

# Tō mātou mahere ngahuru tau Our 10-Year Plan

Volume two | Long-term Plan 2021-2031



**Volume 2 (this document) includes:**

- significant assumptions underpinning this plan
- financial policies and strategies that support this plan.

**Volume 1 includes:**

- an overview of the outcomes and priority areas we are working towards
- a description of our services and key projects
- how we will track performance against outcomes and performance targets for services
- supporting and financial information on what it costs to deliver those services.

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# Significant forecasting assumptions

The tables below outline the specific forecasting assumptions to be used in the preparation of the 2021 LTP and associated documents. It notes their data source, key challenges and risks around the assumption including commentary on how the risk will be managed.

Population				
<b>Assumption</b>	<p>The long-term population forecast for Wellington City is growth of between 50,000 to 80,000 over the next 30 years. This is the forecast growth projection that underpins our Spatial Planning.</p> <p>Planning within this LTP has been based on existing assumptions provided by Forecast.id growth projections as shown in the table to the right. (this aligns to the low end of Spatial planning projected range for population growth). Once the Spatial Plan is finalised then we will ensure full alignment between our Spatial Plan and LTP.</p>		<b>Year</b>	<b>Wellington City Population</b>
			2020	214,537
			2021	216,505
			2022	218,734
			2023	221,421
			2024	223,585
			2025	225,587
			2026	227,094
			2027	228,312
			2028	229,303
			2029	230,252
			2030	231,242
2040	243,958			
2043	248,953			
<b>Data</b>	<p>Long-term population and demographic assumptions are provided by Informed Decisions (.id) for Wellington City modelling population growth, demographic changes and housing demand at a neighbourhood and city level. These forecasts were created in December 2020 by .id, on behalf of Wellington City. Forecasts are available for each year from 2013 to 2043. They do not consider potential impacts to assumptions stemming from COVID-19.</p> <p>Forecast inputs are based on Statistics NZ data and detailed information from the Council about current and planned residential activity in the city.</p> <p>Note that given COVID-19 we have supplemented our long-term population projections with advice on the short-term effects of COVID-19 on population growth. This advice has not changed this long-term population assumption, however will be used to inform the shorter term ratepayer base growth assumption (see below) which is informed by the short to medium term economic and growth outlook.</p>			
<b>Level of certainty</b>	Moderate			
<b>Key risks</b>	<b>Risk</b>	<b>Effects of risk</b>	<b>Mitigation</b>	
	<p>Population forecast growth assumptions are conservative, which may lead to an underestimation of population growth.</p> <p>A risk exists that total population growth continues to track higher than average.</p> <p>Risk that short-term growth will be significantly lower than forecast as the impacts of COVID-19 slow levels of migration to Wellington.</p>	<p>If population growth is higher than forecast, added pressure will be put on Council infrastructure and service provision, leading to possible failure to meet expected levels of service or constraining growth.</p> <p>If population growth is lower than expected, then we risk investing in services and infrastructure that will be over servicing the population. This impact may however be short-term if over the long-term growth continues.</p>	<p>Moderate growth can be accommodated within the present level of Council infrastructure.</p> <p>Where higher levels of growth create demand for new infrastructure, the Council will collect development contributions to meet a portion of the costs of new or upgraded investment.</p> <p>Our LTP is updated every three years allowing for growth projections and investment plans to be updated on a regular basis.</p>	

Economic growth					
<b>Assumption</b>	That the Wellington City economy will continue to be impacted by the effects of COVID-19 until beyond 2023 with GDP remaining lower than March 2020 levels until 2024. Some sectors, including tourism related industries including hospitality will have on-going impacts well into the period of the long-term plan.		<b>Year</b>	<b>Wellington City GDP</b>	<b>Wellington City Unemployment</b>
			2019	25,651 2.3%	4.2%
			2020	26,135 1.9%	3.8%
			2021	25,332 -3.1%	4.2%
			2022	25,904 2.3%	4.7%
			2023	26,021 0.5%	4.5%
			2024	26,537 2.0%	4.4%
			2025	27,189 2.5%	4.3%
			2026	27,815 2.3%	4.1%
			2027	28,464 2.3%	4.0%
			2028	29,128 2.3%	3.8%
			2029	29,786 2.3%	3.8%
			2030	30,430 2.2%	3.8%
<b>Data</b>	Economic projections are based on economic modelling of Wellington City economy undertaken by Infometrics commissioned in January 2021. This report will be available on the WCC LTP website.				
<b>Level of certainty</b>	Moderate				
<b>Key risks</b>	<i>Risk</i>	<i>Effect of risk</i>	<i>Mitigation</i>		
	Economic growth is lower than forecast due to: <ul style="list-style-type: none"> <li>the impacts of COVID-19 before more severe or lasting longer than anticipated</li> <li>external market factors</li> <li>insufficient investment in infrastructure/ services constraining city development</li> </ul>	Lower levels of economic growth will impact the affordability of Council plans: <ul style="list-style-type: none"> <li>ratepayer base growth assumptions will be inaccurate (see later assumption)</li> <li>the affordability of Council services will be lower for households, businesses and users of services</li> </ul>	We have been conservative in our assumptions around economic recovery to reduce the likelihood of this downside risk  Our economic assumptions will be closely monitored and any resulting updates to our long-term plans will be made through Annual Planning process		
Growth in ratepayer base					
<b>Assumption</b>	<b>Year</b>	<b>Capital value growth</b>	<b>Rate units*</b>	* The rate units are stated at the end of the preceding financial year	
	2021/22	0.7%	86,602		
	2022/23	0.6%	87,494		
	2023/24	0.6%	88,568		
	2024/25	0.6%	89,434		
	2025/26	0.6%	90,235		
	2027/28	0.6%	90,838		
	2029/30	0.6%	91,325		
	2030/31	0.6%	91,721		
	2031/32	0.6%	92,101		
	2032/33	0.6%	92,497		
<b>Data</b>	Ratepayer base growth is based on current property information from Council valuation service provider (Quotable Value Ltd), forward looking consenting, historic trends and expected population growth assumptions provided by Informed Decisions Ltd.				
<b>Level of certainty</b>	Moderate				

<b>Key risks</b>	<i>Risk</i>	<i>Effects of risk</i>	<i>Mitigation</i>
	The growth in the ratepayer base is higher or lower than projected.	<p>If growth is higher than forecasted, average rates funding increase will be reduced by an equivalent amount as there is a greater number of ratepayers across which the rates funding requirement will be allocated.</p> <p>If growth is lower than forecasted, the average rates increase for the ratepayer will be higher. The annual impact of a 1 percent of variance in growth in the ratepayer base is equivalent to approximately \$3.9 million of rates in 2021/22.</p>	We will measure and report on growth in the rating base and review the projections and underlying strategy on a regular basis. Ratepayer growth assumptions are reconfirmed through each Annual Planning exercise and provide the opportunity to adjustment plans based upon updated growth projections.

### Civil defence and emergency

<b>Assumption</b>			<b>MMI level</b>	<b>Average return period</b>
The assumed risks of a significant earthquake are in line with Wellington lifelines planning and relate to likelihood of earthquakes at different scales on the Modified Mercalli intensity (MMI) scale. Likelihood captured in the table below.			MMI7	~30 years
			MMI8	~120 years
			MMI 9	~400 years
			MMI 10	~1350 years
<b>Data</b>	Sourced from Wellington Lifelines report 2019.			
<b>Level of certainty</b>	Low			
<b>Key risks</b>	<i>Risk</i>	<i>Effects of risk</i>	<i>Mitigation</i>	
	That a significant event occurs during the period of the Long-Term Plan	The city is unable to recover sufficiently or quickly enough in order to prevent long-term adverse effects on the population or local economy.	<p>In order to recover from a significant event the Council has insurance and debt provision to provide some flexibility to respond financially to adverse events.</p> <p>The Council is further prepared to respond to large events, as some response plans are in place and staff members are regularly trained. However, work is needed to ensure that learnings from any activation are captured and contribute to the ongoing improvement of the city's preparedness.</p> <p>A key focus for this LTP will be improving the city's resilience. There will be a number of earthquake strengthening and resilience projects aimed at helping us mitigate the adverse impact of a significant event and manage our event insurance costs.</p>	

Climate change					
<b>Assumption</b>	We assume climate change occurs in line with Ministry for the Environment’s global emissions scenarios ranging from low to high greenhouse gas concentrations these are informed by the Intergovernmental Panel on Climate Change (IPCC).		<b>Category</b>	<b>Description</b>	<b>Transitional response</b>
	The most notable impact of which for Wellington City will be increased risks of coastal storm surge, and higher frequency and magnitude of flooding events, both exacerbated by sea level rise and increased volumes of water during rainfall events.		A	Coastal subdivision, greenfield developments and major new infrastructure	Avoid hazard risk by using sea-level rise over more than 100 years and the H+ scenario
	Table 12 from the MfE guidance informs our base assumptions for planning being:		B	Changes in land use and redevelopment (intensification)	Adapt to hazards by conducting a risk assessment using the range of scenarios and using the pathways approach
	<b>Table 12:</b> Minimum transitional New Zealand-wide SLR allowances and scenarios for use in planning instruments where a single value is required at local/district scale while in transition towards adaptive pathways planning using the New Zealand-wide SLR scenarios		C	Land-use planning controls for existing coastal development and assets planning. Use of single values at local/district scale transitional until dynamic adaptive pathways planning is undertaken	1.0m SLR
	For detailed guidance on the application of these assumptions see MfE guidance.		D	Non-habitable short-lived assets with a functional need to be at the coast, and either low-consequences or readily adaptable (including services)	0.65m SLR
<b>Data</b>	Assumptions are directly informed by Ministry for the Environment projections for Wellington and Wairarapa.				
<b>Level of certainty</b>	Moderate - while there is certainty on the direction of change, there is uncertainty as to the speed at which the climate and sea level rise will change.				
<b>Key risks</b>	<i>Risk</i>	<i>Effects of risk</i>	<i>Mitigation</i>		
	That sea level rise may be lower or higher than planned for.	If sea level rise happens slower than assumed, then we will have over invested in mitigating or management strategies. The impacts of this may be short-term as sea levels continue to rise over the longer-term.  If sea level rise is faster than assumed then we will have increased levels of service interruption, including to storm water and transport services.	The effects of sea level rise occur over a long-period and we will regularly review climate predictions as we make choices around our investment and as we regularly update our long-term plans.  We also plan in the longer term to transition towards dynamic pathways planning.		
Resource consents					
<b>Assumption</b>	Conditions for existing resource consents held by the Council will not be significantly altered. Any resource consents due for renewal during the 10-year period of this plan will be renewed accordingly.				
<b>Data</b>	N/A				

**Level of certainty** Moderate - there is some uncertainty around consenting conditions for the renewal of some Council consents:

- Stage 1 of the global consent for stormwater discharge expires in 2023, for stage 2 and future consents there is a likelihood of more stringent conditions as the requirements of the National Policy Statement for Freshwater Management come into effect
- Consenting of any sludge minimisation plant in the coastal environment would be significantly more challenging than the current site
- Landfill consents expire in 2026. Given the Southern Landfill consenting conditions are substantially about the management of water, there is a likelihood that conditions will be substantially more rigorous.

Key risks	Risk	Effects of risk	Mitigation
	Conditions of resource consents are altered significantly.	The financial effect of any change to resource consent requirements would depend upon the extent of the change.	Generally, the Council considers that it is fully compliant with existing resource consents. Changing consenting conditions will be inputs into planning individual projects- for example in the scoping of any landfill or sludge minimisation investment.
	The Council is unable to renew existing resource consents upon expiry	A significant change in requirements could result in the Council needing to spend additional funds to enable compliance.	

## Inflation

### Assumption

Cost adjustors

Inflation rates have been estimated using the BERL mid-scenario Forecasts of Price level Change Adjustors to 2031. We also assume that the Reserve Bank will use monetary controls to keep CPI within the 1.5 percent to 3 percent range.

Interest revenue - forecast to remain constant. Interest rates do not increase annually in line with rates of inflation.

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	20 yr ave
Planning and regulation	3.2%	1.7%	0.5%	2.7%	2.5%	2.3%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.0%
Roading	2.3%	1.9%	0.8%	3.3%	3.1%	3.0%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.5%
Transport	2.8%	1.8%	0.7%	2.9%	2.6%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.2%
Community activities	2.0%	1.7%	-0.2%	3.2%	2.7%	2.5%	2.4%	2.5%	2.4%	2.5%	2.6%	2.6%	2.4%	2.1%
Water and environmental management	3.8%	2.5%	-3.8%	6.0%	3.5%	2.6%	2.7%	2.9%	2.8%	3.2%	3.3%	3.4%	3.1%	2.5%
WCC HR cost adjustor			2.8%	2.4%	1.5%	1.7%	2.0%	2.2%	2.3%	2.4%	2.6%	2.7%	2.7%	2.5%

### Data

Inflation rates applied - Inflation rates have been estimated using the BERL Forecasts of Price level Change Adjustors to 2031. We also assume that the Reserve Bank will use monetary controls to keep CPI within the 1.5% to 3% range.

Inflation is affected by external economic factors, most of which are outside of the Council's control and influence.

**Level of certainty** High

### Key risks

Risk	Effects of risk	Mitigation
That actual inflation will be significantly different from the assumed inflation.	The Council's costs and the income required to fund those costs will increase by the rate of inflation unless efficiency gains can be made.	Annual review through the annual plan process.



## Cost of carbon

### Assumption

WCC assumes that the cost of carbon will inflate over the coming years as per the table below-

This assumption directly informs the carbon unit costs related to the Southern Landfill. More broadly the growing cost of carbon will have implications on the investment profile of individual projects and design of Council services, these impacts will be considered through the establishment of frameworks the Council will use in future project investment analysis and service review.

Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Rise to \$50 in Year 2 by 2031 with ongoing 2% growth thereafter	\$35.00	\$35.00	\$50.00	\$51.00	\$52.02	\$53.06	\$54.12	\$55.20	\$56.31	\$57.43	\$58.58	\$59.75
% increase from 2020		0%	43%	46%	49%	52%	55%	58%	61%	64%	67%	71%

### Data

Short to medium term price assumptions are based on price controls in the NZ ETS (The initial Cost Containment Reserve price trigger to be set at \$50 in 2021 and rise by two per cent for each subsequent year). Over the long-term these assumptions trend in line with the long-term price signals from the 2018 Productivity Commission report 'Low Emissions Economy' that signals a need for prices to move to between \$75 and \$200 by 2050.

### Level of certainty

Moderate - the certainty of our cost of carbon assumption is moderate particularly beyond 2025 when current ETS regulatory price controls expire. A range of factors including the pace of technological change and level of economic activity could significantly affect both the long-term trend and year on year costs.

### Key risks

#### Risk

That actual inflation will be significantly different from the assumed inflation.

#### Effects of risk

The Council's carbon unit costs and the landfill income required to fund those costs will increase by the rate of inflation unless efficiency gains can be made.

This includes to secondary impacts on other Council budget lines, for example the cost of fuel and electricity, which are not directly informed by this carbon price assumption.

#### Mitigation

Annual review of the budget through the annual plan process.

## Asset revaluations

### Assumption

Assumed growth in asset values are outlined in the table below. Growth in Council asset values are key drivers of forecasting increasing capital investment and depreciation rates.

	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	40/41	50/51
Buildings Revaluation	16.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Waters Revaluation	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Treatment Plant Revaluation	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Roading Revaluation	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

Depreciation and revaluation of property, plant and equipment (including water and transport assets)

Financial forecasts in this Long-Term Plan include a 3-yearly estimate to reflect the change in asset valuations for property, plant and equipment in accordance with the Council's accounting policies.

The following assumptions have been made for this LTP:

- The Council will continue its policy of fully funding depreciation which is affected by asset revaluations
- Revaluation movements shall equate to the inflation rates applied for all depreciable property, plant and equipment (refer to the "Inflation" section)
- The value of non-depreciable assets (such as land) is forecast to remain constant

<b>Data</b>	Asset revaluation assumptions are based off asset valuation analysis provided by CBRE and BERL.		
<b>Level of certainty</b>	Moderate - moderate uncertainty in how Council asset values will change over time		
<b>Key risks</b>	<i>Risk</i>	<i>Effects of risk</i>	<i>Mitigation</i>
	That actual asset value growth will be significantly different from the assumed rates.	Asset value growth at higher rates than assumed will lead to increasing pressure on rates and borrowing levels. This risk has impacted Council planning repeatedly in recent years as asset value growth has exceeded budgeting assumptions.	Annual review of assumptions through the annual plan process.

### Significant asset lifecycles

**Assumption** The estimated useful lives of significant assets will be as shown in the Statement of Accounting Policies. The asset life of key assets (three waters and transport is included below). The majority of the significant assets will continue to be revalued every three years. It is assumed that assets will be replaced at the end of their useful life. Ranges in average ages relate to the variability of component parts of assets and changing material and design of assets over time.

Key Asset - Pipes	Asset life in years	Key Asset - Roads	Asset life in years
Water pipes	50-95	Surface	10
Water reservoirs	40-100	Base	50
Water pumping stations	20-100	Bridges	80
Sewer pipes and tunnels	60-110	Footpaths	20-50
Sewer pumping stations	20-80	Retaining walls	50-75
Stormwater pipes	50-130	Sea walls	80-100
Stormwater pump stations	20-100	Kerbs and channels	70-120

It is also assumed that:

- the majority of the significant assets will continue to be revalued every 3 years.
- assets will be replaced at the end of their useful life.
- planned asset acquisitions (as per the capital expenditure programme) shall be depreciated on the same basis as existing assets.

<b>Data</b>	Assumptions of asset lives are informed by guidance on the Useful Life of Infrastructure from the NAMS Council and Council actual condition information of assets.		
<b>Level of certainty</b>	Mixed - The level of certainty of useful lives of assets ranges across different asset types. Underground assets that are not easily accessible have lower levels of confidence on their current condition and therefore expected remaining useful lives.		
<b>Key risks</b>	<i>Risk</i>	<i>Effects of risk</i>	<i>Mitigation</i>
	That assets wear out earlier or later than estimated.	Depreciation and interest costs would increase if capital expenditure was required earlier than anticipated. The financial effect of the uncertainty is likely to be immaterial.	Generally, we have the ability to prioritise work programmes should assets wear out earlier or later than estimated. In addition we are actively investing in improving the quality of asset condition information including of our three waters assets, to reduce the likelihood of this risk.

<b>Interest rates - cost of borrowing</b>											
<b>Assumption</b>	The Council borrowing rates for debt will change as per the table below.										
	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	50/51
Effective Interest Rate	2.41%	2.74%	3.00%	2.96%	3.16%	3.31%	3.27%	3.39%	3.54%	3.55%	3.16%
<b>Data</b>	Assumption reflects Council actual borrowing rates along with forecast rates based on hedging position and range of economic forecasts.										
<b>Level of certainty</b>	High - There is relative higher levels of certainty over short-term borrowing rates for Council debt in the short term given hedging policies. Longer-term, certainty levels are lower as interest rates are subject to wide range of factors.										
<b>Key risks</b>	<i>Risk</i>	<i>Effects of risk</i>					<i>Mitigation</i>				
	That prevailing interest rates will differ significantly from those estimated.	Based on the minimum hedging profile, a 0.1 percent movement in interest rates will increase/decrease annual interest expense by between \$200,000 and \$1,000,000 per annum across the 10-year period of this plan					Interest rates are largely driven by factors external to the New Zealand economy. The 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 percent of core borrowings.				

<b>Expected returns on investment and funding sources</b>											
<b>Assumption</b>	We assume that the impacts of COVID-19 will mean that WIAL dividend income will be zero in 2021/22 before progressively increasing back to pre COVID-19 levels by 2024/25.										
	The Council has made assumptions on the level of subsidies it expects to receive from central government through the NZTA over the period of the plan. This is that the normal Funding Assistance Rate (FAR) is expected to remain at 51 percent of eligible expenditure for the period of the plan. It is assumed that the NZTA subsidy will apply to 85% of our transport programme of work (maintenance, renewal and upgrade works) excluding the majority of cycleways which the NZTA subsidy is assumed to apply to 100% of, excluding some specific projects where it is known that the work will not be eligible for the NZTA subsidy, for example the Island Bay cycleway.										
<b>Data</b>	n/a										
<b>Level of certainty</b>	Low - We have a lower than normal level of certainty on WIAL dividend assumptions given the current economic climate and impacts of COVID-19.										
	Moderate - NZTA have provided their indicative 2021-24 NLTP allocations, with final funding allocations to be confirmed in August 2021. The indicative NZTA income assumptions have a moderate level of uncertainty as final allocations are to be confirmed, including the level of funding for the accelerated cycleways programme.										
<b>Key risks</b>	<i>Risk</i>	<i>Effects of risk</i>					<i>Mitigation</i>				
	That the WIAL dividends are significantly lower than assumed or that NZTA makes further changes to the subsidy rate, the funding cap or the criteria for inclusion in the subsidised works programme.	If the actual returns/revenues from these sources are significantly less than forecast, the Council will need to look for alternative funding through rates or borrowings. If the returns were greater then Council would have additional revenue above forecasts.					Annual review of assumptions through the annual plan process.				
		A 5 percentage point change in the level of NZTA subsidy over our transport programme would represent approximately \$1.7m increase or decrease in revenue each year.									

### Ability to deliver capital programme

<b>Assumption</b>	We assume that there will be market capacity to deliver our planned capital programme. This will be supported by careful programme planning, investment in internal capability and Wellington Water increasing their capability, capacity and use of innovation and scale.		
<b>Data</b>	n/a		
<b>Level of certainty</b>	Moderate - There is always an inherent level of risk in delivering a capital programme, particularly one that is substantially increased. Although we have plans to manage this risk there remains uncertainty. In the short-term this is linked to the ongoing effects of COVID-19 border measures on labour and material supply, in the longer-term this relates to the ability of the supplier market to respond to regional investment plans and on how other planned infrastructure investment across the region progress.		
<b>Key risks</b>	<i>Risk</i>	<i>Effects of risk</i>	<i>Mitigation</i>
	That our capital programme is not able to be delivered as planned.	If we are unable to deliver the planned capital programmes, then the benefits of investment will be delayed. For projects aimed at enabling growth, this could constrain the pace of growth. There will also be delays to our planned capital expenditure profile with flow on impacts on borrowing and operating expenditure projections.	<p>Regular monitoring of our capital programme progress, and adjustments to plans through the formal Annual Planning process.</p> <p>Cycleways investment will ramp up over the ten years of the plan and as we do so create opportunities to grow the local market or look at alternative contract options (alliance models etc.)</p> <p>Careful programme planning, investment in internal capability and Wellington Water increasing their capability, capacity and use of innovation and scale.</p> <p>If unable to deliver the capital programme, Council will prioritise renewals work (to prevent asset failure and resulting service interruptions) and critically review the planned capital upgrade work programme including identifying opportunities for deferral of works.</p>

### Level of service

<b>Assumption</b>	<p>For this 10-year plan we assume that:</p> <ul style="list-style-type: none"> <li>the current demand for Council services and customer expectations regarding business as usual levels of service will not significantly decrease during the planning period</li> <li>beyond what is specifically planned for and identified in this 10-year plan, there will be no significant additional impact from above pressures on asset requirements or operating expenditure.</li> </ul>
<b>Data</b>	n/a
<b>Level of certainty</b>	Moderate

<b>Key risks</b>	<i>Risk</i>	<i>Effects of risk</i>	<i>Mitigation</i>
	That there are significant changes in the impact of pressures on the demand for services or levels of service beyond those planned in this plan.	If customers begin to expect a higher level of service, we either risk decreasing residents' satisfaction or an increase in ongoing costs to maintain a higher level of service	The Council has well defined service levels for its planned activities, which have been reviewed as part of the 10-year plan process.  Customer satisfaction surveys and other engagement strategies generally support the key assumptions made within the 10-year plan and therefore there are currently no known additional areas of the Council's service that require significant modification.

### Three waters reform

<b>Assumption</b>	While the Government's three waters reform programme is currently underway, and the Council is participating in that work, the Government is not expected to make a decision on the reforms until May 2021. As such, for the purposes of planning it is assumed that three water services will continue to be delivered through their existing arrangements between the Council and Wellington Water over the life of the Long-Term Plan.
<b>Data</b>	Our assumption is in line with SOLGM advice on the treatment of reforms as outlined in their practice note <i>Three Waters Reform in the 2021-31 Long-Term Plans</i>
<b>Level of certainty</b>	Uncertain

<b>Key risks</b>	<i>Risk</i>	<i>Effects of risk</i>	<i>Mitigation</i>
	That the three waters reform leads to changes to the management and/or ownership of Council's three waters assets	A change in ownership of three waters assets would have substantial direct impacts on Council finances and its financial and infrastructure strategy. It could also have second order impacts on Council's long-term planning in other areas given fundamental changes to the Council's financial position. For example, our debt to revenue position may be negatively affected should the value of three waters debt that is transferred be disproportionately lower relative to three waters income compared with wider Council debt and income levels.	Any decisions on the Council's involvement in reforms would require consultation with the community and that would include full consideration of the direct and second order impacts.

### Sludge funding

<b>Assumption</b>	It is assumed that off balance sheet funding for the sludge minimisation project is able to be secured (through the Infrastructure Funding and Financing legislation (IFF)). This would enable the project to proceed without impacting Council debt limits.
<b>Data</b>	n/a
<b>Level of certainty</b>	High - Council has had clear positive support from Crown Infrastructure Partners who manage the application process for IFF financing.

<b>Vested assets</b>			
<b>Assumption</b>	It is assumed that the sludge treatment plant, valued at \$187m and delivered through a special purpose vehicle, will be vested back to the Council once completed in year four of the long-term plan.		
<b>Data</b>	n/a		
<b>Level of certainty</b>	Medium		
<b>Key risks</b>	<p><i>Risk</i></p> <p>That we are not able to secure off balance sheet funding arrangements for sludge minimisation as assumed.</p>	<p><i>Effects of risk</i></p> <p>Until funding is secured then the sludge minimisation project would not be able to proceed, or alternatively reprioritisation of the capital programme or alternative Public Private Partnerships would be required.</p> <p>Delays in confirming the sludge minimisation project would impact planning for dependant pieces of work, in particular the future of the Southern Landfill and waste minimisation activities.</p>	<p><i>Mitigation</i></p> <p>Council's Annual Planning process provides a process whereby reprioritisation of the capital programme can be undertaken.</p> <p>Alternative Public Private Partnership that will enable Sludge to be financed off balance sheet are being investigated in parallel.</p> <p>Setting a debt limit at 225%, below the 280% limit of the LGFA covenant provides some flexibility for future additional debt.</p>
<b>LGWM funding</b>			
<b>Assumption</b>	<p>Only initial \$283m costs of LGWM delivery projects plus programme funding are included in our budget given the significant uncertainty about the full future programme scope and costs of LGWM, including the funding split for those costs. Their exclusion from the budget does not mean the Council does not plan to proceed with LGWM, the Council remains committed to improving Wellington's transport infrastructure as envisioned through the LGWM programme.</p> <p>Their exclusion from the budget however mean that future further costs of LGWM identified through business cases will either need to be funded alternatively and/or accommodated through further extending the Council's debt position agreed to through this LTP. Alternative funding arrangements are preferred and, for example, may include identification of new revenue streams such as traffic demand management or off balance sheet funding arrangements through the Infrastructure Funding and Financing legislation.</p>		
<b>Data</b>	n/a		
<b>Level of certainty</b>	Low		
<b>Key risks</b>	<p><i>Risk</i></p> <p>That alternative funding for the full costs of LGWM are not able to be identified and, in order to proceed with LGWM business cases, the Council would have significant unbudgeted costs.</p> <p>The need for the Council to identify alternative funding or make significant variations to this LTP to accommodate additional costs may also lead to delays to decision making around programme business cases.</p>	<p><i>Effects of risk</i></p> <p>This would either require Council to accommodate additional costs into an amended budget with breaches of proposed current rates and debt limits or aspects of LGWM may not be able to proceed.</p> <p>The effect of this risk on Council finances and the programme is significant given the draft size of the full programme identified in the indicative programme business case was \$3.2b for the three partner organisations.</p>	<p><i>Mitigation</i></p> <p>The LGWM partners are engaging with the Minister of Transport on the range of funding tools.</p> <p>Setting a debt limit at 225%, below the 280% limit of the LGFA covenant provides some flexibility for future additional debt should Council decide that LGWM investment warrants further extending the debt position.</p> <p>Council's Annual Planning process also provides a process whereby reprioritisation of the capital programme can be undertaken.</p>

<b>Funding sources - ground leases</b>			
<b>Assumption</b>	That long-term ground leases for Michael Fowler Centre carpark, Municipal Office Building and Civic Administration Building are all secured in the first two years of the LTP to enable revenue from those ground leases to be used to pay down Council debt. Proceeds from those ground leases would be approximately \$27m		
<b>Data</b>	n/a		
<b>Level of certainty</b>	High - While the MFC carpark negotiations are more advanced and therefore the likelihood of ground lease more certain, the MOB and CAB sites are less certain as we have not yet tested the market. Council has had valuations on the land and unsolicited queries from the private sector about opportunities with Civic Square. The need to gain resource consent for demolition of those buildings and potential consultation requirements associated with that also creates risks to this assumption		
<b>Key risks</b>	<i>Risk</i> That long-term ground leases are not able to be secured in the timeframe of this assumption or are at a lower value than assumed.	<i>Effects of risk</i> If long-term ground leases are delayed or at a lower value then that may impact Council's debt position and may lead to breach of proposed debt to revenue limits.	<i>Mitigation</i> Council's Annual Planning process provides a process whereby reprioritisation and/or rephasing of the capital programme can be undertaken.
<b>Development contributions</b>			
<b>Assumption</b>	We have assumed annual revenue from Development Contributions of \$3.5m over the 10 years of this long-term plan.		
<b>Data</b>	n/a		
<b>Level of certainty</b>	Moderate - the level of Development Contribution revenue is broadly in line with actual levels of revenue over the previous three financial years.		
<b>Key risks</b>	<i>Risk</i> The level of development contributions collected and the timing could result in insufficient income to cover the costs of required growth infrastructure.	<i>Effects of risk</i> If the level of development contribution income is less than forecasted, this would mean the debt is not paid off as quickly as planned, and therefore interest costs relating to this debt would be marginally higher than planned	<i>Mitigation</i> Council's Annual Planning process provides a process whereby reprioritisation of budget can be undertaken.
<b>Sale of assets</b>			
<b>Assumption</b>	We have assumed sale proceeds from asset sales of \$48m will be realised to repay borrowings across the 10-year period of this plan.		
<b>Data</b>	n/a		
<b>Level of certainty</b>	Moderate		
<b>Key risks</b>	<i>Risk</i> That the sale of assets do not occur at forecasted levels.	<i>Effects of risk</i> If the level of asset sales is less than forecasted, either our level of debt will increase by the relevant amount or the 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.	<i>Mitigation</i> Council's Annual Planning process provides a process whereby reprioritisation of budget can be undertaken.  Setting a debt limit at 225%, below the 280% limit of the LGFA covenant provides some flexibility for future additional debt.

## Insurance

<b>Assumption</b>	The Council will maintain its current level of asset insurance to indemnify itself against the expected damage caused in a one in one thousand year earthquake event. This level will cover approximately 70% of the forecast loss, with the remaining 30% of the loss assumed to be funded by debt.		
<b>Data</b>	The 1-1000 year event loss estimates for Council owned assets are calculated by GNS. This informs our strategy on how we transfer the risk to a third party and also the level of financial risk that is held by Council if third party risk transfer is not available or affordable.		
<b>Level of certainty</b>	Moderate - Price and available capacity of insurance is reducing over time in areas of the world that are deemed to be of high risk, as a result of a natural disaster.		
<b>Key risks</b>	<p><i>Risk</i></p> <p>That the Council is not able to secure sufficient insurance</p> <p>That the increasing costs of holding insurance exceed available budget.</p> <p>That the financial loss to the assets in a major event is significantly greater than that estimated.</p>	<p><i>Effects of risk</i></p> <p>An inability to secure sufficient insurance or actual losses exceeding estimated loss would mean that not all assets would be able to be repaired or replaced post the earthquake event.</p> <p>Meeting increasing costs of insurance to maintain coverage would have direct impacts on rates and fees and user charges.</p>	<p><i>Mitigation</i></p> <p>The assumptions that drive the 1-1000 damage estimates are updated every 2-3 years by GNS to ensure up-to-date asset information is understood e.g. buildings that are based isolated and unlikely to have any major damage.</p> <p>Council is also working to minimise potential impacts of an event through significant investment to earthquake strengthen buildings (base isolation). New developments and renewal of our assets are also done with earthquake resilient materials e.g. Water pipes, reservoirs, tunnels and bridges.</p> <p>The Forecast Debt limit includes the provision of approximately 30% debt funding of the forecast loss.</p>

## LGFA

<b>Assumption</b>	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. Council assumes no default event occurring during this Long-Term Plan.		
<b>Data</b>	n/a		
<b>Level of certainty</b>	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.		
<b>Key risks</b>	<p><i>Risk</i></p> <p>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 guarantor's relative rates income.</p>	<p><i>Effects of risk</i></p> <p>Payment would be required by Wellington ratepayers for the relevant amount in default</p>	<p><i>Mitigation</i></p> <p>The structure and makeup of the LGFA through the foundation documents sets out the protections and processes of guarantees and defaults. The LGFA Risk management committee, reporting framework, Key performance indicators and variance at risk all mitigate the risk eventuating</p>



<b>Renewal of external funding</b>			
<b>Assumption</b>	It is assumed that the Council will be able to renew existing borrowings on equivalent terms		
<b>Data</b>	n/a		
<b>Level of certainty</b>	High		
<b>Key risks</b>	<i>Risk</i>	<i>Effects of risk</i>	<i>Mitigation</i>
	That new borrowings cannot be accessed to fund future capital requirements.	Future capital programmes may be delayed and the Council improvement programmes/infrastructure assets may not receive the required investment.	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.
<b>Weathertight homes</b>			
<b>Assumption</b>	The Council will continue to spread the cost incurred by settling weathertight homes claims by funding claims from borrowings and spreading the rates funded repayment across a number of years. This 10-year plan assumes that the Council's weathertight homes liability will be fully settled and the associated borrowing repaid over the 26-year period.		
<b>Data</b>	n/a		
<b>Level of certainty</b>	High		
<b>Key risks</b>	<i>Risk</i>	<i>Effects of risk</i>	<i>Mitigation</i>
	That the level of the claims and settlements is higher than provided for within the 10-year plan.	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 \$39 million, a 1 percent change in this figure would equate to \$0.4 million.	N/A.
<b>General rates differential</b>			
<b>Assumption</b>	It is assumed that the general rates differential will remain at 3.25:1 Commercial: Base/Residential over the 10-year period of this plan.		
<b>Data</b>	n/a		
<b>Level of certainty</b>	High		
<b>Key risks</b>	<i>Risk</i>	<i>Effects of risk</i>	<i>Mitigation</i>
	That the Council makes the decision to change the general rates differential from forecast.	Should the Council decide to change the general rate differential, the maximum it could be expected to move would be from 3.25:1 to 1:1 Commercial: Base/Residential. This could potentially transfer the rates impost from Commercial ratepayers back to Base/Residential ratepayers of approximately \$60 per annum.	Council's Annual Planning process provides a process whereby rates differential can be reconfirmed regularly.

# Financial and Infrastructure Strategy

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# Purpose

The purpose of this combined Financial and Infrastructural Strategy (F&IS) is to provide a decision-making framework that enables the Council to make informed, prudent and sustainable investment decisions that balance the funding of the City's:

- strategic needs (the things we have to do to protect and enhance our infrastructure assets, to mitigate our risks, and to manage future growth) with its
- strategic wants (the changes and improvements we have to make in services, assets and outcomes for us to deliver our future vision for Wellington).

# Strategic overview and purpose

## Introduction

He toka tū moana, ara he toa rongonui - strong like a rock in the rapids.

A City's physical infrastructure is the basic foundation upon which its residents can thrive. Good infrastructure is critical but usually taken for granted. Poor infrastructure can bring a City to its knees - it can undermine economic confidence and - at worst - can undermine public health.

Good infrastructure is also expensive, which means that funding for infrastructure renewals, replacements and growth has to be prioritised and protected. At the same time, this investment must be balanced with affordability, intergenerational benefits and the Council's other investment priorities.

## Why this strategy is important

The scale of the capital investment we need to make in our infrastructure assets is substantial. This level of investment to be affordable, both now and in the future, requires a robust and informed strategic planning approach that considers the most effective prioritising, timing and financing of these investments. Getting these decisions wrong may have serious consequences not only for our City's basic infrastructure but also for the Council's future financial sustainability.

At the same time, the environment in which the Council operates is rapidly changing. A combination of external pressures and risks, and the evolving expectations of our communities, means that we need to take a comprehensive and long-term view of the financial challenges we face, and a strategic plan to allow us to respond to them. Some of these emerging financial challenges include:

- The impacts of a global pandemic
- The increasing unaffordability of housing in the City
- A Mayoral Taskforce that highlighted challenges with three waters infrastructure
- The emergence of a new blueprint for the future shape of the City (Planning For Growth)
- A requirement to review our District Plan for the Government's National Policy Statement on Urban Development (NPS-UD) by mid-2022
- The closing of the Central Library due to seismic concerns with public safety

- The declaration of a climate emergency, and adoption of Te Atakura (first to zero carbon emissions)
- The emergence of the plan for Let's Get Wellington Moving (LGWM)
- An ambitious waste minimisation plan that aims to reduce waste to landfill by one third by 2026.
- A productivity commission review of Local Government funding that has resulted in no new funding sources for Local Government

The response to these financial challenges requires improvements to our levels of services both in operational areas and increasing the amount of infrastructure. In areas not specifically referenced in this document, we need to maintain levels of service at current levels. To achieve this, we have to make sure that:

- The impact on rates of the planned investment is included in the rates increases forecast across the 30 years of our long-term plan.
- We are able to fully fund depreciation on current assets to generate cashflows needed to renew assets as forecast across the 30 year infrastructure strategy.

It is important that we continue to raise awareness of Te Ao Māori where everything in the world is believed to be related or interconnected. This approach, including the relationship between humans and the rest of nature promotes being responsible kaitiaki. We intend to increasingly bring this focus on wellbeing and reducing our impact on the environment into our financial and infrastructure planning this commitment being the platform for the development of further work on integrating Te Ao Māori into the implementation of the resulting actions.

## Objectives of the strategy

The overarching objective of the F&IS is to ensure that financial and infrastructure investment decision-making directly supports the Council's strategic objectives and the Long-Term Plan (LTP). Underpinning this, the F&IS also aims to:

- Outline the current health of the Council's finances and infrastructure networks
- Identify significant issues and costs over the next 30 years
- Identify the main options for managing the issues
- Enable effective financial and infrastructure investment decision-making by providing a

framework to assess, prioritise, consult on and finance proposals

- Commit the Council to a set of funding limits and other financial measures to ensure that our long-term plans are sustainable and affordable
- Outline how we manage our assets and ensure sufficient funding is generated to maintain infrastructure networks and the services they provide

## Principles of financial and infrastructure investment decision-making

The following set of principles are designed to enable consistent and effective financial and investment decisions, and they form the basis of the F&IS:

- **Affordability** - focusing on areas that offer the greatest outcome.
- **Fairness & intergenerational equity** - applying debt funding and depreciation to ensure ratepayers pay for assets as they are using them.
- **Sustainability** - investment priorities include areas that grow the economy and the Council’s rating base.
- **Maintaining a balanced budget** - each year the Council will raise sufficient income to fund the operating costs (including depreciation) of providing its services.
- **Managing our investments and equity securities** - we optimise the return on our overall investment portfolio, and provide diversity in the Council revenue sources.
- **Operating a policy on securities** - using our rates revenue as security on our borrowings.
- **Managing insurable risk** - we achieve an adequate level of insurance at acceptable value for money.
- **Maintaining transparency** - our priorities are costed and the funding methods and tools are clear to ensure the community is aware of our proposals and their implications.
- **Funding capital expenditure** - generally funded initially by borrowing and then repaying borrowing by rating for depreciation. Other funding sources include development contributions for infrastructure to meet the demand for growth, government subsidies and donations.

- **Funding operating expenditure** - funded through general and targeted rates, fees and charges, investment income, government subsidies (eg NZTA) and other funding sources.

## Community Outcomes

To help prioritise our Long-term Plan investment we developed a Community Outcomes Framework to put community wellbeing at the centre of our planning. These community outcomes drive our investment choices across our infrastructure.

### Environmental

#### A sustainable, climate friendly eco capital

A city where the natural environment is being preserved, biodiversity improved, natural resources are used sustainably, and the city is mitigating and adapting to climate change - for now and future generations

### Cultural

#### An innovative, inclusive and creative city

Wellington is a vibrant, creative city with the energy and opportunity to connect, collaborate, explore identities, and openly express, preserve and enjoy arts, culture and heritage

### Social

#### A people friendly, compact, safe and accessible capital city

An inclusive, liveable, and resilient city where people and communities can learn, are connected, well housed, safe and healthy

### Economic

#### A dynamic and sustainable economy

The city is attracting and developing creative talent to enterprises across the city, creating jobs through innovation and growth while working towards an environmentally sustainable future.

## Wellington Water Limited

Wellington Water Limited (WWL) provides drinking water, wastewater and stormwater services on behalf of client councils - Hutt City, Porirua City, South Wairarapa District Council, Upper Hutt City, Wellington City and the Greater Wellington Regional Council.

WWL is a council-owned, shared service organisation. A representative from each council sits on the regional Wellington Water Committee, which provides overall leadership and direction for the company. Wellington Water is governed by a board of independent directors.

WWL aims to deliver services focusing on three customer outcomes:

- **Safe and healthy water:** ensuring a safe drinking-water supply and work to protect communities from exposure to the harmful effects of wastewater overflows.
- **Respectful of the environment:** seeking to avoid harm to the natural and built environment and, over time, enhance it for the benefit of future generations.
- **Resilient networks that support the economy:** maintaining reliable water networks that can withstand shocks and stresses, and future-proof those networks to support a strong regional economy now and into the future.

Water is of great significant to Māori /iwi. Our local iwi are Taranaki Whānui (the legal entity representing its interests is 'Taranaki Whānui ki te Upoko o te Ika a Maui') and Ngāti Toa Rangatira (the legal entity representing its interests is 'Te Rūnanga O Toa Rangatira'). Representatives from each iwi are members of the Wellington Water Committee to provide a local te ao Māori perspective and enable the role of iwi as partners, as envisaged under the Treaty of Waitangi, to be brought alive at the governance level.

# Current finance & infrastructure settings & health

## Our current financial position

The Council's current financial position is strong and compares well to other local authorities. We have a robust balance sheet with manageable levels of debt relative to the assets and income generating investments we own; as at 30 June 2020:

- Our total assets were valued at have a \$7.6 billion replacement cost. Our debt to income ratio of 128% was within our agreed limit of 175% and was lower than most metropolitan councils in New Zealand.
- We held income generating investments of almost \$468 million which would help offset our total level of debt of \$662 million if they were sold.

In February 2021, the independent credit rating agency Standard & Poors confirmed the Council's credit rating at AA+/A-1+. This means we continue to have a very strong capacity to meet our financial obligations and commitments.

Operationally, we consistently set a tax (rates) to cover our net costs (after other revenues) to break even each year (a balanced budget). Our sources of income are diversified, meaning that more than one third (36%) of our operating costs are funded from sources other than rates.

## How we fund capital expenditure

Capital expenditure represents expenditure on property, plant and equipment. Property, plant and equipment are tangible assets that are held by the Council (for example: bridges, libraries, swimming pools). Capital expenditure is funded from rating for depreciation, development contributions, capital funding, and restricted funds or through new or extended borrowings as outlined below:

- If the capital expenditure relates to the replacement (renewal) of an existing asset, that expenditure will be temporarily funded by borrowings. These borrowings will be repaid by rating for depreciation over the life of the asset. Any surplus rate funded depreciation, after paying for the replacement of Council assets, will be used to repay borrowings.
- If the capital expenditure relates to the construction or purchase of a new asset or to the upgrade or increase in service potential of an existing asset, that expenditure will usually be funded from new or extended borrowings. Borrowing is the most cost-effective and equitable way to do this as it spreads the cost of the asset over all the generations

who will benefit from it, making it affordable to ratepayers today.

- On projects where based on financial prudence, the Council may impose a targeted rate to repay borrowings on an asset at a faster rate than over the full life of the asset.
- The Council will use capital funding from third parties to fund investment in new or upgraded assets (such as funding received from the NZ Transport Agency).
- The funding of capital expenditure from the sale of surplus assets is decided on a case-by-case basis. Funds received from the sale of surplus assets that are not applied to the funding of capital expenditure shall be used to repay borrowings.
- The funding of capital expenditure from restricted or special funds is decided on a case-by-case basis and is subject to the specified purposes and conditions governing the use of those restricted funds.
- If an approved capital expenditure project is not completed by the end of the financial period, the unspent funds may be carried forward to the next financial period to enable the project to be completed.
- The Council has agreed that Development Contributions are to be used as the primary funding tool for capital expenditure related to population and employment growth for: water, wastewater, stormwater, roads, and reserves. The Council will continue to collect residual RMA based Financial Contributions on developments consented prior to 2005/06. In some circumstances, funds collected under either the Development Contributions Policy or the Financial Contributions Policy in the District Plan will result in a corresponding decrease in the amount to be funded from new borrowings.

## How we fund operating expenditure

### Establishing the level of operating revenue required to fund operating expenditure

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. The Council will set its projected operating revenue at a level sufficient to meet the current year's projected operating expenditure, except where the Council resolves that it is financially prudent not to do so. When setting projected operating

revenue at a level that is different from the level of projected operating expenditure the Council will have regard to:

- the estimated expenses of achieving and maintaining the predicted levels of service provision set out in the 10-year plan, including the estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life
- the projected revenue available to fund the estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life
- the equitable allocation of responsibility for funding the provision and maintenance of assets and facilities throughout their useful life
- the funding and financial policies adopted under section 102 of the Local Government Act 2002.

In accordance with these principles, the Council has determined that the following items will not be funded:

- **Non-funding of depreciation on Council assets.** The Council may elect not to fund all or part of the depreciation expenditure on specific assets in those circumstances where it is not financially prudent to do so. In accordance with section 100 of the Local Government Act 2002, the Council considers that it is not financially prudent to fund depreciation in the following circumstances:
  - where the original asset purchase was not funded by borrowings, or the original borrowings have been repaid, and
  - where, on an ongoing basis, the replacement of the asset at the end of its useful life will be funded by a third party, or
  - where the Council has elected not to replace the asset at the end of its useful life.
  - where a third party has a contractual obligation to either maintain the service potential of the asset throughout all or part of its useful life (or to replace the asset at the end of its useful life) and the Council already effectively funds this through operating grants/tariffs payable to the third party.
- **Non-funding of depreciation on waterfront assets.** The Council has transitioned the waterfront project 'in-house' during 2014/2015. This acquisition has necessitated a transition toward funding the depreciation of all waterfront assets by 2026/27. This transition funding will link the cost of funding to the benefits received over time.

## Options available for funding Council services

The Council uses the following mechanisms to fund operational expenditure requirements:

- **General rates.** General rates are used to fund public goods where it is not possible and/or practical to clearly identify customers or users. The general rate is also used to fund activities where, for reasons of fairness, equity and consideration of the wider community good it is considered that this is the most appropriate way in which to fund an activity.
- **Targeted rates.** This form of rate is used where an activity benefits an easily identifiable group of ratepayers (such as the commercial or residential sectors) and where it is appropriate that only this group be targeted to pay for some or all of a particular service. For example, sewage disposal, water supply and the downtown targeted rate.
- **Fees and charges.** User charges are direct charges to people and/or groups who use certain Council services such as swimming pools. In these instances, an identifiable benefit exists to clearly identifiable people and/or groups and they are required to pay for all or part of the cost of using that service. It is noted that, since 2006, councils have been required to inflation adjust all income and expenditure within their 10-year plans. Where appropriate and with consideration to 'ability to pay' principles, user charges will be increased by the rate of inflation to achieve continued alignment with the funding policy targets. Grants and subsidies apply to some activities when income from external agencies is received to support that particular activity.
- **Borrowings.** In general, the Council does not fund operating expenditure by borrowing. The exception is to fund the impacts on ratepayer's intergenerational equity or to fund expenditure over the period which benefits are received, such as weathertightness payments. Any borrowings associated with these expenses will be repaid over time.
- **Other sources of funding.** The Council also funds operating expenditure from other sources, including income from interest and dividends from investments held by the Council, lease income and proceeds from asset sales.



### Financial trends and implications

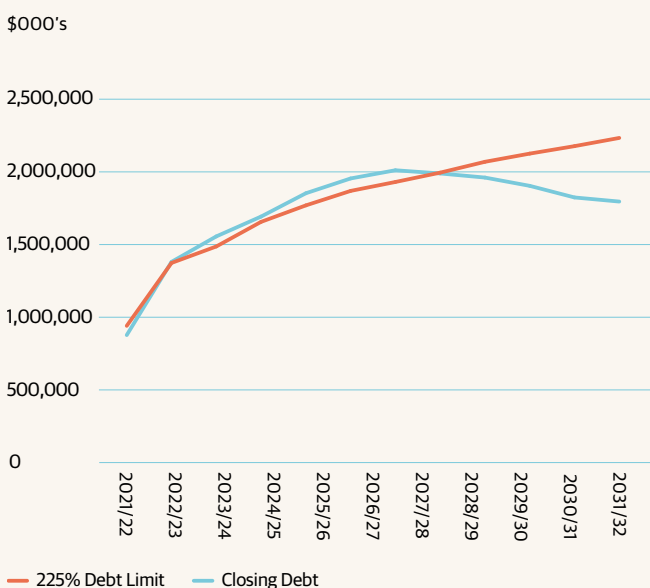
While the current health of the Council’s finances remains sound, there are underlying financial trends that highlight the increasing financial pressures the Council is facing. While current debt levels are manageable, they have also been steadily increasing. Similarly, our growing asset base is placing increasing pressure on our operating costs due to higher costs of maintenance and debt financing.

Looking ahead, the trend over the forecast period of this LTP shows a further weakening financial position. With the proposed capital program over the next ten to thirty years, the level of borrowings is forecast to increase to the highest ever level. The proposed level of debt causes further operational costs (e.g. interest and depreciation funding) which need to be funded - from sources like rates, fees and charges.

Setting funding limits at a prudent level is essential to ensure the ongoing financial sustainability of the Council.

The below graph shows the projection of the Councils net debt level against the limit of debt to income ratio of 225%.

**225% Debt Limits LTP 2021-31**



This shows the proposed capital expenditure program is causing the Council to exceed the debt limit up until 2027/28. This programme includes \$445m of capital expenditure on the social housing portfolio, despite this not being the preferred option. This full capital funding has been included for completeness as a default position until further certainty can be gained on a preferred operating model that will attempt to meet the ongoing financial sustainability of this service.

### Asset ownership

Of the \$7.9bn of assets we own, approximately two thirds of these are core infrastructure assets for the provision of the three waters services and transport.

#### The current state of our assets

According to the best information we have, our transport assets are generally well maintained and in reasonable condition, see table below. For water assets however, the picture is not so clear. There are gaps in our knowledge about critical assets, this is essential to help WWL to intervene with planned maintenance or replacement before assets fail, and to drive an ongoing programme of renewal and enhancement. Achieving the desired level of performance will require significant investment over the next 30 years.

This improved data is expected to show a requirement to increase the amount of renewals, and increased capacity to accommodate the forecast growth and ensure our assets are resilient to earthquakes, storms and the impacts of climate change.

The three waters networks in particular, have a significant number of assets that have exceeded their expected useful life (see section on Managing our Infrastructure). As the 2019/20 Mayoral Taskforce on Three Waters noted, “as assets age, their condition deteriorates and they become increasingly prone to failures such as leaks and overflows that require a reactive operational response”.

A breakdown of the assessment of asset data is detailed below:

	Replacement Cost	Condition (1-5)	Performance (1-5)	Data confidence (A-E)	AM Maturity
<b>Transport</b>	\$1.6bn	2 - Minor defects only	2 - Good minor shortcomings	A-B Minor inaccuracies (1)	Intermediate (3)
<b>Water</b>	\$1.1bn	3 - maintenance required	2 - Good	A-B Minor inaccuracies (1)	Under review
<b>Stormwater</b>	\$1.2bn	3 - maintenance required	3 - Moderate	A-B Minor inaccuracies (1)	Under review
<b>Wastewater</b>	\$1.6bn	3 - Maintenance required	3 - Moderate	A-B Minor inaccuracies (1)	Under review
<b>Parks, Sport &amp; Recreation</b>	\$948m	2 - Minor defects only	2 - Good	B Minor inaccuracies	Basic (3)
<b>Waste Operations</b>	\$39m	3 - Maintenance required	2 - Good minor shortcomings	B Minor inaccuracies	Basic (3)
<b>City Housing</b>	\$370m	3 - Maintenance required	3 - Moderate	B Minor inaccuracies (2)	Basic (3)
<b>Corporate property</b>	\$489m	3 - Maintenance required	2-Good	B Minor inaccuracies (2)	Basic (3)
<b>Community centres, halls &amp; childcare facilities</b>	\$14m	3 - Maintenance required	3 - Moderate	B-Reliable / C - uncertain	Basic (3)
<b>Libraries</b>	\$56m	2 - Minor Defects Only	2 - Good minor shortcomings	B - Reliable	Basic (3)

- (1) Independent valuer rating 2020
- (2) Independent assessments in 2019 & 2020
- (3) Independent assessment 2021

Condition, data confidence and criticality are all based on a 5 point rating scale included in Appendix A.

## Asset risks and issues

We face a number of substantial risks and issues:

- Asset replacement timing is fundamentally determined by asset management planning.
- Good asset management planning is reliant on the quality and completeness of the data and information held on the assets. This enables more accurate predictions of when to replace assets.
- Despite the overall assessment of the information in the table above, there are risks in maintaining asset networks. This strategy has focused on getting a better understanding of the criticality and condition of assets to enable and perform better asset management planning and reduce the risk of asset failure and service interruptions
- The Mayoral Taskforce identified several weaknesses in the way that water assets are managed; these have been presented to Elected Members and are now shaping the future management of these assets in Wellington City.

# Challenges

The challenges below are the factors that are expected to have a significant impact on the Council over the Long-term plan, including significant infrastructure issues. A summary of the main challenges and responses is included below:

## Challenge 1 - Infrastructure - Looking after what we have

While there is a requirement to provide for our growing population regionally, we want Wellington to stay compact making the best use of what we have.

The key challenge in looking after what we have is:

### Renewing assets at the end of their life, and addressing backlogs and bow waves

The timing of asset renewal is driven by a number of factors including condition, utilisation, capacity and criticality. It is also impacted by an organisation’s risk appetite, sometimes the cost saving of deferring the renewal of an asset may outweigh the risk of failure.

