related note disclosures.

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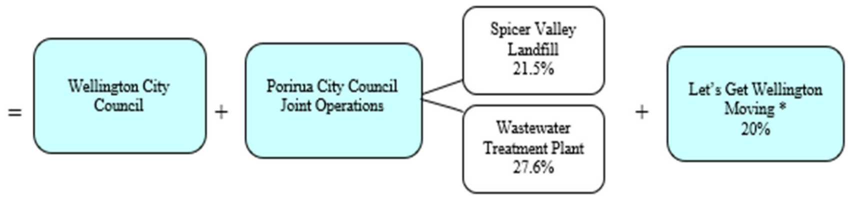
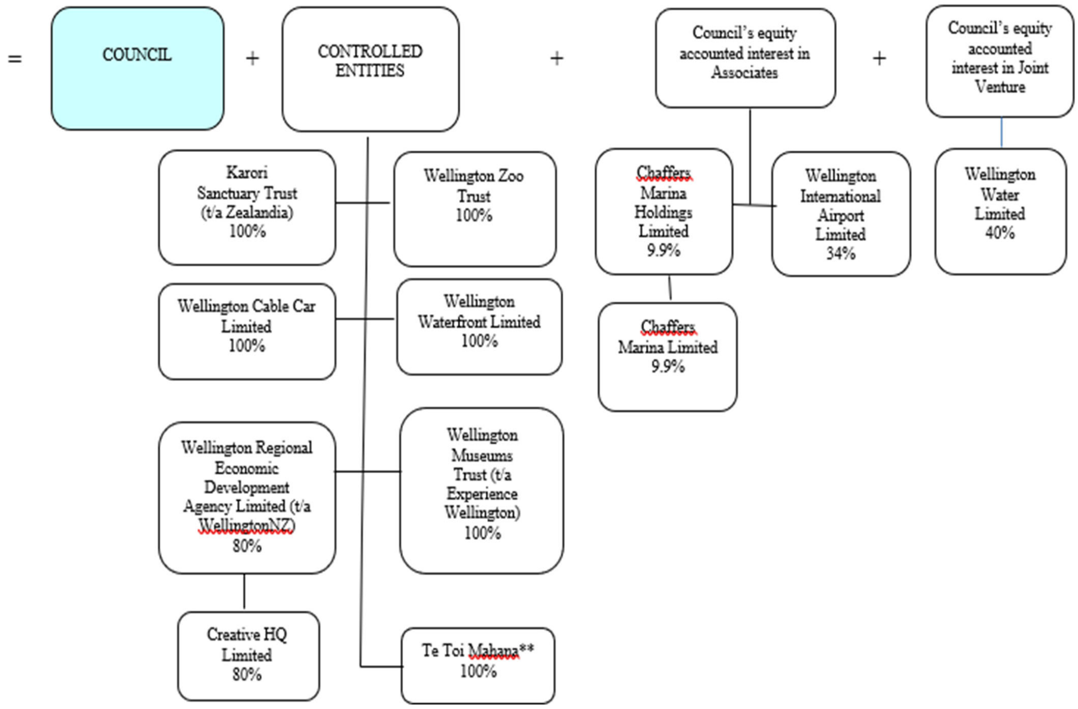
Council and Group structure

Figure 1: Reporting entity structures

Wellington City Council Reporting Entity (the Council)



Wellington City Council Group Reporting Entity (Group)



** The interest in Let's Get Wellington Moving (LGWM) represents Council's overall interest in this joint operation until the arrangement ceased on 31 March 2024.*

*** Te Toi Mahana was established as a Charitable Trust by the Council in February 2023. It became a registered Community Housing Provider with the Community Housing Regulatory Authority in July 2023. For the purposes of financial reporting, it meets the definition of a controlled entity pursuant to PBE IPSAS 35 Consolidated Financial Statements and therefore requires consolidation into the Group. However, Te Toi Mahana is not a Council-controlled organisation under the LGA 2002.*

These charts represent the Council and Group financial reporting structure.

All entities included within the Group are domiciled and operate in the Wellington region, New Zealand.

The percentages quoted represent the Council's interest and/or ownership (for accounting purposes) in each of the entities in the Group. Refer to *Notes 20, 21 and 36* (page X, X and X) for more information.

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Basis of consolidation

The consolidated financial statements comprise the financial statements of the Council and its Group.

Joint arrangements

Joint arrangements are arrangements where two or more parties have joint control. The accounting treatment can vary according to the structure of the arrangement. There are two types of joint arrangements, either a joint venture or a joint operation.

Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the agreed sharing of control by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

In the Council's financial statements, the investments in joint ventures are carried at cost. In the Group financial statements, the Council's share of the assets, liabilities, revenues, expenses and cash flows of a joint venture is included on an equity accounting basis as a single line in the relevant primary statement.

Joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. For a joint operation the Council reflects its share of any surplus or deficit. The Council's proportionate interest in the assets, liabilities, revenues, expenses and cash flows of joint operations is included in the financial statements of the Council and Group on a line-by-line basis.

Controlled entities

Controlled entities are entities that are controlled by the Council. Control over an entity is determined when the Council has exposure, or rights, to variable benefits (either financial or non-financial) from its involvement with the entity and has the ability to affect the nature or amount of those benefits through its power over the other entity. The Council considers all relevant facts and circumstances in assessing whether it has power over another entity. Power can exist over an entity if, by virtue of its purpose and design, the relevant activities and the way in which the relevant activities of the entity can be directed has been predetermined by the Council.

In the Council financial statements, the investments in controlled entities are carried at cost. In the Group financial statements, controlled entities are accounted for using the purchase method where assets, liabilities, revenue and expenditure are added on a line-by-line basis. Where a non-controlling interest is held by another party in a Council-controlled entity, the controlled entity is consolidated as if it was fully controlled and the share of any surplus or deficit attributable to the non-controlling interest is disclosed within the Statement of Comprehensive Revenue and Expense.

All significant transactions between Group entities, other than rates, are eliminated on consolidation. Rates are charged on an arm's-length basis and are not eliminated to ensure that reported costs and revenues are consistent with the Council's Long-term Plan (LTP) or Annual Plan.

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Associates

Associates are entities where the Council has significant influence over their operating and financial policies, but they are not controlled entities or joint ventures. In the Council financial statements, the investments in associates are carried at cost. In the Group financial statements, the Council's share of the assets, liabilities, revenues, expenditures and cashflows of associates is included on an equity accounting basis as a single line in the relevant primary statement.

Other Council and Council-controlled organisations

The Council has established several Council-controlled organisations (CCO) and Council-controlled trading organisations (CCTO) to help it achieve its goals for Wellington. These organisations were set up to independently manage Council facilities or deliver specific services and developments on behalf of Wellington residents. The performance of each CCO is reported on in Volume 1 of the Annual Report in Section 4: Our performance in detail page X to X. The Council has made appointments to other organisations, which make them Council organisations (as defined in the LGA 2002), but they are not Council-controlled or part of the Group for financial reporting purposes (for example, Wellington Regional Stadium Trust).

Basis of preparation

Measurement base

The measurement basis applied is historical cost, modified by the revaluation of certain assets and liabilities as identified in the accounting policies. The accrual basis of accounting has been used unless otherwise stated.

For the assets and liabilities recorded at fair value, fair value is defined as the amount for which an item could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's-length transaction. For investment property, non-current assets classified as held for sale and items of property, plant and equipment which are revalued, the fair value is determined by reference to market value. The market value of a property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction.

Amounts expected to be recovered or settled more than one year after the end of the reporting period are recognised at their present value. The present value of the estimated future cash flows is calculated using applicable inflation factors and a discount rate.

The consolidated financial statements are presented in New Zealand dollars (NZD), rounded to the nearest thousand dollars ($000), unless stated otherwise.

Other significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Exchange and non-exchange transactions

Revenue from exchange transactions

Revenue from exchange transactions arises where the Council provides goods or services to another entity or individual and directly receives approximately equal value in a willing arm's-length transaction (primarily in the form of cash in exchange).

Revenue from non-exchange transactions

Revenue from non-exchange transactions arises from transactions that are not exchange transactions. Revenue from non-exchange transactions arises when the Council receives value from another party without giving approximately equal value directly in exchange for the value received.

An inflow of resources from a non-exchange transaction recognised as an asset, is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the Council satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Approximately equal value

Approximately equal value is considered to reflect a fair or market value, which is normally considered as an arm's-length commercial transaction between a willing buyer and willing seller. Some goods or services that the Council provides (for example, the sale of goods at market rates) are defined as being exchange transactions. Only a few services provided by the Council operate on a full user pays or breakeven basis (for example, parking services) and these are exchange transactions unless they are provided at less than active and open market prices.

Most of the services that the Council provides, for a fee, are subsidised by rates (for example, the cost to swim in a council pool) and therefore do not constitute an approximately equal exchange. Accordingly, most of the Council's revenue is categorised as non-exchange.

Foreign currency balances and transactions

Foreign currency transactions (including those subject to forward foreign exchange contracts) are translated into NZD using the spot exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Change of accounting policies

There have been no changes to accounting policies during the financial year.

Changes to PBE accounting standards

Standards issued but not yet effective, and not early adopted

- Disclosure of Fees for Audit Firms' Services (Amendments to *PBE IPSAS I – Presentation of financial reports)*

The amendments require an entity to describe the services provided by its audit or review firm and to disclose the fees incurred by the entity for those services into specific categories. The mandatory adoption date is for accounting periods beginning on or after 1 January 2024. There will be no financial impact on the financial statements as the requirement is only for greater disclosure of incurred expenses.

There are no other standards that have been issued but not yet effective that are expected to have a significant impact on these financial statements.

Judgements and estimations

The preparation of financial statements using PBE accounting standards requires the use of judgements, estimates and assumptions. Where material, information on the main assumptions is provided in the relevant accounting policy or in the relevant note.

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The estimates and assumptions are based on historical experience as well as other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates. The estimates and assumptions are also reviewed on an ongoing basis and adjustments are made where necessary.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes. This includes landfill post-closure costs, asset revaluations, impairments, certain fair value calculations and provisions.

There have been no fundamental changes to our approach for judgements and estimations for the year ended 30 June 2024.

Goods and Services Tax (GST)

All items in the financial statements are exclusive of GST, except for receivables and payables, which are stated as GST inclusive. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

Budget figures

The 2023/24 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, associates or joint ventures. 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 LTP or AP process. These figures do not include any additional expenditure subsequently approved by the Council outside the LTP or AP process. The AP figures have been prepared in accordance with GAAP and are consistent with the accounting policies adopted by the Council in the preparation of these financial statements.

Comparatives

To ensure consistency with the current year, certain comparative information has been reclassified where appropriate. This has occurred:

- where classifications have changed between periods;
- where the Council has made additional disclosure in the current year, and where a greater degree of disaggregation of prior year amounts and balances is therefore required; or
- where there has been a change of accounting policy.

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Statement of Comprehensive Revenue and Expense

Table X: Statement of Comprehensive Revenue and Expense for the year ended 30 June 2024		Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2024	2024	2023	2024	2023
	Note	$000	$000	$000	$000	$000
Revenue						
Rates	1	483,252	481,110	424,990	483,252	424,990
Revenue from operating activities						
Development contributions	2	6,713	3,500	4,739	6,713	4,739
Grants, subsidies and reimbursements	2	138,028	184,634	38,463	147,023	47,533
Other operating activities	2	177,639	174,811	168,419	204,638	185,061
Investment revenue	3	24,408	22,427	33,040	12,386	12,640
Vested assets and other revenue	4	36,750	2,063	21,360	36,416	21,372
Fair value movements - gains	5	1,530	13,883	68	1,530	171
Finance revenue	6	17,447	13	8,041	19,254	8,869
Total revenue		**885,767**	**882,441**	**699,120**	**911,212**	**705,375**
Expense						
Fair value movements - losses	5	(20,438)	-	(13,607)	(20,477)	(13,607)
Finance expense	6	(77,970)	(60,972)	(52,085)	(78,018)	(52,097)
Expenditure on operating activities	7	(567,634)	(560,161)	(511,336)	(592,680)	(535,864)
Depreciation and amortisation expense	8	(211,024)	(196,468)	(196,318)	(212,174)	(197,032)
Total expense		**(877,066)**	**(817,601)**	**(773,346)**	**(903,349)**	**(798,600)**
Operating surplus/(deficit)		**8,701**	**64,840**	**(74,226)**	**7,863**	**(93,225)**
Share of equity accounted surplus/(deficit) from associates and joint venture	9	-	-	-	(2,844)	7,627
Net surplus/(deficit) before taxation		8,701	64,840	(74,226)	5,019	(85,598)
Income tax credit/(expense)	10	-	-	20	(340)	(304)
Net surplus/(deficit) for the year		**8,701**	**64,840**	**(74,206)**	**4,679**	**(85,902)**
Net surplus/(deficit) attributable to:						
Wellington City Council and Group		8,701	64,840	(74,206)	4,714	(85,811)
Non-controlling interest		-	-	-	(35)	(91)
		8,701	**64,840**	**(74,206)**	**4,679**	**(85,902)**

The notes on page X to X form part of and should be read in conjunction with the financial statements.

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Table X: Statement of Comprehensive Revenue and Expense - continued		Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2024	2024	2023	2024	2023
	Refer	$000	$000	$000	$000	$000
Net surplus/(deficit) for the year		**8,701**	**64,840**	**(74,206)**	**4,679**	**(85,902)**
Other comprehensive revenue and expense [1]						
Items that will be reclassified to surplus/(deficit)						
Cash flow hedges:						
Fair value movement - net	SCIE [2]	(7,854)	-	15,556	(7,854)	15,556
Share of other comprehensive revenue and expense of associates and joint venture:						
Fair value movement - net	SCIE	-	-	-	46	1,588
Fair value through other comprehensive revenue and expense:						
Fair value movement - net	SCIE	440	-	34	530	(205)
Items that will not be reclassified to surplus/(deficit)						
Revaluations:						
Fair value movement - property, plant and equipment - net	SCIE	713,751	-	(59,615)	713,751	(59,615)
Share of other comprehensive revenue and expense of associates and joint venture:						
Fair value movement - property, plant and equipment - net	SCIE	-	-	-	19,778	33,015
Total other comprehensive revenue and expense		**706,337**	**-**	**(44,025)**	**726,251**	**(9,661)**
Total comprehensive revenue and expense for the year		**715,038**	**64,840**	**(118,231)**	**730,930**	**(95,563)**
Total comprehensive revenue and expense attributable to:						
Wellington City Council and Group		715,038	64,840	(118,231)	730,965	(95,472)
Non-controlling interest		-	-	-	(35)	(91)
		715,038	**64,840**	**(118,231)**	**730,930**	**(95,563)**

1. Other comprehensive revenue and expense is non-cash in nature and only reflects changes in equity.
2. Statement of Changes in Equity – see page X

The notes on page X to X form part of and should be read in conjunction with the financial statements.

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Statement of Comprehensive Revenue and Expense - Major budget variations

Budget figures are for the Council only and not the Group.

Significant variations from budget are as follows:

Revenues were $3.3m higher than budget. The major variances included:

- Grants, subsidies and reimbursements were $46.6m lower than budget. This is primarily due to grant revenue from Sludge Finance LP being $48.0m below budget for the construction of Te Whare Wai Para Nuku, the Sludge Minimisation Facility (SMF) located at Moa Point. Timing of spend on this capital project is behind budget and so the associated grant revenue is too.
- Vested assets and other revenue were $34.7m higher than budget. During the year we recognised vested asset revenue of $33.6m largely in relation to three water assets from new subdivisions and roading assets from the Let's Get Wellington Moving partnership. Vested asset revenue is not budgeted for.
- Fair value movement gains were $12.4m lower than budget. The budget assumed a $13.9m fair value increase in investment properties from the annual revaluation. The actual result was a decrease in fair value of $20.4m
- Finance revenue was $17.4m higher than budget. This is due to unbudgeted interest revenue of $17.0m. The net interest expense was $0.4m lower than budgeted. In the budget, only net interest expense are recorded under finance expense.

Expenses were $59.5m higher than budget. The major variances included:

- Fair value movement losses were $20.4m higher than budget. This is due to investment property revaluation decreases of $20.4m. As noted above, the budget assumed a fair value increase in investment properties.
- Finance expenses were $17.0m higher than budget. As noted above, only net interest costs are budgeted under finance expense and actual net interest expense was $0.4m lower than budgeted.
- Depreciation and amortisation expenses were $14.6m higher than budget. This is primarily due to higher actual depreciation compared to the budget which was based on different assumptions for asset valuations, useful lives and timing of capitalising work in progress.

Other comprehensive revenue and expense was $706.3m higher than budget. The major variances included:

- Fair value movement gains of $713.8m largely due to the revaluation of infrastructure assets. This was not budgeted for since the revaluations were completed in year 2 of the normal 3-yearly cycle (refer note 19).
- Cash flow hedge reserve movements of $7.9m largely comprising fair value losses on cash flow hedges due to movements in floating interest rates. Cash flow hedge movements is not budgeted for.

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Note 1: Rates revenue

Table X: Rates revenue	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
General rates	284,787	267,087	284,787	267,087
Targeted rates	171,414	138,633	171,414	138,633
Metered water supply	23,520	17,441	23,520	17,441
Penalties and adjustments	3,531	1,829	3,531	1,829
Total rates revenue	**483,252**	**424,990**	**483,252**	**424,990**

The total amount of rates charged on Council-owned properties that have not been eliminated from revenue and expenditure is $19.9m (2023: $17.2m). For the Group, rates of $20.3m (2023: $17.3m) have not been eliminated.

The revenue from rates for Wellington City Council was billed on the following rating information held at the end of the year immediately prior to the new rating year.

Table X: Rates revenue billing basis	As at 30 June 2023	As at 30 June 2022
Number of rating units	81,656	81,155
Total capital value of rating units	$124,201.0m	$123,408.8m
Total land value of rating units	$78,997.3m	$78,971.0m

The property revaluations that occurred in September 2021 have been applied for the rates billed for the 2023/24 year.

Rates remissions

Revenue from rates is shown net of rates remissions. The Council's Rates Remission and Postponement Policies provide for general rates to be partially remitted for rural open space, land used principally for games or sport and in special circumstances (where the rating policy is deemed to unfairly disadvantage an individual ratepayer). A remission of the Downtown targeted rate may also be granted to provide rates relief for downtown commercial property temporarily not fit for the purpose due to the property undergoing development and therefore not receiving the benefits derived by contributing to the Downtown targeted rate. The Council committed itself at the start of the year to certain remissions, which for the reporting year ended 30 June 2024 totalled $2.9m (2023: $2.2m).

Non-rateable land

Under the Local Government (Rating) Act 2002 certain properties are non-rateable. This includes schools, churches, public gardens and certain land vested in the Crown. This land is non-rateable in respect of general rates but, where applicable, is rateable in respect of sewerage and water. Non-rateable land does not constitute a remission under the Council's rates remission and postponement policies.

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Relevant significant accounting policies

Rates are set annually by resolution from the Council and relate to a particular financial year. All ratepayers are invoiced within the financial year for which the rates have been set. Rates revenue is recognised in full at the date when rate assessment notices are sent to the ratepayers. Rates are a tax as they are payable under the Local Government (Rating) Act 2002 and therefore meet the definition of a non-exchange transaction.

Water rates by meter are regulated in the same way as other rates and are taxes that use a specific charging mechanism to collect the rate. However, as the rates charged are primarily based on a per unit of consumption basis, water rates by meter are considered to be more in the nature of an exchange transaction. Revenue from water rates by meter is recognised on an accrual basis based on usage.

Note 2: Revenue from operating activities

Table X: Revenue from operating activities	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Development contributions	**6,713**	**4,739**	**6,713**	**4,739**
Grants, subsidies and reimbursements				
Operating	16,385	9,244	25,847	17,020
Capital	121,643	29,219	121,176	30,513
Total grants, subsidies and reimbursements	**138,028**	**38,463**	**147,023**	**47,533**
Other operating activities				
Fines and penalties	7,342	6,532	7,342	6,532
Rendering of services	161,980	154,505	181,819	165,309
Sale of goods	8,317	7,382	15,477	13,220
Total other operating activities	**177,639**	**168,419**	**204,638**	**185,061**
Total revenue from operating activities	**322,380**	**211,621**	**358,374**	**237,333**

For the Council, the principal grants and reimbursements are from Sludge Finance LP and from NZ Transport Agency Waka Kotahi ("NZTA"). Grant funding is received from Sludge Finance LP to reimburse eligible project costs in relation to the construction of the SMF at Moa Point. Capital reimbursements recognised from Sludge Finance LP were $77.2m (2023: $nil) and operating reimbursements recognised were $0.3m (2023: $nil). The funding received from NZTA reflects reimbursements for part of the Council's costs for maintaining the local roading and cycling infrastructure. Capital reimbursements recognised from NZTA were $40.9m (2023: $26.3m) and operating reimbursements recognised were $11.8m (2023: $7.0m).

For revenue from other operating activities of the Council, the five major revenue streams for 2023/24 were:

- Landfill operations and recycling - $34.2m (2023: $31.1m) – including unbudgeted revenue from the joint operations with Porirua City Council of $5.9m (2023: $2.6m).
- Lease revenue - $29.4m (2023: $8.3m)
- Parking fees and permits - $23.4m (2023: $24.4m)
- Consents and licensing services - $18.0m (2023: $17.5m)
- Convention and conference centres – $15.2m (2023: $15.9m)

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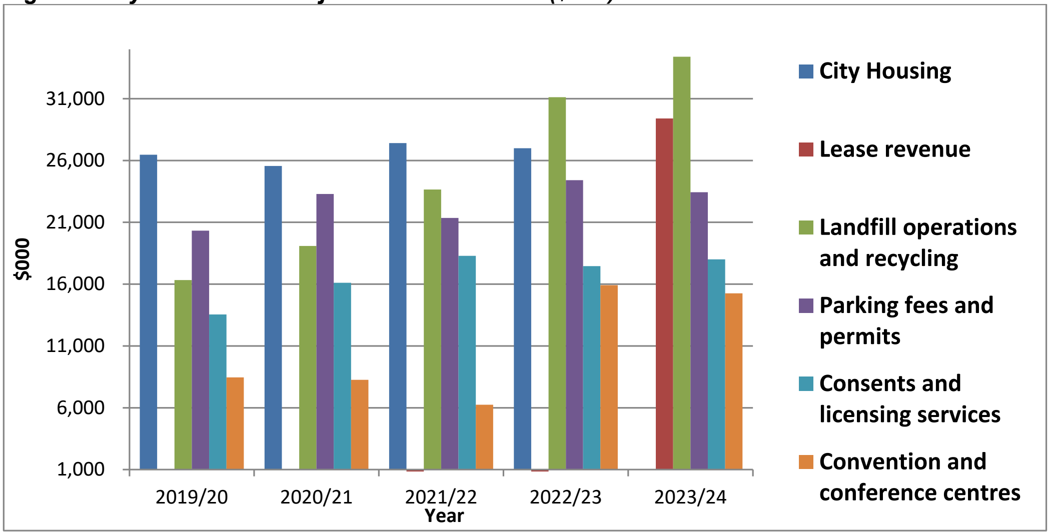
See *Figure 2* for a trend analysis of the five major revenue streams for each of the past five years.

Figure 2: 5-year trend for major revenue streams ($000)



Five-year trend analysis commentary

Landfill operations and recycling

The revenue from landfill operations and recycling has continued to grow steadily and increased in 2023/24 by $3.1m reflecting an increase in the amount of contaminated soil received at the landfill compared to the prior year.

For further information – refer to Section 4: Our performance in detail - strategy area 2.2 – Waste reduction and energy conservation (Volume 1, page X).

Parking fees and permits

The revenue for parking fees and permits has been relatively stable over the last 4 years following the impact of COVID-19 restrictions reducing revenue in 2019/20.

For further information – refer to Section 4: Our performance in detail - strategy area 7.2 – Parking (Volume 1, page X).

Consents and licensing services

The revenue for consents and licensing services has remained consistent with only a small increase in revenue seen in 2023/24. While consent volumes continue to increase, they have typically been for smaller projects.

For further information – refer to Section 4: Our performance in detail - strategy area 6.2 – Building and development control (Volume 1, page X).

Convention and conference centres

The 2023/24 revenue from convention and conference centres is consistent with that of the prior year but behind budget. The revenue trend has stabilised to levels prior to COVID-19 with events and performances continuing to happen more regularly. The current financial year has however been impacted by the adverse economic conditions.

For further information – refer to Section 4: Our performance in detail – strategy area 3.1 – City promotions and business support (Volume 1, page X).

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City Housing

The revenue trend for City Housing changed significantly in 2023/24 following Te Toi Mahana taking over the operations of the City Housing division in August 2023. The revenue from the lease agreement with Te Toi Mahana for the Council's housing properties is now recorded as lease revenue (refer below).

For further information – refer to Section 4: Our performance in detail - strategy area 5.2 – Community support (Volume 1, page X).

Lease revenue

The 2023/24 lease revenue has seen a significant increase with recorded revenue of $29.4m up from $8.3m in 2022/23 primarily due to the new leases with Te Toi Mahana (refer above).

Relevant significant accounting policies

Revenue from operating activities is generally measured at the fair value of consideration received or receivable.

The Council undertakes various activities as part of its normal operations which generates revenue, but generally at below-market prices or at fees and user charges subsidised by rates. The following categories (except where noted) are classified as transfers, which are non-exchange transactions other than taxes.

See *Note 13: Receivables and recoverables* (page X), for an explanation of exchange and non-exchange transactions, transfers and taxes.

Development contributions

Development contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution was charged. Until such time as the Council provides, or is able to provide the service, development contributions are recognised as liabilities.

Grants, subsidies and reimbursements

Grants, subsidies and reimbursements are initially recognised at their fair value where there is reasonable assurance that the monies will be received, and all attaching conditions will be complied with. Grants include the funding from Sludge Finance LP for the SMF. Reimbursements include NZTA roading claim payments.

Fines and penalties

Revenue from fines and penalties (for example, traffic and parking infringements) is recognised when infringement notices are issued or when the fines/penalties are otherwise imposed. The fair value of parking related fines is recorded as the amounts due, less an allowance for expected credit losses (ECL).

Rendering of services

Revenue from the rendering of services (for example, building consent fees) is recognised by reference to the stage of completion of the transaction, based on the actual service provided as a percentage of the total services to be provided. Under this method, revenue is recognised in the accounting periods in which the services are provided. Some services are provided at a market rate or on a full cost recovery basis (for example, parking fees) and these are classified as exchange revenue.

Sale of goods

The sale of goods is classified as exchange revenue. Sale of goods is recognised when products are sold to the customer and all risks and rewards of ownership have transferred to the customer.

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Note 3: Investment revenue

Table X: Investment revenue	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Dividend from associates	12,022	20,400	-	-
Dividend from equity investments	128	91	128	91
Investment property revenues	12,258	12,549	12,258	12,549
Total investment revenue	**24,408**	**33,040**	**12,386**	**12,640**

Dividends from associates

This relates to dividends from the Council's 34 percent shareholding in Wellington International Airport Limited. The Council continues to review its current level of investment to ensure the overall investment portfolio is managed strategically and in a financially and economically prudent manner. Refer *Note 21: Investment in associates and joint venture* (page X) for further information.

Investment property revenues

The revenues from investment properties derive from ground leases around the central city, Wellington waterfront investment properties and certain other land and buildings. The Council periodically reviews its continued ownership of investment properties by assessing the benefits against other arrangements that could deliver similar benefits. Any assessment is based on both the strategic benefit of the investment/ownership and in terms of the most financially viable method of achieving the delivery of Council services.

For further information refer to *Note 18: Investment properties* (page X).

Relevant significant accounting policies

Dividends

Dividends from associates and equity investments are recognised when the Council's right to receive payment has been established.

Investment property lease rentals

Lease rentals (net of any incentives given) are recognised on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which benefits derived from the leased asset are diminished.

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Note 4: Vested assets and other revenue

Table X: Vested assets and other revenue	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Vested assets	33,591	13,995	33,591	13,995
Other revenue	3,159	7,365	2,825	7,377
Total vested assets and other revenue	**36,750**	**21,360**	**36,416**	**21,372**

Vested assets are principally infrastructural assets such as roading, drainage, water and waste assets that have been constructed by developers. As part of the consents process, ownership of these assets is transferred to the Council, and on completion they become part of the city's network. Although vested assets are non-cash in nature and represent a future obligation to the Council, as the Council will have the ongoing costs associated with maintaining the assets, they are recognised as revenue in accordance with the applicable accounting standard.

Vested assets revenue comprises of:

- Roading - $12.1m (2023: $9.2m) – includes LGWM vested asset revenue of $11.0m (2023: $7.3m) representing NZTA's contribution to the Council's portion of the capital delivery programme.
- Drainage, water and waste - $18.8m (2023: $2.5m) – this revenue relates to vested assets from subdivision developers working with the Council. The increased revenue for the year is mainly attributable to the East Stebbings Subdivision.
- Land - $1.4m (2023: $1.2m).
- Carbon credits - $1.3m (2023: $1.1m).

Other revenue comprises of:

- Gains on disposal of assets - $1.4m (2023: $3.2m)
- Fuel tax - $1.1m (2023: $0.9m)
- Recovered capital expenditure - $0.6m (2023: $3.1m)

Relevant significant accounting policies

Donated, subsidised or vested assets

Where a physical asset is acquired for nil or nominal consideration, with no conditions attached, the fair value of the asset received, as determined by active market prices, is recognised as non-exchange revenue when the control of the asset is transferred to the Council.

Gains on disposal of assets

Gains on disposal of assets include additional earnings (for example, sale proceeds in excess of the book value) on the disposal of property, plant and equipment.

Donated services

The Council benefits from the voluntary service of many Wellingtonians in the delivery of its activities and services (for example, beach cleaning and Ōtari-Wilton's Bush guiding and planting). Due to the difficulty in determining the precise value of these donated services with sufficient reliability, donated services are not recognised in these financial statements. More information on the network of volunteers can be found on page X of Volume 1.

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Note 5: Fair value movements

Table X: Fair value movements	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Amortisation of loans to related parties	7	68	7	68
Fair value adjustment to loan	-	-	-	103
Remeasurement of landfill post-closure costs	1,523	-	1,523	-
Total fair value movements - gains	**1,530**	**68**	**1,530**	**171**
Less				
Investment property revaluation decrease	20,399	13,341	20,399	13,341
Fair value adjustment to loan	-	-	39	-
LGFA - borrower note movement	39	266	39	266
Total fair value movements - losses	**20,438**	**13,607**	**20,477**	**13,607**
Total net fair value movements	**(18,908)**	**(13,539)**	**(18,947)**	**(13,436)**

Investment properties, which are revalued annually, are held primarily to earn lease revenue and/or for capital growth. These properties include the Council's ground leases, Wellington waterfront investment properties and certain other land and buildings. For more information refer to *Note 18: Investment properties* (page X).

Relevant significant accounting policies

Investment properties

Investment properties are measured initially at cost and subsequently measured at fair value, determined annually by an independent registered valuer. Any gain or loss arising is recognised within the surplus or deficit. Investment properties are not depreciated.

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Note 6: Finance revenue and expense

Table X: Finance revenue, expense and net finance cost	**Council**		**Group**	
	2024	**2023**	**2024**	**2023**
	$000	**$000**	**$000**	**$000**
Interest on borrowings	75,814	51,433	75,862	51,445
Re-discounting of interest on provisions	784	652	784	652
Ineffectiveness on cash flow hedges	1,372	-	1,372	-
Total finance expense	**77,970**	**52,085**	**78,018**	**52,097**
Less				
Interest earned	16,964	8,041	18,771	8,869
Transfer from equity for discontinued cash flow hedges	483	-	483	-
Total finance revenue	**17,447**	**8,041**	**19,254**	**8,869**
Net finance cost	**60,523**	**44,044**	**58,764**	**43,228**

Due to a higher level of borrowings, the interest expense has increased compared to the previous year. The Council's policy is to have a portion of borrowings on fixed interest rates to avoid total exposure to volatility in its interest expense as interest rates change. To achieve this, it uses interest rate swaps (which effectively changes floating rate debt to fixed rate debt) along with fixed rate debt.

Interest earned has increased due to higher levels of term deposits being held to pre-fund the maturity of some borrowings along with the rolling liquidity facility maintained by the Council.

Relevant significant accounting policies

Interest on borrowings

Interest expense is recognised using the effective interest rate method. All interest expense is recognised in the period in which it is incurred.

Re-discounting of interest

Re-discounting of interest on provisions is the Council's funding cost for non-current provisions (where the cash flows will not occur until a future date). For further information refer to *Note 25: Employee benefit liabilities and provisions* (page X) and *Note 26: Provision for other liabilities* (page X).

Interest earned

Interest earned is recognised using the effective interest rate method. All interest revenue is recognised in the period in which it is earned.

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Note 7: Expenditure on operating activities

Table X: Expenditure on operating activities	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Governance and employment				
Elected member remuneration	1,897	1,916	1,897	1,916
Independent directors/trustees fees for controlled entities	-	-	931	743
Employee benefits expense:				
- Remuneration	145,854	132,897	184,404	165,685
- Superannuation contributions (including KiwiSaver)	4,330	4,012	5,405	4,819
Other personnel costs	4,374	4,609	5,634	5,977
Impairments				
Bad debts	468	180	468	180
(Decrease)/increase in provision for impairment of receivables and recoverables	(867)	2,616	(867)	2,616
Impairment of property, plant and equipment	7,257	377	7,257	377
Insurance				
Insurance premiums	24,994	21,205	25,857	22,107
Insurance reserve costs - net	892	1,068	892	1,068
General costs				
Administration costs	7,911	8,935	21,551	21,995
Auditor's remuneration	961	592	1,480	946
Contractors	7,163	7,440	8,908	9,221
Contracts, services and materials	218,305	185,439	208,651	182,782
Grants	46,945	47,596	15,540	16,559
Information and communication technology	18,656	18,112	20,857	19,763
Loss on disposal of intangibles	393	25	393	25
Loss on disposal of property, plant and equipment	1,955	352	1,975	944
Operating lease - minimum lease payments	21,063	15,703	22,460	17,031
Professional costs	14,084	18,755	15,803	20,481
Reassessment of weathertight homes provision	(1,668)	1,208	(1,668)	1,208
Reassessment of landfill post-closure costs provision	(848)	(1,638)	(848)	(1,638)
Utility costs	43,515	39,937	45,700	41,059
Total expenditure on operating activities	**567,634**	**511,336**	**592,680**	**535,864**

Governance and employment

Governance costs relate to the remuneration made to all elected members, comprising the Mayor, Councillors and Community Board members and to directors/trustees appointed to boards of controlled entities.

Employment costs relate to the remuneration paid directly to employees, other employee benefits such as KiwiSaver and other associated costs such as recruitment and training.

During the year $0.3m (2023: $0.6m) of termination benefits were incurred by the Council and $0.3m (2023: $0.6m) for the Group. Termination benefits include all payments relating to the end of employment other than unpaid salary and leave entitlements. Termination benefits include contractual payments (for example, redundancy) and non-contractual payments (for example, severance), but exclude retirement payments already provided for.

For further information refer to *Note 38: Remuneration and staffing* (page X).

Impairments

Included within bad debts are amounts of $0.1m (2023: $nil) relating to the write-off of rates receivable during the year. This was approved by the Chief Executive, as they could not reasonably be recovered.

General costs

Table X: Auditor's remuneration:	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Audit New Zealand - Financial Statements	554	514	554	514
Audit New Zealand - Long-term Plan	298	-	298	-
Audit New Zealand - Wellington Waterfront Project	49	46	49	46
Audit New Zealand - Other assurances	57	20	57	20
Audit New Zealand - Other services	3	12	3	12
Other Auditors - Financial Statements	-	-	519	354
	961	**592**	**1,480**	**946**

During the year ending 30 June 2024, Audit New Zealand provided assurances and services as included in Table X above:

- Other assurances - assurance on the Council's greenhouse gas emissions performance measures, debenture trust deed compliance and the Clifton Terrace Carpark managed by the Council on behalf of NZTA (2023: Council's debenture trust deed compliance and the Clifton Terrace Carpark).

- Other services – procurement assurance for a regional solution for organics in the Wellington region (2023: probity assurance over the tender process for Tākina facilities maintenance).

Contracts, services and materials
Contracts, services and materials reflects the direct costs attributable to providing the Council's services. This includes procurement costs, maintenance, management fees plus all other direct material and services costs.

Grants
Grants include the operating grants paid to the Council's controlled entities (refer to *Note 37: Related party disclosures* (page X)). Other major grants include funding provided to the Museum of New Zealand Te Papa Tongarewa of $2.3m (2023: $2.3m).

Operating lease – minimum lease payments
Operating lease minimum lease payments reflect costs for non-cancellable agreements for the use of office or other spaces in buildings and certain plant and equipment.

Utility costs
Utility costs are those relating to the use of electricity, gas and water. It also includes the payment of all rates and water meter charges of $23.3m (2023: $19.8m) on Council-owned properties.

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Relevant significant accounting policies

Grants

Expenditure is classified as a grant (or sponsorship) if it results in a transfer of resources (for example, cash or physical assets) to another entity or individual in return for compliance with certain conditions relating to the operating activities of that entity. It includes any expenditure arising from a funding arrangement with another entity that has been entered into to achieve the objectives of the Council. Grants and sponsorships are distinct from donations, which are discretionary or charitable gifts. Where grants and sponsorships are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when the specified criteria have been fulfilled.

Cost allocation

The Council has disclosed the applications of operating and capital funding for each significant activity (as reported within the Statements of Service Performance, for further information – refer to Section 4: Our performance in detail (Volume 1, pages X to X).

Direct costs are expensed directly to the activity. Indirect costs relate to the overall costs of running the organisation and include staff time, office space and information technology costs. These indirect costs are allocated as overheads across all activities.

Research and development

Research costs are expensed as incurred. Development expenditure on individual projects is capitalised and recognised as an asset when it meets the definition and criteria for capitalisation as an asset and it is probable that the Council will receive future economic benefits from the asset. Assets which have finite lives are stated at cost less accumulated amortisation and are amortised on a straight-line basis over their useful lives.

