

Wellington City Council Pre-election Report 2022

wellington.govt.nz/elections (Summarised from 90 pages)

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The core purpose of Local Government is to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future. A long-term strategic vision has been established – “Wellington 2040 – An inclusive, sustainable and creative capital for people to live, work and play”.

Barbara McKerrow, Chief Executive, Wellington City Council

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WE have...

A high quality of life...

- 91 percent of Wellingtonians rate quality of life positively (QoL ‘20).
- Strong reputation as the arts and cultural capital of NZ. (WCC National Reputation Survey, Feb ‘22).
- 82 percent say cultural diversity makes Wellington a better place to live (RMS ‘21).
- 86 percent agree that Wellington has a rich and diverse arts scene (RMS ‘21).
- Highest household income in New Zealand – an average of \$11,000pa higher than Auckland and \$42,000pa higher than Christchurch (Infometrics).
- 59 percent have more than enough money to cover everyday needs – higher than other cities in NZ (QoL ‘20).

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Economic impacts of the COVID-19 pandemic...

- Working from home is changing spending habits – hospitality and retail dropped by about a third year-on-year to February 2022 but is regaining momentum (Marketview).
- Cost of living is increasing, with a 6.9 percent increase in the consumer price index (Mar ‘22 – StatsNZ).
- Wellington’s average house price in 2021 topped \$1.1million (Infometrics).
- Average weekly rent in the city increased from \$460pw in 2018 to \$556pw in 2021 (Infometrics).
- 12 percent of residents say they do not have enough money to cover every day costs (QoL ‘20).
- The Council increased total capital expenditure from \$2.3b to \$3.2b from the 2018 LTP to the 2021 LTP.
- Traditional sources of non-rates revenue are declining or becoming less secure, requiring the Council to consider how existing revenue streams can be improved

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Taking action on immediate issues...

- Launched Pōneke Promise in March 2021 – addressing safety concerns in central Wellington, a partnership of central government, Mana Whenua, businesses, non-profits and the Council.
- Te Kāinga Programme – private building owners and the Council partner to provide high quality, family-friendly, long-term rental housing to workers in Wellington.
- Adopted two pandemic response plans for the central city – an initial plan in 2020 and an updated plan in 2022.
- Transferring City Housing into a community housing provider model to ensure it is sustainable into the future.
- Adopted a new Spatial Plan.

- A new District Plan is in development to guide the Council’s investment prioritisation for facilities and infrastructure, housing supply, biodiversity protection, climate change response, and managing the risk of natural hazards.
- Developed a Green Network Plan for addressing our current urban green deficit.
- Developed Paneke Pōneke Bike Network Plan outlining the approach, strategic rationale, and how we will work with the community to put new bike lanes in place.
- Let’s Get Wellington Moving delivering improvement for bus, bike, and pedestrian access in the central city.
- Committed \$2.4 billion to upgrade the city’s aged Three Waters infrastructure in the 2021–31 Long-term Plan.
- Significant 10-year programme of seismic strengthening across our property portfolio is nearing completion.

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<p>Our Council Management The Chief Executive and ELT cover the following functions</p> <ul style="list-style-type: none"> • Strategy & Governance • People & Culture • Māori • Finance • Planning • Digital • Infrastructure • Customer & Community <p>1700+ staff deliver 400 services and facilities, from libraries and museums to street maintenance and the landfill</p>	<p>Council Controlled Organisations</p> <ul style="list-style-type: none"> • Experience Wellington • Wellington Water • Wellington Cable Car • WellingtonNZ • Wellington Zoo • Zealandia • Basin Reserve • Sky Stadium
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The new triennium welcomes the establishment of the Te Whanganui-a-Tara Māori Ward. Our new Māori Ward elected member will continue to be supported by the Council’s Mana Whenua representatives at each Committee table – these are roles the current Council has committed to and remunerated.

The 2021 Long-term Plan provided \$29 million over the next 10 years for Māori

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The Spatial Plan – He Mahere Mokowā mō Pōneke, Aho Tini 2030 – Arts, Culture and Creativity Strategy, and our Strategy for Children and Young People will provide a firm foundation anchored in partnership with Mana Whenua that will lift the city’s cultural wellbeing and strengthen the presence of Mana Whenua across the city.

