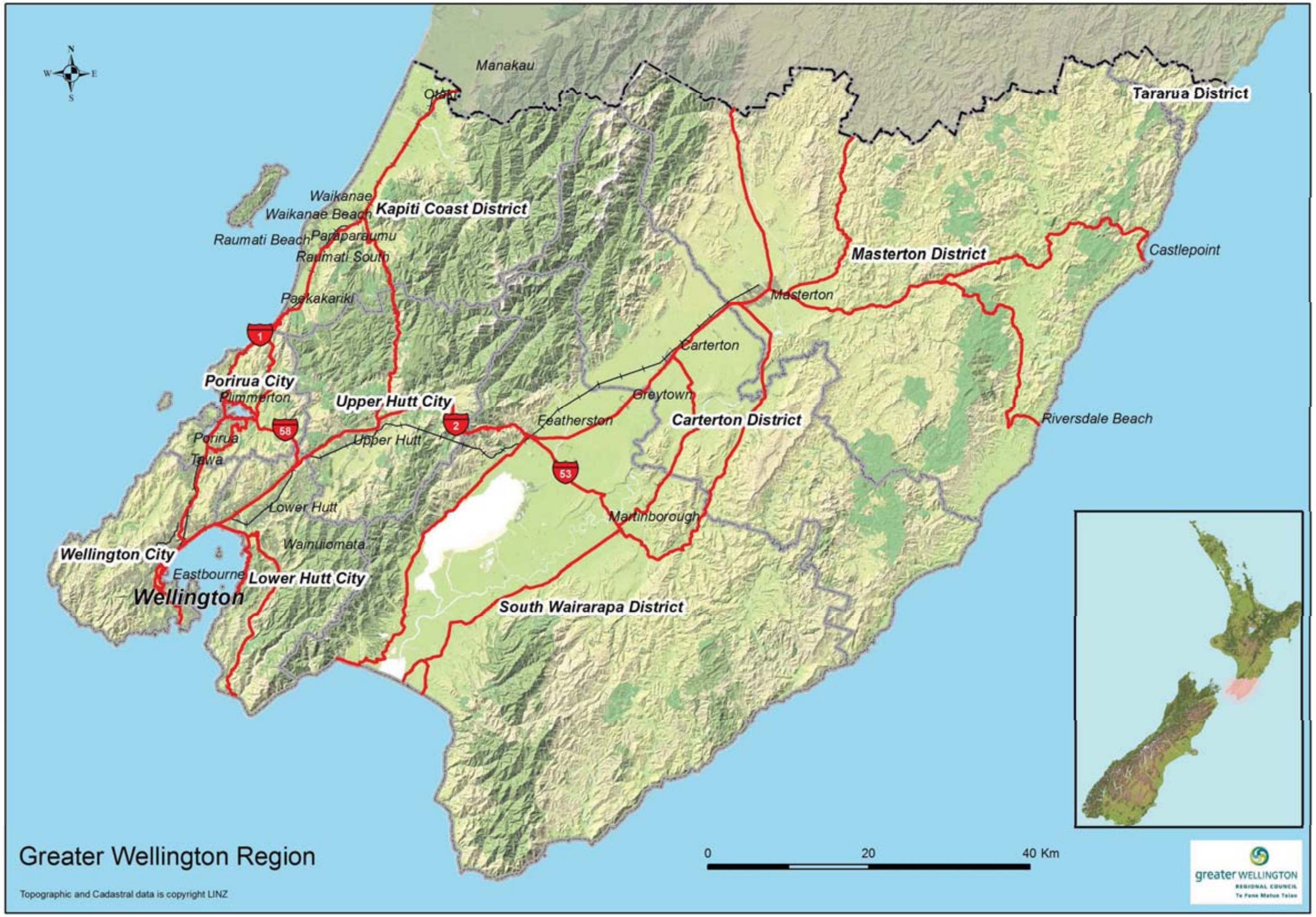
## SECTION ONE – Overview

### Regional Map



## What is this document?

This document contains the supporting information to Shape Your Region – a consultation document for the Greater Wellington Regional Council (GWRC) 10 Year Plan 2015-25.

The purpose of the 10 Year Plan is to describe the proposed activities of the Regional Council and provide a long term direction for decisions, programmes and projects.

This document contains important information including:

- Key issues for the region
- Community Outcomes
- 10 year Financial Strategy
- 30 year Infrastructure Strategy
- Proposed activities
- Funding
- Council Controlled Organisations

It also contains the following GWRC policies:

- Significance and Engagement Policy
- Draft Revenue and Financing Policy
- Treasury Risk Management Policy
- Draft Rates Remission and Postponement Policy

### How to provide feedback

The consultation document Shape Your Region is available in council offices, libraries and information centres across the Wellington region. This document outlines the important issues facing the Wellington region and the GWRC proposals to address them. A hardcopy submission form is included at the back of this document. Alternatively an online submission form and details of consultation events are available on our website:

http://www.gw.govt.nz/have-your-say

### What happens next?

Following the engagement and consultation process a final 10 Year Plan will be prepared. This will be adopted by the GWRC before July 2015.

## Role of Greater Wellington Regional Council

Greater Wellington Regional Council (GWRC) is responsible for a wide range of activities and makes a significant contribution to the overall wellbeing of the Wellington region.

GWRC operates in the following key areas:

- Provision and management of regional infrastructure and services – flood protection assets that protect urban populations and productive rural land; a secure supply of safe, high-quality water; managing regional parks; managing harbour navigation and safety; as well as planning, procuring and funding public transport services and owning the train fleet
- Sustainable management of natural resources (land, air, biodiversity and water) and control of pests to protect the resources on which our primary sector and export economy and quality of life are based
- Strategic planning for the region – delivered through statutory instruments, such as the Regional Policy Statement, the Regional Land Transport Plan and the Regional Pest Management Strategy and also non-statutory instruments such as the Wellington Regional Strategy – the region's sustainable economic growth strategy

The GWRC is guided by legislation, including the Local Government Act 2002 (LGA) which directs local authorities to meet the current and future needs of communities for good-quality infrastructure, services and performance of regulatory functions, in a way that is most cost-effective for households and businesses. The LGA also requires local authorities to be accountable and to ensure that their decision-making processes are open to the influence and scrutiny of their communities.

For more detail on the activities of GWRC see SECTION FIVE in this document. SECTION FIVE also contains information on the process of possible reorganisation of local government in the Wellington region.

### GWRC Purpose

Enriching life in the Wellington region by building resilient, connected and prosperous communities, protecting and enhancing our natural assets, and inspiring pride in what makes us unique.

## Relationship with Iwi

GWRC has established and maintains relationships with tangata whenua, who are recognised as mana whenua and kaitiaki of the region.

GWRC's relationship with tangata whenua is guided by the LGA and the Resource Management Act 1991. These Acts require GWRC to give effect to the relationship described in the Treaty of Waitangi and include recognising cultural, intellectual and physical property, and the provision of opportunities and resources that enable Māori to participate in regional decision making.

GWRC's iwi partners are as follows:

- Ngati Kahungunu ki Wairarapa –represented by Ngāti Kahungunu ki WairarapaTrust
- Rangitane o Wairarapa - represented by Rangitāne ō Wairarapa Inc
- Ngati Raukawa ki te Tonga - represented by Ngā Hapū ō Ōtaki
- Te Atiawa ki Whakarongotai - represented by Ati Awa ki Whakarongotai Charitable Trust
- Ngati Toa Rangatira - represented by Te Rūnanga o Toa Rangātira Inc
- Taranaki Whanui ki te Upoko o te Ika a Maui - represented by Port Nicholson Block Settlement Trust.

### Ara Tahi

Ara Tahi is a leadership forum of the six mana whenua groups and GWRC. Ara Tahi was established in 1993 initially as a Māori advisory group and in the last four years has focused more on strategic matters of mutual concern.

### Memorandum of Partnership

Ara Tahi was instrumental in the development of the Memorandum of Partnership – an agreement that outlines how mana whenua and GWRC work together. The Memorandum of Partnership is built on and replaces the Charter of Understanding (1993, revised 2000) and establishes a structural and operational relationship between the Council and mana whenua, in the context of the Treaty of Waitangi, Te Tiriti o Waitangi and the legislation which gives functions, duties and powers to the Council.

For more detail on committees, projects and co-management groups see SECTION FIVE Regional Leadership - 'Relationships with Māori' in this document.

## GWRC Community Outcomes

The GWRC community outcomes represent the outcomes that GWRC aims to achieve in meeting the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions.

GWRC aims to improve the quality of life of residents by contributing to the achievement of the following outcomes:

| GWRC Activity Groups | **Strong Economy**<br>A thriving and diverse economy supported by high quality infrastructure that retains and grows businesses and employment | **Connected Community**<br>People are able to move around the region efficiently and communications networks are effective and accessible | **Resilient Community**<br>A regional community that plans for the future, adapts to climate change and other change, and is prepared for emergencies | **Healthy environment**<br>An environment with clean air, fresh water, healthy soils and diverse ecosystems that supports community needs | **Engaged community**<br>People participate in shaping the region's future , take pride in the region, value the region's urban and rural landscapes, and enjoy the region's amenities |
|---|---|---|---|---|---|
| **Regional Leadership** | ✔ | ✔ | ✔ | ✔ | ✔ |
| **Public Transport** | ✔ | ✔ | | ✔ | |
| **Water Supply** | ✔ | | ✔ | ✔ | |
| **Environment** | ✔ | | | ✔ | ✔ |
| **Flood protection and control works** | ✔ | | ✔ | ✔ | ✔ |
| **Parks** | | | | ✔ | ✔ |

The ways that our activities contribute to each of the outcomes is detailed further in the activity group sections.

## Measuring progress towards GWRC Community Outcomes

Community outcome indicators provide a long-term picture of whether we are generally progressing in the right direction towards these outcomes.

The Wellington Region Genuine Progress Index (GPI) provides a useful way to measure the region's well-being, by counting beneficial activities as positive, harmful activities as negative, and provides a systematic way to integrate economic issues with environmental, social and cultural concerns. We have identified a number of individual indicators from the GPI as well as several combined indices that are closely aligned with GWRC's community outcomes, and intend to use these where possible to show long-term progress in the right direction towards these outcomes.

The GPI and its indicators are currently being updated and the final indicator framework will await the conclusion of this review.

## The regional context

The Wellington region covers 8,111km2 of the lower North Island. The northern boundary extends from north of Otaki on the west coast across north of Castlepoint on the east coast. The region also includes a coastal marine area of 7,867km2 with almost 500km of coastline.

Planning for the next 10 years requires a view on the challenges and opportunities that the region will face and how these might affect the work of GWRC. Some of these existing and emerging challenges and opportunities are outlined below.

### Environment and Resilience

Environmental challenges facing the region are significant. For the Wellington region, these relate to the physical environment in which we live and the additional pressures being faced as a result of climate change and changing land uses:

- The need for the region to be prepared for a large hazard event is vital due to the high earthquake risk. The range of hazards that could occur from a magnitude 7.5 event on the Wellington Fault include fault rupture, liquefaction, landslides, land subduction, flooding and tsunami. These will affect all parts of the region. GWRC plays a fundamental role in both reducing the potential impacts and responding to such events.
- The Wellington region, like many in New Zealand, is facing increasing pressure on soil and water resources. The complex and interrelated nature of water and land management issues, combined with legal requirements, require innovative thinking, strong science-based knowledge and collaborative solutions.
- The proximity of our urban areas to the coast and the location of much of the region's key transport and other infrastructure at or near sea level, means we need to plan well and adapt to cope with sea level rise. The region will face some hard decisions associated with sea level rise and climate change. Decision-making, planning and asset management will need to be co-ordinated at both a local and regional level to ensure the region is resilient to these changes.

### Demographic Change

The region's population is undergoing significant change, creating some challenging circumstances for local government in the future[1]. Demographic analysis shows that some areas of the region will experience continued steady population growth whilst others will see little change or even some decline over the next 30 years. The population mix will also change to one of an increasingly aging population, which will affect the numbers actively working. The services that local government provides will need to adapt to these changing trends.

### Economic Patterns

In economic terms the region has performed relatively poorly over recent years compared to the rest of New Zealand, particularly in terms of economic activity, the labour market and productivity[2]. This has occurred despite the region having significant strengths based around knowledge industries (e.g. information communications and technology, finance and

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[1] Greater Wellington Socio-Demographic Profile 1986-2031. Professor Natalie Jackson, National Institute of Demographic and Economic Analysis, University of Waikato, 2012.
[2] 2012 Wellington Region Annual Economic Profile, Infometrics Ltd, 2012

insurance, business services, tertiary education and research) and Wellington's role as the national capital.

The continued growth of online commerce may well change the shape and functions of our urban areas, particularly town centres which rely on a concentration of retail stores and offices. This could also influence our travel patterns.

Debt continues to be an important consideration for local government – the past availability of cheap loans plus ever increasing expectations and demands on local government have led to a growing reliance on future generations to pay for new infrastructure and services. In response, we are now seeing pressure for local government to keep rates and debt low. Affordability continues to be a major consideration in all aspects of our business.

Increasing resource scarcity will be an important consideration for the region in the future. The region is already facing issues with water availability, and reliance on fossil fuels will likely place increasing demands on local government to reduce its carbon footprint and look to more environmentally sustainable and cost effective solutions.

## Transport Connections

Despite the continued expansion of online connectivity, there is also a strong community desire to be better physically connected. Moving goods as part of our economic activity also requires good transport connections.

The Government has ambitious plans to improve the strategic road network as part of the Roads of National Significance programme. This includes projects such as: Transmission Gully Motorway, Mackays to Peka Peka Expressway as well as a number of proposed improvements to the state highway through the centre of Wellington. GWRC also has significant proposals to improve the public transport system, including both rail and bus. These projects require significant investment from both national taxpayers, regional ratepayers and fare payers, and will require environmental and social impacts to be carefully managed. Once in place they will transform how people and goods travel around the region, opening up new opportunities for economic and urban development.

## Key issues and our proposed responses

Taking account of the challenges and opportunities outlined above, we have identified four key issues for the Wellington region over the next 10 years. These are outlined below along with our proposals for addressing them.

The project packages bring together proposals to improve the levels of service we provide, meet community expectations or enhance our infrastructure assets. These incorporate both new ideas and proposals we have already consulted on and agreed, but not substantially commenced. They highlight what GWRC believes is the preferred approach and level of investment for the next 10 years. In some cases, the project packages address more than one of the key issues we've identified.

Overlaying all of these issues is that of affordability – the ability and willingness of the community to pay for services. This is considered in the context of each project package and in overall terms as part of our financial strategy.

## Investing in regional infrastructure

Planning, providing and managing key infrastructure, including bulk drinking water, protecting communities through flood protection schemes, and running our public transport network are all critical to the success of the regional economy. However the cost of investing in good quality infrastructure is significant and affordability for ratepayers is an important consideration.

We have developed two project packages to enhance our regional infrastructure to address this. Both packages continue our existing activities and our planned programme of investment but with some enhancement to the levels of service we provide to the community.

### Package 1: Public transport Infrastructure

GWRC is responsible for planning and funding the Metlink public transport network. We contract companies to run the train, bus and ferry services on our behalf. We also own and maintain parts of the network, including trains and railway stations. In the last few years we've invested significantly in our Metlink public transport network, including the purchase of new Matangi trains. This package brings together a range of proposed improvements to public transport infrastructure to increase service levels.

We plan to increase investment in the bus network and infrastructure. The additional investment will enable us to improve the quality of existing bus shelters, accelerate the programme of new bus shelter installations, and improve signage. We also plan to encourage cycling through the installation of bike racks on buses. We'll be implementing a new bus network in Wellington City and replacing trolley buses with a fleet of new Hybrid buses.

We plan to continue to improve rail services by increasing the frequency of peak services from the busiest stations and improving the journey times from the outer stations on the electrified network from 2019/20.

We also plan to refurbish the train carriages used on the Wairarapa line from 2016 to 2021. We will be working with KiwiRail over the next 10 years to improve the capacity and robustness of the rail network through projects such as double tracking between Trentham and Upper Hutt[3]. We

[3] This is funded through the Government rather than by regional rates

are also planning to increase investment in park and ride car parks to encourage commuters to get out of their cars and use public transport.

Much of this package has already been consulted on through the Regional Public Transport Plan adopted in 2014.

*Cost*: This package has a capital cost of $29 million, which would be funded through borrowing. Total operating expenditure is forecast to be $78 million over the 10 years. This would translate to additional rates of $0.15 million in 2015/16 and averaging $5 million per year over the next 10 years.

*Funding*: GWRC's share of the capital costs would be funded by borrowing, with interest and principal paid back over time through targeted rates. Government co-funding is available for around 50% of the total cost through the New Zealand Transport Agency. Upgrade of the rail network would be funded through KiwiRail.

We're also proposing to review the way we fund the rates share of public transport. Currently we use a targeted rate, which differs between each city and district depending on the numbers of transport users and their travel patterns. This review will take place in 2015 and any changes will flow through into subsequent annual plans.

**Package 2: Protecting Communities from Flood Risk**

A major flood has the potential to significantly affect large parts of the region and cause millions of dollars of damage. GWRC works with communities to manage flood risk from the region's rivers and streams. We manage floodplain management plans, maintain and build flood protection works, work with the community to improve the environment and provide advice on flood risk.

We'll be continuing to improve the resilience of our communities to flooding, as well as helping people to plan ahead and respond to floods. Much of what we plan to do has been already discussed and agreed with the community; however we have updated our programme, which has changed some of the timing and cost of works.

Over the next 10 years we aim to develop and update floodplain management plans for the Upper Ruamahanga, Waiohine, Waiwhetu, Pinehaven, Mangaroa, Wainuiomata, Otaki and Hutt catchments and the Lower Wairarapa Valley Development Scheme area.

We also plan to build a number of new or upgraded flood stopbanks to reduce risks, including significant works in the Hutt City Centre, Waiwhetu, Upper Ruamahanga and Lower Wairarapa Valley Development Scheme areas. Additional funding will also be provided for floodplain works to protect isolated settlements and improve maintenance.

*Cost*: This package has a capital cost of $53 million over the next 10 years. Total operating expenditure is forecast to be $17 million over the next 10 years. This would translate to additional rates of $0.42 million in 2015/16 and averaging $2.7 million per year over the next 10 years.

*Funding*: Capital costs would be funded by borrowing, with interest and principal paid back over time through rates. Operating costs will be funded through general and targeted rates.

## Growing public transport patronage and people walking and cycling

Investment in improved infrastructure, transport services and marketing to potential users is all critical if we are to meet our targets for increasing public transport users and improving take-up of active transport such as walking, cycling, running, scootering etc. Active transport contributes to reducing congestion on our roads, assisting economic growth, reducing vehicle emissions, improving road safety and promoting public health. We have developed two project packages to address this.

### Package 3: Getting more people on public transport

GWRC is responsible for planning and funding the Metlink public transport network. Part of our role is to encourage more people to use public transport. This reduces congestion on our roads, reduces transport emisions and makes public transport services more cost-effective. This package brings together our major initiatives to increase public transport use in line with the targets in the Regional Land Transport Plan (around an overall 15% increase in trips over the next 10 years).

A new integrated electronic ticketing system, to be introduced from 2017/18, will enable travellers to use just one ticket on all Metlink public transport and allow free transfers between all services. We're planning to offer fare discounts for all children and off-peak travel, as well as capped fares. Improved passenger information will be provided through new online products and a better customer service centre. These projects have already been consulted on through the Regional Public Transport Plan adopted in 2014.

Additional wheelchair hoists will be installed in taxi vans to meet demand for the Total Mobility Scheme. This Scheme assists people with impairments that mean they can't use public transport.

*Cost*: This package has a capital cost of $53 million over the next 10 years. Total operating expenditure is forecast to be $81 million over the 10 years. This would translate to additional rates of $0.29 million in 2015/16 and averaging $6.7 million per year over the next 10 years.

*Funding*: Government co-funding would be available for around 50% of the total cost. GWRC's share of the capital costs would be funded by borrowing, with interest and principal paid back over time through targeted rates. Operating costs will be funded through targeted rates.

### Package 4: Getting out and about (walking, cycling, running, scootering)

GWRC provides regional coordination and delivery of programmes aimed at getting more people walking, cycling, carpooling and using public transport. We also promote road safety. Getting people out of their cars and onto their feet or bikes is important for reducing congestion on our roads, reducing emissions and improving health.

The Regional Land Transport Plan aims to increase journey to work trips for walking and cycling by 17% by 2025. To help meet this target we are planning to increase our promotional activities, behaviour change programmes, road safety programmes, and skills training activities. These are delivered in collaboration with other local authorities, schools, NZ Police, and the NZ Transport Agency.

Also, along with local councils and the Government, we'll contribute to building a new walking and cycling link between Wellington and the Hutt, reflecting the regional importance of completing and improving this strategic link.

*Cost:* This package has a total operating expenditure forecast to be $4.8 million over the 10 years. This would translate to additional rates of $0.23 million in 2015/16 growing to an average of $0.24 million per year over the next 10 years.

*Funding:* Costs will be funded through general rates. Government co-funding would be available for around 50% of the total cost.

## Making sure we can cope in emergencies

The Wellington region is particularly vulnerable to earthquakes, tsunamis, major storms, floods and landslips. Climate change is expected to increase the frequency and intensity of storms as well as increase flood risk through sea level rise. Our infrastructure needs to be able to cope and bounce back after a major emergency.

### Package 5: Keeping the water flowing

Working through Wellington Water[4], we are responsible for collecting, treating and distributing bulk water to the Wellington City Council, Hutt City Council, Upper Hutt City Council and Porirua City Council.

Whilst we are not planning to change the day-to-day level of service we provide our customers, we are proposing a number of new linked projects to provide additional water following a major emergency. These aim to provide up to 20 litres of water per person (for up to 40 days) to those parts of the region most at risk from a break to the bulk water pipes- Wellington and Porirua. Without this it is likely that households would be without water following a major emergency.

The projects include a cross-harbour pipeline linking the Hutt to Wellington City (further investigation in 2015 and 2016 and construction from 2017) and an emergency storage lake at Takapu Road to supply Porirua and northern Wellington (proposed to start in 2018).

To ensure the bulk water pipes can be repaired and replaced quickly after a major event like an earthquake, we'll boost our self-insurance fund as this is more cost-effective than paying for commercial insurance.

Recent studies have shown that we also need to renew some of the wells to the aquifer that supplies the Waterloo treatment plant. This is due to happen over the next 10+ years.

*Cost:* This package has a capital cost of $126 million over the next 10 years. Total operating expenditure, including finance costs and debt repayment is forecast to be $56 million over the 10 years. This would translate to additional levy of $0.3 million in 2015/16 growing to an average of $5.2 million per year over the next 10 years.

*Funding:* Capital costs would be funded by borrowing, with interest and principal paid back over time through the water levy. Operating costs will be funded through the water levy.

*Note: Package 2: Protecting communities from flood risk also helps to address this issue.*

[4] Wellington Water is a council-owned water management company, formed in September 2014 by GWRC and the Hutt, Porirua, Upper Hutt and Wellington city councils, to deliver drinking water, wastewater and storm-water services.

## Keeping our environment clean

The Government's national policy statement on freshwater requires renewed focus on maintaining and improving water quality in our rivers, lakes and sea. In the Wellington region our waterways are under pressure from more urban and rural development. There are issues around soil erosion in our hill country areas, and pest plants and animals are a problem around the region.

### Package 6: Environment and water quality

GWRC is responsible for regulating the use of the region's natural resources. We do this through policies, plans and consents, helping the community manage and restore ecosystems and manage land sustainably. We monitor and report on the state of the environment, manage pest plants and animals and provide a pollution response service. We'll enhance our possum control programmes to cover more parts of the region and grow the educational programme we help fund in schools through Enviroschools.

We have already committed to establishing catchment (Whaitua) committees for each of our five primary catchments in the region. The committees will recommend how water quality should be managed based on new scientific research and models. As part of this package we are now proposing to accelerate work in this area to enable the committees to complete their work faster.

We also propose to expand and improve our partnership programmes with farmers and landowners through the preparation of additional Farm Environment Plans and Riparian/Wetland Plans including the catchments around Wairarapa Moana and Porirua Harbour. These plans aim to improve water quality and biodiversity through managing erosion prone soils, nutrients and fencing and planting along waterways.

This package responds to the requirements of the Government's new Freshwater Quality National Policy Statement and will see GWRC take a strong leadership role in ensuring improved water quality across the region.

*Cost:* This package has a total operating expenditure forecast to be $26 million over the 10 years. This would translate to additional rates of $2.1 million in 2015/16 growing to an average of $2.6 million per year over the next 10 years.

*Funding:* Costs will be funded through general and targeted rates, landowner contributions, contributions from other local authorities and Government co-funding.

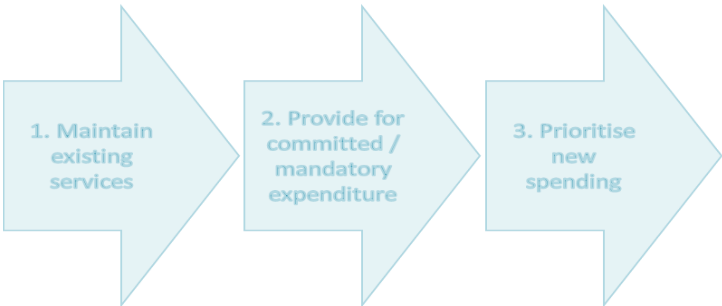
# SECTION TWO - Financial Strategy

## Scope and principles

This Strategy sets out how GWRC is proposing to manage its finances over the next 10 year period.  The key focus areas for the council are investing in regional infrastructure, growing public transport patronage and active travel modes, improving resilience of core infrastructure, and maintaining and improving the quality of our environment.

While financing the planned large infrastructure projects and programmes, we will be focused on balancing affordability with community expectations and equity of costs over (and beyond) our long-term planning timeframes.

## Approach




In reviewing our financial position and strategy, we firstly considered and provided for the provision of existing services, based on maintaining the most current asset and activity plan information. Planning assumptions for 2015-25 and beyond, including expected population and other change are set out in Section Seven.  We propose to continue to undertake our current activities at a similar level of service over the next 10 years.

Secondly, we provided for committed expenditure and funding of the long-term programmes already underway to improve and maintain our essential regional infrastructure.  This includes financing replacement rail rolling stock with an additional 35 two car Matangi Electrical Multiple Units (EMU) to join the other 48 recently purchased Matangi units.

Thirdly, we established what affordable financial capacity is considered appropriate (if any) that could be applied to fund prioritised new spending, either to meet additional demands for service or improve service levels. The proposed enhanced service levels are detailed in the relevant activity group section of the long-term plan.

The majority of our capital investment will be funded through debt, which will be paid back over an appropriate time period for the underlying asset. GWRC is in a strong financial position with a long term AA rating from Standard & Poor's with a stable outlook. This enables the Council to raise funds at very competitive rates. Current debt levels are relatively low but are forecasted to grow over the next 10 years to finance the capital investment programme. Debt levels are forecast to remain within financial covenants.

## Financial Principles

To ensure that we are focused on providing good value for ratepayers' investment by delivering the right services at the best cost, we base our decisions on the following five principles:

- Financial prudence (not taking undue risks)
- Meeting our statutory requirements (we are required to undertake certain functions under various legislation)
- Ensuring fairness across generations (by spreading the cost of major capital over a number of years)
- Transparency (through providing information on options and choices to the community)
- Value for money (by delivering the right services at the best cost).

## Operating Expenditure

Projected operating expenditure and revenue is set at a level that will achieve and maintain planned levels of service, including estimated expenses associated with maintaining the service capacity of assets throughout their useful life.

Over the life of the Long-Term Plan operating expenditure and debt repayments are expected to increase from $230 million to $490 million per year. This includes an estimated $98 million for inflation increases by 2024/25.

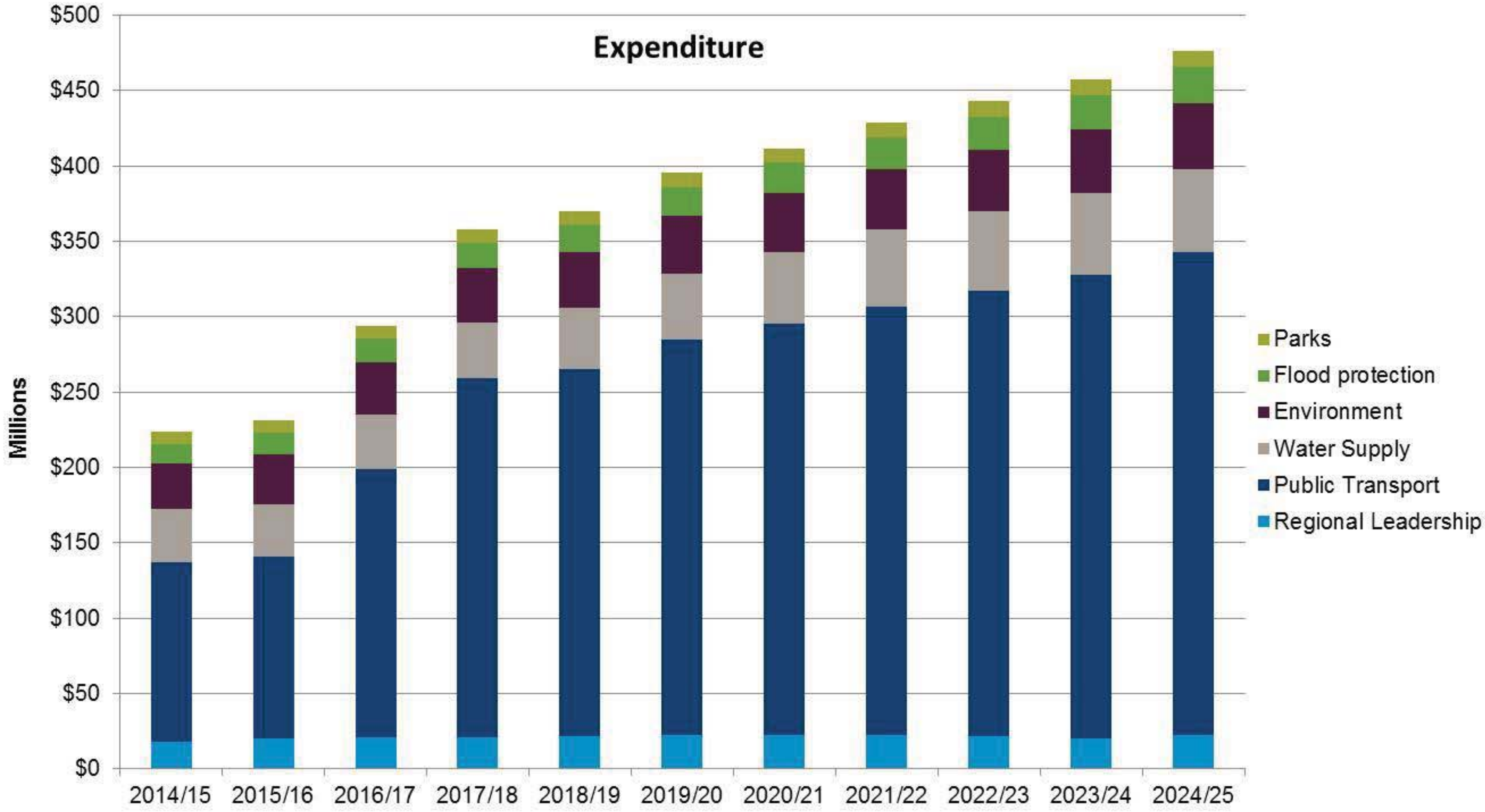
From 2017/18 onwards GWRC will be collecting all public transport fare revenue. This will increase both income and expenditure. Currently the bus operators collect the revenue and receive a subsidy to run their services (see the chart of operating expenditure below).

GWRC's strategy is to fund its operating expenditure out of operating revenue. Rates and levies are set at a level to ensure that GWRC achieves this objective.

There may be circumstances where GWRC will fund operating expenditure from sources other than its operating revenue. These will be considered on a case by case basis and will be detailed in the Revenue and Financing Policy. An example of this is where Government funding is provided for programmes such as Total Mobility.

In order to promote intergenerational equity, rates will only fund debt repayment and finance costs. GWRC will not rate the community to fund depreciation or impairment of assets. This plan includes operating expenditure of $3.8 billion over the 10-year period.

The below graph provides a 10 year view of operating expenditure for each of the Council's activity groups. The large increase in Public Transport in 2017/18 reflects the change in how public transport payments are made, and the growth in expenditure over time reflects investment in capital expenditure.


Expenditure
Millions
$500
$450
$400
$350
$300
$250
$200
$150
$100
$50
$0
2014/15
2015/16
2016/17
2017/18
2018/19
2019/20
2020/21
2021/22
2022/23
2023/24
2024/25
Parks
Flood protection
Environment
Water Supply
Public Transport
Regional Leadership

# Capital Expenditure

This plan includes operational capital expenditure of $750 million for 2015-25. The major capital projects we propose to invest in are:

## Public Transport

- 35 new Matangi two car electric trains
- Matangi heavy maintenance
- Integrated fares and ticketing
- Bus infrastructure
- Rail infrastructure
- Real time information system renewal

## Water Supply

- Cross harbour pipeline
- Wainuiomata pipeline replacement
- Kaitoke pipeline replacement
- Waterloo wells replacement
- Haywards pump station refurbishment
- Takapu emergency storage lake
- Kaitoke main and Porirua branch resilience upgrades

## Flood protection and control works

- Hutt River City Centre project
- Environmental Strategy implementation to progress environmental enhancement works in Hutt, Otaki and Waikanae rivers
- Waiohine Floodplain Management Plan implementation
- Te Kāuru - Upper Ruamahanga Floodplain Management Plan implementation
- Lower Ruamahanga Floodplain Management Plan development

## Environment

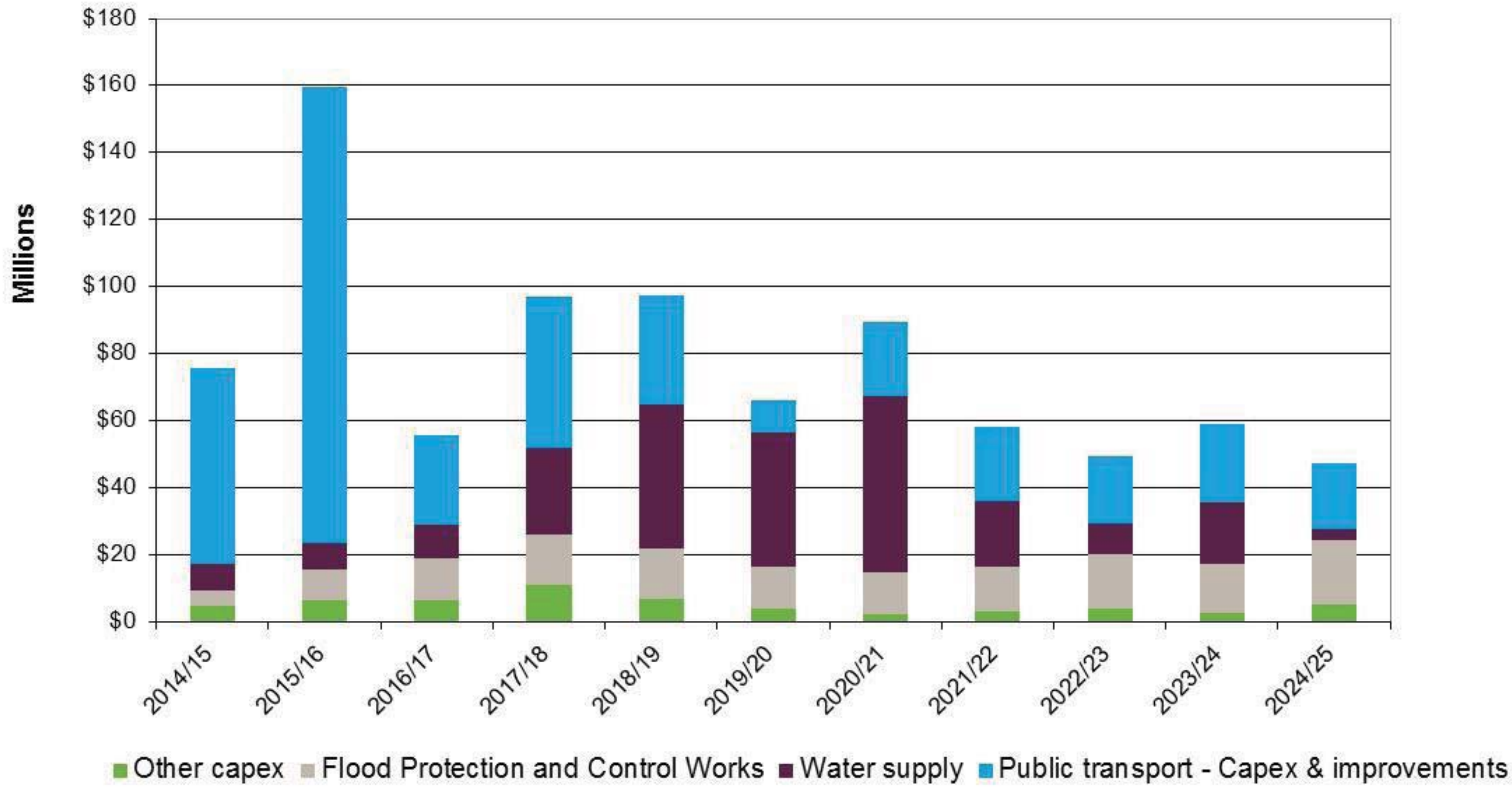
- Wairarapa Water Use feasibility study

## Parks

- Belmont Regional Park improvements
- East Harbour Regional Park
- Queen Elizabeth Park Heritage Precinct

The above programme of capital projects primarily drives the proposed rates increases. The two graphs below show the 10-year horizon for expenditure, net debt, and resulting rates and levy increases required (refer to Section four on significant assumptions and risks to see the inflation rates used). The capital expenditure and transport improvements graph shows the relative expenditure between the activity areas over time. The large spike in public transport in 2015/16 relates to the purchase of the second set of 35 Matangi trains.

## Capital expenditure and transport improvements



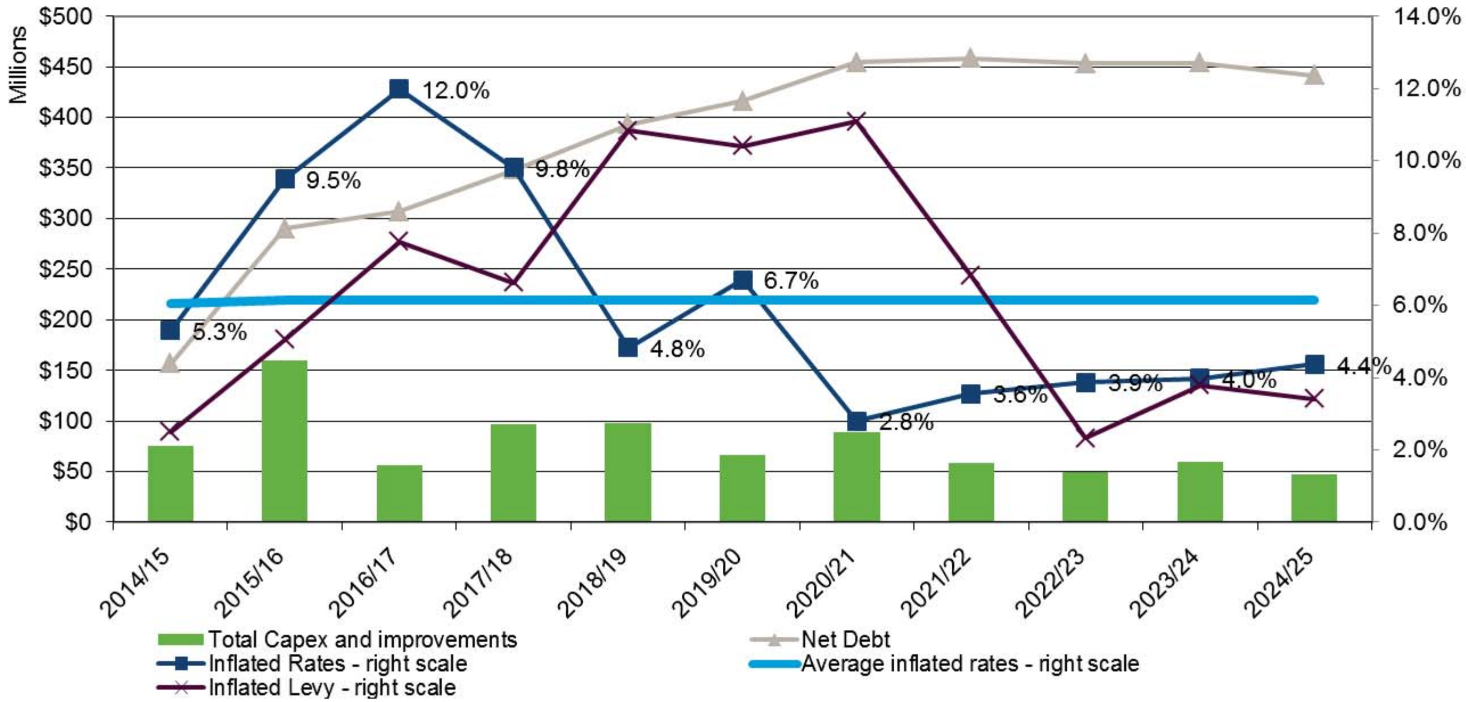
The capital expenditure (including transport investments), rates, levy and net debt graph below shows the capital expenditure and debt on the left hand legend and the rates percentage increase on the right. Capital expenditure drives both the cumulative net debt increase and requirements for rates increases.

This expenditure is funded by rates and levy whose annual increases reduce over time as capital expenditure declines.

The rates and levy and the capital expenditure are in inflated dollars which is a more likely representation of how the dollars will look over time.

This capital expenditure is financed by debt which increases over time and then plateaus. This drives the rate increases which are funding the debt interest and principal repayment.

**Capital expenditure (including transport investments), rates, levy and net debt**



## Revenue

GWRC is in a strong financial position as evidenced by its AA credit rating. We have a number of sources for funding the delivery of services and investment in infrastructure.

The main sources of revenue for GWRC are rates (general and targeted), levies (for water) and government grants. Dividends and investment income are relatively small but important contributors to total income.

GWRC's strategy is to primarily fund capital expenditure from borrowings, proceeds from asset sales and the use of reserves (sources other than operating revenue). However, operating revenue will be used to fund interest on the debt as well as the repayment of debt principal.

GWRC has large infrastructural assets with long economic lives that yield long-term benefits (particularly water supply, flood protection and rail rolling stock). We also have strategic investment holdings. The use of debt is seen as an appropriate and efficient mechanism for promoting intergenerational equity between current and future ratepayers in relation to GWRC's assets and investments.

For example the second set of 35 Matangi two-car Electric Multiple Units will be funded by borrowings. The borrowings are scheduled to be repaid roughly 50/50 by the Government and the regional ratepayers over a 25 year period which ensures they are fully funded prior to their replacement being required.

The main source of government subsidies received is for the funding of transport activities through the New Zealand Transport Agency. GWRC also receives a small government subsidy in recognition of the national benefit from its civil defence emergency management activity. Funds are also received from the Ministry for the Environment and Ministry for Primary Industries.

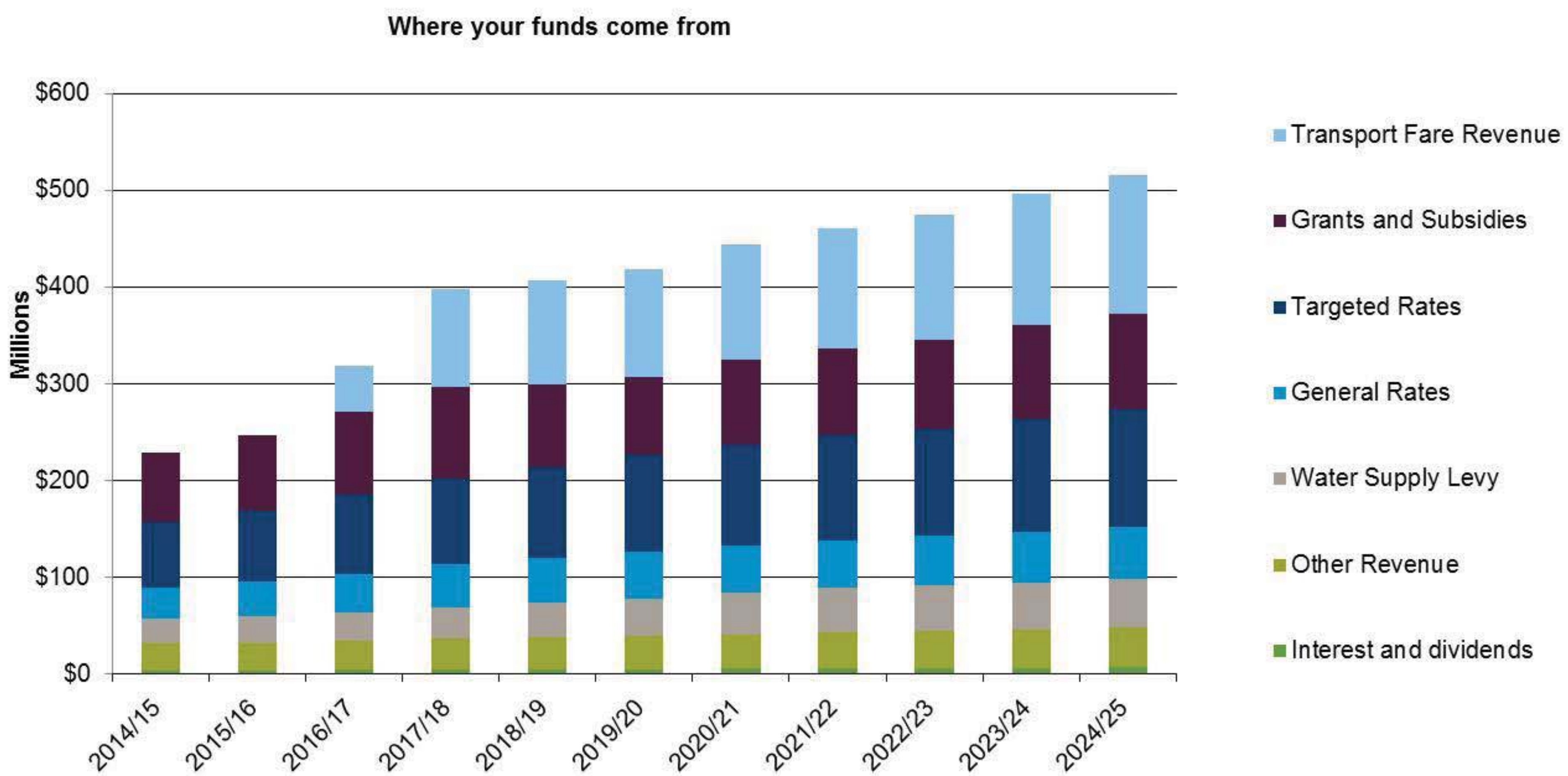
Other revenue in the Environment activity group include consent application and monitoring fees, residential rentals, possum control, soil conservation and grazing rentals.

The Council is introducing the Government's new Public Transport Operating Model (PTOM). This new approach to contracting public transport will begin in 2017 and be fully in place by 2018. The major financial implication of this is the Council will alter its contracting arrangements with its public transport service providers which will see fare revenue being directly collected by Council rather than being collected and retained by the public transport operator.

Transport operator payments will increase significantly to offset this change as evidenced in the operating expenditure chart.

The Council receives dividends from CentrePort and interest on monies it has on deposit for contingency events and general liquidity purposes.

The graph shows the relative split between the revenue categories for each activity area. The large increase in public transport fares in 2016/17 reflect the changes in how revenue is collected from transport service providers. Rates and levies increase over time to fund capital expenditure programme.


Where your funds come from
Millions
$600
$500
$400
$300
$200
$100
$0
2014/15
2015/16
2016/17
2017/18
2018/19
2019/20
2020/21
2021/22
2022/23
2023/24
2024/25
Transport Fare Revenue
Grants and Subsidies
Targeted Rates
General Rates
Water Supply Levy
Other Revenue
Interest and dividends

## Rates and levies

In the past several years, GWRC has kept rates increases well below planned levels in order to mitigate the impacts of the difficult economic environment for ratepayers. We have now reached the stage where a number of capital projects need to be paid for, consequently an increase in rates is required to finance the projects. These increases continue for a number of years as new capital expenditure programmes are rolled out.

The proposed regional rates increase in 2015/16 is 9.8%. This consists of:

- Business as Usual / Existing Services: 1.1%
- Capital commitments already made : 4.8%
- New Projects enhancements to outcomes: 3.9%

The average rates increase over the 10 year period is 6.1% per year, with increases ranging from 2.8% to 12.0%. While the increases appear large in percentage terms, the actual dollar impact on individual rate payers is modest. The average ratepayer in the region currently pays $7.50 per week for GWRC services. This increases to $13.50 per week by 2024/25.

Council proposes the following limits to be applied for total rates and rate increases within the period of the LTP:

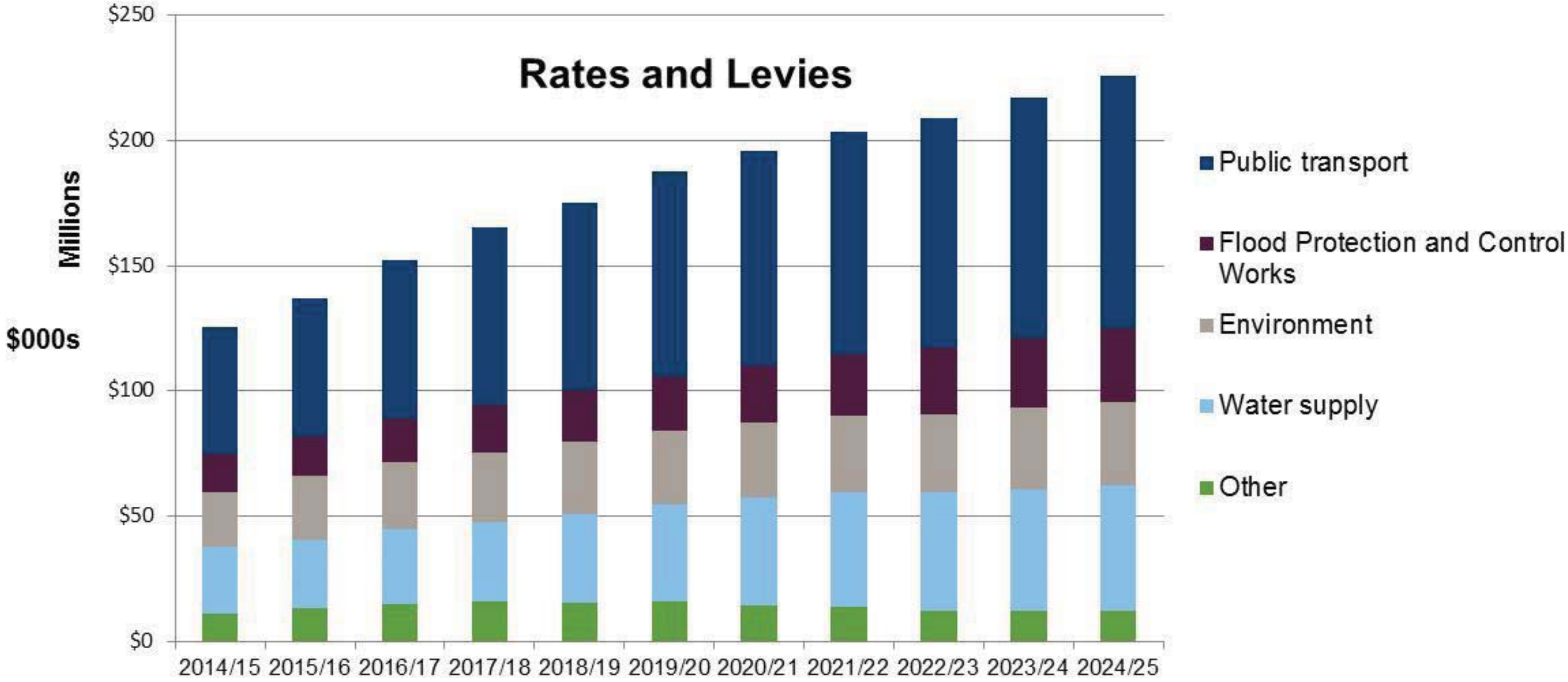
- No more than a 6.5% average increase in total rates per year over the 10 year period with a rates limit of $175.5 million by 2025.
- For existing services the average annual rates increases will be limited to the BERL Local Government Cost Index (this estimates an average cost increase of 3% per annum over 10 years).

### Water Supply Levy

GWRC, via its joint council controlled organisation Wellington Water, delivers bulk water to the metropolitan cities of Wellington, Lower Hutt, Upper Hutt and Porirua. This service is funded via a water levy charged directly to the Councils. This in turn is on charged to their respective rate payers.

The proposed levy increase in 2015/16 is 5.0%. We are planning to increase the levy by an average 7% per year over the 10 year period with increases ranging from 2.3% to 11.1%. The levy increases are mostly driven by the major capital projects including the cross harbour pipeline and Takapu emergency storage lake.

The graph below shows rates and levies over time by activity area. The big drivers are public transport and water supply both driven by capital expenditure.



Rates and Levies
$000s
Millions
$250
$200
$150
$100
$50
$0
2014/15 2015/16 2016/17 2017/18 2018/19 2019/20 2020/21 2021/22 2022/23 2023/24 2024/25
Public transport
Flood Protection and Control Works
Environment
Water supply
Other

## Targeted Investments Returns and Debt

### Internal borrowing

GWRC reviews and sets the interest rates charged in relation to internal borrowing as part of its Long Term Plan process. The rates set will be in line with the forecast long-term weighted average cost of debt, based on advice from GWRC's external treasury advisor. A borrowing premium will be applied, to provide certainty of costs to the business units borrowing. The treasury function will manage all external investment and borrowing activity in accordance with the Treasury Management Policy and the policy parameters detailed in this strategy.

### Working capital funds

In order to ensure that GWRC has access to funds to meet day to day expenditure requirements, working capital funds are held in a combination of on call and term deposit accounts which are administered by treasury staff in accordance with the Treasury Management Policy. When investing these funds, we aim to maximise returns achieved, while ensuring sufficient funds are available to meet cash flow demands.

### Investment funds

GWRC holds a number of cash investments to ensure funds are available in case of emergency and holds significant self-insurance reserves, which help to reduce insurance premium cost.

The medium-term (5 to 10 years) investment policy objective for GWRC investment fund is to achieve an average annual real rate of return in line with expected market norms for the risk levels involved.

### Direct equity investments in Council Controlled Organisations (CCO's) and Council Controlled Trading Organisation (CCTO's)

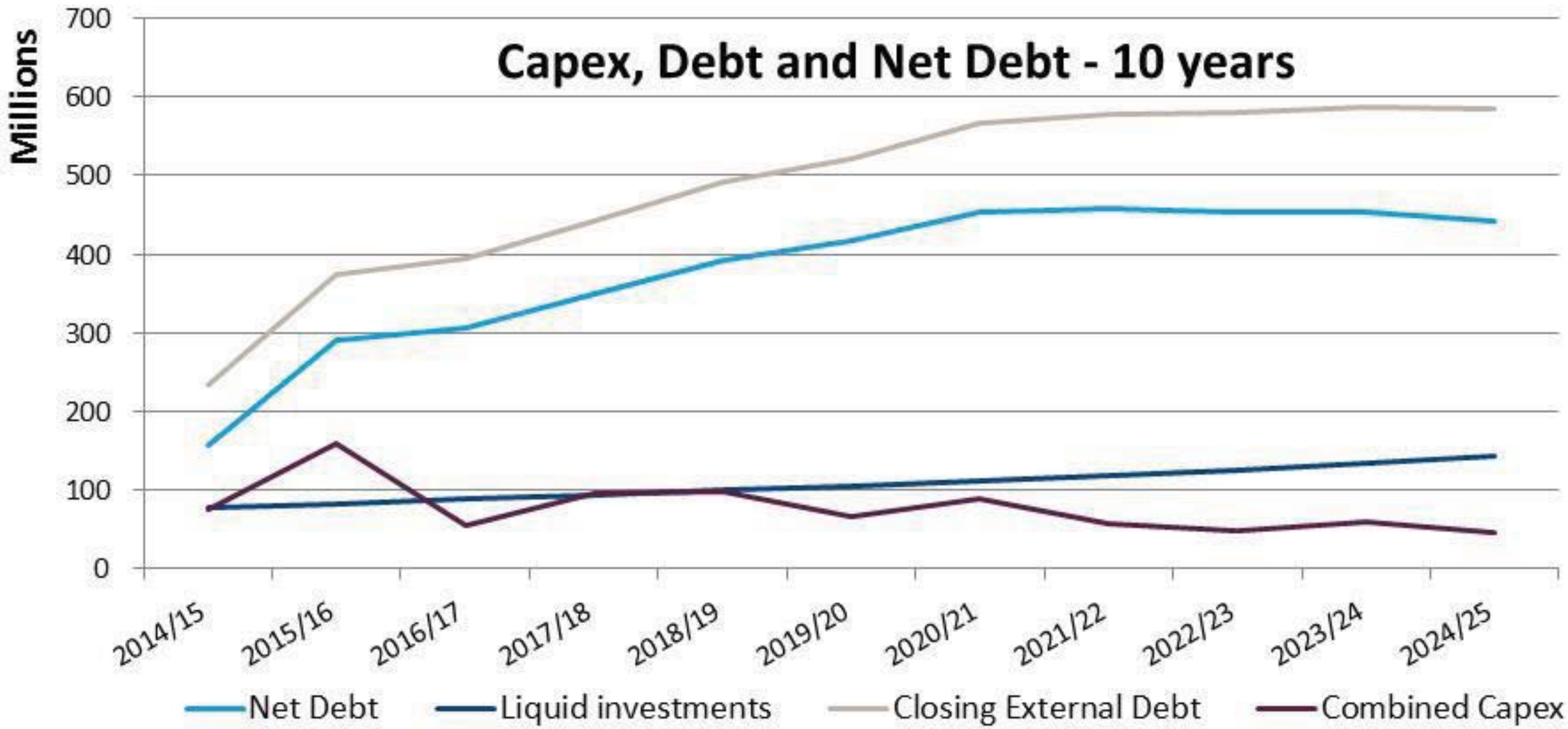
Investments in CCO's and CCTO's are made for strategic purposes consistent with GWRC's 10 year plan and to hold revenue earning investments.

The key objective for GWRC is to ensure that the capital investment made in such entities is protected.

GWRC has strategic investment in Wellington Regional Economic Development Agency Limited and Wellington Water Limited. GWRC is also the majority shareholder of CentrePort which provides an acceptable level of cash return plus an on-going increase in the value of the investment.

GWRC is a founding shareholder of the Local Government Funding Agency (LGFA) for strategic reasons.

The graph shows GWRC's external debt compared to cash investments. Debt increases over time but then levels out as the rate of capital expenditure declines. This is because debt repayments levels are nearing new levels of capital expenditures. Most planned capital expenditure is funded through borrowing, which is paid back over a number of years to ensure fairness across generations. GWRC's net debt is projected to increase from $160 million to $470 million over the life of this Long-Term Plan, but we will remain within sustainable and prudent limits.


Capex, Debt and Net Debt - 10 years
Millions
700
600
500
400
300
200
100
0
2014/15
2015/16
2016/17
2017/18
2018/19
2019/20
2020/21
2021/22
2022/23
2023/24
2024/25
Net Debt
Liquid investments
Closing External Debt
Combined Capex

## External Debt and Borrowing limits

GWRC raises external debt for the following purposes:

- to fund the  capital expenditure programme
- to fund working capital i.e. timing differences between cash inflows and outflows and to maintain appropriate liquidity
- to fund one-off projects e.g., GWRC's involvement in the Wellington Regional Stadium Trust
- to fund other investment activity .e.g. Local Government Funding Agency (LGFA) Shares.

GWRC's Treasury raises funds and lends these on to internal business groups. The business groups borrow for the life of the asset and repay the interest and principal loans over the assets life with funds sourced from rates or levies. This method ensures the users of the assets over time contribute to the asset cost.

GWRC as a founding shareholder and supporter of the LGFA intends to continue sourcing the bulk of it financing from this source as it is currently the most cost effective source of funds.

GWRC's financial covenants with the LGFA are:

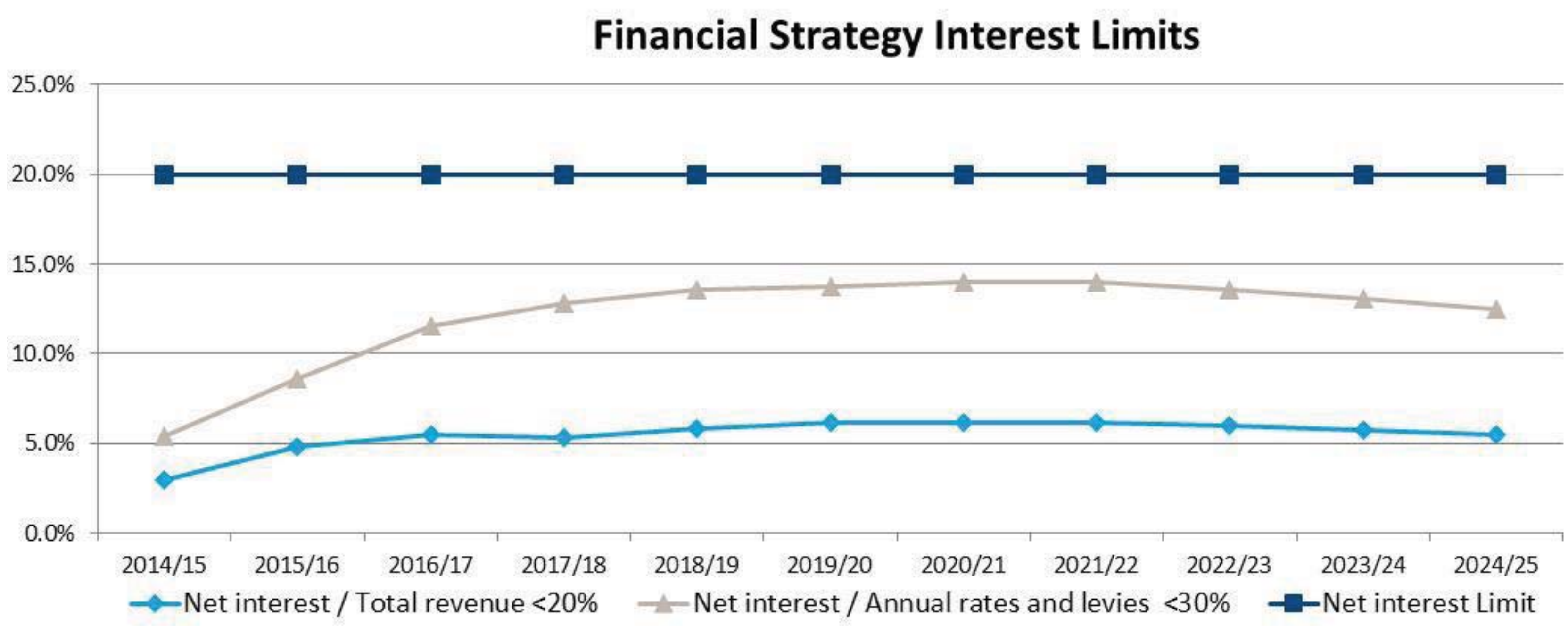
- Net debt/total revenue <250%
- Net interest/total revenue <20%
- Net interest/annual rates and levies <30%
- Liquidity >110%

We have set the following limits on borrowing:

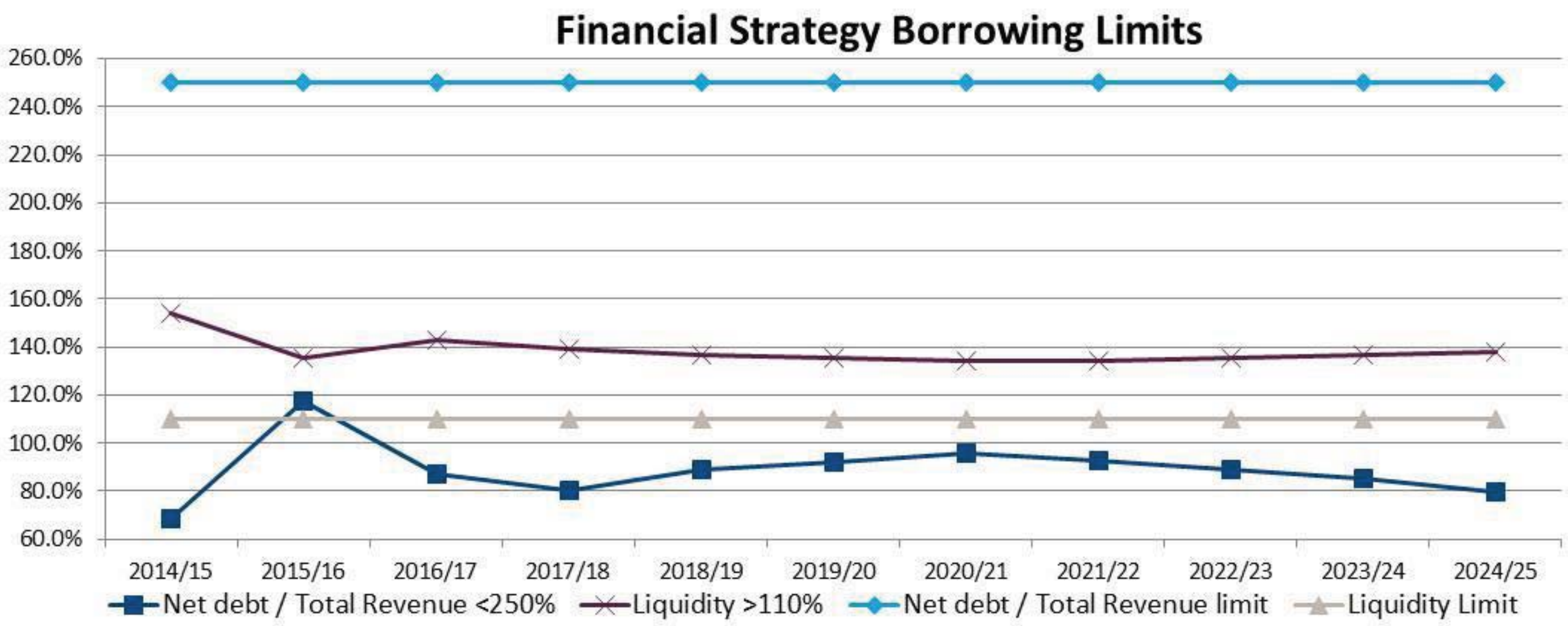
- A maximum external debt level where interest costs are no more than 30% of rates and levy income, occurring within the 10-year period.

The graphs below show the forecast ratios compared to financial limits over the next 10 years. With the forecast level of expenditure GWRC remains within its prudent financial limits, and within the financial covenants set by the LGFA.

GWRC's debt increase is driven by the level of capital expenditure as discussed earlier in this strategy.


Financial Strategy Interest Limits
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
2014/15
2015/16
2016/17
2017/18
2018/19
2019/20
2020/21
2021/22
2022/23
2023/24
2024/25
Net interest / Total revenue <20%
Net interest / Annual rates and levies <30%
Net interest Limit

The financial strategy borrowing limits graph shows the forecast ratios compared to financial limits over the next 10 years. The forecast level of expenditure remains within its prudent financial limits, and within the financial covenants set by the LGFA.



## Policy on the granting of security on borrowing

The Council borrows funds and grants security to its lenders via a Debenture Trust Deed (DTD). The DTD gives the lenders a charge or security over the Council's rates and rates revenue.

A DTD was entered into in 2011 as part of the Council's initiative and requirements to borrow funds from the Local Government Funding Agency (LGFA).

A Trustee has been appointed to act as Trustee under the DTD for the benefit of the lenders, or stock holders.

From time to time, with prior Council approval, security maybe offered by providing a security interest in one or more of Greater Wellington's assets other than its rates and rates revenue. Security interest in physical assets will only be granted when:

- there is a direct relationship between a debt and the purchase or construction of the secured assets which it funds( e.g. through a finance lease, or some form of project finance)
- the Council considers a security interest or security in the physical assets to be appropriate.

In addition, the Council may grant security interests in physical assets where those security interests are leases or retention of the arrangements which arise under the terms of any lease or sale and purchase agreement.

## Objective for holding and managing financial investments and equity securities

GWRC holds a number of cash investments to ensure funds are available in case of emergency and holds significant self-insurance reserves, which help to reduce insurance cost.

GWRC is also the majority shareholder of CentrePort which provides an acceptable level of cash return plus an on-going increase in the value of the investment.

GWRC is a founding shareholder of the holder of the Local Government Funding Agency (LGFA) which has enabled cheaper sourcing of funds for the sector given the economies of scale and at the same time providing a dividend.

# SECTION THREE - Infrastructure Strategy

## Scope and principles

This Infrastructure Strategy forms part of the Long Term Plan (LTP). It is the first Infrastructure Strategy for Greater Wellington Regional Council (GWRC) prepared under section 101B of the Local Government Act 2002.

The purpose of the strategy is to identify:

- the significant infrastructure issues for GWRC over the next 30 years
- the principal options for managing those issues
- the implications of those options.

The strategy covers the following assets owned by GWRC:

- bulk water supply
- flood protection
- public transport

The replacement value of GWRC's infrastructure assets for these three asset groups total $1,315m. We are required by the Act to include water supply and flood protection infrastructure and have chosen to include our public transport infrastructure because of its importance to infrastructure planning for GWRC. A significant proportion of GWRC's expenditure is on public transport (assets as well as operations). The nature of these assets is that they require long term planning, and the assets form part of a strategic region-wide network.

The assets include water treatment plants, aquifer wells, water distribution pipelines, water storage facilities, pump stations, stopbanks, flood walls, detention dams, rail rolling stock, rail stations, overbridges, subways, bus shelters, and land associated with all three asset groups.

GWRC also owns assets in relation to our network of regional parks, our environmental science activities and harbour management functions. We have chosen not to include these asset groups in this Infrastructure Strategy at this time as they are relatively small in scale compared to other GWRC asset groups and there are no major changes expected in the short to medium term. Their inclusion may be considered for further versions of this Infrastructure Strategy.