Note 8: Depreciation and amortisation

Table X: Depreciation and amortisation	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Depreciation				
Buildings	35,314	32,558	35,379	32,683
Civic Precinct	1,655	1,429	1,655	1,429
Drainage, water and waste infrastructure	88,994	87,914	88,994	87,914
Landfill post-closure	-	(3)	-	(3)
Library collections	2,010	2,278	2,010	2,278
Plant and equipment	23,207	18,733	24,099	19,307
Restricted buildings	2,439	2,052	2,439	2,052
Roading infrastructure	49,771	44,903	49,771	44,903
Total depreciation	**203,390**	**189,864**	**204,347**	**190,563**
Amortisation				
Computer software	**7,634**	**6,454**	**7,827**	**6,469**
Total depreciation and amortisation	**211,024**	**196,318**	**212,174**	**197,032**

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Depreciation and amortisation expenses are charged each year to reflect the estimated cost of using assets over their lives. Amortisation relates to 'intangible' assets such as software (as distinct from physical assets, which are covered by the term depreciation).

Relevant significant accounting policies

Depreciation

Depreciation is provided on all property, plant and equipment, with certain exceptions. The exceptions are land, restricted assets other than buildings, investment properties and assets under construction (work in progress). Depreciation is calculated on a straight-line basis, to allocate the cost or value of the asset (less any assessed residual value) over its estimated useful life. (See *Table* X).

The landfill post-closure asset is depreciated over the life of the landfill based on the capacity of the landfill utilised.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its estimated useful life. Amortisation begins when the asset is available for use and ceases at the date the asset is derecognised (See Table X).

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Table X: Estimated useful lives of property, plant and equipment assets	2024 Estimated useful life (years)
Asset Category	
Operational assets	
Land	unlimited
Buildings:	
Structure	2 - 100
Roof	3 - 40
Interior	3 - 45
Services	2 - 40
Civic Precinct	5 - 66
Plant and equipment	3 - 100
Library collection	3 - 10
Infrastructure assets	
Land (including land under roads)	unlimited
Roading:	
Road pavement	10 - 46
Retaining / sea walls	5 - 198
Kerb and channel	5 - 36
Structures - other sea defences	100 - 250
Tunnels - structure and services	55 - 250
Bridges	5 - 104
Drainage, water and waste:	
Pipes	30 - 52
Reservoirs	30 - 140
Pump stations	48 - 91
Fittings	31 - 56
Restricted assets (excluding buildings)	unlimited

A small number of assets will have lives that extend past the range indicated above.

The variation in the estimated useful lives for infrastructure assets is due to these assets being managed and depreciated by individual component rather than as a whole asset.

Table X: Estimated useful lives of intangible assets	2024 Estimated useful life (years)
Asset Category	
Computer software	2 - 11

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Note 9: Share of associates' and joint venture's surplus/(deficit)

Table X: Share of associates' and joint venture's surplus/(deficit)	Group	
	2024	2023
	$000	$000
Associates		
Chaffers Marina Holdings Limited	63	(20)
Wellington International Airport Limited	(4,520)	8,583
Joint venture		
Wellington Water Limited	1,613	(936)
Total share of associates' and joint venture's surplus/(deficit)	**(2,844)**	**7,627**

Further information on the cost and value of the above investments is found in *Note 21: Investments in associates and joint venture* (page X).

Note 10: Income tax

Table X: Income Tax	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Current tax expense/(credit)				
Current year	-	-	303	32
Prior period adjustment	-	-	-	26
Total current tax expense/(credit)	**-**	**-**	**303**	**58**
Deferred tax expense/(credit)				
Origination and reversal of temporary differences	-	(20)	23	434
Other movements	-	-	(69)	-
Prior period adjustment	-	-	83	(188)
Total deferred tax expense/(credit)	**-**	**(20)**	**37**	**246**
Total income tax expense/(credit)	**-**	**(20)**	**340**	**304**

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Table X: Reconciliation of tax on the surplus/(deficit) and tax expense/(credit)	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Surplus/(deficit) for the period before taxation	8,701	(74,226)	5,019	(85,598)
Prima facie income tax based on domestic tax rate - 28%	2,436	(20,783)	1,405	(23,967)
Effect of non-deductible expenses and tax exempt income	(2,466)	20,757	(1,975)	26,538
Current year's loss for which no deferred tax asset was recognised	30	6	30	-
Prior period adjustment	-	-	83	(163)
Overseas witholding tax - non-reclaimable	-	-	1	32
Share of income tax of equity accounted associates	-	-	796	(2,136)
Total income tax expense/(credit)	**-**	**(20)**	**340**	**304**

Relevant significant accounting policies

The Council, as a local authority is only liable for income tax on the surplus or deficit for the year derived from any Council-controlled trading organisations. Other members of the Group are subject to normal taxation unless they have tax exempt status as charitable trusts. Income tax expense includes components relating to both current tax and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, plus any adjustment to tax payable in respect of previous periods.

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Statement of Financial Position

Table X: Statement of Financial Position		Council			Group	
as at 30 June 2024		Actual	Budget	Actual	Actual	Actual
		2024	2024	2023	2024	2023
	Note	$000	$000	$000	$000	$000
Assets						
Current assets						
Cash and cash equivalents	11	71,802	40,330	68,529	93,638	87,707
Derivative financial assets	12	724	-	196	724	196
Receivables and recoverables	13	109,959	87,324	77,185	111,674	79,726
Prepayments	14	28,720	22,426	8,011	28,708	8,333
Other financial assets	15	157,890	205,716	42,744	169,957	46,815
Inventories		1,353	944	1,013	2,138	1,813
Non-current assets classified as held for sale	16	9,824	-	696	1,157	696
Total current assets		**380,272**	**356,740**	**198,374**	**407,996**	**225,286**
Non-current assets						
Derivative financial assets	12	63,713	58,191	72,984	63,713	72,984
Other financial assets	15	45,985	29,297	33,834	48,193	37,980
Intangibles	17	42,404	50,832	40,589	42,805	41,129
Investment properties	18	280,203	308,427	300,002	280,203	300,002
Property, plant and equipment	19	11,372,874	11,029,147	10,395,259	11,398,562	10,410,612
Investment in controlled entities	20	5,071	5,998	5,071	-	-
Investment in associates and joint venture	21	19,383	19,474	19,383	284,906	279,947
Total non-current assets		**11,829,633**	**11,501,366**	**10,867,122**	**12,118,382**	**11,142,654**
Total assets		**12,209,905**	**11,858,106**	**11,065,496**	**12,526,378**	**11,367,940**
Liabilities						
Current liabilities						
Derivative financial liabilities	12	-	260	-	-	-
Exchange transactions and transfers payable	22	115,975	112,631	113,309	119,878	117,018
Taxes payable	22	14,003	-	11,707	14,558	12,047
Deferred revenue	23	20,347	20,855	17,048	28,972	28,328
Borrowings	24	162,498	204,816	205,500	162,498	205,500
Employee benefit liabilities and provisions	25	12,936	13,364	8,929	15,378	11,114
Provision for other liabilities	26	1,324	3,755	6,007	1,324	6,007
Total current liabilities		**327,083**	**355,681**	**362,500**	**342,608**	**380,014**
Non-current liabilities						
Derivative financial liabilities	12	-	523	-	-	-
Exchange transactions and transfers payable	22	-	-	231	-	231
Borrowings	24	1,508,794	1,591,343	1,044,986	1,510,331	1,046,483
Employee benefit liabilities and provisions	25	633	1,186	676	660	723
Provision for other liabilities	26	36,612	27,802	35,358	36,612	35,358
Deferred tax	27	-	-	-	944	838
Total non-current liabilities		**1,546,039**	**1,620,854**	**1,081,251**	**1,548,547**	**1,083,633**
Total liabilities		**1,873,122**	**1,976,535**	**1,443,751**	**1,891,155**	**1,463,647**

The notes on page X to X form part of and should be read in conjunction with the financial statements.

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Table X: Statement of Financial Position		Council			Group	
as at 30 June 2024		Actual	Budget	Actual	Actual	Actual
		2024	2024	2023	2024	2023
	Note	$000	$000	$000	$000	$000
Equity						
Accumulated funds		1,269,134	1,269,134	1,269,134	1,293,162	1,293,162
Retained earnings		3,839,916	3,890,556	3,828,987	3,832,978	3,826,006
Revaluation reserves	28	5,138,158	4,637,773	4,424,407	5,411,485	4,677,956
Hedging reserve	29	65,326	57,624	73,180	67,508	75,316
Fair value through other comprehensive revenue and expense reserve	30	7,328	6,854	6,888	8,308	7,778
Non-controlling interest		-	-	-	632	718
Restricted funds	31	16,921	19,630	19,149	21,150	23,357
Total equity		**10,336,783**	**9,881,571**	**9,621,745**	**10,635,223**	**9,904,293**
Total equity and liabilities		**12,209,905**	**11,858,106**	**11,065,496**	**12,526,378**	**11,367,940**

The notes on page X to X form part of and should be read in conjunction with the financial statements.

Statement of Financial Position - Major budget variations

Budget figures are for the Council only and not the Group.

Significant variations from budget are as follows:

Current assets were $23.5m higher than budget. The major variances included:

- Cash and cash equivalents were $31.5m higher and receivables and recoverables were $22.6m higher than budget due to the timing of working capital movements.
- Other financial assets were $47.8m below budget due to lower amounts of term deposits being held than originally budgeted. This is partially offset by higher than budgeted non-current other financial assets of $16.7m.
- Non-current assets held for sale were $9.8m higher than budget due to the recategorisation of housing assets that were identified for sale to Te Toi Mahana. The sale was completed in September 2024.

Non-current assets were $328.3m higher than budget. The major variances included:

- Property, plant and equipment were $343.7m higher than budget. This is largely due to the impact of the unbudgeted revaluation gain on infrastructure assets, partially offset by the lower capital programme delivery compared to budget.
- Investment properties were $28.2m lower than budget. This is due to a decrease in fair value from the investment properties revaluation. The budget had assumed an increase in fair value on revaluation.

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Total liabilities were $103.4m lower than budget. The major variances included:

- Total borrowings were $124.9m lower than budget. This is due to a range of factors including lower capital programme delivery than budget.
- Taxes payable are $14.0m over budget due to the timing of payments, including payments of rates to GWRC, differing to the original budget.
- Total provisions for other liabilities are $6.4m over budget due to higher provisions for landfill post-closure costs and weathertight homes than budgeted.

Note 11: Cash and cash equivalents

Table X: Cash and cash equivalents	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Cash at bank	39,786	48,514	59,210	66,618
Cash at bank (EUR)	4	-	4	-
Cash on hand	12	15	25	30
Short-term bank deposits of up to 3 months at acquisition	32,000	20,000	34,399	21,059
Total cash and cash equivalents	**71,802**	**68,529**	**93,638**	**87,707**

Bank balances that are interest bearing earn interest based on current Official Cash Rates (OCR).

The Council holds short-term bank deposits as part of its overall liquidity risk management programme. This programme enables the Council to maintain its required liquidity buffer and to pre-fund upcoming debt maturities. The combination of the liquidity support and short-term bank deposits reduces the Council's cost of funds.

Relevant significant accounting policies

Cash and cash equivalents include cash at bank, cash on hand, and short-term bank deposits of up to 3 months at acquisition.

Foreign currency cash and cash equivalents are translated into NZD using the spot rates at the year-end date.

Although cash and cash equivalents at balance date are subject to the expected credit loss requirements of *PBE IPSAS 41 – Financial Instruments*, no loss allowance has been recognised because the estimated allowance is trivial.

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Note 12: Derivative financial instruments

Table X: Derivative financial instruments	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Assets				
Current assets				
Interest rate swaps - cash flow hedges	724	196	724	196
Total current assets	**724**	**196**	**724**	**196**
Non-current assets				
Interest rate swaps - cash flow hedges	63,713	72,984	63,713	72,984
Total non-current assets	**63,713**	**72,984**	**63,713**	**72,984**
Total derivative financial instrument assets	**64,437**	**73,180**	**64,437**	**73,180**

Derivative financial instruments are used by the Group in the normal course of business to hedge exposure to cash flow and fair value interest rate risk. The amounts shown above represent the fair values of these derivative financial instruments. Although these are managed as a portfolio, the Group has no rights to offset assets and liabilities and must present these figures separately. However, as at 30 June 2024 and 2023, all swaps are in an asset position.

Interest rate swaps (cash flow hedges) are used to fix interest rates on floating rate debt (floating rate notes or commercial paper). The swaps are normally held until maturity and have no cash impact or effect on the rates requirements. The timing of the maturities of the active swaps, their nominal values and their weighted average fixed interest rates are shown in *Table XX*.

Table X: Nominal value and weighted average fixed rate of live interest rate swaps	Council				Group			
	2024		2023		2024		2023	
	$000	%	$000	%	$000	%	$000	%
Interest rate swaps - cash flow hedges								
Not later than one year	90,500	4.1%	47,000	4.2%	90,500	4.1%	47,000	4.2%
Later than one year and not later than five years	187,000	3.1%	172,500	3.9%	187,000	3.1%	172,500	3.9%
Later than five years	429,500	2.7%	336,500	2.7%	429,500	2.7%	336,500	2.7%
Total interest rate swaps - cash flow hedges	**707,000**	**3.0%**	**556,000**	**3.2%**	**707,000**	**3.0%**	**556,000**	**3.2%**

The Council and Group also has forward start swaps with a total nominal value of $105.0m (2023: $183.0m) maturing later than five years. The weighted average fixed rate of all interest rate swaps (including forward starts) is 3.1 percent (2023: 3.1 percent).

The Council and Group currently have no fair value hedges.

For further information on the Council's interest rate swaps please refer to *Note 29: Hedging reserve* (page X) and *Note 33: Financial instruments* (page X).

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Relevant significant accounting policies

Derivative financial instruments are used to manage exposure to foreign exchange risks arising from the Council's operational activities and interest rate risks arising from the Council's financing activities. In accordance with its Liability Management Policy, the Council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged.

The associated gains or losses on derivatives that are not hedge accounted are recognised in the surplus or deficit.

The full fair value of a hedge accounted derivative is classified as non-current if the remaining maturity of the hedged item is more than 12 months, and as current if the remaining maturity of the hedged item is less than 12 months.

As per the International Swap Dealers' Association (ISDA) master agreements, all swap payments or receipts are settled net.

Cash flow hedges

The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised in other comprehensive revenue and expense, and the ineffective portion of the gain or loss on the hedging instrument is recognised in the surplus or deficit as part of "finance expense".

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive revenue and expense are reclassified into the surplus or deficit in the same period or periods during which the asset acquired or liability assumed affects the surplus or deficit. However, if it is expected that all or a portion of a loss recognised in other comprehensive revenue and expense will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified to the surplus or deficit.

When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated gains and losses that were recognised in other comprehensive revenue and expense will be included in the initial cost or carrying amount of the asset or liability.

If a hedging instrument expires or is sold, terminated, exercised, or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense is separately recognised in equity and amortised to the surplus or deficit over the remaining period of the original hedging instrument.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swaps match the terms of the fixed rate loan (i.e. notional amount, maturity, payment and reset dates). At inception of the hedge relationship the Council and Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The documentation includes its risk management objective and strategy for undertaking its hedged transactions.

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Derivatives in hedge relationships are designated based on a hedge ratio up to 1:1. The Council and Group does not hedge 100 percent of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. To test the hedge effectiveness, the Council and Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

Hedge ineffectiveness

Hedge ineffectiveness in a hedge relationship can arise from:

- differences in the timing of cash flows of the hedged items and hedging instruments; or
- changes to the forecasted amount of cash flows of hedged items and hedging instruments.

Note 13: Receivables and recoverables

Table X: Receivables and recoverables	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Current				
Trade receivables and recoverables - debtors	22,185	22,580	22,222	23,841
Trade recoverables - fines	10,366	9,998	10,366	9,998
Rates recoverable	38,177	24,259	38,177	24,259
Less provision for impairment	(9,294)	(9,223)	(9,342)	(9,226)
Net receivables	**61,434**	**47,614**	**61,423**	**48,872**
Accrued revenue	24,482	22,627	24,494	22,628
Sundry receivables	9,044	1,157	10,147	2,278
GST recoverable	14,999	5,787	15,610	5,948
Total current	**109,959**	**77,185**	**111,674**	**79,726**
Non-current	-	-	-	-
Total receivables and recoverables - net	**109,959**	**77,185**	**111,674**	**79,726**

Current trade, rates and sundry receivables and recoverables are non-interest bearing and receipt is generally on 30-day terms, therefore the carrying value approximates their fair value.

Table X: Receivables and recoverables from related parties	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Receivables and recoverables from related parties				
- Controlled entities	451	2,913	-	-
- Associates and joint venture	81	-	81	-
Total receivables and recoverables from related parties	**532**	**2,913**	**81**	**-**

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Relevant significant accounting policies

Receivables from exchange transactions

Receivables from exchange transactions arise when the Council is owed value by another entity or individual for goods or services provided directly by the Council and will receive approximately equal value in a willing arm's-length transaction (primarily in the form of cash in exchange). Examples of exchange transactions include parking services and metered water rates.

Recoverables from non-exchange transactions

Recoverables from non-exchange transactions arise when the Council is owed value from another party without giving approximately equal value directly in exchange for the value received. Most of the goods or services the Council provides are subsidised by rates revenue and therefore the exchange is unequal. Examples of non-exchange transactions include social housing rentals, parking fines and recreational centre activities. Non-exchange transactions are comprised of either taxes or transfers. Transfers also include grants that do not have specific conditions attached which require return of the grant for non-performance.

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. As the Council satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Expected credit losses

Short-term receivables are recorded at the amount due, less an allowance for expected credit losses (ECL).

The Council and Group apply the simplified ECL model of recognising lifetime ECL for short-term receivables. Lifetime ECL result from all possible default events over the expected life of a receivable. The Council and Group use a provision matrix based on historical credit loss information upon initial recognition of a receivable, using reasonable assumptions and any available customer information.

Other receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

Rates receivable

The Council does not provide for ECL on rates receivable, except for abandoned properties where the debt is greater than 10 years past due and the likelihood of recovery is assessed to be remote. For all other rates receivables, Council has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow the Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgment, then the Council can apply to the Registrar of the High Court to have the judgment enforced by sale or lease of the rating unit.

Ratepayers can apply for payment plan options in special circumstances.

Other receivables

In measuring ECL, all receivables have been grouped based on shared risk characteristics and the days overdue. The ECL rates for other receivables are based on the payment profile of revenue on credit over the prior three years at year-end date. A provision matrix is then established based on historical, current

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and forward-looking information specific to each class of debtors and the macroeconomic environment affecting the ability of customers to settle their debt.

The allowance for ECL on total receivables and recoverables based on the Council and the Group's credit loss matrix is shown in Table *XX*.

Table X: Debt aging profile and expected credit loss matrix	2024				2023			
	Gross	Expected Credit Loss Rate	Lifetime ECL	Net	Gross	Expected Credit Loss Rate	Lifetime ECL	Net
	$000	%	$000	$000	$000	%	$000	$000
Council								
Receivables and recoverables								
Not past due	27,287	0.4%	(98)	27,189	16,419	0.7%	(120)	16,299
Past due 0-3 months	11,099	1.3%	(143)	10,956	10,683	1.3%	(143)	10,540
Past due 3-6 months	18,314	1.5%	(279)	18,035	8,953	3.0%	(271)	8,682
Past due more than 6 months	14,028	62.5%	(8,774)	5,254	20,782	41.8%	(8,689)	12,093
Total receivables and recoverables	**70,728**		**(9,294)**	**61,434**	**56,837**		**(9,223)**	**47,614**
Group								
Receivables and recoverables								
Not past due	26,932	0.4%	(103)	26,829	17,388	0.7%	(123)	17,265
Past due 0-3 months	11,391	1.4%	(155)	11,236	10,886	1.3%	(143)	10,743
Past due 3-6 months	18,385	1.6%	(287)	18,098	8,998	3.0%	(271)	8,727
Past due more than 6 months	14,057	62.6%	(8,797)	5,260	20,826	41.7%	(8,689)	12,137
Total receivables and recoverables	**70,765**		**(9,342)**	**61,423**	**58,098**		**(9,226)**	**48,872**

The net receivables and recoverables past due for more than six months includes fines, which after initial det recovery attempts, are passed to the Courts to further pursue. Due to their nature, the collection pattern for such fines is longer than for trade debtors.

Note 14: Prepayments

Table X: Prepayments	**Council**		**Group**	
	2024	**2023**	**2024**	**2023**
	$000	**$000**	**$000**	**$000**
Insurance	20,895	1,304	20,895	1,303
Information and communications technology	2,836	2,560	2,836	2,560
Waterfront operations	746	949	746	949
Property pre-sale costs	162	929	162	929
Prepaid interest - Commercial Paper	605	663	605	663
Tākina - exhibitions	746	340	746	340
Wellington Museums Trust - 24/25 operating grant	1,000	-	-	-
Other	1,730	1,266	2,718	1,589
Total prepayments	**28,720**	**8,011**	**28,708**	**8,333**

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The Council's significant material damage insurance policies normally renew at the end of May each year. The prior year payment for insurance did not occur until July 2023. Hence, the prior year prepayment for insurance is considerably lower compared to the current year.

Note 15: Other financial assets

Table X: Other financial assets	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Represented by:				
Current	157,890	42,744	169,957	46,815
Non-current	45,985	33,834	48,193	37,980
Total other financial assets	**203,875**	**76,578**	**218,150**	**84,795**
Comprised of:				
Equity investments:				
Civic Financial Services Limited	491	476	491	476
Local Government Funding Agency (LGFA)	9,183	8,756	9,183	8,756
Creative HQ shareholdings - available-for-sale	-	-	1,741	1,696
Endowment fund - Wellington Museums Trust	-	-	324	291
Gifted investment - Karori Sanctuary Trust	-	-	141	131
Debt securities investments				
LGFA - borrower notes	36,038	25,190	36,038	25,190
Deposits and loans				
Bank term deposits - greater than 3 months at acquisition	156,000	40,000	168,067	46,098
Loans to related parties	2,163	2,156	2,163	2,156
Loans to external organisations	-	-	2	1
Total other financial assets	**203,875**	**76,578**	**218,150**	**84,795**

Equity investments

Civic Financial Services Limited is the trading name for the New Zealand Local Government Insurance Corporation Limited. The Council holds a 4.7 percent (2023: 4.7 percent) shareholding in this entity and has no present intention to sell. The fair value of the investment is determined by reference to the net equity amount from their most recent Annual Report.

The LGFA is an alternative debt provider majority owned by and operated for local authorities. The Council holds an 8.3 percent (2023: 8.3 percent) shareholding of the paid-up capital and will benefit as a shareholder from a return on its investment and as a borrower from lower borrowing costs. Refer to *Note 37: Related party disclosures*, for more information (page X). The fair value of the investment is determined by reference to the estimated net equity amount from their most recent unaudited June quarter report.

Creative HQ, a controlled entity of Wellington Regional Economic Development Agency Limited (WREDA), has small shareholdings in various incubator and accelerator programme companies. These shares are held until the companies mature or cease operations.

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Debt securities investments

Borrower notes

As part of the borrowing arrangements through the LGFA, the Council is required to leave 2.5 percent of any debt drawdown with the LGFA, as an investment, in the form of a borrower note. Borrower notes are subordinated convertible debt instruments, which will be repaid with interest to the Council once the related borrowing is repaid or no longer owed to the LGFA. The maturity profile of these notes matches the related debt maturity profile (26 August 2024 to 15 October 2033).

The fair value of borrower notes is determined by reference to the relevant interest rate curve.

Deposits and loans

Bank term deposits

Bank term deposits with maturities greater than 3 months are categorised as investments. These longer-term deposits largely relate to pre-funding for future debt repayments and generally mature in less than 12 months.

The carrying amount of term deposits approximates their fair value and no ECL has been recognised due to the continued low credit risk associated with these deposits, being held in NZ registered banks with A or better long-term investment grade credit ratings.

Loans to related parties

The loans to related parties are concessionary in nature since the loans have been granted on interest free terms for all or part of the life of the loan. The movements in the loans are shown in *Table X.*

Table XX: Loans	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Loans to related parties				
Wellington Regional Stadium Trust				
(Build and membership underwrite - $15,394,893)				
Opening balance	56	50	56	50
Amortisation of fair value adjustment	7	6	7	6
Closing balance at fair value	**63**	**56**	**63**	**56**
Wellington Regional Stadium Trust				
(COVID-19 support - $2,100,000)				
Opening balance	2,100	2,038	2,100	2,038
Amortisation of fair value adjustment	-	62	-	62
Closing balance at fair value	**2,100**	**2,100**	**2,100**	**2,100**
Loans to other external organisations				
Opening balance	-	-	1	1
Additions	-	-	1	-
Closing balance at fair value	**-**	**-**	**2**	**1**
Total loans	**2,163**	**2,156**	**2,165**	**2,157**

The fair value movement on loans reflects the timing of their expected repayments and the interest free or other nature of the loan. Over the remaining life of the loans their fair value will be amortised back up to their full nominal value.

Wellington Regional Stadium Trust (WRST)

The Council holds a $15.0m limited recourse loan to WRST, which is unsecured, with no specified maturity and at no interest. The loan is not repayable until all other debts are extinguished.

In addition to the loan, unpaid interest which arose under a membership underwrite agreement was converted to a $0.4m advance repayable after all other advances made by the Council and GWRC are paid. The expected repayment of the loan and the advance back to the Council, as advised by WRST, is in 2070.

The amortisation rate applicable to the WRST loan is 12.7 percent.

The $2.1m loan results from a joint loan facility of $4.2m shared equally between the Council and GWRC. The loan facility was drawn down by WRST to fund operating deficits resulting from the impact of COVID-19 and to provide funding for the capital works required to continue with the strengthening of the Fran Wilde walkway. The Council's share of the unsecured loan is $2.1m with a fixed interest rate of 3.0 percent and was interest free for the first two years commencing from the date of the first drawdown in December 2020. The first six-monthly accrued interest payment was received in June 2023, with the loan due to be fully repaid by the end of the 2030/31 reporting period.

The Council does not hold any collateral for any of its loan assets.

Relevant significant accounting policies

Initial recognition

Other financial assets (other than shares in subsidiaries) are initially recognised at fair value. They are then classified as, and subsequently measured under, the following categories:

- amortised cost.
- fair value through other comprehensive revenue and expense (FVTOCRE); or
- fair value through surplus and deficit (FVTSD).

Transaction costs are included in the value of the financial asset at initial recognition unless it has been designated at FVTSD, in which case it is recognised in the surplus or deficit.

The classification of a financial asset depends on its cash flow characteristics and the Council and Group's management model for managing them.

A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal outstanding and is held within a management model whose objective is to collect the contractual cash flows of the asset.

A financial asset is classified and subsequently measured at FVTOCRE if it gives rise to cash flows that are SPPI and held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets that do not meet the criteria to be measured at amortised cost or FVTOCRE are subsequently measured at FVTSD. However, the Council and Group may elect at initial recognition to designate an equity investment not held for trading as subsequently measured at FVTOCRE.

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Initial recognition of concessionary loans

Loans made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flow, discounted at the current market rate of return for a similar financial instrument. For loans to community organisations, the difference between the loan amount and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as a grant expense.

Subsequent measurement of financial assets at amortised cost

Financial assets classified at amortised cost are subsequently measured at amortised cost using the effective interest method, less any expected credit losses (ECL). Instruments in this category include term deposits and loans to related parties.

Subsequent measurement of financial assets at FVTOCRE

Financial assets in this category that are equity instruments designated as FVTOCRE are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense. There is no assessment for impairment when fair value falls below the cost of the investment. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to accumulated funds within equity. The Council and Group designate into this category all equity investments that are not held for trading as they are strategic investments that are intended to be held for the medium to long-term.

Subsequent measurement of financial assets at FVTSD

Financial assets in this category are subsequently measured at fair value with fair value gains and losses recognised in the surplus or deficit.

Interest revenue and dividends recognised from these financial assets are separately presented within revenue.

Expected credit loss allowance (ECL)

The Council and Group recognise an allowance for ECLs for all debt instruments not classified as FVTSD. ECLs are the probability-weighted estimate of credit losses, measured at the present value of cash shortfalls, which is the difference between the cash flows due to Council and Group in accordance with the contract and the cash flows it expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

ECLs are recognised in two stages. ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). However, if there has been a significant increase in credit risk since initial recognition, the loss allowance is based on losses possible for the remaining life of the financial asset (Lifetime ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Council and Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Council and Group's historical experience and informed credit assessment and including forward-looking information.

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Note 16: Non-current assets classified as held for sale

Table X: Non-current assets classified as held for sale	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Buildings	4,905	-	218	-
Land	4,919	696	939	696
Total non-current assets classified as held for sale	**9,824**	**696**	**1,157**	**696**

Included in the above Council assets are $8.7m of land and buildings that were subsequently sold to Te Toi Mahana in September 2024.

Relevant significant accounting policies

Non-current assets are classified as held for sale if their carrying value will be recovered principally through a sale transaction, rather than through continuing use.

Non-current assets held for sale are measured at the lower of the carrying amount and fair value less costs to sell. Impairment losses on initial classification are included within the surplus or deficit.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

A non-current asset is classified as held for sale where:

- the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets;
- a plan to sell the asset is in place and an active programme to locate a buyer has been initiated;
- the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value;
- the sale is expected to occur within one year or beyond one year where a delay has occurred which is caused by events beyond the Group's control and there is sufficient evidence the Group remains committed to sell the asset; and
- actions required to complete the sale indicate it is unlikely that significant changes to the plan will be made or the plan will be withdrawn.

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Note 17: Intangibles

Table X: Intangibles	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Computer software				
Cost - opening balance	80,110	73,015	80,959	73,575
Accumulated amortisation	(61,078)	(55,420)	(61,387)	(55,953)
Carrying amount - opening balance	19,032	17,595	19,572	17,622
Acquired by direct purchase	7,635	7,916	7,689	8,452
Amortisation	(7,634)	(6,454)	(7,827)	(6,478)
Loss on disposal	(393)	(25)	(393)	(25)
Total computer software - closing balance	**18,640**	**19,032**	**19,041**	**19,572**
Cost	86,647	80,110	87,416	80,959
Accumulated amortisation and Impairment	(68,007)	(61,078)	(68,375)	(61,387)
Total computer software - closing balance	**18,640**	**19,032**	**19,041**	**19,572**
Work in progress				
Computer software	8,935	8,373	8,935	8,373
Total work in progress	**8,935**	**8,373**	**8,935**	**8,373**
Carbon credits				
Cost - opening balance	13,184	12,971	13,184	12,971
Additions	3,400	1,118	3,400	1,118
Net disposals	(1,755)	(905)	(1,755)	(905)
Total carbon credits - closing balance	**14,829**	**13,184**	**14,829**	**13,184**
Total intangibles	**42,404**	**40,589**	**42,805**	**41,129**

Disposals and transfers are reported net of accumulated amortisation.

Carbon credits

As part of the Emissions Trading Scheme (ETS) the Council receives carbon credit units from the Crown in recognition of the carbon absorbed by a portion of the Council's green belt.

The Council may also purchase units to cover the expected liabilities associated with landfill operation as required. The Council surrenders units to extinguish these liabilities.

At 30 June 2024 the total expected liability relating to landfill carbon emissions for the first six months of the 2024 calendar year is $0.6m (2023: $0.6m).

More information on carbon credits can be found in Section 4: Our performance in detail, under activity 2.2: Waste reduction and energy conservation (Volume 1, page X).

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The movement in units held by the Council are shown in *Table* X.

Table X: Carbon credits	Council		Group	
	2024	2023	2024	2023
	Units	Units	Units	Units
Opening balance	523,431	539,385	523,431	539,385
Additions - allocated from the Crown	21,986	13,171	21,986	13,171
Additions - purchases	30,000	-	30,000	-
Disposals - surrendered to the Crown	(45,993)	(29,125)	(45,993)	(29,125)
Total carbon credits	**529,424**	**523,431**	**529,424**	**523,431**

Carbon emission units

The price of carbon as at 30 June 2024 was $50.50 per New Zealand Unit (unit) (2023: $76.13). One unit is equivalent to one tonne of carbon dioxide equivalent (tCO2-e).

Relevant significant accounting policies

Gains and losses arising from disposal of intangible assets are recognised within the surplus or deficit in the period in which the transaction occurs. Intangible assets are reviewed at least annually to determine if there is any indication of impairment. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported within the surplus or deficit.

Computer software

Acquired computer software is measured on initial recognition at the costs to acquire and bring to use and is subsequently measured less any amortisation and impairment losses.

Typically, the estimated useful life of these assets is between 2 to 11 years.

Carbon Credits

Carbon credits comprise either allocations of emission allowances granted by the Crown related to forestry assets or units purchased in the market to cover liabilities associated with landfill operations. Carbon credits allocated as a non-exchange transaction are initially recognised at fair value, which then becomes the deemed cost. Carbon credits that are purchased are recognised at cost.

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Note 18: Investment properties

Table X: Investment properties	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Ground leases, other land and buildings				
Opening balance	299,494	299,712	299,494	299,712
Additions by acquisition	9	13,123	9	13,123
Fair value revaluation movements taken to surplus/(deficit)	(20,399)	(13,341)	(20,399)	(13,341)
Total ground leases, other land and buildings	**279,104**	**299,494**	**279,104**	**299,494**
Work in progress				
Other land and buidings	1,099	508	1,099	508
Total work in progress	**1,099**	**508**	**1,099**	**508**
Total investment properties	**280,203**	**300,002**	**280,203**	**300,002**

The Council's investment properties were revalued as at 30 June 2024 by an independent valuer, William Bunt (FNZIV, FPINZ), registered valuer and Director of Valuation and Advisory Services for CBRE Limited.

Table X: Investment property by type	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Ground leases	223,475	246,357	223,475	246,357
Other land and buildings (including WIP)	56,728	53,645	56,728	53,645
Total investment properties	**280,203**	**300,002**	**280,203**	**300,002**

Investment properties, which are revalued annually, are held primarily to earn lease revenue and/or for capital growth. These properties include the Council's ground leases, Wellington waterfront investment properties and certain other land and buildings.

Ground leases are parcels of land owned by the Council in the central city or on the waterfront that are leased to other parties who own the buildings situated on the land. The leases are generally based on 21-year perpetually renewable terms. As these parcels of land are held for investment purposes the leases are charged on a commercial market basis.

Investment properties exclude those properties held for strategic purposes or to provide a social service. Excluded properties includes those which generate cash inflows where the lease revenue is incidental to the purpose for holding the property. Such properties include the Council's social housing assets, which are held within operational assets in property, plant and equipment.

Relevant significant accounting policies

The basis of valuation varies depending on the nature of the lease. For sites that are subject to a terminating lease the approach is to assess the value of the lease revenue over the remaining term of the lease and add the residual value of the land at lease expiry.

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For sites subject to perpetually renewable leases, values have been assessed utilising the discounted cash flow methodology and arriving at a net present value of all future anticipated gross lease payments.

Borrowing costs incurred during the construction of investment property are not capitalised.

Investment properties are measured initially at cost and subsequently measured at fair value, determined annually by an independent registered valuer. Any gain or loss arising is recognised within the surplus or deficit. Investment properties are not depreciated.

Certain ground leases on the waterfront and within the central city have, for accounting purposes, been treated as sold assets due to the very long-term nature of the lease and peppercorn rentals. At a future point in time, prior to the asset being returned to the Council ownership, the Council will begin to incrementally re-recognise the value of the asset. The amortisation of the estimated future value will reflect the prevalent economic situation and will be more relevant in terms of both the estimated value and materiality.

Note 19: Property, plant and equipment

Table X: Summary of property, plant and equipment	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Property, plant and equipment - opening balance	10,395,259	10,278,248	10,410,612	10,292,099
Additions	173,628	380,657	175,423	382,671
Reassessment of landfill post-closure costs	1,523	-	1,523	-
Disposals	(2,978)	(1,180)	(3,351)	(1,209)
Depreciation expense	(203,390)	(189,863)	(204,347)	(190,563)
Impairment	(7,257)	(12,775)	(7,257)	(12,775)
Revaluation movement	713,751	(47,215)	713,751	(47,215)
Net transfer (to)/from non-current assets held for sale	(9,128)	12,669	(461)	12,669
Movement of work in progress	311,466	(25,282)	312,669	(25,065)
Total property, plant and equipment	**11,372,874**	**10,395,259**	**11,398,562**	**10,410,612**

Relevant significant accounting policies

Property, plant and equipment consists of operational assets, infrastructure assets and restricted assets.

Operational assets include: land, buildings, landfill post-closure costs, Civic Precinct, plant and equipment, and library collections.

Infrastructure assets include: the roading network, drainage, water and waste reticulation networks including service concession arrangement assets (wastewater treatment plants). Each asset type includes all items that are required for the network to function.

Restricted assets include: art and cultural assets, buildings on restricted land, parks and reserves, and the Town Belt. These assets provide a benefit or service to the community and in most cases cannot be disposed of because of legal or other restrictions (for example, land declared as a reserve under the Reserves Act 1977). The use of the asset may also be restricted such as the donated Basin Reserve land which must be retained for the purposes of providing a cricket and recreation ground with no permitted thoroughfare.

Within the above three categories, assets can also be subcategorised as heritage or vested assets.

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Heritage assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. The Council and Group recognises these assets within these financial statements to the extent their value can be reliably measured.

Vested assets are those assets where ownership and control are transferred to the Council from a third party (for example, infrastructure assets constructed by developers and transferred to the Council on completion of a subdivision). Vested assets are recognised within their respective asset classes.

Recognition

Expenditure is capitalised as property, plant and equipment when it creates a new asset or increases the economic benefits of an existing asset. Costs that do not meet the criteria for capitalisation are expensed.

Measurement

Property, plant and equipment is recognised initially at cost, unless acquired for nil or nominal cost (for example, vested assets), in which case the asset is recognised at fair value at the date of transfer. The initial cost of property, plant and equipment includes the purchase consideration (or the fair value in the case of vested assets), and those costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose. Subsequent expenditure that extends or expands the asset's service potential is capitalised.

Borrowing costs incurred during the construction of property, plant and equipment are not capitalised.

After initial recognition, certain classes of property, plant and equipment are revalued to fair value. Where there is no active market for an asset, fair value is determined by using the optimised depreciated replacement cost methodology.

