Absolutely Positively **Wellington** City Council
Me Heke Ki Pōneke

EXTRAORDINARY MEETING

OF

WELLINGTON CITY COUNCIL

SEPARATELY ENCLOSED ATTACHMENTS

Time:	**9:15am**
Date:	**Wednesday, 10 February 2016**
Venue:	**Committee Room 1 Ground Floor, Council Offices 101 Wakefield Street Wellington**

Business **Page No.**

Financial Strategy – Investing for Growth

Our ten year plan

WELLINGTON CITY COUNCIL'S
LONG TERM PLAN 2015-25.

A CHANGING FINANCIAL LANDSCAPE

In 2012 the Council's financial strategy was underpinned by fiscal restraint, recognising the organisation's big financial challenges, including earthquake strengthening, leaky buildings and rising insurance costs. Confidence in the economy was low and ratepayer expectations were for rates increases in line with inflation. The strategy conformed to existing practice and complemented existing financial policies. It set an annual rates increase target for 2012/13 equal to the Local Government Cost Index, lowering to CPI (around 2.5%) in subsequent years and planned for debt ratios significantly lower than all other metropolitan cities in New Zealand. But growth forecasts were low. The strategy was not sustainable and risked service cuts and minimal new offerings unless rates increased above the strategy's forecasts.

We have since reviewed how we deliver our services and consolidated our council controlled organisations, implemented shared services in water, IT and procurement programmes. These and similar initiatives are expected to deliver savings in excess of $50m for Wellington ratepayers over the next 10 years – though this is not enough to fund the increasing expectations that we, our residents and businesses have for the city.

Rates increases equal to or less than CPI (household inflation) are not sustainable in the long-term without cutting services. This would not be enough to fund what we provide now and meet ratepayer expectations for improved services.

Rather than risk cuts to services and a stagnating city, our new Financial Strategy provides a platform for the Council to invest and support economic growth, which in turn will create jobs, grow our ratepayer base and increase prosperity. We will achieve this by prioritising proposals for funding and expenditure that:

- Rebalance our spend and investment between key strategy areas
- Identify areas where service levels and performance are already high and increase the use of existing assets, rather than spending on new investments
- Invest in projects that grow the economy and deliver returns on our investment
- Encourage urban growth in areas where we have existing infrastructure and public transport and in a way that improves environmental performance
- Improve our asset management to better manage risk while also maintaining high levels of service delivery
- Achieve ongoing efficiencies within the organisation, with a focus on shared services and improved customer experiences.

WORKING FROM A POSITION OF FINANCIAL STRENGTH

Wellington City is in a strong financial position. Our debt to income ratio is currently less than 100%. This compares favourably with other metropolitan councils whose equivalent ratios range from over 175% to around 275%. The Council also holds investments in Wellington Airport and a substantial ground lease portfolio that are valued at more than our $384m borrowings. So the Council could theoretically sell these assets and have no debt at all.

In its 2014 review of the Council's credit rating, the independent credit rating agency Standard & Poors judged Wellington City's stand-alone credit profile to be the highest of Local Government in New Zealand, and even higher than the Government's, but have capped it at the central government level. S&P's assessment that the Council has 'very strong financial management and budgetary flexibility, strong budgetary performance and liquidity and low contingent liabilities' supports our view that our credit strength and institutional framework will allow higher debt burdens as we progress our strategy to invest in projects to grow the Capital City's economy.

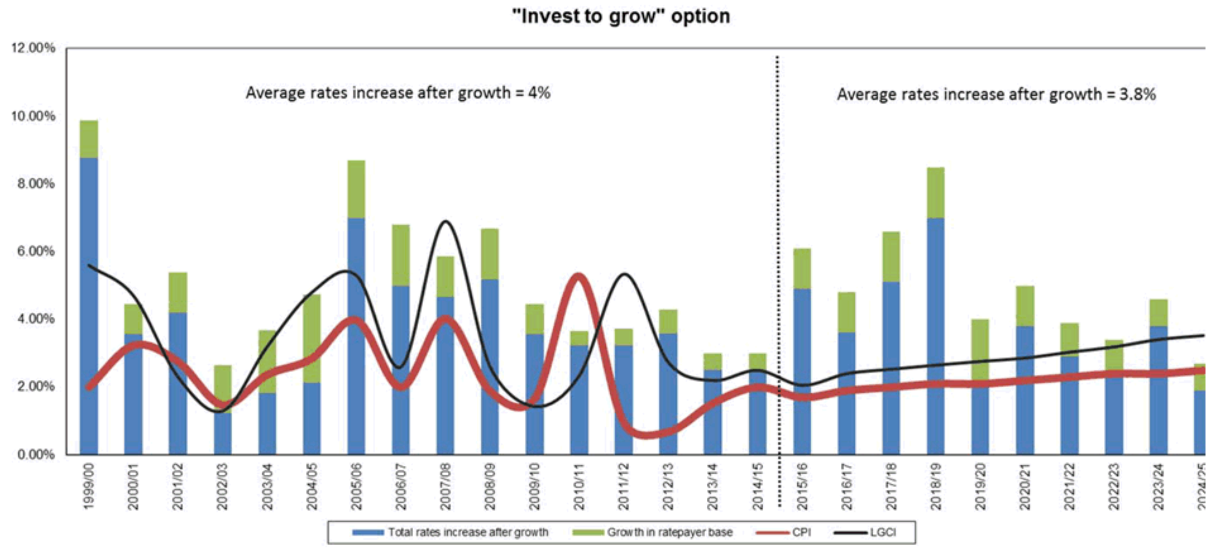
Council uses debt to spread the cost of buying assets and services across those who will benefit from use of the asset over its life. This means we also need to consider the impact of servicing debt on the affordability of rates. In formulating our Financial Strategy we have ensured that the cost of servicing and repaying borrowing for each asset is catered for with proposed rating limits.

RATES FORECASTS AND LIMITS

Our 'invest to grow' strategy provides to limit average rate increases at 4.5% over the first three years of the LTP and an average of 3.9% across the 10-year plan.

If we keep going as we are…		If we invest for growth	
3.1%	Rates would increase by 3.1% on average annually over the next 10 years. And would be limited to 4.1% annually, on average, over the next 3 years	3.9%	Rates increases will be limited to a 3.9% on average after growth annually over the next 10 years. And to 4.5% annually, on average, over the next 3 years

The 3.9% average annual rates increase limit proposed within this strategy compares favourably with the average increase of 4.1% over the last 15 years.



DEBT FORECASTS AND LIMITS

We are forecasting debt across the period of this LTP to peak at approximately 135% of operating income. The limit to the amount of debt the Council will take on over the period of this strategy is 175% of operating income. This limit provides some contingency for Council to respond immediately to an unplanned emergency or natural disaster. The cost of servicing the forecast debt, and the assets we build or buy, is built into our forecast rates increases.

If we keep going as we are...		If we invest for growth	
130% forecast 150% limit	Council debt will be capped at a maximum of 150% of annual income – the same as a household earning $50,000 a year having a mortgage of $75,000.	**135% forecast 175% limit**	Council debt will be capped at a maximum of 175% of annual income – the same as a household earning $50,000 a year having a mortgage of $87,500.

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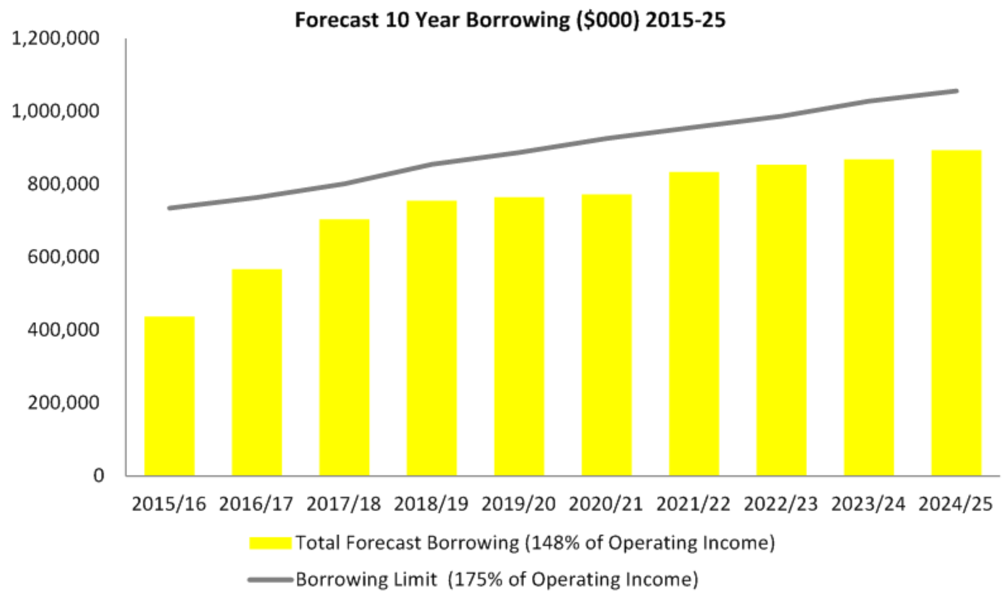


CHALLENGES AND OPPORTUNITIES

In the pages that follow we explain how we propose to manage the financial challenges, opportunities and risks the city faces to enable the Council to deliver on this strategy in a financially prudent manner.

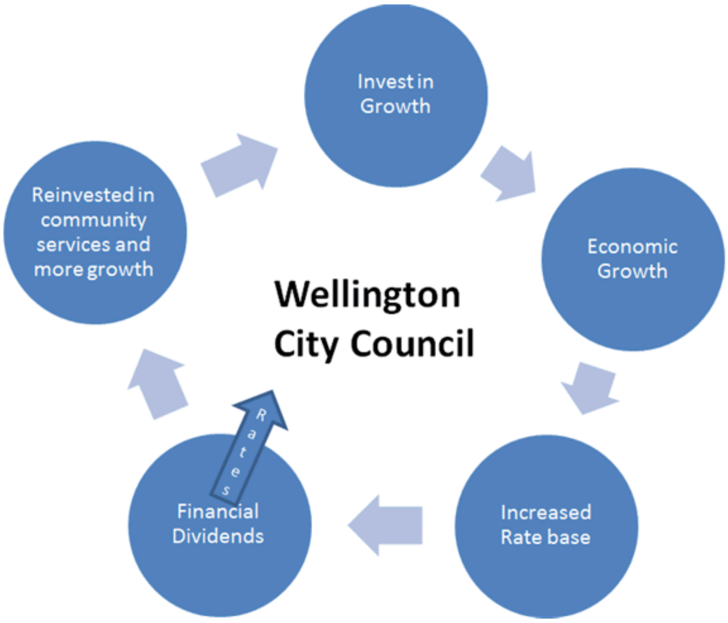
Population, land use, and rating base growth

Since 2010 Wellington City has had slow population growth of 0.7% per year (0.2% below the national average). The 2015 population is estimated at around 203,000 people. It is expected to increase by about 12,000 to around 215,000 by 2024, a modest 0.6% average growth rate per year. Limited changes to land use are forecast, however the northern growth management plan provides for the conversion of open space to residential development. The capital cost to provide for these changes over the 10 years is forecast at around $75 million and the associated operating costs $9 million.

In the past five years, the ratepayer base has grown at an average rate of just 0.4%. History shows that Council investments can be a catalyst for economic growth. This was evident in the last significant growth spurt, when our rating base growth peaked at around 2.2% per annum in the early 2000s on the back of game-changing projects like Te Papa, Westpac Stadium and development of the waterfront.

This Financial Strategy aims to create the capacity to invest in initiatives that act as a catalyst for growth in the economy and the city's rating base. Our LTP includes a number of key investment projects that we expect will accelerate growth in our ratepayer base, which we conservatively expect to peak at around 1.8%, an average of 1.2% over 10 years. The larger rating base is expected to generate a $37m boost for existing ratepayers by 2024/25, a cumulative benefit of over $205m across the 10 years – and this benefit will continue to accumulate in subsequent years.

The financial benefit, or return, that the Council receives from prudent investments can be re-invested in the city. We call this the 'virtuous circle'.



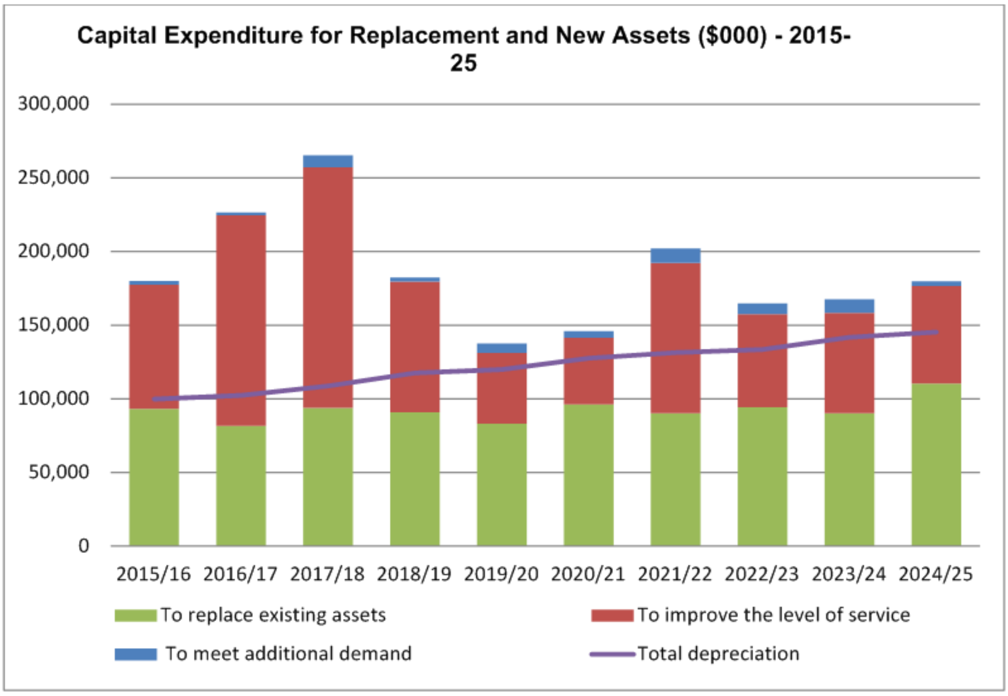
A strategic approach to asset investment

This plan is different in direction and approach to the past. The emphasis is strategic and long-term with a focus on short-term delivery.