GWRC prepares Asset Management Plans (AMPs) for each of the asset groups. AMPs contain more detailed information on the the condition, value and performance of our assets. This information is considered to be of a high quality and reliable, and has informed this Infrastructure Strategy.

### Health and safety

GWRC has responsibilities under other legislation (such as the Health and Safety in Employment Act 1992) to ensure the safety of our employees, and the general public. GWRC is responsible for infrastructure that has the potential to harm the general public, and to expose staff, contractors and volunteers to hazards.

All efforts are made to identify and eliminate risk for people using or working with our infrastructure. We also use the opportunities of project planning and design to look at how to incorporate further safety aspects. We have operational health and safety plans in place to avoid or minimise risk.

**Principles**

These principles set out our long term approach to managing our infrastructure assets.

| | |
|---|---|
| **Fit for purpose** | • Provide high quality, cost effective infrastructure<br>• Encourage optimal use of existing infrastructure<br>• Minimise / defer the need for new or replacement infrastructure<br>• Do not defer maintenance<br>• Do not defer renewals<br>• Provide for continuity of service delivery |
| **Resilient** | • Adapt to change<br>• Deal with significant disruption as a result of natural hazards and financial shocks<br>• Adapt to climate change and sea level rise<br>• Protect what we value<br>• Take responsibility for our natural environment<br>• Protect public safety<br>• Protect public assets |

| | |
|---|---|
| **Long term view** | • Consider the long term implications of decisions<br>• Make a long term commitment to infrastructure funding<br>• Ensure no surprises<br>• Consider intergenerational funding equity |
| **Managed risk** | • Transparent<br>• Have a low tolerance for financial risk<br>• Comply with legislation<br>• Have a very low tolerance for risk to water supply quality and quantity |
| **Coordinated** | • Take a regional approach<br>• Co-ordinate infrastructure decisions across GWRC and with other agencies<br>• Integrate management across all networks<br>• Reflect aspirations of the community<br>• Determine levels of service in consultation with the community |

**What these principles mean for each infrastructure asset**

| | |
|---|---|
| **Public transport** | • We provide an effective and efficient integrated public transport network.<br>• We continue to invest in and improve the public transport network.<br>• We aim for a high level of continuity of service delivery. We anticipate some disruptions, but very few significant disruptions. |
| **Water supply** | • We maintain and operate our water supply system to the highest standard consistent with legislative requirements and community expectations.<br>• We are ready to provide additional sources of water when they are needed.<br>• We take the lead in a regional approach to improve resilience.<br>• We aim for a very high level of continuity of service delivery. We anticipate very few significant disruptions. |

| | |
|---|---|
| **Flood protection** | • We provide and maintain appropriate flood protection infrastructure.<br>• We develop approaches to flood risk and environmental management in consultation with the community.<br>• We maintain a high level of continuity of service delivery. We anticipate very few significant disruptions. |

## Assumptions

See Section four of the Supporting Information for the LTP for our significant forecasting assumptions and risks that sit behind the Infrastructure Strategy. These include both assumptions that are common across asset groups, and those that are specific to asset groups.

## Significant infrastructure issues

The significant infrastructure issues for GWRC relate to:

- resilience
- affordability
- community expectations
- population change

### Resilience

*The issues:*

The region's infrastructure is vulnerable to natural hazards including earthquakes, tsunamis, major storms, floods and landslips. These range from high impact, low probability events (such as a major earthquake), to lower impact, high probability events (such as storms). Climate change is expected to increase the frequency and intensity of some of these hazard events.

An earthquake could cause damage to our region's infrastructure. In particular our water supply is critical lifeline infrastructure and needs to be able to be reinstated quickly following an earthquake. A major earthquake could also cause subduction of parts of some flood plains and potentially require stop banks to be raised. Public transport could also be disrupted.

Our flood protection systems both provide protection from natural hazards, but are also vulnerable to damage from hazard events. If flood protection systems are damaged due to natural hazards, then flooding could occur. Climate change is likely to increase the frequency and intensity of storms. This increases the risk of failure of our flood protection systems, which heightens the flood risk to communities along all major rivers in the region.

Climate change is also resulting in rising sea levels, increasing the risks to our coastal infrastructure. This includes parts of our water supply network and public transport system. Although GWRC does not own roads or the rail tracks we rely upon these assets to provide a high quality public transport system in the region. Parts of our flood protection systems are also vulnerable to the potential impacts of rising sea levels, including the ability to discharge storm water. Abstraction from the Waiwhetu aquifer may also need to be reduced over the long term to manage the risk of salt water intrusion from rising sea levels.

Climate change is also likely to result in changing rainfall and wind patterns in the region. Drier summers and wetter winters are anticipated and may increase the need for summer bulk water storage. Severe wind and rain events may also impact on our flood protection systems and disrupt public transport (both our and others' assets).

Uncertainty surrounding the timing and extent of future climate change impacts makes it difficult to determine the vulnerability of specific infrastructure assets to climate risks over time. How we communicate with the community about potential climate change effects in the context of these uncertainties will be a key factor in influencing awareness of climate risks and the level of community support for actions to improve long term infrastructure resilience.

*Options and implications:*

Our options for managing the infrastructure issues relating to resilience revolve around the level of risk that the community is willing to accept. High risk options, such as do nothing, are likely to result in negative public perceptions, and do not represent good asset management practice. Although 'do nothing' would not increase our costs in the short term it will result in a decline in the condition of our assets and the level of service provided over time, and would increase the risk of failure of, or damage to, our infrastructure assets. Thus doing nothing will almost certainly result in increasing costs, possibly significantly, in the longer term.

Improving the resilience of all our assets is a lower risk approach – likely to increase costs in the short term, but may be more acceptable to the community.

Depending on the actual assets involved improving resilience may include physical improvements to the infrastructure itself, back-up plans in the event of infrastructure failure or compromise, building redundancy into the networks, flexibility to meet changes in supply or demand, and/or funds for repairing significant damage.

More research is required to determine the actual impacts of climate change and this will be part of our on-going programme. See Section four – Significant Assumptions and Risks in this document for assumptions on climate change.

*Insurance:*

We maintain a material damage business interruption insurance policy for all GWRC above-ground assets (excluding motor vehicles which are separately insured). Our above ground assets are insured on a maximum probable loss basis. This common approach to insurance means that we don't insure 100% of our assets. It is unlikely that all assets would simultaneously be affected by a hazard event. This approach to insurance focuses on the effects of a low probability, high impact event. We provide adequate funding in our annual maintenance budgets to accommodate repairs as a result of smaller, more frequent events. We have a large excess ($20 million for earthquake events) in order to reduce our premium costs. Note that the excess is substantially less for other hazards such as fire.

To meet this excess GWRC has set up a material damage fund. This fund is currently approximately $8.5 million, and earns interest which is added to the fund.

Our underground assets are generally not insured but we have funds set aside for hazard events – either as cash deposits or reserves. The specific funds for our different asset groups are discussed in more detail in section 3.

### Affordability

*The issues:*

We have committed to continue to invest in our regional infrastructure to improve the standard of our assets and to maintain them appropriately, and to build new infrastructure when necessary. Asset maintenance and renewals make up a significant proportion of our expenditure. However, we do not have an open purse for spending. Over time, as our population ages, we are expected to have more and more people on fixed incomes.

The willingness and ability of the community to pay may impact on our long term ability to maintain, upgrade and build new infrastructure. Central government funding also makes a significant contribution to public transport infrastructure, but it is possible that there will be changes to this funding longer term.

*Options and implications:*

Our principal option to address this issue is to consider the appropriate level of service, as well as the timing of any new projects. Over time, however, reducing overall levels of service is not sustainable as it increases longer-term costs, and potentially increases the risks for some communities. We will not defer maintenance or renewals as this does not reflect our principles for managing our infrastructure assets. We will continue to consult with the community through Long Term Plans in order to achieve the correct balance between long term investment in infrastructure, and shorter term concerns about affordability.

Our debt to revenue ratio needs to be acceptable both to the community and GWRC's lenders. Our Financial Strategy sets out how we intend to fund our capital and operational expenditure long term.

We also work closely with the relevant government funding agencies to help forecast any major changes.

### Community expectations

*The issues:*

Over time our communities expect to be flooded less often. This may take the form of requests for protection in currently unprotected locations. Or in currently protected areas communities may desire protection from more events, along with improved environmental outcomes. Communities also expect safe and pleasant drinking water that is available at all times. We are also aware of the increasingly higher levels of performance expectations for our public transport, including expectations that services are on time, are more reliable and provide higher levels of comfort and convenience.

*Options and implications:*

Our principal option for managing these issues is to continue our discussions with communities over appropriate levels of service. The main vehicles for this are through the Long Term Plan process, and key strategic planning documents (for example flood plain management plans, the Regional Public Transport Plan, and the Regional Land Transport Plan.)

In considering changes to levels of service we take into account factors such as costs and benefits, the distribution of costs and benefits both throughout the region and across time, changes in demand, and the social, cultural, economic (including financial) and environmental impacts.

## Population change

*The issues:*

As set out in our planning assumptions, it is expected that population growth will continue across the region as whole, along with changes in our demographic profile. The pattern of growth varies across the territorial authorities.

Population growth is likely to increase the demand for public transport long term, and we may reach the point where trains are at capacity. For our water supply assets increased population may mean that at times we are unable to meet the two percent shortfall probability security of supply standard for water. If current population growth and water use continue we will eventually (towards 2045) require new source water storage capacity.

Population growth and / or land use changes are anticipated in particular parts of the region. This is likely to result in pressure to develop areas that are subject to flooding. We may also experience increased, but localised demand for additional public transport services, and new or upgraded water supply infrastructure.

*Options and implications:*

Our principal options for addressing these issues relate to how to manage and provide for changes in demand. This is a major component of our long term asset management planning regime. We have planning models that help predict the impact of changes in demand – these include the Sustainable Yield Model for water supply, the Wellington Transport Strategic Model for transport planning, and the Wellington Public Transport Model for public transport. We use these models to factor in a number of variables, including population change, to forecast necessary changes in infrastructure.

## Managing the Council's Infrastructure Assets

### Public Transport

Our long term approach for managing GWRC's public transport assets is to continue to provide new and upgraded rail rolling stock, to upgrade other rail infrastructure, and to maintain and improve bus infrastructure. We aim to provide a modern, effective and efficient integrated public transport network.

*Renewing or replacing existing assets*

GWRC owns public transport assets across the region with a replacement value of $452.5 million.

**Summary of asset types (optimised replacement costs $000)**

| | |
|---|---|
| **Bus assets** | |
| Bus shelters | 5,510 |
| Bus signage | 2,184 |
| Real time information equipment | 1,963 |
| **Rail infrastructure assets** | |
| Station buildings | 21,145 |
| Station structures | 24,621 |
| Facilities | 1,284 |
| Shelters | 3,917 |
| Access | 2,508 |
| Parking | 6,422 |
| CCTV | 1,830 |
| Rail Depot Building | 17,507 |
| Signage | 21,145 |
| Lighting | 24,621 |

The Matangi trains were purchased new in 2010 and are due to be replaced around 2041 to 2043, which is towards the end of this Infrastructure Strategy. A programme of scheduled maintenance is in place. For more detail please refer to the asset management plan. We will also be purchasing additional Matangi trains during 2015/16 which will enable us to progressively withdraw from service the older Ganz-Mavag units.

The SE and SW carriages which operate on the Wairarapa line were manufactured from old British carriages during 2007-13. The SE type carriages are estimated to reach the end of their current life around 2016, so replacement or a re-life refurbishment needs to be considered for these six carriages. The SW type carriages also require a mid-life refurbishment around 2016-21 with ultimate replacement scheduled around 2032. As a result, a business case and decision is required whether to undertake the carriage refurbishment in 2016-21, or replace the fleet with more efficient Diesel Multiple Units (DMUs). More detail is provided in the asset management plan.

Rail infrastructure assets, including station buildings, shelters and structures (such as overbridges and subways) and car parks have a current book value of approximately $51.5 million. This includes all 47 stations in the region, excepting the Wellington Central Railway Station which is owned by KiwiRail. KiwiRail also owns all of the platforms[1]. GWRC has undertaken an assessment of the condition of station buildings and structures and has put in place a programme for renewals and replacements. Renewals have been prioritised primarily based on safety

[1] Refer to KiwiRail's *Wellington Network Management Plan* (2013) for KiwiRail owned infrastructure assets in the region.

aspects and asset condition. Many of the rail stations also require upgrading to reflect increasing customer expectations and technological change.

Bus and ferry infrastructure assets, including shelters, signage, and the real time information system, have a current value of approximately \$9.7m[2]. Bus shelter replacements are prioritised using a combination of data relating to the condition of the existing shelter, performance and aesthetics. We use GWRC's bus infrastructure prioritisation tool to do this. Those bus shelters that are assessed as in very poor condition are given top priority for replacement.

### *Changes in demand*

The key drivers for changes in demand for public transport services are likely to be:

- Changes in the size and nature of the region's population which can be directly linked to demand for travel in general. See section four for our demographics planning assumptions. A growing population increases the demand for public transport, as does an aging population, and increased growth along transport corridors. More inner city residents impacts the demand for public transport.
- Economic growth (or decline) which can influence the need to travel, car ownership, mobility choices, and congestion. Increasing car ownership decreases the demand for public transport. Increasing costs of fuel and inner city parking increase demand. Increased congestion would also increase demand. The price of public transport over other modes also impacts on demand.
- Community awareness of sustainability which can influence the emphasis individuals place on using public transport as opposed to private vehicles. Increasing awareness results in increasing demand for public transport. Changing lifestyles, such as decreasing numbers of younger people with driving licences can also increase demand for public transport.
- The quality and performance of our public transport system. Improvements in reliability, comparative travel time with other modes, convenience, access to information, quality of vehicles, service frequency, perceptions of safety, and capacity all increase the demand for public transport services.
- Alternatives to public transport. Roading improvements and reduced congestion reduce the demand for public transport.

We use the Wellington Transport Strategy Model and the Wellington Public Transport Model to forecast growth and demand for public transport. The models can accommodate variables such as demographics, employment, transport costs, infrastructure and the transport network. For the purposes of this Infrastructure Strategy we have assumed a continued increase in passenger numbers, particularly for rail. The Regional Public Transport Plan sets out GWRC's ongoing commitment to growing public transport patronage, particularly at peak times. We will do this by improving our public transport network so that services:

- Go where people want to, at the times they want to travel

[2] As per the GWRC Annual Report 2013/14 pg. 57

- Provide competitive journey times
- Provide value for money
- Are easy to understand and use
- Are safe, comfortable and reliable
- Provide flexibility, allowing people to change their plans.

A number of infrastructure projects are planned to enable us to provide for increased patronage. These include introducing integrated fares and ticketing, and expanding the Matangi train fleet.

### *Changes in levels of service*

We are aiming to increase the level of service of our public transport system. Initiatives include improving the frequency of train services to 15 minutes during peak times, introducing integrated fares and ticketing, providing additional bus shelters, providing additional park and ride space, completing the real time information system, extending CCTV coverage, and replacing the Ganz-Mavag fleet with additional Matangi trains.

### *Public health*

The region's public transport system has a positive impact on public health by reducing transport emissions, and by encouraging the use of active modes to transit to train stations and bus stops. Public transport generates lower emissions (per passenger kilometres travelled) then than private car. Actives modes such as cycling and walking create no emissions.

Physical inactivity is a significant issue affecting the health of communities in the region and nationally. Opportunities to engage in physical activity as part of a trip or daily commute can have important health and wellbeing benefits for the individual.

Diesel emissions are believed to have adverse human health effects when their concentrations in air exceed guidelines. Monitoring of particulates in Wellington CBD indicates that concentrations of were well within national standards and have been at 'acceptable' levels or better throughout the monitoring period. Particulate concentrations have exceeded the national standard only on one day throughout the entire eight year monitoring period from 2005-2012[3].

Despite this, we aim to improve the quality of the bus fleet by transitioning towards a fully electric fleet in the future.

We aim to ensure that our public transport infrastructure and facilities are safe. Over the life of the Infrastructure Strategy we are also aiming to improve the safety of the public transport system for customers, workers and the general public.

### *Environmental outcomes*

Overall our public transport system improves environmental outcomes. In the Wellington region 35 million public transport trips are made annually which would otherwise have required private vehicles and additional road infrastructure. This directly contributes to reducing carbon and other harmful emissions and decreases traffic congestion particularly in peak times. Public transport also assists in enabling

[3] GWRC, 2012/13 Annual Monitoring Report on the RLTS

efficient land use, and a compact well-designed, and sustainable urban environment.

We also aim to reduce any adverse effects of providing, maintaining and operating public transport assets. For example we manage the storm water run-off from sealed carparks.

### *Resilience to natural hazards*

With a variety of public transport assets located throughout the region it is important to build in resilience to natural hazards wherever possible. We do this through maintaining our assets and those they rely on to a high standard, and alternative route planning. We operate a reserve fund for any major loss or damage to public transport infrastructure as a result of natural hazards.

Our public transport assets (excluding trains) are also included in the GWRC's material damage business interruption insurance policy. This insurance is on a maximum probable loss basis which means that 100% of the assets are not insured. Any difference is covered by the GWRC's material damage reserve fund, or by borrowing. We may also be eligible for government funding for any additional difference.

Our trains are insured separately, also on a maximum probable loss basis. Any shortfall would be met by borrowing.

## Water supply

Our long term approach for managing GWRC's water supply assets is to maintain and operate the existing system to a high standard consistent with legislative requirements and community expectations for an essential service, and to be ready to provide additional sources of supply when these are needed. There are no proposed changes to the current level of service, other than improving the supply of water in an emergency.

### *Renewing or replacing existing assets*

GWRC owns and manages bulk water supply assets with a replacement value of over $800 million summarised below.

**Summary of asset types (replacement costs $000)**

| | |
|---|---|
| Aquifer wells | 5,728 |
| Distribution pipelines and valves | 379,016 |
| Pump stations | 35,143 |
| Raw water intakes | 7,295 |
| Roads and bridges | 10,410 |
| Tunnels | 117,283 |
| Water storages | 90,826 |
| Water treatment plants | 164,235 |

GWRC's bulk water supply assets include our four treatment plants at Wainuiomata, Te Marua, Waterloo and Gear Island, the twin Stuart Macaskill storage lakes in Te Marua, the Waiwhetu aquifer wellfield, and the seven river intakes. A significant proportion of the bulk water supply assets have very high replacement costs and long economic lives. This generates capital expenditure profiles with significant peaks followed by long periods where relatively low investment is required.

We have in place a programme for renewing or replacing existing water supply assets when they reach the end of their economic life. However for some of these assets their long life and extremely high replacement values means that they are likely to be maintained in perpetuity. Examples include the Stuart Macaskill lakes, and a number of tunnels at the water sources and in the distribution system. Decisions on renewing or replacing these assets are well outside the timeframe of this Infrastructure Strategy.

The eleven aquifer wells at Waterloo and Gear Island are reaching the end of their economic lives. A total of $8 million has been allocated for replacement of the wells over the next 20 years. Investigations are in progress to ensure replacement occurs at the right time to maximise the economic life while maintaining the risk of failure within acceptable levels.

Replacement of the Kaitoke trunk main will be a significant renewal project in the medium term. The pipeline will require replacement in the mid to late 2040s. This may be just outside the timeframe for this Infrastructure Strategy; however it is appropriate to note that the potential impact on debt forecasts may be as high as $150 million. GWRC is investing in techniques to extend the economic life of the pipeline as much as practicable. Operations and maintenance activities over the next 30 years will need to be adjusted to manage the end of life process. Additional details will be included in future infrastructure strategies.

*Resilience to natural hazards*

Building resilience into our water supply assets is vital as water supply is an essential service. We must provide a secure system that is resilient to natural hazards, and can be reinstated (or alternatives activated) quickly following any hazard event.

The major risk to our water supply assets is from a significant earthquake, particularly one that involves movement of the Wellington Fault. Other hazards include major rain events, droughts, fires, and electricity failure of over two days' duration.

GWRC has developed a risk based methodology for assessing the benefits of proposed resilience improvements to its water supply assets. This is used to assess existing assets and form the basis of planned improvements. We plan to carry out a major infrastructure risk assessment every ten years (the latest was in 2013/14). The major resilience improvements focus on our strategy for supply of emergency water.

Our above-ground water supply assets are also included in the GWRC's material damage business interruption insurance policy. This insurance is on a maximum probable loss basis which means that 100% of the assets are not insured. The excess for this insurance is presently $20 million and any short fall will need to be covered by borrowing. Our below ground assets are also covered via a maximum probable loss approach. A fund has been established to meet this loss with annual contributions which attempt to keep pace with rising replacement costs. The fund is presently sitting at $20 million. The gap between this and the maximum probable loss may be covered by a mix of insurance, borrowing and government assistance.

*Emergency water supply*

Restoring the supply of water to the four cities following a major natural hazard event such as an earthquake involving the Wellington Fault, will be challenging. The trunk mains cross the Wellington fault at five locations and some sections may be subject to damage from liquefaction and land movement. Severe disruption is practically unavoidable in these areas.

In addition to direct damage from fault movement, it is estimated that up to 100 breaks could occur in the bulk supply network. Many more would occur in the water supply reticulation owned by the city councils. It is estimated that it could take up to 70 days to restore a bulk supply to the eastern Wellington suburbs. At least 100 million litres of water will be required to meet the emergency needs of people in Wellington City. Restoring supply to Porirua City and Wellington's northern suburbs will also take a considerable amount of time.

GWRC has investigated three options for meeting emergency water requirements:

- sea water desalination
- cross harbour pipeline
- emergency storage of treated water

The desalination option was found to be expensive for a small scale plant ($70 to $125 million for 10Ml/d capacity), and not well suited to being started at short notice. For these reasons we have not pursued this option further.

Construction of a resilient pipeline across Wellington harbour has also been considered. This would provide a supply to Wellington City while repairs were completed on the main pipelines supplying Wellington. A number of potential routes and pipe sizes have been reviewed and a comprehensive sea bed survey completed. A small pipe (250mm) would provide a minimum emergency supply of 20 L/p/d and cost $72 million. A larger pipe (550mm) would cost $92 million and would provide additional capacity for a limited amount of non-emergency consumption. The larger pipe is the preferred option because of the significant additional, operational, social and economic benefits. Construction is proposed for between 2015 and 2020.

The option to store emergency water in Wellington City has been investigated as an alternative to the cross harbour pipeline for supply to central Wellington and the eastern and southern suburbs. Up to five large storage reservoirs would be required at various locations. The additional storage sites would provide the necessary emergency water supply but at a higher cost than the cross harbour pipeline option and with significantly greater impacts. We have not pursued this further.

GWRC has also considered a number of potential sites for storage of emergency water for supply to Porirua and Wellington's northern suburbs. The most promising is a site near the north end of Takapu Road. A total of $20 million is proposed for construction of a 200ML lake from 2020 (investigations, design and land purchase from 2018). An additional $32 million is needed for resilience upgrades to the pipeline from the proposed storage to Wellington and Porirua cities.

It should be noted that the above projects will provide bulk water to key locations. Earthquake damage to city reticulation will prevent this water being easily distributed to the community and further work is required to identify options that will ensure access to water for all.

### *Supply capacity and changes in demand*

The key drivers for changes in demand for bulk water are population growth and water consumption trends. GWRC uses a model called the Sustainable Yield Model as a strategic planning tool to predict demand and assess the ability of the bulk water supply system to meet agreed levels of service.

The population served by GWRC's bulk water supply is growing and expected to continue to grow (see planning assumptions section four. However, consumption per person has been declining so despite a growing population, the actual demand for water has shown a downward trend in recent years (particularly since 2006). There are potentially a number of factors affecting this trend including reduced leakage in the city reticulation systems, changing consumer attitudes to water conservation and an improvement in the water efficiency of household appliances.

Based on the Sustainable Yield Model a new water supply source will be required within the life of this Infrastructure Strategy – in approximately 2036.

We have already undertaken considerable work on investigating possible options for new water sources. These include various on-river storage options (dams), and three off-river storage lakes. The new source options being considered provide different levels of benefit with respect to emergency supply following natural hazard events – particularly movement of the Wellington fault. Options for new sources are therefore being considered in combination with emergency water supplies as discussed above.

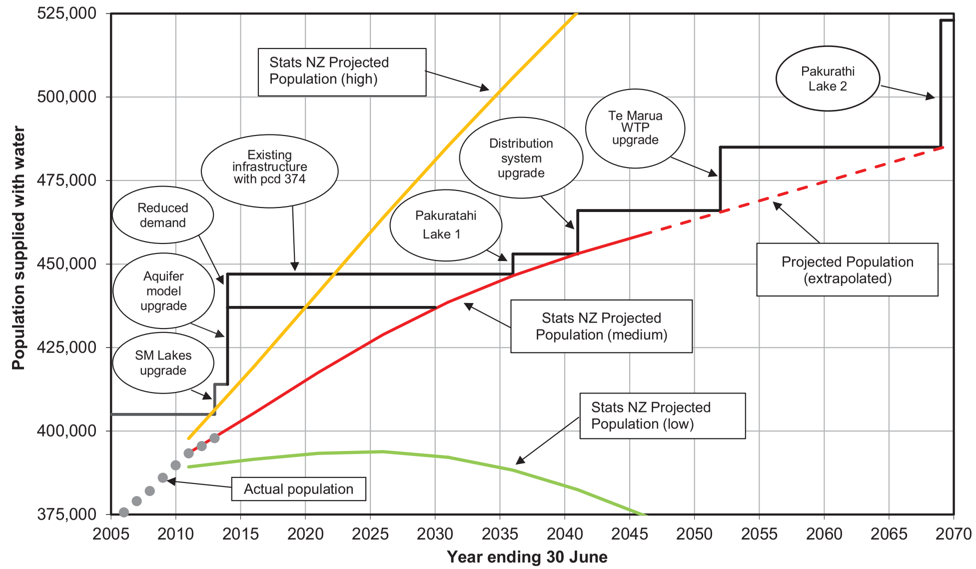
The most likely scenario for developing a new water source in combination with improvements to emergency water supply includes constructing two new storage lakes near the Pakuratahi River, increasing the capacity of the Kaitoke main and Te Marua water treatment plant, building a new emergency water storage lake at Takapu Road, improving the resilience of the Kaitoke pipeline, and constructing a cross harbour pipeline from Point Howard to central Wellington. The estimated capital costs of this scenario are set out in the table below.

**Most likely development scenario for new sources and emergency supply**

| Description of work or project | Timing | Capital cost |
|---|---|---|
| Construction of the cross harbour pipeline | 2015 to 2020 | $92M |
| Construction of Takapu emergency storage lake | 2018 to 2022 | $20M |
| Resilience upgrade of the Kaitoke to Karori main from the Porirua Branch to Karori and of the Porirua Branch | 2018 to 2024 | $32M |
| Pakuratahi Lake 1 | 2031 to 2036 | $49M |
| Kaitoke to Karori main capacity upgrade | 2036 to 2041 | $28M |
| Te Marua WTP capacity upgrade | 2049 to 2052 | $26M |
| Pakuratahi lake 2 | 2064 to 2069 | $34M |
| **Total** | | **$281M** |

The proposed phasing of the various components of this scenario with population growth is illustrated in the figure below.

**Development strategy for new source**




### *Changes in levels of service*

GWRC aims to provide water that is safe and pleasant to drink as well as providing a continuous and secure water supply. The levels of service are required by legislation or set through the Long Term Plan process in consultation with the community. Our proposed emergency water supply projects will dramatically improve our level of service following a major earthquake. Based on current studies 150,000 people will be without water for 20 days, 80,000 for 40 days and 20,000 for 70 days. The proposed emergency water projects are designed to provide 20 litres per person per day from day one.

### *Climate change and sea level rise*

The effect of climate change on water source availability is assessed using the Sustainable Yield Model. The information is used to determine the timing and optimal storage volumes for future development options.

Sea level rise as a result of climate change may impact on the ability of GWRC to meet the target levels of service in the longer term. To address this issue GWRC recently completed a project to examine the impact of sea level rise in the range of 0.8 to 1.5m on abstraction from the Waiwhetu aquifer. The analysis concludes that under dry conditions abstraction rates from the aquifer may need to be reduced more than previously thought in order to maintain sufficient pressure in the aquifer and prevent the possibility of salt water intrusion. The impact of this information is currently being incorporated into our Sustainable Yield Model.

Climate change and sea level rise is not expected to have a significant impact on the bulk water supply until beyond the planning horizon of the Infrastructure Strategy. Long term mitigation of the adverse effects will be provided by adjusting the timing of source development options to meet predicted demand.

### *Public health*

The availability of safe drinking water is a fundamental requirement for public health and GWRC is committed to providing safe and secure drinking water at all times. For our water treatment plants at Te Marua, Wainuiomata, and Gear Island, and for the wholesale distribution system we aim for, and consistently achieve, an A1 grading under the Ministry of Health's grading system. For the Waterloo treatment plant we aim for, and consistently achieve, a B grade. This is the highest possible grading for this facility due to Hutt City Council's policy not to use chlorine[4].

### *Environmental outcomes*

Providing, maintaining and operating water supply assets can have adverse effects on the environment. Adverse effects include:

- changes in the natural river environment and consequent impacts on recreation, biodiversity and landscape values.
- the impacts of discharges of water treatment waste products.

In order to mitigate or reduce these effects GWRC has a number of measures in place such as maintaining ISO 14001 accreditation and continuously improving and optimising operational practices. There are also conditions on our resource consents to take water aimed at mitigating and reducing these effects including maintaining minimum river flows and minimum aquifer levels.

Water distribution also uses a significant amount of electricity. We are increasing our use of renewable energy where this is practical and cost-

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[4] Quality standards for drinking water are set by the Ministry of Health (MoH), through the Drinking Water Standards for New Zealand. Each year the Ministry publishes a grading for every public water supply. Gradings are based on the drinking water standards and indicate how safe each water supply is from contamination.

The MoH grading system has two parts:

- A grading for the source of water and the treatment plant ("A1" to "E"). This relates to the measures taken to limit contamination of the water source and to remove any contamination that is present, by treatment. It is a rating of how safe the water is after treatment, but before it enters the distribution system.
- A grading for the distribution system ("a1" to "e"). This is based on the risk of water becoming contaminated within the local supply pipes, and the procedures in place to minimise the risk of unsafe water to consumers

effective. We have implemented three grid connected mini-hydrogeneration schemes and are investigating the feasibility of others. The schemes have been installed at our Wainuiomata and Te Marua treatment plants, and on the inlet to a service reservoir in Porirua. Other renewable energy sources will be reviewed for remaining power needs.

## Flood protection

Our long term approach (over the 30 year life of the Infrastructure Strategy) for managing GWRC's flood protection assets is to maintain existing assets in perpetuity and to build new assets in accordance with GWRC's Floodplain Management Plans. In addition to managing our assets we also advise people and communities about flood risk.

Flood Management Plans are our key planning tool that set out how we manage flood risk on individual rivers and floodplains. The plans are comprehensive and involve extensive information gathering, consultation and discussion with the affected local communities, councils and mana whenua. The outcome of the floodplain management plan process is a document that guides how a floodplain and catchment should be managed to;

- Minimise risks to life, health and safety
- Reduce severity of flood damage
- Promote sustainable use of flood and erosion prone land
- Promote sustainable development of the wider catchment
- Use planning and community preparedness to ensure sustainable land use
- Identify options to manage the flood risk.

### *Renewing or replacing existing assets*

GWRC's flood protection assets across the region have a replacement value of $262.8 million.

**Summary of asset types (total replacement value $000)**

| | |
|---|---|
| Flood protection infrastructure assets | 262,820 |
| Land, buildings, plant and machinery | 23,689 |

They include stopbanks, outlet structures (culverts and pipes), berms, edge protection material and structures, debris arrestors, detention dams, barrage gates, flood walls and land within river corridors. Flood protection assets are located in the Hutt, Otaki, Waikanae, Wainuiomata, Porirua and Ruamahanga catchments.

All existing assets will continue to be maintained in perpetuity (including renewals or replacements when necessary) in order to provide the various levels of service set out in the Floodplain Management Plans (FMPs). We have FMPs in place for the Hutt River (2001), Otaki River (1998), and the Waikanae River (1996). In addition the Waitohu Stream Study also fulfils all the requirements of a FMP. For the Porirua Stream we do not have a formal FMP but all the elements have been completed separately.

FMPs are under development for the Te Kāuru (Upper Ruamahanga River), the Waiohine River, the Pinehaven Stream, and the Waiwhetu Stream. A FMP will also be developed within the next ten years for the Lower Ruamahanga River.

We also have infrastructural assets along the Wainuiomata River but there are currently no plans to progress a FMP.

In addition to maintaining existing assets there are a number of major projects underway or planned to renew or replace existing assets. Details can be found in the flood protection chapter (Section Five).

### *Changes in demand*

New development in areas that are subject to flooding is not supported and there are no plans to provide new flood protection assets in such areas. Avoiding the flood hazard by not building in high hazards areas is the most effective way of managing flood risk in the long term.

The key drivers for changes in demand for flood protection services are likely to be:

- An increase in our knowledge and understanding of the potential for flood damage, including our knowledge of climate change impacts (such as changing rainfall patterns and sea level rise).
- Changes in community expectations. The demand for protection from flooding continues to increase in both the extent of the protection and the level of service provided along with improved environmental outcomes, in currently protected areas, and in other areas.
- Where existing approved development is subject to an unacceptable degree of flood risk then construction of new infrastructure will be considered. In all other circumstances reliance will be placed on either avoidance or alternative non-structural measures.
- The process for discussing and agreeing on our approach to managing flood hazards is primarily through the process of preparing and reviewing flood plain management plans. The context in which we undertake flood plain management planning is to firstly identify the nature and extent of the flood hazard, and secondly to avoid development in flood prone areas. We are considering investigations in six additional areas long term. These areas are Carterton, Paraparaumu, Featherston, Martinborough, Pukerua Bay, and Whareama. A further three areas may require investigation in advance of development pressure from large infrastructure projects. These are Judgeford, Te Horo and Mangaone.

### *Changes in levels of service*

GWRC is committed to providing and maintaining an agreed level of flood protection to existing communities.

The levels of service are set through the FMP process in consultation with the community. In general, within areas subject to flood risk, the following standards apply[5]:

[5] However this does not imply that infrastructure will be built without taking into account our drivers for change.

- Where required to protect existing residential development, stopbanks are constructed to achieve a minimum 1 in 100 year standard.
- Where required in a rural context, stopbanks are constructed to a 1 in 20 year standard to protect land use from frequent flooding events.

There are no planned decreases to this level of service. However, as noted climate change may impact on the ability of GWRC to meet these levels of service long term. In some circumstances managed retreat may be the most appropriate response.

### *Public health*

In maintaining existing flood protection assets and considering new assets, improving public health and safety is very important for GWRC. Through the provision of adequate flood protection, and information and advice about how to prepare and respond to floods we aim to minimise loss of life due to flood events, improve resilience and to promote safer communities. In order to do this GWRC seeks to improve resilience by firstly having a policy of avoiding new developments in areas subject to flooding[6], and secondly by prioritising the building of new or upgraded infrastructure for existing development.

### *Environmental outcomes*

Providing, maintaining and operating flood protection assets can have adverse effects on the environment. Adverse effects might include:

- Sediment from river erosion and run-off entering streams and coastal waters during construction and maintenance.
- Changes in the natural river environment and consequent impacts on recreation, biodiversity and landscape values.

In order to address these issues GWRC takes measures to minimise the impacts of river control works on the natural form and function of rivers and streams through an adaptive management framework (we monitor our work, review our practices, and implement changes). A Code of Practice guides how all our flood protection works are carried out.

GWRC have also prepared environmental strategies for the major rivers in the west of the region (Hutt, Otaki and Waikanae). New environmental strategies will be prepared for those areas where FMPs are being developed.

### *Resilience to natural hazards*

Building resilience into our flood protection infrastructure is very important to GWRC as it is these assets that help protect our communities from significant risks. The major natural hazards relating to our flood protection assets are damage from major earthquakes and damage from floods.

Major earthquakes could result in cracking and slumping of stopbanks, foundation settlement and cracking of concrete structures, cracking of river berms, and slumping of rock edge protections. Flood protection assets on land subject to liquefaction may also be damaged.

Assets located within fault zones would likely be completely destroyed by the rupture of those faults. For example Hutt River assets located in the

[6] Refer to policy 29 in the Regional Policy Statement.

Wellington fault zone. It is also possible that a Wellington fault movement could cause major subsidence in the lower Hutt Valley reducing the capacity of the flood defences. We rely on self-insurance to pay for the repair or rebuild of assets following an earthquake event.

Flood events themselves also have the potential to damage our flood protection assets and deposit large quantities of gravel in lower reaches of rivers. Flood events with a return period of up to five years may cause some damage to assets. We provide adequate funding in our annual maintenance budgets to accommodate such repairs. For flood events between 5-25 years, top up funding is available, if necessary, from the Flood Contingency Reserve.

Larger floods (between 25-40 year return period) may cause considerable damage to assets. To cover these situations GWRC has a Major Flood Protection Recovery Fund. Where damage exceeds the balance of either or both funds, borrowing may be necessary to carry out the repairs.

Floods with a return period in excess of 40 years may be eligible for some government funding otherwise damage would be funded by borrowing. GWRC also maintains insurance for some physical assets such as barrage gates and large concrete structures.

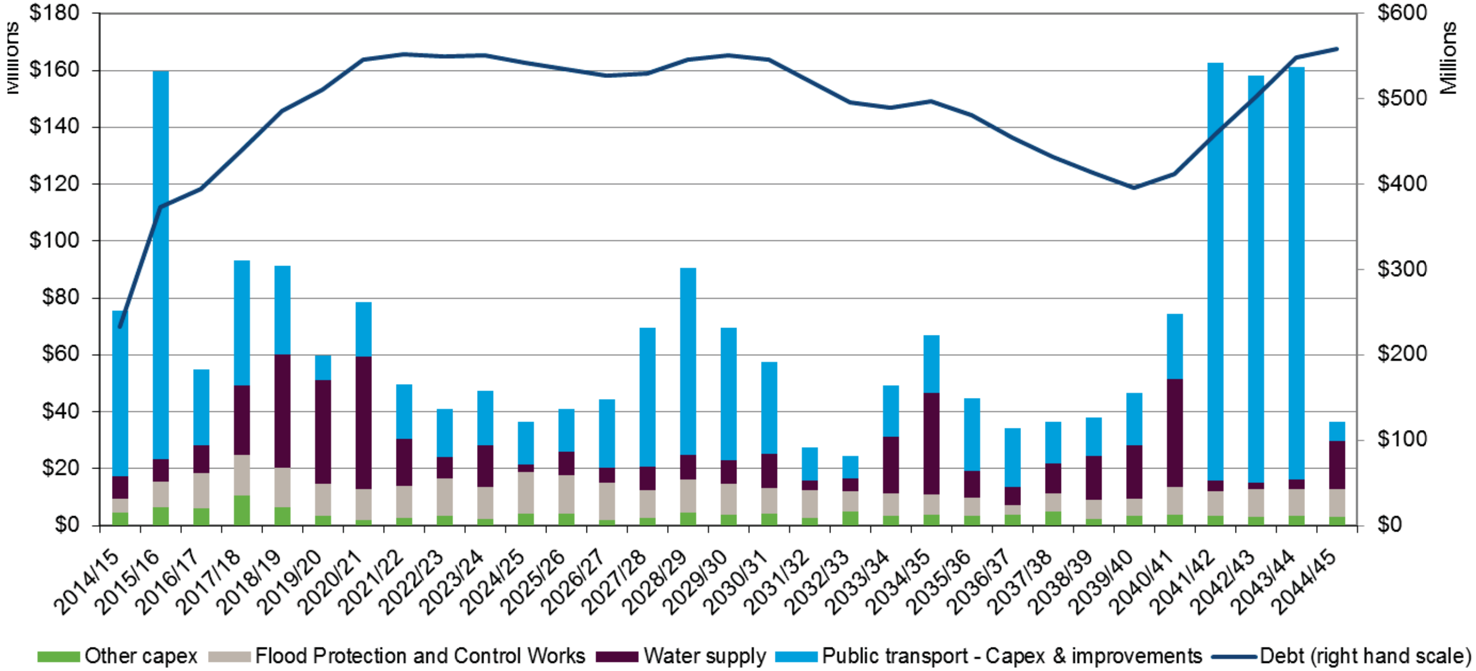
## Infrastructure investment programme

GWRC owns other assets as well as the three most significant sectors included in this strategy.

In total GWRC expects to spend over $750 million on new or replacement infrastructure over the life of the Infrastructure Strategy.

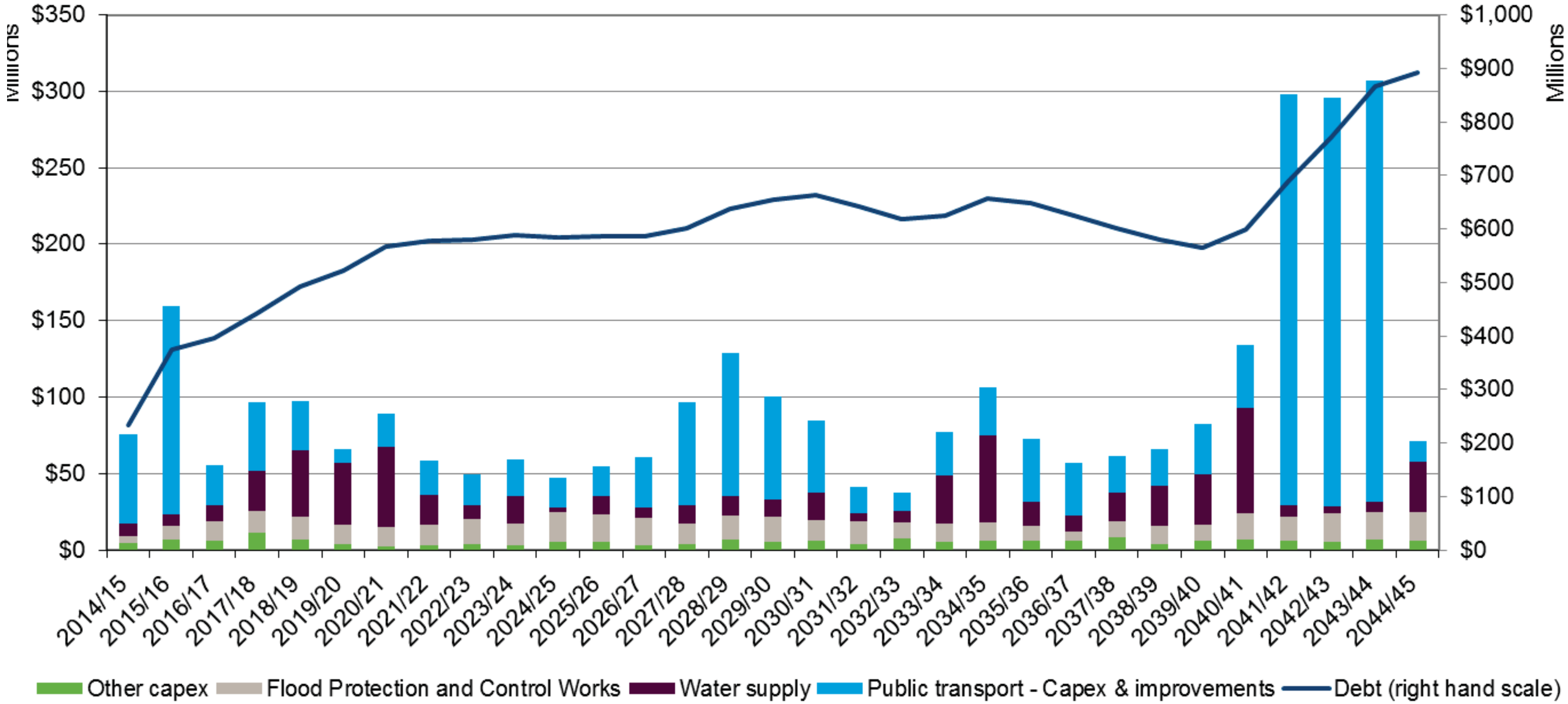
The graph below shows the capital expenditure and debt over the 30 years from 2015/16 in 2015/16 dollars. This allows us to look at the underlying changes across all of GWRC on a like for like basis. The peaks represent large investment that we need to manage from both an affordability perspective and with our organisational ability to manage the workload.

## Capital expenditure and transport improvements




In this second graph we have included the impact of inflation. As can been seen the tables are different. The peaks in capital expenditure, and therefore debt, are higher. In the Financial Strategy we use inflated numbers to provide for the relative change in future costs. From an affordability perspective the inflationary increases will to some extent be offset by both the real and inflationary changes to people's incomes.

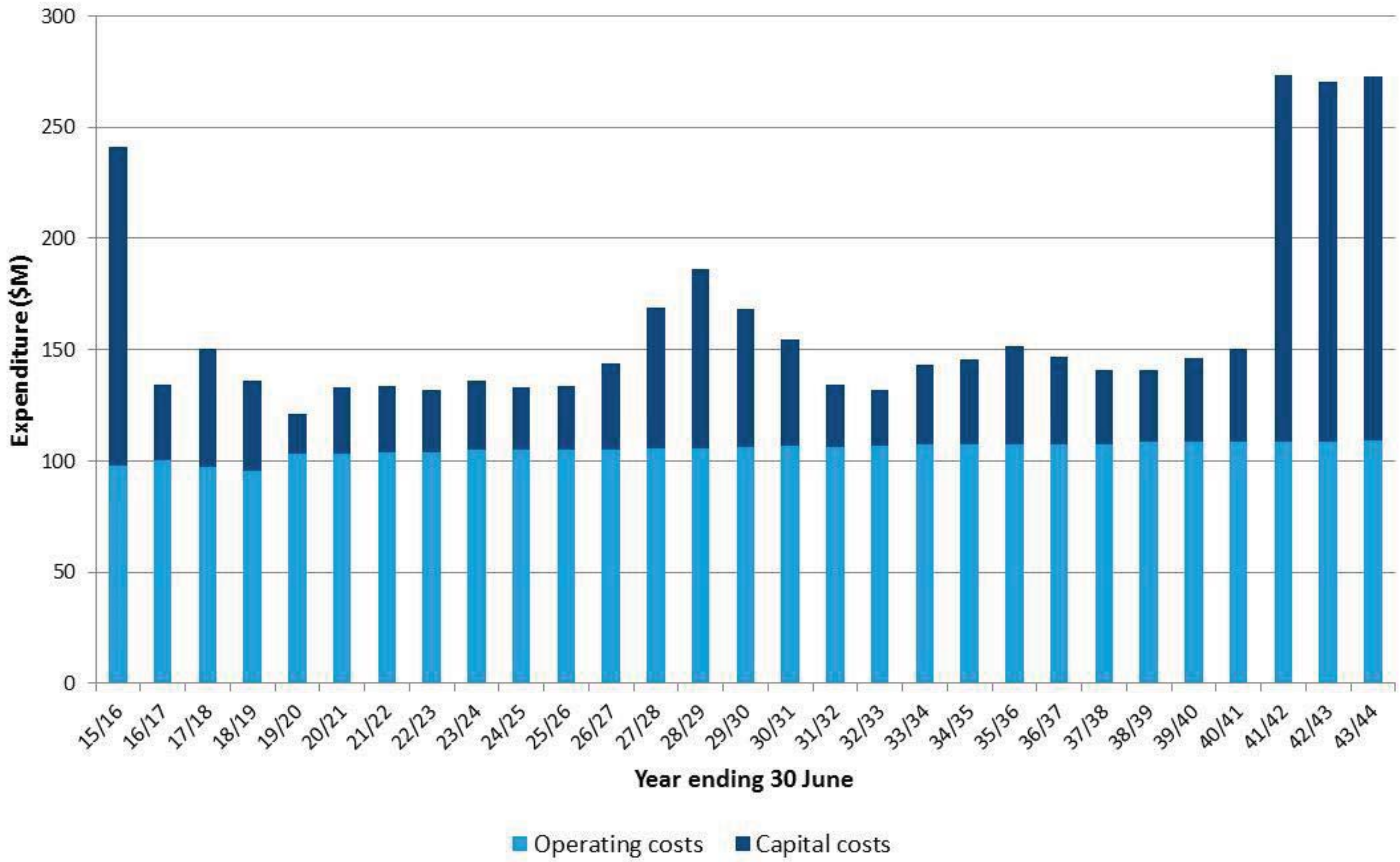
## Capital expenditure and transport improvements and debt (inflated $)



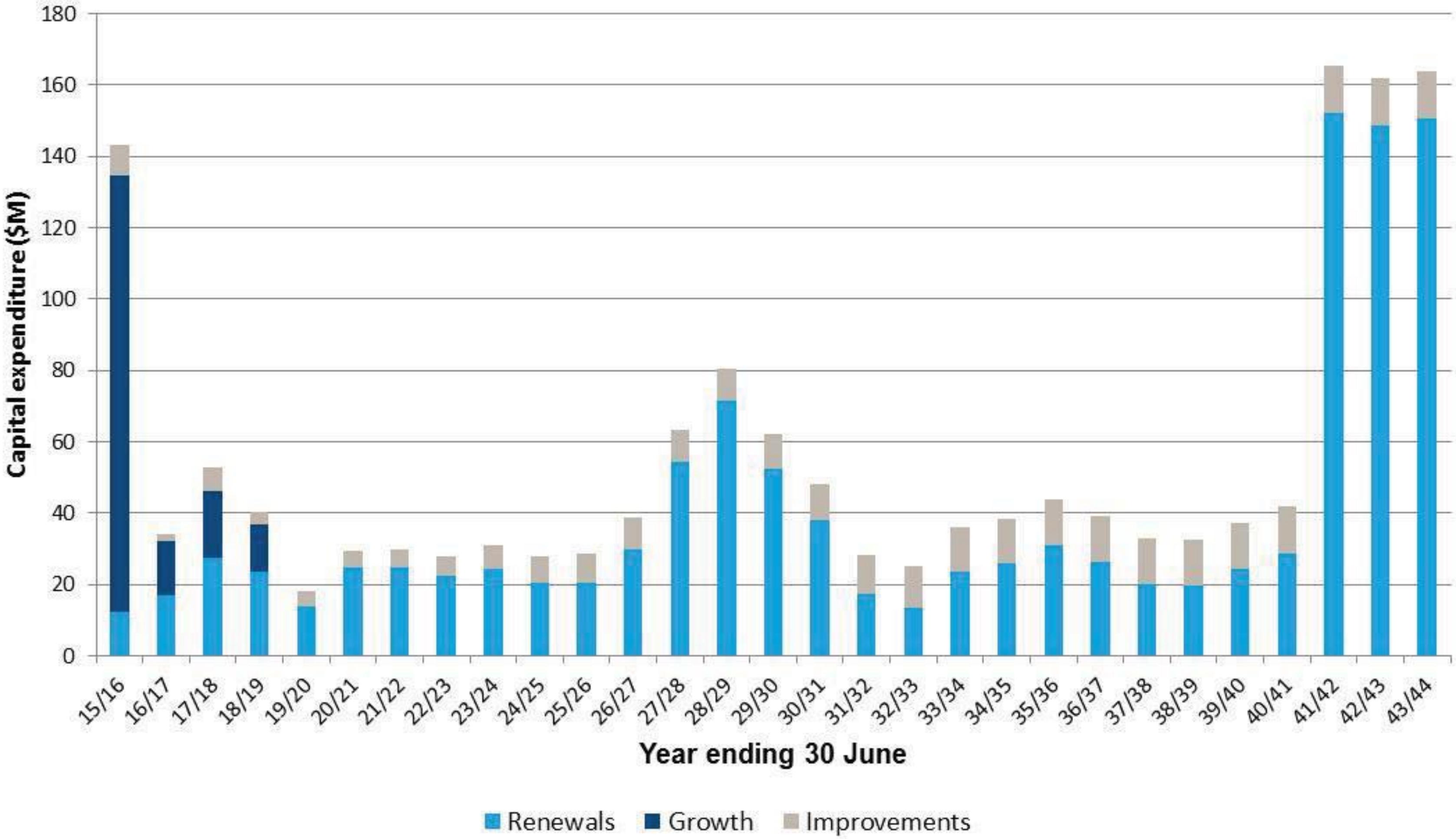
## Public transport

*Estimates of capital and operating expenditure*

The indicative estimates of the projected capital and operating expenditures for public transport infrastructure assets are shown in the following graph.



The following graph splits capital expenditure into renewals, growth and improvements:



### *Significant capital expenditure decisions*

Our significant decisions about capital expenditure for our public transport assets required over the next 30 years are set out below. This includes when we expect to make those decisions, what principal options we expect to have to consider, and the approximate scale or extent of the costs associated with the decision.

| **Significant decision required** | **Timing** | **Principal options** | **Costs** |
|---|---|---|---|
| Replacement of our Matangi EMU fleet | 2041 to 2043 | Before making this decision we will consider other options such as refurbishing the fleet to extend its life, or partial replacement | $410 million |
| Matangi EMU fleet scheduled mid-life refurbishment | 2025 and 2032 | No reasonable alternative | $24.4 million |
| Refurbishment of the Wairarapa carriage fleet | between 2016 and 2021 | We are currently assessing whether it would be more cost effective to purchase new DMUs at this time instead. This would bring forward the spending we proposed for replacing the DMUs during 2027 to 2030 at a cost of $90 million. | $12.3 million |
| Install integrated ticketing | 2014-2018 | The projected life of the integrated ticketing system is ten years. Before this a decision will be required about whether to replace or renew the system. | $39 million |
| Real Time Information System replacement or renewal | 2024 | Before 2024 a decision will be required about whether to replace or renew. | $10 million |

We aim to increase public transport patronage. Demand for public transport is influenced by a number of factors. These are summarised in the table below.

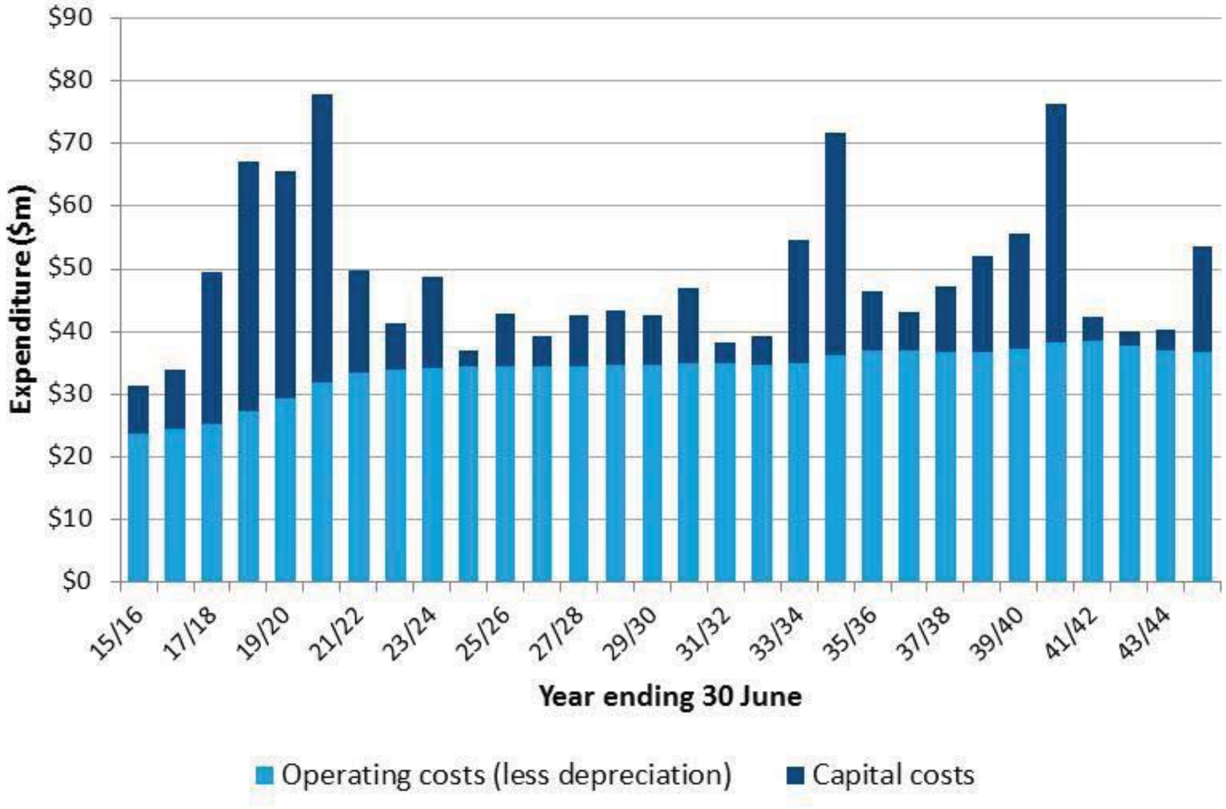
GWRC will continue to provide broadly the current service level for public transport assets with some minor, progressive improvements to asset quality, condition and accessibility.

| | Growth/demand trend | Impact on public transport | |
|---|---|---|---|
| Internal demand drivers | **Service levels** | | |
| | Overall levels of service provided are progressively improving | Encourages the use of public transport. Key areas to further assess for improvement are: increased car parking facilities; increased quality of infrastructure and safety/security provision; travel convenience including interchange facilities and cyclist provisions; real time information; service capacity; and integrated ticketing. | |
| | Fare increases above the rate of inflation | Fare increases have the effect of damping demand. | |
| External demand drivers | **Population and demographics** | | |
| | Increasing population, particularly in Wellington City and the Kapiti Coast | Increases demand for public transport, especially with associated increasing congestion. | |
| | Increasing inner-city dwellings | Offsets private vehicular ownership growth trend with greater reliance placed on public transport and other modes of travel. | |
| | Aging population | Limits peak-time travel growth but with free off-peak travel has the potential to increase off-peak use. | |
| | **Economic growth** | | |
| | Modest economic growth in Wellington | Some additional pressure for moving people. | |
| | Car ownership | | |
| | Increasing car ownership levels | Overall this decreases demand for public transport and other modes of travel. | |
| | Increasing fuel prices and innovation | Increases result in increased use of public transport and other modes of travel. This may be offset with the introduction of technological advances, such as electric vehicles and ability to work from home. | |
| | Inner city parking | Continued perception that inner city parking is difficult to find and expensive will continue to encourage use of public transport. | |
| | Road congestion | In recent years road congestion levels have remained fairly static. Increased travel demand growth is expected to be offset by planned roading improvements resulting in little impact on PT demand. | |
| | Environmental sustainability | | |
| | Increasing awareness of the importance of environmental sustainability | Increased willingness to use public transport and other modes of travel. | |

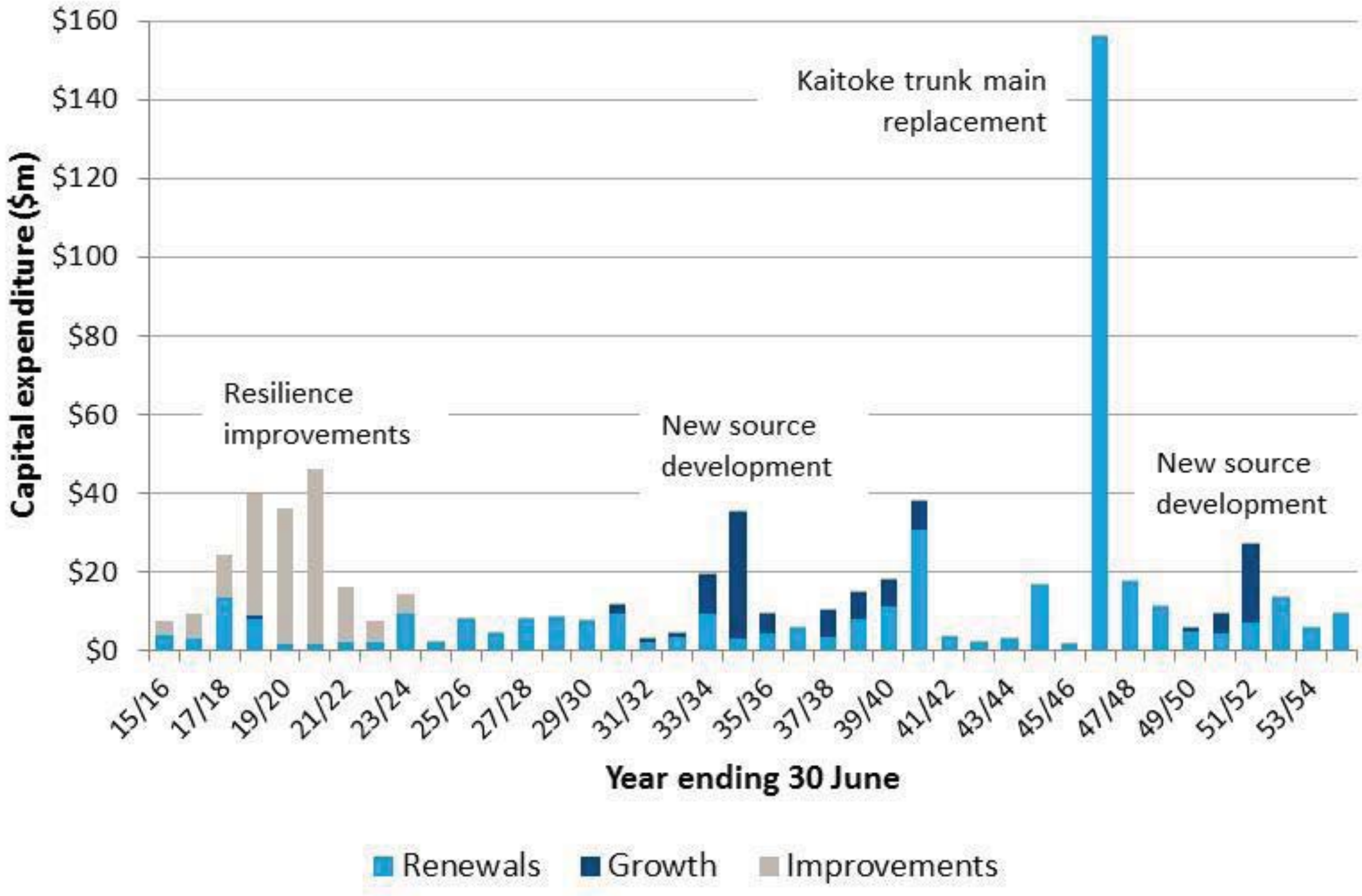
**Water supply**

*Estimates of capital and operating expenditure*

The indicative estimates of the projected capital and operating expenditures for water supply infrastructure assets is shown in the following graph. This graph shows a 40 year timeframe to capture the anticipated capital expenditure associated with major renewals work needed just outside the 30 year horizon of this strategy.



The breakdown of capital expenditure by investment driver is given in the following graph. This shows significant investment in proposed resilience improvements in the early stages of this strategy, followed by new source development in the mid-2030s and major renewals work in the late 2040s.



*Significant capital expenditure decisions*

The following table sets out the significant decisions about capital expenditure for our water supply assets required over the next 30 years, including when we expect to make those decisions, what principal options we expect to have to consider, and the approximate scale or extent of the costs associated with the decision.

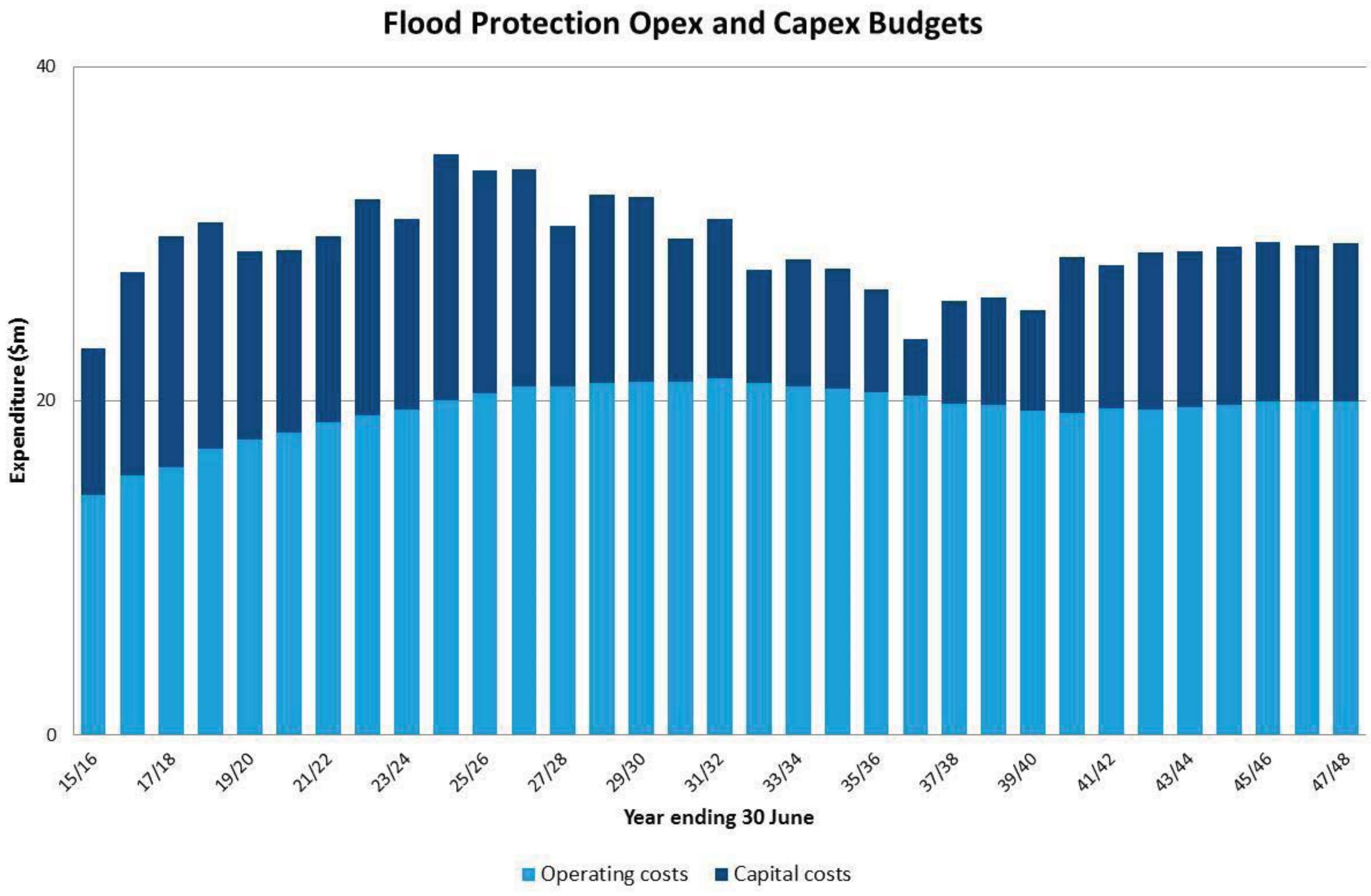
| Significant decision required | Timing | Principal options | Costs |
|---|---|---|---|
| Construction of a resilient cross harbour pipeline for central Wellington and the eastern suburbs to meet the shortfall in bulk water supply following a Wellington Fault earthquake. | Construction proposed for 2015-21, with decision to proceed needed as part of adopting the 2015/25 LTP. | Resilient cross harbour pipeline with two pipe size options. Small 250mm pipe providing a minimum emergency supply of 20 L/p/d and costing $72m, or a larger (preferred) 550mm pipe that would provide additional non-emergency operational, social and economic benefits, and costing $92m. | $92m (preferred cross harbour pipeline with 550mm pipe). |
| Construction of the Takapu emergency storage lake for supply to Porirua and Wellington's northern suburbs (through to Karori) following a Wellington Fault earthquake. | Construction from 2020, with decision to proceed needed as part of adopting the 2015/25 LTP. | Various sites considered. | $20m plus $32m for associated pipeline resilience upgrades |
| Construction of Pakuratahi Lake 1 off-river storage and Kaitoke to Karori trunk main capacity upgrades. | Staged between 2035 and 2041 to meet predicted growth in demand, with decision to proceed needed by around 2030. | Various dam and off-river storage options have been considered in combination with proposed resilience improvements. The Pakuratahi Lake off-river storage option is preferred because GWRC owns the land (purchased in 2014), and because the environmental impacts associated with constructing off-river storage are | $77m<br>(Section 5 provides a breakdown of costs). |

| Significant decision required | Timing | Principal options | Costs |
| --- | --- | --- | --- |
| | | significantly less than with a dam constructed on a river. | |
| Replacement of the Kaitoke trunk main | Require replacement mid to late 2040s | Optimal replacement strategy to be developed over the next 10-20 years (e.g. replaced in full, staged replacement or early interventions to extend the economic life in some areas). See below for more discussion. | Up to $150m |
| Replacement of the eleven Waterloo and Gear Island wells | Require replacement progressively between now and early 2030s | Ongoing investigations and staged replacement over the next 20 years to extend the economic life of each well as much as possible while maintaining the risk of failure with acceptable levels. | $8m |

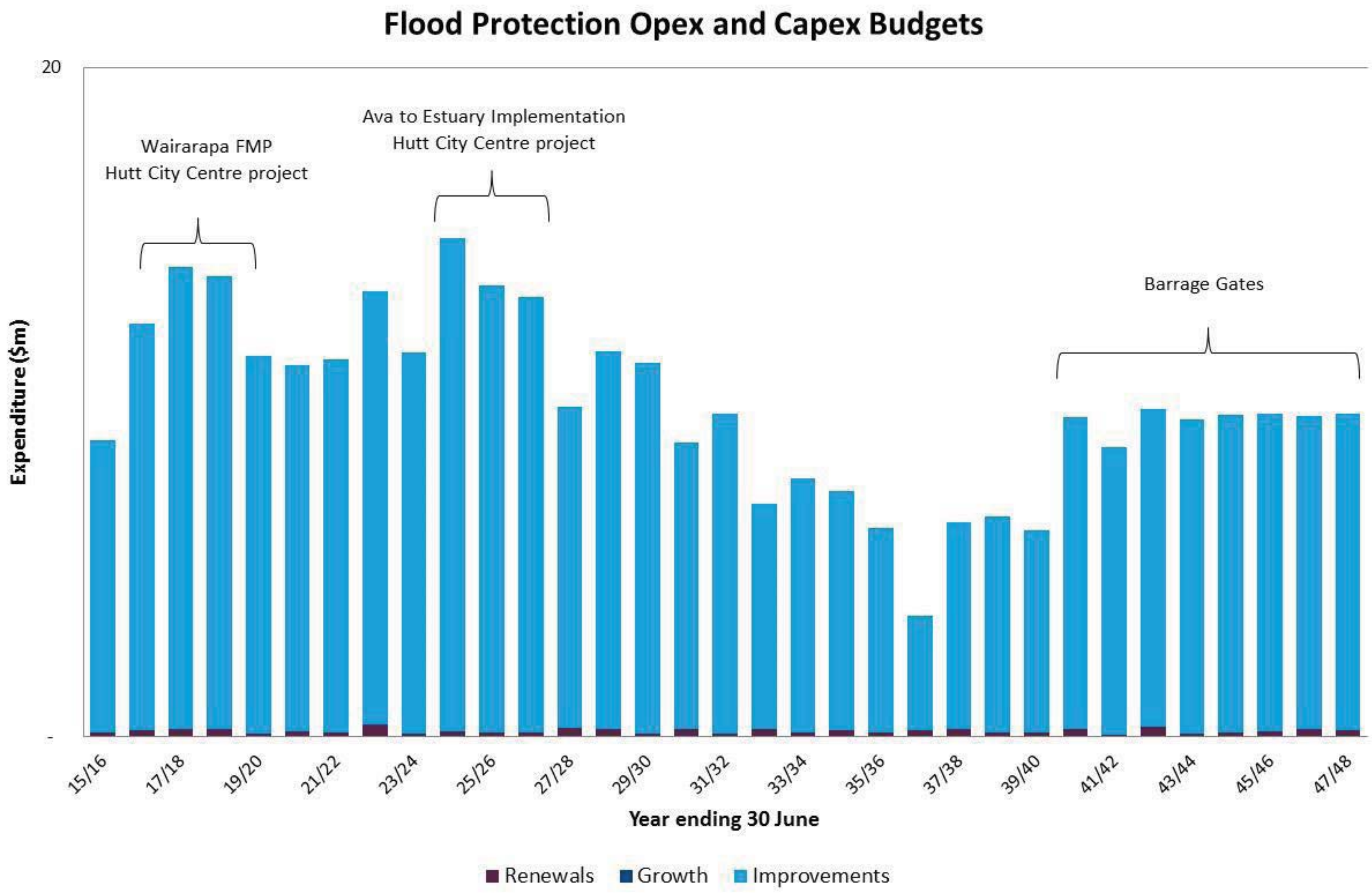
## Flood protection

*Estimates of capital and operating expenditure*

The indicative estimates of the projected capital and operating expenditures for flood protection infrastructure assets are shown in the following graph.



