

**Wellington City Council**

---

Pre-election

---

Report 2016

---



Declare your love  
for Wellington.

**Stand. Vote.**

Absolutely Positively  
**Wellington** City Council  
[wellington.govt.nz](http://wellington.govt.nz)



# Contents

---

Introduction by the Chief Executive	4
1. Wellington's performance	5
2. Our finances at a glance	11
3. Key challenges and opportunities	19
4. Major projects budgeted over the next three years	28
5. What we do	30
6. Financial information	36

# Introduction by the Chief Executive

In my first *Pre-election Report* three years ago, I said the economy held the key to our success.

We have made significant progress since then. We tackled the economy head-on with projects like the new tech hub, the Victoria Street transformation, stronger air connections with Canberra and Singapore and we're proposing to build a new Movie Museum and Convention Centre.

The good news is that there is an air of optimism in the city around these new economic projects, the city's population is growing fast and confidence and growth are starting to take hold.

But the economy is still the priority. The challenge now is to maintain the momentum and capitalise on forecast growth.

This October, Wellingtonians will vote to choose a Mayor and Councillors to lead the city in the next three years. It is an opportunity to participate in Local Government democracy and help shape the city's future - as a candidate or a voter.

What should the Council's priorities be? What issues need to be addressed? What areas require more, or perhaps less, funding? What new projects should the Council invest in?

This report will help you answer some of those questions. It outlines how the city is performing, the state of the organisation's finances and provides a snapshot of what we think the challenges and opportunities are in the next three years.

The Council has three main roles in a successful city:

- **Doing the basics well:** Providing high-quality services - what I call the clean, green and safe agenda. This means maintaining the roads, sportsfields, libraries and swimming pools, keeping the streets clean and emptying the rubbish and recycling bins on time.
- **Smart and efficient public administration:** A well-led organisation with a clear agenda, sound finances and processes, good discipline and robust risk management and ICT systems. And, there must be an effective, joined-up working relationship between council staff and the elected representatives.

- **Creating a great city:** Having an eye to the wider city and making sure the city is the best it can be environmentally, socially, culturally and economically.

How do we measure up? Pretty well actually. Basic services are delivered to a high standard, and the organisation is well run and in good financial health. The Council has an excellent credit rating (AA), our debt position is very conservative and we work jointly with other councils to reduce costs wherever possible.

But the city is not without its challenges, and over the next three years we have to ask, and find answers, to questions like:

- What more can we do to build a stronger and more innovative economy?
- How can we best adopt new technology to reduce the cost of delivering basic services to Wellingtonians?
- Where and how should the city accommodate its growing population and new migrants?
- How should the city deal with growing concern about house prices and affordability?
- How can the city become more resilient and how do we decarbonise our city further?

These are just some of the significant issues that we will need to address in the coming three years.

We need to be bold in the way we respond to the challenges and seize on opportunities. This will require some tough decisions and an appetite for getting things done. A strong joined-up working relationship between the Council and the community, and between council staff and the elected representatives, will be crucial to making this happen.

In the coming weeks you are likely to hear from the candidates running for office and their proposed plans for Wellington's future. Your vote could determine what direction the city takes in the next three years.

I encourage you to get out and vote on the 8th of October.



**Kevin Lavery**  
Chief Executive

**1**

---

Wellington's  
performance

---

# State of the City

Wellington

## WELLINGTON'S STRENGTHS

Comparison

**89%**

% who rate their quality of life as good or very good  
(2014 Quality of Life Survey)

**80%**

**Auckland,  
80% Christchurch**

**38%**

% of population over 15 with a university qualification  
(2013 Census, Statistics NZ)

**19%**

**Nationally**

**\$67,940**

Average annual income (\$)  
(2013 Census, Statistics NZ)

**\$54,230**

**Nationally**

**57.5%**

% of GDP contributed by smart or creative industries

**31.3%**

**Nationally**

**34%**

10-year increase in international visitor arrivals

**23%**

**Nationally**

**86%**

% who agree that Wellington's city centre is lively and attractive  
(2015 Resident Monitoring Survey)

**6.1t CO<sub>2</sub>**

Carbon emissions per capita (2012/2013)  
(Wellington City and Region Community Scale  
Greenhouse Gas Inventory 2000/01-2014/15)

**7.3t CO<sub>2</sub>**

Wellington

**WELLINGTON'S CHALLENGES**

Comparison

**2.1%**

Average annual % GDP growth (last 10 years)  
*(Infometrics)*

**2.3%**  
**Auckland**

**1.4%**

Average annual employment growth (last 10 years)  
*(Infometrics)*

**1.5%**  
**Auckland**

**1.2%**

Average annual business growth (last 10 years)  
*(Infometrics)*

**1.7%**  
**Auckland**

**1.0%**

Average annual population growth (last 5 years)  
*(Infometrics)*

**1.8%**  
**Auckland**

**669**

Number of buildings identified as earthquake prone

# Cities that succeed

---

More than half of the world's people live in cities – and the trend towards urbanisation is growing day by day.

Cities offer huge opportunities. They are centres of commerce and education, of culture and innovation. The connections made by people in cities drive economic and technological innovation. They bring people together.

Cities are also crucial to the planet's future – a compact city with good infrastructure and economic networks can offer a more sustainable way of living.

Cities are the future – for people, the economy and the environment.

In this globalised world, cities compete. They compete for talented and skilled people, for entrepreneurs and leaders. They compete for tourists and students, for business and investment. That competition is becoming more and more intense. Over time, people are generally gravitating to cities that offer more – more jobs, more connections and opportunities, a more sustainable way of living, and generally a higher quality of life.

## Cities that succeed often have these things in common...

---

### **KNOWLEDGE & TALENT**

Successful cities have educated populations and strong education institutions.

### **CONNECTIONS**

Successful cities have strong transport and communication networks, so people can get together and share ideas and discoveries.

### **COMPACTNESS**

Successful cities are built around compact urban centres that bring people together in an open, energetic, creative culture

### **SMART INDUSTRIES**

Successful cities have clusters of 'smart' industries that get their edge from research, design, knowledge, innovation, and creativity. They also have a high percentage of small businesses, and a regulatory culture that supports innovation.

### **LEADERSHIP**

Successful cities are led by visible leaders with a clear, powerful and coherent vision.

### **QUALITY OF LIFE**

Successful cities offer a high quality of life for all residents. Their environment, amenities, opportunities, culture, and 'buzz' make them attractive places to live.

---

Wellington has the ingredients to be competitive. However, we need to build on existing strengths and respond to economic and social challenges.



# Wellington's overall performance

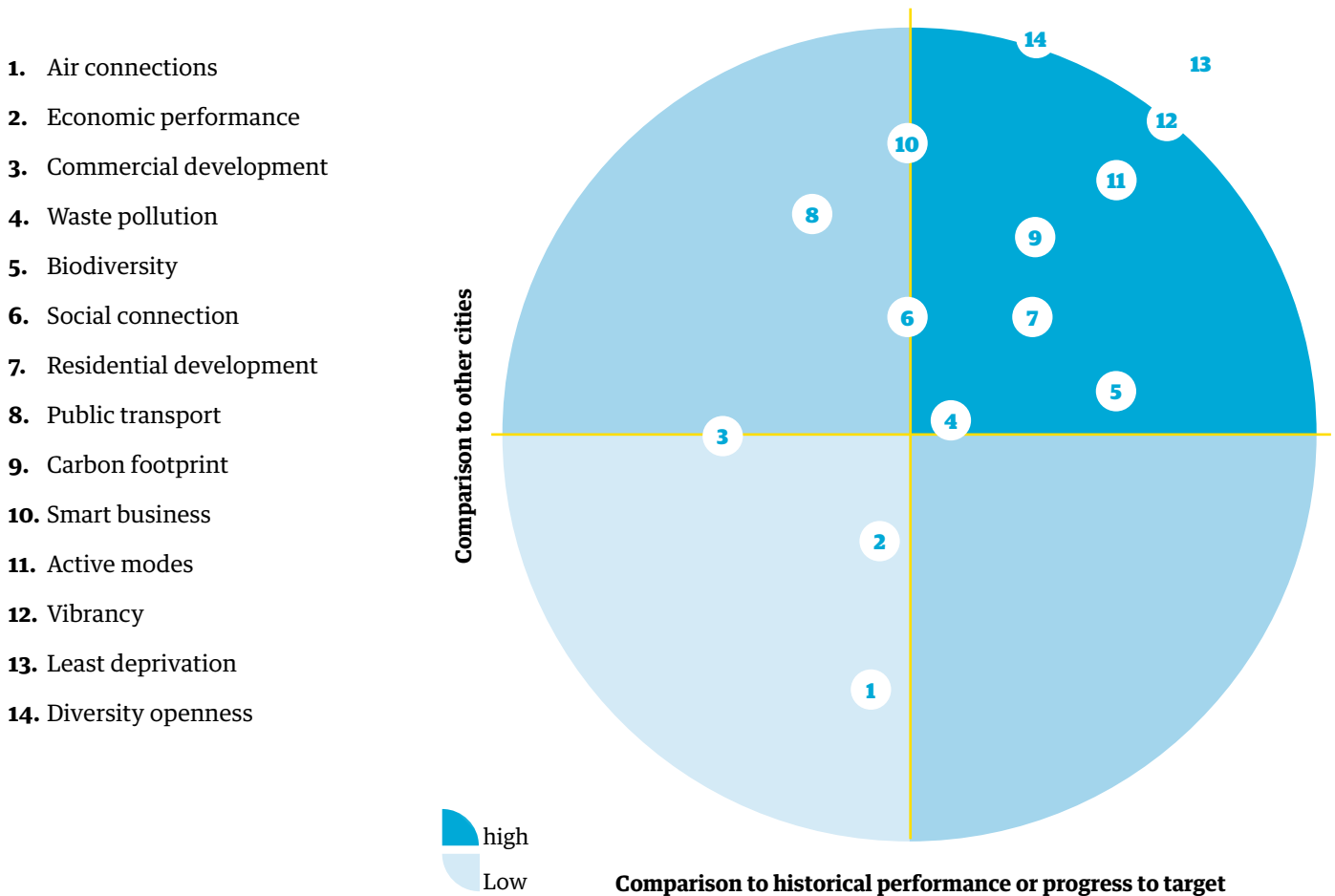
Wellington is a world-class city that regularly rates highly in international quality of life surveys.

While we are well positioned, like all cities, there are challenges to overcome.

This report highlights the challenges and opportunities the city is expected to face in the coming years - issues that the newly elected Council will have to consider.