The first three years of the plan is detailed and reflects a work programme that is realistically deliverable in the timeframe. A rolling three year forecast provides flexibility for the Council to respond to unanticipated changes and to consider new opportunities.

We've done a lot of work to better understand the quality of our assets. They are generally in good condition and we have a robust asset renewal programme in place. Continuing to improve the quality of asset information, particularly for our network infrastructure, means we can get more value from our assets without exposing the Council or the community to undue risk. We have used updated information to better plan and make decisions about assets that need renewing over the 10 years of the LTP. Our Infrastructure Strategy expands this timeframe out to 30 years and gives us confidence that we have the financial capacity to maintain our existing infrastructure in the longer term.

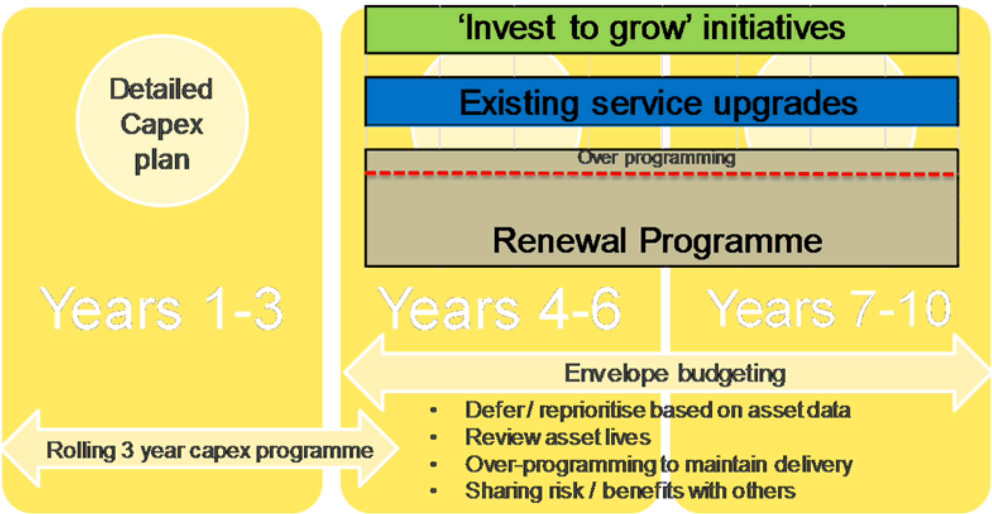
The expected capital costs for network infrastructure required to maintain existing levels of service and meet additional demands is as follows:



Significant projects to upgrade or improve services include increasing the cycling network, building a new library in Johnsonville and improving the resilience of the city's water supply. We also plan to continue to improve earthquake resilience, including the Town Hall, Central Library and civic offices.

There is less certainty, however, around the details, costing and timing for a range of potential new economic growth initiatives. While these initiatives will all be subject to robust business cases and public consultation, it's also important that we demonstrate the Council's capacity to invest in projects such as an indoor music arena, extending the airport runway and urban development initiatives.

We have used an envelope budgeting approach to reflect the capacity that Council has within its financial strategy to fund 'invest to grow' economic initiatives in years 4 to 10 of the LTP.

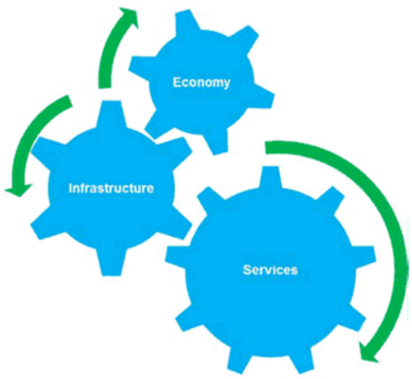


Managing investment expectations

Annual surveys and benchmarking data show that service levels for social, recreational and community infrastructure are high in Wellington. However, over the last ten years there has been an expectation in the community that the Council will continue to increase service levels in these areas.

It is also recognised that during this period investment to support the broader Wellington economy and the city's rating base has been low.

This Financial Strategy recognises the importance of investment in the economy to grow the city and increase the rating base to provide the financial capacity to continue to invest in our infrastructure. In turn, this provides the resources for the Council to deliver on recreation, social and cultural services, amenities and events. The risks of not doing so are summarised in the diagram below.



Risks:

- Economy shrinks
- Insufficient growth to drive GDP, jobs & prosperity
- Shrinking rating base
- Cuts to services

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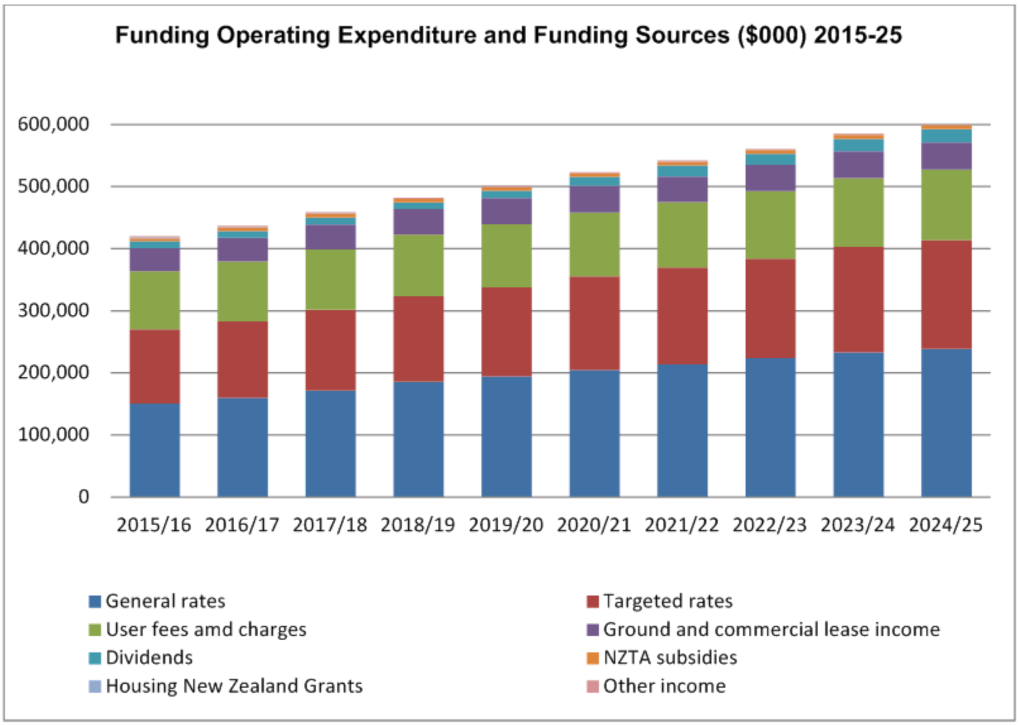
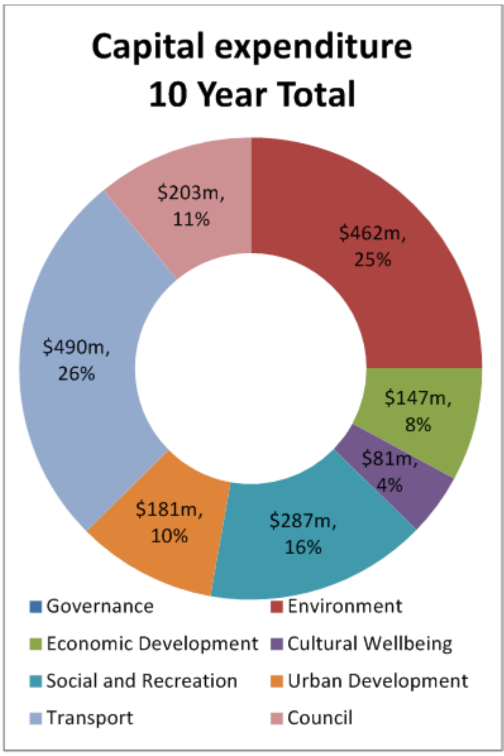
Continuing to do the basics well

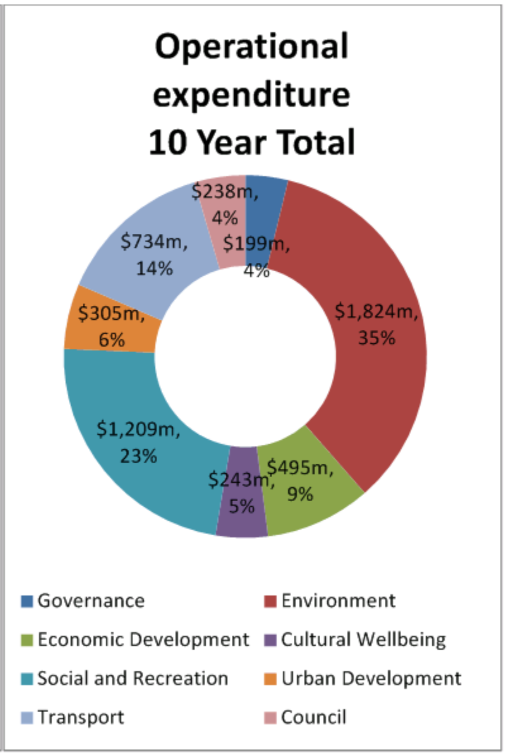
There is a risk that in investing to improve the economic resilience of the city, we compromise the delivering of core services. We will manage this risk by providing capacity within our rates and debt limits to ensure that we can continue to provide the services we do now. We will increase the emphasis on improving utilisation of the assets and services we currently provide. To ensure we maintain high levels of service delivery we will continuously drive operational efficiencies within the organisation. We will also focus on shared services and improved customer service - for example combining of CCOs to create the Wellington Regional Economic Development Agency, shared IT infrastructure and a range of procurement and contract related initiatives.

Our plan is to continue to deliver the full range of services we currently offer.



The graphs below show that in our proposed LTP financial strategy we will continue to fund and invest in the full range of services we currently provide.





Maintaining an affordable and prudent balance between service, rates and debt

Our financial strategy sets a framework for investment decision-making by:

- Setting maximum limits for rates and debt supported by funding policies that will ensure rates remain affordable
- Linking to a clear set of funding principals as contained in the Council's Revenue and Financing Policy
- Using quality asset data to drive its infrastructure asset renewal and upgrade
- Requiring the Council to be specific about the costs, delivery timeline and impact on service levels of its investment decisions in the first three years of its plan.
- Being transparent about the assumptions used in longer-term (years four to 10) initiatives for which full business cases are yet to completed, and providing flexibility for investment intentions to be modified, depending on these cases and other external factors.

There is a risk that in attempting to maintain or increase service levels the Council could compromise its funding principles that underpin its robust and prudent financial management. This risk is mitigated by continuing to make provision in our Financial Strategy to:

- Maintain a balanced budget. The Council will raise sufficient income each year to fund the costs of providing services consumed by the city that year. No profit is budgeted or rated for. Note that our financial statements will show a surplus because revenue received for capital expenditure is required to be shown as income.

- Continue to fully fund depreciation on assets that the Council will be required to renew when they reach the end of their useful life. This is needed so we can pay for their replacement in the future.
- Debt fund to maintain intergenerational equity. Debt is used to initally fund assets. This debt is repaid over the life of the asset through depreciation funding. This ensures that ratepayers only pay the cost of a service when they benefit from a service
- Enable asset management planning to inform and complement financial planning. This considers the condition and deterioration of assets to estimate their useful life and the costs of their replacement and repair. It balances risk and the and timing of replacement, as well as asessing the capacity required for growth.
- Manage investments and equity securities. The primary objective of holding and managing investments and equity securities is to optimise the return on the overall investment portfolio. Investments are also held for the purpose of achieving Council's strategic objectives and to provide diversity to the Council's revenue sources. For non-strategic investments, the target return for investment is to achieve an average return over time greater than Council's long term cost of funds, currently forecast at 6.3% per year.The Council's investment policy sets out the mix of investments, strategies and other policy considerations in greater detail.
- Operate a policy on securities. To be able to borrow money we need to offer security to the lenders. Security is a guarantee which can be redeemed in case of default, like a house as mortgage security. Our borrowings are secured by creating a charge over our rates revenue. This security relates to any borrowing and to the performance of any associated obligations to borrowing. As a shareholder in and borrower from, the New Zealand Local Government Funding Agency we also use rates revenue as security over all borrowing from the agency.
- Implement our Insurance Strategy which balances externally-procured insurance, internal 'self-insurance', risk retention and transfer. Our insurance policy aims to achieve an adequate level of insurance with a balance of insurers from local and international markets. Our insurance is mainly for material damage and business interruption. Material damage covers catastrophe losses only, with an internal $10m insurance reserve fund (being increased over time) to cover excesses and day to day working losses. The insurance coverage includes natural disasters to a limit of liability of $400m material damage (buildings, infrastructural assets and contents) and business interruption combined over an asset portfolio of $4.658bn (2014/15). Our earthquake cover and other natural disasters are informed by Geological and Nuclear Sciences (GNS) on potential losses caused by these events.