The following graph splits capital expenditure into renewals, improvement. Capital expenditure is influenced by a number of larger projects but remains constant over time given the nature of the business.



*Significant capital expenditure decisions*

Our significant decisions about capital expenditure for our flood protection assets required over the next 30 years are set out below. This includes when we expect to make those decisions, what principal options we expect to have to consider, and the approximate scale or extent of the costs associated with the decision.

| **Significant decision required** | **Timing** | **Principal options** | **Costs** |
|---|---|---|---|
| Hutt City Centre upgrade project | 2015/16 for a decision | A range of options for construction of replacement stopbanks are being considered. Each of these results in a different level of service and resultant flood risk over the short and long term. There are no planned decreases to this level of service. | Up to $80 million |
| Lower Wairarapa Valley Development Scheme renewal | 2017-20 | A range of options are being considered for works to maintain existing levels of service, there are no planned decreases to this level of service. | Up to $50 million |
| Te Kāuru (Upper Ruamahanga) implementing floodplain management plan | 2018-2034 | Options under development but expected to include new stopbanks and channel works in the Waipoua River to protection Masterton | Up to $10 million |
| Development of new floodplain management plans for Upper Ruamahanga, Waiohine, Waiwhetu, Pinehaven, Mangaroa, Lower Valley Development Scheme, and Wainuiomata catchments | 2016-2035 | Capital funded floodplain management plans | Up to $30 million |

# SECTION FOUR – Significant Assumptions and Risks

A number of significant assumptions about underlying future conditions and events have been made in the preparation of this 10 Year Plan, particularly in the Infrastructure Strategy and Financial Strategy. This section outlines all assumptions that impact on our activities, or make a material difference to GWRC's overall forecast financial position. The assumptions are reasonably expected based on the information available at the time of drafting. Where there is a high level of uncertainty the potential effects of the assumptions are also identified.

Assumptions concerning the useful life of significant assets and sources of funds for replacing significant assets are included in the statement of significant accounting policies.

## Financial assumptions:

| | Assumption | Level of uncertainty | Estimate of potential effects |
|---|---|---|---|
| **Debt** | The existing and future debt can be raised at levels noted in the plan on a timely basis, and within the cost assumptions of the plan.<br>Debt is drawn down according to the forecast for the June 2015 year, as this underpins the interest cost assumption. | Medium | |
| **Insurance** | The budgeted insurance premiums are in line with the actual premiums struck. | Medium | |
| **Inflation** | GWRC has assumed moderate inflation over the period of this Long-Term Plan. We use the cost adjustors provided by Business and Economic Research Ltd (BERL) which are calculated specifically for local authorities. BERL adjustors are used by the majority of local authorities. Over the life of the plan the index averages 2.9% per annum<br>2016/17 2017/18 2018/19 2019/20 2020/21 2021/22 2022/23 2023/24 2024/25 2025/26<br>2.3% 2.5% 2.6% 2.7% 2.9% 3.0% 3.1% 3.3% 3.4% 3.6%<br>For the infrastructure strategy years 2026-2045 we have assumed a flat 2% per annum. Estimates this far out uncertain at best, 2% balances continued inflation expectations with productivity gains expected over the longer term. | Medium | |

<table>
<tr><td>Interest rates</td><td>GWRC has used a composite forecast based on the Reserve Bank of New Zealand (RBNZ) 90-day bank bill rate forecast and the implied market based 90-day forward rates for its floating interest rate projections.<br><br>The fixed interest rate is based on the existing pay fixed interest rate swaps in place.<br><br>Added to both of these is the market determined credit margin to borrow funds. This has been budgeted at 0.80% over the forecast period.<br><br>2015/16 2016/17 2017/18 2018/19 2019/20 2020/21 2021/22 2022/23 2023/24 2024/25 2025/26<br>5.25% 5.70% 5.90% 5.90% 5.90% 5.90% 5.90% 5.90% 5.90% 5.90% 5.90%<br>For the infrastructure strategy years 2026-2045 we have assumed a flat 5.6% per annum. Estimates this far out uncertain at best.</td><td>Medium</td><td></td></tr>
<tr><td>Emissions Trading Scheme</td><td>The Emissions Trading Scheme (ETS) was established by the Climate Change Response Act 2002 and creates an incentive for New Zealanders to develop and apply carbon-friendly techniques and technologies. GWRC has emissions credits and may sell the credits at a future date but no sales have been assumed in this Long-Term Plan.</td><td>Low</td><td></td></tr>
<tr><td>FAR rates</td><td>NZTA co-funding is provided at the agreed financial assistance rate (FAR) for all eligible transport planning activities and that there are no unexpected changes to FARs.<br><br>All transport projects and services will receive funding assistance from the NZ Transport Agency, at the following levels (percentage of cost):<br><br>Rail services: 56% in 2015/16 reducing by 1% per year to 51%<br>Total Mobility scheme: 60%<br>Rail projects: 51%-60%<br>All other transport activities: 52% in 2015/16 reducing to 51% thereafter</td><td>High</td><td>NZTA reviews FAR rates periodically. If the rates change, GWRC will review budgets in subsequent Annual Plans.</td></tr>
</table>

2

In addition to the potential effects associated with the above assumptions not being borne out, we have identified the following risks:

- The credit margin may increase and that floating rates may rise around the assumed composite tract. A 1% increase in interest rates above budgeted levels, assuming expenditure is in accordance with Long-Term Plan, is around $0.5 million for the 2015/16 year.
- Insurance rates are volatile and moving in an upward path. The biggest risk is around the Material Damage & Business Interruption premium. A review of insurance and risk around loss in relation to property has been undertaken. This will see GWRC retaining more risk, however, this should be ameliorated via lower or stabilised premiums.

Contract prices for physical works rise as a result of Transmission Gully and other Roads of National Significance projects being constructed over the next 5-10 years.

## Non-Financial Assumptions

| | Assumption | Level of uncertainty | Estimate of potential effects |
|---|---|---|---|
| **Climate change** | That the main effects of climate change will be more frequent and severe storm events with increased rain and westerly winds. A number of climate change scenarios have been developed both internationally and regionally which provide a range of possible climate change impacts including:<br>- 0.8m sea level rise by 2090 or approximately 1m by 2115 (compared to 1990)<br>- 2-5% increased frequency of extreme winds in winter, and a similar decrease in summer, over this century<br>- A small increase in rainfall in the west of the region and a decrease in the east. More frequent very heavy rainfall events.<br>- Temperatures of around 0.9˚C warmer by 2040 and 2.1˚C warmer by 2090, compared to 1990.[1]<br>Current technical guidance for flood protection around climate change remains unchanged. | Medium | |
| **Economic growth**[2] | Employment in the region is projected to grow from 226,600 full-time equivalents (FTEs) in 2013 to 285,300 FTEs in 2041. This equates to an annual growth rate of 0.82% (which is 0.33% below the national average).<br>GDP in the region is projected to grow from $23,020 million in 2013, to $44,180 million in 2041. This equates to an annual growth rate of 2.36% (which is 0.15% below the national average). | Medium | |

[1] Please note that these climate change assumptions are based on regional downscaling of the Intergovernmental Panel on Climate Change (IPCC) AR4 report from 2007. A more recent report (AR5) has recently been released. However the projected climate change effects have not yet been downscaled to the regional level. These assumptions will be updated once that information is available later this year.

[2] Source: BERL economics, August 2014, *Growth scenarios for the Wellington Region: Towards 2041*

| | | | |
|---|---|---|---|
| **Emergency events** | That there will be no natural (or human-induced) hazard events that impact on planned business as usual in a major way (however, we continue to plan and prepare for hazard events).<br>There will be no events, such as contamination of the water catchments, major failure of treatment processes, or contamination of the bulk distribution network, that would compromise compliance with the New Zealand drinking water standards.<br>There will not be any flood events in the next 10 years, where repair costs exceed available contingency funding and reserves.<br>There will be no serious damage to forests from fires, insect attacks, fungal attacks or significant storm or flood damage. | Medium | |
| **Indicative areas of urban growth / intensification** | Our assumptions on where urban growth and intensification will take place are based on the best publically available information from territorial authorities various urban growth / development strategies including:<br>• Kāpiti Coast: Choosing Futures - Development Management Strategy 2007 (Kāpiti Coast District Council)<br>• Proposed Kāpiti Coast District Plan 2012 (Kāpiti Coast District Council)<br>• 2007 Urban Growth Strategy (Upper Hutt City Council) – *under review*<br>• 2012-2032 Urban Growth Strategy (Hutt City Council)<br>• Wellington Urban Growth Plan 2014-2043 (Wellington City Council)<br>• Porirua Development Framework 2009 (Porirua City Council)<br>• Operative Wairarapa Combined District Plan (Masterton, Carterton and South Wairarapa District Councils) – Subdivision, Land Development & Urban Growth chapter. | Medium | |

| | | | |
|---|---|---|---|
| **Population trends** | That the regional population will continue to grow at the medium growth rate as projected by Statistics New Zealand and will reach approximately 538,700 by 2026 and 559,900 by 2046.[3]<br><br>Natural increase is the primary driver for growth. More than three quarters of the region's projected growth will be at 65+ years. Population decline is expected at the 0-4 and 15-29 year age groups. The ratio of elderly (65+ years) to children (0-14 years) will increase rapidly from the current 0.64 (six elderly for every ten children), to 1.16 (12 elderly for every ten children) by 2031.<br><br>Only modest changes to the overall ethnic composition of the region. The 'European / Other' ethnic group is expected to decrease slightly to 67.7% by 2021. Maori, Pacific Island, and Asian groups will increase slightly.[4]<br><br>The above population change is expected to have the most impact on our assets and services in the longer term (30 years +). | Medium | |
| **Legislative change** | There will be no major change to key legislation that affects GWRC's mandate or has funding implications (including for the provision of infrastructure in the region). Key legislation includes the Local Government Act 2002, the Land Transport Management Act 2003, Resource Management Act, the Reserves Act 1977, Health Act 1956, Soil Conservation and River Control Act.<br><br>The final transport Government Policy Statement is not significantly different from the draft Government Policy Statement.<br><br>The new Natural Resources Plan for the Wellington regional (under development) will not significantly affect the allocation of water for public water supply purposes. Resource consents for water takes expire between 2033 and 2036.<br><br>Proposed changes to the Biosecurity Act 1993 and pending National Policy Direction will not require significant changes to the Regional Pest Management Strategy 2002-22<br><br>That central government support for policies under the Climate Change and Sustainable Land Management framework will not alter significantly. | High | Major change to key legislation may significantly impact our requirements, responsibilities or funding arrangements. Any change of this level may require funding beyond that forecast in the LTP. |

[3] Source: Projections produced by Statistics New Zealand according to assumptions agreed by GWRC. 2006 base year
[4] More details, including breakdowns by territorial authority are included in Professor Natalie Jackson's report for GWRC - Greater Wellington – Socio-Demographic Profile 1986-2031, August 2012

| | | | |
|---|---|---|---|
| | There are no changes to the national framework for flood risk management which have potential funding implications for GWRC.<br>Implementation of the National Policy Statement for Freshwater does not identify any substantial new requirements to those already known. | | |
| **Local government reorganisation** | No local government reorganisation will take place within the term of this LTP. We are aware of the Local Government Commission proposal, but as the final decision and timing are unknown we have prepared this plan on the basis of no significant change. | High | Major change to the organisation of local government may significantly impact our requirements, responsibilities or funding arrangements. Any change of this level would require a review of the LTP. |
| **Treaty of Waitangi settlements** | That Treaty settlements with iwi are finalised as expected, and settlement of claims will not significantly affect GWRC's governance arrangements, functions or ability to undertake activities.<br>Treaty of Waitangi claims will not impact significantly on river management activities. | Low | |
| **Technology** | That there will be no significant disruptive technologies over the life of this Plan. | Medium | |
| **Resource Consents** | That the necessary resource consents for GWRC activities including capital improvements and routine operations and maintenance on significant infrastructure will be obtained or renewed as they fall due. | Medium | |

### Regional leadership

| | Assumption | Level of uncertainty | Estimate of potential effects |
|---|---|---|---|
| **Funding** | Matched funding from Ministry of Primary Industries is successfully applied for and received for the next phase of the Wairarapa Water Use Project. | Low | |

In addition to the potential effects associated with the above assumptions not being borne out, we have identified the following risks:

- An acceptable solution for the Basin Reserve is unable to be found and this requires a comprehensive review of the Ngauranga to Airport Corridor Strategy to be brought forward and changes made to the Regional Land Transport Plan.

### Parks

| | Assumption | Level of uncertainty | Estimate of potential effects |
|---|---|---|---|
| **Revenue** | That revenue from existing Parks and Forestry leases and licenses continues without significant alteration. | Low | |

In addition to the potential effects associated with the above assumptions not being borne out, we have identified the following risks:

- Volunteer support for managing the parks network declines
- Increasing pressure of a wider range of uses in the parks network displaces current activities or degrades the overall experience
- New roading infrastructure constructed by NZTA significantly degrades the visitor experience in some parks and results in some current activities not being viable
- The cost of maintaining and renewing assets in parks becomes unaffordable to the community and levels of service have to be reduced.

**Public transport**

| | Assumption | Level of uncertainty | Estimate of potential effects |
|---|---|---|---|
| **Inflation on diesel bus contracts** | GWRC has entered into a number of bus contracts to supply public transport services. Included in these contracts are cost indices requiring GWRC to adjust payments depending on the movement of the indices. The indices are calculated on a number of factors, including the New Zealand dollar price for diesel, staff costs, etc.<br>For the 2015/16 year, the cost of oil is assumed to be US$55 per barrel (WTI) and the NZ/US exchange rate is assumed to be $0.75. For subsequent years the payments to bus operators are assumed to increase at the level of inflation. | Medium | |
| **Debt funding** | Passenger transport infrastructure investment and other capital expenditure will be partly funded by debt. Debt repayments have been estimated in accordance with the Treasury Risk Management Policy. | Medium | |
| **Rates** | GWRC will not rate the community to fund depreciation or impairment of transport infrastructure and passenger rail rolling stock. Rates will only fund debt repayment on GWRC's share of capital expenditure. | Medium | |
| **Fare revenue** | No increase in fares is proposed for 2015/16. For each year between 2016/17 and 2020/21 fare revenue will increase by 1% above inflation (this equates to our commitment to the government to plan for fare increases that average 3% per annum as per the 2011 Wellington Rail Package). Thereafter fare revenue will increase with inflation. | Medium | |
| **Growth in Patronage** | Growth in passenger numbers on rail services has been assumed at 1% for 2015/16 and 1.5% per annum from 2016/17 until 2025/26 to align with growth projection targets.<br>Growth in passenger numbers on bus and ferry services has been assumed at 1.5% per annum until 2025/26 to align with growth projection targets.<br>Growth in the use of the Total Mobility Scheme is assumed at 2.3% per annum for 2015/16 to 2017/18, reflecting recent strong growth levels. From 2018/19 growth is assumed to be 0.5% per annum. | Medium | |
| **Trolley buses** | Trolley bus services will be discontinued at 30 June 2017. The new fleet required as a consequence of this will include high capacity hybrid vehicles. A rough projection of expected costs for these vehicles are included, but | Medium | |

| | | | |
|---|---|---|---|
| | are subject to confirmation as to amount and timing once decisions have been made about the procurement approach | | |
| **Integrated fares & ticketing** | Expenditure on the integrated fares and ticketing project has been estimated based on the limited information available from a similar project underway in Auckland. An investigation has begun in 2014 which will further inform expenditure levels. | Medium | |

### Water supply

| | Assumption | Level of uncertainty | Estimate of potential effects |
|---|---|---|---|
| **Population** | The urban population of the four cities we supply will follow the current Statistics New Zealand medium growth projection. It is expected that the population supplied will reach approximately 446,000 by 2036. | Medium | |
| **Consumption** | Gross consumption will not exceed 374 litres per person per day. Many factors contribute to the actual demand for water which adds uncertainty to this assumption. | Low | |
| **Supply** | The design standard for security of supply is that the probability of a shortfall in any year is no more than 2% (i.e. one in 50 years on average). This is assessed using a model that compares supply and demand scenarios. A "shortfall" is defined as a supply shortage lasting a single day or more. | Low | |
| **Levy** | The water levy will be adjusted accordingly to meet the impact of any significant changes to interest rates and to maintain debt at sustainable levels | Medium | |

In addition to the potential effects associated with the above assumptions not being borne out, we have identified the following risks:

- Our ability to meet "normal" demand could be severely compromised by drought, source failure or an unanticipated significant increase in demand
- Damage to the water supply infrastructure resulting from a catastrophic event such as an earthquake, tsunami, flooding or major landslide could severely compromise our ability to maintain supply
- Damage to the water supply infrastructure resulting from vandalism or an act of terrorism could also compromise our ability to maintain supply

**Environment**

| | Assumption | Level of uncertainty | Estimate of potential effects |
|---|---|---|---|
| **Revenue / Funding** | Amendments to the RMA Charging policy, particularly in relation to the State of the Environment monitoring charges, are successfully implemented and actual revenue is in line with expectations.<br>Funding partners such as Territorial Local Authorities, QEII National Trust and landowners continue to support sustainable land management programmes.<br>The TBfree New Zealand's bovine Tb vector-control programme in the region is maintained at current levels and GWRC is successful in maintaining preferred contractor status and securing contracts. | Medium | |
| **Community support** | The public remain supportive of pest management practises, including continued use of pesticides.<br>Volunteers continue to make themselves available to assist with biodiversity and land management activities<br>Demand for services and products from the Akura Conservation Centre will be maintained | Low | |
| **Economic situation** | The rural economic situation does not change significantly, particularly the ability of landowners to maintain investment in sustainable land management programmes | Medium | |

In addition to the potential effects associated with the above assumptions not being borne out, we have identified the following risks:

- Legal expenses exceed our legal reserves due to our decisions being appealed or from undertaking enforcement action
- The number of consent applications reduces to a point where the revenue generated from processing consents is significantly less than planned for, affecting our overall budget
- The development of the Regional Plan requires additional resources in the area of mana whenua values
- The development of the Regional Plan raises community expectations for higher levels of service
- Additional harbour hulks become GWRC's responsibility and require disposal

The GWRC Infrastructure Strategy (SECTION THREE) outlines in more detail the significant infrastructure issues of the GWRC over the next 30 years including issues of resilience; affordability; community expectations; population change and health and safety. The Infrastructure Strategy also outlines the principles and approach GWRC will take in managing the Council's infrastructure assets.

The GWRC Financial Strategy (SECTION FOUR) outlines how we intend to fund our responses to the key issues outlined above and the infrastructure issues outlined in the Infrastructure Strategy.

# SECTION FIVE - Activities of the Greater Wellington Regional Council

## Regional Leadership

GWRC coordinates regional leadership activities in partnership with other local authorities on a range of issues, including economic development, transport, and civil defence and emergency management. We involve mana whenua and the community in our decision making. We also lead regional initiatives that provide significant benefits to the regional community.

### 1. WHAT WE DELIVER

The regional leadership group of activities includes:

- Wellington Regional Strategy
- Emergency management
- Democratic services
- Relationships with mana whenua
- Regional transport planning and programmes
- Strategic planning
- Regional initiatives

### 2. CONTRIBUTION TO COMMUNITY OUTCOMES

Our regional leadership activities contribute towards achieving:

- A **strong economy** by developing region-wide strategies and funding programmes to help the region realise its economic potential
- A **resilient community** by ensuring the region is ready to effectively respond to and recover from major emergency events, such as earthquakes
- A **connected community** by developing plans to meet the region's transport needs, informing the community about the range of transport options available, and supporting the availability of ultra-fast broadband
- A **healthy environment** by exploring options to manage the effect of agricultural land use on water quality, and taking a leadership role in other regionally significant projects such as the climate change strategy and environmental sustainability.
- An **engaged community** by providing opportunities for residents to engage in our activities and participate in decision making, including our mana whenua iwi partners.

## 3. CHALLENGES WE FACE

Leadership is essential for the Wellington region to build on our existing strengths and develop new initiatives to improve our progress against our long term outcomes.

Many of the issues and opportunities have a regional context and require a coordinated approach across the region, building partnerships with a wide range of organisations. Our economy is not performing to its potential. Building world class infrastructure, including improving our connections within the region, to the rest of the country and internationally, are a vital component of improving our competiveness.

We also need to diversify our economy to ensure it is more resilient, including growing businesses in emerging new sectors. Maintaining and improving our quality of life is also an important component of attracting businesses and talented people to our region.

There is a continuing focus on improving our resilience and preparedness for major emergencies. The need for a coordinated approach across local government and other public sector agencies is an important lesson from Canterbury.

Partnerships with mana whenua are increasingly significant as Treaty of Waitangi settlements are finalised in the region and co-management arrangements are developed. How we effectively engage with the wider community to ensure that our consultation processes and decision making are appropriate is a constant issue, with low voter turnout and participation in local government processes. We need to develop means to reach out more effectively to different sectors of our society, taking account of changing technology and social media.

The Wellington region's councils have been actively looking at the issue of the structure of local government in the region since 2009. Since this time, numerous reports and processes have been carried out by councils across the region, resulting in two formal applications to the Local Government Commission (the Commission):

- In May 2013, the Wairarapa councils submitted an application to the Commission seeking a new Wairarapa Unitary Authority
- In June 2013, GWRC submitted an application to the Commission for a region-wide Unitary Authority with Local Boards for the entire region.

Both applications were accepted by the Commission and alternative applications were invited from the public. 19 responses with alternative proposals were provided to the Commission. The Commission then considered the need to change local government arrangements in Wellington and all the reorganisation options, following the process and considerations set out in the Local Government Act. On 4 December 2014 the Commission released a *Draft Proposal for Reorganisation of Local Government in Wellington*. The draft outlined the Commission's assessment of the need for change and put forward a model which proposes one council for the whole of the Wellington region (to be known as the Greater Wellington Council), with decision-making shared between a governing body (council) and eight Local Boards. The draft proposal is open for submissions until 2 March 2015. The Commission will then hear those who wish to speak to their submission and consider all the feedback before releasing a final decision, probably in mid-2015.

It is very likely that a poll will be held on any final proposal. This is likely in the second half of 2015. It is possible, should all required steps in the process progress in a timely fashion and any poll confirms the proposal, that a new council (or councils) could be in place by the next local government elections in October 2016.

# 4. STRATEGY FOR REGIONAL LEADERSHIP

## Long term approach

Our long-term approach is to develop and maintain strong relationships and collaborative programmes at a regional level. This will assist with achieving integrated decision making across the region. Our position as the regional council enables us to take a leadership role, working in partnership with other councils, mana whenua, central government, community groups and the private sector.

We will continue to enhance the leadership role of GWRC by facilitating a collaborative approach to economic development, emergency management, and transport networks, assets, amenities and services, while making the most of scarce resources and capabilities.

For emergency management we aim to ensure that the region has sufficient capability and capacity to manage a major emergency event, including promoting preparedness and public education.

For regional transport we aim to achieve an affordable, integrated, safe, responsive and sustainable land transport system. As well as leading the strategic planning of the region's transport network, we promote sustainable transport options and improved road safety. GWRC is also the provider of public transport in the region (see Public Transport activity group).

We will maintain effective, open and transparent democratic processes through the appropriate conduct of Council meetings, statutory accountability processes and local authority elections. We also aim to continue to provide greater opportunities for mana whenua to be involved in GWRC's decision making and work.

## Policy framework

The existing GWRC policies and plans that relate to this group of activities:

- Wellington Regional Strategy 2012 (WRS). The WRS was originally adopted in 2007 by the nine local authorities in the region, following engagement with central government and business, education, research and voluntary sector interests. The WRS is a sustainable economic growth strategy and contains a range of initiatives to realise our economic potential.
- Wellington Region Civil Defence Emergency Management Group Plan 2013-2018 (CDEM Group Plan). The CDEM Group Plan provides the context and strategic direction for civil defence emergency management in the Wellington region and is supported by a CDEM Business Plan (every 3 years) and a WREMO Annual Plan.
- Memorandum of Partnership between Te Mana Whenua o Te Upoko o te Ika a Maui and GWRC. This memorandum sets the framework for the relationship between GWRC and the region's mana whenua.
- Wellington Regional Triennial Agreement 2013-2016. GWRC and the territorial authorities of the region have committed to good governance by acting cooperatively and collaboratively.
- Wellington Regional Land Transport Plan 2015 (RLTP). The RLTP is the statutory document that guides the development of the region's land transport system, including public transport, roads, walking, cycling and freight. It provides a long-term strategy and business case for investment over a 10-30 year period, as well as

targets to measure short-medium term performance. It incorporates sub-regional corridor strategies that provide further analysis of specific issues and priorities, as well as network plans outlining the approach for specific modes of transport. It also contains a six year programme of proposed transport activities and projects across the region which forms a bid for co-funding from the National Land Transport Fund.

## 5. POTENTIAL NEGATIVE EFFECTS

There are no significant negative effects from regional leadership activities.

## 6. WELLINGTON REGIONAL STRATEGY

### What we do and why

Between 2004 and 2007, Wellington's nine local councils, in consultation with the region's business, education, research and voluntary sector interests, developed a fact-based, region-wide, long-term sustainable growth strategy. The Wellington Regional Strategy (WRS) emerged from shared recognition that previous arrangements did not support the achievement of regional goals and that a regional approach was required.

The WRS was developed in a comprehensive way with strong engagement from key stakeholders and significant community consultation. The final WRS was adopted in May 2007.

In 2014 the Councils in the region agreed to combine the economic development, tourism, venues and major events functions and activities of Wellington City Council and GWRC together, in a single council controlled organisation, the Wellington Regional Economic Development Agency (WREDA).

GWRC has responsibility on behalf of the region for hosting the WRS Committee. The WRS Committee oversees decision making and governance of the WRS. The Committee membership includes the Chair of GWRC, four representatives from Wellington City Council, one representative from each of the other territorial authorities in the western region, and one person representing the Wairarapa councils. The WRS Office will continue to support the implementation, monitoring and review of the WRS, in conjunction with staff from Wellington City Council. A refresh of the WRS in early 2012 led to the WRS Committee adapting the following revised focus areas to address sustainable economic growth issues in the region:

1. Commercialisation of innovation. With a focus on science and technology-driven innovation, this focus area involves supporting existing successful businesses, and exploiting the region's attractiveness as a vibrant and supportive environment for entrepreneurs to set up firms, access capital and to innovate.
2. Investment mechanisms for sustainable growth. This is about attracting international investment, making more of existing investment networks (such as angel investment networks) and ensuring these are connected internationally and through local business opportunities.
3. Building world class economic infrastructure. Regional economic prosperity is heavily dependent on the region's level of connectedness at local, national and international levels. This is, in turn, dependent on the quality of our foundation infrastructure and transport systems.
4. Attracting business, investment and talent to the region. This is about having a targeted approach to attracting businesses, potential investors and skilled migrants to the region.

5. Education and workforce development to service regional economy needs. This focus area is about building on existing connections and initiatives to grow the region's skills and education base, and ensure the region's specific skills needs are met.

6. Open for business. Being open for business is about councils delivering business services with a "can do" attitude and facilitating a business environment where smart, innovative firms can flourish.

## What we will deliver

| Level of service | Performance measures | Performance targets | | | | |
|---|---|---|---|---|---|---|
| | | **Baseline (2014)** | **2015/16** | **2016/17** | **2017/18** | **2018-25** |
| Promote economic growth in the region through the WRS Office, the WRS Committee and WREDA | The number of collaborative economic research and monitoring projects in accordance with the WRS Office annual business plan | 5 | 100% projects completed per WRS Office annual business plan | 100% projects completed per WRS Office annual business plan | 100% projects completed per WRS Office annual business plan | 100% projects completed per WRS Office annual business plan |
| | Amount of investment raised for start-up businesses | $3.5m | $5m | $7.5m | $10m | $10m |
| | Number of intern placements in key sectors | 150 | 175 | 175 | 200 | 200 |

## Changes to what we will deliver

There are no significant changes to current levels of service.

## Key projects and programmes

| | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|
| TBC post discussions on WREDA | | | |

## How we will fund this activity

100% targeted rate

# 7. EMERGENCY MANAGEMENT

## What we do and why

The Wellington region is exposed to a wide range of natural and human-made hazards (earthquake, flooding, landslide, tsunami, storm, biological, chemical, terrorism, etc.). Our approach to emergency management is based on the principles of reduction of risk, readiness, response and recovery.

The Civil Defence Emergency Management Act 2002 requires each region to have a CDEM Group and prepare a CDEM Group Plan. The Act also requires GWRC to be the administering authority for the Wellington region CDEM Group.

WREMO is the Wellington Region Emergency Management Office established by the nine councils of the Wellington region. It is responsible for providing a holistic, coordinated, and integrated CDEM service with emphasis on developing resilient communities and providing the systems, people and resources necessary to provide an effective response during an emergency.

WREMO has three core teams: Community Resilience, Operational Readiness, and Business and Development. These teams are responsible for CDEM functions, as follows:

- *Resilience Building*. Community resilience is enhanced through building capacity, increasing connectedness, and fostering cooperation;
- *Operational Excellence*. Operational capability and capacity is built to provide effective response during an emergency; and
- *Organisational Excellence*. Systems, policy and procedures are developed which establish the organisational foundation for WREMO.

WREMO's concept of operation is characterised by four key elements:

- *Network Enabled*. This recognises the importance of establishing and maintaining relationships (and in some cases) partnerships with key stakeholders; inter and intra council, emergency and support services and most importantly with our communities. Network enabled also means harnessing modern technology to provide control and communication, a common operating picture and associated information, plus allowing centralised planning with decentralised delivery;
- *Agility.* Focusing on those tasks which will build resilience as business as usual, while being able to quickly reconfigure resources to respond effectively to emergency situations, noting that these will vary in type, intensity, impact and location, with each requiring a tailored response;
- *High Performance*. Implementing an organisational philosophy, culture, cohesion, training and systems that will enable participating organisations in a response to be at the peak of their game; and
- *Single Team*. Our region is networked through social, economic, infrastructural, and environmental links. A unified approach with clear lines of control, communication, and cooperation is essential for an effective response and a rapid recovery.

## What we will deliver

| Level of service | Performance measures | Performance targets | | | | |
|---|---|---|---|---|---|---|
| | | Baseline (2014) | 2015/16 | 2016/17 | 2017/18 | 2018-25 |
| Work with the regional community to improve resilience to and preparedness for major emergency events | Percentage of households with emergency food and water to last three days | 85% | 82% | 82% | 82% | 85% |
| | Annual activation test for each EOC | No baseline figure | 100% | 100% | 100% | 100% |
| | Number of published Community Response Plans | 10% | 20% | 30% | 40% | 100% |

## Changes to what we will deliver

There are no significant changes to current levels of service.

## Key projects and programmes

| | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|
| Develop a Pre-disaster Recovery Framework to proactively anticipate recovery issues and build capacity to improve recovery outcomes before a disaster occurs (*multi-year project*) | ✔ | ✔ | ✔ |
| Develop an improved model for delivery of emergency response (*multi-year project*) | ✔ | ✔ | ✔ |
| Rationalisation of Business As Usual (BAU) functions (*multi-year project*) | ✔ | ✔ | ✔ |

## How we will fund this activity

WREMO is funded on a pro-rata contribution based on population from each of the eight Territorial Authorities in the region. GWRC's portion is equal to that of Wellington City Council. GWRC's share is nearly 100% funding from general rates.

## 8. DEMOCRATIC SERVICES

### What we do and why

GWRC consists of 13 elected Councillors who represent six constituencies. The Council enables democratic local decision making and action on behalf of regional communities. Our democratic services activity involves Council and committee meetings which are held on a six-weekly basis.

These meetings provide opportunities for the public to provide input to the Council's decision making through public participation or through making submissions on specific proposals. The activity also includes review of the Council's representation arrangements, three yearly Council elections and any other elections and polls required to be conducted.

The Local Government Act 2002, Local Government Official Information and Meetings Act 1987 and Local Electoral Act 2001 provide a framework for the Council's democratic services activity. They prescribe the processes by which councils must make their decisions, including public participation, and the processes for the review of representation and the conduct of triennial local elections. In addition to these statutory requirements, the Council has established advisory groups to provide it with advice on a wide range of matters.

### What we will deliver

| Level of service | Performance measures | Performance targets | | | | |
|---|---|---|---|---|---|---|
| | | **Baseline (2014)** | **2015/16** | **2016/17** | **2017/18** | **2018-25** |
| Provide information to enable the public to be informed of, and participate in, Council and committee meetings | Percentage of time meeting agenda is available to the public at least two working days prior to each meeting. | 100% | 100% | 100% | 100% | 100% |
| Provide statutory information in a timely manner | Percentage of logged official information requests for which a decision is made and communicated to the requestor within the prescribed statutory timeframes. | No baseline | 100% | 100% | 100% | 100% |

## Changes to what we will deliver

There are no significant changes to current levels of service..

## Key projects and programmes

| | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|
| Conduct the 2016 triennial local government elections | | ✔ | |
| Undertake a review of the Council's representation arrangements | | | ✔ |

## How we will fund this activity

The majority of this activity is funded from general rates, with remaining coming from the specific areas of regional transport and regional water supply (where the majority of funding is derived from targeted rates and levies respectively).

# 9. RELATIONSHIPS WITH MANA WHENUA

## What we do and why[1]

To further provide for a Māori perspective in decision making, mana whenua are represented in GWRC's governance structure. Mana whenua representatives are included on the Council's Strategy and Policy Committee and Te Upoko Taiao – Natural Resource Management Committee. This Committee has an equal number of Councillors and appointed members nominated by mana whenua iwi.

Te Upoko Taiao – Natural Resource Management Committee is a collaborative approach to mana whenua engagement in regional resource management. The Committee is responsible for the review and development of the region's natural resource management plans and for other environment management functions, including resource consents, compliance, enforcement, pollution incidents and environmental monitoring. A committee of this nature developing a regional plan was a first for New Zealand and brings with it the challenge of two world views coming together in a regulatory framework. This includes the recognition of mana whenua as kaitiaki and provides for the protection of Māori values, including mahinga kai (traditional food resources) and wāhi tapu (significant places).

GWRC currently provides the following resources to support the partnership:

- Support for attendance of mana whenua representatives on Council committees
- Capacity contracts to support individual mana whenua engagement, including in resource management processes
- Project funding to support tino rangatiratanga (mana whenua undertaking activities that support their aspirations) – mana whenua and GWRC work together to develop projects where the outcomes benefit both parties and also support resource management outcomes for the region
- Te Hunga Whiriwhiri (GWRC's Māori Relations team) supports the relationship between GWRC and the mana whenua of the region
    - Provide contestable funding support for mana whenua to progress projects of relevance to GWRC. Work with mana whenua to ensure that robust business plans are produced to support funding applications
    - Provide capacity contracts for each iwi entity and arrange regular meetings with iwi leadership to discuss areas of concern and/or better engagement opportunities.

The 2012 Memorandum of Partnership between mana whenua and GWRC, originally signed as a Charter of Understanding in 1993, has moved the relationship from understanding to partnership, marking an increasingly strategic relationship driven by Treaty settlements and the aspiration for a collaborative approach to regional development.

GWRC seeks to build its own capacity to work more effectively with Māori through a staff and elected member training programme, Te Ara Matua.

[1] This section also sets out the steps that GWRC intends to take to foster the development of Māori capacity to contribute to decision-making processes over the period of this Plan, as required by Clause 5 of Schedule 10 of the Local Government Act 2002.

## What we will deliver

| Level of service | Performance measures | Performance targets | | | | |
|---|---|---|---|---|---|---|
| | | **Baseline (2014)** | **2015/16** | **2016/17** | **2017/18** | **2018-25** |
| GWRC holds strong organisational capacity to work effectively with Māori | Percentage of staff who have completed Te Ara Matua training | TBC | Increase on baseline | Increase on previous year | Increase on previous year | Increase on previous year |
| Provide opportunities for Māori to be actively involved in decision making | Completion of actions identified in the Wellington Regional Council Stocktake of obligations to Māori | No baseline | TBC on receipt of Stocktake Report | TBC on receipt of Stocktake Report | TBC on receipt of Stocktake Report | TBC on receipt of Stocktake Report |

## Changes to what we will deliver

There are no significant changes to current levels of service.

## How we will fund this activity

The majority of this activity is funded through general rates because of the public good component of this work and the limited ability of Māori to participate in a meaningful way without assistance. Remaining funding comes from the specific areas of public transport and water supply, where the majority of funding is derived from targeted rates and levies respectively, rather than from general rates.

# 10. REGIONAL TRANSPORT PLANNING & PROGRAMMES

## What we do and why

GWRC plans for the long-term development of the region's land transport network, which includes regionally significant roads, public transport, and walking and cycling infrastructure. We do this through the development of a Regional Land Transport Plan (RLTP), which also outlines the projects which the region supports for central government co-funding through the National Land Transport Fund. These functions are prescribed by the Land Transport Management Act 2003. This is prepared in collaboration with all Approved Organisations, including NZTA and local councils through the Regional Transport Committee.

GWRC is also responsible for monitoring the implementation of the RLTP and prepares a full monitoring report every three years and a summary monitoring report on an annual basis. We maintain, update and administer regional transport models which are used by a number of agencies to plan for transport improvements.

We also provide regional coordination and delivery of programmes and initiatives that promote and support sustainable and safe transport such as walking, cycling, carpooling and public transport. We support and advocate for the provision of facilities and measures that contribute to improved road safety.

Our approach is to collaborate with and support the NZTA, local councils and other stakeholders by providing best practice resources and tools that can be used across the region. This approach reduces duplication of programmes and resources and provides regional data collection and consistent data analysis methodologies.

These activities contribute to improving the regional and national economy, quality of life in the region and creating a more connected community by supporting transport choices for people. Supporting more sustainable transport choices also contributes to reducing congestion on our roads, assisting economic growth, reducing vehicle emissions, improving road safety and promoting public health.

Our sustainable transport activities are planned to provide a best fit with the Government Policy Statement on Land Transport Funding.

## What we will deliver

| Level of service | Performance measures | Performance targets | | | | |
|---|---|---|---|---|---|---|
| | | Baseline (2014) | 2015/16 | 2016/17 | 2017/18 | 2018-25 |
| Maintain a current policy framework to guide development of the regional land transport network | Maintain an operative Regional Land Transport Plan (RLTP) and develop Programme Business Cases (PBC) to support implementation of the Plan | | Variations to RLTP as required.<br><br>PBC delivered | Variations to RLTP as required.<br><br>PBC delivered | Review and adopt RLTP.<br><br>PBC delivered | Variations to RLTP as required.<br><br>PBC delivered |
| | Completion of annual monitoring | | As scheduled | As scheduled | As scheduled | As scheduled |

| | | | | | | |
|---|---|---|---|---|---|---|
| | report and acceptance by RTC | | | | | |
| Coordinate and deliver programmes which promote and encourage sustainable and safe transport choices | Percentage of stakeholders and partners who rate coordination services and resources satisfactory or higher. | 87% | 90% | 90% | 90% | 90% |
| | Mode shift in workplace and school travel plan programmes | 4% increase in active travel trips to school for school travel programme.<br><br>5% increase in cycling trips and 22% decrease in car trips for Active a2b. | Workplace and school travel programme participants increase their use of sustainable transport modes | Workplace and school travel programme participants increase their use of sustainable transport modes | Workplace and school travel programme participants increase their use of sustainable transport modes | Workplace and school travel programme participants increase their use of sustainable transport modes |

### Changes to what we will deliver

The reach of our programmes have been limited by the relatively small budgets available and the resulting resource availability. In order to achieve the previously desired outcomes, we intend to increase the level of funding for eight sustainable transport programmes and develop four new programmes. Further increases in the number of pedestrians in the Wellington region can still be achieved, but it is in the cycling area that an increase in the sustainable transport programmes of the council can really result in significant increases in numbers of people cycling and improvements in cycle safety.

### Key projects and programmes

| | **2015/16** | **2016/17** | **2017/18** |
|---|---|---|---|
| Transport Network Resilience Programme Business Case | ✔ | | |
| Demand Management Programme Business Case | | ✔ | |
| Regional Freight Network Programme Business Case | | | ✔ |

### How we will fund this activity

A nationally funded road user contribution reflecting the national interest, plus the remainder by general rates.

# 11. REGIONAL INITIATIVES

## What we do and why

GWRC leads and partners with others on a number of key initiatives aimed at promoting significant economic, social and environmental benefits to the regional community. These include:

- Wairarapa Water Use Project – This project will explore options for storing water for agricultural, horticultural, environmental and other community uses. The project aims to enhance agricultural productivity through irrigation, while managing effects of land use change on water quality. GWRC is undertaking feasibility work to investigate whether such schemes are environmentally and economically viable. A contribution from central government's Irrigation Acceleration Fund, which requires matching funding from external parties, has been approved in principle by the Ministry of Primary Industries to 30 June 2015. We need to reapply for the next phase of the project, and we may look at other sources of funding for 2015/16 and beyond.
- Warm Greater Wellington – GWRC is participating in the Energy Efficiency and Conservation Authority's (EECA) home insulation and clean heating scheme. GWRC provides financial assistance to purchase insulation that is paid back through homeowners' property rates. Over 1000 homes have been insulated since the scheme began in April 2010. Due to the success of the scheme, GWRC would welcome partnering with EECA on any similar future schemes.

GWRC also works on other strategic projects that are required in response to regionally significant issues, for example, the development of a climate change strategy and regional spatial plan. Such projects are often done in collaboration with other agencies.

GWRC has a leadership role in environmental sustainability within the regional community. In order to demonstrate to the community that we are "walking the talk", we will continue to promote corporate sustainability as we carry out our work.

## What we will deliver

| Level of service | Performance measures | Performance targets | | | | |
|---|---|---|---|---|---|---|
| | | **Baseline (2014)** | **2015/16** | **2016/17** | **2017/18** | **2018-25** |
| Work with partners to investigate options for water storage and water use such as irrigation in the Wairarapa valley | Progression of the WWUP as per the project plan | Options identification and refinement phases completed | Feasibility investigations 50% completed | Resource consent application prepared | Consent application decisions imminent with project funders & owners identified | Project tenders, design & construction underway |
| Provide funding assistance for home insulation and heating through the Warm Greater Wellington Scheme | Number of applications to join the Warm Greater Wellington scheme | 1,376 | 1500 | 1500 | 1500 | 1500 annually |

### Changes to what we will deliver

Funding has been included in the LTP for the development of a regional spatial plan. This is due to be completed in 2017/18.

### Key projects and programmes

| | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|
| Wellington Region Spatial Plan | Spatial Plan project plan signed off and information gathering and analysis | Draft Spatial Plan completed | Spatial Plan completed |

### How we will fund this activity

100% general rates for plans/strategies.

100% targeted rates on properties that benefit from the home insulation and clean heat scheme.

50% general rates for Wairarapa Water Use Project and 50% from central government’s Irrigation Acceleration Fund.

**REGIONAL LEADERSHIP**

**PROSPECTIVE FUNDING IMPACT STATEMENT**

**FOR THE YEAR ENDING 30 JUNE**

| | 2015/16 Plan $000s | 2016/17 Plan $000s | 2017/18 Plan $000s | 2018/19 Plan $000s | 2019/20 Plan $000s | 2020/21 Plan $000s | 2021/22 Plan $000s | 2022/23 Plan $000s | 2023/24 Plan $000s | 2024/25 Plan $000s |
|---|---|---|---|---|---|---|---|---|---|---|
| | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| **Sources of operating funding** | | | | | | | | | | |
| General rate | 7,132 | 7,559 | 7,813 | 8,435 | 9,038 | 9,191 | 9,142 | 9,404 | 9,501 | 10,002 |
| Targeted rates | 8,065 | 8,820 | 8,807 | 8,789 | 8,767 | 8,747 | 8,322 | 6,948 | 7,064 | 7,173 |
| Subsidies and grants for operating purposes | 2,139 | 2,099 | 2,110 | 1,527 | 1,576 | 1,629 | 1,683 | 1,743 | 1,807 | 1,874 |
| Fees, charges, and targeted rates for water supply | 3 | 3 | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 4 |
| Interest and dividends | 98 | 91 | 80 | 80 | 76 | 77 | 84 | 86 | 87 | 95 |
| Other operating revenue | 1,915 | 2,132 | 2,094 | 2,172 | 2,230 | 2,294 | 2,363 | 2,436 | 2,518 | 2,603 |
| Fines, infringement fees, and other receipts [1] | 2,013 | 2,223 | 2,174 | 2,252 | 2,306 | 2,371 | 2,447 | 2,522 | 2,605 | 2,698 |
| **Total operating funding** | **19,352** | **20,704** | **20,907** | **21,006** | **21,690** | **21,941** | **21,598** | **20,621** | **20,981** | **21,751** |
| **Applications of operating funding** | | | | | | | | | | |
| Payments to staff and suppliers | 18,221 | 19,017 | 18,905 | 19,171 | 20,062 | 20,338 | 20,556 | 20,059 | 18,655 | 20,919 |
| Finance costs | 1,189 | 1,256 | 1,129 | 1,000 | 808 | 599 | 410 | 296 | 205 | 115 |
| Internal charges and overheads applied | 281 | 334 | 453 | 509 | 522 | 536 | 527 | 555 | 581 | 914 |
| **Total applications of operating funding** | **19,691** | **20,607** | **20,487** | **20,680** | **21,392** | **21,473** | **21,493** | **20,910** | **19,441** | **21,948** |
| **Surplus/(deficit) of operating funding** | **(339)** | **97** | **420** | **326** | **298** | **468** | **105** | **(289)** | **1,540** | **(197)** |
| **Sources of capital funding** | | | | | | | | | | |
| Subsidies and grants for capital expenditure | 135 | 183 | 401 | 335 | 141 | - | 36 | 31 | 159 | 39 |
| Increase / (decrease) in debt | 2,697 | (1,362) | (2,286) | (2,915) | (3,071) | (3,105) | (2,333) | (1,040) | (1,443) | 412 |
| Gross proceeds from asset sales | 10 | 47 | 21 | 22 | 40 | 34 | 23 | 43 | 25 | 26 |
| **Total sources of capital funding** | **2,842** | **(1,132)** | **(1,864)** | **(2,558)** | **(2,890)** | **(3,071)** | **(2,274)** | **(966)** | **(1,259)** | **477** |
| **Applications of capital funding** | | | | | | | | | | |
| - to meet additional demand | - | - | - | - | - | - | - | - | - | - |
| - to improve the level of service | - | - | - | - | - | - | - | - | - | - |
| - to replace existing assets | 935 | 2,219 | 1,536 | 748 | 422 | 130 | 205 | 223 | 418 | 174 |
| Increase / (decrease) in investments | 1,769 | (2,821) | (2,821) | (2,821) | (2,821) | (2,821) | (2,469) | (1,295) | (235) | - |
| Increase / (decrease) in reserves | (201) | (433) | (159) | (159) | (193) | 88 | 95 | (183) | 98 | 106 |
| **Total applications of capital funding** | 2,503 | (1,035) | (1,444) | (2,232) | (2,592) | (2,603) | (2,169) | (1,255) | 281 | 280 |
| **Surplus/(deficit) of funding** | - | - | - | - | - | - | - | - | - | - |
| **Depreciation on Regional Leadership assets** | 425 | 508 | 449 | 615 | 757 | 723 | 685 | 623 | 480 | 411 |

[1] This includes revenue from the territorial authorities to fund the amalgamated regional emergency management group

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the Revenue and Financing Policy in section 9
All figures on this page exclude GST

**REGIONAL LEADERSHIP**
**PROSPECTIVE FUNDING INFORMATION**
**FOR THE YEAR ENDING 30 JUNE**

| | 2015/16 Plan $000s | 2016/17 Plan $000s | 2017/18 Plan $000s | 2018/19 Plan $000s | 2019/20 Plan $000s | 2020/21 Plan $000s | 2021/22 Plan $000s | 2022/23 Plan $000s | 2023/24 Plan $000s | 2024/25 Plan $000s |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operating funding** | | | | | | | | | | |
| Wellington Regional Strategy | 4,725 | 4,841 | 4,959 | 5,089 | 5,228 | 5,379 | 5,541 | 5,713 | 5,903 | 6,100 |
| Emergency Management | 3,190 | 3,508 | 3,659 | 3,749 | 3,846 | 3,971 | 3,798 | 3,921 | 4,055 | 4,087 |
| Democratic Services | 2,074 | 2,218 | 2,220 | 2,241 | 2,394 | 2,335 | 2,443 | 2,615 | 2,550 | 2,621 |
| Relationships with Maori | 905 | 952 | 944 | 968 | 992 | 1,052 | 1,047 | 1,077 | 1,113 | 1,153 |
| Regional transport planning and programmes | 3,656 | 3,752 | 3,881 | 4,013 | 4,418 | 4,535 | 4,647 | 4,692 | 4,794 | 4,954 |
| Regional initiatives[1] | 4,802 | 5,433 | 5,244 | 4,946 | 4,812 | 4,669 | 4,122 | 2,603 | 2,566 | 2,836 |
| **Total operating funding** | **19,352** | **20,704** | **20,907** | **21,006** | **21,690** | **21,941** | **21,598** | **20,621** | **20,981** | **21,751** |
| **Applications of operating funding** | | | | | | | | | | |
| Wellington Regional Strategy | 4,711 | 4,826 | 4,946 | 5,074 | 5,212 | 5,363 | 5,523 | 5,695 | 5,883 | 6,079 |
| Emergency Management | 3,209 | 3,387 | 3,475 | 3,551 | 3,633 | 3,741 | 3,819 | 3,940 | 4,072 | 4,101 |
| Democratic Services | 1,976 | 2,353 | 2,072 | 2,120 | 2,519 | 2,228 | 2,283 | 2,729 | 2,428 | 2,508 |
| Relationships with Maori | 904 | 921 | 943 | 966 | 990 | 1,017 | 1,046 | 1,076 | 1,111 | 1,151 |
| Regional transport planning and programmes | 3,719 | 3,806 | 3,903 | 4,017 | 4,140 | 4,258 | 4,396 | 4,521 | 4,680 | 4,850 |
| Regional initiatives[1] | 5,172 | 5,314 | 5,148 | 4,952 | 4,898 | 4,866 | 4,426 | 2,949 | 1,267 | 3,259 |
| **Total applications of operating funding** | **19,691** | **20,607** | **20,487** | **20,680** | **21,392** | **21,473** | **21,493** | **20,910** | **19,441** | **21,948** |
| **Capital expenditure** | | | | | | | | | | |
| Capital project expenditure | 860 | 1,995 | 1,416 | 656 | 276 | - | 70 | 60 | 312 | 77 |
| Land and buildings | - | - | - | - | - | - | - | - | - | - |
| Plant and equipment | 5 | 63 | 47 | 16 | 15 | 6 | 53 | 21 | 19 | 6 |
| Vehicles | 70 | 161 | 73 | 76 | 131 | 124 | 82 | 142 | 87 | 91 |
| **Total capital expenditure** | **935** | **2,219** | **1,536** | **748** | **422** | **130** | **205** | **223** | **418** | **174** |

[1] Regional iniatives includes the rates and expenditure associated with the Warm Greater Wellington Program. Only ratepayers participating in the scheme are charge a rate to recover the costs of the scheme.

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the Revenue and Financing Policy in section 9
All figures on this page exclude GST

## Public Transport

GWRC is responsible for planning and funding the Metlink public transport network. We contract companies to run the train, bus and harbour ferry services on our behalf. We also own and maintain parts of the network, including trains and railway stations. We provide customer information about Metlink services and run the Total Mobility scheme for people with disabilities.

### 1. WHAT WE DELIVER

The public transport group of activities includes:

- Metlink public transport network planning
- Rail operations and asset management
- Bus and ferry operations and asset management
- Metlink fares and ticketing, customer services and information
- Total Mobility

### 2. CONTRIBUTION TO COMMUNITY OUTCOMES

Our public transport activities contribute towards achieving:

- A **connected community** by providing a mass transit system that moves people efficiently and relieves congestion from our roads at peak times and by providing an essential service for people for whom, whether by choice or circumstance, private vehicle travel is not an option
- A **strong economy** by enhancing the efficient movement of people and goods within the region
- A **healthy environment** by supporting the reduction of vehicle emissions from private vehicles

### 3. CHALLENGES WE FACE

There is an expectation that delivering services more efficiently and effectively will reduce reliance on public funding. At the same time, there is continued demand from individuals and groups for increases in the frequency and coverage of services, particularly during off-peak periods. GWRC must balance the costs and benefits of meeting these demands.

Our ability to control costs is limited in the short term by contracts with bus, rail and ferry operators and by our willingness to reduce services or increase fares as costs increase.

Challenges for rail operations include ensuring that the Matangi 1 modifications and upgrades don't impact on 'business as usual' maintenance and the Matangi 2 commissioning. The entire overhead traction system is also being replaced between Redwood and Pukerua Bay, and communications systems in the Rimutaka tunnel are being significantly upgraded, to ensure compliance with modern standards of tunnel safety. The challenge is to ensure that appropriate public communications are in place, and affected passengers receive timely and helpful advice regarding any disruptions to services during these improvements.

Our work to implement the new Public Transport Operating Model (PTOM) continues, following the adoption of our Regional Public Transport Plan (RPTP) in June 2014. PTOM is essentially a new way of contracting public transport services and comes with a number of challenges. These include tendering for a new provider of rail services and rolling stock maintenance, and tendering and negotiating new bus and ferry contracts for the new units that were defined in the RPTP. A new rail services contract is expected to be in place from 1 July 2016 and new bus services contracts from the middle of 2017.

The contract for the electric trolley buses that are in use in parts of Wellington city expires in 2017, along with related contracts to maintain the overhead power wires. Council has decided that the contract will not be renewed, given the magnitude of current and future costs for the power supply. This 10 Year Plan provides for the introduction of diesel-electric hybrid buses in place of trolley buses, as a transition step towards a fully electric fleet in the future. Current plans require new hybrid buses to commence operating on 1 July 2017. This is a challenging timeframe and options for procurement will need to be considered.

GWRC is to implement a new integrated fares and ticketing system that will replace the antiquated rail ticketing system and provide a common system across all Metlink public transport modes. We are working closely with the NZ Transport Agency (NZTA), who is trying to establish a national system. The challenge is to complete the investigation in the 2014/15 year, with staged implementation over the following two to four years.

## 4. STRATEGY FOR PUBLIC TRANSPORT

**Long term approach**

Our aim is to achieve the goal of growing patronage by continually improving the Metlink public transport network so that services:

- go where people want to go, at times they want to travel
- provide competitive journey times
- provide value for money
- are easy to understand and use
- are safe, comfortable and reliable
- provide flexibility, allowing people to change their plans.

Improving the network will require us to continue to invest so that the network increasingly provides a viable alternative to travel by private car.

We need to continue to upgrade the rail network infrastructure and provide new rolling stock. To attract more users we need to increase the frequency and reliability of services, provide better infrastructure and asset management, implement the new Wellington city bus network, improve the resilience and ability of the public transport network to accommodate growth, and introduce features such as electronic ticketing.

However, such improvements are costly and we do not have a large population base to easily fund such initiatives. We have to balance the cost of providing services with demand and patronage and people's ability to pay.

**Policy framework**

The policy and planning documents relating to the public transport group of activities are:

- Regional Land Transport Plan 2015 – the strategic document that guides the development of the region's transport system, including public transport
- Regional Public Transport Plan 2014 – sets the direction for public transport in the region, including funding and delivery.

## 5. POTENTIAL NEGATIVE EFFECTS

There is the potential for public transport projects and ongoing operations to have negative effects on environmental wellbeing, although public transport has an overall positive effect on $CO_2$ emissions in the region.

We will seek to minimise the impact of public transport projects and operations, for example, by requiring bus services to be provided by modern fuel-efficient vehicles, and appropriately managing the storm water run-off from sealed car-parks.

## 6. METLINK PUBLIC TRANSPORT NETWORK PLANNING

### What we do and why

The Metlink public transport network currently operating in the Wellington region is a network of bus, train and harbour ferry services. To ensure that the network operates efficiently and effectively it must be planned in an integrated way. It is also important that services are reviewed from time to time to ensure that they are meeting the needs of the community that they serve and providing value for money for users, ratepayers and taxpayers.

The Regional Public Transport Plan (RPTP), adopted in 2014, provides:

- A means for encouraging regional councils and public transport operators to work together in developing public transport services and infrastructure
- An instrument for engaging with the public in the region on the design and operation of the public transport network
- A statement of the public transport services that are integral to the public transport network; the policies and procedures that apply to those services; and the information and infrastructure that support those services

The RPTP incorporates the key findings of the Regional Rail Plan which is a non-statutory document that sets out the plans for the Metlink rail network to 2035. This includes rolling stock fleet requirements and network enhancements needed to meet future demands on the network, which generally have a long lead time for implementation. These plans enable GWRC to be responsive to changing travel demand in a timely manner.

### What we will deliver

| Level of service | Performance measures | Performance targets | | | | |
|---|---|---|---|---|---|---|
| | | **Baseline (2014)** | **2015/16** | **2016/17** | **2017/18** | **2018-25** |
| Maintain a current policy framework to manage the region's public transport | Regional Public Transport Plan is reviewed and adopted in accordance with the Land Transport Management Act 2003 | RPTP 2014 was adopted in June 2014 | RPTP remains operative | Review RPTP | RPTP remains operative | RPTP remains operative, to be reviewed 2019/20 & 2022/23 |
| Increase public transport boardings per capita | Passenger boardings per capita | 72.3 | 72.9 | 73.3 | 73.7 | Increase to at least 76 by 2025 |

### Changes to what we will deliver

There are no significant changes to current levels of service.

### Key projects and programmes

| | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|
| Review Metlink services in Kapiti in preparation for the opening of the MacKays to Peka Peka Expressway | ✔ | | |
| Undertake targeted reviews of some Metlink services in preparation for the introduction of the new public transport operating model contracts | ✔ | ✔ | |
| Review reliability of Metlink service timetables for inclusion in new public transport operating model contracts | ✔ | ✔ | |
| Improve Metlink bus service journey times on core routes by reviewing bus stop spacing and locations based on an analysis of service delays and passenger numbers | ✔ | ✔ | |
| Ongoing targeted reviews of Metlink services to ensure they continue to meet customer needs, deliver value for money, and maintain timetable reliability | | | ✔ |

### How we will fund this activity

Our public transport activities are funded by a mix of fares, rates and contributions from Crown agencies. For further information see Section 8 for our Revenue and Financing Policy.

# 7. RAIL OPERATIONS AND ASSET MANAGEMENT

## What we do and why

The Metlink public transport network is based on a layered hierarchy of services: core routes, local routes and targeted services identified in the RLTP. The rail services provide some of the core routes which form the network's backbone, linking areas of high demand with high capacity, direct services with extensive operating hours. Trips made using public transport mean fewer private car trips, resulting in lower levels of congestion, reduced environmental impacts and fewer injury-causing accidents. Public transport also functions as an essential service for people for whom private car travel is not an option, for reasons of access, age, ability, income, choice or disability or injury. The provision of public transport is a core service for local government under the Local Government Act 2002.

GWRC's role in the provision of metro rail services can be divided into two parts – operations and assets. We procure and fund rail operations and asset management services because, in the current environment, they are unable to be solely funded from commercial returns, such as fares.

We determine the timetable and procure and fund a rail operator to provide services. The 2013/14 timetable had around 2,200 services per week across four rail lines. GWRC owns the electric trains that service the metropolitan area and also the carriages that service Wairarapa. We also own all railway stations, except Wellington Railway Station, the electric train depot and all over-bridges and underpasses. In addition, we manage all of the Park & Ride carparks. GWRC manages these assets in accordance with its asset management plan, to ensure that they are maintained, upgraded and replaced in a timely manner that ensures that the agreed service levels can be achieved.

Since the final delivery of the fleet of 96 new Matangi trains in August 2012 metro rail passengers have experienced a significant improvement in punctuality, reliability and comfort. Patronage has grown strongly and is now achieving record levels. In May 2013 GWRC decided to procure an additional 70 Matangi trains to replace the aged Ganz Mavag trains. This provides a homogenous modern fleet that will deliver operational flexibility and efficiency. It has also given the opportunity to update some aspects (e.g. automatic couplers, simplified door controls) of the entire fleet that no longer have to interact with older stock, and to take advantage of technological advances in items such as LED lights.

Our work to implement the new Public Transport Operating Model (PTOM) for rail continues. In the first half of 2015 a request for tender for a new provider of rail services and rolling stock maintenance will be released and a new rail services contract is expected to be in place from 1 July 2016.

GWRC is planning for appropriate investment in a modern fleet, fit for purpose stations, Park & Ride facilities, train maintenance facilities and security infrastructure. The investment is necessarily guided by a robust asset management plan and tailored for a rail services partnering contract that is competitively tendered and performance-based. Wellington metro rail operations are well placed to deliver an efficient, flexible, reliable, customer friendly, safe and resilient rail service for years to come.

## What we will deliver

| Level of service | Performance measures | Performance targets | | | | |
|---|---|---|---|---|---|---|
| | | **Baseline (2014)** | **2015/16** | **2016/17** | **2017/18** | **2018-25** |
| Deliver rail services in accordance with the published timetable | Percentage of scheduled services delivered (reliability) | 99.2% | ≥ 99.5% | ≥ 99.5% | ≥ 99.5% | ≥ 99.5% |
| | Percentage of scheduled services on-time to 5 minutes by line (punctuality) | Kapiti line: 95.4% | ≥ 95.0% | ≥ 95.0% | ≥ 95.0% | ≥ 95.0% |
| | | Hutt line: 95.3% | ≥ 95.0% | ≥ 95.0% | ≥ 95.0% | ≥ 95.0% |
| | | Johnsonville line: 93.3% | ≥ 95.0% | ≥ 95.0% | ≥ 95.0% | ≥ 95.0% |
| | | Wairarapa line: 74.5% | ≥ 85.0% | ≥ 85.0% | ≥ 85.0% | ≥ 85.0% |
| Maintain and improve rail rolling stock, stations, subways, over-bridges and car parks in accordance with rail asset management plans | Average condition rating[2] | Rolling stock - EMU fleet Matangi 1.0 Ganz 3.7 | ≤ 2.5 | ≤ 2.5 | ≤ 2.5 | ≤ 2.5 |
| | | Rolling stock - Carriage fleet: SW 2.2 | ≤ 2.5 | ≤ 2.5 | ≤ 2.5 | ≤ 2.5 |
| | | Stations (buildings & shelters): 2.6 | ≤ 2.5 | ≤ 2.5 | ≤ 2.5 | ≤ 2.5 |
| | | Subways / over-bridges: 2.4 | ≤ 2.2 | ≤ 2.2 | ≤ 2.2 | ≤ 2.2 |
| | | Carparks: 2.0 | ≤ 2.0 | ≤ 2.0 | ≤ 2.0 | ≤ 2.0 |
| Customer satisfaction with passenger rail services | Percentage of rail users who are satisfied with their trip overall[3] | 89.70% | ≥ 90.0% | ≥ 90.0% | ≥ 90.0% | ≥ 90.0% |

## Changes to what we will deliver

There are no significant changes to current levels of service.

[2] 1 = very good and 5 = very poor
[3] Satisfied = score of 6-10 on a scale of 0-10

There are planned station upgrades from 2017/18 which are required to implement the Rail Scenario 1 initiative included in the RLTP, and provision for additional Park & Ride carparks from 2015/16.

## Key projects and programmes

| | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|
| Maintain and improve rail assets, including trains and station buildings | ✔ | ✔ | ✔ |
| Procure and transition to new PTOM rail services and rolling stock maintenance contract | ✔ | ✔ | |
| Transition to integrated fares and ticketing on rail services | | ✔ | ✔ |
| Park & Ride development | ✔ | ✔ | ✔ |
| Rail Scenario 1 initiative from the Regional Public Transport Plan with station upgrades commencing from 2017/18 | | | ✔ |

## How we will fund this activity

Our public transport activities are funded by a mix of fares, rates and contributions from Crown agencies. For further information see Section 8 for our Revenue and Financing Policy.

# 8. BUS AND FERRY OPERATIONS AND ASSET MANAGEMENT

## What we do and why

The Metlink public transport network is based on a layered hierarchy of services: core routes, local routes and targeted services identified in the RPTP. Bus services provide some of the core routes which form the network's backbone, linking areas of high demand with high capacity, direct services with extensive operating hours; the local routes providing local access to town and activity centres within the suburban areas and complement the core routes; and targeted services providing service to areas or link destinations where there is low demand.

Bus and ferry services are key elements of the public transport system which performs as a mass transit system at peak hours. Trips made using public transport mean fewer private car trips, resulting in lower levels of congestion, reduced environmental impacts and fewer injury-causing accidents. Public transport also functions as an essential service for those people in the Wellington region for whom private car travel is not an option, for reasons of access, age, ability, income, choice, or due to a disability or injury. The provision of public transport is a core service for local government under the Local Government Act 2002.

GWRC's role in the provision of metro bus and ferry services can be divided into two parts – operations and assets. GWRC owns and/or funds bus infrastructure such as bus stop signs, bus shelters and the Lambton Bus Interchange.

We procure and fund bus and ferry operations and asset management services because, in the current environment, they are unable to be solely funded from commercial returns, such as fares. We determine the timetable and procure and fund bus and ferry services in accordance with the timetable. The 2013/14 timetable had around 21,000 services per week across the network.

In June 2014 GWRC decided that the contract for providing electric trolley bus services, and the related contracts to maintain the overhead power wires, will not be renewed when they expire in June 2017. GWRC is planning for the appropriate investment in a modern bus fleet. This Long-Term Plan provides for the introduction of diesel-electric hybrid buses in place of trolley buses, as a transition step towards a fully electric fleet in the future. Current plans require new hybrid buses to commence operating on 1 July 2017. This is a challenging timeframe and options for procurement will need to be considered.

Other key areas of focus for GWRC over the next few years will be implementing measures to improve journey times and service reliability; introducing new performance-based partnering contracts for bus and harbour ferry services (under PTOM); implementing the new Wellington city bus network; and investing in infrastructure to provide a consistent service standard for customers. This 10 Year Plan provides for additional funding for renewals and development of bus stop infrastructure. This work is guided by a robust asset management plan.

GWRC also intends to undertake a trial of the carriage of bikes on buses in 2015/16. This will involve the installation of cycle racks on a limited number of buses and will enable us to test the demand for this service and any operational issues peculiar to our network. This plan provides for the installation of cycle racks on all buses in 2017/18.

## What we will deliver

| Level of service | Performance measures | Performance targets | | | | |
|---|---|---|---|---|---|---|
| | | Baseline (2014) | 2015/16 | 2016/17 | 2017/18 | 2018-25 |
| Deliver bus services in accordance with the published timetable | Percentage of scheduled services delivered (reliability) | 99.1% | ≥ 99.0% | ≥ 99.0% | ≥ 99.0% | ≥ 99.0% |
| | Percentage of scheduled services on-time to 10 minutes (punctuality) | 99.7% | ≥98.0% | ≥98.0% | ≥98.0% | ≥98.0% |
| Maintain and improve bus stop facilities and interchanges | Average condition rating of all bus shelters maintained by GWRC[4] | 2.6 | Improvement on baseline | Improvement on previous year | Improvement on previous year | ≤ 2.0 |
| Customer satisfaction with passenger bus services | Percentage of bus users who are satisfied with their trip overall[5] | 91.8% | ≥ 90.0% | ≥ 90.0% | ≥ 90.0% | ≥ 90.0% |

## Changes to what we will deliver

There are no significant changes to current levels of service.

There is a proposed increase in expenditure on bus infrastructure from 2015/16 to address deferred maintenance on shelters, increase levels of shelter and signage renewals, increase provision of shelters and informational signage at appropriate bus stops, and optimisation of bus stop locations.

Changes are proposed to the Wellington City bus networks including improvements arising from the review of bus services in Wellington City and introduction of diesel-electric hybrid buses.