By comparing current performance against other cities in New Zealand, and our own historical performance, we can create a well-rounded picture of how the city is performing. The diagram below shows that we perform very well on measures of quality of life and the environment. It also shows that we have the potential to improve our economic performance and our transport infrastructure.

**Figure 1: Wellington City's relative historic and geographical performance<sup>1</sup>**



1. Cross-city comparisons are with Auckland, Tauranga, Hamilton, Christchurch and Dunedin where comparable or similar data was available. Wellington data available from our annual report at <http://wellington.govt.nz/your-council/plans-policies-and-bylaws/plans-and-reports/annual-report>

# Our approach: building on strengths, responding to challenges

The Council's 2015-25 Long-term Plan seeks to sustain and build on Wellington's strengths, and to address the challenges facing the city.

Our strong financial position - with modest borrowings and an AA credit rating - allows us to invest in areas of real need or benefit, while maintaining and enhancing existing services.

## Investing for growth

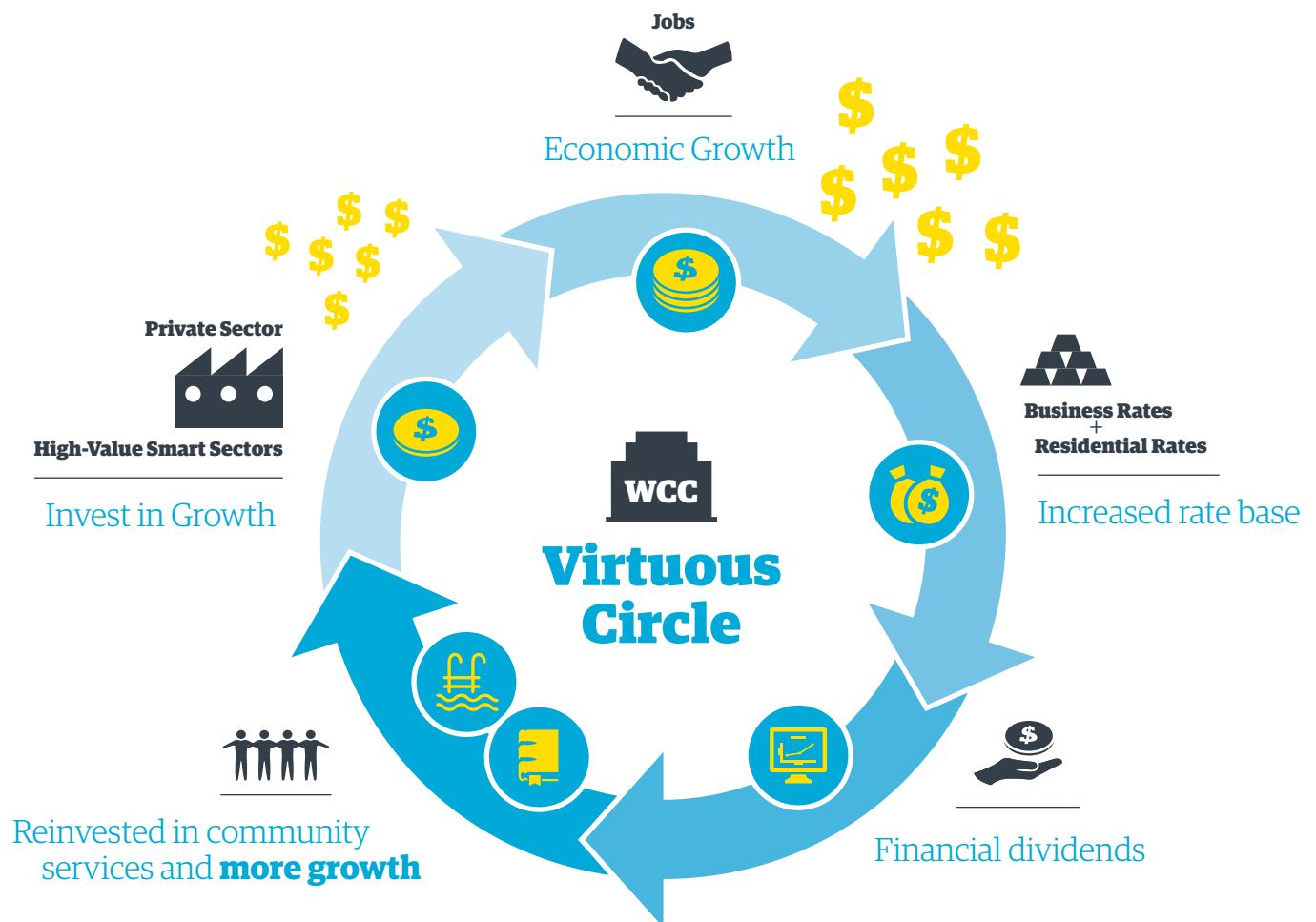
The Council's growth agenda includes a number of major projects to support the economy and transform the city. This agenda aims to deliver a step-change in Wellington's economic performance - one that will provide new opportunities, enhance quality of life, and provide a dividend for future investment in the city.

It focuses on delivery of key new projects (such as the proposed Movie Museum and Convention Centre) and supporting growth in key locations and sectors of the economy.

It is ambitious but affordable.

## Continuous improvement

The Long-term Plan sets out how we can afford to invest without cutting any existing services. In fact we will continue to improve these services, investing where needed, but also delivering them in ways that are smarter, more resource-efficient, and more focused on what residents need.



# 2

---

# Our finances at a glance

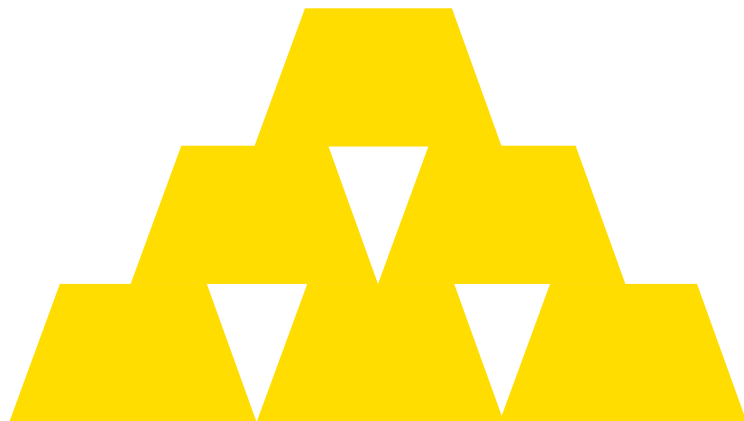
---

# Our financial position

The Council's financial position is strong. This is reflected in our AA credit rating from Standard & Poor's, the highest rating for a Council. This rating indicates the Council has very strong financial management practices. This also means we have access to lower cost borrowing and more borrowing alternatives. The Council has set various operating limits to ensure our debt is maintained at a prudent level.

The Council also rates well against local government benchmarks under the Financial Reporting and Prudence Regulations. The purpose of these benchmarks is to enable an assessment of whether we are prudently managing our finances.

**We have assets worth \$7,109 million and liabilities of \$594 million<sup>2</sup>**



**The Council's investments are worth \$368.5 million against our net borrowings of \$393.7 million<sup>3</sup>**



# Debt

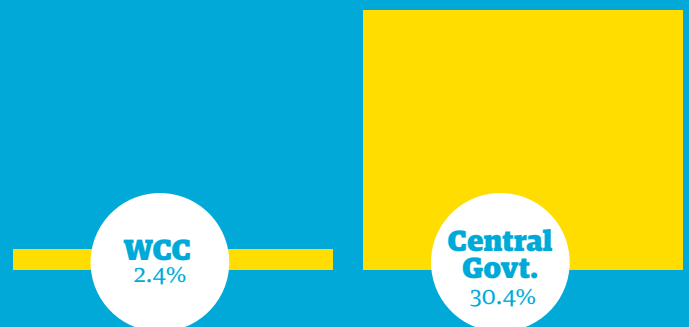
We have far less debt than most local authorities, and in addition, have investments that yield significant income. All up, our debt levels are currently less than our annual income, and we have investments that are almost equal to our debt. Using the analogy of a household, our position is equivalent to a household earning \$100,000 a year and having a mortgage of under \$100,000, while having an investment portfolio worth \$88,700. This is a very low level. Our debt net of investments is \$25.2 million which is roughly equivalent to \$124 for each resident in Wellington. Any way you look at it, this is a very healthy position.

## How do we compare to central government?

Our debt level equates to 2.4% of the city's GDP while central government's debt levels are more than 10 times this, and equate to 30.4% of the nation's annual GDP.

## Why any debt at all?

The Council uses debt as a tool to spread the cost of buying assets and services over time, so it's paid for by those who will benefit from use of the asset over its life. The combination of our current low debt levels and good credit rating means that we can take on more debt, at low cost if we can identify good investments.