We have been improving the quality of our asset data to help us make better decisions on when to replace assets, so we can continue to deliver the target level of service at an efficient cost. This plan sees increased operating funding for condition assessment of our three waters assets to enable better informed decisions and management of this infrastructure.

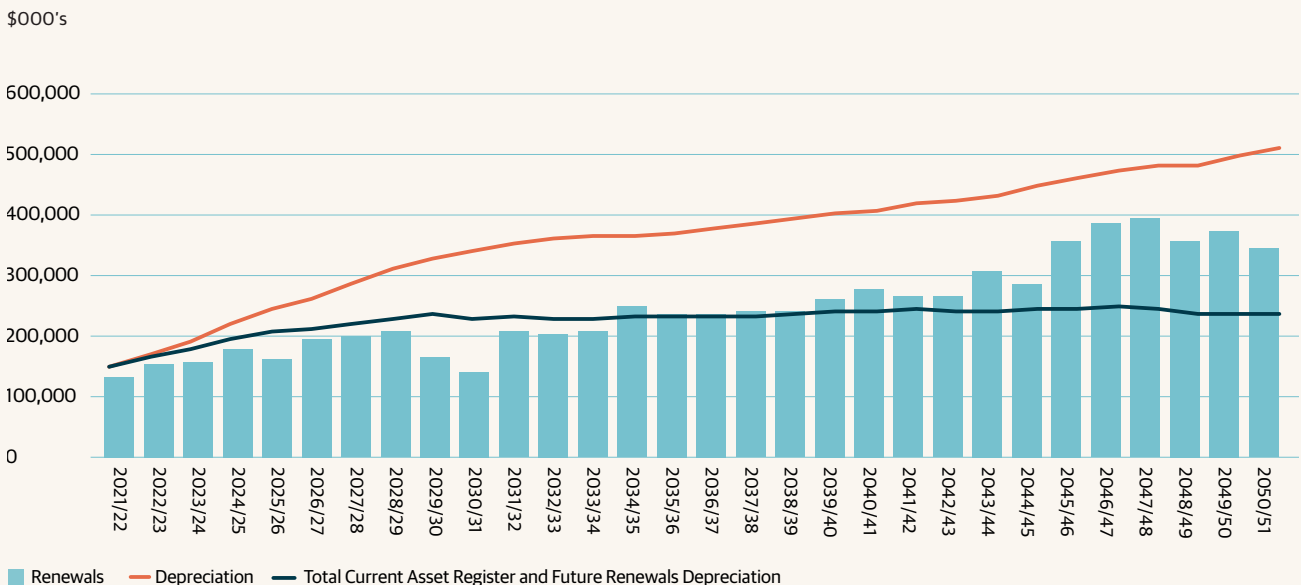
A significant portion of our infrastructure assets were set-up after the Second World War and so are now becoming ready for replacement over the next 30 years (termed a bow wave). In some instances we also need to catch up on some of the replacements that have been needed (backlog) over the last few years.

The cost of replacing these assets is increasing due to higher costs driven by factors including:

- Increasing rates in the construction sector, indemnity from risk in consenting and legal challenges to consent decisions
- increasing central government regulation such as ensuring we are protecting biodiversity and improving water quality on behalf of our residents
- health and safety requirements during construction. We are continually looking at ways to be more efficient to be able to limit the impact on our borrowings and our ratepayers.

The timing of the renewal of assets is guided by our asset management plans. Over the 30 years covered by this infrastructure strategy we plan to spend a total of \$7.3 billion renewing this infrastructure. This is expected to increase the average condition score of the networks as a significant proportion of older and poorer quality pipes are replaced with better quality modern materials that, in the case of pipes, are more resilient to earthquakes.

### Renewals vs Depreciation LTP 2021-51



\*the above graph is inflated

The above graph shows that the budgeted renewals (blue bars) is lower than the depreciation funding for the first 14 years. This surplus depreciation funding will pay down debt. From year 14 where the amount of forecast renewals exceeds depreciation on the existing assets in 2021 (black line) this will draw down on the debt balance after 2034. More assets are coming to the end of their useful lives after 2034 and therefore there is a higher requirement of renewals.

This indicates that sufficient renewal activity is taking place compared to the funding of existing (2021) assets.

The red line shows the full depreciation funding including depreciation on existing and new assets (from 2020 on). As these new assets often have a long life and do not require a replacement earlier in their life a depreciation surplus is created (the gap between the red line and the grey bars), which pays down debt which will be re-borrowed when these assets come to the end of their useful life. This gap / surplus is why we need to allow for headroom under the debt limit. See the Managing our Infrastructure section for the headroom requirements.

## Challenge 2 - Housing and Urban Development - Growing and Changing

### Population Growth

One-quarter of the regional growth or approximately 50,000 to 80,000 people over the next 30 years are expected to be accommodated in Wellington City, including the Let's Get Wellington Moving corridor and 'greenfields' development sites, which is the undeveloped land to the north of the city which will require new or upgraded infrastructure services to be provided to the new properties.

As a result of increased population growth, the region is facing several challenges, including:

- Maintaining compact urban form
- Housing demand and affordability
- Urban development feasibility
- Transport capacity driving the need to provide for mode shifts
- Infrastructure capacity
- Financial sustainability challenges for the future.

Many of these challenges are regional issues that are best dealt with together and not individually. They cross local council boundaries, and the maximum benefits can be had from tackling these together.

### Response - Planning for growth

Wellington City Council has been working with other Wellington regional councils and Horowhenua District Council, central government and iwi on a Regional Growth Framework (RGF). The RGF team are currently working on a joint governance mechanism for adoption and implementation of the RGF. This will help to ensure that we manage growth across our region in an optimal way.

The RGF incorporates our 'Planning for Growth' work which includes the development and adoption of a draft spatial plan for the City leading to a full review of our District Plan. To ensure that we can accommodate the growth, significant investment will be required. Most notably in our three waters infrastructure, community facilities (including green space), and transport networks, including the development and improvement of walking and cycle networks and prioritising the development of public transport infrastructure.

The capital expenditure on assets for growth for the plan is \$0.48 bn over 10 years. In the latter years (11-30) covered by this infrastructure strategy current planning assumes growth will occur within existing urban areas. We propose to cater for growth as we renew our assets.

It is clear that this is not enough to cater for the forecasted growth in Wellington. Over the next two year the Spatial and District planning process will be completed in Wellington. Once that is set the level, type and place of infrastructure investment required for growth will be more clearly understood. This is another reason Council must maintain debt headroom to accommodate this additional investment in the future.

Further work is also being done over the next three years to assess what increased investment is needed in our community facilities and parks and reserves network to support the growth. This will be completed in time for the 2024/25-34 LTP. To enable investment in the increased capacity of infrastructure networks to enable growth, sufficient financial headroom is required to be maintained until the costs of the increased capacity is known. This is enabled with setting the debt:income ratio (debt) limit at 225% of the income level. This allows for the limit to be raised in the future to enable this expenditure.

## Housing Affordability

Housing prices in Wellington have risen significantly recently and this has put considerable pressure on those on lower incomes and those buying their first home.

Influencing the availability of affordable housing - As the council is not able to sustainably deliver the level of social and affordable housing that residents in the city need, we plan to partner with central government and other housing providers. In March 2020 the Strategy and Policy Committee adopted a Housing Action Plan. This plan covers the 2020-22 Council triennium and focuses Council efforts on four key programmes:

- Planning for Growth - the development of a new Spatial Plan and District Plan changes that will support more development to accommodate population growth of 50,000 to 80,000 over the next 30 years.
- One-stop shop - a series of efficiency improvements to our consenting processes to support development of new housing
- Te Mahana (Homelessness strategy) - this is a collaboration with other agencies to ensure all Wellingtonians are well housed.
- Proactive development - we are actively supporting additional supply by working with commercial providers on converting office space into affordable apartments.

In addition to the above, over the coming year we will investigate how we can best increase affordable housing outcomes for the city.

We are also proposing to increase the access to residential rates postponement where there is a temporary affordability issue for ratepayers which may occur in the early years of the plan with double digit rates increases.

### Response - Providing social housing

The Council is already one of the city's, and country's, largest providers of social rental housing, with more than 1,900 homes across the city. WCC provides social housing to people on low-incomes and the city's most vulnerable people.

Currently, City Housing faces both a funding challenge, with an average \$26m annual operating deficit over the first 10 years, and a financing challenge, as it is unable to meet the estimated cost to complete the Housing Upgrade Programme (HUP). The rents are also becoming increasingly unaffordable for tenants. Rents are currently set at 70% of market rent (a 30% discount

on rental rates necessary to make tenancies more affordable), and market rental prices are increasing in Wellington (71% increase in market rents since the Deed was signed). There is not a single, simple solution to our financing and funding challenges - a number of changes are needed. WCC is seeking to achieve several objectives through the proposed changes:

- Commit to partnering with Central Government, mana whenua and other partners to increase social housing provision in Wellington
- Providing security of tenure and affordable rents for our tenants
- Improve our financial position for the remainder of the Deed period and manage housing cost pressures alongside other Council funding issues
- Complete the full upgrade programme, including meeting new regulatory requirements that were not in effect when the Deed was signed
- Creating new revenue sources to reduce reliance on rental income from tenants.

The Council has also set the Te Mahana strategy to end homelessness in Wellington. It weaves international best practice with culturally specific steps for ending homelessness, to establish short and medium-term priorities for action.

## Challenge 3 - Environment

### Respond to Climate Change - Te Atakura

Climate change is already here, and its effects are just beginning. When it rains heavily at a high tide, or when the waves from a severe storm crash against the coast, we are already experiencing early impacts of climate change. In Wellington City about \$7 billion in property alone is at risk from sea level rise according to the latest guidance from the Ministry for the Environment - and our cherished spaces like Civic Square, the waterfront, and Waitangi park are at risk if we don't move emissions to zero. Climate change includes the risk that rainfall will be more intense and variable, meaning we will need to increase our focus on interventions to manage increasing demands on our drinking water sources.

In response Wellington City Council has adopted Te Atakura - First to Zero carbon by 2050. This requires the reduction of city wide net emissions by 43% by 2030. Wellington City Council is committed to ensuring Wellington is a net zero greenhouse gas emission city by 2050 - with a commitment to make the most significant cuts in GHG emissions (43%) by 2030.



The Te Atakura Implementation Plan provides a measurement-based approach and identifies the potential for a 24% reduction in city-wide net emissions by 2030 - leaving a 19% shortfall to meet our 2030 target.

Adaptation to climate change is another area where sufficient debt headroom is required to enable future funding once the costs of these activities are more certain and the community can be consulted. Further information on our response across our Transport and Three Waters infrastructure is included in relevant sections of this Strategy.

**Changing expectations of water quality**

Community expectations around the quality of freshwater are increasing. This can be seen through the introduction of the National Policy Statement for Freshwater Management. It is also evident in the work of the Whaitua Committees setting expectation for water management.

The NPS and any Whaitua te Whanganui-a-Tara Committee implementation programme will come into effect during the life of this Long-Term Plan. This will affect the levels of service our community expects us to

meet through our infrastructure, particularly for three waters. These increasing expectations will come into focus as a number of our key resource consents come to be renewed:

- Stage 1 of the global consent for stormwater discharge expires in 2023, for stage 2 and future consents there is a likelihood of more stringent conditions as the requirements of the National Policy Statement for Freshwater Management come into effect
- Consenting of any sludge minimisation plant in the coastal environment would be significantly more challenging than the current site given water quality concerns
- Landfill consents expire in 2026. Given the Southern Landfill consenting conditions are substantially about the management of water, there is a likelihood that conditions will be substantially more rigorous.

This Long-Term Plan includes significant investment in improving our three waters infrastructure that will significantly improve our ability to meet these changing expectations. Further investment however may be required depending on the speed and degree to which our community expect us to move.

## Challenge 4 - Resilience

Wellington has a strong awareness of risk from natural disasters. This has had a threefold impact on Wellington with the need to: fund the impacts of the earthquakes that have occurred, increase the resilience of our buildings and lifelines in line with new standards, and maintain financial headroom for potential future events and regulate and facilitate the safety of all other buildings in the city. Key challenges that we see related to resilience and risk are:

### Making the city more earthquake resilient

To respond to this challenge the Council is planning to increase the level of water storage and strengthen critical services such as the central library, town hall, St James theatre, TSB arena, Bond store and the Opera House.

- Regulate and facilitate strengthening work in the city - More than 500 earthquake prone buildings need work in the City, half of these need to be done by the end of 2027
- Congruent with the Wellington Resilience Strategy we plan to strengthen Council infrastructure through the renewal programme
- Focusing on critical lifeline areas - We are also planning to fund increased water storage in the city and secure water supply to the central city following a natural disaster event.
- Most of our buildings are not earthquake prone, but some are, and require strengthening. This includes key public use buildings like the library and investment in the arts - to maintain and strengthen the reputation of Wellington as a city of culture. Capital funding related to the cultural outcomes is to support the sector with high quality venues. The strengthening and refurbishment to allow for future use of the Town Hall and St James theatre, and remediation of the Central library
- Additional funding to respond to climate change impacts
- Review the risk of the investment portfolio in terms of asset concentration. The vast majority of income generating asset holdings are related to the performance of the Wellington CBD either directly (Ground Lease, Commercial property, Parking revenues) or indirectly (Wellington International Airport shares). We are planning to review the investments we hold to determine whether it may be more appropriate to diversify the portfolio.

### COVID-19

COVID-19 has had a sharp impact on the short-term financial position of the Council. Reduced revenue from fees and user charges along with loss of revenue from our airport dividend saw and operating deficit in the 2019/20 financial year.

Council's decision to debt fund the deficit in order to manage the immediate financial impact on rate payers has a short to medium term impact on this strategy. This is through the need to repay the borrowing over the first ten years of the Long-Term Plan.

To respond to future shocks like this, we are focusing on improving the technology to keep council running and updating Business Continuity Plans. We are also ensuring that there is sufficient capacity in the debt limit to allow for future unforeseen events.

### Increasing risk and insurance pricing

In November 2016, we experienced a moderate earthquake that tested our city. It responded well, but there is more work to do to improve the city's resilience. With the climate also changing, we need to find ways of living with more severe and frequent extreme weather events. And we also need to factor in rising sea levels which will influence the capital investment required to protect our infrastructure assets.

We have insurance for natural hazard-related events on most of our infrastructure. Our assets are insured on a probable maximum loss basis for a 1-1000 year event. This means that we do not insure at a level to replace 100 percent of our assets, as there is a low level of risk that all assets would simultaneously be affected by a hazard event. We also have a self-insurance fund of \$12.5m for below-excess claims.

Due to the frequency of earthquake events in Wellington and insurance events worldwide, the cost of insurance cover has increased significantly, and the availability of cover has reduced. While we have increased our fees and rates to accommodate some of this increase, we have also developed a risk and insurance strategy which justifies the Council accepting an increased level of risk by no longer insuring our assets at the same level.

When we are considering the level of acceptable debt relative to our limits, we are now careful to factor in a level of debt headroom needed for uninsured assets in the case of an event.

# Future significant decisions

As a consequence of the challenges facing our long-term planning there are a number of key upcoming decisions that will have a material impact on our plans and this Strategy.

## Joint Central/Local Government Three-Waters Reform Decision: Year 1-2

The Government and representatives of the local government sector are working through the Three-Waters service delivery reforms.

The government is expected to make a substantive policy decision April/May 2021, to enable legislation to be prepared. Each local authority would be asked to decide to participate in the new service delivery system in late 2021. In short, this would transfer the responsibility of 3-Waters from local government to a newly formed entity.

The reform process has a number of key milestones with the likely transfer of the entity assets to a new entity in 2023/24.

A package of supporting information will be provided to enable local government to engage with the community and consult on the proposal.

Given a substantive policy proposal is not currently available and the importance of continued planning for investment in three waters infrastructure, this Financial and Infrastructure Strategy assumes continued ownership of the waters assets by Wellington City Council, and management by Wellington Water Limited. The upcoming decision on reform is signalled however to make the community aware of the upcoming consultation of the proposed change. The implications of the proposal are still being assessed across all entities that provided Three-Water services but would have significant direct and indirect impact on Council assets, borrowing and revenue. The full impacts of any reform proposal will be presented as part of consultation on the reforms and are likely to necessitate an amendment to the Long-Term Plan and substantive change to this Strategy.

The replacement value of the 3-Waters network is \$3.2 bn with an inflated capital investment of \$4.5bn and \$7.4 bn of operating expenditure over 30 years.

More information on the Three-Waters reform can be found on the following link: <https://www.dia.govt.nz/Three-Waters-Reform-Programme>

## Let's Get Wellington Moving Decision: Years 1-3

Over the first years of the Long-Term Plan the LGWM programme will be presenting a range of significant decisions on their programme of work to the community for consultation and the Council for decision making. These will assess significant investment proposals in our transport infrastructure that will drive significant spend and change across the city.

The full financial impacts of these decisions are not yet included in our long-term budget with a need for alternative funding mechanisms to be identified by the programme. Depending on decision making of programme business cases and the success in identifying alternative sources of funding then significant additional spend and borrowing may need to be accommodated in this Strategy.

We have \$270m included in this Strategy for early LGWM projects, but Wellington City Council's total contribution to the programme could be more than \$1.4b.

## Planning for Growth Decision: Years 1-3

Our current budget in this Long-Term Plan does not fully accommodate the level of growth investment required by a population growing by 50,000 to 80,000 over the next 30 years. This is because the outcomes and decisions around the current draft Spatial Plan are not yet confirmed.

Our draft Spatial Plan will be confirmed in the first year of the Long-Term Plan and the resulting review of our District Plan will take place over the early years of the Long-Term Plan. Decisions within both the Spatial Plan and District Plan will drive these further infrastructure investment requirements across our asset classes.

Where and when the city grows could drive varying level of infrastructure spend and these decisions will need to be accommodated in future Annual or Long-Term Plans. This is a city-wide plan and will require new and upgraded infrastructure of billions of dollars.



## Community infrastructure investments

Also of note is the signal in our Long-Term Plan to review our network of community infrastructure assets. This review will examine our current network of libraries, pools, community halls and other facilities in light of decisions in our Spatial Plan. Decisions within that review will drive investment and funding requirements for community infrastructure over the coming decade.

## Social Housing

### Decision: Year 1

As noted in the challenges earlier in this Strategy our City Housing portfolio faces both a funding and financing challenge. While the service has some cash reserves, given the financial challenge and the significant required upgrade programme facing the service, it will become insolvent from 30 June 2023 (The draft Long-term Plan provides Council debt funding for the operating deficit to enable operations to continue until a sustainable solution is agreed by Council).

The Council is actively working on options to ensure we can continue to provide this important service for our tenants, while also meeting our costs and commitments under the Deed of Grant. As part of this, Council is discussing options with Central Government, including immediate access to the Income Related Rent Subsidy for all eligible, existing tenants, funding capital costs through a special purpose vehicle in partnership with the Crown and/or establishing a Community Housing Provider (CHP).

Pursuing an option of establishment of a CHP would be a significant decision for the Council to take and would require comprehensive community consultation. Given options are still being pursued we don't know the nature of the decisions required but decisions are likely to be required in the first year of this Long-Term Plan.

The budgeted 10 year capital expenditure costs of the social housing upgrades and renewal programmes are \$445m.

## Divestment programme

### Decision: Ongoing

To manage our finances, we will also be considering whether our assets are delivering the best value for Wellingtonians. Where we have assets that could realise more value we can look at divesting (selling) these assets and use the proceeds to off-set our borrowings or reinvest in assets with a better financial return. This can help keep rates at an affordable level.

Assets that may represent an opportunity for Council include our shares in Wellington International Airport, our portfolio of ground leases, encroachments and road reserve, and some of our buildings.

These opportunities will be investigated and any decisions to sell strategic assets will need to be further consulted on with the community before any decision is made. The investments in Wellington Airport and the ground lease portfolio alone is over \$469m.

# Affordability

A majority of residents benefit from relatively high incomes with very high household incomes comparative to the New Zealand average. We also have a significant commercial sector that allows residents to afford higher levels of services than other smaller centres.

There are still however sections of the community that struggle to afford living costs and are not easily able to access the services Wellington has to offer. The key challenges are:

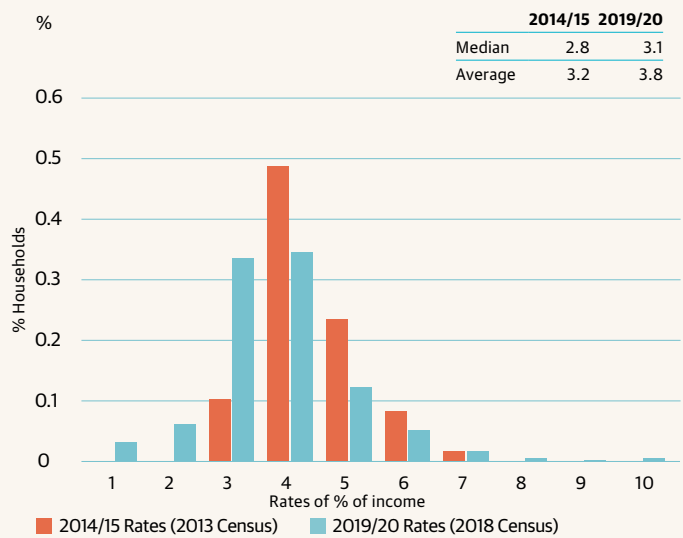
## Affordability and accessibility (rates and services)

To try and ensure that there is a good level of affordability of rates we monitor rates as a portion of household incomes and have a policy on rates remissions. We also facilitate rates rebates and offer a 'leisure card' which offers services at discounted rate for community services card holders.

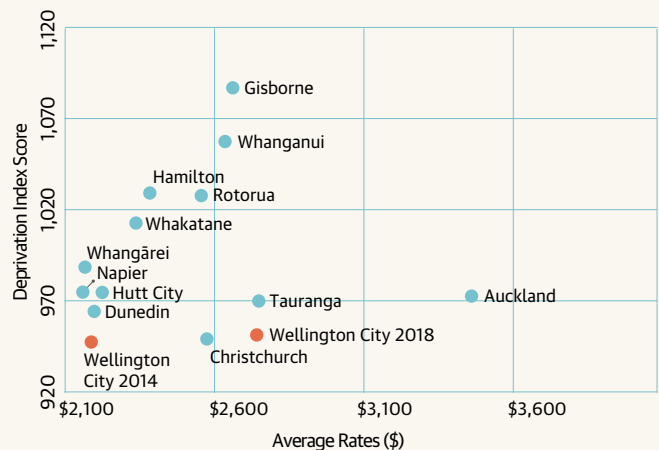
The analysis below shows that that the average rates (2020/21) is at a level close to 3.8% of household incomes (as at 2018 Census). This has slightly increased since this analysis was last done in 2017/18. The level of rates and distribution around the average is a subjective judgement around affordability. The 2007 Shand report reviewing Local Government rating suggested a benchmark of rates around 5% of household income being affordable.

Overall residential rates in Wellington are more affordable when compared to other Council's rates across New Zealand, when this is compared to the relative deprivation index score, as can be seen in the table below.

**Comparison of residential rates as % of household income 2015 LTP vs 2020**



**2018 Deprivation index vs Average Residential Rates (\$ 2020/21) for Councils**



The commercial sector rating affordability is also monitored and is critical in the review of the general rates differential whereby \$58m of rates are redistributed to the commercial rating sector based on affordability. Overall the rates expense for the commercial sector is relatively low as a proportion of Income and as a proportion of profit. The proportion in the wholesale/retail and hospitality sector is higher than other sectors and has risen by half a percent as can be seen in the table below.

The commercial sector rating as a proportion of profit and income can be seen in the table below:

Council is working with central government and other Councils on a Ratepayer Financing Scheme (RFS) to support building owners. The RFS would allow a collection of Local Authorities to make use of the inherent high credit quality of local government rates charge security to access very efficient and flexible financing from the capital markets and then pass on these financing efficiencies to ratepayers.

The scheme could be used to provide rates payment flexibility to ratepayers facing affordability issues and is akin to a reverse equity mortgage. The RFS could also be used more widely to provide property improvement loans or deferred development contributions. Loans could be related, for example, to helping ratepayers to invest in required seismic strengthening work.

The Council is currently championing the next steps with the RFS, working with Auckland Council and Hamilton City Council in the first instance, following which will be gaining formal DIA support. It is hoped this stage will be completed by July 2021.

In addition the Council has reviewed its rates postponement and remission policies and is proposing more accessible policy criteria.

Sector	2020 Rates % of income	2017 Rates % of income	2020 Rates % of profit	2017 Rates % of profit
Agric/Mining/Utilities	0.59%	0.41%	3.56%	2.67%
Manufacturing/Construction/ Transport/Storage	0.12%	0.13%	1.28%	1.48%
Wholes/Retail/Hospitality	0.18%	0.14%	4.96%	4.37%
Fin/Business	0.25%	0.20%	0.82%	0.71%

# Future finance settings & health

## Introduction

The Council is committed to making some of the largest capital investments it has ever made over the next ten years. This level of investment is needed to ensure that the City’s core infrastructure (three waters, transport) is maintained and optimised, to accommodate an expected population growth of between 50,000 to 80,000 people, and to respond to key challenges such as climate change and earthquake strengthening. We are projecting that these investments will increase the value of the Council’s (non-land) assets by around 15% over the next ten years (from \$7.8 billion to \$9.0 billion). Looking further out, we are expecting the value of our assets to more than double over the following 20 years (to between \$20 billion and \$30 billion by 2050).

Understanding, modelling and managing the financial impacts of these necessary investments is critical. We need to be confident that the rate payers of both today and the future can afford this growth in assets, and that the Council can maintain its current position of financial sustainability.

## Investing in Infrastructure

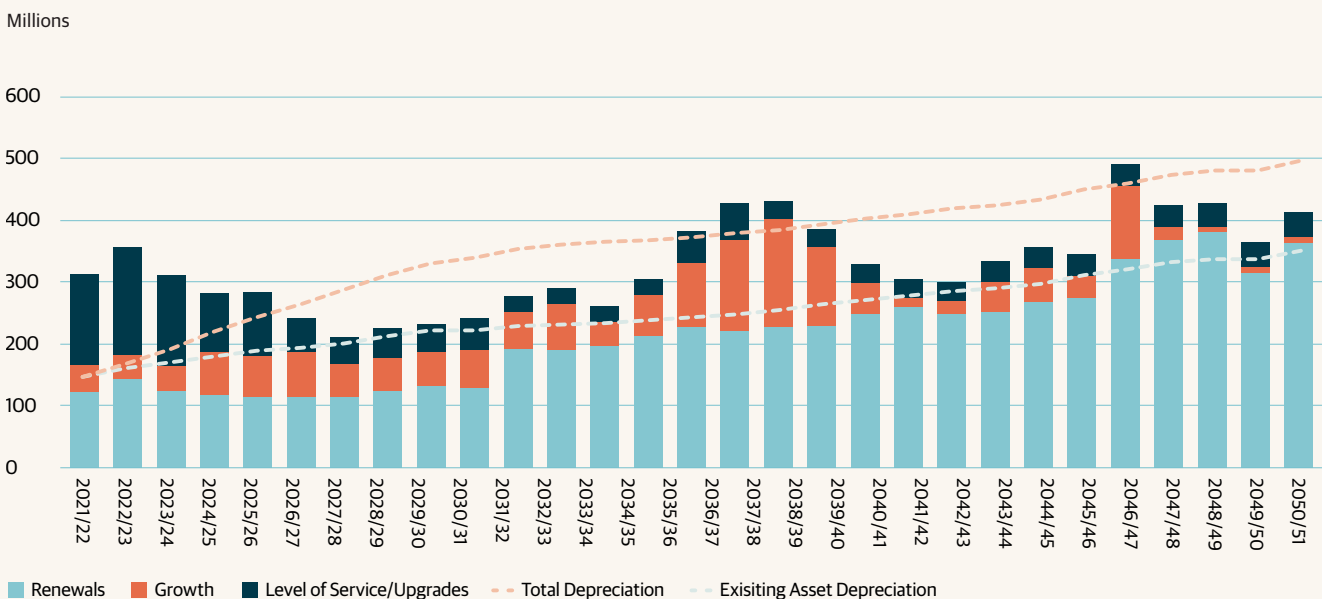
### Forecast growth in asset ownership

There are three main drivers of the growth in the Council’s asset base which are the need to:

- Upgrade levels of service, replace or renew existing assets
- Respond to population growth and the changing expectations of our communities
- Respond to emerging risks such as climate change and earthquake strengthening.

The chart below summarises the main drivers of our planned capital expenditure will be invested over the next thirty years:

### Whole of Council LTP 2021-51 (\$m)



\*The above graph is inflated.

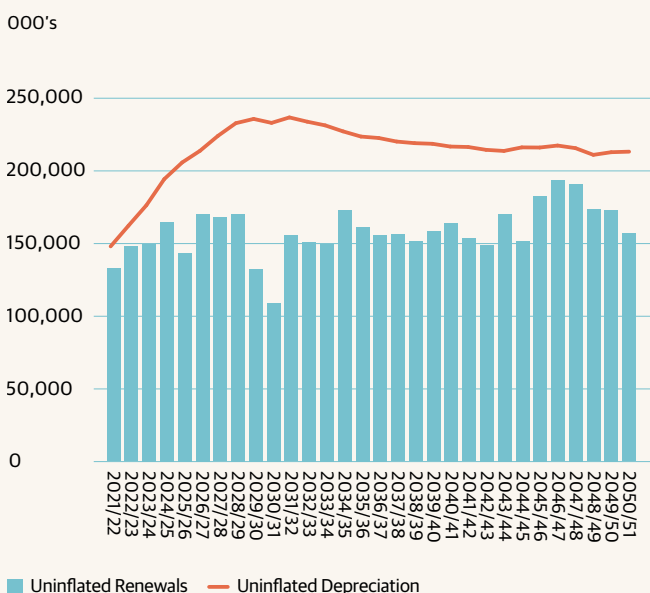
### Planned capital expenditure

This necessary growth in the value of the Council’s asset ownership will require substantial investments in capital expenditure. The figure below summarises planned and projected capital expenditure over the next 30 years, showing the split between renewals, upgrades and growth (excluding off balance sheet investments).

2021-31 LTP	10 Years		30 Years	
Renewals	\$1,222,466,853	46%	\$6,910,235,573	68%
Growth	\$555,842,247	21%	\$1,691,687,014	17%
Level of service	\$884,340,460	33%	\$1,573,166,196	15%
<b>Grand total</b>	<b>\$2,662,649,561</b>	<b>100%</b>	<b>\$10,175,088,783</b>	<b>100%</b>

This level of capital investment cannot be funded solely from the cash generated by depreciation of the current asset base. The graph below highlights the increasing gap between the capital funding we raise through rates (via depreciation) and to total capital funding we need to deliver our planned expenditure. This gap will need to be funded through other means, and primarily through increases in our levels of debt.

### Renewals vs Depreciation LTP 2021-2051 (uninflated)



\*The above graph is inflated.

### Funding and financing our plans

To manage our finances, we need to consider several factors such as the rates we charge, the level of service we provide and the amount of debt we hold. We can also consider whether our assets are delivering the best value for Wellingtonians.

#### Meet increasing funding needs

The significant increase in operational and capital costs is a considerable affordability challenge for the Council. These cost increases come from the challenges outlined in this Strategy. Increasing our asset investment puts extra pressure on Council’s finances and results in increased debt and operating costs. This is because we fund investment in assets to improve our infrastructure by borrowing - we then spread the cost (debt repayment) via rates across the years the asset is utilised - ensuring that those who use the asset pay for the asset.

The increased investment in infrastructure to provide for growth is proposed to be recovered through development contributions over time as new lots are created and new houses and apartments are built across Wellington. This means there will also be more properties to share the rates across, reducing the impacts on existing ratepayers.

The way in which the planned significant cost increases are proposed to be addressed are as follows:

- Significantly increase debt funding, and increase the debt:Income debt funding limit from 175% to 225%. We will seek to maintain our strong credit rating of AA+ to ensure the cost of this increasing debt is minimised where possible. Bonds, including green bonds will be used where appropriate also.
- Significantly increase rates funding and the rates funding limit to \$475m for the first 3 years and \$630m for the next 10 years

Rate limit year 1-3	\$475,000,000
Rate Limit year 1-10	\$630,000,000

- Partnering with other entities (e.g. Government agencies, Property developers) to either deliver outcomes without the full cost being funded by Council, or enabling commercial incomes to offset costs

- Use of a Special Purpose vehicle to enable delivery of a capital project but not with Council debt, whereby beneficiaries still end up funding the project
- Divestment of risky or lower performing assets to reduce borrowings or enable higher performing investments
- Reducing cost by increasing risk - Council has options to reduce the amount of insurance cover taken to limit its exposure to insurance cost increases by accepting a greater proportion of uninsured risk
- Increasing other non-rates revenue streams such as fees and charges and returns on commercial investments.
- New Revenue streams will be advocated for those that require Crown support and/or legislative change such as congestion charging/travel demand management, parking levies, user charges etc.

We currently have manageable levels of borrowings and borrowings limits to be able to invest in the infrastructure required to ensure there is enough capacity for our growing population and have a buffer against risks. We are proposing to increase the limit on our levels of borrowings relative to income from 175% to 225%. This limit is expected to cater for the nominal level of net debt, the amount of 'headroom' cover to compensate for the lack of insurance cover for a 1 in 1000 year event.

To maintain a healthy balance sheet and reduce the general rates burden, alternative financing and funding arrangements are being considered for a number of significant projects including a Sludge dewatering plant (\$147m-\$208m) and Lets Get Wellington Moving (LGWM) \$1.38bn. Although the intent is for these costs to sit 'off balance sheet' it is important to note that Wellingtonians will still be required to pay for these investments over time.

There is also risk that alternate solutions do not eventuate and if these significant projects are to continue, Council will need to raise the debt itself. It is therefore prudent to maintain headroom to mitigate against this risk.

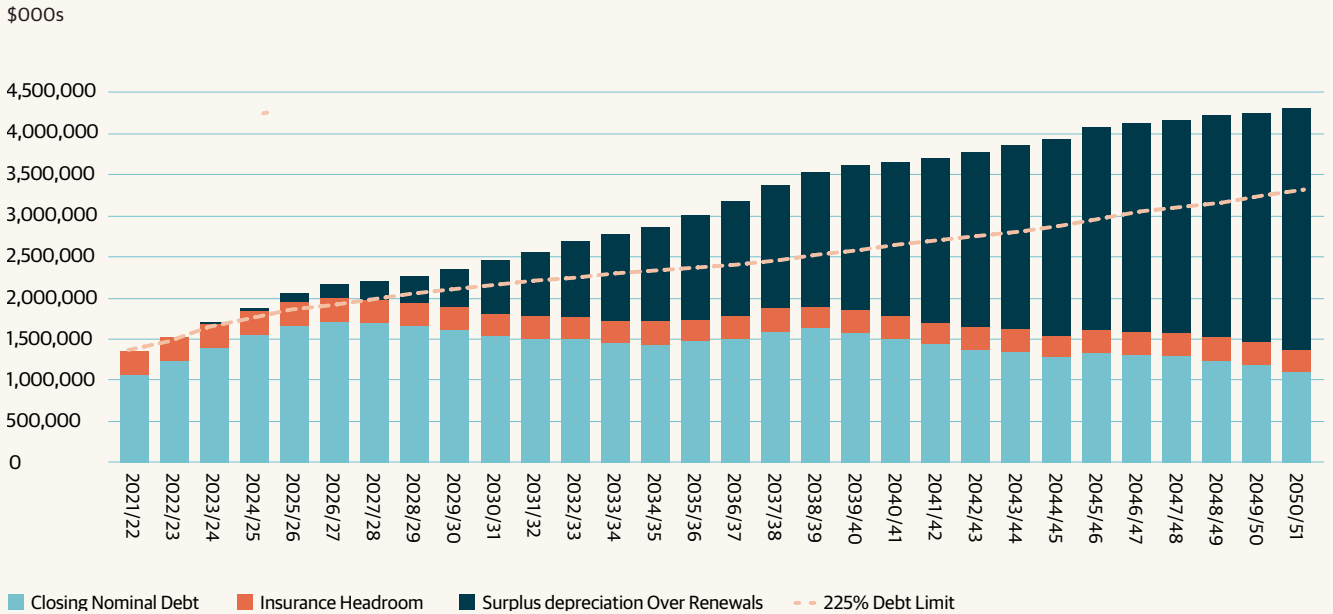
## Responsible and prudent management of debt

The Council has headroom to increase its level of debt as a means of financing the significant increase in capital expenditure and the gap between depreciation funding and the capital cost of replacing our end of life assets. Increasing debt levels needs to be managed responsibly to avoid placing unsustainable pressures on future budgets and rates levels. As we plan to increase our levels of debt, we need to be confident that we have properly considered the following factors:

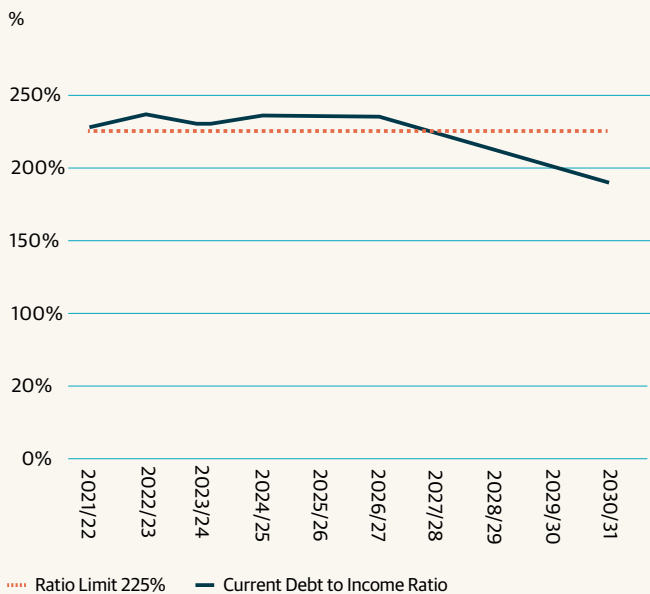
- That the timing, value and returns on planned investments are understood and modelled
- That necessary debt facilities, credit rating and security is in place and is achievable in the medium to long-term
- That the future cashflows needed to repay the debt will be available
- That future rate payers can afford to service debt interest and repayments
- That future rate payers can afford the operating cost implications of a bigger asset base
- That we maintain the financial headroom below the limit to deal with known future financial costs
- That we maintain the financial headroom above the limit to deal with known issues (without quantified costs) and risk and opportunities to invest.

We use strategic financial and asset planning, and the modelling of future scenarios and risks to provide reassurance that our capital expenditure planning is affordable. A powerful tool we use is to ensure the ratio of our debt to the revenues we generate are maintained within responsible limits. The debt limit of 225% debt:revenue ratio is proposed as an appropriate and prudent limit to ensure our debt levels remain sustainable. The graph below shows the forecast movement in our debt/revenue ratio over the next 10 years, based on our planned increases in rates and capital spending:

### 225% Debt Limits LTP 2021-51



### Debt to Income Ratio LTP 2021-31



The graph shows the level of debt breaches the limit of 225% up until 2026/27 when the debt to income reduces, mainly due to a surplus of depreciation funding that is not spent on renewals. It is important to note that surplus depreciation is expected at this point in time due to the increased investment in new assets that are being depreciated incrementally over their useful life and well before they are due for renewal. For example, the \$53m<sup>1</sup> new Omāroro Reservoir is expected to be completed in 2022. It is expected to have a useful life of 100 years and therefore there will be a very small (or nil) amount of renewal spend on this new reservoir in the first ten years of its life. To ensure Council has adequate debt headroom for future renewals, Council has set its debt:income ratio at 225%, well below the LGFA covenant level and will also be providing regular reporting to the Finance and Performance Committee.

<sup>1</sup> Cost excluding the pipe network

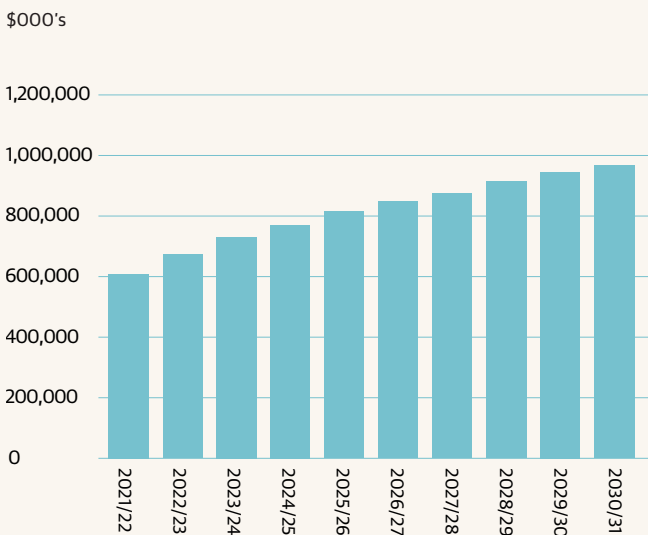
### Understanding and managing the impacts on operating expenditure and rates

Another critical impact of funding capital expenditure through increasing debt as well as through depreciation funding is on future operating expenditure (and therefore on future rates). As both our asset base and our level of debt grow, so do operating costs of debt financing and asset management and renewals. These increasing cost pressures include:

- Increasing interest payments as the debt principal increases
- Increasing depreciation as the value of total assets increases
- Increasing costs of repairing and maintaining a larger portfolio of assets.

The graph below shows how operating costs are projected to increase over the next 10 years as a result of our planned capital expenditure and capital funding:

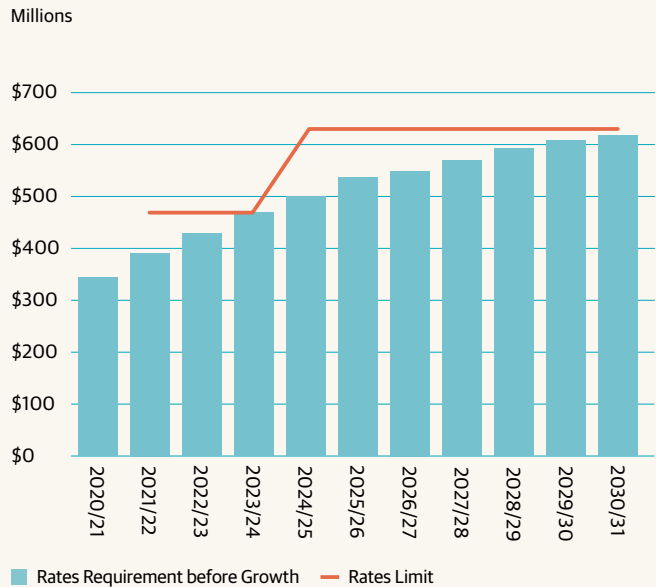
#### Total Operating Expenditure LTP 2021-31



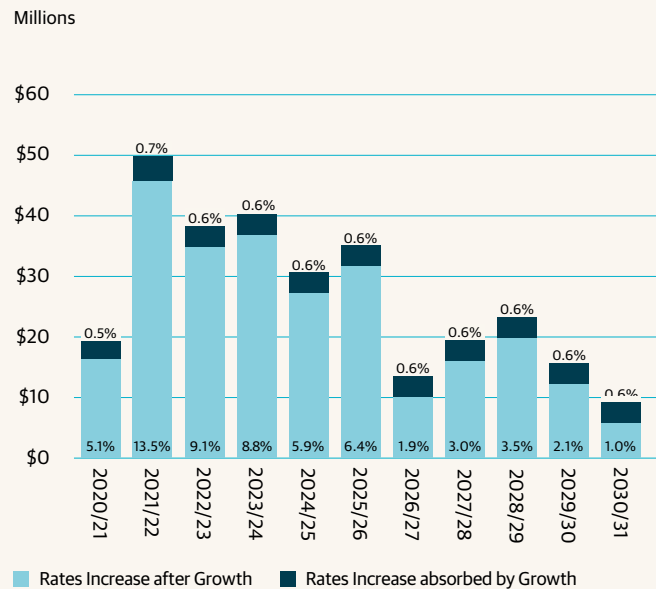
\*The above graph includes inflation.

Over 60% of the Council’s operating revenues are currently generated through rates. The graph below shows the projected increases in rates that will be needed to fund the ongoing maintenance and management of our increasing asset base, all services, and to finance our increasing level of debt:

#### Proposed year-on-year rates value



#### Proposed year-on-year rates increase





## Ability to deal with future issues and challenges

This F&IS provides a framework for enabling the Council to make the needed investments in infrastructure and other assets and services in a way that is affordable, fair and sustainable. It also provides transparency over the main risks and impacts of this level of investment, and specifically on future rate increases. By remaining true to the principles and targets set out in the strategy, and through careful monitoring against these measures, the Council can have confidence that it will achieve its strategic objectives.

## Assessment that it is prudent and sustainable

Measure	Current Target (Limit)	Future Target (Limit) 10 Yrs
Financial Measures		
Debt to revenue ratio	175%	225%
Rates affordability (rates as a share of HH income) - % of HH with 5% or more	3.8% Average	<5% Average
Level of income from sources other than rates	36%	45%
Investment returns	Greater than or equal to the weighted average cost of borrowings	Greater than or equal to the weighted average cost of borrowings
Credit Rating	AA+	AA+
Rates requirement	\$391m	\$606m
Net Debt level	\$948.8m	\$1.7b

## Managing our investments and equity securities

The Council currently maintains equity interests valued at \$416m as at 30 June 2020.

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 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 3.4% per year. The Council's investment policy sets out the mix of investments, strategies and other policy considerations in detail.

The Council operates on a "net debt" basis, and does not separately maintain significant long-term cash

investments. The general policy with respect to surplus short-term cash is to invest any short-term surplus cash or to temporarily reduce borrowings.

Equity and financial investments are divided into 4 categories:

- **Cash and Cash Equivalents**  
Cash is held for liquidity purposes like the pre-funding of debt maturing within 12 months, or short-term cash surplus investments.
- **Income generating commercial debt instruments**  
These are principally loans to other organisations (on commercial terms) to deliver a cash-flow return to the Council.
- **Income generating commercial equity investments**  
The Council currently maintains a 34% shareholding in Wellington International Airport Limited (WIAL).
- **Income generating commercial property investments**  
The Council's ground leases and land and buildings are held primarily for investment purposes. The Council periodically reviews its continued ownership of investment properties by assessing the benefits of continued ownership in reference to strategic benefit, financial return, risk and opportunity cost.

The Council does not target a financial return from its strategic investments. These are divided into two categories:

- **Non income generating investments**  
This includes loans to other organisations, and equity investments in Council Controlled Organisations. The Council's non-income generating investments are held for strategic or ownership reasons.
- **New Zealand Local Government Funding Agency Limited**

The Council invests in shares and other financial instruments (including borrower notes) of the New Zealand Local Government Funding Agency Limited (LGFA) and may borrow to fund that investment. The Council's objective is to ensure that the LGFA has sufficient capital to remain viable, enabling it to continue as a source of debt funding for the Council. The Council may also subscribe for uncalled capital in the LGFA and be a Guarantor.

The Council's investment policy sets out the mix of investments, strategies and other policy considerations in greater detail.

# Managing and improving infrastructure

## Introduction

The core infrastructure assets are critical to the city’s economy and quality of life. Our transport activity has a replacement value of \$1.6 billion and includes 700 km of city roads, as well as accessways, 900 km of footpaths, 38 km of cycleways, parking facilities, 119 of traffic signals, over 20,000 street lights , 135 km safety fences, handrails and guardrails as well as other transport network assets.

The Council owns the Three Waters networks with a replacement value of over \$3.9 billion which includes 67 reservoirs, 105 pumping stations, over 2,727 km of underground pipes, 165,000 fittings valves and hydrants, 18 km tunnels and storm network run-off infrastructure.

We have a significant portfolio of built property assets worth over \$1.1 billion which includes Venue buildings, Community buildings and libraries, social housing, Commercial buildings and operational buildings such as Municipal Office building and Civic Administration building.

### Replacement value of council assets

Group	Amount (\$m)
Three waters	\$3,897
Transport	\$1,685
Property	\$489
City Housing	\$370
Parks Sport and Recreation	\$614
Waterfront	\$334
Other	\$275
Total (excluding land)	\$7,664

\*some of the built portfolio is also within other groups

This strategy focuses on core infrastructure (Three waters and Transport) however the principles and processes discussed generally apply across all our asset networks.

Asset Management is the key driver to the delivery of asset-based services to contribute to the Community Outcomes for the city. A good asset management plan is an enabler to inform our decision making for the Long-Term Plan.

Asset Management is intended to deliver required services to defined standards, cost effectively and sustainably over the long-term. Asset Management supports providing these services sustainably over the life cycle of the asset. It is intended to provide information required by elected members to understand the issues and risks associated with decisions they make on behalf of the community.

Our approach to how we manage our assets portfolio is guided by the following:

## Lifecycle Management

The lifecycle management approach, guided by our asset management plans, alongside expert advice from external valuers covers the full life of our assets. It defines the monitoring, operations and maintenance of our assets, as well as renewal upgrade of assets at the end of their useful lives. The objective is to strike a balance between maintaining ageing assets and renewing and replacing those assets, to achieve the lowest long-term cost. As such, we consider lowest long-term/whole of life cost (rather than short term savings) when making decisions. The diagram overleaf depicts the key stages of an asset’s during its lifecycle. Not all assets will trigger all of the stages in the lifecycle diagram and it is merely a high level representation of the key stages of an asset life span.



## Asset data

We have continued our substantial data collection program across all core infrastructure (Transport and Three Waters). This information has been used to determine asset value, asset life and forecast renewal programmes. Our forecasting assumptions are based on the available information on age, criticality, asset quality, condition, remaining life and value to inform depreciation and renewal programmes.

As part of this Strategy a focus is on improving the knowledge of the condition and criticality of our underground assets and our property portfolio. This will inform our long-term renewal programme and provide a higher level of accuracy in our future forecasts. Information on the data quality and completeness of our asset data for Transport and Three Waters is included in the relevant sections of this Strategy.

## Critical Assets

Central to managing risks, hazards and resilience is the criticality of assets. Critical assets are those that are likely to result in a more significant financial, environment and social cost in terms of impact on organisational objectives and agreed level of service. This does not necessarily mean they have a high probability of failure. The more critical or significant an asset, the higher degree of pre-emptive maintenance it requires. We have a gap in the criticality ratings for some of our core assets with a good understanding in our Transport network along our lifeline routes and an improvement required in our Three Waters network. The investment in improving our asset knowledge is part of the data improvement collection and update programme in the asset data section above.

An asset inspection program (condition scoring) for waters infrastructure, asset management systems improvements and data collection technology has been boosted with \$7m of government stimulus funding for participation in the Three waters reform process. This will focus on critical assets to enhance our understanding of asset condition.

## Renewals cycle

Prioritisation for renewals is established using a risk-based approach. In general terms, assets are maintained and rehabilitated until they reach the end of their useful life. Asset criticality is a fundamental driver of

the renewal cycle of an asset. It determines whether an asset can continue being used until signs of failure are present or if it must be renewed before failure can occur. Assumptions about an asset's useful life are made upon construction and consequently updated periodically based on:

- Age and condition profile
- Performance and customer service issues
- Growth and changing demands
- Criticality and risk
- Failure rates
- Ongoing maintenance requirements
- The differing economic lives of individual assets

The rates of the current renewals are based on age as a proxy for condition and it is recognised a large proportion of Three Water assets have exceeded the theoretical useful life. The condition of the Three Waters assets is not fully understood and whether they will create additional unplanned renewals. As more is known about the condition of these assets, through an increase in the operational budget, the planned condition data assessments will provide greater certainty over our renewal programme and long-term budgets.

## Asset Information Systems

We have been investing in improving our asset data systems for the last five years and integrating our data management systems. This enables source data (in the field) to be used in our modelling to more accurately forecast renewals cycles and costs etc. A significant investment has been made in the last year to enhance our property portfolio data to align to the same level as transport. WWL is undertaking a similar initiative for the Three Waters assets.

## Growth

One-quarter of the regional growth or approximately 50,000 to 80,000 people over the next 30 years are expected to be accommodated in Wellington City, including the Let's Get Wellington Moving corridor and 'greenfields' development sites, which is the undeveloped land to the north of the city which will require new or upgraded infrastructure services. The planning for growth project is continuing and it is anticipated an increase in investment of new and replacement assets is required to increase capacity for

growth. As this work is not complete we need extra headroom in our debt levels to facilitate this. For further details on our growth assumptions, please refer to our significant forecasting assumptions earlier in this document.

## Significant Issues

The Council's criteria for assessing the degree of significance of a decision relating to assets are:

- the level of importance to Wellington City
- the level of community interest
- the consistency of the proposed decision with existing policy and strategy; and
- the impact on the Council's capacity and capability - greater than 10% of rates revenue

## High Level Infrastructure Challenges

The key infrastructure challenges underpinning the Strategy for our infrastructure assets include:

- Aging infrastructure - indicates there may be a backlog of deferred renewals and forecasts show a future bow wave of renewals
- Resilience - natural disasters, environmental and climate change
- Affordability - ability to maintain the current level of service from the available funding
- Phasing of investment to ensure that infrastructure is not a constraint on growth
- Increasing the capacity of existing infrastructure to accommodate growth
- Industry capacity to deliver

## Deliverability

There is a risk that the full capital programme is not delivered in each given year. In the past up to 25% of the capital work programme has been carried forward to subsequent years. This is usually caught up and does not translate to 25% under delivery of the full capital programme.

We are also planning for a significant uplift in the level of investment in infrastructure (\$0.9bn 10 year increase from the last LTP) and this will create further pressure on delivery.

Internally, we are currently building capability with a Project Management Office to increase our capacity to deliver this significant capital programme. We are also building Strategic Asset Management capability to improve programme planning and definition.

There is also a risk that the market capacity (supply) to deliver the budget capex is not sufficient. Central government and other Councils are also increasing their level of planned spend and this will create further pressure on the national and regional supplier market. In the short to medium term the impacts of COVID-19 may also impact deliverability in the ability to bring in overseas labour or potential material supply issues caused by closed or restrained borders. We have lowered the forecast opening borrowings to adjust for any backlog.

For the three waters, WWL advises that industry ability to scale up to deliver an increased capital spend is a matter of concern. The Wellington region is emerging from a long period of modest funding on water assets. As funding is increased through Councils and Government stimulus packages, the capacity and capability of the local market will need to ramp up to be successful in delivery.

Further information on the deliverability of our planned capital programme are outlined in the sections below on Transport and Three Waters infrastructure.

# Transport assets

## Overview of infrastructure

In Wellington we operate a complex, multi-modal transport network in a constrained urban environment. Our physical assets, people, and resources are the ‘means’ we use to deliver the key activities that most people and businesses rely on every day. These activities are provided continuously across the city, suburbs and rural areas by the various contributing parties and are for the benefit of residents, commuters, businesses, industry and visitors alike.