## Key projects and programmes

| | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|
| Procure and transition to new PTOM bus and ferry contracts | ✔ | ✔ | ✔ |
| Plan and implement the new Wellington city bus network | ✔ | ✔ | ✔ |
| Maintain and improve bus assets, including bus shelters, signage, interchanges and other fixed assets | ✔ | ✔ | ✔ |

[4] 1 = very good and 5 = very poor
[5] Satisfied = score of 6-10 on a scale of 0-10

| | | | |
|---|---|---|---|
| Continue development of procurement and transition plan for the introduction of high capacity diesel-electric hybrid buses | ✔ | | |
| Complete the renewal of Porirua Station Road bus interchange | ✔ | | |
| Transition to integrated fares and ticketing on bus and ferry services | | | ✔ |

### How we will fund this activity

Funded by a mix of fares, rates and contributions from Crown agencies.  For further information see Section 8 for our Revenue and Financing Policy.

# 9. METLINK FARES AND TICKETING, AND CUSTOMER SERVICES AND INFORMATION

## What we do and why

An important component of a successful public transport network is the fare and ticketing arrangements. We are currently undertaking a project to fully integrate the fare system in the region, and to introduce an electronic integrated ticket able to be used on all Metlink services.

Electronic integrated fares and ticketing systems provide useful data on passenger numbers and journeys, to assist planning and allow for more flexibility in fare structures and changes, and will enable integrated fare products to be applied across the network in the future. Wellington Region's integrated fares and ticketing system will be developed jointly with the NZ Transport Agency and public transport operators. While some bus services currently use an electronic system, it is likely to need to be amended to fit with new national standards. The proposed electronic integrated fares and ticketing system will also apply across the rail network, and is likely to require installing electronic ticket barriers at Wellington Railway Station.

The initial investigation phase of the integrated fares and ticketing project, due to be completed in mid-2015, will enable the specifics of the system to be defined and cost estimates refined. Funding approvals will be required before the project can proceed beyond this point. Full implementation of an integrated fares and ticketing system is scheduled for 2018.

The provision of information about the public transport services that are available forms an important part of our work. In the Wellington region the various services and providers are brought together under the Metlink brand.

Information about public transport is provided through printed timetables, timetable information at bus stops and stations, maps, guides, leaflets and Twitter. We also provide a Metlink service centre, as well as a comprehensive Metlink website with timetable and fare information and a journey planner.

Real time information is available for bus and rail services in the region, through on-street platform display signs, on mobile phones and the internet.

Promotional campaigns use advertising, leaflets, posters, and newsletters and aim to inform the public of service changes/new services and to promote use of the public transport network.

We also regularly monitor customer satisfaction with our services, to help us to continually improve them.

## What we will deliver

| Level of service | Performance measures | Performance targets | | | | |
|---|---|---|---|---|---|---|
| | | **Baseline (2014)** | **2015/16** | **2016/17** | **2017/18** | **2018-25** |
| Provide Metlink public transport service information to the public | Percentage of users who are satisfied with the service they receive accessing Metlink public transport information via a call centre, web and mobile sites, and real time information[6] | Call centre: baseline to be established from 2014/15 survey *(by 29 May 2015)* | Increase on baseline | Increase on previous year | Increase on previous year | Increase on previous year |
| | | Web and mobile sites: baseline to be established from 2014/15 survey *(by 29 May 2015)* | Increase on baseline | Increase on previous year | Increase on previous year | Increase on previous year |
| | | Real time information: baseline to be established from 2014/15 survey *(by 29 May 2015)* | Increase on baseline | Increase on previous year | Increase on previous year | Increase on previous year |

## Changes to what we will deliver

There are no significant changes to current levels of service.

Projected expenditure includes an allowance for free transfers and off peak discounts from 2017/18, fare structure review initiatives from 2017/18, and introduction of an integrated fares and ticketing system with implementation from 2017.

## Key projects and programmes

| | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|
| Integrated fares and ticketing | ✔ | ✔ | ✔ |
| Ongoing review and enhancement of customer information systems | ✔ | ✔ | ✔ |

## How we will fund this activity

Our public transport activities are funded by a mix of fares, rates and contributions from Crown agencies. For further information see Section 8 for our Revenue and Financing Policy.

[6] Satisfied = score of 6-10 on a scale of 0-10

# 10. TOTAL MOBILITY

## What we do and why

GWRC operates a Total Mobility Scheme by subsidising taxis for people with disabilities who are not able to use public transport. There are 9,455 registered users (November 2014) in the Wellington region and 271,000 trips were made using the scheme in 2013/14.

## What we will deliver

| Level of service | Performance measures | Performance targets | | | | |
|---|---|---|---|---|---|---|
| | | Baseline (2014) | 2015/16 | 2016/17 | 2017/18 | 2018-25 |
| Provide a subsidised taxi service for those members of the public unable to use buses or trains | Percentage of users who are satisfied with the overall service of the scheme[7] | 96% | ≥97% | ≥97% | ≥97% | ≥97% |

## Changes to what we will deliver

There are no significant changes to current levels of service.

## How we will fund this activity

The Total Mobility Scheme will be funded by a mix of user contribution, rates and contributions from Crown agencies. Further information see Section 8 for our Revenue and Financing Policy.

[7] Satisfied = score of 6-10 on a scale of 0-10

## PUBLIC TRANSPORT
## PROSPECTIVE FUNDING IMPACT STATEMENT
## FOR THE YEAR ENDING 30 JUNE

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Plan | Plan | Plan | Plan | Plan | Plan | Plan | Plan | Plan | Plan |
| | $000s | $000s | $000s | $000s | $000s | $000s | $000s | $000s | $000s | $000s |
| **Sources of operating funding** | | | | | | | | | | |
| General rate | - | - | - | - | - | - | - | - | - | - |
| Targeted rate | 54,951 | 62,973 | 70,892 | 74,797 | 81,761 | 85,374 | 89,031 | 91,666 | 96,068 | 100,943 |
| Subsidies and grants for operating purposes | 69,913 | 74,858 | 81,580 | 77,837 | 77,198 | 80,688 | 86,794 | 89,401 | 94,647 | 95,586 |
| Fees, charges, and targeted rates for water supply | - | 47,061 | 101,315 | 106,617 | 112,304 | 118,523 | 123,971 | 129,795 | 136,155 | 142,963 |
| Fines, infringement fees, and other receipts [1] | 1,918 | 1,893 | 1,884 | 1,938 | 1,993 | 2,050 | 2,100 | 2,178 | 2,255 | 2,290 |
| **Total operating funding** | **126,782** | **186,785** | **255,671** | **261,189** | **273,256** | **286,635** | **301,896** | **313,040** | **329,125** | **341,782** |
| **Applications of operating funding** | | | | | | | | | | |
| Payments to staff and suppliers | 104,063 | 155,838 | 214,131 | 217,571 | 234,848 | 245,529 | 255,886 | 266,768 | 279,780 | 292,859 |
| Finance costs | 11,297 | 15,344 | 15,592 | 16,539 | 16,325 | 15,899 | 15,596 | 15,178 | 14,737 | 14,157 |
| Internal charges and overheads applied | 3,514 | 3,904 | 3,968 | 4,063 | 4,191 | 4,340 | 4,406 | 4,582 | 4,766 | 4,737 |
| **Total applications of operating funding** | **118,874** | **175,086** | **233,691** | **238,173** | **255,364** | **265,768** | **275,888** | **286,528** | **299,283** | **311,753** |
| **Net surplus/(deficit) of operating funding** | **7,908** | **11,699** | **21,980** | **23,016** | **17,892** | **20,867** | **26,008** | **26,512** | **29,842** | **30,029** |
| **Sources of capital funding** | | | | | | | | | | |
| Subsidies and grants for capital expenditure | 5,107 | 8,417 | 9,738 | 6,902 | 947 | 5,613 | 2,199 | 1,034 | 1,069 | 1,105 |
| Increase / (decrease) in debt [2] | 118,740 | 4,066 | 10,474 | 2,624 | (9,531) | (4,555) | (5,823) | (7,427) | (7,247) | (11,848) |
| Gross proceeds from asset sales | 10 | - | 10 | - | - | - | 23 | - | - | - |
| **Total sources of capital funding** | **123,857** | **12,483** | **20,222** | **9,526** | **(8,584)** | **1,058** | **(3,601)** | **(6,393)** | **(6,178)** | **(10,743)** |
| **Applications of Capital Funding** | | | | | | | | | | |
| **Capital expenditure** | | | | | | | | | | |
| - to meet additional demand | - | - | - | - | - | - | - | - | - | - |
| - to improve the level of service | 8,782 | 15,236 | 17,702 | 12,048 | 563 | 580 | 597 | 616 | 636 | 658 |
| - to replace existing assets | 1,080 | 982 | 1,100 | 1,259 | 1,293 | 10,425 | 3,805 | 1,412 | 1,459 | 1,509 |
| Increase / (decrease) in investments [2] | 125,410 | 10,237 | 23,405 | 19,241 | 7,458 | 10,926 | 18,011 | 18,098 | 21,576 | 17,126 |
| Increase / (decrease) in reserves | (3,507) | (2,273) | (5) | (6) | (6) | (6) | (6) | (7) | (7) | (7) |
| **Total applications of capital funding** | 131,765 | 24,182 | 42,202 | 32,542 | 9,308 | 21,925 | 22,407 | 20,119 | 23,664 | 19,286 |
| **Surplus/(deficit) of funding** | - | - | - | - | - | - | - | - | - | - |
| **Depreciation on Public Transport assets** | 1,507 | 2,411 | 3,964 | 5,823 | 7,070 | 7,081 | 8,165 | 8,573 | 8,297 | 8,236 |

[1] This includes revenue from Greater Wellington Rail Limited for services provided to manage the rail assets

[2] Greater Wellington fully funds some public transport improvement expenditure at the time the expense is incurred, and recovers a share of the debt servicing costs from the New Zealand Transport Agency.
Where this expenditure is for rail rolling stock and infrastructure that will be owned by the 100% council subsidiary Greater Wellington Rail Limited it is treated as an investment in this subsidiary.
Where this expenditure is for assets owned by other entities, this expenditure is treated as operational expenditure.
In the comparative LTP number all rail rolling stock and infrastructure expenditure was treated as operational expenditure.

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the Revenue and Financing Policy in section 9
All figures on this page exclude GST

**PUBLIC TRANSPORT**
**PROSPECTIVE FUNDING INFORMATION**
**FOR THE YEAR ENDING 30 JUNE**

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Plan | Plan | Plan | Plan | Plan | Plan | Plan | Plan | Plan | Plan |
| | $000s | $000s | $000s | $000s | $000s | $000s | $000s | $000s | $000s | $000s |
| **Operating funding** | | | | | | | | | | |
| Metlink public transport network planning | 1,877 | 4,119 | 4,273 | 2,499 | 1,713 | 1,661 | 1,638 | 1,661 | 1,608 | 1,581 |
| Rail operations and asset management | 64,680 | 126,094 | 140,482 | 140,776 | 142,286 | 150,714 | 163,847 | 168,317 | 178,354 | 180,749 |
| Bus and ferry operations and asset management | 52,211 | 53,415 | 108,511 | 111,909 | 117,019 | 123,153 | 129,017 | 135,297 | 142,641 | 150,185 |
| Metlink customer services and information | 7,599 | 13,799 | 18,660 | 17,336 | 12,785 | 17,980 | 15,315 | 14,545 | 14,959 | 15,377 |
| Total mobility | 2,761 | 2,895 | 3,006 | 3,086 | 3,172 | 3,269 | 3,374 | 3,484 | 3,605 | 3,729 |
| **Total operating funding** | **129,128** | **200,322** | **274,932** | **275,606** | **276,975** | **296,777** | **313,191** | **323,304** | **341,167** | **351,621** |
| **Applications of operating funding** | | | | | | | | | | |
| Metlink public transport network planning | 1,877 | 2,891 | 2,877 | 1,499 | 1,574 | 1,587 | 1,631 | 1,720 | 1,742 | 1,788 |
| Rail operations and asset management | 57,227 | 109,211 | 110,672 | 113,897 | 125,084 | 129,022 | 132,930 | 136,599 | 141,792 | 146,485 |
| Bus and ferry operations and asset management | 52,491 | 53,213 | 104,689 | 109,587 | 115,145 | 121,240 | 127,015 | 133,636 | 140,927 | 148,413 |
| Metlink customer services and information | 3,488 | 6,402 | 9,517 | 10,107 | 10,389 | 10,650 | 10,938 | 11,089 | 11,217 | 11,338 |
| Total mobility | 2,772 | 2,883 | 3,000 | 3,083 | 3,172 | 3,269 | 3,374 | 3,484 | 3,605 | 3,729 |
| **Total applications of operating funding (excluding improvements)** | **117,855** | **174,600** | **230,755** | **238,173** | **255,364** | **265,768** | **275,888** | **286,528** | **299,283** | **311,753** |
| **Improvement expenditure[1]** | | | | | | | | | | |
| | - | - | - | - | - | - | - | - | - | - |
| Rail operations and asset management | - | - | - | - | - | - | - | - | - | - |
| Bus and ferry operations and asset management | 1,020 | 486 | 2,936 | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - |
| **Total improvement expenditure** | **1,020** | **486** | **2,936** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total applications of operating funding (including improvements)** | **118,875** | **175,086** | **233,691** | **238,173** | **255,364** | **265,768** | **275,888** | **286,528** | **299,283** | **311,753** |
| **Net surplus/(deficit) of operating funding** | **10,253** | **25,236** | **41,241** | **37,433** | **21,611** | **31,009** | **37,303** | **36,776** | **41,884** | **39,868** |
| **Investments in Greater Wellington Rail Limited [1]** | | | | | | | | | | |
| Rail operations and asset management | 125,410 | 10,237 | 23,405 | 19,241 | 7,458 | 10,926 | 18,011 | 18,098 | 21,576 | 17,126 |
| **Total investment expenditure** | **125,410** | **10,237** | **23,405** | **19,241** | **7,458** | **10,926** | **18,011** | **18,098** | **21,576** | **17,126** |
| **Capital expenditure** | | | | | | | | | | |
| New public transport shelters, signage, pedestrian facilities, land and systems | 9,822 | 16,218 | 18,761 | 13,307 | 1,856 | 11,005 | 4,309 | 2,028 | 2,095 | 2,167 |
| **Total capital project expenditure** | **9,822** | **16,218** | **18,761** | **13,307** | **1,856** | **11,005** | **4,309** | **2,028** | **2,095** | **2,167** |
| Land and buildings | - | - | - | - | - | - | - | - | - | - |
| Plant and equipment | - | - | - | - | - | - | - | - | - | - |
| Vehicles | 40 | - | 41 | - | - | - | 93 | - | - | - |
| **Total capital expenditure** | **9,862** | **16,218** | **18,802** | **13,307** | **1,856** | **11,005** | **4,402** | **2,028** | **2,095** | **2,167** |
| **Total Investment in Public Transport Infrastructure** | **136,292** | **26,941** | **45,143** | **32,548** | **9,314** | **21,931** | **22,413** | **20,126** | **23,671** | **19,293** |

[1] Greater Wellington fully funds some public transport improvement expenditure at the time the expense is incurred, and recovers a share of the debt servicing costs from the New Zealand Transport Agency.
Where this expenditure is for rail rolling stock and infrastructure that will be owned by the 100% council subsidiary Greater Wellington Rail Limited it is treated as an investment in this subsidiary.
Where this expenditure is for assets owned by other entities, this expenditure is treated as operational expenditure.
In the comparative LTP number all rail rolling stock and infrastructure expenditure was treated as improvement expenditure.

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the Revenue and Financing Policy in section 9

All figures on this page exclude GST

## Water Supply

GWRC is responsible for collecting, treating and distributing water to the Wellington City Council, Hutt City Council, Upper Hutt City Council and Porirua City Council. This work is carried out for GWRC by Wellington Water, our council-owned water management company. Wellington Water was formed in September 2014 by GWRC and the Hutt, Porirua, Upper Hutt and Wellington city councils, to deliver drinking water, wastewater and storm-water services.

### 1. WHAT WE DELIVER

Our water supply group of activities have three components:

- Water quality – ensuring safe high-quality water
- Water availability – a secure reliable water supply
- Sustainability – planning for future demand and being cost effective while meeting all relevant environmental and health and safety standards

### 2. CONTRIBUTION TO COMMUNITY OUTCOMES

Water supply activities contribute towards achieving a **strong economy** by:

- providing high-quality bulk water infrastructure that ensures there is sufficient drinking-water available to sustain and grow our population and support our economy

They contribute towards a **resilient community** by:

- preparing the system to cope with emergencies and the long-term impacts of climate change

They contribute towards achieving a **healthy environment** by:

- encouraging people to use water wisely, to reduce the environmental impacts of water supply
- protecting current and future water catchments

### 3. CHALLENGES WE FACE

**Resilience**

Water supply is an essential service, vital to our health, quality of life and economic prosperity. Our water supply network is a critical "lifeline" infrastructure and we must be able to reinstate a supply quickly following a natural hazard event. The region's infrastructure is vulnerable to natural hazards including earthquakes, tsunamis, major storms, floods and landslips. Current research indicates there is about a one-in-ten chance that movement of the Wellington Fault could result in a magnitude 7.5 earthquake in the next 100 years. An earthquake this size would severely damage our major water supply pipelines. Fixing these pipes is expected to take up to 70 days in some parts of Wellington. Only after major bulk supply lines to reservoirs are fixed can repairs start on all the other pipes that supply water to homes and businesses.

For several years our focus has been on reducing the time that people are without water following a major event. We continue to strengthen bulk water infrastructure to reduce the risk of damage and to seek ways to reduce repair times if damage occurs. Recently we have investigated options for providing emergency water supplies to areas where repair times are unacceptable. These investigations have resulted in our recommendation to include three projects on the capital works programme, these are:

- Construction of a 200 million litre storage reservoir at Takapu to supply Porirua and Wellington
- Strengthening of bulk mains from Takapu to Karori and Takapu to Porirua
- Construction of a water pipeline across Wellington harbour – Point Howard to Evans Bay/Miramar

### Growth, Demand and Conservation

Historically, a growing population and rising water use have been drivers for expanding the supply capability of our infrastructure. In the past 5 years, we've seen an emerging trend of lower usage, despite continuing population growth. Based on our latest modelling information, a new water source to meet demand will not be required until approximately 2036. GWRC has started preparing for this work through the purchase of land in 2014, near the Pakuratahi River, to allow for the construction of new storage lake/s in the future. However, we are determined to reinforce the trend of more efficient and conservative use of water and will continue to support our region's cities to further that goal. Lower water use and the deferral of extra storage has the potential to save ratepayers millions of dollars annually.

Climate change may also impact on water supply later this century, with predictions of extended dry periods affecting security of supply and extreme weather events affecting water supply assets.

## 4. STRATEGY FOR WATER SUPPLY

### Long term approach

Our long term approach for managing GWRC's water supply assets is to maintain and operate the existing system to a high standard consistent with legislative requirements and community expectations for an essential service, and to be resilient, now and into the future.

A significant proportion of the bulk water supply assets have very high replacement costs. GWRC is investing in techniques to extend the economic life of the assets as much as practicable to delay capital expenditure as much as practicable.

We have an ongoing rolling programme of work covering renewing and replacing existing water supply assets to enable us to continue to maintain and operate the system to current standards. This work includes resilience improvements to water supply assets. We carry out major infrastructure risk assessments every ten years, the latest being in 2013/14.

We will maximise opportunities to work with others and take a strategic approach to enable better long-term planning, increased cost effectiveness and enhanced operational capability. This includes taking the lead in developing a regional approach to the provision of bulk water supply in emergencies to improve resilience.

We will continue to work with the local authorities we supply and with the community to educate and promote efficient and wise use of water.

We will continue to prepare for the provision of additional sources of supply when these are needed.

**Policy framework**

The following policies and plans relate to the water supply group of activities:

- Regional Freshwater Plan 1999 – identifies issues, objectives, policies and methods for the sustainable management of freshwater resources in the region, including rivers, lakes, streams, ponds, aquifers and artificial water courses (until the Draft Natural Resources Plan is approved)
- Draft Natural Resources Plan – is a combined regional air, land, water and coastal plan. It is the primary document through which GWRC will meet its obligations under the Resource Management Act (1991)
- Proposed Regional Policy Statement 2012 – identifies regionally significant issues around the management of the region's natural and physical resources, including freshwater
- Regional Freshwater Plan 1999 – identifies issues, objectives, policies and methods for the sustainable management of freshwater resources in the region, including rivers, lakes, streams, ponds, aquifers and artificial water courses
- Asset Management Plan (Water Supply) 2014 – ensure that the necessary water supply assets are in place and maintained to provide stated levels of service at a reasonable cost, and in a sustainable and environmentally responsible way.

## 5. POTENTIAL NEGATIVE EFFECTS

Water supply infrastructure for the collection, storage, treatment and distribution of water can have a negative effect on environmental wellbeing through water abstraction and the use of electricity for treating and pumping water. A new supply could also result in an increase in these effects. The environmental impacts of existing water supply activities are identified and very closely monitored through resource consents and an ISO 14001 accredited environmental management system. We are reducing our impacts by continuing to use electricity and chemicals more efficiently and by encouraging people to use water wisely.

# 6. WATER SUPPLY

## What we do and why

We collect, treat and distribute drinking water to the Hutt City Council, Porirua City Council, Upper Hutt City Council and Wellington City Council for their supply to consumers. Our water supply system includes four water treatment plants, 20 pumping stations and 180km of pipelines. We supply an average of 145 million litres of water daily to meet the needs of industry, commerce, public services our 400,000 residents.

Our role in providing wholesale drinking water services is governed by the Wellington Regional Water Board Act 1972. The Wellington Regional Water Board was formed in 1972 from the amalgamation of the Hutt River Board, Hutt Valley Underground Water Authority, and Wellington City and Suburban Water supply Board. The role of the Wellington Regional Water Board was transferred to the regional council in 1980.

### *Water quality*

The availability of safe drinking water is a fundamental requirement for public health. We aim to provide water that is safe, pleasant to drink, does not degrade household plumbing or water distribution pipelines and is acceptable for use by industry.

We are governed by the Health (Drinking Water) Amendment Act 2007. In addition, the Ministry of Health's Grading system for community drinking water supplies is used as a tool for managing and assessing the quality of the water supply – how safe it is to drink and the risk of contamination. We target an A1 grade quality standard for our water treatment plants and distribution system, with the exception of Waterloo treatment plant where a B grade is the highest possible due to Hutt City Council's preference for an un-chlorinated water supply from that source.

### *Water availability*

A secure and reliable water supply is fundamental to public health and essential for commercial activity in the region. Our aim is to have a very low risk of water shortages. We plan for the future needs of the region by projecting population growth, forecasting water demand for each city and providing the infrastructure required to achieve the agreed security of supply standard.

Our water network relies primarily on river flows, backed up by an aquifer source and some lake storage. Available water and production and distribution capacities easily exceed water use for most of each year. However, dry spring and summer conditions can raise potentially serious water shortage concerns. In such years, storage can be depleted rapidly as demand for water tends to reach more extreme peaks due to the same set of climate conditions that restrict supply. This extra demand during summer – as much as 55 ML/day on "peak" days – arises mainly from discretionary outdoor water use, particularly for garden watering, on top of indoor water use.

We promote the responsible use of water, particularly during late spring and summer, via a mix of advertising and promotions and education resources. Activity includes a drought management plan and proactive promotion of water-conserving behaviours to the public, with these activities coordinated with our four customers.

As an essential service, it is important to have a secure water supply system that is resilient to damage from hazards, both natural and man-made, and is able to be reinstated quickly should any serious damage occur. We are continuously improving the robustness and level of standby in the water supply system and preparing for emergencies.

*Sustainability*

GWRC owns and manages around $815 million worth of water supply assets. We have a responsibility to manage these assets so that we can sustainably provide our services to current and future generations. We do this by:

- Being cost effective, including by managing assets to optimise the return on the public's investment
- Meeting all relevant environmental, health and safety standards.

## What we will deliver

| Level of service | Performance measures | Performance targets | | | | |
|---|---|---|---|---|---|---|
| | | **Baseline (2014)** | **2015/16** | **2016/17** | **2017/18** | **2018-25** |
| Provide water that is safe and pleasant to drink | Number of waterborne disease outbreaks | 0 | 0 | 0 | 0 | 0 |
| | Number of taste complaint events related to the bulk water supply | 1 | <5 | <5 | <5 | <5 |
| | Percentage compliance with the DWSNZ 2005[8]. | Aesthetic and Microbiological compliance - 100% Chemical compliance - 100% | Aesthetic and Microbiological compliance - 100% Chemical compliance - 100% | Aesthetic and Microbiological compliance - 100% Chemical compliance - 100% | Aesthetic and Microbiological compliance - 100% Chemical compliance - 100% | Aesthetic and Microbiological compliance - 100% Chemical compliance - 100% |
| | Maintain grading from Ministry of Health for the local water supply distribution | Te Marua, Wainuiomata and Gear Island treatment plants: A1 Waterloo treatment plant: B Distribution system: A1 | Maintain current grading | Maintain current grading | Maintain current grading | Maintain current grading |

[8] Drinking Water Standards of New Zealand

| | | | | | | |
|---|---|---|---|---|---|---|
| Bulk water supply is continuous and secure | Number of shut-offs of the wholesale water supply network resulting in loss of water or pressure to consumers | 0 | 0 | 0 | 0 | 0 |
| | Improve the resilience of the bulk water supply to catastrophic events such as earthquakes by implementing the methodology for assessing improvements to the resilience | Asset Management Plan & Annual Works Programme in place | Plan for and implement resilience improvements | Plan for and implement resilience improvements | Plan for and implement resilience improvements | Plan for and implement resilience improvements |
| | Sufficient water is available to meet unrestricted demand[9] | 0.4% modelled probability of annual water supply shortfall | Modelled probability of annual water supply shortfall is <=2% | Modelled probability of annual water supply shortfall is <=2% | Modelled probability of annual water supply shortfall is <=2% | Modelled probability of annual water supply shortfall is <=2% |
| Environmental impact of Bulk Water activities is minimised | Achieve full compliance with all resource consents & environmental regulations | Full compliance | Full compliance | Full compliance | Full compliance | Full compliance |

### Changes to what we will deliver

There are no significant changes to current levels of service.

The forecast increase in the cost of delivering bulk water supply services is primarily due to activities associated with improving water-network resilience by providing a cross-harbour pipeline to central Wellington and the eastern suburbs, and the Takapu emergency storage for Porirua and Wellington's northern suburbs. The combined cost of these projects over the next ten years is estimated at $144 million, which will be funded from borrowing. This will significantly add to the cost of debt servicing.

[9] Other than by routine hosing restrictions. and drought situations with a severity greater than 1 in 50 years

It should be noted that while the forecast levy increases are significant, the levy has increased by only 1.6% since 1997.

### Key projects and programmes

| | **2015/16** | **2016/17** | **2017/18** |
|---|---|---|---|
| Cross Harbour Pipeline | Preliminary design | Detailed design | Commence construction (completion 2021/22) |
| Kaitoke pipeline | Cathodic protection of the Kaitoke pipeline near Silverstream | Complete cathodic protection of the Kaitoke pipeline near Silverstream | Replace the Kaitoke pipeline on Silverstream bridge |
| Haywards pump station | Refurbish pump station electrical equipment | | |
| Waterloo wells | | Replace a first Waterloo well | Replace a second Waterloo well |
| Wainuiomata pipeline | | | Commence replacement (completion 2018/19) |

### How we will fund this activity

Our funding policy for water supply is prescribed by the Wellington Regional Water Board Act 1972. The costs of operating the water supply system are apportioned to individual cities, based on each city’s proportion of total water deliveries.

**WATER SUPPLY**

**PROSPECTIVE FUNDING IMPACT STATEMENT**

**FOR THE YEAR ENDING 30 JUNE**

| | **2015/16 Plan $000s** | 2016/17 Plan $000s | 2017/18 Plan $000s | 2018/19 Plan $000s | 2019/20 Plan $000s | 2020/21 Plan $000s | 2021/22 Plan $000s | 2022/23 Plan $000s | 2023/24 Plan $000s | 2024/25 Plan $000s |
|---|---|---|---|---|---|---|---|---|---|---|
| **Sources of operating funding** | | | | | | | | | | |
| General rate | - | - | - | - | - | - | - | - | - | - |
| Targeted rate | - | - | - | - | - | - | - | - | - | - |
| Subsidies and grants for operating purposes | - | - | - | - | - | - | - | - | - | - |
| Fees, charges, and targeted rates for water supply | - | - | - | - | - | - | - | - | - | - |
| Water supply levy | 27,604 | 29,746 | 31,716 | 35,152 | 38,810 | 43,111 | 46,049 | 47,118 | 48,902 | 50,567 |
| Interest and dividends | 1,103 | 1,250 | 1,417 | 1,618 | 1,837 | 2,074 | 2,331 | 2,611 | 2,862 | 3,127 |
| Other operating revenue | 290 | 296 | 304 | 311 | 320 | 329 | 339 | 350 | 361 | 374 |
| Fines, infringement fees, and other receipts [1] | 28,997 | 31,292 | 33,437 | 37,081 | 40,967 | 45,514 | 48,719 | 50,079 | 52,125 | 54,068 |
| **Total operating funding** | **28,997** | **31,292** | **33,437** | **37,081** | **40,967** | **45,514** | **48,719** | **50,079** | **52,125** | **54,068** |
| **Applications of operating funding** | | | | | | | | | | |
| Payments to staff and suppliers | 17,986 | 18,825 | 19,189 | 19,684 | 20,207 | 20,905 | 21,421 | 22,095 | 22,832 | 23,741 |
| Finance costs | 4,351 | 4,790 | 5,611 | 7,752 | 10,139 | 12,798 | 14,738 | 15,281 | 15,796 | 16,094 |
| Internal charges and overheads applied | 1,297 | 1,441 | 1,465 | 1,500 | 1,547 | 1,602 | 1,627 | 1,692 | 1,760 | 1,749 |
| **Total applications of operating funding** | **23,634** | **25,056** | **26,265** | **28,936** | **31,893** | **35,305** | **37,786** | **39,068** | **40,388** | **41,584** |
| **Surplus/(deficit) of operating funding** | **5,363** | **6,236** | **7,172** | **8,145** | **9,074** | **10,209** | **10,933** | **11,011** | **11,737** | **12,484** |
| **Sources of capital funding** | | | | | | | | | | |
| Subsidies and grants for capital expenditure | - | - | - | - | - | - | - | - | - | - |
| Increase / (decrease) in debt | 5,048 | 6,549 | 22,111 | 38,812 | 35,557 | 47,072 | 13,476 | 3,588 | 12,280 | (3,028) |
| Gross proceeds from asset sales | 17 | 97 | 121 | 74 | 66 | 58 | 88 | 36 | 37 | 39 |
| **Total sources of capital funding** | **5,065** | **6,646** | **22,232** | **38,886** | **35,623** | **47,130** | **13,564** | **3,624** | **12,317** | **(2,989)** |
| **Applications of capital funding** | | | | | | | | | | |
| Capital expenditure | | | | | | | | | | |
| - to meet additional demand | - | - | 105 | 1,291 | - | - | - | - | 1 | 1 |
| - to improve the level of service | 3,845 | 6,501 | 11,429 | 32,921 | 38,229 | 50,252 | 16,629 | 6,278 | 6,485 | 258 |
| - to replace existing assets | 4,130 | 3,494 | 14,513 | 8,941 | 2,145 | 2,455 | 2,902 | 3,029 | 11,899 | 3,207 |
| Increase / (decrease) in investments | 2,453 | 2,887 | 3,357 | 3,878 | 4,323 | 4,632 | 4,966 | 5,328 | 5,669 | 6,029 |
| Increase / (decrease) in reserves | - | - | - | - | - | - | - | - | - | - |
| **Total applications of capital funding** | 10,428 | 12,882 | 29,404 | 47,031 | 44,697 | 57,339 | 24,497 | 14,635 | 24,054 | 9,495 |
| **Surplus/(deficit) of funding** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |

[1]This includes the Water supply levy charged to Wellington, Hutt, Lower Hutt and Porirua city councils

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Water supply levy** | 27,604 | 29,746 | 31,716 | 35,152 | 38,810 | 43,111 | 46,049 | 47,118 | 48,902 | 50,567 |
| **Depreciation on Water Supply assets** | 11,401 | 11,370 | 11,178 | 11,237 | 11,919 | 12,606 | 13,542 | 13,717 | 13,716 | 13,909 |

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the Revenue and Financing Policy in section 9

All figures on this page exclude GST

## WATER SUPPLY
## PROSPECTIVE FUNDING INFORMATION
## FOR THE YEAR ENDING 30 JUNE

| | 2015/16 Plan $000s | 2016/17 Plan $000s | 2017/18 Plan $000s | 2018/19 Plan $000s | 2019/20 Plan $000s | 2020/21 Plan $000s | 2021/22 Plan $000s | 2022/23 Plan $000s | 2023/24 Plan $000s | 2024/25 Plan $000s |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operating funding** | | | | | | | | | | |
| Water Supply | 28,997 | 31,292 | 33,437 | 37,081 | 40,967 | 45,514 | 48,719 | 50,079 | 52,125 | 54,068 |
| **Total operating funding** | **28,997** | **31,292** | **33,437** | **37,081** | **40,967** | **45,514** | **48,719** | **50,079** | **52,125** | **54,068** |
| **Applications of operating funding** | | | | | | | | | | |
| Water Supply | 23,634 | 25,056 | 26,265 | 28,936 | 31,893 | 35,305 | 37,786 | 39,069 | 40,389 | 41,585 |
| **Total applications of operating funding** | **23,634** | **25,056** | **26,265** | **28,936** | **31,893** | **35,305** | **37,786** | **39,069** | **40,389** | **41,585** |
| **Capital expenditure** | | | | | | | | | | |
| Water sources | 220 | 900 | 734 | 86 | 88 | - | - | - | - | - |
| Water treatment plants | 1,600 | 1,248 | 1,279 | 1,313 | 1,359 | 1,205 | 960 | 990 | 1,023 | 1,057 |
| Pipelines | 1,155 | 1,003 | 11,749 | 8,246 | 110 | 114 | 117 | 145 | 125 | 774 |
| Pump stations | 821 | 51 | 52 | 54 | 55 | 57 | 59 | 60 | 62 | 64 |
| Reservoirs | - | - | - | - | - | - | - | - | - | - |
| Monitoring and control | 824 | 358 | 367 | 194 | 199 | 205 | 211 | 217 | 224 | 232 |
| Seismic protection | - | - | - | - | - | - | - | - | - | - |
| Other | 3,225 | 6,036 | 11,429 | 32,921 | 38,229 | 50,821 | 17,787 | 7,697 | 16,746 | 1,130 |
| **Capital project expenditure** | **7,845** | **9,596** | **25,610** | **42,814** | **40,040** | **52,402** | **19,134** | **9,109** | **18,180** | **3,257** |
| Land and buildings | - | - | - | - | - | - | - | - | - | - |
| Plant and equipment | 55 | 56 | 58 | 59 | 61 | 63 | 64 | 66 | 69 | 68 |
| Vehicles | 75 | 343 | 379 | 280 | 273 | 242 | 333 | 132 | 136 | 141 |
| **Total capital expenditure** | **7,975** | **9,995** | **26,047** | **43,153** | **40,374** | **52,707** | **19,531** | **9,307** | **18,385** | **3,466** |

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations
For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the Revenue and Financing Policy in section 9
All figures on this page exclude GST

## Environment

GWRC is responsible for regulating the use of the region's natural resources. We do this through regional policies, plans and resource consents. We help the community to manage and restore ecosystems, and manage land sustainably. We monitor and report on the state of the environment, manage environmental threats like pest plants and animals, and provide a 24-hour pollution response service. We also look after the region's harbours.

### 1. WHAT WE DELIVER

The environment group of activities includes:

- Resource management
- Land management
- Biodiversity management
- Pest management
- Harbour management

### 2. CONTRIBUTION TO COMMUNITY OUTCOMES

Our environment activities primarily contribute towards achieving a **healthy environment** by:

- Regulating and monitoring the use and development of the environment to ensure that our natural and physical resources are managed sustainably
- Working with the community on initiatives to protect and restore the environment such as pest management and ecological restoration
- Advising landowners and businesses on practices that reduce the environmental impact of their activities

Our environment activities also contribute towards achieving a **strong economy** by:

- Working with landowners to enhance the prosperity and security of the farming sector through developing plans to prevent soil erosion and managing pests that threaten farm productivity.
- Supporting commercial shipping by monitoring commercial ships arriving and departing from Wellington and providing navigational aids in our harbours

Our environment activities also contribute towards achieving an **engaged community** by:

- Working with the community on initiatives to protect & restore the environment
- Supporting the recreational use of our region's waters by providing navigational aids and water safety education

### 3. CHALLENGES WE FACE

Some of the significant natural and physical resource issues in our region include degradation of water quality (including coastal waters and estuaries), increasing demands for water use, soil erosion on erosion-prone land, impacts from introduced plants and animals and continued biodiversity loss.

In terms of water use, there is growing demand for water from both the urban population and the farming sector. This can impact on the health of aquatic ecosystems. Better understanding of these potential impacts and efficiently managing water use to more sustainable levels are an ongoing challenge.

Our water quality is affected by discharges from wastewater, stock, urban land use and activities in our rivers and streams. These need to be managed to improve the quality of our water and the health of our ecosystems.

Soil conservation continues to be a significant issue in the region, particularly in the steeper parts where soil erosion is more prevalent. Soil loss impacts on water quality (both freshwater and coastal) and reduces the long-term economic potential of our land. Building and maintaining landowner commitment to more sustainable land management is vital to combat this issue.

Biodiversity is continuing to decline in the region. Various activities contribute to this decline and although there is an increasing awareness of the human impacts on biodiversity, tension often remains between biodiversity and economic development objectives. Partnerships between GWRC, Crown agencies, territorial authorities and landowners are essential for long-term biodiversity management, as is the valuable input of volunteers.

Introduced plants and animals have significantly changed our environment and, despite the efforts from GWRC and the wider community, we remain susceptible to threats from these invasive species. Pest management is essential to protect the economic future of the region and improve environmental outcomes. We are working closely with central government, primary industry and the wider public to mitigate the effects of introduced pests in the region, and are an active participant in groups such as the National Biosecurity Capability Network, National Biocontrol Collective and National Pest Control Agencies; all of which are working to retain New Zealand's primary industry competitive advantage and unique native biodiversity.

In terms of our harbours' functions, changes to the coastal shipping industry and increased awareness of the environmental risk of oil spills requires us to maintain our vigilance and ensure continued high levels of safety throughout the coastal waters managed by GWRC.

From a policy perspective, the framework under which we develop our plans, such as the Regional Policy Statement and regional plans, is changing with increased national direction under the Resource Management Act 1991 (RMA). This includes national policy statements, national environmental standards, the establishment of the Environmental Protection Agency and ongoing amendments to the RMA. Such changes require us to be able to respond quickly and to review our strategies and plans. We also have commitments through non-statutory documents to which we are partners, such as the Porirua and Harbour Catchment Strategy and Action Plan, and Wairarapa Moana.

At a national level, the Land and Water Forum has influenced the way in which complex resource management issues are tackled, with increasing emphasis on collaborative approaches. Maintaining and developing strong relationships between industry and sector groups and GWRC is important for the long-term effectiveness of resource management solutions.

## 4. STRATEGY FOR ENVIRONMENT

### Long term approach

Our long-term approach is to use a combination of regulatory and non-regulatory mechanisms. Our regulatory policies will be based on best practice science, and we aim to be leaders in New Zealand in this field.

We will also work proactively with landowners, other key stakeholders and the wider community to improve outcomes on the ground. We recognise the need to manage catchments as a whole and that land use throughout a catchment affects the water quality within it.

The Regional Policy Statement (RPS) is the overarching strategy that guides our activities. The review of the RPS is nearing operational status, with almost all appeals resolved.

The RPS has a key role in integrating the management of natural and physical resources. It identifies the resource management issues of regional significance, recognising the shared responsibility and need for a common understanding of issues. It then sets out objectives, policies and methods that recognise the interaction and connection between different resources, the range of scales in which an issue can be addressed and the need to consider social, economic, cultural and environmental factors alongside one another. Ultimately, the RPS focuses on matters that it can influence to make progress towards a sustainable region.

Our other regulatory plans include the Regional Pest Management Strategy, (RPMS), reviewed in 2009, and our Regional Plans, which are currently being reviewed. We ensure that our regulatory plans are kept up-to-date through continuous monitoring and regular reviews, and progressing through all the relevant stages of the statutory process as efficiently as possible. The RPMS is due to be reviewed following amendments to the Biosecurity Act and the pending release of a National Policy Direction (NPD) by the Ministry for Primary Industries. GWRC will develop a Regional Pest Management Plan (previous Strategy) once the NPD is in place.

We continue to look for ways to streamline consent processing practice to deliver better outcomes for applicants and the community. We will work collaboratively with consent holders to ensure that they are readily able to comply with their resource consents, and will focus our compliance monitoring programmes on fixing important problems for the environment and community.

Our approach to non-regulatory measures is to build collaborative partnerships with territorial authorities, sector groups, landowners and key stakeholders. We are looking at ways to work with territorial authorities in a more integrated and streamlined way, with fewer overlaps and duplication.

We are also looking at how to work more effectively with central government agencies, including the Environmental Protection Agency and related Boards of Inquiry. We work with owners of properties with highly erosion-prone land to develop land and environment management plans to improve environmental outcomes.

We also work with landowners to actively manage pest species and to improve biodiversity outcomes. We plan to investigate new ways to fund voluntary initiatives and to continue to involve stakeholders in key matters using forums such as the Wellington Farming Reference Group.

We take a leadership role in managing the region’s environment and, as a landowner and land manager, we recognise that we must lead by example. This includes taking on the role of the regional pest management agency, modelling best practice in delivering biodiversity outcomes through all our activities and delivering a 24-hour regional harbours service.

## Policy framework

Our policies and plans that relate to the environment group of activities are:

- Proposed Regional Policy Statement 2013 – identifies regionally significant issues around the management of the region’s natural and physical resources. It sets out what needs to be achieved (objectives) and the way in which the objectives will be achieved (policies and methods)

- Regional Coastal Plan 2000 – identifies issues to be addressed so the coastal marine area can be sustainably managed. The Coastal Plan also includes objectives, policies and methods to address these issues
- Regional Freshwater Plan 1999 – identifies issues, objectives, policies and methods for the sustainable management of freshwater in the region. Freshwater resources include rivers, lakes, streams, ponds, aquifers and artificial water courses
- Regional Soil Plan 2000 – deals with soil disturbance and vegetation disturbance on erosion-prone land in the region
- Regional Air Quality Management Plan 2000 – identifies issues, objectives, policies and methods to promote the sustainable management of air
- Regional Plan for Discharge to Land 1999 – covers all discharges of contaminants to land
- Measuring Up – the state of the environment report for the Wellington region 2005
- Annual monitoring report cards – include air quality, hydrology, groundwater, recreational water quality, freshwater quality, coastal and soil quality
- Resource Management Charging Policy 2011 – describes the charges that are payable to GWRC for a range of resource management services, including processing and monitoring resource consent applications
- Regional Pest Management Strategy 2002-22 - developed under the Biosecurity Act 1993, and includes management programmes for individual pest plants and animals which have the potential to impact on the region's economy, environment, human health, recreation, or Māori culture and traditions
- GWRC Biodiversity Strategy 2011-21 – provides guidance for policy and decision making, resource allocation and on the ground projects relating to biodiversity management in the region
- Porirua Harbour and Catchments Strategy and Action Plan – a joint initiative with Ngāti Toa, Porirua City Council and Wellington City Council providing a framework for coordinated and targeted action to restore the health of Porirua Harbour
- Wellington Regional Navigation and Safety Bylaws 2009 – promote the safe usage of the harbours and waters of the region

## 5. POTENTIAL NEGATIVE EFFECTS

Our environment activities require a balancing of cultural, economic and environmental wellbeing. The control of animal pests uses a range of methods and pesticides. The compound 1080, in particular, is of significant concern to some sectors of the community. GWRC has participated in a number of studies and believes that the benefits of using 1080 outweigh the negative effects. The former Environmental Risk Management Authority (now Environmental Protection Authority) completed a review of 1080 in 2007, supporting the continued use with stronger controls. In 2012 the Parliamentary Commissioner for the Environment reviewed 1080 use in New Zealand, strongly supporting aerial application of the toxin to protect native biodiversity and primary production.

# 6. RESOURCE MANAGEMENT

## What we do and why

Under the Resource Management Act 1991 (RMA), we must prepare a Regional Policy Statement and a Regional Coastal Plan and may prepare other regional plans. The purpose of the RPS is to provide an overview of the resource management issues of the region and policies and methods to achieve integrated management of the natural and physical resources of the region. Regional plans help us carry out our functions to achieve the purpose of the RMA – to promote the sustainable management of natural and physical resources. They contain rules that permit and control resource use through the resource consent process.

GWRC adopted its first RPS in 1995 and also developed five regional plans – coastal, air quality management, discharges to land, soil and freshwater. The current RPS became operative in 2013. The review of the regional plans is underway. A draft Natural Resources Plan for the Wellington region was released for public feedback in 2014 and it is expected that a proposed Natural Resources Plan for the Wellington region will be released for public consultation mid-2015.

In 2011 Central Government introduced the National Policy Statement for Freshwater Management. This requires Regional Councils to establish both quantity and quality limits for freshwater and to include these limits in Regional Plans. To achieve this GWRC has established the Whaitua process, which directly involves local communities in the development of quantity and quality limits for freshwater resources within each of the five regional catchment areas, known as Whaitua. This process started in 2014 and will be complete by 2022.

### *Resource consents service*

The RMA requires GWRC to process all applications to use natural resources, e.g., abstracting water, discharging into water, discharging into air and certain types of land and coastal use. Consents must be obtained for resource use unless an activity is "permitted" by a regional plan or directly by the RMA. The RMA provides detailed procedures to be followed in processing resource consents. In recent years, GWRC has typically processed 600-800 consent applications per year. Of these applications about 5% are processed as notified consents where affected parties may make a submission and the decision goes through a formal hearing process.

### *Compliance and enforcement*

GWRC carries out compliance monitoring as an essential part of its consenting responsibilities. This varies according to the nature of the consented activity and ranges from a detailed compliance monitoring schedule to the consent holder undertaking self-monitoring and preparing a report for audit by the Council. Compliance reports provide consent holders feedback on their performance and give the community confidence that the consent holder's environmental performance is being monitored and recorded.

GWRC has carried out an average of 1,400 compliance inspections per year over the past eight years (ranging from 833 in 2002/03 to 2,170 in 2010/11). We expect this activity to increase in the future.

### *Pollution prevention and control*

GWRC operates a 24-hour pollution response service for both environmental and public health purposes. This includes investigation of all reported environmental pollution incidents and cleaning up whenever possible. Pollution incidents include contaminated waterways, dust, sediment and, most commonly, odour. We are also taking a more proactive approach to pollution prevention through the Take Charge programme (a pollution-prevention programme for businesses) and the Muddy Waters Programme (a programme to prevent pollution from developers' earthworks activities).

*State of the environment monitoring*

The RMA requires GWRC to gather information necessary to carry out its regulatory functions, to monitor the state of the environment and measure the effectiveness of policy statements and plans, and to make the information available to the public.

We monitor rainfall, river flows, groundwater levels and quality, freshwater coastal water quality, air quality and soil quality. Results of monitoring are produced by way of annual report cards, a six-yearly comprehensive state of the environment monitoring report for the region and through real-time data on our website. The monitoring information ensures a sound understanding of the state of the environment and contributes to robust and defensible resource management planning. We also conduct targeted studies to investigate significant resource issues identified through our general monitoring programmes.

## What we will deliver

| Level of service | Performance measures | Performance targets | | | | |
|---|---|---|---|---|---|---|
| | | **Baseline (2014)** | **2015/16** | **2016/17** | **2017/18** | **2018-25** |
| Provide an up-to-date policy framework to manage the region's natural and physical resources | Regional Policy Statement is maintained and operative | Regional Policy Statement is operative | Identified changes are adopted | Identified changes are adopted | Identified changes are adopted | Identified changes are adopted |
| | Regional Plans are reviewed and adopted | Draft Natural Resources Plan is made available September 2014 | Proposed Natural Resources Plan is made public | Proposed Natural Resources Plan is made public | Proposed Natural Resources Plan is made public | Natural Resources Plan is operative |
| | Whaitua Committees are implemented | Ruamahunga & Porirua Committees established | Ruamahunga & Porirua Committees operational | Ruamahunga Committee releases Whaitua Implementation Plan | Porirua Committee releases Whaitua Implementation Plan<br>Wellington Harbour Hutt Valley Committee established | Wellington Harbour Hutt Valley Committee established |
| | Develop Regional Natural Hazards Management Strategy | Strategy development work commenced | Draft Strategy released for public | Regional Natural Hazards Management | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | comment | Strategy adopted | | |
| Process resource consents in a timely manner | Percentage of resource consents processed within 20 working days | 100% | 100% | 100% | 100% | 100% |
| Monitor and enforce compliance with regional plans and resource consents | Percentage of significant & environmental non-compliance that is reported within one month (including what follow measures are being undertaken) | 100% | 100% | 100% | 100% | 100% |
| | Percentage of reported environmental incidents that are responded to, investigated and enforcement actions completed within statutory timeframes | 100% | 100% | 100% | 100% | 100% |
| Provide timely, appropriate and accessible information on regional and catchment state trends | Percentage of data collected that is made available within agreed timelines | 90% | 90% | 90% | 90% | 90% |
| | Number of reports downloaded | Establish baseline | Increase against baseline | Increase against baseline | Increase against baseline | Increase against baseline |
| | Stakeholder satisfaction with the quality and usability of the reports provided | Establish baseline | Increase against baseline | Increase against baseline | Increase against baseline | Increase against baseline |

## Changes to what we will deliver

A key change to existing levels of service in the plan is the formation and acceleration of the Whaitua process to ensure that subsequent changes to the Regional Plan stemming from the Whaitua are operative by 2025, consistent with Central Government's required time frame.

## How we will fund this activity

Resource management planning and advice to the public is funded 100% by general rates. Resource consent processing service is funded up to 90% by user charges, with the remainder from general rates. The compliance monitoring service is funded up to 50% by user charges and at least 50% by general rates (investigations and legal costs). Pollution prevention and control are funded 100% by general rates, less any cost recovery from enforcement or legal action. State of the environment reporting is funded 100% by general rates, less state of the environment monitoring charges paid by some consent holders.

# 7. LAND MANAGEMENT

## What we do and why

The land management activity seeks to manage the environmental impacts of the farming sector while ensuring the sector remains prosperous and secure. Inappropriate land management practices can directly affect soil erosion and soil health, water quality (including groundwater quality) and the health of streams, rivers and the coast. Around one fifth of the land in the region is erosion-prone – meaning that the land is likely to erode more quickly unless good land management practices are used. Climate change predictions suggest rainstorms may become more frequent and intense, causing greater damage to erosion-prone land in the future. Loss of land through erosion not only threatens the long-term prosperity and security of the farming sector, but can also exacerbate flooding and reduce water quality and the health of streams and rivers.

GWRC delivers a range of programmes to encourage good land management practices. Our approach places a strong emphasis on voluntary services, supported by financial incentives (such as contributing to the cost of planting) to further encourage behavioural change. We actively work on initiatives that will deliver land management outcomes at the catchment level.

Our activities include:

- Farm Plans – implementation of long-term plans for farms with identified problems of sustainable land use because of soil erosion, including tree planting and other improvements
- Farm Environment Plans – preparation of plans for intensive farming operations within priority catchments throughout the region, identifying options to mitigate nutrient and sediment discharges from properties in accordance with an overall catchment plan
- Catchment Management Schemes – operation of six Catchment Management Schemes in liaison with their local Scheme Advisory Committees. These schemes protect local infrastructure from erosion and flooding problems affecting identified rural communities
- Soil Conservation Reserves – rehabilitation of severely eroded land and control of pest animals within GWRC's four Soil Conservation Reserves
- Akura Conservation Centre – the supply of project materials, primarily poplars and willows and eco-sourced native plants, for GWRC's land based programmes
- Advisory services – providing advice on land management to landowners and the community

These programmes and services support the achievement of several objectives of the Regional Policy Statement, including objective 28, "Land management practices do not accelerate soil erosion" and objectives relating to natural hazards, water quality and healthy functioning ecosystems in rivers, lakes and wetlands. These programmes and services also fulfil our responsibility under the Soil Conservation and Rivers Control Act 1941 to promote soil conservation and prevent and mitigate soil erosion.

## What we will deliver

| Level of service | Performance measures | Performance targets | | | | |
|---|---|---|---|---|---|---|
| | | Baseline (2014) | 2015/16 | 2016/17 | 2017/18 | 2018-25 |
| Working collaboratively with landowners to sustainably manage nutrient and sediment discharges on a catchment basis | Percentage of hill-country erosion prone land covered by an active Farm Plan | 76.5% | 77% | 78% | 79% | 80% |
| | Hectares of hill country erosion-prone land planted | 400 hectares | 450 hectares | 500 hectares | 550 hectares | 550 hectares |
| | Percentage of dairy farms with an active Farm Environment Plan | 15% | 18% | 21% | 24% | 27% |

## Changes to what we will deliver

Farm Environment Plans were introduced from 2012/13 following a pilot project in the Mangatarere catchment in 2011/12. These plans encourage landowners to sustainably manage nutrient and sediment discharges on a catchment basis. 10 new Farm Environment Plans will be prepared annually over the next five years, with an ongoing focus on the Mangatarere catchment and Wairarapa Moana.

In the Porirua Harbour catchment it is proposed that a programme of Farm Environment Plans (FEP's) be prepared for rural landowners with a specific focus on sediment management. The programme will target farms within the catchment as pasture land has been identified as a major source of sediment.

The Wellington Regional Erosion Control Initiative (WRECI) has been reviewed by the Ministry of Primary Industries (MPI) in 2013/14. A new application to MPI for a further four years funding was lodged in December 2014. The funding arrangement with the MPI may change as a result of the new application.

Akura Conservation Centre has recently been extended to provide an additional 13 hectares of poplar and willow planting. Land at Mangapakeha currently used as a nursery will be sold once the Akura extension is completed and desired annual production levels are achieved.

## Key projects and programmes

| | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|
| Expansion of the Farm Environment Plans in priority catchments | ✔ | ✔ | ✔ |
| Ongoing delivery of the WRECI programme, with a focus on erosion-prone land in the Ruamahanga | ✔ | ✔ | ✔ |

| | | | |
|---|---|---|---|
| Whaitua | | | |
| Continuation of the supply of poplar and willow poles, and eco-sourced native plants from the Akura Conservation Centre | ✔ | ✔ | ✔ |

### How we will fund this activity

Sustainability and Property Plans are funded 60% to 70% by user charges and 30% to 40% by general rates. WRECI Plans are currently funded 40% by user charges, 30% Crown funding and 30% by general rates. Should the Ministry of Primary Industries discontinue it's funding for this programme, from 2015/16 WRECI Plans will be funded 50% by user charges and 50% by general rates. Farm Environment Plans are funded 50% by general rates and 50% user charges. Consultancy services are funded by way of direct payment by those who seek the service.

Typically, GWRC's operational staff supervises contractors to do the work. A service fee for the services delivered by contractors pays the cost of GWRC's supervision. Land management advice is funded 100% by general rates for inspections, promotion, monitoring and advice.

Catchment Schemes are funded 50% by general rates, 30% to 40% scheme rates (landowners) and 10% to 20% district council contribution. Soil conservation reserves are funded 100% by general rates. Akura Conservation Centre is funded 100% by user charges.

## 8. BIODIVERSITY MANAGEMENT

### What we do and why

The biodiversity management activity aims to maintain and, where possible, restore biodiversity. Biodiversity loss in the region, as in the rest of New Zealand, has been dramatic. Less than 3% of the region's original wetlands remain and more than 120 different types of plants and animals are threatened with extinction. Biodiversity contributes to our region's natural character and supports the healthy functioning of ecosystems which in turn provide essential, life supporting services such as purifying air and water.

GWRC has a responsibility to protect biodiversity as a matter of national importance under the RMA. Our biodiversity management activity supports the achievement of several objectives of the RPS, including objective 16 "Indigenous ecosystems and habitats with significant biodiversity values are maintained and restored to a healthy functioning state". The activity is guided by our Biodiversity Strategy 2011-2021, which is directed by the priorities of the NZ Biodiversity Strategy and the policy direction of the RPS.

Our biodiversity management activity includes:

- Protecting the highest value biodiversity areas in the region by managing a range of threats to their ecological health. These areas can be on GWRC, territorial authority or private land
- Working with the regional community to raise awareness of indigenous biodiversity issues and encourage local action
- Providing advice to a range of regional audiences to protect sites of high biodiversity value and promote functioning, indigenous ecosystem processes across the landscape

We also support the Enviroschools Foundation to deliver environmental sustainability education programmes to more than 70 schools in the region.

### What we will deliver

| Level of service | Performance measures | Performance targets | | | | |
|---|---|---|---|---|---|---|
| | | **Baseline (2014)** | **2015/16** | **2016/17** | **2017/18** | **2018-25** |
| Work with the regional community to Improve the region's indigenous biodiversity | Number of identified high value biodiversity sites under active management[10] | 120 | 80 | 80 | 80 | 120 |
| | Improvement in the ecological condition of identified high value sites | No baseline | Develop a methodology for measuring change at | To be set once methodology is developed | To be set once methodology is developed | To be set once methodology is developed |

[10] Active management can include improving legal protection, fencing, and undertaking the control of plant and animal pests

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | high value sites | | | |

### Changes to what we will deliver

There are no significant changes to current levels of service. The reduction from 120 to 80 actively managed sites is due to a re-definition of sites to only those fully resourced and operationally managed by GWRC. We work with landowners, community groups and schools, as well as provide advice to the general public with the aim to improve region's indigenous biodiversity at many more sites.

### How we will fund this activity

100% general rates, except for the Key Native Ecosystems programme which receives 10% of its overall funding from participating city and district councils.

# 9. PEST MANAGEMENT

## What we do and why

Our pest management activity aims to mitigate the adverse impacts of pest animals and plants on the environment, economy and community, and maximise the effectiveness of pest management through a regionally coordinated response. Adverse impacts of pest plants and animals include: loss of native flora and fauna, reduced productivity for farming and horticulture and public nuisance. Our pest management activity supports Objective 16 of the RPS "Indigenous ecosystems and habitats with significant biodiversity values are maintained and restored to a healthy functioning state".

GWRC has chosen to take on the role of the regional pest management agency and to prepare and implement the Regional Pest Management Strategy 2002-22 (RPMS) under the Biosecurity Act 1993. Our approach is determined by how widespread individual pests are in the region. We attempt to prevent new pests from establishing in the region by early detection and eradication of pests that are present at a limited number of sites. For pests that are present only in certain parts of the region we try to slow their spread and contain them to their existing sites. Widely spread pests we control only in high value sites in the region.

Our pest management activity includes:

- Regulation – setting rules in the RPMS that help pest management action and prevent the propagation, sale and spread of pest species
- Inspection and monitoring – undertaking inspections to ensure rules are adhered to and monitoring the effect of our pest management programmes
- Direct control – undertaking pest control in special circumstances where there is direct regional benefit, such as pest organisms of limited distribution, of significance for human health or occurring at sites of high value
- Advice and education – raising public awareness of the negative effects of pest species, the benefits of pests management programmes and providing advice to the public on the most effective and sustainable pest control options
- Providing support for community initiatives – supporting public initiatives by providing information, control advice, staff time and some materials to undertake pest control
- Biological control – contributing to the National Biocontrol Collective research programmes and releasing and spreading biological control agents around the region. Biological control is most effective and often the only way to control widely spread pest plant species.

In addition to our programme of work to implement the RPMS, we also run the Regional Possum and Predator Control Programme. The programme controls possums in two areas: firstly, land that has not received any possum control under either GWRC programmes or the National Pest Management Strategy for bovine Tb, and secondly land that has recently been declared bovine Tb-free after a sustained period of control.

TBfree New Zealand (part of OSPRI) no longer controls possums in Tb-free areas. In consultation with the local community, GWRC decided to continue controlling possums in these areas to capitalise on the biodiversity and primary production gains created by maintaining low possum numbers.

This programme will expand to include areas near Wellington, Porirua and Kapiti Coast that have not had large scale possum and predator control in the past.

GWRC is no longer funding the National Tb Plan from July 2015. The reasons for not providing funding include:

I. the OSPRI Board’s decision that current regional shares should be funded largely via the two industry commodity levies (milk solids and slaughter levies)

II. GWRC is already contributing significant funds to possum/predator control in areas recently declared Tb free by OSPRI and that this funding is likely to increase as the objectives of the National Tb Plan are achieved

III. GWRC remains committed to funding pest control for biodiversity gains in priority areas of the region and that funding the National Tb Plan to achieve secondary biodiversity gains is not justifiable.

## What we will deliver

| Level of service | Performance measures | Performance targets | | | | |
|---|---|---|---|---|---|---|
| | | **Baseline (2014)** | **2015/16** | **2016/17** | **2017/18** | **2018-25** |
| Work with landowners to reduce the impact of pest animals and plants within the region | Number of active pest plant “Total Control” sites | Total control species survey underway – baseline to be defined in April 2015 | Target to be defined in April 2015 | Target to be defined in April 2015 | Target to be defined in April 2015 | Target to be defined in April 2015 |
| | Number of possums in the Regional Possum Predator Control Programme area | Low (<5% Residual Trap Catch) | Low (<5% Residual Trap Catch) | Low (<5% Residual Trap Catch) | Low (<5% Residual Trap Catch) | Low (<5% Residual Trap Catch) |
| | Number of rabbits in the region | Low, (<5 on the Modified McLean Scale) | Low, (<5 on the Modified McLean Scale) | Low, (<5 on the Modified McLean Scale) | Low, (<5 on the Modified McLean Scale) | Low, (<5 on the Modified McLean Scale) |

## Changes to what we will deliver

There are no significant changes to current levels of service.

This Regional Possum and Predator Control Programme will expand to include areas near Wellington, Porirua and Kapiti Coast that have not previously had large scale possum and predator control, with the intention that this will help to maintain our low possum levels in the region.

## How we will fund this activity

100% general rates for inspections, surveillance, monitoring and approved control work under the Regional Pest Management Strategy. Regional possum control is funded 40% by works and services rates (land area) on all rateable rural properties 4ha and over, and 60% by general rates.

## 10. HARBOUR MANAGEMENT

### What we do and why

GWRC is responsible under the Maritime Transport Act 1994 for the management of the region’s harbours and coastal waters for navigation and safety purposes. We operate a 24/7 communication station at Beacon Hill in Wellington and provide and maintain navigational aids in our harbours. We also promote the safe use of harbours and coastal waters by educating recreational users and operating a harbour ranger service. GWRC manages and cleans up oil spills in our harbours.

### What we will deliver

| Level of service | Performance measures | Performance targets | | | | |
|---|---|---|---|---|---|---|
| | | Baseline (2014) | 2015/16 | 2016/17 | 2017/18 | 2018-25 |
| Provide safe and competent maritime management for commercial and recreational users of our region's waters. | That Beacon Hill Communications station is staffed and operational 24 hours a day, seven days a week | 100% | 100% | 100% | 100% | 100% |
| | That all navigation aids are working, 24 hours a day, seven days a week | 100% | 100% | 100% | 100% | 100% |
| | Percentage of reports of unsafe boating incidents investigated and appropriate actions taken | 100% | 100% | 100% | 100% | 100% |
| | Percentage of harbour oils spills responded to within 30 minutes and clean up started within one hour | 100% | 100% | 100% | 100% | 100% |
| | Percentage of coastal oil spills responded to within 30 minutes and clean up started within three hours | 100% | 100% | 100% | 100% | 100% |

### Changes to what we will deliver

There are no significant changes to current levels of service.

### How we will fund this activity

Navigational aids and communications service are funded 40% from general rates for non-commercial users and 60% from user charges on commercial shipping. Enforcing maritime safety regulations and Educating people on water safety are funded 100% from general rates. The standing costs of cleaning up of oil spills is funded 5% from general rates (for recreational users) and 95% user charges (paid via Maritime New Zealand as an agent for all shipping). Pollution clean-up costs are fully recovered from the polluter (any costs that cannot be recovered to be funded from general rates).

**ENVIRONMENT**

**PROSPECTIVE FUNDING IMPACT STATEMENT**

**FOR THE YEAR ENDING 30 JUNE**

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Plan | Plan | Plan | Plan | Plan | Plan | Plan | Plan | Plan | Plan |
| | $000s | $000s | $000s | $000s | $000s | $000s | $000s | $000s | $000s | $000s |
| **Sources of operating funding** | | | | | | | | | | |
| General rate | 24,957 | 26,258 | 27,409 | 28,351 | 28,727 | 29,267 | 29,883 | 30,598 | 31,612 | 32,338 |
| Targeted rate | 408 | 578 | 636 | 653 | 670 | 690 | 711 | 732 | 756 | 782 |
| Subsidies and grants for operating purposes | - | - | - | - | - | - | - | - | - | - |
| Fees, charges, and targeted rates for water supply | 4,145 | 4,243 | 4,349 | 4,462 | 4,583 | 4,716 | 4,857 | 5,009 | 5,174 | 5,350 |
| Fines, infringement fees, and other receipts [1] | 4,017 | 4,050 | 4,197 | 4,312 | 4,437 | 4,563 | 4,704 | 4,851 | 5,025 | 5,200 |
| **Total operating funding** | **33,527** | **35,129** | **36,591** | **37,778** | **38,417** | **39,236** | **40,155** | **41,190** | **42,567** | **43,670** |
| **Applications of operating funding** | | | | | | | | | | |
| Payments to staff and suppliers | 30,602 | 32,020 | 33,418 | 34,441 | 35,276 | 36,065 | 37,085 | 38,146 | 39,314 | 40,546 |
| Finance costs | 91 | 87 | 79 | 69 | 56 | 54 | 53 | 48 | 45 | 46 |
| Internal charges and overheads applied | 1,614 | 1,793 | 1,822 | 1,866 | 1,925 | 1,993 | 2,023 | 2,104 | 2,188 | 2,175 |
| **Total applications of operating funding** | **32,307** | **33,900** | **35,319** | **36,376** | **37,257** | **38,112** | **39,161** | **40,298** | **41,547** | **42,767** |
| **Surplus/(deficit) of operating funding** | **1,220** | **1,229** | **1,272** | **1,402** | **1,160** | **1,124** | **994** | **892** | **1,020** | **903** |
| **Sources of capital funding** | | | | | | | | | | |
| Subsidies and grants for capital expenditure | - | - | - | - | - | - | - | - | - | - |
| Increase / (decrease) in debt | (120) | (46) | (145) | (256) | (82) | 21 | (57) | (79) | (8) | 58 |
| Gross proceeds from asset sales | 266 | 89 | 41 | 95 | 110 | 84 | 101 | 74 | 123 | 46 |
| **Total sources of capital funding** | **146** | **43** | **(104)** | **(161)** | **28** | **105** | **44** | **(5)** | **115** | **104** |
| **Applications of capital funding** | | | | | | | | | | |
| Capital expenditure | | | | | | | | | | |
| - to meet additional demand | - | - | - | - | - | - | - | - | - | - |
| - to improve the level of service | - | - | - | - | - | - | - | - | - | - |
| - to replace existing assets | 1,127 | 1,104 | 987 | 1,049 | 1,028 | 1,021 | 821 | 659 | 897 | 759 |
| Increase / (decrease) in investments | - | - | - | - | - | - | - | - | - | - |
| Increase / (decrease) in reserves | 239 | 168 | 181 | 192 | 160 | 208 | 217 | 228 | 238 | 248 |
| **Total applications of capital funding** | 1,366 | 1,272 | 1,168 | 1,241 | 1,188 | 1,229 | 1,038 | 887 | 1,135 | 1,007 |
| **Surplus/(deficit) of funding** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| | | | - | - | - | - | - | - | - | - |
| **Depreciation on Environment assets** | 689 | 653 | 723 | 948 | 1,042 | 1,020 | 995 | 911 | 834 | 810 |

[1] This includes revenue from the Animal Health Board, sales of trees and rental income

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations
For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the Revenue and Financing Policy in section 9

All figures on this page exclude GST

**ENVIRONMENT**

**PROSPECTIVE FUNDING INFORMATION**

**FOR THE YEAR ENDING 30 JUNE**

| | 2015/16 Plan $000s | 2016/17 Plan $000s | 2017/18 Plan $000s | 2018/19 Plan $000s | 2019/20 Plan $000s | 2020/21 Plan $000s | 2021/22 Plan $000s | 2022/23 Plan $000s | 2023/24 Plan $000s | 2024/25 Plan $000s |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operating funding** | | | | | | | | | | |
| Resource management | 16,437 | 16,858 | 17,514 | 18,176 | 18,415 | 18,732 | 19,050 | 19,458 | 20,120 | 20,667 |
| Land management | 5,400 | 6,005 | 6,429 | 6,619 | 6,805 | 7,002 | 7,210 | 7,443 | 7,702 | 7,899 |
| Biodiversity management | 4,374 | 4,483 | 4,574 | 4,687 | 4,801 | 4,926 | 5,059 | 5,189 | 5,339 | 5,461 |
| Pest management | 5,148 | 5,538 | 5,798 | 5,937 | 6,095 | 6,271 | 6,461 | 6,659 | 6,826 | 7,052 |
| Harbour management | 2,168 | 2,245 | 2,276 | 2,359 | 2,301 | 2,305 | 2,375 | 2,441 | 2,580 | 2,591 |
| **Total operating funding** | **33,527** | **35,129** | **36,591** | **37,778** | **38,417** | **39,236** | **40,155** | **41,190** | **42,567** | **43,670** |
| **Applications of operating funding** | | | | | | | | | | |
| Resource management | 15,645 | 16,172 | 16,781 | 17,367 | 17,755 | 18,062 | 18,530 | 19,024 | 19,605 | 20,275 |
| Land management | 5,202 | 5,795 | 6,211 | 6,389 | 6,562 | 6,753 | 6,950 | 7,199 | 7,478 | 7,614 |
| Biodiversity management | 4,330 | 4,436 | 4,527 | 4,637 | 4,749 | 4,871 | 5,002 | 5,129 | 5,277 | 5,395 |
| Pest management | 5,133 | 5,443 | 5,699 | 5,835 | 5,990 | 6,163 | 6,349 | 6,544 | 6,707 | 6,929 |
| Harbour management | 1,997 | 2,054 | 2,101 | 2,148 | 2,201 | 2,263 | 2,330 | 2,402 | 2,480 | 2,554 |
| **Total applications of operating funding** | **32,307** | **33,900** | **35,319** | **36,376** | **37,257** | **38,112** | **39,161** | **40,298** | **41,547** | **42,767** |
| **Capital expenditure** | | | | | | | | | | |
| Environment projects | 148 | 205 | 105 | - | 25 | 125 | 55 | - | 44 | 103 |
| **Capital project expenditure** | **148** | **205** | **105** | **-** | **25** | **125** | **55** | **-** | **44** | **103** |
| Land and buildings | - | - | - | - | - | - | - | - | - | - |
| Plant and equipment | 589 | 543 | 706 | 649 | 557 | 542 | 343 | 328 | 332 | 442 |
| Vehicles | 390 | 356 | 176 | 400 | 446 | 354 | 423 | 331 | 521 | 214 |
| **Total capital expenditure** | **1,127** | **1,104** | **987** | **1,049** | **1,028** | **1,021** | **821** | **659** | **897** | **759** |

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the Revenue and Financing Policy in section 9
All figures on this page exclude GST

## Flood protection and control works

GWRC works with communities to manage flood risk from the region's rivers and streams. We develop floodplain management plans (FMPs), provide a free advice and consultation service, maintain and build flood protection works, work with the community to improve the environment and recreational opportunities and provide flood warnings.

