

APPENDIX 1

Insurance

The earthquakes in Christchurch resulted in a tightening in the insurance market both in New Zealand and overseas leading to increases in insurance rates, reductions in capacity and closer vetting of risks by insurers.

In renewing Council's insurance contract for the 2011/12 year a small increase in the total level of cover was achieved.

The existing Wellington City Council insurance programme includes cover for all above and below ground infrastructure, buildings, plant and equipment throughout the city.

In the event of a significant event in Wellington, the Council would fund any major infrastructure rebuild via a combination of:

- Insurance cover
- Self insurance reserve fund
- Reprioritisation of renewals capital and new capital, if required
- Loan funding in the event of any shortfall

It should also be noted that there may be contributions from Central Government towards restoration of core infrastructure.

Financial indicators at a glance

Over the 10 year plan our forecasts show:

- operating expenditure will increase from \$379.2 million in 2012/13 to \$496.1 million in 2021/22
- capital expenditure will range between \$133 million and \$160 million each year
- total borrowings will increase from \$374 million in 2012/13 to \$532 million in 2021/22
- total rates revenue will increase from \$240 million in 2012/13 to \$323 million in 2021/22

The key reasons for the increasing trends across our 10 year plan are as follows:

- Operational expenditure and rates are impacted by inflationary assumptions around our underlying costs, and the operational impact of our capital expenditure programme
- Rates are also impacted by our annual incremental increase in rates of 0.75 percent to repay our weatheright homes borrowings liability
- Capital expenditure is largely influenced by the renewal profiles within our asset management plans, and our housing upgrade and earthquake strengthening programmes
- Borrowings are influenced by the timing and extent of our capital expenditure programme and estimated timing of payment of our weatheright homes liability

Key Financial Indicators for 10 Year Long Term Plan (\$'000)