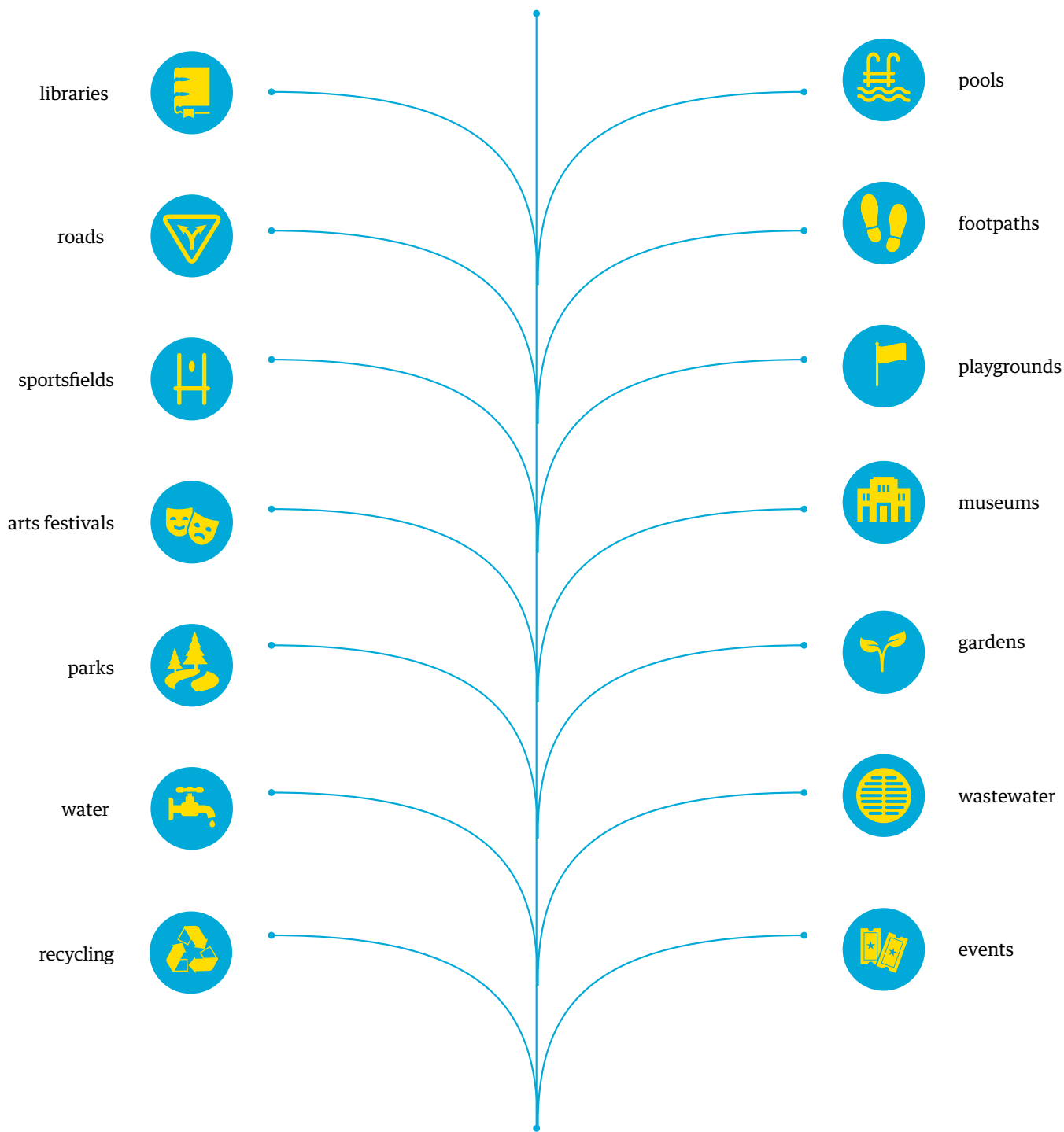


**Our position is equivalent to a household earning \$100,000 a year and having a mortgage of under \$100,000, while having an investment portfolio worth \$88,700.**

2. Source: 2016/17 Annual Plan  
3. The financial information for 2015/16 is estimated, unaudited and subject to change.

# Value for money

The total costs of running council's services



equates to \$5.93 per resident per day.

The total costs of running council's services - libraries, swimming pools, roads, footpaths, sportsfields, playgrounds, arts festivals, water, wastewater, parks and gardens, events and others - equates to \$5.93 per resident per day.

The annual indicative rates on a house valued at \$570,000 in Wellington, is \$2,665 (including GST), around 3% of the income of the average household. This is comparable to the cost of other household expenditure such as utilities and insurance and around 1/8 the cost of central government taxation.

### Household costs

---



Electricity

\$2,600 p.a.

---



Telecommunications \$2,100 p.a.

---



Rates

\$2,665 p.a.

---



Taxes

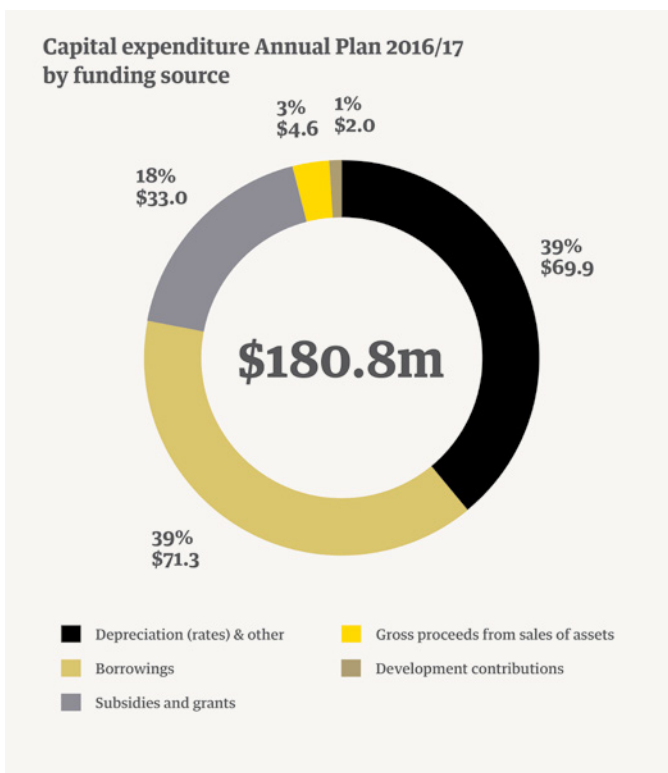
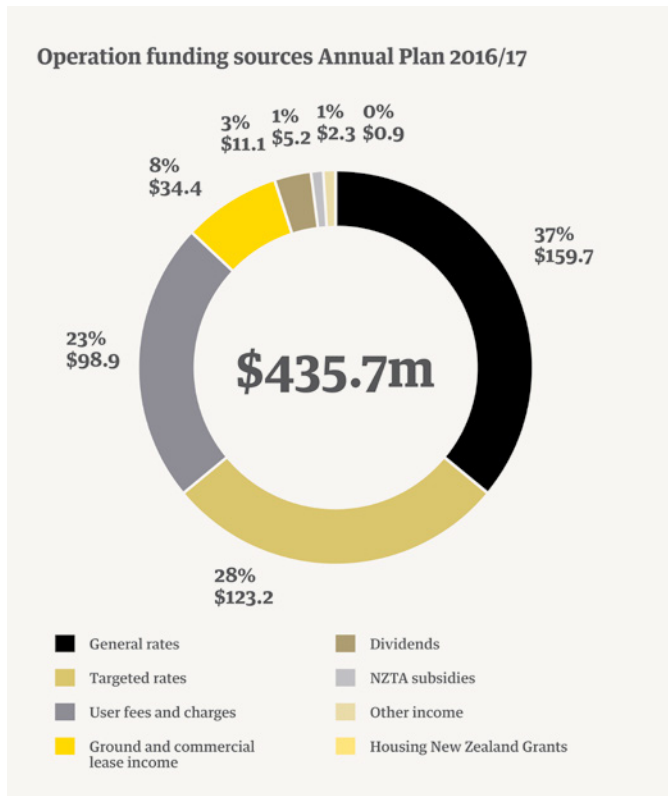
\$25,000 p.a.

---

Rates on an average residential property equate to around 3% of the income of the average household. For contrast, the average household in Wellington can expect to pay around 25% of its income in central government taxes

## Where the money comes from

Rates account for only about half of Council’s funding. Another major source of revenue is user charges such as car parking fees, tip fees, rubbish bag sales and building consent fees. These fees are paid by those that benefit from the service.



## Deciding how we pay for services

Each year we consult on the activities we plan to do. This ‘annual planning’ process sets our budget for that year for the city. We then consider who will benefit from the goods and services the Council provides, and therefore, who should pay for it. Most of our activities benefit the whole community and these are paid for through rates. Some activities benefit the users directly and we think it’s only fair that the users should pay towards those.

In principle, the beneficiary of an activity pays for it:

### Who benefits

### Who pays



= user charge  
(e.g. car parking, rubbish bags, building consents)

Individual benefit



= targeted rate  
(e.g. downtown targeted rate - paid for by commercial rate payers in the Central Business District covering the cost of tourism promotion and other activities that directly benefit this sector)

Identifiable part of community



= general rate (e.g. libraries, museums, botanic gardens)

The whole community



## Did you know?

Our general and targeted rates are split between residential and commercial ratepayers.

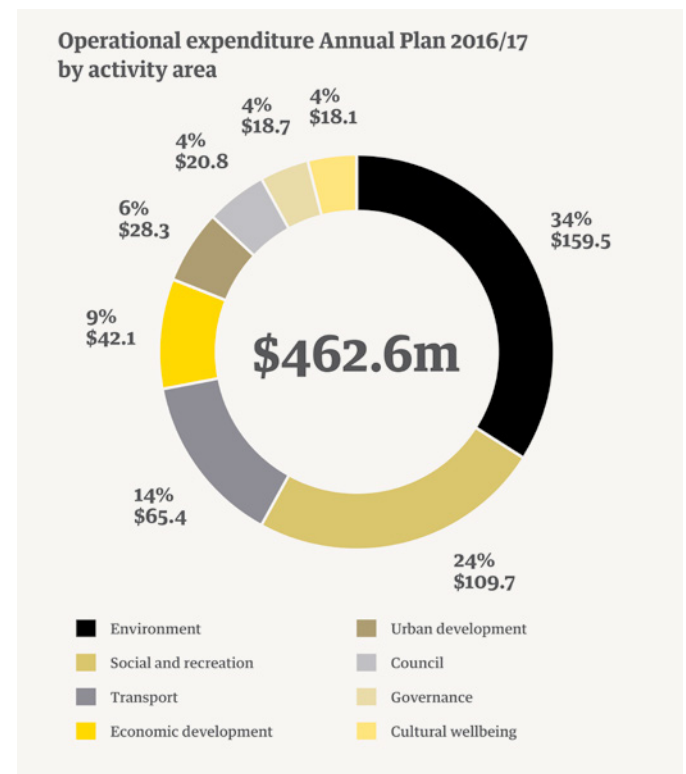
Residential rates are currently subsidised by the commercial ratepayer, who pays 2.8 times more general rates on each dollar of the value of their property. This is referred to as the 'general rates differential'.



### Where the money goes

Operating expenditure provides for the Council's day-to-day operations and services, from waste disposal, water supply and maintaining our roads, to issuing building consents, running our recreational facilities and maintaining our parks and gardens.

The Council plans to spend \$462.6 million on operational expenditure across our activity areas in 2016/17. The graph across shows where this operational expenditure will be spent by activity area:



Further details on the activities we deliver are outlined in the 'What We Do' section on page 30.



**Declare your love for Wellington.  
Stand. Vote.**



# **3**

---

Key challenges

---

and opportunities

---

# Doing the basics well: the clean, green and safe agenda

## How we perform

The Council offers over 400 services to support Wellington's high quality of life and economic wellbeing. The Council provides services ranging from hard infrastructure like stormwater and roads, to community facilities like parks and libraries and economic infrastructure like support to Wellington Regional Economic Development Agency (WREDA) and free public Wi-Fi. The challenge for Wellington is harnessing fast changing technology to adapt the city's infrastructure and services to our future needs.

## What we're doing

Our organisation is working to position the city for the future and for growth. Taking this position means understanding our assets and services. It also means investing in a way that is efficient, supports the city's future and frees capital for investment in new infrastructure.