Optimised depreciated replacement cost is a valuation methodology where the value of an asset is based on the cost of replacement with an efficient modern equivalent making allowance for obsolesce or surplus capacity. The remaining life of the asset is estimated, and straight-line depreciation applied to bring the replacement cost to a fair value.

Specific measurement policies for categories of property, plant and equipment are shown below:

Operational land and buildings

Operational land and buildings are valued at fair value every 3 years or, whenever the carrying amount differs materially to fair value, by independent registered valuers. Where the information is available, land and buildings are valued based on market evidence. Most of the Council's land and buildings are of a 'non-tradeable' or specialist nature and the value is based on the fair value of the land plus the optimised depreciated replacement cost of the buildings.

For earthquake prone buildings that are expected to be strengthened, the estimated cost to strengthen the building has been deducted from the optimised depreciated replacement cost.

Non-specialised properties that comprise the City Housing portfolio have been valued on a market-based approach with the associated land value being established through analysis of sales and market evidence.

Landfill post-closure costs

Amounts capitalised for landfill post-closure costs are based on the present value of future cash flows expected to be incurred, taking into account future events including known changes to legal requirements and known technological improvements. The capitalised landfill asset is then depreciated over the life of the landfill based on the capacity used.

Operational – Civic Precinct and plant and equipment

The Civic Precinct and plant and equipment are measured at historical cost and not revalued.

Operational - library collections

Library collections are valued at depreciated replacement cost on a 3-year cycle by the Council's library staff in accordance with guidelines outlined in Valuation Guidance for Cultural and Heritage Assets, published by The Treasury Accounting Team, November 2002.

Infrastructure assets

Infrastructure assets (the roading network, drainage, water and waste reticulation networks including service concession arrangement assets (wastewater treatment plants)) are valued at optimised depreciated replacement cost every 3 years or, whenever the carrying amount differs materially to fair value, by an independent registered valuer. Infrastructure valuations are based on the physical attributes of the assets, their condition and their remaining lives based on the Council's best information reflected in its asset management plans. The costs are based on current quotes from actual suppliers. As such, they include ancillary costs such as breaking through seal, traffic control and rehabilitation. Between valuations, expenditure on asset improvements is capitalised at cost.

Infrastructure land (excluding land under roads) is valued every 3 years or, whenever the carrying amount differs materially to fair value, by an independent registered valuer.

Land under roads, which represents the corridor of land directly under and adjacent to the Council's roading network, was valued as at 30 June 2005 at the average value of surrounding adjacent land discounted by 50 percent to reflect its restricted nature. The Council elected to use the fair value of land under roads at 30 June 2005 as the deemed cost of the asset. Land under roads is no longer revalued. Subsequent additions have been recorded at cost.

The carrying values of revalued property, plant and equipment are reviewed at the end of each reporting period to ensure that those values are not materially different to fair value.

Restricted assets

Art and cultural assets (artworks, sculptures and statues) are valued at historical cost. All other restricted assets (buildings, parks and reserves and the Town Belt) were valued at fair value as at 30 June 2005 by an independent registered valuer. The Council has elected to use the fair value of other restricted assets at 30 June 2005 as the deemed cost of the assets. These assets are no longer revalued. Subsequent additions have been recorded at cost.

Impairment

The Council's assets are defined as cash generating if the primary purpose of the asset is to provide a commercial return. Non-cash generating assets are assets other than cash generating assets. Property, plant and equipment assets, measured at fair value, are not required to be reviewed and tested for impairment.

The carrying amounts of cash generating property, plant and equipment assets are reviewed at least annually to determine if there is any indication of impairment. Where an asset's, or class of assets', recoverable amount is less than its carrying amount it will be reported at its recoverable amount and an impairment loss will be recognised. The recoverable amount is the higher of an item's fair value less costs to sell and value in use. Losses resulting from impairment are reported within the surplus or deficit unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease and recorded within other comprehensive revenue and expense.

The carrying amounts of non-cash generating property, plant and equipment assets, and intangible assets are reviewed at least annually to determine if there is any indication of impairment. Where an

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asset's, or class of assets', recoverable service amount is materially less than its carrying amount it will be reported at its recoverable service amount and an impairment loss will be recognised.

The recoverable service amount is the higher of an item's fair value less costs to sell and value in use. A non-cash generating asset's value in use is the present value of the asset's remaining service potential. Losses resulting from impairment are reported within the surplus or deficit unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease and recorded within other comprehensive revenue and expense.

Disposal

Gains and losses on disposals are determined by comparing the proceeds from sale with the carrying amount of the asset. Gains and losses on disposal are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Work in progress

Work in progress represents the cost of capital expenditure projects that are not yet capable for use in the manner intended by management. The cost of projects within work in progress is transferred to the relevant asset class when the project is completed and is then subject to depreciation/amortisation.

The movements according to the individual classes of assets are as shown in *Table* X

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Table X: Property, plant and equipment by category and class of asset	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Operational assets				
Land				
Land - at cost - opening balance	-	3,202	-	3,202
Land - at valuation - opening balance	347,780	362,306	347,780	362,306
Total land - opening balance	347,780	365,508	347,780	365,508
Additions	71	-	71	-
Disposals	(430)	-	(430)	-
Impairment	-	(430)	-	(430)
Revaluation movement	-	(15,819)	-	(15,819)
Transfer between asset classes	-	(7,821)	-	(7,821)
Net transfer (to)/from non-current assets held for sale	(4,012)	6,342	(32)	6,342
Total land - closing balance	**343,409**	**347,780**	**347,389**	**347,780**
Land - at cost - closing balance	71	-	71	-
Land - at valuation - closing balance	343,338	347,780	347,318	347,780
Total land - closing balance	**343,409**	**347,780**	**347,389**	**347,780**
Buildings				
Buildings - at cost - opening balance	-	136,410	-	136,410
Buildings - at valuation - opening balance	1,450,851	1,006,704	1,459,474	1,015,328
Total cost/valuation	1,450,851	1,143,114	1,459,474	1,151,738
Accumulated depreciation and impairment	(475,315)	(363,996)	(480,329)	(368,938)
Total buildings - opening balance	975,536	779,118	979,145	782,800
Additions	9,419	225,154	9,419	225,207
Depreciation expense	(35,314)	(32,557)	(35,379)	(32,683)
Disposals	(115)	-	(155)	-
Impairment	(200)	(715)	(200)	(715)
Revaluation movement	(55)	(16,641)	(55)	(16,641)
Transfer between asset classes	-	15,288	(2,595)	15,288
Net transfer (to)/from non-current assets held for sale	(4,905)	5,889	(218)	5,889
Total buildings - closing balance	**944,366**	**975,536**	**949,962**	**979,145**
Buildings - at cost - closing balance	9,419	-	9,419	-
Buildings - at valuation - closing balance	1,445,270	1,450,851	1,455,322	1,459,474
Total cost/valuation	1,454,689	1,450,851	1,464,741	1,459,474
Accumulated depreciation and impairment	(510,323)	(475,315)	(514,779)	(480,329)
Total buildings - closing balance	**944,366**	**975,536**	**949,962**	**979,145**

Disposals and transfers are reported net of accumulated depreciation.

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	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Landfill post-closure costs [1]				
Landfill post-closure - at cost - opening balance	2,097	3,851	2,097	3,851
Accumulated depreciation	(3,620)	(3,643)	(3,620)	(3,643)
Total landfill post-closure costs - opening balance	(1,523)	208	(1,523)	208
Depreciation expense	-	3	-	3
Movement in post-closure costs	-	(1,734)	-	(1,734)
Reassessment of landfill post-closure costs	1,523	-	1,523	-
Total landfill post-closure costs - closing balance	**-**	**(1,523)**	**-**	**(1,523)**
Landfill post-closure - at cost - closing balance	3,620	2,097	3,620	2,097
Accumulated depreciation	(3,620)	(3,620)	(3,620)	(3,620)
Total landfill post-closure costs - closing balance	**-**	**(1,523)**	**-**	**(1,523)**
Civic Precinct				
Civic Precinct - at cost - opening balance	197,809	183,635	197,809	183,635
Accumulated depreciation and impairment	(146,324)	(133,378)	(146,324)	(133,378)
Total Civic Precinct - opening balance	51,485	50,257	51,485	50,257
Additions	3,000	2,719	3,000	2,719
Depreciation expense	(1,655)	(1,429)	(1,655)	(1,429)
Disposals	-	(62)	-	(62)
Impairment	(6,682)	-	(6,682)	-
Total Civic Precinct - closing balance	**46,148**	**51,485**	**46,148**	**51,485**
Civic Precinct - at cost - closing balance	200,785	197,809	200,785	197,809
Accumulated depreciation and impairment	(154,637)	(146,324)	(154,637)	(146,324)
Total Civic Precinct - closing balance	**46,148**	**51,485**	**46,148**	**51,485**
Plant and equipment				
Plant and equipment - at cost - opening balance	281,942	311,883	298,879	332,129
Accumulated depreciation and impairment	(162,571)	(179,739)	(171,144)	(192,978)
Total plant and equipment - opening balance	119,371	132,144	127,735	139,151
Additions	44,164	20,454	45,959	22,414
Depreciation expense	(23,207)	(18,733)	(24,099)	(19,307)
Disposals	(1,087)	(527)	(1,420)	(556)
Impairment	(338)	-	(338)	-
Transfer between asset classes	(14)	(13,967)	2,581	(13,967)
Total plant and equipment - closing balance	**138,889**	**119,371**	**150,418**	**127,735**
Plant and equipment - at cost	306,506	281,942	328,444	298,879
Accumulated depreciation and impairment	(167,617)	(162,571)	(178,026)	(171,144)
Total plant and equipment - closing balance	**138,889**	**119,371**	**150,418**	**127,735**

1. The Council's share of the joint operation with Porirua City Council relating to the Spicer Valley landfill is included in this asset class.

Disposals and transfers are reported net of accumulated depreciation.

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	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Library collections				
Library collections - at cost - opening balance	-	1,718	-	1,718
Library collections - at valuation - opening balance	13,945	16,711	13,945	16,711
Total cost/valuation	13,945	18,429	13,945	18,429
Accumulated depreciation	-	(3,919)	-	(3,919)
Total library collections - opening balance	13,945	14,510	13,945	14,510
Additions	2,330	33	2,330	33
Depreciation expense	(2,010)	(2,278)	(2,010)	(2,278)
Revaluation movement	-	1,680	-	1,680
Total library collections - closing balance	**14,265**	**13,945**	**14,265**	**13,945**
Library collections - at cost - closing balance	2,330	-	2,330	-
Library collections - at valuation - closing balance	13,945	13,945	13,945	13,945
Total cost/valuation	16,275	13,945	16,275	13,945
Accumulated depreciation	(2,010)	-	(2,010)	-
Total library collections - closing balance	**14,265**	**13,945**	**14,265**	**13,945**
Total operational assets	**1,487,077**	**1,506,594**	**1,508,182**	**1,518,567**
Infrastructure assets				
Drainage, water and waste				
Drainage, water and waste - at cost - opening balance	79,564	109,934	79,564	109,934
Drainage, water and waste - at valuation - opening balance	7,634,605	7,531,028	7,634,605	7,531,028
Total cost/valuation	7,714,169	7,640,962	7,714,169	7,640,962
Accumulated depreciation	(4,236,721)	(4,143,089)	(4,236,721)	(4,143,089)
Total drainage, water and waste - opening balance	3,477,448	3,497,873	3,477,448	3,497,873
Additions	28,326	81,180	28,326	81,180
Disposals	(1,189)	-	(1,189)	-
Depreciation expense	(88,994)	(87,914)	(88,994)	(87,914)
Impairment	-	(11,630)	-	(11,630)
Revaluation movement	465,094	-	465,094	-
Transfer between asset classes	-	(2,061)	-	(2,061)
Total drainage, water and waste - closing balance	**3,880,685**	**3,477,448**	**3,880,685**	**3,477,448**
Drainage, water and waste - at cost - closing balance	-	79,564	-	79,564
Drainage, water and waste - at valuation - closing balance	8,238,140	7,634,605	8,238,140	7,634,605
Total cost/valuation	8,238,140	7,714,169	8,238,140	7,714,169
Accumulated depreciation	(4,357,455)	(4,236,721)	(4,357,455)	(4,236,721)
Total drainage, water and waste - closing balance	**3,880,685**	**3,477,448**	**3,880,685**	**3,477,448**

Disposals and transfers are reported net of accumulated depreciation.

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	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Roading				
Roading - at cost - opening balance	43,424	38,203	43,424	38,203
Roading - at valuation - opening balance	2,474,101	2,470,888	2,474,101	2,470,888
Total cost/valuation	2,517,525	2,509,091	2,517,525	2,509,091
Accumulated depreciation	(933,849)	(908,212)	(933,849)	(908,212)
Total roading - opening balance	1,583,676	1,600,879	1,583,676	1,600,879
Additions	74,326	43,424	74,326	43,424
Depreciation expense	(49,771)	(44,903)	(49,771)	(44,903)
Impairment	(37)	-	(37)	-
Revaluation movement	248,712	(16,435)	248,712	(16,435)
Transfer between asset classes	14	711	14	711
Total roading - closing balance	**1,856,920**	**1,583,676**	**1,856,920**	**1,583,676**
Roading - at cost - closing balance	-	43,424	-	43,424
Roading - at valuation - closing balance	2,976,662	2,474,101	2,976,662	2,474,101
Total cost/valuation	2,976,662	2,517,525	2,976,662	2,517,525
Accumulated depreciation	(1,119,742)	(933,849)	(1,119,742)	(933,849)
Total roading - closing balance	**1,856,920**	**1,583,676**	**1,856,920**	**1,583,676**
Infrastructure land				
Infrastructure land - at cost - opening balance	4,675	4,635	4,675	4,635
Infrastructure land - at valuation - opening balance	56,607	56,012	56,607	56,012
Total infrastructure land - opening balance	61,282	60,647	61,282	60,647
Additions	50	40	50	40
Net transfer (to)/from non-current assets held for sale	(180)	595	(180)	595
Total infrastructure land - closing balance	**61,152**	**61,282**	**61,152**	**61,282**
Infrastructure land - at cost - closing balance	4,725	4,675	4,725	4,675
Infrastructure land - at valuation - closing balance	56,427	56,607	56,427	56,607
Total infrastructure land - closing balance	**61,152**	**61,282**	**61,152**	**61,282**
Land under roads				
Land under roads - at cost - opening balance	2,957,665	2,958,135	2,957,665	2,958,135
Additions	51	185	51	185
Disposals	(157)	(545)	(157)	(545)
Transfer between asset classes	-	47	-	47
Net transfer (to)/from non-current assets held for sale	(31)	(157)	(31)	(157)
Land under roads - closing balance	**2,957,528**	**2,957,665**	**2,957,528**	**2,957,665**
Total infrastructure assets	**8,756,285**	**8,080,071**	**8,756,285**	**8,080,071**

Disposals and transfers are reported net of accumulated depreciation.

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	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Restricted assets [2]				
Art and cultural assets				
Art and cultural assets - at cost - opening balance	8,901	8,893	11,240	11,232
Additions	-	8	-	8
Art and cultural assets - closing balance	**8,901**	**8,901**	**11,240**	**11,240**
Buildings on restricted land				
Buildings on restricted land - at cost - opening balance	57,857	51,164	57,857	51,164
Accumulated depreciation and impairment	(22,195)	(20,170)	(22,195)	(20,170)
Total buildings on restricted land - opening balance	35,662	30,994	35,662	30,994
Additions	4,844	6,720	4,844	6,720
Depreciation expense	(2,439)	(2,052)	(2,439)	(2,052)
Total buildings on restricted land - closing balance	**38,067**	**35,662**	**38,067**	**35,662**
Buildings on restricted land - at cost - closing balance	62,701	57,857	62,701	57,857
Accumulated depreciation and impairment	(24,634)	(22,195)	(24,634)	(22,195)
Total buildings on restricted land - closing balance	**38,067**	**35,662**	**38,067**	**35,662**
Parks and reserves				
Parks and reserves - at cost - opening balance	219,880	209,648	219,880	209,648
Additions	7,047	2,475	7,047	2,475
Disposals	-	(46)	-	(46)
Transfer between asset classes	-	7,803	-	7,803
Parks and reserves - closing balance	**226,927**	**219,880**	**226,927**	**219,880**
Town Belt				
Town Belt - at cost - opening balance	96,353	96,353	96,353	96,353
Town Belt - closing balance	**96,353**	**96,353**	**96,353**	**96,353**
Total restricted assets	**370,248**	**360,796**	**372,587**	**363,135**

2. For restricted assets, valuation at cost means they are not subject to revaluation. Please refer to the relevant significant accounting policies above for a more detailed explanation.

Disposals and transfers are reported net of accumulated depreciation.

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	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Work in progress				
Land	6,876	4,777	6,876	4,777
Buildings	328,491	194,874	330,688	195,915
Civic Precinct	1,647	2,015	1,647	2,015
Plant and equipment	140,570	113,183	140,617	113,183
Library collections	2,320	2,411	2,320	2,411
Drainage, water and waste	173,588	44,034	173,588	44,034
Roading	104,285	85,928	104,285	85,928
Other	1,487	576	1,487	576
Total work in progress	**759,264**	**447,798**	**761,508**	**448,839**
Total property, plant and equipment	**11,372,874**	**10,395,259**	**11,398,562**	**10,410,612**

Work in progress has increased substantially due to the costs incurred in building the Sludge Minimisation Facility (SMF) at Moa Point and the Te Ngākau Civic Precinct upgrade.

Revaluation of property, plant and equipment

Assets are valued at regular intervals by an independent registered valuer or whenever the carrying amount differs materially to fair value. In the years which an asset class is not revalued, an assessment is made as to whether there has been any material change in the value of that asset class.

Operational land and buildings

Operational land and building assets were valued as at 30 June 2023 by William Bunt (FNZIV, FPINZI), registered valuer and Director of Valuation Services for CBRE Limited.

Library collections

Library collections were valued as at 30 June 2023 by the Council's library staff. The revaluation was carried out in accordance with guidelines outlined in Valuation Guidance for Cultural and Heritage Assets published by the Treasury Accounting Team, November 2002.

Infrastructure assets

Drainage, water and waste

The drainage, water and waste infrastructure assets, including the service concession arrangements assets, were valued as at 30 June 2024 by Toby Marsh, Senior Asset Management Consultant at WSP New Zealand Limited (WSP). This revaluation would normally be performed in 2024/25 in line with the 3-year cycle. In late 2023 (during year 2 of the 3-year cycle) an initial assessment was performed and the predicted increase in fair values indicated the need to perform a full revaluation for the 2023/24 year.

The increase in fair value is due to various factors including:

- Increase in indexed construction costs between 2021/22 and 2023/24 which has largely been driven by the increase in construction activity related to the post-storm rebuild and the high construction demand for new healthcare facilities and office buildings.
- Increase in indexed pipe valuation unit rates for stormwater and wastewater.
- Additional cost movements for certain potable water pipe rates where indexed unit rates were deemed not reflective of current market costs. This included:

- Small potable water pipes (diameter less or equal to 100mm) – 35% increase
- Medium potable water pipes (diameter greater than 100mm and less than 450mm) – 15% increase

- Potable non-pipe reticulation asset costs rates (excluding tanks and reservoirs) experienced an increase of 15% to reflect market movements.
- The scarcity of disposal sites within the Wellington area has resulted in substantial increases in disposal and transportation costs.
- Inclusion of on-cost adjustments (e.g. professional fees) for above-ground water assets which were previously not included.
- Increase in the valuation of pump and pump stations aided by improvements to the completeness of the dataset.

The unit rates used in the revaluation are a fair reflection of the optimised depreciation replacement costs of the three water assets based on current contract pricing from actual suppliers.

Roading

The roading networks were last revalued as at 30 June 2022 by John Vessey (MIPENZ), Partner of WSP. In early 2024, the movement in the fair value of infrastructure assets between 30 June 2022 and 30 June 2024 was assessed by independent valuer WSP and the increase in fair value was considered material by management. Accordingly, a fair value indexation uplift, as assessed by WSP, has been applied to the roading network asset values as at 30 June 2024. The increase in fair value is mainly due to increases in the unit rate costs for construction and increases in on-cost adjustments. On-costs are applied to allow for all expenses incidental to the asset acquisition and all costs directly attributable to bringing the asset into working condition and location. These additional costs include professional fees, administration costs and contingencies.

Next year, a full revaluation will be completed as at 30 June 2025, in line with the 3-year cycle.

Infrastructure land

Infrastructure land assets were last revalued as at 30 June 2022 by William Bunt (FNZIV, FPINZI), registered valuer and Director of Valuation Services for CBRE Limited. The next full valuation is due to be completed as at 30 June 2025.

Further information on revaluation reserves and movements is contained in *Note 28: Revaluation reserves* (page X).

Significant acquisitions and replacements of assets

In accordance with the provisions of Schedule 10 of the LGA 2002, information in respect of significant acquisitions and replacements of assets is reported within the Statements of Service Performance (refer to Section 4: Our performance in detail (Volume 1, page X)).

Service concession arrangements

The Council's service concession assets consist of the Moa Point treatment plant, including the sludge dewatering plant at Carey's Gully, and Western (Karori) wastewater treatment plant. These facilities are owned by the Council, and included within infrastructure assets, but operated by Veolia Water under a contract with Wellington Water Limited. The contract also covers the Porirua wastewater treatment plant which is operating under a joint operation with Porirua City Council.

The Council incurs all associated operating expenses through the on-charged costs paid to Wellington Water Limited.

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The Council has a contract with Veolia Water, which covers the wastewater treatment plants of Wellington, Porirua and Hutt City councils. The contract expires 30 June 2030 with two rights of renewal for further subsequent terms of three and two years respectively.

The carrying value of these service concession assets for the Council and Group is $183.2m (2023: $146.1m).

Core Assets

Included within the infrastructure assets (*Table XX)* are the Council's core assets as shown in *Table XX.*

Table X: Council's core assets	2024			
	Closing book value $000	Constructed Additions $000	Vested Additions $000	Replacement Cost $000
Water supply				
Other assets	1,103,118	3,704	6,178	2,307,322
Sewerage				
Treatment plants and facilities	217,146	-	-	349,846
Other assets	1,370,391	783	6,559	3,058,792
Stormwater drainage	1,190,030	661	6,106	2,351,589
Roads and footpaths	1,856,920	73,201	1,126	2,938,019
Total core assets	**5,737,605**	**78,349**	**19,969**	**11,005,568**

	2023			
	Closing book value $000	Constructed Additions $000	Vested Additions $000	Replacement Cost $000
Water supply				
Other assets	914,280	61,658	996	2,005,544
Sewerage				
Treatment plants and facilities	169,710	1,617	-	296,070
Other assets	1,253,818	11,757	1,366	3,062,431
Stormwater drainage	1,139,640	3,645	143	2,321,230
Roads and footpaths	1,583,676	41,560	9,211	2,517,525
Total core assets	**5,061,124**	**120,237**	**11,716**	**10,202,800**

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Insurance of assets

Table X: Insurance of assets	Council	
	2024	2023
	$000	$000
Total value of property, plant and equipment	11,372,874	10,395,259
Less: assets (primarily land) excluded from insurance contracts	(4,444,633)	(4,130,758)
Value of assets covered by insurance contracts	**6,928,241**	**6,264,501**
Maximum amount to which assets are insured under Council insurance policies	**831,690**	**724,195**
Total value of assets that are self-insured	**459,770**	**203,762**

For insurance purposes, the Council takes a “sum insured” approach to managing most risks, including for damage from a significant natural disaster. This approach recognises the wide-ranging location and type of assets held.

We have policies in place for our three main asset classes as follows:

- Below ground infrastructure (declared replacement value of $9.0b (2023: $8.9b)
- Above ground infrastructure (declared replacement value of $3.0b (2023: $3.0b)
- Housing declared replacement value of $0.9b (2023: $1.0b)

The declared values are overlaid with the assessed GNS loss estimate for each asset subclasses for a 1–1000-year loss. The assessment is then used to assess the level of insurance required.

The required insurance values are met by cover in place from various sources, including purchased material damage insurance, the internal insurance reserve (described below), balance sheet headroom (approved via the 2024 LTP) and a conservative level of assumed Crown funding (described below).

An insurance reserve of $14.7m (2023: $14.3m) exists to meet the cost of claims that fall below deductible limits under the Council insurance policies. The reserve is funded annually through rates. For the year ending 30 June 2024 an amount of $1.3m (2023: $1.5m) was added to the reserve. The net cost of claims applied to the reserve during the year amounted to $0.9m (2023: $1.1m).

In addition to Council’s insurance, in the event of natural disaster, there is a conservative level of assumed allocation of Crown funded rebuild capacity; whereby central government would contribute 60 percent towards the rebuild or repair of essential Council owned below ground infrastructure (drainage, water and waste assets) subject to eligibility considerations. Also, NZTA, will be assumed to contribute approximately 55 percent towards the restoration of qualifying roading assets.

The Council is not covered by any other financial risk sharing arrangements in relation to its assets.

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Note 20: Investment in controlled entities

Table X: Cost of investment in controlled entities	**Council**	
	2024	**2023**
	$000	**$000**
Wellington Cable Car Limited	3,809	3,809
Wellington Regional Economic Development Agency Limited (WREDA)	1,262	1,262
Total cost of investment in controlled entities	**5,071**	**5,071**

The equity investment represents the cost of the investment to the Council and includes all capital contributions made by the Council to controlled entities. The Council has only made equity investments as shareholders as noted in *Table X*. Nominal settlement amounts (e.g. $100) made in respect of Trusts, for which Council is the settlor, have not been recognised as the amount is trivial.

Information on intra-group transactions is included in *Note 37: Related party disclosures* (page X).

The reporting period end date for all controlled entities is 30 June. Full copies of their financial statements can be obtained directly from their respective offices. Further information on the structure, objectives, the nature and scope of activities, and the performance measures and targets of the entities can be found in the relevant sections of the Statements of Service Provision. For further information – refer to Section 4: Our performance in detail (Volume 1, pages X to X).

Table X: Controlled entities	Accounting Interest 2024	Accounting Interest 2023	Nature of business
Karori Sanctuary Trust (Trading as Zealandia)	100%	100%	Owns and manages the activities of the urban eco-sanctuary in Karori.
Wellington Cable Car Limited	100%	100%	Owns and operates the Cable Car.
Wellington Museums Trust (Trading as Experience Wellington)	100%	100%	Administers: Cable Car Museum, Capital E, City Gallery, Nairn Street Cottage, Space Place (Carter Observatory), Wellington Museum and the NZ Cricket Museum.
Wellington Regional Economic Development Agency Limited (WREDA) (Trading as WellingtonNZ)	80%	80%	Manages Wellington Venues Project and creates economic and social benefit by marketing the city with the private sector as a tourism destination.
- Creative HQ Limited	80%	80%	Business incubators.
Wellington Waterfront Limited	100%	100%	Acts as bare trustee for the Wellington Waterfront project.
Wellington Zoo Trust	100%	100%	Manages and guides the future direction of the Wellington Zoo.
Te Toi Mahana	100%	100%	Te Toi Mahana is a registered Community Housing Provider for the Wellington community.

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Note 21: Investment in associates and joint venture

Table X: Cost of investment in associates and joint venture	Council	
	2024	2023
	$000	$000
Chaffers Marina Holdings Limited	1,208	1,208
Wellington International Airport Limited	17,775	17,775
Wellington Water Limited	400	400
Total cost of investment in associates and joint venture	**19,383**	**19,383**

The Council has significant influence over the following entities as listed in *Table X*. All of these are domiciled and operate in New Zealand.

Table X: Associates and joint venture	Accounting Interest 2024	Accounting Interest 2023	Nature of business
Chaffers Marina Holdings Limited	9.9%	9.9%	Holding company for Chaffers Marina Limited.
- Chaffers Marina Limited	9.9%	9.9%	Owns and manages the Chaffers marina.
Wellington International Airport Limited	34%	34%	Owns and manages Wellington International Airport facilities and services.
Wellington Water Limited	40%	40%	Manages all water services for Wellington, Hutt, Upper Hutt and Porirua city councils, the South Wairarapa District Council and the Greater Wellington Regional Council.

Full copies of their separately prepared financial statements can be obtained directly from their respective offices.

Associates

Chaffers Marina

Chaffers Marina Holdings Limited and Chaffers Marina Limited have a reporting period end date of 30 June. The shares in Chaffers Marina Holdings Limited are held by Wellington Waterfront Limited in a fiduciary capacity. As at 30 June 2024 the Council held a 9.9 percent (2023: 9.9 percent) interest in Chaffers Marina Holdings Limited which has been recognised in the Group financial statements on an equity accounting basis, reflecting the special rights (as set out in Chaffers Marina Limited's Constitution), which attach to the golden share that it holds in Chaffers Marina Limited.

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Wellington International Airport Limited

Wellington International Airport Limited has a reporting period end date of 31 March. The ultimate majority owner, Infratil Limited, has determined a different end of reporting period to the Council, which is legislatively required to use 30 June. The Council owns 34 percent of the company, with the remaining 66 percent owned by NZ Airports Limited (which is wholly owned by Infratil Limited).

Joint venture

Wellington Water Limited

Wellington Water Limited was jointly created with Hutt City Council on 9 July 2003 to manage the drinking water, wastewater and stormwater assets of the councils. Since its inception it has gradually expanded its operations and now covers six councils in the Wellington region.

The company has a reporting period ending 30 June and has a dual share structure as shown in *Table X*.

Table X: Shareholding Councils	Class A shares (voting rights)	Class B Shares (financial entitlements)	Ownership interest
Wellington City	150	200	40%
Hutt City	150	100	20%
Upper Hutt City (from 1/11/2013)	150	40	8%
Porirua City (from 1/11/2013)	150	60	12%
Greater Wellington Regional (from 16/9/2014)	150	75	15%
South Wairarapa District (from 26/9/2019)	150	25	5%
Total shares on issue	**900**	**500**	**100%**

The Council classifies this entity as a joint venture because of the equal sharing of voting rights conferred through the Class A shares and the shareholder's agreement, which constitutes a binding arrangement.

The Class B shares confer the level of contributions and ownership benefits of each council. The Council uses equity accounting to recognise its 40.0 percent (2023: 40.0 percent) ownership interest.

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Value of the investments

The investment in associates and the joint venture in the Group financial statements represents the Council's share of the net assets of the associates and the joint venture. This is reflected in the Group financial statements as shown in *Table X*:

The Council's share of the operating surplus or deficit of Chaffers Marina Holdings Limited, Wellington International Airport Limited and Wellington Water Limited is outlined in *Note 9: Share of Associates' and Joint Venture's surplus or deficit* (page X).

Table X: Value of investment in associates and joint venture	Group	
	2024	2023
	$000	$000
Chaffers Marina Holdings Limited		
Opening balance	702	812
Change in equity due to changed shareholding	1	(90)
Equity accounted earnings of associate	63	(20)
Closing balance - investment in Chaffers Marina Holdings Limited	**766**	**702**
Wellington International Airport Limited		
Opening balance	278,035	255,248
Dividends	(12,022)	(20,400)
Equity accounted earnings of associate	(4,520)	8,583
Share of net revaluation of property, plant and equipment - movement	19,778	33,016
Share of hedging reserve - movement	46	1,588
Closing balance - investment in Wellington International Airport Limited	**281,317**	**278,035**
Wellington Water Limited		
Opening balance	1,210	2,146
Equity accounted earnings of joint venture	1,613	(936)
Closing balance - investment in Wellington Water Limited	**2,823**	**1,210**
Total value of investment in associates and joint venture	**284,906**	**279,947**

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Summary of financial information of associates

Table X: Chaffers Marina Holdings Limited	2024	2023
	$000	$000
Council		
Investment in Chaffers Marina Holdings Limited (at cost)	**1,208**	**1,208**
Group		
Summarised financial information of associate		
Current assets	1,518	1,037
Non-current assets	5,035	4,929
Current liabilities	(340)	(204)
Non-current liabilities	(2,687)	(2,498)
Net assets	**3,526**	**3,264**
Revenue	**2,324**	**1,833**
Tax expense	**-**	**-**
Surplus / (deficit) after tax	260	(197)
Other comprehensive revenue and expense	-	-
Total comprehensive revenue and expense	**260**	**(197)**
Reconciliation to equity accounted carrying amount		
Net assets	3,526	3,264
Group's share %	9.9%	9.9%
Group's share	352	323
Other consolidation adjustments	414	379
Equity accounted carrying amount	**766**	**702**
Risks associated with the Council's investment in the associate		
Share of contingent liabilities	-	-

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Table X: Wellington International Airport Limited	2024	2023
	$000	$000
Council		
Investment in Wellington International Airport Limited (at cost)	**17,775**	**17,775**
Group		
Dividends received	**12,022**	**20,400**
Summarised financial information of associate		
Current assets	116,452	148,155
Non-current assets	1,759,244	1,652,568
Current liabilities	(118,298)	(105,104)
Non-current liabilities	(894,777)	(818,012)
Net assets	**862,621**	**877,607**
Revenue	**159,158**	**139,828**
Tax (expense)	**(49,052)**	**(6,293)**
Surplus / (deficit) after tax	(28,844)	25,243
Other comprehensive revenue and expense	58,309	101,771
Total comprehensive revenue and expense	**29,465**	**127,014**
Reconciliation to equity accounted carrying amount		
Net assets	862,621	877,607
Group's share %	34%	34%
Group's share	293,290	298,386
Dividends received not in WIAL annual report	(12,022)	(20,400)
Other consolidation adjustments	49	49
Equity accounted carrying amount	**281,317**	**278,035**
Risks associated with the Council's investment in the associate		
Share of contingent liabilities	-	-

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Summary of financial information of joint venture

Table X: Wellington Water Limited	2024 $000	2023 $000
Council		
Investment in Wellington Water Limited (at cost)	**400**	**400**
Group		
Summarised financial information of joint venture		
Current assets		
Cash and cash equivalents	36,550	31,871
Other current assets	70,450	28,172
Total current assets	**107,000**	**60,043**
Non-current assets	**4,601**	**5,075**
Current liabilities		
Financial liabilities (excluding accounts payable)	-	-
Other current liabilities	(104,518)	(62,069)
Total current liabilities	**(104,518)**	**(62,069)**
Non-current liabilities		
Other non-current liabilities	(25)	(25)
Total non-current liabilities	**(25)**	**(25)**
Net assets	**7,058**	**3,024**
Revenue, excluding interest	467,297	382,880
Interest revenue	2,007	1,031
Depreciation and amortisation	(1,557)	(1,619)
Interest expense	-	-
Tax expense	(1,586)	-
Surplus / (deficit) after tax	4,034	(1,894)
Other comprehensive revenue and expense	-	-
Total comprehensive revenue and expense	**4,034**	**(1,894)**
Reconciliation to equity accounted carrying amount		
Net assets	7,058	3,024
Group's share %	40%	40%
Group's share	2,823	1,210
Other consolidation adjustments	-	-
Equity accounted carrying amount	**2,823**	**1,210**
Risks associated with the Council's investment in the joint venture		
Share of contingent liabilities	-	-

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Note 22: Exchange transactions, transfers and taxes payable

Table X: Exchange transactions, transfers and taxes payable	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Current				
Exchange transactions and transfers payable	115,975	113,309	119,878	117,018
Taxes payable	14,003	11,707	14,558	12,047
Non-current				
Exchange transactions and transfers payable	-	231	-	231
Total exchange transactions, transfers and taxes payable	**129,978**	**125,247**	**134,436**	**129,296**

Comprised of:

Table X: Exchange transactions and transfers payable	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Trade payables and accruals	91,426	93,891	95,315	97,605
Interest payable	12,717	9,523	12,717	9,523
Sundry payables	11,832	10,126	11,846	10,121
Total exchange transactions and transfers payable	**115,975**	**113,540**	**119,878**	**117,249**

Table X: Taxes payable	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
GWRC rates	10,246	9,069	10,246	9,069
Income tax payable	-	-	223	-
Other	3,757	2,638	4,089	2,978
Total taxes payable	**14,003**	**11,707**	**14,558**	**12,047**
Total exchange transactions, transfers and taxes payable	**129,978**	**125,247**	**134,436**	**129,296**

Table X: Exchange transactions, transfers and taxes payable to related parties	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Controlled entities	1,552	3,124	-	-
Associates and joint venture	13,617	10,145	13,617	10,145
Total exchange transactions, transfers and taxes payable to related parties	**15,169**	**13,269**	**13,617**	**10,145**

Payables under exchange transactions, transfers and taxes payable are non-interest bearing and settled on terms varying between 7 days and the 20th of the month following the invoice date. Most of the

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Council's payables are exchange transactions as they are directly with another party on an arm's-length basis and are of approximately equal value. Non-exchange payables are classified as either transfers payable (for example, Council grants) or taxes (for example, PAYE).

Note 23: Deferred revenue

Table X: Deferred revenue	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Exchange transactions				
Lease rentals	1,555	2,060	1,555	2,060
Other	49	44	7,417	10,718
Transfers				
Wellington Venues operations	640	568	640	568
Inspection and licensing fees	5,958	6,172	5,958	6,172
Other	1,635	2,750	2,012	2,896
Grant funding for Sludge Minimisation Facility	5,943	-	5,943	-
Taxes				
Rates	3,477	3,122	3,477	3,122
Liabilities recognised under conditional transfer agreements	1,090	2,332	1,970	2,792
Total deferred revenue	**20,347**	**17,048**	**28,972**	**28,328**

Relevant significant accounting policies

Liabilities recognised under conditional transfer agreements

The Council and the Group have received non-exchange transfer monies for specific purposes, which apply to periods beyond the current year, with conditions that would require the return of the monies if they were not able to fulfil the agreement. The revenue from these agreements will only be recognised as the conditions are fulfilled over time.

These liabilities relate to:

- naming rights agreement that the Council has with third parties for buildings.
- various grants.

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Note 24: Borrowings

The Council maintains a prudent borrowings position in relation to our equity and annual revenue. Borrowings are primarily used to fund the purchase of new assets or upgrades to existing assets that are approved through the AP and LTP processes.