The Economic Wellbeing Strategy includes a focus on partnership with Te Matarau a Māui and opportunities for Māori in digital technology, and storytelling, including the film and screen sector.

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The Council is in a strong position to enable the transformation Wellingtonians have said they want, and that our city needs.

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Key challenge one: Our infrastructure and planning for growth

Wellington is forecast to welcome 50,000 to 80,000 new residents in the next 30 years. To navigate the key growth issues our city is facing, the Council's Planning for Growth programme combines community feedback with detailed technical work to lay out where and how the city will grow.

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Growing demand for aging infrastructure

The Council owns more than \$6 billion worth of assets, including tunnels, bridges, reservoirs, and retaining walls.

During the 2021–31 Long-term Plan process, the Council committed to spending more than \$2 billion over the next 10 years on the city's three waters network (the pipes that move freshwater, wastewater and stormwater around the city) to fix the water network's capacity and quality issues.

- The Paneke Pōneke – Bike Network Plan is a \$226 million investment to enable safe and easier movement around the city by walking, biking, skating and scooting, along with bus priority networks. The investment in bike infrastructure will also help to reduce our carbon footprint.

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Key challenge two: Our resilience and adaptability

The Council has done seismic strengthening work across its property portfolio over the past 10 years. Many buildings have already been strengthened and there are several significant projects currently underway.

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The Council has made significant investment decisions in this triennium relating to improving the seismic resilience of our property portfolio.

- Michael Fowler Centre: Specific building elements identified as problematic were addressed to achieve +100 percent New Building Standard (NBS) on those elements – completed 2020.
- St James Theatre: Significant works were delivered to achieve +67 percent NBS – completed 2022.
- Te Whare Whakarauiki | Town Hall: Base isolation to achieve +100 percent NBS – due for completion 2024.
- Te Matapihi ki te Ao Nui | Central Library: Base isolation to achieve +100 percent NBS – due for completion 2026.

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We are laying the foundations for a zero-waste city.

- Commissioned Sludge Minimisation Plant at Moa Point, operating by 2025.
- The decision to extend the Southern Landfill will see residual waste disposed of in an engineered space with a modern liner system, which will prevent contaminants escaping into the environment. There will also be an effective gas capture system to collect and destruct methane generated from the degradation of waste.
- The new Solid Waste Bylaw includes changes to waste management responsibilities of property owners, waste collectors and waste operators; licensing of waste collectors and operators; enhanced waste management requirements for multi-unit developments; and compulsory waste management planning for large public events.

Seismic Resilience

As of June 2022, there are 598 buildings in Wellington City which are classified as earthquake prone. The timeframe for undertaking seismic work for most buildings in Wellington is 15 years, however, buildings that have been identified as priority buildings have 7-and-a-half years. Of the 598 earthquake prone buildings, 228 owners are required to complete seismic work by 2027.

Wellington City has the lowest vacancy rates of commercial buildings in New Zealand, indicating that business owners are confident about being located in our city.

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The city represents New Zealand's most creative, productive and carbon efficient economic environment – in 2020, two square kilometres of our central city produced 6.4 percent of New Zealand's GDP.

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Housing actions:

- The 2020–2022 Housing Action Plan was developed to identify the key actions the Council's need to carry out in the short and medium-term to implement our 10-year Housing Strategy.
- The new Spatial Plan was adopted to shape where and how we live.
- A review was undertaken to identify options to address City Housing's financial sustainability challenges.
- A cross-agency and social sector programme was commenced to address homelessness in the city, including refurbishing and increasing capacity of supported and transitional housing stock.
- Development commenced for the Council's Te Kāinga affordable rental units, of which 137 will be available by late June 2022, with a further 78 units due to be delivered by mid-to-late 2023.

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Tākina Wellington Convention and Exhibition Centre (Tākina), due to open early 2023, will be the Capital's first premium event space delivering two key elements to Wellington's economic infrastructure. Tākina is the nation's new meeting place – a place of welcoming, thinking, learning, and sharing, located opposite Te Papa Tongarewa, a stone's throw from the waterfront.

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Activate the central city to support retail and hospitality

Retail and hospitality are a core component of our vibrant city. The Council will need to identify and implement ways to enable our diverse local cultures to shine through events, festivals, and supporting hospitality and retail to be creative in delivering uniquely Wellington experiences.