**“(Wellington City Council) could save itself a quarter of its potential infrastructure bill thanks to its good planning. They understand the performance of their network, and they have good-quality data.”**

*—Bruce Robertson, Assistant Auditor General, 2014*

Making sure Wellington's infrastructure is the right size at the right time is critical to ensuring our growth is fiscally sustainable and resilient to future conditions. We are working to understand our assets so we can better target the renewal of long-lasting infrastructure like pipes, roads and retaining walls. By better understanding the strength and life of our assets we can better target our funding and free money to invest in growing our city. Unlike many other councils we fully fund for depreciation, which means that we have a comprehensive, and fully funded, renewal programme.

We are working to better understand the way people live in our city and adapt our services. By working with partners like NEC and Land Information New Zealand (LINZ) we have been working to trial world leading technologies as part of our Smart Capital initiative. The Council has been working to employ a range of leading edge technologies to gather data and enable co-operation across community

and government agencies to better understand issues like begging, graffiti and the way people use our streets. By employing this data we can tailor our service offerings to be more targeted, efficient and effective for ratepayers.

## Challenges and opportunities

We do have a number of challenges ahead of us to ensure we keep the city safe and functioning well.

### The city's resilience

Wellington is a steep city, close to fault lines and the coast. As we position Wellington for the future we must respond to the resilience challenges from our location. Wellington's challenge is in making our city resilient to earthquakes, storms and economic cycles, while preparing for longer term processes like climate change. The Council has an important role to play in building our city's and our citizens' resilience.

To prepare for the hazards we live with we have worked to inspect the thousands of buildings in the city and assess their seismic strength. We have also worked with our partners to strengthen our strategic routes and lifelines. Our organisation is a key component of the Wellington Regional Emergency Management Office and in the event of an emergency works to get the city back up and running as quickly and safely as possible.

In preparing for climate change our organisation is working to the Low Carbon Capital Plan. This plan sets out our response to the mitigation challenges of sea level rise. Our longer term adaptation to climate change and other shocks and stresses are being laid out in our Resilience Strategy. Together with the Rockefeller Foundation's 100 Resilient Cities programme we have been working with our communities in Wellington and around the region to develop the direction we will take over the next 20 years to make the city more resilient.

There's also a financial side to the resilience challenge. Insuring our assets is vital to our recovery from a seismic or other natural event. It currently involves a liability sharing arrangement with Central Government. Broadly, this funding provides 60% towards underground infrastructure assets and 55% for road networks, but these current arrangements are under review by Central Government,

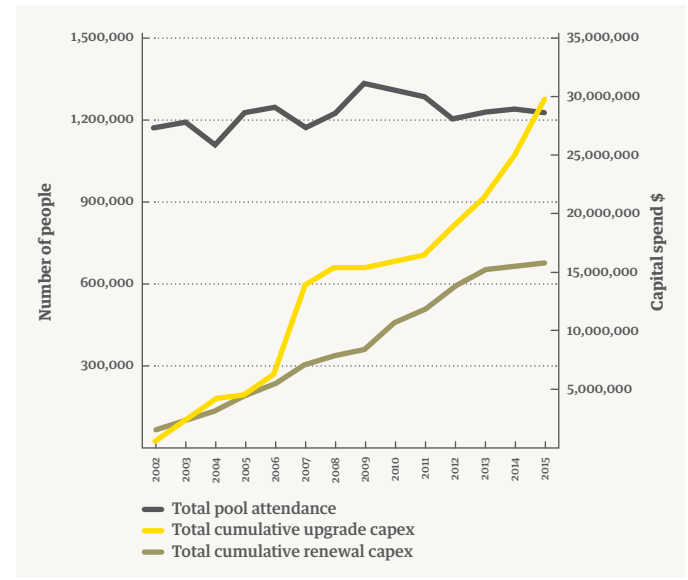
with the possibility that more liability will lie with Councils, and we would need to have provision for a loss of up to \$1 billion (in a large 1 in 1000 year event). This potentially has large financial implications for the Council and on rates.

How should we meet the increased costs of insuring the city's assets and making the city more resilient? Should we establish a special resilience rate, cut other services or should we take more risk and defer our response?

**Investing in the right areas**

Part of doing the basics well is ensuring we're investing in the right assets and services to meet our changing needs. The Council has the challenge of adapting a long-lived and often capital intensive asset base to these needs. One practical example is swimming pools. Since 2002, our pool visitation has been constant, at around 1.2 million visits per year, as shown in Figure 2, even though our population has increased by over 15% in that time. However, over that same period, we've invested more than \$45 million in upgrades and renewals. This has meant the ratepayer subsidy per attendee has almost doubled. Compounding the issue has been our investment in school pools. While we have improved access for school children, it has also created a competitor for us, which puts downward pressure on visitation. This competition increases the operational deficit on our own pools and increases the burden on ratepayers.

**Figure 2: Total pool attendance over time and capital expenditure**



So we need to be smarter about where and how we invest, and think more broadly about the sports and recreation activities we support. We need to think about whether we want to continue to fund swimming pools at this level and accept the increased level of subsidy because of the social benefits of funding pools, or whether we reduce the level of funding and rationalise this service. Growth sports like mountain biking and trail running are more individual in nature, and such sports have not traditionally been strongly supported by Councils. The recreation paradigms are shifting and we need to move with them.

Issues like this place significant budget pressure on the Council and these pressures need to be met in order for us to balance the books.

What are the services and facilities where we should be scaling back our investment and what are the growth areas we should be investing more in?

# Smart public administration: building a world class organisation

For us to meet our goal of being a world class city, we need the Council to be a world class organisation.

## How we perform

Our financial discipline is good. We run a tight ship, and have delivered our work programme under budget for the last three years. Our levels of debt are low, and we have significant investments, meaning our financial exposure is minimal. Our financial approach is a prudent one, as evidenced by our sector leading AA credit rating.

## What we're doing

Our previous IT platform was inadequate for the levels of service we aspire to. We've taken action on this and are currently implementing a new system that will mean better, faster service to the ratepayer. Implementation is going well and efficiency improvements are already being seen.

Good leadership is also pivotal to a thriving city. Our job as officers is to support our elected leaders. When a new council is elected, we offer an induction programme to prepare Councillors for their role governing the city.

The organisation has a key role in the success of the city. In order to help staff best support elected leaders we have, in the last three years, entered into shared services arrangements with other councils, giving us economies of scale for services in water and IT, committed to paying our staff a living wage, and are making sure they have opportunities for career advancement.

## Challenges and opportunities

### Partnering towards common goals

We want to make the most of more partnerships. Obvious opportunities exist in economic development with the private sector, but perhaps just as importantly is to work more closely with central government as well.

Central government plays a critical role in the city. Wellington's character reflects its capital city status, and the public service is the city's major employer. But, just as importantly, government decisions directly affect Wellington's transport, housing, businesses, health and

education services, and much more. We want to talk directly with Government about the Council's vision for the city and how we get there. Many of our goals are the same, and a more joined up approach to achieving those goals will be beneficial for all Wellingtonians and New Zealand as a whole.

Where are there opportunities for working more closely with Central Government for mutual benefit?

### Working efficiently and working together

A high performing council is built on trust. We need to ensure we have a strong working relationship between elected members and officers. The organisation needs to be well prepared to implement the decisions of the newly elected Councillors as quickly and effectively as possible.

In a healthy relationship between Councillors and officers, officers give advice and Councillors make decisions, which officers then implement. This relationship worked as it should when the Council did not follow officer advice around the decision to introduce the Living Wage for Council staff, Council Controlled Organisations and then contractors. The Council's decision was implemented by officers and, when the Council was threatened with legal action in relation to applying the Living Wage to contractors, officers worked with Councillors to protect the Council's position and that of staff and contractors.

We need to ensure that there is a free flow of information between officers and Councillors, and when confidentiality is required, issues stay in the room. The Council is entering a period of increased participation in commercially sensitive transactions. To ensure we get the best value

---

for money for ratepayers, we need to exercise discretion. Without discretion, the Council will not be able to be party to commercial transactions of any scale, which would severely limit its ability to shape the city's future.

How can the new council streamline decision making?

# Creating a great city: socially, environmentally, culturally and economically

## How we perform

The final area of focus for the Council is an outward looking one - ensuring that what we do and how we do it is focussed on making the city a great one to live in, work in, play in and visit. This is a complex picture, but one that the Council must be at the centre of if we are to create the city Wellingtonian's want.

So, what do we need to do to improve the city, socially, environmentally, culturally and economically? The majority of our expenditure occurs in the social and environmental areas, and has delivered results. 92% of residents agree that Wellington is a great place to live and 89% are proud of the look and feel of the city<sup>4</sup>.

## What we're doing

### Supporting economic growth

One area we know needs more attention is the economy, and our 2015-25 Long-term Plan has that emphasis and capitalises on recent improvements. We're now starting to see the results from this activity. Over the past 12 months we have enjoyed significant growth, and with continued improvements forecast for the next five years we are starting to return to historic averages. In recent times, the Prime Minister has opened our new tech hub, we've formed a new Wellington Regional Economic Development Agency, improved connections to Canberra and Singapore, and as a result business growth and confidence has improved. Importantly, our proposed interventions enjoy widespread support from the public and the business community. The Long-term Plan, including an increase in rates to invest in the economy, was supported by 75% of residents.

It's a start, and we have the opportunity to take this to the next level. With universities, science organisations, and many of the country's fastest growing tech firms, Wellington has solid foundations for stronger economic growth.

Wellington's growth agenda projects such as the proposed Movie Museum & Wellington Convention Centre and the recently opened tech hub - both in partnership with the private sector - will contribute to the evolution of the city's economy.

That evolution not only opens up new opportunities, but also has potential to provide a dividend - via a bigger ratings base - for investment back into the city and the well-being of its people.

How do we build on the recent upturn in growth to sustain and accelerate it?

## Challenges and opportunities

### Population growth and housing

We're seeing solid population growth, but with it also come some challenges. In the last fifteen years, the number of residents has jumped from 169,000 to 203,000. Many of those are new residents from other parts of New Zealand and, to a lesser extent, from overseas.

Wellington has historically seen steady population growth. Very conservative forecast estimates contained in Wellington's Urban Growth Plan have the city growing by an extra 50,000 people over the next thirty years. However, over the last fifteen years we have been growing on average 1.2% annually and that kind of growth projected forward would see close to an additional 90,000 people in Wellington over the next thirty years.

<sup>4</sup> Wellington City Profile, 2016



---

More recently, with strong inward migration, the population has spiked and last year we grew at close to 2%. If that kind of growth is sustained for a long period of time, the city would grow by over 160,000 people over the next thirty years.