This specifically covers the activities of:

- Safe and efficient connections within and between the city’s suburbs and the central business district for people who choose to walk, run and ride bikes.
- Safe and efficient connections within and between the city’s suburbs and the central business district for people who use public transport and other vehicles.
- Safe and efficient connections within and between the city’s suburbs and the central business district for the movement of goods and services.
- A resilient transport network that can function in the event of a natural disaster.

From an asset management perspective, we are responsible for the design, delivery, maintenance and renewals of:

- Sealed roads
- Footpaths and accessways
- Cycleways
- Bridges and large culverts
- Tunnels and subways
- Seawalls
- Retaining walls
- Road markings
- Road signage
- Traffic signals
- Street furniture
- Barriers
- Kerb and channel
- Stormwater drainage and culverts
- Bus shelters
- Street lighting

## Levels of service

For our individual asset classes, we have a mixture of technical levels of service and customer levels of service that speak to the functionality and condition of our transport assets. A number of our service levels are statutory requirements and are also informed by central government requirements given the joint funding of transport spending through Waka Kotahi.

Broadly speaking there are a number of areas where targeted service performance not currently being met and these service gaps drive planned upgrade programmes. Areas where service levels require investment to achieve include street lighting and resilience of our structures. Road quality performance is also on a downward trend that requires change in order to manage.

The investments to manage service level challenges are outlined in the following sections.

## Asset management maturity

The Council has been refining its asset management practices for many years to ensure appropriate service levels are delivered at least cost. We employ proactive lifecycle management practices where these avoid the significant extra costs of deferring maintenance of critical components. Technical audits by Waka Kotahi have confirmed that the Council’s management practices, and intervention levels are appropriate.

### Data quality

At the heart of good asset management is high quality asset data. There has been a marked improvement in our asset data quality over the last 3 years. The Road Efficiency Group (REG)\* collects and compares asset data from all councils. Data quality is measured using 63 metrics. The charts below show how our data quality has improved over time and how it compares nationally.

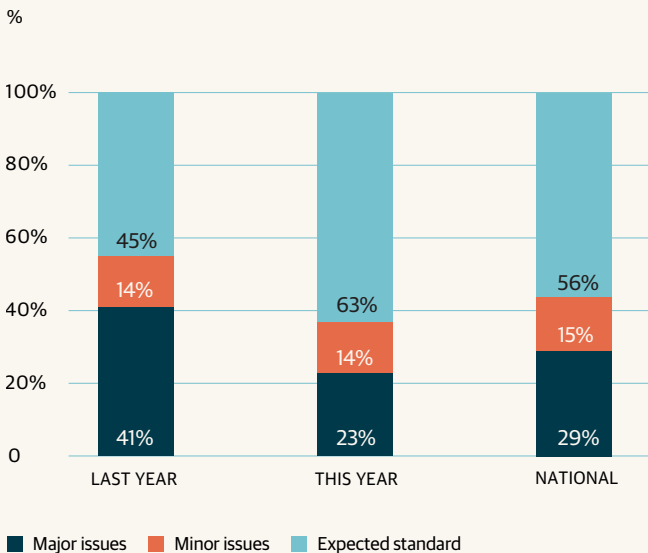
\* The Road Efficiency Group (REG) is a collaborative initiative between Waka Kotahi, Local Government NZ (LGNZ) and the Road Controlling Authorities (RCAs) of New Zealand. The REG partnership is focused on delivering change that will transform the transport sector as the New Zealand transport network transitions from private-vehicle/freight centric to a modern integrated system that includes all modes and available technologies and aligns the objectives of local, regional and central government.

	Replace-ment Cost	Condition (1-5)	Performance (1-5)	Data confidence (A-E)	AM Maturity
Transport	\$1.6bn	2 - Minor defects only	2 - Good minor shortcomings	A-B Minor inaccuracies (1)	Intermediate/Advanced (3)

The local transport network in Wellington is built on difficult terrain - it is steep, winding with lots of tight corners, narrow, old and is exposed to extreme natural events such as earthquakes, slips and storms which leaves the CBD, which is largely built on reclaimed land, at risk. This has an impact on how the network has been built as it has resulted in a greater need for structures to support the road surfaces leading to us having the highest number of walls per square kilometre in the country.

Although future overall traffic volume is uncertain, certain key corridors are becoming more heavily used. Increased volumes and vehicle loading create additional stress upon the road, accelerating defects and reducing the asset life of both the road surface and sub-structure. This is particularly a challenge given the large expected increases in heavy vehicles and public transport traffic volumes. A large portion of the network’s roads are built on weak subgrades which results in road failures when exposed to moisture.

**Overall Results**



Asset lives are assumed based on the guidance on the Useful Life of Infrastructure from the National Asset Management Support (NAMS) Council and trend data that is available in our asset management system. As a result we have relatively high level of certainty around the strength of our asset lifecycle assumptions.

**Key issues**

Wellington expects to gain between 50,000 and 80,000 residents by 2043. Currently the biggest share of this growth is in our central city. Wellington is expected to see sustained growth over the next 30 years, both in terms of its population and as the primary employment centre for the wider region. This means that the city’s transport network will need to accommodate thousands more people who need to get from place to place each day. Investment will need to be made to accommodate this growth, adapt to changing travel patterns, and ensure that the transport network is reliable, safe, and resilient.

Key issue - Changing Network Usage	Level of service impacts
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<p>Growing demand on roading network - Options for increasing transport capacity are limited by constrained corridors that must accommodate a variety of transport modes. Increasing demand for walking and cycling presents a growing challenge to provide safety and amenity for all modes. As a result, limited road space must be shared between transport modes. Future investments need to consider the constrained nature of the network and strike a balance between several transport modes.</p> <p>Increased works on roading network - We have seen an increase in activity on our roads by third parties such as utilities and private developers. This trend is likely to increase given the increase in activity and the large-scale renewal programmes planned for underground utilities. This increase in activity has started to, and will continue to, cause congestion on our network and make travelling around the city more difficult.</p> <p>Growing demand for active transport modes - Trends since 2000 show an increase in levels of commuting by walking, cycling, and public transport. Although Wellington’s population and employment levels have been increasing, the total amount of car travel, average journey times, and average travel speeds have remained relatively constant over the past decade. To continue this trend investment in active modes is important.</p> <p>Climate change - In 2019, the Council adopted Te Atakura - First to Zero, aiming to make Wellington City a zero-carbon city by 2050. Land transport is Wellington’s single largest source of emissions and accounted for 35% of the city’s greenhouse gas emissions in 2019. Te Atakura acknowledges that reducing emissions from transport will play a significant role in meeting our targets.</p>	<p>Increased traffic volumes are associated with a range of negative outcomes, including increased traffic congestion, increased travelling times, increased accidents, increased vehicle emissions, and increased costs for maintenance, renewal, and capital expenditure for the transport network. This would result in a declining level of service. Our preferred option below would see us increasing the levels of service by creating a network that has less traffic congestion than current and reduces our carbon emissions.</p>
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Principle options	Preferred option
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<ol style="list-style-type: none"> <li>1. Allow the trends of vehicle and active mode usage to continue as per what has been previously witnessed</li> <li>2. Make use of policies to manage where and how the city grows to encourage growth within the areas of the city that are more amenable to active modes and public transport usage</li> <li>3. Create more opportunities to encourage mode shift. This could be done in two parts:                         <ol style="list-style-type: none"> <li>a. Lean solely on the work to be undertaken by Let’s Get Wellington Moving (LGWM)</li> <li>b. Undertake further work to encourage mode shift outside of LGWM such as investing in cycleways and walking improvements</li> </ol> </li> </ol>	<p><b>3. Create more opportunities to encourage mode shift</b></p> <p>As a compact city, by investing in the LGWM project we will enhance existing modes of transport across the city. This will reduce traffic congestion and therefore travel times, creating opportunities to move around the city through cycling and walking and improved public transport. These actions will improve our carbon footprint and reduce the impacts on the environment and climate.</p> <p>The LGWM programme will deliver multimodal improvements to the central city and on key corridors, including the cycling network and bike lanes on key corridors. Outside of LGWM there is currently estimated to be 63km of corridors requiring cycling infrastructure. It is currently estimated that the cost to develop these corridors is in the order of \$231m. The programme for the 2021-31 LTP is aligned to and coordinated with the LGWM programme and considers the remaining corridors not within the scope of LGWM.</p> <p>Our preferred option is a \$157m or 210 percent increase in funding for cycleways than what was planned in the previous Long-Term Plan. It will progress the full \$231m programme.</p>
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Key issue - Resilience	Level of service impacts
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**Seismic resilience** - The Wellington Region contains numerous known fault lines with the potential to cause a severe shaking event. The Wellington fault line runs through Thorndon, along the edge of the harbour and roughly follows State Highway 2 up the Hutt Valley. The proximity to urban centres and major transport links along with this being the most active of the major fault lines in the region means the Wellington Fault presents the highest risk to the region. In 2013, Wellington Lifelines Group (WeLG) undertook a study as to what would happen in the event of a major earthquake in Wellington. The study looked at the impacts of a 7.5 magnitude earthquake caused by the Wellington fault line. WeLG identified a Priority 1 emergency route out of the city which extends from the airport to Johnsonville.

**Climate resilience** - Climate change is expected to cause a rise in sea levels as well as changing weather patterns which may result in more frequent and severe storms than have previously been experienced in Wellington. This will impact temperature, rainfall and wind as well as the frequency and intensity of storms.

Wellington has approximately 32 kilometres of road length which is adjacent to the sea and vulnerable to both increasing sea levels and increasing frequency and severity of storm surges. These roads are protected by over 200 sea walls and include arterial roads which serve as critical links to key destinations, including Wellington International Airport, the Southern Landfill, and Moa Point Wastewater Treatment Plant.

Our transport structures (walls, tunnels & bridges) play a vital role in supporting and protecting the road corridor. Our tunnels and bridges provide access to suburbs and entry and exits to the wider Wellington region. Not being strengthened limits their resilience in the event of an earthquake. The retaining walls and seawalls help protect our road corridor, including key lifeline routes, from slope failure and sea erosion across the city. This would result in a declining level of service. Our preferred option below would see us increasing the levels of service by creating a network that is less susceptible to major events and climate change.

Principle options	Preferred option (\$363m over thirty years)
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1. Continue to deliver renewals and strengthening of retaining walls and seawalls as per the previous LTP
2. Prioritise strengthening work of retaining walls along emergency routes and then undertake further work based solely on condition (renewals)
3. Prioritise strengthening and renewals based on condition and criticality
4. Prioritise all seawalls for strengthening
5. Undertake strengthening of seawalls when doing seawall renewals

**2. Prioritise strengthening work of retaining walls along emergency routes and then undertake further work based solely on condition**

To ensure the emergency routes can withstand a high impact earthquake, we need to strengthen the retaining walls, bridges and tunnels that support the effective function of the road corridor. Failure to strengthen our key routes into and out of the city will result in a transport network that is increasingly less safe, efficient, resilient, and reliable.

**3. Prioritise strengthening and renewals based on condition and criticality**

We have several un-strengthened structures with some assets built on liquefiable and reclaimed land. In a region with heightened risk of a major earthquake, the likelihood of losing access on key routes is high. As such we have prioritised our renewals programme for these assets based on both condition and criticality. Our focus is to strengthen and renew structures on the key emergency routes and existing seawalls along the road corridor in the short term to medium term.

**5. Undertake strengthening of seawalls when doing seawall renewals**

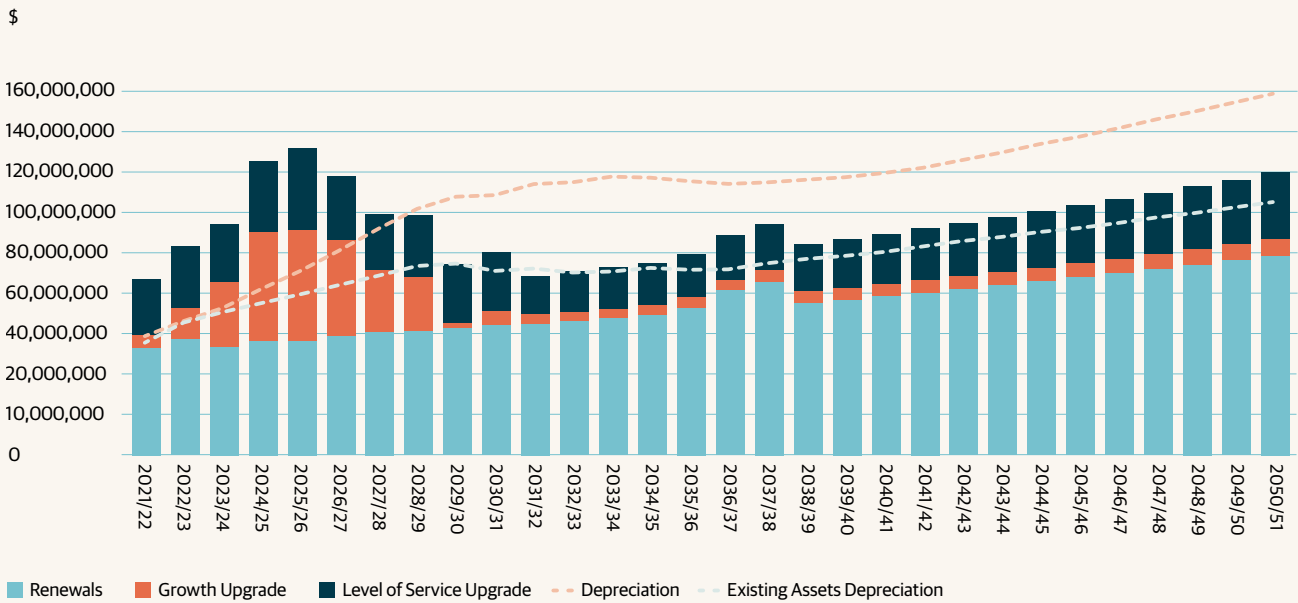
We undertake strengthening of seawalls whenever we undertake a renewal by accommodating for a 1m sea level rise. Over the long-term we plan to prioritise building of new retaining walls on unsupported slopes and new seawalls where required to protect the road corridor. All our vehicle tunnels have been renewed and strengthened with only one pedestrian tunnel left to be done.



Key issue - Deferred Road Renewals	Level of service impacts
<p>We have a high cost of transport road maintenance in Wellington City, relative to other Councils with similar transport networks. Road renewals are the largest driver of our costs making up close to 50% of our annual transport renewal expenditure. The sub-structure of Wellington’s roads generally consists of flexible, highly water susceptible clays. Our historical strategy for road surfaces is that we only replace the road surface. The aim is to protect the clay sub-structure which is very expensive to repair should it start deteriorating.</p> <p>We have been consistently underperforming our resurfacing targets due to the increasing costs of resurfacing treatments.</p>	<p>There has been a declining delivery in the road resurfacing programme over the last eight years given increasing costs within consequent decline in the condition of the road network as a result. We are currently witnessing a declining level of service. Our preferred option below would see us bringing our level of service back to the levels we aim to provide.</p>
Principle options	Preferred option (\$585m over thirty years)
<ol style="list-style-type: none"> <li>1. Continue to deliver road resurfacing as per previous expenditure</li> <li>2. Undertake significant road rehabilitation to address the backlog of deferred resurfacing which is now causing failures</li> <li>3. Invest more into resurfacing so that we can achieve targeted levels of resurfacing required for the network</li> <li>4. Change treatment options using lower cost treatments to achieve the targeted levels of resurfacing</li> </ol>	<p><b>4. Change treatment options using lower cost treatments to achieve the targeted levels of resurfacing</b></p> <p>We have undertaken an analysis of our expenditure vs. performance to understand how we can catch up on the deferred road renewals. Our strategy is to invest into rebuilding some of the roads that have deteriorated due to deferred renewals and to change the ratio of treatments when undertaking future renewals. The current planned spend on the road renewals is in the order of \$131m over 10 years and \$585m over 30 years</p>

# Transport Investment programme (30 year graph)

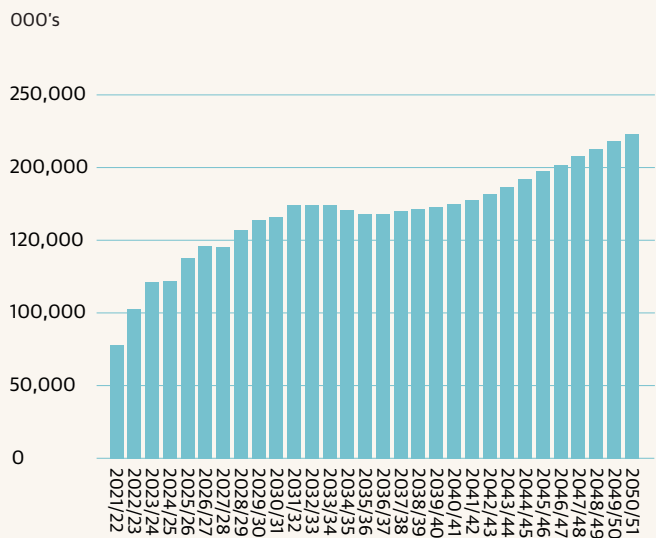
## Transport LTP 2021-51



\*The above graph is inflated.

- The steady level of renewals increases over time with an increasing asset base and inflation.
- The depreciation of the current asset base (2021) is higher than the expenditure due to a number of long life assets not requiring to be replaced within the next 30 years e.g. bridges, tunnels and walls.
- The upgrades for growth in the next 10 years include facilitating transport modal shift such as \$192m for Bus prioritisation (as part of LGWM) and new roading to facilitate greenfields sites. For example \$128m for Ohariu to Westchester Drive over 30 years.
- Level of service improvements are planned across the 30 years mainly to install new retaining walls to protect roading assets, especially prioritising routes.
- The capital investment will facilitate improvements in accessibility as the programme works through its lifecycle

## Transport Operating Expenditure LTP 2021-51



\*The above graph is inflated.

## Deliverability

Historically, because of the proximity of councils in the Wellington region, there has been a large pool of work available, making the market healthy as it attracted a number of suppliers to tender for works. However, this seems to have changed in recent times as the amount of physical works in the region outstrips the available suppliers to deliver. This includes work such as LGWM, building strengthening in the CBD, The Wellington Lifelines PBC, Transmission Gully and ongoing maintenance activities and capex programmes across councils.

The staged delivery model is the preferred delivery model for our medium to long-term maintenance contract works. We have decided to continue using this model for our Road Maintenance Renewal (RMR) Contract which was tendered out in 2020 and suppliers began to deliver on from 1 July 2020. We are well resourced in this regard to deliver on road resurfacing, other maintenance and renewal activities and minor works.

Our capital works programmes have generally made use of a supplier panel. The supplier panel that we have been using has reached the end the contract period. We are evaluating our options for delivering on our capital works programme as well as future LGWM works programmes to confirm if a new supplier panel is the optimal delivery model going forward.

In the LTP we are proposing an investment of \$231m over the next ten-year period in cycleways. This is a significant increase on what we have delivered in the past (average of \$11.5m pa over the last three years) and there are current supplier constraints on delivery of a programme of this size. To manage deliverability risks we will ramp up our level of investment over the ten years of the plan and as we do so create opportunities to grow the local market or look at alternative contract options (alliance models etc.) We still plan on delivering significant investment in cycleways in the first three years of this plan (\$52m), however some of this work may need to be through tactical lower cost solutions as market capacity grows. Tactical lower cost solutions may include focusing on road cycleway markings, signage and bolt down dividers over more permanent road layout design and curb and channel infrastructure changes.

# Potable water

## Overview of infrastructure

Wellington City shares its water supply with the three other cities in the Wellington metropolitan region, drawing water from Te Awa Kairangi/the Hutt River, the Waiwhetu Aquifer and the Wainuiomata and Orongorongo rivers using treatment, storage and transport assets owned by Greater Wellington Regional Council (GWRC). The catchments for this water are protected, well managed and of high quality.

The table below summarises outcomes delivered to and value of assets

Outcome	Drinking Water Contribution
Safe and healthy water	100 per cent compliance with the Drinking-water Standards
Respectful of the environment	Establishing roving crews to proactively identify public and private network leaks in order to reduce the pumping of water and defer the need for more large water source.
Resilient networks that support our economy	<p>The 35ML Omāroro Reservoir will improve the resilience of the City’s water supply when completed.</p> <p>WWL is establishing an above-ground emergency water network that can supply the City following a disaster. A cornerstone of WWL’s approach to building resilience is developing the self-sufficiency of people and businesses for at least seven days following a major earthquake</p>

Assets	Replacement value
• 921km water pipes	\$774m
• 67 reservoirs/tanks	\$113m
• 34 pump stations	\$4m
• 98,000 valves, hydrants	\$233m
• 72,000 service laterals	

## Levels of service

The status quo will need to change. Taumata Arowai has been established to provide regulatory oversight of drinking water quality. This, coupled with community expectations around better water conservation, avoidance of new and expensive dams, and reduced carbon generation, will culminate in a substantial change in the level of service for drinking water.

This will be particularly challenging as we will be building on a base that has some gaps around measuring water loss and fault response times.

## Asset management maturity

Condition monitoring and assessment is an essential part of good asset management, particularly for the most critical assets. Some of the recent failures in Wellington can be attributed to this lack of condition monitoring and assessment.

WWL is undertaking inspection and maintenance of critical assets, and making other improvements to WWL asset management processes. Investments in this area are now underway using funding allocated through the Government’s recent three waters stimulus package and an additional Council funding.

To facilitate the renewals and upgrades of the water network relies on good data to inform the most optimal investment programme. We already know a lot about our water assets in terms of location, material and age, but we do not know enough about asset condition.

	Replacement Cost	Condition (1-5)	Performance (1-5)	AM Maturity
Water	\$1.1bn	3 - Maintenance required	2 - Good	Under review

## Key issues

Key issue - Premature failure of pipes	Level of service impacts
<p>Around 30% of the drinking water network has already passed or is approaching the end of its expected lifetime, and more than 50% is expected to require replacement within the next 30 years.</p> <p>In many cases the pipelines will require replacement ahead of their useful expected end-of-life due to the impacts of factors such as operating pressure and ground movement (including from seismic activity). These factors are considered to be a particular issue for the asbestos-cement pipes that make up around 25% of the existing water distribution network.</p> <p>The premature failure of asbestos cement pipes will necessitate bringing forward renewals on these assets. When these assets are replaced they are replaced with the most modern resilient materials.</p>	<p>Premature failure of pipes are disruptive and will constrain growth, as has happened on other parts of Aotearoa New Zealand.</p> <p>Potable water failures also have potential public health impacts. Without increased investment in network renewals we would anticipate a reduction in the level of service, evidenced by more frequent and significant drinking water outages across the city.</p>
Principle options	Preferred option (\$816m over thirty years)
<ol style="list-style-type: none"> <li>1. We could continue to deal with these pipes through accepting the risk of failure and repairing when they break.</li> <li>2. Undertake a targeted replacement programme, based on WWL's asset inspections and failure clusters</li> </ol>	<ol style="list-style-type: none"> <li><b>2. Undertake a targeted replacement programme</b> Wellingtonians have told us that accepting the increased risk of failures of not investing is not acceptable.</li> </ol>

**Key issue - Water supply**

Water loss across the city's water network is difficult to calculate due to the relatively limited extent of consumption metering. WWL is unable to report a reliable water loss percentage due to the limited number of water meters across the reticulation network. Instead, the water loss percentage has been reported at a regional level. However, the reliability of this regional water loss percentage was also affected by the limited number of water meters.

Despite that, it is accepted that the average household water consumption for Wellington City is well in excess of national and international benchmarks. The high level of loss and consumption, together with population growth and potential changes to rain patterns from a changing climate are putting the bulk water network system under stress.

At current levels, water consumption will exceed supply within the next decade, requiring expensive investment in a new storage facility, or the introduction of residential water meters.

**Level of service impacts**

Increasing levels of water consumption could result in increasing supply disruptions through the need for a reductions in levels of service through restrictions to manage demand

**Principle options**

1. Invest in expanded water storage. This would be carbon intensive and environmentally adverse. Ideally Wellingtonians could avoid the requirement for this by better water conservation. It is very difficult to manage consumption if it is not measured in detail.
2. Establish a suite of policy measures, including changes to the District Plan, relevant bylaws, and Codes of Practice that result in reduced drinking water use in new residential developments, such as through requiring rainwater harvesting and storage.
3. Consider a well informed public engagement around water meters to enable better measurement and management of water consumption.

**Preferred option****2. Establish a suite of policy measures**

Council has resolved that the Long-Term Plan will not consult on water metering. In the short-term there are policy measures to encourage reductions in water usage that can be pursued in preference to significant capital expenditure in water storage. In the longer-term further work on management of water will need to be pursued and this can be done so as part of wider government water reforms.

In addition, the planned increase in potable water renewals and maintenance will result in an increase in network efficiency and consequential decrease in leaks and water loss.

## Capital investment

A planned renewals programme, rather than the reactive renewals approach, will minimise the impact on rates. By not addressing the ageing water infrastructure in a planned way will see an increase in pipe failures, longer outage times creating additional operating and capital cost.

We anticipate that the investment in renewals will reverse some of the trends and set us on a more favourable path towards fewer leaks and better water conservation.

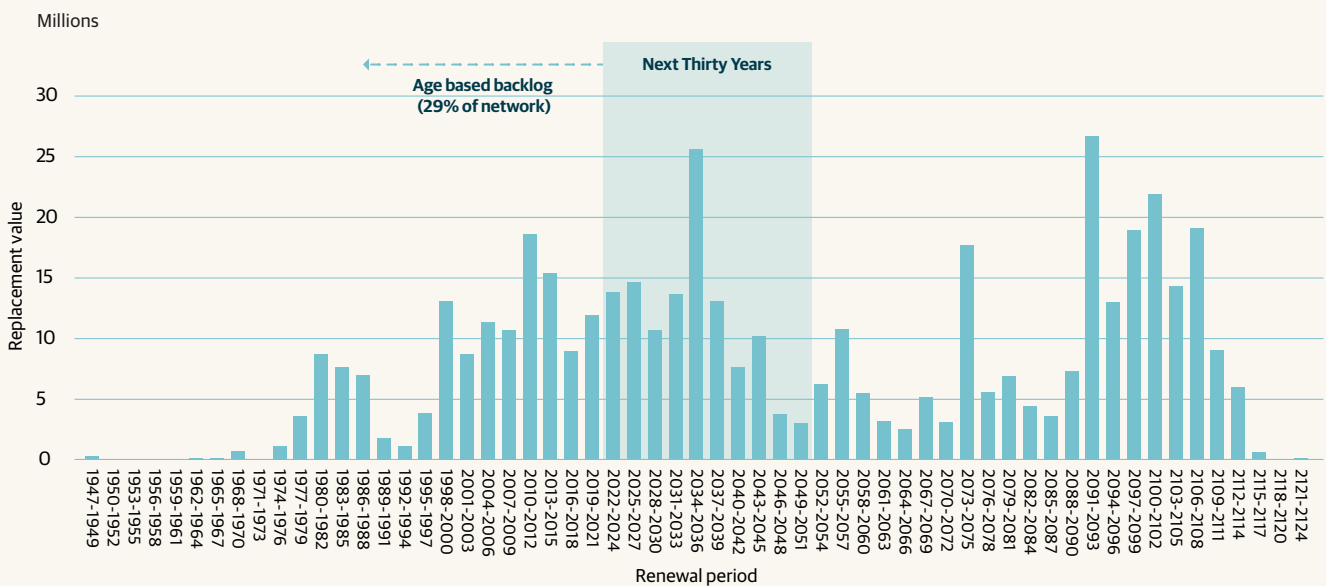
### Age of pipes

Assets have a long but variable life span mainly due to the material types. The modern materials have a greater resiliency and longer life span. The graph below depicts that we have assets that are passed the expected useful life. If an asset is still in a condition that it can still provide a good level of service, then it is financially prudent to maintain it in operation. It would be wasteful to replace an asset too soon.

The key points to note are:

- Water pipes have been in service for longer than their theoretical useful life which increases the risk of asset failure
- Two waves of increased periods of a high level of replacements based on age
- Need to allow debt headroom to fund these waves
- Need more condition assessments to understand replacement timing.

### WCC Water Supply Network Pipe Renewal Profiles

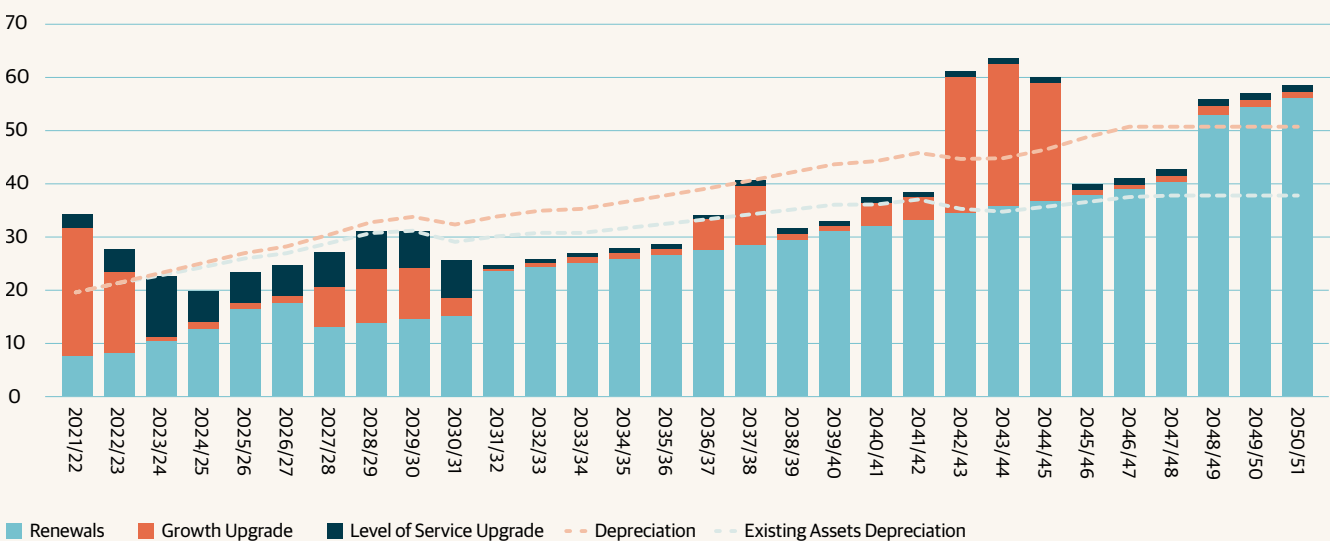


\*A number of water pipe assets are still in commission and passed the expected useful life. Refer to graph above.

The planned drinking water investment programme over 30 years is:

**Potable-Water LTP 2021-51 (\$m)**

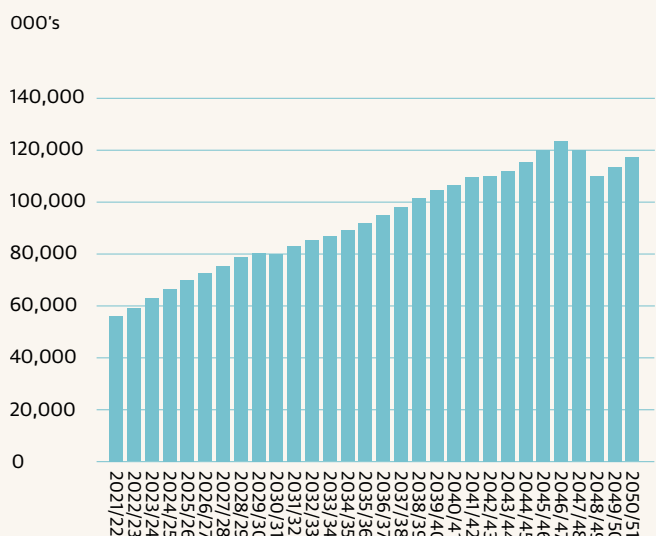
Millions



\*The above graph is inflated.

- The potable water asset renewals are forecast to increase significantly over the term of the plan reflecting the volume of assets expected to come to the end of its life. It indicates a sustainable level of renewals to maintain the network performance over the period of the plan, when comparing it to the level of depreciation.
- The level of renewals for the first ten years has increased by over 80% compared to the first ten years of the 2018 LTP. The level exceeds the depreciation funding for the existing assets in 2043 where excess depreciation funding prior to this will be used to fund the higher level of renewals.
- 43% of the pipe network has already been replaced with more modern ductile materials.
- There is \$74m of upgrades for growth budgeted in the first 10 years however this is forecast to increase as the planning for growth project is completed over the next 2 years
- Compared to wastewater and stormwater, the Council is not anticipating a substantial investment in upgrading levels of service.

**Water Operating Expenditure LTP 2021-51**



\*The above graph is inflated.



## **Deliverability**

WWL advises that industry ability to scale up to deliver an increased capital spend is a matter of concern. The capacity and capability of the local contracting market is currently sized for the historical level of investment. The Region will need to ramp up resources while also improving productivity to be successful in delivery. The long-term arrangements WWL has in place with consultant and contractor partners means they are well placed to respond collectively. While WWL is ramping up other large infrastructure projects within the region and nationally will also be competing for limited resources. This coupled with COVID uncertainty means if WWL is not well planned there is a risk of failure to deliver the capital programme in future years. To meet the challenge, WWL are taking a dual approach which involves increasing capacity and capability coupled with improved productivity using innovation and the increased scale to do things smarter.

With the planned delivery capability and capacity arrangements being progressed, the overall delivery risk will still remain at a moderate level.

# Wastewater

## Overview of infrastructure

The primary purpose of the wastewater service is to protect public health by ensuring the wastewater is safely removed from private property and other public spaces. There is now an increasing focus being placed on reducing the risk of illness and the environmental effects of discharges to waterways and the sea.

The table below summarises outcomes delivered to and value of assets

Outcome	Drinking Water Contribution
Safe and healthy water	Identification and mitigation of wastewater overflows into stormwater network and marine environment
Respectful of the environment	Prevention of wastewater overflows through pipe repairs and replacements, through better management of laterals and cross connections
Resilient networks that support our economy	Better management of critical assets such as the interceptor can grow the City’s resilience to a seismic event, and help Wellingtonians to bounce back faster.

Assets	Replacement value
· Pipes 1,077km \$1,003M	\$1.56bn
· Treatment Plants 2 \$217M	
· Tunnels 15 km \$156M	
· Pump Stations 69 \$19M	
· Fittings and valves 39,000 \$166M	

## Levels of service

The City will need to change in order to comply with the freshwater quality standards set out in the National Policy Statement-Freshwater Management (2020) (NPS-FM) by 2040. This regulation sets out to reduce the risks to public health from recreation/food gathering, prevent further degradation to receiving waters, and respect the aspirations of iwi and communities to restore Te Mana o Te Wai.

The state of our wastewater assets must improve if we are to meet the level of service demanded by the NPS. We need to fix leaks and remove systemic designed overflows that divert sewage into the stormwater system.

Failures in wastewater system are detrimental not only to environmental and human health, but also to the City’s reputation. The Mayoral Taskforce made a clear statement around Wellingtonians’ collective expectation around an improved level of service for wastewater.

## Asset management maturity

Condition monitoring and assessment requires further development in Wellington City. Continued discovery of historic constructed overflows indicates that there is further work required, particularly for the most critical assets, for example the interceptor and pressurised rising mains. Some of the recent failures in Wellington can be attributed to this lack of condition monitoring and assessment.

WWL is undertaking inspection and maintenance of critical assets, and making other improvements to WWL asset management processes. Investments in this area are now underway using funding allocated through the Government’s recent three waters stimulus package and through additional Council funding.

Managing the renewals and upgrades of the wastewater network relies on good data to inform the most optimal investment programme. We already know a lot about our wastewater assets in terms of location, material, and age. But we do not know enough about asset condition.

	Replacement Cost	Condition (1-5)	Performance (1-5)	AM Maturity
Waste-water	\$1.6bn	3 - Maintenance required	3 - Moderate	Under review

## Key issues

Key issue - Premature failure of pipes	Level of service impacts
<p>More than 1,000 km of public wastewater network has been developed over the past 125 years and many parts of it are now ageing and in poor condition. Recent high profile failures have highlighted the risks associated with this ageing infrastructure, and evidence shows that more than 7.5% of wastewater pipes are now in poor or very poor condition.</p> <p>The City is facing block obsolescence of a large part of its network reflecting a sustained period of growth in previous generations. Some of these pipes are more than 100 years old.</p>	<p>Premature failure of pipes is disruptive and will constrain growth, as has happened on other parts of Aotearoa New Zealand. Failures are occurring now and without further investment in the network, levels of service would reduce with negative impacts on the environment and increasing public health risk.</p>

Principle options	Preferred option (\$1.46 billion thirty years)
<ol style="list-style-type: none"> <li>Continue to use assets beyond their economic life</li> <li>Increase renewals investment, prioritising critical assets.</li> </ol>	<p><b>2. Increase renewals investment</b></p> <p>Wellingtonians have told us that accepting the increased risk of failures of not investing is not acceptable.</p>

Key issue - Wastewater system overflows	Level of service impacts
<p>Legacy design where wastewater is diverted to freshwater or stormwater when there are high flows or blockages, makes achieving the objective of keeping wastewater out of freshwater a very challenging proposition.</p> <p>The wastewater system experiences regular blockages and overflows which are offensive and harmful to people and the environment. The system can be overloaded in rainfall and also leaks, letting stormwater in during wet weather and letting wastewater out during dry weather. Private lateral pipes also leak and are sometimes mis-connected to the stormwater system, allowing pollution directly into our streams and coast.</p> <p>We do not have an adequate understanding of the behaviours of our dry weather sewage overflows, this needs substantial and sustained investment in order to meet regulatory and community expectations.</p>	<p>Impacting freshwater quality standards and the consequential impacts on the environment and public health would continue to worsen without investment in decoupling the wastewater and stormwater and marine environs.</p>

Principle options	Preferred option
<ol style="list-style-type: none"> <li>Progress immediate reactive fixes to overflows</li> <li>Increase monitoring and understanding of the scale and nature of the problem so that investment can be prioritised to drivers of overflows.</li> </ol>	<p><b>2. Increase monitoring and understanding</b></p> <p>We do not believe that we have sufficient information about constructed overflows to understand how we can eliminate them from our network. Monitoring and understanding is critical to direct investment toward the right solutions.</p> <p>This option will be addressed as part of the \$1.46b wastewater renewals programme.</p>

**Key issue - Sewerage sludge****Level of service impacts**

The sewage system ultimately produces biosolids that need to be disposed in a way that meets expectations around waste and carbon reduction. The City's biosolids are unstable and toxic; the appetite for risk here is low, and the system must be suitably resilient to seismic and other shocks.

Ongoing disposal of biosolids at the landfill maintains a high waste and carbon profile

Ongoing resilience issues in the management of sludge through ongoing reliance on transport of biosolids from Moa Point to the Southern Landfill.

**Principle options****Preferred option \$147m-\$208m in the first 10 years**

1. Accept the status quo.
2. Invest in sludge minimisation to contribute to meeting its waste and its carbon aspirations. This is currently the subject of the 2021-31 LTP consultation.

**2. Invest in sludge minimisation**

Investment in sludge is a required pre-requisite to both making progress on waste and carbon, both of which are critical priority outcomes for Wellington City.

**Key issue - CBD wastewater network****Level of service impacts**

The effect of a wastewater failure on the CBD is exponentially worse than in other areas - from an economic and a reputational viewpoint. We know from first hand experience that sea level rise is already upon us; in some parts of the City this presents real challenges when working with underground assets. The risk of this is further exacerbated by the ingress of seawater in low lying areas, resulting in advance degradation of ferrous assets and ongoing challenges working in and around assets where the sea level continues to rise.

Premature failure of pipes is disruptive and will constrain growth, as has happened on other parts of Aotearoa New Zealand.

**Principle options****Preferred option \$42m over 10 years**

1. Accept the increased frequency of risk of asset failure, and make reactive repairs.
2. Proactively address these issues to avoid costly and damaging failures, and to provide for growth.

**2. Proactively address these issues**

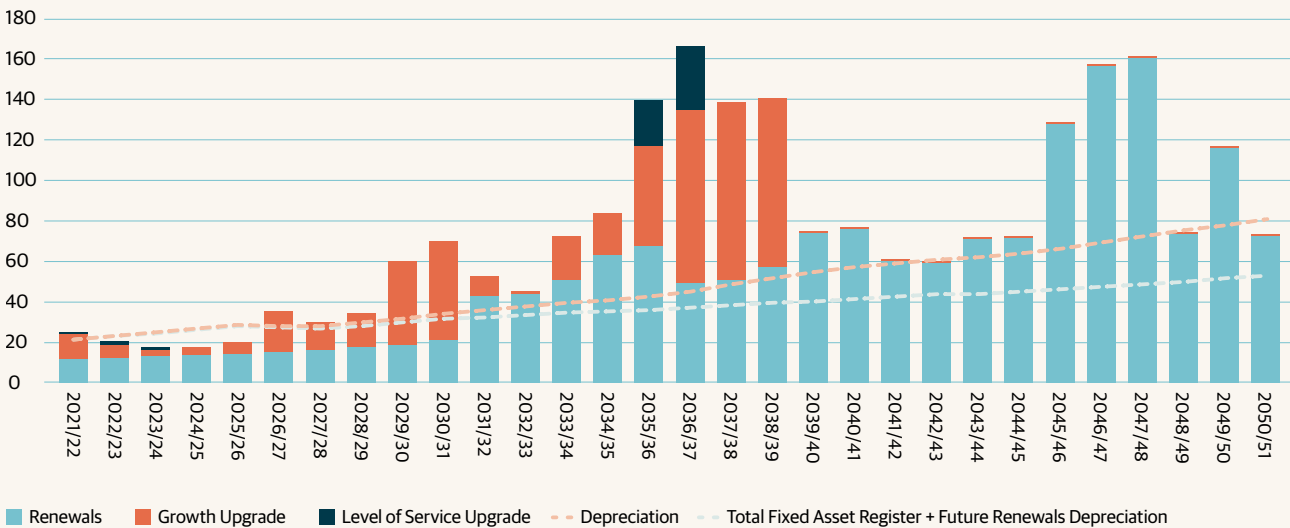
Key issue - Private ownership of laterals	Level of service impacts
<p>Currently residents are responsible for the maintenance of the pipes connecting their property to the wastewater (sewerage) main underneath the road corridor. These are called wastewater laterals. This is problematic as often residents are not aware of their responsibilities and are unable or unwilling to pay for repairs when their lateral fails. Often the failure of laterals under the road corridor are also outside of the control of property owners, for example being the result of damage caused by street tree roots. Most Councils in New Zealand are responsible for the maintenance of laterals in public land.</p> <p>The Council’s policy is being amended to be consistent in the region and New Zealand. This would result in the Council taking responsibility for the section of the wastewater lateral beneath the legal road to the property boundary. This will create efficiencies in maintenance by allowing us to plan their renewal alongside wastewater mains.</p> <p>The lack of maintenance of those private pipes, which most owners are not even aware of, also needs to be made a priority. Blockages are also occurring as a result of people flushing materials that the system is not designed to accommodate. The solution lies in taking better care of these ageing pipes and pump stations and treating wastewater to a standard that meets our communities’ aspirations.</p>	<p>Public and private wastewater pipes should be maintained in a water-tight condition, so they do not leak or spill any wastewater before it reaches the treatment plants, where it is treated to a suitable standard to return to the ocean. The pipes should also be resilient, not only to natural hazards like earthquakes but also to other interruptions like blockages and maintenance.</p>
Principle options	Preferred option
<ol style="list-style-type: none"> <li>Maintain the status quo.</li> <li>WCC take ownership and maintenance responsibility for wastewater laterals</li> </ol>	<p><b>2. WCC take ownership and maintenance responsibility for wastewater laterals</b></p> <p>We have previously consulted on the issue in a prior Annual Plan, and laterals adoption options were the subject of the 2021-31 LTP consultation</p> <p><b>Opex Cost:</b> \$4.6m (over 10 years)</p> <p><b>Capex cost:</b> \$24m (over 10 years)</p>

# Capital investment

The planned wastewater investment programme over 30 years is:

## Wastewater LTP 2021-51 (\$m)

Millions



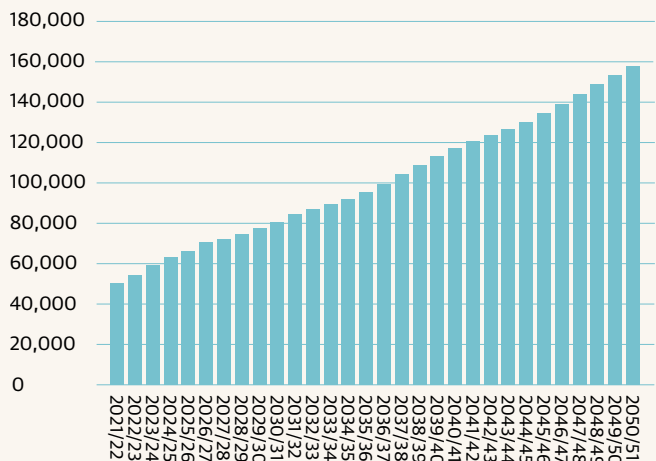
\*The above graph is inflated.

A planned renewals programme, rather than a reactive renewals approach, will minimise asset failures and the impact on rates. By not addressing the ageing wastewater infrastructure in a planned way we will see an increase in pipe failures and longer outage times. This will create additional operating and capital cost. A failing and poor condition waste network has environmental impacts in polluting our waterways and the sea.

- The City has a significant amount of deferred renewals and it will take a concerted effort to close this gap.
- The planned level of renewals for the first ten years has increased by over 89% compared to the first ten years of the 2018 LTP. The level exceeds the depreciation funding for the existing assets in 2032, where excess depreciation funding prior to this will be used to fund the higher level of renewals. With a significant uplift in renewals from 2039/40, borrowings will fund any excess renewals and repaid over the life of the asset.

## Wastewater Operating Expenditure LTP 2021-51

\$000's



\*The above graph is inflated.

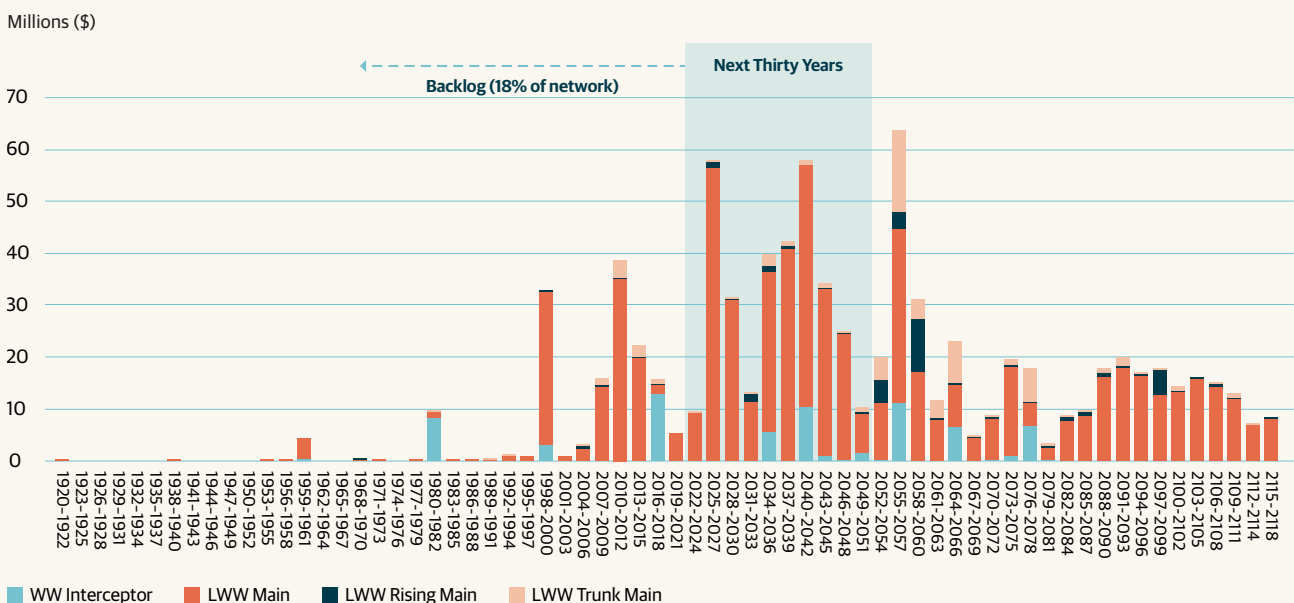
- There is a significant increase in volume of assets that are coming to the end of their expected useful life from around 2031/32. The forecast budget more than doubles to match the planned uplift in the renewal programme
- There is \$131m of upgrades for growth budgeted in the first 10 years compared to \$4m in the prior LTP. This is forecast to increase further as the planning for growth project is completed over the next 2 years.
- There is a significant increase in volume of assets that are coming to the end of their expected useful life from around 2031/32. The forecast budget more than doubles to match the planned uplift in the renewal programme.

### Upgrade investments

The main area of upgrade where a level of service will be necessary is likely to be in eliminating or minimising sewage pollution in order to meet the requirements of the NPS-FM. This is targeted at Karori in the first ten years, and there is likely to be improvements in levels of service as a result of investments in growth.

The second area is around biosolids disposal. Investment in biosolids is necessary if the City is to meet its carbon and waste minimisation aspirations.

### Wastewater LTP 2021-51 (\$m)



## Growth investments

The City proposes unlocking capacity and growing redundancy in the CBD through investing in the Taranaki St pump station and rising main in Te Aro. We also intend to grow capacity by investing in intermediate storage in the central area, and managing peak flows from outer suburbs through to Moa Point.

We also intend investing in unlocking the constraints for the Stebbings Valley greenfield area.

## Deliverability

WWL advises that industry ability to scale up to deliver an increased capital spend is a matter of concern.

The deliverability limitations related to potable water discussed in the previous section also apply to delivery of wastewater investment.

# Stormwater

## Overview of infrastructure

Historically, the purpose of our stormwater system has been to drain rainwater from homes, premises and roads to prevent flooding that creates risks for public health and safety. The physical assets include pipes, culverts and sumps, but the performance of the system is also highly dependent on overland flow paths that carry the water around, rather than through, individual properties and enable the safe passage of stormwater when the pipe network is at capacity.

Streams have also been piped over time to enable the development of roads, buildings and other city infrastructure. The stormwater systems around the city have been designed to a range of standards for the amount of rainfall they can accommodate, meaning that some parts of the city are more prone to flooding than others.

The existing stormwater systems discharge directly into the environment, but it is now recognised that stormwater is a source of contaminants that can impact on water quality and ecosystem health. Heavy metals (such as zinc and copper), hydrocarbons, sediments and nutrients enter the water from areas of urban development causing acute and chronic toxicity to the indigenous fish and invertebrates that once thrived in our city’s waterways. Changes in flow during small to moderate rainfall can also cause erosion in streams, and the discharge of ‘hot’ stormwater in summer rainfall can be detrimental to downstream ecosystems.

Taken all together, the adverse environmental impacts of the stormwater system can extend through the entire stream system to the harbour, where sediments smother life on the seafloor. Wastewater that enters the stormwater system either through leaking wastewater pipes, constructed overflows from the wastewater network or illegal connections, creates a significant public health risk and prevents safe swimming in our streams or coastal waters following even moderate rainfall. It also impacts on the aquatic life and biodiversity of these water bodies.

Having access to water bodies that are safe for human contact and that sustain their natural ecosystems is highly valued by iwi and our communities. Our stormwater systems have not been designed to remove these contaminants, but the National Policy Statement on Freshwater Management (NPS-FM) requires their performance to be improved. The existing water quality is poor and none of the city’s water bodies are likely to meet the targets that are expected to be set under the region’s Natural Resources Plan without significant investment.

The table below summarises outcomes delivered to and value of assets

Outcome	Drinking Water Contribution
Safe and healthy water	The stormwater system conveys rainfall away from habitable spaces, avoiding flooding.
Respectful of the environment	Increasingly the community is taking an active role in better water catchment management to improve the quality of our urban waterways.
Resilient networks that support our economy	The National Climate Change Adaptation Plan and associated legislative changes will cascade into the development of the City’s own adaptation action plan. This will incorporate policy and infrastructure measures involving green and hard infrastructure.

Assets	Replacement value
• Stormwater pipes 729 km	\$993M
• Tunnels 3 km	\$32M
• Pump Stations 2	\$3M
• Fittings 28,000	\$147M



## Levels of service

New legislation will have an impact on the stormwater level of service. The Greater Wellington Region Council (GWRC) Natural Resources Plan gives effect to the National Policy Statement - Freshwater Management via Whaitua te Whanganui-a-Tara ('Whaitua'). This will in turn require improvements in wastewater overflows, wastewater dry weather leaks and stormwater contaminants. The status quo will not satisfy these increased requirements. This links to our investment in wastewater and is a significant strategic driver of change across this sector.

In anticipation of this shift in focus, as part of the Global Stormwater Consent stage 1, WWL is already piloting the deployment of roving crews looking at cross connections and sanitary surveys of key catchments. The intention is to roll out a more comprehensive regime across the City in the course of stage 2.

## Asset management maturity

Traditionally, stormwater has been about gravity drainage of rainwater. Increasingly however, it is also about water quality and environmental concerns, such as fish passage and a desire to 'daylight' pipes streams. This is a challenge to the traditional asset management approach.

A further challenge is the changing climate and sea level rise. The existing assets were not designed with these changes in mind, and therefore the stormwater network is increasingly unfit for purpose. Seawater intrusion is now significant, and we need a greater level of granularity to understand how to meet this challenge now and into the future. For example, we will probably need to pump more stormwater in future. The current setup was not designed as a pressurised network.

	Replacement Cost	Condition (1-5)	Performance (1-5)	Data confidence (A-E)	AM Maturity
Stormwater	\$1.2bn	3 - Maintenance required	3 - Moderate	A-B Minor inaccuracies (1)	Under review

## Key issues

Key issue - Climate change	Level of service impacts
Stormwater is closely linked with roading, flooding and land use. With climate change, stormwater management is likely to be a constraint on the future shape of Wellington. The challenges with managing stormwater are expected to increase over time as the frequency of heavy rain events increases, sea level rise makes it more difficult for stormwater to discharge, and as growth and intensification reduces ground permeability and impacts on overland flow paths. Historically our stormwater planning has not been cognisant of climate change challenges such as more intense rainfall and sea level rise.	Increased levels of flooding and constraining future growth will result in a downward trending level of service without a combination of investment and the inclusion of natural hazards planning rules in the District Plan.
Principle options	Preferred option

1. Retain the status quo
2. Deal with climate change issues via the District Plan which will enable the City to grow with risks and to provide for critical overland flowpaths, augmented by targeted investment in priority areas where there is elevated risk.