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Continue delivering placemaking projects

Placemaking is an important part of enabling city vibrancy. To support our city vibrancy and its economic benefits, the Council will need to consider investment in placemaking, especially in places like the Golden Mile and Courtney Place.

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Key challenge four: Our funding and resourcing

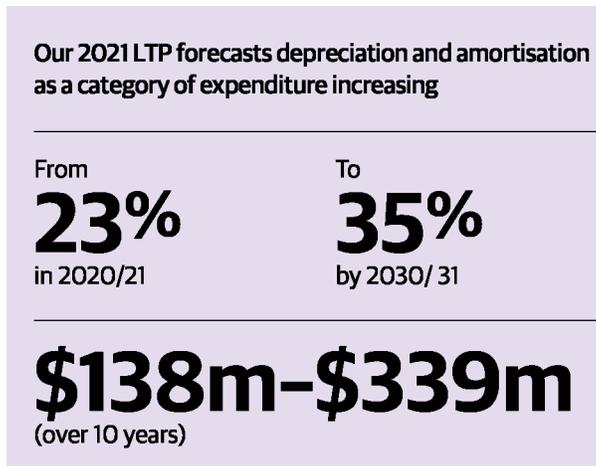
Wellington is growing and requires more investment in infrastructure to keep up with growth on top of what is currently planned. At the same time as we increase our investment in the city and inflation increases, the Council's traditional sources of non-rates revenue are declining or becoming less secure.

It is also important to note that LGWM partners have not yet agreed what the Council's share of the LGWM programme is, so it is not yet included in our budget. This could equate to be between \$1.3 billion and \$2.2 billion depending on the outcome of the Mass Rapid Transit (MRT) decision and the cost share approach adopted by the LGWM partners.

Wellington needs significant capital investment

The Council agreed to a significantly increased capital programme through the 2021–31 Long-term Plan (LTP). Total capital expenditure increased from \$2.3 billion to \$3.2 billion from the 2018 LTP to the 2021 LTP.

The size of the increase in the capital programme will markedly change the Council as an organisation. Going from spending \$157 million on capital expenditure per year in 2015/16 to \$343 million in 2021/ 22 requires adjustments to the Council’s capacity to deliver this higher level of capital expenditure.



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As our city grows and we rebalance the streets and transport network, as well as implement the parking policy and transport hierarchy, levels of on-street parking on our connecting streets and in the central city will decrease. This means the current (\$42 million) revenue that the Council earns from parking will reduce. We will need to consider how this loss can be made up by other means, such as expanding where we collect parking revenue, investigating how we price parking, or considering other non-parking means of revenue-gathering.

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Council chose to increase its internal policy limit under the debt-to-revenue ratio from 175 percent to 225 percent. This increase lets the Council borrow more to fund our upcoming significant increase in capital investment.

The 225 percent debt-to-revenue ratio is not the Council’s borrowing limit nor is it a target; it is what the Council has determined is a financially prudent level of borrowing for the city.

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We have a number of large investments from which the Council receives a passive income that is utilised to offset rates. The incoming Council may need to consider how our commercial assets (Wellington International Airport Limited, Kiwi Point Quarry, and the ground lease portfolio) can support the Council’s financial requirements. This could involve, but is not limited to, divesting some assets and recycling the proceeds to other Council priorities, as well as considering how revenue can be increased from the assets the Council owns.

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When compared to other countries, Local Government in New Zealand does not have a diverse income stream and relies heavily on property rates to fund services.

The Council is also already progressing the use of the new Infrastructure Funding and Financing Act to deliver the Sludge Minimisation Project off Balance Sheet and investigating options for our impending investment in LGWM’s programme of work, as well as other projects, including mechanisms to capture value uplift (from the Council’s investment in key parts of the city) and new tools to charge for traffic congestion and user levies.

These financial levers will require further investigation, and the possible implementation of solutions, over the coming triennium.

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The most significant impact to be expected from the Three Waters Reform for the Council is the loss of revenue. On face value, the Council's debt capacity will be reduced by \$377 million due to the loss of three waters revenue. With the low value of debt allocated to three waters, there is a significant mismatch between the loss of debt capacity and the reduction in debt from participating in the reform process.

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Key challenge five: Our changing Local Government sector

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In 2021, the government appointed a panel to identify how our system of local democracy and governance needs to evolve over the next 30 years to improve the wellbeing of New Zealand communities and the environment, and to actively embody the Treaty partnership.