### 1. WHAT WE DELIVER

The flood protection and control works group of activities includes:

- Understanding flood risk
- Maintaining flood protection and control works
- Improving flood security

### 2. CONTRIBUTION TO COMMUNITY OUTCOMES

Flood protection and control works activities primarily contribute towards achieving a **resilient community** by:

- Reducing the risk of flooding in the region now and in the future by promoting the avoidance of inappropriate development in our most flood-prone areas
- Informing communities about the risk and consequences of flood events in their area
- Maintaining existing flood protection works and building planned flood protection works

Our flood protection and control works also contribute towards achieving:

- A **strong economy** by minimising the impact of flooding on activities that contribute to the regional economy
- A **healthy environment** by enhancing the environment along river corridors
- An **engaged community** by enabling people to enjoy recreational use of river corridors

### 3. CHALLENGES WE FACE

The region contains a number of major rivers and streams that have the potential for flooding, making flooding the region's greatest hazard, both in terms of frequency and continuing losses.

We are committed to providing and maintaining our existing infrastructure assets and as new infrastructure assets are built, maintain existing levels of service. However, flood protection infrastructure is expensive to build and maintain. As new infrastructure assets are built, the costs of maintenance will continue to increase.

Over time climate change and sea level rise will challenge our ability to maintain the existing levels of service being provided and we need to investigate and plan for this.

While pressure to develop in areas that are subject to flooding continues, avoiding inappropriate development in high risk areas is a key part of our work. Providing advice and information about flood hazards are key components of this. Mitigating flooding by building expensive infrastructural assets may not always be the most appropriate or cost effective solution. Increasing community resilience by raising awareness of flood risk and the need to be prepared is particularly important in existing communities that are subject to flooding.

Community expectations and the potential effects of our work on the environment are changing the way we work. The community has expectations that GWRC will deliver more than just well-maintained assets in the river and stream corridors that we are responsible for.

## 4. STRATEGY FOR FLOOD PROTECTION AND CONTROL WORKS

### Long term approach

GWRC's long-term approach to flood protection is to promote a safe and prosperous community through appropriate flood protection measures while maintaining a natural river environment. We achieve this by providing a range of services that include: providing advice and information, developing FMPs, managing river schemes and building and maintaining infrastructure. This approach minimises loss of life, supports economic development, informs and empowers communities, enhances ecological quality and provides for recreational opportunities. Development that is compatible with flood risk is an essential part of this approach. We advocate against inappropriate development in flood risk areas, and manage the risk to existing developments.

GWRCs flood protection assets across the region have a replacement value of $262.8 million[11]. They include stopbanks, outlet structures (culverts and pipes), berms, edge protection material and structures, debris arrestors, detention dams, barrage gates, flood walls and land within river corridors. Flood protection assets are located in the Hutt, Otaki, Waikanae, Wainuiomata, Porirua and Ruamahanga catchments.

All existing assets will continue to be maintained in perpetuity (including renewals or replacements when necessary) in order to provide the levels of service set out in the FMPs. We have FMPs in place for the Hutt River (2001), Otaki River (1998), and the Waikanae River (1996). In addition the Waitohu Stream Study (2006) also fulfils all the requirements of a FMP. For the Porirua Stream we do not have a formal FMP but all the elements have been completed separately (1994).

FMPs are under development for the Te Kāuru (Upper Ruamahanga River), the Waiohine River, the Pinehaven Stream, and the Waiwhetu Stream. A FMP will also be developed within the next ten years for the Lower Ruamahanga River. We also have infrastructural assets and flood hazard information on the Wainuiomata River but there are currently no plans to progress a FMP.

In addition to maintaining existing assets there are a number of major projects underway or planned to renew or replace existing assets. The new FMP's currently under development or proposed in the future are also likely to result in a requirement for further investment to provide the desired level of service.

### *Changes in demand*

We do not support inappropriate new development in areas that are subject to flooding and there are no plans to provide new flood protection assets in such areas. Avoiding the flood hazard by not building in high hazards areas is the most effective way of managing flood risk in the long term.

### *Changes in levels of service*

GWRC is committed to providing and maintaining an agreed level of flood protection to existing communities. The levels of service are set through the FMP process in consultation with the community. There are no planned decreases to this level of service. However, as noted, rivers are dynamic systems and continually change over time. A build-up of gravel

[11] As at 30 June 2012

and sediment in the lower reaches of river systems will present a particularly difficult issue to resolve as river systems lose capacity. Climate change will also impact on the ability of GWRC to meet these levels of service long term. In some circumstances managed retreat may be the most appropriate response.

### *Environmental outcomes*

Providing, maintaining and operating flood protection assets can have adverse effects on the environment. In order to address these issues GWRC takes measures to minimise the impacts of river control works on the natural form and function of rivers and streams through an adaptive management framework (we monitor our work, review our practices, and implement changes). A Code of Practice guides how all our flood protection works are carried out. GWRC have also prepared environmental strategies for the major rivers in the west of the region (Hutt, Otaki and Waikanae). New environmental strategies will be prepared for those areas where FMPs are being developed.

**Policy framework**

The policies and plans that relate to the flood protection group of activities are:

- Floodplain management plans – outlines a holistic approach to reducing the effects of flooding, including physical protection, non-structural measures, and environmental opportunities
- Regional Policy Statement 2013 – includes objectives and policies relating to flood hazards

## 5. POTENTIAL NEGATIVE EFFECTS

There is the potential for flood protection projects and ongoing operations and maintenance activities to have a negative effect on environmental wellbeing. However, flood protection activities also have a positive effect on the general wellbeing of communities adversely affected by flooding. GWRC will seek to minimise the impact of flood protection projects, maintenance and operations on the environment.

# 6. UNDERSTANDING FLOOD RISK

## What we do and why

This activity aims to increase community resilience, contribute to a strong economy and foster an engaged community by working with the community to protect lives, reduce the impact of flooding on people and their property and to assist people to make informed decisions about development in areas of the region subject to flood hazards. Working in partnership with the community plays an important role in this activity.

FMPs are our key planning tool, as they set out how we manage flood risk on individual rivers and floodplains. The plans are comprehensive and involve extensive information gathering, consultation and discussion with the local community, councils and iwi. They are complementary to the Whaitua process and numerous links have already been made to this process.

The FMP planning process involves:

- Preparing flood hazard assessments
- Consulting with affected communities on ways to manage the risk
- Agreeing appropriate levels of flood protection from avoidance through to mitigation of the hazards
- Preparing and implementing the FMP

We provide advice to people, communities and local and central government organisations about avoiding, reducing or mitigating flood hazards. We work closely with city and district councils to investigate and provide flood hazard information for Land and Property Information Memorandums (LIMS and PIMS) and district plans. We also gather information, monitor, carry out river bed surveys, provide flood warnings and keep records about flood risks throughout the region. We work closely with the other flood protection activities to provide technical analysis and support on flood hazards, planning and policy and environmental enhancement work. We also provide technical advice to other GWRC groups, local councils and other groups [e.g. Fish and Game NZ, Hutt River Trail, Friends' Groups].

With the exception of the lower Ruamahanga River, where the onset of flooding is slower, our current level of flood warning provides at best a few hours' notice of a flood event. The system is based on responding to measured flows and rainfall that has already fallen. Suitable technology now exists to forecast flooding (timing, location, magnitude) based on weather forecasting. Therefore, we are commencing a project to implement flood forecasting which will extend warning times out to many hours and even days. We propose to progressively implement an improved flood warning system based on our existing gauge network and hydraulic models and the new forecasting and run-off model.

Currently we provide information to the community as part of the development of floodplain management plans and then as a result of requests from the public. Making this flood hazard information more available, particularly through the use of electronic media will greatly increase our ability to reach the wider community. We are also commencing a project to make regional scale flood hazard mapping and more catchment specific information readily available through the public GWRC website. The need to develop and manage this process will require careful planning because of the sensitivity of land owners to the potential impacts of flood hazard information on property values and insurance costs.

## What we will deliver

| Level of service | Performance measures | Performance targets | | | | |
|---|---|---|---|---|---|---|
| | | Baseline (2014) | 2015/16 | 2016/17 | 2017/18 | 2018-25 |
| Improving information and understanding of flood risk in the community | Percentage of high hazard flood prone land covered by a flood hazard map | 13.0% | 13.0% | 13.0% | 13.0% | 30.0% |
| | Percentage of catchments with FMPs in place | 20.0% | 20.0% | 20.0% | 20.0% | 22.0% |
| | Disseminate flood hazard maps within six months of completion | N/A | 100% | 100% | 100% | 100% |
| | Flood warning information is relayed to WREMO within 1 hour of receipt. | 100% | 100% | 100% | 100% | 100% |

## Changes to what we will deliver

Since the LTP 2012-22 was developed we have built a greater understanding of the resourcing and time requirements for implementing FMPs, in particular the time required to work through the process of gaining community support for the various projects. Because of this we have extended the time required to develop FMPs for the region. The revised delivery programme is set out in table 6.4 below.

## Key projects and programmes

| | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|
| Te Kāuru Upper Ruamahanga Floodplain Management Plan | Complete FMP | Commence implementation (in conjunction with MDC and CDC) | |
| Pinehaven Floodplain Management Plan [in conjunction with UHCC] | Commence implementation (in conjunction with UHCC) | | |
| Waiohine Floodplain Management Plan | Complete FMP | Commence implementation (in conjunction with CDC and SWDC) | |
| Waiwhetu Floodplain Management Plan | Continue development of FMP | Complete FMP | |
| Make flood hazard information available on GWRC website | ✔ | | |
| Mangaroa FHA - participate in Mangaroa Plan Change (UHCC) and improve flood warning process | ✔ | | |
| Flood Forecasting development (joint project with WREMO) | ✔ | ✔ | |

| | | | |
|---|---|---|---|
| Otaki FMP Review | | ✔ | ✔ |
| Begin development of Lower Ruamahanga FMP (LWVD Scheme) | | | ✔ |

**How we will fund this activity**

100% funded by general rates.

# 7. MAINTAINING FLOOD PROTECTION AND CONTROL WORKS

## What we do and why

This activity helps to ensure a resilient community and strong economy by maintaining a network of flood protection structures, including stopbanks, river works and detention dams, throughout the region to mitigate the effect of floods.

Regular maintenance is a key component of our work to ensure that flood protection systems and infrastructure continue to perform as planned and provides the level of service agreed to with the community. Maintenance involves routine inspections, repairs and adjustments, as well as repairing damage caused by floods.

We carry out environmental enhancement work on river corridors and encourage public use and enhancement by providing access, tracks, planting and removing rubbish. A ranger service is provided on the Hutt River to facilitate public use of this popular area. This work provides for the community partnerships and for the improved water quality outcomes being sought.

Developing partnerships and involving the community will play an increasingly important role in this activity in coming years. Resources are required to manage the demand for greater engagement with iwi and the community across a range of activities including what we do and how we deliver it – e.g. recreation use, access and amenity, native planting, habitat quality and natural character.

Consents are required to enable GWRC to continue to maintain its flood protection infrastructure assets overtime. This is a statutory requirement of the Soil Conservation and Rivers Control Act 1941 unless GWRC decides through a formal process it no longer wishes to maintain these assets. Good practice and community expectations are changing the way that GWRC goes about its maintenance activities and the potential effects that these activities may have on the environment. The community also has expectations that GWRC will deliver more than just well-maintained assets in the river and stream corridors that GWRC are responsible for. We are commencing a project to carry out additional environmental monitoring, analysis and reporting to comply with consent conditions, the Natural Resource Plan and Code of Practice requirements.

## What we will deliver

| **Level of service** | **Performance measures** | **Performance targets** | | | | |
|---|---|---|---|---|---|---|
| | | **Baseline (2014)** | **2015/16** | **2016/17** | **2017/18** | **2018-25** |
| Infrastructure is managed to agreed levels of service | Annual maintenance programme completed so that schemes are maintained to their full service potential | 100% | 100% | 100% | 100% | 100% |
| | % of stopbanks that meet design standard | 98% | 98% | 98% | 98% | 99% |
| | Flood damage identified, prioritised and repair programme agreed with | 100% | 100% | 100% | 100% | 100% |

| | | | | | | |
|---|---|---|---|---|---|---|
| | the community | | | | | |
| Minimise the environmental impact of flood protection works. | That all flood protection works are undertaken in accordance with COP checklist | 100% | 100% | 100% | 100% | 100% |
| | Consent compliance | 100% | 100% | 100% | 100% | 100% |

## Changes to what we will deliver

There are no significant changes to current levels of service.

## Key projects and programmes

| | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|
| Resource Consents Project | ✔ | ✔ | ✔ |
| Asset Management Planning Improvements | ✔ | ✔ | ✔ |
| Implement new Health and Safety Legislation | ✔ | ✔ | ✔ |
| Develop changing work practices | | ✔ | ✔ |
| Develop Community Partnerships | | ✔ | ✔ |

## How we will fund this activity

Up to 50% general rates from the regional community.

The balance of costs (i.e., 50%-100%) met via targeted rates on the local authority area or via scheme rates or direct contribution from both the direct beneficiaries on the floodplain and the beneficiaries in the catchment area. Where a utility provider makes a contribution for protection of infrastructure assets, the revenue is directly applied to alleviate the scheme's costs.

Some projects will be partly loan funded.

# 8. IMPROVING FLOOD SECURITY

## What we do and why

GWRC reduces the risk of floods to the community through the implementation of floodplain management plans. We are currently implementing plans for the Lower Ruamahanga, Hutt, Waikanae and Otaki rivers. The 2012-2015 LTP also provided for implementing the new FMPs for Pinehaven and Waiohine. New plans to be developed in the next three years will include Upper Ruamahanga, and Waiwhetu. Based on past experience, these plans will each include (or may include) an implementation programme of between 10 and 40 years.

## What we will deliver

| Level of service | Performance measures | Performance targets | | | | |
|---|---|---|---|---|---|---|
| | | **Baseline (2014)** | **2015/16** | **2016/17** | **2017/18** | **2018-25** |
| Improve the communities resilience to flooding | % of FMP implemented | Hutt 30%<br>Otaki 47%<br>Waikanae 45%<br>LWVDS 43% | Hutt 30%<br>Otaki 47%<br>Waikanae 45%<br>LWVDS 51% | Hutt 30%<br>Otaki 50%<br>Waikanae 45%<br>LWVDS 57% | Hutt 30%<br>Otaki 50%<br>Waikanae 56%<br>LWVDS 63% | Hutt 58%<br>Otaki 70%<br>Waikanae 56%<br>LWVDS 100% |

## Changes to what we will deliver

We are continually improving the level of service delivered in the region around flood security, as we implement the community agreed floodplain management plans. For example, the next three years includes consultation on significant new flood works including the Hutt City centre project. The specific plans that we will be working on in the next three years are detailed in the table below:

## Key projects and programmes

| | **2015/16** | **2016/17** | **2017/18** |
|---|---|---|---|
| Hutt River City Centre project | Confirm preferred Integrated Concept Designs following community consultation | Complete statutory approvals and progress with land entry agreements | Complete detailed designs and procure construction tenders *(project ongoing to 2032)* |
| Pinehaven Stream FMP Implementation | Progress with land entry agreements and the planning and design phase | Progress with land entry agreements and commence construction | Progress with construction *(project ongoing to 2025)* |

| | | | |
|---|---|---|---|
| Jim Cook Park stopbank | Complete the planning and design phase and commence construction | Complete construction | |
| Otaki River | Progress with bank edge protections<br>- Chrystalls to Gorge<br>- Alignment & construction decisions for Mouth to SH1 | Progress with bank edge protections<br>- Chrystalls to Gorge<br>- Alignment & construction decisions for Mouth to SH1 *(pending review)* | Progress with bank edge protections<br>- Chrystalls to Gorge<br>- Construction decisions for Mouth to SH1 *(pending review)* |
| | Investigate land entry agreements for South Stopbank | Investigate land entry agreements for South Stopbank (pending review) | |
| Lower Wairarapa Development Scheme | Complete the 2015/16 works programme including boulder protection works and lowering of berms | Complete the 2016/17 works programme including boulder protection works, lowering of berms and upgrading of Barrage control gear | Complete the 2017/18 works programme including boulder protection works, lowering of berms and upgrading of containment stopbanks at Tauherenikau Delta |
| Waiohine FMP Implementation | Progress with the planning and design phase and land entry agreements | Progress with land entry agreements and commence construction | Progress with construction |
| Environmental Strategy Implementation | Progress with environmental enhancement works in Hutt, Otaki and Waikanae rivers | Progress with Environmental enhancement works in Hutt, Otaki and Waikanae rivers | Progress with environmental enhancement works in Hutt, Otaki and Waikanae rivers *(implementation ongoing to 2048)* |
| Hutt River Maoribank & Ebdentown Riverbed Stabilisation | | Complete the planning and design phase | Progress with construction *(project ongoing to 2019)* |
| Lower Waitohu Stream | | Complete planning and design for the South Waitohu stopbank | Complete South Waitohu stopbank |
| Te Kāuru Upper Ruamahanga FMP Implementation | | commence the planning and design phase and land entry agreements | Complete the planning and design and commence construction |
| Strategic land purchased in advance of physical works | As land becomes available | As land becomes available | As land becomes available |

## How we will fund this activity

Up to 50% general rates from the regional community. The balance of costs (i.e. 50%-100%) met via targeted rates on the local authority area or via scheme rates or direct contribution from both the direct beneficiaries on the floodplain and the beneficiaries in the economic catchment area.

Where a utility provider makes a contribution for protection of infrastructure assets, the revenue is directly applied to alleviate the scheme's costs.

**FLOOD PROTECTION AND CONTROL WORKS**
**PROSPECTIVE FUNDING IMPACT STATEMENT**
**FOR THE YEAR ENDING 30 JUNE**

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Plan | Plan | Plan | Plan | Plan | Plan | Plan | Plan | Plan | Plan |
| | $000s | $000s | $000s | $000s | $000s | $000s | $000s | $000s | $000s | $000s |
| | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| **Sources of operating funding** | | | | | | | | | | |
| General rate | 9,179 | 10,310 | 11,038 | 11,938 | 12,608 | 13,357 | 14,138 | 15,126 | 15,790 | 16,794 |
| Targeted rates | 6,733 | 7,201 | 7,905 | 8,657 | 9,024 | 9,573 | 10,099 | 11,506 | 12,017 | 12,688 |
| Subsidies and grants for operating purposes | - | - | - | - | - | - | - | - | - | - |
| Fees, charges, and targeted rates for water supply | - | - | - | - | - | - | - | - | - | - |
| Fines, infringement fees, and other receipts[1] | 2,088 | 2,188 | 2,272 | 2,391 | 2,369 | 2,475 | 2,583 | 2,661 | 2,808 | 3,033 |
| **Total operating funding** | **18,000** | **19,699** | **21,215** | **22,986** | **24,001** | **25,405** | **26,820** | **29,293** | **30,615** | **32,515** |
| **Applications of operating funding** | | | | | | | | | | |
| Payments to staff and suppliers | 8,825 | 9,502 | 9,699 | 10,103 | 10,157 | 10,416 | 10,752 | 11,018 | 11,329 | 11,915 |
| Finance costs | 3,629 | 4,143 | 4,678 | 5,481 | 6,037 | 6,493 | 6,933 | 7,432 | 7,919 | 8,473 |
| Internal charges and overheads applied | 942 | 1,047 | 1,064 | 1,089 | 1,124 | 1,163 | 1,181 | 1,228 | 1,278 | 1,270 |
| **Total applications of operating funding** | **13,396** | **14,692** | **15,441** | **16,673** | **17,318** | **18,072** | **18,866** | **19,678** | **20,526** | **21,658** |
| **Surplus/(deficit) of operating funding** | **4,604** | **5,007** | **5,774** | **6,313** | **6,683** | **7,333** | **7,954** | **9,615** | **10,089** | **10,857** |
| **Sources of capital funding** | | | | | | | | | | |
| Subsidies and grants for capital expenditure | - | - | - | - | - | - | - | - | - | - |
| Increase / (decrease) in debt | 5,451 | 8,801 | 10,264 | 9,865 | 7,289 | 6,696 | 6,701 | 8,492 | 6,373 | 10,634 |
| Gross proceeds from asset sales | 64 | 95 | 84 | 116 | 63 | 123 | 81 | 177 | 80 | 132 |
| **Total sources of capital funding** | **5,515** | **8,896** | **10,348** | **9,981** | **7,352** | **6,819** | **6,782** | **8,669** | **6,453** | **10,766** |
| **Applications of capital funding** | | | | | | | | | | |
| **Capital expenditure** | | | | | | | | | | |
| - to meet additional demand | - | - | - | - | - | - | - | - | - | - |
| - to improve the level of service | 8,626 | 12,080 | 14,025 | 13,142 | 11,216 | 11,539 | 12,139 | 15,360 | 13,406 | 18,646 |
| - to replace existing assets | 304 | 657 | 789 | 1,797 | 1,435 | 1,216 | 1,164 | 873 | 981 | 713 |
| Increase / (decrease) in investments | 475 | 516 | 549 | 584 | 621 | 660 | 701 | 745 | 791 | 840 |
| Increase / (decrease) in reserves | 714 | 650 | 759 | 771 | 763 | 737 | 732 | 1,306 | 1,364 | 1,424 |
| **Total applications of capital funding** | 10,119 | 13,903 | 16,122 | 16,294 | 14,035 | 14,152 | 14,736 | 18,284 | 16,542 | 21,623 |
| **Surplus/(deficit) of funding** | - | - | - | - | - | - | - | - | - | - |
| **Depreciation on assets** | 966 | 972 | 1,146 | 1,383 | 1,602 | 1,760 | 1,990 | 2,189 | 2,287 | 2,393 |

[1] This includes revenue from the sales of shingle, rental income and direct contributions from territorial authiorities for flood protection work

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the Revenue and Financing Policy in section 9

All figures on this page exclude GST

**FLOOD PROTECTION AND CONTROL WORKS**
**PROSPECTIVE FUNDING INFORMATION**
**FOR THE YEAR ENDING 30 JUNE**

| | 2015/16 Plan $000s | 2016/17 Plan $000s | 2017/18 Plan $000s | 2018/19 Plan $000s | 2019/20 Plan $000s | 2020/21 Plan $000s | 2021/22 Plan $000s | 2022/23 Plan $000s | 2023/24 Plan $000s | 2024/25 Plan $000s |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operating funding** | | | | | | | | | | |
| Understanding flood risk | 1,968 | 2,179 | 2,409 | 2,508 | 2,770 | 2,911 | 3,130 | 3,243 | 3,402 | 3,552 |
| Maintaining flood protection and control works and Improving flood security | 16,032 | 17,520 | 18,806 | 20,478 | 21,231 | 22,494 | 23,690 | 26,050 | 27,213 | 28,963 |
| **Total operating funding** | **18,000** | **19,699** | **21,215** | **22,986** | **24,001** | **25,405** | **26,820** | **29,293** | **30,615** | **32,515** |
| **Applications of operating funding** | | | | | | | | | | |
| Understanding flood risk | 1,698 | 1,867 | 2,050 | 2,097 | 2,260 | 2,315 | 2,467 | 2,503 | 2,594 | 2,666 |
| Maintaining flood protection and control works and Improving flood security | 11,698 | 12,825 | 13,391 | 14,576 | 15,058 | 15,757 | 16,399 | 17,175 | 17,932 | 18,992 |
| **Total applications of operating funding** | **13,396** | **14,692** | **15,441** | **16,673** | **17,318** | **18,072** | **18,866** | **19,678** | **20,526** | **21,658** |
| **Capital expenditure** | | | | | | | | | | |
| | | - | - | - | - | - | - | - | - | - |
| Hutt river improvements | 2,052 | 5,829 | 7,011 | 6,479 | 6,052 | 7,035 | 7,428 | 11,791 | 9,510 | 13,870 |
| Otaki and Waikanae river improvements | 1,904 | 954 | 823 | 612 | 813 | 1,214 | 1,336 | 1,828 | 1,571 | 2,508 |
| Wairarapa rivers improvements | 3,743 | 5,057 | 6,034 | 5,653 | 4,148 | 3,131 | 2,991 | 1,574 | 1,684 | 1,741 |
| Other flood protection | 1,038 | 609 | 630 | 1,836 | 1,447 | 1,041 | 1,317 | 422 | 1,432 | 889 |
| **Capital project expenditure** | **8,737** | **12,449** | **14,498** | **14,580** | **12,460** | **12,421** | **13,072** | **15,615** | **14,197** | **19,008** |
| Land and buildings | - | - | - | - | - | - | - | - | - | - |
| Plant and equipment | 8 | 12 | 129 | 13 | 9 | 93 | 9 | 153 | 10 | 15 |
| Vehicles | 185 | 276 | 187 | 346 | 182 | 241 | 222 | 465 | 180 | 336 |
| **Total capital expenditure** | **8,930** | **12,737** | **14,814** | **14,939** | **12,651** | **12,755** | **13,303** | **16,233** | **14,387** | **19,359** |

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the Revenue and Financing Policy in section 9
All figures on this page exclude GST

## Parks

GWRC manages a network of regional parks and forests for the community's use and enjoyment. The network includes a range of unique natural areas for recreation and conservation. We plan for the future of the network, provide services and facilities for visitors (such as park rangers, tracks and toilets) and work with community groups to protect the environment of regional parks.

### 1. WHAT WE DELIVER

The parks group of activities includes:

- Parks planning
- Visitor services

### 2. CONTRIBUTION TO COMMUNITY OUTCOMES

Our parks and forests activities contribute towards achieving an **engaged community** by:

- Providing a range of outdoor recreational opportunities and amenities for the community to enjoy
- Protecting part of the region's unique natural and cultural heritage

Our parks and forests activities also contribute towards achieving a **healthy environment** by:

- Protecting and restoring the habitat of native plants and animals

### 3. CHALLENGES WE FACE

Our regional parks and forests cater for a wide range of recreational activities from walking (the most popular) to mountain biking, and more specialised pursuits such as 4-wheel driving, hunting, hang gliding and horse riding. Active management helps minimise conflicts while retaining the quality of experience for all visitors. In some cases, proposed new activities may displace or change the experience for current users, so it is vital to engage the community in a timely and informed manner about the issues, available options and implications of decisions that may affect the park values and people who use them.

To ensure they remain relevant to the changing needs of our regional community, the parks are being made more accessible to people of varying age, ability and experience. This means that some previously "wild" tracks near urban areas and transport links have been upgraded to provide more even and gravelled surfaces, with new steps where required. This means that for some locations in regional parks, the user experience has changed, which has been resisted by some users who prefer an accessible yet "untamed" park environment.

Studies show that satisfaction with the regional parks experience is consistently high and that there has been an observable trend of steadily increasing parks usage. These factors, together with recent expansion of the parks network, mean that extra investment is needed in maintaining and renewing core parks asset infrastructure such as bridges, tracks, boardwalks and buildings. This places more pressure on the available resources and increases the need to look for new ways to improve efficiencies in undertaking projects. While the general condition of park assets is good, a few large structures are at the end of their useful life and require replacement to ensure public safety and ongoing access. The Baring Head vehicle bridge over the Wainuiomata River is a significant example.

There is ongoing tension between the desire to manage the regional parks to maximise public access, environmental, heritage and cultural values and the need for effective and efficient land management of large areas of land Over the next three years we expect to negotiate and implement new grazing licences at Queen Elizabeth Park, Belmont Regional Park and Battle Hill Farm Forest Park. In each of these parks, our aim is to demonstrate sustainable land management, along with providing for recreational access and ongoing habitat enhancement for native fauna and flora. The new licences will pay particular attention to fencing, to address still significant levels of deferred maintenance.

Appropriate protection and enhancement of numerous heritage features within the regional parks network (such as the munitions bunkers in Belmont Regional Park) is also a challenge, especially given their increasing age and vulnerability. Faced with increasing costs, choices will have to be made and priorities established for their conservation.

In several parks large exotic trees are nearing the end of their useful life, and need to be felled to minimise the danger to public safety and park assets as a result of storm events. Locations of particular concern include the Battle Hill camp ground and the Korokoro Valley in Belmont Regional Park, but this problem is evident across the parks network.

Volunteer groups are vital to the management of the region's parks. They act as park advocates, raise funds for and carry out ecological, heritage and recreational improvements, and work with GWRC on joint activities. Encouraging and supporting these groups to remain active and independent, especially as many volunteers grow older, is a key issue in the longer term.

Joint management arrangements are in place for several of our parks. This includes Whitireia Park (Ngati Toa Rangatira) and Parangarahu Lakes Area in East Harbour Regional Park (Port Nicholson Block Settlement Trust). Whilst this has increased the complexity of the planning process, there have been significant gains from joint working relationships and establishment of shared goals.

Two major state highway development projects – the Transmission Gully Motorway and Mackays to Peka Peka Expressway are being constructed, impacting upon Belmont, Battle Hill and Queen Elizabeth Regional Parks. GWRC has concluded agreements with NZTA and will be working with the Wellington Gateway Partnership and the Alliance to mitigate the effects on the parks, ensure park users are well informed of changes in access, and to provide alternative recreational opportunities. GWRC has been able to work with NZ Transport Agency to provide additional facilities of value to the regional park network including a new high quality cycleway through Queen Elizabeth Park connecting Paekakariki to Raumati South.

## 4. STRATEGY FOR PARKS

### Long term approach

GWRC's long-term approach is to maintain a network of regional parks that provides a range of recreational opportunities for the region's residents and visitors, catering for different ages, abilities and experiences. Our regional parks and forests will be managed to protect high value ecosystems, important heritage and cultural features and the visual quality of significant landscapes, as well as to enhance degraded areas. We recognise our regional parks are part of broader catchments and have an impact on them. To achieve this we will work in partnership with mana whenua and the community, developing relationships based on good faith and common understanding so that the management of parks reflects the needs of current and new park users.

### Policy framework

The policies and plans that relate to the parks group of activities are:

- Proposed Regional Policy Statement 2009 – identifies the regionally significant issues around the management of the region's natural and physical resources. It includes objectives relating to landscape, indigenous ecosystems and historic heritage
- Natural Resources Plan
- Regional Parks Network Plan 2010 (Updated 2014) – provides policies and rules for the management of our regional parks and forests. This plan takes an integrated approach to parks management in the region and replaces all former parks management plans
- Regional Parks, Forests and Reserves Bylaws 2009 – control activities carried out in regional parks and forests, including water catchment areas and soil conservation and river control reserves
- Parks and Forests Concessions Guidelines 2013 – cover short and long-term activities and events on lands owned by GWRC.

## 5. POTENTIAL NEGATIVE EFFECTS

The potential exists for park development and land management activities, such as construction of assets, farming and pest control to have a negative effect on environmental wellbeing. GWRC seeks to minimise any impacts on the environment, and as part of project planning, we assess and manage the impacts of any work, modifying our approach where necessary.

The control of animal pests in parks and forests uses a range of methods and pesticides. The compound 1080, in particular, is of significant concern to some sectors of the community. GWRC has participated in a number of studies and believes that the benefits of using 1080 outweigh the negative effects. In 2007, the Environmental Risk Management Authority reviewed the use of 1080 and allowed its ongoing use.

It should be noted that, overall regional parks activities also contribute to environmental wellbeing through protection of significant ecosystems, restoration of degraded environments, and education and engagement of the community in parks management.

# 6. PARKS PLANNING

## What we do and why

An integrated Parks Network Plan is maintained by GWRC to provide a framework to manage regional parks, forests and recreation areas. This provides a consolidated management regime for the network as a whole, as well as specific management provisions for each park.

As new parks are added to the network an amendment is made to the Parks Network Plan. This is done in partnership with the Department of Conservation, landowners and mana whenua, and in close consultation with the community and other key stakeholders.

The Parks Network Plan forms the management plan required by the Reserves Act 1977 for those areas of land held as reserves. GWRC has included other land, held primarily as water catchment areas and forests, to ensure that all land that contributes to the regional parks network is managed consistently and in accordance with best practice.

We also assess proposals for leases, licences, easements and other developments within the regional parks network to ensure they comply with the provisions of the Parks Network Plan and add to the overall outcomes being sought. These are assessed in accordance with the requirements of the Reserves Act 1977 and other relevant legislation.

## What we will deliver

| Level of service | Performance measures | Performance targets | | | | |
|---|---|---|---|---|---|---|
| | | Baseline (2014) | 2015/16 | 2016/17 | 2017/18 | 2018-25 |
| Maintain a current policy framework to manage the regional park network | Parks Network Plan is maintained and operative | | Whitireia PMP consulted<br>PNP monitoring programme developed<br>Baring Head Lighthouse Complex Conservation Plan completed | Whitireia PMP adopted<br>Changes to Parks Bylaws adopted<br>PNP reviewed and Plan changes consulted | Revised Parks Network Plan adopted | Maintain a current policy framework to manage the regional park network |

## Changes to what we will deliver

There are no significant changes to current levels of service.

## How we will fund this activity

Parks activities are funded 90% from general rates and 10% user charges for organised events, leases, license fees and added value services.

*Note: New land and infrastructure is loan-funded (serviced by 100% from general rates).*

# 7. VISITOR SERVICES

## What we do and why

GWRC manages five regional parks (Queen Elizabeth Park, Battle Hill Farm Forest Park, Belmont Regional Park, Kaitoke Regional Park and East Harbour Regional Park) in accordance with the provisions of the Reserves Act 1977.

In addition, it manages the Hutt River Trail, the Wainuiomata Recreation Area, Whitireia Park (in partnership with Ngati Toa) the Akatarawa and Pakuratahi forests and the Hutt , Orongorongo and Wainuiomata water collection areas under the provisions of the Local Government Act 2002, Wellington Regional Water Board Act 1972, and Wellington City and Suburban Water Supply Act 1972.

GWRC provides visitor services to these areas, with one of the most visible aspects being a park ranger service to manage the day-to-day operation of each park. Park rangers promote security, provide public information, and educate visitors about the natural and cultural features of the parks. We also undertake numerous activities, some in partnership with others, to raise awareness of the parks, encourage people to visit and to learn more about them. Examples include visitor research, development of promotional materials and information signage, summer events and a corporate planting programme.

Our work involves the planning and provision of a wide range of assets such as tracks, toilets, picnic facilities, camping areas and signage for recreational purposes. These are maintained and replaced in accordance with our asset management plan. Some land is leased to private operators, mainly for grazing, or made available to community groups for specific recreational use (e.g. pony clubs) or for temporary use (e.g. filming), for which GWRC processes and grants the leases, licences and concessions. Revenue from these activities helps to offset the cost of managing the parks.

We work with volunteer groups to maintain and improve the environment, heritage and recreational opportunities available in the parks. We have worked with several of our volunteer groups to develop Memoranda of Understanding to guide our relationships and project implementation plans and to clearly identify the work to be undertaken and the expectations we have of each other. This has enabled us to build an understanding of our different perspectives and processes, and address any potential issues in a productive manner.

In providing visitor services GWRC not only fulfils our statutory duty to manage our reserves and other land held for water supply purposes, but also makes an important contribution to the social, cultural and economic wellbeing of the region. Recreational activities provide the opportunity for people to appreciate the outdoor environment and promote healthier lifestyles. We also contribute to the region's economic wellbeing through commercial opportunities, such as filming, and contribution to overall quality of life.

## What we will deliver

| Level of service | Performance measures | Performance targets | | | | |
|---|---|---|---|---|---|---|
| | | Baseline (2014) | 2015/16 | 2016/17 | 2017/18 | 2018-25 |
| Provide facilities and services that support the community enjoying, valuing and participating in regional parks | Percentage of the regional population that has visited a regional park in the last 12 months | 64% | 65% | 66% | 67% | 68% |
| | Number of visits to a regional park in the last 12 months | New measure | Develop baseline | Increase on baseline | Increase on baseline | Increase on baseline |
| | Percentage of regional park visitors that are satisfied with their experience | 89% | >=90% | >=90% | >=90% | >=90% |
| | Percentage increase in volunteer hours for current staff effort | 9,984 | >= previous year | >= previous year | >= previous year | >= previous year |
| | Average asset condition (1=excellent; 5 = very poor) | 2 | <=3 | <=3 | <=3 | <=3 |

## Changes to what we will deliver

There are no significant changes to existing levels of service.

## Key projects and programmes

| | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|
| Replacement of Baring Head bridge in East Harbour Regional Park | ✔ | | |
| Construction of an accessible and durable walking track from Muritai Park, Eastbourne to Main Ridge in East Harbour Regional Park | ✔ | | |
| Pine tree felling in Korokoro Valley and Battle Hill to reduce risk | ✔ | | |
| QEP Entranceway redevelopment | ✔ | ✔ | ✔ |
| Recreational improvements in Belmont Regional Park to mitigate impact of Transmission Gully Motorway. These include new tracks to improve access between Hill Road and Old | ✔ | ✔ | |

| | | | |
|---|---|---|---|
| Coach Road, and provide easy downhill mountain biking in the Stratton St valley. The Korokoro Dam surrounds will be landscaped to better cater for high visitor numbers. | | | |
| Ongoing asset replacement and maintenance programme across parks network | ✔ | ✔ | ✔ |

## How we will fund this activity

Parks activities are funded 90% from general rates and 10% user charges for organised events, leases, license fees and added value services[12].

[12] New land and infrastructure is loan-funded (serviced by 100% from general rates).

## PARKS
## PROSPECTIVE FUNDING IMPACT STATEMENT
## FOR THE YEAR ENDING 30 JUNE

| | 2015/16 Plan $000s | 2016/17 Plan $000s | 2017/18 Plan $000s | 2018/19 Plan $000s | 2019/20 Plan $000s | 2020/21 Plan $000s | 2021/22 Plan $000s | 2022/23 Plan $000s | 2023/24 Plan $000s | 2024/25 Plan $000s |
|---|---|---|---|---|---|---|---|---|---|---|
| **Sources of operating funding** | | | | | | | | | | |
| General rate | 6,181 | 6,252 | 6,426 | 6,783 | 7,091 | 6,909 | 7,256 | 7,435 | 7,764 | 8,087 |
| Targeted rates | - | - | - | - | - | - | - | - | - | - |
| Subsidies and grants for operating purposes | - | - | - | - | - | - | - | - | - | - |
| Fees, charges, and targeted rates for water supply | 176 | 180 | 185 | 190 | 195 | 201 | 207 | 213 | 220 | 227 |
| Fines, infringement fees, and other receipts [1] | 584 | 597 | 611 | 628 | 644 | 662 | 683 | 705 | 727 | 753 |
| **Total operating funding** | **6,941** | **7,029** | **7,222** | **7,601** | **7,930** | **7,772** | **8,146** | **8,353** | **8,711** | **9,067** |
| **Applications of operating funding** | | | | | | | | | | |
| Payments to staff and suppliers | 5,348 | 5,199 | 5,337 | 5,480 | 5,643 | 5,777 | 5,958 | 6,147 | 6,396 | 6,588 |
| Finance costs | 372 | 464 | 526 | 649 | 729 | 743 | 788 | 853 | 886 | 995 |
| Internal charges and overheads applied | 692 | 764 | 771 | 785 | 804 | 825 | 833 | 860 | 886 | 873 |
| **Total applications of operating funding** | **6,412** | **6,427** | **6,634** | **6,914** | **7,176** | **7,345** | **7,579** | **7,860** | **8,168** | **8,456** |
| **Surplus/(deficit) of operating funding** | **529** | **602** | **588** | **687** | **754** | **427** | **567** | **493** | **543** | **611** |
| **Sources of capital funding** | | | | | | | | | | |
| Subsidies and grants for capital expenditure | - | - | - | - | - | - | - | - | - | - |
| Increase / (decrease) in debt | 1,646 | 1,086 | 1,128 | 2,183 | 320 | 209 | 1,181 | 814 | 209 | 3,126 |
| Gross proceeds from asset sales | 72 | 53 | 44 | 67 | 80 | 48 | 84 | 51 | 65 | 80 |
| **Total sources of capital funding** | **1,718** | **1,139** | **1,172** | **2,250** | **400** | **257** | **1,265** | **865** | **274** | **3,206** |
| **Applications of capital funding** | | | | | | | | | | |
| **Capital expenditure** | | | | | | | | | | |
| - to meet additional demand | - | - | - | - | - | - | - | - | - | - |
| - to improve the level of service | - | - | - | - | - | - | - | - | - | - |
| - to replace existing assets | 2,967 | 1,741 | 1,760 | 2,937 | 1,154 | 684 | 1,832 | 1,358 | 817 | 3,817 |
| Increase / (decrease) in investments | - | - | - | - | - | - | - | - | - | - |
| Increase / (decrease) in reserves | (720) | - | - | - | - | - | - | - | - | - |
| **Total applications of capital funding** | 2,247 | 1,741 | 1,760 | 2,937 | 1,154 | 684 | 1,832 | 1,358 | 817 | 3,817 |
| **Surplus/(deficit) of funding** | - | - | - | - | - | - | - | - | - | - |
| **Depreciation on Parks assets** | 2,208 | 2,296 | 2,295 | 2,345 | 2,301 | 2,266 | 2,217 | 2,188 | 1,899 | 1,894 |

[1] This includes rental income and park activity fees

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the Revenue and Financing Policy in section 9

All figures on this page exclude GST

**PARKS**

**PROSPECTIVE FUNDING INFORMATION**

**FOR THE YEAR ENDING 30 JUNE**

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Plan | Plan | Plan | Plan | Plan | Plan | Plan | Plan | Plan | Plan |
| | $000s | $000s | $000s | $000s | $000s | $000s | $000s | $000s | $000s | $000s |
| **Operating funding** | | | | | | | | | | |
| Parks Planning | 262 | 259 | 266 | 273 | 290 | 262 | 270 | 278 | 327 | 297 |
| Visitor Services | 6,679 | 6,770 | 6,956 | 7,328 | 7,640 | 7,510 | 7,876 | 8,075 | 8,384 | 8,770 |
| Protecting the environment of regional parks | - | - | - | - | - | - | - | - | - | - |
| **Total operating funding** | **6,941** | **7,029** | **7,222** | **7,601** | **7,930** | **7,772** | **8,146** | **8,353** | **8,711** | **9,067** |
| **Applications of operating funding** | | | | | | | | | | |
| Parks Planning | 262 | 259 | 266 | 273 | 290 | 262 | 271 | 279 | 327 | 297 |
| Visitor Services | 5,921 | 6,133 | 6,332 | 6,605 | 6,849 | 7,044 | 7,269 | 7,540 | 7,798 | 8,115 |
| Protecting the environment of regional parks | 229 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 44 |
| **Total Applications of Operating Funding** | **6,412** | **6,427** | **6,634** | **6,914** | **7,176** | **7,345** | **7,579** | **7,860** | **8,168** | **8,456** |
| **Capital expenditure** | | | | | | | | | | |
| Battle Hill Farm Forest Park | 41 | 14 | 146 | 119 | 8 | 21 | 295 | 47 | 17 | 261 |
| Belmont Regional Park | 602 | 442 | 271 | 602 | 409 | 320 | 483 | 556 | 321 | 683 |
| Queen Elizabeth Park | 544 | 930 | 1,057 | 1,233 | 325 | 134 | 177 | 361 | 153 | 923 |
| Whitireia Park | 58 | 7 | 13 | 151 | - | - | 84 | 171 | 6 | 201 |
| Pakuratahi Forest | 312 | 85 | - | 5 | 9 | - | - | - | 6 | 200 |
| Akatarawa Forest | 13 | 6 | 1 | 163 | 9 | 8 | 16 | 1 | 3 | 274 |
| Wainuiomata Recreation Area | 28 | 16 | - | 134 | 1 | - | 12 | 10 | 14 | 424 |
| Kaitoke Regional Park | 147 | 22 | 8 | 15 | 46 | 12 | 190 | - | 11 | 160 |
| East Harbour Regional Park | 876 | - | - | 206 | - | - | 238 | 13 | - | 364 |
| Parks Other | 49 | 21 | 109 | 22 | 11 | 44 | 3 | 5 | 33 | 10 |
| **Capital project expenditure** | **2,670** | **1,543** | **1,605** | **2,650** | **818** | **539** | **1,498** | **1,164** | **564** | **3,500** |
| Land and buildings | - | - | - | - | - | - | - | - | - | - |
| Plant and equipment | - | - | - | - | - | - | - | - | - | - |
| Vehicles | 297 | 198 | 155 | 287 | 336 | 145 | 334 | 194 | 253 | 317 |
| **Total capital expenditure** | **2,967** | **1,741** | **1,760** | **2,937** | **1,154** | **684** | **1,832** | **1,358** | **817** | **3,817** |

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the Revenue and Financing Policy in section 9

All figures on this page exclude GST

# SECTION SIX - Council Controlled Organisations & Investments

GWRC has a significant portfolio of investments, comprising:

- Equity investments in the WRC Holdings Group (including GW Rail and CentrePort Ltd)
- Local Government Funding Agency
- Wellington Water Limited
- Liquid financial deposits
- Contingency Investments for Flood Protection and Water
- Material Damage and Business Interruption Fund
- Administrative properties (e.g., depots)

GWRC's approach in managing investments is to regularly assess the expected returns on those investments and being mindful of the risk and balancing these against returns received. We recognise that, as a responsible public authority, investments should be held for the long-term benefit of the community, with any risk being managed appropriately and that those risks are likely to be outweighed by the returns received. From a risk management point of view, GWRC is well aware that investment returns to the rate line are exposed to the success or otherwise of two main investments – the WRC Holdings Group (including CentrePort Ltd) and our liquid financial deposits.

Our investments and particularly the investment in CentrePort undergo a periodic detailed review to ensure that they continue to fit within the Local Government Act, which was amended in December 2012.

Investments offset the needs for rates revenue. Regional rates would need to be 9% higher without the revenue from GWRC's investments.

## Treasury management

GWRC's treasury management is carried out centrally to maximise our ability to negotiate with financial institutions.

We then on-lend these funds to activities that require debt finance. This allows the true cost of debt funding to be reflected in the appropriate areas.  Any surplus is used to offset regional rates.

## Local Government Funding Agency

GWRC is a founding shareholder in the Local Government Funding Agency (LGFA). The LGFA was established by statute in December 2011, and GWRC has a $1.86 million share investment in the LGFA. The LGFA has been set up to assist local authorities to access wholesale debt at better rates than they could expect on their own. GWRC will source term debt requirements from the LGFA and receives an annual dividend. As part of the arrangement, GWRC has guaranteed the debt obligations of the LGFA along with the other shareholders of the LGFA in proportion to its level of rates revenue. GWRC believes the risk of this guarantee being called on is extremely low, given the internal liquidity arrangements of the LGFA, the lending covenants of the LGFA and the charge-over rates the LGFA has from councils.

## Wellington Water Limited

Wellington Water Limited has been established in September 2014 and combines the operation of Capacity Limited and the former Water Division of GWRC.  GWRC is a 20% shareholder of the company.  Through the creation of the new entity all functions around the management of fresh water, waste water and storm water are combined in one entity. Other shareholders are Wellington City Council, Hutt City Council, Upper Hutt Council and Porirua City Council.

## Liquid financial deposits

GWRC holds $33 million in liquid financial deposits as a result of selling our interest in CentrePort Ltd to one of its wholly owned subsidiaries, Port Investments.

GWRC regularly reviews the rationale for holding these liquid financial deposits, taking into account the general provisions of our Treasury Risk Management Policy, including GWRC's attitude to risk and creditworthy counterparties.

## Contingency Investments for Flood Protection and Water

GWRC holds a number of short term contingency investments. They have been established with the purpose of having funds available to pay for the uninsured part of the damage to water and flood protection assets in case a disaster (earthquake, major floods etc.) strikes.

This Fund enables Council to retain higher insurance excesses, and thus lower insurance premiums, with the comfort of having funds available to meet a seismic or flood event.

## Material Damage and Business Interruption Fund

Proceeds from the sale of the cutting rights to the Councils Forests which were sold recently have been used to repay forestry debt with the balance used to establish a Material Damage & Business Interruption Fund. This Fund enables Council to retain higher insurance excesses, and thus lower insurance premiums, with the comfort of having funds available to meet a seismic event.

## Administrative properties

Our interests in the Upper Hutt and Mabey Road depots and the Masterton office building are grouped to form the investment category Administrative Properties. Pringle House is a wholly owned Council-Controlled Trading Organisation, which currently owns the Regional Council Centre at 142 Wakefield Street, Wellington.

The Regional Council Centre, owned by Pringle House Limited, and is currently surplus to requirements and is expected to be disposed of in 2015.

Provision has been made in the 10 Year Plan for construction of a new Masterton building to begin in 2017/18 if required.

## Civic Assurance and Airtel Ltd

GWRC has minor equity interests in Civic Assurance and Airtel Ltd. These investments are owned directly by Council rather than via the WRC Holdings Group.

## Wellington Regional Economic Development Agency (WREDA)

The Agency has brought together the tourism and economic services of both Wellington City Council (WCC) and GWR C to provide a single development agency for the Wellington region. Grow Wellington which was a 100% Council Controlled Organisation owed by GWRC has now been sold and is absorbed into this agency. WREDA is owned 80% by WCC and 20% by GWRC on behalf of the region.

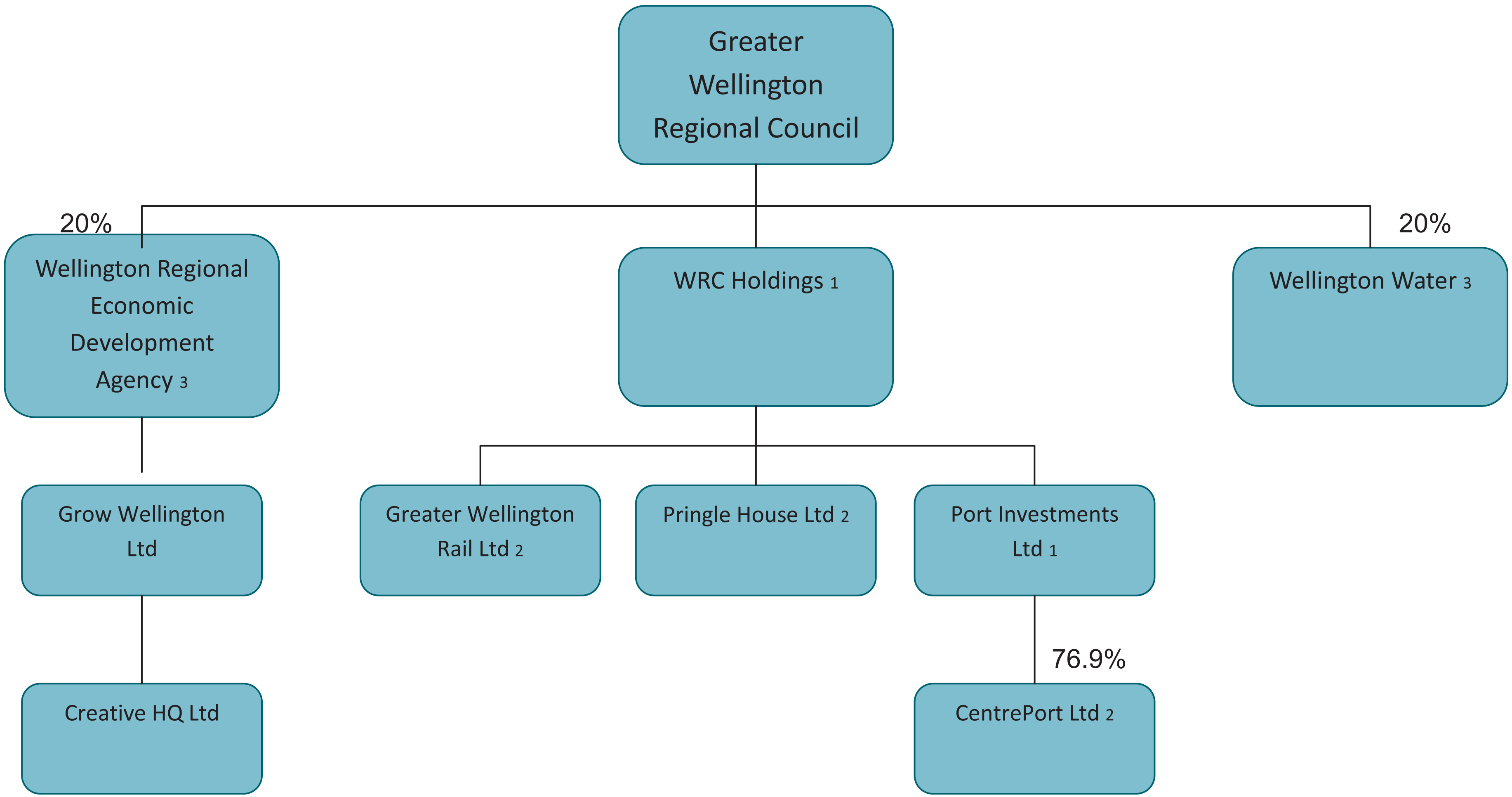
## Wellington Regional Stadium Trust (WRST)

The WRST is a regional facility that provides a high-quality, multi-purpose venue for sporting and cultural events.

GWRC provided a $25 million loan to the WRST to plan and build the stadium. GWRC is the Trust's principal funder. GWRC services and repays this loan through a targeted stadium rate.

GWRC appoints one of its Councillors to the WRST and, jointly with the Wellington City Council, appoints other trustees. GWRC also monitors the Trust's performance against its Statement of Intent.

Council-Controlled Organisations are any organisation (trading or not) where one or more local authority own or control 50% or more of the voting rights or appoint 50% or more of the directors. GWRC has established the following Council-Controlled Organisations (CCOs) and Council-Controlled Trading Organisations (CCTOs) which assist in promoting our objectives for the region. The tables on the following pages explain what these organisations do, how their performance is measured and GWRC's objectives for them with regards to ownership and control.




1 Council-Controlled Trading Organisation in accordance with the Local Government Act 2002
2 Commercial Port Company pursuant to the Port Companies Act 1988 and not a Council-Controlled Organisation in accordance with the Local Government Act 2002
3 Council-Controlled Organisation in accordance with the Local Government Act 2002

| **Organisation** | WRC Holdings Ltd |
|---|---|
| **Ownership** | 100% |
| **Directors** | • Prue Lamason (Chair)<br>• Fran Wilde (Deputy Chair)<br>• Peter Blades<br>• Barbara Donaldson<br>• Paul Swain |
| **Nature and scope of activities** | WRC Holdings Ltd is the holding company for Pringle House Ltd, Port Investments Ltd, Greater Wellington Rail Ltd and indirectly CentrePort Ltd.<br>WRC Holdings Ltd effectively manages any other investments held by the Group in order to maximise the commercial value to the shareholders and to protect the shareholders' investment. |
| **Significant policies and objectives on ownership & control** | The primary objectives of WRC Holdings Ltd are to support GWRC's strategic vision and operate successful, sustainable and responsible businesses, manage its assets prudently and, where appropriate, provide a commercial return.<br>WRC Holdings Ltd has adopted policies that prudently manage risks and protect the investment. |
| **Key annual objectives and performance targets** | Operational performance targets:<br>• ***WRC Holdings Ltd*** to act as a responsible and inquiring shareholder and to hold meetings at least six times a year to review the operation and financial position of the company |

| Financial performance targets ***WRC Holdings Group*** | **2015/16** | **2016/17** | **2017/18** |
|---|---|---|---|
| Surplus/(Deficit) before tax ($000s) | (1,640) | (1,945) | (1,589) |
| Surplus after tax | 530 | 219 | 503 |
| Earnings before interest , tax and depreciation | 33,322 | 35,244 | 37,621 |
| Return on total assets | 1.2% | 1.1% | 1.2% |
| Return on shareholders' equity | (0.7%) | (0.7%) | (0.7%) |
| Shareholders' equity to total assets | 59.0% | 62.0% | 62.5% |
| Dividends | 2,555 | 2,722 | 3,023 |

***Comment:***

The net deficit before tax is due to the results of Greater Wellington Rail Limited (GWRL), which runs a deficit equivalent to its depreciation as this is not funded. This is offset by a surplus from CentrePort. This in turn impacts the return on equity.

| | Financial performance targets ***WRC Holdings Parent*** | **2015/16** | **2016/17** | **2017/18** |
|---|---|---|---|---|
| | Dividend distribution ($000s) | 2,555 | 2,722 | 3,023 |
| | • Dividend distribution (%) | 100% | 100% | 100% |
| | • Return on equity[1] | 1.5% | 1.2% | 1.2% |
| | • Return on assets[2] | 2.1% | 1.7% | 1.0% |

| **Organisation** | Greater Wellington Rail Ltd (GWRL) |
|---|---|
| **Ownership** | 100% |
| **Directors** | • Prue Lamason (Chair)<br>• Fran Wilde (Deputy Chair)<br>• Peter Blades<br>• Barbara Donaldson<br>• Paul Swain |
| **Nature and scope of activities** | Greater Wellington Rail Ltd owns GWRC's investments in metro rail assets, which includes:<br>• 18 SW Carriages<br>• 6 SE Carriages<br>• 1 AG Luggage van<br>• 27 Ganz Mavag units (these are made up of 2 or 3 car sets)<br>• 48 Matangi units<br>• Thorndon electrical multiple unit depot and train wash, Metro wheel lathe and building<br>• 48 - Rail stations (excluding Wellington Central Station<br>• 14 -Pedestrian over-brides<br>• 13 - Pedestrian underpasses<br>• Various carparks, other station improvements and ancillary rail related assets<br><br>Greater Wellington Rail Ltd is responsible for all aspects of asset management and stewardship, implemented through a management contract with GWRC.<br>Operational delivery of the services is through separate maintenance and operating contracts with KiwiRail.<br>An asset management plan has been developed that articulates a structured programme to minimise the life cycle costs of asset ownership while maintaining the desired levels of service and sustaining the assets. |

[1] Based on net surplus before tax and dividend by average equity, but excluding revaluation gains and losses
[2] Based on earnings before interest and tax and dividend by average assets

| | |
|---|---|
| **Significant policies and objectives on ownership & control** | GWRL is owned by WRC Holdings Ltd. All capital purchases are funded via Issuance of shares from WRC Holdings. The Board of GWRL has external directorships providing advice and expertise, common with WRC Holdings. GWRL is as asset holding (rolling stock and rail infrastructure) and contracts out the maintenance of these assets. GWRL is wholly owned by WRC Holdings who in turn is wholly owned by Wellington Regional Council. |
| **Key annual objectives and performance targets** | Financial performance targets: 2015/16 2016/17 2017/18<br>• Return on equity3 (5.2)% (4.8)% (5.1%)<br>• Return on assets4 (4.3)% (4.1)% (4.4%)<br>The negative returns relate to the fact that depreciation is not funded in GWRL. |
| **Operational performance targets** | Long Term Plan<br>• Average condition ratings for rolling stock:<br>• Electric multiple unit (EMU) fleet – <2.5<br>• Carriage fleet – <2.5<br>• Average condition ratings for buildings and structures – 2.5/5.0*<br>• Average condition rating for car parks – 2.5/5.0<br><br>From the asset management plan<br>• Rail assets are maintained in accordance with the maintenance schedules<br>• Mean distance between failure (MDBF) Matangi fleet – 35 000 km<br>• MDBF Ganz fleet – 8 500 km<br>• MDBF carriage fleet – 45 000 km<br><br>Other measurable targets<br>• Deliver the second tranche of Matangi trains and M1 retrofit programme in accordance with the supply contract.<br>• Deliver train maintenance services within approved budgets through a contract with KiwiRail ensuring that train availability and reliability targets are met.<br>• Deliver infrastructure cleaning, maintenance and security services within approved budgets through various contracts ensuring asset condition does not deteriorate.<br>• Implement year four of the five year renewals and like for like replacement programme in accordance with the asset investment priority framework.<br>• Maximise leasing and advertising revenue streams (within overall Council policy)<br>* The scoring grades for assets is on a scale of 1-5 , with 1 being excellent and 5 being extremely poor. |

[3] Based on net surplus before tax divided by average equity, but excluding revaluation gains and losses
[4] Based on earnings before interest and tax divided by average assets

| Organisation | Pringle House Ltd (PHL) |
|---|---|
| **Ownership** | 100% |
| **Directors** | • Prue Lamason (Chair)<br>• Fran Wilde (Deputy Chair)<br>• Peter Blades<br>• Barbara Donaldson<br>• Paul Swain |
| **Nature and scope of activities** | PHL owns and operates the Regional Council Centre at 142-146 Wakefield Street, Wellington. The building is currently vacant and is earthquake prone. The plan assumes that Pringle House will be disposed of in the 2014/15 year.<br><br>The sale price assumes the assets and liabilities of the company will be met out of the proceeds. |
| **Significant policies and objectives on ownership & control** | The purpose of having the company is to separate the commercial assets from the public good assets of Council. The company is wholly owned by WRC Holdings who in turn is wholly owned by Wellington Regional Council. |
| **Key annual objectives and performance targets** | Financial performance targets:<br>• No financial performance targets are set as the Pringle House building is in the process of being sold. |

| Organisation | Port Investments Ltd (PIL) |
|---|---|
| **Ownership** | 100% |
| **Directors** | Prue Lamason (Chair)<br>Peter Blades<br>Paul Swain<br>Fran Wilde (Deputy Chair)<br>Barbara Donaldson |
| **Nature and scope of activities** | Port Investments Ltd is an investment vehicle that owns 76.9% of CentrePort Ltd.<br>The board of Port Investments Ltd monitors performance of CentrePort. |
| **Significant policies and objectives on ownership & control** | PIL is owned by WRC Holdings Ltd. Its sole asset is a majority shareholding in CentrePort limited. PIL manages the Councils commercial investment. The Board of PIL has external directorships providing advice and expertise, common with WRC Holdings. The purpose of having the company is to separate the commercial assets from the public good assets of Council. PIL monitors CentrePort via its annual Statement of Corporate Intent. PIL is wholly owned by WRC Holdings who in turn is wholly owned by Wellington Regional Council. |
| **Key annual objectives and performance targets** | PIL is to act as a responsible and inquiring shareholder of CentrePort.<br>CentrePort to report at least four times a year to PIL and for the Board of PIL to approve significant transactions of CentrePort as determined by the Constitution.<br><br>Financial performance targets: **2015/16** **2016/17** **2017/18**<br>• Dividend distribution ($000s) 2,739 2,910 3,217<br>• Dividend distribution (%) 100% 100% 100%<br>• Return on equity[5] 104.4 110.9% 122.6%<br>• Return on assets[6] 9.5% 10.1% 6.5% |

[5] Based on net surplus before tax divided by average equity, but excluding revaluation gains and losses
[6] Based on earnings before interest and tax divided by average assets

| Organisation | CentrePort Ltd |
| --- | --- |
| **Ownership** | 76.9% by GWRC<br>23.1% by MWRC Holdings Ltd (owned by Horizons Regional Council) |
| **Directors** | Warren Larsen (Chair)<br>Richard Janes<br>John Monaghan<br>David Benham<br>Malcolm Johnson<br>Mark Petersen |
| **Nature and scope of activities** | The major activities of CentrePort are:<br>• Port infrastructure (land, wharves, buildings, equipment, utilities)<br>• Shipping and logistical services (pilotage, towage, berthage)<br>• Operational service (cargo handling, warehousing, facilities management, property management, security, emergency services)<br>• Integrated logistics solutions (networks, communications, partnerships)<br>• Property services (development, leasing management)<br>• Joint ventures (coldstore, container repair, cleaning, packing, unpacking and storage). |
| **Significant policies and objectives on ownership & control** | CentrePort is Port Company under the Port Companies Act 1988. PIL holds the shares of CentrePort Limited. PIL is a wholly owned subsidiary of WRC Holdings. CentrePort is a commercial organisation and is run by an independent board of directors, unrelated to the Council. The Port provides a commercial return to PIL by way of dividends. |
| **Key annual objectives and performance targets** | **Safety and Security performance targets**<br>a) Year on year improvement towards zero harm.<br>b) Implementation of the five year Health & Safety action plan.<br>c) Maintain the tertiary level of compliance with the ACC Workplace Safety Management Practices Programme and comply with the AS/NZS 4801: Occupational Health and Safety Management Systems.<br>d) Annual review of Health and Safety Policy and Plan.<br>e) Undertake risk assessments and implement any mitigating procedures relating to the Port & Harbour Safety Code which promotes safety and excellence in marine operations.<br>f) Maintain compliance with international Ship & Port Security (ISPS) Code which promotes security against terrorism within the port environment |

**Environmental performance targets**

| | | Date: FY= Full Year |
|---|---|---|
| | ***Ensure regulatory compliance*** | |
| a. | Obtain resource consents for shipping channel deepening | FY2016 |
| b. | Review Port Noise Management Plan | FY2016 |
| c. | Develop a port wide stormwater management plan | FY2016 |
| d. | Review Fumigation Operating Procedures (including Recapture and 'Persons in Charge of Site' procedures) | FY2016 |
| e. | Participate in current Regional Plan Review | FY2016 - 2017 |
| f. | Review Hazardous Substances Management Plan | FY2017 |
| g. | Review third party operator performance | FY2017 |
| h. | Participate in other relevant statutory plan or policy change processes | Ongoing |
| i. | Undertake annual compliance review | Ongoing |
| j. | Obtain and maintain resource consents for infrastructure projects | Ongoing |
| | ***Minimise risk to the environment*** | |
| a. | Review Environmental Management Plan risk assessment | FY2016 |
| b. | Review Environment & Sustainability Policy and Performance Targets | FY2017 |
| c. | Environmental Management System - audit and certify (ISO14001) using staged approach | FY2017-2019 |
| d. | Maintain 'Environmental Issues Register' | Ongoing |
| | ***Realise opportunities to be more sustainable*** | |
| k. | Undertake energy efficiency projects (phased programme) | FY2016-2019 |
| l. | Develop waste monitoring procedures | FY2017 |
| m. | Develop management plan for greenhouse gas emissions (including reduction targets) | FY2017 |
| n. | Identify strategic opportunities for 'environmental offsetting' to support port development objectives | FY2018 |
| | ***Stakeholder engagement*** | |
| a. | Maintain regular meetings of the Environmental Consultative Committee (and review transparency) | Ongoing |
| b. | Communicate environmental objectives and performance | Ongoing |

c. Integrate environmental performance into CentrePort's external reporting (e.g. Annual Report) — Ongoing

***Develop a culture of awareness and responsibility***

a. Maintain regular internal communication on environmental matters — Ongoing
b. Integrate environmental matters into leadership and other programmes — FY2016

**Social performance targets**

a) Contribute to the desired outcome of the Wellington Regional Strategy through:
   i. The provision of workplace opportunities and skills enhancements of our employees.
   ii. Ensuring the regional economy is connected by the provision of high quality port services to support international and coastal trade.
   iii. Supporting the regional community by investing in community sponsorship and engaging community activities.
   iv. To meet regularly with representative community groups

**General performance targets**

a) The company will, in consultation with the shareholders, continue to develop performance targets in the financial, environmental and social areas.

b) CentrePort will report achievement against the above targets in the quarterly reports to shareholders and the annual report. The report will include specific initiatives to enhance the environment in which we operate.

c) When developing 'property held for development' the Board is to adhere to the following principles:

   a. Properties may be developed without the building being fully pre-let so long as tenancy risk is managed prudently.
   b. Property developments must not compromise port operations.
   c. Developments are to be undertaken only if they are able to be funded without additional capital from shareholders.
   d. Development construction contracts are to be negotiated on a guaranteed maximum price or lump sum basis.

Definition of terms regarding property:

Management of tenancy risk means that each single property investment has committed rental income (via development and executed lease contracts) that is sufficient to meet forecast interest costs on (i) the cost of the site development related to the development and (ii) the cost of the construction of the development AND the vacant net lettable area of the proposed development is no greater than 25%.

