

5 June 2024

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David Edmund
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Tēnā koe Mr Edmund

Thank you for your email of 11 May 2024 to Wellington City Council | Te Kaunihera o Pōneke (the Council) requesting the following information:

- *The proposed budget included in the Long-Term Plan is significantly impacted by increases in inflation, interest and insurance costs, and depreciation. "*

There is no mention of S&P's recent evaluation of WCC opening statement re "Large spending by Wellington City Council (Wellington) will continue to contribute to large after-capital account deficits and a debt burden well-above 'AA+' rated peers. We expect the council to scale back expenses and implement high rate increases as part of the upcoming 2024-2034 long-term plan, resulting in a declining debt trajectory beyond fiscal 2025 (year ending June 30). . . . We could lower our ratings on Wellington if financial metrics underperform our base-case forecasts. This could occur if revenue growth falls below our expectations or if rising expenses are not contained, which could lead to debt, and interest expenses exceeding our forecasts. This could cause us to reassess our view of the council's financial management and view it as an indication of weakening budgetary flexibility."

Can you provide all information as to why you have not scaled back to any meaningful extent, large spending or expenses and what do you consider the threshold of such spending or expenses.

Your request has been considered under the Local Government Official Information and Meetings Act 1987 (LGOIMA).

As part of preparing for the 2024-34 Long-Term Plan (LTP) there has been a line-by-line review of both operating and capital budgets. As part of this review, changes to levels of service have been included in the budget, for example cut back spending on removal of graffiti and events. There have also been further cost pressures that have been absorbed within the budget without increasing expenditure.

You can find details regarding the changes to level of services proposed and approved on our website, as detailed below:

- [Ordinary Meeting of Kōrua Tōtōpū – 9 November 2023 - Agenda](#)
- [Ordinary Meeting of Kōrua Tōtōpū – 15 February 2024 - Agenda](#)

You are also able to watch the meetings [here](#), by clicking on the YouTube logo next to the relevant meeting.

In this environment our ability to maintain the pace of delivery for our capital investment programme and maintain prudent financial planning and management is increasingly under pressure. To address these challenges, the Council is planning to:

1. Continue to invest in the city but rephrase and reprioritise the capital programme of works, with a focus on completing projects that we have started, looking after our existing assets, and meeting regulatory requirements.

2. Seek opportunities to increase non-rates revenue and make efficiencies and some reductions in levels of service to manage immediate cost pressures.
3. Make better use of investments to better deal with the risks and external costs pressures more effectively. This includes diversifying the Council's investment portfolio. The Council's investment assets are highly concentrated in terms of geography, asset type and liquidity.
4. Look for long-term solutions for local government funding and financing, including continuing to advocate and support change for the establishment of a new style of regional council-controlled organisation that has the mandate and financial sustainability to ensure the provision of a safe, reliable, quality water service for our communities.

Our [Financial Strategy](#) outlines our overall approach to managing the Council's finances over the next ten years. It provides guidance to manage financial risk, and it explains the effect of spending decisions and funding choices on levels of service, rates, debt, and investments. At present the funding options available to the Council are limited. We must make careful decisions about what we invest in and when, to provide the required service in the most cost-effective way. We must also ensure that those generations that benefit from the services we provide are the ones that pay for the services.

The Financial Strategy also sets the limits (for example rates and debt) within which the Council proposed to manage its finances over the life of the LTP. The Council has set a rates increase of between 5-8% (excluding the sludge levy) on average over the ten years of the LTP, however higher rates increases in the early years of the LTP are necessary to continue to fund the current levels of service. The average rates increase for the 2024-34 LTP is 7%. The Council has set its own debt to revenue ratio limit of 225%.

The budget was deliberated on 30 May 2024 at the [Kōrua Tōtōpū | Long-Term Plan, Finance, and Performance Committee](#), and will be adopted on 27 June 2024.

I trust this response answers your concerns. If you require further information, please contact official.information@wcc.govt.nz.

Nāku noa, nā



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