Project	Approved budget ⁸	Anticipated completion year
Three waters infrastructure	\$2 billion ⁹	2031
Social Housing Upgrade Programme	\$446 million	2031
Paneke Pōneke Bike Network Plan	\$226 million	2031
Te Matapihi Central Library	\$201.4 million	2026
Sludge Minimisation Facility	\$187 million ¹⁰	2025
Te Whare Whakaraui Town Hall	\$182.4 million ¹¹	2024
Tākina Convention & Exhibition Centre	\$161 million	2023
Southern Landfill Extension	\$42.5 million	2026
St James Theatre Strengthening Project	\$40.6 million	2022
Let's Get Wellington Moving	LGWM is a joint programme of work with Wellington City Council, Greater Wellington Regional Council, and Waka Kotahi NZ Transport Agency, with support from Mana Whenua partners Taranaki Whānui ki Te Upoko o Te Ika and Ngāti Toa Rangatira. The LGWM partners are in the process of deciding on the Mass Rapid Transit (MRT) option consulted on in 2021. A decision is expected in mid-2022.	
Pōneke Promise Programme	\$7 million	2024
Frank Kitts Park Programme	\$7.1 million	2023
District Plan Review	\$17 million	2024
Te Kāinga - Affordable Rental Programme	Cost neutral for the Council (income is received by the Council from building owners for tenancy management service delivery)	2026
Transitional Cycleways - Botanic Gardens to Waterfront	\$2.2 million ¹²	2022
Transitional Cycleways - Newtown to City	\$3.8 million ¹³	2022

Project	Approved budget ⁸	Anticipated completion year
Cycleways – Evans Bay Parade Stage 1 (Part 3)	\$14.7 million ¹⁴	2023
Cycleways – Evans Bay Parade Stage 1 (Part 4)	\$4.2 million ¹⁵	2022
Cycleways – Miramar Avenue Cycleway and Intersection Improvements Phase 1	\$2.1 million ¹⁶	2022
Cycleways – The Parade Upgrade	\$15.4 million ¹⁷	2024
Ngaio Gorge Slope Stabilisation Improvements	\$10.4 million	2022
Zero Waste Programme	Zero waste is a new programme of work, with budgets currently being finalised. The programme will include the residual waste southern landfill extension piggyback option (\$52.3m), resource recovery network extension, kerbside services review, organics processing plant and collection, regional waste assessment, WMMP action plan, regional WMMP 23–29, and the waste services review. Indicative programme completion is 2027	
Te Ngakau (Incl. CAB, MOB, MFC Carpark)	\$18.3 million	2022
Community Centres – Karori Event Centre Building Completion and Fit-Out	\$1.6 million	2023
Community Centres – Newtown	\$4.1 million	2023
Community Centres – Aro Valley	\$1.7 million	2022
Community Centres – Strathmore Park	\$1.3 million	2022
Wellington Water – CBD Wastewater Pump Station & Rising Main Projects	\$24.1 million	2023
Wellington Water – Omāroro Reservoir	\$68 million	2023

What it costs

Per resident per week



\$2.44

Governance, information and engagement \$25,689,000 total cost per year



\$0.35

Māori and Mana Whenua partnerships \$3,717,000 total cost per year

What it costs
Per resident per week



\$4.67

Gardens, beaches and green open spaces \$49,222,000 total cost per year



\$2.18

Waste reduction and energy conservation \$22,980,000 total cost per year



\$5.26

Water \$55,439,000 total cost per year



\$4.74

Wastewater \$49,962,000 total cost per year



\$2.70

Stormwater \$28,458,000



\$0.74

Conservation attraction \$7,756,000

What it costs
Per resident per week



\$3.35

City promotions and business support \$35,315,000 total cost per year



\$2.33

Arts and cultural activities \$24,587,000 total cost per year

What it costs
Per resident per week



\$4.42

Recreation promotion and support
\$46,626,000 total cost per year



\$7.19

Community support
\$75,810,000 total cost per year



\$1.75

Public health and safety
\$18,413,000 total cost per year

What it costs
Per resident per week



\$1.66

Urban development, heritage
and public spaces development
\$17,517,000 total cost per year