**Key annual objectives and performance targets**

| Financial performance targets: | **2015/16** | **2016/17** | **2017/18** |
|---|---|---|---|
| Underlying net profit before tax | $16.3 million | $17.6 million | $19.3 million |
| Underlying net profit after tax | $13.7 million | $14.5 million | $15.8 million |
| Return on total assets | 7.4% | 7.6% | 9% |

| | | | | |
|---|---|---|---|---|
| | Return on port assets | 8.3% | 8.6% | 8.7% |
| | Return on property assets | 5.7% | 5.5% | 6.2% |
| | Return on equity | 7.4% | 7.6% | 7.9% |
| | Dividend distribution | $6.1 million | $6.5 million | $7.1 million |
| | Dividend distribution (%) | 45% | 45% | 45% |
| **Definition of Terms** | • Return on assets for each business segment<br>**Port:**<br>Earnings before interest and tax (EBIT) plus share of associates earnings divided by the average of total fixed assets and investments in associates.<br>**Property:**<br>EBIT plus share of associate earnings divided by the value of investment properties plus investment in associates. This calculation is performed separately on the value of developed investment properties and the total portfolio.<br>• Return on equity is underlying net profit after tax divided by average equity.<br>• Equity is defined as the total issued capital plus the balance of undistributed profits and all revenue and capital reserves less any minority interests of the parent company, CentrePort Limited and its subsidiaries, ("the Group").<br>• Total assets are defined as all the recorded tangible and intangible assets of the Group at their current value as determined by the Group's accounting policies. | | | |

| | |
|---|---|
| **Organisation** | Wellington Regional Economic Development Agency |
| **Ownership** | 20% GWRC<br>80% WCC |
| **Directors** | Peter Biggs (Chair)<br>Matt Clark<br>Grant Gilford<br>Paul Mersi<br>Lorraine Witten<br>Helen Anderson<br>Sarah Gibbs<br>Richard Laverty<br>Thomas Pippos |
| **Nature and scope of activities** | WREDA is the key provider for economic development in the region, combined with tourism, venues and major events management for Wellington City. It encompasses the functions, and funding, of the following previous organisations and programmes:<br>• Grow Wellington (and its subsidiary Creative HQ)<br>• Positively Wellington Tourism<br>• Positively Wellington Venues<br>• Major Events (excluding Community Events)<br>• Destination Wellington<br>• Ongoing event liaison and planning for Westpac Stadium |
| **Significant policies and objectives on ownership & control** | Under an agreement between all the councils in the region WREDA was established in late 2014. It is owned jointly by Wellington City Council (80% shareholding) and GWRC (20% shareholding). The ownership reflects the proportion of funding by the two shareholding councils. It is run by an independent board of directors and is accountable to the Wellington Regional Strategy Committee – a standing committee of GWRC with membership representing the councils in the region. WREDA implements the Wellington Regional Strategy and will support other plans which are currently being developed. |
| **Key annual objectives and performance targets** | Financial performance targets: **2015/16** **2016/17** **2017/18**<br><br>*Not set at time of completing this document* |

| | |
|---|---|
| **Organisation** | Wellington Water |
| **Ownership** | 20% GWRC<br>80% WCC, HCC, UHCC, PCC (20% each) |
| **Directors** | John Strahl (Chair) Raveen Jaduram<br>Ian Hutchings Nicki Crawford |
| **Nature and scope of activities** | Wellington Water manages the water treatment and supply, storm-water and waste-water service delivery in the Wellington region. |
| **Significant policies and objectives on ownership & control** | Wellington Water was established in September 2014. It is owned jointly by GWRC, WCC, HCC, UHCC and PCC who each have a 20% share. It is run by an independent board of directors and is accountable to the Wellington Water Committee – a standing committee of elected representatives from each of the shareholding councils.<br>Wellington Water manages the councils' water supply activities, delivers capital works programmes and provides council with asset management and planning advice. |
| **Key annual objectives and performance targets** | Financial performance targets: **2015/16** **2016/17** **2017/18**<br><br>*Not set at time of completing this document.* |

| Organisation | New Zealand Local Government Funding Agency Limited (LGFA) |
|---|---|
| **Ownership** | 9% |
| **Representation (total members)** | 30 Local Authorities are shareholders of the LGFA with shareholding ranging for 8.3% to 0.4% of total share capital.<br>The New Zealand government owns 11.1% of the total $45 million of share capital. |
| **Nature and scope of activities** | • LGFA will raise debt funding either domestically and/or offshore in either NZ dollars or foreign currency and provide debt funding to New Zealand Local Authorities, and may undertake any other activities considered by the Board to be reasonably related or incidental to, or in connection with, that business.<br>• The LGFA will only lend to local authorities that enter into all the relevant arrangements with it (participating local authorities) and comply with the LGFA's lending policies. |
| **Significant policies and objectives** | • To ensure the Council's finances are sustainable in the long term.<br>• To optimise debt funding terms and conditions for the Council.<br>• To enhance the certainty of access to debt markets for the Council |
| **Key annual objectives and performance targets**<br><br>Note these performance targets relate to the 2014/15 SOI which will be updated and finalised for 2015/16 in June 2015. | LGFA's average cost of funds relative to the average cost of funds for New Zealand Government Securities for the period to:<br>• 30 June 2015 will be less than 0.50% higher<br>• 30 June 2016 will be less than 0.50% higher<br>• 30 June 2017 will be less than 0.50% higher<br><br>The average margin above LGFA's cost of funds charged to the highest rated participating local authorities will be no more than:<br>• 30 June 2015 will be no more than 0.15%<br>• 30 June 2016 will be no more than 0.10%<br>• 30 June 2017 will be no more than 0.10%<br><br>LGFA's annual issue and operating overheads expenses for the period to :<br>• 30 June 2015 will be less than $4.67 million<br>• 30 June 2016 will be less than $6.0 million<br>• 30 June 2017 will be less than $6.2 million<br><br>Total lending to participating local authorities at:<br>• 30 June 2015 will be at least $4,400 million<br>• 30 June 2016 will be at least $5,400 million<br>• 30 June 2017 will be at least $6,400 million |

**INVESTMENTS**

**PROSPECTIVE FUNDING IMPACT STATEMENT**

**FOR THE YEAR ENDING 30 JUNE**

| | 2015/16 Plan $000s | 2016/17 Plan $000s | 2017/18 Plan $000s | 2018/19 Plan $000s | 2019/20 Plan $000s | 2020/21 Plan $000s | 2021/22 Plan $000s | 2022/23 Plan $000s | 2023/24 Plan $000s | 2024/25 Plan $000s |
|---|---|---|---|---|---|---|---|---|---|---|
| **Sources of operating funding** | | | | | | | | | | |
| General rate[1] | (10,928) | (10,262) | (8,057) | (8,450) | (8,753) | (10,275) | (11,041) | (11,421) | (12,257) | (13,284) |
| Targeted rates | 2,676 | 2,677 | 965 | - | - | - | - | - | - | - |
| Subsidies and grants for operating purposes | - | - | - | - | - | - | - | - | - | - |
| Fines, infringement fees, and other receipts [2,3] | 25,497 | 26,389 | 26,059 | 27,379 | 27,717 | 29,092 | 29,710 | 29,984 | 30,526 | 31,541 |
| **Total operating funding** | **17,245** | **18,804** | **18,967** | **18,929** | **18,964** | **18,817** | **18,669** | **18,563** | **18,269** | **18,257** |
| **Applications of operating funding** | | | | | | | | | | |
| Payments to staff and suppliers | 1,544 | 1,457 | 1,290 | 1,309 | 1,409 | 1,416 | 1,450 | 1,500 | 1,584 | 1,631 |
| Finance costs | 12,869 | 14,278 | 16,061 | 16,324 | 16,166 | 15,930 | 15,676 | 15,427 | 15,274 | 15,133 |
| Internal charges and overheads applied | - | - | - | - | - | - | - | - | - | - |
| **Total applications of operating funding** | **14,413** | **15,735** | **17,351** | **17,633** | **17,575** | **17,346** | **17,126** | **16,927** | **16,858** | **16,764** |
| **Surplus/(deficit) of operating funding** | **2,832** | **3,069** | **1,616** | **1,296** | **1,389** | **1,471** | **1,543** | **1,636** | **1,411** | **1,493** |
| **Sources of capital funding** | | | | | | | | | | |
| Subsidies and grants for capital expenditure | - | - | - | - | - | - | - | - | - | - |
| Increase / (decrease) in debt | 4,106 | 711 | 6,432 | 673 | (1,237) | (1,130) | (1,644) | (2,240) | (1,643) | (2,529) |
| Gross proceeds from asset sales | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 46 | 47 | 49 |
| **Total sources of capital funding** | **4,144** | **750** | **6,472** | **714** | **(1,195)** | **(1,087)** | **(1,600)** | **(2,194)** | **(1,596)** | **(2,480)** |
| **Applications of capital funding** | | | | | | | | | | |
| **Capital expenditure** | | | | | | | | | | |
| - to meet additional demand | - | - | - | - | - | - | - | - | - | - |
| - to improve the level of service | - | - | - | - | - | - | - | - | - | - |
| - to replace existing assets | 118 | 121 | 6,520 | 1,310 | 130 | 134 | 138 | 142 | 147 | 152 |
| Increase / (decrease) in investments | 2,501 | 1,289 | 1,343 | 1,142 | 754 | 800 | 848 | 899 | 951 | 1,007 |
| Increase / (decrease) in reserves | 4,357 | 2,409 | 225 | (442) | (690) | (550) | (1,043) | (1,599) | (1,283) | (2,146) |
| **Total applications of capital funding** | 6,976 | 3,819 | 8,088 | 2,010 | 194 | 384 | (57) | (558) | (185) | (987) |
| **Surplus/(deficit) of funding** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Depreciation on Investment assets** | 381 | 358 | 374 | 543 | 577 | 590 | 606 | 608 | 320 | 322 |

[1] Net Investment surpluses are used to reduce the general rate. It is applied to general rate as all ratepayers benefit the same proportionally from a reduction in the general rates.

[2] Other receipts include revenue from pest control.

In the comparative year of the LTP it also included internal income from public transport as the mechanism to fund the rail infrastructure and the new Matangi trains carried out by the 100% Council-Controlled Trading Organisation, Greater Wellington Rail Ltd. The funds recovered were to be utilised within investments for an equity injection into Greater Wellington Rail Ltd to enable Greater Wellington Rail Ltd to fund Greater Wellington's share of the upgrades. This year the full cost is included directly within the Public Transport activity.

[3] Greater Wellington manages community outcome debt via an internal debt function. Other receipts includes internal interest income which is the total interest charged to the operational activities. External investments and debt are managed through a central treasury management function in accordance with the Treasury Management Policy.

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|---|---|---|---|---|
| Internal interest revenue | 18,237 | 18,653 | 18,009 | 19,170 | 19,375 | 19,594 | 19,764 | 19,816 | 19,876 | 19,926 |

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations

For more information on the revenue and financing mechanisms applicable to investments, please refer to the "Revenue and Financing Policy" in the 10-Year Plan 2015-25

All figures on this page exclude GST

## INVESTMENTS
## PROSPECTIVE INCOME INFORMATION
## FOR THE YEAR ENDING 30 JUNE

| | 2015/16 Plan $000s | 2016/17 Plan $000s | 2017/18 Plan $000s | 2018/19 Plan $000s | 2019/20 Plan $000s | 2020/21 Plan $000s | 2021/22 Plan $000s | 2022/23 Plan $000s | 2023/24 Plan $000s | 2024/25 Plan $000s |
|---|---|---|---|---|---|---|---|---|---|---|
| **NET CONTRIBUTION TO GENERAL RATES FROM INDIVIDUAL INVESTMENTS** | | | | | | | | | | |
| Liquid financial deposits | 1,697 | 1,743 | 1,799 | 1,799 | 1,799 | 1,799 | 1,799 | 1,799 | 1,799 | 1,799 |
| WRC Holdings | 3,856 | 4,156 | 4,477 | 4,431 | 4,501 | 5,601 | 5,995 | 6,179 | 6,623 | 7,555 |
| Treasury management | 5,090 | 4,011 | 1,529 | 2,137 | 2,429 | 2,831 | 3,161 | 3,342 | 3,394 | 3,496 |
| Other Investments and Property | 285 | 352 | 252 | 83 | 24 | 44 | 86 | 101 | 441 | 434 |
| **Total contribution to general rates** | **10,928** | **10,262** | **8,057** | **8,450** | **8,753** | **10,275** | **11,041** | **11,421** | **12,257** | 13,284 |

For more information on the revenue and financing mechanisms applicable to investments, please refer to the "Revenue and Financing Policy" in the this 10-Year Plan 2015-25

All figures on this page exclude GST

## PROSPECTIVE COMPREHENSIVE INCOME STATEMENT

### FOR THE YEAR ENDING 30 JUNE

| | 2014/15 Budget $000s | 2015/16 Plan $000s | 2016/17 Plan $000s | 2017/18 Plan $000s | 2018/19 Plan $000s | 2019/20 Plan $000s | 2020/21 Plan $000s | 2021/22 Plan $000s | 2022/23 Plan $000s | 2023/24 Plan $000s | 2024/25 Plan $000s |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **OPERATING REVENUE** | | | | | | | | | | | |
| General rates | 31,170 | 36,522 | 40,116 | 44,629 | 47,057 | 48,711 | 48,448 | 49,378 | 51,142 | 52,410 | 53,937 |
| Targeted rates | 68,110 | 72,832 | 82,249 | 89,205 | 92,898 | 100,223 | 104,384 | 108,163 | 110,852 | 115,905 | 121,586 |
| **Regional rates** | **99,280** | **109,354** | **122,365** | **133,834** | **139,955** | **148,934** | **152,832** | **157,541** | **161,994** | **168,315** | **175,523** |
| Water supply levy | 26,276 | 27,604 | 29,746 | 31,716 | 35,152 | 38,810 | 43,111 | 46,049 | 47,118 | 48,902 | 50,567 |
| Government subsidies | 72,118 | 77,294 | 85,557 | 93,830 | 86,601 | 79,862 | 87,930 | 90,712 | 92,209 | 97,682 | 98,605 |
| Interest and dividends | 6,401 | 6,720 | 7,203 | 7,497 | 7,864 | 8,156 | 8,883 | 9,683 | 10,222 | 10,745 | 11,296 |
| Other operating revenue | 12,743 | 14,871 | 62,599 | 117,227 | 122,828 | 128,951 | 136,254 | 142,048 | 148,602 | 155,533 | 163,713 |
| **Total external operating revenue** | **216,818** | **235,843** | **307,470** | **384,104** | **392,400** | **404,713** | **429,010** | **446,033** | **460,145** | **481,177** | **499,704** |
| **OPERATING EXPENDITURE** | | | | | | | | | | | |
| Personnel costs | 42,880 | 41,496 | 41,843 | 42,741 | 44,168 | 45,170 | 46,427 | 47,824 | 49,307 | 50,934 | 52,665 |
| Grants and subsidies | 91,930 | 93,381 | 146,999 | 203,317 | 210,953 | 228,070 | 238,673 | 248,845 | 259,404 | 272,179 | 285,091 |
| Finance costs | 10,760 | 15,882 | 22,051 | 25,965 | 28,906 | 31,136 | 33,144 | 34,599 | 34,864 | 35,151 | 35,218 |
| Depreciation | 18,638 | 18,875 | 20,105 | 21,822 | 23,173 | 26,668 | 27,208 | 29,166 | 29,855 | 29,183 | 29,164 |
| Other operating expenses | 49,630 | 56,352 | 58,534 | 59,645 | 58,857 | 60,733 | 62,507 | 63,206 | 64,114 | 64,706 | 68,079 |
| **Total external operating expenditure** | **213,838** | **225,986** | **289,532** | **353,490** | **366,057** | **391,777** | **407,959** | **423,640** | **437,544** | **452,153** | **470,217** |
| **Operating surplus before transport improvement grants [1]** | **2,980** | **9,857** | **17,938** | **30,614** | **26,343** | **12,936** | **21,051** | **22,393** | **22,601** | **29,024** | **29,487** |
| **Transport improvement grants [1]** | **5,492** | **1,020** | **486** | **2,936** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Operating surplus / (deficit) before other items** | **(2,512)** | **8,837** | **17,452** | **27,678** | **26,343** | **12,936** | **21,051** | **22,393** | **22,601** | **29,024** | **29,487** |
| Other fair value changes | 159 | (1,584) | (1,295) | 891 | 1,016 | 906 | 764 | 615 | 514 | 513 | 530 |
| **Operating surplus / (deficit) for the year** | (2,353) | 7,253 | 16,157 | 28,569 | 27,359 | 13,842 | 21,815 | 23,008 | 23,115 | 29,537 | 30,017 |
| **Other comprehensive income** | | | | | | | | | | | |
| Asset Revaluations | 0 | 0 | 0 | 29,869 | 12,399 | 1,000 | 0 | 0 | 41,147 | 73,592 | 1,415 |
| Increases / (decreases) in revaluations [2] | 0 | 0 | 0 | 29,869 | 12,399 | 1,000 | 0 | 0 | 41,147 | 73,592 | 1,415 |
| **Total comprehensive income / (deficit) for year** | **(2,353)** | **7,253** | **16,157** | **58,438** | **39,758** | **14,842** | **21,815** | **23,008** | **64,262** | **103,129** | **31,432** |

[1] Greater Wellington now fully funds some public transport improvement expenditure at the time the expense is incurred, and recovers a share of the debt servicing costs from the New Zealand Transport Agency.
Where this expenditure is for rail rolling stock and infrastructure that will be owned by the 100% council subsidiary Greater Wellington Rail Limited it is treated as an investment in this subsidiary.
Where this expenditure is for assets owned by other entities, this expenditure is treated as operational expenditure.
In the comparative LTP number all rail rolling stock and infrastrucure were treated as improvement expenditure.

[2] The revaluations are primarily for property plant and equipment.

All figures on this page exclude GST

## PROSPECTIVE STATEMENT OF CHANGES IN EQUITY
## AS AT 30 JUNE

| | 2014/15 Budget $000s | 2015/16 Plan $000s | 2016/17 Plan $000s | 2017/18 Plan $000s | 2018/19 Plan $000s | 2019/20 Plan $000s | 2020/21 Plan $000s | 2021/22 Plan $000s | 2022/23 Plan $000s | 2023/24 Plan $000s | 2024/25 Plan $000s |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total opening ratepayers' funds** | **861,926** | **963,541** | **970,793** | **986,949** | **1,045,385** | **1,085,143** | **1,099,982** | **1,121,799** | **1,144,806** | **1,209,071** | **1,308,482** |
| Total comprehensive income / (deficit) for year | (2,353) | 7,253 | 16,157 | 58,438 | 39,758 | 14,842 | 21,815 | 23,008 | 64,262 | 103,129 | 31,432 |
| **Movement in ratepayers funds for year** | **(2,353)** | **7,253** | **16,157** | **58,438** | **39,758** | **14,842** | **21,815** | **23,008** | **64,262** | **103,129** | **31,432** |
| **Closing ratepayers' funds** | **859,573** | **970,794** | **986,950** | **1,045,387** | **1,085,143** | **1,099,985** | **1,121,797** | **1,144,807** | **1,209,068** | **1,312,200** | **1,339,914** |
| **Components of ratepayers funds** | | | | | | | | | | | |
| **Opening accumulated funds** | **369,341** | **465,226** | **476,813** | **495,352** | **524,118** | **551,004** | **564,124** | **585,356** | **607,286** | **628,766** | **656,982** |
| Total comprehensive income / (deficit) for year | (2,353) | 7,253 | 16,157 | 58,438 | 39,758 | 14,842 | 21,815 | 23,008 | 64,262 | 103,129 | 31,432 |
| Movements in other reserves | 5,819 | 4,331 | 2,382 | (29,672) | (12,872) | (1,722) | (583) | (1,078) | (42,782) | (74,913) | (3,601) |
| **Movement in accumulated funds for year** | **3,466** | **11,584** | **18,539** | **28,766** | **26,886** | **13,120** | **21,232** | **21,930** | **21,480** | **28,216** | **27,831** |
| **Closing accumulated funds** | **372,807** | **476,810** | **495,352** | **524,118** | **551,004** | **564,124** | **585,356** | **607,286** | **628,766** | **656,982** | **684,813** |
| **Opening other reserves** | **26,210** | **21,973** | **17,642** | **15,260** | **15,063** | **15,536** | **16,258** | **16,841** | **17,919** | **19,554** | **20,875** |
| Movements in other reserves | (5,819) | (4,331) | (2,382) | (197) | 473 | 722 | 583 | 1,078 | 1,635 | 1,321 | 2,186 |
| **Movement in ratepayers funds for year** | **(5,819)** | **(4,331)** | **(2,382)** | **(197)** | **473** | **722** | **583** | **1,078** | **1,635** | **1,321** | **2,186** |
| **Closing other reserves** | **20,391** | **17,642** | **15,260** | **15,063** | **15,536** | **16,258** | **16,841** | **17,919** | **19,554** | **20,875** | **23,061** |
| **Opening asset revaluation reserves** | **466,375** | **476,339** | **476,338** | **476,338** | **506,207** | **518,606** | **519,606** | **519,606** | **519,606** | **560,753** | **634,345** |
| Movements in revaluation reserve [1] | | - | - | 29,869 | 12,399 | 1,000 | - | - | 41,147 | 73,592 | 1,415 |
| **Movement in asset revaluation reserve for year** | **-** | **-** | **-** | **29,869** | **12,399** | **1,000** | **-** | **-** | **41,147** | **73,592** | **1,415** |
| **Closing asset revaluation reserve** | **466,375** | **476,339** | **476,338** | **506,207** | **518,606** | **519,606** | **519,606** | **519,606** | **560,753** | **634,345** | **635,760** |
| **Closing ratepayers' funds[2]** | **859,573** | **970,791** | **986,950** | **1,045,388** | **1,085,146** | **1,099,988** | **1,121,803** | **1,144,811** | **1,209,073** | **1,312,202** | **1,343,634** |

[1] Movements in revaluation reserves are the projected revaluation of property, plant and equipment over the life of the plan

[2] Closing Ratepayer's funds in the 2014/15 year differ from the opening balance 2015/16 as the later allows for forecast movements in the current financial year compared with budgeted movements

All figures on this page exclude GST

**PROSPECTIVE BALANCE SHEET**

**AS AT 30 JUNE**

| | 2014/15 Budget $000s | 2015/16 Plan $000s | 2016/17 Plan $000s | 2017/18 Plan $000s | 2018/19 Plan $000s | 2019/20 Plan $000s | 2020/21 Plan $000s | 2021/22 Plan $000s | 2022/23 Plan $000s | 2023/24 Plan $000s | 2024/25 Plan $000s |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | | | |
| Cash and other equivalents | 27,695 | 28,641 | 32,044 | 35,951 | 40,412 | 45,355 | 50,647 | 56,314 | 62,387 | 68,846 | 75,715 |
| Investments (current) | - | - | - | - | - | - | - | - | - | - | - |
| Other current assets | 35,895 | 47,691 | 45,294 | 43,100 | 41,009 | 38,785 | 36,395 | 34,182 | 33,012 | 32,871 | 32,948 |
| Current assets | 63,590 | 76,332 | 77,338 | 79,051 | 81,421 | 84,140 | 87,042 | 90,496 | 95,399 | 101,717 | 108,663 |
| Investments (non-current) | 49,028 | 52,380 | 53,914 | 55,521 | 56,949 | 58,012 | 59,144 | 60,352 | 61,638 | 63,010 | 64,470 |
| Investment in subsidiary | 146,130 | 423,859 | 434,096 | 457,501 | 476,741 | 484,199 | 495,125 | 513,136 | 531,234 | 552,810 | 569,935 |
| Property, plant and equipment | 838,488 | 884,637 | 909,613 | 988,235 | 1,055,615 | 1,088,502 | 1,139,680 | 1,150,745 | 1,193,394 | 1,275,347 | 1,277,582 |
| Non-current assets | 1,033,646 | 1,360,876 | 1,397,623 | 1,501,257 | 1,589,305 | 1,630,713 | 1,693,949 | 1,724,233 | 1,786,266 | 1,891,167 | 1,911,987 |
| **Total assets** | **1,097,236** | **1,437,208** | **1,474,961** | **1,580,308** | **1,670,726** | **1,714,853** | **1,780,991** | **1,814,729** | **1,881,665** | **1,992,884** | **2,020,650** |
| **RATEPAYERS' FUNDS** | | | | | | | | | | | |
| Retained earnings | 372,807 | 476,810 | 495,352 | 524,118 | 551,004 | 564,124 | 585,356 | 607,286 | 628,766 | 656,982 | 684,813 |
| Reserves | 486,766 | 493,981 | 491,598 | 521,270 | 534,142 | 535,864 | 536,447 | 537,525 | 580,307 | 655,220 | 658,821 |
| **Total ratepayers' funds** | **859,573** | **970,791** | **986,950** | **1,045,388** | **1,085,146** | **1,099,988** | **1,121,803** | **1,144,811** | **1,209,073** | **1,312,202** | **1,343,634** |
| **LIABILITIES** | | | | | | | | | | | |
| Debt (current) | 19,494 | 21,254 | 21,254 | 21,254 | 21,253 | 21,253 | 21,254 | 21,253 | 21,254 | 21,253 | 21,253 |
| Other current liabilities | 4,169 | 33,195 | 33,195 | 33,195 | 33,195 | 33,195 | 33,195 | 33,195 | 33,195 | 33,195 | 33,195 |
| Current liabilities | 23,663 | 54,449 | 54,449 | 54,449 | 54,448 | 54,448 | 54,449 | 54,448 | 54,449 | 54,448 | 54,448 |
| Debt (non-current) | 214,000 | 352,249 | 373,841 | 420,752 | 471,413 | 500,699 | 545,020 | 555,751 | 558,425 | 566,514 | 562,850 |
| Non-current liabilities | 214,000 | 352,249 | 373,841 | 420,752 | 471,413 | 500,699 | 545,020 | 555,751 | 558,425 | 566,514 | 562,850 |
| **Total liabilities** | **237,663** | **406,698** | **428,290** | **475,201** | **525,861** | **555,147** | **599,469** | **610,199** | **612,874** | **620,962** | **617,298** |
| **Total equity and liabilities** | **1,097,236** | **1,377,489** | **1,415,240** | **1,520,589** | **1,611,007** | **1,655,135** | **1,721,272** | **1,755,010** | **1,821,947** | **1,933,164** | **1,960,932** |

All figures on this page exclude GST

## PROSPECTIVE STATEMENT OF CASHFLOWS
## FOR THE YEAR ENDING 30 JUNE

| | 2014/15 Budget $000s | 2015/16 Plan $000s | 2016/17 Plan $000s | 2017/18 Plan $000s | 2018/19 Plan $000s | 2019/20 Plan $000s | 2020/21 Plan $000s | 2021/22 Plan $000s | 2022/23 Plan $000s | 2023/24 Plan $000s | 2024/25 Plan $000s |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | | | | | | |
| Cash is provided from: | | | | | | | | | | | |
| Regional rates | 99,280 | 109,354 | 122,365 | 133,834 | 139,955 | 148,934 | 152,832 | 157,541 | 161,994 | 168,315 | 175,523 |
| Water supply levy | 26,276 | 27,604 | 29,746 | 31,716 | 35,152 | 38,810 | 43,111 | 46,049 | 47,118 | 48,902 | 50,567 |
| Government subsidies | 72,118 | 77,294 | 85,557 | 93,830 | 86,601 | 79,862 | 87,930 | 90,712 | 92,209 | 97,682 | 98,605 |
| Interest and dividends | 6,401 | 6,720 | 7,203 | 7,497 | 7,864 | 8,156 | 8,883 | 9,683 | 10,222 | 10,745 | 11,296 |
| Fees, charges and other revenue | 12,743 | 14,871 | 62,599 | 117,227 | 122,828 | 128,951 | 136,254 | 142,048 | 148,602 | 155,533 | 163,713 |
| | 216,818 | 235,843 | 307,470 | 384,104 | 392,400 | 404,713 | 429,010 | 446,033 | 460,145 | 481,177 | 499,704 |
| Cash is disbursed to: | | | | | | | | | | | |
| Interest | 10,760 | 15,882 | 22,051 | 25,965 | 28,906 | 31,136 | 33,144 | 34,599 | 34,864 | 35,151 | 35,218 |
| Payment to suppliers and employees | 189,932 | 192,248 | 246,331 | 305,801 | 312,301 | 331,906 | 345,586 | 358,252 | 372,428 | 388,533 | 406,840 |
| | 200,692 | 208,130 | 268,382 | 331,766 | 341,207 | 363,042 | 378,730 | 392,851 | 407,292 | 423,684 | 442,058 |
| **Net cash flows from operating activities** | **16,126** | **27,713** | **39,088** | **52,338** | **51,193** | **41,671** | **50,280** | **53,182** | **52,853** | **57,493** | **57,646** |
| **CASHFLOWS FROM INVESTING ACTIVITIES** | | | | | | | | | | | |
| Cash is provided from: | | | | | | | | | | | |
| Sale of property, plant and equipment | 337 | 507 | 443 | 383 | 446 | 434 | 416 | 471 | 464 | 419 | 384 |
| Cash is applied to: | | | | | | | | | | | |
| Purchase of property, plant and equipment | 23,041 | 33,758 | 45,520 | 70,958 | 78,598 | 58,990 | 78,799 | 40,705 | 31,820 | 37,965 | 30,371 |
| Investment additions | 47,433 | 125,410 | 10,237 | 23,405 | 19,241 | 7,458 | 10,926 | 18,011 | 18,098 | 21,576 | 17,126 |
| | 70,474 | 159,168 | 55,757 | 94,363 | 97,839 | 66,448 | 89,725 | 58,716 | 49,918 | 59,541 | 47,497 |
| **Net cashflows from investing activities** | **(70,137)** | **(158,661)** | **(55,314)** | **(93,980)** | **(97,393)** | **(66,014)** | **(89,309)** | **(58,245)** | **(49,454)** | **(59,122)** | **(47,113)** |
| **CASHFLOWS FROM FINANCING ACTIVITIES** | | | | | | | | | | | |
| Cash is provided from: | | | | | | | | | | | |
| Loan funding[1] | 69,731 | 154,351 | 40,055 | 71,559 | 78,556 | 59,084 | 75,662 | 44,087 | 37,445 | 44,083 | 35,709 |
| Cash is applied to: | | | | | | | | | | | |
| Debt repayment | 10,312 | 16,205 | 20,427 | 24,648 | 27,895 | 29,798 | 31,341 | 33,357 | 34,771 | 35,995 | 39,373 |
| **Net cashflows from financing activities** | **59,419** | **138,146** | **19,628** | **46,911** | **50,661** | **29,286** | **44,321** | **10,730** | **2,674** | **8,088** | **(3,664)** |
| **Net increase/(decrease) in cash and cash equivalents** | **5,408** | **7,198** | **3,402** | **5,269** | **4,461** | **4,943** | **5,292** | **5,667** | **6,073** | **6,459** | **6,869** |
| Opening cash and cash equivalents[2] | 22,287 | 21,443 | 28,641 | 30,681 | 35,950 | 40,411 | 45,354 | 50,646 | 56,313 | 62,386 | 68,845 |
| **Closing cash and cash equivalents[2]** | **27,695** | **28,641** | **32,043** | **35,950** | **40,411** | **45,354** | **50,646** | **56,313** | **62,386** | **68,845** | **75,714** |

1 Greater Wellington now fully funds some public transport improvement expenditure at the time the expense is incurred, and recovers a share of the debt servicing costs from the New Zealand Transport Agency. This increases the debt carried by Greater Wellington compared to the previous regime of Crown

² Closing cash and cash equivalent balances in the 2014/15 year differ from the opening balance 2015/16 as the later allows for forecast movements in the current financial year compared with budgeted movements

All figures on this page exclude GST

## PROSPECTIVE REGIONAL RATES AND CAPITAL EXPENDITURE
## FOR THE YEAR ENDING 30 JUNE

| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Budget | Plan | Plan | Plan | Plan | Plan | Plan | Plan | Plan | Plan | Plan |
| | $000s | $000s | $000s | $000s | $000s | $000s | $000s | $000s | $000s | $000s | $000s |
| **REGIONAL RATES** | | | | | | | | | | | |
| Regional Leadership - excluding Warm Greater Wellington targeted rate | 10,267 | 11,843 | 12,384 | 12,759 | 13,509 | 14,249 | 14,554 | 14,684 | 15,099 | 15,384 | 16,081 |
| Public transport | 50,864 | 54,951 | 62,973 | 70,892 | 74,797 | 81,761 | 85,374 | 89,031 | 91,666 | 96,068 | 100,943 |
| Environment | 22,236 | 25,365 | 26,836 | 28,045 | 29,004 | 29,397 | 29,957 | 30,594 | 31,330 | 32,368 | 33,120 |
| Flood Protection and Control Works | 14,863 | 15,912 | 17,511 | 18,943 | 20,595 | 21,632 | 22,930 | 24,237 | 26,632 | 27,807 | 29,482 |
| Parks | 5,632 | 6,181 | 6,252 | 6,426 | 6,783 | 7,091 | 6,909 | 7,256 | 7,435 | 7,764 | 8,087 |
| Investments [1] | (7,324) | (8,251) | (7,585) | (7,092) | (8,448) | (8,751) | (10,276) | (11,041) | (11,421) | (12,257) | (13,284) |
| Total Rates excluding Warm Greater Wellington targeted rate | 96,538 | 106,001 | 118,371 | 129,973 | 136,240 | 145,379 | 149,448 | 154,761 | 160,741 | 167,134 | 174,429 |
| Regional Leadership - Warm Greater Wellington targeted rate | 2,742 | 3,353 | 3,995 | 3,861 | 3,715 | 3,555 | 3,384 | 2,780 | 1,253 | 1,181 | 1,094 |
| **Total regional rates** | **99,280** | **109,354** | **122,366** | **133,834** | **139,955** | **148,934** | **152,832** | **157,541** | **161,994** | **168,315** | **175,523** |
| **CAPITAL EXPENDITURE** | | | | | | | | | | | |
| Environment | 672 | 1,127 | 1,104 | 987 | 1,049 | 1,028 | 1,021 | 821 | 659 | 897 | 759 |
| Public transport [2] | 5,259 | 9,862 | 16,218 | 18,802 | 13,307 | 1,856 | 11,005 | 4,402 | 2,028 | 2,095 | 2,167 |
| Water supply | 8,201 | 7,975 | 9,995 | 26,047 | 43,153 | 40,374 | 52,707 | 19,531 | 9,307 | 18,385 | 3,466 |
| Parks | 1,214 | 2,967 | 1,741 | 1,760 | 2,937 | 1,154 | 684 | 1,832 | 1,358 | 817 | 3,817 |
| Flood Protection and Control Works | 4,839 | 8,930 | 12,737 | 14,814 | 14,939 | 12,651 | 12,755 | 13,303 | 16,233 | 14,387 | 19,359 |
| Regional Leadership | 1,095 | 935 | 2,219 | 1,536 | 748 | 422 | 130 | 205 | 223 | 418 | 174 |
| Investments | 118 | 118 | 121 | 6,520 | 1,310 | 130 | 134 | 138 | 142 | 147 | 152 |
| Other | 1,643 | 1,844 | 1,385 | 492 | 1,155 | 1,375 | 363 | 473 | 1,870 | 819 | 477 |
| **Total capital expenditure** | **23,041** | **33,758** | **45,520** | **70,958** | **78,598** | **58,990** | **78,799** | **40,705** | **31,820** | **37,965** | **30,371** |
| Public Transport Improvements | 5,492 | 1,020 | 486 | 2,936 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Public Transport Investment in Rail | 47,433 | 125,410 | 10,237 | 23,405 | 19,241 | 7,458 | 10,926 | 18,011 | 18,098 | 21,576 | 17,126 |
| Total Capex and improvements | 75,966 | 160,188 | 56,243 | 97,299 | 97,839 | 66,448 | 89,725 | 58,716 | 49,918 | 59,541 | 47,497 |

[1] Investment returns reduce the requirement for rates

[2] Transport capital expenditure excludes investment in Greater Wellington Rail Limited for the purchase of rail rolling stock. See the Public Transport financial forecast for more information. In the comparative LTP this was included as capital grants provided to Greater Wellington Rail Limited,

All figures on this page exclude GST

**PROSPECTIVE DEBT**

**AS AT 30 JUNE**

| | **2014/15** | **2015/16** | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Budget** | **Plan** | Plan | Plan | Plan | Plan | Plan | Plan | Plan | Plan | Plan |
| | **$000s** | **$000s** | $000s | $000s | $000s | $000s | $000s | $000s | $000s | $000s | $000s |
| Environment | 1,295 | 1,316 | 1,270 | 1,125 | 869 | 787 | 807 | 721 | 671 | 662 | 720 |
| Public transport | 147,939 | 260,121 | 264,186 | 274,659 | 277,281 | 267,749 | 263,193 | 257,367 | 249,939 | 242,691 | 230,842 |
| Water supply | 65,849 | 71,973 | 78,522 | 100,634 | 139,444 | 175,000 | 222,073 | 235,548 | 239,136 | 251,415 | 248,387 |
| Parks | 4,959 | 6,900 | 7,986 | 9,114 | 11,298 | 11,618 | 11,827 | 13,008 | 13,823 | 14,031 | 17,158 |
| Flood Protection and Control Works | 53,800 | 60,393 | 69,193 | 79,460 | 89,324 | 96,612 | 103,307 | 110,008 | 118,499 | 124,873 | 135,508 |
| Stadium | 5,580 | 3,310 | 878 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Forestry | | | | | | | | | | | |
| Regional leadership | 19,777 | 19,282 | 17,920 | 15,633 | 12,719 | 9,648 | 6,541 | 4,208 | 3,168 | 1,711 | 2,095 |
| Property and investments | 4,073 | 6,226 | 6,589 | 13,302 | 14,448 | 13,934 | 13,386 | 12,819 | 12,215 | 11,893 | 11,549 |
| Corporate systems | 4,082 | 4,609 | 4,554 | 3,618 | 3,429 | 3,504 | 2,655 | 1,924 | 2,531 | 2,102 | 1,614 |
| **Total activities debt** | **307,354** | **434,130** | **451,098** | **497,545** | **548,812** | **578,852** | **623,789** | **635,603** | **639,982** | **649,378** | **647,873** |
| Treasury internal funding [1] | (73,860) | (60,627) | (56,003) | (55,539) | (56,146) | (56,900) | (57,515) | (58,599) | (60,303) | (61,611) | (63,770) |
| **Total external debt** | **233,494** | **373,503** | **395,095** | **442,006** | **492,666** | **521,952** | **566,274** | **577,004** | **579,679** | **587,767** | **584,103** |
| External debt (current) | 19,494 | 21,254 | 21,254 | 21,254 | 21,253 | 21,253 | 21,254 | 21,253 | 21,254 | 21,253 | 21,253 |
| External debt (non-current) | 214,000 | 352,249 | 373,841 | 420,752 | 471,413 | 500,699 | 545,020 | 555,751 | 558,425 | 566,514 | 562,850 |
| **Total external debt** | **233,494** | **373,503** | **395,095** | **442,006** | **492,666** | **521,952** | **566,274** | **577,004** | **579,679** | **587,767** | **584,103** |

[1] Greater Wellington manages community outcome debt via an internal debt function. External investments and debt are managed through a central treasury management function in accordance with the Treasury Managagment Policy

All figures on this page exclude GST

## PROSPECTIVE FUNDING IMPACT STATEMENT

## FOR THE YEAR ENDING 30 JUNE

| Greater Wellington operations | 2014/15 Budget $000s | 2015/16 Plan $000s | 2016/17 Plan $000s | 2017/18 Plan $000s | 2018/19 Plan $000s | 2019/20 Plan $000s | 2020/21 Plan $000s | 2021/22 Plan $000s | 2022/23 Plan $000s | 2023/24 Plan $000s | 2024/25 Plan $000s |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Sources of operating funding** | | | | | | | | | | | |
| General rates | 31,170 | 36,522 | 40,116 | 44,629 | 47,057 | 48,711 | 48,448 | 49,378 | 51,142 | 52,410 | 53,937 |
| Targeted rates | 68,110 | 72,832 | 82,249 | 89,205 | 92,898 | 100,223 | 104,384 | 108,163 | 110,852 | 115,905 | 121,586 |
| Subsidies and grants for operating purposes | 62,839 | 6,072 | 76,957 | 83,691 | 79,364 | 78,774 | 82,317 | 88,477 | 91,144 | 96,454 | 97,461 |
| Interest and dividends from investments | 6,401 | 6,720 | 7,203 | 7,497 | 7,864 | 8,156 | 8,883 | 9,683 | 10,222 | 10,745 | 11,296 |
| Fees, charges, and targeted rates for water supply | 4,091 | 4,557 | 51,793 | 106,131 | 111,559 | 117,342 | 123,745 | 129,378 | 135,341 | 141,883 | 148,887 |
| Fines, infringement fees, and other receipts [1] | 34,928 | 37,918 | 40,552 | 42,812 | 46,421 | 50,419 | 55,620 | 58,719 | 60,379 | 62,552 | 65,393 |
| **Total operating funding** | **207,539** | **164,621** | **298,870** | **373,965** | **385,163** | **403,625** | **423,397** | **443,798** | **459,080** | **479,949** | **498,560** |
| **Applications of operating funding** | | | | | | | | | | | |
| Payments to staff and suppliers | 189,932 | 192,248 | 247,862 | 308,641 | 313,978 | 333,972 | 347,609 | 359,875 | 372,827 | 387,816 | 405,834 |
| Finance costs | 10,760 | 15,882 | 22,051 | 25,965 | 28,906 | 31,136 | 33,144 | 34,599 | 34,864 | 35,151 | 35,218 |
| Other operating funding applications | - | - | - | - | - | - | - | - | - | - | - |
| **Total applications of operating funding [2]** | **200,692** | **208,130** | **269,913** | **334,606** | **342,884** | **365,108** | **380,753** | **394,474** | **407,691** | **422,967** | **441,052** |
| **Operating surplus/(deficit)** | **6,847** | **(43,509)** | **28,957** | **39,359** | **42,279** | **38,517** | **42,644** | **49,324** | **51,389** | **56,982** | **57,508** |
| **Sources of Capital Funding** | | | | | | | | | | | |
| Subsidies and grants for capital expenditure | 9,279 | 71,222 | 8,600 | 10,139 | 7,237 | 1,088 | 5,613 | 2,235 | 1,065 | 1,228 | 1,144 |
| Increase / (decrease) in debt | 53,601 | 133,814 | 17,246 | 46,713 | 51,133 | 30,008 | 44,905 | 11,809 | 4,310 | 9,409 | (1,478) |
| Gross proceeds from asset sales | 337 | 507 | 443 | 383 | 446 | 434 | 416 | 471 | 464 | 419 | 384 |
| **Total Sources of Capital Funding** | 63,217 | 205,543 | 26,289 | 57,235 | 58,816 | 31,530 | 50,934 | 14,515 | 5,839 | 11,056 | 50 |
| **Applications of Capital Funding** | | | | | | | | | | | |
| Capital expenditure | | | | | | | | | | | |
| - to meet additional demand | 1,445 | - | - | 105 | 1,291 | - | - | - | - | - | - |
| - to improve the level of service | 14,160 | 21,253 | 33,817 | 43,156 | 58,001 | 50,008 | 62,371 | 29,365 | 22,254 | 20,527 | 19,562 |
| - to replace existing assets | 9,139 | 12,505 | 11,703 | 27,697 | 19,306 | 8,982 | 16,428 | 11,340 | 9,566 | 17,438 | 10,809 |
| Increase / (decrease) in investments | 51,138 | 132,608 | 12,108 | 25,833 | 22,024 | 10,335 | 14,196 | 22,056 | 23,773 | 28,752 | 25,001 |
| Increase / (decrease) in reserves | (5,818) | (4,332) | (2,381) | (197) | 473 | 722 | 583 | 1,078 | 1,635 | 1,321 | 2,186 |
| **Total Applications of Capital Funding** | **70,064** | **162,034** | **55,247** | **96,594** | **101,095** | **70,047** | **93,578** | **63,839** | **57,228** | **68,038** | **57,558** |
| **Surplus/(Deficit) of Capital Funding** | **-** | **-** | **(1)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Depreciation on council assets** | 18,638 | 18,875 | 20,105 | 21,822 | 23,173 | 26,668 | 27,208 | 29,166 | 29,855 | 29,183 | 29,164 |
| **Water Supply Levy [1]** | 26,276 | 27,604 | 29,746 | 31,716 | 35,152 | 38,810 | 43,111 | 46,049 | 47,118 | 48,902 | 50,567 |

[1] This includes the Water supply levy charged to Wellington, Lower Hutt, Upper Hutt and Porirua city councils

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations

All figures on this page exclude GST

| General rate | 2015/16 Cents per $ of rateable capital value | 2015/16 Revenue sought $ |
|---|---|---|
| Wellington city | 0.03718 | 17,524,419 |
| Lower Hutt city | 0.03650 | 6,202,962 |
| Upper Hutt city | 0.03644 | 2,419,906 |
| Porirua city | 0.03609 | 2,877,731 |
| Kapiti Coast district | 0.03575 | 3,811,566 |
| Masterton district | 0.03611 | 1,668,672 |
| Carterton district | 0.03642 | 769,598 |
| South Wairarapa district | 0.03554 | 1,244,170 |
| Tararua district[1] | 0.03577 | 2,481 |
| **Total general rate** | | **36,521,505** |

| **Targeted rate: River management based on capital value** | 2015/16 Cents per $ of rateable capital value | 2015/16 Revenue sought $ |
|---|---|---|
| Wellington city | 0.00009 | 44,598 |
| Lower Hutt city | 0.01860 | 3,160,642 |
| Upper Hutt city | 0.00861 | 571,529 |
| Porirua city | 0.00037 | 29,674 |
| Kapiti Coast district | 0.01299 | 1,384,586 |
| Carterton district | 0.00106 | 22,337 |
| **Total district-wide river management rate** | | **5,213,366** |
| Greytown ward | 0.01814 | 90,699 |
| **Total river management rates based upon capital value** | | **5,304,065** |

| **Targeted rate: River management based on land value** | 2015/16 Cents per $ of rateable capital value | 2015/16 Revenue sought $ |
|---|---|---|
| Featherston urban: Donalds Creek Stopbank | 0.00312 | 2,441 |
| **Total river management rates based upon land value** | | **2,441** |
| **Total river management rates** | | **5,306,506** |

**Note:**

[1] 11 Rural properties in the Tararua District are within the boundaries of the Wellington region

Note that all figures on this page exclude GST

| **Targeted rate: Transport** | 2015/16 Cents per $ of rateable capital value | 2015/16 Revenue sought $ |
|---|---|---|
| **Wellington city** | | |
| Downtown city centre business | 0.29466 | 21,291,048 |
| Urban | 0.03073 | 12,099,497 |
| Rural | 0.00790 | 42,706 |
| **Lower Hutt city** | | |
| Urban | 0.05666 | 9,475,157 |
| Rural | 0.01448 | 39,532 |
| **Upper Hutt city** | | |
| Urban | 0.06165 | 3,667,186 |
| Rural | 0.01571 | 108,891 |
| **Porirua city** | | |
| Urban | 0.06490 | 4,834,797 |
| Rural | 0.01659 | 86,823 |
| **Kapiti Coast district** | | |
| Urban | 0.02683 | 2,426,357 |
| Rural | 0.00698 | 112,996 |
| **Masterton district** | | |
| Urban | 0.00884 | 203,456 |
| Rural | 0.00258 | 59,757 |
| **Carterton district** | | |
| Urban | 0.01572 | 104,057 |
| Rural | 0.00425 | 61,680 |
| **South Wairarapa district** | | |
| Urban | 0.02027 | 205,485 |
| Rural | 0.00530 | 131,708 |
| **Total transport rate** | | **54,951,133** |

| **Targeted rate: Warm Greater Wellington Based on extent of service provided** | 2015/16 Percentage of service provided | 2015/16 Revenue sought $ |
|---|---|---|
| For any ratepayer that utilises the service | 15.000% | 3,353,000 |

| Targeted rate: Stadium purposes | 2015/16 Cents per $ of rateable capital value | 2015/16 Revenue sought $ |
|---|---|---|
| **Wellington city** | | |
| Business | 0.00515 | 549,874 |
| Residential | 0.00287 | 1,031,783 |
| Rural | 0.00144 | 7,760 |
| **Lower Hutt city** | | |
| Business | 0.00414 | 136,198 |
| Residential | 0.00283 | 379,962 |
| Rural | 0.00225 | 6,154 |
| **Upper Hutt city** | | |
| Business | 0.00200 | 21,139 |
| Residential | 0.00238 | 114,255 |
| Rural | 0.00079 | 5,352 |
| **Porirua city** | | |
| Business | 0.00346 | 33,180 |
| Residential | 0.00239 | 155,196 |
| Rural | 0.00072 | 3,746 |
| **Kapiti Coast district** | | |
| Urban | 0.00131 | 118,002 |
| Rural | 0.00071 | 11,506 |
| **Masterton district** | | |
| Urban | 0.00171 | 39,334 |
| Rural | 0.00061 | 14,182 |
| **Carterton district** | | |
| Urban | 0.00158 | 10,436 |
| Rural | 0.00057 | 8,295 |
| **South Wairarapa district** | | |
| Urban | 0.00190 | 19,266 |
| Rural | 0.00041 | 10,168 |
| **Total stadium purposes rate** | | **2,675,788** |

**Note:**
[1] 11 Rural properties in the Tararua District are within the boundaries of the Wellington region

Note that all figures on this page exclude GST

| Targeted rate: Wellington Regional Strategy (WRS) | 2015/16 $ per rating unit | 2015/16 Cents per $ of rateable capital value | 2015/16 Revenue sought $ |
|---|---|---|---|
| **Wellington city** | | | |
| Downtown city centre business | | 0.01106 | 799,017 |
| Business | | 0.01106 | 381,051 |
| Residential – per rating unit | $14.00 | | 968,898 |
| Rural – per rating unit | $28.00 | | 20,216 |
| **Lower Hutt city** | | | |
| Business | | 0.01086 | 357,338 |
| Residential – per rating unit | $14.00 | | 498,680 |
| Rural – per rating unit | $28.00 | | 13,496 |
| **Upper Hutt city** | | | |
| Business | | 0.01081 | 114,661 |
| Residential – per rating unit | $14.00 | | 202,496 |
| Rural – per rating unit | $28.00 | | 31,332 |
| **Porirua city** | | | |
| Business | | 0.01074 | 102,880 |
| Residential – per rating unit | $14.00 | | 233,562 |
| Rural – per rating unit | $28.00 | | 16,800 |
| **Kapiti Coast district** | | | |
| Business | | 0.01063 | 134,159 |
| Residential – per rating unit | $14.00 | | 283,094 |
| Rural – per rating unit | $28.00 | | 68,628 |
| **Masterton district** | | | |
| Business | | 0.01074 | 56,148 |
| Residential – per rating unit | $14.00 | | 108,010 |
| Rural – per rating unit | $28.00 | | 95,088 |
| **Carterton district** | | | |
| Business | | 0.01083 | 9,931 |
| Residential – per rating unit | $14.00 | | 29,498 |
| Rural – per rating unit | $28.00 | | 47,236 |
| **South Wairarapa district** | | | |
| Business | | 0.01057 | 19,603 |
| Residential – per rating unit | $14.00 | | 41,566 |
| Rural – per rating unit | $28.00 | | 77,616 |
| **Tararua district** – per rating unit | $28.00 | | 224 |
| **Total Wellington regional strategy rate** | | | **4,711,228** |

| Targeted rate: River management schemes 1 | | 2015/16 $ per hectare | 2015/16 Revenue sought $ |
|---|---|---|---|
| Waingawa | A | 138.19280 | 4,688 |
| | B | 89.82530 | 11,725 |
| | C | 69.09640 | 7,900 |
| | D | 62.18680 | 145 |
| | E | 55.27710 | 9,276 |
| | F | 48.36750 | 1,255 |
| | G | 20.72890 | 970 |
| | H | 13.81930 | 2,333 |
| | | | **38,292** |
| Upper Ruamahanga | A | 127.63360 | 11,011 |
| | B | 106.36140 | 701 |
| | C | 85.08910 | 10,194 |
| | D | 63.81680 | 1,124 |
| | E | 42.54450 | 12,600 |
| | F | 21.27230 | 839 |
| | S | 1,198.49030 | 3,116 |
| | | | **39,585** |
| Middle Ruamahanga | A | 125.83330 | 5,082 |
| | B | 104.86110 | 5,723 |
| | C | 83.88890 | 429 |
| | D | 62.91670 | 7,125 |
| | E | 41.94440 | 1,267 |
| | F | 20.97220 | 6,200 |
| | S | 1,269.00540 | 2,665 |
| | | | **28,491** |
| Lower Ruamahanga | A | 59.38640 | 7,456 |
| | B | 50.90260 | 2,740 |
| | C | 42.41880 | 9,490 |
| | D | 33.93510 | 10,808 |
| | E | 25.45130 | 8,232 |
| | F | 16.96750 | 20,770 |
| | SA | 1,489.09510 | 3,872 |
| | SB | 744.54760 | 1,266 |
| | | | **64,634** |

Note that all figures on this page exclude GST

| Targeted rate: River management schemes 1 | | 2015/16 $ per hectare | 2015/16 Revenue sought $ |
|---|---|---|---|
| Waiohine – rural | A | 44.91075 | 5,052 |
| | B | 37.42563 | 14,336 |
| | C | 29.94050 | 38,228 |
| | D | 22.45538 | 8,343 |
| | E | 14.97025 | 12,015 |
| | S | 748.51254 | 12,725 |
| | | | **90,699** |
| Mangatarere | A | 33.91780 | 728 |
| | B | 32.44310 | 6,799 |
| | C | 27.49230 | 434 |
| | D | 24.33230 | 1,748 |
| | G | 0.00000 | 0 |
| | | | **9,709** |
| Upper Mangatarere | A | 8.75232 | 775 |
| | B | 6.57181 | 183 |
| | C | 4.39038 | 231 |
| | | | **1,189** |
| Waipoua | A | 105.04910 | 9,192 |
| | B | 84.03930 | 25,239 |
| | C | 63.02950 | 1,415 |
| | D | 42.01960 | 12,490 |
| | SA | 3,550.66010 | 355 |
| | SC | 2,121.99210 | 212 |
| | | | **48,903** |

| Targeted rate: River management schemes 1 | | 2015/16 $ per hectare | 2015/16 Revenue sought $ |
|---|---|---|---|
| Kopuaranga | A2 | 122.71450 | 3,197 |
| | A3 | 110.44310 | 7,615 |
| | A4 | 61.35730 | 692 |
| | A5 | 42.95010 | 2,479 |
| | A6 | 24.54290 | 1,991 |
| | B2 | 24.54290 | 1,504 |
| | B3 | 22.08860 | 1,626 |
| | B4 | 12.27150 | 114 |
| | B5 | 8.59000 | 267 |
| | B6 | 4.90860 | 590 |
| | SA | 153.57000 | 768 |
| | SB | 76.79000 | 1,075 |
| | | | **21,918** |
| Lower Taueru | A | 3.79130 | 1,563 |
| | B | 0.75830 | 214 |
| | C | 0.37910 | 68 |
| | S | 189.56530 | 288 |
| | | | **2,133** |
| Lower Whangaehu | A | 17.91760 | 598 |
| | B | 14.33410 | 933 |
| | C | 10.75060 | 585 |
| | D | 7.16700 | 549 |
| | E | 3.58350 | 624 |
| | S | 89.58800 | 120 |
| | | | **3,409** |
| **Total river management scheme rates 1** | | | **348,962** |

| Targeted rate: River management schemes 2 | | 2015/16 $ per dwelling [1] | 2015/16 $ per point | 2015/16 Revenue sought $ |
|---|---|---|---|---|
| Lower Wairarapa valley | A | | 0.21900 | 632,651 |
| Development scheme | Sa | 17.24000 | | 7,189 |
| | Sb | 34.63000 | | 78,333 |
| **Total river management scheme rates 2** | | | | **718,173** |
| **Total river management scheme rates** | | | | **1,067,135** |

[1] "Separately used or inhabited part" (dwelling) includes any part of a rating unit separately used or inhabited by the owner or any other person who has the right to use or inhabit that part by virtue of a tenancy, lease, licence or other agreement. At a minimum, the land or premises intended to form the separately used or inhabited part of the rating unit must be capable of actual habitation, or actual separate use. To avoid doubt, a rating unit that has only one use (ie, it does not have separate parts or is vacant land) is treated as being one separately used or inhabited part (dwelling)

Note that all figures on this page exclude GST

| Targeted rate: Catchment schemes 1 | | 2015/16 $ per hectare | 2015/16 Revenue sought $ |
|---|---|---|---|
| Whareama | A | 4.25730 | 2,815 |
| | B | 1.63770 | 1,185 |
| | C | 0.28670 | 12,542 |
| | D | 0.24550 | 5 |
| | E | 0.20540 | 1 |
| | F | 0.16730 | 468 |
| | | | **17,016** |
| Homewood | A | 1.45100 | 3,413 |
| | B | 1.38410 | 628 |
| | C | 1.20960 | 4,032 |
| | D | 0.17280 | 303 |
| | | | **8,376** |
| Maungaraki | A | 0.86665 | 2,962 |
| | B | 0.40784 | 1,212 |
| | | | **4,174** |
| Upper Kaiwhata | A | 8.41550 | 353 |
| | B | 3.69380 | 290 |
| | C | 0.52560 | 481 |
| | D | 0.31550 | 561 |
| | E | 0.21010 | 393 |
| | F | 0.10510 | 47 |
| | | | **2,125** |
| Lower Kaiwhata | A | 14.04540 | 923 |
| | B | 6.14230 | 285 |
| | C | 0.87740 | 1,002 |
| | D | 0.52650 | 1,384 |
| | E | 0.35100 | 12 |
| | F | 0.17550 | 49 |
| | | | **3,655** |
| **Catchment management scheme 1 rates** | | | **35,346** |

Note that all figures on this page exclude GST

| Targeted rate: Catchment schemes 2 | | 2015/16 Cents per $ of rateable land value | 2015/16 Revenue sought $ |
|---|---|---|---|
| Awhea-Opouawe | Land value | 0.00016 | 9,800 |
| Mataikona-Whakataki | Land value within scheme ar | 0.00348 | 2,664 |
| **Catchment management scheme 2 rates** | | | **12,464** |

| Targeted rate: Catchment schemes 3 | | 2015/16 $ per dwelling [1] | 2015/16 Revenue sought $ |
|---|---|---|---|
| Awhea-Opouawe | Charge per dwelling | $114.54 / $57.27 | 8,820 |
| Maungaraki | Charge per dwelling | $30.86 | 586 |
| Mataikona-Whakataki | Charge per dwelling | $15.00 | 1,830 |
| **Catchment management scheme 3 rates** | | | **11,236** |

| Targeted rate: Catchment schemes 4 | | 2015/16 Cents per metre of river frontage | 2015/16 Revenue sought $ |
|---|---|---|---|
| Maungaraki | River frontage | 0.04080 | 1,116 |
| **Catchment management scheme 4 rates** | | | **1,116** |
| **Total catchment management scheme rates** | | | **60,162** |

[1] "Separately used or inhabited part" (dwelling) includes any part of a rating unit separately used or inhabited by the owner or any other person who has the right to use or inhabit that part by virtue of a tenancy, lease, licence or other agreement. At a minimum, the land or premises intended to form the separately used or inhabited part of the rating unit must be capable of actual habitation, or actual separate use. To avoid of doubt, a rating unit that has only one use (ie, it does not have separate parts or is vacant land) is treated as being one separately used or inhabited part (dwelling)

| Targeted rate: Pump drainage schemes | | 2015/16 $ per hectare | 2015/16 Revenue sought $ |
|---|---|---|---|
| Te Hopai | A | 74.77870 | 92,000 |
| Moonmoot pump | A | 116.44035 | 27,000 |
| Onoke pump | A | 140.26310 | 95,800 |
| Pouawha pump | A | 115.04416 | 103,426 |
| **Total pump drainage scheme rates** | | | **318,226** |

| Targeted rate: Gravity drainage schemes | | 2015/16 $ per hectare | 2015/16 Revenue sought $ |
|---|---|---|---|
| Okawa | A | 6.83280 | 1,976 |
| Taumata | A | 6.34310 | 1,834 |
| East Pukio | A | 27.31310 | 3,150 |
| Longbush | A | 15.65700 | 3,415 |
| | B | 7.82840 | 1,012 |
| Otahoua | A | 33.14550 | 3,000 |
| Te Whiti | A | 9.58000 | 1,348 |
| Ahikouka | A | 27.16690 | 3,048 |
| Battersea | A | 15.32370 | 2,573 |
| | B | 12.68730 | 2,354 |
| | C | 9.88630 | 3,081 |
| | D | 5.93170 | 912 |
| | E | 5.10780 | 1,041 |
| | F | 4.94310 | 371 |
| Manaia | A | 28.41470 | 4,900 |
| Whakawiriwiri | A | 13.26430 | 8,273 |
| **Total gravity drainage scheme rates** | | | **42,288** |

# Funding impact statement

## Rating mechanisms

| Funding mechanisms | Groups of activities funded | Valuation system | Matters for differentiation/categories of land | Calculation factor |
|---|---|---|---|---|
| General rate | All except water supply, public transport, Wellington Regional Strategy, Warm Greater Wellington and regional stadium | Capital value | Where the land is situated | Cents per dollar of rateable capital value |
| Targeted rates | | | | |
| Public transport | Public transport | Capital value | Where the land is situated and the use to which the land is put | Cents per dollar of rateable capital value |
| River management | Flood protection | Capital value/ land value | Where the land is situated | Cents per dollar of rateable capital value/land value |
| Stadium purposes | Investments | Capital value | Where the land is situated and the use to which the land is put | Cents per dollar of rateable capital value |
| Wellington Regional Strategy | Regional leadership | Capital value for business<br>n/a for residential<br>n/a for rural | Where the land is situated and the use to which the land is put<br>Where the land is situated and the use to which the land is put<br>Where the land is situated and the use to which the land is put | Cents per dollar of rateable capital value<br>Fixed dollar amount per rating unit<br>Fixed dollar amount per rating unit |
| Warm Greater Wellington | Regional leadership | Extent of service provided | Provision of service to the land | Extent of service provided calculated as a percentage of the service |
| Bovine Tb | Managing our environment | Land area | The area of land within each rating unit and provision of service to the land | Dollars per hectare |
| Possum/predator | Managing our environment | Land area | The area of land within each rating unit | Dollars per hectare |
| Wairarapa river management schemes | Flood protection | Land area/ inhabited parts/services provided | Where the land is situated (in some cases set under s146 of the Local Government (Rating) Act 2002 using approved classification and differential registers) and/or the benefits accruing through the provision of services and in some cases use | Dollars per hectare in the area protected or dollars per point attributed to each rating unit and in some cases a fixed charge per separately used or inhabited part (dwelling)[1] |
| Wairarapa catchment schemes | Flood protection | Land area/ land value/ inhabited part(s) | Where the land is situated (in some cases set under s146 of the Local Government (Rating) Act 2002 using approved classification and differential registers) and in some cases use and land value | Dollars per hectare or cents per metre of river frontage in the area protected and in some cases a fixed charge per separately used or inhabited part (dwelling) and cents per dollar of rateable land value[1] |
| Wairarapa drainage schemes | Flood protection | Land area | Where the land is situated (set under s146 of the Local Government (Rating) Act 2002 using approved classification and differential registers) | Dollars per hectare in the area protected |

## Differential on the general rate

There are no differentials on GWRC's general rate.
GWRC uses an estimate of projected valuation under section 131 of the Local Government (Rating) Act 2002 to recognise that valuation dates vary across the region.

## Uniform Annual General Charge

GWRC does not set a Uniform Annual General Charge.

[1] "Separately used or inhabited part (dwelling)" includes any part of a rating unit separately used or inhabited by the owner or any other person who has the right to use or inhabit that part by virtue of a tenancy, lease, licence or other agreement. At a minimum, the land or premises intended to form the separately used or inhabited part of the rating unit must be capable of actual habitation or actual separate use. To avoid doubt, a rating unit that has only one use (ie, it does not have separate parts or is vacant land) is treated as being one separately used or inhabited part (dwelling)

# Funding impact statement

Each rating unit is allocated to a differential rating category based upon location and/or land use for the purpose of calculating general rates or targeted rates based upon capital or land value. As GWRC rates are invoiced and collected by each of the territorial authorities in the Wellington region, Greater Wellington is limited to using rating categories based on those used by each of the territorial authorities. Set out below are the definitions used to allocate rating units into rating categories.

### Category 1 – rates based on capital or land value

| Location | Use | Description |
|---|---|---|
| **Wellington city** | Wellington city Downtown city centre business[1] | All rating units classified as commercial, industrial and business properties within the downtown area boundary, currently shown on the Downtown Levy Area map of Wellington city, as may be amended from time to time by Wellington city |
| | Wellington city business | All rating units classified as commercial, industrial and business properties in the rating information database for Wellington city outside the Downtown Levy Area map boundary |
| | Wellington city residential | All rating units classified as base (excluding rural and farm) in the rating information database for Wellington city |
| | Wellington city urban | All rating units classified as commercial, industrial and business properties in the rating information database for Wellington city outside the Downtown Levy Area map boundary and all Wellington city residential rating units |
| | Wellington city rural | All rating units sub-classified as rural or farm within the base category in the rating information database for Wellington city |
| **Hutt city** | Lower Hutt city business | All rating units not classified as residential, rural or community facilities in the rating information database for Lower Hutt city |
| | Lower Hutt city residential | All rating units classified as residential or community facilities in the rating information database for Lower Hutt city |
| | Lower Hutt city urban | All Lower Hutt city business and Lower Hutt city residential rating units |
| | Lower Hutt city rural | All rating units classified as rural in the rating information database for Lower Hutt city |
| **Porirua city** | Porirua city business | All rating units classified as business in the rating information database for Porirua city |
| | Porirua city residential | All rating units classified as residential in the rating information database for Porirua city |
| | Porirua city urban | All Porirua city residential and Porirua city business rating units |
| | Porirua city rural | All rating units classified as rural in the rating information database for Porirua city |
| **Upper Hutt city** | Upper Hutt city business | All rating units classified as business or utilities in the rating information database for Upper Hutt city |
| | Upper Hutt city residential | All rating units not classified as rural, business or utilities in the rating information database for Upper Hutt city |
| | Upper Hutt city urban | All Upper Hutt city business and Upper Hutt city residential rating units |
| | Upper Hutt city rural | All rating units classified as rural in the rating information database for Upper Hutt city |
| **Kapiti Coast district** | Kapiti Coast district urban | All rating units not classified in the rural rating areas for the Kapiti Coast district |
| | Kapiti Coast district rural | All rating units classified in the rural rating areas for the Kapiti Coast district |
| **Masterton district** | Masterton district urban | All rating units not classified as rural in the rating information database for the Masterton district |
| | Masterton district rural | All rating units classified as rural in the rating information database for the Masterton district |
| **Carterton district** | Carterton district urban | All rating units not classified as rural in the rating information database for the Carterton district |
| | Carterton district rural | All rating units classified as rural in the rating information database for the Carterton district |
| **South Wairarapa district** | South Wairarapa district urban | All rating units not classified as rural in the rating information database for the South Wairarapa district |
| | South Wairarapa district rural | All rating units classified as rural in the rating information database for the South Wairarapa district |
| | Greytown ward | All rating units classified in the rating area of the Greytown ward in the rating information database for the South Wairarapa district |
| | Greytown urban | All rating units classified in the urban area of Greytown in the rating information database for the South Wairarapa district. (Prefaced Nos 18400 and 18420) |
| | Featherston urban | All rating units classified in the urban area of Featherston in the rating information database for the South Wairarapa district. (Prefaced Nos 18440 and 18450) |
| **Tararua district** | | All rating units within the Tararua district area are classified as being within the boundaries of the Wellington region |



[1] See map on page 118 for Wellington city downtown city centre business area

# Funding impact statement

### Category 2 – rates based on land area

Some rates (either in whole or part) are allocated to additional differential rating categories (based on the area of land, provision of service or location) for the purpose of calculating the bovine Tb, possum/predator and Wairarapa schemes targeted rates.

Some schemes have an additional fixed charge per separate use or inhabited part.

Rating units subject to these rates are shown within an approved classification register for each scheme or a designed operational area for bovine Tb. For more information on whether your rating unit is allocated to one or more of these categories, please contact GWRC's Masterton office (see back cover).

All rural rating units of four or more hectares are subject to the possum/predator rate.

### Category 3 – Lower Wairarapa Valley Development Scheme rate

The Lower Wairarapa Valley Development scheme rate is a targeted rate allocated according to extent of services received (as measured in a points system) and in some cases an additional fixed charge per separately used or inhabited part.

Rating units subject to this rate are shown within an approved classification register for each scheme. For more information on whether your rating unit is located in this area and for the points allocated to your property, please contact GWRC's Masterton office (see back cover).

### Category 4 – Warm Greater Wellington rate

The Warm Greater Wellington rate is a targeted rate set on properties that have benefited from the installation of insulation provided by GWRC in respect of the property. The rate is calculated as a percentage of the service amount until the service amount and the costs of servicing the service amount are recovered.