All this growth means that there is greater demand for housing.

How and where should the city's growing population be accommodated?

#### **Keeping housing affordable**

Our growing economy and increasing population are changing our housing market and leading to increasing housing costs. The average house price in Wellington has increased 7.5 percent in a year to about \$560,000. The challenge for the city is how to ensure housing supports our standard of living and provides for our diverse communities. The Council has important choices in make in its decisions which have an influence on the supply, quality and diversity of housing in the city. These decisions have effects on the housing market, the future shape of the city, and ultimately our quality of life.

The Council has committed to providing for more choice in homes in Wellington's suburbs. This choice will be achieved by renewing our town centres to provide for more amenities and make them more attractive to growth, enabling the development of new greenfield housing in the north and continuing investment in the CBD/Te Aro. In the new term the Council will be asked to agree the establishment of an Urban Development Agency. An Urban Development Agency will assist the Council in achieving its urban development agenda and getting on the ground results.

What should the Council do to ensure that housing is affordable?

#### **Social housing**

Our social housing function is world class, having won numerous national and international awards, not only for the provision of accommodation, but for the other services we provide to our tenants.

Unlike other social housing providers, Councils do not have access to the Government's Income Related Rents scheme. This, in effect, means that the Council receives 30% less income than other housing providers to provide its social housing service. This funding deficit means that our social housing model is not sustainable in the long term. On top of this is the fact that demand is forecast to increase, not just due to growth but also demographic changes like an ageing population. The upshot is that we'll need to come up with new ways to meet this increased need in the near future.

How should housing assistance be funded without access to Income Related Rents?

---

### **Infrastructure**

Investing in infrastructure that supports economic growth is vital. World-class information and communications technology is one example. It is Wellington's fastest growing business sector, which is why we have established a tech hub in the CBD, why we offer free wi-fi in the central city and why we are supporting the rollout of ultrafast broadband in the city.

### **Air connections**

Physical connections are equally crucial. Our international air connections are improving - we have new routes to Australia and Fiji, and the new Singapore Airlines service to Singapore via Canberra will enable much quicker access to Asia and the rest of the world. Extending the runway at Wellington International Airport will enable direct flights to the rest of the world, which is why we are supporting the project.

What more can we do to improve Wellington's global connections?

### **Getting through and around the city**

Wellington City's CBD is the powerhouse of the regional economy generating around 55% of the region's GDP. Keeping our CBD healthy and moving is as vitally important to the national economy, as it is to its future as a neighbourhood. The Council is working closely with Wellington Regional Council and the New Zealand Transport Agency to collaborate with our communities and find a solution which deals with our congestion, but also enhances and prepares the CBD for its continued development as a residential, entertainment and business district. This collaboration has extended as we change the conversation from being about single transport modes to being about streets that provide space for everybody and that contribute to the city.

To deliver these streets the Council has been working with the New Zealand Transport Agency to access Urban Cycleways Funding. We have also been working with communities to begin planning for a system of cycleways in the East and Centre of the city. The new Council will have a series of decisions to make with respect to implementing this cycling programme and the continued implementation of the cycling framework.

The Council is also continuing to upgrade the city's laneways and streets to reinforce the contribution of the transportation network to the city's productivity and growth. The new Council will also have the challenge of incorporating a Bus Rapid Transport system into our streets in a way that provides for both efficient public transport and a high quality urban experience.

How can Wellington improve its transport network, so it offers safe, efficient, pleasant, and sustainable ways of moving people and goods around the city?

### **Heritage and earthquake resilience**

Heritage buildings are an important part of the fabric of Wellington. The city has over 600 heritage buildings listed as protected in our District Plan. These buildings range from shops, to churches and houses. Of these several hundred buildings, 132 are earthquake prone and require strengthening. A question for the new Council is how we best strengthen and conserve our heritage whilst adapting our buildings for the needs of new generations.

At present the challenge of preserving and adapting our heritage building stock is how we prioritise the \$3 million in public funds granted to heritage building owners when there is no ranking or categorisation system. There are also questions about the ability of owners to find alternative uses for their heritage buildings and continue to strengthen them when their options are constrained by a single regulatory approach.

Should we target ratepayer funding to the most significant heritage projects, or increase rates to do more?

#### Climate change mitigation

The Low Carbon Capital Plan outlines Wellington City Council's greenhouse gas reduction goals and objectives for the city and the Council over the next three years.

In the 2014/15 financial year Wellington City's gross greenhouse gas emissions were estimated at 1,143,174 tCO<sub>2</sub>e resulting in gross emissions of 5.7 tCO<sub>2</sub>e per person<sup>5</sup> - the lowest per capita emissions of any city in Australasia. Wellington city's emissions are dominated by two key sectors - transport and energy (gas and electricity) use in commercial and residential buildings, which combined account for more than 90% of the city's emissions.

A city wide target to reduce greenhouse gas emissions by 80% by 2050 against a 2000/1 baseline has been adopted.

Wellington City Council's corporate emissions profile is remarkably different from that of the city. The Council generated 92,264.05 tCO<sub>2</sub>e<sup>6</sup> of greenhouse gas emissions in the 2014/15 financial year. Waste deposited at our two landfills accounts for more than 80% of the organisation's overall emissions. In 2015 Wellington City

Council attained CEMARS® certification confirming that Council greenhouse gas emissions are being measured in accordance with international standards and that the Council is committed to managing and reducing its emissions, including Council Controlled Organisations that report financially into the Council.

How can we most effectively support safe, sustainable transport options, and building choices? How can these be linked with our needs on affordable and social housing and to provide public transport?

5. Wellington City and Region Community Scale Greenhouse Gas Inventory 2000/01 - 2014/15
6. Summary of CEMARS certification - Wellington City Council [https://www.enviromark.com/\\_data/assets/pdf\\_file/0015/108600/Disclosure\\_1415\\_WCC\\_CM\\_Org.pdf](https://www.enviromark.com/_data/assets/pdf_file/0015/108600/Disclosure_1415_WCC_CM_Org.pdf)

**4**

---

Major projects

---

budgeted over the

---

next three years

---

In the coming years, we will continue to focus on strong, resilient infrastructure and growing the city while maintaining existing levels of service. We continue to invest in essential services such as water supply, stormwater, waste, transport, social housing, and so on.

We are investing in initiatives to stimulate economic growth in the city. We have established a programme of

major projects and are working in partnership with the private sector, the government, and others in the region. By focussing investment in this way, we can achieve real transformation of Wellington's economy, creating opportunities for future investment and raising our quality of life.

## Key projects

Some of the key projects we are investing over the next 3 years include:

PROJECT	TYPE OF EXPENDITURE	2016/17 AP \$000	2017/18 LTP \$000	2018/19 LTP \$000	2019/20 LTP \$000
Airport Runway Extension <sup>7</sup>	Opex				2,167
North Kumutoto public space <sup>8</sup>	Capex	3,000	2,102		
Urban Regeneration Projects <sup>9</sup>	Capex		403	12,089	10,391
Museum of Conflict <sup>10</sup>	Capex		10,000		
Frank Kitts Park <sup>11</sup>	Capex	5,550			
Ocean Exploration Centre <sup>12</sup>	Opex		6,000		
Johnsonville Library <sup>13</sup>	Capex	844	9,507		
Hockey Turf <sup>14</sup>	Capex	1,333			
Civic Campus Refresh and Town Hall Earthquake Strengthening <sup>15</sup>	Capex	13,526	35,765	10,098	
Basin Reserve <sup>16</sup>	Capex	1,597	3,058	11,480	67
Social Housing Upgrades <sup>17</sup>	Capex	19,646	1,250	1,140	1,020
Social Housing Renewals <sup>18</sup>	Capex	4,215	6,626	6,462	4,207
Cycle network <sup>19</sup>	Capex	7,522	17,071	7,855	2,432
Swimming Pools Renewals & Upgrades <sup>20</sup>	Capex	1,853	1,258	991	1,805
Water network <sup>21</sup>	Capex	14,915	15,410	20,318	21,383
Waste reduction and energy conservation <sup>22</sup>	Capex	738	5,882	8,330	971
Sewage collection and disposal network <sup>23</sup>	Capex	11,236	13,319	11,799	13,641
Stormwater management <sup>24</sup>	Capex	7,020	7,652	4,069	5,243
Vehicle network <sup>25</sup>	Capex	21,558	25,300	25,981	26,912

7. A 300-metre extension to the Wellington International Airport runway, bringing extra visitors, students, and economic benefits. The Council will provide grant funding sufficient to service a \$90 million investment as contribution towards a longer runway. The level of grant funding required to service this investment over 40 years would result in an annual cost of around \$6.5 million, commencing with \$2.2 million in 2019/20.

The total costs and funding options will be considered as part of the business case. A decision to proceed will be made at that point, and depends on the resource consent process. It is anticipated that the balance of funding will be drawn from those that benefit - potentially the Airport, residents, businesses, the wider region, the government and NZ Inc.

8. A preliminary design proposal for a building on Site 10 and the associated development of public space

9. Major urban regeneration projects to stimulate the supply of housing - the northern part of Adelaide Road and the blocks along Kent and Cambridge Terrace in Te Aro are priorities

10. A contribution to the WWI commemorative exhibition and capital provision for a permanent museum.

11. Upgrade of Frank Kitts Park with the inclusion of a Chinese Garden and renewed playground (note the 2016/17 number includes carry forward budget from 2015/16)

12. Funding for the creation of an Ocean Exploration Centre on the south coast, subject to matching funding from third parties

13. A new library in Johnsonville to serve the growing northern suburbs area

14. A new hockey turf at the National Stadium

15. Continued investment in essential services

16. A turf rejuvenation of the Basin Reserve

17. Continued investment in essential services

18. Continued investment in essential services

19. Continued investment in essential services

20. Continued investment in essential services

21. Continued investment in essential services

22. Continued investment in essential services

23. Continued investment in essential services

24. Continued investment in essential services

25. Continued investment in essential services

**5**

---

What we do and

---

what it costs

---

# Governance

## Pārongo-ā-tāone

### What we do

We ensure people are well-informed and can contribute meaningfully to Council decision-making processes. We also keep a record of our work and provide access to the information we hold.

We work with mana whenua Ngāti Toa Rangatira and Taranaki Whānui ki te Upoko o te Ika and ensure they are involved in decisions about the city.

### How we perform

We have steadily improved customer satisfaction with our information and engagement work, and continue to meet our legislative obligations for information accessibility and our performance in this regard has improved. Our service centre is very good at responding to enquiries and residents are highly satisfied with the services provided by the City Archives.