Gross borrowings

Table X: Gross borrowings	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Current				
Bank loans - term	498	-	498	-
Commercial paper	66,000	68,000	66,000	68,000
Debt securities - fixed rate bonds	-	5,000	-	5,000
Debt securities - floating rate notes	96,000	132,500	96,000	132,500
Total current	**162,498**	**205,500**	**162,498**	**205,500**
Non-current				
Bank loans - term	24,794	10,486	26,331	11,983
Debt securities - fixed rate bonds	160,000	100,000	160,000	100,000
Debt securities - floating rate notes	1,324,000	934,500	1,324,000	934,500
Total non-current	**1,508,794**	**1,044,986**	**1,510,331**	**1,046,483**
Total gross borrowings	**1,671,292**	**1,250,486**	**1,672,829**	**1,251,983**

Debt security

Floating rate notes include Green, Social and Sustainability (GSS) loans and climate action loans (CALs). For the Council, the GSS loans are linked to Tākina as a 5-Star green building. We receive a 5-basis point discount on this lending compared to a vanilla instrument.

The balance of GSS loans as at 30 June 2024 is $120m non-current (2023: $20m current, $100m non-current).

The balance of CALs as at 30 June 2024 is $60m (fixed rate) non-current and $234m (floating rate) non-current (2023: nil). We receive a 2-basis point discount on this lending compared to a vanilla instrument.

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Net borrowings

Table X: Net borrowings	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Total gross borrowings	1,671,292	1,250,486	1,672,829	1,251,983
Less				
Cash and cash equivalents (see Note 11)	(71,802)	(68,529)	(93,638)	(87,707)
Bank term deposits - greater than 3 months at acquisition (see Note 15)	(156,000)	(40,000)	(168,067)	(46,098)
Total net borrowings	**1,443,490**	**1,141,957**	**1,411,124**	**1,118,178**

The Council's borrowing strategy is to minimise liquidity risk by avoiding concentration of debt maturity dates and to ensure there is long-term access to funds. Further information on the liquidity and market risks associated with borrowings is contained in *Note 33: Financial instruments* (page X).

Table X shows the utilisation of the borrowing facilities available to the Group at the end of the reporting period. The table also indicates the current applicable maturity and interest rate ranges.

Table X: Group borrowing facilities	Available	Utilised	Maturities	Interest
	2024	2024		Rate Range
	$000	$000		%
Bank overdraft - committed	1,900	-		
Bank facilities - long-term - committed	160,000	-		
LGFA facilities - long-term - committed	80,000	-		
Bank loans - term	26,829	26,829	2025 - 2059	5.3
Commercial paper	100,000	66,000	9/8/2024 - 17/9/2024	5.7 - 5.7
Debt securities - fixed rate bonds	160,000	160,000	15/11/2025 - 14/4/2033	1.1 - 5.3
Debt securities - floating rate notes	1,420,000	1,420,000	26/08/2024 - 15/10/2033	5.9 - 6.6
Total	**1,948,729**	**1,672,829**		

The bank overdraft facilities are $1.5m for the Council and $0.4m for WREDA.

In addition to the above facilities, the Council operates purchase cards to efficiently facilitate the purchase of low value goods and services. The cards are paid in full on a monthly basis. An aggregate credit limit of $2.0m for all cards applies across the Council.

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Security

Borrowings are secured by way of a Debenture Trust Deed over the Council's rates revenue.

Internal borrowings

The Council borrows on a consolidated level and as such does not use internal borrowing.

Ring-fenced funds

The Council holds $74.3m (2023: $88.6m) of funds that may only be used for a specified purpose. These funds are not held in cash but are utilised against borrowings until required. The main specified uses for these funds are as follows:

City Housing

As part of the agreement with the Crown for the Housing Upgrade Project an amount of $49.7m (2023: $67.6m), representing the accumulated surpluses and deficits from the City Housing activity, has been ring-fenced for future investment in the Council's social housing assets.

Waste reduction and energy conservation

An amount of $24.6m (2023: $21.0m) related to accumulated surpluses and deficits from the Waste reduction and energy conservation - Activity 2.2, which under the Waste Minimisation Act 2008, must be ring-fenced for future investment in waste activities. The Council is committed to several waste minimisation projects that will utilise these funds.

Relevant significant accounting policies

Borrowings on normal commercial terms are initially recognised at amortised cost. Interest due on the borrowings is subsequently accrued.

Borrowings are classified as current liabilities unless the Council or Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

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Note 25: Employee benefit liabilities and provisions

Table XX: Employee benefit liabilities and provisions	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Current				
Short-term benefits				
Payroll accruals	786	671	1,250	1,109
Holiday leave	9,310	8,205	11,288	9,952
Other contractural provisions	-	53	-	53
	10,096	8,929	12,538	11,114
Holidays Act remediation	2,840	-	2,840	-
Total current benefits	**12,936**	**8,929**	**15,378**	**11,114**
Non-current				
Long-term benefits				
Long service leave provision	-	-	27	47
Retirement gratuities provision	633	676	633	676
Total non-current benefits	**633**	**676**	**660**	**723**
Total employee benefit liabilities and provisions	**13,569**	**9,605**	**16,038**	**11,837**

Relevant significant accounting policies - general

A provision for employee benefit liabilities (holiday leave, long service leave and retirement gratuities) is recognised as a liability when benefits are earned but not paid.

Holiday leave

Holiday leave includes annual leave, long service leave, statutory time off in lieu and ordinary time off in lieu. Annual leave is calculated on an actual entitlement basis in accordance with section 21(2) of the Holidays Act 2003.

Holidays Act remediation provision

A number of New Zealand's public and private organisations have identified issues with the calculation of leave entitlements under the Holidays Act 2003. During 2019/20, the Council completed its own review of payroll processes which identified instances of non-compliance with the Holidays Act 2003. This review resulted in the Council engaging a third party to calculate the remediation required to rectify the non-compliance.

This provision covers both current and former employees and covers the period going back six years plus one from August 2020. This provision includes any remediation costs for Council-controlled entities where the Council was responsible for processing their payroll.

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Note 26: Provisions for other liabilities

Table XX: Provisions for other liabilities	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Current				
Landfill post-closure costs	707	997	707	997
Weathertight homes	617	5,010	617	5,010
Total current	**1,324**	**6,007**	**1,324**	**6,007**
Non-current				
Landfill post-closure costs	15,830	16,369	15,830	16,369
Weathertight homes	20,782	18,989	20,782	18,989
Total non-current	**36,612**	**35,358**	**36,612**	**35,358**
Total provisions for other liabilities	**37,936**	**41,365**	**37,936**	**41,365**

Relevant significant accounting policies - general

Provisions are recognised for future liabilities of uncertain timing or amount when there is a present obligation as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are measured at the expenditure expected to be required to settle the obligation. Liabilities and provisions to be settled beyond 12 months are recorded at their present value.

Movements in material provisions above are analysed in *Tables X and X*.

Table XX: Landfill post-closure costs	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Opening balance	17,366	18,571	17,366	18,571
Movement in provision	(848)	(1,638)	(848)	(1,638)
Re-discounting of interest	777	647	777	647
Amount utilised	(758)	(214)	(758)	(214)
Landfill post-closure costs - closing balance	**16,537**	**17,366**	**16,537**	**17,366**

Background to the landfill post-closure costs provision

The Council operates the Southern Landfill (Stage 3) and has a 21.5 percent joint operation interest in the Spicer Valley Landfill. It also manages several closed landfill sites around Wellington. The Council has responsibility for the closure of its landfills and to provide ongoing maintenance and monitoring of the landfills after they are closed.

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As part of the closure of landfills, or landfill stages, the Council's responsibilities include:

- final cover application and vegetation.
- incremental drainage control features.
- completing facilities for post-closure responsibilities.

Post-closure responsibilities include:

- treatment and monitoring of leachate.
- ground water and surface monitoring.
- gas monitoring and recovery.
- implementation of remedial measures such as needed for cover and control systems.
- on-going site maintenance for drainage systems, final cover and vegetation.

The Council, as operator of the Southern Landfill, has a legal obligation to apply for resource consents when the landfill or landfill stages reach the end of their operating life and are to be closed. These resource consents will set out the closure requirements and the requirements for ongoing maintenance and monitoring services at the landfill site after closure.

Relevant significant accounting policies – landfill post-closure costs specific

A provision for post-closure costs is recognised as a liability when the obligation for post-closure arises, which is when each stage of the landfill is commissioned, and refuse begins to accumulate.

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including known changes to legal requirements and known technological improvements.

Amounts provided for landfill post-closure are capitalised to the landfill asset. The capitalised landfill asset is depreciated over the life of the landfill based on the capacity used.

Estimations

The long-term nature of the liability means there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated using known changes to legal requirements and known technological improvements. Future cash flows are discounted using the Treasury risk free rate of 5.2 percent for open landfills and between 4.9 and 5.0 percent for closed landfills depending on how long landfills have been closed. The gross provision (inflation adjusted at 2.1 percent for both open and closed landfills, before discounting, is $20.7m (2023: $22.3m). This represents the Council's projection of the amount required to settle the obligation at the estimated time of the cash outflow.

Stage 3 of the Southern Landfill has an estimated remaining capacity of 407,000m^3 (2023: 240,000m^3) and is expected to close in 2026 when its resource consent expires. The increased capacity results from a reassessment of the available space for waste. These estimates have been made by the Council's contracted engineers based on expected future and historical volume information.

The Spicer Valley Landfill has a remaining life out to 2053.

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Table XX: Weathertight homes	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Opening balance	23,999	24,606	23,999	24,606
Additional or increased provision made	-	1,208	-	1,208
Release of unused provision	(1,668)	-	(1,668)	-
Amount utilised	(932)	(1,815)	(932)	(1,815)
Weathertight homes - closing balance	**21,399**	**23,999**	**21,399**	**23,999**

Background to the Weathertight homes provision

This provision represents the Council's estimated liability relating to the settlement of claims arising in relation to the Weathertight Homes Resolution Services (WHRS) Act 2006 and civil proceedings for weathertightness.

A provision has been recognised for the potential net settlement of all known claims, including those claims that are being actively managed by the Council as well as claims lodged with WHRS but not yet being actively managed. The provision also includes a net amount of $13.8m (2023: $13.0m) as a provision for unreported claims relating to weathertightness issues, which have not yet been notified to the Council.

Movement in the provision

During the year $0.9m (2023: $1.8m) was paid as either part or full settlement of claims. $1.7m was released from the provision (2023: $1.2m added to the provision) after an actuarial re-assessment of the likely future costs to be incurred as explained below. The current/non-current split in *Table X* reflects the expected timing of payments but is reassessed each year to take account of delays in claim negotiations and any mediation outcomes.

Estimations

The Council has provided for the expected future costs of reported claims. The provision for active claims is based on the best estimate of the Council's expected future costs to settle these claims and is reviewed on a case-by-case basis. The estimate for claims which have been notified and are not yet actively managed and unreported claims is based on actuarial assessments and other information on these claims. The nature of the liability means there are significant inherent uncertainties in estimating the likely costs that will be incurred in the future. This represents the Council's best estimate of the amount required to settle the obligation at the estimated time of the cash outflow. Future cash flows are inflation adjusted and discounted using the Treasury's risk-free rate. The provision is net of any third-party contributions including insurance, where applicable.

The provision is based on best estimates and actuarial assessments and therefore actual costs incurred may vary significantly from those included in this provision, especially for future claims relating to weathertightness issues not yet identified or not yet reported.

The weathertight homes provision was assessed as at 30 June 2024 by an independent actuary, Craig Lough, (Fellow of the NZ Society of Actuaries) for Melville Jessup Weaver.

The significant assumptions used in the calculation of the weathertight homes provision are as follows:

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Amount claimed

Represents the expected amount claimed by the homeowner and is based on the actual amounts for claims already settled.

Settlement amount

Represents the expected amount of awarded settlement and is based on the actual amounts for claims already settled.

Council contribution to settlement

Represents the amount expected to be paid by the Council out of any awarded settlement amount and is based on the actual amounts for claims already settled. This figure has been increasing over the last few years as it is becoming more common for the other parties involved in a claim to be either in liquidation, bankrupt or have limited funds and be unable to contribute to settlement.

Percentage of homeowners who will make a successful claim

Historical data collected on the number of claims lodged has enabled assumptions to be made on the percentage of homes built in the last 10 years which may experience weathertightness issues and therefore the percentage of homeowners who may make a successful claim.

Sensitivity

Table X illustrates the potential impact on the surplus or deficit of changes in some of the assumptions listed above.

Table XX: Weathertight homes provision sensitivity	2024		2023	
	$000		$000	
	+10%	-10%	+10%	-10%
Assumption	Effect on surplus or deficit		Effect on surplus or deficit	
Amount claimed	2,140	(2,140)	2,400	(2,400)
Settlement amount awarded	2,140	(2,140)	2,400	(2,400)
Council contibution to settlement	2,140	(2,140)	2,400	(2,400)
Change in percentage of homeowners who will make a successful claim	1,375	(1,375)	1,301	(1,301)
	+2%	-2%	+2%	-2%
Assumption	Effect on surplus or deficit		Effect on surplus or deficit	
Discount rate	(1,842)	2,144	(1,851)	2,176

Funding of weathertight homes settlements

The Council uses borrowings in the first instance to meet the cost of settlements with the associated borrowings subsequently being repaid through rates funding. To ensure that the funding of weathertight homes is fully transparent the associated settlement costs, borrowings and rates funding is reported annually.

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Table XX: Funding for weathertight homes settlements	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Opening balance	(39,933)	(41,493)	(39,933)	(41,493)
Rates funding for weathertight homes settlements	-	4,686	-	4,686
Total amounts paid	(932)	(1,815)	(932)	(1,815)
Interest allocation	(1,686)	(1,311)	(1,686)	(1,311)
Closing balance funded through borrowings	**(42,551)**	**(39,933)**	**(42,551)**	**(39,933)**

Note 27: Deferred tax

Recognised temporary differences and tax losses

Table XX: Deferred tax assets and liabilities	Group	
	2024	2023
	$000	$000
Opening balance		
Property, plant and equipment	(1,163)	(1,060)
Intangible assets	(151)	(4)
Employee benefits	210	191
Other provisions	13	6
Tax losses	253	277
Total opening balance	**(838)**	**(590)**
Charged to surplus or deficit		
Property, plant and equipment	(142)	(103)
Intangible assets	39	(147)
Employee benefits	(15)	19
Other provisions	21	7
Tax losses	(9)	(24)
Total charged to surplus or deficit	**(106)**	**(248)**
Closing balance		
Property, plant and equipment	(1,305)	(1,163)
Intangible assets	(112)	(151)
Employee benefits	195	210
Other provisions	34	13
Tax losses	244	253
Total closing balance	**(944)**	**(838)**

Unrecognised tax losses

Under current income tax legislation, the unrecognised tax losses do not expire.

The Council has tax losses to carry forward of $0.2m (2023: $0.1m) for which no deferred tax asset has been recognised.

Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits will be available against which the benefit of the losses can be utilised.

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Relevant significant accounting policies

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the assets and liabilities, and the unused tax losses using tax rates enacted or substantively enacted at the end of the reporting period. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised.

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Statement of Changes in Equity

Table X: Statement of Changes in Equity		Council			Group	
for the year ended 30 June 2024		Actual	Budget	Actual	Actual	Actual
		2024	2024	2023	2024	2023
	Note	$000	$000	$000	$000	$000
Equity - Opening balances						
Accumulated funds		1,269,134	1,269,134	1,269,134	1,293,162	1,293,162
Retained earnings		3,828,987	3,825,720	3,903,366	3,826,006	3,911,964
Effect of new accounting standard adoption - PBE IPSAS 41		-	-	(650)	-	(650)
Revaluation reserves		4,424,407	4,637,773	4,484,022	4,677,956	4,704,556
Hedging reserve		73,180	57,624	57,624	75,316	58,172
Fair value through other comprehensive revenue and expense reserve		6,888	6,854	6,854	7,778	7,983
Non-controlling interest		-	-	-	718	797
Restricted funds		19,149	19,626	19,626	23,357	23,872
Total equity - opening balance		**9,621,745**	**9,816,731**	**9,739,976**	**9,904,293**	**9,999,856**
Changes in equity						
Retained earnings						
Net surplus / (deficit) for the year		8,701	64,840	(74,206)	4,679	(85,902)
Transfer to restricted funds		(3,354)	(19)	(3,444)	(3,492)	(3,874)
Transfer from restricted funds		5,582	15	3,921	5,700	4,389
Transfer to non-controlling interest		-	-	-	86	79
Revaluation reserves	**28**					
Fair value movement - property, plant and equipment - net		713,751	-	(59,615)	733,529	(26,600)
Hedging reserve	**29**					
Cash flow hedge net movement recognised in other comprehensive revenue and expense - effective portion		(8,337)	-	15,556	(8,291)	17,144
Transfer to surplus or deficit for discontinued cash flow hedges		483	-	-	483	-
Fair value through other comprehensive revenue and expense reserve	**30**					
Movement in fair value - Equity investments		440	-	34	483	56
Movement in fair value - Available-for-sale equities		-	-	-	47	(261)
Non-controlling interest						
Transfer from retained earnings		-	-	-	(86)	(79)
Restricted funds	**31**					
Movements in restricted funds		-	-	-	-	3
Transfer to retained earnings		(5,582)	(15)	(3,921)	(5,700)	(4,389)
Transfer from retained earnings		3,354	19	3,444	3,492	3,871
Total comprehensive revenue and expense		**715,038**	**64,840**	**(118,231)**	**730,930**	**(95,563)**

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Table X: Statement of Changes in Equity for the year ended 30 June 2024 - continued	Note	Council Actual 2024 $000	Council Budget 2024 $000	Council Actual 2023 $000	Group Actual 2024 $000	Group Actual 2023 $000
Equity - closing balances						
Accumulated funds		1,269,134	1,269,134	1,269,134	1,293,162	1,293,162
Retained earnings		3,839,916	3,890,556	3,828,987	3,832,978	3,826,006
Revaluation reserves		5,138,158	4,637,773	4,424,407	5,411,485	4,677,956
Hedging reserve		65,326	57,624	73,180	67,508	75,316
Fair value through other comprehensive revenue and expense reserve		7,328	6,854	6,888	8,308	7,778
Non-controlling interest		-	-	-	632	718
Restricted funds		16,921	19,630	19,149	21,150	23,357
Total equity - closing balance		**10,336,783**	**9,881,571**	**9,621,745**	**10,635,223**	**9,904,293**

Table X: Statement of Changes in Equity for the year ended 30 June 2024 - continued	Note	Council Actual 2024 $000	Council Budget 2024 $000	Council Actual 2023 $000	Group Actual 2024 $000	Group Actual 2023 $000
Total comprehensive revenue and expense attributable to:						
Wellington City Council and Group		715,038	64,840	(118,231)	730,965	(95,472)
Non-controlling interest		-	-	-	(35)	(91)
		715,038	**64,840**	**(118,231)**	**730,930**	**(95,563)**

The notes on page X to X form part of and should be read in conjunction with the financial statements.

Statement of Changes in Equity – Major budget variations

Budget figures are for the Council only and not the Group.

Significant variations from budgeted changes in equity are as follows:

Opening equity is $195.0m below budget. The major variances included:

- Opening revaluation reserves were $213.4m below budget. This was due to previous years' property, plant and equipment revaluations.
- Opening hedging reserves were $15.6m above budget due to fair value movement gains on cash flow hedges in 2022/23. No budget is assumed for fair value movements on cash flow hedges.

Changes in equity were $650.2m above budget. The major variances included:

- An increase in the revaluation reserve of $713.8m driven from the revaluation of infrastructure assets during the year. These revaluations were completed in year 2 of the normal 3-yearly cycle and therefore not budgeted for.
- A decrease in retained earnings of $53.9m mainly due to the lower surplus than budget.
- A decrease in hedging reserves of $7.9m resulting from movements in the fair value of cash flow hedges.

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Equity

Equity is the community's interest in the Council and Group and is measured as the difference between total assets and total liabilities. Equity is broken down and classified into several components including:

- accumulated funds and retained earnings
- revaluation reserves
- hedging reserve
- fair value through other comprehensive revenue and expense reserve
- non-controlling interest; and
- restricted funds.

Restricted funds are those reserves that are subject to specific conditions of use, whether under statute or accepted as binding by the Council or Group, and that may not be revised without reference to the Courts or third parties. Transfers from these reserves may be made only for specified purposes or when certain specified conditions are met.

Equity management

The LGA 2002 requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayer funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the LGA 2002 and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets but does not expect them to meet the full cost of long-term assets that will benefit ratepayers in future generations. Additionally, the Council has asset management plans in place for major classes of assets, detailing renewal and programmed maintenance. These plans ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The LGA 2002 requires the Council to make adequate and effective provision in its LTP and in its AP (where applicable) to meet the expenditure needs identified in those plans. The LGA 2002 sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTP.

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Note 28: Revaluation reserves

Table XX: Revaluation reserves	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Land - opening balance	271,976	288,226	271,976	288,226
Revaluation recognised in other comprehensive revenue and expense	-	(16,250)	-	(16,250)
Land - closing balance	**271,976**	**271,976**	**271,976**	**271,976**
Buildings - opening balance	492,866	509,846	492,866	509,846
Revaluation recognised in other comprehensive revenue and expense	(55)	(16,980)	(55)	(16,980)
Buildings - closing balance	**492,811**	**492,866**	**492,811**	**492,866**
Library collections - opening balance	10,272	8,592	10,272	8,592
Revaluation recognised in other comprehensive revenue and expense	-	1,680	-	1,680
Library collections - closing balance	**10,272**	**10,272**	**10,272**	**10,272**
Drainage, water and waste - opening balance	2,704,584	2,716,214	2,704,584	2,716,214
Revaluation recognised in other comprehensive revenue and expense	465,094	(11,630)	465,094	(11,630)
Drainage, water and waste - closing balance	**3,169,678**	**2,704,584**	**3,169,678**	**2,704,584**
Infrastructure land - opening balance	41,618	41,618	41,618	41,618
Infrastructure land - closing balance	**41,618**	**41,618**	**41,618**	**41,618**
Roading - opening balance	903,091	919,526	903,091	919,526
Revaluation recognised in other comprehensive revenue and expense	248,712	(16,435)	248,712	(16,435)
Roading - closing balance	**1,151,803**	**903,091**	**1,151,803**	**903,091**
Associates' revaluation reserves - opening balance	-	-	253,549	220,534
Revaluation recognised in other comprehensive revenue and expense	-	-	19,778	33,015
Associates' revaluation reserves - closing balance	**-**	**-**	**273,327**	**253,549**
Total revaluation reserves - closing balance	**5,138,158**	**4,424,407**	**5,411,485**	**4,677,956**

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These revaluation reserve movements are represented by:

Table XX: Summary of revaluation reserve movements	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Opening balance	4,424,407	4,484,022	4,677,956	4,704,556
Revaluation recognised in other comprehensive revenue and expense	713,751	(59,615)	733,529	(26,600)
Total revaluation reserves	**5,138,158**	**4,424,407**	**5,411,485**	**4,677,956**

The revaluation reserves are used to record accumulated increases and decreases in the fair value of the relevant asset classes.

Revaluation movements are non-cash in nature and represent the restating of the Council's assets, subject to revaluation, into current dollar values after considering the condition and remaining useful lives of the assets.

Relevant significant accounting policies

The result of any revaluation of the Group's property, plant and equipment is recognised within other comprehensive revenue and expense and taken to the asset revaluation reserve. Where this results in a debit balance in the reserve for a class of property, plant and equipment, the balance is included in the surplus or deficit. Any subsequent increase on revaluation that offsets a previous decrease in value recognised within the surplus or deficit will be recognised firstly, within the surplus or deficit up to the amount previously expensed, and with any remaining increase recognised within other comprehensive revenue and expense and in the revaluation reserve for that class of property, plant and equipment.

Any impairment in a revalued class of asset is recognised within other comprehensive revenue and expense and taken to the asset revaluation reserve.

Accumulated depreciation at the revaluation date is eliminated so that the carrying amount after revaluation equals the revalued amount.

While assumptions are used in all revaluations, the most significant of these are in infrastructure. For example, where stormwater, wastewater and water supply pipes are underground, the physical deterioration and condition of the assets is not visible and must therefore be estimated. Any revaluation risk is minimised by performing a combination of physical inspections and condition modelling assessments.

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Note 29: Hedging reserve

Table XX: Hedging reserve	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Opening balance	73,180	57,624	75,316	58,172
Cash flow hedge net movement recognised in other comprehensive revenue and expense - effective portion	(8,337)	15,556	(8,291)	17,144
Transfer to surplus or deficit for discontinued cash flow hedges	483	-	483	-
Total hedging reserve	**65,326**	**73,180**	**67,508**	**75,316**
Represented by:				
Continuing cash flow hedges	59,426	73,180	61,608	75,316
Discontinued cash flow hedges	5,900	-	5,900	-
	65,326	**73,180**	**67,508**	**75,316**

Movements in the hedging reserve show accumulated fair value changes for interest rate swaps which satisfy the criteria for hedge accounting and have operated as effective hedges during the period. Any ineffective portion of the gain or loss on the hedging instrument is recognised directly in surplus or deficit and transfers are made for discontinued hedges. The Council uses interest rate swaps to fix interest rates on floating rate debt (floating rate notes and commercial paper) to give it certainty over interest costs.

The Council uses hedge accounting to recognise any fair value fluctuations in these swaps through this reserve within equity. Using hedge accounting prevents any significant volatility in interest rates significantly affecting the Council's ability to meet its balanced budget requirements.

The Group movement incorporates the hedging related to Wellington International Airport Limited.

Note 30: Fair value through other comprehensive revenue and expense reserve

Table XX: Fair value through other comprehensive revenue and expense reserve	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Opening balance	6,888	6,854	7,778	7,983
Movements:				
Civic Financial Services Limited	15	(48)	15	(48)
Local Government Funding Agency (LGFA)	425	82	425	82
Creative HQ shareholdings - available-for-sale	-	-	47	(261)
Endowment Fund - Wellington Museums Trust	-	-	33	17
Gifted investment - Karori Sanctuary Trust	-	-	10	5
Total fair value through other comprehensive revenue and expense reserve	**7,328**	**6,888**	**8,308**	**7,778**

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For the Council, this reserve reflects the accumulated fair value movement in the Council's investment in Civic Financial Services Limited and the LGFA.

In the Group, Creative HQ, a controlled entity of WREDA, has small shareholdings in various incubator and accelerator programme companies. These shareholdings are fair valued annually and any movement is held within this reserve until the disposal of the shares.

Note 31: Restricted funds

Restricted funds are comprised of special reserves and funds that the Council holds for specific purposes, and trusts and bequests that have been bestowed upon the Council for the benefit of all Wellingtonians.

Table XX: Restricted funds	**Council**		**Group**	
	2024	**2023**	**2024**	**2023**
	$000	**$000**	**$000**	**$000**
Special reserves and funds	16,403	18,635	19,729	21,941
Trusts and bequests	518	514	1,421	1,416
Total restricted funds	**16,921**	**19,149**	**21,150**	**23,357**

Special reserves and funds

Table XX: Special reserves and funds	**Opening Balance 2024 $000**	**Additional Funds 2024 $000**	**Utilised Funds 2024 $000**	**Closing Balance 2024 $000**
Council				
City Growth fund	3,591	2,007	(4,690)	908
Reserve purchase and development fund	782	-	-	782
Insurance reserve	14,262	1,343	(892)	14,713
Total Council - special reserves and funds	**18,635**	**3,350**	**(5,582)**	**16,403**
Controlled entities' reserve funds	3,306	138	(118)	3,326
Total Group - special reserves and funds	**21,941**	**3,488**	**(5,700)**	**19,729**

Nature and purpose

City Growth fund

The City Growth fund is used for economic development growth within Wellington city.

Reserve purchase and development fund

This fund is used to purchase and develop the Taputeranga reserve area around Island Bay.

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Insurance reserve

This reserve allows the Council to meet the cost of claims that fall below deductible limits under the Council's insurance policies.

Controlled entities' reserve funds

The restricted funds of the controlled entities relate to the Wellington Museums Trust and the Wellington Zoo Trust:

- The Wellington Museums Trust has six reserves: Capital reserve, Capital E reserve, Nairn Street Cottage collection reserve, Wellington Museums collection reserve, City Gallery reserve and Wellington Museum Plimmer reserve. The two collection reserves are for the purpose of future museum acquisitions.
- The Wellington Zoo Trust has two reserves; Animal Transfer Fund specifically for the transfer of animals and Conservation Fund to specifically support field conservation.

Trusts and bequests

Additional funds and utilisation

Trusts and bequests receiving additional funds during the year were only those where interest totalling $0.02m (2023: $0.02m) has been applied in accordance with the original terms and conditions.

Nature and purpose

The Council's trusts and bequests have been generally provided for library, educational or environmental purposes.

The Wellington Zoo Trust has several trusts, bequests and capital grants made to it for specific purposes, which are held as restricted funds until utilised. Further information on these can be found in the Wellington Zoo Trust annual report published on their website.

Charles Plimmer Bequest

This bequest is held and administered by the Public Trust and is primarily used for major beautification projects. As the sole beneficiary, the Council applies for distribution of available funds for particular projects after consultation with the Plimmer family. The receipt and use of these funds are disclosed separately to record the generous contribution the bequest makes to the benefit of the city.

As at 31 August 2023, the value of the estate held by the Public Trust was $20.2m (31 August 2022: $20.2m), but the distributions to the beneficiary are only available from an agreed percentage of revenue generated. The distributions are only drawn down as required.

During the year:

- Distributions recognised as revenue - $0.1m.
- Funds utilised - $0.1m for the Kilbirnie Park project.

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Statement of Cash Flows

Table X: Statement of Cash Flows	Council			Group	
for the year ended 30 June 2024	Actual	Budget	Actual	Actual	Actual
	2024	2024	2023	2024	2023
	$000	$000	$000	$000	$000
Cash flows from operating activities					
Receipts from rates - the Council	463,048	480,105	427,236	463,048	427,236
Receipts from rates - GWRC	126,759	101,033	107,469	126,759	107,469
Receipts from activities and other revenue	170,392	171,567	184,431	202,173	204,656
Receipts from grants and subsidies - operating	15,385	19,599	9,243	24,900	17,818
Receipts from grants and subsidies - capital	127,586	43,168	27,793	126,512	31,222
Receipts from investment property lease rentals	11,753	11,527	12,549	11,753	12,549
Cash paid to suppliers and employees	(529,380)	(463,245)	(427,896)	(586,438)	(486,035)
Rates paid to GWRC	(125,582)	(101,033)	(106,463)	(125,582)	(106,463)
Grants paid	(46,945)	(59,321)	(47,596)	(20,134)	(14,057)
Income tax paid	-	-	-	(69)	(276)
Net GST (paid)/received	357	-	759	(36)	126
Net cash flows from operating activities	**213,373**	**203,400**	**187,525**	**222,886**	**194,245**
Cash flows from investing activities					
Dividends received	12,150	10,900	20,491	12,150	20,491
Interest received	14,038	13	8,041	15,819	8,808
Decrease in bank investments	-	-	-	8	4
Proceeds from sale of property, plant and equipment	2,443	9,834	4,197	2,462	4,236
Proceeds from sale of Investments	-	-	96	-	96
(Increase)/decrease in other financial assets	(126,890)	-	54,856	(132,857)	55,458
Purchase of investment properties	(600)	-	(13,123)	(600)	(13,123)
Purchase of intangibles	(6,830)	(3,062)	(8,856)	(6,925)	(9,392)
Purchase of property, plant and equipment	(452,760)	(454,794)	(343,429)	(455,296)	(345,991)
Net cash flows from investing activities	**(558,449)**	**(437,109)**	**(277,727)**	**(565,239)**	**(279,413)**
Cash flows from financing activities					
New borrowings	560,306	521,570	320,328	560,306	320,328
Repayment of borrowings	(139,500)	(204,816)	(141,000)	(139,500)	(141,000)
Interest paid on borrowings	(72,457)	(60,972)	(47,172)	(72,522)	(47,180)
Net cash flows from financing activities	**348,349**	**255,782**	**132,156**	**348,284**	**132,148**
Net increase/(decrease) in cash and cash equivalents	3,273	22,073	41,954	5,931	46,980
Cash and cash equivalents at the beginning of the year	68,529	18,257	26,575	87,707	40,727
Cash and cash equivalents at the end of year	**71,802**	**40,330**	**68,529**	**93,638**	**87,707**

The notes on page X to X form part of and should be read in conjunction with the financial statements.

The cash and cash equivalents balance above equates to the cash and cash equivalents balance in the Statement of Financial Position.

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The Council acts as a collection agency for GWRC by including additional rates and levies in its own billing process. Once collected, the monies are passed to GWRC. The budget assumes that the inflows and outflows will offset each other and are shown accordingly.

Cash and cash equivalents for the purposes of the Statement of Cash Flows comprises cash at bank, cash on hand and short-term deposits with a maturity of up to 3 months at acquisition. The Statement of Cash Flows has been prepared using the direct approach subject to the netting of certain cash flows. Cash flows in respect of investments and borrowings that have been rolled over under arranged finance facilities have been netted in order to provide more meaningful disclosures.

Operating activities include cash received from all non-financial revenue sources of the Council and Group and record the cash payments made for the supply of goods and services.

Investing activities relate to the acquisition and disposal of assets and investment revenue.

Financing activities relate to activities that change the equity and debt capital structure of the Council and Group and financing costs.

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Statement of Cash Flows – Major budget variations

Cash flow budgeting is performed using various assumptions around the timing of events and any departure from these timings will affect the outcome against budget. Budget figures are for the Council only and not the Group.

Significant variations from the cash flow budgets are as follows:

Net cash flows from operating activities were $10.0m higher than budget. The major variances included:

- Receipts from rates were $17.1m below budget due to a higher level of debtors for rates recoverable at year end than budgeted.
- Receipts from rates for GWRC were $25.7m higher than budget. This was offset by higher corresponding rates paid to GWRC of $24.5m than budget.
- Receipts from capital grants and subsidies were $84.4m higher than budget. This is due to the grant funding received from Sludge Finance LP for the construction of Te Whare Wai Para Nuku, the Sludge Minimisation Facility (SMF) located at Moa Point.
- Cash paid to suppliers and employees were $66.1m higher than budget. This is mainly due to the payments to suppliers for the construction of the SMF, offset by a small increase in operational expenditure. In the budget, the cash flows from grant funding for the SMF has been offset against the cash flows paid to suppliers for the construction of the SMF.
- Grants paid were $12.4m below budget. The budget assumed a higher level of grants paid than in recent years but that did not materialise.

Net cash flows from investing activities were $121.3m higher than budget. The major variances included:

- Interest received was $14.0m higher than budget. The budget includes only the net interest paid on borrowings.
- Increase in other financial assets were $126.9m higher than budget. This largely relates to the purchases of term investments to pre-fund upcoming debt maturities on borrowings.

Net cash flows from financing activities were $92.6m higher than budget. The major variances included:

- The net cash inflow from borrowings was $104.1m higher than budget. This is mainly due to the pre-funding of upcoming debt maturities – see corresponding $126.9m variance in the increase of other financial assets above. This is partially offset by a lower level of capital programme spend compared to budget.
- Interest paid on borrowings was $11.5m higher than budget. As noted above in interest received, the budget includes the net interest paid or received. The net interest paid was only $2.5m below budget.

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Note 32: Reconciliation of cash flows

Table XX: Reconciliation of net surplus/(deficit) to net cash flows from operating activities	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Net surplus/(deficit) for the period	**8,701**	**(74,206)**	**4,679**	**(85,902)**
Add/(deduct) non-cash items:				
Vested assets and other revenue	(36,804)	(13,995)	(36,804)	(13,995)
Bad debts	468	186	468	186
Depreciation and amortisation	211,024	196,318	212,174	197,032
Impairment of property, plant and equipment	7,257	377	7,257	377
Fair value changes in investment properties	20,399	13,341	20,399	13,341
Other fair value changes	32	198	71	95
Movement in provision for impairments of doubtful debts	71	2,245	38	2,245
Tax expense/(credit)	-	(20)	340	346
Non-cash movement in provisions	1,101	1,163	1,143	1,071
Reassessment of landfill post-closure costs	(1,523)	-	(1,523)	-
Total non-cash items	**202,025**	**199,813**	**203,563**	**200,698**
Add/(deduct) movement in working capital: [1]				
Exchange receivables and non-exchange recoverables	(30,348)	7,483	(27,024)	10,685
Prepayments	(20,767)	10,283	(21,379)	10,487
Inventories	(340)	(69)	(617)	(277)
Exchange transactions, transfers and taxes payable	1,537	24,418	1,221	20,852
Deferred revenue	3,299	378	151	5,159
Employee benefit liabilities	1,124	606	969	901
Provision for other liabilities	(1,690)	(1,264)	(1,690)	(1,082)
Total movement in working capital	**(47,185)**	**41,835**	**(48,369)**	**46,725**
Add/(deduct) investing and financing activities:				
Net (gain)/loss on disposal of property, plant and equipment	1,955	(2,837)	1,975	(2,248)
Net (gain)/loss on disposal of intangibles	393	25	393	25
Net (gain)/loss on disposal of other financial assets	-	(6)	(4)	(15)
Dividends received	(12,150)	(20,491)	(128)	(91)
Interest received	(16,964)	(8,041)	(18,781)	(8,869)
Tax paid and subvention receipts	-	-	51	104
Interest paid on borrowings	76,598	51,433	76,663	51,445
Share of equity accounted (surplus)/deficit in associates	-	-	2,844	(7,627)
Total investing and financing activities	**49,832**	**20,083**	**63,013**	**32,724**
Net cash flows from operating activities	**213,373**	**187,525**	**222,886**	**194,245**

1. Excluding non-cash items

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Table XX: Reconciliation of liabilities arising from financing activities	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Opening balance				
Current borrowings	205,500	209,001	205,500	209,001
Non-current borrowings	1,044,986	862,157	1,046,483	863,757
Hedges held against borrowings:				
Interest rate swaps - cash flow hedges	73,180	57,624	75,316	58,172
Total opening balance	**1,323,666**	**1,128,782**	**1,327,299**	**1,130,930**
Cash flow movements - current				
Repayment of borrowings - current	(139,500)	(141,000)	(139,500)	(141,000)
New borrowings	-	-	-	-
Movement from non-current to current borrowings	96,498	137,499	96,498	137,499
Cash flow movements - non-current				
New borrowings	560,306	320,328	560,307	320,328
Movement from non-current to current borrowings	(96,498)	(137,499)	(96,498)	(137,499)
Total cash flow movements	**420,806**	**179,328**	**420,807**	**179,328**
Non-cash flow movements				
Cash flow hedge net movement recognised in other comprehensive revenue and expense - effective portion	(8,337)	15,556	(8,291)	17,144
Transfer to surplus or deficit for discontinued cash flow hedges	483	-	483	-
Fair value adjustment to borrowings	-	-	39	(103)
Total movements	**412,952**	**194,884**	**413,038**	**196,369**
Closing balance				
Current borrowings	162,498	205,500	162,498	205,500
Non-current borrowings	1,508,794	1,044,986	1,510,331	1,046,483
Hedges held against borrowings:				
Interest rate swaps - cash flow hedges	65,326	73,180	67,508	75,316
Total closing balance	**1,736,618**	**1,323,666**	**1,740,337**	**1,327,299**

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Other Disclosures

Note 33: Financial instruments

For the purpose of measurement, the Council's and Group's financial assets and liabilities are classified into categories according to the purpose for which the financial assets and liabilities were acquired. The classification is determined at initial recognition and re-evaluated at the end of each reporting period.