**2. Deal with climate change**  
 We do not believe the status quo is an option - the risk to assets, property and safety of more intense rainfall and flooding is not defensible.  
 There is a \$640m (over thirty years) capital renewals work programme that will be designed to accommodate changing standards.

**Key issue - Green infrastructure**

In order to manage the environmental impacts of stormwater run off in line with increasing community expectations there will be an increased use of green infrastructure alongside traditional approaches to managing stormwater. As green infrastructure is adopted as part of stormwater management, this will challenge the traditional asset management and ownership models. For example, we do not currently depreciate green assets.

**Level of service impacts**

Management of impacts of storm water run off with green infrastructure to maintain and improve the level of service as we increase housing across the city.

**Principle options**

1. An option is to retain a focus on hard infrastructure only.
2. Confront the existing challenges around ownership, management and funding of green infrastructure, and the challenges of integrating it with hard infrastructure.

**Preferred option**

**2. Confront the existing challenges around ownership, management and funding of green infrastructure**

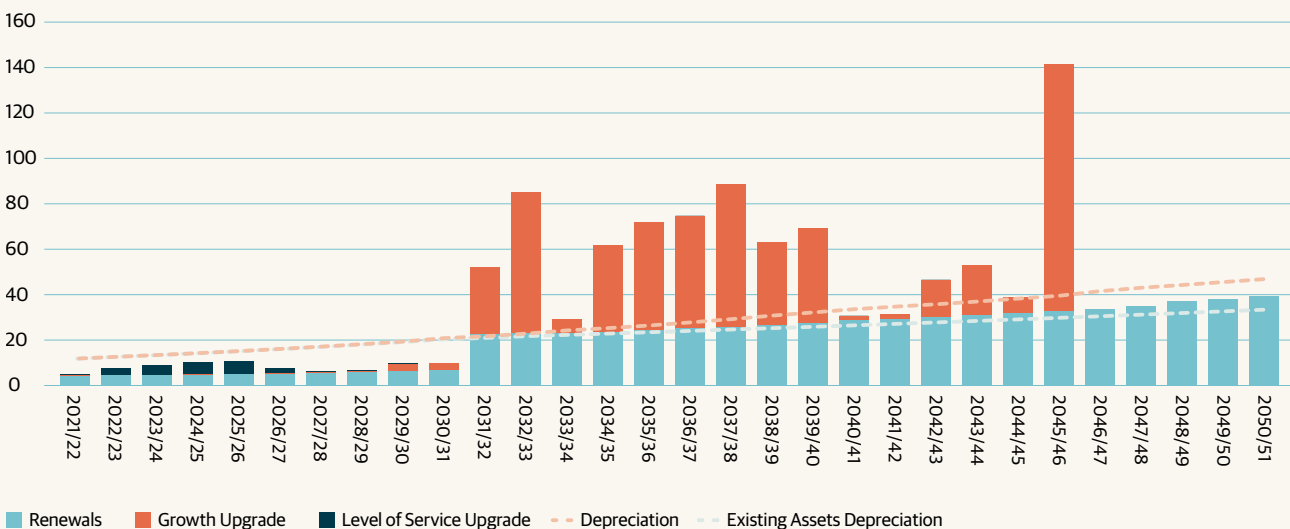
While current policy settings do not require green infrastructure, this is a likely outcome of work currently underway. Assets will need to meet design and performance requirements, and have maintenance properly funded. Where possible, the renewals capital programme will be used to substitute hard infrastructure with green infrastructure solutions

## Renewal investment

The planned stormwater investment programme over 30 years is:

**Stormwater LTP 2021-51 (\$m)**

Millions (\$)



\*The above graph includes inflation.

- The level of renewals for the first ten years has increased by over 25% compared to the first ten years of the 2018 LTP. The level exceeds the depreciation funding for the existing assets in 2031/32. There is a significant uplift in renewals from 2031/32.
- There is a significant increase in volume of assets that are coming to the end of their expected useful life from around 2031/32. The forecast budget more than doubles to match the planned uplift in the renewal programme.

WWL has recommended limited investments targeted at key areas. This will necessitate accommodating, where practicable, natural green and open spaces that use vegetation, soils, and other elements and practices to help deal with environmental challenges such as stormwater runoff and climate adaptation.

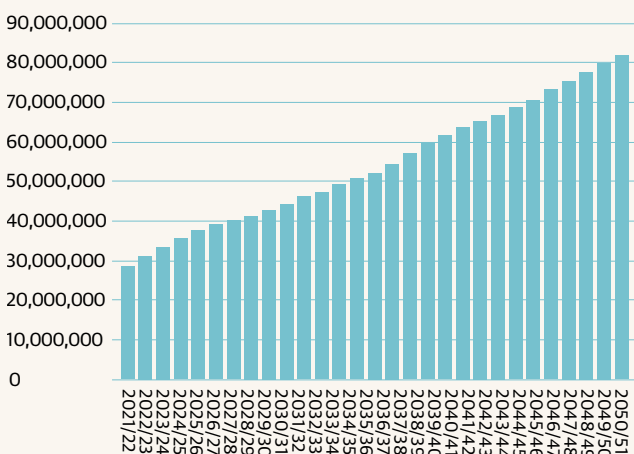
This would supplement and, where possible, replace hard infrastructure, while providing increased biodiversity, flood protection, and more green and open spaces throughout the city.

## Upgrade investments

The City needs to start focussing on sensitivity to our changing climate, more intensive rainfall and flooding. This means bigger pipes, pumping of stormwater and a sophisticated relationship with land use planning. In the short term, this is already underway in areas like Tawa. In the longer term, there is a desire to investigate daylighting of streams and other interventions that improve the amenity value of freshwater.

### Storm Water Operating Expenditure LTP 2021-51

Millions



\*The above graph is inflated.

## Growth investments

For stormwater, the interdependence with land use, the District Plan and the Building Act (through floor levels) is paramount.

As the City grows, some areas (such as Johnsonville) will require direct investment in order to unlock growth. In some other areas, District Plan settings will set the bar for new developments and subdivisions that will be required to actively manage stormwater impacts. Hydraulic neutrality will be a condition of consents and developers will be required to present a water impact assessment. This is expected in turn to drive water sensitive urban design into developments.

This will further challenge our asset management processes and policies.

## Deliverability

For stormwater, deliverability is not so much about contracting and hard infrastructure (although this is still a requirement), but more about innovation, design and catchment analysis. This means that a significant building block for future stormwater management is the analytical, science and engineering advice that will inform policy and investment decisions.

For stormwater, deliverability will hinge on the availability of this type of advice, and the willingness of decision makers to deploy stringent consent and planning conditions.

Stormwater is inextricably linked to wastewater and land use planning. In our view there is a risk that Government reforms not covering stormwater might create an ‘orphan’ that cannot be delivered, and is in competition with the other waters, rather than being complementary.

# Community infrastructure

## Introduction

In addition to our key infrastructure areas of transport and three-waters, Council owns a range of ‘community infrastructure’ including our venues, social housing, libraries, pools, community halls, parks and open space.

There are two significant issues relating to these assets that drive our infrastructure plans and the consultation items within our Long-Term Plan.

## Key issues

### Seismic resilience of buildings

The 2016 Kaikoura earthquake damaged a number of our buildings creating the need for significant investment in their remediation. It also heightened awareness of the seismic risk facing many of our other buildings, creating further requirements for strengthening.

In particular the buildings in Te Ngākau Civic Square, including the Central Library, the Municipal Office Building (MOB) and the Civic Administration Building (CAB) have needed to be vacated and require significant investment to bring back online. Our venues, including the St James theatre and Town Hall are also undergoing significant strengthening work and our other venues (Michael Fowler Centre, TSB Arena and Opera House) are in need of upgrade.

We plan on investing over \$200m in the remediation work required across Te Ngākau Civic Square including the high-level remediation of the Central Library. We also plan on investing \$45m in the upgrade of our venues following a strategic review to ensure that investment is prioritised in the right venues to deliver the best outcomes for Wellington.

In addition to the challenge this creates on our capital budgets, the scale of investment required also creates funding challenges. Fully funding the upgrade and remediation with traditional funding arrangements for all of these assets would challenge our debt limits and would require improvements to be phased out over a significant period of time.

Our preference is, where appropriate, to look for partnering opportunities with long-term ground leases to progress works in Te Ngākau Civic Square, particularly for the MOB and CAB building sites. Partnering is not an option that we are examining for the Central Library.

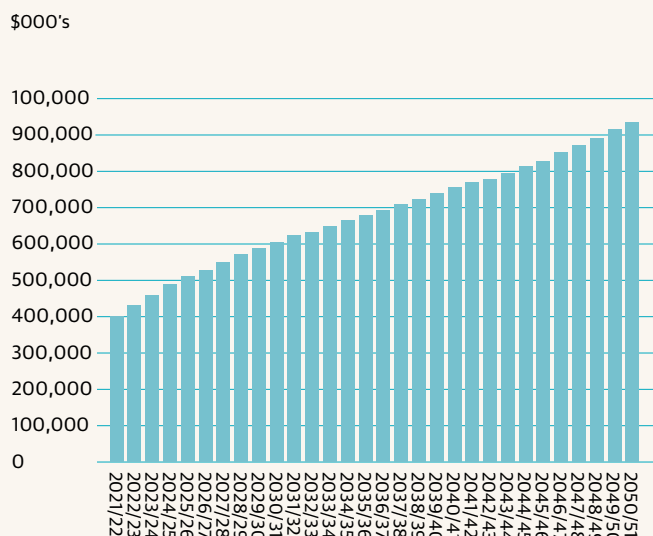
### Social Housing upgrades

The Council has more than 1,900 social housing units across the city. In 2007, we signed a Deed of Grant with Central Government. It commits us to remaining a provider of social housing until at least 2037 and to upgrading our housing portfolio to modern standards.

We have completed phase 1 of the upgrades, for which we received a \$220m grant from Central Government. Phase 2 is due to begin in 2022 and be completed by 2028. By 2024, we also need to complete further upgrades to meet the new Healthy Homes standards set out in legislation.

We plan to undertake this full upgrade programme, however as outlined earlier in this Strategy, there are fundamental financial sustainability issues and City Housing operations are currently unable to sustainably fund this level of investment. While the costs of the capital programme are included in this long-term plan, this is not our preferred option and we are continuing to explore alternative models for funding of the City Housing programme including discussing the possibility of accessing Income-Related Rents with central government and establishing a Community Housing Provider.

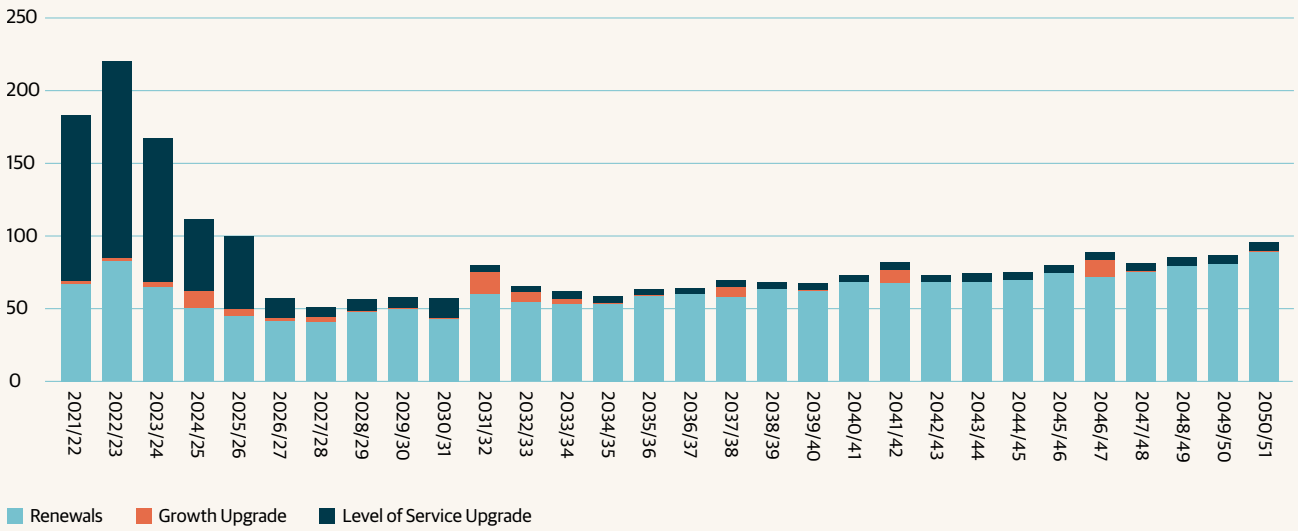
### Community Outcomes Operating Expenditure LTP 2021-51



\*The above graph is inflated.

### Community Infrastructure LTP 2021-51

Millions (\$)



\*The above graph is inflated.

# Appendix A - Data definitions - condition, data confidence and criticality

Condition	Data Confidence	Data Confidence	Criticality of an Asset	Asset Management Maturity
1 Excellent	Systematic and fully optimised data programme	(A) Reliable - data based on reliable documents =/- 5%	Major, region wide, long-term disruption and significant cost to restore service	
2 Some minor maintenance work is required	Reliable data in information system with analysis and reporting	(B) Minor inaccuracies - data based on some supporting documentation +/- 15%	Significant disruption over an extended period	Advanced
3 Maintenance is required to return to the expected level of service	Sufficient information to support basic analysis	(C) Uncertain Significant data estimated - data based on local knowledge +/- 30%	Serious localised impacts and cost	Intermediate
4 Requires a significant upgrade	Basic/incomplete information based on assumptions	(D) Data based on best guess of experienced person +/- 40%	Minor service disruption.	Core
5 The asset is unserviceable.	No asset register	(E) Unknown - no information held against data	Negligible social or economic impact	Basic

# Summary of significant accounting policies

# Reporting entity

Wellington City Council is a territorial local authority governed by the Local Government Act 2002.

The primary objective of the Council is to provide goods or services for community or social benefits rather than making a financial return. As a defined public entity under the Public Audit Act 2001, for the purposes of financial reporting, the Council is audited by the Auditor General, and is classed as a Public Sector Public Benefit Entity.

These prospective financial statements are for Wellington City Council (the Council) as a separate legal entity. Consolidated prospective financial statements comprising the Council and its controlled entities, joint ventures and associates have not been prepared.

# Basis of preparation

## Statement of compliance

The prospective financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The prospective financial statements have been prepared to comply with Public Benefit Entity Accounting Standards (PBE Accounting Standards) for a Tier 1 entity. A Tier 1 entity is defined as being either publicly accountable or large (i.e. expenses over \$30m).

The reporting period for these prospective financial statements is the 10-year period ending 30 June 2031. The prospective financial statements are presented in New Zealand dollars, rounded to the nearest thousand (\$000), unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods presented in these prospective financial statements.

## Measurement base

The measurement basis applied is historical cost, modified by the revaluation of certain assets and liabilities as identified in this summary of significant accounting policies. The accrual basis of accounting has been used unless otherwise stated.

For the assets and liabilities recorded at fair value, fair value is defined as the amount for which an item could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's-length transaction. For investment property, non-current assets classified as held for sale and items of property, plant and equipment which are revalued, the fair value is determined by reference to market value. The market value of a property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction.

Amounts expected to be recovered or settled more than one year after the end of the reporting period are recognised at their present value. The present value of the estimated future cash flows is calculated using applicable inflation factors and a discount rate. The inflation rates used and the discount rate for forecasting the long-term cost of borrowing are as per the "Significant forecasting assumptions" which are disclosed earlier in this document.



## Transition to PBE IPSAS 41 - Financial Instruments

A new accounting standard, PBE IPSAS 41 *Financial Instruments*, is applicable from year 2 of this LTP (2022/23) and supersedes the current PBE IPSAS 29 *Financial instruments: Recognition and Measurement*. The prospective financial statements for years 2 to 10 have been prepared using this new standard.

The main differences between PBE IPSAS 29 and PBE IPSAS 41 relate to the classification of financial assets and liabilities, impairment and hedge accounting. The Council does not consider that the financial information will be materially different under this new standard.

### Classification of financial assets and liabilities

The Council has completed a detailed assessment of its financial assets and financial liabilities as at 1 July 2022, the date of transition to this new standard. The following table shows the original classification under PBE IPSAS 29 and the new classification under PBE IPSAS 41:

### Impairment

PBE IPSAS 41 prescribes an expected credit loss model instead of the previous incurred loss model meaning that it is no longer necessary to have an impairment trigger event before recognising impairment losses. The required change in impairment model is immaterial to the Council as impairments are not usually significant when considering prospective financial statements.

### Hedge accounting

PBE IPSAS 41 introduces a hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. There is no change for the Council when applying this new model as all of our swaps are currently hedged therefore hedging requirements under PBE IPSAS 41 can be continued as they were under PBE IPSAS 29.

Financial asset/liability	Measurement category		Value at 1 July 2022	
	Current treatment under PBE IPSAS 29	New treatment under PBE IPSAS 41	Current treatment under PBE IPSAS 29	New treatment under PBE IPSAS 41
<b>Financial assets</b>				
Cash and cash equivalents	Amortised cost	Amortised cost	20,777	20,777
Bank deposits < 3 months	Amortised cost	Amortised cost	209,000	209,000
Bank deposits > 3 months	Amortised cost	Amortised cost	0	0
LGFA borrower notes	Amortised cost	Amortised cost	8,663	8,663
Loans to related parties	Amortised cost	Amortised cost	39	39
Equity investment - civic financial services	FVTOCRE	FVTOCRE	491	491
Equity investment - LGFA	FVTOCRE	FVTOCRE	6,938	6,938
Trade receivables and recoverables	Amortised cost	Amortised cost	20,090	20,090
Accrued revenue	Amortised cost	Amortised cost	11,180	11,180
Sundry receivables	Amortised cost	Amortised cost	33,438	33,438
Other financial assets	Amortised cost	Amortised cost	0	0
<b>Total financial assets</b>			<b>310,616</b>	<b>310,616</b>
<b>Financial liabilities</b>				
Borrowings	Amortised cost	Amortised cost	1,207,361	1,207,361
Trade payables and accruals	Amortised cost	Amortised cost	59,024	59,024
Interest payable	Amortised cost	Amortised cost	0	0
Sundry payables	Amortised cost	Amortised cost	0	0
GWRC rates	Amortised cost	Amortised cost	3,142	3,142
Other	Amortised cost	Amortised cost	2,595	2,595
Interest rate swaps - cash flow hedges	FVTOCRE	FVTOCRE	107,040	107,040
<b>Total financial liabilities</b>			<b>1,379,162</b>	<b>1,379,162</b>

## Judgements and estimations

The preparation of prospective financial statements using PBE accounting standards requires the use of judgements, estimates and assumptions. Where material, information on the main assumptions is provided in the “Significant forecasting assumptions”.

The estimates and assumptions are based on historical experience as well as other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates and these variations may be material.

The estimates and assumptions are reviewed on an ongoing basis and adjustments are made where necessary.

## Revenue

Revenue comprises rates, revenue from operating activities, investment revenue, gains, finance and other revenue and is measured at the fair value of consideration received or receivable.

Revenue may be derived from either exchange or non-exchange transactions.

### Revenue from exchange transactions

Revenue from exchange transactions arises where the Council provides goods or services to another entity or individual and directly receives approximately equal value in a willing arm’s length transaction (primarily in the form of cash in exchange).

### Revenue from non-exchange transactions

Revenue from non-exchange transactions arises from transactions that are not exchange transactions. Revenue from non-exchange transaction arises when the Council receives value from another party without giving approximately equal value directly in exchange for the value received.

An inflow of resources from a non-exchange transaction recognised as an asset, is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the Council satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

## Approximately equal value

Approximately equal value is considered to reflect a fair or market value, which is normally commensurate with an arm’s length commercial transaction between a willing buyer and willing seller. Some goods or services that the Council provides (eg the sale of goods at market rates) are defined as being exchange transactions. Only a few services provided by the Council operate on a full user pays, cost recovery or breakeven basis and these are considered to be exchange transactions unless they are provided at less than active and open market prices.

Most of the services that the Council provides for a fee are subsidised by rates and therefore do not constitute an approximately equal exchange. Accordingly, most of the Council’s revenue is categorised as non-exchange.

Specific accounting policies for major categories of revenue are outlined below:

## Rates

Rates are set annually by resolution from the Council and relate to a particular financial year. All ratepayers are invoiced within the financial year for which the rates have been set. Rates revenue is recognised in full as at the date when rate assessment notices are sent to the ratepayers. Rates are a tax as they are payable under the Local Government Ratings Act 2002 and are therefore defined as non-exchange.

Water rates by meter are regulated in the same way as other rates and are taxes that use a specific charging mechanism to collect the rate. However, as the water rates are primarily charged on a per unit of consumption basis, water rates by meter are considered to be more in the nature of an exchange transaction. Revenue from water rates by meter is recognised as an accrual based on usage.

## Operating activities

Revenue from operating activities is generally measured at the fair value of consideration received or receivable.

The Council undertakes various activities as part of its normal operations, some of which generate revenue, but generally at below market rates. The following categories (except where noted) are classified as transfers, which are non-exchange transactions other than taxes.

## Grants, subsidies and reimbursements

Grants and subsidies are recognised as revenue immediately except to the extent a liability is also recognised in respect of the same grant or subsidy. A liability is recognised when the grant or subsidy received are subject to a condition such that the Council has the obligation to return those funds received in the event that the conditions attached to them are breached. As the Council satisfies the conditions, the carrying amount of the liability is reduced and an equal amount is recognised as revenue.

Reimbursements (eg NZ Transport Agency roading claim payments) are recognised upon entitlement, which is when conditions relating to the eligible expenditure have been fulfilled.

## Development contributions

Development contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution was charged. In the event that the Council is unable to provide the service immediately, or the development contribution is refundable, the Council will recognise an asset and a liability and only recognise revenue when the Council has met the obligation for which the development contribution was charged.

## Rendering of services

Revenue from exchange transactions is recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from the rendering of services where the service provided is non-exchange is recognised when the transaction occurs to the extent that a liability is not also recognised.

## Fines and penalties

Revenue from fines and penalties (e.g. traffic and parking infringements, library overdue book fines) is recognised when infringement notices are issued or when the fines/penalties are otherwise imposed. In particular the fair value of parking related fines is determined based on the probability of collection considering previous collection history and a discount for the time value of money.

## Sale of goods

The sale of goods is classified as exchange revenue. Sale of goods is recognised when products are sold to the customer and all risks and rewards of ownership have transferred to the customer.

## Investment revenues

### Dividends

Dividends from equity investments, other than those accounted for using equity accounting, are classified as exchange revenue and are recognised when the Council's right to receive payment has been established.

### Investment property lease rentals

Lease rentals (net of any incentives given) are classified as exchange revenue and recognised on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which benefits derived from the leased asset is diminished

## Other revenue

### Donated, subsidised or vested assets

Where a physical asset is acquired for nil or nominal consideration, with no conditions attached, the fair value of the asset received is recognised as non-exchange revenue when the control of the asset is transferred to the Council.

### Gains

Gains include additional earnings on the disposal of property, plant and equipment and movements in the fair value of financial assets and liabilities.

## Finance revenue

### Interest

Interest revenue is exchange revenue and recognised using the effective interest rate method.

## Donated services

The Council benefits from the voluntary service of many Wellingtonians in the delivery of its activities and services (eg beach cleaning and Otari-Wilton's Bush guiding and planting). Due to the difficulty in determining the precise value of these donated services with sufficient reliability, donated services are not recognised in these prospective financial statements.

## Expenses

Specific accounting policies for major categories of expenditure are outlined below:

### Operating activities

#### Grants and sponsorships

Expenditure is classified as a grant or sponsorship if it results in a transfer of resources (eg cash or physical assets) to another entity or individual in return for compliance with certain conditions relating to the operating activities of that entity. It includes any expenditure arising from a funding arrangement with another entity that has been entered into to achieve the objectives of the Council. Grants and sponsorships are distinct from donations that are discretionary or charitable gifts. Where grants and sponsorships are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when the specified criteria have been fulfilled.

### Finance expense

#### Interest

Interest expense is recognised using the effective interest rate method. All borrowing costs are expensed in the period in which they are incurred.

#### Depreciation and amortisation

Depreciation of property, plant and equipment and amortisation of intangible assets are charged on a straight-line basis over the estimated useful life of the associated assets.

#### Taxation

The Council, as a local authority, is only liable for income tax on the surplus or deficit for the year derived from any Council controlled trading organisations and comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, plus any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the assets and liabilities, and the unused tax losses using tax rates enacted or substantively enacted at the end of the reporting period. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised.

#### Goods and Services Tax (GST)

All items in the prospective financial statements are exclusive of GST, except for receivables and payables, which are stated as GST inclusive. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

## Financial instruments

For year 1 (2021/22) of the LTP, PBE IPSAS 29 *Financial Instruments* applies as below. The comparative prospective financial statements for 2020/21 were also prepared using this accounting standard.

For subsequent years, 2023-2031, PBE IPSAS 41 *Financial Instruments* will be applicable as this new accounting standard will become effective for the period beginning 1 July 2022.

## Current accounting policies under PBE IPSAS 29 - Year 1 of LTP

### Financial classification

Financial instruments include financial assets (loans and receivables and financial assets at fair value through other comprehensive revenue and expense), financial liabilities (payables and borrowings) and derivative financial instruments. Financial instruments are initially recognised on trade-date at their fair value plus transaction costs. Subsequent measurement of financial instruments depends on the classification

determined by the Council. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

Financial instruments are classified into the categories outlined below based on the purpose for which they were acquired. The classification is determined at initial recognition and re-evaluated at the end of each reporting period.

### **Financial assets**

Financial assets are classified as loans and receivables or financial assets at fair value through other comprehensive revenue and expense.

Loans and receivables comprise cash and cash equivalents, trade and other receivables and loans and deposits.

Cash and cash equivalents comprise cash balances and call deposits with maturity dates of 3 months or less.

Receivables and recoverables have fixed or determinable payments. They arise when the Council provides money, goods or services directly to a debtor, and has no intention of trading the receivable or recoverable.

Loans and deposits include loans to other entities (including subsidiaries and associates), and bank deposits with maturity dates of more than 3 months.

Financial assets in this category are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date for assets of a similar maturity and credit risk. Receivables and recoverables due in less than 12 months are recognised at their nominal value. A provision for impairment is recognised when there is objective evidence that the asset is impaired. As there are statutory remedies to recover unpaid rates, rates penalties and water meter charges, no provision has been made for impairment in respect of these receivables.

Financial assets at fair value through other comprehensive revenue and expense relate to equity investments that are held by the Council for long-term strategic purposes and therefore are not intended to be sold. Financial assets at fair value through other comprehensive revenue and expense are initially

recorded at fair value plus transaction costs. They are subsequently measured at fair value and changes, other than impairment losses, are recognised directly in a reserve within equity. On disposal, the cumulative fair value gain or loss previously recognised directly in other comprehensive revenue and expense is recognised within surplus or deficit.

### **Financial liabilities**

Financial liabilities comprise payables under exchange transactions, taxes, transfers and borrowings. Financial liabilities with duration of more than 12 months are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Amortisation is recognised within surplus or deficit. Financial liabilities with duration of less than 12 months are recognised at their nominal value.

On disposal any gains or losses are recognised within surplus or deficit.

### **Derivatives**

Derivative financial instruments include interest rate swaps used to hedge exposure to interest rate risk on borrowings. Derivatives are initially recognised at fair value, based on quoted market prices, and subsequently remeasured to fair value at the end of each reporting period. Fair value is determined by reference to quoted prices for similar instruments in active markets. Derivatives that do not qualify for hedge accounting are classified as non-hedged and fair value gains or losses are recognised within surplus or deficit.

Recognition of fair value gains or losses on derivatives that qualify for hedge accounting depends on the nature of the item being hedged. Where a derivative is used to hedge variability of cash flows (cash flow hedge), the effective part of any gain or loss is recognised within other comprehensive revenue and expense while the ineffective part is recognised within surplus or deficit. Gains or losses recognised in other comprehensive revenue and expense transfer to surplus or deficit in the same periods as when the hedged item affects the surplus or deficit. Where a derivative is used to hedge variability in the fair value of the Council's fixed rate borrowings (fair value hedge), the gain or loss is recognised within surplus or deficit.

As per the International Swap Dealers' Association (ISDA) master agreements, all swap payments or receipts are settled net.

## New accounting policies under PBE IPSAS 41 - Years 2 to 10 of LTP

### Financial classification

Financial instruments include financial assets (measured at amortised cost, measured at fair value through surplus or deficit or measured at fair value through other comprehensive revenue and expense), financial liabilities (measured at amortised cost) and derivative financial instruments. Financial instruments are initially recognised on trade-date at their fair value plus transaction costs. Subsequent measurement of financial instruments depends on the classification determined by the Council. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

Financial instruments are classified into the categories outlined below based on the purpose for which they were acquired. The classification is determined at initial recognition and re-evaluated at the end of each reporting period.

#### Financial assets

Financial assets are classified as either financial assets at amortised cost, financial assets at fair value through surplus or deficit or financial assets at fair value through other comprehensive revenue and expense.

*Financial assets at amortised cost* comprise cash and cash equivalents, trade and other receivables and loans and deposits.

Cash and cash equivalents comprise cash balances and call deposits with maturity dates of 3 months or less.

Receivables and recoverables have fixed or determinable payments. They arise when the Council provides money, goods or services directly to a debtor, and has no intention of trading the receivable or recoverable.

Loans and deposits include loans to other entities (including subsidiaries and associates), and bank deposits with maturity dates of more than 3 months.

Financial assets in this category are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Fair value is estimated as the present value of future cash flows, discounted at the market rate

of interest at the reporting date for assets of a similar maturity and credit risk. Receivables and recoverables due in less than 12 months are recognised at their nominal value.

*Financial assets at fair value through other comprehensive revenue and expense* relate to equity investments that are held by the Council for long-term strategic purposes and therefore are not intended to be sold. Financial assets at fair value through other comprehensive revenue and expense are initially recorded at fair value plus transaction costs. They are subsequently measured at fair value and changes, other than impairment losses, are recognised directly in a reserve within equity. On disposal, the cumulative fair value gain or loss previously recognised directly in other comprehensive revenue and expense is recognised within surplus or deficit.

*Impairment losses* are recognised based on an “expected loss model” which requires the Council to look at forward-looking, current and historic information when assessing impairment. As there are statutory remedies to recover unpaid rates, rates penalties and water meter charges, no provision has been made for impairment in respect of these receivables.

#### Financial liabilities

Financial liabilities comprise payables under exchange transactions, taxes, transfers and borrowings. Financial liabilities with duration of more than 12 months are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Amortisation is recognised within surplus or deficit. Financial liabilities with duration of less than 12 months are recognised at their nominal value.

On disposal any gains or losses are recognised within surplus or deficit.

#### Derivatives

Derivative financial instruments include interest rate swaps used to hedge exposure to interest rate risk on borrowings. Derivatives are initially recognised at fair value, based on quoted market prices, and subsequently remeasured to fair value at the end of each reporting period. Fair value is determined by reference to quoted prices for similar instruments in active markets. Derivatives that do not qualify for hedge accounting are classified as non-hedged and fair value gains or losses are recognised within surplus or deficit.

Recognition of fair value gains or losses on derivatives that qualify for hedge accounting depends on the nature of the item being hedged. Where a derivative is used to hedge variability of cash flows (cash flow hedge), the effective part of any gain or loss is recognised within other comprehensive revenue and expense while the ineffective part is recognised within surplus or deficit. Gains or losses recognised in other comprehensive revenue and expense transfer to surplus or deficit in the same periods as when the hedged item affects the surplus or deficit. Where a derivative is used to hedge variability in the fair value of the Council's fixed rate borrowings (fair value hedge), the gain or loss is recognised within surplus or deficit.

As per the International Swap Dealers' Association (ISDA) master agreements, all swap payments or receipts are settled net.

### Investment properties

Investment properties are properties that are held primarily to earn rental revenue or for capital growth or both. These include the Council's ground leases, and certain land and buildings.

Investment properties exclude those properties held for strategic purposes or to provide a social service. This includes properties that generate cash inflows as the rental revenue is incidental to the purpose for holding the property. Such properties include the Council's social housing assets, which are held within operational assets in property, plant and equipment. Borrowing costs incurred during the construction of investment property are not capitalised.

Investment properties are measured initially at cost and subsequently measured at fair value, determined annually by an independent registered valuer. Any gain or loss arising is recognised within surplus or deficit. Investment properties are not depreciated.

### Non-current assets classified as held for sale

Non-current assets held for sale are separately classified as their carrying amount will be recovered through a sale transaction rather than through continuing use. A non-current asset is classified as held for sale where:

- the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets

- a plan to sell the asset is in place and an active programme to locate a buyer has been initiated
- the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value
- the sale is expected to occur within 1 year or beyond 1 year where a delay has occurred that is caused by events beyond the Council's control and there is sufficient evidence the Council remains committed to sell the asset
- actions required to complete the sale indicate it is unlikely that significant changes to the plan will be made or the plan will be withdrawn.

A non-current asset classified as held for sale is recognised at the lower of its carrying amount or fair value less costs to sell. Impairment losses on initial classification are included within surplus or deficit.

### Property, plant and equipment

Property, plant and equipment consists of operational assets, restricted assets and infrastructure assets.

Operational assets include land, the landfill post-closure asset, buildings, the Civic Centre complex, the library collection, and plant and equipment.

Restricted assets include art and cultural assets, zoo animals, restricted buildings, parks and reserves and the Town Belt. These assets provide a benefit or service to the community and in most cases cannot be disposed of because of legal or other restrictions.

Infrastructure assets include the roading network, water, waste and drainage reticulation networks, service concession assets and infrastructure land (including land under roads). Each asset type includes all items that are required for the network to function.

Vested assets are those assets where ownership and control is transferred to the Council from a third party (eg infrastructure assets constructed by developers and transferred to the Council on completion of a subdivision). Vested assets are recognised within their respective asset classes as above.

Heritage assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. The Council recognises these assets within these prospective financial statements to the extent their value can be reliably measured.

### Recognition

Expenditure is capitalised as property, plant and equipment when it creates a new asset or increases the economic benefits of an existing asset. Costs that do not meet the criteria for capitalisation are expensed.

### Measurement

Property, plant and equipment is recognised initially at cost, unless acquired for nil or nominal cost (eg vested assets), in which case the asset is recognised at fair value at the date of transfer. The initial cost of property, plant and equipment includes the purchase consideration (or the fair value in the case of vested assets), and those costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose. Subsequent expenditure that extends or expands the asset's service potential is capitalised.

Borrowing costs incurred during the construction of property, plant and equipment are not capitalised.

After initial recognition, certain classes of property, plant and equipment are revalued to fair value. Where there is no active market for an asset, fair value is determined by optimised depreciated replacement cost.

Specific measurement policies for categories of property, plant and equipment are shown below:

#### Operational assets

Plant and equipment and the Civic Centre complex are measured at historical cost and not revalued.

Library collections are valued at depreciated replacement cost on a 3-year cycle by the Council's library staff in accordance with guidelines outlined in *Valuation Guidance for Cultural and Heritage Assets*, published by the Treasury Accounting Team, November 2002.

Land and buildings are valued at fair value on a 3-year cycle by independent registered valuers.

#### Restricted assets

Art and cultural assets (artworks, sculptures and statues) are valued at historical cost. Zoo animals are stated at estimated replacement cost. All other restricted assets (buildings, parks and reserves and the Town Belt) were valued at fair value as at 30 June 2005 by independent registered valuers. The Council has elected to use the fair value of other restricted assets at 30 June 2005 as the deemed cost of the assets.

These assets are no longer revalued. Subsequent additions have been recorded at cost.

#### Infrastructure assets

Infrastructure assets (the roading network, water, waste and drainage reticulation networks including service concession arrangement assets (waste water treatment plants) are valued at optimised depreciated replacement cost on a regular basis or, whenever the carrying amount differs materially to fair value, by independent registered valuers. Infrastructure valuations are based on current quotes from actual suppliers. As such, they include ancillary costs such as breaking through seal, traffic control and rehabilitation. Between valuations, expenditure on asset improvements is capitalised at cost.

Infrastructure land (excluding land under roads) is valued at fair value on a regular basis or, whenever the carrying amount differs materially to fair value.

Land under roads, which represents the corridor of land directly under and adjacent to the

Council's roading network was valued as at 30 June 2005 at the average value of surrounding adjacent land discounted by 50 percent to reflect its restricted nature. The Council elected to use the fair value of land under roads at 30 June 2005 as the deemed cost of the asset. Land under roads is no longer revalued. Subsequent additions have been recorded at cost.

The service concession arrangement assets consist of the Moa Point, Western (Karori) and Carey's Gulley wastewater treatment plants, which are owned by the Council but operated by Veolia Water under agreement. These assets are included within and valued consistently with waste infrastructure network assets.

The carrying values of revalued property, plant and equipment are reviewed at the end of each reporting period to ensure that those values are not materially different to fair value.

#### Revaluations

The result of any revaluation of the Council's property, plant and equipment is recognised within other comprehensive revenue and expense and taken to the asset revaluation reserve. Where this results in a debit balance in the reserve for a class of property, plant and equipment, the balance is included in the surplus or deficit. Any subsequent increase on revaluation that offsets a previous decrease in value recognised within surplus or deficit will be recognised firstly,



within surplus or deficit up to the amount previously expensed, with any remaining increase recognised within other comprehensive revenue and expense and in the revaluation reserve for that class of property, plant and equipment.

Accumulated depreciation at the revaluation date is eliminated so that the carrying amount after revaluation equals the revalued amount.

While assumptions are used in all revaluations, the most significant of these are in infrastructure. For example, where stormwater, wastewater and water supply pipes are underground, the physical deterioration and condition of assets are not visible and must therefore be estimated. Any revaluation risk is minimised by performing a combination of physical inspections and condition modelling assessments.

### Impairment

The Council's assets are defined as cash generating if the primary purpose of the asset is to provide a commercial return. Non-cash generating assets are assets other than cash generating assets.

The carrying amounts of cash generating property, plant and equipment assets are reviewed at least annually to determine if there is any indication of impairment. Where an asset's, or class of assets', recoverable amount is less than its carrying amount it will be reported at its recoverable amount and an impairment loss will be recognised. The recoverable amount is the higher of an item's fair value less costs to sell and value in use. Losses resulting from impairment are reported within surplus or deficit, unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease and recorded within other comprehensive revenue and expense.

The carrying amounts of non-cash generating property, plant and equipment assets are reviewed at least annually to determine if there is any indication of impairment. Where an asset's, or class of assets', recoverable service amount is less than its carrying amount it will be reported at its recoverable service amount and an impairment loss will be recognised. The recoverable service amount is the higher of an item's fair value less costs to sell and value in use. A non-cash generating asset's value in use is the present value of the asset's remaining service potential. Losses resulting from impairment are reported within surplus or deficit, unless the asset is carried at a revalued

amount in which case any impairment loss is treated as a revaluation decrease and recorded within other comprehensive revenue and expense.

### Disposal

Gains and losses arising from the disposal of property, plant and equipment are recognised within surplus or deficit in the period in which the transaction occurs. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to retained earnings.

### Work in progress

The cost of projects within work in progress is transferred to the relevant asset class when the project is completed and then depreciated.

### Depreciation

Depreciation is provided on all property, plant and equipment, with certain exceptions. The exceptions are land, restricted assets other than buildings, and assets under construction (work in progress). Depreciation is calculated on a straight-line basis, to allocate the cost or value of the asset (less any assessed residual value) over its estimated useful life. The estimated useful life ranges of the major classes of property, plant and equipment are as follows:

#### Estimated useful lives of tangible assets

Asset category	2021 Useful Lives (years)
<b>Operational assets</b>	
Land	Unlimited
Buildings	1-149
Civic Precinct	5-67
Plant and equipment	2-300
Library collection	4-11
<b>Infrastructure assets</b>	
Drainage, waste and water	20-588
Roading	1-625
Land (including land under roads)	Unlimited
<b>Restricted assets</b>	Unlimited

The large variations in the range of lives for infrastructural assets is due to these assets being managed and depreciated by individual component rather than as a whole asset.

The useful lives are updated after each revaluation cycle and are reflected in the new depreciation rates that will apply.

The landfill post closure asset is depreciated over the life of the landfill based on the capacity of the landfill.

### Intangible assets

Intangible assets predominantly comprise computer software and carbon credits. They are recorded at cost less any subsequent amortisation and impairment losses.

Computer software has a finite economic life and amortisation is charged to surplus or deficit on a straight-line basis over the estimated useful life of the asset. Typically, the estimated useful life range of these assets are as follows:

#### Estimated useful lives of tangible assets

Asset category	2021 Useful Lives (years)
Computer software	2-11

Carbon credits comprise either allocations of emission allowances granted by the Government related to forestry assets or units purchased in the market to cover liabilities associated with landfill operations. Carbon credits are recognised at cost at the date of allocation or purchase.

Gains and losses arising from disposal of intangible assets are recognised within surplus or deficit in the period in which the transaction occurs. Intangible assets are reviewed at least annually to determine if there is any indication of impairment. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported within surplus or deficit.

### Research and Development

Research costs are expensed as incurred. Development expenditure on individual projects is capitalised and recognised as an asset when it meets the definition and criteria for capitalisation as an asset and it is probable

that the Council will receive future economic benefits from the asset. Assets which have finite lives are stated at cost less accumulated amortisation and are amortised on a straight-line basis over their useful lives.

### Leases

#### Operating leases as lessee

Leases where the lessor retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Payments made under operating leases are recognised within surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised within surplus or deficit over the term of the lease as they form an integral part of the total lease payment.

#### Operating leases as lessor

The Council leases investment properties and a portion of land and buildings. Rental revenue is recognised on a straight-line basis over the lease term.

### Finance leases

Finance leases transfer to the Council (as lessee) substantially all the risks and rewards of ownership of the leased asset. Initial recognition of a finance lease results in an asset and liability being recognised at amounts equal to the lower of the fair value of the leased property or the present value of the minimum lease payments.

The finance charge is released to surplus or deficit over the lease period and the capitalised values are amortised over the shorter of the lease term and the useful life of the leased item.

### Employee benefit liabilities

A provision for employee benefit liabilities (holiday leave, long service leave and retirement gratuities) is recognised as a liability when benefits are earned but not paid.

#### Holiday leave

Holiday leave includes: annual leave, long service leave, statutory time off in lieu and ordinary time off in lieu. Annual leave is calculated on an actual entitlement basis in accordance with section 21(2) of the Holidays Act 2003.

#### Retirement gratuities

Retirement gratuities are calculated on an actuarial basis based on the likely future entitlements accruing to employees, after taking into account years of service,

years to entitlement, the likelihood that employees will reach the point of entitlement, and other contractual entitlements information.

### **Other contractual entitlements**

Other contractual entitlements include termination benefits, which are recognised within surplus or deficit only when there is a demonstrable commitment to either terminate employment prior to normal retirement date or to provide such benefits as a result of an offer to encourage voluntary redundancy. Termination benefits settled within 12 months are reported at the amount expected to be paid, otherwise they are reported as the present value of the estimated future cash outflows.

### **Provisions**

Provisions are recognised for future liabilities of uncertain timing or amount when there is a present obligation as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are measured at the expenditure expected to be required to settle the obligation. Liabilities and provisions to be settled beyond 12 months are recorded at their present value.

### **Landfill post-closure costs**

The Council, as operator of the Southern Landfill, has a legal obligation to apply for resource consents when the landfill or landfill stages reach the end of their operating life and are to be closed. These resource consents will set out the closure requirements and the requirements for ongoing maintenance and monitoring services at the landfill site after closure. A provision for post-closure costs is recognised as a liability when the obligation for post-closure arises, which is when each stage of the landfill is commissioned and refuse begins to accumulate.

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including known changes to legal requirements and known improvements in technology. The provision includes all costs associated with landfill post-closure including final cover application and vegetation; incremental drainage control features; completing facilities for leachate collection and monitoring; completing facilities for water quality monitoring; completing facilities for monitoring and recovery of gas.

Amounts provided for landfill post-closure are capitalised to the landfill asset. The capitalised landfill asset is depreciated over the life of the landfill based on the capacity used.

The Council has a 21.5 percent joint venture interest in the Spicer Valley landfill. The Council's provision for landfill post-closure costs includes the Council's proportionate share of the Spicer Valley landfill provision for post-closure costs.

### **Net assets/equity**

Net assets or equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Net assets or equity is disaggregated and classified into a number of components to enable clearer identification of the specified uses of equity within the Council.

The components of net assets or equity are accumulated funds and retained earnings, revaluation reserves, a hedging reserve, a fair value through other comprehensive revenue and expense reserve and restricted funds (special funds, reserve funds, trusts and bequests).

Restricted funds are those reserves that are subject to specific conditions of use, whether under statute or accepted as binding by the Council, and that may not be revised without reference to the Courts or third parties. Transfers from these reserves may be made only for specified purposes or when certain specified conditions are met.

### **Prospective statement of cash flows**

Cash and cash equivalents for the purposes of the cash flow statement comprise bank balances, cash on hand and short-term deposits with a maturity of 3 months or less. The prospective statement of cash flows has been prepared using the direct approach subject to the netting of certain cash flows. Cash flows in respect of investments and borrowings that have been rolled over under arranged finance facilities have been netted in order to provide more meaningful disclosures.

Operating activities include cash received from all non-financial revenue sources of the Council and record the cash payments made for the supply of goods and services. Investing activities relate to the acquisition and disposal of assets and investment revenue. Financing activities relate to activities that change the equity and debt capital structure of the Council and financing costs.

### Related parties

Related parties arise where one entity has the ability to affect the financial and operating policies of another through the presence of control or significant influence. Related parties include members of the Group and key management personnel. Key management personnel include the Mayor and Councillors as Directors, the Chief Executive and all members of the Executive Leadership Team being key advisors to the Directors and Chief Executive.

The Mayor and Councillors are considered Directors as they occupy the position of a member of the governing body of the Council reporting entity. Directors' remuneration comprises any money, consideration or benefit received or receivable or otherwise made available, directly or indirectly, to a Director during the reporting period. Directors' remuneration does not include reimbursement of authorised work expenses or the provision of work-related equipment such as mobile phones and laptops.

### Cost allocation

The Council has derived the cost of service for each significant activity (as reported within the Statements of Service Performance). Direct costs are expensed directly to the activity. Indirect costs relate to the overall costs of running the organisation and include staff time, office space and information technology costs. These indirect costs are allocated as overheads across all activities.

### Comparatives

To ensure consistency with the current year, certain comparative information has been reclassified where appropriate. This has occurred:

- where classifications have changed between periods
- where the Council has made additional disclosure in the current year, and where a greater degree of disaggregation of prior year amounts and balances is therefore required
- where there has been a change of accounting policy.

## Public Benefit Entity Financial Reporting Standard 42 Prospective Financial

### Statements (PBE FRS 42)

The Council has complied with PBE FRS 42 in the preparation of these prospective financial statements. In accordance with PBE FRS 42, the following information is provided:

#### (i) Description of the nature of the entity's current operation and its principal activities

The Council is a territorial local authority, as defined in the Local Government Act 2002. The Council's principal activities are outlined within this annual plan.

#### (ii) Purpose for which the prospective financial statements are prepared

It is a requirement of the Local Government Act 2002 to present prospective financial statements that span 1 year and include them within the Long-term Plan. This provides an opportunity for ratepayers and residents to review the projected financial results and position of the Council. Prospective financial statements are revised annually to reflect updated assumptions and costs.

#### (iii) Bases for assumptions, risks and uncertainties

The financial information has been prepared on the basis of best estimate assumptions as the future events which the Council expects to take place. The Council has considered factors that may lead to a material difference between information in the prospective financial statements and actual results. These factors, and the assumptions made in relation to the sources of uncertainty and potential effect, are outlined within this Long-term Plan.

#### (iv) Cautionary note

The financial information is a forecast. Actual results are likely to vary from the information presented, and the variations may be material.

#### (iv) Other disclosures

These prospective financial statements were adopted as part of the assumptions that form the LTP 2021-31 for issue on 30 June 2021 by Wellington City Council. The Council is responsible for the prospective financial statements presented, including the assumptions underlying prospective financial statements and all other disclosures. The LTP is a forecast and as such contains no actual operating results.

# Revenue and Financing Policy

The Local Government Act 2002 (the Act) requires Councils to adopt a Revenue and Financing Policy that provides detail on the funding of operational and capital expenditure. This policy illustrates which parts of the community contribute to paying for Council's activities.

We have set out our policy under the following headings:

1. Policy statement on the funding of operating expenditure.
2. Policy statement on the funding of capital expenditure.
3. Setting the level of revenue from rates.
4. Council's application of the requirements of the Act.
5. The commercial and residential rating differential and the modifier.
6. Summary of operating revenue funding sources by activity.
7. Individual activity analysis by activity group.

# 1. Policy statement on the funding of operational expenditure

## Establishing the level of operating revenue required to fund operating expenditure

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.

The Council will set its projected operating revenue at a level sufficient to meet the current year's projected operating expenditure, except where the Council resolves that it is financially prudent not to do so.

When setting projected operating revenue at a level that is different from the level of projected operating expenditure the Council will have regard to:

- The estimated expenses of achieving and maintaining the predicted levels of service provision set out in the LTP, including the estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life.
- The projected revenue available to fund the estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life.
- The equitable allocation of responsibility for funding the provision and maintenance of assets and facilities throughout their useful life.
- The funding and financial policies adopted under section 102 of the Local Government Act 2002.

In accordance with these principles, the Council has determined that the following items will not be funded:

**Accounting for fair value changes:** Under Public Benefit Entity International Public Sector Accounting Standard, changes in the fair value of certain assets must be accounted for within the Statement of Comprehensive Revenue and Expense. In accordance with Section 100 of the Local Government Act 2002, the Council does not consider it financially prudent to fund changes in the fair value of assets or liabilities as these are essentially unrealised accounting adjustments.

### Non-funding of depreciation on Council assets:

The Council may elect not to fund all or part of the depreciation expenditure on specific assets in those circumstances where it is not financially prudent to do so. In accordance with section 100 of the Local Government Act 2002, the Council considers that it is not financially prudent to fund depreciation in the following circumstances:

- Where the original asset purchase was not funded by borrowings, or the original borrowings have been repaid, and
- Where, on an ongoing basis, the replacement of the asset at the end of its useful life will be funded by a third party, or
- Where the Council has elected not to replace the asset at the end of its useful life.
- Where a third party has a contractual obligation to either maintain the service potential of the asset throughout all or part of its useful life (or to replace the asset at the end of its useful life) and the Council already effectively funds this through operating grants/tariffs payable to the third party.

### Non-funding of depreciation on waterfront assets:

The Council transitioned the waterfront project 'in-house' during 2014/2015. This acquisition has necessitated a transition toward fully funding the depreciation of waterfront assets by 2025/26. This transition funding links the cost of funding to the benefits received over time.

## Options available for funding Council services

The Council uses the following mechanisms to fund operational expenditure requirements:

- **General rates.** General rates are used to fund public goods where it is not possible and/or practical to clearly identify customers or users. This rate is also used where, for reasons of fairness, equity and consideration of the wider community good it is considered that this is the most appropriate way in which to fund an activity.
- **Targeted rates.** This form of rate is used where an activity benefits an easily identifiable group of ratepayers (such as the commercial or residential sectors) and where it is appropriate that only this group be targeted to pay for some or all of a particular service. For example, sewage disposal, water supply and the Downtown targeted rate.
- **Fees and charges.** User charges are direct charges to people and/or groups who use certain Council services such as swimming pools. In these instances, an identifiable benefit exists to clearly identifiable people and/or groups and they are required to pay for all or part of the cost of using that service. It is noted that since 2006 Councils have been required to adjust all income and expenditure within their

LTP in line with inflation. Where appropriate and with consideration to ‘ability to pay’ principals, user charges will be increased by the rate of inflation to achieve continued alignment with the proposed funding policy targets.

- **Grants and subsidies.** Grants and subsidies apply to some activities when income from external agencies is received to support that particular activity.
- **Borrowings.** In general Council does not fund operating expenditure by borrowing. Exceptions include funding the impacts on ratepayer’s intergenerational equity, funding expenditure over the period which benefits are received (e.g. weathertightness payments), funding pandemic and natural disaster relief or items requiring urgency of timing (e.g. Library Pop Ups). Any borrowings associated with these expenses will be repaid over time.
- **Other sources of funding.** The Council also funds operating expenditure from other sources, including income from interest, dividends from investments held by the Council, lease income and proceeds from asset sales. Other sources of funding include:

#### **Use of surpluses from previous financial periods**

Where the Council has recorded an actual surplus in one financial period it may pass this benefit on to ratepayers in a subsequent financial period. A surplus arises from the recognition of additional income or through savings in expenditure. Council considers that passing this benefit on to ratepayers in future financial periods improves the principle of intergenerational equity, in that any financial benefit is passed on to those ratepayers who shared the rates-funding burden in the financial period that the surplus was generated.

The amount of any surplus carried forward from previous financial periods will be accounted for as an operating deficit in the year the benefit is passed on to ratepayers. A surplus will be available for use in future financial periods if the actual surplus/ (deficit) is improved when compared to the budgeted surplus/ (deficit). In calculating the level of surplus to be carried forward, consideration will be given to the nature of the factors giving rise to the surplus (for example, whether they are cash or non-cash in nature). Generally, only those factors that are cash in nature will be available for use in determining the level of surplus to be carried forward.

The Council will not carry forward surpluses in relation to:

- **The sale of assets.** Such surpluses shall be used for repayment of borrowings.
- **Trust and bequest revenue.** Such surpluses shall be applied in accordance with the terms on which they are provided.
- **Revenue received for capital purposes.** Such surpluses shall be retained to fund the associated capital expenditure.
- **Unrealised gains arising from fair value adjustments to assets and liabilities.** These gains are unrealised accounting adjustments in the period in which they are recognised.

#### **Funding of expenditure from restricted or special funds**

Certain operating and capital expenditure may be funded from restricted or special funds. Restricted and special funds are those reserves within the Council’s equity that are subject to special conditions of use, whether under statute or accepted as binding by the Council, and that may not be revised without reference to the courts, a third party or public consultation if these funds have been established by the Council.

Transfers may be made only for specified purposes or when specified conditions are met.

The following restricted and special funds are available for use by Council:

- **Self-insurance reserve.** The self-insurance reserve is used to fund any damages or losses that would otherwise be covered by the Council’s insurance policies except for the fact that the Council has elected to set an insurance excess at a level greater than the damage or loss suffered. Each financial period the Council will provide, through funding from rates and levies, an amount intended to reimburse estimated damages or losses not otherwise covered by the Council’s insurance policies. Actual expenditure incurred as a result of damages or losses where no claim is made under the Council’s insurance policies as a result of the level of excess set will be transferred from retained earnings to the self-insurance reserve at the end of the financial period.
- **Trusts and bequests.** The Council is the recipient/ holder of a number of trusts and bequests. These funds can only be used for the express purposes for which they were provided to the Council. Each year,

the Council may expend money, of an operating or capital nature, from its trusts and bequests in accordance with the specified conditions of those funds. For the avoidance of doubt, the Council does not fund the expenditure from its trusts and bequests from any of the sources of operating revenue.