This strategy also allows for Council to maintain a reasonable balance between services, rates and debt. Increases in service levels will be generally restricted to those services that are expected to provide an increase in the rating base, reducing the impact on existing ratepayers. Where debt funding is required to spread the cost of an investment across a number of years, we will focus on those investments that provide a return to reduce the impost on ratepayers.

Strategic partnering

We will develop a more focused and strategic approach to partnering with central government and the private sector. To reflect this we have assumed that in addition to the $1.7 billion of asset investment proposed in the 2015-25 LTP, some investments to which we contribute will be undertaken by other organisations. To reflect this we have assumed that as part of our economic growth funding envelope we will provide sufficient grant funding to service $90 million of investment by an external party, but transfer the capital risk and not hold the associated debt on the Council's balance sheet.

We will also continue to investigate the philosophy of 'earn/back' with central government. When ratepayer/funded Council investment results in improved economic performance of the city and a higher tax take, we believe the Council should receive a portion of the financial benefit accrued by the Government.

Rates affordability

In developing our financial strategy we have been very conscious that our rates are affordable. Our strategy is underpinned by an assumption that affordability will be maintained.

Wellington residents have significantly higher incomes than the national average.

	Wellington	National average
Household income >$70,000	54.6%	38.7%
Household income <$30,000	12.4%	18.7%

We know there are small pockets of deprivation in Wellington City. We will continue to manage this factor by providing rates remission and rates postponement policies. The central government/funded rates rebate scheme can also be used in hardship cases that result in difficulty paying rates.

Residents fund approximately 55% of total rates. As Wellington residents have significantly higher average incomes that the national average, our average rates equates to approximately 2.7% of average Wellington household income. Throughout the period of this LTP we intend to keep this below 3.5%, significantly lower than the 5% affordability threshold identified in the 2007 Local Government Rates Enquiry.

Commercial ratepayers fund 45% of total rates. Generally rates are a relatively small proportion of total business income, varying between 0.1% and 0.4%, depending on the sector.

Factors such as increased insurance and earthquake resilience costs are placing additional pressure, on the likes of the not-for-profit sector and heritage property owners. While many not-for-profit organisations already receive lower rates under legislation, the Council is cognisant of the pressures on owners of earthquake prone buildings and has initiated a rates remission policy to help.

Earthquake and weather/tightness risk

The Council's 2012 Financial Strategy highlighted earthquakes, weather/tightness and increasing insurance costs as key risks which warranted a conservative fiscal approach. The Council's own financial exposure to these risks is now better understood – all are catered for within this strategy and specifically budgeted for within the 2015-25 LTP. We have made provision to strengthen the Town Hall, the Central Library and administration building. We will fully repay the borrowing taken out to cover the Council's contribution to leaky building costs over the period of this LTP and will utilise recent reductions in insurance premiums to replenish our self-insurance reserves and increase our level of cover.

Delivering on the strategy

This Financial Strategy supports and enables an ambitious plan to invest in the city. We have been conservative in our growth assumptions, but there is still a risk that the investment projects we propose will not deliver the economic and rating base increases we are forecasting. We will manage this risk by conducting detailed business cases for each investment to assess their cost/effectiveness and economic contribution. We will also consult before deciding to proceed. We will also measure and report on our performance against this strategy annually and review the strategy every three years.

Our view is that there is significantly greater risk in not investing to support the city's economy, making it more difficult for us to compete nationally and internationally, a loss of businesses, jobs, cuts in services and higher long/term rates for the ratepayers that are left behind.

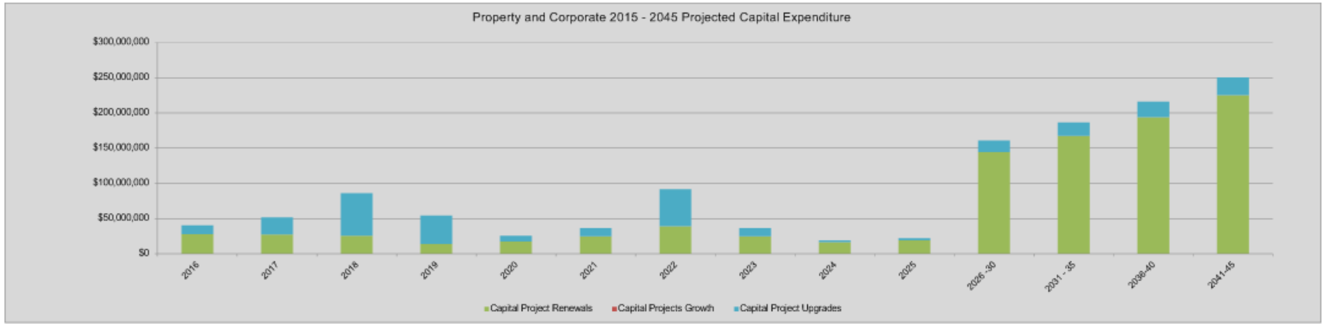
'Current service' strategy	'Invest to grow' strategy
No / or very limited new offering Renewing assets based on a depreciation profile rather than asset quality	New offerings to reinvigorate the city and its economy Greater ability to reprioritise capex renewals and upgrades based on improved asset information
Limited ability to respond to opportunities	Enhanced ability to respond to opportunities
Limited ability to respond to growth, economy and ratepayer expectations	'Envelope' budgeting to provide for economic investment in years 4-10 ($150m over 10 years)
Minor reprioritisation of capex renewals (only) based on improved asset information	Flexibility to adjust 'envelope' in response to growth, economy and ratepayer expectations
No opportunity to grow business and community confidence through investment in the city	Opportunity to significantly grow business and community confidence
Growth in rating base will be low – fluctuating in response to economy – limited ability to influence Potential cuts to services	Elevated growth in rating base support long-term sustainability and vibrancy of the city ($200m cumulative direct ratepayer benefit over 10 years plus city-wide benefit)
Slightly lower rates increases in the short-term (4.1% over 3 years, 3.1% over 10 years)	Slightly higher rates increases in the short/ medium term (4.5% over the first 3 years of

	the plan, average of 3.9% over the full 10 years)
Lower investment = lower borrowing levels, but no improvement to ratepayer equity in the city	More investment = higher borrowing levels, but maintain ratepayer equity in the city
Risk of stagnation	Opportunity for the city to grow and flourish

Amendments to the Infrastructure Strategy
Property and Corporate 2015-45

Description	2016	2017	2018	2019 - 2025	LTP TOTAL	2026 -30	2031 - 35	2036-40	2041-45	30 Year Finanicals
Operating expenditure	777,348	4,715,740	4,481,782	12,312,635	19,697,323	8,761,552	10,157,040	11,774,793	13,650,213	64,040,921
Stewardship [depreciation]	2,873,601	3,635,182	5,947,658	119,484,356	131,940,797	89,881,780	104,197,617	120,793,596	139,560,588	568,422,628
Income										
Total Operating Projects	**3,650,949**	**6,559,220**	**9,630,961**	**113,845,241**	**133,686,370**	**98,643,332**	**114,354,657**	**132,568,390**	**153,210,801**	**632,463,550**
Capital Project Renewals	28,062,307	27,076,073	25,326,689	154,846,499	235,311,568	144,399,388	167,398,467	194,060,702	224,969,541	966,139,665
Capital Project Upgrades	33,657,616	78,479,193	119,552,715	102,004,488	228,916,324	16,353,759	18,958,488	21,978,084	25,478,623	311,685,278
Capital Projects Growth										
Total Capital Projects	**40,219,923**	**51,614,672**	**85,938,810**	**286,454,487**	**464,227,892**	**160,753,146**	**186,356,955**	**216,038,786**	**250,448,164**	**1,277,824,944**
Grand Total	**43,870,871**	**58,173,892**	**95,569,771**	**400,299,728**	**597,914,262**	**259,396,478**	**300,711,612**	**348,607,176**	**403,658,965**	**1,910,288,493**

* Please note that the Total Operating project budget includes depreciation which funds the capital renewals programme.


Property and Corporate 2015 - 2045 Projected Capital Expenditure
$300,000,000
$250,000,000
$200,000,000
$150,000,000
$100,000,000
$50,000,000
$0
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026 -30
2031 - 35
2036-40
2041-45
Capital Project Renewals
Capital Projects Growth
Capital Project Upgrades

FUNDING IMPACT STATEMENT
FOR WHOLE OF COUNCIL

	2014/15 AP $000	2015/16 LTP $000	Variance to LTP $000	Notes	2016/17 LTP $000	2017/18 LTP $000	2018/19 LTP $000	2019/20 LTP $000	2020/21 LTP $000	2021/22 LTP $000	2022/23 LTP $000	2023/24 LTP $000	2024/25 LTP $000
Sources of operating funding													
General rates, uniform annual general charges, rates penalties	134,936	152,004	17,068		161,128	172,653	189,580	197,412	207,138	215,868	224,650	233,007	238,040
Targeted rates	120,330	118,903	(1,427)		122,802	129,901	138,660	143,822	151,274	156,564	160,410	169,744	175,488
Subsidies and grants for operating purposes	7,714	6,485	(1,229)		8,474	9,041	6,261	6,386	6,563	6,721	6,881	7,050	7,227
Fees and charges	120,687	122,218	1,531		125,481	127,770	133,681	138,011	140,377	141,598	146,029	149,205	152,555
Interest and dividends from investments	11,044	11,013	(31)		11,013	11,154	10,776	11,776	13,776	15,776	15,676	18,176	19,376
Local authorities fuel tax, fines, infringement fees, and other receipts	9,541	9,255	(286)		9,517	9,679	9,827	9,980	10,149	10,336	10,533	10,741	10,984
Total operating funding (A)	**404,252**	**419,878**	**15,626**		**438,415**	**460,198**	**488,785**	**507,387**	**529,277**	**546,863**	**564,179**	**587,923**	**603,670**
Applications of operating funding													
Payments to staff and suppliers	269,637	280,481	10,844		285,946	287,637	299,116	309,269	317,499	328,538	338,876	349,389	361,173
Finance costs	23,041	22,961	(80)		28,074	35,734	43,848	45,755	47,014	49,425	52,916	58,166	60,445
Internal charges and overheads applied	-	-	-		-	-	-	-	-	-	-	-	-
Other operating funding applications	28,958	35,850	6,892		44,114	43,112	35,969	38,524	42,084	44,680	45,138	45,652	46,184
Total applications of operating funding (B)	**321,636**	**339,292**	**17,656**		**358,134**	**366,483**	**378,933**	**393,548**	**406,597**	**422,643**	**436,930**	**453,207**	**467,802**
Surplus (deficit) of operating funding (A - B)	**82,616**	**80,586**	**(2,030)**		**80,281**	**93,715**	**109,852**	**113,839**	**122,680**	**124,220**	**127,249**	**134,716**	**135,868**
Sources of capital funding													
Subsidies and grants for capital expenditure	43,375	36,026	(7,349)		35,376	21,637	15,186	12,885	13,768	14,154	14,459	14,723	15,600
Development and financial contributions	2,000	2,000	-		2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Increase (decrease) in debt	48,402	62,899	14,497		129,641	137,127	50,586	10,004	7,687	61,239	20,151	14,769	24,415
Gross proceeds from sales of assets	4,050	2,650	(1,400)		7,600	18,350	9,500	2,000	2,000	2,000	2,000	2,000	2,000
Lump sum contributions	-	-	-		-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-		-	-	-	-	-	-	-	-	-
Total sources of capital funding (C)	**97,827**	**103,575**	**5,748**		**174,617**	**179,114**	**77,272**	**26,889**	**25,455**	**79,393**	**38,610**	**33,492**	**44,015**
Applications of capital funding													
Capital expenditure													
- to meet additional demand	2,558	2,597	39		1,909	8,126	2,867	6,363	4,506	9,700	7,298	9,086	3,052
- to improve the level of service	69,965	84,180	14,215		142,940	163,235	88,760	48,065	45,211	102,168	63,180	68,371	66,198
- to replace existing assets	79,480	93,169	13,689		81,613	93,876	90,721	83,046	96,143	90,146	94,261	90,092	110,407
Increase (decrease) in reserves	28,440	4,215	(24,225)		28,436	7,592	4,776	3,255	2,275	1,599	1,120	659	226
Increase (decrease) in investments	-	-	-		-	-	-	-	-	-	-	-	-
Total applications of capital funding (D)	**180,443**	**184,161**	**3,718**		**254,898**	**272,829**	**187,124**	**140,729**	**148,135**	**203,613**	**165,859**	**168,208**	**179,883**
Surplus (deficit) of capital funding (C - D)	**(82,616)**	**(80,586)**	**2,030**		**(80,281)**	**(93,715)**	**(109,852)**	**(113,839)**	**(122,680)**	**(124,220)**	**(127,249)**	**(134,716)**	**(135,868)**
Funding balance ((A - B) + (C - D))	-	-	(0)		-	-	-	-	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	102,165	99,797	(2,368)		102,250	108,742	117,550	119,832	127,563	131,396	133,481	141,777	145,318