\$3.03

Building and development control
\$31,984,000 total cost per year



\$7.32

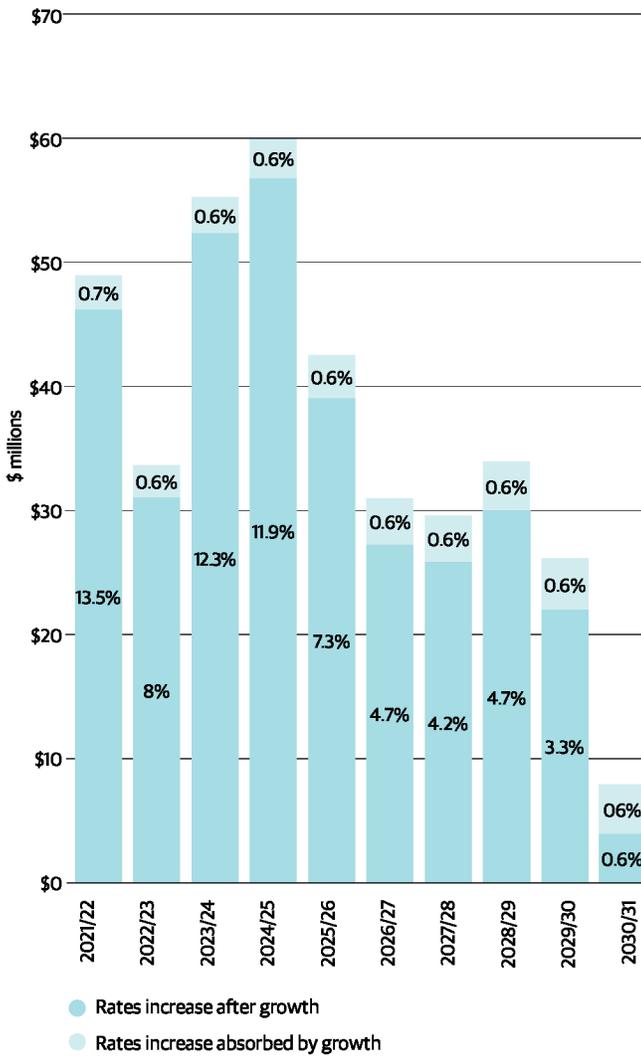
Transport
\$77,222,000 total cost per year



\$1.69

Parking \$17,835,000 total cost
per year

Proposed year-on-year rates increase



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Our starting borrowing position of \$1,074 million equates to \$12,819 per person in Wellington. The Longterm Plan shows this borrowing position will move to \$1,668 million by 2031 and will equate to \$17,780 per person in Wellington.

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The Council’s financial performance is sound.

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

Summary Statement of Comprehensive Revenue and Expense

	Actual 2020 \$000	Actual 2021 \$000	Forecast ¹ 2022 \$000	Annual Plan ² 2023 \$000	Prospective ³ 2024 \$000	Prospective 2025 \$000	Prospective 2026 \$000
REVENUE							
Rates revenue	322,021	341,914	390,377	426,357	481,394	541,311	583,821
Operating activities revenue	174,833	187,077	183,426	211,266	207,863	220,986	222,992
Investment revenue	23,008	11,065	10,795	12,294	21,552	25,041	25,337
Vested assets and other revenue	11,016	13,053	3,196	1,101	1,854	188,487	1,494
Fair value movements	7,562	20,501	10,386	7,046	6,765	7,328	8,174
Finance revenue	2,280	2,114	1,693	13	13	13	14
TOTAL REVENUE	540,720	575,724	599,873	658,077	719,441	983,166	841,832
EXPENSE							
Fair value movements	-	(52)	-	-	-	-	-
Finance expense	(26,541)	(25,490)	(26,740)	(41,375)	(49,486)	(56,380)	(62,485)
Expenditure on operating activities	(413,966)	(406,090)	(436,803)	(497,220)	(521,113)	(514,596)	(526,637)
Depreciation and amortisation	(118,067)	(136,635)	(143,710)	(187,605)	(218,076)	(246,533)	(273,715)
TOTAL EXPENSE	(558,574)	(568,267)	(607,253)	(726,200)	(788,675)	(817,509)	(862,837)
Operating surplus/ (deficit) before insurance proceeds	(17,854)	7,457	(7,380)	(68,123)	(69,234)	165,657	(21,005)
Insurance proceeds	33,000	-	-	-	-	-	-
NET SURPLUS/ (DEFICIT) for the year	15,146	7,457	(7,380)	(68,123)	(69,234)	165,657	(21,005)
OTHER COMPREHENSIVE REVENUE and EXPENSE							
Fair value movements - cash flow hedges	(38,903)	60,019	-	-	-	-	-
Fair value movements - other financial assets	795	944	-	-	-	-	-
Fair value movements - revaluations of property, plant and equipment	493,980	284,092	1,825,793	-	173,637	831,884	-
TOTAL OTHER COMPREHENSIVE REVENUE and EXPENSE	455,872	345,055	1,825,793	-	173,637	831,884	-
TOTAL COMPREHENSIVE REVENUE and EXPENSE	471,018	352,512	1,818,413	(68,123)	104,403	997,541	(21,005)