# Funding impact statement

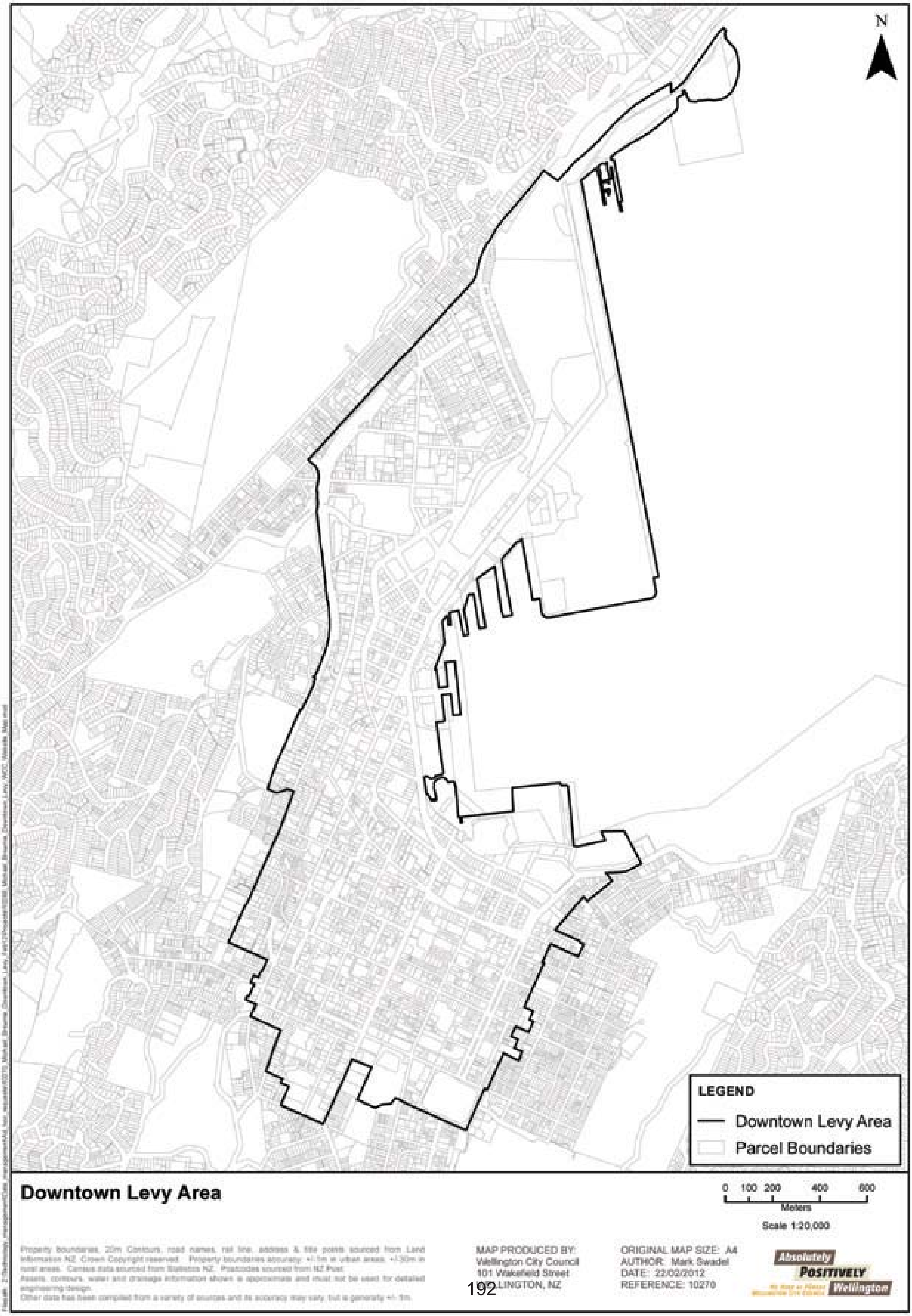
## Category 5 – Wellington Regional Strategy (WRS) rate

The WRS rate is a targeted rate allocated on a fixed-amount basis for residential and rural ratepayers, and capital value for businesses. For residential properties the fixed amount is $14 plus GST and rural properties $28 plus GST. This rate will fund the Wellington Regional Strategy activities and include funding of Grow Wellington, the region's economic development agency. See table below:

| Location | Use | Description |
|---|---|---|
| **Wellington city** | Wellington city downtown city centre business | As per differential category 1 |
| | Wellington city business | As per differential category 1 |
| | Wellington city residential | As per differential category 1 |
| | Wellington city rural | As per differential category 1 |
| **Lower Hutt city** | Lower Hutt city business | As per differential category 1 |
| | Lower Hutt city residential | As per differential category 1 |
| | Lower Hutt city rural | As per differential category 1 |
| **Porirua city** | Porirua city business | As per differential category 1 |
| | Porirua city residential | As per differential category 1 |
| | Porirua city rural | As per differential category 1 |
| **Upper Hutt city** | Upper Hutt city business | As per differential category 1 |
| | Upper Hutt city residential | As per differential category 1 |
| | Upper Hutt city rural | As per differential category 1 |
| **Kapiti Coast district** | Kapiti Coast district business | All rating units used for a commercial, business, industrial purpose or utility network activity in the Kapiti Coast district rating information database |
| | Kapiti Coast district residential | All rating units located in the urban rating areas except those properties which meet the classification of rural, commercial, business, industrial purpose or utility network activity and all community activities in the Kapiti Coast district rating information database |
| | Kapiti Coast district rural | All rating units located in rural rating areas except those properties that meet the classification of commercial, business, industrial purpose, utility network or community activity in the Kapiti Coast district rating information database |
| **Masterton district** | Masterton district business | All rating units classified as non-residential urban in the Masterton district rating information database |
| | Masterton district residential | All rating units classified as urban residential in the Masterton district rating information database |
| | Masterton district rural | As per differential category 1 |
| **Carterton district** | Carterton district business | All rating units classified as urban commercial, urban industrial or urban smallholding – greater than one hectare in the Carterton district rating information database |
| | Carterton district residential | All rating units classified as urban residential in the Carterton district rating information database |
| | Carterton district rural | As per differential category 1 |
| **South Wairarapa district** | South Wairarapa district business | All rating units classified as commercial in the South Wairarapa district rating information database |
| | South Wairarapa district residential | All rating units classified as urban in the South Wairarapa district rating information database |
| | South Wairarapa district rural | As per differential category 1 |
| **Tararua district** | | As per differential category 1 |

# Funding impact statement

For the purposes of the Wellington City Downtown City Centre Business targeted transport rate, the downtown area refers to the area described by the following Wellington City Downtown Levy Area Map as amended by Wellington City Council from time to time.



## Statement of Significant Accounting Policies

### 1. Reporting entity

GWRC is a regional local authority governed by the Local Government Act 2002. It has not presented group prospective financial statements because it believes that the parent prospective financial statements are more relevant to users.

The main purpose of prospective financial statements in the Long-Term Plan is to provide users with information about the core services that GWRC intends to provide ratepayers, the expected cost of those services and, as a consequence, how much GWRC requires by way of rates to fund the intended levels of service. The level of rates funding required is not affected by subsidiaries, except to the extent that GWRC obtains distributions from, or further invests in, those subsidiaries. Such effects are included in the prospective financial statements presented.

For the purposes of financial reporting, GWRC and its subsidiaries are designated as public benefit entities.

The subsidiary companies comprise WRC Holdings, Pringle House Ltd, Port Investments Ltd, which owns 76.9% of CentrePort Ltd, Greater Wellington Rail Ltd, Greater Wellington Transport Ltd, Greater Wellington Infrastructure Ltd.

GWRC also owns 20% of WREDA and Wellington Water Limited.

### 2. Statement of compliance

The prospective financial statements of GWRC have been prepared in accordance with the Local Government Act2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). The statements comply with FRS 42 Prospective Financial Statements as appropriate for public benefit entities. These prospective financial statements use forecast opening balances from the year ended 30 June 2015.

The preparation of financial statements in compliance with NZ GAAP requires management to make judgements, estimates and assumptions that affect the application of policies and projected amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These results form the basis of judgements on carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

## 3. Accounting policies

### Basis of preparation

The prospective financial statements are presented in New Zealand dollars, rounded to the nearest thousand, and have been prepared on an historical cost basis, except for investment properties, forestry assets, derivative financial instruments and certain infrastructural assets, which have been measured at fair value.

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

### Revenue recognition

Revenue is recognised when billed or earned on an accrual basis.

### Rates and levies

Rates and levies are a statutory annual charge and are recognised in the year the assessments are issued.

### Government grants and subsidies

GWRC receives government grants from NZ Transport Agency, which subsidises part of GWRC's costs in the provision of public transport subsidies to external transport operators and for capital purchases of rail rolling stock, rail stations and associated rail infrastructure within GWRC's subsidiary Greater Wellington Rail Ltd and transport network upgrades owned by the central government owned KiwiRail.

Grants and subsidies for operational activities are recognised as revenue when eligibility has been established by the grantor. Other grants and contributions from territorial local authorities are recognised in the Statement of Comprehensive Income when eligibility has been established by the grantor.

Grants and subsidies for finance costs and debt repayments for capital purchases are recognised as revenue in the year they are received.

Note: Revenue and expenditure associated with these capital purchases for other government entities are treated as operational revenue and expenditure in GWRC's accounts. To aid clarity these items are separately detailed in these financial statements as transport improvement revenue and transport improvement expenditure.

### Sale of goods

Revenue on the sale of goods is recognised when all risks are transferred to the buyer and there is no longer control or managerial involvement with the goods.

### Rendering of services

Revenue from services rendered is recognised by reference to stage of completion of the service.

### Dividends

Revenue from dividends is recognised on an accrual basis (net of imputation credits) once the shareholders' right to receive payment is established.

### Interest

Interest is accrued using the effective interest rate method. The effective interest rate method discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

**Other revenue**

Other income is also recognised on an accrual basis. Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in GWRC are recognised as revenue when control over the asset is obtained.

**Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred on an accrual basis.

**Property, plant and equipment**

Property, plant and equipment consists of operational and infrastructure assets. Expenditure is capitalised when it creates a new asset or increases the economic benefits over the total life of an existing asset. Costs that do not meet the criteria for capitalisation are expensed. The initial cost of property, plant and equipment includes the purchase consideration and those costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose.

**Property, plant and equipment are categorised into the following classes:**

- Operational land and buildings
- Operational plant and equipment
- Operational vehicles
- Flood protection infrastructural assets
- Transport infrastructural assets1
- Navigational aids infrastructural assets
- Parks and forests infrastructural assets
- Water supply infrastructural assets
- Capital work in progress

All property, plant and equipment are initially recorded at cost.

**Valuations**

Valuations for water supply, parks and forests, flood protection and transport infrastructural assets are carried out or reviewed by independent qualified valuers at regular intervals. Any increase in the value of a class of assets on revaluation is recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, if it offsets a previous decrease in value for the same asset recognised in the Statement of Comprehensive Income, then it is recognised in the Statement of Comprehensive Income. A decrease in the value of a class of assets on revaluation is recognised in the statement of comprehensive income where it exceeds the increase of that class of asset previously recognised in equity under the heading of revaluation surplus.

The remaining property, plant and equipment are recorded at cost, less accumulated depreciation and impairment. Cost represents the value of the consideration given to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service. All property plant and equipment, except land, are depreciated.

**Depreciation**

Depreciation is provided on a straight-line basis on all tangible property, plant and equipment, other than land and capital works in progress, at rates which will write off assets, less their estimated residual value over their remaining useful life.

The useful life of major classes of assets has been estimated as follows:

- Operational land and buildings - 10 years to indefinite
- Operational plant and equipment - 2 to 20 years
- Operational vehicles - 3 to 10 years
- Flood protection infrastructural assets - 15 years to indefinite
- Transport infrastructural assets - 5 to 50 years
- Navigational aids infrastructural assets - 5 to 50 years
- Parks and forests infrastructural assets - 10 to 100 years
- Water supply infrastructural assets - 3 to 150 years
- Capital work in progress is not depreciated.

Stopbanks included in the flood protection infrastructure asset class are maintained in perpetuity. Annual inspections are undertaken to ensure design standards are being maintained and to check for impairment. As such, stopbanks are considered to have an indefinite life and are not depreciated.

Rail rolling stock and stations are owned by Greater Wellington Rail Ltd

**Intangible assets**

Software is carried at cost, less any accumulated amortisation and impairment losses. It is amortised over the useful life of the asset (1-5 years).

**Impairment**

All assets are reviewed annually to determine if there is any indication of impairment. An impairment loss is recognised when its carrying amount exceeds its recoverable amount. Losses resulting from impairment are accounted for in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount, in which case any impairment loss is treated as a revaluation decrease.

**Recoverable amount**

The recoverable amount of an asset is the greater of the net selling price and value in use.

**Value in use**

Value in use for GWRC assets is calculated as being the depreciated replacement cost of the asset.

**Financial instruments**

GWRC classifies its financial assets and liabilities according to the purpose for which they were acquired. Financial assets and liabilities are only offset when there is a legally enforceable right to offset them and there is an intention to settle on a net basis.

**Financial assets**

GWRC's financial assets are categorised as follows:

- Financial assets at fair value accounted through the Statement of Comprehensive Income. Financial assets are classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Gains or losses on re-measurement are recognised in the Statement of Comprehensive Income.
- Financial assets at fair value accounted through equity. Financial assets are classified in this category if they were not acquired principally for selling in the short term. After initial recognition these assets are measured at their fair value. Any gains and losses are recognised directly in equity, except for impairment losses which are recognised in the Statement of Comprehensive Income.
- Available-for-sale financial assets are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are initially recorded at fair value plus transaction costs when that can be reliably estimated. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, are recognised directly through equity. If there is no active market, no intention to sell the asset and fair value cannot be reliably measured, the item is measured at cost.

  Fair value is equal to GWRC's share of the net assets of the entity. Upon sale, the cumulative fair value gain or loss previously recognised directly in equity, is recognised in the Statement of Comprehensive Income.
- Loans and receivables

  These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition they are measured at amortised cost using the effective interest method.

  Gains and losses when the asset is impaired or sold are accounted for in the Statement of Comprehensive Income.
- Held to maturity investments

  These are assets with fixed or determinable payments with fixed maturities that GWRC has the intention and ability to hold to maturity. After initial recognition they are recorded at amortised cost using the effective interest method. Gains and losses when the asset is impaired or settled are recognised in the Statement of Comprehensive Income.

  Cash and cash equivalents comprise cash balances and call deposits with up to three months maturity from the date of acquisition. These are recorded at their nominal value.

**Financial liabilities**

Financial liabilities comprise trade, other payables and borrowings. Financial liabilities with duration of more than 12 months are recognised initially at fair value, less transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method. Amortisation is recognised in the Statement of Comprehensive Income, as is any gain or loss when the liability is settled.

Financial liabilities entered into with duration of less than 12 months are recognised at their nominal value.

**Derivative financial instruments**

GWRC uses derivative financial instruments to manage exposure to interest rate and foreign exchange risks arising from our operational, financing and investment activities.

In accordance with its treasury policies, GWRC does not hold or issue derivative financial instruments for trading purposes. Derivatives are accounted for as trading instruments. Derivative financial instruments are initially recognised at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. For those instruments that do not qualify for hedge accounting, the gain or loss on remeasurement to fair value is recognised immediately in the Statement of Comprehensive Income.

The fair value of an interest rate swap is the estimated amount that GWRC would receive or pay to terminate the swap at balance date, based on current interest rates. The fair value of forward exchange contracts is their quoted market price at the balance date.

**Financial guarantee contracts**

A financial guarantee contract is a contract that requires GWRC to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to meet a payment when due.

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract is issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received a provision is recognised based on the probability that GWRC will be required to reimburse a holder for a loss incurred discounted to present value. The portion of the guarantee that remains unrecognised, prior to discounting to fair value, is disclosed as a contingent liability.

Financial guarantees are subsequently measured at the initial recognition amount less any amortisation. However, if GWRC assesses that it is probable that expenditure will be required to settle a guarantee, then a provision for the guarantee is measured at the present value of the future expenditure.

**Non-current assets held for sale**

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of carrying amount and fair value, less costs to sell.

Non-current assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.

**Inventories**

Inventories are valued at the lower of cost or net realisable value on a first-in first-out basis. The value of harvested timber is its fair value, less estimated point-of-sale costs at the date of harvest. Any change in value at the date of harvest is recognised in the Statement of Comprehensive Income.

**Income tax**

Income tax in the Statement of Comprehensive Income for the year comprises current and deferred tax. Income tax is usually recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity. In this case, that amount is recognised in equity.

Deferred tax is provided using the balance sheet liability method. This provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

**Foreign currency**

In the event that GWRC has any material foreign currency risk, it will be managed by derivative instruments to hedge the currency risk. Transactions in foreign currencies are translated at the foreign exchange rate at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into New Zealand dollars at the foreign exchange rate ruling at that date. Foreign exchange gains and losses arising on their translation are recognised in the Statement of Comprehensive Income.

**Employee entitlements**

A provision for employee entitlements is recognised as a liability in respect of benefits earned by employees but not yet received at balance date.

Employee benefits include salaries, annual leave and long-service leave.

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the Statement of Comprehensive Income as incurred. GWRC belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme. Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

**Provisions**

A provision is recognised in the balance sheet when GWRC has a present legal or constructive obligation as a result of a past event and it is probable that an amount will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

**Goods and services tax (GST)**

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated as GST inclusive.

**Leases**

GWRC leases office space, office equipment, vehicles, land and buildings. Operating lease payments, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are charged as expenses in the period in which they are incurred.

**Overhead allocation and internal transactions**

GWRC allocates overhead from support service functions on a variety of different bases that are largely determined by usage. The treasury operation of GWRC is treated as an internal banking activity. Any surplus generated is credited directly to the Statement of Comprehensive Income. Individual significant activity operating revenue and operating expenditure is stated inclusive of any internal revenues and internal charges. These internal transactions are eliminated in GWRC's prospective financial statements.

Democratic services costs have not been allocated to significant activities, except where there is a major, separate community of benefit other than the whole region, ie, water supply and transport.

**Equity**

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

The components of equity are accumulated funds and retained earnings, revaluation reserves and restricted funds.

**Statement of cash flows**

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which GWRC invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of GWRC and the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise change in equity and debt capital structure.

**Changes in accounting policies**

There have been no changes from the accounting policies adopted in the last audited financial statements.

Standards, amendments and interpretations that are not yet effective and have not been adopted early. No standards issued are considered to have a material future impact on GWRC.

**New Zealand Emission Trading Scheme**

New Zealand units (NZU's) received for pre 1990 forests are recognised at fair value on the date received. They are recognised as an asset in the Statement of Financial Position and income in the Statement of Comprehensive Income. The deforestation contingency is not recognised as a liability as there is no current intention of changing the land use. The estimated liability that would arise should deforestation occur has been estimated in the notes to the accounts.

NZU's in respect of post 1989 forest is recognised at fair value on the date received. As trees are harvested or carbon stocks decrease a liability and expense will be recognised for the NZUs to be surrendered to Government.

**Local Government Funding Authority**

The Council along with other shareholders guarantees the obligations of the NZLGFA. The guarantee will be initially recognised as a financial liability at fair value in the Statement of Financial Position and expense in the Statement of Comprehensive Income. The guarantee will be revalued using the expected default loss method.

The Council also has unpaid subscribed capital which can only be called if there is an imminent risk of default by the NZLGFA. A contingent liability is disclosed in the notes to the financial statement per NZ IAS 37.

**Borrower Notes**

When the Council borrows funds from the NZLGFA it is required to invest a small percentage back as borrower notes. Borrower notes are repaid when debts to the NZLGFA are due to be repaid. The borrower notes also have a conversion feature that NZLGFA can trigger if it remains at imminent risk of default after it has called all of its unpaid capital and has exercised its options for commitment shares. Borrower notes without the conversion feature are classified as loans and receivables as the notes will have fixed and determinable payments and will be quoted on an active market. The borrower notes will be initially recognised at fair value. Subsequent to initial recognition borrower notes will be measured with a fixed interest rate.

Borrower notes with the equity conversion option will be recognised at fair value as a derivative under NZIAS 39, with changes in fair value recognised in profit or loss.

# SECTION EIGHT – Policies

## Draft Revenue and Financing Policy

### Overview

This Revenue and Financing Policy is prepared in accordance with Sections 102 and 103 of the Local Government Act 2002 (LGA) and sets out how the Greater Wellington Regional Council (GWRC) intends to fund its operating and capital expenditure.

In developing this policy, the council has considered those matters set out in section 101(3) of the LGA in relation to all of its planned activities.

GWRC is permitted to use the funding mechanisms set out in Section 103(2) of the Local Government Act 2002. This section allows the following funding mechanisms to be used when funding operating and capital expenditure:

- General rates
- Targeted rates
- Grants and subsidies
- Interest and dividends from investments
- Fees, charges and other operating revenue
- Lump sum contributions
- Borrowings
- Proceeds from asset sales
- Development or financial contributions
- Any other source (including reserves)

### Approach to Rating

GWRC seeks to achieve a rating system that is fair, transparent, and simple, provides flexibility to respond to future needs, reflects the principle of user pays, and takes account of ability to pay.

In addition, GWRC's approach to rating is to:

- Provide GWRC with sufficient income to carry out the range of activities it has agreed with the community
- Provide a consistent approach to different categories of ratepayer across the region
- Ensure that all ratepayers contribute as fairly as possible to fund GWRC services.

GWRC is required to make decisions about the following in respect of general rates:

- Valuation system
- Differential rates
- Uniform Annual General Charge

**Valuation system**

GWRC uses capital value as its valuation system when allocating rates. Territorial authorities undertake property valuations in different years. To ensure properties are valued on the same basis in each territorial area, GWRC undertakes an equalised capital value (ECV) calculation. The movements in ECV reflect the extent to which capital values in each area have moved relative to each other.

### Differential rates

Rating differentials can be used to shift the incidence of rating between sectors or groups of ratepayers. GWRC does not use rating differentials for general rates.

### Uniform Annual General Charge (UAGC)

The Local Government (Rating) Act 2002 allows councils to collect up to 30% of their total rates requirement through flat rates charges, one of which is known as the Uniform Annual General Charge (UAGC). UAGC is a fixed amount per rating unit applied to all rating units regardless of property value. GWRC does not use a UAGC.

### Funding of operating expenditure

GWRC generally funds its operating expenditure out of operating revenue. Rates and levies are usually set at a level to ensure that GWRC achieves this objective. There may be circumstances where GWRC funds operating expenditure from sources other than its operating revenue. These are considered on a case by case basis. GWRC also receives operating revenue in the form of government grants for public transport.

### Funding of capital expenditure

GWRC primarily funds capital expenditure from borrowings, proceeds from asset sales and the use of reserves (sources other than operating revenue). However, operating revenue is used to fund interest on debt, as well as to repay debt principal.

GWRC has large infrastructural assets with long economic lives that yield long-term benefits (particularly water supply, flood protection and rail rolling stock). It also has strategic investment holdings. The use of debt is seen as an appropriate and efficient mechanism for promoting inter-generational equity between current and future ratepayers in relation to GWRC's assets and investments and ensuring annual rates and charges are set at a level to pay for the underlying assets used in service delivery.

There may be circumstances where GWRC considers funding capital expenditure from operating revenue. These are considered on a case by case basis.

## Funding mechanisms

GWRC has two main types of funding mechanisms available to fund expenditure:

- Operating revenue
- Other funding sources

## Operating revenue

### General rate

General rates are set to fund activities that reflect "public good" with a broad whole of region benefit. They are distinct from targeted rates, which are intended to recover costs of particular activities that benefit particular groups. General rates fund activities such as:

- Resource management
- Land management

- Biodiversity management
- Pest management
- Harbour management
- Visitor services
- Understanding flood risk
- Maintaining flood protection and control works
- Improving flood security
- Emergency management
- Democratic services
- Relationship with Māori
- Regional transport planning and programmes
- Regional initiatives

GWRC's general rates requirement is reduced by revenue generated from investment and treasury activities.

General rates are apportioned across the whole region on an equalised capital value basis and then set according to the current rateable capital value of each city or district. GWRC does not charge general rates on a differential basis, nor does it levy a Uniform Annual General Charge.

**Targeted rates**

*(a) Transport rate*

The transport rate funds GWRC's net expenditure (after deducting fare and Central Government contributions) for the region's public transport services, including public transport operations, infrastructure and marketing activities. This rate is apportioned principally on the basis of a surrogate congestion charge. The transport rate to be recovered from each territorial authority area is set on the basis of capital values.

*(b) River management rates*

River management rates are set in Lower Hutt, Upper Hutt, Porirua, Wellington, Kāpiti Coast and Carterton districts, Greytown ward, Greytown urban and Featherston urban rating areas. River management rates are allocated on a uniform capital or land value basis on all rateable land within the defined boundaries. The river management rates fund local community contributions to river maintenance and flood protection improvements. There is also a region-wide contribution from the general rate.

*(c) Stadium purposes rate*

This rate meets GWRC's annual costs of servicing and repaying the monies raised to fund its contribution to the Wellington Regional Stadium Trust. The rate is based on a differential capital value, reflecting direct and indirect benefits to different areas and classes of ratepayers. Ratepayers of cities and districts more distant from the Stadium contribute proportionally less.

*(d) Regional possum/predator control rate*

This rate is set on all rural rateable properties with a land area of 4ha or more to control predators and possums in areas not included in the Animal Health Board's bovine Tb control programme. There is also a region-wide contribution from general rates.

### *(e) Wairarapa scheme rates (river management, catchment and drainage)*

GWRC sets rates on specific properties within some 30 river management, catchment and drainage schemes in the Wairarapa constituency.

Generally, these rates are made on a differential land area basis. They are apportioned to reflect the benefit to each separately rateable property in the part of the district benefiting from the scheme, on the basis of the area and the classification of the property as it appears in the approved classification register. As with river management rates, river management and catchment scheme rates fund local community contributions to river maintenance and flood protection improvements. There is also a region-wide contribution from general rates.

### *(f) Wellington Regional Strategy (WRS) rate*

GWRC supports the WRS through a dedicated office and also part-funds the activities of the Wellington Regional Economic Development Agency (WREDA)a Council Controlled Organisation jointly owned by Wellington City Council (80% shareholding) and GWRC (20% shareholding). WREDA carries out economic development in the region. The rate is charged on a uniform basis to residential and rural ratepayers. Businesses are charged on a capital value basis.

### *(g) Warm Greater Wellington home insulation rate*

The Energy Efficiency and Conservation Authority (EECA) provide grants to part-fund retrofitting of home insulation and/or clean heat appliances. As part of this scheme GWRC also makes funds available for some or all of the remaining costs of the project. If such funds are made available they will be recovered over 10 years (or sooner if certain criteria are met) by a way of a targeted rate set on those properties benefiting from the funding. This rate will meet GWRC's costs of servicing and repaying the monies raised to fund this programme over the life of the programme.

**Bovine Tb vector control rate**

In the past there has been a rate set on rateable land with an area of 4ha or more where there are current control programmes in place or where Tb has recently been eradicated. A 2014 funding review of the *National Bovine Tb Plan* recommended that the current 'regional share' provided by regional councils should be discontinued and, instead, collected via two existing industry commodity levies and an increased contribution by the Crown. GWRC has agreed to support this recommendation and propose, therefore, to discontinue rating for pest management relating to controlling bovine Tb.

## Government subsidies

The main source of government subsidies received by GWRC is funding from NZ Transport Agency (NZTA) for regional transport. NZTA provides nationally funded road user subsidies reflecting the benefits to road users and the social benefits of public transport activities and regional transport planning and programmes. GWRC also receives a government subsidy in recognition of the national benefit from its civil defence emergency management activity.

## Interest and dividends

GWRC has a number of investments ranging from equity investments to financial investments (refer to the Treasury Risk Management Policy).

*Dividends received*

GWRC receives dividends from its equity investments, primarily from its operating subsidiaries held through the WRC Holdings Group. Dividend revenues are ultimately used to reduce general rates.

*Interest received*

GWRC receives interest from its financial investments, mainly deposits and special funds. Revenue earned from GWRC's deposits is used to reduce general rates. Revenue earned on special funds is added to each fund. These funds have been set up primarily for self-insurance purposes.

**Fees, charges and other operating revenue**

GWRC receives a variety of fees, charges and other operating revenue. Other operating revenue includes, but is not limited to:

- Charges to commercial harbour users for navigation and communication services
- Charges for the processing and monitoring of resource consents
- Charges to landowners for contribution to land management activities on their land
- Charges to territorial authorities and utility companies for water supply services
- Charges to territorial authorities for pest management activities on their land
- Rent received on properties owned by GWRC and leased to third parties
- Contributions from NZTA and territorial authorities and gravel extraction revenue for flood protection activities
- Sales from the Akura Conservation Centre
- Management fees for providing administrative support to our council controlled organisations
- Fees received from the use of GWRC assets
- Council fees

## Other funding sources

**Borrowing**

GWRC raises external debt primarily for the following purposes:

- To fund GWRC's capital expenditure programme
- To manage timing differences between cash inflows and outflows and to maintain appropriate liquidity
- To fund one-off projects (eg, GWRC's involvement in the Stadium)
- To fund other investment activity as appropriate (generally when the benefit is considered to be greater than one year)

GWRC approves the overall borrowing programme for each financial year during the annual planning process.

**Proceeds from asset sales**

GWRC generally uses proceeds from the sale of assets and investments to repay debt, unless it determines otherwise. The main exception is where GWRC intends to replace the asset. In this instance, proceeds from the sale are used to help fund the replacement of that asset.

**Reserves**

From time to time GWRC uses surplus funds from previous years (in the form of reserves) to fund expenditure. There is a formal process for establishing and using these specific reserves which is undertaken as part of the annual reporting and planning process. GWRC does not hold reserves in the form of cash assets.

Reserves are used to reduce external borrowing, therefore reducing interest expense. When reserves are required to be used, new debt is raised to fund expenditure.

## Groups of Activities

GWRC used the statutory considerations listed in Section 101(3) of the Local Government Act 2002 prior to identifying appropriate sources of funding.  These considerations are set out for each activity as follows:

### Primary community outcomes

Each group of activities contributes primarily to achieving one or more of these community outcomes:

- Strong economy
- Connected community
- Resilient community
- Healthy environment
- Engaged community

### Distribution of benefits

The beneficiaries and type of benefit (individual, group, direct, indirect, etc) of each activity are identified.

### Timeframe of benefits

The period in, or over, which the benefits are expected to occur is identified. The timeframe is most often “ongoing,” although several activities involve “intergenerational equity” (benefits from a current activity that will accrue to future generations).

### Contributors to need for activity

Any individuals or groups are identified who, through their action, or inaction, contribute to the need to undertake the activity. This consideration is generally “not applicable”.

### Costs and benefits of funding activity distinctly

The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.

After giving consideration to the above, GWRC considers the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental and cultural wellbeing of the community. In doing so, it considers equity, efficiency and inter-generational equity.

A summary of this rationale for funding for GWRC activities is included in the tables below.

## Activities

| Activity | Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|---|
| **Regional leadership** | | | | | |
| **Wellington Regional Strategy** | Strong economy | The primary beneficiaries for this activity are people and organisations in the regional community. They benefit through economic growth in the region. Economic growth includes the creation of new jobs and more opportunities for businesses to establish and expand. | Ongoing | Not applicable | A dedicated rate is justified as the funds raised are significant and the whole region pays a reasonable share of the costs.<br><br>Targeted rates provide transparency and accountability for this activity that is distinct from GWRC's other activities, and is carried out on behalf of all the region's local authorities.<br><br>A fixed charge basis for non-business ratepayers distributes the costs to this group equitably, recognising the benefits of this activity to these ratepayers.<br><br>A capital value rating basis is weighted towards higher value properties (for businesses) which is a fair basis for the collection of revenue where businesses will receive proportional benefits. |
| Wellington Regional Strategy funding:<br><br>100% targeted rate | | | | | |

| Activity | Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|---|
| **Emergency management** | Resilient community | The individuals and groups who benefit from this activity include regional and national communities who benefit directly from the maintenance of a response capability and from planning for major emergency events. | Ongoing | Not applicable | Not applicable |
| Emergency management funding:<br><br>Nearly 100% funding from general rates for GWRC's share, and a government grant in recognition of the national benefit for the remainder. | | | | | |
| **Democratic services** | Engaged community | Democracy is a public good whose benefits accrue to, or are shared by, the people, communities, and organisations of the entire region.<br><br>GWRC acts in the best interests of the Wellington region as a whole. The people of the region benefit through representation at a regional level and involvement in regional decision making, and by having an advocate for the regional community. | Ongoing | Not applicable | Not applicable |
| Democratic services funding:<br><br>The majority of this activity is funded from general rates, with the remaining funding coming from the specific areas of regional transport and regional water supply, where the majority of funding is derived from targeted rates and levies respectively. | | | | | |

| Activity | Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|---|
| **Relationships with Māori** | Engaged community | The beneficiaries are the community as a whole, GWRC and tangata whenua. The community benefits from the enhanced opportunity provided to Māori to participate in decisions that affect them and the wellbeing of the whole community.<br><br>GWRC benefits through greater access to tangata whenua and their increased ability to provide input to GWRC and to assist with its work.<br><br>Tangata whenua benefit from increased resources which enable them to participate and also from the collective forum which provides a regular opportunity for collective discussion. | Ongoing | Not applicable | Not applicable |

Relationships with Māori funding:

The majority of this activity is funded through general rates because of the public good component of this work. The remaining funding comes from the specific areas of public transport and water supply, where the majority of funding is derived from targeted rates and levies respectively.

| Activity | Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|---|
| **Regional transport planning and programmes** | Connected community, strong economy, healthy environment | People and organisations in local communities benefit directly from transport planning undertaken in their area.<br><br>People and organisations in the regional community benefit directly from a planned land transport system that supports the economy.<br><br>Those members of the national community who use the Wellington region land transport system also benefit directly.<br><br>People and organisations for whom travel plans are prepared.<br><br>Communities for which travel plan programmes are implemented.<br><br>People and organisations that use the roads benefit from less congestion as others make the choice to use alternative transport modes.<br><br>Everyone benefits from a safer transport. | Ongoing | Not applicable | Not applicable |

Regional transport planning and programmes funding:

A nationally funded road-user contribution reflecting the national interest plus the remainder from general rates.

| Activity | Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|---|
| **Regional initiatives** | Strong economy | The primary beneficiaries are people and organisations in the regional community. They benefit through the contribution that these strategies and plans make to increase the sustainable development and resilience of the region.<br><br>The primary beneficiaries of the EECA home insulation scheme are ratepayers who take advantage of this scheme to insulate their homes, resulting in warmer homes and/or lower energy costs. | Ongoing | Not applicable | Not applicable |
| Regional initiatives funding:<br><br>100% general rates for plans/strategies<br><br>100% targeted rates on properties that benefit from the home insulation and clean heat scheme | | | | | |

| Activity | Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|---|
| **Wairarapa water use project** | Strong economy, resilient community, healthy environment | If the project is found to be environmentally and economically viable and advances to full feasibility there will be economic benefits to Wairarapa communities and the wider Wellington region through increased agricultural productivity.<br><br>There would also be environmental benefits through the active management of the effects of land use change on water quality as part of the project. | Ongoing | Not applicable | If the project progresses through to construction it is likely that water users will pay for the water through a mix of fixed charges and levies based on the amount of volume used. |
| Wairarapa water use project funding:<br><br>50% funded by general rates<br><br>50% funded by central government’s Irrigation Acceleration Fund | | | | | |

| Activity | Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|---|
| **Public transport** | Connected community, strong economy, healthy environment | Road users benefit directly through less congested roads.<br><br>Public transport users benefit directly by travelling to their destination for a subsidised fare, and from more frequent and better quality services.<br><br>People in the region benefit indirectly through reduced pollution (reduced car emissions) and the existence of a public transport system as an alternative transport option.<br><br>Roading authorities benefit from reduced wear and tear on their networks and delayed construction of new roads.<br><br>The transport disadvantaged, including people with disabilities, benefit directly by obtaining transport services.<br><br>Family and friends of those with disabilities benefit indirectly by less need to “taxi” people with disabilities. | Significant capital costs are incurred in providing this activity and thus there are significant inter-generational equity considerations – future generations benefit from capital expenditure made now.<br><br>Other benefits are ongoing. | Cumulative costs as a result of congestion and pollution by road users raising the need for an alternative.<br><br>Road operators may contribute to congestion and pollution (and associated costs) through poor road design or poor traffic management.<br><br>Businesses and residents expect and demand the existence of a certain level of public transport services in the region. | The total sum raised by targeted transport rates is considerable. As they are collected in conjunction with general rates the marginal cost of collection is very minor, fully justifying a distinct funding source. |

Public transport funding:

GWRC uses the following funding allocations in respect of expenditure on public transport services, except for Total Mobility:

- A target of 45%-50% user charges
- The remainder from a community contribution (national and regional).

This community contribution is funded as follows:

- The maximum contribution from Crown agencies, primarily New Zealand Transport Agency (NZTA), reflecting the benefits to road users and social services (this contribution ranges from 50%-100%, depending on the type of service)
- The balance of the community contribution is from a GWRC contribution funded via a targeted rate. 95% of the rates required are for congestion relief and concessionary and are set as follows:

| | |
|---|---|
| Inter-district services: | Inter-district services include all rail costs and a portion of the cost of bus services that connect with rail.<br><br>20%-25% of rates required for inter-district services are borne by the Wellington CBD with the remainder borne equally by ratepayers in the district of origin and the district of destination using census journey to work statistics.<br><br>Within Wellington city, 10% of inter-district destination trips are allocated to ratepayers outside of the CBD. |
| Intra-district services: | Intra-district services include all ferry costs and bus costs that have not been apportioned to inter-district costs.<br><br>The rates required for intra-district services are borne by the ratepayers in the district that services operate in.<br><br>A cost apportionment is made where services travel through more than one district.<br><br>Within Wellington city 50% of intra-district trips are allocated to the Wellington CBD. |

| | |
|---|---|
| Rural discount | A discount of 75% is given to rural properties. |
| Allocation within districts | Within districts, costs are allocated on rateable capital values. |
| Social services | 5% of the rates required are for social services and are allocated as follows:<br>• The rates required are borne by ratepayers across the region<br>• A discount of 25% is given for Kāpiti<br>• A discount of 70% is given for Wairarapa<br>• A discount of 75% is given to rural properties<br>Within districts, costs are allocated on rateable capital values |

GWRC uses the following funding allocations in respect of Total Mobility:

- A target of 50% user charges
- The remainder from a community contribution (national and regional)

This community contribution is funded as follows:

- The maximum contribution from NZTA (this contribution is currently 60%)
- The balance is from a GWRC contribution funded via a targeted rate set as follows:
    - The rates required are borne by ratepayers across the region
    - A 50% discount is given to rural properties
    - Within districts, costs are allocated on rateable capital values

Rates required for planning the public transport network, providing information about public transport services, promoting services, network-wide infrastructure and administration are apportioned across ratepayer groups based on the weighted average of total allocated rates.

GWRC plans to review the way it funds the rates share of public transport in 2015. Any proposed changes to the funding of public transport as a result of this review will be consulted on at that time before any incorporation into this Revenue and Financing Policy.

## Public transport:

**Congestion relief**

GWRC is of the view that a congestion charge should be levied on users of congested roads. It is estimated that 85% of public transport services contribute to congestion relief. GWRC's strategic transport model shows that congestion pricing could completely remove the need for subsidies for peak public transport services. However, there is no legal framework for GWRC to levy, or to have others levy, a congestion charge on motorists. Accordingly, the funding needs to come from a surrogate for users of congested roads.

Surrogates for congestion pricing considered were: charging based on peak time origin/destination travel statistics, charging people in their district of origin, charging businesses in the district of destination, carpark charges, and general rates across the region. (GWRC notes that none of the proposed surrogates force road users to face the full cost of road use. The surrogates thus provide an incentive to road users to live further away and let others meet a component of their travel costs.) Charging ratepayers based on peak time origin/destination travel statistics is used as a reasonable surrogate for charging the users of congested roads. Allocations are generally made on a territorial authority district basis, with Wairarapa being treated as one district. Journeys are considered on a door-to-door, whole trip basis.

People travelling to and from the central business district (CBD) of Wellington city are a major cause of congestion. Travel statistics from the latest national census show over 30% of peak hour travel movements in the region are to the CBD. Therefore, a proportion of congestion costs is charged directly to the CBD.

**Concessionary travel**

Public transport provides a reduced cost travel option for the transport disadvantaged, including children and the elderly. Under the SuperGold Card Travel Scheme, central government funds off-peak travel for people over 65 and for those receiving a veteran's pension.

Many young people travel to and from school using public transport. This reduces the need for parents to drive their children to school and hence has a congestion benefit. Accordingly, the ratepayer contribution for concession fares is levied using the same surrogate used for congestion, ie, peak time origin/destination travel statistics.

It is estimated that 10% of services contribute to concessionary travel.

**Social services**

Public transport services provide a social good as they:

- Provide an option for those members of the community who are unable to travel by private means, for example by their own car
- Provide a travel option as an alternative or back-up to other means of transport
- Improve safety and health
- Reduce air, noise and visual pollution, including greenhouse gas emissions
- Reduce energy use

These social benefits contribute to the overall economic, social and environmental wellbeing of the region, making it a more attractive location for industry and for people to live in.

Because there are generally fewer public transport services available in Kāpiti and Wairarapa, ratepayers in those areas receive a discount on the social services component of the transport rate.

High rural capital values, and the inability to distinguish between farms and lifestyle blocks and residential housing, mean that if targeted rates were struck uniformly, then they would be disproportionate to the relative benefits that most rural ratepayers receive. Accordingly, a reduction of the transport rate is applied to rural capital values.

It is estimated that 5% of services contribute to social benefits.

**Total Mobility**

The cost of providing Total Mobility services exceeds the ability of people with disabilities to pay for them, so communities must contribute. In general, people with disabilities are a consistent proportion of the population. Accordingly, the amount to be collected from a community for Total Mobility should be allocated by relative population or by using actual costs, where known.

People in rural areas use Total Mobility services but not as much as people living in the urban areas. In recognition of this, a rural discount is applied.

**Charging for Park & Ride carparks**

Currently, 30% of rail commuters use Park & Ride carparks provided by GWRC. A charge could be considered in the future to:

- Provide funding to cover the cost of providing and maintaining the carparks, including associated security services (patrols and CCTV)
- Discourage those living in close proximity to the carparks from driving to the station (a 2002 survey showed that 50% of users travelled from within 1.85 km of a station)
- Encourage users to consider other modes of travel to the station where these are available and practicable (eg, using a connecting bus service, walking and cycling)
- Manage demand. The ability of GWRC to provide additional parking spaces in line with growing rail patronage and demand is limited by the availability of land in close proximity to stations

Parking charges would be levied directly on the users of the carparks and become part of the user charge for public transport services. Charges would be set at a level that remained substantially cheaper than parking in the Wellington CBD, and would take into account the total cost of the trip so that public transport remained a competitive travel mode. Charges could be introduced on a trial basis and may be targeted at certain carparks where demand exceeds supply.

| Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|
| **Water supply** | | | | |
| Strong economy, resilient community, healthy environment | People in the cities of Lower Hutt, Porirua, Upper Hutt and Wellington benefit directly from the supply of high quality, potable water, treated to the Ministry of Health's drinking water standards | There is significant capital expenditure and thus there are inter-generational equity effects | Not applicable | A water levy on the four customers is a cost effective collection mechanism recognising the singularity of this function |

Water supply funding:

The funding policy is prescribed by the Wellington Regional Water Board Act 1972. The costs of operating the water supply system are apportioned to the cities based on the individual city's proportion of total water deliveries.

Water supply discussion:

GWRC is of the view that pricing should reflect the fixed and variable costs of supplying each customer, the short run marginal costs of supply and all other costs.

The Wellington Regional Water Board Act 1972 constrains the ability of GWRC to price the services to reflect the costs of supply. The four cities have previously advised they are of the unanimous view that the current charging methodology is the most appropriate for the medium term.

| Activity | Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|---|
| **Environment** | | | | | |
| **Resource management**<br>Policy and planning | Healthy environment | The primary beneficiaries for this activity are people and organisations in the regional community. They benefit through the sustainable management of the region's resources. | Ongoing | Not applicable | Not applicable |
| Resource management<br>Policy and planning funding:<br>100% general rates | | | | | |
| **Resource management**<br>Environmental regulation - resource consent service | Healthy environment | The beneficiaries of this activity (applicants and consent holders) can be readily identified and can be charged | Ongoing | Resource consent applicants, consent holders and submitters all drive the need for this activity | Charges can be administered cost effectively. There is no alternative funding mechanism that would be a reasonable proxy. |

| Activity | Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|---|
| Resource management (environmental regulation)<br>Resource consent service funding:<br>Resource consent processing service:<br>• Up to 90% user charges<br>• Remainder general rates (costs of appeals, etc)<br>Advice to the public:<br>• 100% general rates<br>Discussion:<br>The advice GWRC gives to the public is general, not specific. A user charge might serve as a disincentive to seeking advice or information, which could lead to a mismanagement of resources, affecting the regional community. Accordingly, GWRC considers advice should be provided at no cost because of the environmental and community benefits. | | | | | |
| **Resource management**<br>Compliance and enforcement | Healthy environment | The beneficiary of this activity is the regional community because non-compliance is identified and the environment is protected. | Ongoing | Consent holders drive the costs as their activities need to be monitored. | Charges can be administered cost effectively. There is no alternative funding mechanism that would be a reasonable proxy. |

| Activity | Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|---|
| Resource management<br>compliance and enforcement funding:<br>Compliance monitoring service:<br>• Up to 50% user charges<br>• At least 50% general rates (investigations and legal costs) | | | | | |
| **Resource management**<br>Pollution prevention and control | Healthy environment | The beneficiary of this activity is the regional community because the environment is protected by ensuring an early response to pollution events. | Ongoing | The businesses or individuals who cause problems which need to be addressed drive the need for this enforcement activity. | Not applicable |
| Resource management<br>Pollution prevention and control funding:<br>100% general rates, less any cost recovery from enforcement or legal action.<br>Discussion:<br>GWRC believes that any businesses or individuals who cause environmental damage should pay to rectify the problems they have caused. However, it is often not possible to recover costs from those responsible and, in practice, the legal cost of enforcement action far exceeds fines recovered. | | | | | |

| Activity | Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|---|
| **Resource management** environmental science<br>State of Environment monitoring | Healthy environment | The regional community is the primary beneficiary of this activity since the information is used by GWRC to develop policies and plans to manage the region's natural physical resources and report on the efficiency and effectiveness of these plans. | Ongoing | Consent holders who are using a resource that is under pressure contribute to the need for this activity. | Not applicable |
| Resource management (environmental science)<br>State of Environment monitoring funding:<br>100% general rates, less state of the environment monitoring charges paid by some consent holders. | | | | | |

| Activity | Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|---|
| **Land management**<br>Farm Plans<br><br>This includes:<br>Sustainability and property plans (Farm Plans)<br>Farm Environment Plans<br>Commercial consultancy service<br>The Wellington Regional Erosion Control Initiative (WRECI)<br>See SECTION FIVE of the supporting information document for a full description of land management activities. | Healthy environment, strong economy | Private landowners benefit directly from property protection and stabilised soil, and the maintenance of a long-term productive asset.<br>The local community benefits directly, as the sub-activity reduces flood risk, improves water quality and addresses other downstream problems (a considerable benefit in erosion-prone areas). It also protects infrastructure.<br>The regional community benefits indirectly through preserved landscapes, improved water quality and enhanced local ecology. | Soil conservation benefits start to accrue five to seven years after planting and the income from a wood lot may take up to 30 years after planting.<br><br>Accordingly, landowners do not see a cash benefit for a considerable time, if at all, and may not make appropriate decisions about work required. | Private landowners drive the costs as past land management practices have not always been sustainable. However, it is often not the current landowner who caused the problems. For example, past government policies sometimes resulted in unsustainable land management practices.<br>Hill country farming is only sustainable when appropriate protection methods are used. There is a demand from landowners to maximise returns, even on relatively small blocks of land. | The significant beneficiaries are required to pay a reasonable share of the costs. |

<table>
<tr><th>Activity</th><th>Primary Community Outcome</th><th>Distribution of benefits</th><th>Timeframe of benefits</th><th>Contributors to the need for activity</th><th>Costs and benefits of distinct funding</th></tr>
<tr><td colspan="6">Land management<br><br>Farm plans funding:<br><br>Farm Plans<br><br>• 60% to 70% user charge / 30% to 40% general rate<br><br>Farm Environment Plans<br><br>• 50% user charge / 50% general rate<br><br>WRECI Plans<br><br>• 40% user charge / 30% crown funding / 30% general rate<br><br>Consultancy – all costs are to be funded by way of direct payment by those who seek the service. Typically, GWRC’s operational staff supervises contractors to do the work. A service fee on services delivered by the contractors pays for the costs of GWRC’s supervision.</td></tr>
</table>

| Activity | Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|---|
| **Land management**<br>Catchment schemes | Healthy environment, strong economy | Private landowners benefit directly from property protection, stabilised soil, flood protection and the maintenance of a long-term productive asset. The wider community benefits directly through reduced flood risk, improved water quality and better infrastructure protection.<br>The regional community benefits indirectly through preserved landscapes, improved water quality, and enhanced local ecology. | Soil conservation benefits start to accrue five to seven years after planting and consolidation of river management works has a similar timeframe.<br>Accordingly, ratepayers do not see benefits for a considerable time. | Private landowners drive the cost as past land management practices have often been unsustainable. However, it is often not the current landowner who caused the problems. For example, past government policies sometimes resulted in unsustainable land management practices within catchments, leading to increased erosion and flooding. | The significant beneficiaries are required to pay a reasonable share of the costs, e.g. scheme rates. |

Land management catchment schemes funding:

Catchment schemes

- Up to 50% general rates
- The balance of costs (i.e., to 100%) met via targeted or scheme rates or direct contribution from both the direct beneficiaries and the beneficiaries in the economic catchment area

Discussion:

GWRC believes that the benefits to the region are similar to those enjoyed by local scheme ratepayers and the district ratepayers. Strong emphasis on sustainable land management, river management, flood protection and biodiversity ensures that a regional contribution is considered to be appropriate.

| Activity | Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|---|
| **Land management**<br>Soil conservation reserves | Healthy environment, strong economy | Private landowners benefit directly from reduced flood risk, less soil deposition and better protection of infrastructure.<br>The local community benefits directly through reduced flood risk, improved water quality and better infrastructure protection.<br>The regional community benefits indirectly through preserved landscapes, improved water quality, and enhanced local ecology. | Ongoing | Not applicable | Not applicable |
| Land management<br>soil conservation reserves funding:<br>100% general rates | | | | | |

| Activity | Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|---|
| **Land management**<br>Akura conservation centre | Healthy environment, strong economy | Private landowners benefit directly from quality material and advice from nursery staff. The local community benefits directly from landowners implementing soil conservation programmes, thereby ensuring that sustainable land management is a developing ethic within the region.<br>The regional community also benefits indirectly through preserved landscapes, improved water quality, and enhanced local ecology. | Ongoing | Not applicable | Not applicable |
| Land management<br>Akura conservation centre funding:<br>100% user charges | | | | | |
| **Land management**<br>Land management advice | Healthy environment, strong economy | Private landowners benefit through the use of sustainable land use practices.<br>The regional community benefits by having its land used sustainably. | Ongoing | Not applicable | Not applicable |

| Activity | Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|---|
| Discussion Land management<br>GWRC believes that those who benefit most from land management activities should pay the greater part of the cost. However, it is GWRC’s policy to encourage soil conservation for erosion-prone soil types through plans and biodiversity measures; therefore a regional contribution is considered appropriate. | | | | | |
| **Biodiversity management** | Healthy environment | Private landowners benefit from having indigenous ecosystems protected and enhanced.<br>The regional community benefits from having rare and endangered indigenous ecosystems protected and enhanced, as well as from improved water quality, reduced flood risk and enhanced recreational opportunities. | Ongoing | Not applicable | Not applicable |
| Biodiversity management funding:<br>100% general rates, except for the Key Native Ecosystems programme which receives 10% of its overall funding from participating city and district councils.<br>Discussion<br>GWRC believes that protection and enhancement of indigenous ecosystems provides a range of benefits to the regional community. These benefits exceed those available to individually affected landowners. Therefore, regional funding is appropriate to fund these services. | | | | | |

| Activity | Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|---|
| **Pest management**<br><br>Regional pest management strategy | Healthy environment, strong economy | Private landowners benefit by reduced loss of pasture and crops, reduced damage to trees and shrubs and better production.<br><br>The regional community benefits by reduced spread of unwanted pest damage to high value ecosystems.<br><br>The regional community benefits by the flow–on economic effects of improved production systems. | Ongoing | Not applicable | Not applicable |
| Pest management<br><br>Regional pest management strategy funding:<br><br>100% general rates. | | | | | |

| Activity | Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|---|
| **Pest management**<br>Regional possum predator control (RPPCP) | Healthy environment, strong economy | Private landowners benefit by reduced loss of pasture and crops, reduced damage to trees and shrubs and better production.<br>The regional community benefits by reduced spread of unwanted pest damage to high value ecosystems.<br>Cattle and deer farmers in operational areas benefit by reducing the risk of bovine Tb re-entering wildlife vectors and spreading the disease to farmed animals. | Ongoing | Not applicable | Not applicable |

Pest management

Regional possum predator control (RPPCP) funding:

- 40% targeted works and services rate (land area) on all rateable properties 4ha and over
- 60% general rates

<table>
<tr><th>Activity</th><th>Primary Community Outcome</th><th>Distribution of benefits</th><th>Timeframe of benefits</th><th>Contributors to the need for activity</th><th>Costs and benefits of distinct funding</th></tr>
<tr><td>Harbour management<br>Navigational aids and communications service</td><td>Strong economy</td><td>Recreational users benefit directly by avoiding natural and other hazards (eg, collisions).<br>Commercial shipping and commercial fishing owners and operators benefit directly by avoiding natural and other hazards (eg, collisions) – they also enjoy a direct commercial benefit.</td><td>Ongoing</td><td>Not applicable</td><td>Collection of user-charges via CentrePort Ltd is a cost-effective funding mechanism that is appropriately targeted.</td></tr>
<tr><td colspan="6">Harbour management<br>Navigational aids and communications service funding:<br>• 40% from the general rates for non-commercial users<br>• 60% from user charges on commercial shipping<br>Note: CentrePort Ltd collects user charges from commercial shipping on GWRC’s behalf.<br>Discussion:<br>Maritime New Zealand has investigated a number of systems for charging non-commercial users for navigational aids and found them to be impractical.</td></tr>
<tr><td>Harbour management<br>Enforce maritime safety regulations and educate people about water safety</td><td>Resilient community</td><td>The regional community benefits from having safe harbours and coastal waters available for their use.</td><td>Ongoing</td><td>Those actively using harbours and coastal waters for recreational purposes contribute to the need for this activity.</td><td>Not applicable</td></tr>
</table>

| Activity | Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|---|
| Harbour management<br>Enforce maritime safety regulations and educate people about water safety funding:<br>100% general rates<br>Discussion:<br>While GWRC believes that recreational users of the harbour should pay, it is not practical to collect user charges or to levy recreational users or swimmers because the transaction costs are too high. | | | | | |
| Harbour management | Healthy environment | Commercial harbour users benefit directly from a clean marine environment, and through shorter duration of pollution (thus avoiding delays and loss of business).<br>Recreational harbour users benefit directly from a clean marine environment and shorter duration of pollution.<br>The regional community benefits from a clean marine environment and shorter duration of pollution | Ongoing | The polluters create the need for any clean-up activities and services | Not applicable |

<table>
<tr><th>Activity</th><th>Primary Community Outcome</th><th>Distribution of benefits</th><th>Timeframe of benefits</th><th>Contributors to the need for activity</th><th>Costs and benefits of distinct funding</th></tr>
<tr><td colspan="6">Harbour management<br>Clean up of oil spills funding:<br>Standing costs:<br>• 5% general rates (for recreational users) / 95% user charges (paid via Maritime New Zealand as an agent for all shipping)<br>Pollution clean-up costs are fully recovered from the polluter (any costs that cannot be recovered to be funded by general rates).<br>Note: Maritime New Zealand pays the direct standing costs (no overheads) on behalf of all shipping. It also provides the capital items (equipment, etc.)<br>Discussion<br>It is not feasible to levy recreational harbour users.</td></tr>
</table>

| Activity | Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|---|
| **Flood protection and control works** | | | | | |
| **Understanding flood risk** | Resilient community | Ratepayers in the floodplain area (residents and businesses) directly affected by the planning and subsequent works benefit directly through avoiding the risk of floods and potentially through increased property values.<br><br>Owners and providers of infrastructure (telephone, roads, rails, etc.) including territorial authorities, also benefit directly through avoiding damage to their assets.<br><br>Ratepayers in the surrounding economic "catchment" adjacent to the floodplain benefit indirectly through their association with the area affected by the flood protection scheme.<br><br>The regional community also benefits indirectly through protection of their means of access around the region. (However this benefit should be addressed through the owners of the infrastructure). | Future generations will benefit from implementation of the plans. The planning work is funded by loans repaid over time. | Not applicable | Not applicable |

| Activity | Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|---|
| Understanding flood risk funding:<br><br>100% funded by general rates. | | | | | |
| **Maintaining flood protection and control works**<br><br>**Improving flood security** | Resilient community | Ratepayers in the floodplain (residents and businesses) in the area directly affected by the planning and subsequent works benefit directly through avoiding the risk of floods and potentially through increased property value.<br><br>Owners and providers of infrastructure (telephone, roads, rails etc.) (including territorial local authorities) also benefit directly by avoiding damage to their assets.<br><br>Ratepayers in the surrounding economic "catchment" adjacent to the floodplain benefit indirectly through their integration with the area affected by the flood protection scheme.<br><br>The regional community also benefits indirectly through protection of their means of access around the region. (However this benefit should be addressed through the owners of the infrastructure) | Significant capital costs are incurred in providing this service and thus there are significant intergenerational equity considerations – future generations benefit from capital expenditure made now | Not applicable | A targeted or scheme rate is a cost-effective mechanism that makes sure that significant beneficiaries of the activity pay their reasonable share of the cost. |
| Maintaining flood protection and control works | | | | | |

| Activity | Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|---|
| Improving flood security<br><br>Funding:<br>• GWRC sets two rates on a scheme-by-scheme basis (combined capital and operations):<br>• Up to 50% general rates from the regional community<br><br>The balance of costs (i.e., to 100%) met via targeted rates on the local authority area or via scheme rates or direct contribution from both the direct beneficiaries on the floodplain and the beneficiaries in the economic catchment area<br><br>Note: Where a utility provider makes a contribution for protection of infrastructure assets, the revenue is directly applied to alleviate the scheme's costs. | | | | | |

## Flood Protection:

**Funding issues**

In relation to ability to pay and equity across the region, GWRC is concerned about the ability of direct beneficiaries (residents and businesses) to pay for the majority of the costs of flood protection. Addressing ability to pay requires an element of regional funding. The difficulty with using funding by the region to address ability to pay concerns is that it is a transfer of costs from one group to another. Since flood protection raises property values, residents in the region are paying for services that raise other residents' property values.

In relation to valuing safety and security, GWRC values the protection of all residents and businesses in the region from the risk of flooding and from the associated effects of dislocation, stress and trauma, as well as from losses to the region's productive capacity. However, the downside of spreading costs across the region can be that residents and businesses on the floodplain do not have the appropriate incentives to weigh up the costs of flood protection works against the level of risk. GWRC has decided that it is appropriate for the whole region to pay for some of the protection for those areas at risk from flooding because of these wider considerations.

In relation to environmental and amenity benefits, GWRC has decided that it is appropriate for the regional community to contribute to flood protection strategies which are designed (at additional cost) to comply with environmental or amenity conditions (eg, not disturbing the river during trout spawning and riverbank planting requirements).

Sense of community: GWRC has decided that it is appropriate for a regional contribution to be made in recognition of the value that each area of the region contributes to the overall wellbeing of the total region.

Summary of source of funding issues: GWRC has decided that, because of the wider regional considerations previously outlined, it is appropriate that the region contributes up to 50% towards the costs of flood protection works through general rates. GWRC considers that the importance of these regional issues to each flood protection works may vary between schemes and that some flexibility is needed for GWRC to determine the proportion of funding from general rates up to a maximum of 50%.

**Feasibility issues**

Surrogates: in practice, it may not be realistic to precisely identify either direct beneficiaries on the floodplain or indirect beneficiaries in the economic catchment, and proxies will need to be used. Also, it may not be feasible for GWRC to recoup costs from some types of direct beneficiaries and so a surrogate may need to be found for these benefits too.

Residents and businesses on the floodplain: in theory, the direct beneficiaries on the floodplain can be identified and rated accordingly through a combination of mapping and GWRC's knowledge and judgement. However, this approach is currently not considered to be cost effective in all circumstances and GWRC has decided to use the local authority boundary as a surrogate for direct beneficiaries, in some cases.

Economic catchment: a reasonable surrogate for the economic catchment adjacent to the floodplain can be taken to be the local authority.

Community facilities: there are a number of significant properties, for example schools and hospitals, which have a Crown exemption and do not pay rates. Here, there is a considerable risk to both property and life but many of those with lives at risk are not likely to be able to provide their own security. GWRC has decided that the indirect beneficiaries, ie, the regional community, should pay for protection of community facilities.

**Summary of feasibility issues**

GWRC has decided for practical reasons to continue its general practice of not distinguishing between the direct beneficiaries on the floodplain and the indirect beneficiaries in the economic catchment area, and to treat these as one group.

| Activity | Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|---|
| **Flood warning service** | Resilient community | Ratepayers in the floodplain (residents and businesses) in the area.<br><br>Owners and providers of infrastructure (telephone, roads, rails etc.) (including territorial local authorities) also directly benefit.<br><br>Ratepayers in the surrounding economic "catchment" adjacent to the floodplain benefit indirectly through their integration with the area affected by the flood protection scheme.<br><br>The regional community also benefits indirectly through knowing where flooding may occur. | Ongoing | Not applicable | Not applicable |
| Flood warning service funding:<br><br>100% General Rates | | | | | |

| Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|
| **Parks** | | | | |
| Healthy environment<br><br>Engaged community | Individuals who use the parks benefit directly.<br><br>The regional community benefits from preservation of regionally significant landscapes, forests and heritage features for future generations.<br><br>The national community benefits from preservation of nationally significant landscapes, forests and heritage features for future generations. | There are significant intergenerational benefits from maintaining the present network | Not applicable | Not applicable |

Parks funding:

- 90% general rates / 10% user charges for organised events, leases, license fees and added value services

Note: New land and infrastructure is loan-funded (serviced 100% by general rates).

Discussion:

Funding by a regional contribution is considered appropriate because it is not feasible to identify and charge users. A specific charge is only feasible for value-added services such as events and camping facilities. Government funding will be sought to cover areas that affect the national interest over and above that of the regional community.

| Activity | Primary Community Outcome | Distribution of benefits | Timeframe of benefits | Contributors to the need for activity | Costs and benefits of distinct funding |
|---|---|---|---|---|---|
| **Other rates funding** | | | | | |
| **Westpac Stadium** | Strong economy | The degree of indirect benefit derived from the multipurpose regional stadium by any category of property in different parts of the region has been assessed by GWRC as follows:<br>• 70% – benefits arising from flow-on economic activity from the Stadium through increased business and employment opportunities<br>• 20% – benefits arising from the opportunity to attend events at the Stadium which would not otherwise be held in Wellington<br>• 10% – other benefits arising from publicity for the region, civic pride, critical mass in tourism, promotion of increased participation in sport and physical leisure and ability of the region to attract new residents and businesses<br>GWRC took into account the following features for different parts of the region:<br>• Net equalised capital value | There are significant inter-generational equity considerations as the facility will be available for future generations. For reasons of inter-generational equity and transparency, this funding requirement was met by way of loans over 20 years, fully serviced and funded by a targeted rate. Ratepayers are made fully aware of their annual contribution to the provision of a stadium, and those who benefit over the life of the asset contribute to it. | Not applicable | A dedicated rate is justified as the funds raised are significant, the costs of collection are reasonable and the distribution of benefit is particular. |

| | | | | | |
|---|---|---|---|---|---|
| | | • Type of employment by industry<br>• Average travel times to the Stadium<br>• Population<br>• Average household incomes | | | |

Westpac Stadium funding:

The contribution by GWRC to the Stadium Trust is funded by commercial loans, which are serviced by a 100% targeted (stadium purposes) rate on the indirect beneficiaries. The rate is struck across the region on a differential basis to reflect the benefits derived from the provision of the stadium to different classes of ratepayer in different parts of the region.

# Significance and Engagement Policy

## Purpose

This policy is required under **Section 76AA** of the Local Government Act 2002. It sets out:

- How Greater Wellington Regional Council will assess the relative importance of decisions or matters in terms of the likely impact or consequence
- How Greater Wellington Regional Council will engage with the community as part of the decision-making process.

## General approach

a. Engaging with the community is important to understand the views and preferences of people likely to be affected by or interested in a proposal or decision.

b. The degree of importance of proposals and decisions, and the appropriate level of engagement, will be considered in the early stages of the decision making process and, if necessary, reconsidered as a proposal develops.

c. The level of engagement with the community will reflect the significance of the proposal and the need for public involvement.

## Determining significance

d. Greater Wellington Regional Council will consider each proposal or decision in relation to issues, assets and other matters on a case-by-case basis to determine its significance.

e. When determining the **degree of significance**, Greater Wellington Regional Council will consider the extent to which the matter:

   (i) is likely to affect the current and future social, economic, environmental and cultural well-being of the Wellington region

   (ii) is likely to affect residents or ratepayers (proposals with a moderate impact on a large number of residents or ratepayers, or proposals with a major impact on a small number of residents or ratepayers will have greater significance than those of a minor impact)

   (iii) has a history of generating public concern within the Wellington region or New Zealand generally

   (iv) is likely to affect Greater Wellington Regional Council's capacity to perform its role (proposals that affect Greater Wellington Regional Council's capacity to perform its role and carry out its existing activities, now and in the future, will have greater significance than those that do not).

f. Greater Wellington Regional Council will consider a decision or other matter to be **significant** if it is assessed to:

   (v) have a high degree of significance (based on an assessment of the factors set out above); or,

   (vi) it meets any one or more of the following criteria:

      - The proposal substantially affects Greater Wellington Regional Council's ability to deliver the levels of service outlined in its Long-Term Plan
      - The proposal results in the transfer of ownership or control of a strategic asset as defined by the Act or listed in this policy (see Schedule 1).

g. Greater Wellington Regional Council officers will use decision-making guidelines to assist them to provide advice to the Council on the significance of decisions.

## Engagement

### Special consultative procedure

h. The Council will use the Special Consultative Procedure (as set out in section 83 of the LGA 2002) where required to do so by law (Refer to Table 3 of Schedule 2 to this policy).

### Engagement on all other matters

i. Any consultation that is carried out by Greater Wellington Regional Council will be in accordance with the principles of consultation set out in section 82 of the Act.

j. Greater Wellington Regional Council will carry out consultation on those matters or decisions where required to do so by law.

k. Where not required by law to consult on a particular matter or decision, the need for consultation and the appropriate extent and form of any engagement will be assessed and determined by Greater Wellington Regional Council on a case by case basis.

l. In general, the more significant an issue, the greater the need for community engagement.

m. Matters that are in accordance with Greater Wellington Regional Council's Long-Term Plan, or are specified within another policy or plan that has been subject to public consultation as required by the Act or other legislation will not usually require further engagement.

n. The 'Community Engagement Approach' (Schedule 2 to this policy) provides further guidance as to the approach that Greater Wellington Regional Council will take in determining the appropriate level and method of engagement and how this responds to community preferences on engagement.

### Engagement with Māori

o. Greater Wellington Regional Council has appropriate processes for consulting with Māori.[1]

### Reporting

p. Every report to the Council (or its committees) that seeks a decision will include a statement of the significance of the decision and any engagement that is proposed or has been undertaken, assessed under this policy and in accordance with the relevant guidelines.

q. When Council makes a decision that is significantly inconsistent with this policy, the steps identified in Section 80 of the Local Government Act 2002 will be undertaken.

### Feedback

r. Information relating to the final decision will be provided in a form appropriate to the significance of that decision and the level and form of the engagement.

[1] A Greater Wellington Regional Council Māori Engagement Strategy is currently being developed on a similar timeframe to the development of the 2015 Greater Wellington Regional Council 10 Year Plan.

## SCHEDULE 1– STRATEGIC ASSETS

Section 5 of the Local Government Act defines "strategic asset" as including the following:

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

Assets and groups of assets that Greater Wellington Regional Council holds and considers to be strategic assets are:

- Greater Wellington Regional Council’s regional bulk water supply network, including storage lakes, treatment plants, pipelines and reservoirs
- Greater Wellington Regional Council’s flood protection assets on the region’s major waterways, including stopbanks
- Greater Wellington Regional Council’s regional parks and forests network (including water supply catchments)
- Greater Wellington Regional Council’s plantation and reserve forest lands (taken as a whole)
- Greater Wellington Regional Council’s ownership interest in CentrePort Limited (being the shares held by Port Investments Limited)
- Greater Wellington Regional Council’s harbour navigation aids and communications systems (taken as a whole)
- Greater Wellington Regional Council’s rail rolling stock and other rail infrastructure required for the operation of the passenger rail system in the region (taken as a whole) held via the WRC Holdings Group.

In addition, Greater Wellington Regional Council is a joint settlor with the Wellington City Council of the Wellington Regional Stadium Trust and although it has no ownership interest in the Stadium Trust, Greater Wellington Regional Council considers the stadium to be a strategic asset of the region.

A decision to transfer ownership or control of a strategic asset cannot be made unless it has first been included in the Long-Term Plan (and in a statement of proposal relating to the Long-Term Plan).

Acquisition or disposal of a component of a strategic asset will not trigger this provision, unless it is considered that the component is an integral part of the strategic asset and that its acquisition or disposal would substantially affect the operation of the strategic asset.

# SCHEDULE 2 – COMMUNITY ENGAGEMENT APPROACH

## Engagement approach

Community engagement is a process, involves all or some of the community and is focussed on decision-making or problem-solving. GWRC recognises the value of community engagement and uses the following definition:

*Community engagement is the process of ensuring that communities of people within our region are able to be involved through a range of mechanisms in the planning, development and delivery of programmes and services affecting their communities. It includes the provision of timely, accessible and complete information; appropriate forms of consultation; and enabling communities to actively participate in influencing decision-making and service delivery where applicable.*

GWRC has adopted a public participation spectrum to demonstrate the possible types of engagement with the community, adapted from work of the International Association for Public Participation. This model shows the increasing level of public impact as you progress through the spectrum from left to right - 'informing' through to 'collaborating'. 'Informing' stakeholders has no expectation of receiving feedback, and consequently there is a low level of public impact.

At the other end of the spectrum, 'collaborating' with stakeholders implies an increase in expectations and therefore an increased level of public impact.

Differing levels of engagement may be required during the varying phases of decision-making on an issue, and for different stakeholders.

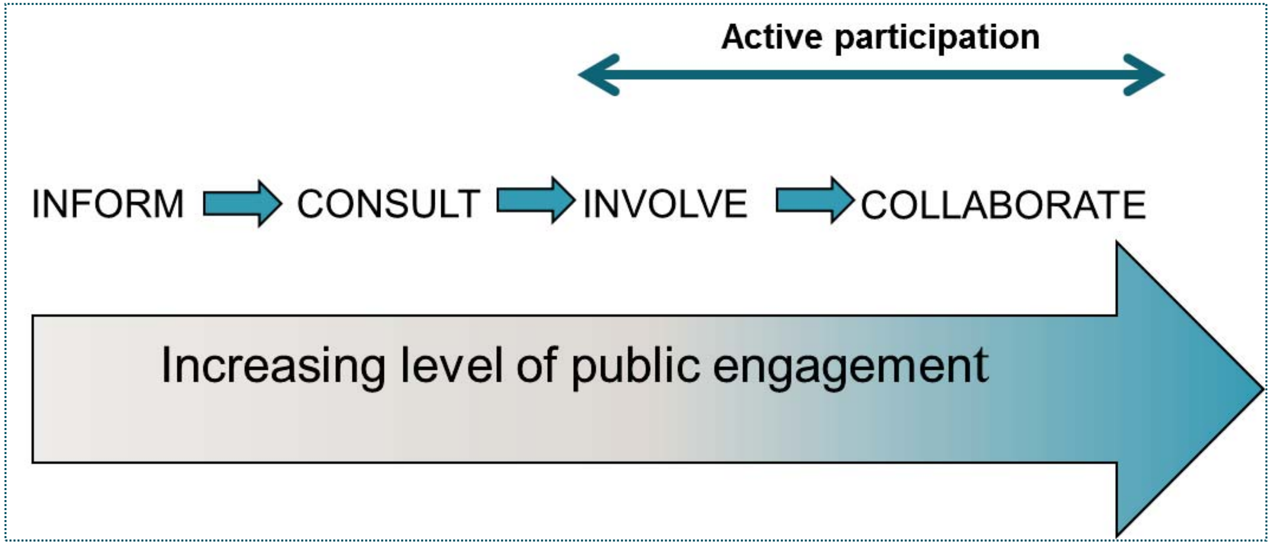



**Figure 1: public participation spectrum**

In general, the more significant an issue, the greater the need for community engagement.