FUNDING IMPACT STATEMENT

3.1 FOR CITY PROMOTIONS AND BUSINESS SUPPORT

	2014/15 AP $000	2015/16 LTP $000	Variance to LTP $000	Notes	2016/17 LTP $000	2017/18 LTP $000	2018/19 LTP $000	2019/20 LTP $000	2020/21 LTP $000	2021/22 LTP $000	2022/23 LTP $000	2023/24 LTP $000	2024/25 LTP $000
Sources of operating funding													
General rates, uniform annual general charges, rates penalties	5,207	4,610	(597)		5,105	7,991	11,875	13,683	15,657	19,319	21,487	22,092	22,535
Targeted rates	15,012	15,226	214		15,173	16,144	18,343	17,983	17,520	17,934	17,924	18,167	19,165
Subsidies and grants for operating purposes	-	-	-		1,231	503	-	-	-	-	-	-	-
Fees and charges	14,035	14,365	330		14,638	14,465	15,152	16,220	17,390	18,471	19,421	19,874	20,356
Internal charges and overheads recovered	-	-	-		-	-	-	-	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-		-	-	-	-	-	-	-	-	-
Total operating funding (A)	**34,254**	**34,201**	**(53)**		**36,147**	**39,103**	**45,370**	**47,886**	**50,567**	**55,724**	**58,832**	**60,133**	**62,056**
Applications of operating funding													
Payments to staff and suppliers	26,079	21,483	(4,596)		22,077	22,563	24,226	24,629	24,895	26,232	26,982	27,510	29,281
Finance costs	710	736	26		1,807	2,548	4,347	4,339	4,533	5,995	7,590	7,833	7,733
Internal charges and overheads applied	1,848	939	(909)		949	955	1,036	1,071	1,099	1,117	1,124	1,374	1,401
Other operating funding applications	7,553	12,248	4,695		17,048	12,298	12,548	14,715	16,882	19,048	19,048	19,048	19,048
Total applications of operating funding (B)	**36,190**	**35,406**	**(784)**		**41,881**	**38,364**	**42,157**	**44,754**	**47,409**	**52,392**	**54,744**	**55,765**	**57,463**
Surplus (deficit) of operating funding (A - B)	**(1,936)**	**(1,205)**	**731**		**(5,734)**	**739**	**3,213**	**3,132**	**3,158**	**3,332**	**4,088**	**4,368**	**4,593**
Sources of capital funding													
Subsidies and grants for capital expenditure	-	-	-		-	-	-	-	-	-	-	-	-
Development and financial contributions	-	-	-		-	-	-	-	-	-	-	-	-
Increase (decrease) in debt	3,277	24,920	21,643		27,015	25,152	(2,752)	(1,322)	7,077	46,476	6,736	(3,587)	(2,490)
Gross proceeds from sales of assets	-	-	-		-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-		-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-		-	-	-	-	-	-	-	-	-
Total sources of capital funding (C)	**3,277**	**24,920**	**21,643**		**27,015**	**25,152**	**(2,752)**	**(1,322)**	**7,077**	**46,476**	**6,736**	**(3,587)**	**(2,490)**
Applications of capital funding													
Capital expenditure													
- to meet additional demand	-	-	-		-	-	-	-	-	-	-	-	-
- to improve the level of service	-	21,500	21,500		19,538	24,538	-	-	8,330	47,702	8,877	-	-
- to replace existing assets	1,341	2,215	874		1,742	1,353	461	1,810	1,905	2,106	1,947	781	2,103
Increase (decrease) in reserves	-	-	-		1	-	-	-	-	-	-	-	-
Increase (decrease) in investments	-	-	-		-	-	-	-	-	-	-	-	-
Total applications of capital funding (D)	**1,341**	**23,715**	**22,374**		**21,281**	**25,891**	**461**	**1,810**	**10,235**	**49,808**	**10,824**	**781**	**2,103**
Surplus (deficit) of capital funding (C - D)	**1,936**	**1,205**	**(731)**		**5,734**	**(739)**	**(3,213)**	**(3,132)**	**(3,158)**	**(3,332)**	**(4,088)**	**(4,368)**	**(4,593)**
Funding balance ((A - B) + (C - D))	-	-	-		-	-	-	-	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	1,618	1,795	177		1,840	1,814	2,788	2,707	2,733	2,907	3,663	3,943	4,168

FUNDING IMPACT STATEMENT

4.1 **FOR ARTS AND CULTURE ACTIVITIES**

	2014/15 AP $000	2015/16 LTP $000	Variance to LTP $000	Notes	2016/17 LTP $000	2017/18 LTP $000	2018/19 LTP $000	2019/20 LTP $000	2020/21 LTP $000	2021/22 LTP $000	2022/23 LTP $000	2023/24 LTP $000	2024/25 LTP $000
Sources of operating funding													
General rates, uniform annual general charges, rates penalties	11,947	13,008	1,061		13,325	13,768	15,535	15,337	15,469	15,584	15,460	15,308	15,548
Targeted rates	5,243	5,148	(95)		5,335	5,474	6,409	6,316	6,325	6,365	6,318	6,268	6,335
Subsidies and grants for operating purposes	430	410	(20)		976	2,022	435	444	453	464	475	487	499
Fees and charges	583	577	(6)		588	600	3,613	3,625	3,639	3,654	3,670	3,970	4,044
Internal charges and overheads recovered	72	-	(72)		-	-	-	-	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-		-	-	-	-	-	-	-	-	-
Total operating funding (A)	**18,275**	**19,143**	**868**		**20,224**	**21,864**	**25,992**	**25,722**	**25,886**	**26,067**	**25,923**	**26,033**	**26,426**
Applications of operating funding													
Payments to staff and suppliers	3,510	4,072	562		4,162	4,188	4,248	3,805	3,907	4,022	4,144	4,278	4,420
Finance costs	211	276	65		848	2,251	4,424	4,350	4,233	4,117	4,026	3,913	3,793
Internal charges and overheads applied	1,049	1,024	(25)		1,057	1,075	1,161	1,215	1,252	1,277	1,281	1,273	1,314
Other operating funding applications	12,680	13,101	421		13,440	13,627	13,598	13,818	14,045	14,305	14,571	14,871	15,185
Total applications of operating funding (B)	**17,450**	**18,473**	**1,023**		**19,507**	**21,141**	**23,431**	**23,188**	**23,437**	**23,721**	**24,022**	**24,335**	**24,712**
Surplus (deficit) of operating funding (A - B)	**825**	**670**	**(155)**		**717**	**723**	**2,561**	**2,534**	**2,449**	**2,346**	**1,901**	**1,698**	**1,714**
Sources of capital funding													
Subsidies and grants for capital expenditure	-	1,914	1,914		-	-	-	-	-	-	-	-	-
Development and financial contributions	-	-	-		-	-	-	-	-	-	-	-	-
Increase (decrease) in debt	(798)	(363)	435		33,712	43,714	(2,410)	(2,505)	(2,419)	(2,315)	(1,869)	(1,664)	(1,679)
Gross proceeds from sales of assets	-	-	-		-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-		-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-		-	-	-	-	-	-	-	-	-
Total sources of capital funding (C)	**(798)**	**1,551**	**2,349**		**33,712**	**43,714**	**(2,410)**	**(2,505)**	**(2,419)**	**(2,315)**	**(1,869)**	**(1,664)**	**(1,679)**
Applications of capital funding													
Capital expenditure													
- to meet additional demand	-	-	-		-	-	-	-	-	-	-	-	-
- to improve the level of service	26	2,119	2,093		34,427	44,427	128	24	24	24	24	25	26
- to replace existing assets	1	102	101		2	11	23	5	6	7	8	9	9
Increase (decrease) in reserves	-	-	-		-	(1)	-	-	-	-	-	-	-
Increase (decrease) in investments	-	-	-		-	-	-	-	-	-	-	-	-
Total applications of capital funding (D)	**27**	**2,221**	**2,194**		**34,429**	**44,437**	**151**	**29**	**30**	**31**	**32**	**34**	**35**
Surplus (deficit) of capital funding (C - D)	**(825)**	**(670)**	**155**		**(717)**	**(723)**	**(2,561)**	**(2,534)**	**(2,449)**	**(2,346)**	**(1,901)**	**(1,698)**	**(1,714)**
Funding balance ((A - B) + (C - D))	-	-	-		-	-	-	-	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	825	670	(155)		717	724	2,561	2,534	2,449	2,346	1,901	1,698	1,714

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

	2014/15 AP $000	2015/16 LTP $000	Variance to LTP $000	Notes	2016/17 LTP $000	2017/18 LTP $000	2018/19 LTP $000	2019/20 LTP $000	2020/21 LTP $000	2021/22 LTP $000	2022/23 LTP $000	2023/24 LTP $000	2024/25 LTP $000
REVENUE													
Revenue from rates	255,266	270,907	15,641		283,929	302,554	328,240	341,234	358,412	372,432	385,060	402,751	413,528
Revenue from development contributions	2,000	2,000	-		2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Revenue from grants, subsidies and reimbursements	51,090	42,511	(8,579)		42,062	28,578	21,447	19,271	20,332	20,875	21,341	21,773	22,826
Revenue from operating activities	119,913	121,287	1,374		124,817	127,263	133,324	137,804	140,342	141,750	146,379	149,762	153,354
Investments	20,215	20,135	(80)		20,135	20,235	19,635	20,635	22,635	24,635	24,535	27,035	28,235
Fair value movement on investment property revalaution	-	3,665	3,665		4,324	4,821	5,143	5,482	6,057	6,449	6,865	7,543	8,027
Other revenue	1,100	1,050	(50)		1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050
Finance revenue	603	637	34		650	704	981	955	993	1,039	1,090	1,148	1,214
TOTAL REVENUE	**450,187**	**462,192**	**12,005**		**478,967**	**487,205**	**511,820**	**528,431**	**551,821**	**570,230**	**588,320**	**613,062**	**630,234**
EXPENSE													
Finance expense	23,041	22,961	(80)		28,074	35,734	43,848	45,755	47,014	49,425	52,916	58,166	60,445
Expenditure on operating activities	298,596	316,330	17,734		328,276	328,647	335,085	347,790	359,584	373,219	384,017	395,041	407,355
Depreciation and amortisation	102,165	99,797	(2,368)		102,250	108,742	117,550	119,832	127,563	131,396	133,481	141,777	145,318
TOTAL EXPENSE	**423,802**	**439,088**	**15,286**		**458,600**	**473,123**	**496,483**	**513,377**	**534,161**	**554,040**	**570,414**	**594,984**	**613,118**
NET SURPLUS FOR THE YEAR	**26,385**	**23,104**	**(3,281)**		**20,367**	**14,082**	**15,337**	**15,054**	**17,660**	**16,190**	**17,906**	**18,078**	**17,116**
OTHER COMPREHENSIVE REVENUE AND EXPENSE													
Fair value movement - property, plant and equipment - net	57,073	-	(57,073)		-	-	-	-	-	-	-	-	-
TOTAL OTHER COMPREHENSIVE REVENUE AND EXPENSE	**57,073**	**-**	**(57,073)**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE REVENUE AND EXPENSE	**83,458**	**23,104**	**(60,354)**		**20,367**	**14,082**	**15,337**	**15,054**	**17,660**	**16,190**	**17,906**	**18,078**	**17,116**