We continue to foster a positive relationship with both of our iwi partners.

### What it costs

ACTIVITY COMPONENT	TOTAL COST (\$000)	COST PER RESIDENT PER WEEK
Governance, information and engagement	18,418	1.73
Māori and man whenua partnerships	295	0.02
<b>Total governance</b>	<b>18,713</b>	<b>1.75</b>

Key:

*Governance, information and engagement* includes civic information, city archives and city governance and engagement. The latter covers all decision making and accountability processes, such as the local election, Council meetings and committees and development of plans and strategies to promote the city's well-being.

### How we pay

Services in the governance portfolio are funded mostly through non targeted rates, with a small portion being funded through fees and user charges for Civic Information and City Archives.

# Environment Taiao

## What we do

We protect and restore the city's biodiversity. We also provide attractive, safe and accessible spaces such as parks and beaches for leisure and recreation.

We supply water, waste and stormwater services and provide waste disposal and recycling services. We promote a sustainable city and encourage waste minimisation and promote energy efficiency and conservation.

We also support and fund the Wellington Zoo and Zealandia.

## How we perform

The city's gardens, beaches and green open spaces offer good value-for-money, are highly used by satisfied residents and maintained to a high standard.

Waste disposal and recycling services are well used by residents, who are satisfied with the services we provide. Efforts to reduce our environmental footprint continue, with high use of recycling services, and a focus on renewable energy generation and waste mitigation.

Our water supply, wastewater and stormwater networks are of very good quality and outages are rare. Customers continue to be very satisfied with the services we provide. We continue to work on mitigating freshwater contamination and our sewage network remains fully compliant with its resource consent. While flooding incidents have been recorded, these often result from extreme weather events.

## What it costs

ACTIVITY COMPONENT	TOTAL COST (\$'000)	COST PER RESIDENT PER WEEK
Gardens, beaches and green open spaces	36,273	3.40
Waste reduction and energy conservation	14,098	1.32
Water	40,292	3.78
Wastewater	43,598	4.09
Stormwater	18,147	1.70
Conservation attractions	6,989	0.65
<b>Total environment</b>	<b>159,397</b>	<b>14.94</b>

### Key:

*Gardens, beaches and green open spaces:* Local parks and open spaces, botanical gardens, beaches and coast operations, roads open spaces, town belts, community environmental initiatives, walkways, biodiversity (pest management) and waterfront public space.

*Waste reduction and energy conservation:* Waste minimisation, disposal and recycling management; closed landfills aftercare; energy efficiency and conservation.

*Water:* Potable Water network; water collection and treatment.

*Wastewater:* Sewage collection and disposal network; sewage treatment.

*Stormwater:* includes maintenance of the drainage network and monitoring the quality of stormwater discharges into our streams, harbour and coastal waters.

*Conservation attractions:* Conservation visitor attractions such as the Zoo and Zealandia

## How we pay

Services in the environment portfolio are funded through a mixture of general rates, user charges and other income such as subsidies received from NZTA for road open spaces.



# Economic development and cultural wellbeing

## Whanaketanga ōhanga me oranga ahurea

### What we do

Our economic activities include funding tourism promotions and visitor attractions, support for the regional economic development agency, and maintaining relationships with other agencies to foster economic growth.

Our arts activities ensure Wellington builds on its reputation as New Zealand's arts and culture capital, by continuing to be home to top-class museums and art galleries, orchestras, dance and theatre companies.

We also support the arts activities in our communities and those of arts organisations through our funding of the Wellington Museums Trust, the Public Arts Fund, the Cultural Grants Pool and the Creative Communities Scheme.

### How we perform

Our investments in economic development have been very successful. We had more people attending events, significantly more visitors coming to Wellington and more money being injected into the local economy.

The numbers of people attending festivals and events was high and their contribution to the city's economy is increasing. We continued to support cultural activities and residents remained satisfied with the services we provide.

### What it costs

ACTIVITY COMPONENT	TOTAL COST (\$000)	COST PER RESIDENT PER WEEK
City promotions and business support	42,086	3.94
Arts and cultural activities	20,754	1.95
<b>Total economic development and cultural wellbeing</b>	<b>62,840</b>	<b>5.89</b>

#### Key:

*City promotions and business support: Wellington Regional Economic Development Agency (WREDA) and venues; Wellington convention centre; retail support (free weekend parking); City Growth Fund and economic grants; major projects; international relations; Business Improvement Districts.*

*Arts and cultural activities: Galleries and museums; visitor attractions (Te Papa/ Carter Observatory); arts and cultural festivals; cultural grants; access and support for community arts; arts partnerships; regional amenities.*

### How we pay

Services in the economic development and cultural wellbeing portfolios are funded through a mixture of general and targeted rates and external grants and subsidies from non-council sources.

The majority of the Economic Development activities are paid for by commercial ratepayers, as it covers the cost of tourism promotion, economic grants, and other activities that directly benefit this sector.

# Social and recreation

## Pāpori me te hākinakina

### What we do

We operate sport and recreation facilities, support a network of community spaces and operate libraries. We also support community leadership and advocacy to strengthen community resilience and safety.

We work to solve homelessness and provide social housing, with a focus on tenant welfare.

We maintain public health standards by regulating food and liquor outlets, animals, trade waste and managing environmental noise problems. We also provide public toilets, cemeteries and crematorium services.

### How we perform

User satisfaction with most recreation services and facilities has remained steady and perceptions of value for money have improved. Usage levels of many of our facilities are similar to previous years.

Our housing services continue to be of very good quality and are highly rated by tenants. The support we provide in the community also remains highly effective.

As a result of our work, the city is safer and healthier, our response times remain consistently fast and residents are satisfied that our services are of good quality.

### What it costs

ACTIVITY COMPONENT	TOTAL COST (\$000)	COST PER RESIDENT PER WEEK
Recreation promotion and support	38,904	3.64
Community support	56,615	5.31
Public health and safety	14,220	1.33
<b>Total social and recreation</b>	<b>109,739</b>	<b>10.28</b>

Key:

*Recreation, Promotion and Support: Sportsfields, swimming pools, recreation centres, playgrounds, marinas, golf course and a range of recreation programmes.*

*Community Support: libraries, community centres, grants programme, access support and social housing.*

*Public Health and Safety: City Safety, WREMO, public toilets, enforcing public health regulations and burial and cremation services.*

### How we pay

Services in the social and recreation portfolio are funded through a mixture of general rates and user charges.

# Urban development and transport

## Tāone tupu ora me waka

### What we do

Our urban planning provides guidance on how and where the city should grow. We operationalise this through a District Plan that manages land use and development within the Council's territorial boundaries. We control building and development work according to the provisions of the Building Act 2004, the Resource Management Act 1991 and the District Plan. We also administer an Earthquake-prone Buildings Policy, and look after public spaces, including the waterfront.

We operate and maintain our transport network, which includes bridges, tunnels, bus shelters and approximately 18,000 street lights. We provide around 10% of the parking in central Wellington. This consists mainly of around 12,000 on-street parking spaces, along with street spaces for taxis, couriers, people with disabilities, bus stops and diplomatic services.

### How we perform

Residents are generally satisfied with the character of the central city and waterfront, and our efforts to preserve the city's heritage.

In most cases, we complied with legislative requirements for timeliness and customers were increasingly satisfied with our services. We are continuing to work towards our goals for mitigating earthquake risk.

We are continuing to target ease of movement around the city in peak travel times, although greater congestion is occurring with growth. In terms of mode, more people are cycling into the CBD. Our transport infrastructure is of a high quality and resident satisfaction with our services is growing.

This year, parking turn-over rates remained largely steady and average occupancy increased. There has been a significant improvement in residents' perception that parking enforcement is fair.

### What it costs

ACTIVITY COMPONENT	TOTAL COST (\$000)	COST PER RESIDENT PER WEEK
Urban development, heritage and public spaces development	7,642	0.72
Building and development control	20,651	1.94
Transport	51,517	4.71
Parking	13,925	1.19
<b>Total urban development and transport</b>	<b>93,735</b>	<b>8.56</b>

#### Key:

*Urban development, heritage and public spaces development:* Urban planning and policy; waterfront development; public spaces and centres development; built heritage development.

*Building and development control:* Building control and facilitation; development control and facilitation; earthquake risk mitigation - built environment; Regulator - building control and facilitation Weathertight homes.

*Transport:* Transport planning; vehicle network; cycle network; passenger transport network; pedestrian network; network-wide control and management; road safety.

### How we pay

Services in the urban development and transport portfolios are funded through a mixture of general rates, fees and charges and grants and subsidies received from NZTA for transport related activities.

**6**

---

Financial

---

performance

---

# Financial performance

The Council's financial performance is sound.

The Council is required under the Local Government Act 2002 to have a balanced budget. The balanced budget requirement is closely linked to the principle of intergenerational equity, the notion that each generation of ratepayers pays their fair share for the goods and services they use. It means the Council aims to budget its revenue at a level equal to its operating expenses.

While the Council forecasts an underlying balanced budget, the Statement of Comprehensive Revenue and Expense shows a projected net surplus. This is mainly

due to accounting conventions requiring the Council to record revenue received to fund capital expenditure as revenue (such as funding from NZTA for roading projects and Housing New Zealand for the upgrades to our social housing), offset by some depreciation not being funded by rates.