Relevant significant accounting policies

Financial instruments are initially recognised on trade-date at their fair value plus transaction costs. Subsequent measurement and the treatment of gains or losses depends upon their classification as shown below in Table X.

Table X: Classification of financial instruments

Financial asset category	**Subsequent measurement**	**Treatment of gains and losses**
Financial assets at amortised cost	Amortised cost using the effective interest rate method	Surplus or deficit
Financial assets at fair value through surplus or deficit	Fair value	Surplus or deficit
Financial assets at fair value through other comprehensive revenue and expense	Fair value	Other comprehensive revenue and expense
Financial liability category	**Subsequent measurement**	**Treatment of gains and losses**
Financial liabilities at amortised cost	Amortised cost using the effective interest rate method	Surplus or deficit
Financial liabilities at fair value through other comprehensive revenue and expense	Fair value	Other comprehensive revenue and expense

Financial Assets

Financial assets comprise the following categories and components:

Financial assets at amortised cost

- Cash and cash equivalents include cash balances and bank deposits with maturity dates of up to 3 months at acquisition.
- Receivables and recoverables which have fixed or determinable payments. They arise when the Group provides money, goods or services directly to a debtor, and has no intention of trading the receivable or recoverable.
- Loans and deposits which include loans to other entities (including controlled entities and associates), and bank deposits with maturity dates of more than 3 months at acquisition.

Initial recognition at fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date for assets of a similar maturity and credit risk. Receivables or recoverables due in less than 12 months are initially recognised at their nominal value as an estimate of fair value.

Financial assets at fair value through surplus or deficit (FVTSD)

- LGFA borrower notes, as the LGFA has the ability to repay the investment before the original maturity date.

Financial assets at fair value through other comprehensive revenue and expense (FVTOCRE)

- Derivatives (interest rate swaps) that qualify for hedge accounting.
- Equity investments, held by the Group for long-term strategic purposes and therefore are not intended to be sold. Within the Group, small shareholdings are held in start-up companies, which are available for sale, until the companies mature or cease operations.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial Liabilities

Financial liabilities comprise the following categories and components:

Financial liabilities at amortised cost

- Payables under exchange transactions
- Transfers payable
- Taxes payable
- Borrowings

Financial liabilities with a duration of less than 12 months are initially recognised at their nominal value as an estimate of fair value.

Financial liabilities at fair value through other comprehensive revenue and expense (FVTOCRE).

- Derivatives (interest rate swaps) that qualify for hedge accounting.

Table XX provides an analysis of the Group's financial assets and financial liabilities by reporting category as described in the accounting policies:

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Table XX: Financial Instruments by category	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Financial assets				
Financial assets at amortised cost				
Cash and cash equivalents	71,802	68,529	93,638	87,707
Receivables and recoverables	109,959	77,185	111,674	79,726
Bank term deposits - greater than 3 months at acquisition	156,000	40,000	168,067	46,098
Loans to related parties and external organisations	2,163	2,156	2,165	2,157
Total financial assets at amortised cost	**339,924**	**187,870**	**375,544**	**215,688**
Financial assets at FVTSD				
LGFA - borrower notes	36,038	25,190	36,038	25,190
Total financial assets at FVTSD	**36,038**	**25,190**	**36,038**	**25,190**
Financial assets at FVTOCRE				
Interest rate swaps - cash flow hedges	64,437	73,180	64,437	73,180
Equity investments	9,674	9,232	11,880	11,350
Total financial assets at FVTOCRE	**74,111**	**82,412**	**76,317**	**84,530**
Total financial assets	**450,073**	**295,472**	**487,899**	**325,408**
Total non-financial assets	11,759,832	10,770,024	12,038,479	11,042,532
Total assets	**12,209,905**	**11,065,496**	**12,526,378**	**11,367,940**
Financial liabilities				
Financial liabilities at amortised cost				
Exchange transactions and transfers payable	115,975	113,540	119,878	117,249
Taxes payable	14,003	11,707	14,558	12,047
Borrowings	1,671,292	1,250,486	1,672,829	1,251,983
Total financial liabilities at amortised cost	**1,801,270**	**1,375,733**	**1,807,265**	**1,381,279**
Total financial liabilities	**1,801,270**	**1,375,733**	**1,807,265**	**1,381,279**
Total non-financial liabilities	71,852	68,018	83,890	82,368
Total liabilities	**1,873,122**	**1,443,751**	**1,891,155**	**1,463,647**

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Fair value

The fair values of all financial instruments equate to or are approximate to the carrying amount recognised in the Statement of Financial Position.

Fair value hierarchy

For those financial instruments recognised at fair value in the Statement of Financial Position, the fair values are determined according to the following hierarchy:

- **Level 1**: Quoted market price - Financial instruments with quoted prices for identical instruments in active markets.
- **Level 2**: Valuation technique using observable inputs – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- **Level 3**: Valuation techniques with significant non-observable inputs – Financial instruments valued using models where one or more significant inputs are not observable.

Table XX: Group hierarchy		2024			2023		
		Level 1 $000	Level 2 $000	Level 3 $000	Level 1 $000	Level 2 $000	Level 3 $000
Financial assets	**Fair value recognition**						
- LGFA - borrower notes	FVTSD	-	36,038	-	-	25,190	-
- Equity investments	FVTOCRE	-	-	11,880	-	-	11,350
- Interest rate swaps - Cash flow hedges	FVTOCRE	-	64,437	-	-	73,180	-
		-	**100,475**	**11,880**	**-**	**98,370**	**11,350**

Table XX summarises the reconciliation of movements in Level 3 financial instuments.

Table XX: Reconciliation of fair value movements in Level 3	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Financial assets at FVTOCRE				
- Equity investments				
Opening balance - 1 July	9,232	9,198	11,350	11,477
Gains/(losses) recognised in other comprehensive revenue and expense	442	34	530	(127)
Closing balance - 30 June	**9,674**	**9,232**	**11,880**	**11,350**

Refer to *Note 15: Other financial assets* (page X) for details of what investments make up the above balances.

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Financial risk management

As part of its normal operations, the Group is exposed to several financial risks. The most significant are credit risk, liquidity risk and market risk, which includes interest rate risk. The Group's exposure to these risks and the action that the Group has taken to minimise the impact of these risks is outlined below.

Credit risk

Credit risk is the risk that a third party will default on its obligations to the Group, thereby causing a financial loss. The Group is not exposed to any material concentrations of credit risk other than its exposure within the Wellington region. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position and the face value of financial guarantees to related parties (refer *Note 35: Contingencies* (page X)). There is currently no liability recognised for these guarantees as the Group does not expect to be called upon for payment.

The Group's maximum exposure to credit risk at the end of the reporting period is detailed in *Table XX*.

Table XX: Financial instruments with credit risk	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Cash and cash equivalents	71,790	68,514	93,613	87,677
Interest rate swaps - Cash flow hedges	64,437	73,180	64,437	73,180
Receivables and recoverables	109,959	77,185	111,674	79,726
Other financial assets				
- Bank term deposits - greater than 3 months at acquisition	156,000	40,000	168,067	46,098
- LGFA borrower notes	36,038	25,190	36,038	25,190
- Loans to related parties and external organisations	2,163	2,156	2,165	2,157
Total financial instruments with credit risk	**440,387**	**286,225**	**475,994**	**314,028**

Receivables and recoverables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group is exposed to credit risk as a guarantor of the LGFA's borrowings. Further information about this exposure is explained in *Note 35: Contingencies* (page X).

Credit quality of financial assets

The credit quality of financial assets that are neither past due or impaired can be assessed by reference to Standard and Poor's credit ratings (or otherwise as stated) as shown in *Table* XX.

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Table XX: Counterparties with credit ratings	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Cash - NZ registered banks				
AA-	39,790	48,514	59,214	66,618
Short-term deposits (3 months or less) - NZ registered banks				
AA-	32,000	20,000	34,399	21,509
Interest rate swaps - NZ registered banks				
AA-	64,437	73,180	64,437	73,180
Term deposits (greater than 3 months) - NZ registered banks				
AA-	156,000	40,000	168,067	46,098
Borrower notes - LGFA				
AAA	36,038	25,190	36,038	25,190

Liquidity risk

Liquidity risk refers to the situation where the Group may encounter difficulty in meeting obligations associated with financial liabilities. The Group maintains sufficient funds to cover all obligations as they fall due. Facilities are maintained in accordance with the Council's Liability Management Policy to ensure the Group can access required funds.

Contractual maturity

The following maturity analysis in *TableXX* sets out the contractual cash flows for all financial liabilities excluding derivatives that are settled on a gross cash flow basis. Contractual cash flows for financial liabilities include the nominal amount and interest payable.

Table XX: Contractual cash flows of financial liabilities excluding derivatives	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Contractual cash flows of financial liabilities excluding derivatives				
0-12 months	382,738	399,945	387,244	404,034
1-2 years	265,006	151,840	266,583	151,888
2-5 years	825,091	507,489	825,091	509,034
More than 5 years	716,041	621,068	716,041	621,068
Total contractual cash flows of financial liabilities excluding derivatives	**2,188,876**	**1,680,342**	**2,194,959**	**1,686,024**
Represented by:				
Carrying amount as per the Statement of Financial Position	1,801,270	1,375,733	1,807,265	1,381,279
Future interest payable	387,606	304,609	387,694	304,745
Total contractual cash flows of financial liabilities excluding derivatives	**2,188,876**	**1,680,342**	**2,194,959**	**1,686,024**

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Contractual cash flows for derivative financial liabilities are settled on a net cash flow basis and are the future interest payable. However, due to favourable interest rate movements all derivatives (cash flow hedges) were assets at 30 June 2023 and 2024.

In addition to cash to be received in 2024/25 the Group currently has $241.9m (2023: $211.9m) in unutilised committed bank facilities available to settle obligations as well as $211.9m (2023: $167.4m) of cash, cash equivalents and receivables and is expected to have sufficient cash to meet all contractual liabilities as they fall due.

The Group is exposed to liquidity risk as a guarantor of all LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its obligations when they fall due. Information about this exposure is explained in *Note 35: Contingencies* (page X).

The Group mitigates exposure to liquidity risk by managing the maturity of its borrowings programme within the following maturity limits as shown in *Table XX.*

Table XX: Liquidity funding risk limits

Period	Maturing in period $000	Minimum	Maximum	Actual
0 - 3 years	507,066	15%	60%	30%
3 - 5 years	465,243	15%	60%	28%
More than 5 years	698,983	15%	60%	42%
	1,671,292			**100%**

These profiles demonstrate how Council must spread and smooth repricing to avoid large concentrations of repricing risk in any given annual period.

Market risk

Market risk is the risk that the value of an investment will decrease, or a liability will increase due to changes in market conditions. The Group uses interest rate swaps in the ordinary course of business to manage interest rate risks. A Treasury Committee, headed by senior management personnel and the Council's treasury management advisors (presently PwC), provides oversight for financial risk management and derivative activities, and ensures any activities are in line with the Investment and Liability Management Policies, which are formally approved by the Council as part of the LTP.

Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Council and Group's exposure to changes in market interest rates primarily arises from borrowings issued at variable interest rates.

Generally, the Council raises long-term borrowings at floating rates. The Liability Management Policy requires that at least 50 percent of borrowings are at fixed rates of interest. To achieve this, the Council uses interest rate swaps. Interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rates to provide longer term certainty of funding costs than what would be achievable under floating rates. Under the interest rate swaps, the Council agrees with other parties to exchange at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

For material financial liability exposures, the Council has policy settings within the Liability Management Policy that determine how the repricing of interest rate risks must be managed. For the year ended 30

June 2024, the material exposures were Borrowings and Derivative financial instruments (interest rate swaps). Refer to *Note 12: Derivatives*, for further information (page X).

The proportion of gross borrowing at a fixed interest rate (after taking into effect the interest rate swaps) for the year ending 30 June 2024 is 56 percent (2023: 53 percent).

Table XX shows the effect of the interest rate swaps at reducing the Council's and Group's exposure to interest rate risk.

Table XX: Interest rate volatility	**Council**		**Group**	
	2024	**2023**	**2024**	**2023**
	$000	**$000**	**$000**	**$000**
Financial instruments subject to interest rate volatility - before effect of interest rate swaps				
Cash and cash equivalents	71,790	68,514	93,613	87,677
Bank term deposits - greater than 3 months at acquisition	156,000	40,000	168,067	46,098
Commercial paper	(66,000)	(68,000)	(66,000)	(68,000)
Debt securities - floating rate notes	(1,420,000)	(1,067,000)	(1,420,000)	(1,067,000)
Total financial instruments subject to interest rate volatility - before effect of interest rate swaps	**(1,258,210)**	**(1,026,486)**	**(1,224,320)**	**(1,001,225)**
Effect of interest rate swaps in reducing interest rate volatility				
Interest rate swaps - cash flow hedges	707,000	556,000	707,000	556,000
Total effect of interest rate swaps in reducing interest rate volatility	**707,000**	**556,000**	**707,000**	**556,000**
Total financial instruments subject to interest rate volatility - after effect of interest rate swaps	**(551,210)**	**(470,486)**	**(517,320)**	**(445,225)**

These interest rate swaps have a nominal value which represents the value of the debt that they are covering (included above). This amount is not recorded in the financial statements. Instead, the fair value of these interest rate swaps is recognised. This represents the difference between the forecast current floating interest rate and the fixed swap interest rate discounted back to present value. As at 30 June 2024, the fair value of the interest rate swaps was $64.4m (2023: $73.2m). The asset represents the forecast cost savings the Council is expected to receive from locking in fixed interest rates lower than current market rates over the period of the swap contracts versus floating rates.

Interest rate hedge effectiveness

Table XX: Interest rate hedge effectiveness	**Council**		**Group**	
	2024	**2023**	**2024**	**2023**
	$000	**$000**	**$000**	**$000**
Fair value of hedging instruments to determine hedge effectiveness	64,437	73,180	64,437	73,180
Fair value of hedged item to determine hedge effectiveness	65,809	73,180	65,809	73,180

The fair value of the hedging instruments is no longer the same as the fair value of the hedged items due to a small amount of ineffectiveness introduced during the year. As no designated forecast relationships were no longer expected to occur, there were no reclassifications.

Weighted effective interest rates

Given that the interest rate swaps have settlement dates that coincide with the dates on which interest is payable on the underlying debt (short term bank facilities, commercial paper and debt securities), it is

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appropriate to include the effect of the interest rate swaps on the borrowings interest rate and present the net effective interest rates for the underlying borrowings as shown in *Table XX*.

Table XX: Weighted effective interest rates	Council		Group	
	2024	2023	2024	2023
	%	%	%	%
Investments				
Cash and cash equivalents	5.6	5.4	4.6	4.5
Bank term deposits - greater than 3 months at acquisition	6.1	5.9	5.8	5.7
LGFA - borrower notes	5.8	6.0	5.8	6.0
Loans to related parties	3.0	3.0	3.0	3.0
Borrowings				
Bank loans	5.3	3.0	5.3	3.0
Commercial paper	5.7	5.7	5.7	5.7
Debt securities - fixed rate bonds	3.1	2.0	3.1	2.0
Debt securities - floating rate notes	6.3	6.2	6.3	6.2
Interest rate swaps - cash flows hedges	3.0	3.2	3.0	3.2

The original related party loan to WRST for the Stadium construction and membership underwrite advance are on interest free terms.

The loan to WRST for COVID-19 support and further upgrade of the Fran Wilde walkway is at an interest rate of 3 percent p.a. and is now effective as the initial 2-year interest free period has expired.

Sensitivity analysis

While the Group has significantly reduced the impact of short-term fluctuations on the Group's earnings through interest rate swap arrangements, there is still some exposure to changes in interest rates.

Table XX illustrates the potential surplus or deficit impact of a 2 percent change in interest rates based on the Group's exposures at the end of the reporting period:

Table XX: Sensitivity to interest rate risk		Group			
		2024			
		$000			
		+2%	-2%	+2%	-2%
	Note	Effect on surplus or deficit		Effect on other comprehensive revenue and expense	
Financial assets					
Cash and cash equivalents	a	1,874	(1,874)	-	-
LGFA - borrower notes	b	(1,141)	1,058	-	-
Bank term deposits - greater than 3 months at acquisition	c	3,361	(3,361)	-	-
Interest rate swaps - cash flow hedges	d	-	-	66,501	(77,928)
Financial liabilities					
Debt securities - floating rate notes	e	(12,500)	12,500	-	-
Bank loans	f	(537)	537	-	-
Commercial paper	g	(340)	340	-	-
Total sensitivity to interest rate risk		**(9,283)**	**9,200**	**66,501**	**(77,928)**

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Table XX: Sensitivity to interest rate risk		Group			
		2023			
		$000			
		+2%	-2%	+2%	-2%
	Note	Surplus or Deficit		Other Comprehensive	
Financial assets					
Cash and cash equivalents	a	1,754	(1,754)	-	-
LGFA - borrower notes	b	(938)	795	-	-
Bank term deposits - greater than 3 months at acquisition	c	922	(922)	-	-
Interest rate swaps - cash flow hedges	d	-	-	68,433	(81,844)
Financial liabilities					
Debt securities - floating rate notes	e	(11,240)	11,240	-	-
Bank loans	f	(240)	240	-	-
Commercial paper	g	(340)	340	-	-
Total sensitivity to interest rate risk		**(10,082)**	**9,939**	**68,433**	**(81,844)**

a. Cash and cash equivalents
Group funds of $100.1m (2023: $87.7m) are in several different registered bank accounts with interest receivable on the aggregation of all accounts. While most of the funds are held on short-term deposit, they are subject to interest rate movement on any subsequent reinvestment.

b. LGFA borrower notes
The Group holds $36.0m (2023: $25.2m) of borrower notes which are investments held by LGFA as part of their lending policy. They are subject to quarterly interest rate resetting. As these debt investments are now subject to fair value, the effect of discounting has a greater impact than the increase/decrease in interest earned.

c. Bank term deposits > than 3 months
Bank term deposits with maturities greater than 3 months at acquisition of $161.6m (2023: $46.1m) are subject to interest rate movement on any subsequent reinvestment.

d. Interest rate swaps – cash flow hedges
Interest rate swaps have a fair value totalling $64.4m (2023: $73.2m).

e. Debt securities – floating rate notes
Debt securities at floating rates total $1,420.0m (2023: $1,067.0m). The full exposure to changes in interest rates has been reduced because the Group has $679.0m (2023: $505.0m) of this debt at fixed rates through interest rate swaps.

f. Bank loans
The Group has a share of the borrowings made by Porirua City Council through the Council's joint operations. These are disclosed as bank term loans and amount to $25.3m (2023: $10.5m). In addition, Karori Sanctuary Trust has a $1.5m (2023: $1.5m) loan.

g. Commercial paper
The Group has a commercial paper programme which is subject to floating rates and totals $100.0m of which only $66.0m (2023: $68.0m) is presently utilised. The full exposure to changes in interest rates has been reduced because the Group has $28.0m (2023: $51.0m) of this debt at fixed rates through interest rate swaps.

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Foreign exchange risk

Foreign exchange risk is the risk that costs materially exceed budget due to adverse movements in foreign exchange rates.

The Group is exposed to foreign exchange risk when it purchases equipment and services denominated in a foreign currency or has cash holdings denominated in a foreign currency.

The Group has assessed that a reasonably possible change in foreign exchange rates (a 10 percent variance either way) would have a trivial impact on surplus or equity.

Risk management

The Group seeks to limit foreign exchange risk by holding foreign currency prior to material foreign currency denominated capital and operating expenditure. Foreign exchange exposure is recognised when the expenditure has been approved and a contract is expected to follow.

The Group does not receive foreign currency revenue in its normal course of business.

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Note 34: Commitments

Capital commitments

Table XX: Capital commitments	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Approved and contracted				
Property, plant and equipment	515,514	172,845	516,438	174,425
Share of associates	-	-	15,137	1,288
Total capital commitments	**515,514**	**172,845**	**531,575**	**175,713**

The capital commitments in *Table XX* represent signed contracts in place at the end of the reporting period. The contracts will often span more than one financial year.

The large increase in capital commitments results from the committed expenditure for the Sludge Minimisation Facility at Moa Point and the Te Ngākau Civic Precinct upgrade.

Operating lease commitments

Council and Group as lessee

The Group leases certain items of plant, equipment, land and buildings under various non-cancellable operating lease agreements. The lease terms are between 2 and 25 years and the majority of the lease agreements are generally renewable at the end of the lease period at market rates.

The minimum lease payments incurred during the period for non-cancellable operating leases is recognised as an expense in *Note 7: Expenditure on operating activities* (page X) and the future expenditure committed by these leases is analysed as shown in Table XX.

Table XX: Non-cancellable operating lease commitments as lessee	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Plant and equipment				
Not later than one year	132	-	177	60
Later than one year and not later than five years	397	-	476	1,156
Land and buildings				
Not later than one year	21,676	17,097	23,509	18,057
Later than one year and not later than five years	94,347	49,289	98,663	54,953
Later than five years	413,551	144,467	413,715	144,652
Total non-cancellable operating lease commitments as lessee	**530,103**	**210,853**	**536,540**	**218,878**

The significant increase in the value of non-cancellable operating lease commitments is driven from new property lease agreements for the Te Kāinga affordable rental programme and the Council head office.

Relevant significant accounting policies

Leases where the lessor retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Payments made under operating leases (net of any lease incentives) are recognised on a straight-line basis over the term of the lease.

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Council and Group as lessor

The Council and Group has entered into commercial property leases of its investment property portfolio and operational land and buildings.

Investment properties

The land and buildings held for investment purposes are properties which are not held for operational purposes and are leased to external parties.

Ground leases (included within investment properties) are parcels of land owned by the Group in the central city or on the Wellington waterfront that are leased to other parties who own the buildings situated on the land. The leases are generally based on 21-year perpetually renewable terms. As these parcels of land are held for investment purposes the leases are charged on a commercial market basis.

Operational land and buildings

The land and buildings not held for investment purposes are either used to accommodate the Group's operational activities or are held for purposes such as road widening, heritage, social housing or are being monitored for compliance reasons. In some cases, parts of these assets are leased to external parties on a commercial basis. The terms of these commercial leases generally range from 1 to 21 years although a new 35-year lease was signed during the year with Te Toi Mahana.

The committed revenues expected from these lease portfolios are analysed as shown in *Table XX*. Since the Te Toi Mahana lease can be cancelled with 5 years notice, only 5 years of committed revenue is shown.

Table XX: Non-cancellable operating lease commitments as lessor	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Investment properties				
Not later than one year	10,401	11,049	10,401	11,049
Later than one year and not later than five years	35,738	35,547	35,738	35,547
Later than five years	54,178	50,435	54,178	50,435
Operational land and buildings				
Not later than one year	21,925	2,256	21,925	2,256
Later than one year and not later than five years	74,570	2,816	74,570	2,816
Later than five years	8,728	8,175	8,734	8,175
Total non-cancellable operating lease commitments as lessor	**205,540**	**110,278**	**205,546**	**110,278**

Relevant significant accounting policies

Rental revenue (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

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Note 35: Contingencies

Table XX: Contingent liabilities	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Uncalled capital - LGFA	1,866	1,866	1,866	1,866
Other legal proceedings	385	1,625	385	1,625
Total contingent liabilities	**2,251**	**3,491**	**2,251**	**3,491**

Local Government Funding Agency Limited (LGFA)

The Council is one of 31 shareholders of the LGFA. Any non-shareholder council that borrows in aggregate $20.0m or more from LGFA must also be a guarantor. There are 72 guarantors in total. In this regard the Council has uncalled capital of $1.9m. When aggregated with the uncalled capital of other shareholders, $20.0m is available if an imminent default is identified. Also, together with the other shareholders and guarantors, the Council is a guarantor of all LGFA's borrowings. As at 30 June 2024, LGFA had borrowings totalling $23.0m (2023: $17.7m).

Financial reporting standards require the Council to recognise the guaranteed liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of LGFA defaulting on repayment of interest or capital to be very low on the basis:

- that we are not aware of any local authority, which is a member of the LGFA, that has had debt default events in New Zealand; and
- local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

The Council considers that even if it was called upon to contribute, the cost would not be material.

Other legal proceedings

Other legal proceedings are current claims against the Council and Group as a result of past events which are currently being contested. 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. The maximum exposure to the Group is anticipated to be less than $0.4m (2023: $1.6m).

Structural defect claim

A large and novel claim alleging a breach of duty to a tenant of a commercial building was filed in August 2019. The Council does not estimate any further financial exposure for this claim as it is expected to be covered by insurance.

Unquantified contingent liabilities

Riskpool – winding up

Wellington City Council was previously a member of the New Zealand Mutual Liability Riskpool

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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.

On 1 August 2023 the Supreme Court dismissed Riskpool's final appeal in Local Government Mutual Funds Trustee Limited v Napier City Council [2023] NZSC 97. This created an immediate liability for Riskpool in relation to that claim, which necessitated a call on members. The amount of the call for the Council was $0.7m and was paid in December 2023.

Riskpool's wind-down remains a very dynamic situation and there are significant challenges that Riskpool are still working through to be able to quantify the extent of Riskpool's potential exposure.

Other claims

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.

Contingent assets

The Council and Group have no contingent assets as at 30 June 2024 (2023: $nil).

Relevant significant accounting policies

Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are disclosed at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility they will crystallise is not remote. Contingent assets are disclosed if it is probable the benefits will be realised.

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Note 36: Joint operations

The Council has significant interests in the following joint operations. These are domiciled and operate in New Zealand. Porirua City Council operates two of the joint operations under an agreement which provides that all assets of the joint operation are owned by the two councils as tenants in common. The remaining joint operations are part of Let's Get Wellington Moving (LGWM) which was a joint initiative between Wellington City Council, GWRC and NZTA.

Table XX: Joint operations	Interest 2024	Interest 2023	Nature of business
Wastewater treatment plant – Porirua City Council	27.60%	27.60%	Owns and operates a wastewater treatment plant and associated trunk sewers and pumping stations that provide services to Wellington City's northern suburbs. Ownership of the assets is in proportion to the capacity of the plant allocated to the two councils.
Spicer Valley Landfill – Porirua City Council	21.50%	21.50%	Owns and operates a sanitary landfill that provides services to Wellington City's northern suburbs. Ownership of the assets is in proportion to the ratio of the populations of Porirua City and the area of the former Tawa Borough.
*LGWM Projects			Joint initiative to develop a transport system that supports future aspirations for the look, feel, and function of Wellington City. These will support Wellington's growth while making it safer and easier to get around.
State Highway improvement	20.00%	20.00%	
Mass Rapid Transport	20.00%	20.00%	
City Streets	0 - 49%	20.00%	
Early Delivery	0 - 49%	0 - 49%	
Travel Demand Management	20.00%	20.00%	
Integrated Delivery Vehicle	20.00%	20.00%	

*The LGWM joint operation ceased on 31 March 2024.

The end of the reporting period for the joint operations is 30 June.

The Council's and Group's share of the joint operations' capital commitments is $10.6m (2023: $nil) and contingent liabilities is $nil (2023: $nil).

Note 37: Related party disclosures

Relevant significant accounting policies

Related parties arise where one entity has the ability to affect the financial and operating policies of another through the presence of control or significant influence. Related parties include all members of the Group (controlled entities, associates and joint venture) and key management personnel.

Key management personnel include the Mayor and Councillors as elected members of the governing body of the Council reporting entity, the Chief Executive, and all members of the Executive Leadership Team, being key advisors to the Council and Chief Executive.

Key management personnel

In this section, the Council discloses the remuneration and related party transactions of key management personnel. The remuneration payable to key management personnel of the Group's other entities is disclosed separately within their individual respective financial statements and is not included in *Table XX*.

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Table XX: Remuneration paid to key management personnel	Council	
	2024	2023
	$	$
Council Members		
Remuneration	1,792,645	1,907,212
Chief Executive and Executive Leadership Team		
Remuneration	2,998,317	3,081,348
Total remuneration paid to key management personnel	**4,790,962**	**4,988,560**

As at 30 June 2024 key management personnel comprised of 24 individuals: 16 elected members or 16 fulltime equivalents (2023:16) and 8 executive leaders or 8 fulltime equivalents (2023: 9).

Material related party transactions

Material related party transactions – key management personnel

During the year, key management personnel, as part of normal local authority relationships, were involved in transactions with the Council such as payment of rates and purchases of rubbish bags or other Council services. These transactions were on normal commercial terms.

A related party of an Executive Leadership Team member provided training services, through a company, to the Council during the year. These services valued at $9k (2023: $24k) were procured as arm's length transactions on normal commercial terms.

A related party of an Executive Leadership Team member paid the Council $50k for sponsorship related activities during the 2022/23 financial year. These services were procured as arm's length transactions on normal commercial terms. There was no similar payment during the current financial year.

Except for these transactions no key management personnel have entered into related party transactions with the Group.

The Mayor and Councillor's disclose their personal interests in a register available on the Council website.

There are no commitments from the Council to key management personnel.

Material related party transactions – structured entities

Local Government Funding Agency Limited (LGFA)

The LGFA was incorporated on 1 December 2011 and was established to facilitate the efficient, and cost effective, raising of debt funding for local government authorities. There are currently 30 regional, district and city councils throughout New Zealand that own 80 percent of the issued capital, with the Crown holding the remaining 20 percent. The Council became an establishment shareholder in this Council Controlled Trading Organisation (CCTO) and currently has an investment of $9.2m (2023: $8.8m) representing 8.3 percent (2023: 8.3 percent) of paid-up capital.

During the year ending 30 June 2024 the Council drew down new borrowings of $545.5m and repaid $132.5m. Interest expense is paid quarterly in arrears on all borrowings and interest revenue of $0.3m (2023: $0.3m) was received on $2.8m (2023: $1.9m) of maturing borrower notes. The Council borrowings from the LGFA are comprised of $160.0m (2023:100.0m) of fixed rate bonds and $1,420.0m (2023: $1,067.0m) of floating rate notes, including $414.0m (2023: $120.0m) of CALs and GSS loans.

The Council holds a $36.9m nominal amount (carrying value $36.0m) (2023: $26.0m nominal amount (carrying value $25.2m)) of investment borrower notes. During the year the Council received a shareholder dividend of $0.1m (2023: $0.1m)

Material related party transactions – unstructured entities

Financial information relating to the Council's interests in unstructured entities is provided in *Tables XX and XX.*

Table XX: Basin Reserve Trust	2024	2023
	$000	$000
Summarised financial information of unstructured entity		
Total assets	773	851
Total liabilities	(346)	(561)
Net assets	**427**	**290**
Revenue	1,320	1,148
Expenses	(1,454)	(1,177)
Surplus/(deficit)	**(134)**	**(29)**

Basin Reserve Trust (BRT)

The BRT was established on 24 February 2005 to manage, operate and maintain the Basin Reserve. The Trust was jointly created with Cricket Wellington Incorporated (CWI). The Council and CWI each appoint two of the four trustees. The Council does not have an equity investment in the Trust but has influence over the Trust through the appointment of trustees and receives benefits from the complementary activities of the Trust in alignment with the Council's objectives.

During the year ending 30 June 2024 the Council contributed $0.1m (2023: $0.7m) to fund the core operations of the Trust.

Table XX: Wellington Regional Stadium Trust	2024	2023
	$000	$000
Summarised financial information of unstructured entity		
Total assets	102,145	99,722
Total liabilities	(49,099)	(9,952)
Net assets	**53,046**	**89,770**
Revenue	21,294	21,296
Expenses	(17,623)	(17,399)
Surplus/(deficit)	**3,671**	**3,897**

Wellington Regional Stadium Trust (WRST)

WRST was jointly created by the Council and GWRC. The Council does not have an equity investment in the Trust but has influence over the Trust through the appointment of trustees and receives benefits from the complementary activities of the Trust in alignment with the Council's objectives.

Refer to *Note 15: Other financial assets* (page X), for more information on loans due from WRST.

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Intra-group transactions and balances

Intra-group transactions and balances – Joint operations

During the year the Council has entered into transactions with its joint operations partners Porirua City Council and Let's Get Wellington Moving. These transactions disclosed are within the normal course of business. The nature of these intra-group transactions and the outstanding balances at the year-end are as shown in *Table XX*.

Table XX: Intra group transactions and balances - Joint operations		2024	2023
		$000	$000
Funding contribution paid by the Council			
	Porirua City Council - wastewater treatment plant	3,621	3,349
Share of jointly incurred expenditure			
	Let's Get Wellington Moving	16,130	13,369
Current receivables and recoverables owing to the Council from:			
	Let's Get Wellington Moving	-	7,337

Intra-group transactions and balances – Controlled entities

During the year the Council has entered into transactions with its controlled entities. These transactions disclosed are within the normal course of business. Intra-group transactions between Group entities, other than rates, are eliminated in the consolidated financial statements. The nature of these intra-group transactions and the outstanding balances at the reporting date are as shown in T*able XX.*

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Table XX: Intra group transactions and balances - Controlled entities		2024	2023
		$000	$000
Revenue received by Council for services provided to:			
	Karori Sanctuary Trust	12	46
	Wellington Cable Car Limited	71	80
	Wellington Museums Trust	1,554	1,458
	Wellington Regional Economic Development Agency Limited	1,114	161
	Te Toi Mahana	14,798	-
	Wellington Zoo Trust	379	45
		17,928	**1,790**
Grant funding paid by Council for the operations and management of:			
	Karori Sanctuary Trust	1,607	1,127
	Wellington Cable Car Limited	614	1,642
	Wellington Museums Trust	11,031	10,624
	Wellington Regional Economic Development Agency Limited	17,896	16,924
	Te Toi Mahana	6,973	1,500
	Wellington Zoo Trust	6,814	3,752
		44,935	**35,569**
Expenditure payments made by Council for services provided by:			
	Karori Sanctuary Trust	10	15
	Wellington Cable Car Limited	-	2
	Wellington Museums Trust	201	205
	Wellington Regional Economic Development Agency Limited	4,201	5,100
	Te Toi Mahana	-	-
	Wellington Zoo Trust	6	23
		4,418	**5,345**
Current receivables and recoverables owing to the Council from:			
	Karori Sanctuary Trust	2	-
	Wellington Museums Trust	19	145
	Wellington Regional Economic Development Agency Limited	225	68
	Te Toi Mahana	191	-
	Wellington Zoo Trust	14	2,700
		451	**2,913**
Current payables owed by the Council to:			
	Wellington Museums Trust	328	-
	Wellington Regional Economic Development Agency Limited	614	2,705
	Te Toi Mahana	-	195
	Wellington Zoo Trust	610	224
		1,552	**3,124**

Current receivables, recoverables and payables

The receivable, recoverable and payable balances are non-interest bearing and are to be settled with the relevant entities on normal trading terms and conditions.

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Intra-group transactions and balances – Associates and Joint venture

During the year the Council has entered into several transactions with its associates and joint venture. These transactions disclosed are within the normal course of business. The nature of these intra-group transactions and the outstanding balances at the year-end are as shown in *Table XX*.

Table XX: Intra group transactions and balances - Associates and joint venture		2024	2023
		$000	$000
Revenue received by Council for services provided to:			
	Wellington International Airport Limited	1,588	1,446
	Wellington Water Limited	720	293
		2,308	**1,739**
Payments made by Council for services and/or assets provided by:			
	Wellington International Airport Limited	5,927	1,167
	Wellington Water Limited	121,733	110,681
		127,660	**111,848**
Current receivables and recoverables owing to the Council from:			
	Wellington International Airport Limited	1	-
	Wellington Water Limited	80	-
		81	**-**
Current payables owed by the Council to:			
	Wellington Water Limited	**13,617**	**10,145**

Current receivables, recoverables and payables

The receivable, recoverable and payable balances are non-interest bearing and are to be settled with the relevant entities on normal trading terms and conditions.

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Note 38: Remuneration and staffing

Mayoral and Councillor remuneration

Remuneration

The following people held office as elected members of the Council's governing body, during the reporting period. The total remuneration was $1.8m (2023: $1.8m) and is broken down and classified as shown in *Table XX*.

Table XX: Elected Council member remuneration	Monetary		Total
	Salary	Allowances	2024
	$	$	$
Current members			
Whanau, Tory (Mayor)	183,027	538	183,565
Foon, Laurie (Deputy Mayor)	126,650	-	126,650
Abdurahman, Nureddin	105,283	-	105,283
Apanowicz, John	105,283	-	105,283
Brown, Tim	112,335	-	112,335
Calvert, Diane	105,283	-	105,283
Chung, Ray	105,283	-	105,283
Free, Sarah	111,070	-	111,070
Matthews, Rebecca	116,361	-	116,361
McNulty, Ben	105,283	-	105,283
O'Neill, Teri	116,361	-	116,361
Pannett, Iona	105,283	-	105,283
Paul, Tamatha (from 1 July 2023 until 9 Nov 2023)	41,648	-	41,648
Randle, Tony	105,283	-	105,283
Rogers, Geordie (from 22 Feb 2024 until 30 June 2024)	37,108	-	37,108
Wi Neera, Nikau	105,283	-	105,283
Young, Nicola	105,283	-	105,283
Total remuneration paid to elected council members	**1,792,107**	**538**	**1,792,645**

Salary

The Remuneration Authority is responsible for setting the remuneration levels for elected members (Clause 6, Schedule 7 of the LGA 2002). The Council's monetary remuneration (salary) detailed above was determined by the Remuneration Authority. As permitted under the Authority's guidelines the Council has chosen for its elected members to receive an annual salary for the 2023/24 financial year rather than the alternative option of a combination of meeting fee payments and annual salary.