Item 2.1 Attachment 2

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

	2014/15 AP $000	2015/16 LTP $000	Variance to LTP $000	Notes	2016/17 LTP $000	2017/18 LTP $000	2018/19 LTP $000	2019/20 LTP $000	2020/21 LTP $000	2021/22 LTP $000	2022/23 LTP $000	2023/24 LTP $000	2024/25 LTP $000
ASSETS													
Current assets													
Cash and cash equivalents	2,389	1,253	(1,136)		1,309	1,369	1,199	987	840	970	1,538	1,523	1,386
Derivative financial assets	409	-	(409)		-	-	-	-	-	-	-	-	-
Receivables from exchange transactions	39,556	42,333	2,777		43,760	45,157	47,714	49,446	50,909	51,873	53,565	55,231	56,617
Prepayments	15,048	12,095	(2,953)		12,730	12,696	12,950	13,522	14,037	14,607	15,052	15,493	16,000
Inventories	875	888	13		906	922	941	958	974	1,002	1,025	1,051	1,076
Non-current assets classified as held for sale	-	-	-		-	-	-	-	-	-	-	-	-
Total current assets	**58,277**	**56,569**	**(1,708)**		**58,705**	**60,144**	**62,804**	**64,913**	**66,760**	**68,452**	**71,180**	**73,298**	**75,079**
Non-current assets													
Derivative financial assets	3,280	-	(3,280)		-	-	-	-	-	-	-	-	-
Trade and other receivables	-	-	-		-	-	-	-	-	-	-	-	-
Other financial assets	8,928	10,473	1,545		11,110	11,760	12,466	13,146	13,864	14,627	15,441	16,314	17,253
Intangibles	16,743	28,936	12,193		31,801	37,309	36,746	36,534	36,418	38,868	39,456	42,457	46,125
Investment properties	205,951	196,566	(9,385)		200,890	205,711	210,854	216,336	222,393	228,842	235,707	243,250	251,277
Property, plant & equipment	6,974,749	6,696,360	(278,389)		7,035,930	7,248,972	7,302,821	7,555,334	7,691,782	7,768,440	8,128,236	8,305,616	8,336,880
Investment in subsidiaries	3,809	3,809	-		3,809	3,809	3,809	3,809	3,809	3,809	3,809	3,809	3,809
Investment in associates	19,519	19,504	(15)		19,504	19,504	19,504	19,504	19,504	19,504	19,504	19,504	19,504
Total non-current assets	**7,232,979**	**6,955,648**	**(277,331)**		**7,303,044**	**7,527,065**	**7,586,200**	**7,844,663**	**7,987,770**	**8,074,090**	**8,442,153**	**8,630,950**	**8,674,848**
TOTAL ASSETS	**7,291,256**	**7,012,217**	**(279,039)**		**7,361,749**	**7,587,209**	**7,649,004**	**7,909,576**	**8,054,530**	**8,142,542**	**8,513,333**	**8,704,248**	**8,749,927**
LIABILITIES													
Current liabilities													
Derivative financial liabilities	404	-	(404)		-	-	-	-	-	-	-	-	-
Trade and other payables	57,945	59,122	1,177		63,291	68,672	65,570	60,676	63,486	73,434	69,308	71,105	74,378
Revenue in advance	11,405	33,496	22,091		13,345	11,244	11,780	12,176	12,400	12,524	12,933	13,232	13,550
Borrowings	155,562	231,141	75,579		299,595	371,998	398,708	403,988	408,048	440,382	451,021	458,819	471,710
Employee benefit liabilities and provisions	5,698	6,845	1,147		6,856	6,931	7,060	7,214	7,380	7,608	7,797	8,009	8,225
Provision for other liabilities	17,466	11,790	(5,676)		8,548	6,089	4,819	4,168	3,903	3,878	3,892	3,952	4,001
Total current liabilities	**248,480**	**342,394**	**93,914**		**391,635**	**464,934**	**487,937**	**488,222**	**495,217**	**537,826**	**544,951**	**555,117**	**571,864**
Non-current liabilities													
Derivative financial liabilities	12,831	-	(12,831)		-	-	-	-	-	-	-	-	-
Trade and other payables	-	630	630		630	630	630	630	630	630	630	630	630
Borrowings	248,601	206,622	(41,979)		267,813	332,536	356,412	361,133	364,761	393,665	403,177	410,148	421,670
Employee benefit liabilities	1,474	1,708	234		1,711	1,729	1,761	1,800	1,842	1,898	1,945	1,998	2,052
Provisions for other liabilities	43,687	23,945	(19,742)		19,402	17,329	16,429	16,221	16,313	16,566	16,861	17,143	17,383
Total non-current liabilities	**306,593**	**232,905**	**(73,688)**		**289,556**	**352,224**	**375,232**	**379,784**	**383,546**	**412,759**	**422,613**	**429,919**	**441,735**
TOTAL LIABILITIES	**555,073**	**575,299**	**20,226**		**681,190**	**817,157**	**863,168**	**868,005**	**878,762**	**950,584**	**967,563**	**985,035**	**1,013,598**
EQUITY													
Accumulated funds and retained earnings	4,992,265	4,994,684	2,419		5,014,555	5,028,196	5,043,161	5,057,912	5,075,340	5,091,380	5,109,224	5,127,335	5,142,538
Revaluation reserves	1,743,064	1,429,106	(313,958)		1,652,379	1,727,790	1,727,790	1,968,918	2,085,455	2,085,455	2,421,361	2,576,726	2,576,726
Hedging reserve	(9,955)	137	10,092		137	137	137	137	137	137	137	137	137
Fair value through other comprehensive income reserve	93	63	(30)		63	63	63	63	63	63	63	63	63
Restricted funds	10,716	12,928	2,212		13,424	13,865	14,237	14,540	14,772	14,922	14,984	14,951	16,864
TOTAL EQUITY	**6,736,183**	**6,436,918**	**(299,265)**		**6,680,558**	**6,770,051**	**6,785,388**	**7,041,570**	**7,175,767**	**7,191,957**	**7,545,769**	**7,719,212**	**7,736,328**
TOTAL EQUITY AND LIABILITIES	**7,291,256**	**7,012,217**	**(279,039)**		**7,361,748**	**7,587,208**	**7,648,556**	**7,909,575**	**8,054,529**	**8,142,541**	**8,513,332**	**8,704,247**	**8,749,926**

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

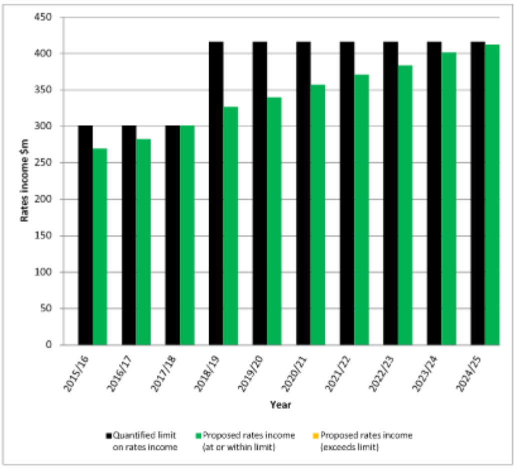
	2014/15 AP $000	2015/16 LTP $000	Variance to LTP $000	Notes	2016/17 LTP $000	2017/18 LTP $000	2018/19 LTP $000	2019/20 LTP $000	2020/21 LTP $000	2021/22 LTP $000	2022/23 LTP $000	2023/24 LTP $000	2024/25 LTP $000
EQUITY - OPENING BALANCES													
Accumulated funds and retained earnings	4,965,881	4,972,119	6,238		4,994,684	5,014,555	5,028,196	5,043,161	5,057,912	5,075,340	5,091,380	5,109,224	5,127,335
Revaluation reserves	1,685,991	1,429,106	(256,885)		1,429,106	1,652,379	1,727,790	1,727,790	1,968,918	2,085,455	2,085,455	2,421,361	2,576,726
Hedging reserve	(9,955)	137	10,092		137	137	137	137	137	137	137	137	137
Fair value through other comprehensive income reserve	93	63	(30)		63	63	63	63	63	63	63	63	63
Restricted funds	10,715	12,389	1,674		12,928	13,424	13,865	14,237	14,540	14,772	14,922	14,984	14,951
TOTAL EQUITY - Opening balance	**6,652,725**	**6,413,814**	**(238,911)**		**6,436,918**	**6,680,558**	**6,770,051**	**6,785,388**	**7,041,570**	**7,175,767**	**7,191,957**	**7,545,769**	**7,719,212**
CHANGES IN EQUITY													
Retained earnings													
Net surplus for the year	26,385	23,104	(3,281)		20,367	14,082	15,337	15,054	17,660	16,190	17,906	18,078	17,116
Transfer to restricted funds	(3,766)	(4,518)	(752)		(4,555)	(4,598)	(4,637)	(4,685)	(4,734)	(4,790)	(4,845)	(4,911)	(7,026)
Transfer from restricted funds	3,765	3,979	214		4,059	4,157	4,265	4,382	4,502	4,640	4,783	4,944	5,113
Hedging reserve													
Movement in hedging reserve	57,073	-	(57,073)		223,273	75,411	-	241,128	116,537	-	335,906	155,365	-
Restricted Funds													
Transfer to retained earnings	(3,765)	(3,979)	(214)		(4,059)	(4,157)	(4,265)	(4,382)	(4,502)	(4,640)	(4,783)	(4,944)	(5,113)
Transfer from retained earnings	3,766	4,518	752		4,555	4,598	4,637	4,685	4,734	4,790	4,845	4,911	7,026
TOTAL COMPREHENSIVE INCOME	**83,458**	**23,104**	**(60,354)**		**243,640**	**89,493**	**15,337**	**256,182**	**134,197**	**16,190**	**353,812**	**173,443**	**17,116**
EQUITY - CLOSING BALANCES													
Accumulated funds and retained earnings	4,992,265	4,994,684	2,419		5,014,555	5,028,196	5,043,161	5,057,912	5,075,340	5,091,380	5,109,224	5,127,335	5,142,538
Revaluation reserves	1,743,064	1,429,106	(313,958)		1,652,379	1,727,790	1,727,790	1,968,918	2,085,455	2,085,455	2,421,361	2,576,726	2,576,726
Hedging reserve	(9,955)	137	10,092		137	137	137	137	137	137	137	137	137
Fair value through other comprehensive revenue and expense	93	63	(30)		63	63	63	63	63	63	63	63	63
Restricted funds	10,716	12,928	2,212		13,424	13,865	14,237	14,540	14,772	14,922	14,984	14,951	16,864
TOTAL EQUITY - Closing balance	**6,736,183**	**6,436,918**	**(299,265)**		**6,680,558**	**6,770,051**	**6,785,388**	**7,041,570**	**7,175,767**	**7,191,957**	**7,545,769**	**7,719,212**	**7,736,328**

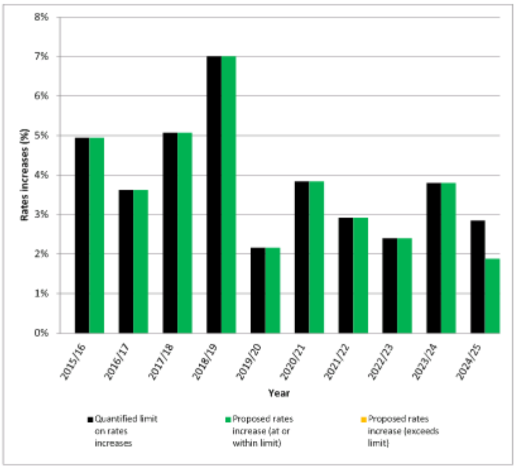
PROSPECTIVE STATEMENT OF CASH FLOWS

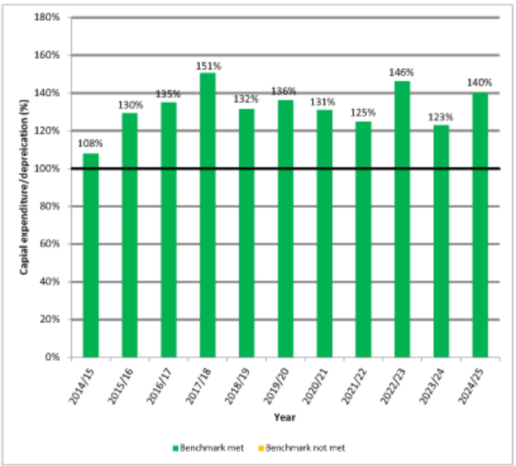
	2014/15 AP $000	2015/16 LTP $000	Variance to LTP $000	Notes	2016/17 LTP $000	2017/18 LTP $000	2018/19 LTP $000	2019/20 LTP $000	2020/21 LTP $000	2021/22 LTP $000	2022/23 LTP $000	2023/24 LTP $000	2024/25 LTP $000
CASH FLOWS FROM OPERATING ACTIVITIES													
Receipts from rates - Council	255,266	259,728	4,462		283,409	301,785	327,240	340,653	357,601	371,830	384,557	401,954	413,064
Receipts from rates - Greater Wellington Regional Counci	50,341	53,018	2,677		55,598	59,257	64,377	66,875	70,125	72,850	75,354	78,748	80,842
Receipts from activities and other income	123,013	136,363	13,350		106,809	127,584	135,353	140,099	142,964	144,562	148,649	152,242	155,800
Receipts from grants and subsidies - operating	7,715	36,026	28,311		35,376	21,637	15,186	12,885	13,768	14,154	14,459	14,723	15,600
Receipts from grants and subsidies - capital	43,375	6,485	(36,890)		6,686	6,941	6,261	6,386	6,564	6,721	6,882	7,050	7,226
Receipts from investment property lease rentals	9,215	9,135	(80)		9,135	9,135	9,135	9,135	9,135	9,135	9,135	9,135	9,135
Cash paid to suppliers and employees	(286,780)	(294,174)	(7,394)		(291,716)	(290,752)	(301,131)	(309,506)	(317,073)	(327,646)	(338,168)	(348,568)	(360,301)
Rates paid to Greater Wellington Regional Council	(50,341)	(53,018)	(2,677)		(55,598)	(59,257)	(64,377)	(66,875)	(70,125)	(72,850)	(75,354)	(78,748)	(80,842)
Grants paid	(28,719)	(35,583)	(6,864)		(43,827)	(42,806)	(35,654)	(38,197)	(41,750)	(44,354)	(44,803)	(45,303)	(45,825)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**123,085**	**117,980**	**(5,105)**		**105,872**	**133,524**	**156,390**	**161,455**	**171,209**	**174,402**	**180,711**	**191,233**	**194,699**
CASH FLOWS FROM INVESTING ACTIVITIES													
Dividends received	11,000	11,000	-		11,000	11,100	10,500	11,500	13,500	15,500	15,400	17,900	19,100
Interest received	44	637	593		650	704	981	955	993	1,039	1,090	1,148	1,214
Proceeds from sale of property, plant and equipment	4,050	2,650	(1,400)		(4,600)	5,250	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Purchase of intangibles	(8,777)	(11,195)	(2,418)		(8,418)	(11,493)	(6,101)	(6,201)	(6,533)	(8,953)	(6,711)	(6,892)	(7,451)
Purchase of property, plant and equipment	(155,724)	(168,357)	(12,633)		(206,095)	(240,359)	(170,356)	(133,840)	(141,594)	(195,305)	(158,721)	(161,488)	(173,022)
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(149,407)**	**(165,265)**	**(15,858)**		**(207,463)**	**(234,798)**	**(162,976)**	**(125,586)**	**(131,634)**	**(185,719)**	**(146,942)**	**(147,332)**	**(158,159)**
CASH FLOWS FROM FINANCING ACTIVITIES													
New borrowings	203,964	260,827	56,863		285,207	368,267	350,181	381,999	406,396	465,226	428,199	455,151	475,434
Repayment of borrowings	(155,562)	(197,932)	(42,370)		(155,562)	(231,141)	(299,595)	(371,998)	(398,708)	(403,988)	(408,048)	(440,382)	(451,021)
Interest paid on borrowings	(22,080)	(22,763)	(683)		(27,998)	(35,792)	(44,170)	(46,082)	(47,410)	(49,791)	(53,352)	(58,685)	(61,090)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**26,322**	**40,132**	**13,810**		**101,647**	**101,334**	**6,416**	**(36,081)**	**(39,722)**	**11,447**	**(33,201)**	**(43,916)**	**(36,677)**
Net increase/(decrease) in cash and cash equivalents	-	(7,153)	(7,153)		56	60	(170)	(212)	(147)	130	568	(15)	(137)
Cash and cash equivalents at beginning of year	2,389	8,406	6,017		1,253	1,309	1,369	1,199	987	840	970	1,538	1,523
CASH AND CASH EQUIVALENTS AT END OF YEAR	**2,389**	**1,253**	**(1,136)**		**1,309**	**1,369**	**1,199**	**987**	**840**	**970**	**1,538**	**1,523**	**1,386**