- **NZTA funding.** Each year the Council receives funding from NZTA as part of the overall replacement and renewal programme for the City's roading infrastructure. The Council recognises the funding as income in accordance with GAAP. As the funding is received for capital purposes, it cannot be used to offset the rates requirement. Therefore the Council shall recognise a surplus equivalent to the amount of NZTA funding for capital purposes, to be applied against funding the depreciation expense that results on completion of the associated asset.
- **Development contributions.** In accordance with the Council's Development Contributions Policy, development contributions are required to fund capital expenditure where development requires the construction of additional assets or increased capacity in network infrastructure, community infrastructure and reserves. Development contributions will result in an operating surplus being generated for the year. This shall flow through to a development reserve within the Council's equity.
- **Other reserves and ring-fenced funds.** Restricted funds also include other reserves, reserve purchase and development reserve, any sub-division development reserve and ring-fenced cumulative surpluses/deficits from City Housing and Marina Operations activities. Subject to meeting any specified conditions associated with these reserves the Council may expend money, of an operating or capital nature, from these reserves.
- **Regional amenities:** Local authorities in the Wellington region operate a regional amenities fund. The fund is a resource for entities that provide regional benefits in the arts, culture and environmental attractions and events sectors. The fund is a partnership between Wellington City Council, Hutt City Council, Upper Hutt City Council, Porirua City Council and Kapiti District Council. The fund ensures that regionally significant entities can be developed or sustained. The source of funds for Wellington City Council's contributions will be

drawn in line with the activity rationale outlined in this policy. For example, any contribution to Te Papa from the Council as part of the regional amenities fund would be drawn from the sources outlined in section 4.1.7.

Having established its sources of operating revenue, the Council has determined that operational expenditure will be funded through the following mechanisms:

Operating expenditure Funding mechanism	Approximate proportion of funding for 2021/22
<b>General Rate</b>	<b>40%</b>
<b>Targeted rates</b>	
• Sewerage rate	9%
• Water rate	10%
• Stormwater rate	5%
• Base (residential)	2%
• Commercial sector	1%
• Downtown targeted rate	2%
• Business Improvement District and other minor rates	0%
<b>Total targeted rates</b>	<b>29%</b>
<b>Total fees and charges</b>	<b>21%</b>
<b>Other sources</b>	
• Ground and commercial lease	7%
• Dividends	0%
• Miscellaneous	3%
<b>Total other income</b>	<b>10%</b>

Note: Decisions on the use of other funding sources i.e. use of prior period surpluses, non-funded depreciation, special and other reserves are project-specific and are made on an annual basis. In such circumstances, revenue from these sources reduces the level of funding provided through the General Rate.



## 2. Policy statement on the funding of capital expenditure

Capital expenditure represents expenditure on property, plant and equipment. Property, plant and equipment are tangible assets that are held by the Council for use in the provision of its goods and services (for example: bridges, libraries, swimming pools), for rental to others or for administrative purposes, and may include items held for the maintenance or repair of such assets.

Capital expenditure is funded from depreciation, development contributions, capital funding, and restricted funds or through new or extended borrowings as outlined below:

- If the capital expenditure relates to the replacement (renewal) of an existing asset, that expenditure will be funded by depreciation. Funding for depreciation comes from rates. Any surplus depreciation, after paying for the replacement of Council assets, will be used to repay borrowings.
- If the capital expenditure relates to the construction or purchase of a new asset or to the upgrade or increase in service potential of an existing asset, that expenditure will usually be funded from new or extended borrowings. Borrowing is the most cost-effective and equitable way to do this as it spreads the cost of the asset over all the generations who will benefit from it, making it affordable to ratepayers today.
- On projects where on the basis of financial prudence, the Council considers it appropriate to do so, it may impose a targeted rate to repay borrowings on an asset at a faster rate than over the full life of the asset.
- The Council will use capital funding from third parties to fund investment in new or upgraded assets (e.g. funding received from NZTA).
- The funding of capital expenditure from the sale of surplus assets is decided on a case-by-case basis. Funds received from the sale of surplus assets that are not applied to the funding of capital expenditure shall be used to repay borrowings.
- The funding of capital expenditure from restricted or special funds is decided on a case-by-case basis and is subject to the specified purposes and conditions governing the use of those restricted funds.
- If an approved capital expenditure project is not completed by the end of the financial period, the unspent funds may be carried forward to the next financial period to enable the project to be completed.
- The Council has agreed that Development Contributions are to be used as the primary funding tool for capital expenditure resulting from population and employment growth for water, wastewater, stormwater, roads, and reserves. The Council will continue to collect residual RMA based financial contributions on developments consented prior to 2005/06.

Capital expenditure Funding mechanism	Approximate proportion of funding for 2021/22
Rates funded depreciation	39%
NZTA transport subsidies	9%
External grants	1%
Development contributions	1%
Borrowings	50%

## 3. Setting the level of revenue from rates

The total level of revenue from rates will be established as the total revenue required to cover all projected operating expenditure after taking into account:

- The projected operating revenue from those sources of other revenue identified above.
- The level of operating surpluses carried forward from previous financial periods and agreed to by Council.
- The level of revenue received for capital purposes is (including development contributions) recognised as income for accounting purposes but required to be made available for the funding of capital expenditure.
- An amount equal to the level of depreciation expenditure on Council assets where the Council considers that it is not financially prudent to pass the funding requirement on to ratepayers.
- An amount equal to the level of reimbursement of the Council's self-insurance reserve.
- An amount equal to the projected level of repayment of borrowings which funded operational expenditure e.g. the settlement of liabilities for weathertightness payments.
- Any other amount that the Council considers not financially prudent to pass (the funding requirement) on to ratepayers.

## 4. The Council's application of the requirements of the Act

A Revenue and Financing Policy is required under section 102(1) and section 102(2)(a) of the Local Government Act (2002). The required contents of the Policy are set out in section 101(3) of the Act, including a description of the way in which operating, and capital expenditure will be funded. Section 101(3) involves a two-step process:

**Step 1** - in relation to each activity to be funded:

- The Community outcomes to which the activity primarily contributes;
- The distribution of benefits between the community as a whole, any identifiable part of the community, and individuals;
- The period in or over which those benefits are expected to occur;
- The extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity;
- The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities; and

**Step 2:**

- The overall impact of any allocation of liability for revenue needs on the community;
- Section 103 covers the requirements of the Revenue and Financing Policy and the links back to section 101(3).

Our activity analysis is organised under the following headings:

- **Community outcome.** The Council has four community outcomes:
  - An innovative, inclusive and creative city
  - A dynamic and sustainable economy
  - A people friendly, compact, safe and accessible capital city
  - A sustainable, climate friendly eco capital

We make reference to the community outcome to which each activity relates in our analysis.

- **Activity Area.** The Council's activity areas are consolidated into seven strategic areas in which we provide a service to the community. These are:

- Governance
- Environment and Infrastructure
- Economic development
- Cultural wellbeing
- Social and recreation
- Urban development
- Transport.

- **Activity Group.** The Council's activity groups are those areas in which we provide a service to the community. Our activity analysis starts with a statement of what activity we are assessing, and a brief description of the service provided by the Council.
- **Activity.** A summary of all operating projects that the Council delivers within a particular activity. Any one activity may have more than one operating project which, when combined, provides the total level of service provided by the Council.
- **Who Benefits?** This analysis looks at the benefits that flow from the activity to individuals, identifiable parts of the community and the community as a whole. The Council acknowledges that this analysis is in part subjective, and that it has used some basic principles to assist in its decision making.
  - When discussing benefits to the whole community, we are referring to all members, ratepayers and the general public of the city. Benefits to the whole community accrue when individual users cannot be easily identified or cannot be easily excluded from entry (such as the use of the Town Belt and other open spaces), or where the community in general derives benefit from our activities (such as the provision of citizen information and advice). While it is not possible to charge for some activities, it is also not appropriate to charge for certain activities that benefit the community as a whole. In instances such as these, it is considered appropriate that funding is predominantly provided through the general rate.
  - Where individuals or an identifiable part of the community can be identified, it is then possible to consider the use of targeted rates or user charges. Obvious examples of this include services such as pools and recreation centres, but also include activities such as our building consent and licensing services and many of our waste management services. In these instances, it is possible to exclude users who do not wish to use

and pay for an activity. Those users who choose to pay accrue a particular level of service over and above that available to the community as a whole.

- **Who should pay?** This section of our analysis looks at a variety of factors that may influence our decision-making when establishing a final decision as to who should pay for an activity. Through this analysis it is possible for the nominal funding split derived under the Who Benefits? analysis to be ‘modified’ based on a consideration of factors including:
  - The period of benefit provided by each activity. For instance, investment in the city’s roading and stormwater infrastructure provides a long-term and ongoing benefit to the city, whereas a one-off grant for a particular activity will typically be short-term and temporary in nature.
  - Whether or not there is an identifiable exacerbator who should pay (‘polluter pays’ principle).
  - The costs and benefits of distinct funding. This includes an assessment of how we fund each individual activity taking into account issues such as transparency and accountability, and the impacts of a chosen funding mechanism. For instance, where a service is deemed to be essential or very important in terms of contributing to the general health and wellbeing of the community, consideration will be given to ensuring that people are not excluded from access to the service because they cannot afford to pay.
  - The overall impact of the funding of the activity on the current and future social, economic, environmental and cultural wellbeing of the community.

While each of these areas were considered when assessing who should pay, not all were relevant to each activity, while some had more weight than others in relation to a certain activity.

- **Our funding targets.** This provides the final analysis of how we will fund our activities after consideration of the issues outlined under “Who should pay?”

## 5. The general rates differential

The general rate is split between the base differential rate, which applies to residential ratepayers, community organisations and rural land, and the commercial, industrial and business differential rate.

Historically, the Council has applied a modifier to alter the rates differential (the rates split) that decides the share of general rate paid by residents (base differential) and by businesses (commercial, industrial and business differential). In setting the level of the differential, the Council has considered the requirements of the Local Government Act and number of factors including:

- The benefits each sector derives
- The ability of ratepayers within each sector to pay
- The historic relationship between various groups of ratepayers and the existing level of the differential
- Ensuring any change to the differential, or rate of any change, does not impact unreasonably on any particular group of ratepayers
- To determine equity and fairness, the entire rating system for Wellington City must be considered and it is not appropriate to focus on the differential only
- The impact on the social, cultural, economic and environmental wellbeing of the community.

The Council proposes no change in the rates differential in the Long-term Plan. This means that a commercial sector ratepayer will contribute 3.25 times more to the general rate than residential ratepayer for each dollar of rateable property capital value. The council will be review the differential each year to ensure sector affordability and make any necessary changes.

## 6. Summary of operating expenditure funding by activity

Activity Area	Activity Grouping	Activity	User Fees	Other Income	Rates	General	Residential Target	Commercial Targeted	Downtown Targeted
Governance	Governance, information and engagement	1.1.1 City governance and engagement	0%	0%	100%	100%	0%	0%	0%
		1.1.2 Civic information	5%	0%	95%	95%	0%	0%	0%
		1.1.3 City Archives	10%	0%	90%	90%	0%	0%	0%
		1.1.4 Climate insights and engagement	0%	0%	100%	100%	0%	0%	0%
	Maori and Mana Whenua partnerships	1.2.1 Maori and Mana Whenua partnerships	0%	0%	100%	100%	0%	0%	0%
Environment and Infrastructure	Gardens, beaches and green open spaces	2.1.1 Local parks and open spaces	5%	0%	95%	95%	0%	0%	0%
		2.1.2 Botanical gardens	10%	0%	90%	90%	0%	0%	0%
		2.1.3 Beaches and coast operations	0%	0%	100%	100%	0%	0%	0%
		2.1.4 Roads open spaces	0%	5%	95%	95%	0%	0%	0%
		2.1.5 Town belts	0%	5%	95%	95%	0%	0%	0%
		2.1.6 Community environmental initiatives	0%	0%	100%	100%	0%	0%	0%
		2.1.7 Walkways	0%	0%	100%	100%	0%	0%	0%
		2.1.8 Biodiversity (pest management)	0%	0%	100%	100%	0%	0%	0%
		2.1.9 Waterfront Public Space	5%	0%	95%	95%	0%	0%	0%
		2.1.10 Berhampore Nursery	0%	0%	100%	100%	0%	0%	0%
	Waste reduction and energy conservation	2.2.1 Waste minimisation, disposal and recycling management	100%	0%	0%	0%	0%	0%	0%
		2.2.2 Closed Landfills Aftercare	0%	0%	100%	100%	0%	0%	0%
		2.2.3 Energy efficiency and conservation	0%	0%	100%	100%	0%	0%	0%
	Water	2.3.1 Water network	0%	0%	100%	0%	60%	40%	0%
		2.3.2 Water collection and treatment	0%	0%	100%	0%	60%	40%	0%
	Wastewater	2.4.1 Sewage collection and disposal network	5%	0%	95%	0%	60%	35%	0%
		2.4.2 Sewage treatment	0%	0%	100%	0%	60%	40%	0%
	Stormwater	2.5.1 Stormwater management	0%	0%	100%	0%	77.5%	22.5%	0%
	Conservation Attractions	2.6.1 Conservation Visitor Attractions	0%	0%	100%	100%	0.0%	0.0%	0%
	Economic Development	City promotions and business support	3.1.1 Wellington Regional Economic Development Agency (WREDA) and Venues	0%	0%	100%	20%	0%	30%
3.1.2 Wellington Convention Centre			0%	0%	100%	60%	0%	0%	40%
3.1.4 Wellington Economic Initiatives Development Fund (WEID) and Economic Grants			0%	0%	100%	100%	0%	0%	0%
3.1.5 Major Projects			0%	0%	100%	100%	0%	0%	0%
3.1.6 International relations			0%	0%	100%	100%	0%	0%	0%
3.1.7 Business Improvement Districts			0%	0%	100%	0%	0%	100%	0%
Cultural Wellbeing			Arts and Culture Activities	4.1.1 Galleries and museums (WMT)	0%	0%	100%	75%	0%
	4.1.2 Visitor attractions (Te Papa/Carter Observatory)	0%		0%	100%	30%	0%	0%	70%
	4.1.3 Arts and cultural festivals	0%		5%	95%	95%	0%	0%	0%
	4.1.4 Cultural grants	0%		0%	100%	0%	100%	0%	0%
	4.1.5 Access and support for community arts	0%		10%	90%	90%	0%	0%	0%
	4.1.6 Arts partnerships	0%		20%	80%	80%	0%	0%	0%
	4.1.7 Regional amenities	0%		0%	100%	100%	0%	0%	0%

Social and Recreation	Recreation promotion and support	5.1.1	Swimming Pools	30%	0%	70%	70%	0%	0%	0%
		5.1.2	Sportsfields	15%	0%	85%	85%	0%	0%	0%
		5.1.3	Recreation programmes	5%	0%	95%	95%	0%	0%	0%
		5.1.4	Recreation Centres	25%	0%	75%	75%	0%	0%	0%
		5.1.5	Recreation partnerships	0%	0%	100%	0%	100%	0%	0%
		5.1.6	Playgrounds	0%	0%	100%	100%	0%	0%	0%
		5.1.7	Marinas	100%	0%	0%	0%	0%	0%	0%
		5.1.8	Golf Course	30%	0%	70%	70%	0%	0%	0%
	Community support	5.2.1	Libraries	5%	0%	95%	95%	0%	0%	0%
		5.2.2	Access support (Leisure Card)	0%	0%	100%	100%	0%	0%	0%
		5.2.3	Community advocacy	0%	0%	100%	0%	100%	0%	0%
		5.2.4	Grants (Social and Recreation)	0%	0%	100%	100%	0%	0%	0%
		5.2.5	Housing	100%	0%	0%	0%	0%	0%	0%
		5.2.6	Community centres and halls	5%	0%	95%	0%	95%	0%	0%
	Public health and safety	5.3.1	Burials and cremations	50%	0%	50%	50%	0%	0%	0%
		5.3.2	Public toilets	0%	0%	100%	100%	0%	0%	0%
		5.3.3	Public health regulations	65%	0%	35%	35%	0%	0%	0%
		5.3.4	City safety	0%	0%	100%	100%	0%	0%	0%
		5.3.5	WREMO	0%	0%	100%	100%	0%	0%	0%
Urban Development	Urban planning, heritage and public spaces development	6.1.1	Urban planning and policy	0%	0%	100%	100%	0%	0%	0%
		6.1.2	Waterfront development	0%	0%	100%	100%	0%	0%	0%
		6.1.3	Public spaces and centres development	0%	0%	100%	100%	0%	0%	0%
		6.1.4	Built heritage development	0%	0%	100%	100%	0%	0%	0%
		6.1.5	Housing development	0%	0%	100%	100%	0%	0%	0%
	Building and development control	6.2.1	Building control and facilitation	65%	0%	35%	35%	0%	0%	0%
		6.2.2	Development control and facilitation	45%	0%	55%	55%	0%	0%	0%
		6.2.3	Earthquake risk mitigation - built environment	0%	0%	100%	100%	0%	0%	0%
		6.2.4	Regulator - Building Control and Facilitation Weathertight Homes	0%	0%	100%	100%	0%	0%	0%
Transport	Transport	7.1.1	Transport planning	0%	0%	100%	100%	0%	0%	0%
		7.1.2	Vehicle network	0%	5%	95%	95%	0%	0%	0%
		7.1.3	Cycle network	0%	5%	95%	95%	0%	0%	0%
		7.1.4	Passenger transport network	0%	80%	20%	20%	0%	0%	0%
		7.1.5	Pedestrian network	0%	5%	95%	95%	0%	0%	0%
		7.1.6	Network-wide control and management	15%	15%	70%	70%	0%	0%	0%
		7.1.7	Road safety	0%	20%	80%	80%	0%	0%	0%
		7.1.8	Lets Get Wellington Moving	0%	0%	100%	100%	0%	0%	0%
	Parking	7.2.1	Parking	100%	0%	0%	0%	0%	0%	0%

# 7. Individual activity analysis by key achievement area

## Governance

### Delivering confidence in civic decision-making

One of our key responsibilities is to ensure that decisions about the city are made in ways that are democratic and inclusive. This means making sure residents are kept informed about what we're doing, are able to have their say, and feel confident that their views and votes count.

### Operating activities

The funding sources for this area are illustrated in the table below.

### Capital expenditure

The interest and depreciation costs relating to capital expenditure are incorporated in the operating costs of each activity.

Governance capital expenditure projects are funded through a combination of rates funded depreciation and borrowings.

Activity Area	Activity Grouping	Activity	User Fees	Other Income	Rates	General	Residential Target	Commercial Targeted	Downtown Targeted
Governance	Governance, information, and engagement	1.1.1 City governance and engagement	0%	0%	100%	100%	0%	0%	0%
		1.1.2 Civic information	5%	0%	95%	95%	0%	0%	0%
		1.1.3 City Archives	10%	0%	90%	90%	0%	0%	0%
		1.1.4 Climate insights and engagement	0%	0%	100%	100%	0%	0%	0%
	Maori and Mana Whenua partnerships	1.2.1 Maori and Mana Whenua partnerships	0%	0%	100%	100%	0%	0%	0%



## Governance – activity commentary

### 1.1 Governance, Information and Engagement

#### Activity 1.1.1: City governance and Engagement

This covers our decision-making and accountability processes. It includes managing the local elections every three years, and holding meetings of the Council and its committees. It also includes developing plans and strategies to promote the city’s wellbeing, such as the Annual Plan and Long-term Plan.

#### Community outcome

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** – it enhances trust and confidence in civic decision-making and encourages the community to participate in city governance.

Who benefits?	
Whole community	100%

The whole community benefits from this activity. Policy formulation, consultation and planning are essential Council services. They enable elected members to set policies and manage resources to benefit the whole community. Along with elections, they also allow people to influence the Council. These decision-making and accountability processes enhance residents’ wellbeing by improving the quality of Council decisions and by giving them a sense of empowerment arising from the fact they can have their voices heard.

Who should pay?	
Whole community	100%

Since this activity benefits the community as a whole, the fairest and most effective way to fund it is from general rates.

Our funding targets: operating expenses	
User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

#### Activity 1.1.2: Civic information

This activity provides for the community to easily access Council information and services such as the Council’s 24 hour call centre, the city’s service centres, and maintenance of the property system. It also includes the cost of the contract for valuation services.

#### Community outcome

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** – providing information about the city and its services allows people to use the city’s facilities and provides access to information.

Who benefits?	
Whole community	50%
Individuals/Users	50%

The whole community benefits from this activity. Providing information and services to the community and having points of contact where residents can contact us are essential Council services. They enable Council to rapidly respond to information received from the public regarding service problems and other customer feedback.

Individuals may also benefit from access to Council information like valuation and property systems. But these remain core components of the Council’s ratings systems and are utilised by the Greater Wellington Regional Council.

Who should pay?	
Individuals/Users	5%
Identifiable part of the community	5%
Whole community	90%

The Council receives revenue from the Greater Wellington Regional Council for access to our property and valuation databases. This data sharing arrangement provides cost savings for both organisations.

Although individuals receive significant benefits from this activity and it would be possible to increase user fees, the Council believes the benefit to the community as a whole out-weighs this. For the city to run efficiently it is important there is a constant two-way flow of information and the Council does not wish to limit this with the introduction of further charges. It is therefore appropriate that this activity is mostly funded by the general rate.

<b>Our funding targets: operating expenses</b>	
User charges	5%
Other revenue	0%
Targeted rate	0%
General rate	95%
<b>Total</b>	<b>100%</b>

### Activity 1.1.3: City Archives

This activity covers the operations of and community access to the City Archives.

#### Community outcome

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - the City Archives is a guardian of Wellington's memory. It preserves and makes available a huge range of primary information about the city's history. This is valuable for historians, genealogists, students and other members of the public. It is also valuable for businesses and property owners.

<b>Who benefits?</b>	
Whole community	50%
Individuals/Users	50%

The whole community benefits from this activity. Maintaining the City Archives collection for posterity and ensuring that it can be easily accessed is an important community service. The City Archives contribute to our understanding of the past and to forging a strong local community - it contributes to our sense of place.

Individuals who choose to use the City Archives can be seen to benefit directly from their access to the collection. The collection is used for private study and for research. Staff support people using the Archives, including assistance with searching and providing reproductions, and promoting the wider use and access of our collections.

<b>Who should pay?</b>	
Individuals/Users	10%
Whole community	90%

Although the individuals that access the collection receive benefits from this activity, the Council believes that preserving aspects of the city's past are of significant benefit to the community as a whole.

Nevertheless it is considered appropriate that individual users should bear a small cost for any staff research and associated copying costs that they may generate.

<b>Our funding targets: operating expenses</b>	
User charges	10%
Other revenue	0%
Targeted rate	0%
General rate	90%
<b>Total</b>	<b>100%</b>

### Activity 1.1.4: Climate insights and engagement

This covers measurement and analysis of City and Council carbon emissions, insight and new initiative development, and engagement with Council and the City about climate actions we can take as a City in response to the climate and ecological emergency declared by Council in June 2019. It also includes supporting transport mode-shift projects such as Let's Get Wellington Moving and creating streets for people through our cycleways investment and the spatial plan, as well as encouraging the uptake of electric cars, providing seed funding to leverage businesses and community impact, and supporting residents to be motivated to take action.

#### Community outcome

This activity contributes towards the following outcomes:

- **A sustainable, climate friendly eco-capital** - this activity support the City to meet its net zero carbon by 2050 goal.

<b>Who benefits?</b>	
Whole community	100%

The whole community benefits from this activity. Climate action is essential to ensure that our City can thrive over the coming decades. It is our role as Council to support our residents to undertake the significant and required transformation to a different type of lifestyle, in particular to a life where we travel differently, using low- or zero-carbon transport modes like walking, cycling, public transport, shared mobility services and electric vehicles. We also have a role in supporting our communities to adapt to the climate change impacts we are already seeing, and the impacts that will occur in the future.

**Who should pay?**

Whole community	100%
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Since this activity benefits the community as a whole, the fairest and most effective way to fund it is from general rates.

**Our funding targets: operating expenses**

User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

**1.2 Māori and Mana Whenua Partnerships**

**Activity 1.2.1: Māori and Mana Whenua Partnerships**

The Council recognises and acts on its obligations under the Treaty of Waitangi (Te Tiriti) and its specific responsibilities under the Local Government Act and other legislation. We foster partnerships with Mana Whenua (local Iwi) and consultation relationships with the wider Māori community. The relationship between the Council and Māori is supported by a dedicated directorate which provides us with advice and administrative support on Te Tiriti-based relationships.

**Community outcome**

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - this activity promotes inclusiveness, celebrates social and cultural diversity and enables us to respond to the needs and aspirations of Māori. Our work aims to enhance the visibility of Māori culture and history in the city by telling the story of Wellington’s Māori.

**Who benefits?**

Whole community	50%
Individuals/Users	50%

The benefits of this activity are equally spread between the whole community and the Council’s Mana Whenua partners. Mana Whenua partners benefit by having a direct input into Council decisions and therefore the future direction of the city. The community benefits because the partnership leads to better understanding and cooperation between local Māori and the wider community. These benefits contribute to the general cultural, economic, social and environmental wellbeing of the city.

**Who should pay?**

Whole community	100%
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Māori have a unique relationship with Council as ‘tangata whenua’ and through their ancestors as a partner to the signing of Te Tiriti. The benefits of the relationship and activity accrue to both Māori and the whole community, and as such it is appropriate for this activity to be funded from general rates.

Our statutory obligations may be the foundations for organisational policy and delivery but on their own they don’t adequately emphasise the importance of Te Tiriti, the partnership with Māori and the critical value that his unique relationship can bring to the city both domestically and internationally.

**Our funding targets: operating expenses**

User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

## Environment and Infrastructure

### Protecting and enhancing our natural environment

Under this area of activity we seek to protect and enhance our natural environment. Wellington is a city shaped by nature. From bush-clad hills to sparkling harbour to rugged coastline, the city's unique character derives from the land. As the city grows, the challenge is to preserve this natural beauty and drama. Part of protecting the environment is looking after the city's water supply, rubbish and recycling operations, and sewage and stormwater networks. This is by far our biggest area of operation.

### Operating activities

The funding sources for this area are illustrated in the table below.

### Capital Expenditure

The interest and depreciation costs relating to capital expenditure are incorporated in the operating costs of each activity.

Environmental capital expenditure projects are funded through a combination of NZTA subsidies, rates funded depreciation, and borrowings.

Activity Area	Activity Grouping	Activity	User Fees	Other Income	Rates	General	Residential Target	Commercial Targeted	Downtown Targeted
Environment and Infrastructure	Gardens, beaches and green open spaces	2.1.1 Local parks and open spaces	5%	0%	95%	95%	0%	0%	0%
		2.1.2 Botanical gardens	10%	0%	90%	90%	0%	0%	0%
		2.1.3 Beaches and coast operations	0%	0%	100%	100%	0%	0%	0%
		2.1.4 Roads open spaces	0%	5%	95%	95%	0%	0%	0%
		2.1.5 Town belts	0%	5%	95%	95%	0%	0%	0%
		2.1.6 Community environmental initiatives	0%	0%	100%	100%	0%	0%	0%
		2.1.7 Walkways	0%	0%	100%	100%	0%	0%	0%
		2.1.8 Biodiversity (pest management)	0%	0%	100%	100%	0%	0%	0%
		2.1.9 Waterfront Public Space	5%	0%	95%	95%	0%	0%	0%
		2.1.10 Berhampore Nursery	0%	0%	100%	100%	0%	0%	0%
Waste reduction and energy conservation		2.2.1 Waste minimisation, disposal and recycling management	100%	0%	0%	0%	0%	0%	0%
		2.2.2 Closed Landfills Aftercare	0%	0%	100%	100%	0%	0%	0%
		2.2.3 Energy efficiency and conservation	0%	0%	100%	100%	0%	0%	0%
Water		2.3.1 Water network	0%	0%	100%	0%	60%	40%	0%
		2.3.2 Water collection and treatment	0%	0%	100%	0%	60%	40%	0%
Wastewater		2.4.1 Sewage collection and disposal network	5%	0%	95%	0%	60%	35%	0%
		2.4.2 Sewage treatment	0%	0%	100%	0%	60%	40%	0%
Stormwater		2.5.1 Stormwater management	0%	0%	100%	0%	77.5%	22.5%	0%
Conservation Attractions		2.6.1 Conservation Visitor Attractions	0%	0%	100%	100%	0.0%	0.0%	0%

## Environment and Infrastructure - activity commentary

### 2.1 Gardens, Beaches and Green Open Spaces

#### Activity 2.1.1: Local parks and open spaces

The Council owns and looks after the city’s parks and reserves, horticultural plantings and street trees. We aim to provide a high-amenity, safe open space environment that gives people a wide range of recreation opportunities. Our work includes the upkeep of gardens, grass areas, trees, sports pavilions and other buildings on reserve land, park furniture and infrastructure. (For information on sports fields, see activities 5.1.2).

#### Community outcome

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - local parks and open spaces enhance Wellington’s unique ‘sense of place’, making it a great place to live, work and play.
- **An innovative, inclusive and creative city** - accessible and high quality natural and green environments encourage people to gather together, share activities and connect with each other.
- **A dynamic and sustainable economy** - high quality natural and green environments protect and enhance our biodiversity and contribute to off-setting our carbon emissions.

Who benefits?	
Whole community	90%
Individuals/Users	10%

The city’s parks and reserves benefit the whole community. They give all residents and visitors access to high-quality open spaces for a wide range of recreation activities, such as walking or mountain biking. This encourages healthy lifestyles. They also make the city’s environment greener and more pleasant for all residents and provide focal points for communities. This not only improves quality of life but also adds to people’s sense of pride in the city and makes it an attractive place to live and visit.

While those who choose to use the city’s open spaces receive a direct benefit, they cannot be readily identified or excluded from these areas. From time to time our park pavilions are leased to sports and community groups who benefit from their exclusive use.

The provision of parks and reserves brings long-term benefits to the city, which is reflected in the Council’s commitment to fund this activity on an ongoing basis.

Who should pay?	
Whole community	95%
Individuals/Users	5%

Since the community as a whole is the main beneficiary from this activity, it should bear most of the costs through general rates. These costs reflect the enhanced social and environmental wellbeing through the existence of parks and reserves and the opportunity for residents to use them for recreational activities.

The exception is the lease of park pavilions to sports and community groups. In these situations, the group concerned receives an exclusive benefit and therefore should bear a share of the cost. While our analysis suggests these groups receive 10 percent of the benefit, we have decided they should bear only 5 percent of the cost. This is because the Council wants to ensure that the pavilions are not priced out of reach of these groups. We want to see high levels of participation in recreation activities and encourage people to use the city’s open spaces, and we believe raising user charges on the parks and pavilions could work against that outcome.

Our funding targets: operating expenses	
User charges	5%
Other revenue	0%
Targeted rate	0%
General rate	95%
<b>Total</b>	<b>100%</b>

### Activity 2.1.2: Botanical gardens

Wellington has four botanic gardens: Wellington Botanic Garden, Otari-Wilton's Bush, Bolton Street Cemetery and Truby King Park (Melrose). The Council maintains these gardens with the help of community groups and trusts that provide voluntary guides, fund new development and carry out practical work such as planting.

#### Community outcome

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - Botanical Gardens enhance Wellington's unique 'sense of place'
- **An innovative, inclusive and creative city** - the botanical gardens encourage people to gather together, share activities and connect with each other.
- **A dynamic and sustainable economy** - the botanical gardens enhance our biodiversity and contribute to off-setting our carbon emissions.
- **A dynamic and sustainable economy** - the Botanic Garden is accessible within minutes from the central business district, is important for residents' quality of life, and attracts visitors.

#### Who benefits?

Whole community	90%
Individuals/Users	10%

The city's four botanic gardens benefit the whole community. They are of international quality, providing residents and visitors with access to open spaces for recreation and relaxation, as well as opportunities to learn. They play a valuable conservation role, preserving native and exotic plants. By attracting visitors to Wellington they help its economy, and by making the city's environment more pleasant for all residents they improve quality of life and add to people's sense of pride in the city.

While those who choose to use the gardens receive the most direct benefit, in most instances these people cannot be identified and nor can they be excluded from these areas.

The gardens do provide a few services which exclusively benefit individual people or organisations. These include:

- the retail shop and cafe at the Begonia House in the Botanic Garden

- function rooms/facilities at Begonia House, Treehouse and Otari-Wilton's Bush
- sale of plants at the Otari-Wilton's Bush annual open day
- lease of a house at Truby King Park to Conservation Volunteers and lease of 2 other properties to private tenants (non-profit organisations)
- provision of memorial seats in the Botanic Gardens.

The gardens also provide educational seminars and programmes which have some private benefit. The newly established Discovery Garden opened in 2017. It is a living classroom, and its role is to provide environmental and botanical awareness for visitors and residents with a strong focus on children. However, as these programmes help people learn about the environment, the Council believes the principal benefit is to the community as a whole.

The provision of the botanic gardens brings long-term benefits to the city, which is reflected in the Council's commitment to fund them on an ongoing basis.

#### Who should pay?

Whole community	90%
Individuals/Users	10%

Since the principal benefits of the city's botanic gardens are to the community as a whole, it is appropriate for general ratepayers to bear the majority of costs. The Council views the gardens as public amenities and is committed to maintaining free public access.

These costs are offset by some income-generating activities (as above). These are generally commercial activities; the beneficiaries include souvenir hunters, tourists and groups renting function rooms and education institutes. It is appropriate that these activities are carried out on a user-pays basis.

#### Our funding targets: operating expenses

User charges	10%
Other revenue	0%
Targeted rate	0%
General rate	90%
<b>Total</b>	<b>100%</b>

**Activity 2.1.3: Beaches and coast operations**

A well maintained coast, with strong natural values and secure structures, is important for public safety and enjoyment. The Council is responsible for the upkeep of many of the city’s wharves, breakwaters, jetties and public boat ramps, as well as the Carter Fountain in Oriental Bay.

**Community outcome**

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - Wellington’s beaches and coastal areas provide high quality natural environments for leisure and recreation.

Who benefits?	
Whole community	100%

Wellington’s coastline is a distinct part of the city’s identity. By ensuring people have safe access to the coast, the Council is increasing the range of recreation opportunities available to people and encouraging healthy lifestyles, as well as protecting public safety. By beautifying the coast and protecting it from erosion, the Council is enhancing the city’s environment, improving quality of life and adding to people’s sense of the city as an attractive place to live.

While those who use the city’s wharves, jetties and breakwaters receive a direct benefit, in most instances these people cannot be identified. Nor can they be excluded from using the coast. The one exception is boat ramps, which directly benefits an identifiable part of the community: recreational boat users. However, the Council regards these facilities as part of its provision of safe, secure access to the coast and encouraging outdoor recreation.

The Council’s work on the city’s beaches and coastline brings long-term benefits to the city, which is reflected in the Council’s commitment to fund this activity on an ongoing basis.

Who should pay?	
Whole community	100%

Since the whole community benefits from this activity, it is appropriately funded through general rates.

This activity also derives modest rents from club houses on or adjacent to beaches and that revenue is reflected here.

Our funding targets: operating expenses	
User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

**Activity 2.1.4: Roads open spaces**

Roads that are clean and have clear edges help to make the city attractive and safe. We look after the city’s roadside plants, removing or pruning hazardous or overgrown vegetation, spraying weeds and supplying free plants to residents to plant on road reserves. We also clean city and residential streets, empty rubbish bins in the central city and remove spills and litter.

**Community outcome**

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - our road network safely and efficiently accommodates more than 40,000 people driving around the city each day, for work and recreation. Our pedestrian and cycle networks deliver the same outcomes for more than 25,000 walking and cycling commuters each day.

Who benefits?	
Whole community	100%

Management of roadside vegetation reduces hazards and makes the road corridor safe and accessible for vehicles and pedestrians. It improves sight lines for drivers, maintains clearance from overhead utilities and prevents growth from blocking natural run off channels or damaging structures such as retaining walls.

This work benefits anyone who lives in or moves around the city by ensuring that footpaths, roadside verges and open spaces are safe and attractive. It helps to maintain the city’s environment and residents’ safety, health and enjoyment of their surroundings.

Who should pay?	
Whole community	95%
Identifiable part of the community	5%

Because the community as a whole benefits, the fairest approach is to fund costs in this activity from general rates.

However, a small percentage of our costs are actually funded by the New Zealand Transport Agency (NZTA) through National Land Transport Fund (NLTF) subsidies, which pass on funding from fuel taxes gathered by Central Government. The amount subsidised by NZTA varies from year to year depending on the work programme (which affects eligibility for subsidy) and the amount of funding that NZTA has made available for qualifying activities. This income is leveraged to reduce the rates funding requirement for the roads open spaces activity.

<b>Our funding targets: operating expenses</b>	
User charges	0%
Other revenue	5%
Targeted rate	0%
General rate	95%
<b>Total</b>	<b>100%</b>

### Activity 2.1.5: Town belts

Wellington's Town Belt, Outer Green Belt and reserves offer fantastic recreation venues for the public, but they need a lot of care. The Council manages the Town Belt, the Outer Green Belt and other reserves to ensure they are maintained to high standards. This includes custodial duties, operational planning and implementation, hazardous tree management, leases and licenses and reserve upgrade projects.

#### Community outcome

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - a high quality natural environment enhances the city's unique 'sense of place' and provides attractive, safe and accessible opportunities for leisure and recreation.
- **A dynamic and sustainable economy** - the Town Belt enhances our biodiversity and contributes to off-setting our carbon emissions.

#### Who benefits?

Whole community	100%
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The Town Belt and Outer Green Belt benefit the whole community. They give all residents and visitors access to high-quality open spaces for recreation activities,

encouraging healthy lifestyles. They also make the city's environment greener and more pleasant for all residents, and provide focal points for communities. This not only improves quality of life but also adds to people's sense of pride in the city and makes it an attractive place to live, play and visit.

While those who choose to use the Town Belt and Outer Green Belt receive a direct benefit, in most instances these people cannot be practically identified and nor can they be excluded from these areas.

The provision of the Town Belt and Outer Green Belt brings long-term benefits to the city, which is reflected in the Council's commitment to fund this activity on an ongoing basis.

<b>Who should pay?</b>	
Whole community	100%

Since the community as a whole benefits from the provision of the Town Belt and Outer Green Belt, it should bear the costs through general rates. These costs reflect the enhanced social and environmental wellbeing through the existence of these open space areas and the opportunity for residents to use them for recreational activities.

Through this activity we receive modest revenue from the rental we charge for leasing buildings, ground leases, or licenses on reserve land.

<b>Our funding targets: operating expenses</b>	
User charges	0%
Other revenue	5%
Targeted rate	0%
General rate	95%
<b>Total</b>	<b>100%</b>

### Activity 2.1.6: Community environmental initiatives

This activity covers initiatives that directly support the community's engagement in advancing environmental wellbeing. The Council provides grants for projects that promote environmental sustainability or greater understanding of environmental issues. It also provides for training and capacity building of volunteers working on environmental projects throughout the City and environmental research and monitoring.



**Community outcome**

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - community environmental initiatives improve the quality of our natural environment, making the city a better place to live, work and play.
- **An innovative, inclusive and creative city** - by supporting community environmental initiatives we support bringing people together and encouraging community spirit.
- **A dynamic and sustainable economy** - community environmental initiatives raise awareness of environmental issues and improve environmental outcomes.

<b>Who benefits?</b>	
Whole community	100%

This activity benefits the community as a whole. While individuals or groups can apply for the grants, the work they fund helps enhance the environment and provides educational benefits for all city residents.

The activity has long-term benefits, as the projects it funds are aimed at ensuring future generations can enjoy a cleaner and more pleasant environment.

This work contributes directly to the Council’s long term goal of pursuing a collaborative, participatory approach towards environmental kaitiakitanga (guardianship), by sharing information within the community and establishing partnerships to achieve environmental goals.

<b>Who should pay?</b>	
Whole community	100%

Since this activity benefits the community as a whole, the fairest and most effective way to fund it is from general rates.

<b>Our funding targets: operating expenses</b>	
User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

**Activity 2.1.7: Walkways**

The Council encourages public use of the Town Belt and reserves, and recognises that tracks are important for people’s access to and enjoyment of the city’s bush and open spaces. Tracks also contribute to the integration of active transport modes throughout the city. We currently maintain over 300km of track.

**Community outcome**

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - walkways allow residents to explore Wellington’s beautiful natural environment improving the quality of life of the city’s residents
- **An innovative, inclusive and creative city** - walkways provide attractive, safe and accessible opportunities for leisure and recreation, connecting people with each other and the environment.

<b>Who benefits?</b>	
Whole community	100%

The whole community benefits from the Council’s provision of walkways. The walkways give all residents and visitors access to the Town Belt and reserves, encouraging them to enjoy the city’s bush and lead healthy lifestyles. They also provide key linkages to transport modes throughout the city.

While those who choose to use the walkways receive a direct benefit, in most instances these people cannot be practically identified and nor can they be excluded from these areas.

The provision of walkways brings long-term benefits to the city, which is reflected in the Council’s commitment to fund this activity on an ongoing basis.

<b>Who should pay?</b>	
Whole community	100%

Since the community as a whole benefits from the provision of the walkways, it should bear the costs through general rates. These costs reflect the enhanced social and environmental wellbeing through the existence of the walkways and the opportunity for residents to use them.

<b>Our funding targets: operating expenses</b>	
User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

### Activity 2.1.8: Biodiversity (pest management)

The Council runs programmes to control and manage pest animals and weeds on the 4,000 plus hectares of open space land we own and manage. Our programmes align with the Central Government Predator Free 2050, an ambitious goal to rid New Zealand of the most damaging introduced predators that threaten our nation's natural taonga, our economy and primary sector.

#### Community outcome

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - protecting biodiversity improves the quality of our natural environment, making the city a better place to live, work and play.
- **A dynamic and sustainable economy** - pest management is important for biodiversity and protects native fauna and flora.

<b>Who benefits?</b>	
Whole community	100%

This activity benefits the whole community by helping ensure the city's open space land is safe and pleasant to use. While there are direct benefits to those who choose to use the city's open spaces, these people cannot easily be identified or excluded from using those areas. There may also be benefits to certain communities within the city - for example, a programme to eradicate pest animals from a particular suburb - but, in general, the benefits of this activity are to the community as a whole.

This activity has long-term benefits. For example, eliminating a pest from an area means future generations are less likely to have to deal with the problems that pests cause. The work aids the health of the environment by protecting and restoring land, water-based ecosystems to sustain their natural processes, and to provide habitats for a range of indigenous and non-indigenous plants and animals.

The long-term nature of these benefits is reflected in the Council's decision to fund this activity on an ongoing basis.

<b>Who should pay?</b>	
Whole community	100%

This activity benefits the community as a whole. Therefore, the fairest and most effective way of funding it is from general rates.

<b>Our funding targets: operating expenses</b>	
User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

### Activity 2.1.9: Waterfront Public Space

This activity relates to the management and maintenance of the public space on the Wellington Waterfront, and includes the operation and maintenance of a wide range of assets which includes wharves, seawalls, bridges, parks, promenades, laneways and lighting.

#### Community outcome

This activity contributes towards the following outcomes:

- **A dynamic and sustainable economy** - the waterfront is readily accessible and is a very important area of the central city. An attractive, clean and safe waterfront will undoubtedly contribute to a dynamic centre, is important for resident's quality of life and attracts visitors to Wellington.
- **A people friendly, compact, safe and accessible capital city** - a clean inner harbour and waterfront area enhance Wellington's unique 'sense of place', making it a great place to live.

<b>Who benefits?</b>	
Whole community	80%
Individuals/Users	20%

The city's waterfront area benefits the whole community. Access to the waterfront and the open spaces near the harbour is generally unrestricted and available to all - residents and visitors alike. A clean and

vibrant waterfront area encourages healthy lifestyles and makes the city’s environment more pleasant for all residents. This not only improves quality of life but also adds to people’s sense of pride in the city and makes it an attractive place to live and visit.

An activity that occurs on the waterfront that provides direct identifiable benefit is the weekly Underground Market and Harbourside Market. This activity does provide a private benefit and the user is charged directly.

The provision of public spaces on the waterfront brings long-term benefits to the city, which is reflected in the Council’s commitment to fund this activity on an ongoing basis.

Who should pay?	
Whole community	90%
Individuals/Users	10%

With the exception of the provision of market stalls, the community as a whole is the main beneficiary from this activity, it is appropriate for general ratepayers to bear the majority of the costs.

Our funding targets: operating expenses	
User charges	5%
Other revenue	0%
Targeted rate	0%
General rate	95%
<b>Total</b>	<b>100%</b>

**Activity 2.1.10: Berhampore nursery**

The Council operates Berhampore Nursery to grow eco-sourced native plants to support Council’s restoration programme across Wellington gardens, parks and reserves, and to support community restoration programmes. Restoration planting improves our biodiversity and the health of our city. The provision of eco-sourced plants ensures we grow and use plants that would have originally occurred in the ecosystem keeping the distinctiveness of Wellington’s local flora.

The nursery also provides a brokering service for plants for roadside gardens, parks maintenance and urban design projects.

**Community outcome**

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - enhancing our biodiversity improves the quality of our natural environment, making the city a better place to live, work and play.
- **An innovative, inclusive and creative city** - high quality natural and green environments encourage people to gather together, share activities and connect with each other.
- **A dynamic and sustainable economy** - environmental initiatives like planting and restoration raise awareness of environmental issues and ensure ongoing protection and restoration.

Who benefits?	
Whole community	100%

This activity benefits the community as a whole. While individuals or groups can apply for plants through restoration planting schemes, planting eco-sourced natives throughout the city’s parks and open spaces, helps enhance the city’s green environment and provides benefits for all city residents. The work aids the health of the environment and makes the city’s environment greener and more pleasant for all residents and provides a connection to nature.

The long-term benefits of this activity are reflected in the Council’s decision to fund this on an ongoing basis.

Who should pay?	
Whole community	100%

This activity benefits the community as a whole. Therefore, the fairest and most effective way of funding it is from general rates.

However, a small percentage of our costs are covered through revenue from external sales through environmental trusts or community groups. The amount varies year to year and is dependent on these groups gaining grant funding, therefore is unpredictable.

<b>Our funding targets: operating expenses</b>	
User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

## 2.2 Waste Reduction and Energy Conservation

### Activity 2.2.1: Waste minimisation, disposal and recycling management

The Council operates the Southern Landfill. As well as the day-to-day management of the landfills, we are involved in landscaping, erosion control, resource consent compliance and water quality monitoring. The Council also collects refuse and household hazardous waste which is sent for safe disposal. This ensures hazardous wastes such as oils and solvents do not contaminate the landfills.

We encourage recycling by providing most residents with recycling bins and bags for weekly kerbside collection.

Our waste minimisation activities include the Tip Shop, where people can drop off unwanted items for reuse and resale, commercial composting operations, grant funding for new initiatives, and various waste minimisation education programmes.

#### Community outcome

This activity contributes towards the following outcomes:

- A people friendly, compact, safe and accessible capital city - collaboration between the Council and the community to reduce waste and increase recycling promotes community ownership of sustainable management of the environment.
- A dynamic and sustainable economy - reduced waste and increased waste recycling and organic composting minimises the use of landfills and promotes the sustainable management of resources.

<b>Who benefits?</b>	
Whole community	10%
Individuals/Users	90%

People using the landfills receive the main benefit from this activity, as they are able to dispose of their waste in a safe and efficient manner that also ensures the harm to the environment is kept to a minimum.

There are also benefits to the whole community. Without the landfills, people would have nowhere safe to dispose of their waste. That would clearly pose a major hazard to public health and harm the city's environment.

The direct beneficiaries of our waste minimisation services, including recycling are the householders who have recyclable goods collected or who use our recycling stations and Tip Shop drop off. These people are able to dispose of their recyclable and reusable waste in a safe, efficient and environmentally-friendly manner.

The whole community receives the environmental benefits from having less waste deposited in landfills.

<b>Who should pay?</b>	
Individuals/Users	100%

Though the benefits of this activity are split between the community and individuals, the Council believes it is appropriate for users of the city's landfills to bear the costs. The Council believes it is appropriate to take a "polluter pays" approach to its solid waste operations, meaning landfill fees should be set at levels that discourage waste. This approach is justified by the significant benefits to the city's environment from reducing the amount of waste dumped in landfills.

<b>Our funding targets: operating expenses</b>	
User charges	100%
Other revenue	0%
Targeted rate	0%
General rate	0%
<b>Total</b>	<b>100%</b>

### Activity 2.2.2: Closed landfills aftercare

We provide aftercare of our closed land fill sites. Most have been repurposed as recreational fields, jointly managed with Parks, Rec and Sports. We have an ongoing obligation to ensure these areas remain safe to use for the public and to minimise any environmental impact of these legacy landfills.

#### Community outcome

This activity contributes towards the following outcome:

- A people friendly, compact, safe and accessible capital city - the majority of closed landfills are green open spaces enjoyed by local communities for leisure and recreation. Looking after these sites provides a valuable community asset for community enjoyment.

**Who benefits?**

Whole community	100%
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This activity benefits the whole community. Without the safe management of the closed landfills, it would potentially pose a major hazard to public health and harm the city's environment.

The whole community receives the environmental benefits from having close and safe management of the cities closed landfills

**Who should pay?**

Whole community	100%
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**Our funding targets: operating expenses**

User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

**Activity 2.2.3: Energy Efficiency and Conservation**

One of the Council's long term aims is for it and Wellington to be more sustainable - as reflected in our strategies like Wellington Towards 2040: Smart Capital, Wellington Resilience Strategy, and Low Carbon Capital. This means that Wellington will reduce its environmental impact by making efficient use of energy, water, land and other resources; shifting towards renewable energy resources; conserving resources; and minimising waste. Our immediate focus is on three pillars of activity - Greening Wellington's growth, Changing the way we move, and Leading by example. Each of these areas contributes to making either the Council itself or the whole community more sustainable.

**Community outcome**

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - developing funding partnerships with key stakeholders to improve the resilience, sustainability and the quality of life of Wellington residents. Facilitating home energy evaluations through our Home Energy Saver programme to meet people where they are - at home - is a core part of supporting people to make sustainable decisions.

- **A dynamic and sustainable economy** - a focus on energy efficiency and fuel switching for the city's households and business will reduce costs and reduce its greenhouse gas emissions. Developing partnerships to deliver on the varied outcomes of the Resilience Strategy and Low Carbon Capital - including electric vehicle charging, car sharing and renewable energy will be crucial for the Council's A dynamic and sustainable economy aspirations.
- **A dynamic and sustainable economy** - facilitating construction of Green Star-rated buildings in the city centre, energy efficiency retrofits of central city office buildings and businesses as well as the uptake of emerging 'green' technologies will allow Wellington to showcase its A dynamic and sustainable economy credentials.

**Who benefits?**

Whole community	100%
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The whole community benefits from the Council's commitment to and promotion of sustainability. By definition the work is of benefit to current and future generations. By reducing environmental impacts and making more efficient use of existing resources more opportunities will be open to the whole community in the future.

**Who should pay?**

Whole community	100%
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Since the community as a whole benefits from this activity, it is considered appropriate that it be funded from the general rate.

**Our funding targets: operating expenses**

User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

## 2.3 Water

### Activity 2.3.1: Water network

The Council owns a water network of over 80 reservoirs, 30 pumping stations, more than 7,000 hydrants and about 900 odd kilometres of underground pipes. We maintain this network to ensure Wellingtonians have high-quality drinking water available at all times. Our work includes monitoring water quality to ensure it meets the required standards, and cleaning reservoirs and pipes.

#### Community outcome

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - a reliable and adequate supply of clean and safe water is critical for the health, wellbeing and prosperity of all residents.
- **An innovative, inclusive and creative city** - a reliable and adequate supply of clean and safe water is a core requirement of an innovative, inclusive and creative city in the 21st century.

#### Who benefits?

Whole community	25%
Identifiable parts of the community	75%

Water supply is a fundamental Council service. Residents need clean drinking water, as well as water for washing. Water is also vital for industry and commerce. The benefits to commercial users are entirely private and exclusive. The benefits to individual people are mainly private, but there are also significant benefits to the community as a whole in terms of public health and safety, and economic wellbeing.

#### Who should pay?

Identifiable parts of the community: Base (residential) sector	60%
Commercial sector	40%

While it is recognised that there is a whole community benefit from the provision of the water supply activity, this, along with the benefit received by individuals is best reflected through a targeted rate imposed on those properties connected to the public water supply.

The division of costs between the two sectors is based on a water consumption split, modified on the basis of the additional maintenance and service response

required in the commercial sector, to a 60% residential 40% commercial split.

The 60% residential share is funded through a targeted rate. The majority of properties (those that do not have a water meter) are charged a fixed amount, to reflect the fixed cost component of funding these activities, with the balance of the sector share funded through a rate per dollar of capital value. Those properties that have elected to have a water meter contribute to the targeted rate through a consumption charge.

The 40% of costs funded through the Commercial sector is drawn from a targeted rate primarily through a consumption charge per cubic metre of water consumed. The balance of commercial properties without a water meter, pay their share of the targeted rate through a rate per dollar of capital value.

Our funding targets: operating expenses	
User charges	0%
Other revenue	0%
Targeted rate (Residential 60%, Commercial 40%)	100%
General rate	0%
<b>Total</b>	<b>100%</b>

### Activity 2.3.2: Water collection and treatment

We buy water for the city in bulk from the Greater Wellington Regional Council. The regional council treats the water at four sites in the Hutt Valley - Te Marua, Waterloo, Gear Island and Wainuiomata - to ensure it meets New Zealand drinking water standards. We pay based on how much water the city uses. Some of our costs are recovered from customers with water meters, while the rest is covered by water rates. Responsibility for water supply is vested in the Council under the Local Government Act.

#### Community outcome

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - a reliable and adequate supply of clean and safe water is critical for the health, wellbeing and prosperity of all residents.
- **An innovative, inclusive and creative city** - a reliable and adequate supply of clean and safe water is a core requirement of a An innovative, inclusive and creative city in the 21st century.

Who benefits?	
Whole community	25%
Identifiable parts of the community	75%

Water supply is a fundamental Council service. Residents need clean drinking water, as well as water for washing. Water is also vital for industry and commerce. Though water supply is essential in a modern city, the benefits are largely private.

There is also some benefit to the community as a whole from the Council’s provision of clean, drinkable water. This includes public health benefits, provision of water for fire-fighting, and the benefits of a reliable water supply for the economy.

Who should pay?	
Identifiable parts of the community: Base (residential) sector	60%
Commercial sector	40%

While it is recognised that there is a whole community benefit from the provision of the water supply activity, this, along with the benefit received by individuals is best reflected through a targeted rate imposed on those properties connected to the public water supply.