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- 2 The financial information for 2022/ 23 is taken from the Annual Plan. The amounts shown are forecast and unaudited and may be subject to significant change as the Council is consulting on 2 important matters: the future of City Housing and the future of the Landfill. The outcome of these consultations and resulting decisions of the Council may have a material impact on the Annual Plan that is adopted in June 2022.
- 3 The prospective information for 2024-26 is taken from the 2021-31 Long-term Plan amendment. The amounts shown are forecast and unaudited and are subject to change based on subsequent decisions of the Council.

Our assets and liabilities

The Council's forecast of net worth on 30 June 2022 is \$9,563 million. This is calculated as the difference between the total assets and the total liabilities of the Council. Net worth is represented in the financial statements by the balance of equity or net assets.

Assets are items of economic value owned or controlled by the Council. The Council's total assets are worth \$11,025 million, and include major assets such as:

Liabilities are amounts owed to lenders and suppliers. The Council's total liabilities are \$1,462 million. The major liabilities of the Council include:

- gross borrowings
- other liabilities which include trade and other payables.

Summary statement of Financial Position

	Actual 2020 \$000	Actual 2021 \$000	Forecast ¹ 2022 \$000	Annual Plan ² 2023 \$000	Prospective ³ 2024 \$000	Prospective 2025 \$000	Prospective 2026 \$000
ASSETS							
Current assets							
Financial assets	225,532	204,689	304,040	208,896	172,202	167,904	134,029
Non-financial assets	16,681	36,827	24,173	19,910	20,991	20,685	21,152
Total current assets	242,213	241,516	328,213	228,806	193,193	188,589	155,181
Non-current assets							
Financial assets	16,131	34,203	56,229	27,402	27,402	27,402	27,402
Non-financial assets	8,118,227	8,545,887	10,640,305	10,855,679	11,221,981	12,434,428	12,537,635
Total non-current assets	8,134,358	8,580,090	10,696,534	10,883,081	11,249,383	12,461,830	12,565,037
TOTAL ASSETS	8,376,571	8,821,606	11,024,747	11,111,887	11,442,576	12,650,419	12,720,218
LIABILITIES							
Current liabilities							
Borrowings	186,000	154,523	68,000	111,816	75,316	70,816	39,316
Other liabilities	99,976	114,769	107,768	112,102	113,878	113,848	110,937
Total current liabilities	285,976	269,292	175,768	223,918	189,194	184,664	150,253
Non-current liabilities							
Borrowings	589,931	754,129	1,238,736	1,362,430	1,624,539	1,840,644	1,967,012
Other liabilities	159,481	104,490	47,525	99,018	97,919	96,646	95,493
Total non-current liabilities	749,412	858,619	1,286,261	1,461,448	1,722,458	1,937,290	2,062,505
TOTAL LIABILITIES	1,035,388	1,127,911	1,462,029	1,685,366	1,911,652	2,121,954	2,212,758
TOTAL EQUITY/ NET ASSETS	7,341,183	7,693,695	9,562,718	9,426,521	9,530,924	10,528,465	10,507,460

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This table sets out where we got our money from and what it is used for.

The majority of our income comes from rates, and we spend a large portion of the money to deliver services and capital investment projects, as well as paying our suppliers and employees.