Mayoral car

The Remuneration Authority permits the Council to provide the Mayor with a vehicle for full private use, which is a taxable benefit. Mayor Whanau has chosen not to take up this option.

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Non-monetary

In addition, the Mayor and Councillors receive non-monetary remuneration (benefit) in relation to a pool of on-site car parking spaces provided, regardless of whether they elect to use these or not. Some Councillors do not have vehicles and/or do not choose to use these car park spaces. This benefit is excluded from *Table XX* as the Council considers it immaterial and not practical to include this information.

The Councillors have shared office and working space available for use, and access to phones and computers. Professional indemnity and trustee liability insurance is also provided to Councillors against any potential legal litigation which may occur while undertaking Council business.

Relevant significant accounting policies

Remuneration of elected members comprises any money, consideration or non-monetary benefit received or receivable or otherwise made available, directly or indirectly, during the reporting period but does not include reimbursement of authorised work expenses or the provision of work-related equipment such as cell phones and laptops.

Community Boards

The Council has two community boards – the Tawa Community Board and the Mākara/Ōhāriu Community Board. The total remuneration paid to the elected members of these boards was $0.1m (2023: $0.1m) as shown in *Table XX.*

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Table XX: Community Board Member remuneration	Salary	Allowances	Total
			2024
	$	$	$
Tawa community board			
Day, Jill (Chair)	20,134	-	20,134
Moore, Miriam (Deputy Chair)	10,067	-	10,067
Davin, Tim	10,067	-	10,067
Allan, Rachel	10,067	-	10,067
Lacy, Jackson	10,067	-	10,067
Langham, Liz (from 18 September 2023 to 30 June 2024)	7,867	-	7,867
McNulty, Ben (Councillor - see remuneration above)	-	-	-
Randle, Tony (Councillor - see remuneration above)	-	-	-
Mākara/Ōhāriu community board			
Reed, Mark (Chair)	10,093	538	10,631
Hoskins, Darren (Deputy Chair)	5,046	-	5,046
Grace, Christine	5,046	-	5,046
Renner, Chris	5,046	-	5,046
Rudd, Wayne	5,046	-	5,046
Todd, Hamish	5,046	-	5,046
Total remuneration to community board members	**103,592**	**538**	**104,130**

A technology allowance of $45 per month is available to the Chair of both the Tawa and Mākara/Ōhāriu Community Boards. This allowance can be taken as either an allowance or as an actual expense reimbursement.

Chief Executive's remuneration

The Chief Executive of the Council was appointed in accordance with section 42 of the LGA 2002.

Table XX shows the total remuneration of the Chief Executive paid or payable for the year ended 30 June 2024.

Under the terms of the agreement, the Chief Executive of the Council chooses how they wish to take their remuneration package (salary only or a combination of salary and benefits).

The total remuneration package for the Chief Executive is detailed in Table XX.

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Table XX: Remuneration of the Chief Executive	Council	
	2024	2023
	$	$
Barbara McKerrow		
Salary	537,239	499,000
KiwiSaver	16,117	14,970
Total remuneration of the Chief Executive	**553,356**	**513,970**

Severances

In accordance with Schedule 10 (section 33) of the LGA 2002, the Council is required to disclose the number of employees who received severance payments during the year and the amount of each severance payment made.

Severance payments include any consideration (monetary and non-monetary) provided to any employee in respect of the employee's agreement to the termination of their employment with the Council. Severance payments exclude any final payment of salary, holiday pay and superannuation contributions or other contractual entitlement.

For the year ending 30 June 2024 the Council made severance payments to 9 employees totalling $0.3m (2023: 10 employees, $0.3m).

The individual values of each of these Council severance payments were: $138k, $35k, $28k, $18k, $16k, $12k, $8k, $7k and $7k.

Employee numbers and remuneration bands

Table X identifies the number of full-time employees as at the end of the reporting period and the full-time equivalent number of all other part-time, fixed term and casual employees.

Table XX: Employee numbers	Council	
	2024	2023
Full-time employees (based on a 40 hour week)	1,331	1,312
Full-time equivalents for all other non full-time employees	171	172

Table XX further identifies the breakdown of remuneration levels of those employees into various bands.

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Table XX: Remuneration bands		**Council 2024**
The number of employees receiving total annual remuneration of less than $60,000		778
Of the 778 employees in this band, 519 are part-time or casual		
The number of employees receiving total annual remuneration of more than $60,000 in bands of $20,000		
$60,000 - $79,999.99		373
$80,000 - $99,999.99		254
$100,000 - $119,999.99		189
$120,000 - $139,999.99		148
$140,000 - $159,999.99		92
$160,000 - $179,999.99		42
$180,000 - $199,999.99		24
$200,000 - $219,999.99		15
$220,000 - $239,999.99		9
$240,000 - $319,999.99		9
$320,000 - $559,999.99*		6
Total employees		1,939

Of the 1,939 (2023: 2,061) individual employees, 601 (2023: 731) are part-time or casual.

Table XX: Remuneration bands		**Council 2023**
The number of employees receiving total annual remuneration of less than $60,000		864
Of the 864 employees in this band, 655 are part-time or casual		
The number of employees receiving total annual remuneration of more than $60,000 in bands of $20,000		
$60,000 - $79,999.99		368
$80,000 - $99,999.99		295
$100,000 - $119,999.99		195
$120,000 - $139,999.99		165
$140,000 - $159,999.99		76
$160,000 - $179,999.99		35
$180,000 - $199,999.99		23
$200,000 - $219,999.99		19
$220,000 - $239,999.99		6
$240,000 - $279,999.99*		7
$300,000 - $519,999.99*		8
Total employees		2,061

* If the number of employees for any band was five or less then we are legally required by the LGA 2002 to combine it with the next highest band. This means that some rows span different bands across the two years shown.

Total annual remuneration has been calculated to include any non-financial benefits and other payments in excess of normal remuneration such as the employer KiwiSaver contribution.

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The Council has resolved that in addition to legislative requirements to disclose the above bandings it has also included the two lowest remuneration grades as shown in *Table XX*.

Table XX: Lowest remuneration grades	2024		2023	
	Salary Range	Employees	Salary Range	Employees
Q (Living Wage)	$54,299	49	$49,327	54
9	$54,299 - $67,206	347	$49,327 - $61,766	457

The current Living Wage rate for the Council is $26.00 (2023: $23.65) per hour. Each year the living wage rate for the Council is reviewed in accordance with the latest Living Wage rate announced/published by Living Wage Aotearoa.

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Note 39: 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 update has been included due to the significant impact the programme is likely to have on the Council including on all water related infrastructure assets.

Local Water Done Well

In December 2023, the New Zealand Government announced a new direction for water services (drinking water, wastewater and stormwater services) policy and legislation which it has called Local Water Done Well. This is being implemented in 3 stages namely:

- stage 1 – repealing the previous affordable water reforms (completed in February 2024);
- stage 2 – enacting the Local Government (Water Services Preliminary Arrangements) Act 2024 (the Act) which received Royal Assent on 2 September 2024; and
- stage 3 – implementing further legislative change (expected to be introduced in December 2024 to be passed by mid-2025).

The Act requires the Council to submit a Water Services Delivery Plan (WSDP) to the Secretary of Local Government, by September 2025. In broad terms, a WSDP must identify the current state of the Council's water services and show how the Council will deliver those services in a way that:

- meets relevant regulatory quality standards for stormwater, wastewater and water supply networks;
- is financially sustainable;
- ensures compliance with drinking water quality standards; and
- supports the council's housing growth and urban development objectives.

The Council is currently working with other councils in the Greater Wellington region along with the Horowhenua District on a WSDP to reform the region's water services. The 10 councils, representing more than half a million people, are committed to the process and working at pace to ensure an enduring approach to water management ahead of the local government elections in 2025. The Council is also required to formally consult the community on aspects of the proposed model and arrangements for delivering water services.

The reforms to date have had no effect on the financial statements or performance information for the year ended 30 June 2024.

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Financial Prudence

The Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations) has a series of measures and benchmarks, disclosed in the following pages.

Readers are urged to read the commentary and explanations provided to give context to the information, as it is not always possible to compare Wellington City Council's results with other councils due to their size, location and provision of services.

Annual report disclosure statement for year ended 30 June 2024

What is the purpose of this statement?

The purpose of this statement is to disclose the Council's financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

The Council is required to include this statement in its annual report in accordance with the regulations. Refer to the regulations for more information, including definitions of some of the terms used in this statement.

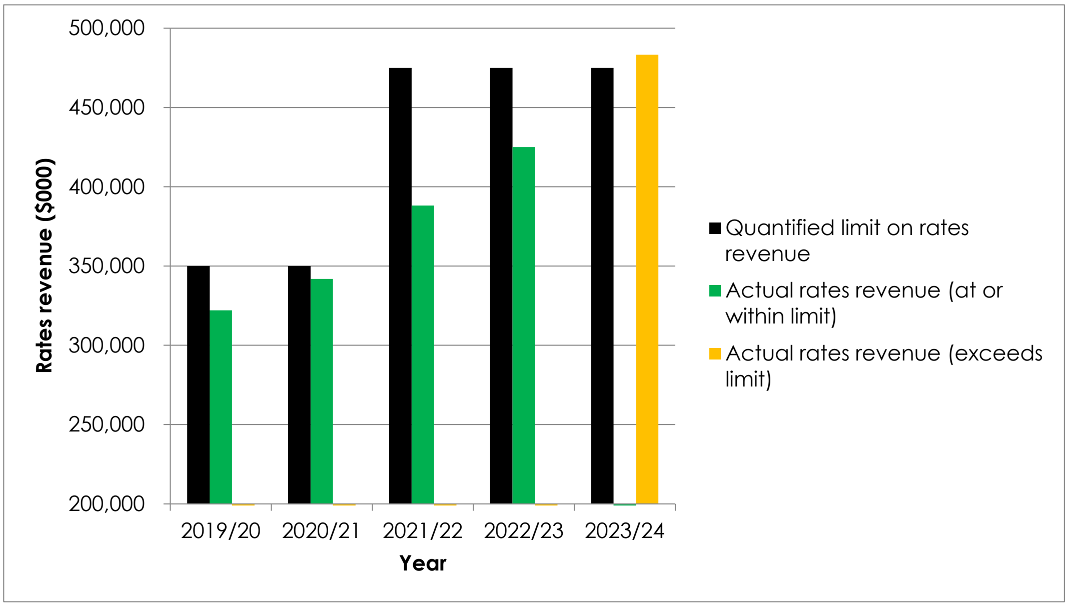
Unless prescribed by the regulations the quantified limit for each current year benchmark is calculated using the financial information from the Council's 2021 LTP.

Rates affordability benchmark

The Council meets the rates affordability benchmark if —

- its actual rates revenue equals or is less than each quantified limit on rates; and
- its actual rates increases equal or are less than each quantified limit on rates increases.

Rates (revenue) affordability



The above graph compares the Council's actual rates revenue with a quantified dollar limit on rates revenue included in the financial strategy in the Council's LTP. The quantified limit for the first three years of the 2021 LTP, which encompassed the financial years 2021/22; 2022/23 and 2023/24 was $475m. This means rates revenue remained below this quantified limit for the first two years but exceeded it for 2023/24 as signalled in the 2023/24 Annual Plan.

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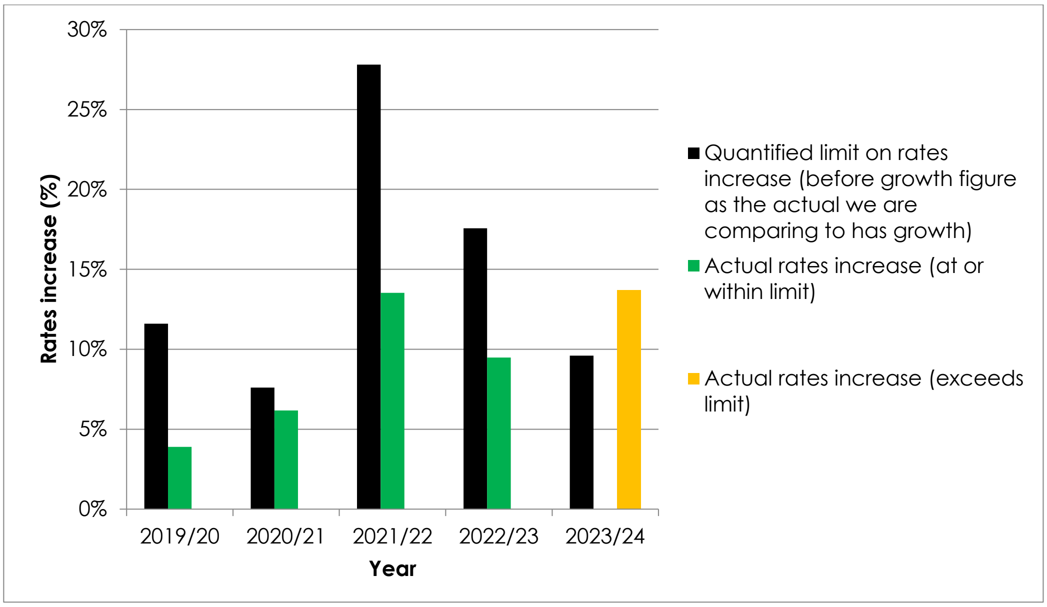
Rates (increases) affordability



The above graph above compares the Council's actual rates increases with a quantified limit on rates increases included in the financial strategy in the Council's LTP.

The quantified limit for 2023/24 was 9.6 percent although the actual rates increase set for the 2023/24 year exceeded this limit. The rates increase proposed in the 2021 LTP was equivalent to an average rates increase of 10.5 percent over the first three years, which encompassed the financial years 2021/22; 2022/23 and 2023/24. This benchmark was signalled to not be met in the 2023/24 Annual Plan.

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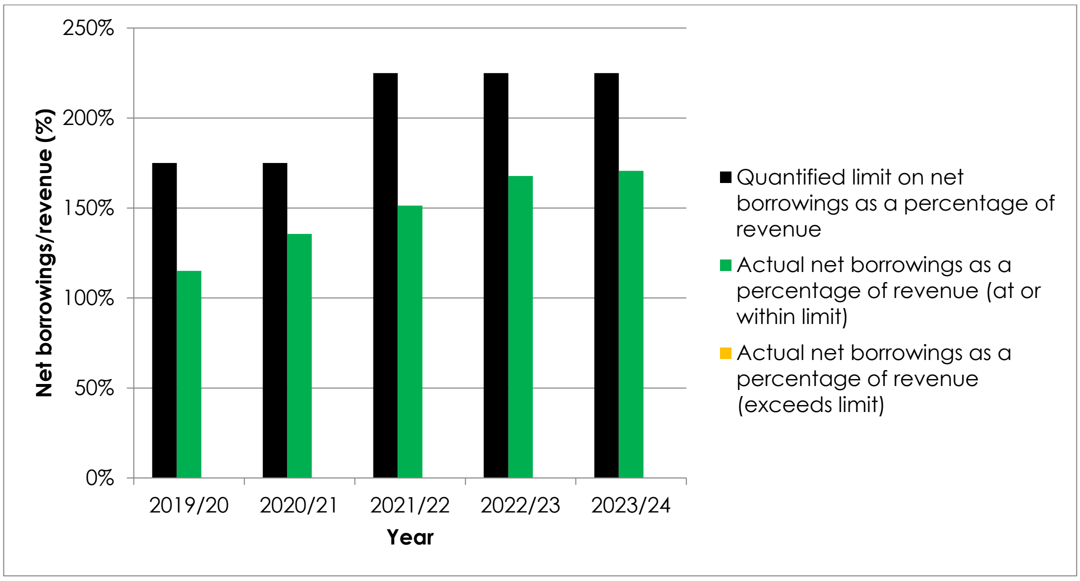
Debt affordability benchmark

The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing. The Council has several measures for debt affordability and these are set out below. The suitability of these measures has been assessed by Council's professional advisers, PwC Wellington.

Net borrowing as a percentage of revenue



The above graph compares the Council's actual net borrowings as a proportion of revenue with a quantified limit on borrowing stated in the financial strategy included in the Council's LTP. The quantified limit is net borrowings, comprised of borrowings less cash and cash equivalents, being less than or equal to 225 percent of revenue. For this measure, revenue is defined as total revenue less vested assets and development contribution revenue.

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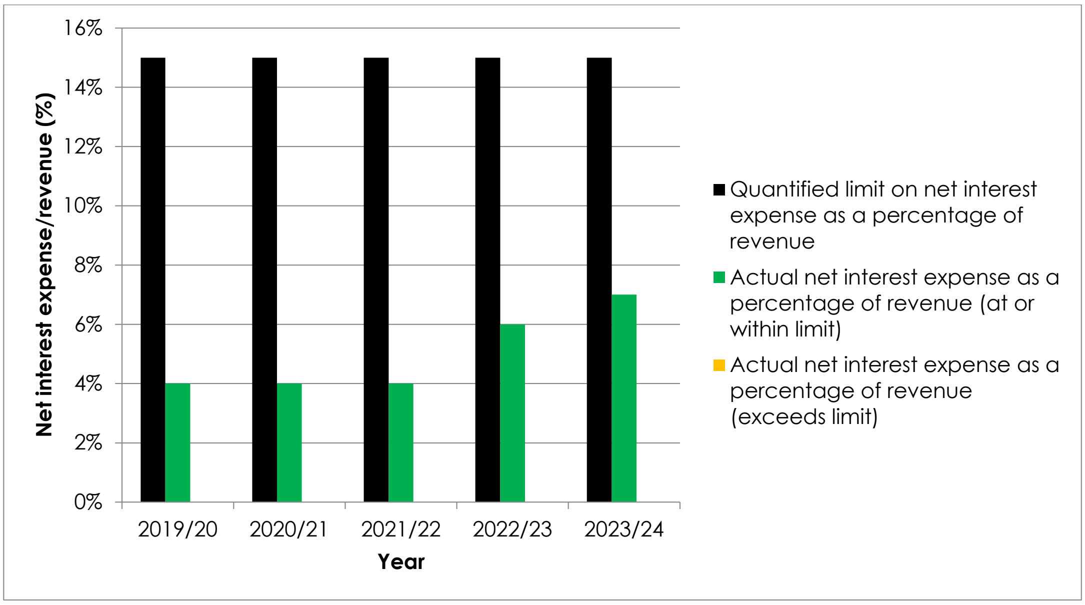
Net interest as a percentage of revenue



The above graph compares the Council's actual net interest expense as a proportion of revenue with a quantified limit on net interest stated in the financial strategy included in the Council's LTP. The quantified limit is net interest, defined as interest expense less interest revenue, being less than or equal to 15 percent of revenue. For this measure revenue is defined as total revenue less vested assets and development contribution revenue.

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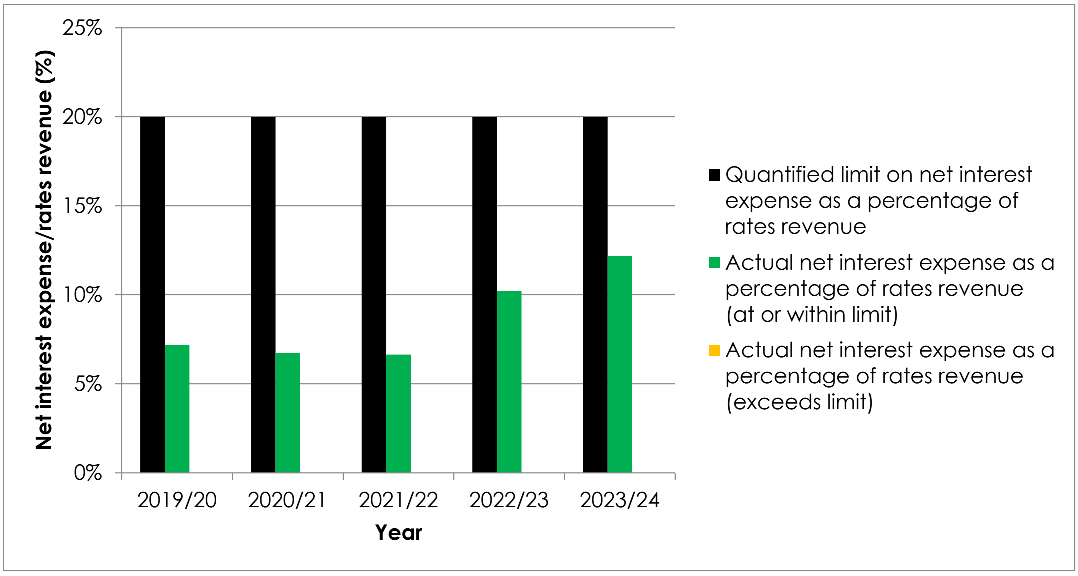
Net interest as a percentage of annual rates revenue



The above graph compares the Council's actual net interest expense as a proportion of annual rates revenue with a quantified limit on net interest stated in the financial strategy included in the Council's LTP. The quantified limit is net interest, defined as interest expense less interest revenue, being less than or equal to 20 percent of annual rates revenue.

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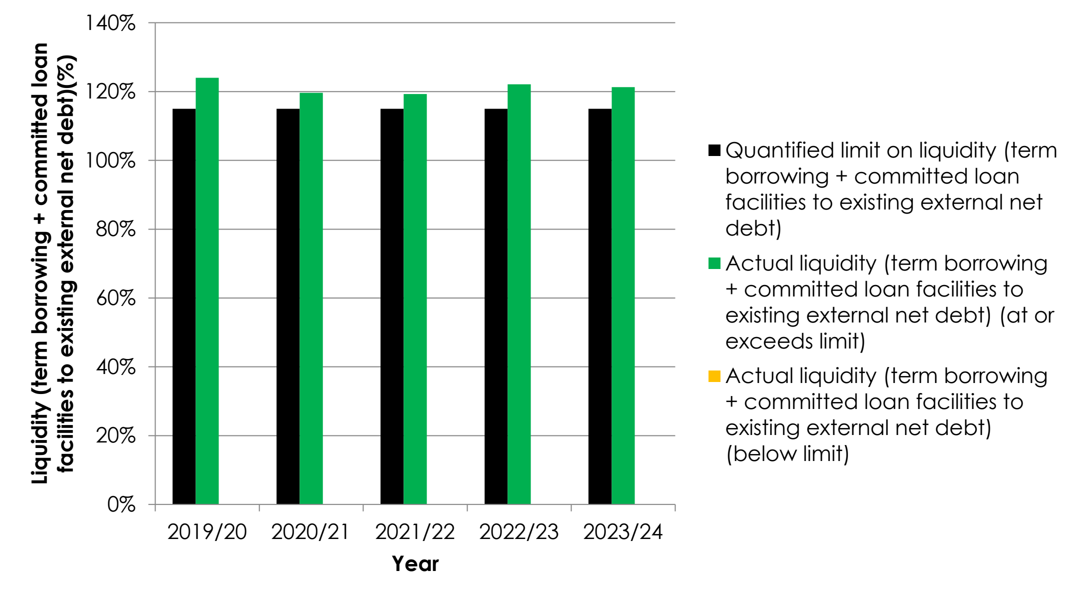
Liquidity (term borrowing + committed loan facilities to existing external net debt)



The above graph compares the Council's actual liquidity with a quantified limit on liquidity stated in the financial strategy included in the Council's LTP. The Council minimises its liquidity risk by avoiding concentration of debt maturity dates and by maintaining sufficient liquid assets. The quantified limit is liquidity being greater than or equal to 115 percent. For debt affordability, liquidity is defined as term borrowing plus committed loan facilities as a percentage of existing net debt. Existing net debt is defined as borrowings less cash and cash equivalents.

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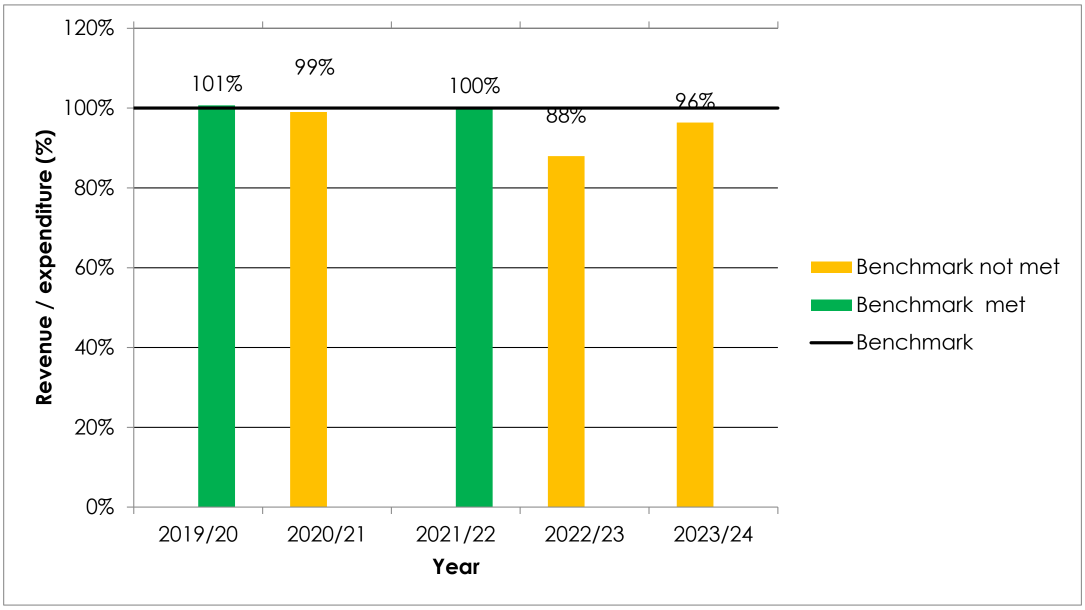
Balanced budget benchmark



The above graph displays the Council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

The Council meets this benchmark if its revenue equals or is greater than its operating expenses.

For 2022/23 and 2023/24, the deficit is largely due to the change in approach of funding “three waters” depreciation from rates to debt funding of this operational expenditure to an amount equal to the difference between depreciation and capital expenditure renewals. This change in approach arose from the revaluation of water assets which increased significantly in value resulting in increased depreciation expense. This change was included in and approved as part of the 2022/23 and 2023/24 Annual Plan.

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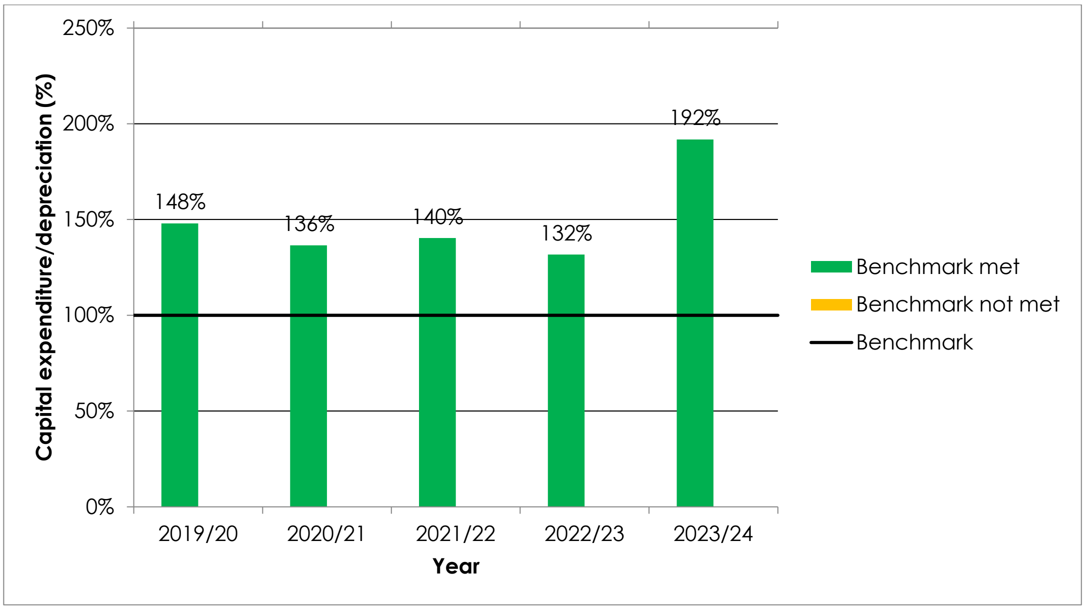
Essential services benchmark



The above graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services.

The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.

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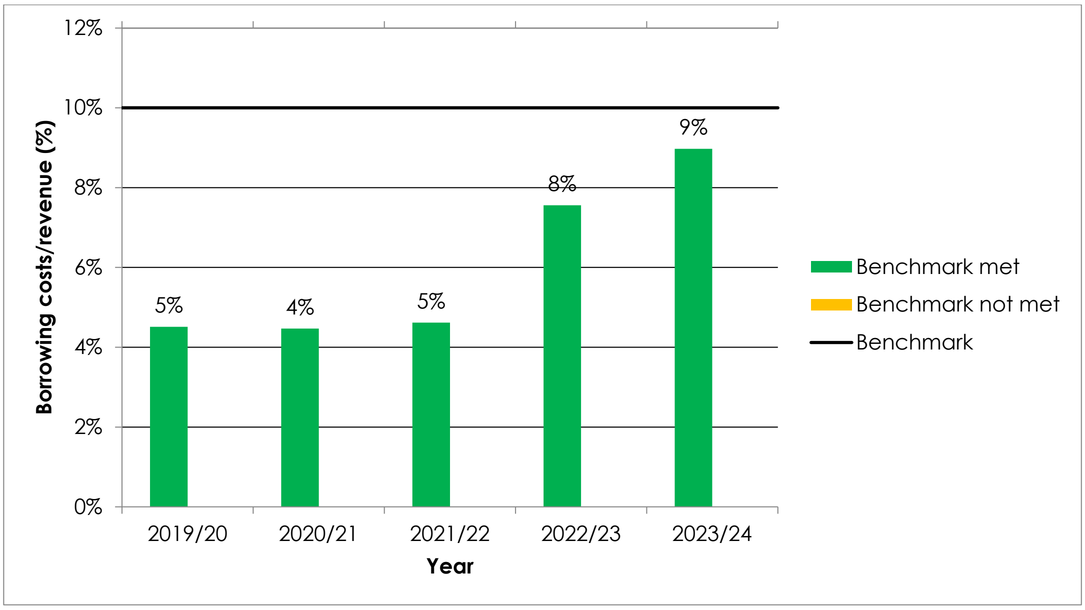
Debt servicing benchmark



The above graph displays the Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

Because Statistics New Zealand projects the Council's population will grow as fast as the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10 percent of its revenue.

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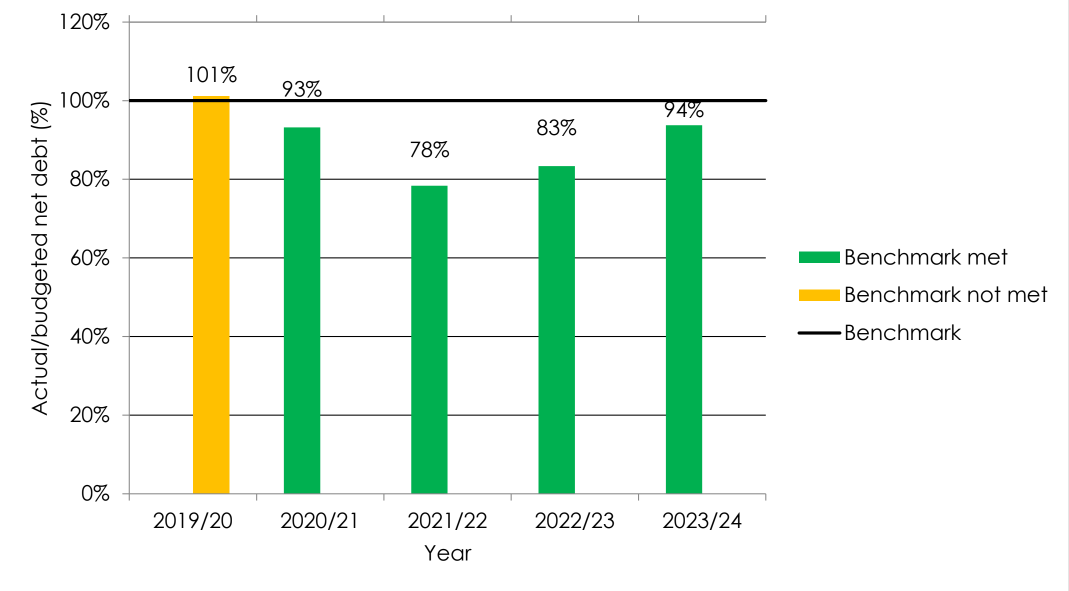
Debt control benchmark



The above graph displays the Council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables).

The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.

The calculation of net debt in this benchmark includes derivative (non-cash) financial instruments, predominantly cash flow hedges. The 2019/20 net debt was impacted by the valuation of the Council's cash flow hedge liabilities being higher than planned because of interest rate volatility during that financial year.

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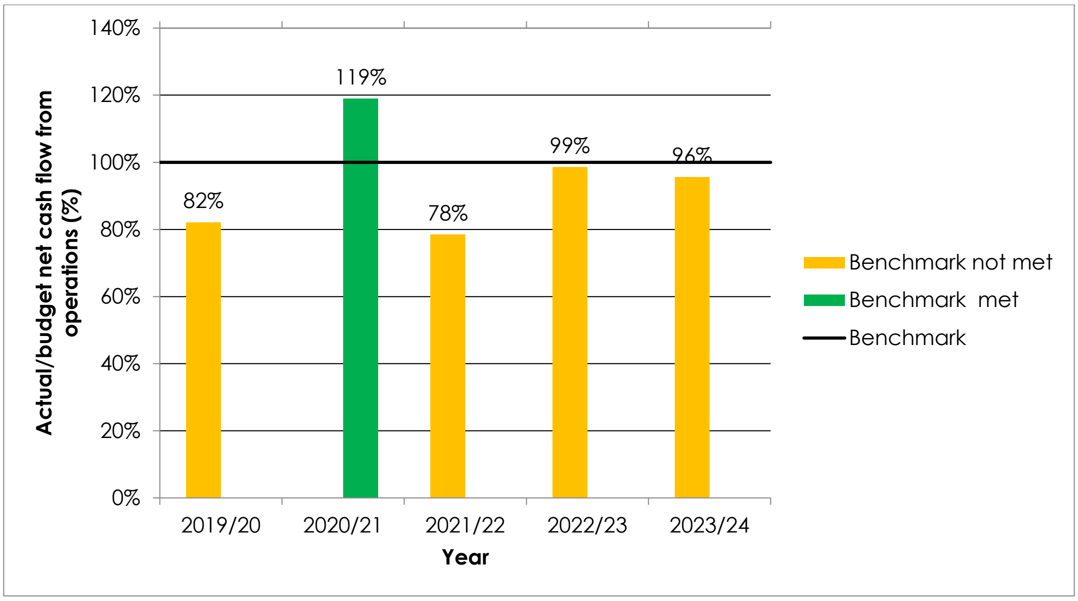
Operations control benchmark



The above graph displays the Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.

Several assumptions are made around the timing of events. Any departure from these assumptions can affect the outcome of this measure. The Council is satisfied that it is prudently managing operational cash flow, with variances in the 2019/20, 2021/22, 2022/23 and 2023/24 years explained by the timing difference in the receipt of revenues compared to budget that led to the “not met” outcome for this measure. In 2019/20 and 2021/22 there were also significant revenue losses due to the COVID-19 restrictions which would have impacted this measure.

Draft

Te Pūrongo ā-Tau

Annual Report 2023/24

Summary

Rārangi Take | Contents

Nau mai, haere mai – Welcome

Nau mai ki tā mātou tirohanga rāpopoto o te tau 2023/24. Welcome to our summary report of the 2023/24 year.

61%

KPIs met or substantially met targets
(same as 61% last year, two not reported)

$8.7m

Surplus - result for the year
($56.1m lower surplus than budgeted, see page X)

66%

KPIs had improved performance or were at max of target
(performance for the three years of the 2021 LTP)

$483.3m

Total rates collected
(54.6% of $885.8m total revenue, in line with budget, see page X)

1,939

Total workforce
(down from 2,065 in 2022/23)

$877.1m

Total operational expenditure
(7% overspend against budget of $817.6m, see page X)

$464.2m

Total capital expenditure
(18% underspend against budget of $566.1m, see page X)

$1.4b

Total net borrowing
(11% down on forecast of $1.6b, increase on $1.1b in 2022/23, see page X)

Our report

The Annual Report describes how Wellington City Council and our Council-controlled organisations (CCOs) performed in the 2023/24 financial year. It states our progress on delivering the key projects, programmes and services that will help us create a dynamic, sustainable and vibrant city.

The period covered is from 1 July 2023 to 30 June 2024. It is the final report against our 2021–31 Long-term Plan and fulfils our obligations under the Local Government Act 2002.

The Annual Report was adopted by the Council on 31 October 2024, 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 X, X, and X) and one on the measurement of our greenhouse gas emissions (pages X).

The full 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, funding impact statements, 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 measures and benchmarks are also in this volume.

This summary does not include all the disclosures provided in the full report and cannot be expected to provide as complete an understanding of the Council's non-financial and financial position.

Copies of the full Annual Report and the 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 any of our libraries. Alternatively, a copy of the report can be requested by calling the Contact Centre on (04) 499 4444.

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.

Tākai Here

Through the signing of Tākai Here, the Council has forged stronger partnerships with mana whenua in Te Whanganui-a-Tara. This collective agreement allows for a stronger governance relationship and sets out the principles, values, and priorities for the way we will work together.

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

He moana pukepuke, e ekengia e te waka

Unsettling times can be overcome if the people are resolute to do so

The theme for this year's Annual Report is a whakataukī (proverb) that speaks to perseverance tenacity, staying power, purpose and determination. That we can overcome the rough seas, if we have a plan and purpose.