The net surplus is the difference between the expenses the council incurred during the year and the revenue the council received. It is represented by the following formula:

$$\text{Net surplus} = \text{Total revenue} - \text{Total expenses}$$

## Summary Statement of Comprehensive Revenue and Expense

	ACTUAL 2014 \$000	ACTUAL 2015 \$000	ESTIMATED <sup>1</sup> 2016 \$000	PROSPECTIVE <sup>2</sup> 2017 \$000	PROSPECTIVE <sup>3</sup> 2018 \$000	PROSPECTIVE 2019 \$000	PROSPECTIVE 2020 \$000
<b>REVENUE</b>							
Rates revenue	246,336	253,574	272,126	284,138	302,482	324,619	338,630
Operating activities revenue	164,401	164,386	145,413	165,002	158,342	154,124	155,675
Investment revenue	23,253	24,176	23,040	20,447	20,235	19,635	20,635
Vested asset and other revenue	15,093	14,400	14,173	1,050	1,050	1,050	1,050
Fair value movements	-	10,515	13,119	3,989	4,821	5,143	5,482
Finance revenue	2,752	2,839	3,108	650	663	719	693
<b>TOTAL REVENUE</b>	<b>451,835</b>	<b>469,890</b>	<b>470,979</b>	<b>475,276</b>	<b>487,593</b>	<b>505,290</b>	<b>522,165</b>
<b>EXPENSE</b>							
Finance expense	(22,754)	(23,238)	(23,945)	(25,617)	(32,365)	(36,868)	(38,926)
Expenditure on operating activities	(297,951)	(310,335)	(313,875)	(334,923)	(332,403)	(338,405)	(351,221)
Depreciation and amortisation	(95,860)	(99,009)	(98,356)	(101,975)	(108,742)	(114,681)	(116,963)
Fair value movements	(7,661)	(1,766)	-	-	-	-	-
<b>TOTAL EXPENSE</b>	<b>(424,226)</b>	<b>(434,348)</b>	<b>(436,176)</b>	<b>(462,515)</b>	<b>(473,510)</b>	<b>(489,954)</b>	<b>(507,110)</b>
<b>NET SURPLUS FOR THE YEAR</b>	<b>27,609</b>	<b>35,542</b>	<b>34,803</b>	<b>12,761</b>	<b>14,083</b>	<b>15,336</b>	<b>15,055</b>
<b>OTHER COMPREHENSIVE REVENUE AND EXPENSE</b>							
Revaluations of property, plant and equipment	(45,290)	11,168	(866)	106,241	72,997	-	241,128
Other	9,522	(17,016)	(19,726)	-	-	-	-
<b>TOTAL OTHER COMPREHENSIVE REVENUE AND EXPENSE</b>	<b>(35,768)</b>	<b>(5,848)</b>	<b>(20,592)</b>	<b>106,241</b>	<b>72,997</b>	<b>-</b>	<b>241,128</b>
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b>	<b>(8,159)</b>	<b>29,694</b>	<b>14,211</b>	<b>119,002</b>	<b>87,080</b>	<b>15,336</b>	<b>256,183</b>

1. The financial information for 2015/16 is estimated, unaudited and subject to change.

2. The prospective information for 2016/17 is taken from the 2016/17 Annual Plan. This information is unaudited.

3. The prospective information for 2018-20 is taken from the 2015-25 Long-term Plan. This information is audited.

## Financial position

### Our assets and liabilities

The council's forecast net worth for 2016/17 is \$6,515 million. This is calculated as the difference between the total assets and the total liabilities of the council. Net worth is represented in the financial statements by the balance of equity or net assets.

#### Assets

Assets are items of economic value owned or controlled by the Council. The Council's total assets are worth \$7,109 million, and include major assets such as:

- Property, Plant and Equipment which includes land, buildings and infrastructure assets.

- Other assets which include investment properties and the cost of investments in controlled entities and associates.

During each year further capital investment is spent on constructing and developing assets around Wellington which contribute to the balance of Property, Plant and Equipment.

#### Liabilities

Liabilities are amounts owed to lenders and suppliers. The council's total liabilities are \$594 million. The major liabilities of the council include:

- Gross borrowings
- Other liabilities which include trade and other payables.

### Summary Statement of Financial Position

	ACTUAL 2014 \$000	ACTUAL 2015 \$000	ESTIMATED <sup>1</sup> 2016 \$000	PROSPECTIVE <sup>2</sup> 2017 \$000	PROSPECTIVE <sup>3</sup> 2018 \$000	PROSPECTIVE 2019 \$000	PROSPECTIVE 2020 \$000
<b>ASSETS</b>							
<b>Current assets</b>							
Financial assets	110,031	106,077	137,467	44,548	46,649	48,109	49,469
Non-financial assets	13,979	15,020	12,573	14,339	13,820	14,069	14,665
<b>Total current assets</b>	<b>124,010</b>	<b>121,097</b>	<b>150,040</b>	<b>58,887</b>	<b>60,469</b>	<b>62,178</b>	<b>64,134</b>
<b>Non-current assets</b>							
Financial assets	14,277	10,128	12,865	11,954	11,760	12,466	13,146
Non-financial assets	6,769,519	6,843,458	6,902,973	7,038,444	7,378,228	7,440,197	7,701,411
<b>Total non-current assets</b>	<b>6,783,796</b>	<b>6,853,586</b>	<b>6,915,838</b>	<b>7,050,398</b>	<b>7,389,988</b>	<b>7,452,663</b>	<b>7,714,557</b>
<b>TOTAL ASSETS</b>	<b>6,907,806</b>	<b>6,974,683</b>	<b>7,065,878</b>	<b>7,109,285</b>	<b>7,450,457</b>	<b>7,514,841</b>	<b>7,778,691</b>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Borrowings	129,371	164,104	140,000	267,279	301,044	329,269	336,064
Other liabilities	106,003	109,120	109,863	94,346	92,981	89,442	84,408
<b>Total current liabilities</b>	<b>235,374</b>	<b>273,224</b>	<b>249,863</b>	<b>361,625</b>	<b>394,025</b>	<b>418,711</b>	<b>420,472</b>
<b>Non-current liabilities</b>							
Borrowings	289,747	269,624	346,552	211,766	269,109	294,339	300,414
Other liabilities	42,047	61,503	87,268	20,454	19,688	18,820	18,651
<b>Total non-current liabilities</b>	<b>331,794</b>	<b>331,127</b>	<b>433,820</b>	<b>232,220</b>	<b>288,797</b>	<b>313,159</b>	<b>319,065</b>
<b>TOTAL LIABILITIES</b>	<b>567,168</b>	<b>604,351</b>	<b>683,683</b>	<b>593,845</b>	<b>682,822</b>	<b>731,870</b>	<b>739,537</b>
<b>TOTAL EQUITY / NET ASSETS</b>	<b>6,340,638</b>	<b>6,370,332</b>	<b>6,382,195</b>	<b>6,515,440</b>	<b>6,767,635</b>	<b>6,782,971</b>	<b>7,039,154</b>

1. The financial information for 2015/16 is estimated, unaudited and subject to change.

2. The prospective information for 2016/17 is taken from the 2016/17 Annual Plan. This information is unaudited.

3. The prospective information for 2018-20 is taken from the 2015-25 Long-term Plan. This information is audited.

## Cash flows

This table shows where we got our money from and what we use it for. The majority of our cash comes from rates income and we spend a large portion of the money coming in on delivering services, capital projects as well as paying our suppliers and employees.

**Operating Activities** represents the cash flow from primary activities of the Council.

**Investing Activities** represents cash flow from the purchase and sale of assets other than inventories (e.g. purchase of land).

**Financing Activities** represents cash flow generated or spent on raising debt together with the payments of interest.

## Summary Statement of Cash Flows

	ACTUAL 2014 \$000	ACTUAL 2015 \$000	ESTIMATED <sup>1</sup> 2016 \$000	PROSPECTIVE <sup>2</sup> 2017 \$000	PROSPECTIVE <sup>3</sup> 2018 \$000	PROSPECTIVE 2019 \$000	PROSPECTIVE 2020 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from rates including metered water	246,976	252,484	272,126	292,828	301,716	323,735	338,016
Receipts from activities and other income	137,052	127,366	116,652	100,082	128,001	133,236	136,825
Other receipts	102,067	116,884	99,054	107,210	96,956	94,210	94,742
Cash paid to suppliers and employees	(276,384)	(286,807)	(261,793)	(298,973)	(294,304)	(304,532)	(312,916)
Other payments	(81,778)	(80,580)	(94,200)	(99,510)	(102,049)	(99,282)	(104,533)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>127,933</b>	<b>129,347</b>	<b>131,839</b>	<b>101,637</b>	<b>130,320</b>	<b>147,367</b>	<b>152,134</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchase of intangibles	(1,788)	(7,741)	(17,461)	(5,102)	(11,493)	(6,101)	(6,201)
Purchase of property, plant and equipment	(125,147)	(137,353)	(134,400)	(165,583)	(181,542)	(170,922)	(133,955)
Other	(3,357)	37,376	14,154	16,362	17,013	13,219	14,193
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(130,292)</b>	<b>(107,718)</b>	<b>(137,707)</b>	<b>(154,323)</b>	<b>(176,022)</b>	<b>(163,804)</b>	<b>(125,963)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Increase in borrowings	31,197	14,610	56,000	71,267	78,185	53,455	12,870
Interest on borrowings	(20,654)	(22,899)	(23,204)	(26,690)	(32,423)	(37,190)	(39,253)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>10,543</b>	<b>(8,289)</b>	<b>32,796</b>	<b>44,577</b>	<b>45,762</b>	<b>16,265</b>	<b>(26,383)</b>
Net increase/(decrease) in cash and cash equivalents	8,184	13,340	26,928	(8,109)	60	(172)	(212)
Cash and cash equivalents at beginning of year	44,389	52,573	65,913	9,823	1,306	1,366	1,194
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>52,573</b>	<b>65,913</b>	<b>92,841</b>	<b>1,714</b>	<b>1,366</b>	<b>1,194</b>	<b>982</b>

1. The financial information for 2015/16 is estimated, unaudited and subject to change.

2. The prospective information for 2016/17 is taken from the 2016/17 Annual Plan. This information is unaudited.

3. The prospective information for 2018-20 is taken from the 2015-25 Long-term Plan. This information is audited.

## Our expenditure and how we fund it

**Operating expenditure** pays for the Council's day-to-day operations and services, from collecting rubbish and providing street lighting to maintaining gardens and issuing building consents. It is funded from general rates, targeted rates, fees and charges, and other income such as grants and subsidies and investment income.

**Capital expenditure** represents expenditure on property, plant and equipment, which are assets held by the Council and include those used in the provision of its goods and services (e.g. swimming pools, libraries, sportsfields, and bridges). It is largely funded from depreciation, development contributions, borrowing, and funding from third parties such as subsidies from NZTA for roading.

The table below shows how the council funds its operating and capital expenditure.