Summary Statement of Cash Flows

	Actual 2020 \$000	Actual 2021 \$000	Forecast ¹ 2022 \$000	Annual Plan ² 2023 \$000	Prospective ³ 2024 \$000	Prospective 2025 \$000	Prospective 2026 \$000
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from rates	316,718	342,909	386,481	427,313	479,995	540,305	582,766
Receipts from activities and other revenue	144,334	179,056	138,623	169,761	166,602	171,119	199,022
Other receipts	116,151	129,516	136,645	141,702	156,847	175,745	178,809
Cash paid to suppliers and employees	(356,198)	(362,803)	(395,075)	(444,333)	(460,230)	(459,214)	(491,485)
Other payments	(114,332)	(113,201)	(129,168)	(138,680)	(158,734)	(170,679)	(182,044)
NET CASH FLOWS FROM OPERATING ACTIVITIES	106,673	175,477	137,506	155,763	184,480	257,276	287,068
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of intangibles	(4,001)	(18,277)	(7,382)	(5,038)	(3,947)	(3,282)	(1,167)
Purchase of property, plant and equipment	(211,748)	(245,489)	(310,538)	(399,420)	(416,424)	(432,914)	(372,034)
Other	11,109	(33,730)	(35,680)	7,313	22,913	16,113	16,114
NET CASH FLOWS FROM INVESTING ACTIVITIES	(204,640)	(297,496)	(353,600)	(397,145)	(397,458)	(420,083)	(357,087)
CASH FLOWS FROM FINANCING ACTIVITIES							
Increase in borrowings	86,975	132,721	300,709	298,234	262,109	216,105	126,368
Interest on borrowings	(25,677)	(24,930)	(26,740)	(41,375)	(49,486)	(56,380)	(62,485)
NET CASH FLOWS FROM FINANCING ACTIVITIES	61,298	107,791	273,969	256,859	212,623	159,725	63,883
Net increase/ (decrease) in cash and cash equivalents	(36,669)	(14,228)	57,875	15,477	(355)	(3,082)	(6,136)
Cash and cash equivalents at beginning of year	135,246	98,577	84,349	11,004	26,481	26,126	23,044
CASH AND CASH EQUIVALENTS AT END OF YEAR	98,577	84,349	142,224	26,481	26,126	23,044	16,908

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There are two ways we pay for things: through operating expenditure and capital 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. It is paid from general rates, targeted rates, fees and charges, and other income such as grants and subsidies and investment income.

Capital expenditure represents expenditure on property, plant and equipment, which are assets held by the Council and include those used to provide its goods and services (eg., swimming pools, libraries, sports fields, and bridges). It is mostly funded from depreciation, development contributions, borrowing and income from third parties such as subsidies from Waka Kotahi for roading.

This table shows how the Council funds its operating and capital expenditure.

Funding Impact Statement

	Actual 2020 \$000	Actual 2021 \$000	Forecast ¹ 2022 \$000	Annual Plan ² 2023 \$000	Prospective ³ 2024 \$000	Prospective 2025 \$000	Prospective 2026 \$000
SOURCES OF OPERATING FUNDING							
General rates, uniform annual general charges, rates penalties	185,379	195,122	228,098	270,117	307,223	331,596	359,580
Targeted rates	136,642	146,792	162,279	156,236	174,173	209,716	224,243
Subsidies and grants for operating purposes	8,034	13,003	12,957	9,558	9,701	9,921	10,144
Fees and charges	165,001	134,467	142,465	167,109	162,853	169,698	177,863
Interest and dividends from investments	14,399	2,156	1,820	1,913	10,913	14,113	14,114
Local authorities fuel tax, fines, infringement fees, and other receipts	7,770	8,973	7,304	11,874	12,122	12,375	12,668
TOTAL SOURCES OF OPERATING FUNDING (A)	517,225	500,513	554,923	616,807	676,985	747,420	798,612
APPLICATIONS OF OPERATING FUNDING							
Payments to staff and suppliers	345,533	346,809	384,387	448,360	463,369	457,660	467,216
Finance costs	26,234	25,164	26,740	41,375	49,486	56,380	62,485
Other operating funding applications	48,059	48,307	48,120	49,085	58,003	57,286	59,737
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	419,826	420,280	459,247	538,820	570,858	571,326	589,438
SURPLUS/ (DEFICIT) OF OPERATING FUNDING (A-B)	97,399	80,233	95,676	77,988	106,127	176,094	209,174