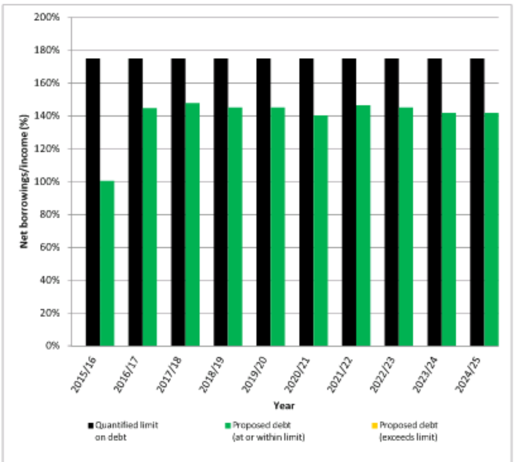
PROSPECTIVE STATEMENT OF CHANGES IN RESTRICTED FUNDS

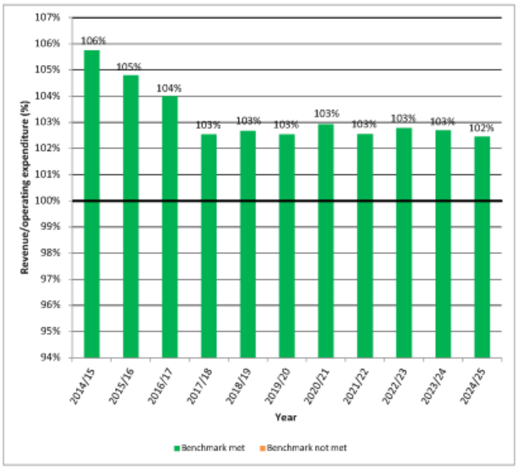
	OPENING BALANCE 2015/16 $000	DEPOSITS $000	EXPENDITURE $000	CLOSING BALANCE 2024/25 $000	Purpose
SPECIAL RESERVES AND FUNDS					
Reserve purchase and development fund	287	-	-	287	Used to purchase and develop reserve areas within the city
Economic initiatives development fund	2,075	32,050	(34,125)	-	
Insurance reserve	9,609	17,065	(10,535)	16,139	Allows the Council to meet the uninsured portion of insurance claims
Total special reserves and funds	**11,971**	**49,115**	**(44,660)**	**16,426**	
TRUSTS AND BEQUESTS					
A Graham Trust	3	1	-	4	For the upkeep of a specific area of Karori Cemetery
A W Newton request	315	160	(150)	325	For the benefit of art (Fine Arts Wellington), education (technical and other night schools) and athletics (rowing)
E A McMillan Estate	6	-	-	6	For the benefit of the public library
E Pengelly Bequest	13	5	-	18	For the purchase of children's books
F L Irvine Smith Memorial	7	2	-	9	For the purchase of books for the Khandallah Library
Greek NZ Memorial Association	5	2	-	7	For the maintenance and upgrade of the memorial
Kidsarus 2 Donation	3	1	-	4	For the purchase of children's books
Kirkcaldie and Stains Donation	17	-	-	17	For the beautification of the BNZ site
QEII memorial Book Fund	19	10	-	29	For the purchase of books on the Commonwealth
Schola Cantorum Trust	6	3	-	9	For the purchase of musical scores
Terawhiti Grant	10	-	-	10	To be used for the purchase of library books
Wellington Beautifying Society Request	14	-	(14)	-	Used towards "the Greening of Taranaki Street" project
Total trusts and bequests	**418**	**184**	**(164)**	**438**	
Total restricted funds	**12,389**	**49,299**	**(44,824)**	**16,864**	

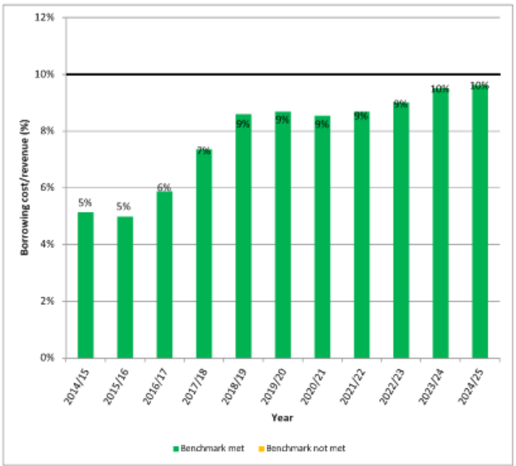

Rates income $m
Year
Quantified limit on rates income
Proposed rates income (at or within limit)
Proposed rates income (exceeds limit)


Rates increases (%)
Year
Quantified limit on rates increases
Proposed rates increase (at or within limit)
Proposed rates increase (exceeds limit)


Capial expenditure/depreication (%)
108%
130%
135%
151%
132%
136%
131%
125%
146%
123%
140%
Year
Benchmark met
Benchmark not met


Net borrowings/income (%)
Year
Quantified limit on debt
Proposed debt (at or within limit)
Proposed debt (exceeds limit)


Revenue/operating expenditure (%)
106%
105%
104%
103%
103%
103%
103%
103%
103%
103%
102%
Year
Benchmark met
Benchmark not met


Borrowing cost/revenue (%)
5%
5%
6%
7%
9%
9%
9%
9%
9%
10%
10%
Year
Benchmark met
Benchmark not met

Amended 2015-25 LTP
Significant Forecasting Assumptions

2015-2025 LTP – Significant Forecasting Assumptions

Budget and Forecasting Assumptions and Risk Assessment

Schedule 10 of the Local Government Act 2002 requires that the Council identifies the significant forecasting assumptions and risks underlying the financial information set out in the ten year Long-term Plan (LTP). Where there is a high level of uncertainty the Council is required to state the reason for that level of uncertainty and provide an estimate of the potential effects on the financial assumptions. The level of uncertainty is determined by reference to both the likelihood of occurrence and the financial materiality.

The Council has made a number of significant assumptions in the preparation of the financial forecasts in this LTP. These assumptions are necessary as the LTP covers a 10 year period and to ensure that there is a consistent and justifiable basis for the preparation of the financial forecasts. The significant forecasting assumptions used in developing the financial forecasts in the LTP are detailed in the table below.

Forecasting Assumptions	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
General Assumptions:			
Strategic Direction The strategic direction set out in the *Wellington 2040: Smart Capital* strategy will influence the way the Council delivers services and infrastructure to Wellington's residents. Achieving the strategic directions will ensure Wellington thrives and prospers and is resilient against threats, both natural and economic. The strategy is supported by Wellington's residents. Our four strategic goals are our community outcomes: • People City • Eco City • Connected City • Dynamic Central City	That the strategic directions will not lead to Wellington prospering and thriving.	Low	The *Wellington 2040: Smart Capital* strategy is based on a significant body of research predicting six major global trends which will impact on the city between now and 2040. Thorough and comprehensive engagement with Wellington's residents show the vision and goals in the strategy are widely supported. The Strategy builds on strengths and mitigates against threats. The strategy's overarching vision and goals guide the development of the Long-term Plan, specific strategies to achieve outcomes, how the Council's activities can best align to a smart green future, and the setting of meaningful long-term targets to measure progress.

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<table>
<tr><th>Forecasting Assumptions</th><th>Risk</th><th>Level of Uncertainty</th><th>Reasons and Financial Effect of Uncertainty</th></tr>
<tr><td>Projected growth in the Wellington City economy:
GDP Growth 2015-25 (Aspirational Scenario): 3.1% per annum
Employment Growth 2015-25 (Aspirational Scenario): 1.7% per annum
Economic growth assumptions inform the Council’s Financial Strategy and aids decision-making for the LTP. This year our assumptions are informed by BERL Economics based on growth scenarios for the Wellington region and councils to 2041.
The modelling considers four alternative futures for the Wellington Region – Business as Usual, IT, Infrastructure and Aspirational. The alternative futures (scenarios) consider the impact of various strategies on employment and GDP.</td><td>That economic growth is lower than forecasted due to:
Local infrastructure not aligned to key regional infrastructure projects to ensure scale and needs are met by businesses and residents
Strategies not developed to attract and retain skilled workers
Land use planning and zoning not keeping pace with substantial population and employment growth
Council not investing in key projects to achieve economic development at forecasted levels.
Counter-cyclic trends in underlying economic growth despite Council’s efforts to stimulate economic activity.</td><td>Moderate</td><td>Economic growth impacts on affordability of Council rates and the utilisation of services with a user charge funding component as discretionary income is impacted. This in turn may drive changes to both operational and capital expenditure. The economic outlook also affects local businesses, level of employment and the rate of development which means it is closely correlated to the level of growth in the ratepayer base.

It is noted that the aspirational scenario forecast is based on estimated impact of economic development activities under the Wellington Regional Strategy (WRS), rather than economic development projects specific to Wellington City Council.</td></tr>
<tr><td>Projected growth change factors:<table><tr><th>Year</th><th>Population forecast</th><th>Households forecast</th></tr><tr><td>2015</td><td>202,669</td><td>76,145</td></tr><tr><td>2016</td><td>203,933</td><td>76,807</td></tr><tr><td>2017</td><td>205,199</td><td>77,495</td></tr><tr><td>2018</td><td>206,665</td><td>78,201</td></tr><tr><td>2019</td><td>208,056</td><td>78,914</td></tr><tr><td>2020</td><td>209,473</td><td>79,607</td></tr><tr><td>2021</td><td>210,826</td><td>80,272</td></tr><tr><td>2022</td><td>212,083</td><td>80,947</td></tr><tr><td>2023</td><td>213,615</td><td>81,635</td></tr><tr><td>2024</td><td>214,854</td><td>82,308</td></tr><tr><td>2025</td><td>216,289</td><td>82,984</td></tr><tr><td>Annul</td><td>0.65%</td><td>0.86%</td></tr></table></td><td>That growth is higher or lower than forecast thereby either putting pressure on Council to provide additional infrastructure and services or putting council at risk of over-investing infrastructure to cater for growth that does not eventuate.</td><td>Low</td><td>Low to Moderate growth can be accommodated within the present level of Council infrastructure. Where higher growth requires additional infrastructure, Council will collect development contributions to meet a portion of the costs of new or upgraded investment. Capital costs over this amount would result in additional Council expenditure funded through new borrowings which would in turn result in increased rates. On average a $1million increase in borrowing funded capex will result in a $140,000 increase in rates.</td></tr>
</table>

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Forecasting Assumptions	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
average			
City growth assumptions underpin the Council's Asset Management Plans, capital expenditure budgets, and level of services in the LTP. This year our assumptions are informed by Forecast.id for Wellington City modelling land development, housing markets and the role of suburbs. It is based on Statistics NZ data from the 2006 and 20013 censuses, converting usual resident data to estimated resident population for each neighbourhood. It is also mindful of larger economic and migration trends which are likely to effect the region. It provides a realistic projection based on current policy settings and how they are playing out. See our website www.wellington.govt.nz for the population forecast for the city as a whole and for each neighbourhood together with a list of assumptions that have been incorporated in the forecast.			
Growth in ratepayer base: Council plans to invest in a range of initiatives that it will provide an economic catalyst for the city which we forecast will provide ratepayer growth of: 2015/16 1.2% 2016/17 1.2% 2017/18 1.5% 2018/19 1.5% 2019/20 1.8% 2020/21 1.2% 2021/22 1.0% 2022/23 1.0% 2023/24 0.8% 2024/25 0.8%	The growth in the ratepayer base is higher or lower than projected.	Low – Moderate	The Council has used current property information from its valuation service provider (Quotable Value Ltd), forward looking consenting, and historic trends to assess the level of growth in rating units, together with longer term projections from the Forecast.id modelling used in the LTP. We are also utilising modelling prepared by Price Waterhouse Coopers to assess the potential impact each of the Council's economic investment projects will have on growth in the ratepayer base. The projected growth for 2015/16 to 2017/18 is considered robust, with a higher level of estimation for out-years. Accordingly we have been conservative with our growth estimates in years 4 -10 of the LTP. If growth is higher than forecasted, average rates funding increase will be reduced by an equivalent amount as there are a greater number of ratepayers across which the rates funding requirement will be allocated. If growth is lower than forecasted, the average rates increase for the ratepayer will be higher. The annual impact of a 1% of variance in growth in the ratepayer base is equivalent to approximately $2.5m of rates. We plan to manage this risk by conducting detailed business cases for each investment to assess their cost effectiveness and economic contribution. We will also measure and report on growth in the rating base and review the projections and underlying strategy on a three yearly basis.