## Community preferences for engagement

Community views about consultation and engagement preferences were sought as part of the 10 Year Plan development process.

The feedback received included:

- For *major initiatives and decisions*, there was a clear preference for online engagement tools. However, some people would still like to use formal submission and hearing processes or focus groups and community workshops for these matters. Around 10% of respondents preferred consultation to be kept to a minimum.
- For *other initiatives and decisions*, there is a lower preference for formal submissions and hearings and more respondents would prefer consultation to be kept to a minimum.
- Need for more representative methods of obtaining views and feedback – such as surveys - to ensure views of majority are better reflected and consultation is not dominated by small groups of individuals or interest groups.
- Need for time efficient engagement tools to enable more people to contribute.
- Need to have options for those without access to the internet to provide feedback.
- Early and open minded engagement before options are developed and decisions made were sought by some, who felt consultation processes are not always meaningful.

GWRC will have regard to these preferences when considering the appropriate engagement method for a particular matter.

**Table 1: Characteristics and examples of different levels of engagement**

| Inform | Consult | Active participation | |
|---|---|---|---|
| | | Involve | Collaborate |
| One-way communication providing information that is accurate, relevant and easy to understand about something that is going to happen or has happened. | Two-way process designed to obtain public feedback about issues and proposals initiated and defined by GWRC to inform decision-making. | Two-way participatory process which involves working directly with community members. Participants have opportunity to actively identify issues and options to ensure that their concerns and aspirations are understood and considered prior to decision-making. | Working in partnership with the community in each aspect of the decision-making process, to ensure understanding of all issues and interests and develop alternatives and identify preferred solutions. |
| **Example –**<br>*Issue*: Household emergency plans and preparedness<br>*Tools*: Leaflets, local newspaper articles, website information<br>*When*: Following the development of information and guidance | **Example –**<br>*Issue:* Annual Plan<br>*Tools:* Submissions and hearings process<br>*When:* When a draft Plan has been developed | **Example –**<br>*Issue:* Parks Network Plan amendment - Baring Head/Ōrua-pouanui<br>*Tools:* Focus groups and online discussion forum to identify issues and develop options.<br>*When:* At an early stage, prior to a draft plan being developed. | **Example –**<br>*Issue*: Regional Plan development<br>*Tools*: Whaitua Committee approach – form of community advisory committees<br>*When*: Regularly throughout the process |

## Potential engagement tools and techniques

The following table has been developed to provide examples of the differing levels of engagement techniques that might be considered appropriate, and the types of tools that may be used at each level. The engagement techniques and particular tool/s for that technique will be decided on a case by case basis as appropriate. The technique considered appropriate may not be the highest level available within the range highlighted by the arrows below. For example, for a proposal deemed to be of medium of high significance the council may determine that consultation by way of surveys is sufficient.

**Table 2: Examples of possible engagement methods**

| COMMUNITY ENGAGEMENT TECHNIQUES | SIGNIFICANCE | | |
|---|---|---|---|
| | Low | Med | High |
| **1. Informing** | | | |
| • Posters, newsletters, postcards, advertising and publications<br>• Local newspaper press releases, publications, radio and TV interviews<br>• Public meetings, open days, exhibitions<br>• Website or email updates<br>• Social media updates via Twitter, Facebook, podcasts | | | |
| **2. Consulting** | | | |
| • Submissions and hearings processes<br>• Surveys, feedback form, polls<br>• Interviews<br>• Citizens panels, focus groups<br>• Public meetings or surgeries | | | |
| **3. Involving** | | | |
| • Meetings and workshops with interested parties to identify issues and shape options<br>• Public visioning events, ideas competitions<br>• Consensus conference (questioning experts before making recommendation)<br>• Workshops, roadshows, world café<br>• Online discussion forums<br>• Citizens' juries and panels | | | |
| **4. Collaborating** | | | |
| • Community advisory committee<br>• Consensus building and participatory decision making forums | | | |

**Table 3: Mandatory consultation**

| *Type* | *Applies* | *Engagement method* |
|---|---|---|
| **Special consultative procedure**<br><br>(Refer to s 83 of the LGA 2002) | ▪ When adopting or amending our long-term plan<br>▪ When making, amending or revoking bylaws that are likely to involve significant interest or significant impact on the public<br>▪ When legislation other than the Local Government Act 2002 requires that it be used, e.g. section 36(2) of the Resource Management Act 1991. | ▪ Prepare and adopt a statement of proposal (and summary if necessary)<br>▪ Make the statement of proposal publically available, along with information about how the community can present their views and the relevant timeframe (not less than one month)<br>▪ Distribute the proposal (and summary if applicable) as widely as is practical<br>▪ Provide an opportunity for views to be presented to Greater Wellington Regional Council via spoken/sign language means, which may include via an audio or audio-visual link. |
| **Other consultation specifically required by the LGA 2002** - regardless of its level of significance | ▪ When transferring responsibilities between a regional council and a territorial authority<br>▪ When proposing to establish a council-controlled organisation<br>▪ When adopting an annual plan (which differs significantly from the content of the long-term plan)<br>▪ Adopting or amending a policy under sections 102, 106,108-110  of the LGA 2002 revenue and financing policy, development contributions policy, financial contributions policy, rates remission policy, rates postponement policy, or a policy on the remission or postponement of rate on Māori freehold land<br>▪ When proposing to dispose part of a protected regional park in accordance with section 139 of the Act<br>▪ When prescribing a fee or charge<br>▪ When making, amending or revoking bylaws, which have not been identified as being of significant interest or impact<br>▪ When adopting or amending its significance and engagement policy | ▪ The engagement will be carried out in accordance with the six principles set out in Section 82 of the LGA2002<br>These can be summarised as:<br>- providing people with reasonable access to relevant information<br>- encouraging people to present their views<br>- giving clear information on the purpose and scope of the consultation<br>- providing reasonable opportunities for people to present their views to the local authority<br>- receiving those views with an open mind<br>- providing submitters with information relating to the decision.<br>▪ Information will be developed fulfilling the requirements of Section 82A of the LGA 2002<br>▪ The engagement level will be at the ‘consult’ level described in Table 1 above as a minimum.<br>▪ The appropriate method of engagement will be selected following consideration of a number of factors such as those outlined in Table 4 below and section 82(4). |

**Table 4: Other non-mandatory consultation**

| *Type* | *Applies* | *Engagement method* |
|---|---|---|
| **Other non-mandatory consultation** | ▪ When the views of the community need to be better understood in relation to any other matter or decision where consultation is not specifically identified by the LGA 2002 or other Act(s). | ▪ The engagement will be carried out in accordance with the six principles set out in Section 82 of the LGA 2002<br>▪ The method of engagement will depend on a number of factors and circumstances, such as:<br>- Who is affected, interested in, or likely to have a view on the issue<br>- Whether community interest is high<br>- The extent to which the community views on the matter are known<br>- The significance of the matter<br>- Whether there is any good reason for withholding information<br>- The costs and benefits of any consultation process<br>- The community’s preferences for engagement<br>- The circumstances in which the decision is taken or the issue arose.<br>▪ In some cases, the assessment of the above factors may lead to the conclusion that no engagement is required for a particular matter or decision. |

## Definitions

| | |
|---|---|
| Community | A group of people living in the same place or having a particular interest in common. This includes:<br>• Communities of place (towns, suburbs, neighbourhoods)<br>• Communities of interest (special interest groups). |
| Decisions | Refers to all the decisions made by or on behalf of Council including those made by officers under delegation. |
| Engagement | Community engagement is the process of ensuring that communities of people within our region are able to be involved through a range of mechanisms in the planning, development and delivery of programmes and services affecting their communities. It includes the provision of timely, accessible and complete information; appropriate forms of consultation; and enabling communities to actively participate in influencing decision-making and service delivery where applicable. |
| Significance | As defined in Section 5 of the LGA2002 "in relation to any issue, proposal, decision, or other matter that concerns or is before a local authority, means the degree of importance of the issue, proposal, decision, or matter, as assessed by the local authority, in terms of its likely impact on, and likely consequences for,—<br>(a) the district or region:<br>(b) any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision, or matter:<br>(c) the capacity of the local authority to perform its role, and the financial and other costs of doing so |
| Significant | Significant, in relation to any issue, proposal, decision, or other matter, means that the issue, proposal, decision, or other matter has a high degree of significance |
| Strategic asset | As defined in Section 5 of the LGA2002 "in relation to the assets held by a local authority, means 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 well-being of the community; and includes—<br>(a) any asset or group of assets listed in accordance with section 76AA(3) by the local authority; and<br>(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<br>(c) any equity securities held by the local authority in—<br>(i) a port company within the meaning of the Port Companies Act 1988:<br>(ii) an airport company within the meaning of the Airport Authorities Act 1966" |

# Treasury Risk Management Policy, including Liability Management and Investments Policies

## 1. Introduction

The purpose of the Treasury Risk Management Policy is to outline the approved policies and procedures in respect of all treasury activity to be undertaken by the Wellington Regional Council (the Council). The formalisation of such policies and procedures will enable treasury risks within the Council to be prudently managed.

As circumstances change, the policies and procedures outlined in this policy will be modified to ensure that treasury risks within the Council continue to be well managed. In addition, regular reviews will be conducted to test the existing policy against the following criteria:

- Industry "best practices" for a council the size and type of the Wellington Regional Council.
- The Council's risk-bearing ability and tolerance levels.
- Effectiveness and efficiency of the Treasury Risk Management Policy and treasury management function in recognising, measuring, controlling, managing and reporting on the Council's financial exposures.
- Robustness of the policy's risk control limits and risk spreading mechanisms against normal and abnormal interest rate market movements and conditions.
- The extent to which the policy assists the Council in achieving strategic objectives relating to ratepayers.

The policy will be distributed to all personnel involved in any aspect of the Council's financial management. In this respect, all staff should be completely familiar with their responsibilities under this policy at all times.

A twelve month phase-in period to debt and interest rate control limits is permitted upon ratification of this policy.

## 2. Scope and objectives

### 2.1 Scope

This document identifies the policy and procedures of the Council in respect of treasury management activities.

The policy has not been prepared to cover other aspects of the Council's operations, particularly transactional banking management, systems of internal control and financial management. Other policies and procedures of the Council cover these matters. Planning tools and mechanisms are also outside of the scope of this policy.

### 2.2 Principles

- All borrowing, investments and incidental financial arrangements (e.g. use of interest rate hedging financial instruments) will meet requirements of the Local Government Act 2002 and incorporate the Liability Management Policy and Investment Policy.
- All projected borrowings will be approved by the Council as part its Annual Plan.
- All legal documentation in respect to borrowing and financial instruments will be approved by the Council's solicitors.
- The Council will not enter into any borrowings denominated in a foreign currency.
- The Council will not transact with any Council Controlled Trading Organisation (CCTO) on terms more favourable than those which the Council would achieve without pledging rates revenue.
- A resolution of the Council will not be required for hire purchase, credit or deferred purchase of goods if:
  - the period of indebtedness is less than 91 days (including rollovers); or

- the goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding in aggregate, an amount determined by resolution of the Council.

## 2.3 Objectives

The objective of this Treasury Risk Management Policy is to control and manage costs and investment returns that can influence operational budgets and public equity and set debt levels. Specific objectives are as follows:

- Minimise the Council's costs and risks in the management of its borrowings and maximise its return on investments.
- Minimise the Council's exposure to adverse interest rate movements.
- Monitor, evaluate and report on treasury performance.
- Borrow funds and transact risk management instruments within an environment of control and compliance under the Council-approved Treasury Risk Management Policy so as to protect the Council's financial assets and costs.
- Arrange and structure appropriate funding for the Council at the lowest achievable interest margin from debt lenders. Optimise flexibility and spread of debt maturity within the funding risk limits established by this policy statement.
- Monitor and report on financing/borrowing covenants and ratios under the obligations of the Council's lending/security arrangements.
- Comply with financial ratios and limits stated within this policy.
- Maintain a long-term Standard & Poor's credit rating at AA- or better.
- Monitor the Council's return on investments in CCTOs, property and other shareholdings.
- Ensure management, relevant staff and, where appropriate, the Council are kept abreast of latest treasury products, methodologies, and accounting treatments through training and in-house presentations.
- Maintain liquidity levels and manage cash flows within the Council to meet known and reasonable unforeseen funding requirements.
- Minimise counterparty credit risk.
- Adhere to all statutory requirements of a financial nature.
- Provide adequate internal controls to protect the Council's financial assets and to prevent unauthorised transactions.
- Develop and maintain relationships with financial institutions and investors in the Council's debt securities.
- Manage foreign exchange risk associated with capital expenditure and goods and services on imported items as outlined in section 6.4 of this policy.
- Keep Council abreast of macro economic trends.

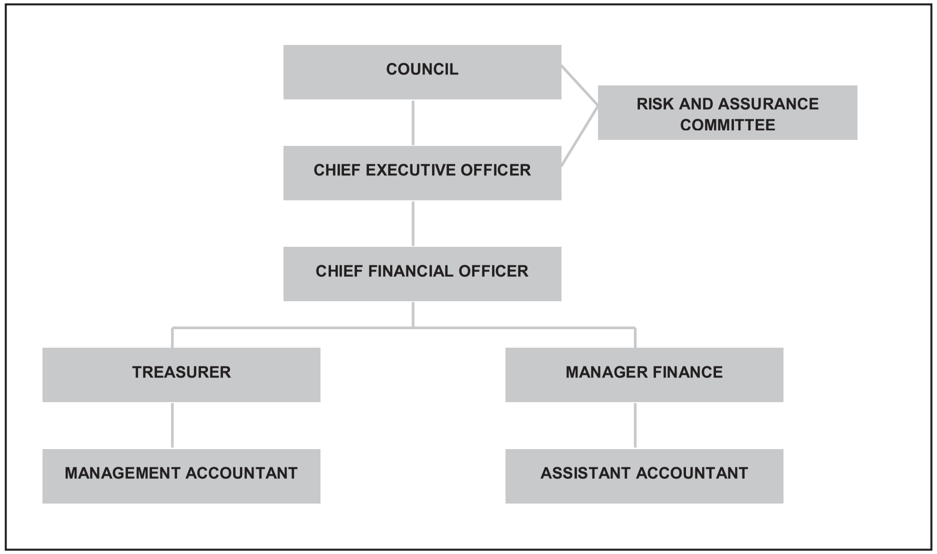
## 2.4 Policy exclusion

This policy covers WRC Holdings and its subsidiaries, but excludes CentrePort Ltd.

## 3. Management responsibilities

### 3.1 Overview of management structure

All of the Council's treasury management activities are undertaken by the Treasury Management Department. The following diagram illustrates those individuals and bodies who have treasury responsibilities. Authority levels, reporting lines and treasury duties and responsibilities are outlined in sections 3.2 – 3.8 of this policy:




### 3.2 Council

The Council has ultimate responsibility for ensuring that there is an effective policy for the management of its risks. In this respect the Council decides the level and nature of risks that are acceptable.

The Council is responsible for approving this Treasury Risk Management Policy and any changes required from time to time. While the policy can be reviewed and changes recommended by other persons, the authority to make or change policy cannot be delegated.

In this respect, the Council has responsibility for:

- Approving the long-term financial position of the Council through the 10-year Long-Term Council Community Plan (LTP) and the Annual Plan.
- Approving new debt/funding via resolution of the Annual Plan.
- Approving the Treasury Risk Management Policy, incorporating the following delegated authorities:
  - borrowing, investing and dealing limits and the respective authority levels delegated to the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and other managers
  - counterparties and credit limits
  - risk management methodologies and benchmarks
  - guidelines for the use of financial instruments.
- Approving budgets and high level performance reporting.
- Delegating authority to the CEO and other officers.
- Reviewing and approving the Treasury Risk Management Policy every three years.

The Council will also ensure that:

- It receives appropriate information from management on risk exposure and financial instrument usage in a form that is understood.
- Issues raised by auditors (both internal and external) in respect of any significant weaknesses in the treasury function are resolved immediately.
- Approval is gained for any transactions falling outside policy guidelines.

### 3.3 Risk and Assurance Committee (Risk and Assurance)

Risk and Assurance has the following responsibilities:

- Recommending the Treasury Risk Management Policy (or changes to existing policy) to the Council.

- Receiving recommendations from the CEO and CFO and making submissions to the Council on all treasury matters requiring Council approval.
- Recommending performance measurement criteria for all treasury activity.
- Monitoring six-monthly performance against benchmarks.
- Risk and Assurance will:
- Oversee the implementation of the Council's treasury management strategies and monitor and review the effective management of the treasury function.
- Ensure that the information presented to the Council is timely, accurate and identifies the relevant issues and is represented in a clear and succinct report.
- Discuss treasury matters on a six monthly basis (and informally as required).

### 3.4 Chief Executive Officer (CEO)

While the Council has final responsibility for the policy governing the management of the Council's risks, it delegates overall responsibility for the day-to-day management of such risks to the CEO. The Council formally delegates to the CEO the following responsibilities:

- Ensuring the Council's policies comply with existing and new legislation.
- Approving the register of cheque and electronic banking signatories.
- Approving new counterparties and counterparty limits as defined within section 6.3 of this policy and recommended by the CFO.
- Approving the opening and closing of bank accounts.

### 3.5 Chief Financial Officer (CFO)

The CEO formally delegates the following responsibilities to the CFO:

- Management responsibility for borrowing and investment activities.
- Recommending policy changes to Risk and Assurance for evaluation.
- Ongoing risk assessment of borrowing and investment activity, including procedures and controls.
- Approving new borrowing undertaken in line with Council resolution and approved borrowing strategy.
- Approving re-financing of existing debt.
- Approving treasury transactions in accordance with policy parameters outside of the Treasurer's delegated authority.
- Authorising the use of approved financial market risk management instruments within discretionary authority.
- Recommending authorised signatories and delegated authorities in respect of all treasury dealing and banking activities.
- Recommending changes to credit counterparties to the CEO.
- Proposing new funding requirements falling outside the Annual Plan and Long-Term Council Community Plan (LTP) to Risk and Assurance for consideration and submission to the Council.
- Reviewing and making recommendations on all aspects of the Treasury Risk Management Policy to Risk and Assurance, including dealing limits, approved instruments, counterparties, working capital policies and general guidelines for the use of financial instruments.
- Conducting a triennial review of the Treasury Risk Management Policy, treasury procedures and all dealing and counterparty limits.
- Receiving advice of breaches of Treasury Risk Management Policy and significant treasury events from the Manager, Finance.
- Managing the long-term financial position of the Council in accordance with the Council's requirements.
- Ensuring that all borrowing and financing covenants to lenders are adhered to.
- Ensuring management procedures and policies are implemented in accordance with this Treasury Risk Management Policy.
- Ensuring all financial instruments are valued and accounted for correctly in accordance with current best practice standards.

- Monitoring and reviewing the performance of the treasury function in terms of achieving the objectives of minimising and stabilising funding costs and maximising investment returns year-to-year.
- Managing the organisations exposure and statutory requirements in relation to the holding, acquiring or disposing of Carbon Credits.
- To sign Debenture Stock and Security Stock certificates in relation to the Council's Debenture Trust Deed, in compliance with sections 112 and 118 of the Local Government Act 2002.

### 3.6 Treasurer

The Treasurer runs the day-to-day activities of the Council's Treasury Management Department. The CFO formally delegates the following responsibilities to the Treasurer who in turn may delegate these to the Treasury Management Accountant:

- Overseeing and managing relationships with financial institutions including the Local Government Funding Agency (LGFA).
- Approving treasury transactions in accordance with policy parameters within delegated authority.
- Negotiating borrowing facilities.
- Authorising interest rate hedge transactions (swaps, forward rate agreements (FRAs) and options) with bank counterparties to change the fixed : floating mix to re-profile the Council's interest rate risk on either debt or investments.
- Making decisions and authorisations to raise and lower fixed rate (interest rate market price re-set greater than 12 months) percentage of net debt or investment position within interest rate policy risk control limits.
- Designing, analysing, evaluating, testing and implementing risk management strategies to position the Council's net interest rate risk profile to be protected against adverse market movements within the approved policy limits.
- Monitoring credit ratings of approved counterparties.
- Co-ordinating annual reviews with Standard & Poor's credit rating agency.
- Investigating financing alternatives to minimise borrowing costs, margins and interest rates, making recommendations to Risk and Assurance as appropriate.
- Negotiating bank funding facilities and managing bank and other financial institution relationships.
- Executing treasury transactions in accordance with set limits.
- Entering in to FX transactions to cover foreign currency liabilities.
- Entering into FX hedging transactions in accordance with the section in this policy on Foreign Exchange risk.
- Monitoring treasury exposure on a regular basis, including current and forecast cash position, investment portfolio, interest rate exposures and borrowings.
- Providing written evidence of executed deals on an agreed form immediately to the Manager, Finance.
- Co-ordinating the compilation of cash flow forecasts and cash management.
- Managing the operation of all bank accounts including arranging group offsets, automatic sweeps and other account features.
- Handling all administrative aspects of bank counterparty agreements and documentation such as loan agreements and International Swap Dealer's Association (ISDA) swap documents.
- Preparing treasury reports.
- Monitoring all treasury exposures daily.
- Forecasting future cash requirements.
- Providing regular short-term and long-term cash flow and debt projections to the CFO.
- Completing deal tickets for treasury transactions.
- Updating treasury system/spreadsheets for all new, re-negotiated and maturing transactions.

- Updating credit standing of approved counterparty credit list on a quarterly basis.

## 3.7 Manager, Finance (MF)

The CFO formally delegates the following responsibilities to the MF, who in turn may delegate these to the Assistant Accountant:

- Checking all treasury deal confirmations against deal documentation and reporting any irregularities immediately to the CFO.
- Reconciling monthly summaries of outstanding financial contracts from banking counterparties to internal records.
- Reviewing and approving borrowing and investment system/spreadsheet reconciliations to the general ledger.
- Accounting for all treasury transactions in accordance with legislation and generally accepted accounting principles and the Council's accounting policy.
- Checking compliance against limits and preparing reports on an exceptions basis.
- Approving all amendments to the Council's records arising from checks to counterparty confirmations.
- Creating batches for borrowing and investment settlements and arranging for approval by authorised signatories.
- Delivering weekly reports to the CFO covering cash/liquidity, investment profile, funding profile and interest rate risk position.

## 3.8 Delegation of authority and authority limits

Treasury transactions entered into by the Council without the proper authority are difficult to cancel given the legal doctrine of "apparent authority". Insufficient authority for a given bank account or facility may prevent the execution of certain transactions (or at least cause unnecessary delays). Therefore, the following procedures will apply:

- All delegated authorities and signatories will be reviewed at least every six months to ensure that they are still appropriate and current.
- A comprehensive letter will be sent to all bank counterparties, at least every year, detailing all relevant current delegated authorities of the Council and contracted personnel empowered to bind the Council.
- Whenever a person with delegated authority on any account or facility leaves the Council, all relevant banks and other counterparties will be advised in writing on the same day to ensure that no unauthorised instructions are to be accepted from such persons.

The Council has the following responsibilities, either directly, or via the following stated delegated authorities:

| Activity | Delegated Authority | Limit |
|---|---|---|
| **Approving and changing policy** | The Council | Unlimited |
| **Borrowing new debt** | The Council<br>CEO (delegated by Council)<br>CFO (delegated by Council) | Unlimited (subject to legislative and other regulatory limitations)<br>Subject to Council<br>Resolution and policy |

| | | |
|---|---|---|
| **Signing Stock/Debenture Issuance Certificate – As per the Debenture Trust Deed** | CFO (delegated by the CEO) | As per the Annual Council Plan to meet lenders requirements |
| **Acquiring and disposing of investments other than financial investments** | The Council | Unlimited |
| **Approving charging assets as security over borrowing** | The Council | Subject to terms of the Debenture Trust Deed |
| **Overall day-to-day risk management** | CEO (delegated by Council<br>CFO (delegated by Council) | Subject to policy |
| **Re-financing existing debt** | CEO (delegated by Council<br>CFO (delegated by Council) | Subject to policy |
| **Approving transactions outside policy** | The Council | Unlimited |
| **Acquiring and disposing of Carbon credits** | CFO (delegated by Council) | $5m any one transaction |
| **Adjusting net debt or net investment interest rate risk profile** | Treasurer | Per risk control limits |
| **Managing investments and funding maturities in accordance with Council approved facilities** | Treasurer | Per risk control limits |
| **Setting maximum daily transaction amount (borrowing, investing, foreign exchange, interest rate risk management and cash management) excluding roll-overs on debt facilities** | The Council<br>CEO (delegated by council)<br>CFO (delegated by council<br>Treasurer (delegated by Council) | Unlimited<br>$75 million<br>$50 million<br>$30 million |
| **Authorising lists of signatories** | CEO | Unlimited |
| **Opening/closing bank accounts** | CEO/CFO | Unlimited |
| **Reviewing the Treasury Management Policy every 3 years** | Risk and Assurance | N/A |
| **Ensuring compliance with Policy** | CFO | N/A |

# 4. Liability Management Policy

The Council’s liabilities comprise borrowings and various other liabilities. The Council’s Liability Management Policy focuses on borrowings as this is the most significant component and exposes the Council to the most significant risks. Other liabilities are generally non-interest bearing. Cash flows associated with other liabilities are incorporated in cash flow forecasts for liquidity management purposes and determining future borrowing requirements.

The Council’s ability to readily attract cost-effective borrowing is largely driven by its ability to rate, maintain a strong credit rating, and manage its relationships with its investors and financial institutions.

## 4.1 New Zealand Local Government Funding Agency (LGFA)

Despite anything earlier in this Policy, the Council may borrow from the LGFA and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

(a) contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA;

(b) provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself;

(c) commit to contributing additional equity (or subordinated debt) to the LGFA if required;

(d) subscribe for shares and uncalled capital in the LGFA; and

(e) 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.

## 4.2 Debt ratios and limits

Debt will be managed within limits in the following table, that are consistent with those used by the LGFA.

| Ratio | |
|---|---|
| Net interest / Total revenue | <20% |
| Net debt /Total Revenue | <250% |
| Net interest / Annual rates and levies (debt secured under debenture) | <30% |
| Liquidity (external debt + committed loan facilities + liquid investments to total external debt) | >110% |

Revenue is defined as earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue.

Revenue excludes non-government capital contributions (e.g. developer contributions and vested assets)

Net debt is defined as total external debt less liquid financial deposits/investments.

Debt will be repaid as it falls due in accordance with the applicable loan agreement. Subject to the debt limits, a loan may be rolled over or re-negotiated as and when appropriate.

Financial covenants are measured on Council only not consolidated group.

Disaster recovery requirements will be met through the liquidity ratio and contingency reserves.

## 4.3 Security and charges

The Council borrows funds and grants security to its lenders via a Debenture Trust Deed (DTD). The DTD gives the lenders a charge or security over the Council’s rates and rates revenue. A DTD was entered into during 2011 as part of the Council’s initiative and requirements to borrow funds from the LGFA.

A Trustee has been appointed to act as Trustee under the DTD for the benefit of the lenders, or stock holders.

From time to time, with prior Council approval, security may be offered by providing a security interest in one or more of the Council's assets other than its rates and rates revenue. Security interest in physical assets will only be granted when:

- there is a direct relationship between a debt and the purchase or construction of the secured assets which it funds(eg through a finance lease, or some form of project finance)
- the Council considers a security interest or security in the physical assets to be appropriate

In addition, the Council may grant security interests in physical assets where those security interests are leases or retention of the arrangements which arise under the terms of any lease or sale and purchase agreement.

### 4.4 Borrowing mechanisms

The Council will borrow through a variety of market mechanisms including but not limited to:

- commercial paper (CP)
- fixed rate bonds and floating rate notes (FRNs)
- direct bank borrowing or loans with private placement investors
- short and long-term capital markets directly
- internal reserve and special funds.

In evaluating strategies for new borrowing (in relation to source, term, size and pricing) the CFO will take into account the following:

- Available terms from banks, capital markets and loan stock issuance
- The Council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time
- Prevailing interest rates and margins relative to term for debt issuance, capital markets and bank borrowing
- The market's outlook on future interest rate movements
- The Council's outlook on future interest rate movements
- Legal documentation and financial covenants, together with credit rating considerations
- Whether retail or wholesale debt issue.

## 5. Investment Policy and limits

### 5.1 General policy

The Council is currently a net borrower of funds and will generally apply surplus funds to debt repayment and, wherever possible, internally borrow from reserve funds to meet future capital expenditure. The Council may invest liquid funds externally for the following reasons:

- Strategic purposes consistent with the Council's LTP
- Holding short term liquid investments for general working capital requirements or any other cash management objective
- Holding investments that are necessary to carry out the Council operations consistent with annual plans
- Holding investments for self-insured infrastructural assets and contingency reserves.

The Council recognises that, as a responsible public authority, any investments that it holds should be low risk. It also recognises that lower risk generally means lower returns.

In its financial investment activity, the Council's primary objective when investing is the protection of its investment. Accordingly, only credit-worthy counterparties are acceptable.

### 5.2 Investment mix

The Council maintains investments in the following assets from time to time:

- Equity investments, including CCOs/CCTOs and other shareholdings
- Property investments incorporating land, buildings
- Financial investments incorporating longer term and liquidity investments.

### *5.2.1 Equity Investments*

The Council's current equity investments are held in WRC Holdings Limited (100%):

WRC Holdings Limited owns the following companies:

- Port Investments Ltd (100%), which owns 76.9% of CentrePort Ltd (CentrePort)
- Pringle House Ltd (100%), which owns the Regional Council Centre
- Greater Wellington Rail Ltd

The above companies are CCOs or CCTOs.

### *5.2.2 Council Controlled Organisations (CCOs) and Council Controlled Trading Organisations (CCTOs)*

The Council is responsible for the appointment of the board of directors for the Council's CCOs and CCTOs. Any asset additions or disposals of note are approved by directors, unless they are significant, as defined by the companies' constitutions, at which point shareholder approval is required.

The objectives of the Council's CCOs and CCTOs are to:

- Separate the Council's investments and commercial assets from its public good assets.
- Impose a commercial discipline
- Appropriate separation of management and governance.

The Council manages risk associated with CCOs and CCTOs by:

- Appointing suitably qualified external directors
- Receiving regular reports from directors
- Using external advisors when required
- Providing input into the statements of corporate intent and constitutions of the CCOs and CCTOs.

### *5.2.3 New Zealand Local Government Funding Agency Limited Investment*

Despite anything earlier in this Policy, the Council may invest in shares and other financial instruments 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 will be to:

(a) obtain a return on the investment; and

(b) ensure that the LGFA has sufficient capital to become and remain viable, meaning that it continues as a source of debt funding for the Council.

Because of this dual objective, the Council may invest 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.

### *5.2.4 Other Investments*

The Council's other investments are:

- CentrePort
- Forestry investments
- Stadium advance
- Liquid financial investments.
- Contingency funds

**CentrePort**

The Council, through Port Investments Ltd (PIL), owns 76.9% of CentrePort. CentrePort operates under the Port Companies Act 1988. It is not a CCTO under the Local Government Act 2002.

PIL, along with the other shareholder in CentrePort, is responsible for appointing the Board of Directors who, in turn, are responsible for the operation of the company. Any major transactions, as defined in the company's constitution or the Companies Act 1993, require the approval of the shareholders. PIL, as a shareholder, has input into CentrePort's statement of corporate intent and constitution and receives regular reports and briefings.

The Council manages risk associated with CentrePort by:

- Appointing suitably qualified external directors
- Appointing of the Council's CFO as reporting officer for the Council in respect of CentrePort
- The Council receiving formal briefings and reports twice a year
- The CFO receiving quarterly briefings and monthly reports
- Providing input into CentrePort's Statement of Corporate Intent.

**Forestry investments**

The Council has investments in forestry which are managed on a commercial basis, but also minimise soil erosion and water sedimentation (for land which is held for water catchment purposes). The Council has sold its cutting rights to its forestry investments for a period of up to 60 years.

**Stadium advance**

The Council has lent $25 million to the Wellington Regional Stadium Trust. The advance is interest free with limited rights of recourse. The Council will continue to hold the advance until repayment. It receives regular reports from the Stadium Trust on the Trust's performance. The Council and Wellington City Council, as the settlors of the Trust, appoint the trustees to the Stadium Trust.

**Liquid financial investments**

The Council's primary objective when investing is the protection of its investment capital and the maximisation of its returns. Accordingly, only creditworthy counterparties are acceptable. Creditworthy counterparties and investment restrictions are covered in section 6.3 of this policy. Credit ratings are monitored on a regular basis by the Treasurer.

For the foreseeable future, the Council will be in a net borrowing position and liquid investment funds will be prudently invested as follows:

- Any liquid investments will be restricted to a term that meets future cash flow and capital expenditure projections.
- Interest income from financial investments will be credited to general funds.
- Internal borrowing will be used wherever possible to avoid external borrowing.

The Council may invest in acceptable liquid debt instruments and make interest rate duration positions using investor swaps. This will further meet the Council's objectives of investing in high credit quality and highly liquid assets, yet allow for optimal interest rate decisions.

The Council's external investment interest rate profile will be managed within the parameters outlined in section 6.0 of this policy.

**Contingency Funds**

The Council currently has monies set aside in liquid funds that may be used when an event occurs such that the funds are required by the business.

From time to time the Council may set aside funds for such contingency purposes, which will be held in a readily available form.

**Special Funds and Reserve Funds**

Liquid assets will not be required to be held against special funds and reserve funds. Instead the Council will internally utilise or borrow these funds where ever possible.

Interest accrued from these funds will be credited to the particular fund.

## 6. Risk recognition/identification management

The definition and recognition of interest rate, liquidity, funding, counterparty credit, market, operational and legal risk of the Council, will be as detailed below and will apply to both the Liability Management Policy and Investment Policy.

### 6.1 Interest rate risk

#### *6.1.1 Risk Recognition*

Interest rate risk is the risk that investment returns or funding costs will be materially different from those in annual plans and the LTP.

The primary objective of interest rate risk management is to reduce uncertainty to interest rate movements through fixing of investment returns or funding costs. This will be achieved through the active management of underlying interest rate exposures.

#### *6.1.2 Approved Financial Instruments*

Dealing in interest rate products will be limited to financial instruments approved by the Council. Approved interest rate instruments are:

| Category | Instrument |
|---|---|
| Cash management and borrowing | Bank overdraft<br>Committed cash advance and bank accepted bill facilities (short term and long term loan facilities)<br>Uncommitted money market facilities<br>Wholesale Bond and Floating Rate Note (FRN) issues<br>Commercial paper (CP)<br>New Zealand Dollar (NZD) denominated local or offshore private placements<br>Retail bond and FRN issues |
| Investments | Short-term bank deposits<br>Bank bills<br>Bank certificates of deposit<br>Treasury bills<br>Local authority stock or State-owned Enterprise (SOE) bonds and FRNs<br>Corporate/bank senior bonds<br>Floating Rate Notes<br>Promissory notes/Commercial paper<br>Redeemable Preference Shares (RPS) |
| Interest rate risk management | **Forward rate agreements (FRAs) on:** |

| | |
|---|---|
| | - Bank bills<br>- Government bonds<br>**Interest rate swaps including:**<br>- Forward start swaps<br>- Amortising swaps (whereby notional principal amount reduces)<br>- Swap extensions and shortenings<br>**Interest rate options on:**<br>- Bank bills (purchased caps and one-for-one collars)<br>- Government bonds<br>- Interest rate swaptions (purchased only) |
| Foreign exchange risk management | - Foreign currency deposits<br>- Purchased currency options<br>- Collars (one-for-one)<br>- Forward foreign exchange contracts |

Any other financial instrument must be specifically approved by the Council on a case-by-case basis and only be applied to the one singular transaction being approved. Credit exposure on these financial instruments will be restricted by specified counterparty credit limits.

### *6.1.3 Interest Rate Risk Control Limit*

#### Interest rate exposure

Exposure to interest rate risk is managed and mitigated through the controls below where:

**"Debt"** is all external debt (existing and forecast including WRC Holdings Limited) at the given debt ending period net of any liquid financial assets and investments and excluding Centreport Limited debt.

**"Fixed Rate Debt"** is all debt or swaps repricing beyond one year that is fixed rate plus all floating rate debt swapped to a fixed rate maturing beyond one year. Any debt or swap maturing within one year is defined as floating.

**"Floating Rate Debt"** is defined as an interest rate re-pricing within 12 months. This includes FRN's with a maturity date beyond one year that are not swapped to fixed rate. Floating Rate debt may be spread over any maturity out to 12 months.

Fixed rate debt must be within the following repricing bands:

| **Debt Interest Rate Policy Parameters (calculated on rolling monthly basis)** | | | | | |
|---|---|---|---|---|---|
| **Debt Period Ending** | **Debt Amount** | **Minimum Fixed** | **Maximum Fixed** | **Actual Fixed** | **Compliant (Y/N)** |
| Current | | 50% | 95% | | |
| Year 1 | | 45% | 95% | | |
| Year 2 | | 40% | 90% | | |
| Year 3 | | 35% | 85% | | |
| Year 4 | | 30% | 80% | | |
| Year 5 | | 25% | 75% | | |
| Year 6 | | 15% | 70% | | |
| Year 7 | | 5% | 65% | | |
| Year 8 | | 0% | 60% | | |
| Year 9 | | 0% | 55% | | |
| Year 10 | | 0% | 50% | | |
| Year 11 | | 0% | 45% | | |
| Year 12 | | | 40% | | |
| Year 13 | | | 35% | | |
| Year 14 | | | 30% | | |
| Year 15 | | | 25% | | |

Council management has delegated authority to tactically position the interest rate risk portfolio within approved ranges out to a maximum period of 15 years, based on anticipated future interest rate movements.

- Forward Rate Agreement, (FRAs) outstanding at any one time must not exceed 75% of the total floating rate debt. FRAs may be closed out before their maturity date by entering an equal and opposite FRA to the same maturity date or, alternatively, by purchasing an option on an FRA for the equal and opposite amount to the same date.
- interest rate options must not be sold outright. However, 1:1 collar option structures are allowable whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, one side of the collar cannot be closed out by itself, both must be closed simultaneously. The sold option leg of the collar structure must not have a strike rate “in-the-money”.
- purchased borrower swaptions must mature within 36 months.

- interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 2.00% above the appropriate swap rate, cannot be counted as part of the fixed rate cover percentage calculation.

## Risk management

*Instruments*

Dealing in interest rate products must be limited to financial instruments approved by the Council.

Current approved interest rate instruments are as follows:

| Category | Instrument |
|---|---|
| Cash management and borrowing | • bank overdraft<br>• committed cash advance and bank accepted bill facilities (short term and long term loan facilities)<br>• uncommitted money market facilities<br>• wholesale bond and Floating Rate Note (FRN)<br>• commercial paper (CP)<br>• New Zealand dollar denominated private placements<br>• retail bond and FRN |
| Interest rate risk management | • forward rate agreements (FRAs) on:<br>○ bank bills<br>○ government bonds<br>• interest rate swaps including:<br>○ forward start swaps<br>○ amortising swaps (whereby notional principal amount reduces)<br>○ swap extensions and shortenings<br>• interest rate options on:<br>○ bank bills (purchased caps and one-for-one collars)<br>○ government bonds<br>○ interest rate swaptions (purchased only) |

Any other financial instrument must be specifically approved by the Council on a case-by-case basis and only be applied to the one singular transaction being approved. Credit exposure on these financial instruments is restricted by specified counterparty credit limits.

### *6.1.4 Liquid Financial Investment Portfolio*

The following interest rate re-pricing percentages are calculated on the projected 12-month rolling Financial Investment Portfolio total. This allows for pre-hedging in advance of projected physical receipt of new funds. When cash flow projections are changed, the interest rate re-pricing risk profile may be adjusted to comply with the policy limits.

| Interest Rate Re-Pricing Period | Minimum Limit | Maximum Limit |
|---|---|---|
| 0 to 1 year | 40% | 100% |
| 1 to 3 years | 0% | 60% |
| 3 to 5 years | 0% | 40% |
| 5 to 10 years | 0% | 20% |

To ensure maximum liquidity, any interest rate position beyond five years will be made with acceptable financial instruments such as investor swaps.

The re-pricing risk mix may be changed, within the above limits through selling/purchasing fixed income investments and/or using approved financial instruments, such as swaps.

### *6.1.5 Special Funds/Reserve Funds*

Where such funds are deemed necessary they will be used for internal borrowing purposes. This will negate counterparty credit risk and any interest rate gap risk that occurs when the Council borrows at a higher rate compared to the investment rate achieved by special/reserve funds.

Liquid assets will not be required to be held against special funds or reserve funds unless such funds are required to be held within a trust. For non-trust funds, the Council will manage these funds using internal borrowing facilities.

## 6.2 Liquidity risk/funding risk

### *6.2.1 Risk Recognition*

Cash flow deficits in various future periods based on long-term financial forecasts are reliant on the maturity structure of loans and facilities. Liquidity risk management focuses on the ability to borrow at that future time to fund the gaps. Funding risk management centres on the ability to re-finance or raise new debt at a future time, in order to achieve pricing (fees and borrowing margins) and maturity terms that are the same or better than existing facilities.

Managing the Council's funding risks is important as changing circumstances can cause an adverse movement in borrowing margins, term availability and general flexibility such as:

- Local Government risk is priced to a higher fee and margin level.
- The Council's own credit standing or financial strength as a borrower deteriorates due to financial, regulatory or other reasons.
- A large individual lender to the Council experiences its own financial/exposure difficulties resulting in the Council not being able to manage its debt portfolio as optimally as desired.
- New Zealand's investment community experiences a substantial 'over supply' of the Council's investment assets.

A key factor of funding risk management is to spread and control the risk to reduce the concentration of risk at one point in time. Then, if any of the above circumstances occur, the overall borrowing cost is not unnecessarily increased and the desired maturity profile is not compromised.

### *6.2.2 Liquidity/Funding Risk Control Limits*

These control limits will be determined by the following:

- Alternative funding mechanisms, such as leasing, will be evaluated. The evaluation will take into consideration, ownership, redemption value and effective cost of funds.
- Term debt and committed debt facilities together with liquid investments, will be maintained at an amount that is greater than or equal to 110% of existing external debt.
- The maturity profile of total external debt less liquid financial investments in respect to all loans, bonds and committed facilities, will be controlled by the following:

| Period | Minimum | Maximum |
|---|---|---|
| 0 to 3 years | 15% | 60% |
| 3 to 5 years | 15% | 60% |
| 5 years plus | 10%* | 60% |

When total external debt exceeds $400 million this minimum will increase to 10%.

A maturity schedule outside these limits will require specific Council approval.

The CFO will have the discretionary authority to re-finance existing debt.

The Council may prefund its forecasted debt requirements up to 12 months in advance (and in some cases up to 18 months) including the re-financing of existing debt maturities.

### *6.2.3 Commercial Paper*

Commercial Paper (CP) should not be issued to fund core term debt requirements unless there are bank standby, committed bank or committed undrawn lending facilities that are available to cover any outstanding CP. As a result any undrawn credit lines to cover maturing CP do not count as excess liquidity.

Nevertheless the coverage of CP by back–up facilities is a Credit Rating Agency requirement, and the the Council will adhere to the requirements of the rating agencies in the first instance.

The exception to the above is where CP is used for working capital or bridging financing purposes and where certain, know or contracted cashflows are used to repay the CP on maturity.

## 6.3 Counterparty credit risk

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council is a party. The credit risk to the Council in a default event will be weighted differently depending on the type of instrument.

Credit risk will be regularly reviewed by the Council. Treasury related transactions will only be entered into with organisations specifically approved by the Council.

Counterparties and limits may only be approved on the basis of long-term credit ratings (Standard & Poor's or Moody's) being A- and above or short-term rating of A2 or above, with the exception of New Zealand Local Authorities.

Limits will be spread amongst a number of counterparties to avoid concentrations of credit exposure.

To avoid undue concentration of exposures, financial instruments will be used with as wide a range of counterparties as possible. Where possible, transaction notional sizes and maturities will also be well spread. The approval process to allow the use of individual financial instruments will take into account the liquidity of the market in which the instrument is traded and repriced.

The following matrix guide will determine limits.

| Counterparty/Issuer | Minimum long term/ short term credit rating – stated and possible | Investments maximum per counterparty ($m) | Interest rate risk management instrument maximum per counterparty ($m) | Total maximum per counterparty ($m) |
|---|---|---|---|---|
| NZ Government | | Unlimited | none | unlimited |
| Local Government Funding Agency | | 50.0 | none | 50.0 |
| NZD Registered Supranationals[2] | AAA/AA | 50.0 | none | 50.0 |
| State Owned Enterprises | A-/ A2 | 15.0 | none | 15.0 |
| NZ Registered Bank | A-/ A2 | 50.0 | 70.0 | 70.0 |
| Corporate Bonds/ CP[3] | A-/ A2 (if rated) | 10.0 | none | 10.0 |
| Local Government Stock/ Bonds/ FRN/ CP[4] | A-/ A2 or Unrated | 40.0<br>25.0 | none<br>none | 40.0<br>25.0 |

[2] This excluding Equity investment or investment connected with borrowing funds via borrower notes.
[3] Subject to a maximum exposure no greater than 25% of total funds invested in corporate debt at any one point in time. Debt instruments should rank as senior debt and subordinated debt investments are not permitted
[4] Subject to a maximum exposure no greater than 60% of total funds invested in Local Government debt at any one point in time.

In determining the usage of the above gross limits, the following product weightings will be used:

- Investments (e.g. bank deposits) – transaction notional × weighting 100% (unless a legal right of set-off over corresponding borrowings exist whereupon a 0% weighting may apply).
- Interest rate risk management (e.g. swaps, FRAs) – transaction notional × maturity (years) × 3%.
- Foreign exchange – transactional principal amount x the square root of the maturity (years) x 15%.

Each transaction will be entered into a reporting spreadsheet and a monthly report will be prepared to show assessed counterparty actual exposure versus limits.

The above limits may be amended by Council, especially in the case where the NZ Government credit rating is changed.

Individual counterparty limits will be kept on a register by management and updated on a day-to-day basis. Specific approvals will be made by the CFO. Credit ratings will be reviewed by the Treasurer on an ongoing basis and in the event of material credit downgrades, this will be immediately reported to the CFO and the Council and assessed against exposure limits. Counterparties exceeding limits will be reported to the Council.

## 6.4 CentrePort Debt and Guaranteeing Debt

The Council, through its wholly owned CCO WRC Holdings Limited, is a 77% owner of the Port Company CentrePort Limited. The Council has guaranteed the debt obligations of CentrePort as it is a strategic regional asset of the ratepayers.

The Council, by providing a guarantee, formally recognises this relationship and as a result means CentrePort can borrow funds at a similar cost to the Council. This is cheaper than borrowing on its own, ultimately resulting in a financial benefit to the rate payers.

From time to time the Council will guarantee these obligations, given that the level of CentrePort's debt varies over time and the lenders to CentrePort may also change.

The Council may lend funds directly to CentrePort when it believes that there is further benefit to be given to the ratepayer.

## 6.5 Foreign exchange risk

### *6.5.1 Foreign Exchange Risk Recognition*

The Council's policy is to identify and record these risks by their respective types and then to manage each risk under predetermined and separately defined policies and risk control limits.

It is prudent practice to pre-hedge potential adverse foreign exchange rate movements on capital imports from the time the capital expenditure budget is approved by Council. There is a risk that the net NZ dollar cost could increase substantially between the time the expenditure is approved by Council and the actual placement of the purchase order. It is expected that the payment currency and payments schedule are known at the time the purchase order is issued and the contract is signed with the supplier.

The Council has foreign exchange risks on imported items or services (capital and operating expenditure). There is a contingent risk when there is a time lapse between expenditure approval and placement of orders or finalisation of contracts and a further risk when the contract is signed or order is placed.

**Full risk:** is at the time the expenditure is approved and legal commitments are made.

### *6.5.2 Foreign Exchange Risk Control Limits*

All individual items/services greater than NZ$100,000 must be hedged at all times in accordance with the following risk control limits:

| Time – point | Exposure hedged by forward exchange contracts or options | Exposure hedged by purchased foreign exchange options |
|---|---|---|
| 1. Budget approved by Council – (Medium Probability) | | Maximum 50% |
| 2. Specific item approved – (High probability) | | Maximum 100% |
| 3. Contract/ order confirmed – (Undoubted Risk) | Minimum 100% | |

### *6.5.3 Use of Foreign Exchange Instruments and Forecasting*

Financial instruments, other than those stipulated in section 6.1.2, will require Council approval. Foreign exchange options will not be sold outright. The purchase price paid for an option (premium) will be amortised (spread) over the period of cover and added to the actual average exchange rate achieved.

All significant tenders will allow bidders the opportunity to select desired currencies and where possible, allow for suppliers to transparently link price escalations to clear financial market references.

Project managers will update any assumptions prior to budgets being finalised and, where necessary, discuss with the Treasurer or CFO. The following approach will be used when calculating foreign exchange rates for budgeting purposes:

- In order to determine a suitable spot rate to use for the calculation of outright forward cover budget levels, the two-year daily average rate or spot rate, whichever is the lower rate, will be used. This will allow for some degree of movement in the NZD cross during the budget evaluation process, prior to Council approval. This will take into consideration the annual volatility of the NZD, especially with the USD where the average annual movement over the past 10 years has been NZD 9.7 cents. Forward points, reflecting the market rates at the time, will then be added / subtracted to the budget spot rate to establish an effective budget rate.
- Consideration will be given to using options within the hedging strategy, and consequently, option premiums will be built into any scenario testing and breakeven analysis.

## 6.6 Managing operational risk

Operational risk is the risk of loss as a result of human errors including fraud, system failures, or inadequate procedures and controls. Operational risk is very relevant when dealing with financial instruments given that:

- Financial instruments may not be fully understood
- Too much reliance is often placed on the specialised skills of one or two people
- Most treasury instruments are executed over the phone

Operational risk is minimised by this policy.

### *6.6.1 Dealing Authorities and Limits*

Transactions will only be executed by those persons and within limits approved by the Council.

### *6.6.2 Segregation of Duties*

There will be adequate segregation of duties among the core borrowing and investment functions of deal execution, confirmation, settling and accounting/reporting. However, there are a small number of people involved in borrowing and investment activity. Accordingly, strict segregation of duties will not always be achievable.

The risk will be minimised by the following:

- The MF will report directly to the CFO to control the transactional activities of the Treasurer
- There will be a documented approval process for borrowing and investment activity.

### *6.6.3 Procedures and controls*

- The CFO will have responsibility for establishing appropriate structures, procedures and controls to support borrowing and investment activity.
- All borrowing, investment, cash management and risk management activity will be undertaken in accordance with approved delegations authorised by the Council.
- All treasury products will be recorded and diarised within a treasury system, with appropriate controls and checks over journal entries into the general ledger. Deal capture and reporting will be done immediately following execution and confirmation. Details of procedures, including templates of deal tickets, will be included in a treasury procedures manual separate to this policy. The Council will capture the percentage of deals transacted with banks to determine competitiveness and reconcile the summary.

Procedures and controls will include:

- Regular management reporting
- Regular risk assessment, including review of procedures and controls
- Organisational systems, procedural and reconciliation controls to ensure:
  - All borrowing and investment activity is bona fide and properly authorised
  - Checks are in place to ensure the Council's accounts and records are updated promptly, accurately and completely
  - All outstanding transactions are revalued regularly and independently of the execution function to ensure accurate reporting and accounting of outstanding exposures and hedging activity
  - Cheque/Electronic Banking Signatories will be approved by the CEO. Dual signatures will be required for all cheques and electronic transfers.
- All counterparties will be provided with a list of personnel approved to undertake transactions, standard settlement instructions and details of personnel able to receive confirmations.
- All deals will be recorded on properly formatted deal tickets by the Treasurer and approved, where required, by the CFO. Market quotes for deals (other than cash management transactions) will be perused by the Treasurer before the transaction is executed. Deal summary records for borrowing, investments, interest rate risk management and cash management transactions (on spreadsheets) will be maintained and updated promptly following completion of transaction.
- All inward letter confirmations, including registry confirmations, will be received and checked by the MF against completed deal tickets and summary spreadsheets records to ensure accuracy.
- Deals, once confirmed, will be filed (deal ticket and attached confirmation) in deal date/number order.
- Any discrepancies arising during deal confirmation checks which require amendment to the Council records will be signed off by the CFO.
- The majority of borrowing and investment payments will be settled by direct debit authority.
- For electronic payments, batches will be set up electronically. These batches will be checked by the MF to ensure settlement details are correct. Payment details will be authorised by two approved signatories as per Council registers.
- Bank reconciliations will be performed monthly by the MF. Any unresolved unreconciled items arising during bank statement reconciliation which require amendment to the Council's's records will be signed off by the CFO.
- A monthly reconciliation of the Debt Management system and borrowing and investment spreadsheets to the general ledger will be carried out by the Treasurer and reviewed by the MF.

## 6.7 Managing legal risk

Legal and regulatory risks relate to the unenforceability of a transaction due to an organisation not having the legal capacity or power to enter into the transaction, usually because of prohibitions contained in legislation. While legal risks are more relevant for banks, the Council may be exposed to such risks.

In the event that the Council is unable to enforce its rights due to deficient or inaccurate documentation, the Council will seek to minimise this risk by:

- The use of standing dealing and settlement instructions (including bank accounts, authorised persons, standard deal confirmations, contacts for disputed transactions) to be sent to counterparties.
- The matching of third party confirmations and the immediate follow-up of anomalies.
- The use of expert advice for any non-standardised transactions.

### *6.7.1 Agreements*

Financial instruments will only be entered into with banks that have in place an executed International Swap Dealer's Association (ISDA) Master Agreement with the Council. All ISDA Master Agreements for financial instruments will be signed under seal by the Council.

The Council's internal/appointed legal counsel will sign off on all documentation for new loan borrowings, re-financings and investment structures.

Currently, the Council has ISDA agreements with the following banks:

- Bank of New Zealand
- ANZ Banking Group (New Zealand) Ltd
- National Bank of New Zealand Ltd
- ASB/CBA Bank
- Westpac.

### *6.7.2 Financial Covenants and Other Obligations*

The Council will not enter into any transactions where it would cause a breach of financial covenants under existing contractual arrangements.

The Council will comply with all obligations and reporting requirements under existing funding facilities and legislative requirements.

## 6.8 Diesel hedging

Other risks, such as commodity price risk associated with diesel, will be considered for risk management by the Council. Management is aware of the indirect risk to diesel procurement that is embedded in existing transport contracts. To this end the Council has delegated to the CFO the power to enter into any price hedges or options with the following conditions:

- The CFO will report any hedges to the Council on a quarterly basis
- Maximum term of a hedge or option contact once it becomes operational is one year
- Contracts shall only be with a counterparty with a S&P rating of at least A.

## 6.9 Electricity hedging

Wholesale electricity spot market price risk will be considered for risk management by the Council. Management is aware of the inherent price volatility of the electricity spot market. To this end, the Council has delegated to the CEO the power to enter into price hedges with the following conditions:

- An electricity hedge contract will be in place for the duration of any spot market physical supply agreement.
- The price exposure can be hedged via an over the counter electricity swaps contract, a contract for difference or a futures contract.
- The notional value of the hedge contract will be in New Zealand dollars.

- The hedge contract will be for a maximum duration of no more than three years, and will be signed no earlier than 12 months prior to contract commencement.
- The expiry of any hedge contract will be no more than four years.
- For any given reporting year, the hedge volume will be between 85 percent and 115 percent of the expected actual consumption. The hedge ratio will be monitored and reported annually.
- The credit rating of the hedge counter-party will be at least investment grade from Standard and Poor's at the time of entering into the contract (i.e., a long-term rating of not less than BBB-). In the event of the rating falling below this, the Council would be advised and a recommendation on how to deal with existing hedges and any new hedges contemplated would be made to the Council. If the preferred hedge counter-party does not have an external credit rating with Standard & Poor's the Chief Financial Officer may review the financial position of the proposed counter-party and provide a recommendation for approval by the Chief Executive.

## 7. Measuring Treasury performance

In order to determine the success of the Council's treasury management function, benchmarks and performance measures have been prescribed. Those performance measures that provide a direct measure of the performance of treasury staff (operational performance and management of debt and interest rate risk) will be reported to Risk and Assurance on a quarterly basis.

### 7.1 Operational performance

All treasury limits will be complied with, including, but not limited to, counterparty credit limits, dealing limits and exposure limits. All treasury deadlines will be met, including reporting deadlines.

### 7.2 Management of debt, investments and interest rate risk

The actual funding cost for the Council (taking into consideration costs of entering into interest rate risk management transactions) will be below the budgeted interest cost and investment returns will be above the budgeted interest rate income.

## 8. Cash management

The Treasurer has the responsibility to carry out the day-to-day cash and short-term debt management activities. The Treasurer will:

- Calculate and maintain comprehensive cash flow projections on a daily (two weeks forward), weekly (four weeks forward), monthly (12 months forward) and annual (five years) basis
- Electronically download all the Council bank account information daily
- Co-ordinate the Council's operating units to determine daily cash inflows and outflows with the objective of managing the cash position within approved parameters
- Undertake short-term borrowing functions as required, minimising overdraft costs
- Ensure efficient cash management, through improvement to accurate forecasting using spreadsheet modelling
- Minimise fees and bank/Government charges by optimising bank account/facility structures
- Monitor the Council's usage of cash advance facilities
- Match future cashflows to smooth over time
- Provide reports to CFO detailing actual cash flows during the month compared with those budgeted
- Maximise the return from available funds by ensuring significant payments are made within the vendor's payment terms, but no earlier than required, unless there is a financial benefit from doing so.

## 9. Reporting – performance measurement

When budgeting forecast interest costs/returns, the actual physical position of existing loans, investments and swaps/swaptions/FRAs must be incorporated.

## 9.1 Treasury reporting

The following reports will be produced:

| Report Name | Frequency | Prepared by | Recipient |
|---|---|---|---|
| Daily Cash Position | Daily | Treasurer | CFO |
| Treasury Exceptions Report | Daily | Treasurer | CFO |
| Risk Exposure position | Monthly | Treasurer | CFO |
| Risk Management performance | Monthly | Treasurer | CFO |
| Policy Compliance | Monthly | MF | CFO |
| Interest rate exposure report | Monthly | Treasurer | CFO |
| Cost of funds report | Monthly | Treasurer | CFO |
| Funding facility report | Monthly | Treasurer | CFO |
| Funding risk report | Monthly | Treasurer | CFO |
| Cash flow forecast report | Monthly | Treasurer | CFO |
| Summary Treasury Report | Monthly<br>Quarterly | Treasurer | CFO<br>Council / Risk and Assurance |
| Quarterly Treasury Strategy Paper | Quarterly | Treasurer | CFO<br>CFO<br>CEO / Risk and Assurance |
| Limits Report | Daily, rep on an exceptions basis<br>Quarterly | MF | Treasurer<br>Risk and Assurance |
| Debt Maturity Profile | Quarterly | Treasurer | Risk and Assurance / Council |
| Statement of Public Debt | Quarterly | Treasurer | Risk and Assurance / Council |
| Revaluation of financial instruments | Quarterly | Treasurer | CFO |

### 9.2 Accounting treatment of financial instruments

The Council uses financial market instruments for the primary purpose of reducing its exposure to fluctuations in interest rates. The accounting treatment for such financial instruments will follow IFRS accounting standards.

### 9.3 Valuation of treasury instruments

All treasury financial instruments will be revalued at least quarterly for risk management purposes. This includes those instruments that are used only for hedging purposes. Underlying rates to be used to value treasury instruments are as follows:

- Official daily settlement prices for established markets.
- Official daily market rates for short term treasury instruments (eg, FRA settlement rates calculated by Reuters from price-maker quotations as displayed on the BKBM page).
- Relevant market mid-rates provided by the company's bankers at the end of the business day (5.00pm) for other over-the-counter treasury instruments.
- For markets that are illiquid, or where market prices are not readily available, rates are calculated in accordance with procedures approved by the CFO.

## 10. Policy review

This Treasury Risk Management Policy will be formally reviewed every three years. The CFO has the responsibility to prepare a review report (following the preparation of annual financial statements) that is presented to Risk and Assurance. The report will include:

- Recommendations on changes, deletions and additions to the policy.
- Overview of the treasury management function in achieving the stated treasury objectives, including performance trends in actual interest cost against budget (multi-year comparisons).
- Summary of breaches of policy and one-off approvals outside policy to highlight areas of policy tension.
- Analysis of bank and lender service provision, share of financial instrument transactions, etc.
- Comments and recommendations from the Council's external auditors on the treasury function, particularly internal controls, accounting treatment and reporting.
- Total net debt servicing costs.

The policy review will be completed and presented to Risk and Assurance within five months of the financial year-end. Risk and Assurance will approve any resulting policy changes.

# Draft Rates Remission and Postponement Policies

## Remission and postponement of penalties

### Objective

To enable Greater Wellington Regional Council to act fairly and reasonably when rates have not been received by the penalty date..

### Criteria and conditions

Greater Wellington Regional Council will consider each application on its merit, and remission or postponement of penalties may be granted where it is considered that the application meets the following criteria and conditions.

*Criteria*

1) Upon receipt of an application from the ratepayer, or if identified by Greater Wellington Regional Council, Greater Wellington Regional Council may remit or postpone 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 Greater Wellington Regional Council include the following:
    a) The ratepayer's payment history
    b) The impact on the ratepayer of extraordinary events
    c) The payment of the full amount of rates due
    d) The ratepayer entering into an agreement with Greater Wellington Regional Council for the payment of rates.

*Conditions*

1) Greater Wellington Regional Council reserves the right to impose conditions on the remission or postponement of penalties.

### Decisions

Decisions on the remission or postponement of penalties may be delegated to Greater Wellington Regional Council officers. All delegations will be recorded in the delegations register.

# Rates postponement

## Objective

To enable Greater Wellington Regional Council to retain its discretion to postpone the payment of rates.

## Criteria and conditions

Greater Wellington Regional Council will consider each application on its merit and postponement may be granted where it is considered that the application meets the following criteria and conditions.

### *Criteria*

Greater Wellington Regional Council will postpone rates when the following circumstances are met:

a) A territorial authority in the Wellington region has postponed some or all of the territorial authority rates for the rating unit in the current rating year AND/OR
b) The ratepayer is experiencing extreme financial hardship.

### *Conditions*

1) Applications for postponements must be made to Greater Wellington Regional Council in writing and contain supporting information demonstrating compliance with criteria.
2) Approval of rates postponements is for one year only. Applicants must reapply annually for a postponement.
3) The postponement of rates is a last resort and will be considered only after all other avenues to meet rates commitments have been exhausted.
4) Postponed rates will be registered as a statutory land charge on the rating unit title. This means that Greater Wellington Regional Council will have the first call on the proceeds of any revenue from the sale or lease of the rating unit in accordance with section 90 of the Local Government (Rating) Act 2002.
5) A fee may be charged in arrears on rates postponed, in accordance with section 88 of the Local Government (Rating) Act 2002.
6) The applicant may request a postponement of the payment of a lesser amount of rates than the full amount owing.

## Decisions

Decisions on the postponement of rates may be delegated to Greater Wellington Regional Council officers. All delegations will be recorded in the delegations register.

## Remission and postponement of rates on Māori freehold land

Māori freehold land is defined in the Local Government (Rating) Act 2002 as land whose beneficial ownership has been determined by the Māori Land Court by freehold order. Only land that is subject to such an order may qualify for remission or postponement under this policy.

### Objectives

1) To recognise that certain Māori owned land may have particular conditions, features, ownership structures, or other circumstances that make it appropriate to provide for relief from rates.
2) To recognise that Greater Wellington Regional Council and the community benefit through the efficient collection of rates that are properly payable and the removal of rating debt that is considered non-collectable.
3) To meet the requirements of section 102 of the Local Government Act 2002 to have a policy on the remission and postponement of rates on Māori freehold land.

### Considerations

In setting a policy on the remission and postponement of rates on Māori freehold land Greater Wellington Regional Council has considered the matters identified in schedule 11 of the Local Government Act 2002.

### Criteria and conditions

Greater Wellington Regional Council will consider each application on its merit, and remission or postponement may be granted where it is considered that the application meets the following criteria and conditions.

*Criteria*

1) Greater Wellington Regional Council will give a remission or postponement of up to 100% of all rates for the year for which it is applied for based on the extent to which the remission or postponement of rates will:
   a. Support the use of the land by owners for traditional purposes
   b. Support the relationship of Māori and their culture and traditions with their ancestral lands
   c. Avoid further alienation of Māori freehold land
   d. Facilitate any wish of the owners to develop the land for economic use
   e. Recognise and take account of the presence of waahi tapu that may affect the use of the land for other purposes
   f. Recognise and take account of the importance of the land in providing economic and infrastructure support for marae and associated papakainga housing (whether on the land or elsewhere)
   g. Recognise and take account of the importance of the land for community goals relating to:
      - The preservation of the natural character of the coastal environment
      - The protection of outstanding natural features
      - The protection of significant indigenous vegetation and significant habitats of indigenous fauna
   h. Recognise the level of community services provided to the land and its occupiers
   i. Recognise matters related to the physical accessibility of the land

j. Provide for an efficient collection of rates and the removal of rating debt.

### *Conditions*

1) Application for a remission or postponement under this policy must be made in writing and should be made prior to the commencement of the rating year. Applications made after the commencement of the rating year may be accepted at the discretion of Greater Wellington Regional Council. A separate application must be made for each rating year.
2) Owners or trustees making applications should include the following information in their applications:
   a. Details of the rating unit or units involved
   b. Documentation that shows that the land qualifies as land whose beneficial ownership has been determined by a freehold order issued by the Māori Land Court
   c. Supporting information to demonstrate that the remission or postponement will help achieve the criteria set out in the above section.
3) Greater Wellington Regional Council may of its own volition investigate and grant remission or postponement of all or part of the rates (including penalties for unpaid rates) on any Māori freehold land in the region.
4) Relief, and the extent thereof, is at the sole discretion of Greater Wellington Regional Council and may be cancelled and reduced at any time.
5) The applicant may request a postponement of the payment of a lesser amount of rates than the full amount owing.

## Decisions

Decisions on the remission and postponement of rates (including penalties for unpaid rates) on Māori freehold land may be delegated to Greater Wellington Regional Council officers. All delegations will be recorded in the delegations register.

# Remission of rates in special circumstances

## Objective

To enable Greater Wellington Regional Council to act fairly and reasonably to remit regional rates in special circumstances.

## Criteria and conditions

Greater Wellington Regional Council will consider each application on its merit and remission may be granted where it is considered that the application meets the following criteria and conditions.

### *Criteria*

1) Greater Wellington Regional Council may remit all or part of the rates assessed in relation to a particular rating unit in special or unforeseen circumstances where it considers it just and equitable to do so.

### *Conditions*

1) Each request for a remission of rates in special circumstances shall be considered on its merits and any decision on such a request shall be deemed to not set a precedent for any future decision under this policy.
2) A remission under this policy will last for one rating year only. Applicants must reapply annually for a remission.
3) No application under this policy will be backdated beyond the rating year. An application for remission under this policy must be made within the rating/financial year for which remission is sought.
4) An application for remission under this policy:
    a. Must be made within the rating year for which remission is sought and
    b. Made in writing to Greater Wellington Regional Council and
    c. Contain supporting information.
5) The Council may of its own volition investigate and grant remission of rates that satisfy the requirements of any request it receives from the Government or other agency to remit rates. In such circumstances rates will generally be remitted to the extent Greater Wellington Regional Council receives payment from the Government or other agency.
6) Under this policy "special circumstances" excludes remissions sought for rating units with conservation and/or heritage values, including land subject to a QEII covenant.

## Decisions

Decisions on remission of rates in special circumstances will be made by Council where the amount requested is over $250.

Decisions on the remission of rates in special circumstances where the amount requested is $250 or less may be delegated to Greater Wellington Regional Council officers. All delegations will be recorded in the delegations register.

# Policy on Development Contributions or Financial Contributions

This policy describes GWRC's approach to development and financial contributions.

## Development contributions

Greater Wellington Regional Council will not be seeking any development contributions as provided for under the Local Government Act 2002. The power to levy such contributions is restricted to territorial authorities.

## Financial contributions

Greater Wellington Regional Council does not have any provisions in its regional plans prepared under the Resource Management Act 1991 to levy financial contributions. The inclusion of such contributions may be reconsidered as part of any review of the regional plans. No financial contributions can be levied by Greater Wellington Regional Council unless they are included within a regional plan.

# SECTION NINE - Regional Councillors


**KAPITI COAST**

**Nigel Wilson**
M 021 284 3339
nigel.wilson@gw.govt.nz

**LOWER HUTT**

**Sandra Greig**
T 04 586 0847
M 027 640 8681
sandra.greig@gw.govt.nz

**Ken Laban**
T 04 971 8982
M 029 200 0044
ken.laban@gw.govt.nz

**Prue Lamason**
T 04 566 7283
M 021 858 964
prue.lamason@gw.govt.nz

**PORIRUA/TAWA**

**Jenny Brash**
T 04 233 8217
M 027 354 4233
jenny.brash@gw.govt.nz

**Barbara Donaldson**
T 04 237 0773
M 021 976 747
barbara.donaldson@gw.govt.nz

**UPPER HUTT**

**Paul Swain**
T 04 528 7830
M 021 270 9113
paul.swain@gw.govt.nz

**WAIRARAPA**

**Gary McPhee**
T 06 372 7020
M 027 457 5363
gary.mcphee@gw.govt.nz

**WELLINGTON**

**Judith Aitken**
T 04 897 2758
M 027 769 6424
judith.aitken@gw.govt.nz

**Paul Bruce**
T 04 972 8699
M 021 027 19370
paul.bruce@gw.govt.nz

**Sue Kedgley**
T 04 384 9123
M 021 270 9088
sue.kedgley@gw.govt.nz

**Chris Laidlaw**
T 04 934 3143
M 027 425 4668
chris.laidlaw@gw.govt.nz

**Fran Wilde (Chair)**
T 04 830 4246
M 021 888 075
fran.wilde@gw.govt.nz