The division of costs between the two sectors is based on a water consumption split, modified on the basis of the additional maintenance and service response required in the commercial sector, to a 60% residential 40% commercial split.

The 60% residential share is funded through a targeted rate. The majority of properties (those that do not have a water meter) are charged a fixed charge, to reflect the fixed cost component of funding these activities, with the balance of the sector share funded through a rate per dollar of capital value. Those properties that have elected to have a water meter contribute to the targeted rate through a consumption charge.

The 40% of costs for activities funded through the Commercial sector is drawn from a targeted rate primarily through a consumption charge of per cubic metre of water consumed and an administration fee. The balance of commercial properties without a water meter, pay their share of the targeted rate through a rate per dollar of capital value.

Our funding targets: operating expenses	
User charges	0%
Other revenue	0%
Targeted rate (Residential 60%, Commercial 40%)	100%
General rate	0%
<b>Total</b>	<b>100%</b>

## 2.4 Wastewater

### Activity 2.4.1: Sewage collection and disposal network

The Council is responsible for more than 1,000 kilometres of sewer pipes and tunnels, of which almost half are over 50 years old. The sewage network also includes 62 pumping stations which need regular maintenance and ultimately replacement once they have come to the end of their economic life.

#### Community outcome

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - a safe and reliable wastewater network provides protection against public health risks.
- **A dynamic and sustainable economy** - a safe and reliable wastewater network provides protection against environmental harm.
- **A dynamic and sustainable economy** - a safe, reliable and well maintained wastewater network that will function effectively and not cause disruptions to inner city living and business activities is a core component of every successful city in the 21st Century.

Who benefits?	
Whole community	20%
Identifiable parts of the community	80%

The sewage network mainly benefits individuals by providing for the safe, sanitary removal of sewage waste from their homes and businesses, and ensuring that waste is treated and disposed of in ways that do not harm the environment. Though these benefits are private they are not exclusive - all homes and businesses use the system, and it would have to exist for public good reasons regardless of the individual benefits.

The sewage system benefits the whole community by protecting public health and the overall state of the environment. The system is a fundamental part of the city's infrastructure. Without it Wellington could not operate as a modern efficient city.

#### Who should pay?

Identifiable parts of the community: Base (residential) sector	60%
Commercial sector	35%
User charges	5%

While it is recognised that there is a whole community benefit from this activity, this, along with the benefit received by individuals is best reflected through a targeted rate imposed on those properties with sewer connections.

The division of costs between the two sectors is based on a 'water in, water out' concept. As a result the sector split for this targeted rate is the same as for water supply. The cost of network installation and maintenance in the commercial area is more expensive due to its size, pressures, standards and service levels. This is reflected in the 60%/40% split.

The 60% residential share is collected through a targeted rate. This rate incorporates a fixed charge, with the balance of the sector share funded through a rate per dollar of capital value.

The 40% commercial sector share is collected through a targeted rate based on a rate per dollar of capital value (35%) and trade waste charges (5%).

#### Our funding targets: operating expenses

User charges	5%
Other revenue	0%
Targeted rate (Residential 60%, Commercial 35%)	95%
General rate	0%
<b>Total</b>	<b>100%</b>

#### Activity 2.4.2: Sewage treatment

Sewage is treated at three plants: Moa Point, Karori, and Porirua. The waste treatment plants at Moa Point and Karori are financed by the Council and operated by Veolia. Sewage from Wellington's northern suburbs is transferred to the Porirua plant, in which the Council has a 27.6% stake. Once sewage is treated at Moa Point and Karori, waste water is piped into the Cook Strait and the sludge is taken to the Southern Landfill.

#### Community outcome

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - a safe and reliable wastewater network and treatment facility provides protection against public health risks.
- **A dynamic and sustainable economy** - a safe and reliable wastewater network and treatment facility provides protection against environmental harm.
- **A dynamic and sustainable economy** - a safe, reliable and well maintained wastewater network and appropriate treatment of waste is a core component of every successful city in the 21st Century.

#### Who benefits?

Whole community	20%
Identifiable parts of the community	80%

The sewage treatment system mainly benefits individuals by ensuring the waste removed from their homes and businesses is disposed of in ways that do not harm the environment. Though these benefits are private they are not exclusive - all homes and businesses use the sewerage system, and sewage would have to be treated for public good reasons regardless of the individual benefits.

The sewage treatment system benefits the whole community by protecting public health and the overall state of the environment. The system is a fundamental part of the city's infrastructure. Without it, Wellington could not operate as a modern, efficient city.

#### Who should pay?

Identifiable parts of the community: Base (residential) sector	60%
Commercial sector	40%
User charges	0%



While it is recognised that there is a whole community benefit from the provision of this activity, this, along with the benefit received by individuals is best reflected through a targeted rate imposed on those properties with sewer connections.

The division of costs between the two sectors is based on a ‘water in, water out’ concept. As a result the sector split for this targeted rate is the same as for water supply. The cost of network installation and maintenance in the commercial area is more expensive due to its size, pressures, standards and service levels. This is reflected in the 60%/40% split.

The 60% residential share is collected through a targeted rate. This rate incorporates a fixed amount per property, with the balance of the sector share funded through a rate per dollar of capital value.

The 40% commercial sector share is collected through a targeted rate based on a rate per dollar of capital value.

Our funding targets: operating expenses	
User charges	0%
Other revenue	0%
Targeted rate (Residential 60%, Commercial 40%)	100%
General rate	0%
<b>Total</b>	<b>100%</b>

## 2.5 Stormwater

### Activity 2.5.1: Stormwater management

Each year, Wellington’s stormwater network carries around 80 million cubic metres of runoff from gutters and drains to the harbour and city streams. This drainage network helps protect the city from flooding. This network is made up of over 600 kilometres of stormwater pipes and tunnels.

Because stormwater is discharged into the city’s streams, harbour and coastal waters, it needs to be as clean as possible. Stormwater can be contaminated by sewage leaking from sewerage pipes, runoff from roads, and by waste such as oil, paint and litter being tipped or washing into drains. The Council has resource consents from the Greater Wellington Regional Council for our stormwater discharges, and we are required to meet the standards set out in these consents. While we do not treat stormwater runoff, we monitor stormwater quality at more than 80 sites, to ensure it meets the required standards.

### Community outcome

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - a safe and reliable storm water network and effective maintenance and operation programmes prevents avoidable disruptions to community living and minimises the risk of injury and the risk of damage to property from storm water.
- **A dynamic and sustainable economy** - a safe and reliable storm water network minimise the impacts - such as erosion - of storm water on the environment.
- **A dynamic and sustainable economy** - a safe and reliable storm water network and effective maintenance and operations programmes allows people to live work and play in the central city safely and without disruption.
- **An innovative, inclusive and creative city** - a safe and reliable storm water network and effective maintenance and operations programmes reduces the risk of avoidable surface flooding and environmental damage that may affect transport networks.

Who benefits?	
Whole community	50%
Identifiable parts of the community	50%

The stormwater system provides significant benefits to individual property owners by protecting their property from flooding. Though these benefits are private, they are not exclusive - all homes and businesses benefit, and the network would have to exist for public good reasons regardless of the individual benefits.

The stormwater system benefits the whole community, both by protecting public property and by protecting public health and safety. The system is a fundamental part of the city’s infrastructure. Without it, Wellington could not operate as a modern, efficient city, and both economic and social wellbeing would suffer.

Who should pay?	
Identifiable parts of the community:	75.5%
Residential (urban) sector	
Commercial sector	22.5%

While it is recognised that there is a whole community benefit from this activity, this, along with the benefit received by individuals is best reflected through a targeted rate imposed on the residential (urban) sector and the commercial sector.

Some stormwater runoff may be the direct result of new developments or other land works, or individual actions such as people tipping paint down drains. In these cases, there is a clear “polluter pays” argument for the people or businesses responsible to meet some of the costs. However, identifying those responsible and assessing the costs are difficult.

The Council has decided to exclude rural areas from paying for this activity as this service is not provided to them and as a result they receive no individual benefit. It is therefore appropriate to fund this activity from targeted rates, excluding the rural sector.

The 77.5% residential share is collected through a targeted rate. This rate is funded through a rate per dollar of capital value.

The 22.5% commercial sector share is collected through a targeted rate based on a rate per dollar of capital value.

<b>Our funding targets: operating expenses</b>	
User charges	0%
Other revenue	0%
Targeted rate (Residential 77.5%, Commercial 22.5%)	100%
General rate	0%
<b>Total</b>	<b>100%</b>

## 2.6 Conservation Attractions

### Activity 2.6.1: Conservation visitor attractions

The Council funds the Wellington Zoo Trust and the Karori Sanctuary Trust. While each of these organisations has specific goals and approaches to conservation and education they provide attractions for residents and visitors.

#### Community outcome

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - these activities inform and educate residents and visitors about conservation. They tell the story of our past, of our special wildlife, and of exotic flora and fauna.

- **A dynamic and sustainable economy** - these facilities play important conservation roles, protecting native and exotic flora and fauna.

<b>Who benefits?</b>	
Whole community	40%
Individuals/Users	40%
Identifiable parts of the community	20%

These facilities benefit the individuals that choose to attend by providing them with a high-quality recreational and educational experience. These benefits are private and exclusive.

These facilities provide significant benefits to the whole community. They play a major conservation role by protecting endangered species and educating the public about conservation and biodiversity issues.

These facilities also attract tourists to the city, contributing to the local economy.

<b>Who should pay?</b>	
Whole community	100%

Each of these trusts operates separately from the Council. User charges take the form of entry fees to visit these facilities, which account for about a significant proportion of their income and reflect the private benefits to people who visit these facilities. These user charges do not appear in the Council’s books.

The Council’s contribution to these facilities reflects the benefits to the community as a whole. For this reason, it is appropriate for the Council’s contribution to be funded from general rates.

These facilities contribute to the Council’s long term goal that the city’s high quality natural environment will attract visitors, residents and visitors.

<b>Our funding targets: operating expenses</b>	
User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

## Economic Development

### Growing the regional economy for a prosperous community

The Economic Development Activity is about achieving long-term and sustainable growth in Gross Domestic Product per capita. With a dynamic growing economy, Wellington is able to offer residents prosperity and an outstanding quality of life. 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.

### Operating activities

The funding sources for this area are illustrated in the table below.

Activity Area	Activity Grouping	Activity	User Fees	Other Income	Rates	General	Residential Target	Commercial Targeted	Downtown Targeted
Economic Development	City promotions and business support	3.1.1 Wellington Regional Economic Development Agency (WREDA) and Venues	0%	0%	100%	20%	0%	30%	50%
		3.1.2 Wellington Convention Centre	0%	0%	100%	60%	0%	0%	40%
		3.1.4 Wellington Economic Initiatives Development Fund (WEID) and Economic Grants	0%	0%	100%	100%	0%	0%	0%
		3.1.5 Major Projects	0%	0%	100%	100%	0%	0%	0%
		3.1.6 International relations	0%	0%	100%	100%	0%	0%	0%
		3.1.7 Business Improvement Districts	0%	0%	100%	0%	0%	100%	0%

### Capital Expenditure

The interest and depreciation costs relating to capital expenditure are incorporated in the operating costs of each activity.

Economic development capital expenditure projects generally relate to renewals and are funded through rates funded depreciation and borrowings.

## Economic development - activity funding commentary

### 3.1 City Promotions and Business Support

#### Activity 3.1.1: Wellington Regional Economic Development Agency (Wellington NZ) and venues

This activity covers the Council's funding of the Wellington Regional Economic Development Agency (Wellington NZ), the costs of owning and maintaining a number of venue buildings and managing the use of the venues and innovation activities.

Wellington NZ combines the economic development activities of Wellington City Council and the Greater Wellington Regional Council into one organisation.

The aim of a single development agency is to unlock the region's economic potential by providing:

- Clear strategic focus
- Strong economic leadership that prioritises business success
- One voice when dealing with government, businesses, investors and research providers
- Effective use of resources and talent, and leverage of scale

The Council's funding will be used to support its activities in the following areas:

- Major events - attract and support major events that bring visitors and extra spending to the city.
- Tourism - to promote and market the city to visitors
- Sector support to attract business, talent and investment to the Wellington region and accelerate economic growth.
- Maintain the portfolio of civic buildings (the Michael Fowler Centre, TSB Arena, St James Centre, Town Hall and the Opera House) to support the Venues operations in providing a full calendar of entertainment and business events.

Also included in this activity is the expenditure and revenues of promoting and operating the venues (which Wellington NZ undertakes on behalf of Council). This specific activity generally operates without direct Council funding.

#### Community outcome

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - promotion of the city as an attractive place to live and do business, works to attract talent

to the city and attracts tens of thousands of visitors every year.

- **An innovative, inclusive and creative city** - ensuring that the city has a presence internationally will be vital to attracting investment, talent, visitors and jobs.
- **A dynamic and sustainable economy** - attracting talent, investment, visitors 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	10%
Individuals/Users	45%
Identifiable parts of the community	45%

Individual users of the venues derive considerable benefit from these activities. In most cases users themselves provide the funding for the benefits they derive through ticketing charges. For example, people attending a show or an event that Wellington NZ has brought to the city will generally need to pay an entry fee.

The business sector is a significant beneficiary of this activity - and in particular businesses in the central city area where generally a large proportion of visitors spend most of their time and the majority of business activity occurs.

Residents benefit through the provision of incremental job growth, increasing incomes, an increased range of career choices, and importantly making the city more vibrant and prosperous. Particular commercial sectors, such as education and creative industries, also benefit through elevating their profile and helping build the investor base and potential business partnerships.

The benefits from the Wellington NZ funding are distributed widely across hospitality providers, job seekers, and businesses needing to employ and retain skilled workers. Also, a vibrant and growing economy provides benefits by supporting high levels of employment and steady population growth in the City which in turn underpin a stable housing market.

It is estimated that the benefits from the expenditure in these areas accrues to a mix of the business community, the downtown businesses and the whole community.

#### Who should pay?

Individuals/Users	45%
Identifiable parts of the community	45%
Whole community	10%

Part of this activity includes the running of the Venues day to day operations, where users fully pay the cost of this activity and there is no rates funding requirement. As the level of venue activity may change on a year to year basis, there is an underlying principle that any costs associated with the promotion or operating of venues is 100% user funded and not funded through rates.

The funding policy excludes the venues operations and is focused on the remaining elements in the activity, and it is recommended that they should be 100% rates funded. This funding is proposed to be spread across the sectors that benefit. This approach attributes the main benefits to the business community and in particular the businesses in the CBD. There is a small component of funding attributed to general rates covering residential and commercial ratepayers.

<b>Our funding targets: operating expenses</b>	
User charges	0%
Other revenue	0%
Targeted rate (Commercial)	30%
Targeted rate (Downtown)	50%
General rate	20%
<b>Total</b>	<b>100%</b>

### Activity 3.1.2: Tākina

This activity relates to the funding required for the provision of new convention, exhibition and event facilities to the City.

The policy around the funding of Tākina activities was consulted on as part of the Council's initial decision to support investment in upgraded convention centre facilities for the city. The policy of 60% general rates and 40% funding through the Downtown targeted rate was proposed. This delivers a broad funding split of one third residential sector and two thirds commercial sector in terms of contribution to the cost.

#### Community outcome

This activity contributes towards the following outcomes:

- **An innovative, inclusive and creative city** - Tākina will offer a convention and event space that is not currently available in the city. This space provides for networking opportunities and the ability for organisations to share the latest industry trends and innovations.
- **A dynamic and sustainable economy** - convention venues are places of events, festivals, and conferences. They anchor Wellington's appeal as a place of creativity, exploration, innovation and

excitement and will bring more business visitation to our downtown area.

<b>Who benefits?</b>	
Whole community	60%
Identifiable parts of the community	40%

The beneficiaries of this activity are predominantly the business sector through expenditure generated in the economy from this activity, potential new expenditure from any growth in this area from investment in upgraded facilities and flow on effects to other indirect supporting services. An improved economy also provides benefits to residents through improved employment opportunities, growth in demand to live and work in the city and the flow on effects that can have to property valuations and business opportunities outside of the downtown area of the city.

It is therefore appropriate for this type of economic development project to be funded, in part, from the general rate to reflect the wider community benefits of an improved economy. Recognising that the general rate covers both residential and commercial ratepayers.

Individuals benefit from their attendance at events and exhibitions held at the venue, however they generally pay directly for that benefit. The net costs in the establishment phase of operations will change each year and therefore the policy recommendations are intended to be for the net operating expenditure of Tākina, rather than incorporating the changing revenues from operations.

<b>Who should pay?</b>	
Identifiable parts of the community	40%
Whole community	60%

While the hospitality, business and entertainment sector receives a part of the benefit, the Council's view is that general ratepayers should also bear a portion of the costs. This is because of the benefit to the community as a whole, through an enhanced cultural offering, urban regeneration and stronger economy this activity will deliver.

<b>Our funding targets: operating expenses</b>	
User charges	0%
Other revenue	0%
Targeted rate (Downtown)	40%
General rate	60%
<b>Total</b>	<b>100%</b>

### Activity 3.1.4: City Growth Fund (CGW) and Economic Grants

This activity covers both the organisational support required to deliver the Council's economic development strategy, as well as the funding mechanism Council provides to support economic growth initiatives. These funds being the City Growth Fund (CGW) and the Economic Development Grant Pool.

The core aim of this activity is to facilitate and support economic growth in the city.

#### Community outcome

This activity contributes towards the following outcome:

- **A people friendly, compact, safe and accessible capital city** - our grants support the attraction and retention of talented people, and support the creative business sector in Wellington.
- **A dynamic and sustainable economy** - attracting talent, investment, visitors and jobs will be critical to growing the city's economy and ensuring Wellington remains vibrant and retains its competitive edge.
- **An innovative, inclusive and creative city** - ensuring the city has a presence internationally will be vital to attracting investment, talent, visitors and jobs.

#### Who benefits?

Whole community 100%

The groups and organisations that receive grants clearly benefit from this activity. But the community as a whole also benefits. Funding grants are not exclusive, as they are open so that anyone has the opportunity to apply. The projects of the successful applicants are expected to have flow on benefits for the wider community.

Individuals and employers are also likely to receive benefits as a result of the programme.

#### Who should pay?

Whole community 100%

These activities support economic growth for Wellington which will generally benefit the whole community. Where specific grants are provided the recipients benefit directly from this activity, however seeking to recoup the cost from them would defeat the purpose. The nature of the activities and specific outcomes from funded grant activities are not known at this point and it is therefore appropriate that the funding is spread across the whole community through the general rate.

#### Our funding targets: operating expenses

User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

### 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 generally know the order of magnitude of any possible council contribution to these projects. This information has been used to establish the size of the potential funding envelope. However, the Council has made no final 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 the Council decides to commit funds to a project, that project will be given its own activity class and will be reported on separately.

**Community outcome**

This activity contributes towards the following outcome:

- **A people friendly, compact, safe and accessible capital city** - these projects will promote the city as an attractive place to do business and attract visitors to the city every year.
- **An innovative, inclusive and creative city** - improving direct access internationally will provide local businesses with new opportunities to access large markets.
- **A dynamic and sustainable economy** - 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%
<b>Total</b>	<b>100%</b>

**Activity 3.1.6: International relations**

The Council works to make Wellington’s economy more competitive and innovative by maintaining relationships internationally to promote the city and the region’s interests.

**Community outcome**

This activity contributes towards the following outcome:

- **An innovative, inclusive and creative city** - Improving access to international markets is particularly important as it provides local businesses with new opportunities to access large markets.

**Who benefits?**

Whole community	50%
Identifiable parts of the community	50%

The benefits of this activity are split between the community as a whole and institutions that benefit from our efforts. The core aim of this work is to help the city and regional economy grow through international engagement. This benefits residents by providing jobs, raising incomes, providing a wider range of career choices, making the city more prosperous, and supporting a robust property market. Our work in this activity also benefits some business sectors, such as tourism, export, education and creative industries, by boosting their profile and helping build the investor base and potential business partnerships in foreign markets.

Though the benefits to the community are immediate and relate to economic wellbeing, our efforts to improve the city's prosperity and in particular any partnerships with the training and educational sector have positive, long-term spin-offs both for the economy and social wellbeing.

**Who should pay?**

Whole community	100%
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Though the benefits are split between the community and certain sectors, the Council believes this activity is most appropriately funded from general rates. This is because in most situations it would be impractical to identify the individuals or business that benefit directly from our activity. For example, it would not be possible to identify the direct beneficiaries of a sister city relationship. Furthermore, the Council's and relationship-building efforts complement the efforts of businesses or institutions themselves.

**Our funding targets: operating expenses**

User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

**Activity 3.1.7: Business Improvement Districts**

Under this activity the Council provides a mechanism that allows local businesses to work together as Business Improvement Districts (BIDs). BIDs provide a vehicle for local business-led initiatives that support key city objectives of vibrant centres, business creation and development, and increased employment.

**Community outcome**

This activity contributes towards the following outcome:

- **A people friendly, compact, safe and accessible capital city** - vibrant suburban centres make Wellington an attractive place to live and help form a local sense of community.

**Who benefits?**

Whole community	20%
Identifiable parts of the community	80%

In terms of funding for BIDs, the commercial interests within each BID are the principal beneficiaries. There are also likely benefits to the community surrounding the BID, since a BID can also improve vibrancy and environs of the public space within a business area.

**Who should pay?**

Identifiable parts of the community	100%
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Since the beneficiaries of the Business Improvement Districts policy are principally the businesses covered by each individual BID, it is appropriate that they should bear the cost of the policy. This will be done by establishing targeted rates on relevant commercial properties in each area where establishing a BID has the broad support of the business in that area.

**Our funding targets: operating expenses**

User charges	0%
Other revenue	0%
Targeted rate (Commercial)	100%
General rate	0%
<b>Total</b>	<b>100%</b>



## Cultural Wellbeing

### Shaping Wellington's unique identity

The Council supports a wide range of cultural and artistic activity in Wellington. The aim is to foster a lively and creative city that offers rich and varied cultural experiences to residents and visitors. We fund galleries, museums, arts organisations, and art and sculpture in public spaces. We also provide grants to community programmes that foster diversity and encourage people to participate in the arts.

### Operating activities

The funding sources for this area are illustrated in the graph below.

### Capital Expenditure

The interest and depreciation costs relating to capital expenditure are incorporated in the operating costs of each activity.

Cultural wellbeing capital expenditure projects are funded through a combination of rates funded depreciation and borrowings.

Activity Area	Activity Grouping	Activity	User Fees	Other Income	Rates	General	Residential Target	Commercial Targeted	Downtown Targeted
Cultural Wellbeing	Arts and Culture Activities	4.1.1 Galleries and museums (WMT)	0%	0%	100%	75%	0%	0%	25%
		4.1.2 Visitor attractions (Te Papa/Carter Observatory)	0%	0%	100%	30%	0%	0%	70%
		4.1.3 Arts and cultural festivals	0%	5%	95%	95%	0%	0%	0%
		4.1.4 Cultural grants	0%	0%	100%	0%	100%	0%	0%
		4.1.5 Access and support for community arts	0%	10%	90%	90%	0%	0%	0%
		4.1.6 Arts partnerships	0%	20%	80%	80%	0%	0%	0%
		4.1.7 Regional amenities	0%	0%	100%	100%	0%	0%	0%

## Cultural wellbeing - activity commentary

### 4.1 Arts and Cultural Activities

#### Activity 4.1.1: Galleries and museums

The Council is the main funder of the Wellington Museums Trust, which operates the Wellington Museum, the City Gallery, Capital E, the Wellington Cable Car Museum, Carter Observatory and the Colonial Cottage Museum. This activity also includes Council's contribution towards a continued programme of World War I commemorative activities.

#### Community outcome

This activity contributes towards the following outcome:

- **A people friendly, compact, safe and accessible capital 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.
- **An innovative, inclusive and creative 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.
- **A dynamic and sustainable economy** - museums enhance Wellington's vibrancy as a diverse, active and eventful place attractive to visitors.

#### Who benefits?

Whole community	15%
Individuals/Users	70%
Identifiable parts of the community	15%

The individuals who attend the exhibitions and shows at the galleries and museums clearly benefit from their attendance. The exhibitions and shows are a mix of free entry and charged admissions.

The various venues and the associated exhibitions and events are 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, diverse 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 and events 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 and contribute strongly to Wellington as a place to live, work and play. Wellingtonians enjoy access to a wide range of institutions generally without admission charges, this aligns with a strong community bias and the funding policy of Council reflects this with three quarters of the funding being through the general rate. The balance of the funding reflects the benefits to the businesses located in the CBD area and funding through the Downtown targeted rate is appropriate to contribute to this activity.

#### Our funding targets: operating expenses

User charges	0%
Other revenue	0%
Targeted rate (Downtown)	25%
General rate	75%
<b>Total</b>	<b>100%</b>

#### Activity 4.1.2: Visitor attractions (Te Papa)

Through this activity the Council funds attractions and facilities that bring visitors to the city, principally Te Papa.

#### Community outcome

This activity contributes towards the following outcome:

- **A people friendly, compact, safe and accessible capital city** - they 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, in particular those of our Māori, and help us understand ourselves and each other.
- **An innovative, inclusive and creative city** - they provide ideas and places where people can connect, share what is common and explore what is different and new.

- **A dynamic and sustainable economy** - museums enhance Wellington’s vibrancy as a diverse, inclusive, creative, active and eventful place attractive to visitors.

**How we approach funding this activity**

The overarching purpose of this activity is to support visitor attractions. The principal expenditure under this activity is the funding which the Council provides to Te Papa.

**External attractions**

Who benefits?	
Whole community	30%
Individuals/Users	50%
Identifiable parts of the community	20%

The direct beneficiaries are those who visit the attractions and attend other events funded through this activity.

Attractions like Te Papa bring visitors to the city and boost the economy, increasing prosperity for residents. They also play vital roles in Wellington’s vibrant cultural life, contributing to its image as New Zealand’s arts and cultural capital.

There are also direct benefits to the businesses located in the downtown area. The attractions funded by this activity bring people into the city, providing custom for hotels, restaurants, retailers and other city businesses. These benefits can be measured through increases in the number of “visitor nights” spent in the city during major events.

Who should pay?	
Identifiable parts of the community	70%
Whole community	30%

Though a group of beneficiaries of this activity are the individuals who choose to visit Te Papa, the Council does not believe it is viable or appropriate to charge them directly for these benefits. Wellingtonians have largely unrestricted access to Te Papa and it is appropriate that they contribute to the funding of this activity through general rates.

However, the downtown sector should continue to fund a significant portion of the cost of this activity as they benefit directly. The venue, events and attraction of Te Papa brings people and visitors into the city. These people provide business for the retailers, and the wider hospitality sector in the city. The projects funded by

this activity make major contributions to the Council’s goal that Wellington will be a prime tourist destination.

Our funding targets: operating expenses	
User charges	0%
Other revenue	0%
Targeted rate (Downtown)	70%
General rate	30%
<b>Total</b>	<b>100%</b>

**Activity 4.1.3: Arts and cultural festivals**

The Council runs and supports events that encourage Wellingtonians to participate in, learn about and enjoy creative, innovative and diverse arts and cultural experiences. These include Summer City (Gardens’ Magic, Pacifika Festival Te Rā o Waitangi) the Sky Show, the Diwali festival, Matariki festival, Re-Cut series, Very Welly Christmas and New Year and more, all of which are provided free to the public.

We aim to establish Wellington as a world-leading city of contemporary culture through an integrated programme of investment in, and promotion of, our unique strengths as an arts, events and culture capital.

**Community outcome**

- **A people friendly, compact, safe and accessible capital city** - cultural festivals shape Wellington’s sense of identity. They bring people together and celebrate creativity.
- **An innovative, inclusive and creative city** - festivals 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 from here and abroad.
- **A dynamic and sustainable economy** - museums and festivals enhance Wellington’s vibrancy as a diverse, inclusive, creative, active and eventful place attractive to residents

Who benefits?	
Whole community	100%

The events are generally run outdoors in public areas making it impossible to identify individual beneficiaries. The benefits, in any case, are not exclusive.

There are generally no limits on the number of people who attend these events and, as the intention is to encourage participation, vibrancy and liveability of the city, it would not be appropriate or acceptable to charge for entry.

The principal benefits are to the community as a whole. These events bring people together, encouraging community identity and cohesion. They help build a sense of pride in the city and add to Wellington's reputation as an "events capital". Many events attract people to the city centre, bringing economic benefits.

#### Who should pay?

Whole community	100%
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Since this activity benefits the community as a whole, the fairest and most effective way to fund the net cost is from general rates.

The Council receives significant sponsorship for this activity from organisations such as the New Zealand Community Trust.

#### Our funding targets: operating expenses

User charges	0%
Other revenue	5%
Targeted rate	0%
General rate	95%
<b>Total</b>	<b>100%</b>

#### Activity 4.1.4: Cultural grants

The Council maintains a cultural grants pool to allow community organisations access to funding.

#### Community outcome

This activity contributes towards the following outcome:

- **A people friendly, compact, safe and accessible capital city** - cultural grants support the creative sector of Wellington ensuring that the city is lively and full of festivals, performances and shows throughout the year.
- **A dynamic and sustainable economy** - cultural grants support Wellington cultural institutions that are integral to our cultural and events capital status. They provide shows and performances that make the central city a lively place to visit, play and do business.

#### Who benefits?

Whole community	50%
Individuals and identifiable parts of the community	50%

The direct beneficiaries of this activity are the individuals and groups who receive funding. The grants provide them with opportunities for artistic and cultural expression. This activity gives individuals the opportunity to participate, even though they may choose not to. Though these benefits are private, they are not exclusive - all residents are able to apply for funding.

Funding cultural initiatives also benefits all city residents by making the city a more vibrant place, enhancing community identity, and contributing to the city's reputation as New Zealand's arts and culture capital.

#### Who should pay?

Whole community	100%
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The purpose of this activity is to add to the mix of cultural events in the city and to encourage participation. Clearly, this means that someone other than the grant recipients has to pay. This activity has no benefit, economic or otherwise, to the commercial sector. Funding is directed to residents, and as such, the Council believes it is appropriate to fund the cost of this activity from rates targeted to the residential sector.

The people and groups who receive funding also contribute their own resources to initiatives that benefit the city's cultural and social wellbeing.

#### Our funding targets: operating expenses

User charges	0%
Other revenue	0%
Targeted rate (residential)	100%
General rate	0%
<b>Total</b>	<b>100%</b>

#### Activity 4.1.5: Access and support for community arts

This activity addresses a range of community arts projects that the Council supports every year. It also covers a subsidy for non-profit community groups using Wellington Venues, ensuring that they are accessible to a wide range of organisations.

#### Community outcome

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - support for community arts projects and venues enables Wellington's creative communities to create work and produce festivals and performances throughout the year.

Who benefits?	
Whole community	50%
Individuals/Users	50%

Both the individuals that take part in the arts projects and the non-profit groups that make use of the venue subsidy directly benefit from this activity. The activity also benefits the community as a whole. The art projects and groups supported by the subsidy help make the city a vibrant place and foster cultural identity.

Who should pay?	
Whole community	90%
Identifiable parts of the community	10%

The purpose of this activity is to promote cultural diversity and tolerance and, celebrate through the arts, people’s differences to create a sense of identity and of belonging to place. The provision of community art projects eliminates cost as a barrier as does the venue subsidy. Clearly, the cost of this support has to be met elsewhere. The Council believes the cost is most appropriately funded from general rates.

Our funding targets: operating expenses	
User charges	0%
Other revenue	10%
Targeted rate	0%
General rate	90%
<b>Total</b>	<b>100%</b>

**Activity 4.1.6: Arts partnerships**

The Council maintains a number of partnerships with artistic organisations that call Wellington home.

The Council also houses a number of independent artists, art organisations, music studios and a gallery at the Toi Pōneke Arts Centre, which is covered by this activity. This activity also includes the fund which is used to manage the city’s art collection (acquisition, conservation and exhibiting of artworks) and support development and delivery of public art in the city.

**Community outcome**

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - Our partnership with organisations such as the NZ Symphony Orchestra means residents have the option of attending concerts on a regular basis, and have far greater access to world-class music than would otherwise be the case. Toi Pōneke Arts Centre is a creative space where the city’s arts communities interact, produce innovative works, teach and exhibit in the heart of Wellington. It provides a place where people can connect, share and collaborate creatively
- **A dynamic and sustainable economy** - We support these institutions as they build on the city’s reputation as New Zealand’s arts and culture capital and they attract thousands of visitors to the city. Public sculpture and art displays, and exhibitions add to the vibrancy and liveability of the city.

Who benefits?	
Whole community	30%
Identifiable parts of the community	60%
Downtown sector	10%

The artists and organisations are clearly direct beneficiary of these partnerships. These benefits are private and exclusive to the extent that the Council’s support cannot be transferred. Toi Pōneke exhibitions are free and accessible to all. Public art is a most accessible form of art and the whole community benefits from it as well as visitors to the city.

The community also benefits from this activity in many ways. Through our support we help ensure these organisations remain viable and based in Wellington. In the example of the orchestra this means the city is home to one of the nation’s foremost arts institutions, which contributes to Wellington’s vibrancy and its image as a creative city. It also means residents have the option of attending concerts on a regular basis, and have far greater access to world-class music than would otherwise be the case.

These partnerships add to the city’s exceptional range of artistic and cultural amenities that cater to all tastes, which in turn add to an environment that fosters a vibrant city life and boosts the local economy.

**Who should pay?**

Whole community	75%
Individuals/Users	25%

The overall aim of this activity is to encourage greater engagement and participation in the arts. By supporting these organisations and artists we are ensuring that their work continues and can be experienced by residents and visitors. The Council believes that the majority of the cost is most appropriately funded from general rates.

It is also considered appropriate that those art organisations, artists and users of Toi Pōneke Arts Centre should make a contribution to the cost of the space that they have use over.

**Our funding targets: operating expenses**

User charges	0%
Other revenue	20%
Targeted rate	0%
General rate	80%
<b>Total</b>	<b>100%</b>

**Activity 4.1.7: Regional amenities fund**

The Wellington Regional Amenities Fund has been set up to support eligible entities of regional significance with day-to-day operational expenses and new innovative projects that will achieve identified priorities for the region.

The fund is focused on arts, cultural and environmental attractions and events to support and add to the attractiveness and vitality of the Wellington region.

The fund is a partnership between Wellington City Council, Hutt City Council, Upper Hutt City Council, Porirua City Council and Kapiti District Council.

**Community outcome**

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - arts, culture and environmental attractions and events make Wellington a more attractive place to live and do business, and attract thousands of visitors to the city every year.

- **An innovative, inclusive and creative city** - attractions and events provide ideas and places where people can connect and explore what is different and new, from both here and overseas.
- **A dynamic and sustainable economy** - arts, culture and environmental attractions and events anchor Wellington's appeal as a place of creativity, exploration, innovation, and excitement. They also enhance Wellington's vibrancy as a diverse, active and eventful place attractive to visitors.
- **A sustainable, climate friendly eco capital** - environmental attractions and events raise awareness of environmental issues and improves environmental outcomes.

**Who benefits?**

Whole community	100%
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The direct beneficiaries are those who attend the events and attractions funded through this activity.

The community as a whole benefits in a number of ways. They have the opportunity to enjoy high-quality art, cultural and environment attractions and events that arguably won't happen without the Council's support which contributes to social cohesion as they are an opportunity for people to engage in their communities.

They also create economic benefits to the city as they attract out of region visitors, and contribute millions of dollars to Wellington's economy (e.g. New Zealand Festival). They bring people into the city, providing customers for city businesses as well as enhancing Wellington City's place as New Zealand's arts capital, attracting people to the City to live, work and play.

**Who should pay?**

Whole community	100%
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**Our funding targets: operating expenses**

User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

## Social and Recreation

### Building strong, safe and healthy communities for a better quality of life

A city is only as strong as its people. Wellington is built on strong communities. It's a safe city where people have plenty of opportunities to fulfil their potential and engage with each other. As the city's biggest provider of recreation facilities and social housing, we aim to promote healthy lifestyles and build strong communities.

### Operating activities

The funding sources for this activity area are illustrated in the graph below.

### Capital Expenditure

The interest and depreciation costs relating to capital expenditure are incorporated in the operating costs of each activity.

Social and recreation capital expenditure projects are funded through a combination of grants/subsidies, rates funded depreciation and borrowings.

Activity Area	Activity Grouping	Activity	User Fees	Other Income	Rates	General	Residential Target	Commercial Targeted	Downtown Targeted
Social and Recreation	Recreation promotion and support	5.1.1 Swimming Pools	30%	0%	70%	70%	0%	0%	0%
		5.1.2 Sportsfields	15%	0%	85%	85%	0%	0%	0%
		5.1.3 Recreation programmes	5%	0%	95%	95%	0%	0%	0%
		5.1.4 Recreation Centres	25%	0%	75%	75%	0%	0%	0%
		5.1.5 Recreation partnerships	0%	0%	100%	0%	100%	0%	0%
		5.1.6 Playgrounds	0%	0%	100%	100%	0%	0%	0%
		5.1.7 Marinas	100%	0%	0%	0%	0%	0%	0%
		5.1.8 Golf Course	30%	0%	70%	70%	0%	0%	0%
Community support		5.2.1 Libraries	5%	0%	95%	95%	0%	0%	0%
		5.2.2 Access support (Leisure Card)	0%	0%	100%	100%	0%	0%	0%
		5.2.3 Community advocacy	0%	0%	100%	0%	100%	0%	0%
		5.2.4 Grants (Social and Recreation)	0%	0%	100%	100%	0%	0%	0%
		5.2.5 Housing	100%	0%	0%	0%	0%	0%	0%
		5.2.6 Community centres and halls	5%	0%	95%	0%	95%	0%	0%
Public health and safety		5.3.1 Burials and cremations	50%	0%	50%	50%	0%	0%	0%
		5.3.2 Public toilets	0%	0%	100%	100%	0%	0%	0%
		5.3.3 Public health regulations	65%	0%	35%	35%	0%	0%	0%
		5.3.4 City safety	0%	0%	100%	100%	0%	0%	0%
		5.3.5 WREMO	0%	0%	100%	100%	0%	0%	0%

## Social and recreation - activity commentary

### 5.1 Recreation Promotion and Support

#### Activity 5.1.1: Swimming pools

This activity covers the cost of providing the Council’s seven swimming pools: Wellington Regional Aquatic Centre (WRAC, Kilbirnie), Freyberg Pool (Oriental Bay), Karori Pool, Keith Spry Pool (Johnsonville), Tawa Pool, Thorndon Pool (summer only) and Khandallah Pool (summer only). They provide a range of recreational opportunities while also helping build a sense of community. They host college, intermediate and primary school swimming events and WRAC also hosts national events.

#### Community outcome

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - they provide access to sport and recreation opportunities which is important for people’s health and wellbeing.
- **An innovative, inclusive and creative city** - they bring people together, strengthening social cohesion, and the city becomes a more appealing place for people to live.

#### Who benefits?

Whole community	20%
Individuals/Users	80%

Our swimming pools mainly benefit the people who use them. These people gain access to high-quality facilities for recreation, fitness and relaxation. The benefits are private and exclusive. It is appropriate and acceptable to charge people to use the pools.

However, there are also benefits to the community as a whole. By providing recreation facilities, the pools help increase the overall levels of residents’ health, providing economic and social benefits. They help increase community knowledge of water safety and improve swimming skills. Pools also provide important community focal points as well as health and recreation programmes that bring people together.

Most people regard the pools as important facilities and are prepared to contribute to the costs through their rates. Many people also like to have the option of using the pools even if they do not choose to do so.

#### Who should pay?

Whole community	70%
Individuals/Users	30%

While individuals receive the direct benefits, the Council believes it is appropriate for the community as a whole to bear most of the costs of running the city’s swimming pools.

The benefits to the community as a whole and the widespread community support for the facilities justify a significant ratepayer contribution. Though there are other pools in the city, the Council-operated ones are unique for the size and scale of their operations; they are not in direct competition with the private sector and can legitimately be seen as public facilities.

It would not be desirable to raise fees to levels that discouraged people from using them or provided barriers to people on low incomes. Ability to pay issues limits the opportunity to recover the cost of this activity through user charges.

#### Our funding targets: operating expenses

User charges	30%
Other revenue	0%
Targeted rate	0%
General rate	70%
<b>Total</b>	<b>100%</b>

#### Activity 5.1.2: Sports fields

This activity covers the costs of providing the city’s sportsfields, including synthetic artificial surfaces. These provide year-round venues for recreation and competitive sport for people of all ages.

#### Community outcome

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - they provide access to sport and recreation opportunities which is important for people’s health and wellbeing.
- **An innovative, inclusive and creative city** - they bring people together, strengthening social cohesion, and the city becomes a more appealing place for people to live.



**Who benefits?**

Whole community	30%
Individuals/Users	35%
Identifiable part of the community	35%

The city's sportsfields provide significant benefits for private individuals and sports clubs. For individuals, they provide facilities for recreation, fitness and relaxation. These benefits are private and partially exclusive. While the fields are booked out at certain times for organised sports such as club football, they are also often available for members of the public to use for informal recreation.

The Council estimates individual people receive about 35% of the benefits from sportsfields and sports clubs receive about the same benefit.

The sportsfields also benefit the community as a whole. By providing recreation facilities they help increase the overall levels of residents' health, providing economic and social benefits. They also provide important community focal points and recreation programmes that bring people together. Most people recognise them as important facilities and are prepared to contribute to the costs through their rates.

**Who should pay?**

Whole community	80%
Individuals/Users	20%

While individuals and sports clubs receive significant direct benefits, the Council believes it is appropriate for the community as a whole to bear some of the costs of operating the city's sportsfields.

The benefit to the community as a whole and the widespread community support for the facilities justifies a ratepayer contribution. The Council-operated sportsfields are not in competition with private sector providers and can legitimately be seen as public facilities.

It is not always possible or desirable to identify individual users. While sports clubs who book sportsfields can be identified and are charged, many other people use the fields informally and cannot be charged. It would not be desirable to raise fees to levels that discouraged organised sports. Nor would it be desirable to raise fees to levels that provided barriers to people on low incomes taking part in organised sports.

Previously sportsfields were in two separate activities, natural (grass) and synthetic. This was initially driven by the development of artificial turfs (a new service) and the difference in who benefits and who should pay. This has changed overtime as the use of synthetics has integrated with natural fields, which has seen individuals, sporting clubs and the communities utilise the provision of these fields as one service. This has led to a review of these activities, and combining them into one. It has seen changes to the 'who benefits' and 'who should pay' % to recognise the service as a whole.

**Our funding targets: operating expenses**

User charges	15%
Other revenue	0%
Targeted rate	0%
General rate	85%
<b>Total</b>	<b>100%</b>

**Activity 5.1.3: Recreation programmes**

The Council organises programmes and works with stakeholders to deliver programmes to encourage people's participation in leisure activities. These include organised walks and recreation activities such as Push Play. The key sectors include schools and tertiary providers, environmental groups, sports, clubs and health & wellbeing providers. This activity covers the cost of providing these services.

**Community outcome**

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - this activity supports access to sport and recreation opportunities which is important for people's health and wellbeing.
- **An innovative, inclusive and creative city** - this activity brings people together, strengthening social cohesion, and makes the city a more appealing place for people to live.

**Who benefits?**

Whole community	50%
Individuals/Users	50%

The Council's recreation programmes benefit the individuals who take part by providing them with access to recreation and leisure opportunities. The programmes not only promote health but can also boost participants' overall sense of wellbeing.

The recreation programmes also benefit the community as a whole. They not only encourage recreation and healthy lifestyles but also operate as community events, helping bring people together. The programmes are targeted at people who may have difficulty organising their own recreation activities.

#### Who should pay?

Whole community	95%
Individuals/Users	5%

While individuals receive significant direct benefits, the Council believes it is appropriate for the community as a whole to bear the costs of running these programmes.

The benefits to the community as a whole justify ratepayer funding and it would not be desirable to impose fees as that may discourage participation and provide barriers to people on low incomes taking part.

#### Our funding targets: operating expenses

User charges	5%
Other revenue	0%
Targeted rate	0%
General rate	95%
<b>Total</b>	<b>100%</b>

#### Activity 5.1.4: Recreation centres (Including ASB Sports Centre)

This activity covers the costs of providing the Council recreation centres in Karori, Kilbirnie, Khandallah (Nairnville), Tawa and the ASB Sports Centre. These multi-purpose centres provide a range of recreational opportunities while also helping build a sense of community. They host inter-club competitive leagues and social leagues as well as college, intermediate and primary school sport and activities. The ASB Sports Centre also hosts national and international events.

#### Community outcome

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - they provide access to sport and recreation opportunities which is important for people's health and wellbeing.
- **An innovative, inclusive and creative city** - they bring people together, strengthening social cohesion, and the city becomes a more appealing place for people to live.

#### Who benefits?

Whole community	20%
Individuals/Users	80%

Our recreation centres mainly benefit the people who use them. These people gain access to high-quality facilities for sports, recreation and fitness. These benefits are private and exclusive. It is appropriate and acceptable to charge people to use the centres.

However, there are also benefits to the community as a whole from our provision of recreation centres. These facilities help increase overall levels of residents' health, providing economic and social benefits. Recreation centres also provide community focal points and recreation programmes that bring people together.

#### Who should pay?

Whole community	75%
Individuals/Users	25%

While individuals receive most of the benefits, the Council believes it is appropriate for the community as a whole to bear most of the costs of running the city's recreation centres.

The benefit to the community and the significant role these centres play in their local areas justifies a significant ratepayer contribution. The accumulated health benefits to the community as a whole from organised and recreational physical activities at their centres also suggests the whole community should bear the majority of the cost.

In addition, it would not be desirable to raise fees to levels that discouraged people from using the centres or provided barriers to people on low incomes. Ability to pay issues limits the opportunity to recover the cost of this activity through user charges.

#### Our funding targets: operating expenses

User charges	25%
Other revenue	0%
Targeted rate	0%
General rate	75%
<b>Total</b>	<b>100%</b>

### Activity 5.1.5: Recreation partnerships

The Council maintains relationships with a number of groups that seek to provide publicly accessible facilities that contribute to both passive and active recreation.

#### Community outcome

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - this activity supports access to sport and recreation opportunities which is important for people’s health and wellbeing.
- **An innovative, inclusive and creative city** - this activity bring people together, strengthening social cohesion, and the city becomes a more appealing place for people to live.

Who benefits?	
Whole community	20%
Individuals/Users	80%

The organisations we fund and the people that take part in their programmes also receive direct benefits.

Through the development of recreational partnerships, the Council aims to promote the benefits of sport and recreation to Wellingtonians. This has benefits for residents’ overall levels of health and fitness, which in turn helps economic and social wellbeing. In addition, by supporting recreation partners, the city receives the economic benefits from having sport and recreation organisations located here.

Who should pay?	
Whole community	100%

While the individuals who choose to access these facilities receive some benefits, the Council believes it is appropriate for the residential sector to bear the costs of our recreation partnerships.

The Council is just one source of funding for its recreation partners. The Council’s contribution represents the public benefits to Wellington residents while the other funding sources represent the private benefits to participants and other organisations.

In this context the benefits to the community clearly outweigh the benefits to individuals. These benefits include healthier lifestyle and overall additions to social wellbeing.

Our funding targets: operating expenses	
User charges	0%
Other revenue	0%
Targeted rate (Residential)	100%
General rate	0%
<b>Total</b>	<b>100%</b>

### Activity 5.1.6: Playgrounds

The Council provides more than 100 neighbourhood playgrounds across the city to give families a safer place to play near home. This activity covers the cost of providing those.

#### Community outcome

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - this activity supports access to recreation opportunities and physical play for younger people that are important for their development and their health and wellbeing.
- **An innovative, inclusive and creative city** - these facilities bring people together, provide a place where parents with young children can connect and provide support, hence making the city a more appealing place for people to live.

Who benefits?	
Whole community	20%
Individuals/Users	80%

The city’s playgrounds provide safe, entertaining places for children to play. The benefits to the children and their families are significant. These benefits are private but not exclusive. It would not be desirable or acceptable to charge people for using playgrounds. The Council’s Play Spaces Policy states that in February 2013, the United Nations Committee on the Rights of the Child, adopted a General Comment that “children have a right to relax and play, and to join in a wide range of cultural, artistic and other recreational activities.”

The playgrounds also benefit the community as a whole. Playgrounds not only encourage recreation and healthy lifestyles but are also important community focal points. Most people recognise them as important facilities and are prepared to contribute to the costs through their rates.

**Who should pay?**

Whole community	100%
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While individuals receive significant direct benefits, the Council believes it is appropriate for the community as a whole to bear the costs of running the city's playgrounds.

Even if the individual beneficiaries could be identified it would not be desirable or acceptable to charge them. The Council believes access to playgrounds is a fundamental right for children.

The benefits to the community as a whole and the widespread community support for the playgrounds justifies ratepayer funding. The Council believes the vast majority of ratepayers would strongly support ratepayer funding of this activity. The playgrounds are public facilities and are not in competition with private sector providers.

Playgrounds make a significant contribution to our goal that Wellington will offer excellent access to a sound social infrastructure that supports high levels of social cohesion.

**Our funding targets: operating expenses**

User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

**Activity 5.1.7: Marinas**

The Council owns two marinas at Evans Bay and Clyde Quay. These provide private storage and live-aboard facilities for boat owners as well as supporting the recreational activities of a large number of boat owners. This activity covers the cost of providing these.

**Community outcome**

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - this activity supports access to the harbour and the coast for recreation, fishing and enjoyment.

**Who benefits?**

Individuals/Users	100%
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The marinas benefit the people who use them by providing boat sheds for safe storage, moorings and access by marina piers. These benefits are private and exclusive and it is appropriate and acceptable to charge for this service.

**Who should pay?**

Individuals/Users	100%
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As identifiable individuals receive private benefits from this activity, it is appropriate for them to meet the costs. The benefits accrue to a narrow sector of the community who use these facilities and the user charges are set at appropriate market rates.

**Our funding targets: operating expenses**

User charges	100%
Other revenue	0%
Targeted rate	0%
General rate	0%
<b>Total</b>	<b>100%</b>

**Activity 5.1.8: Golf Course**

This activity covers the costs of providing the city's municipal golf course.

**Community outcome**

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - this activity supports access to sport and recreation opportunities which is important for people's health and wellbeing.
- **An innovative, inclusive and creative city** - this activity brings people together, strengthening social cohesion, and makes the city a more appealing place for people to live.

**Who benefits?**

Whole community	20%
Individuals/Users	40%
Identifiable part of the community	40%

The city’s municipal golf course in Berhampore provides significant benefits for private individuals and the club itself. For individuals, they provide facilities for recreation, fitness and relaxation. These benefits are private and partially exclusive. While the course is booked out at certain times for organised club competitions, they are also often available for members of the public to use for informal recreation.

The Council estimates individual people and identifiable parts of the community each receive about 40% of the benefits from the golf course.

The golf course also benefits the community as a whole. By providing recreation facilities and open space it helps increase the overall levels of residents’ health, providing social benefits. It also provides an important community focal point.

Who should pay?	
Whole community	70%
Individuals/Users	30%

While individuals receive significant direct benefits, the Council believes it is appropriate for the community as a whole to bear some of the costs of operating the city’s municipal golf course, the main reason being that the golf course is located on Town Belt land with free public access to the area. The user funded portion relates to costs specific to the provision of the Golf Course.

The benefit to the community as a whole and the widespread community support for the facility justifies a ratepayer contribution.

Our funding targets: operating expenses	
User charges	30%
Other revenue	0%
Targeted rate	0%
General rate	70%
<b>Total</b>	<b>100%</b>

## 5.2 Community support

### Activity 5.2.1: Libraries

The Council provides a network of libraries including the Central Library, branch libraries, and a popular website.

#### Community outcome

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - libraries are more than just places to borrow books. They are neighbourhood institutions that anchor community life and bring people together.
- **An innovative, inclusive and creative city** - libraries are places of discovery and learning which allow readers to connect with others and exchange knowledge both online, and through events and other activities.

Who benefits?	
Whole community	20%
Individuals/Users	80%

The libraries also provide significant benefits to the community as a whole. By providing community support and access to information, the libraries enhance the overall levels of skill, literacy and knowledge in the city, providing economic and social benefits. They act as important digital hotspots and community centres. And they host events and outreach services that bring people together, as well as provide information for migrants and residents about local communities and their history.

The library network adds to residents’ quality of life. The vast majority of Wellingtonians are library members or users - even those who are not regular users generally like to have the option of using library services. Libraries enhance social inclusion and equity of access to services. The branch libraries draw people in to suburban centres bringing vitality to those areas and added custom to local businesses. The Central Library is a significant city landmark which contributes to civic pride.

Libraries also benefit the people who use them. People gain free or low-cost access to books, DVDs, magazines, music and other items. The breadth of the network means that the services it provides are easily accessed by those opting to use it. They use these services for recreation or work/business and to enhance their knowledge, digital literacy and overall wellbeing right across the age span.

We monitor the use of our libraries. Our indicators suggest that the vast majority of use is for recreational and personal use while up to 30 percent is in part used for work purposes (e.g. job seeking).

#### Who should pay?

Whole community	95%
Individuals/Users	5%

While individuals receive many of the direct benefits, the Council believes it is appropriate that most of the cost of running libraries should be met by the wider community. Some user charges will apply for some 'added' services and through penalty fines for late returns.

The community benefits as a whole and the widespread community support for the facilities justifies a significant ratepayer contribution. Libraries are among the most popular of Council services and there is strong support for them to be free at the point of use. The libraries are significant public facilities that are generally not in direct competition with the private sector.

It would not be desirable to raise fees to levels that further discouraged people from using the library services or provided barriers to people on low incomes. It would not be desirable or acceptable to Wellingtonians to impose user charges for entry to the libraries or basic book lending services.

Fees are imposed on services that are provided in addition to the core services of the library. For instance modest fees apply for the rental of DVDs. Penalty fees also apply to the late return of items, although this is less relevant as an income stream in an increasingly digital environment.

Since the vast majority of residents are also library users, the application of a uniform targeted rate is considered an effective way of funding the portion of the service that is known to be used by residents.

As it is not possible to distinguish a direct beneficiary of the remaining portion of users, it is considered fair and efficient that a significant portion of the library service be paid for by the whole community.

#### Our funding targets: operating expenses

User charges	5%
Other revenue	0%
Targeted rate	0%
General rate	95%
<b>Total</b>	<b>100%</b>

#### Activity 5.2.2: Access support (Leisure Card)

The Council offers discounted access to recreation facilities for holders of our Passport to Leisure card, which is issued free to all residents on low incomes.

#### Community outcome

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - we provide subsidised access to our recreation programmes and facilities through our Leisure Card programme to encourage active and healthy lifestyles for all Wellingtonians without unreasonable hardship.

#### Who benefits?

Whole community	25%
Individuals/Users	75%

The Passport to Leisure programme benefits individual participants by giving them affordable access to recreation and leisure opportunities. The programme helps boost participants' health, fitness and overall wellbeing.