Forecasting Assumptions	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
Forecast cost savings and efficiencies The council is targeting savings of 1% of funded operating expenditure from shared services initiatives and a range of procurement related programmes each year of the LTP, equating to approximately $50m. This ongoing review will focus on: i. A review of the options, impacts and potential risks of reducing the renewals budget ii. The future need for assets and their ongoing strategic alignment. iii. The future capital programme, service levels, alternative service models, increased asset utilisation, holdings and potential income-generating opportunities. iv. Organisational alignment and increased use of inter council shared service alignment	That council does not achieve the forecast level of savings. Note that in making any decisions the Council will: • consider the need to appropriately maintain assets so that an unsustainable future financial liability does not result • comply with legislation • ensure the potential adverse impacts on the health and safety of staff and the public are adequately mitigated • outline levels of service impacts and any associated monitoring framework to ensure that changes are sustainable and do not cause unacceptable impacts or disruption to the services that the assets support.	Low – Moderate	The general rates requirement would increase or decrease by the difference between the actual and projected general rates reductions from savings. This would require the council to adjust rates, debt, fees and charges, and/or expenditure requirements where savings differ from those forecasted. The council has achieved additional savings targets in each of the past three years of between $4m and $8m. This provides confidence that further cost savings can be made, although the actual timing and impact will subject to a number of factors.
Levels of Service Demand for Council services and customer expectations regarding business as usual levels of service will not significantly change and therefore there will be no significant effect on asset requirements or operating expenditure beyond those specifically planned and identified within the LTP.	That there are significant changes in customer expectations regarding demand for services or levels of service from those planned in the LTP.	Low	The Council has well defined service levels for its planned activities which have been reviewed as part of the LTP process. Customer satisfaction surveys and other engagement strategies generally support the key assumptions made within the LTP and therefore there are currently no known additional areas of the Council's service that require significant modification.
Funding for major economic growth initiatives The 2015-2025 LTP identifies a number of projects that we forecast will provide a catalyst for economic and rating base growth in the city. These projects which include funding for urban development initiatives that provide a catalyst for growth and potential investment in extension	That the funding allocated will be insufficient to fund all of the projects identified.	Moderate	Each of the major economic projects identified within the plan will undergo a robust business case to assess their cost effectiveness and anticipated contribution to the city economy. We cannot yet be certain that all these projects will proceed. Given the lead time it is also likely that a significant proportion of the investment will not be incurred

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Forecasting Assumptions	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
of the airport runway, a film museum, indoor arena, film and tech hubs and targeted events. These projects are at different stages of development. Specific costs and timing will be clearer as we work through the project phases. Despite this uncertainty it is important that we show through the financial strategy and LTP the capacity the Council has to invest in these projects over the 10 year period of the LTP. To cater for these uncertainties we have used an envelope budgeting approach in years 4 to 10, incorporating $200m of capital expenditure funding for economic catalyst projects and an additional $76m for urban development projects. In addition we have assumed that $100m of the total $1.9 billion of asset investment planned across the 10 years of the LTP will be funded by an external party. We will continue to budget for the associated debt servicing costs but transfer the capital risk and debt from the Council's balance sheet.			in the first three years of the LTP. This will provide an opportunity to review the envelope funding allocation as part of the subsequent LTP in 2018.
Resource consents Conditions for existing resource consents held by Council will not be significantly altered. Any resource consents due for renewal during the 10 year period will be renewed accordingly.	Conditions of resource consents are altered significantly. Council is unable to renew existing resource consents upon expiry.	Low	The financial effect of any change to resource consent requirements would depend upon the extent of the change. A significant change in requirements could result in the Council needing to spend additional funds to enable compliance. Generally, the Council considers that it is fully compliant with existing Resource Consents and does not contemplate any material departure from these requirements over the next 10 years.
Development Contributions Significant assumptions in relation to development contributions are included within the Development Contributions Policy.	If growth is higher or lower than forecast, the level of development contributions collected could be insufficient to cover the costs of additional infrastructure required to meet the needs of Wellington's future population.	Moderate	The growth assumptions within the Development Contributions Policy are considered robust as they are based on the Forecast.id modelling on population, assumptions used across the LTP. The policy is adopted by Council after a robust process including the Special Consultative Procedure and external audit.
Civil Defence and Emergency Preparedness The LTP is prepared on the basis that the city is continually improving its emergency preparedness, and whilst the impact of a major natural disaster cannot be	That a significant event occurs (e.g. a major earthquake) and: ▪ insufficient risk reduction	Low	Although the probability of a major earthquake or other natural disaster within the lifespan of the LTP is low, we take Emergency Preparedness very seriously with the aim to be as prepared as possible. We believe that

Forecasting Assumptions	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
accurately predicted (and therefore the response required), increased community preparedness and regional consistency are cornerstones of our approach. In line with the rest of NZ, we follow the "4Rs": ▪ Reduction of risk ▪ Readiness for an event ▪ Response when it occurs; and ▪ Recovery, post-event. The focus areas for disaster preparedness within our plan are: ▪ Earthquake prone buildings ▪ Water ▪ Wastewater ▪ Transportation ▪ Electricity ▪ Gas ▪ Telecoms ▪ Welfare ▪ Community preparedness Most hazards we prepare for have an expected probability. For example, maximum size tsunami once every 2,500 years; major quake on the Wellington fault, 10% chance in the next 100 years.	measures are in place to prevent large numbers of casualties, or ▪ the city is unable to recover sufficiently or quickly enough in order to prevent long-term adverse effects on population or local economy.		preparedness activities are never finished and therefore aim for continuous improvement. Although we do consider ourselves capable of dealing with a large event, we will never know how adequate our plans are until the day they are tested for real. Regardless of preparedness levels, in a major event it will always be likely that regional, national and international assistance will be required. Similarly, the financial impact of such an event is unknown until such an event occurs. However, it is likely to have a significant impact to the current planned expenditure within the LTP.
Government Policy Most of the local government reforms are in place. No major changes to the Local Government Act are foreseen and assumed over the period of the LTP. That the Government policy framework will continue to provide a stable working and statutory framework. Changes to the Resource Management Act (RMA) is expected.	That Government policy framework shifts, resulting in new or amended legislation	Moderate	The nature and significance of new or amended legislation will determine the level of response required, cost to implement and administer by Council, or result in a change to the services delivered by the Council. RMA changes might be significant but will not happen overnight.
Regional Governance Review The LTP assumes continuation of the current local authority structure within the Wellington Region. The Wellington local authorities will continue to work with the public toward a common view of regional governance.	That councils in the region fail to lead a public discussion and reach a united and acceptable position on the issue of governance reform leading to inappropriate and/or	Moderate	Any change in governance arrangements for the city and region could impact on levels of service and their costs, and alter the LTP forecast. The Regional Governance Review was initiated by the

Forecasting Assumptions	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
This will strengthen the opportunities for authorities to propose and drive any reform agreed with or by Central Government. In December 2014 the Local Government Commission announced a draft proposal for a single two tiered Council for the entire Wellington. Consultation on this proposal will close in 2015. At this stage there is insufficient certainty that the proposal will succeed to consider the impact of this structure within the Council's 2015-2025 LTP. Council's plan does reflect the impact of other decisions made collectively by the Councils in the region, including the formation of the Wellington Regional Economic Development Agency and the expansion of Wellington Water to serve the entire metropolitan area.	rushed change is imposed by central government.		Wellington Regional Mayoral Forum in 2010. The external environment has changed since that review was initiated – including central government announcing an intention to examine reform of the sector. The Council will need to ensure its public is informed on any subsequent proposals or debate. Should change be supported – and pass a community poll – any impact in terms of structure, services and costs would likely only impact on the out-years of the long-term plan (years 4-10.)
Significant Financial Assumptions:			
Inflation The Council has adjusted base financial projections to reflect the estimated impact of inflation.	That actual inflation will be significantly different from the assumed inflation.	Low - Moderate Years (1-3) Moderate - High Years (4-10) High Years (11-30)	Inflation is affected by external economic factors, most of which are outside of the Council's control and influence. Council's costs and the income required to fund those costs will increase by the rate of inflation unless efficiency gains can be made.
Inflation Rates Applied: Inflation rates have been estimated using the BERL "Forecasts of Price level Change Adjustors to 2025." The applicable rates are (shown cumulative):			While individual indices will at times vary from what has been included in this LTP, the Council has relied on the assumption that the Reserve Bank will use of monetary controls to keep CPI within the 1.5 to 3% range.

Index Forecast	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Roading	1.000	1.014	1.036	1.061	1.088	1.117	1.149	1.183	1.220	1.260

Forecasting Assumptions				Risk			Level of Uncertainty	Reasons and Financial Effect of Uncertainty	
Property	1.000	1.024	1.050	1.078	1.107	1.139	1.174	1.211	1.250	1.294
Water	1.000	1.038	1.069	1.104	1.140	1.180	1.223	1.271	1.321	1.376
Energy	1.000	1.038	1.078	1.122	1.170	1.223	1.279	1.342	1.411	1.485
Staff	1.000	1.018	1.039	1.060	1.083	1.107	1.133	1.161	1.191	1.223
Other expense	1.000	1.025	1.051	1.080	1.111	1.143	1.180	1.218	1.261	1.306
Other income	1.000	1.019	1.039	1.061	1.083	1.107	1.133	1.160	1.188	1.218

Forecasting Assumptions	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
Application of the Inflation Rates: The inflation rates above have been applied across all items within the financial statements with the exception of:		Low	
Revenue from investment properties – not inflated as most ground leases are subject to fixed rentals across the period.	That the revenue streams identified are influenced by changes in prices or the rate of inflation.	Low – Moderate	The assumption is considered reasonable in these cases due to the specific circumstances noted.
Petrol tax – forecast to remain constant. Revenue from petrol tax is driven by tax rates and volumes – both of which are expected to remain constant over the 10 year period.	That the revenue streams identified fluctuate annually as a result of external factors outside the control of the Council.	Moderate	Although the revenue streams may vary annually due to factors outside the control of the Council (eg, petrol consumption may vary and therefore affect the revenue received from Petrol Tax) it is not considered that annual variances will have a material effect on the financial forecasts in the LTP.
Interest revenue and expenditure – Interest rates do not increase annually in line with rates of inflation. Interest rates have been forecast to remain constant. Refer section below.	N/A		
Grants - Our grant schemes and grants to other organisations do not increase with inflation and remain constant until Council make a decision to change the level of the grants. Therefore our assumption is there will be no change to the value of our grants over the 10 year period.	That cost pressures experienced by organisations receiving grants is such that Council are inclined to increase grant funds available.	Moderate	While no inflation is applied to grant funding the actual level of funding proposed is reconsidered on an annual basis taking these factors into account.
Dividends – Although rates of inflation will affect the	N/A		

Forecasting Assumptions	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
revenues and expenditures of those entities distributing dividends to the Council it is not anticipated that the level of dividend will be influenced by rates of inflation in the future.			
Expected interest rates on borrowings Interest is calculated using the following interest rates: 2015/16 5.60% per annum 2016/17 5.60% per annum 2017/18 5.90% per annum 2018/19 6.00% per annum 2019/20 6.00% per annum 2020/21 6.10% per annum 2021/22 6.10% per annum 2022/23 6.20% per annum 2023/24 6.70% per annum 2024/25 6.80% per annum Expected interest rates on borrowings associated with the Convention Centre and Movie Museum development are forecast to be 2015/16-2017/18 3.25% 2018/19-2024/25 5.25%	That prevailing interest rates will differ significantly from those estimated.	Moderate	Interest rates are largely driven by factors external to the NZ economy. Council manages its exposure to adverse changes in interest rates through the use of interest rate swaps. At any time Council policy is to have a minimum level of interest rate hedging equivalent to 50% of core borrowings. Based on the minimum hedging profile, a 0.1% movement in interest rates will increase/decrease annual interest expense by between $200,000 and $550,000 per annum across the ten years of the LTP.
Expected return on investments: Council has forecast the following returns for significant investments:			
Wellington International Airport Limited shareholding – it is assumed that the Council will retain its existing investment in WIAL of 34% and that a regular flow of revenue will be received by way of dividend. The forecast annual dividend from Wellington International Airport Limited is $11 million for 2015/16.	That Council will not achieve the forecast level of dividends	Moderate	The level of dividend is dependent on the financial performance of the company. If the actual returns are significantly less than forecast, the council will need to look for alternative funding through rates or borrowings. If the actual returns are significantly more than forecast, the Council may be able to reduce rates or forecast borrowings.
Wellington Cable Car Limited – it is assumed that the Council will retain its existing investment at current levels	That actual levels of dividends differ from those forecasted in the plan.	Low	The level of dividend is dependent on the financial performance of the company. If the actual returns are