And with this mindset, those journeying together in the waka can navigate the roughest, highest (hilltop), choppiest waters.

Our city is experiencing rough waters with strong economic headwinds, the impacts of earthquakes, the aftermath of the global pandemic, issues with our ageing three waters network, and impacts from climate change.

Along with these are financial pressures, with higher inflation and increases in the cost of interest, insurance and from asset ownership (for example, higher depreciation).

We are committed to navigating these waters with our communities.

Reporting entity and compliance

The 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 Auditor General.

The service performance information and financial statements within the full 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 for a Tier 1 entity.

The Council and management of the Council confirm that all the statutory requirements have been complied with in relation to the full Annual Report, as outlined in Schedule 10 of the Local Government Act 2002, including the requirement to comply with NZ GAAP.

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 X.

The financial statements are denominated in New Zealand dollars.

Message from our Mayor and Chief Executive

The 2021-31 Long-term Plan was ambitious. During a time of uncertainty, it was built on replacing ageing infrastructure, preparing for population growth, earthquake-strengthening our buildings, and responding to the climate crisis.

It set out the investment we needed to become a modern, dynamic, creative, and sustainable city.

Three years on the increased investment means the city is undergoing a significant transformation programme. At the same time, the Council alongside the community, is facing major financial pressures, including increased inflation, borrowing and insurance costs.

This year's Annual Report looks at how we performed in balancing affordability against the need to invest. This is the final year of reporting against that plan.

We have a great capital city with a lot of heart. Art, nature and diverse communities – it's what makes the city such an amazing place to live, work and play.

This year, we hosted nine games as part of the FIFA Women's World Cup, celebrated 25 years of Makara Mountain Bike Park, had wild kiwi return to the hills of the city, hosted 127 events and two international exhibitions in the first year of Tākina Wellington Convention & Exhibition Centre, and adopted part of our new District Plan that aims to greatly increase the construction of new housing around the city.

In our 2023/24 Annual Plan we noted that the operating environment continued to be challenging and we made the following decisions to keep our costs down:

- deferred decisions about some new additional funding,
- delayed debt repayments for COVID-related borrowing costs,
- used some surplus funds from previous years, and
- increased some user fees and charges

The Council achieved its highest ever delivery of capital projects totalling $464.2m. We have also continued the strengthening work on Te Matapihi Central Library which has reached the halfway point, and started construction of Te Whare Wai Para Nuku, the Sludge Minimisation Facility at Moa Point, which will reduce the volume of sludge created by up to 80% and reduce emissions created through the treatment and processing of sludge by up to 60%.

Despite challenging economic conditions our overall result was an operating surplus of $8.7m, compared with a planned surplus of $64.8m. Revenue and expenditure were well managed and predominately as budgeted, but the grant revenue from the off-balance sheet loan for the Sludge Minimisation Facility was lower than expected due to the timing of the project and when spend occurred across financial years.

Since the end of the reporting year (30 June 2024), the Council has received a lowered credit rating from S&P and voted in support of a Notice of Motion to start a process to amend its 2024-34 Long-term Plan, which may mean stopping the sale of its shareholding in Wellington International Airport Limited. Central government also announced that it will appoint a Crown Observer to provide advice and guidance to the Council to support the LTP amendment process.

These three factors, along with other financial pressures, means we will continue to take a very careful approach to our finances in future years.

Tory Whanau

Mayor of Wellington

Barbara McKerrow

Chief Executive

Wāhanga 1| Section 1

Tō tātou tāone nui
Our city

Kei tēnei wāhanga

Kei tēnei wāhanga he tirohanga whānui ki te hītori o te tāone, te taupori tāngata, te ohanga, te tauwāhi me te taiao.

In this section

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

Kōtaha tāone
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 kilometre[1] 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

202,689
Wellington City population[1]

11.1%
Population of Māori descent[1]

2,038
Sunshine hours in 2023[2]

391km
Walking and biking tracks[5]

34.9 years
Median age of population[1]

24.8%
Population speaks more than one language[4]

1,100
Houses powered each year by the Southern Landfill Power Station[3]

4,073
Hectares of open green space across the city[5]

33.7%
Population born overseas[4]

46%
Degree qualification or higher[4]

98.9km
Length of coastline[5]

303m
Tinakori Hill, highest point of Town Belt[5]

$165,914
Average household income[5]

107
Play areas in Wellington[6]

163kmph
Top wind gust[7]

798
Places to eat[5]

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1 Population total and high-level breakdown figures from 2023 Census

2 NIWA Annual Climate Summary 2023

3 WCC Southern Landfill Power Station

4 Detailed Population breakdown figures from 2018 Census. 2023 release not available at time of publication.

5 Infometrics Wellington City Economic Profile – Living Standard – Mean Household Income, year to March 2024

6 WCC figures for Coastline, Tracks, Eateries and Playgrounds

7 NIWA Climate data, 17 Sept 2023

Our history

Tapatapa tū ana Te Wai Mānga
i te tini tipua kai tangata,

Tāia te kawa e te Kāhui
Mounga, ka hua ko Whātaitai,
ka hua ko Ngake,

Ka hāmama te waha o te ika, ka
puta ki whei ao, ki te ao
mārama.

This song speaks of a time long ago, before the arrival of the waka, when Wellington's harbour was a lake, settled by the Kāhui Mounga people and many creatures that wreaked havoc on the land and its people.

Two guardian beasts were called to bring peace, they were Ngake, and Whātaitai. They opened the lake to the sea and they raised the land, creating the mountains, valleys, and harbour we know today.

Te Whanganui-a-Tara, or the Wellington region has been known by many names, its earliest name is said to be given by the Kāhui Mounga people, the original inhabitants of the land -Te Upoko-o-te-ika-a-Māui, or the head of the fish of Māui.

The arrival of the migrating waka meant waves of iwi who settled in the Wellington region. The name Te Whanganui-a-Tara is said to have come from Whātonga, who captained the Kurahaupō waka, he named the harbour after his son Tara, Te Whanganui-a-Tara translates to the great harbour of Tara. 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 provision of fresh drinking water, the sewerage system, social housing, libraries, swimming pools and a host of amenities. Today the Council manages hundreds of different services and facilities.

Our economy

Wellington remains the creative heart of the Greater Wellington region, with an economy that is central to the wellbeing of the region and, as the capital city, to New Zealand as a whole. Our local economy sustains approximately 171,700[8] jobs and is home to around 28,845[9] businesses.

This year, our economy produced over NZ$31.9b in GDP with exports estimated at NZ$3.1b.

Like all global cities, this past year has been challenging for Pōneke with ongoing impacts from global economic conditions, inflation, and cost of living pressures. Additionally, a reduction in public sector employment has tempered employment growth (0.4% to June 2024)[10] contributing to a more complex economic landscape in the city with reduced consumer spending affecting retail and hospitality businesses, and impacting confidence. Shifts in work patterns continue to influence spending in the city and suburbs.

The opening of Tākina and a world class Major Events programme continue to be significant economic contributors for Pōneke, generating a combined $109m[11] to the local economy and enhancing Wellington's profile as a vibrant and attractive destination for both domestic and international visitors.

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 over 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.

8 Stats NZ - Geographic units by region and industry 2000-2023

9 Infometrics - 2024 Wellington City economic information (Business Counts, GDP, exports) qem.infometrics.co.nz/wellington-city/

10 Infometrics - 2024 Wellington City economic information (Labour market) https://qem.infometrics.co.nz/wellington-city/

11 WellingtonNZ (out of region spend generated via Major Events for FY 23/24) and Wellington City Council

Wāhanga 2 | Section 2

Ō tātou kaiarataki me te ahunga nui
Our leaders and strategic direction

Kei tēnei wāhanga

Kei tēnei wāhanga ko te tirohanga whānui ki te Ahunga Nui - tō tātou whakakitenga, ngā whāinga nui me te tūranga a te Kaunihera, āpiti atu ko te tūtakitaki ki tō tātou Koromatua, ngā mema Kaunihera me te Kāhui Whakahaere.

In this section

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

Tō tātou ahunga nui
Our strategic direction

Our Council's vision for the city

Wellington 2040 – an inclusive, sustainable and creative capital for people to live, work and play"

This vision for Wellington City is our guiding star, it anchors us in what we are trying to achieve for the city and how we will get there.

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 (2021 LTP).

Our four community outcomes

Environmental: A sustainable, climate friendly eco capital	A city where the natural environment is being preserved, biodiversity improved, natural resources are used sustainably, and the city is mitigating and adapting to climate change – for now and future generations
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
Cultural: An innovative, inclusive and creative city	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
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 an environmentally sustainable future

Our six priorities

The 2021-31 Long-term Plan (2021 LTP) identified six priority objectives to focus on.

The priority objectives are a result of engagement with business groups, community groups, students, and the public, who told us that water, transport, and housing were particularly important.

How we performed against our six priorities over the past three years of the 2021 LTP is outlined on page X.

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

New Strategic Direction in the 2024-34 Long-term Plan

Our strategic direction is reviewed every three years and refined based on any changes in the city to make sure we remain on track.

We completed this review in April and May 2023 as part of the 2024-34 Long-term Plan (2024 LTP) that was adopted on 27 June 2024. This can be viewed at wellington.govt.nz/ltp

The 2021 LTP Strategic Direction, as outlined here, guided the Council for the 2023/24 year and this report outlines the performance against that direction over the past three years.

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 delivering Council services to the community. The outcome indicator trends that we monitor, and report include:

Environmental

- Energy consumption, city greenhouse gas emissions
- Eco-system health
- Waste management & reduction
- Sustainable living
- Climate change impacts, adaptation
- Three waters quality, supply, customer satisfaction

Cultural

- City vibrancy
- Cultural diversity
- Artistic talent and expression
- City heritage
- Cultural infrastructure

Social

- Quality of life
- Community sense of purpose and place
- Community connection & participation
- Community safety
- Community engagement
- Satisfaction with partnerships

Economic

- 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.

Volume 1, 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

Tō mātou tūranga

Our role

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

- to enable 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.

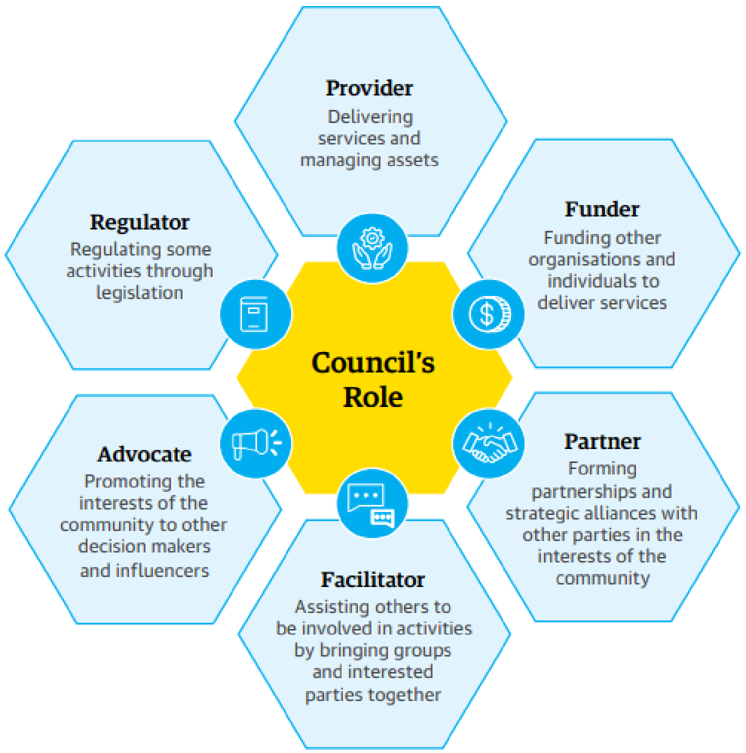
While the Council is involved in many aspects of the ongoing operation of the city, it cannot do this alone.

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 2021-31 Long-term Plan, we provide funding for the services and development projects that reflect 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 – Wellington City Council operates as the territorial authority for the city and 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 Volume 1, Section 4: Our performance in detail, page X to X.

Understandably, there can be some confusion about which services are provided by Wellington City Council and Greater Wellington Regional Council.

Here is an example of the differences between some of the services Wellington's two local government councils offer in similar service areas.

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

As the capital city, we also have a large central government presence in the city. About 28,700 people work as central government public servants in Wellington[12].

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
- **Local government** focuses on a particular area.

[12] Public Service Commission, 2023

Tō tātou Kaunihera
Our Council

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. Residents in Tawa and in Mākara/Ōhāriu also vote to elect six members to their local community boards.

Two representatives of our Tākai Here partners are also appointed to Council committees and have voting rights.

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

Te Kaunihera o Pōneke | Wellington City Council established a Māori ward in 2021, and the election held in October 2022 was the first where those on the Māori electoral roll were able to vote in the new ward. This increased the number of Councillors from 14 to 15.

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

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 Geordie Rogers
- 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

Pouiwi mana whenua representatives

- Holden Hohaia
- Liz Kelly

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 Volume 1, Section 5: Our Council and organisation on page X.
- For details of ELT remuneration, see Note 38 in Volume 2: Financial statements on page X. The staff structure of the organisation is shown in Section 5 from page X.

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 is detailed in Volume 1, Section 5: Our Council and organisation on page X.
- A more detailed organisational structure including business units is also in Volume 1, Section 5 from page X.

Our Council governance
Mayor and 15 Councillors
The 2022 to 2025 triennium is the first with an elected representative from the newly established Te Whanganui-a-Tara Māori ward.

Community boards
- Tawa
- Mākara/Ōhāriu

Implement decisions

Reporting, support and advice

Accountability

Our Council management
The Chief Executive and ELT cover the following functions
- Strategy & Governance
- People & Culture
- Māori
- Finance
- Planning
- Digital
- Infrastructure
- Customer & Community

2000+ staff deliver 400 services and facilities, from libraries and museums to street maintenance and the landfill.

Council-controlled organisations
- Basin Reserve
- Experience Wellington
- Sky Stadium
- Wellington Cable Car
- WellingtonNZ
- Wellington Water Ltd
- Wellington Zoo
- Zealandia

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Wāhanga 3 | Section 3

Rapopototanga mō te tau
Summary of our year

Kei tēnei upoko

Kei tēnei upoko ko ngā whakakōpakitanga o ngā tutukihanga, āpiti ake ko ētahi o ngā aupiki me ngā auheke o te tau 2023/24 me te tirohanga whānui ki ngā mahi matua.

In this section

This section includes summaries of our performance, including some of the challenges and highlights of the 2023/24 year, and an overview of our non-financial performance.

Ā mātou tutukihanga
Our performance

Introduction

We are in an important period in which our city is undergoing a significant transformation programme – replacing ageing infrastructure, preparing for population growth, earthquake-strengthening our buildings, and responding to the climate and ecological crisis.

At the same time, the Council is facing major financial pressures, including increased inflation, borrowing and insurance costs.

This year we continued to deliver our services in a challenging operating environment, with 61% of our active performance measures having a met or substantially met result. See page X for more details.

Our financial result for the year was a $8.7m surplus compared to a planned surplus of $64.8m. See from page X for details.

Challenges

Our city is currently experiencing the impacts of key public buildings and spaces having seismic issues, the aftermath of the global pandemic, issues with our ageing three waters network and climate change. We also have financial and economic pressures, and we know our community faces the same issues.

The challenges outlined in this section had significant impacts on the Council's performance during the 2023/24 year.

Affordability and increasing costs

The Council and residents of the city are facing affordability challenges. Put simply, everything we do is costing more to deliver, which increases costs for our community.

The economic and community operating environment has changed dramatically since the Council prepared its 2021 Long-term Plan (2021 LTP).

In 2023/24 we were operating in an environment of:

- 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.

The 2023/24 Annual Plan included a 12.3% rates increase. On top of this the Council consulted during the year on the 2024 LTP, which had a Year 1 rates increase (2024/25) of 16.9% (after growth) and an average annual increase over the 10 years of the plan of 8%.

Residents' ability to pay more rates is limited and we are increasingly hearing during consultations that the cost of rates is having an impact in a tough economic climate.

We need to continue to work to keep our budgets affordable and to have money available for future risks, such as the need to respond to natural disasters.

Unfortunately, local government has a narrow range of tools for funding projects and everyday costs. Most of our operating revenue comes from residents through rates, or fees and user charges, and our capital investments are paid for through debt. We also receive some funding for projects from the NZ Transport Agency Waka Kotahi (NZTA).

We have been able to access funding through the Infrastructure Funding and Finance Act 2020 for the new Te Whare Wai Para Nuku Moa Point Sludge Minimisation Facility.

Funding this asset via a central government pathway means we don't increase our debt directly, but it still impacts ratepayers through a levy on rates bills from August 2024 (a 1.6% increase in 2024/25).

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

Upgrading our ageing infrastructure

The Council owns more than $11.4b worth of assets, including pipes, reservoirs, roads, tunnels, bridges and retaining walls. We all know that a city's infrastructure is crucial for residents to thrive, but it is often taken for granted.

Much of the city's infrastructure was built in waves when parts of the city were urbanised, including a sizeable portion that was built after World War Two. This means a lot of our infrastructure will reach the end of its life in the next 30 years.

In the 2021 LTP, Council committed to upgrading much of the city's ageing infrastructure, particularly the water network, so it could manage the city's growth. We continued this investment in the new 2024 LTP.

We have also reviewed and changed parts of our District Plan to account for where and how we envision growth happening in our city, and are working with Central Government on how we can provide more travel choices for Wellingtonians to improve connections across the city.

These priorities increased our total capital expenditure for the 2021 LTP from $2.3b to $3.2b. The size of the increase in the capital programme meant a necessary change in how the Council operated, requiring us to balance delivering our promised programme and considering the impact that would have on rates. It has also led to the Council strengthening its capability to manage and deliver more projects and programmes of work.

There is pressure to deliver this programme when the construction market is constrained and in a year of increasing costs. This meant that while we spent more this year on our capital programme and 82% 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.

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 states that the years leading up to 2030 are crucial for us if we are to have a chance of staying below 1.5°C of global warming. It targets reducing city emissions by 57% by 2030, being a net zero carbon capital by 2050, and supporting the city 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. The most vulnerable people are often the most affected by climate change impacts.

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.

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. The Council also has key roles in the waste system.

Over the past year we have invested in bus, cycle and pedestrian network upgrades, the new sludge treatment plan, and decided to introduce a kerbside collection of organic waste in 2027.

These investments are setting our residents up for success, with affordable, safe and accessible options to change how they live, as our world changes.

We are also continuing to deliver a targeted, streamlined set of initiatives to maximise the use of these infrastructure changes, and collaborating with communities and partnering with mana whenua on how to navigate the economic and physical transitions of our city.

More information is included in Volume 1 of the full report.

Central government reforms

Over the past three years, central government has undertaken a significant reform programme that affects local government.

The reforms outlined here 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 here, central government has made amendments to two National Policy Statements in the past three years on Urban Development and Fresh Water Management 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

In December 2023 the Government announced a new direction for water services (drinking water, wastewater and stormwater services) policy and legislation which it has called Local Water Done Well. We are working with the other councils in the Greater Wellington region along with the Horowhenua District on a Water Services Delivery Plan (WSDP) to reform the region's water services.

The 10 councils, representing more than half a million people, are committed to the process and are working at pace to ensure we establish an enduring approach to water management ahead of the local government elections in 2025.

More information on this is in Volume 2, Note 39, page X and on our website here: Local Water Done Well - Water - Wellington City Council.

Resource Management reform

In February 2021, the Government announced 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.

The change of Government in 2023 changed the direction of the RMA reforms. A new Resource Management Ministerial Group was formed in March 2024 to progress the National-led coalition's direction, which includes a new fast-track consenting regime; and targeted changes to the RMA to reduce unnecessary regulation, and support housing development and renewable energy projects. By mid-2025, the Government plans to introduce legislation to replace the RMA.

The changes may have an impact on parts of our work in consenting, compliance, urban planning and development.

Future for Local Government Review

The 2023 Future for Local Government Review report, commissioned in 2021 by the Labour-led Government, had 17 recommendations on how local government needed to change over the next 30 years. The National-led Government, elected in 2023, has decided that the 17 recommendations will not be progressed. The Government is working on a regional deals framework and other options for new local government funding and financing tools.

External awards and nominations

The Council received several significant awards and nominations in 2023/24. They acknowledge innovative work in key areas and our leadership role in the local government sector.

- The Council won the Rāngai Tūmatanui – Public Sector award for advocacy, innovation and leadership for te reo Māori in 2024 Ngā Tohu Reo Māori.
- The Council won the Big Street Bikers' Breakthrough Biking City of the Year Award in 2023 at the Local Government NZ conference. The annual award celebrates a city or town which has demonstrated outstanding initiatives and actions that enable more people to cycle more often.
- In November 2023, our Council-controlled organisation Zealandia Te Māra a Tāne was named the top tourism operation in Aotearoa New Zealand as the winner of the prestigious Air New Zealand Supreme Tourism Award. As well as taking out the top award, Zealandia won the category of the Airbnb Tourism Excellence Award (Small-Medium Business).
- The Cinderella projection on St James Theatre won an award for Excellence in Design and Innovation in September 2023 at the prestigious Australian International Good Design Awards. The animations were a partnership between the Royal New Zealand Ballet, Wellington City Council, and Wellington creative companies ClickSuite and Streamliner, demonstrating collaboration under the Council's Aho Tini 2030 Arts, Culture, and Creativity Strategy.
- Three Council supported facilities were winners in their categories at the region's Te Kāhui Whaihanga New Zealand Institute of Architects awards in May 2024.
  - Tākina Wellington Convention & Exhibition Centre (Studio of Pacific Architecture) and Te Nukuao Wellington Zoo's snow leopard habitat (Architecture Workshop) both won awards for Public Architecture.
  - An Enduring Architecture award went to City Gallery Wellington | Te Whare Toi (1992–1993, by Gardyne Architecture now Architecture Plus).
- At the New Zealand Commercial Project Awards in May 2024, both Tākina (LT McGuinness) and Te Nukuao Wellington Zoo snow leopard habitat (Naylor Love Wellington) won gold in the Built Tourism and Leisure Project category, and the Newtown Community & Cultural Centre upgrade (WSP) won a silver award.
- In 2023 Council was invited to apply for a place on the Harvard Bloomberg City Leadership Initiative. Our proposal was then selected as one of 10 cities to participate in the Collaboration Track. The programme focuses on building the skills in how to collaborate effectively to make progress on a complex city problem. The programme was fully funded by Bloomberg Philanthropies.
- Te Whai Oranga Pōneke, our Open Space and Recreation Strategy, won the Outstanding Research Planning and Policy Awards at the 2023 New Zealand Recreation Awards.
- In May 2024, Wellington was recognised as one of five cities shortlisted and with a Special Mention in the 2024 Lee Kuan Yew World City Prize, for its exemplary commitment towards living with nature, and dedication to conserving and restoring natural habitat in both urban and natural areas through innovative programmes.
- The Council's *2022/23 Annual Report* received a Gold Award at the Australasian Reporting Awards (ARA). This is the third successive gold award for our Annual Reports.

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 Volume 1, 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 2023/24 Annual Report is a report against Year 3 of the 2021-31 Long-term Plan (2021 LTP).

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 third 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 LTP review.

Summary of outcome performance

Some of the underlying data sources we use to report on our progress are not produced annually and some have ceased during the reporting period. Additionally, the date at which data is released varies, which means that not all data is the most recent at the time of reporting.

When monitoring trends, we have indicated the most recent data as noted in Appendix 3, from page X.

Environmental wellbeing

We are making some progress in the awareness and actions needed to become a more sustainable city. However more work needs to be done to reduce waste to landfill

Social wellbeing

At a city level there have been small improvements in housing, sense of community, participation and wellbeing, with a larger improvement in civic awareness. However when comparing nationally Wellington scores lower than our counterparts for confidence in Council's decision making and perceptions of overall quality of life.

Cultural wellbeing

There has been a reduction in residents' perceptions in the way the city looks and feels however a steady positive perception relating to the city's arts scene. While the data is 2021, there is a potential positive trend for Te Ao Māori cultural activities. The City's Pōneke Promise programme of works seeks to address these elements.

Economic wellbeing

Employment-related indicators all showed improvement with the city well below the national average for young people not in education, employment or training, as well as improvement in the average annual household income. There has been a small increase in the diversity of our economy. However, it is less diverse than the national average and the wider Wellington region.

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 160% over the past five years.
- City greenhouse gas emissions fell by 9% between 2020 and 2022.
- Positive trends in city food rescue and redirection, resulting in meals being provided to those in need and a reduction in CO_2 emissions.
- Improvements in residents' sense of community, participation and wellbeing.
- An increase in residents feeling the transport system allows easy to access the city, which is attributed to the improved reliability of the bus service.
- Steady increase in long-term growth of GDP per capita, with improved housing affordability and wellbeing, and household incomes.

Challenges

- More needs to be done to reduce waste to landfill. We are working to address this through the actions in our Zero Wate strategy - He anamata para kore mō Pōneke.
- Perceptions of the way the city looks and feels, and its character have declined. However Wellingtonian's have a strong, positive sense of our arts scene.
- The proportion of residents who have confidence in Council's decision-making processes is still low, although confidence has increased across all three years.
- The city's economic diversity remains below the national average, but our second largest industry, professional, scientific and technical services, contributed to the city's GDP at higher rates than the national average.

Performance measures

This is the final year of reporting our performance against the 2021 LTP. The Council set 95 key performance indicators (KPIs) to gauge our performance across the services we provide the city.

This includes those related to Council-controlled organisations (CCOs), which have 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** (at or exceeding target)
- **Substantially met** (within 10% of target, new category*)
- **Not met** (greater than 10% of target)
- **Not reported** (where the result was not available at the time of publication).

***** This year changes to Audit NZ guidance means we have updated how we report our results to include a new category of substantially met. This category means we can show a more detailed view of our performance.

A new performance framework, KPIs and targets will apply from the 2024/25 financial year onwards. More information on the new framework is included Volume 2 of the 2024 LTP.

12 out of 20

Satisfaction measures were met or substantially met. This is an improvement on last year but shows the impact of delays in providing our services.

13 out of 25

Measures relating to our delivery of the water network were met this year

12 out of 25

Timeliness measures were met or substantially met showing delays were experienced in providing our services

41 of our 95

KPIs show improved performance this year

More details are in the KPI tables in the Statements of Service Provision for each activity area.

Summary of KPI performance

The Council has maintained its performance against a backdrop of challenges outlined earlier in this section. These challenges have impacted on the performance of the KPIs across the three years of the 2021-31 Long-term Plan.

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

Our result of 60% of KPI targets (57 out of 95) being met or substantially met is a small decrease in performance against last year's results (61%).

However, if we remove the two KPIs that we ceased reporting on in 2022/23 (related to social housing which moved to Te Toi Mahana, our new community housing provider) the net result improves to 61%. These two KPIs are included as 'not reported' this year.

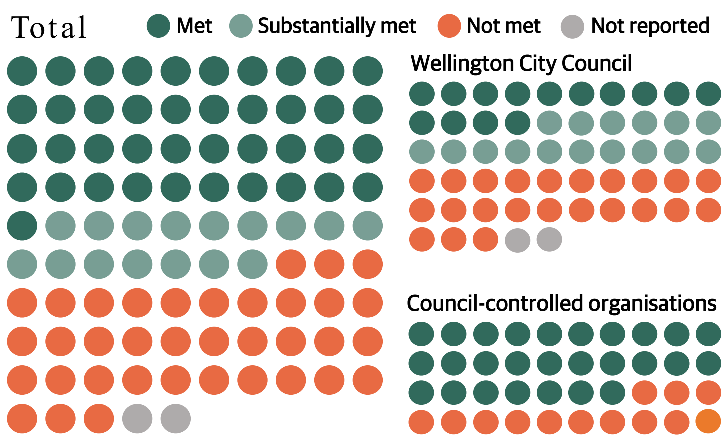
Of the 57 KPIs that are met or substantially met, 31 are at or exceeded their target, a further 10 are at the maximum of the target, and 16 are substantially met (within 10% of their target).

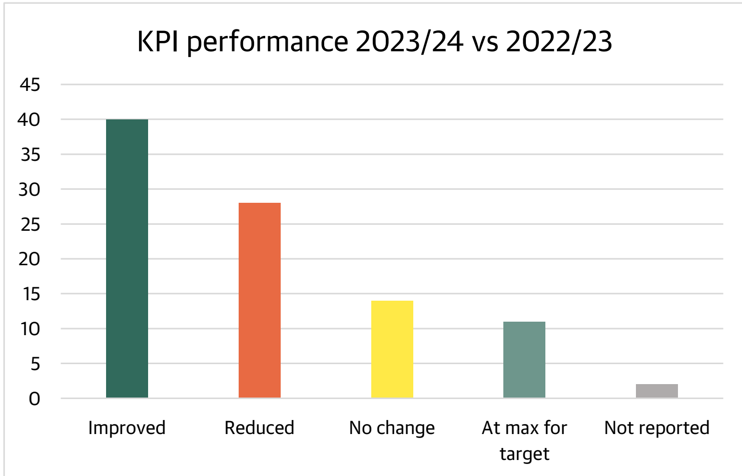
Drilling down further, of the 55 Council-based KPI targets which were met or substantially met, 45% (25) had improved performance over last year's result, a further 7% (4) were at the max of their targets and 31% (17) had a reduction in performance.

For our CCOs 68% were met or substantially met compared to last year's 63%, which showed the city continued to enjoy the benefit of high-profile events after COVID-19 such as the FIFA Women's World Cup. Increased utilisation of funding by Wellington Water has also led to improved performance.

Overall, 54% of our 95 measures had an improvement in performance this year or were at the max for their targets, compared to 29% (28) that had a reduction in performance. This reflects that there has been an uplift in how we have been providing our services.

This is best exemplified by the *Building consents (%) issued within 20 working days* KPI for which we achieved a significant 24% jump in performance over 2022/23 despite not meeting the target. This result was mainly due to process improvements, but it also reflects that construction activity has slowed – reducing the number of building consent applications to be processed.





Overview of KPI results

The following table provides a summary of KPI results by strategic activity area. Results are ordered as per the service descriptions that outline what Council does in each area.

Notes:

- We reported on two of our KPIs in Social and Recreation for the last time in 2022/23. Both relate to the establishment of Te Toi Mahana Community Housing during the 2022/23 financial year.
- 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 X, X and X.
- Our greenhouse gas emissions KPI also received a qualification because changes to how emissions were calculated meant we were unable to report Scope 3 emissions in time for publication of this report. For more information see our KPI measure on pages X and Appendix 1 from page X.

For more information on our 2023/24 KPI results see Volume 1, Section 4: Our performance in detail, from page X to X.

Strategic activity and service description	Met	Substan-tially met	Not met	Not reported	Total
Governance	**3**	**1**	**3**	**-**	**7**
Facilitate democratic decision-making and open access to information to build trust and confidence	2	1	3	-	6
Develop, maintain and inspire meaningful relationships so that our partnerships with mana whenua, tāngata whenua and Māori within our community are mana enhancing	1	0	0	-	1
Environment and infrastructure*	**19**	**1**	**16**	**-**	**36**
Provide access to green open spaces and enhance biodiversity to improve the quality of our natural environment	2	0	2	-	4
Reduce our impact on the environment by minimising and managing the disposal of waste and by reducing our carbon footprint	2	1	2	-	5
Increase the security of potable and stored water	2	0	8	-	10
Provide safe and sanitary removal of wastewater	3	0	3	-	6
Protect people, property and the environment from flooding and storm runoff	8	0	1	-	9
Protect flora and fauna through conservation and biodiversity	2	0	0	-	2
Economic development	**8**	**0**	**1**	**-**	**9**
Grow tourism spend and economic returns from events that bring visitors and extra spending to the city	8	0	1	-	9
Cultural wellbeing	**2**	**1**	**0**	**-**	**3**
Build and maintain a sense of place and identity	2	1		-	3
Social and recreation	**4**	**6**	**5**	**2**	**17**
Encourage active and healthy lifestyles important for people's health and wellbeing	1	3	1	-	5
Foster diverse communities and enable people to connect with information and each other	2	2	0	2	6
Maintain public health standards and promote individual wellbeing, safe neighbourhoods and a safe inner city	1	1	4	-	6
Urban development	**2**	**2**	**7**	**-**	**11**
Help protect, restore and develop the city's heritage and character assets	0	0	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	2	2	6	-	10
Transport	**3**	**5**	**4**	**-**	**12**
Deliver an accessible, safe, regulated and reliable transport network	3	4	3	-	10
Manage parking in line with the aims and objectives of the 2020 Parking Policy	0	1	1	-	2
Total	**41**	**16**	**36**	**2**	**95**

Delivering our services

Analysis of our performance across the service dimensions (the KPI categories relating to the services we deliver) is shown here.

Overall, the Council performed well with results above 60% in five of the eight service dimensions, with one, Affordability, at 80%. However, utilisation and timeliness were impacted with results of 25% and 48% respectively.

Service dimension*	Result 2023/24				Performance against 2022/23			Total
	Met	Substantially met	Not met	% Met or Substantially met	Improved	Reduced	No change	
Satisfaction	4	7	8	55%	12	4	3	19
Affordability	3	1	1	80%	1	2	2	5
Clean and Safe	7	0	2	78%	4	2	3	9
Compliance	2	3	3	63%	3	3	2	8
Customer expectations	11	0	4	73%	7	3	5	15
Utilisation	1	0	3	25%	2	2	0	4
Timeliness	7	5	13	48%	10	9	6	25
Sustainability	6	0	2	75%	2	1	5	8

*excludes not reported

Out of the four utilisation KPIs, the three not meeting their targets were real water loss and water consumption, which had results higher than target, and parking utilisation, which was lower than target.

For timeliness, response times for water network issues (five KPIs); public health services such as food registrations or graffiti removal (four KPIs); as well as urban development services (four KPIs) were all below set targets.

However, 10 KPIs in the timeliness dimension did improve their performance over the previous year's result. This encompassed three KPIs in responding to water network issues, four in the consenting, noise control and roading areas plus three in the public health and contact centre service areas. Nine KPIs had no change in performance.

This compared with nine KPIs which experienced a reduction in performance.

In the satisfaction dimension, the results are based on our annual Residents Monitoring Survey, see page X for more.

This year, 12 KPIs improved their performance against 2022/23 results. These include open spaces, kerbside recycling, waste collection and the stormwater system. Satisfaction with our arts and cultural activities, pools and library services also improved. There were also improvements in the number of residents satisfied with the levels for transport systems – walking, and in perceptions of the fairness of parking enforcement.

The service dimension analysis does not include the two housing related KPIs which ceased reporting in the 2022/23 year.

Long-term Plan performance

The following is a snapshot of our KPI performance trends across the past three years.

We have focused on two areas.

Firstly, if the KPIs did or did not meet targets for the past three years.

- Met: Those always at target, including those at the max of their targets, or those that exceeded targets.
- Substantially met: Those always within 10% of target.
- Exceeded: those that always exceeded targets where this was possible.
- Not met: more than 10% away from target.
- No pattern: those that had differences in results over the time. Many of these were impacted by COVID-19 in the first years of the 2021 LTP.

Secondly, we have analysed where our KPIs showed improved performance against the performance baseline of the Year 1 result.

This is irrespective of whether the target was met or not. This includes KPI results which:

- at the max for their target. e.g. binary yes/no targets or at 100%.
- had improved or reduced performance against the Year 1 baseline.
- had no change and/or did not show a pattern to their performance against the Year 1 baseline.

Results

- 11 KPI results exceeded their targets for the full three years. These include six water related measures and three residents' satisfaction measures.
- 26 KPIs met or substantially met their targets for the full three years. These include most non-water related CCO performance KPIs, official information requests, residents' satisfaction with library services, and transport measures.
- 25 KPIs were consistently not met. These include residents' satisfaction with Council decision making, access to information, waste diversion, and water response and resolution times to call outs.
- Water related services had mixed results with 13 improving, 10 having reduced performance and two having no change or no performance pattern.

Summary of three-year Long-term Plan performance

Performance for LTP – to target		
Met: Exceeded target	11	12%
Met: at target or max of target	13	14%
Substantially met	13	14%
Not met: >10% away from target	25	26%
No pattern	33	35%

Performance change for LTP		
At max for target	9	9%
Improved performance	54	57%
Reduction in performance	24	25%
No change	5	5%
No pattern	1	1%
Ceased reporting	2	2%

The analysis of our KPIs' performance in each strategic activity area is provided in the Statements of Service Provision in Volume 1, Section 4: Our Performance in Detail, from page X to X.

95
Number of KPIs

37
Met or substantially met all three years

25
Not met all three years

54
Improved performance against year 1 result

24
Reduction in performance against year 1 result

Te reo to come
Key projects and programmes

In our 2021-31 Long-term Plan, we outlined the major projects we intended to complete during the year.

These are highlighted in the relevant chapters of Volume 1, Section 4: Our performance in detail, from page X to X and summarised here.

Key programmes

In our 2021-31 Long-term Plan we had agreed to focus on 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 (wastewater, drinking water and stormwater).

Mana whenua partnerships

Our Tūpiki Ora Māori Strategy and Action Plan sets goals and targets for short term and long-term success. Each year we build on the work of the previous year to create long lasting, enduring change that delivers better outcomes for Māori and the whole city.

The full report includes many other projects and initiatives that reflect our commitments to these outcomes, including some significant highlights from page X of Volume 1.

Te Atakura – First to Zero

Many highlights were achieved during the year, and these are included throughout the full report as the Te Atakura strategy is a cross-Council function, not the responsibility of this activity area alone. The strategy articulates the role of Council in reducing city and Council emissions. Significant highlights are included from page X of Volume 1.

Te Whare Wai Para Nuku

The Moa Point Sludge Minimisation Facility was gifted a te reo Māori name, Te Whare Wai Para Nuku, by Te Ātiawa Taranaki Whānui at a Matariki ceremony in June 2024.

Work began on the new plant in May 2023, with the initial groundwork and piling began in November 2023. The facility is expected to be operational in 2026. More information on the project is available in the full report in Volume 1 from page X, and on the Council website: wellington.govt.nz/sludge

Three waters

In the 2021-31 Long-term Plan we increased the level of investment in our three waters network. This was mainly about looking after existing infrastructure and completing targeted growth investments. Further funding has also been approved and the 2023/24 Annual Plan operational budget for WWL was more than $50.6 million - 27% higher than the approved LTP budget for the 2023/24 financial year.