The programme also benefits the wider community by encouraging healthy lifestyles, which enhances social and economic wellbeing. It adds to social cohesion by reducing barriers to people on low incomes.

#### Who should pay?

Whole community	100%
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While the programme mainly benefits individuals the Council believes it is appropriate for the whole community to share the costs.

The programme is aimed at increasing access to recreation and leisure for people on low incomes, by making facilities available at reduced cost. Clearly, this means someone else has to pay. The benefits to all wider community justify the costs being drawn from the general rate.

This programme makes a significant contribution to the Council’s goal that Wellington residents will be more actively engaged in their communities, and in recreation and leisure activities.

<b>Our funding targets: operating expenses</b>	
User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

**Activity 5.2.3: Community advocacy**

We encourage people to contribute to their community and participate in city activities. Our City Communities advisors support a wide range of community groups such as senior citizens, Māori, youth, Pacific Islanders, refugees and migrants, and people with disabilities. This work aims to ensure that Wellington’s diverse population is supported and embraced by a tolerant, caring and welcoming community.

We also support the development of community and neighbourhood resilience to ensure communities are connected, vibrant and participatory. Ensure Wellington is a safe, tolerant and healthy city with a strong social infrastructure supporting people. There is an effective city wide welfare and social recovery response for people and animals in an emergency

Community Services take the lead in maintaining and developing partnerships and/or collaborations with community groups, government departments, agencies and sector organisations to improve community wellbeing and to ensure local services meet local needs.

**Community outcome**

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city:** A city that offers an outstanding quality of life and strong sense of place and leaves no-one behind; provides outstanding recreational opportunities (active and passive) that are accessible and inclusive and a safe and healthy city to live in and visit.

- **A dynamic and sustainable economy:** Residents know their neighbours and have a strong sense of community and of public pride; retailers and residents in the CBD have a voice and can be heard.
- **An innovative, inclusive and creative city:** Engaged community where people and communities feel connected; welcoming and diverse city tolerant of diversity

<b>Who benefits?</b>	
Whole community	80%
Individuals/Users	20%

The projects funded under this activity benefit all Wellingtonians and communities: The build community and neighbourhood resilience supporting the development of connected, vibrant and participatory communities. The outcomes include ensuring residents being able to access information and resources and participate in communities/activities of choice. These projects also ensure Wellington is a safe, tolerant and healthy city with a strong social infrastructure supporting people. There is an effective city wide welfare and social recovery response for people and animals in an emergency.

<b>Who should pay?</b>	
Whole community	100%

The Council believes it is appropriate to fund the majority of costs for this activity from rates targeted to the residential sector. This is because the benefits accrue to all residents.

<b>Our funding targets: operating expenses</b>	
User charges	0%
Other revenue	0%
Targeted rate (Residential)	100%
General rate	0%
<b>Total</b>	<b>100%</b>

#### Activity 5.2.4: Grants (social and recreation)

The Council maintains four grants pools. This activity covers the grants to community groups and organisations whose projects seek to promote recreational activity and overall social wellbeing. The grants process is overseen by a subcommittee of Council.

##### Community outcome

This activity contributes towards the following outcome:

- **A people friendly, compact, safe and accessible capital city** - our grants support community groups that promote individual wellbeing, safe neighbourhoods and cohesive, engaged and inclusive communities. The grants also support active and healthy lifestyles through support of recreation and sporting groups.

##### Who benefits?

Whole community	50%
Identifiable parts of the community	50%

The groups and organisations that receive grants clearly benefit from this activity. But the community as a whole also benefits. The grants pool itself is not exclusive - it is open so that anyone has the opportunity to apply. And the projects of the successful applicants will have flow on benefits for the community.

##### Who should pay?

Whole community	100%
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While grants recipients benefit directly from this activity, seeking to recoup the cost from them would defeat the purpose of the grants pool. Given this and that there are benefits to the community as a whole, the Council believes the fairest and most effective way to fund it is from general rates.

##### Our funding targets: operating expenses

User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

#### Activity 5.2.5: Housing

The Council owns over 2000 housing units, which we rent to low income people whose housing needs are not met by the private sector. We allocate these homes according to need. Tenants are charged 70 percent of the estimated market rent for their property.

##### Community outcome

This activity contributes towards the following outcome:

- **A people friendly, compact, safe and accessible capital city** - they provide an opportunity for a home and a better quality of life for those less well-off without unreasonable hardship.

##### Who benefits?

Individuals/Users	90%
Whole community	10%

The main beneficiaries of this activity are the tenants, who receive accommodation at below market rent. Their benefits are private and exclusive. While the Council's rental housing units are aimed at meeting needs that the market does not or cannot meet, to some extent these housing units are in competition with properties provided by private landlords.

However, there are some benefits to the community as a whole. By providing homes for people who otherwise may be unable to afford them, the Council also contributes to community cohesion and may have benefits for public health and safety.

##### Who should pay?

Individuals/Users	100%
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As the main beneficiaries, it is appropriate for tenants to pay all of the costs involved in providing community housing. The Council's current policy is to provide homes at 70 percent of market rent. The City Housing activity is ring-fenced with user charges through rent income funding 100% of operating expenses. The opportunity cost of not obtaining market rentals is not included in this funding analysis.

##### Our funding targets: operating expenses

User charges	100%
Other revenue	0%
Targeted rate	0%
General rate	0%
<b>Total</b>	<b>100%</b>



**Activity 5.2.6: Community centres and halls**

This activity supports the delivery of services/activities from community centres and halls. The Council directly delivers services to the community from two halls and five centres. Community organisations are contracted to deliver services from our assets or from non- council assets (22 centres in total) and are funded through three-year contracts (Social Grants). This includes where Council owns the asset, community owns the asset, and community leases a space for delivery of services.

We also maintain an accommodation assistance fund that provides community groups with access to subsidised office space.

**Community outcome**

This activity contributes towards the following outcome:

- **A people friendly, compact, safe and accessible capital city** - these facilities are important anchors in our communities. They are places for groups to come together, strengthening social cohesion, and making the city a more appealing place for people to live.

Who benefits?	
Whole community	70%
Individuals and identifiable parts of the community	30%

The people and groups who use community facilities receive a clear and direct benefit. Though the facilities are available to all, this benefit is private and exclusive - only one group can use a room in a community centre at any one time.

However, the provision of these facilities also has benefits for the wider community. Not only do the facilities help bring people together, the groups that use them often make significant voluntary contributions to community wellbeing.

Who should pay?	
Whole community	95%
Individuals and identifiable parts of the community	5%

These community spaces cover a wide range of facilities forming part of the city’s ‘hard’ social infrastructure that supports community wellbeing. Services and activities developed and delivered locally from these assets help bring people together, improve and strengthen neighbourhoods, community resilience and community safety. These assets are also important gathering points during civil defence emergencies.

Community centres make a significant contribution to community wellbeing by providing an anchor for the local community as well as a city-wide network of community resources. They also provide opportunities for social interaction, events, activities and interest and needs based courses/activities that benefit and respond to the local community needs and interests.

Our funding targets: operating expenses	
User charges	5%
Other revenue	0%
Targeted rate (Residential)	95%
General rate	0%
<b>Total</b>	<b>100%</b>

**5.3 Public Health and Safety**

**Activity 5.3.1: Burials and cremations**

We operate a crematorium and cemetery at Karori and a cemetery at Makara. We also manage Wellington cemetery records dating back to 1849 available for public viewing. Karori Cemetery is now managed as a closed cemetery for burials, unless interred in an existing family plot. All other burials, including Natural burials are undertaken at Makara Cemetery.

**Community outcome**

This activity contributes towards the following outcome:

- **A people friendly, compact, safe and accessible capital city** - the cemeteries provide sensitive and respectful bereavement services catering for a wide range of communities and beliefs. We maintain the cemetery sites to a good standard, reflecting their importance to the community.

Who benefits?	
Whole community	50%
Identifiable parts of the community	50%

The cemeteries provide families of the deceased with access to appropriate burial or cremation facilities, allowing them to farewell their loved ones with dignity.

They also have significant benefits to the community as a whole. These include the public health benefits of ensuring burials and cremations are conducted appropriately, the contribution made by the cemeteries to the city's heritage, the social benefits of ensuring a wide range of religious and cultural needs are catered for, and the provision of park-like surroundings that benefit not only families of the deceased but also all members of the community. Members of the public expect cemeteries to be properly maintained and accessible to all.

The provision of these services can also be seen to benefit funeral homes and other private businesses in this field.

#### Who should pay?

Whole community	50%
Identifiable parts of the community	50%

Since the benefits of this activity are split between individuals and the community as a whole, it is appropriate for the costs to also be split.

It should be noted that historically we have been able to recover less than 50 percent of the cost of this activity through user charges. Recent efforts to improve this rate of cost recovery have resulted in some improvements; however due to price elasticity we anticipate that on occasions we will not always meet this target. The remaining costs are appropriately met through general rates.

#### Our funding targets: operating expenses

User charges	50%
Other revenue	0%
Targeted rate	0%
General rate	50%
<b>Total</b>	<b>100%</b>

#### Activity 5.3.2: Public toilets

We own and maintain around 100 public toilets throughout the city, located at public places such as parks, playgrounds, sports fields, and shopping centres and in the central business district. This activity includes ensuring they are kept clean and maintained fit for public use.

#### Community outcome

This activity contributes towards the following outcome:

- **A people friendly, compact, safe and accessible capital city** - these facilities are located conveniently throughout the city protecting against public health risks.

#### Who benefits?

Whole community	60%
Individuals/Users	40%

Council-owned public toilets clearly benefit people who use them. Their provision also benefits everyone who lives and works in the city, by protecting people in public places from the health hazards that would arise if there were no facilities or if facilities were not kept clean.

#### Who should pay?

Whole community	100%
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Since this activity benefits the whole community, the fairest and most effective way to fund it is through the general rate. Though individuals also benefit, the Council does not believe it would be appropriate to refuse access to people who cannot or will not pay.

#### Our funding targets: operating expenses

User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

### Activity 5.3.3: Public health regulations

This activity covers the Council's role in licensing and monitoring food outlets, licensing alcohol liquor outlets, registering and impounding dogs, responding to noise, nuisance, animal and litter complaints, and handling infectious disease investigations and trade waste activities.

#### Community outcome

This activity contributes towards the following outcome:

- **A people friendly, compact, safe and accessible capital city** - this activity protects against public health risks.

Who benefits?	
Whole community	75%
Individuals/Users	25%

The Council's public health work is a legislative requirement as set out by several laws including the sale and supply of alcohol Act, the Food Act, the Dog Control Act, the Litter Act and the Hazardous Substances and New Organism. It provides significant benefits to the community as a whole, including protection of the public from hazards such as unsafe food and diseases.

Most of this work involves protecting the public from hazards created or potentially created by identifiable businesses, people and dogs. There are benefits to individual businesses which could not legally operate without the Council providing these services, and there are benefits to individuals who have their complaints dealt with or otherwise are protected from a hazard or nuisance.

There are also a number of users who benefit from this activity. Businesses use Council services to monitor and licence their food and alcohol outlets. Dog owners benefit from the requirement of Dog Control Act. These users are charged a fee for the benefits they receive.

Who should pay?	
Whole community	40%
Individuals/Users	60%

As this work largely protects the community from harm, it is appropriate that the people or businesses potentially causing the harm should pay. The Council's public health activities include a range of user charges. For example, user charges recover about 75 percent of animal control costs. Some charges, such as those for liquor licensing, are determined by statute.

For some services, it is not appropriate or possible to charge users. For example, the cost of responding to public complaints about nuisance, litter, animals and other public health issues cannot be recovered as it would not be appropriate to charge those making the complaints and it is not always possible to identify the person or business responsible for the hazard. Overall, user charges recover about 60 percent of the cost of providing these public health services. Accordingly, the Council's target is to fund 65 percent of the cost of this activity through user charges.

Since the benefits to the community as a whole are significant, it is appropriate for the remaining costs to be funded from general rates.

Our funding targets: operating expenses	
User charges	65%
Other revenue	0%
Targeted rate	0%
General rate	35%
<b>Total</b>	<b>100%</b>

### Activity 5.3.4: City safety

This activity covers our efforts that are directed at making the city safe and ensuring people feel safe. This includes patrols by city safety officers, closed circuit television monitoring of some inner-city streets, and safety audits which identify necessary improvements such as better street lighting.

#### Community outcome

This activity contributes towards the following outcome:

- **A people friendly, compact, safe and accessible capital city** - this activity promotes individual wellbeing, safe neighbourhoods and a safe inner city.

Who benefits?	
Whole community	100%

Our city safety initiatives benefit the whole community. By preventing crime, these initiatives have a clear and tangible effect on residents' wellbeing. This, in turn, has several other positive spin-offs. Increased safety levels encourage people into the city centre, which makes the city more vibrant and also benefits retailers and other businesses. These efforts also contribute to civic pride by enhancing Wellington's reputation as a very safe city by national and international standards.

Though individuals benefit from reduced crime, the benefits are felt community-wide and are not exclusive to individuals. As a lot of this work is directed at the inner city it may be argued that there are greater benefits to those who live and work in the city than to residents who do not use the inner city often. However, making the city safer means even those who don't use the inner city are more likely to feel they have the option to safely access the inner city.

#### Who should pay?

Whole community	100%
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Since this activity benefits the community as a whole, the fairest and most effective way to fund it is from general rates.

#### Our funding targets: operating expenses

User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

### Activity 5.3.5: Wellington Regional Emergency Management Office (WREMO) and Rural Fire

Wellington Regional Emergency Management Office (WREMO) provides a shared service to all the councils within the region. Its role is to help the city prepare for disasters such as earthquakes and floods, and to maintain the Council's Emergency Operations Centre at a state of readiness for response. WREMO works with government agencies, other councils in the region and international agencies.

#### Community outcome

This activity contributes towards the following outcome:

- **A people friendly, compact, safe and accessible capital city** - this agency works with all sectors of the community to ensure the city is well-prepared for earthquakes and other natural disasters.

#### Who benefits?

Whole community	90%
Individuals/Users	10%

All residents and businesses benefit from preparation work to alleviate and cope with disasters like storms, floods and earthquakes. WREMO is a focal point for help and gives the entire community some comfort that a ready response is available to cope with disasters and quickly recover.

From time to time, WREMO may receive income in the form of grants from the Ministry of Civil Defence and Emergency Management, and other sources. However, this income varies significantly from year to year. We anticipate 5 percent revenue over the foreseeable future

#### Rural Fire and Fire Prevention

WCC contributes to the Wellington Rural Fire Authority (WRFA) which incorporates the rural fire capabilities and responsibilities of the Wellington, Kapiti, Upper Hutt, Lower Hutt and Porirua city councils.

Many Wellington properties back onto large areas of vegetation which can present a significant fire risk. The ability to provide fire suppression and prevention mechanisms benefits both the property owner and wider community through enhanced resilience.

#### Who should pay?

Whole community	95%
User	5%

While individual property owners benefit from this work in the event of a large vegetation fire, the benefit to the whole community far outweighs this. The Council believes the fairest and most effective way to fund this activity is from general rates.

#### Our funding targets: operating expenses

User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

## Urban Development

### Directing growth and delivering quality

Nestled between harbour and hills, Wellington is a compact and dynamic city. We aim to preserve its special character, making sure developments are safe and in harmony with the environment. Our work in this area includes urban planning, building and development regulation, heritage protection and the development of public spaces.

### Operating activities

With the exception of regulatory services, the majority of activities in this area are funded by the whole community via the General Rate. The funding sources are illustrated in the table below.

### Capital Expenditure

The interest and depreciation costs relating to capital expenditure are incorporated in the operating costs of each activity.

Urban development capital expenditure projects are funded through a combination of rates funded depreciation and borrowings.

Activity Area	Activity Grouping	Activity	User Fees	Other Income	Rates	General	Residential Target	Commercial Targeted	Downtown Targeted
Urban Development	Urban planning, heritage and public spaces development	6.1.1 Urban planning and policy	0%	0%	100%	100%	0%	0%	0%
		6.1.2 Waterfront development	0%	0%	100%	100%	0%	0%	0%
		6.1.3 Public spaces and centres development	0%	0%	100%	100%	0%	0%	0%
		6.1.4 Built heritage development	0%	0%	100%	100%	0%	0%	0%
		6.1.5 Housing development	0%	0%	100%	100%	0%	0%	0%
Building and development control		6.2.1 Building control and facilitation	65%	0%	35%	35%	0%	0%	0%
		6.2.2 Development control and facilitation	45%	0%	55%	55%	0%	0%	0%
		6.2.3 Earthquake risk mitigation - built environment	0%	0%	100%	100%	0%	0%	0%
		6.2.4 Regulator - Building Control and Facilitation Weathertight Homes	0%	0%	100%	100%	0%	0%	0%

## Urban development - activity funding commentary

### 6.1 Urban Planning, Heritage and Public Spaces Development

#### Activity 6.1.1: Urban planning and policy

The Council wants to ensure the city grows in ways that encourage high-quality development and produce the best long-term result for everyone. To do this, we will use appropriate controls to guide development, particularly in key areas of the city. This includes guiding development in the northern part of the city where rapid growth is expected in the coming years. Implementing and updating the District Plan to respond to key issues such as resilience and facilitate growth are high priorities.

#### Community outcome

This activity contributes towards the following outcome:

- **A people friendly, compact, safe and accessible capital city** - this activity ensures the city’s built form is developed in appropriate ways
- **A dynamic and sustainable economy** - urban planning is focused on intensive urban development and alongside our urban containment policies are designed to prevent sprawls and enhance our transport and lifestyle choices.
- **A dynamic and sustainable economy** - this activity shapes how the built form and urban culture of the city is developed into the future

#### Who benefits?

Whole community 100%

Urban planning ensures the city grows in a controlled way that is environmentally sustainable, enhances community cohesion, and encourages high-quality developments. While the Northern Growth Management Framework is obviously specific to that area, the benefits of improved infrastructure and co-ordinated growth will be felt city-wide.

#### Who should pay?

Whole community 100%

The Council seeks to build stronger communities through funding this activity. Our aim is to make

Wellington even more liveable - making it a great place to be by offering a variety of places to live, work and play within a high quality public environment. Since the community as a whole benefits from this work, it is appropriate for general ratepayers to bear the costs.

Our funding targets: operating expenses	
User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

#### Activity 6.1.2: Waterfront development

The Wellington waterfront is a key area of the city. We oversee its development in line with a guiding policy, the Wellington Waterfront Framework. Management of waterfront development is carried out by a Council controlled organisation, Wellington Waterfront Limited.

Our role includes preparing an annual work plan that outlines short and long- term development proposals for the waterfront and funding the operations of Wellington Waterfront Limited.

#### Community outcome

This activity contributes towards the following outcome:

- **A people friendly, compact, safe and accessible capital city** - the waterfront offers safe open spaces that welcome and engage people and encourage them to stay.
- **A dynamic and sustainable economy** - the waterfront is an accessible and unique component of the inner city that offers opportunities for relaxation, recreation and leisure.

#### Who benefits?

Whole community 100%

This work benefits the whole community by making the city more attractive and vibrant, and providing valuable recreation opportunities. Through development of public spaces that complement the natural beauty of the waterfront, the image and the “sense of place” that people have for the city is enhanced. Waterfront development attracts people into the city, supporting social cohesion and aiding the economy.

While the direct beneficiaries are mainly people who choose to visit the waterfront, these benefits are not exclusive. When one person visits Queen’s Wharf or Frank Kitts Park, that doesn’t stop anyone else from being in the area too. Nor would it be practical or acceptable to identify users of the waterfront and require them to pay. Similarly, though people living in the inner city benefit from better access to the waterfront, this is outweighed by the benefits to all people in the city.

The operational spending for this activity covers planning and public consultation. All residents benefit from the opportunity to have their views heard.

Who should pay?	
Whole community	100%

Since the community as a whole benefits from this work, it is appropriate for general ratepayers to bear the costs.

Our funding targets: operating expenses	
User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

**Activity 6.1.3: Public spaces and centres development**

We fund work to develop the street environments, urban parks and squares, and other public areas in the city and suburban centres. We aim to make these areas safe, accessible and attractive, with plenty of green space. This activity includes facilitation of the city’s public artworks and consultation, planning and co-ordination of suburban centre upgrades.

**Community outcome**

This activity contributes towards the following outcome:

- **A people friendly, compact, safe and accessible capital city** - development of public squares and parks enhances people’s enjoyment of the city and contributes to our civic pride and our ‘sense of place’.
- **A dynamic and sustainable economy** - public spaces are an important component of the inner city providing accessible opportunities for relaxation, recreation and leisure for residents and visitors.

High-quality developments make the city a more attractive place to live, attract visitors and support business opportunities.

Who benefits?	
Whole community	100%

This work benefits the whole community by enhancing the urban environment, making the city safer and contributing to the vibrancy of Wellington. All residents and visitors to the city are able to enjoy its public spaces. While those who use city or suburban shopping areas, urban parks, squares and other public areas receive direct benefits, these benefits are not exclusive and it would not be desirable or acceptable to require people to pay for them directly. Similarly, though individual suburbs benefit from work on suburban centres, these upgrades are not restricted to particular areas of the city - upgrades either have been carried out recently or are timetabled across many suburbs.

As well as enhancing the environment, development of city and suburban centres benefits the economy and enhances people’s pride in the city.

Who should pay?	
Whole community	100%

While centre development provides a clear benefit to geographical suburban areas, targeted rates to fund these activities are not considered appropriate given the broad benefit to the community as a whole, and that centre upgrades are scheduled to occur throughout the city. The public good benefit over-rides any direct benefit to individual communities. However, if a suburban community asks for a higher standard of upgrade, or an earlier timeline than the Council has planned, the Council may consider imposing a targeted rate.

Our funding targets: operating expenses	
User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

#### Activity 6.1.4: Built heritage development

In order to promote Wellington as a place that celebrates its landmarks and heritage, we work to help protect and restore the city's heritage assets.

The District Plan ensures heritage buildings, trees, monuments and other assets, and sites of significance to tangata whenua, are recognised and that controls are in place to manage changes to or removal of these assets.

Our work in this area includes maintaining an inventory of heritage sites, restoring significant heritage buildings in public ownership and upgrading heritage sites.

##### Community outcome

This activity contributes towards the following outcome:

- **A people friendly, compact, safe and accessible capital city** - heritage buildings contribute to the city's distinct identity and enhance its sense of place.

##### Who benefits?

Whole community	100%
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This work benefits the whole community by protecting the city's heritage. Preservation of city landmarks enhances the city's image, makes it more attractive, and contributes to people's sense of history and community pride. The community also benefits from enhancement of publicly-owned heritage assets.

##### Who should pay?

Whole community	100%
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Since the community as a whole benefits from this work, it is appropriate for general ratepayers to bear the costs.

##### Our funding targets: operating expenses

User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

#### Activity 6.1.5: Housing development

Council has developed a Housing Strategy which aims to ensure that all Wellingtonians are well housed with four key outcomes met:

- Wellington has a well-functioning housing system
- Homes in Wellington are of good quality high quality and are resilient
- Homes meet the needs of Wellingtonians
- The Wellington housing system supports sustainable, resilient, and connected communities

Delivery of this strategy would include activities such as:

- Building conversions in the Central Business District.
- Establishing partnerships with Community Housing Providers (CHP's).
- Working effectively with property developers to create opportunities to alleviate pressure on the housing market.
- Through various acquisitions and disposals, maximise the use of Council assets.

As part of the wider housing strategy and work programme, Council would work to identify appropriate Council assets which can be disposed of so that the proceeds can be utilised and directed toward new housing developments that better meet the needs of the community.

##### Community outcome

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - Encouraging Housing initiatives so that Wellingtonians can enjoy quality Housing at a level which is affordable.
- **A sustainable, climate friendly eco capital** - Housing in Wellington is sustainable so that the impact on the environment and infrastructure networks is minimised without compromising on comfort and quality of life.

##### Who benefits?

Whole community	50%
Individuals/Users	50%



Work funded by this activity would benefit individuals who currently cannot access quality affordable housing. Developments arising from this activity would allow more affordable housing to be available on a greater scale than is currently the case.

However the community as a whole also benefits through improving the overall availability and quality of the city’s housing stock.

Who should pay?	
Whole community	100%

Council is seeking to ensure that all Wellingtonians are well housed. As much of the work in this activity is strategic in nature with broadly delivered benefits through a quality framework it is appropriate for general rate payers to bear the cost.

While the private market does provide housing, this activity seeks to encourage development which would not occur without Council’s support. This activity is therefore Council’s input and support over and above the costs incurred by the private market and to seek to recoup the cost would defeat the purpose of Council support.

Given this and the benefits to the community as a whole, the fairest and most effective way to fund it is from general rates.

Our funding targets: operating expenses	
User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

## 6.2 Building and Development Control

### Activity 6.2.1: Building control and facilitation

The Council has a statutory responsibility under the Building Act and the Resource Management Act to control building developments. This includes ensuring buildings are safe and sanitary, and do not threaten environmental quality or public health.

Work includes issuing and monitoring building consents - we have building guidelines to make sure buildings meet the required standards. We also have responsibilities under the Fencing of Swimming Pools Act to ensure all swimming pools are adequately fenced.

#### Community outcome

This activity contributes towards the following outcome:

- **A people friendly, compact, safe and accessible capital city** - All cities control building work according to the provisions of the Building Act and codes. These controls are necessary to protect public health and safety, and to protect future users of land and buildings.

Who benefits?	
Whole community	20%
Individuals/Users	80%

Our building control work benefits private individuals - the people and companies that build or redevelop homes, offices and other buildings. Our work ensures these buildings are safe and meet legal requirements. These benefits apply to buildings which, in almost all cases, are for private and exclusive use. The people who use our building consent services are clearly identifiable and can be stopped from using the service if they refuse to pay.

Similarly, the beneficiaries of our efforts to ensure swimming pools are adequately fenced are private individuals - those people who own and use private swimming pools and those who are kept safe because pools are fenced.

Who benefits?	
Individuals/Users	65%
Whole community	35%

While individuals receive the benefits of our building control work, we are constrained in our ability to recover costs from those individuals. User charges for some activities are set by law or regulation. For some activities, the law prevents us from charging at all.

In addition, to meet all the costs of building consents through user charges we would need to raise the charges to a level that may create an incentive for homeowners to avoid the consent process and carry out illegal building work.

These factors mean that, historically we have been able to recover only about half the cost of this activity through user charges. Recent efforts to improve this rate of cost recovery have resulted in some improvements, however additional costs accruing from the Building Act have off-set these gains. Accordingly, the Council’s target is to fund 50 percent of the cost of this activity through user charges. However, we plan to raise this target over time.

Our funding targets: operating expenses	
User charges	65%
Other revenue	0%
Targeted rate	0%
General rate	35%
<b>Total</b>	<b>100%</b>

**Activity 6.2.2: Development control and facilitation**

The Council has a statutory responsibility under the Resource Management Act to ensure land and other resources are used sustainably. The District Plan, adopted in 2001 after public consultation, contains specific policies relating to land and resource use in the city. Due to recent change in legislation, noise control activities are now governed by the Resource Management Act. We administer the District Plan, regulating developments to ensure they are safe, sustainable and meet public expectations. Specific activities, including issuing resource consents, monitoring compliance and dealing with complaints about environmental matters, are covered by this activity.

**Community outcome**

This activity contributes towards the following outcome:

- **A people friendly, compact, safe and accessible capital city** - All cities control development work according to the provisions of the Resource

Management Act and District Plan. These controls are necessary to ensure resources are used sustainably, to protect public health and safety, and to protect future users of land and buildings. They’re also needed to protect urban character and to preserve the city’s heritage.

Who benefits?	
Whole community	40%
Individuals/Users	60%

The main beneficiaries of this work are the individual people and businesses involved in land subdivision and development or use of other resources. This work helps ensure the developments are safe, sustainable and meet legal obligations.

There is also a significant public benefit. By controlling the safety and environmental effects of developments, we help prevent harm to members of the public both now and in the future.

Who should pay?	
Whole community	50%
Individuals/Users	50%

While individuals receive an estimated 60 percent of the benefit from the Council’s resource consent work, our ability to recover costs from those individuals is sometimes limited. This is because services such as our front of house free. In addition, while individuals causing damage to the environment should bear the costs of dealing with their actions, it is not always possible to identify them.

The inclusion of noise control activities under the Resource Management Act also increases the proportion of costs that cannot be recovered through user fees and changes as it would not be appropriate to charge those making the complaints and it is not always possible to identify the person or business responsible for the hazard.

To meet 60 percent of the costs of resource consents through user charges would require raising them to a level that may create a disincentive for growth and development of the city, potentially harming the economy.

These factors mean that, historically, we have been able to recover only about a third of the cost of this activity through user charges.

Our funding targets: operating expenses	
User charges	45%
Other revenue	0%
Targeted rate	0%
General rate	55%
<b>Total</b>	<b>100%</b>

### Activity 6.2.3: Earthquake risk mitigation - built environment

Earthquake Resilience is a key focus for Wellington City Council. The Council has a statutory responsibility under the Building Act to mitigate the risks that earthquakes may have on structures. This activity covers that work and also the contribution that the Council may make to localised earthquake assessments.

#### Community outcome

This activity contributes towards the following outcome

- **A people friendly, compact, safe and accessible capital city** - Wellington's high earthquake risk means this work is critical. It protects public safety, as well as preserving the city's heritage and the economic investment made in buildings and infrastructure.

Our funding targets: operating expenses	
User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

### Activity 6.2.4: Building control and facilitation - weathertight homes

#### Community outcome

This activity contributes towards the following outcome:

- **A people friendly, compact, safe and accessible capital city** - by providing resolution to the weathertight homes issue, by supporting repairs to provide healthier and more resilient homes.

Who benefits?	
Whole community	100%

Resolving weathertight homes issues provides benefits to the Community as a whole. Through no fault of their own, individuals are stuck with leaky homes which can, in the worst circumstances, affect the health and wellbeing of those living there. Ensuring homes get fixed improves the health and wellbeing of individuals and reduces the call on the Community's health services. It also ensures the quality of housing stock available to residents in the City.

It is not considered that the actions or inactions of any individuals or group have directly contributed to the requirement to address the resolution of weathertight homes issues.

Who should pay?	
Whole community	100%

Since the activity benefits the community as a whole, the fairest and most effective way to ultimately fund it is from general rates. The quantum of the liability required to be funded will likely necessitate the use of borrowings to spread the cost and ensure that the affordability of any rates funding requirement is considered and managed.

Given the specific nature of the cost it is important that any borrowing and rate funding associated with this activity are transparent and that these funds are effectively ring fenced and only used for the specific purpose of settling weathertight homes claims and the associated interest costs from any related borrowings. There are minimal costs associated with a decision to fund this activity distinctly from other activities.

Our funding targets: operating expenses	
User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

## Transport

### Providing quality connections

We're responsible for Wellington's extensive transport network, and for planning for the city's future transport needs. We see a high-quality transport system as critical to the city's economy and quality of life. Our transport activities include looking after hundreds of kilometres of city roads, as well as accessways, footpaths, cycleways, parking facilities, traffic signs and signals, street lighting and pedestrian crossings. We also manage parking areas and have an ongoing programme of safety promotion.

### Operating activities

The funding sources for this area are illustrated in the table below.

### Capital Expenditure

The interest and depreciation costs relating to capital expenditure are incorporated in the operating costs of each activity.

Transport capital expenditure projects are funded through a combination of NZTA subsidies, rates funded depreciation and borrowings.

Activity Area	Activity Grouping	Activity	User Fees	Other Income	Rates	General	Residential Target	Commercial Targeted	Downtown Targeted
Transport	Transport	7.1.1 Transport planning	0%	0%	100%	100%	0%	0%	0%
		7.1.2 Vehicle network	0%	5%	95%	95%	0%	0%	0%
		7.1.3 Cycle network	0%	5%	95%	95%	0%	0%	0%
		7.1.4 Passenger transport network	0%	80%	20%	20%	0%	0%	0%
		7.1.5 Pedestrian network	0%	5%	95%	95%	0%	0%	0%
		7.1.6 Network-wide control and management	15%	15%	70%	70%	0%	0%	0%
		7.1.7 Road safety	0%	20%	80%	80%	0%	0%	0%
		7.1.8 Lets Get Wellington Moving	0%	0%	100%	100%	0%	0%	0%
Parking	7.2.1	Parking	100%	0%	0%	0%	0%	0%	

## Transport - activity funding commentary

### 7.1 Transport

#### Activity 7.1.1: Transport planning

The mixed modes and changing demands on transportation means that transportation planning becomes increasingly important. The Council’s work in this area is closely linked to the work that we carry out under urban development. We also incorporate travel demand management planning as a component part of our overall transport and urban planning work.

#### Community outcome

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - the transport network provides people with accessible and safe transport choices, from their homes to shops, for work, recreation and pleasure, including walkways and bikeways.
- **An innovative, inclusive and creative city** - the transport network provides accessible and safe transport choices that connect people with each other and with places locally, nationally and internationally, including for commerce and trade.
- **A dynamic and sustainable economy** - a network that is efficient means fewer cars are stuck in traffic meaning less emissions are produced
- **A dynamic and sustainable economy** - A network that allows easy movement of people and goods is vital for business and a significant competitive advantage.

Who benefits?	
Whole community	100%

This activity is of benefit to the whole community.

A well planned transportation network plays an important part in making the city more liveable. It provides for the efficient movement of freight and it allows for people to be better connected, aiding social cohesion.

Who should pay?	
Whole community	100%

Our funding targets: operating expenses	
User charges	0%
Other revenue	0%
Targeted rate	0%
General rate	100%
<b>Total</b>	<b>100%</b>

#### Activity 7.1.2: Vehicle network

We manage a vehicle network that includes 699 kilometres of urban and rural roads, 1,236 kilometres of kerbs and channels, 76 bridges and large culverts and four tunnels, as well as all related pavements and service lanes. As steward of the roads in a hilly harbour city, we are also responsible for maintaining more than 3,200 retaining walls, sea walls and accessway walls that support and protect transport corridors. Network maintenance activities include planned work as well as responding to unexpected events, such as removing debris and returning roads to service after storms or slips.

Port access is also part of our vehicle network management activities, as the efficient movement of freight to and from the port is an important contributor to the city’s economy. We work with port authorities to find appropriate solutions to the movement of freight which minimise negative impacts for other users of the vehicle network.

#### Community outcome

This activity contributes towards the following outcome

- **A people friendly, compact, safe and accessible capital city** - our road network safely and efficiently accommodates more than 40,000 people driving around the city each day, for work and recreation.

Who benefits?	
Whole community	100%

The city’s vehicle network is a vital public asset. Roads are available for all residents and visitors to use. It benefits all residents by providing the means for safe, efficient travel. This benefits the economy and is also important for social reasons. An efficient vehicle network allows people to travel to work, visit friends and family, and get their children to school.

This ‘public good’ aspect of the vehicle network is reflected in the fact that Council’s responsibility for providing and maintaining the network is enshrined in law. Under the current law, we cannot charge anyone for using it. The vehicle network is not in competition with any privately-provided alternative.

The direct beneficiaries of the vehicle network are road users. This includes everyone who drives private cars, as well as businesses that use roads for commercial purposes such as transporting goods. There are also many indirect beneficiaries, including people who do not often leave their homes but receive road-based services like meals on wheels or mail deliveries.

#### Who should pay?

Whole community	95%
Other	5%

It could be argued that the commercial sector receives a higher direct benefit than city residents, and that heavy commercial vehicles also cause more wear and tear on the roading network than private cars. However, it’s not possible to reasonably assess how much cost and benefit is directly attributable to different groups of road users, and Council currently has no legal means to impose direct costs on road users.

This means that because the community as a whole benefits, the fairest approach is to fund costs in this activity from general rates.

However, a small percentage of our costs are actually funded by the New Zealand Transport Agency (NZTA) through National Land Transport Fund (NLTF) subsidies, which pass on funding from fuel taxes gathered by Central Government. The amount subsidised by NZTA varies from year to year depending on the work programme (which affects eligibility for subsidy) and the amount of funding that NZTA has made available for qualifying activities. This income is leveraged to reduce the rates funding requirement for the vehicle network activity.

#### Our funding targets: operating expenses

User charges	0%
Other revenue	5%
Targeted rate	0%
General rate	95%
<b>Total</b>	<b>100%</b>

#### Activity 7.1.3: Cycle network

Council has committed to an extensive cycleways improvement programme to improve access for people on bikes in the city and suburbs. Over the past 15 years, six out of ten new commuters have chosen to walk or cycle to work. With as many as 50,000 to 80,000 additional people expected to settle in Wellington by 2043, continuing this trend is vital if we want to minimise the need for costly road capacity improvements.

Cycleways require regular maintenance to remain safe - surfaces need to be smooth, lanes need to be clearly marked, and cycle stands and maintenance stations need to be provided at appropriate parking points. Maintaining cycleways to a high standard is critical if we want more people to see cycling as a safe and attractive transport choice.

#### Community outcome

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - our cycle and pedestrian networks accommodate nearly 25,000 walking and cycling commuters each day and provide for easy and affordable movement to and around the city.
- **A dynamic and sustainable economy** - the cycle network reflects our commitment to sustainable, safe and efficient transport choices.

#### Who benefits?

Whole community	100%
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Cycleways are available to all and provide significant benefits to the whole community, supporting the health, wellbeing and prosperity of the people who live, work, play and invest in our city.

The direct beneficiaries of the city’s cycleways are the people who use them. This includes cyclists and pedestrians who use the cycleways as de facto walkways. Cycleways provide these users with both transport and recreational opportunities. There are also many indirect beneficiaries, because as part of a multi-model transport network, cycleways contribute towards reducing the amount of vehicle traffic, which in turn makes the city’s roads safer and less congested.

#### Who should pay?

Whole community	100%
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Because the community as a whole benefits from our provision of the cycleway network, the fairest approach is to fund costs in this activity from general rates.

Identifying and charging individual users would be both inefficient and impractical. It’s likely that imposing a user charge would discourage people from using cycleways, meaning that the health, sustainability and transport benefits of cycleways would be lost.

However, a small percentage of our costs are actually funded by the New Zealand Transport Agency (NZTA) through National Land Transport Fund (NLTF) subsidies, which pass on funding from fuel taxes gathered by Central Government. The amount subsidised by NZTA varies from year to year depending on the work programme (which affects eligibility for subsidy) and the amount of funding that NZTA has made available for qualifying activities. This income is leveraged to reduce the rates funding requirement for the cycle network activity.

<b>Our funding targets: operating expenses</b>	
User charges	0%
Other revenue	5%
Targeted rate	0%
General rate	95%
<b>Total</b>	<b>100%</b>

**Activity 7.1.4: Passenger transport network**

While Greater Wellington Regional Council (GWRC) is responsible for the provision of public transport services, Council is committed to playing a key role in supporting the city’s public transport network. Our aim is to encourage greater use of the bus and rail networks, as this delivers social and sustainability benefits, including improved energy efficiency and reduced pollution.

The Lambton Quay Bus Interchange is owned and operated by Council (this is because legislation in force at the time prevented GWRC from owning this asset). GWRC contributes a capped amount of funding towards the operation and maintenance of the Bus Interchange. Subsidised expenditure includes utilities costs, cleaning, maintenance and security services.

Council provides and maintains the special bus lane markings on roads throughout the city. Council has also committed to a significant programme of local bus priority capex improvements (which will affect this activity through higher interest charges).

Council was previously responsible for managing the cleaning and maintenance of bus shelters, bus stops and bus signs, with costs being reimbursed by GWRC. Responsibility for this work was transitioned across to GWRC in 2016, at which time we removed both the expenditure and the income (GWRC cost recoveries) from the LTP. This change had a net nil impact on the amount of rates funding required for this activity.

**Community outcome**

This activity contributes towards the following outcome:

- **A people friendly, compact, safe and accessible capital city** - our passenger transport network safely and efficiently accommodates people using public transport services to travel around the city each day, for work and recreation.

**Who benefits?**

Whole community	100%
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The city’s public transport network is a vital public asset which is available for all residents and visitors to use. It benefits the whole community by providing the means for safe, efficient travel. This benefits the economy and is also important for social reasons. An efficient public transport network allows people to travel to work, visit friends and family, and get their children to school.

While individual users of public transport receive the most direct benefit, there are also many indirect beneficiaries. As part of a multi-model transport network, public transport services contribute towards reducing the amount of vehicle traffic, which in turn makes the city’s roads safer and less congested. Encouraging the use of public transport also has wider sustainability benefits for the community, including improved energy efficiency and reduced pollution.

**Who should pay?**

Whole community	20%
Other	80%

Because the community as a whole benefits, the fairest approach is to fund costs in this activity from general rates.

However, Council receives a share of the revenue generated from Adshel advertising on bus shelters and pedestrian canopies in the city. This income is leveraged to reduce the rates funding requirement for the passenger transport activity.

Our funding targets: operating expenses	
User charges	0%
Other revenue	80%
Targeted rate	0%
General rate	20%
<b>Total</b>	<b>100%</b>

### Activity 7.1.5: Pedestrian network

Over the past 15 years, six out of ten new commuters have chosen to walk or cycle to work. With as many as 50,000 to 80,000 additional people expected to settle in Wellington by 2043, continuing this trend is vital if we want to minimise the need for costly road capacity improvements.

Maintaining a safe and connected pedestrian network is an important part of our transport strategy. We maintain more than 893 kilometres of footpaths as well as pedestrian (street) furniture such as canopies, seats, bollards and fountains.

#### Community outcome

This activity contributes towards the following outcome:

- **A people friendly, compact, safe and accessible capital city** - our cycle and pedestrian networks accommodate nearly 25,000 walking and cycling commuters each day and provide for easy and affordable movement to and around the city.
- **A dynamic and sustainable economy** - the pedestrian network reflects our commitment to sustainable, safe and efficient transport choices

Who benefits?	
Whole community	100%

The pedestrian network is available to all and provides significant benefits to the whole community, supporting the health, wellbeing and prosperity of the people who live, work, play and invest in our city.

The direct beneficiaries of the city's pedestrian network are the people who use them. Footpaths and accessways provide these users with both transport and recreational opportunities. There are also many indirect beneficiaries, because as part of a multi-modal transport network, the pedestrian network contributes towards reducing the amount of vehicle traffic, which in turn makes the city's roads safer and less congested.

Who should pay?	
Whole community	100%

Because the community as a whole benefits from our provision of the pedestrian network, the fairest approach is to fund costs in this activity from general rates.

Identifying and charging individual users would be both inefficient and impractical. It's likely that imposing a user charge would discourage people from using footpaths and accessways, meaning that the health, sustainability and transport benefits of cycleways would be lost.

However, a small percentage of our costs are actually funded by the New Zealand Transport Agency (NZTA) through National Land Transport Fund (NLTF) subsidies, which pass on funding from fuel taxes gathered by Central Government. The amount subsidised by NZTA varies from year to year depending on the work programme (which affects eligibility for subsidy) and the amount of funding that NZTA has made available for qualifying activities. This income is leveraged to reduce the rates funding requirement for the pedestrian network activity.

Our funding targets: operating expenses	
User charges	0%
Other revenue	5%
Targeted rate	0%
General rate	95%
<b>Total</b>	<b>100%</b>

### Activity 7.1.6: Network-wide control and management

Network management is crucial in a modern, efficient vehicle network.

Our traffic control system includes 117 sets of traffic lights, closed circuit television cameras and a central traffic computer system which allows us to optimise traffic flows to ensure the safe, efficient and balanced flow of traffic. This minimises safety risks, congestion, delays and pollution.

Road markings and signs provide information and guidance to drivers and assist with traffic flow, traffic control and traffic safety, especially at night and in poor weather conditions. This significantly enhances safety for all users of our transport networks, and also supports efficient parking management.



Other network management activities include the administration of National legislation and Council’s bylaws and policies relating to the non-ordinary, temporary use of the transport network.

We manage Corridor Access Requests (around 6,000 per year) for works in the Transport Corridor (now mainly utility works approvals under the National Code of Practice for Utility Access to Transport Corridors), as well as monitoring, inspecting and auditing these works to ensure compliance during the work and reinstatement.

We also review and approve Temporary Traffic Management Plans (around 1,000 per year), as well as managing delegations for self-approvals, which are administered in line with NATA’s Code of Practice for Temporary Traffic Management.

Other network management activities include issuing and managing licences and permits for other uses of the transport network, such as for construction loading zones, trading, sandwich boards, events, busking, street appeals, temporary signage and overweight vehicles.

**Community outcome**

This activity contributes towards the following outcomes:

- **A people friendly, compact, safe and accessible capital city** - our road network safely and efficiently accommodates more than 40,000 people driving around the city each day, for work and recreation. Our pedestrian and cycle networks deliver the same outcomes for more than 25,000 walking and cycling commuters each day.
- **An innovative, inclusive and creative city** - the network provides transport choices that connect people with each other and with places locally.
- **A dynamic and sustainable economy** - the network reflects our commitment to sustainable, safe and efficient transport choices

Who benefits?	
Whole community	100%

Traffic control, signs and marking work allows for better traffic flows. Controlling traffic flows allows us to manage the diverse and competing demands of motorists, pedestrians, cyclists and public transport users. It improves the safety and efficiency of our transport system, which delivers social and

commercial benefits by improving connections between communities and the city.

Network management activities optimise accessibility and utilisation of the transport network for a wide variety of activities and users, while minimising the adverse effects on other users of the network. This enables the city to remain internationally competitive by accommodating world class activities and events and promoting vibrancy, innovation and ongoing development of the city and its infrastructure.

Who should pay?	
Whole community	70%
User charges	15%
Other	15%

The cost of administering network management activities such as Corridor Access Requests, Temporary Traffic Management Plans, and other approvals or licences for uses of the transport network is largely recovered through user charges. Note that we are constrained by legislation as to what costs we are able to recover for this work. Also note that both the costs and the revenue for this work is a relatively small percentage of the total cost for the network control activity.

Because the community as a whole benefits, the fairest approach is to fund the remaining costs in this activity from general rates.

However, a small percentage of our costs are actually funded by the New Zealand Transport Agency (NZTA) through National Land Transport Fund (NLTF) subsidies, which pass on funding from fuel taxes gathered by Central Government. The amount subsidised by NZTA varies from year to year depending on the work programme (which affects eligibility for subsidy) and the amount of funding that NZTA has made available for qualifying activities. This income is leveraged to reduce the rates funding requirement for the network control activity.

Our funding targets: operating expenses	
User charges	0%
Other revenue	15%
Targeted rate	15%
General rate	70%
<b>Total</b>	<b>100%</b>

**Activity 7.1.7: Road safety**

Delivering a safe road network is a fundamental goal of our Transport strategy. Providing and maintaining safety assets such as street lighting, safety fences and rails, as well as leading road education and promotion activities, significantly enhances safety for all users of our transport networks.

**Community outcome**

This activity contributes towards the following outcome:

- **A people friendly, compact, safe and accessible capital city** - our road network safely and efficiently accommodates more than 40,000 people driving around the city each day, for work and recreation. Our pedestrian and cycle networks deliver the same outcomes for more than 25,000 walking and cycling commuters each day.

**Who benefits?**

Whole community	100%
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Work funded by this activity reduces accidents and promotes the safety of the transport network. The benefits are felt by the whole community, including road users (private and commercial), pedestrians, cyclists, residents and tourists.

Street and pathway lighting improves safety and personal security through increased visibility. Safety fences and rails protect pedestrians from lateral falls of more than 1 metre, provide assistance to pedestrians negotiating hilly paths, highlight hazards for drivers, and act as protective barriers to ensure the safe and convenient use of the transport network.

**Who should pay?**

Whole community	80%
Other	20%

Because the community as a whole benefits, the fairest approach is to fund costs in this activity from general rates.

However, a small percentage of our costs are actually funded by the New Zealand Transport Agency (NZTA) through National Land Transport Fund (NLTF) subsidies, which pass on funding from fuel taxes gathered by Central Government. The amount subsidised by NZTA varies from year to year depending on the work programme (which affects eligibility for

subsidy) and the amount of funding that NZTA has made available for qualifying activities. This income is leveraged to reduce the rates funding requirement for the road safety activity.

<b>Our funding targets: operating expenses</b>	
User charges	0%
Other revenue	20%
Targeted rate	0%
General rate	80%
<b>Total</b>	<b>100%</b>

**7.2 Parking**

**Activity 7.2.1: Parking**

The Land Transport Act 1998 gives the Council power to impose parking controls as a road controlling authority. We are responsible for managing road space for various purposes, including parking. We also have an enforcement role.

The management of Council-controlled on-street and off-street parking also helps to achieve the objectives and principles of the recently adopted Parking Policy 2020, and through that how parking supports achieving the overall vision for Wellington.

**Community outcome**

The Council’s vision for Wellington is built around people and communities. The future city will be a place where people and goods can easily move to and through the city, based on a transport system that can accommodate moving more people using fewer vehicles. We have also taken an environmental and resilience leadership role and have set a goal to be a zero-carbon capital by 2050.

As our city changes and evolves over time, we want to make sure we don’t lose what makes our city special for so many people - its dynamic compact urban form that offers the lifestyle, entertainment, retail and amenities of a much bigger city.

In addition to being a place of creativity, exploration and innovation, we want to ensure the central city continues to support the regional economy.

As Wellington city grows, the demand for the limited supply of on-street and Council off-street space will also grow. This demand must be managed to reduce congestion and ensure reasonable access for all.

As parking demands vary in different locations throughout the city, we have set priorities for different types of areas within the city:

- key transport routes
- the central area (central business district)
- suburban town centres - such as the shopping precincts of Kilbirnie, Johnsonville, Tawa, Karori
- city fringe areas
- residential streets
- our parks, sports, recreation and other community facilities
- Council-managed off-street parking.

This pressure will be highest in business and retail centres where there are concentrations of public services, and at recreation facilities. Improvements to support active and public transport will require extra road space to operate safely and efficiently.

The direct beneficiaries of the Council’s parking services are clearly those people who use car parks. These benefits are private and exclusive. Two people cannot use the same car park at the same time and it is appropriate to charge people for using car parks. The Council’s parking services operate in competition with other private sector providers.

It might also be argued that retailers benefit directly from the Council’s provision of car parks. However, there is no practical way of assessing whether people are using car parks to go shopping or for other purposes such as recreation.

Who benefits?	
Whole community	25%
Individuals	75%

In the future parking will be priced at a level that achieves policy objectives, is consistent with broader transport objectives and supports Let’s Get Wellington Moving. The overall approach to pricing favours making smaller pricing changes more frequently over larger infrequent changes. The Council will ensure that any increases are reasonable, justifiable, well communicated, and linked to The Parking Policy objectives. The pricing methodology will be based on achieving the best use and highest priority uses for the parking spaces. Pricing will better reflect the demand, the land value and the opportunity and environmental costs of providing parking.

Since the principal benefit from the Council’s parking services is to identifiable individuals it is appropriate for them to bear the costs through user charges. The community also receives benefits from the Council’s parking activities as it helps to reduce the impact of future rates increases.

Who should pay?	
Individuals	100%

While it might be argued general ratepayers should meet 25 percent of the costs, reflecting the benefit to the community as a whole, this would be inappropriate for a number of reasons. First, the level of demand for car parks suggests people using them believe they represent good value. As the principal benefit is to these individuals, it is appropriate to set user charges at a level the market will accept. Second, the Council’s parking services operate in competition with private car park operators and setting lower fees would unfairly disadvantage those operators and potentially reduce the supply of off-street parking in the city. Third, the individuals using car parking spaces also benefit through being able to use ratepayer-funded roads and footpaths, and their contribution through parking fees offsets the cost of providing these services.

This activity recovers significantly more revenue, through enforcement and meter charges than the operating costs. The Council believes this is appropriate as it supports over time, a change towards other more sustainable forms of transport and ensures that those choosing to park in Council provided parking are contributing to the cost of providing it.

Our funding targets: operating expenses	
User charges	100%
Other revenue	0%
Targeted rate	0%
General rate	0%
<b>Total</b>	<b>100%</b>

# **Investment and Liability Management Policies**

# General policy objectives

The Council's general policy objectives relating to its investment and liability management are to:

- Minimise the Council's overall costs and risks associated with its borrowing activities and the general management of its other liabilities.
- Manage its borrowings and cash assets on a "net debt" basis in order to reduce the overall net cost to the Council.
- Optimise the return on its investment portfolio and other financial assets
- Manage the Council's exposure to adverse interest rate movements.
- Borrow and invest funds and transact risk management instruments within an environment of control and compliance.
- Regularly review and consider the performance of the Council's financial assets and investments. Where appropriate, the Council will dispose of under performing assets or those assets and investments that are not essential to the delivery of services and activities set out in the Council's Long Term Plan (LTP).

More detail on the Council's investment and borrowing policies, operating procedures and associated internal controls is contained in the Treasury Management Policy.

# Investment policy

## Policy Statement

The Council operates on a "net debt" basis, and does not separately maintain significant long term cash investments. The general policy with respect to surplus short term cash is to invest any short term surplus cash or to utilise it to reduce borrowings.

The Council currently maintains an equity interest in Wellington International Airport Limited (WIAL) and an ownership and financial interest in ground leases and investment properties. The Council will continue to review the level of investment as well as the return it receives on these investments.

Where appropriate, the Council may choose to dispose of investments/financial assets that no longer meet our investment objectives.

## Investment Mix and Associated Objectives

- The Council categorises its investments into two categories; Non Strategic and Strategic. Non strategic investments are held primarily to optimise the return on the overall investment portfolio and to diversify the councils income sources. The target for holding and managing these investments is to provide a return on the investments greater than the Council's long term (10 year) cost of funds, currently forecast at 3.4% per year.

Strategic investments are also held for achieving the councils strategic objectives and does not target a financial return from these investments.

## Non Strategic Investments

Nonstrategic investments are equity and financial investments which are included in the following five categories.

### Cash and Cash Equivalents

The Council may invest funds with approved registered banking institutions. These investments generally mature in less than one year, and are held primarily for working capital/liquidity purposes or the pre-funding of debt maturing within twelve months.

### **Income generating commercial debt instruments**

These are principally loans to other organisations (on commercial terms) which deliver a cash-flow return to the Council.

### **Income generating commercial equity investments**

Equity investments arise from the Council owning or controlling an equity holding (e.g. shares) in another entity.

The Council currently maintains a 34 percent shareholding in Wellington International Airport Limited (WIAL).

### **Income generating commercial property investments**

Investment properties are the Council's ground leases and land and buildings held primarily for investment purposes. The Council periodically reviews its continued ownership of investment properties by assessing the benefits of continued ownership in comparison to other arrangements that could deliver similar benefits. Any assessment is based on both the strategic benefit of the investment/ownership to the City and in terms of the most financially viable method of achieving the delivery of Council services.

## **Strategic Investments**

There are two categories of investments that are held to achieve council strategic outcomes. These are;

### **Non income generating investments**

This includes loans to other organisations, and equity investments in Council Controlled Organisations. The Council may consider the provision of loans to Community groups but only in exceptional circumstances. The Council's non income generating investments are held for strategic or ownership reasons.