### Funding impact statements

	ACTUAL 2014 \$000	ACTUAL 2015 \$000	ESTIMATED <sup>1</sup> 2016 \$000	PROSPECTIVE <sup>2</sup> 2017 \$000	PROSPECTIVE <sup>3</sup> 2018 \$000	PROSPECTIVE 2019 \$000	PROSPECTIVE 2020 \$000
<b>SOURCES OF OPERATING FUNDING</b>							
General rates, uniform annual general charges, rates penalties	131,652	135,486	152,200	160,913	172,610	187,058	195,515
Targeted rates <sup>4</sup>	103,405	106,645	119,927	123,231	129,872	137,561	143,115
Subsidies and grants for operating purposes	9,131	8,020	8,467	8,086	6,942	6,261	6,386
Fees and charges <sup>4</sup>	113,528	121,196	114,481	123,171	128,271	131,033	134,611
Interest and dividends from investments	14,259	15,840	15,288	11,125	11,113	10,513	11,513
Local authorities fuel tax, fines, infringement fees, and other receipts	7,889	7,696	7,568	9,178	9,679	9,827	9,980
<b>TOTAL SOURCES OF OPERATING FUNDING (A)</b>	<b>379,864</b>	<b>394,883</b>	<b>417,931</b>	<b>435,704</b>	<b>458,487</b>	<b>482,253</b>	<b>501,120</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>							
Payments to staff and suppliers	241,712	259,690	273,700	291,914	289,293	302,434	312,699
Finance costs	22,372	22,973	23,945	25,617	32,365	36,868	38,926
Other operating funding applications	32,684	30,793	40,042	43,007	43,112	35,969	38,524
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>296,768</b>	<b>313,456</b>	<b>337,687</b>	<b>360,538</b>	<b>364,770</b>	<b>375,271</b>	<b>390,149</b>
<b>SURPLUS / (DEFICIT) OF OPERATING FUNDING (A-B)</b>	<b>83,096</b>	<b>81,427</b>	<b>80,244</b>	<b>75,166</b>	<b>93,717</b>	<b>106,982</b>	<b>110,971</b>
<b>SOURCES OF CAPITAL FUNDING</b>							
Subsidies and grants for capital expenditure	35,500	33,544	24,672	32,950	21,637	15,186	12,885
Development and financial contributions	5,873	2,077	2,749	2,000	2,000	2,000	2,000
Increase / (decrease) in debt	17,819	22,321	56,876	71,263	78,186	53,454	12,872
Gross proceeds from sales of assets	12,675	323	4,600	4,600	18,350	9,500	2,000
<b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>	<b>71,867</b>	<b>58,265</b>	<b>88,897</b>	<b>110,813</b>	<b>120,173</b>	<b>80,140</b>	<b>29,757</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>							
Capital expenditure							
- to meet additional demand	1,640	5,365	1,076	1,922	8,126	2,867	6,363
- to improve the level of service	49,423	56,360	42,704	87,124	104,294	88,760	48,065
- to replace existing assets	76,929	84,752	102,157	91,736	93,876	90,721	83,046
Increase / (decrease) in reserves	26,971	(6,786)	23,204	5,197	7,594	4,774	3,255
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>154,963</b>	<b>139,691</b>	<b>169,141</b>	<b>185,979</b>	<b>213,890</b>	<b>187,122</b>	<b>140,729</b>
<b>SURPLUS / (DEFICIT) OF CAPITAL FUNDING (C-D)</b>	<b>(83,096)</b>	<b>(81,427)</b>	<b>(80,244)</b>	<b>(75,166)</b>	<b>(93,717)</b>	<b>(106,982)</b>	<b>(110,971)</b>
<b>FUNDING BALANCE ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>	<b>90,863</b>	<b>98,262</b>	<b>98,356</b>	<b>101,975</b>	<b>108,742</b>	<b>114,681</b>	<b>116,963</b>

1. The financial information for 2015/16 is estimated, unaudited and subject to change.

2. The prospective information for 2016/17 is taken from the 2016/17 Annual Plan. This information is unaudited.

3. The prospective information for 2018-20 is taken from the 2015-25 Long-term Plan. This information is audited.

4. Included in this figure is the metered water rates. For 2013/14 and 2014/15 metered water rates are reported under Fees & charges, rather than targeted rates as per legislation requirements.



## Capital expenditure by strategic area

Our total capital spend in 2016/17 is forecast to be \$181 million with some of the largest projects being the continued upgrade of our social housing units and renewal spend on our infrastructure assets.

Capital expenditure is broken into three components: Renewals, which replace existing assets; Upgrades, which improve the level of services provided; and New assets, which provide for additional demand or increased capacity. The breakdown of the council's proposed capital expenditure by strategic area and type is:

STRATEGIC AREA	ACTUAL 2014 \$000	ACTUAL 2015 \$000	ESTIMATED <sup>1</sup> 2016 \$000	PROSPECTIVE <sup>2</sup> 2017 \$000	PROSPECTIVE <sup>3</sup> 2018 \$000	PROSPECTIVE 2019 \$000	PROSPECTIVE 2020 \$000
<b>Governance:</b>							
- to replace existing assets	53	-	-	116	-	126	-
<b>Total Governance</b>	<b>53</b>	<b>-</b>	<b>-</b>	<b>116</b>	<b>-</b>	<b>126</b>	<b>-</b>
<b>Environment:</b>							
- to meet additional demand	596	871	993	1,003	1,003	1,234	1,167
- to improve the level of service	3,078	6,558	7,068	10,265	12,518	12,234	11,047
- to replace existing assets	24,006	25,211	28,811	27,128	34,986	31,150	28,957
<b>Total Environment</b>	<b>27,680</b>	<b>32,640</b>	<b>36,872</b>	<b>38,396</b>	<b>48,507</b>	<b>44,618</b>	<b>41,171</b>
<b>Economic Development:</b>							
- to improve the level of service	2,593	-	-	5,252	-	-	8,330
- to replace existing assets	958	2,268	1,669	1,759	461	1,810	1,905
<b>Total Economic Development</b>	<b>3,551</b>	<b>2,268</b>	<b>1,669</b>	<b>7,011</b>	<b>461</b>	<b>1,810</b>	<b>10,235</b>
<b>Cultural Well-being</b>							
- to improve the level of service	-	2,370	1,927	9,272	128	24	24
- to replace existing assets	-	1	41	2	23	5	6
<b>Total Cultural Wellbeing</b>	<b>-</b>	<b>2,371</b>	<b>1,968</b>	<b>9,274</b>	<b>151</b>	<b>29</b>	<b>30</b>
<b>Social and Recreation:</b>							
- to meet additional demand	982	-	83	919	-	-	-
- to improve the level of service	27,398	14,001	14,343	28,986	10,412	2,262	1,591
- to replace existing assets	9,988	15,182	11,844	12,566	18,911	12,012	13,549
<b>Total Social and Recreation</b>	<b>38,368</b>	<b>29,183</b>	<b>26,270</b>	<b>42,471</b>	<b>29,323</b>	<b>14,274</b>	<b>15,140</b>
<b>Urban Development:</b>							
- to improve the level of service	6,922	20,295	6,854	12,390	40,515	17,528	11,952
- to replace existing assets	6,728	2,673	768	1,204	351	859	3,320
<b>Total Urban Development</b>	<b>13,650</b>	<b>22,968</b>	<b>7,622</b>	<b>13,594</b>	<b>40,866</b>	<b>18,387</b>	<b>15,272</b>
<b>Transport:</b>							
- to meet additional demand	62	4,494	-	-	1,864	5,129	3,339
- to improve the level of service	6,227	13,003	12,419	16,098	17,984	14,162	14,416
- to replace existing assets	22,586	23,981	24,114	24,955	24,288	23,924	34,623
<b>Total Transport</b>	<b>28,875</b>	<b>41,478</b>	<b>36,533</b>	<b>41,053</b>	<b>44,136</b>	<b>43,215</b>	<b>52,378</b>
<b>Council organisation:</b>							
- to improve the level of service	3,205	133	93	4,861	7,203	1,855	2,137
- to replace existing assets	12,610	15,436	34,910	24,006	11,701	13,160	13,783
<b>Total Council organisation</b>	<b>15,815</b>	<b>15,569</b>	<b>35,003</b>	<b>28,867</b>	<b>18,904</b>	<b>15,015</b>	<b>15,920</b>
<b>Total Council:</b>							
- to meet additional demand	1,640	5,365	1,076	1,922	2,867	6,363	4,506
- to improve the level of service	49,423	56,360	42,704	87,124	88,760	48,065	49,497
- to replace existing assets	76,929	84,752	102,157	91,736	90,721	83,046	96,143
<b>TOTAL COUNCIL</b>	<b>127,992</b>	<b>146,477</b>	<b>145,937</b>	<b>180,782</b>	<b>182,348</b>	<b>137,474</b>	<b>150,146</b>

1. The financial information for 2015/16 is estimated, unaudited and subject to change.

2. The prospective information for 2016/17 is taken from the 2016/17 Annual Plan. This information is unaudited.

3. The prospective information for 2018-20 is taken from the 2015-25 Long-term Plan. This information is audited.

# Indicators of financial performance

The council scores well against the local government benchmarks under the Financial Reporting and Prudence Regulations. The three main elements for financial prudence under the regulations are: affordability, sustainability and predictability.

The purpose of these benchmarks is to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

## Affordability benchmarks

Affordability benchmarks are intended to help assess the affordability to present and future ratepayers of each local authority's expenditure and financing activities. These look at Council's compliance against targets in their financial strategy for rates increases and debt levels.

## Sustainability benchmarks

These provide an indicator of how prepared the council is for long-term uncertainties and to maintain itself indefinitely.

## Predictability benchmarks

These provide an indicator of level of flexibility that the Council has to respond to unexpected events as well as its ability to pay for capital expenditure using internally generated funds rather than relying on external sources.

CATEGORY	MEASURE	2015/16* MET
<b>Rates affordability benchmark</b>	Council's planned rates increases are within the quantified limit on rates increases included in the LTP financial strategy. These limits are based on the Local Government Cost Index.	Yes 4.9%
<b>Debt affordability benchmark</b>	Net borrowings as a percentage of income <175%	Yes 88.7%
	Net Borrowing as a percentage of equity <10%	Yes 6.2%
	Net interest as a percentage of revenue <15%	Yes 5.0%
	Net interest as a percentage of annual rates income <20%	Yes 7.7%
	Liquidity (term borrowing + committed loan facilities to existing external debt) >115%	Yes 121%
<b>Balanced budget benchmark</b>	Operating revenue is greater than operating expenditure as a proportion >100%	Yes 101%
<b>Essential services benchmark</b>	Capital expenditure on network is greater than operating expenditure as a proportion >100%	Yes 120%
<b>Debt servicing benchmark</b>	Borrowing costs as a proportion of operating revenue <10%	Yes 5.4%
<b>Debt control benchmark</b>	Net debt as a proportion of planned debt <100%	Yes 94.6%
<b>Operations control benchmark</b>	Net cash flow from operations as a proportion of its planned net cash flow from operations >100%	Yes 126.2%

1. The financial information for 2015/16 is estimated, unaudited and subject to change.

## Investments and net borrowings

The Council is in a strong investment position when compared with the level of borrowings, meaning we have investments almost equal to borrowings at present. The balance of investments primarily comes from investment properties, our share of the net assets of our associates (including Wellington International Airport Limited) and other financial assets.

Net borrowings are the total borrowings less any cash or cash equivalents held as short or long term investment bank deposits.