Funding Impact Statement Continued

	Actual 2020 \$000	Actual 2021 \$000	Forecast ¹ 2022 \$000	Annual Plan ² 2023 \$000	Prospective ³ 2024 \$000	Prospective 2025 \$000	Prospective 2026 \$000
SOURCES OF CAPITAL FUNDING							
Subsidies and grants for capital expenditure	27,349	31,793	28,426	30,719	32,195	37,919	31,548
Development and financial contributions	3,568	3,689	4,500	3,500	3,500	3,500	3,500
Increase/ (decrease) in debt	96,420	122,133	163,511	307,566	273,225	209,152	119,024
Gross proceeds from sales of assets	18,786	2,772	2,000	2,000	15,400	2,000	2,000
Lump sum contributions							
TOTAL SOURCES OF CAPITAL FUNDING (C)	146,123	160,387	198,437	343,785	324,320	252,571	156,073
APPLICATIONS OF CAPITAL FUNDING							
Capital expenditure							
to meet additional demand	5,008	1,343	29,593	61,756	52,146	71,452	60,761
to improve the level of service	83,477	153,998	153,482	200,126	221,438	186,191	141,412
to replace existing assets	124,623	111,412	108,707	160,040	157,036	171,286	163,301
Increase/ (decrease) in reserves	30,414	(26,133)	2,331	(148)	(174)	(265)	(227)
Increase/ (decrease) in investments							
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	243,522	240,620	294,113	421,773	430,447	428,664	365,247
SURPLUS/ (DEFICIT) OF CAPITAL FUNDING (C-D)	(97,399)	(80,233)	(95,676)	(77,988)	(106,127)	(176,094)	(209,174)
FUNDING BALANCE ((A-B) + (C-D))	-	-	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/ amortisation charge	117,270	135,722	143,710	187,605	218,076	246,533	273,715

- 1 The financial information for 2021/ 22 has not been finalised. The amounts shown are forecast and unaudited and subject to change due to movements in provisions and other judgements.
- 2 The financial information for 2022/ 23 is taken from the Annual Plan. The amounts shown are forecast and unaudited and may be subject to significant change as the Council is consulting on two important matters: the future of City Housing and the future of the Landfill. The outcome of these consultations and resulting Council decisions may have a material impact on the Annual Plan that is adopted in June 2022.
- 3 The prospective information for 2024-26 is taken from the 2021-31 Long-term Plan amendment. The amounts shown are forecast and unaudited and are subject to change based on subsequent Council decisions.

The Council continues to score well against the Local Government benchmarks under the Financial Reporting and Prudence Regulations. The three main elements for financial prudence under the regulations are affordability, sustainability and predictability.

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

Affordability benchmarks

These benchmarks help assess the affordability of each local authority's expenditure and financing activities for present and future ratepayers. These cover the Council's compliance against targets in our financial strategy for rates increases and debt levels.

Sustainability benchmarks

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

Predictability benchmarks

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

REF	CATEGORY	MEASURE	2021/22* MET
1.	Rates affordability benchmark	The Council's planned rates increases are within the quantified limit on rates increases included in the LTP Financial Strategy of 27.8%	Yes 14.2%
2.	Debt affordability benchmark	Net borrowings as a percentage of income <225%	Yes 178.6%
		Net interest as a percentage of revenue <15%	Yes 4.0%
		Net interest as a percentage of annual rates income <20%	Yes 6.4%
3.	Balanced budget benchmark	Liquidity (term borrowing + committed loan facilities to existing external debt) >115%	Yes 115.0%
		Operating revenue is greater than operating expenditure as a proportion >100%	No ¹ 98.0%
		Capital expenditure on network is greater than operating expenditure as a proportion >100%	Yes 123.0%
		Borrowing costs as a proportion of operating revenue <10%	Yes 4.5%
6.	Debt control benchmark	Net debt as a proportion of planned debt <100%	Yes 89.3%
7.	Operations control benchmark	Net cash flow from operations as a proportion of its planned net cash flow from operations >100%	No ² 76.7%

* The financial information for 2021/ 22 is a forecast, is unaudited and is subject to change.

1. This measure has been impacted by the continued effects of COVID-19.

2. A number of assumptions are made around the timing of events. Any departure from these assumptions can affect the outcome of this measure. The Council is satisfied that it is prudently managing operational cash flow, with timing differences in the receipt of revenues compared to budget leading to the "not met" outcome for this measure.