In addition to the above investment categories, the Council may assume financial risk associated with providing contributions, guarantees and underwrites, where these meet the Council's strategic objectives and outcomes. Such undertakings require a Council resolution.

## **New Zealand Local Government Funding Agency Limited**

Despite anything earlier in this policy, the Council may invest in shares and other financial instruments (including borrower notes) of the New Zealand Local Government Funding Agency Limited (LGFA) and may borrow to fund that investment.

The Council's objective in making any such investment is to:

- a. obtain a return on the investment; and
- b. ensure that the LGFA has sufficient capital to remain viable, meaning that it continues as a source of debt funding for the Council.

Because of this dual objective, the Council has invested in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments. If required in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA and be a Guarantor.

## **Investment Acquisition/ Addition/Disposal**

With the exception of the day to day investment of short term cash and cash equivalents, all new investments, additions to existing investments, and/or disposals of existing investments must be approved by the Council. The day to day management and investment of short term cash and cash equivalents may be made by Council officers in accordance with the Treasury Management Policy.

The Council will continue to maintain its current level of investment in WIAL (being a 34 percent equity interest) until it considers that it is strategically, financially and economically prudent to dispose of the investment.

Proceeds from the sale of investments will be used to repay existing borrowings, unless the Council specifically directs that the funds be put to another use.

## Reporting

### Investments in CCOs

Monitoring of the Council's equity investment and ownership interest in Council Controlled Organisations (CCOs) is undertaken by the Council Controlled Organisations Subcommittee. The Subcommittee reports to the Strategy and Policy Committee and is responsible for:

- communicating the Council's priorities and strategic outcomes to Council Controlled Organisations (CCOs)
- ensuring delivery through the development of Statements of Intent and integration of CCO outcomes with the Council's Long-term Plan and Annual Plan funding processes and decisions, and
- monitoring the financial performance and delivery on strategic outcomes of the Council's CCOs.

### All other investments

The Strategy and Policy Committee provides recommendations to the Council in regard to strategies, policy and guidelines in relation to investments. The Strategy and Policy Committee will receive and review the quarterly Treasury report contained within the consolidated quarterly report.

## Risk Management

The Council's principal exposure on its financial investments is credit risk. Credit risk is minimised by the Council investing in approved institutions with satisfactory credit ratings which are assessed and reviewed by independent credit rating organisations. Limits are spread amongst number of counterparties to avoid concentrations of credit exposure.

Assessment and management of specific risks associated with the Council's investment in WIAL, LGFA and investment properties will be performed on a regular basis. Any significant changes in the risk profile for these investments will be reported to the Strategy and Policy Committee.

## Investment Ratios

For the purposes of setting its Borrowing and Investment Ratios, the Council defines investments as assets which are cash or readily convertible to cash (either through fixed repayment and maturity profiles, or through sale or exchange) and assets which are held primarily for investment purposes (either for capital growth, commercial rental or interest). This is likely to include:

- Cash and cash equivalents (e.g. term deposits),
- Income generating commercial debt instruments
- Income generating commercial equity instruments
- Income generating commercial property instruments

# Liability management policy

In broad terms, the Council manages both current and term liabilities.

## Current liabilities

Current liabilities reflect those obligations, expressed in monetary terms, which the Council has to meet within relatively short timeframes, at a maximum within the next 12 months. In respect of its day to day obligations for both operational and capital expenditure, the Council's policy is to pay these liabilities in full by the due date. This eliminates any credit exposure or risk. Current liabilities also include the maturing portions of any term liabilities that are due for repayment within the following 12 months.

## Term liabilities

Term liabilities represent the Council's obligations which, in general terms, are not immediately payable, i.e. not due within the following 12 months. Borrowings comprise the majority of the Council's term liabilities.

The Council approves the borrowing programme for each financial year as part of the LTP or Annual Plan. Additional borrowings may be approved by Council on a case by case basis. The Council primarily borrows to fund its new and upgraded capital expenditure programme. In approving new borrowings the Council considers the impact of the proposed level of borrowings on its overall borrowing limits and impact on rates and rates limits.

## Policy objectives

The Council primarily borrows to pay for the upgrading of existing assets and the construction/purchase of new assets. These assets generally provide new or enhanced benefits to Wellington for many years. Borrowing is therefore considered the most cost-effective and equitable way to fund these assets as it spreads the cost of the asset over the future generations of ratepayers who will benefit from the use of the asset. In addition, Council borrows to meet the costs associated with settling liabilities arising with respect to weathertight homes issues, and the borrowings are repaid from future rates revenues. Accordingly, borrowings have a strategic benefit of making the cost of the asset investment or weathertight homes liabilities affordable to today's ratepayers. Borrowings are maintained at a prudent level, in accordance with the Council's overall financial strategy and specific borrowing limits.

## Power to borrow

The Council borrows as it considers appropriate and in accordance with the provisions of the Local Government Act 2002 and its Treasury Management Policy. The Council approves the level of new borrowing in general terms as part of the LTP or Annual Plan. The Council delegates the authority to officers to raise the approved borrowing during the financial year as and when the funding is required. Any additional borrowing beyond that approved in the LTP or Annual Plan must be approved by the Council.

## Interest rate risk management limits

Borrowings issued at variable (floating) interest rates expose the Council to a cash flow interest-rate risk. The Council manages its cash flow interest-rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

Council debt/borrowings must be within the following fixed/floating interest rate risk control limits:

### Debt Interest Rate Policy Parameters (calculated on rolling monthly basis)

Debt Period Ending	Minimum Fixed Rate	Maximum Fixed Rate
Year 1	50%	80%
Year 2	45%	80%
Year 3	40%	80%
Year 4	35%	75%
Year 5	30%	70%
Year 6	20%	65%
Year 7	10%	60%
Year 8	0%	55%
Year 9	0%	50%
Year 10	0%	45%
Year 11	0%	40%
Year 12	0%	35%
Year 13	0%	30%
Year 14	0%	30%
Year 15	0%	30%
Year 16	0%	30%

"Fixed Rate" is defined as an interest rate repricing date beyond 3 months forward on a continuous rolling basis.



The “Fixed Rate” percentage is based on the projected gross debt level on a rolling forward basis. Gross debt is the amount of total borrowing. This allows for pre-hedging in advance of projected physical drawdowns of new debt. When forecasts are changed, the amount of fixed rate cover in place may have to be adjusted to comply with the policy minimums and maximums. In the event of one-off significant changes caused by asset sales/purchases or capital expenditure in advance of the forecast, then a 3 month period of adjustment is permitted.

### Liquidity

The Council minimises its liquidity risk by avoiding concentration of debt maturity dates and by maintaining committed borrowing facilities at a level that exceeds 115% of the existing external net debt level. The Council will only drawdown or borrow against these facilities as required.

Where special funds are maintained to repay borrowings, these investments are held for maturities not exceeding borrowing repayment dates.

The Council avoids exposure to liquidity risk by managing the maturity of its borrowing programme within the following maturity limits:

Borrowing maturity profile limits		
Period	Minimum	Maximum
0 to 3 years	15%	60%
3 to 5 years	15%	60%
5 years plus	15%	60%

### Credit exposure

The Council borrows from approved institutions with satisfactory credit ratings. Borrowings are managed to ensure the Council is not exposed to material concentrations of credit risk. Limits are spread amongst a number of counterparties to avoid concentrations of credit exposure.

### Local Government Funding Agency

Despite anything earlier in this Policy, the Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA) and, in connection with that borrowing, will enter into the following related transactions to the extent it considers necessary or desirable:

- contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA (for example borrower notes that may convert into redeemable preference shares).
- provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself
- commit to contributing additional equity (or subordinated debt) to the LGFA if required
- secure its borrowing from the LGFA, and the performance of other obligations to the LGFA or its creditors with a charge over the Council’s rates and rates revenue.
- subscribe for shares and uncalled capital in the LGFA

### Borrowing repayment

The Council will repay borrowings from a combination of excess depreciation over and above renewals, sale of surplus or underperforming assets, operating surpluses, and any rates specifically set to repay borrowings, including those associated with settling weathertight homes liabilities, or from the renewal of borrowings.

### Specific borrowing limits

In determining a prudent level of borrowings the Council assesses the level of net borrowing against the Council’s operating income.

Total Council Net Borrowings will be managed within the following macro limits:

Ratio	Limit
Net borrowing as a percentage of income	<225%
Net Interest as a percentage of income	<15%
Net Interest as a percentage of annual rates income	<20%
Liquidity (External net debt + available committed bank facilities + liquid assets to external net debt)	>115%

## Security

Council borrowings are secured by way of a Debenture Trust Deed (representing a charge over Council rates revenue). This security relates to any borrowing and to the performance of any obligation under any incidental arrangement. However, if it is considered advantageous, the Council's borrowings and other financial arrangements may be undertaken on an unsecured basis, or secured by way of a charge over its physical assets.

## Credit rating

To provide an independent assessment of the Councils' credit quality, Council maintains a credit rating with an independent rating agency.

## Carbon price risk

Council maintains a stock of NZU credits and is projected to remain a net holder of carbon credits for the foreseeable future. Within this context, Council manages its annual carbon liabilities through surrendering existing holdings and purchasing NZUs in the spot/forward market, where required.

# Rates Remission Policy

In accordance with section 85 of the Local Government (Rating) Act, 2002:

- i. A local authority may remit all or part of the rates on a rating unit (including penalties for unpaid rates) if -
  - a. the local authority has adopted a remissions policy under section 109 of the Local Government Act 2002, and
  - b. the local authority is satisfied that the conditions and criteria in the policy are met.
- ii. The local authority must give notice to the ratepayer identifying the remitted rates.

# Circumstances where a remission may apply

## Rural open space remission

### Remission statement

The Council may grant a 50 percent remission of Base general rate on land classified as rural under the District Plan where the rating unit is rated under the Base differential and used principally for farming or conservation purposes.

### Policy objective

To provide rates relief for rural, farmland and open spaces.

### Conditions and criteria

Land used principally for farming or conservation purposes.

A rates remission of 50 percent of the Base general rate will be granted to rating units that are classified as rural under the District Plan and used principally for farming or conservation purposes. Under this policy, 'principally for farming or conservation purposes' is defined as where:

- i. the rating unit (or property) exceeds 30 hectares in area; and
- ii. 50 percent or more of the rateable capital value of the property is made up of the land value; and
- iii. the principal use of the land is for conservation, agriculture, horticulture, pastoral or silviculture purposes, or for the keeping of bees, poultry or other livestock excluding commercial dog kennels or catteries.

## Remissions on land used principally for games or sport

### Remission statement

Where the Council considers a rating unit is used principally for games or sport, it will apply a 50 percent remission of Base general rate.

### Policy objective

To reduce the adverse financial impact of the Local Government (Rating) Act 2002 on land used principally for games or sports, occupied by clubs that hold a club licence and no longer qualify as 50 percent non-rateable.

### Conditions and criteria

This policy specifically excludes chartered clubs and clubs holding permanent charters. This remission should only be applied for if the rating unit:

- i. has a club licence under the Sale and Supply of Alcohol Act 2012; and
- ii. would otherwise qualify as 50 percent non-rateable under Part 2, Schedule 1, of the Local Government (Rating) Act 2002; and
- iii. the property is rated at the Base differential.

## Remission of targeted rates on property under development or earthquake strengthening

### Remission statement

The Council may remit part or all of the commercial sector targeted rate, Business Improvement District targeted rate and downtown targeted rate on land classified under the Council's *commercial, industrial and business differential* as defined within our Funding Impact Statement Rating Mechanisms, where the property is deemed to be 'not fit for purpose' due to the property being under development or due to the existing building being earthquake strengthened.

The Council may remit part or all of the Base sector targeted rate on land classified under the Council's *Base differential* (including residential) as defined within our Funding Impact Statement Rating Mechanisms, where the property is deemed to be 'not fit for purpose' due to earthquake strengthening.

### Policy objective

To provide rates relief for property temporarily not fit for purpose due to the property undergoing development or earthquake strengthening and therefore not receiving the benefits derived by contributing to the commercial, residential or downtown targeted rates.

### Conditions and criteria

To enable the remission statement above, 'not fit for purpose' is defined in this policy as where:

- i. the property (rating unit), or an identifiable part of the property, will not hold sufficient consents to permit occupation; and
- ii. the property (rating unit), or an identifiable part of the property, will not be used for any purpose, apart from the construction of buildings, premises or associated works, or earthquake strengthening works; and

- iii. the property (rating unit), or an identifiable part of the property, will not generate any revenue stream.
- iv. the remission will be granted on a pro-rata basis for the identifiable part of the property to which the above criteria (i - iii) apply, for the purpose of the remission this will be calculated based on the portion of the total floor area of the rating unit which is deemed 'not fit for purpose'.

The above criteria apply to, and must be met by, an entire rating unit as identified in the Council's rating information database (RID), or a clearly identifiable portion of the rating unit, and apply only for the period the building is not 'fit for purpose'.

## Remission of metered water rates

### Remission statement

The Council may grant a remission on a water targeted rate (with water meter) where excess water consumption has occurred due to a leak beyond the point of supply on the ratepayer's property. The excess water consumption may only be remitted to the level of the current Greater Wellington Regional Council bulk water rate.

### Policy objective

The objective of this remission policy is to provide a measure of rates relief where a water leak has been detected on the ratepayer's property with a water meter, and prompt remedial action to repair the leak has been undertaken. The ratepayer remains responsible for water leaks, the pipes and the usage of water on their property in accordance with the Water Services Bylaw.

### Conditions and criteria

A remission of the water targeted rate (with a meter) may be granted for excess water consumption where the leak is the rate payer's responsibility (beyond the point of supply). Excess water consumption will be calculated as the difference between actual metered usage on the latest reading and the average daily metered usage over the last four readings prior to the leak. The full water rate will be charged on the average daily usage over the last four readings and the excess water consumption (as calculated above) will be charged at the current Greater Wellington Regional Council bulk water rate. Where sufficient information is not available on historic readings, excess water consumption will be calculated as the difference between the latest reading prior to the fault being remedied, and the average daily metered

usage over the last three monthly readings after the fault is remedied. This remission should only be applied for if:

- i. the leak occurred on a metered water property; and
- ii. excess water consumption has occurred through a broken or leaking pipe; and
- iii. evidence is provided that the fault has been remedied within a reasonable time period and prior to the application for a remission.

In the event of a recurrence of a water leak, Council would require the ratepayer to get a condition assessment of the pipes on the property prior to any decisions to remit a subsequent remission.

## Remission of rates for buildings removed from the earthquake prone buildings list

### Remission statement

The Council may grant a remission on a property's rates where the property was on the Council's Earthquake Prone Building List and the ratepayer has taken action to remove that building from the list (either by strengthening that building to above 33 percent of the New Building Standard (NBS) or by removing the building from the site).

The ratepayer may qualify for this remission for a period of rating years after the removal of the building from the Earthquake Prone Building list\*, or up until the building is sold (whichever comes first).

The terms of remission that apply are as follows:

- a. a remission period of 3 years for all buildings (not applicable to the heritage remissions below) that are removed from the earthquake prone list; or
- b. a remission period of 5 years for all buildings removed from the earthquake prone list that are listed on the Wellington City District Plan Heritage List; or
- c. a remission period of 10 years for all buildings as per (b) and are identified by Heritage New Zealand as Category I on the New Zealand Heritage list; or
- d. a remission period of 8 years for all buildings as per (b) and are identified by Heritage New Zealand as Category II on the New Zealand Heritage list.

\* As maintained by Ministry of Business, Innovation & Employment

The ratepayer must apply for this remission within 12 months of the removal of the building from the earthquake prone building list (by issuance of a code of compliance for work performed).

For earthquake-prone buildings that have been seismically strengthened to > 33 percent NBS the following will apply:

- a. the remission application will be accepted after the code of compliance has been issued for the building following completion of the seismic strengthening project;
- b. the remission shall equate to the rates (general rate, downtown targeted rate, commercial industrial and business sector or base sector targeted rates, stormwater network and sewerage rates) payable due to any rating valuation uplift\*\* that may arise from seismic strengthening works; if there has been no rating valuation uplift on the property as a result of seismic strengthening work then no remission will apply.

The valuation uplift from seismic strengthening works will be calculated as:

Final Improvement Value \$ per m2 (A)	–	Initial Improvement Value \$ per m2 (B)	x	Initial floor area of earthquake prone building (C)
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A = This is the total improvement value portion of the revaluation of the whole rating unit (after issuance of the code of compliance and after removal of building from the Earthquake Prone Building List) divided by the floor area at the time of issuance of the code of compliance, after removal of the building from the Earthquake Prone Building List.

B = This is the total improvement value portion of the rateable value of the earthquake prone building at the time the building consent for earthquake strengthening work is approved, divided by the floor area of the earthquake prone building at the time the building consent for earthquake strengthening work is approved.

\*\* Rating valuation adjustments will occur either as part of the Council's three-yearly city wide revaluation cycle, or through adjustments that occur in between cycles where improvement works have taken place resulting in a measurable value change. Ratepayers will be notified of any valuation change in both circumstances. Under both circumstances rates are not impacted until the next rating year commencing 1 July. Officers reserve the right to use their discretion in determining valuation changes that may arise from, and relate to, seismic strengthening under this policy.

C = This is the floor area of the earthquake prone building at the time the building consent for earthquake strengthening work is approved.

The valuation uplift amount that has been calculated using the above methodology will be used to calculate the rates remission for the duration of the remission. The valuation uplift amount will not be re-calculated to take into account any future changes to the building's valuation post the first valuation assessment carried out after removal from the Earthquake Prone Building List (by issuance of a code of compliance). For clarity, changes in land value are excluded from the above calculations and any remission calculation.

For earthquake prone buildings that have been removed from the site the following will apply:

- a. the remission application will be accepted after evidence of the building removal has been provided to Council and the building has been removed from the earthquake prone building list; and
- a. the remission will be calculated as 10 percent of the rates (general rate, downtown targeted rate, commercial industrial and business sector or base sector targeted rates, stormwater network and sewerage rates) payable on the property, on the valuation post removal of the earthquake-prone building from the site, for each of the three years following the acceptance of the remission application.

### Policy objective

The objective of this remission policy is to minimise the rates impact of valuation increases arising for ratepayers who have taken positive action to address the structural safety of their earthquake-prone buildings, or remove their unsafe buildings.

### Conditions and criteria

A remission of rates may apply under the following conditions and criteria:

- i. the building must have been on the Earthquake Prone Buildings list;\*\*\*
- ii. the ratepayer must have taken action to remove their building from this list either through seismic strengthening or building removal;
- iii. the remission must be applied for within 12 months of the building being removed from the Earthquake Prone Buildings list and will relate to the following

\*\*\* As maintained by Ministry of Business, Innovation & Employment

specified number of rating years only (the ratepayer does not need to re-apply in subsequent years). The terms of remission that apply are as follows:

- a. for all buildings (not applicable to the heritage remissions below) that are removed from the earthquake prone list, the ratepayer may apply for this remission for a total period of 3 years; or
  - b. for all buildings removed from the Earthquake Prone Building List that are listed on the Wellington City District Plan Heritage List, the ratepayer may apply for this remission for a total period of 5 years after the removal of the building from the Earthquake Prone Building List; or
  - c. for all buildings as per (b) and are identified by Heritage New Zealand as Category I on the New Zealand Heritage list, the ratepayer may apply for this remission for a total period of 10 years after the removal of the building from the Earthquake Prone Building List; or
  - d. for all buildings as per (b) and are identified by Heritage New Zealand as Category II on the New Zealand Heritage list, the ratepayer may apply for this remission for a total period of 8 years after the removal of the building from the Earthquake Prone Building List.
- iv. the remission will not be available retrospectively for buildings already removed from the Earthquake Prone Building List prior to this policy being implemented;
  - v. the remission is only available to a ratepayer who has taken action to remedy their building. It will not be available to a third-party purchaser of the building even if a sale took place within the remission period applicable to that building being removed from the Earthquake Prone Buildings list; and
  - vi. for earthquake prone buildings that have been removed from the site, evidence must be provided to Council of the building removal and the building must have been removed from the Earthquake Prone Building List.

### Valuation changes

Wellington City Council is currently on a three-yearly valuation cycle for all properties in the city.

Rating valuations are also subject to adjustments at any time between the valuation cycles when there has been a measurable value change, usually triggered by consented improvement works.

Ratepayers will be notified when the capital value of their property has changed. Rates will be calculated using the new capital value from the next rating year commencing 1 July.

### Application

This remission may be applied for at any time during the year. If approved by Council officers the remission will take effect either from the next rating year (1 July), or will be backdated to take effect from the start of the current rating year at the nomination of the ratepayer and agreement of Council officers. The remission will cease after the specified number of years from the agreed effective start date, or up until the building is sold (whichever comes first).

## Remission for natural disasters and emergencies

### Remission statement

In order to provide relief to ratepayers where a natural disaster or other type of emergency affects one or more rating unit's capacity to be inhabited, used or otherwise occupied for an extended period of time, Council may remit all or part of any rate or charge where it considers it fair to do so, based on the criteria below. Individual events causing a disaster or emergency are to be identified by Council resolution. Council may develop further guidance as to how it implements the criteria below at that time depending on the nature and severity of the event and available funding at the time. Council will exercise its discretion depending on the nature and severity of the event. Note that this only applies to Wellington City Council rates.

### Policy objective

The objective of this remission policy is to provide a measure of rates relief where a natural disaster or other type of emergency affects one or more rating units' capacity to be inhabited, used or otherwise occupied for an extended period of time.

### Conditions and criteria

Council may remit all or part of any rate or charge assessed in relation to a particular rating unit where:

- i. a natural disaster or other type of emergency has affected its capacity to be inhabited, used or otherwise occupied for an extended period of time

- ii. Council considers it fair to do so and has identified the individual event causing a disaster or emergency through Council resolution
- iii. it meets any further guidance provided by Council as to how Council will implement the above criteria for the particular event, depending on the nature and severity of the event and available funding at the time

## Remission for first home builders

### Remission statement

The Council may grant a rate remission on a new residential dwelling (including apartments) on a separate rating unit, where construction is completed after 01 July 2017 within the boundaries of Wellington City Council.

The remission will be up to a maximum of \$5,000 (including GST). To qualify for this remission, the applicant must meet the following criteria:

- be a New Zealand permanent resident or citizen;
- this will be their first home and
- the home must be a new build.

The earliest the remission can be applied for is after a building code compliance certificate has been issued by the Council for the rating unit. The remission will end once the \$5,000 (including GST) has been remitted or when the rating unit is sold (whichever comes first).

The remission shall apply to all Wellington City Council rates assessed on the rating unit. Note that Greater Wellington Regional Council rates will still apply.

Applications must be received prior to the commencement of the rating year the remission is being applied for (1 July).

### Policy objective

The objective of this remission policy is to assist new first home builders and promote the supply of housing in Wellington city.

### Conditions and criteria

A remission of rates may apply if all of the following conditions and criteria are met:

- i. the new residential dwelling must be on a separate rating unit;

- ii. the property must be the first residential dwelling owned by the applicant;
- iii. the property must be a new residential dwelling (including apartments);
- iv. the ratepayer uses the property as their primary residential dwelling;
- v. the property must be either built for the first owner or purchased within six months of construction;
- vi. the ratepayer must provide evidence that they own the property;
- vii. application can be made by the ratepayer after a building code compliance certificate has been issued by the Council for the rating unit;
- viii. the remission will not be available retrospectively for residential dwellings (including apartments) that are already completed before 1 July 2017;
- ix. once granted, the remission will apply for a set period; commencing from the start of the following rating year and ending when the total amount of Wellington City Council rates remitted on the property reaches the \$5,000 (including GST) limit or when the rating unit is sold (whichever comes first); and
- x. trusts, businesses and companies are not eligible for the remission.

## Special circumstances remission

### Remission statement

It is recognised that not all situations in which it may be appropriate for the Council to remit rates will necessarily be known in advance and/or provided for in specific rating policies. In circumstances where the rating policy is deemed by the Council to unfairly disadvantage an individual ratepayer, the Council may grant a one-off remission of part or all Wellington City Council rates assessed for a rating unit. Note that Greater Wellington Regional Council rates will still apply.

### Policy objective

To provide for the possibility of a rates remission in circumstances that have not been specifically addressed in other parts of the Council's Rates Remission and Postponement Policies.



## Conditions and criteria

The Council may remit part or all of the rates assessed in relation to a particular rating unit where:

- i. the rates on that rating unit are disproportionate to those assessed in respect of comparable rating units; or
- ii. the rating policy is determined by the Council to unfairly disadvantage an individual ratepayer.

The approval of the remission does not set a precedent that application of the usual rates unfairly disadvantages other ratepayers.

## Remission for low income ratepayers

### Remission statement

The Council may provide additional assistance to those who have been approved for the New Zealand Government rates rebate.

### Policy objective

The objective of this remission is to provide relief to those low income households who have been approved for the New Zealand Government rates rebate.

### Conditions and criteria

The purpose of this remission is to provide relief to those ratepayers who have been approved for the New Zealand Government rates rebate and provide further relief up to a maximum value of \$500 (GST Inclusive).

- I. The proportion of the \$500 (GST inclusive) that will be awarded to the rate payer will be aligned with the rebate received of the maximum allowed by the New Zealand Governments Rebate, e.g.:
  1. If a ratepayer receives 100% of the Government rebate, then they will be entitled to the full amount listed above.
  2. If they only receive 80% of the Government rebate, then they will receive 80% of the amount listed above.
- II. The application for this remission will be assessed in conjunction with a ratepayers application for the New Zealand Government rates rebate.
- III. Note that Greater Wellington Regional Council rates will still apply.

- IV. The ratepayer must be a natural person.
- V. The applicant must be the owner of the rating unit, must reside at the property and the property must be in the base differential rating category.
- VI. This remission does not cover Companies, Trusts and any other legal structures even if they do qualify for the Government Rebate.

## Applying for a rates remission

All applications must be in writing and set out the reasons for the request using the Wellington City Council 'Application for Remission' form.

Each remission application is applicable to a single rating year, except the Remission of Rates for Buildings Removed from the Earthquake Prone Buildings List and the Remission for First Home Builders, which may apply to multiple rating years.

Applications must be received prior to the commencement of the rating year the remission is being applied for (1 July), with the exception of the following remission applications which may be received after the start of a rating year:

- i. the Special Circumstances Remission;
- ii. the Metered Water Rates Remission;
- iii. the Remission of Rates for Buildings removed from the Earthquake Prone Buildings List and

No applications will be backdated beyond the current rating year.

All applications for a remission on a rating unit that has previously received a remission or remissions, must be re-submitted annually for consideration of further remissions prior to the commencement of the rating year (1 July), with the exception of the Remission of Rates for Buildings removed from the Earthquake Prone Buildings List, and the Remission for First Home Builders.

The determination of eligibility and approval of any remission is at the absolute discretion of Wellington City Council.

If Council is satisfied that the relevant criteria in the policy are met, it will give the applicant ratepayer notice of the remitted rates.

Applications made for a remission will be considered on their own merits on a case-by-case basis. Any previous decisions of the Council do not create a precedent.

Approval of a remission does not set a precedent that application of the usual rates unfairly disadvantages other ratepayers.

## Rates penalty remission

### Policy objective

To enable the Council to act fairly and reasonably when rates have not been received by the due date and a penalty has been applied.

### Conditions and criteria

Upon receipt of an application from the ratepayer, or as identified by the Council, the Council may remit all or part of a penalty where it considers that it is fair and equitable to do so.

Matters that will be taken into consideration by the Council include the following:

- i. this is the first time a penalty is applied during a prior three year period and either:
  - a) the payment of the full amount of rates due within 14 days of due date; or
  - b) the ratepayer enters into a suitable agreement with the Council for the payment of rates within a reasonable timeframe; or
- ii. there was an extraordinary event leading to the late payment of the instalment and either:
  - a) the payment of the full amount of rates due within 14 days of due date; or
  - b) the ratepayer enters into a suitable agreement with the Council for the payment of rates within a reasonable timeframe; or
- iii. the ratepayer has agreed to pay future rates by direct debit.

The Council reserves the right to impose conditions on the remission of penalties.

### Applying for a rates penalty remission

A Rates Penalty Remission application must be in writing, setting out the reasons for the request with enough information and proof for officers to evaluate the request. No special remission form is required. The written request will be accepted by post, fax or email (rates@wcc.govt.nz).

## Non-rateable land

In addition to rates remissions, some types of property are not rateable or are partly non-rateable under Schedule 1 or Schedule 2 of the Local Government Rating Act (2002). For details of non-rateable property uses refer to this legislation and the Council's website.

## Remission of rates on Māori freehold land

The Council's objectives in relation to rates remission and postponement apply equally to Maori Freehold land. Therefore the rates remission and postponement policies applicable to Maori Freehold land are identical to those that apply to non-Maori Freehold land.

# Rates Postponement Policy

## **Policy objective**

To assist ratepayers experiencing extreme financial hardship that affects their ability to pay rates

# Conditions and criteria

## For residential and other land rated at the Base differential

The postponement of rates in cases of financial hardship is a last resort to assist residents who own their own home, after all other avenues to meet rates commitments have been exhausted.

The financial hardship must be caused by circumstances beyond the ratepayer's control. Criteria for the postponement of rates for residential ratepayers in cases of hardship are as follows:

- i) the applicant is unable to pay their rates bill because of personal circumstances;
- ii) the applicant has made all reasonable efforts to find other means to pay their rates, including engaging with a free budgeting service (<https://www.moneytalks.co.nz/budgeting-services/>) who also recommends this is the only remaining course of action
- iii) the applicant has no significant assets (other than their family home); and
- iv) the applicant accepts a notice of charge being registered by the Council over the property.

Approval of rates postponement is for one year only.

The applicant must reapply annually for the continuation of a rates postponement using the Council's 'Application for Postponement' form.

Applicants will be provided with information that clearly sets out the long term effect of postponing rates on their estate. Annually on 30 June a postponement fee will be added to the postponed rates (the postponement fee will be calculated based on the financial cost to the Council of the postponement, being the Council's average cost of borrowing for the period of the postponement).

## For land rated at the Commercial, Industrial and Business differential

The postponement of rates is a last resort to assist commercial, industrial and business ratepayers after all other avenues to meet rate commitments have been exhausted.

The financial hardship must be caused by circumstances outside the business' control.

Criteria for the postponement of rates for commercial, industrial and business ratepayers in cases of hardship are as follows:

- i) the applicant is unable to pay their rates because of business circumstances,
- ii) the applicant has tried all other avenues (including obtaining a loan from their bank) to fund their rates;
- iii) the net value of an applicant's interest in the relevant property (after the value of all mortgages on the property and the total value of the rates postponed) exceeds 10 percent of the market value of the property i.e. the Council will not postpone rates where, in the Council's reasonable opinion, there is a significant risk that the rates will not be paid at some time in the future; and
- iv) the applicant accepts a notice of charge being registered by the Council over the property.

Approval of rates postponement is a one-off event. Rates postponed on commercial, industrial or business property must be paid in full by the start of the Council's next financial year (1 July).

On 30 June a postponement fee will be added to the postponed rates (the postponement fee will be calculated based on the financial cost to the Council of the postponement, being the Council's average cost of borrowing for the period of the postponement).

# Significance and Engagement Policy

# Introduction

Wellington City Council (the Council) is responsible for making decisions on behalf of its communities. The Council considers community views and preferences when making decisions and has flexibility about how to engage with its communities\*\*\*\*. Council gathers information about the views and preferences from Wellington's diverse communities in many ways and uses this information to inform its decisions.

The Council aspires to actively engage with and work collaboratively with its communities within the decision making roles. Engaging early and well, enables better decisions by ensuring that final decisions take into account or have regard to the views of the community and those affected by the decision. At times (and subject to unique circumstances), engagement activities may need to go beyond the Council's standard approach.

The purpose of this policy is to explain how the community might be engaged in various types of decisions. This policy is required under the Local Government Act 2002 (the Act). It includes:

- The general approach to determining the degree of significance of proposals and decisions (Parts 2, 3 and 4 of the Policy);
- The criteria used to determine the extent to which proposals and decisions are of significance (Schedule 1);
- Information on when, how and to what extent communities can expect to be engaged in decision-making processes and other matters; (Parts 5 and 6); and
- A list of strategic assets owned by Council (Part 10 and Part 11).

\*\*\*\* Unless the special consultative procedure must be followed, which prescribes a process.

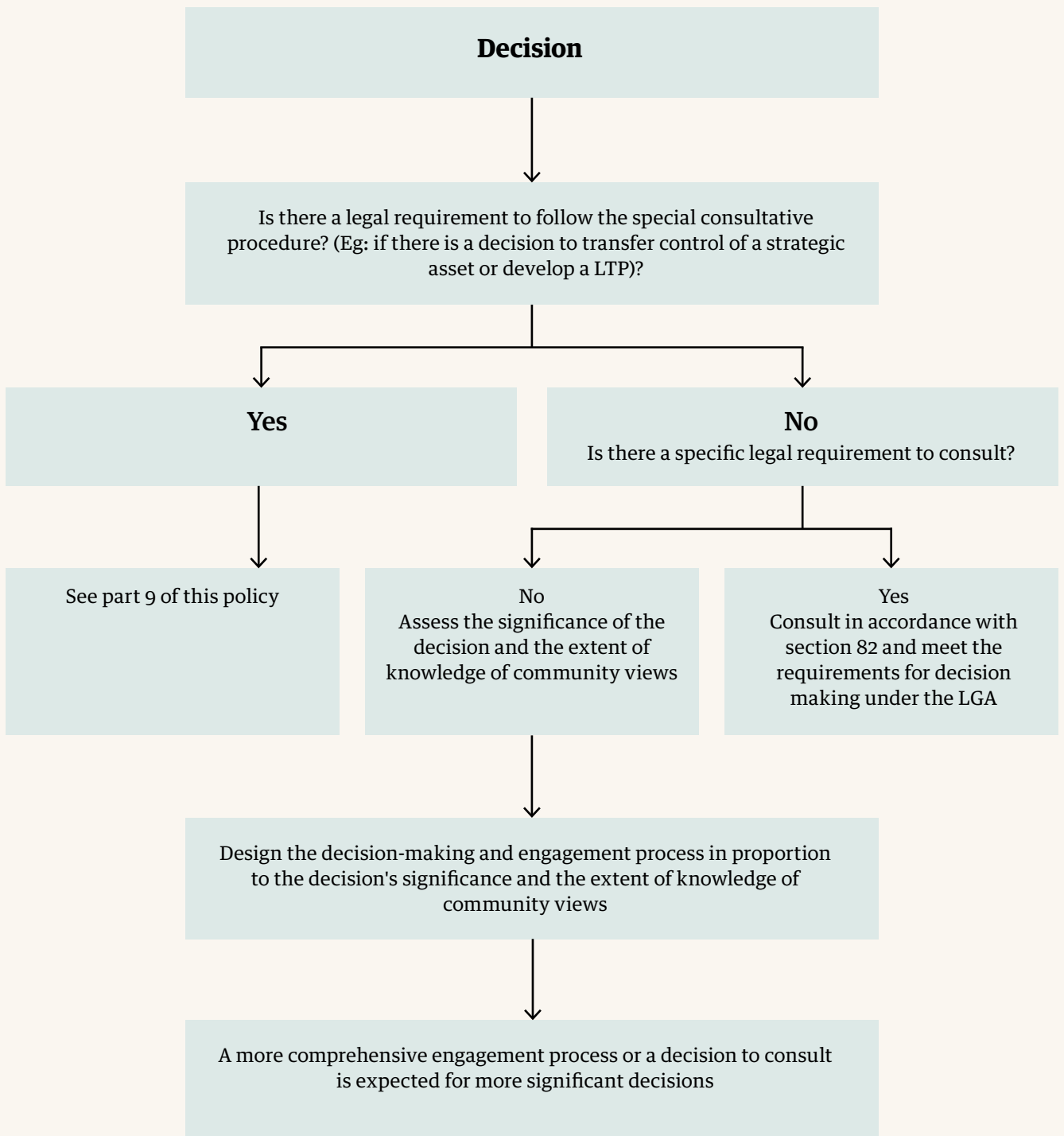
# Making it work in practice

There are some key questions for Council officers to answer in making this work in practice. Some decisions require the use of the Special Consultative Procedure under the Act. See Part 7 of this policy about the requirements for these decisions.

For all other decisions, Council is required to:

- Identify the objective - what is being sought to be achieved and why?
- Identify all reasonably practicable options for achieving the objective
- Assess their advantages and disadvantages
- Design the decision-making and engagement process taking into account:
  - Sufficient knowledge of community views on the matter? If not, further engagement/consultation is appropriate.
  - Significance (see Schedule 1)
- If Council has decided to consult, or is otherwise legally required to, ensure that consultation complies with consultation principles (see Part 8).

This can be illustrated in the following flowchart.



## 1. General approach

### Consultation vs engagement

Consultation involves obtaining public feedback on proposals; it is one form of engagement. The Council regularly consults communities through process such as the long-term plan which determine Council's strategic direction as well as how it sets budgets and prioritises projects.

The Council will consult the community on significant decisions, following the principles set out in section 82 of the Act (see Part 9). Council can also decide to consult at any time on a decision, where it considers that appropriate. For most Council decisions, there is no express requirement to consult the public, but we will consider people's views and preferences.

Engagement is a broader and ongoing process of sharing information with the community and seeking its feedback, with the purpose of involving the community in the process of decision making. This process may include a more formal consultation process to meet legal requirements. Our approach to engagement is set out in section 6.

There is a general expectation of officers that for more significant decisions they will have a communication and engagement plan which will apply the principles of IAP2 engagement spectrum. Business units should work with engagement staff on how this can be applied to specific decisions.

The details of this are not included in this policy.

### Assessment criteria

The Council must determine the level of significance of a decision based on criteria identifying the level of significance and the likely impact of the decision on the current and future wellbeing of the city. It must also take into account any persons likely to be particularly affected by or interested in the decision and the capacity of the Council to perform its role, as well as the financial and other costs of doing so.

### The criteria for assessing the degree of significance

The Council's criteria for assessing the degree of significance of a decision are:

- the level of importance to Wellington City
- the level of community interest
- the consistency of the proposed decision with existing policy and strategy; and
- the impact on the Council's capacity and capability.

The key factors to consider under each criteria are set out in Schedule One, on the following page. When a decision is indicated as "high" on two or more criteria it is likely to be highly significant.

## 2. Factors that guide the Council's decision making process

### Decisions of high significance in the Long-term Plan

Decisions assessed to be of high significance to the Council and the community should normally be included in the Long-term Plan (LTP) process. This will ensure that they are linked to community outcomes, proposed in context with other major decisions, and put before the community within this planning and consultation process and timing.

### Making decisions of high significance outside of the Long-term Plan

There will be decisions of high significance that must be made outside of the Long-term Plan process. The Council will ensure an appropriate engagement and decision-making process is followed and that this is addressed in a report to the Council. The Council will use the special consultative procedure when it is legally required to. Part 8 sets this out in more detail.

### Reporting of decisions

All reports by officers to Council or a Council Committee which are seeking a decision will include a statement addressing the issue of significance. If the proposal is considered to be of high significance the report will describe how the relevant sections of the Act and this policy have been addressed.



### **When might the Council not carry out engagement?**

There may be occasions when the Council may not follow this policy, for example where failure to make a decision urgently would result in unreasonable or significant damage to property, risk to people's health and safety, or the loss of a substantial opportunity to achieve the Council's strategic objectives. The Act sets out a process for the Council to follow if the Council has a good reason to make a decision outside of this policy.

### **Other Council decisions and levels of reporting**

For decisions of low or medium significance, the Council will comply with sections 76 to 82 of the Act. For decisions to be made under delegated authority and for which there is no Council or committee report, the Council will not necessarily formally document the assessment of significance or the Council's compliance with sections 76 to 82.

The Council will ensure that, in fulfilling the above requirements, the level of attention, consideration, disclosure, and engagement taken is in proportion to the significance of the decision.

The Council will continue to make available all information regarding the decisions it makes in response to all written and verbal submissions from individuals and groups in the community.

**Schedule 1: The criteria and factors for assessing significance**

Rating	Criteria	Key factors to be considered	Engagement****
<b>High</b> Eg: The Long-term Plan, decisions to transfer strategic assets to or from Council or to significantly alter the level of service provided by the Council of a significant activity (including to stop or start a new group of activity), major new roads, Local Alcohol Policy.	When a decision is indicated as high on two or more criteria it is likely to be highly significant.		
	Importance to Wellington City	<ul style="list-style-type: none"> <li>Any decision that would significantly alter the level of service provided by the Council of a significant activity (including a decision to commence or cease such an activity)</li> <li>Extent of costs, opportunity costs, externalities and subsidies</li> <li>Uncertainty, irreversibility, and the impact of the decision in terms of the community's sustainability and resilience</li> </ul>	Large-scale publicity and promotion. This may include an informal phase followed by more formal forms of engagement. Promotion through a range of channels and events, potentially including hui, a focus on online activities, newsletters and publications.
	Community interest	<ul style="list-style-type: none"> <li>High levels of prior public interest or the potential to generate interest or controversy</li> <li>Large divisions in community views on the decision</li> <li>A moderate impact on a large proportion of the community or a high impact on a moderate number of persons</li> </ul>	
	Consistency with existing policy and strategy	<ul style="list-style-type: none"> <li>Decisions that are substantially inconsistent with current policies and strategies</li> </ul>	
The impact on Council's capacity and capability	<ul style="list-style-type: none"> <li>High capital or operational expenditure</li> <li>A financial transaction with a value of greater than 10% of rates revenue in the year of the decision</li> </ul>		
<b>Medium</b> Eg: Works on main roads and action plans		<ul style="list-style-type: none"> <li>Relationship to factors under high and low significance criteria</li> </ul>	If the Council chooses to conduct engagement, targeted engagement with the affected audience, online engagement with surveys or social media, information through libraries or service centres, or promotion through local media.
<b>Low</b> Eg: Redevelopment of community halls, park improvements, footpath and road works		<ul style="list-style-type: none"> <li>Affects a limited number of individuals, to a low degree</li> <li>Has very little public interest</li> <li>Low consequence for Wellington City</li> <li>Low impact on the Council being able to perform its role</li> <li>Able to be reversed</li> <li>Is a strong logical step from a prior decision</li> </ul>	If the Council chooses to conduct engagement it might include localised promotion (eg display boards and local media) briefings, the website or social media. Targeted engagement, for example through service users where appropriate. Information online and in local libraries and service centres, surveys and open days may be appropriate.

\*\*\*\* The type and nature of the decision will guide how Council will go about communicating and engaging with its communities. Council will consider the extent to which community views and preferences are already known in designing the engagement process. This table provides an indicative guide to this.

### 3. The Council's approach to engagement

#### Early engagement

The assessment of the significance of proposals and decisions, and the level of community engagement, will be considered in the early stages of a proposal before decision making occurs and, if necessary, reconsidered as a proposal develops. The aim is to engage early so that the decision-making process is well informed by those impacted by any decision.

#### Informed engagement

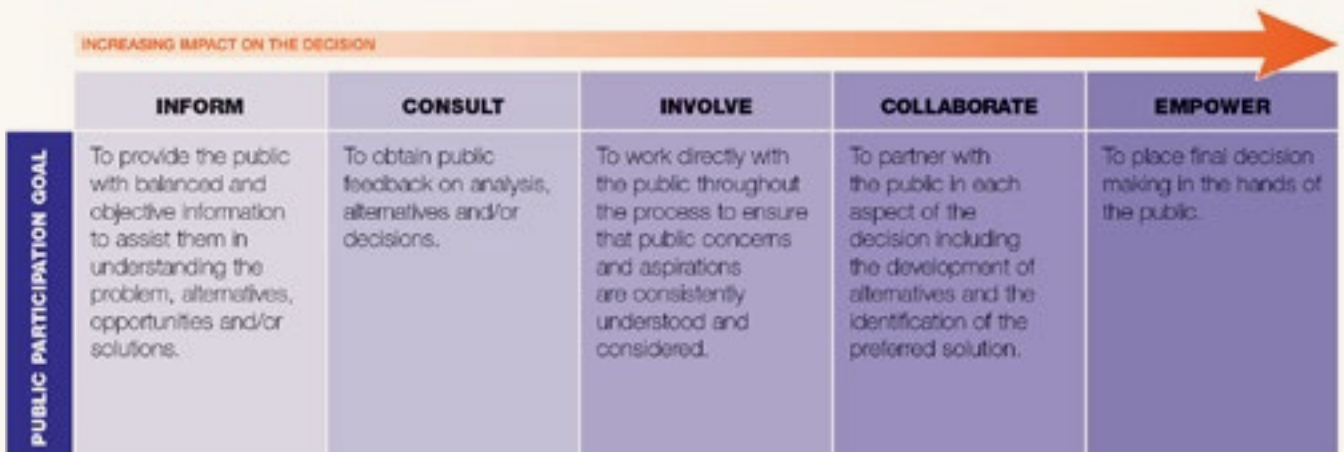
The Council uses the International Association of Public Participation (IAP2) spectrum and decision-orientation approach which indicates different engagement approaches on a spectrum from providing information through to community empowerment.

The IAP2 Spectrum allows for different levels of engagement depending on the decision; it does not intend for all of the levels of engagement captured on the spectrum to be applied.

### IAP2'S PUBLIC PARTICIPATION SPECTRUM



The IAP2 Federation has developed the Spectrum to help groups define the public's role in any public participation process. The IAP2 Spectrum is quickly becoming an international standard.



#### How does the Council engage?

The Council actively seeks to improve opportunities for engagement and ensure that final decisions take into account or have regard to the views of the community and those affected by the decision. The Council will monitor and report on how public input has influenced decisions. The Council works with communities on a number of levels including as customers, stakeholders, citizens, ratepayers, subject matter experts and partners. It views engagement as a genuine dialogue with its diverse communities to help Council make better decisions. Council has working relationships with groups including:

- mana whenua, iwi and Māori organisations

- community and business organisations
- government and education sectors
- residents and ratepayers.

The Mayor and Councillors have a responsibility to ensure there is effective community engagement. The Council's Community Boards are also responsible for communicating with local communities to help inform and communicate local communities' views.

As well as consulting on certain decisions we will seek to establish ongoing relationships with our communities to provide opportunities for matters to be raised which are not currently under consultation. We may do this in a variety of ways such as having a presence at markets and public spaces, through

our ongoing conversation channels, front line staff, workshops and community events. The following is a list of channels the Council uses to have conversations with the community:

- Facebook
- Annual plans
- Twitter
- Reception
- Committee meetings
- Festivals
- Forums
- Libraries
- Long-term plans
- Radio
- Website
- Councillors
- Events
- Research panels
- Community boards
- Newspapers
- Surveys
- Frontdesk
- Community centres

In any engagement programme, the Council will consider how to meet the needs of our communities in respect of language, accessibility and cultural expectations. When the Council identifies a group that it believes should be involved but which is less able to participate due to capacity or skills required it may provide assistance to enable the group to participate.

We will involve participants who can provide information and expertise the Council may not otherwise have access to.

The Council will work with groups that represent a community or sector recognising that early engagement can facilitate improved mutual understanding between groups with different aspirations and perspectives.

### Engagement with Māori

The Council acknowledges the unique status of Māori and the wider Māori community and is committed to ensuring that it provides opportunities for Māori to contribute to in the decision-making process. The Council is committed to providing relevant information

to inform Māori contribution and improve Māori access to the Council's engagement and decision-making processes, as set out in section 81 of the Act.

The Council will work with the city's two mana whenua iwi, the Port Nicholson Block Settlement Trust and Te Rūnanga o Toa Rangatira Incorporated, to ensure their contributions are represented and their status is publicly recognised. Council recognises that early engagement with iwi is often the most effective - in particular for those decisions which have greater significance.

The Council affirms its obligations to involving Māori in decision-making processes as set down in the Act, which includes recognition of the Treaty of Waitangi.

## 4. Policy review

The Council will review the Significance and Engagement Policy every three years or as required. This will be amended and confirmed through public consultation if necessary, separately or as part of the Long-term Plan.

## 5. Special Consultative Procedure (SCP)

The special consultative procedure requires the Council to prepare a statement of proposal and make this publically available (and make the summary or a full proposal widely available). It must allow feedback of at least 1 month. Council must ensure people are given an opportunity to present their views to Council through spoken interaction (or using sign language).

The Council must use the special consultative procedure for some plans and processes including:

- adopting or amending a Long-term Plan;
- adopting, amending, or revoking bylaws of significant interest to or impact on the public (for all other bylaw matters Council will consult following the principles in section 82 of the LGA);
- adopting, amending or revoking a Local Alcohol Policy; and
- setting rates.

Unless already explicitly provided for in the Long-term Plan, we will seek to amend the Long-term Plan using a special consultative procedure, when proposing to alter significantly the intended level of service provision

for any significant activity undertaken by or on behalf of Council, including commencing or ceasing such an activity; and when transferring the ownership or control of strategic assets, as listed in Part 11.

In these circumstances the Council will develop information that meets the requirements of section 82A of the Act, making this available to the public, allowing submissions for a period of at least 1 month, and will consider all submissions prior to making decisions.

## 6. Principles of consultation

When carrying out consultation, Council will follow these principles of consultation (from section 82 of the Act)

- a) identify people who will or may be affected by, or have an interest in, the decision;
- b) provide them with reasonable access to relevant information in an appropriate format on the process and scope of the decision;
- c) encourage people to give their views;
- d) give people a reasonable opportunity to present their views in an appropriate way;
- e) listen to, and consider those views, with an open mind; and
- f) after the decision, provide access to the decision and any other relevant material.

Where the Act requires Council to consult on a particular draft policy or decision, Council will prepare and make available:

- a description of what it intends to do, and why;
- an analysis of the practical options (with advantages and disadvantages); and
- a draft of the policy or relevant document (or details of the changes to any policy or document).

## 7. Strategic assets

The Act requires that any decision that significantly alters the level of service provided by the Council of a significant activity (including a decision to commence or cease such an activity) or transfers ownership or control of a strategic asset to or from the Council must be explicitly provided for in the Long-term Plan and can only be consulted on in the Long-term Plan, in accordance with section 93E of the Act<sup>\*\*\*\*\*</sup>.

*Legal framework Strategic assets are defined in section 5 of the Act as: “...an asset or group of assets that the local authority needs to retain if the local authority is to maintain the local authority’s capacity to achieve or promote any outcome that the local authority determines to be important to the current or future wellbeing of the community; and includes:*

- a) any asset or group of assets listed in accordance with section 76AA(3) by the local authority; and
- b) any land or building owned by the local authority and required to maintain the local authority’s capacity to provide affordable housing as part of its social policy; and
- c) any equity securities held by the local authority in:
  - I. a port company within the meaning of the Port Companies Act 1988;
  - II. an airport company within the meaning of the Airport Authorities Act 1966.”

Section 76AA (3) of the Act requires that the Council “must list the assets considered by the local authority to be strategic assets.” These assets are determined to be important to achieving the Council’s community outcomes. In addition, assets or groups of assets are listed as strategic if the Council ownership or control is essential to the long-term provision of the associated service.

### Group or Whole-of-Asset Approach

The Council takes a group or whole-of-asset approach<sup>\*\*\*\*\*</sup> i.e. it means the group assets as a whole and not each individual asset within the group. Without limiting the application of this provision to other assets, the following examples of the application of this policy to group assets are given:

- “Water supply network assets” means those group assets as a whole and not each individual pipeline, reservoir, and pump station. The Council does not consider that the addition or deletion of parts of that group asset (being a part of the group asset as a whole) will affect the overall group asset’s strategic nature.
- “Roading assets” and “reserve assets” mean those group assets as a whole. Therefore, if the Council acquires land for a new road (or the formed road itself) or new reserve lands as a result of subdivision, those additions are part of the day-to-day business of managing the roading and reserves assets.

<sup>\*\*\*\*\*</sup> Section 93E of the Local Government Act 2002 covers the additional content of consultation documents for adoption or amendment of a Long-term Plan where section 97 applies to proposed decision.

<sup>\*\*\*\*\*</sup> Does not apply to equity securities in Wellington International Airport Limited

- Decisions that involve the transfer of ownership or control of an element of a group strategic asset where the remaining assets of the group still enable the Council to meet its strategic outcome will not on their own be regarded as a strategic asset. Examples include:
  - decisions to facilitate the development of the waterfront in accordance with the Waterfront Framework (April 2001) or other similar policy for the waterfront
  - disposal of former roads, provided that the Council has followed the road stopping processes under the Public Works Act 1981
  - disposal of individual reserves, provided that the Council has followed the procedures in the Reserves Act 1977 or the Local Government Act 2002 for areas managed as reserve but not covered by the Reserves Act. The Wellington Town Belt Act 2016 does not allow removal of land from the Wellington Town Belt except under the provisions of the Public Works Act 1981.

## 8. Schedule of Strategic Assets

### Assets the Council owns that are strategic assets under section 5 of the Local Government Act 2002:

- equity securities in Wellington International Airport Limited<sup>\*\*\*\*\*</sup>
- the public rental housing held by the Council to maintain affordable housing

### Assets the Council has determined to be strategic assets:

- the sewage collection, treatment and disposal system, including the sewer network, pump stations and treatment works
- the land drainage system, including the stormwater pipe network, waterways, and retention areas.
- the water supply system, including reservoirs, pump stations and reticulation
- the roading network, including the public transport infrastructure system and pedestrian networks
- the shareholding in Wellington Cable Car Limited
- the library service
- swimming pool facilities

<sup>\*\*\*\*\*</sup> The Council's group or whole-of-asset approach does not apply to these assets

- the ASB Sports Centre and network of recreation centres
- community centres
- waterfront land and assets held on trust by Wellington Waterfront Limited for the Council
- all of the land and buildings in the area within the Civic Square Heritage Area, as defined in the Design Guide in the District Plan (Volume 2 - Area 5)
- the Wellington Town Hall
- the Michael Fowler Centre
- the buildings and collections of the Wellington Museum, City Gallery, Colonial Cottage Museum, Wellington Cable Car Museum and the Carter Observatory
- St James Theatre, Opera House, and the Embassy Theatre
- artwork and literature collections, including public art and collections held by libraries
- reserves lands, including the Wellington Town Belt, land held under the Reserves Act and land used for parks, cemeteries, gardens, sports fields and recreational areas
- the core data set used to deliver Council services
- the Council's brand, Absolutely Positively Wellington - Me Heke ki Pōneke
- Wellington Zoo
- the assets of Zealandia - the Karori Sanctuary Trust that are owned by the Council
- Kiwi Point quarry
- Southern Landfill.

## **Directory**

The call centre and website are your first points of contact for all Council services, including building and resource consents, complaints and queries, liquor licensing, animal control, food safety, parks and recreation facilities, Council meetings and consultation, cemeteries, landfills, transport issues, rubbish and recycling collection, parking, rates, events, archives and community services.

## **Council offices**

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