Volume 1 of the full report includes the performance of Wellington Water's 25 KPIs and information on the following areas.

- CBD Wastewater Pump Station and Rising Main Projects
- Omāroro Reservoir
- Leak management
- New water standards
- Error in 2021/22 response times

Planning for growth

The District Plan review began in 2021 and will be completed by the end of the 2024/25 financial year.

Hearings on the Part 1 Schedule 1 matters of the District Plan are presently concluding, and the Independent Hearings Panel will make its recommendations to Council in the first months of the 2025 calendar year.

Council's Housing Action Plan

As a key priority of the Housing Action Plan, Council is increasing its delivery of affordable housing solutions in the city. In June 2023, Council recommitted to a target of 1,000 affordable rental units to be either under contract or delivered by 2026.

There are currently 290 apartments within the programme offering below market rents and several additional tenant benefits. Our full progress against meeting this target is detailed in Volume 1 of the full report, from page X.

Let's Get Wellington Moving

In December 2023 the Government, Wellington City Council and Greater Wellington Regional Council agreed to dissolve the Let's Get Wellington Moving (LGWM) programme. The programme was split between the three partners and details of the Council's projects and progress in this area in in Volume 1 of the full report from page X.

Key Long-term Plan and Annual Plan 2023/24 projects

Key projects were also outlined in the 2021-31 Long-term Plan and in the 2023/24 Annual 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.

2024-34 Long-term Plan

The Council developed and engaged on the 2024-34 Long-term Plan (2024 LTP), before adopting the final plan on 27 June 2024. The work took more than two years and included multiple rounds of community engagement. The updated plan sets a new strategic framework and new priorities to guide service delivery and capital works for the next three to 10 years. All the information on the new plan can be viewed on our website (wellington.govt.nz/ltp). More information about this key review is detailed in Volume 1 of the full report, from page X.

Southern Landfill extension

The consent for the current Southern Landfill runs out in 2026. After public consultation, it was decided that a new landfill will be constructed on top of the existing landfill.

Following the granting of the 35-year Southern Landfill Extension resource consent, the detailed design has been completed. The first part of the extension is expected to be ready by April 2026.

More information is detailed in Volume 1 of the full report, from page X.

Tākina Convention and Exhibition Centre

Tākina, Wellington Convention & Exhibition Centre, was completed and opened on 1 June 2023. In its first year, the centre has hosted 127 events, two international exhibitions and delivered approximately $43m in new expenditure to Wellington's economy.

More information is detailed in Volume 1 of the full report, from page X.

Te Matapihi ki te Ao Nui Central Library

Significant progress was made towards the 2026 opening of Te Matapihi ki te Ao Nui, the Central Library. We're strengthening and modernising the building. The project is tracking on time and within budget.

More information is detailed in Volume 1 of the full report, from page X.

Frank Kitts Park playground upgrade

This project was reassessed in 2022/23 and re-scaled. Taranaki Whānui ki te Upoko o te Ika gifted the new playspace the name Te Aro Mahana, translated as warm front.

The playground re-opened to the public in February, following a dawn blessing ceremony. The new space was celebrated with a full day of activities on Te Rā o Ngā Tamariki - Childrens' Day in March.

More information is detailed in Volume 1 of the full report, from page X.

Te Ngākau Civic Precinct

Te Ngākau Civic Precinct is home to many of Wellington's key civic and cultural venues and connects the city to the waterfront. However, it has seismic issues and many of the buildings have notices and require work. As part of this, we are currently developing a Te Ngākau masterplan to look at the whole Civic Square precinct as well as progressing some key building work projects.

More information on this project is detailed in Volume 1 of the full report, from page X.

Town hall strengthening

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 seismic strengthening and redevelopment has reached an important milestone, with the majority of seismic strengthening works coming to an end.

From its inception the project was considered highly complex with several known challenges. In October 2023, the Council voted to increase the project's budget by up to an additional $140m, increasing the total cost to $329m.

More information is detailed in Volume 1 of the full report, from page X.

Public space upgrades

Island Bay

The Island Bay Town Centre upgrade is a significant project that is currently under construction. This project has both a permanent cycleway and urban design upgrades as its scope of works.

The improvements include a focus on accessibility and walkability, increased safety, creation of urban public space with places design with the community in the main shopping area.

Berhampore

The Berhampore Town Centre upgrade was a public space upgrade project, completed early in 2024. This project was focused on providing light touch urban design upgrades to the Berhampore shopping area, with a focus on placemaking, accessibility and walkability. The upgrades have been well received by the community.

Farmers Lane

The Farmers Lane laneway upgrade project was a joint project between WCC and Cornerstone Developers who own the adjacent building. Both partners invested in this project which has improved walkability, increased safety, and offered a more convenient and enjoyable way to access between The Terrace and Lambton Quay. The improvements also delivered new planters and seating elements to provide a public space off the busy Lambton Quay thoroughfare. Works were completed early in 2024.

Central city

This year we also continued the planning of two central city parks. A new park on the corner of Fredericks St and Taranaki St and an upgrade of Te Aro Park. In both of these projects we have been working with key stakeholders to design projects grounded in the history of the places, but designed for a dense and vibrant city where people live, work and play.

More information on these upgrades is detailed in Volume 1 of the full report, from page X.

Transport network upgrades

During the year, we installed eight EV chargers, continued to install new seawalls around the coast from Oriental Bay to Evans Bay, worked with schools on street safety improvements, completed the Aotea Quay roundabout, and continued to roll out Paneke Pōneke – our bike network – including installing some key transitional cycleways in Karori, Island Bay and Berhampore, Cambridge Tce and Adelaide Road, and maintained our extensive transport network.

More information on our transport network upgrades is detailed in Volume 1 of the full report, from page X.

Wāhanga 4 | Section 4

Ā mātou pūtea

Our Finances

Kei tēnei upoko

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 2024.

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 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 2024.

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 Annual Report and cannot be expected to provide as complete an understanding as provided by the full financial statements.

Te reo to come
Overview of our finances

Introduction

The Council creates plans, including 10-year and annual budgets, to make sure we are working towards the best future for our city.

This report holds us accountable to those plans and how we are spending our money.

This section outlines how we have financially performed against the 2021 LTP (as amended) and the 2023/24 Annual Plan.

Our planning documents

The Long-term Plan (LTP) is a key planning tool for councils. It keeps us accountable to our communities and provides a long-term view of our projects and the Council's budgets.

The Council is required to revise the Long-term Plan every three years and must always have one in place. Importantly, through public engagement, the review of the Long-term Plan is a chance for the community to have a say on the future of our city.

The Council is also required to adopt an Annual Plan (the LTP is the Annual Plan for the first year it is set). The Annual Plan sits alongside the LTP as a record of annual changes that have needed to be made.

This includes setting a budget that supports the delivery of our services and development projects to improve the city.

Financial Context

The context in which the 2021 LTP was set is significantly different to the environment in which we are now operating. There was significant uncertainty because the ongoing impacts of the COVID-19 pandemic were unknown in 2021 and there was a focus on the city's economic recovery.

As outlined in detail in the challenges section on page X, we now face affordability challenges, plus higher inflation, increases in the cost of interest and insurance, as well as higher costs associated with asset ownership (for example, higher depreciation). These challenges are being faced by councils across the country and we need to be conscious of our financial impact on our ratepayers and residents.

In the 2021 LTP, the Council committed to upgrading much of the city's ageing infrastructure, particularly the water network. This has meant increases year-on-year in our capital expenditure and our debt.

All of our budgets are linked – increasing our debt also increases the operating costs for paying it back, including the cost of interest.

Therefore, we need to balance having a city we can all enjoy, with the ability of residents to pay rates.

$8.7m
Surplus – result for the year

$64.8m
Budgeted surplus in Annual Plan 2023/24

82%
Capital programme budget spent

$877.1m
Cost of running the city

$11.8
Operational cost of Council services per resident per day

AA+
S&P credit rating for the year
(Note: this was downgraded in August 2024 to AA)

A balanced budget

Under the Local Government Act 2002, councils are expected to operate a balanced budget. This means rates and other revenue equals or is greater than 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 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 2021-31 Long-term Plan and subsequent annual plans several items related to the impact of COVID-19 were funded through debt. For example, the Council did not receive any airport dividends during the pandemic period and had to borrow to cover the shortfall in 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 2023/24 Annual Plan, the revaluation of water, sewerage and stormwater networks increased the value of our assets by 80%. This increased depreciation expenditure by $60.1m. Depreciation would normally be fully funded by rates, but this would have meant an additional 9% rates increase on top of the 12.3% proposed. The Council therefore resolved that it would be prudent to work towards fully funding depreciation over a period of time rather than imposing this cost immediately.

The Council forecast a surplus in the 2023/24 Annual Plan. However, the plan included $126.2m of revenue from grants, subsidies and reimbursements for the Sludge Minimisation Facility. This was accounted for in accordance with accounting rules. If the capital grant revenue had not been included, the Council would have budgeted a deficit position.

Key variances to budget

We achieved a $8.7m surplus compared with a budgeted surplus of $64.8m. The overall surplus is $56.1m lower than what was budgeted in the 2023/24 Annual Plan.

The key changes are

- The cost of delivering and running Council services and operating projects in 2023/24 was $59.5m higher, driven by non-cash expenses such as depreciation and adverse fair value movements.
- Grants, subsidies and reimbursements received were $46.6m less than budget because of lower sludge minimisation grant revenue. This revenue is used to fund the construction of the new sludge facility. The project spend is behind budget, so the associated grant revenue is too.
- Vested assets and other revenue were $34.7m higher than budget. During the year we recognised vested asset revenue of $33.6m largely relating to water assets from new subdivisions and roading assets from the Let's Get Wellington Moving partnership. Given the uncertain nature of vested assets we do not budget for these.
- Fair value movements were $32.8m lower than budget. This is primarily due to investment property revaluation decreases. The Annual Plan predicted a fair value gain of $13.9m compared to an actual net fair value loss of $18.9m.

Depreciation and amortisation expenses were $14.6m higher than budget. This is mainly due to higher depreciation based on the significant increase in the value of our assets from the previous year.

The Revenue and Expenditure sections of this summary outline the key variances to the budget in more detail.

Expenditure

Operational spend

The 2023/24 Annual Plan forecasted an operating cost of delivering Council services of $817.6m. This was a significant increase compared with previous year's budgets and related to the increased costs of contracts, personnel and interest.

The operational expense this year totalled $877.1m driven by non-cash expenses such as depreciation and adverse fair value movements.

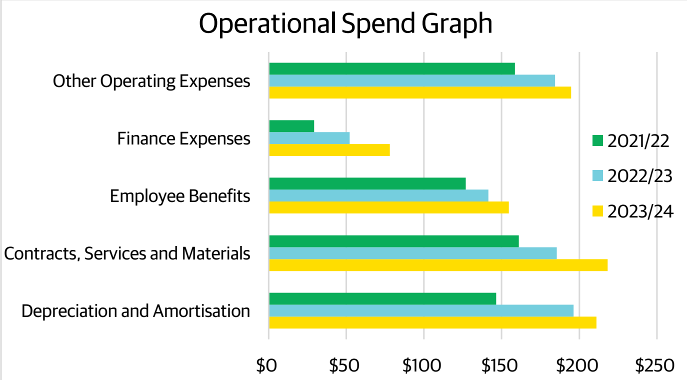
The main area of spend was our Environment and Infrastructure activity (43% of all of actual Council spend) with increases in the amount spent on our water network and increased depreciation as outlined above. Inflation also had an impact on costs across the Council.

Depreciation and amortisation continues to rise driven by increases in asset valuations such as three waters assets and the large capital expenditure programme that is underway. This cost continues to grow each year, with $14.7m more depreciation and amortisation expenditure this year than in 2022/23.

Contracts, services and materials costs were $218.3m in 2023/24. This spend represents a $32.9m increase in spend compared to last year. This was driven by continued investment in the environment and our transport network.

The graph to the right 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 utility costs, insurance premiums, professional fees, information and communication technology and operating leases.



Capital Spend

During 2023/24 we delivered capital projects totalling $464.2m. This is the highest capital expenditure programme Wellington City Council has delivered. In total, the Annual Plan forecast a capital spend of $566.1m. We therefore underspent our capital budgets by 18%, or $101.9m.

The key highlights and differences, to the 2023/24 Annual Plan are listed below:

- Our largest capital spend in 2023/24 was $90m on the sludge minimisation facility/Te Whare Wai Para Nuku compared with the Annual Plan budget of $126m. This capital spend is behind budget because the timing of key equipment purchases has been slightly later than expected. The project is still well advanced.
- We invested in the remediation of critical community assets such as Te Matapihi and the Town Hall, spending $118m on these projects (2023/24 Annual Plan budget: $122m).
- Significant investment occurred in the three waters network this year, with $67.5m spent on capital expenditure. We had planned to spend $60m (in the 2023/24 Annual Plan budget) and during the year the Council approved an additional $11m in response to critical investment needs.
- The capital spend on our transport network including the bike network, Paneke Pōneke, and Let's Get Wellington Moving (LGWM) was $111.1m in 2023/24 compared to the $128.5m set aside in the Annual Plan. This spend changed during the year due to the decision to wind down the LGWM programme which caused delays in the associated projects.

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

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 by balancing the needs of the community, demand for services and rates affordability. The money helps us deliver hundreds of day-to-day services and pays for the interest on loans 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 $483.3m (GST exclusive) of rates during 2023/24.

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

416 litres of drinkable water supplied per resident per day[13]	**110,105** native plants planted with the community	**169,628** calls answered by our Contact Centre staff
827km stormwater pipes	**2m** physical items borrowed from our 13 libraries	**204 sqm** open space per Wellingtonian
1,085km wastewater pipes	**391km** walking and biking tracks	**107** play areas
995km footpaths	**803,971** resources in City Archives	**18,828** streetlights operated

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

Revenue

Operational income

Our main source of funding is from rates - which makes up 54.6% of our total revenue of $885.6m. The next largest source is user fees, at 20%. (Money charged for using Council services such as swimming pools and the landfill).

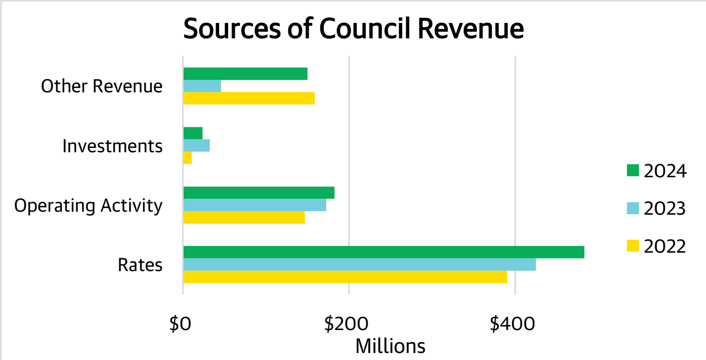
We also received 15.6% of our revenue from other external sources (mainly from central government) and gained some from investment revenue.

The graph to the right shows the main sources of revenue for the Council.

Our total revenue for the year is in line with the 2023/24 Annual Plan at $885.6m. There was a decrease in grant revenue compared with the budget. Grant revenue was provided to us when capital spend on the sludge minimisation plant was incurred. As the actual project spend has been lower than expected, grant revenue has also been lower ($47.0m).

This has been offset by revenue which is not budgeted such as vested asset revenue of $33.6m and interest revenue of $17.5m.

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



- City housing - $2.5m (2023: $27.0m). This revenue fell as Te Toi Mahana took over City Housing operations in August 2023. Lease revenue has increased to $29.4m from $8.3m in 2022/ 23.
- Landfill operations and recycling - $34.2m (2023: $31.1m).
- Parking fees and permits - $23.4m (2023: $24.4m).
- Consents and licensing services - $18.0m (2023 $17.5m).
- Convention and conference centres - $15.2m (2022: $15.9m).

More information about these revenue sources is detailed in Note 2 to the Financial Statements, on page X of Volume 2.

Capital income

The 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. This includes grant revenue to fund the construction of the sludge minimisation plant and Waka Kotahi NZ Transport Agency's contributions towards the Paneke Pōneke cycleways network.

Borrowing for the year

Total net borrowings increased by $301.5m to fund the capital expenditure programme for the 2023/24 year.

Net borrowing is made up of gross borrowings minus cash and term deposits. Net borrowing was $1.44b at the end of the year, compared to $1.59b forecast in our 2023/24 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:$0.40. This means that every $1 paid in interest costs is offset by 40c of investment income received.

Before COVID-19, this ratio was $1:$1 or higher, but it dropped in 2021/22 because we did not receive dividend from Wellington International Airport Ltd due to the impact of the pandemic. The 2022/23 dividend was $20.4m and this year's dividend was $12.0m.

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

Summary Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2024

The main variances from budget are discussed in the notes following the Statement of Comprehensive Revenue and Expense in the full 2023/24 Annual Report.

Significant variations

A summary of significant variations from budget are as follows:

Total revenues were $3.3m higher than budget.

Major variances included:

- Grants revenue for the construction of Te Whare Wai Para Nuku, the Sludge Minimisation Facility were $48.0m lower than budget. This is due to the timing of spend on this capital project being behind budget and so the associated grant revenue is too.
- Vested assets revenue were $33.6m higher than budget. Vested assets recognised were largely in relation to three water assets from new subdivisions and roading assets from the Let's Get Wellington Moving partnership. Vested asset revenue is not budgeted for.
- Finance revenue was $17.4m higher than budget. Finance revenue is not budgeted for. Instead, net interest expense is budgeted under finance expense.

	Council			Group	
	Actual 2023/24 $000	Budget 2023/24 $000	Actual 2022/23 $000	Actual 2023/24 $000	Actual 2022/23 $000
Total revenue	885,767	882,441	699,120	911,212	705,375
Total expense (excluding finance expense)	(799,096)	(756,629)	(721,261)	(825,331)	(746,503)
Total finance expense	(77,970)	(60,972)	(52,085)	(78,018)	(52,097)
Operating surplus/(deficit)	8,701	64,840	(74,226)	7,863	(93,225)
Share of equity accounted surplus/(deficit) from associates and joint venture	-	-	-	(2,844)	7,627
Net surplus/(deficit) before taxation	8,701	64,840	(74,226)	5,019	(85,598)
Income tax credit/(expense)	-	-	20	(340)	(304)
Net surplus/(deficit) for the year	8,701	64,840	(74,206)	4,679	(85,902)
Net surplus/(deficit) attributable to:					
Wellington City Council and Group	8,701	64,840	(74,206)	4,714	(85,811)
Non-controlling interest	-	-	-	(35)	(91)
	8,701	64,840	(74,206)	4,679	(85,902)
Other comprehensive revenue and expense					
Cash flow hedges - Fair value movement (net)	(7,854)	-	15,556	(7,854)	15,556
Share of other comprehensive revenue and expense of associates and joint venture - Cash flow hedges - Fair value movement (net)	-	-	-	46	1,588
Fair value through other comprehensive revenue and expense (net)	440	-	34	530	(205)
Revaluations of property, plant and equipment (net)	713,751	-	(59,615)	713,751	(59,615)
Share of other comprehensive revenue and expense of associates and joint venture - Revaluations of property, plant and equipment (net)	-	-	-	19,778	33,015
Total other comprehensive revenue and expense	706,337	-	(44,025)	726,251	(9,661)
Total comprehensive revenue and expense for the year	715,038	64,840	(118,231)	730,930	(95,563)
Total comprehensive revenue and expense attributable to:					
Wellington City Council and Group	715,038	64,840	(118,231)	730,965	(95,472)
Non-controlling interest	-	-	-	(35)	(91)
	715,038	64,840	(118,231)	730,930	(95,563)

Total expenses (including finance expenses) were $59.5m higher than budget.

Major variances included:

- Fair value movement losses were $20.4m higher than budget, due to investment property revaluation decreases of $20.4m. The budget assumed a fair value increase in investment properties.
- Finance expenses were $17.0m higher than budget since the budget reflects only the net finance cost (i.e. finance expense less finance revenue).
- Depreciation and amortisation expenses were $14.6m higher than budget, primarily due to higher actual depreciation compared to budget which was based on different assumptions for asset valuations, useful lives and timing of capitalising work in progress.

Other comprehensive revenue and expense was $706.3m higher than budget.

Major variances included:

- Fair value movement gains of $713.8m largely due to revaluation of infrastructure assets. We did not budget for these items as the revaluations were completed in year 2 of the normal three-yearly cycle.
- Cash flow hedge reserve movements of $7.9m largely from fair value losses on cash flow hedges due to changes in floating interest rates. Cash flow hedge movements is not budgeted for.

Summary Statement of Financial Position

As at 30 June 2024

The main variances from budget are discussed in the notes following the Statement of Financial Position in the full 2023/24 Annual Report.

	Council Actual 2023/24 $000	Council Budget 2023/24 $000	Council Actual 2022/23 $000	Group Actual 2023/24 $000	Group Actual 2022/23 $000
Current assets	380,272	356,740	198,374	407,996	225,286
Non-current assets	11,829,633	11,501,366	10,867,122	12,118,382	11,142,654
Total assets	12,209,905	11,858,106	11,065,496	12,526,378	11,367,940
Current liabilities	327,083	355,681	362,500	342,608	380,014
Non-current liabilities	1,546,039	1,620,854	1,081,251	1,548,547	1,083,633
Total liabilities	1,873,122	1,976,535	1,443,751	1,891,155	1,463,647
Equity					
Wellington City Council and Group	10,336,783	9,881,571	9,621,745	10,634,591	9,903,575
Non-controlling interest	-	-	-	632	718
Total equity	10,336,783	9,881,571	9,621,745	10,635,223	9,904,293

Significant variations

A summary of significant variations from budget are as follows:

Current assets were $23.5m higher than budget.

Major variances included:

- Cash and cash equivalents were $31.5m higher and receivables and recoverables were $22.6m higher than budget due to the timing of working capital movements.
- Other financial assets were $47.8m below budget due to lower amounts of term deposits being held than originally budgeted. This is partially offset by higher than budgeted non-current other financial assets of $16.7m.
- Non-current assets held for sale were $9.8m higher than budget due to the reclassification of housing assets that were identified for sale to Te Toi Mahana. The sale was completed in September 2024.

Non-current assets were $328.3m higher than budget.

Major variances included:

- Property, plant and equipment were $343.7m higher than budget. This is largely due to the impact of the unbudgeted revaluation gain of infrastructure assets, partially offset by the lower capital programme delivery compared to budget.
- Investment properties were $28.2m lower than budget. This is due to a decrease in fair value from the investment properties revaluation. The budget had assumed an increase in fair value.

Total liabilities were $103.4m lower than budget.

Major variances included:

- Total borrowings were $124.9m lower than budget. This is due to a range of factors including lower capital programme delivery than budget.
- Taxes payable are $14.0m over budget due to the timing of payments, including payments of rates to GWRC, differing to the original budget.
- Total provisions for other liabilities are $6.4m over budget due to higher provisions for landfill post-closure costs and weathertight homes than budgeted.

Summary Statement of Changes in Equity

For the year ended 30 June 2024

The main variances from budget are discussed in the notes following the Statement of Changes in Equity in the full 2023/24 Annual Report.

	Council Actual 2023/24 $000	Council Budget 2023/24 $000	Council Actual 2022/23 $000	Group Actual 2023/24 $000	Group Actual 2022/23 $000
Equity at the beginning of the year	9,621,745	9,816,731	9,739,976	9,904,293	9,999,856
Net surplus/(deficit) for the year	8,701	64,840	(74,206)	4,679	(85,902)
Other comprehensive revenue and expense	706,337	-	(44,025)	726,251	(9,661)
Total comprehensive revenue and expense	715,038	64,840	(118,231)	730,930	(95,563)
Equity - closing balances					
Accumulated funds	1,269,134	1,269,134	1,269,134	1,293,162	1,293,162
Retained earnings	3,839,916	3,890,556	3,828,987	3,832,978	3,826,006
Revaluation reserves	5,138,158	4,637,773	4,424,407	5,411,485	4,677,956
Hedging reserve	65,326	57,624	73,180	67,508	75,316
Fair value through other comprehensive revenue and expense reserve	7,328	6,854	6,888	8,308	7,778
Non-controlling interest	-	-	-	632	718
Restricted funds	16,921	19,630	19,149	21,150	23,357
Total equity	10,336,783	9,881,571	9,621,745	10,635,223	9,904,293
Total comprehensive revenue and expense attributable to:					
Wellington City Council and Group	715,038	64,840	(118,231)	730,965	(95,472)
Non-controlling interest	-	-	-	(35)	(91)
	715,038	64,840	(118,231)	730,930	(95,563)

Changes in equity

The Council's equity is represented by the difference between what the community owns (assets of $12.2b) and what it owes (liabilities of $1.9b).

The Council's equity at the end of the year was $10.3b, an increase of $715.0m from 2022/23. The major reason for the variance was the $713.8m increase in revaluation reserves from the revaluation of the three waters infrastructure assets and the fair value indexation uplift of the roading infrastructure assets during the year. These were completed in year 2 of the normal three-yearly cycle and were therefore not budgeted for.

The increase in fair value on property, plant and equipment is mainly due to:

- Increase in indexed construction costs between 2021/22 and 2023/24 driven by the increase in construction activity across New Zealand from post-storm rebuild and the high demand for new healthcare facilities and office buildings.
- The scarcity of disposal sites within Wellington has resulted in substantial increases in disposal and transportation costs.
- Drainage, water and waste infrastructure assets - Increase in indexed pipe valuation unit rates and additional cost movements where indexed unit rates were deemed not reflective of current market costs.
- Roading assets – increase in the unit rate costs for construction and increases in on-costs adjustments.

Summary Statement of Cash Flows

For the year ended 30 June 2024

The main variances from budget are discussed in the notes following the Statement of Cash Flows in the full 2023/24 Annual Report.

	Council			Group	
	Actual 2023/24 $000	Budget 2023/24 $000	Actual 2022/23 $000	Actual 2023/24 $000	Actual 2022/23 $000
Net cash flows from operating activities	213,373	203,400	187,525	222,886	194,245
Net cash flows from investing activities	(558,449)	(437,109)	(277,727)	(565,239)	(279,413)
Net cash flows from financing activities	348,349	255,782	132,156	348,284	132,148
Net increase/(decrease) in cash and cash equivalents	3,273	22,073	41,954	5,931	46,980
Cash and cash equivalents at the beginning of the year	68,529	18,257	26,575	87,707	40,727
Cash and cash equivalents at the end of the year	71,802	40,330	68,529	93,638	87,707

Significant variations

A summary of significant variations from budget are as follows:

Net cash flows from investing activities were $121.3m higher than budget.
The major variances included an increase in other financial assets which were $126.9m higher than budget largely relating to the purchases of term investments to pre-fund upcoming debt maturities on borrowings.

Net cash flows from financing activities were $92.6m higher than budget. This included net cash inflow from borrowings which were $104.1m higher than budget mainly due to the pre-funding of upcoming debt maturities – see $126.9m variance in the increase of other financial assets above. This is partially offset by a lower level of capital programme spend compared to budget.

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 financial statements

Basis of Reporting

Wellington City Council (the Council) has designated itself and the Wellington City Council Group (the Group) as public benefit entities and applies New Zealand Tier 1 Public Benefit Entity Accounting Standards (PBE Accounting Standards).

The full financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice, PBE Accounting Standards and other applicable financial reporting standards, as appropriate for public benefit entities.

The summary financial statements comply with Public Benefit Entity Financial Reporting Standard 43: Summary Financial Statements. The information presented is in New Zealand dollars, rounded to the nearest thousand dollars ($000) unless otherwise stated.

The full 2023/24 Annual Report and 2023/24 Summary Annual Report were authorised for issue by the Governing Body on 31 October 2024.

Budget information

The 2023/24 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 in the preparation of the full 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 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. The maximum exposure to the Group is anticipated to be less than $0.4m (2023: $1.6m).

Unquantified contingent liabilities

Riskpool – winding up

The 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

On 1 August 2023 the Supreme Court dismissed Riskpool's final appeal in Local Government Mutual Funds Trustee Limited v Napier City Council [2023] NZSC 97. This created an immediate liability for Riskpool in relation to that claim, which necessitated a call on members. The amount of the call for the Council was $0.7m and was paid in December 2023.

Riskpool's wind-down remains a very dynamic situation and there are significant challenges that Riskpool are still working through to be able to quantify the extent of Riskpool's potential exposure.

Other claims

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 update has been included due to the significant impact the programme is likely to have on the Council including on all water related infrastructure assets.

Local Water Done Well

In December 2023, the Government announced a new direction for water services (drinking water, wastewater and stormwater services) policy and legislation which it has called Local Water Done Well.

This is being implemented in 3 stages namely:

- stage 1 – repealing the previous affordable water reforms (completed in February 2024);
- stage 2 – enacting the Local Government (Water Services Preliminary Arrangements) Act 2024 (the Act) which received Royal Assent on 2 September 2024; and
- stage 3 – implementing further legislative change (expected to be introduced in December 2024 to be passed by mid-2025).

The Act requires the Council to submit a Water Services Delivery Plan (WSDP) to the Secretary of Local Government, by September 2025. In broad terms, a WSDP must identify the current state of the Council's water services and show how the Council will deliver those services in a way that:

- meets relevant regulatory quality standards for stormwater, wastewater and water supply networks;
- is financially sustainable;
- ensures compliance with drinking water quality standards; and
- supports the council's housing growth and urban development objectives.

The Council is currently working with other councils in the Greater Wellington region along with the Horowhenua District on a WSDP to reform the region's water services.

The 10 councils, representing more than half a million people, are committed to the process and working at pace to ensure an enduring approach to water management ahead of the local government elections in 2025.

The Council is also required to formally consult the community on aspects of the proposed model and arrangements for delivering water services.

The reforms to date have had no effect on the financial statements or performance information for the year ended 30 June 2024.

Absolutely Positively **Wellington** City Council
Me Heke Ki Pōneke

Wāhanga 5 | Section 5

Tō tātou Kaunihera me te rōpū whakahaere

Our Council and organisation

Kei tēnei upoko

Kei tēnei upoko he whakamāramatanga mō ngā whakaritenga manapori, kaporeihana hoki a te Kaunihera me te whakapuaki mōhiohio e pā ana ki ngā mema, ngā komiti, ngā rōpū me ngā ohu pakihi, te hanganga o te rōpū whakahaere me ngā kaimahi.

In this section

This section gives summary of the Council's democratic and corporate governance arrangements, including committees, Council-controlled orgnaisations and staff.

Te Kaunihera o Pōneke
Our Council

Te Kaunihera o Pōneke | Wellington City Council is made up of the Mayor and 15 Councillors, one of whom serves as Deputy Mayor.

The Mayor is the leader of the Council and has the statutory role to lead the Councillors and people in the city. They lead the development of the Council's plans, policies and budgets for consideration by the Council. The Mayor is the primary Council spokesperson and leads central government liaison, supported by relevant councillors.

The role of our elected members is to set the direction of the city, approve the budgets which fund the city's services and facilities, and adopt bylaws, policies and plans to meet the needs of our diverse communities.

Councillors are also responsible for representing those from the geographical area (ward) that elected them.

The elected members conduct their business and make decisions at open and publicly advertised council, committee and subcommittee meetings.

The Council also has two elected Community Boards that make decisions for set areas in the city, and Advisory Groups that provide advice from the perspective of their lived experiences.

The next election will be held in October 2025.

Committee structure

The Mayor put in place the current structure of committees and subcommittees at the beginning of the triennium.

All Councillors are appointed to Council and the three committees of the whole. All committees and subcommittees have a chair and deputy chair as detailed in the Councillor profiles, along with any additional committee appointments.

Two representatives of our Tākai Here partners have been appointed to most of Council's committees and subcommittees for the 2022-2025 triennium: Pouiwi Liz Kelly from Ngāti Toa Rangatira and Pouiwi Holden Hohaia from Taranaki Whānui ki te Upoko o te Ika.

Council

- Te Kaunihera o Pōneke | Council

Committees of the whole

- Kōrau Tōtōpu | Long-term Plan, Finance, and Performance Committee
- Kōrau Mātinitini | Social, Cultural, and Economic Committee
- Kōrau Tūāpapa | Environment and Infrastructure Committee

Additional committees and subcommittees

- Koata Hātepe | Regulatory Processes Committee
- Unaunahi Māhirahira | Audit and Risk Committee
- Unaunahi Ngaio | Chief Executive Performance Review Committee
- Pītau Pūmanawa | Grants Subcommittee

Hearing panels

- Environment and Infrastructure Hearings Panel
- Social, Cultural, and Economic Hearings Panel

Tō tātou rōpū whakahaere
Our organisation

The Mayor and Councillors employ and delegate the management and delivery of Council services to the Chief Executive. The Chief Executive is the sole employee of the elected Council and is the employer of all other staff.

The Executive Leadership Team supports the Chief Executive to provide advice to the Council, manage the Council organisation and implement Council decisions. The team is made up of eight members who lead functional Groups based on key areas of focus.

Alongside the Council organisation, the Council has established several Council-controlled organisations to help it achieve its goals for Wellington. The governance structures and purposes of those organisations are profiled here.

Any related performance information is detailed in Volume1, Section 4: Our performance in detail.

Our Executive Leadership Team

The Chief Executive manages Wellington City Council under elected member approved Annual and Long-term Plans, and relevant legislation, policies and guidelines.

The Chief Executive is responsible for the efficient and effective implementation of the Council's decisions within agreed parameters. The Chief Executive employs the Council's 2,061 staff to help with these responsibilities.

The Chief Executive ensures the Council has effective systems to monitor financial and service level performance and to recommend changes where appropriate. The Council's Performance Review Committee regularly monitors the Chief Executive's performance.

Barbara McKerrow
Tumu Whakarae | Chief Executive Officer

Stephen McArthur
Tātai Heke Rautaki | Chief Strategy & Governance Officer

Meredith Blackler
Tātai Heke Tāngata | Chief People & Culture Officer

James Roberts
Tātai Heke Auaha | Chief Digital Officer (June to Sept 2023)
Tātai Heke Hapori | Chief Operating Officer (Oct 2023 onwards)

Kym Fell
Tātai Heke Hapori | Chief Customer and Community Officer

Andrea Reeves
Tātai Heke Tahua | Chief Financial Officer

Liam Hodgetts
Tātai Heke Maherehere | Chief Planning Officer

Siobhan Procter
Tātai Heke Waihanga | Chief Infrastructure Officer

Karepa Wall
Tātai Heke Māori | Chief Māori Officer

Council-controlled organisations

Alongside our seven groups and business units, Wellington City Council has seven Council-controlled organisations that undertake activities on behalf of the Council and are each governed by an independent board.

Council-controlled organisations (CCOs) enable the Council to use specialist expertise to manage Council assets or deliver Council services.

The Wellington Regional Stadium Trust is not a Council-controlled organisation, however its relationship with Council is conducted in a similar manner so it is reported here in a similar fashion.

The organisations are:

- **Basin Reserve Trust** manages and promotes the Basin Reserve for recreation, leisure, and games of domestic and international cricket.
- **Karori Sanctuary Trust** trades as ZEALANDIA – Te Māra a Tāne and manages ongoing conservation and restoration work at its sanctuary in Karori.
- **Wellington Cable Car Ltd** maintains and operates Wellington's iconic Cable Car.
- **Wellington Museums Trust** trades as Wheako Pōneke Experience Wellington and manages educational and cultural facilities and experiences.
- **Wellington Regional Economic Development Agency Ltd (WREDA)** trades as WellingtonNZ and is the city and region's economic development organisation.
- **Wellington Regional Stadium Trust** owns, operates and maintains the Sky Stadium as a high-quality multi-purpose sporting and events venue
- **Wellington Water** manages all three water services for Hutt, Porirua, Upper Hutt and Wellington City Councils, and South Wairarapa District Council.
- **Wellington Zoo Trust** manages Te Nukuao Wellington Zoo, provides experiences and education and supports conservation initiatives.

Further reading: For details on the performance of each entity, please refer to Volume 1, Section 4: Our performance in detail, or their respective annual reports.

The governance arrangements for each of the organisations are outlined the full Annual Report.

Ā mātou kaimahi
Our staff

Our people are our strength. We have many talented, hard-working kaimahi (staff) across Council, and much to celebrate and be proud of. Through their efforts we are able to deliver on our promises to the community.

Having highly engaged kaimahi supports retaining the skills and abilities to deliver Council services. Retaining staff reduces the cost of recruitment and retraining allowing the council to focus on skill development and service delivery.

We have made significant progress over the past three years, building an organisational culture that supports our kaimahi to be high performing and one that looks after their physical and mental wellbeing.

We have designed our support for our kaimahi from the start of the employee journey to the end.

1,939 Total staff headcount (as at 30 June 2024)	**1,471** FTE (as at 30 June 2024)
1,342 Total fulltime staff	**555** Total part-time staff
7.5% Kaimahi identify as Māori (Increase of 1.7% points from in 2022/23)	**1046: 866: 27** Kaimahi by gender: Female vs Male vs Gender diverse/undisclosed
5.96 average tenure of full-time employees	**6.1%** reduction in total headcount
132 Staff in the 20+ service club	**30** applications per role in 2023/24 (increase from 12 in 2021/22)
14.9% Our core unplanned turnover (down from 19.1% in 2022/23, excludes Recreation staff)	**40%** reduction since 2020/21 in total staff injuries
2,232 Course completions (online and workshops) by kaimahi across the Council	**$1.6m** spent on training opportunities (Business Units: $1.1m; Culture and Capability: $0.5m)
$843 per kaimahi on development and training	**74%** Current engagement score (9% points higher than the local government benchmark)

Independent Audit Report

4. Public Excluded

Recommendation

That the Kōrau Tōtōpū | Long-term Plan, Finance, and Performance Committee:

1. Pursuant to the provisions of the Local Government Official Information and Meetings Act 1987, exclude the public from the following part of the proceedings of this meeting namely:

General subject of the matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
4.1 CCO Board Appointments	7(2)(a) The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person.	s48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.
4.2 Local Government Funding Agency Annual General Meeting voting	7(2)(a) The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person.	s48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.

2. Direct officers to consider the release of publicly excluded information that can be publicly released following the hui.