Forecasting Assumptions	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
with the exception of a $2.5 million investment in 2016/17 to fund replacement of the electric drive for the Cable Car. No dividends are assumed across the 10 year period The Greater Wellington Regional Council has signalled that the Wellington trolley-bus network will be decommissioned in 2017. WCC has written down the carrying value of its overhead wires & pole network accordingly, but has assumed that GWRC will meet any costs of dismantled the network.	 The WCC incurs some cost in decommissioning the network.	 Moderate	significantly less than forecast, the council will need to look for alternative funding through rates or borrowings. If the actual returns are significantly more than forecast, the Council may be able to reduce rates or forecast borrowings. WCCL is currently undertaking an assessment of the cost of decommissioning. Until this is know the cost implications for GWRC and WCC are unknown.
Wellington Regional Stadium Trust loan – in accordance with the terms of the loan, no interest has been forecasted across the 10 year period. The loan is due to be repaid once the Trust has repaid all of its other liabilities and borrowings. The Trust may return part of its annual operating surplus to the Council to repay all or part of the outstanding loan.	That the loan will not be repaid	Low	As the Trust is currently servicing its other loan obligations to commercial lenders, the Council considers that it is unlikely that the Trust will make an annual repayment of the outstanding loan. Once these commercial loans have been repaid the Council expects that the Trust will be in a position to repay the loan advanced by the Council. There is currently no information / reason to suggest that the Trust will not be in a position to repay the Council's loan.
Convention Centre It is assumed that the operating costs of the proposed Wellington Convention Centre will be offset by dividends of $0.5m in 2017/18, increasing to $2.6m in 2024/25.	That operating profits and the dividend returned to Council are lower than forecast	Moderate	Profit and dividend forecasts assume a mid-case scenario based on a business case with robust and sound assumptions. A range of industry experts (including Price Waterhouse Coopers, BERL Economics, Howarth HTL Ltd, and Covec Ltd) were engaged in preparing market analysis, economic projections, property advice and assessment, and reviewing the draft business case. It is also prepared in full knowledge of the planned developments in other regions.
New Zealand Transport Authority (NZTA) funding Council has made assumptions on the level of subsidies it expects to receive from central government through the NZTA over the period of the LTP. The NZTA Funding Assistance Rates Review was finalised in October 2014. The agreed funding assistance rates for both the 2015-18 National Land Transport Programme (NLTP) period and at the end of the transition are as below:	NZTA make further changes to the subsidy rate, the funding cap or the criteria for inclusion in the subsidised works programme.	Low	Variations in the subsidy rates of approx 1% would not impact the Council's funding income stream due to current eligible expenditure being in excess of the current funding cap.

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Forecasting Assumptions	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
2015/16 48% 2016/17 49% 2017/18 50% 2023/24 51% (end of transition)			
Vested assets No vesting of assets is forecast across the 10 year period.	That Council will have assets vested thereby increasing the depreciation expense in subsequent years.	High	The level of vested assets fluctuates considerably from year to year and is unpredictable. Historical levels have not been material. The recognition of vested assets in the income statement is non-cash in nature and will have no effect on rates. The financial effect of the uncertainty is expected to be low.
Sale of Assets We have assumed asset sales of $52m will be realised to repay borrowings across the 10 year period.	That the sale of assets do not occur at forecasted levels	Moderate	If the level of asset sales is less than forecasted, either our level of debt will increase by the relevant amount or Council may consider revising its level of asset investment. The interest cost of servicing this debt will be lower or higher depending on the level of asset sales.
Sources of funds for the future replacement of significant assets Sources of funds for operating and capital expenditure are as per the Revenue and Financing Policy (refer page xx)	That sources of funds are not achieved	Low	User charges have been set at previously achieved levels. Depreciation is funded through rates. The Council is able to access borrowings at levels forecast within the LTP.
Useful lives of significant assets The useful lives of significant assets is shown in the Statement of Accounting Policies (refer page xx). It is assumed that there will be no reassessment of useful lives throughout the 10 year period.	That assets wear out earlier or later than estimated.	Low - Asset lives are based upon estimates made by engineers and registered valuers.	The financial effect of the uncertainty is likely to be immaterial. Depreciation and interest costs would increase if capital expenditure was required earlier than anticipated. However, these impacts could be mitigated as capital projects could be reprioritised in the event of early expiration of assets.
It is assumed that assets will be replaced at the end of their useful life.	That Council activities change, resulting in decisions not to replace existing assets. That Council replaces assets before the end of useful life.	Low	Council has a comprehensive asset management planning process. Where a decision is made not to replace an asset, this will be factored into capital projections.

Forecasting Assumptions	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
Planned asset acquisitions (as per the capital expenditure programme) shall be depreciated on the same basis as existing assets.	That more detailed analysis of planned capital projects may alter the useful life and therefore the depreciation expense.	Low	Asset capacity and condition is monitored, with replacement works being planned accordingly. Depreciation is calculated in accordance with accounting and asset management requirements.
Revaluation of property, plant and equipment These forecasts include a three yearly estimate to reflect the change in asset valuations for property, plant and equipment in accordance with the Council's accounting policies (refer page xx). The following assumptions have been applied to projected asset revaluations: • Revaluation movements shall equate the inflation rates applied for all depreciable property, plant and equipment (refer section "Inflation") • The depreciation impact of inflation shall be in the year following revaluation. • The value of non-depreciable assets (e.g. land) is forecast to remain constant.	That actual revaluation movements will be significantly different from those forecast	Low	The majority of Council's depreciable property, plant and equipment assets is valued on a depreciated replacement cost basis. Therefore, using the projected inflation rate as a proxy for revaluation movements is appropriate and consistent with the treatment of price changes generally within the LTP. For land assets valued at market value (based on sales evidence), values have been assumed to remain constant. This reflects the wide disparity in views on the sustainability of current residential market prices.
Revaluation of investment properties It is assumed that the value of investment properties accounted for at fair/market value will remain constant across the 10 year plan.	That actual revaluation movements will be significantly different from those forecast	Moderate	For assets valued at market value (based on sales evidence), values have been assumed to remain constant. This assumption has no impact on depreciation as these assets are not depreciated.
LGFA Guarantee Each of the shareholders of the LGFA is a party to a deed of Guarantee, whereby the parties to the deed guarantee the obligations of the LGFA and the guarantee obligations of other participating local authorities to the LGFA, in the event of default.	In the event of a default by the LGFA, each guarantor would be liable to pay a proportion of the amount owing. The proportion to be paid by each respective guarantor is set in relation to each guarantors relative rates income.	Low	The Council believes the risk of the guarantee being called on and any financial loss arising from the guarantee is low. The likelihood of a local authority borrower defaulting is extremely low and all of the borrowings by a local authority from the LGFA are secured by a rates charge.
Renewal of External Funding It is assumed that Council will be able to renew existing borrowings on equivalent terms.	That new borrowings cannot be accessed to fund future capital requirements	Low	The Council minimises its liquidity risk by maintaining a mix of current and non-current borrowings in accordance with its Investment and Liability Management Policy. In accordance with the Liability Management Policy the

Forecasting Assumptions	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
			Council must maintain its borrowing facilities at a level that exceeds 110% of peak borrowing levels over the next 12 months.
Weathertight Homes The Council will continue to spread the cost incurred by Council in settling weathertight homes claims by funding claims from borrowings and spreading the rates funded repayment across a number of years. The LTP assumes that the Council's weathertight homes liability will be fully settled and the associated borrowing repaid over the 10 years of this LTP.	That the level of the claims and settlements is higher than provided for within the LTP.	Low	The weathertight homes liability is an actuarial calculation based on the best information currently available. The liability provided for within the Council's financial statements is $50m, a 1% change in this figure would equate to $0.5m.
General Rates Differential It is assumed that the general rates differential will remain at 2.8:1 Commercial:Base/Residential over the period of the LTP.	That Council makes the decision to change the general rates differential from forecast.	Low	If for any reason Council were compelled to make a decision to change the general rate differential, the maximum it could be expected to move would be from 2.8:1 to 1:1 Commercial:Base/Residential. This could potentially transfer the rates impost from Commercial ratepayers back to Base/Residential ratepayers of approximately $35m-$57m per annum.

Amendments to the Revenue and Financing Policy

Long-term Plan 2015-25

ACTIVITY 3.1.5: MAJOR PROJECTS – FUNDING ENVELOPE FOR POSSIBLE IMPLEMENTATION

The Council has a growth agenda that includes a number of major projects to support economic growth. The overall aim of these projects is to realise Wellington's economic potential by:

- Growing the local economy, making it more diverse and resilient, and less reliant on the government sector
- Building sectors of the economy where we have a competitive advantage e.g. tourism, smart economy
- Building better connections between the tertiary sector and businesses to boost the knowledge economy
- Removing barriers to growth by improving our connections to the region and to the rest of the world and by making it easier to do business in the city

This activity provides a funding envelope that would allow major projects to be implemented, should council ultimately decide to proceed with the project.

This activity makes provision for potential funding so that major projects can move to an implementation phase, but only if council is satisfied that the business case for an investment by Council justifies it.

We have a clear idea of the potential major projects that should be investigated and in broad terms we know the order of magnitude of any possible council contribution to these projects. This information has been used to establish to size of the potential funding envelope. However, Council has made no commitments to fund the implementation of any of the major projects included under the funding envelope and the final funding requirements may differ.

Such commitments will only be made following the consideration of a business case for each possible project. Each business case will include more precise estimates of the risks and cost of the project, how it would be funded (including the size and nature of any Council contribution), how it will be procured, implemented and managed and what benefits it will create. Only then will the Council be able to consider committing specific funds to a project.

In terms of transparency of future costs, if and when Council decides to commit funds to a project, that project will be given its own activity class and will be reported on separately. The remaining funding envelope will be reduced accordingly.

The major projects that could potentially be funded from the envelope are:

- Airport runway extension
- Indoor arena
- Westpac stadium upgrade

Community outcome

This activity contributes towards the following outcome:

- *People-centred City* – these projects will promote he city as an attractive place to do business and attract visitors to the city every year.

- *Connected City* - improving direct access internationally will provide local businesses with new opportunities to access large markets.
- *Dynamic Central City* – attracting visitors, investment and jobs will be critical to growing the city's economy and ensuring Wellington remains vibrant and retains its competitive advantage.

Who Benefits?

Whole community	*100%*

The core aim of the major projects is to drive and support economic growth. This is especially important given that many of the people we seek to attract have choices to live in or visit other cities around New Zealand and the world. It is critical Wellington remains vibrant and internationally relevant, and that people coming here have the best possible experience.

Economic growth benefits residents by providing jobs, raising incomes, providing a wider range of career choices, making the city more vibrant, prosperous and supporting a robust property market.

The major projects covered by this activity, if justified based on a future business cases, also have the potential to benefit commercial sectors, such as export education, hospitality, retail, and professional service businesses.

At this stage it is not possible to estimate how benefits of any future council investment in major projects will be distributed across the community as a whole, the commercial sectors and possibly the Government sector. This is because it is not certain which major projects will be implemented until business cases are completed and decisions are made on whether or not to proceed. It is also possible that some beneficiaries of a major project will contribute to its implementation, in which case the 'Who' benefits from the council's contribution may differ.

Who should pay?

Whole community	*100%*

Decisions on who should pay for the Council's contribution to each major project cannot be made at this stage. Options include use of the downtown targeted rate, the commercial sector generally, and the whole community through general rates. Who should pay depends on a range of factors such as which projects are implemented, where they are located, and what funding is provided from non-council sources. In the meantime we intend to apply a proxy/default assumption that 100% general rates funding is used.

Ultimately, as each potential project reaches the stage where the Council is completing the process of deciding to proceed to the implementation stage, part of the process will include consideration of what the particular Revenue & Financing policy should be for that specific project and in particular who should pay, based on the comprehensive information available at that stage.

Our funding targets: operating expenses	
User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
TOTAL	100%

ACTIVITY 4.1.1: GALLERIES AND MUSEUMS

The Council is the main funder of the Wellington Museums Trust, which operates the Museum of Wellington City and Sea, the City Gallery, Capital E, the Wellington Cable Car Museum and the Colonial Cottage Museum. This activity also includes Council's contribution towards a World War I commemorative museum and exhibitions and the proposed movie museum.

Community outcome
This activity contributes towards the following outcome:

- *People-centred City* –museums shape Wellington's sense of place and identity. They celebrate creativity and ideas and increase our understanding of culture and science. They tell Wellington's diverse stories and help us understand ourselves and each other.
- *Connected City* - museums provide ideas and places where people can connect, share what is common and explore what is different and new. They connect us with people, places and ideas here and abroad.
- *Dynamic Central City* – museums enhance Wellington's vibrancy as a diverse, active and eventful place attractive to visitors.

Who Benefits?

Individuals	*70%*
Identifiable part of the community	*15%*
Whole community	*15%*

The individuals who attend the exhibitions and shows at the galleries and museums clearly benefit from their attendance.

The various venues are also important attractions for visitors and residents alike. The location of these draws people into the downtown area and boosts local businesses, particularly those in the tourism, hospitality and retail sectors.

The museums and galleries funded by this activity also benefit the whole community in many ways. They help make the city vibrant and interesting, preserve its heritage, form a vital part of Wellington's image as a creative city, and are a source of civic pride. The exhibitions run by the galleries and museums also foster community identity. These benefits are felt even by people who choose not to visit the facilities.

Who should pay?

Whole community	*75%*
Downtown sector	*25%*

The Council funds the museums and galleries to encourage greater participation in the arts and because it believes that high quality cultural amenities add to a vibrant city life.

While there are clearly direct benefits to people who choose to visit the galleries and museums, the Council believes these are outweighed by the overall community benefit and the benefits that flow to the businesses in the downtown sector.

Our funding targets: operating expenses

User charges	0%

Other revenue	0%
Targeted rate (Downtown)	25%
General rate	75%
TOTAL	100%