Building a better city

Annual Plan 2017/18 supporting documents

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Absolutely Positively
Wellington City Council
Me Heke Ki Pōneke

Contents

1. Introduction – Delivering key projects while keeping rates affordable

We have looked closely at our spending over the next 3 years to ensure it is focussed where it can do the most good

The 3-year work programme developed by the Mayor and Councillors fits with the goals outlined in the LTP. Some of the projects from this 3-year work programme are included in the Annual Plan 2017/18.

There has been a shift in priorities, however, since the November 2016 earthquake and local body elections, with an increased emphasis on resilience, housing, transport, sustainability, and arts and culture, as well as keeping rates affordable.

Changes in priorities

Many of the larger capital projects contained in the LTP involved collaborative partnerships and co-investment from external stakeholders. Because of this, the timing of these projects has needed to be flexible. As well as this, the November 2016 earthquake has led to an increased focus on improving the city's resilience. These two factors have triggered a re-phasing of a number of LTP projects and therefore the Council's capital investment programme.

Re-phased projects

The re-phasing of projects has meant there is $115 million less capital required in 2017/18. This will reduce interest and depreciation expenses. It also means the Council is forecast to have less overall debt – $80 million less – than forecast in the LTP. Details of these projects are contained in the Annual Plan 2017/18 supporting information document.

Savings – lower costs and improved efficiency

As well as re-phasing our capital expenditure, we have also looked closely at our spending to ensure it is focussed where it can do the most good, lower costs and improve efficiency.

The earthquake has undermined the usability of some of the Council's buildings, which means we have had to assess how we use available space. The result is a better utilisation of Council buildings and lowered costs. We have also achieved efficiencies through improved procurement processes, the better use of energy, and increases in Council revenue.

Lower costs, re-phased projects and improved efficiency have allowed the Council to achieve a total savings for 2017/18 of $11 million without affecting service levels.

2. Financial Overview

How spending is funded

About 65 percent of our operational expenditure is funded from a combination of general rates (paid on all rateable properties) and targeted rates. The remainder is funded from user charges, ground and commercial lease income, dividends and other revenue such as grants and government subsidies.

We fund capital expenditure from depreciation, borrowings, government subsidies, grants and development contributions. For asset renewals, the main funding source is depreciation.

For new assets and upgrades, the main funding sources are borrowings, subsidies and grants.

Capital projects – key changes for 2017/18

Project	How much spending has been re-phased ($000's)	What's changed
Movie museum	$31,591	Final designs are under way with partners, and won't require funding in 2017/18. The project will not require capital funding for 2017/18.
Convention centre	$23,195	
Civic campus property	$20,431	Improvements are waiting remediation reports, no capital funding for 2017/18.
Town Hall earthquake strengthening	$14,346	Currently negotiating and consulting on establishing a music hub. Majority of earthquake strengthening works are to start in 2018/19.
Museum of conflict	$10,000	Resilience projects have taken priority. Deferred until 2018/19.
Johnsonville Library upgrade	$5,900	Changes in the scope of the upgrade to ensure the community benefits means delivery will occur outside 2017/18. The impact will be included in the Long-term Plan 2018-28.
Northern growth roading projects	$5,200	Timing of NZTA work has changed. No Council funding required 2017/18.
Cycling improvements	$3,187	Stronger community engagement has meant a re-phasing of the programme.
Kumutoto public space and Frank Kitts Park	$3,000	Frank Kitts Park planning continues into 2017/18 meaning re-phasing to 2018/19.
Social housing renewals	$2,700	The renewal programme for the Arlington site will now be part of the overall redevelopment programme.
Other	$15,075	Focus on resilience has meant re-phasing of some renewal and minor work projects.
Totals	**$134.6 million**	

Changes to budgets

The changed priorities, re-phasing of capital expenditure, cost savings and efficiencies have been incorporated into the proposed budget for 2017/18.
The changes to the budget are:

	Long-term Plan 2015-25	Proposed for the Annual Plan 2017/18
Operating expenditure	$473.5 million	$475.4 million
Capital expenditure	$206.3 million	$161.5 million
Average rates increase after growth	5.1%	3.3%
Forecast year-end borrowings	$570.2 million	$537.4 million
Debt over operating income	124.4%	116.5% (the Council's debt limit is 175%)

Impact on rates

For 2017/18, after allowing for expected growth in capital value less capital expenditure, lower costs and improved efficiency, the Council is able to reduce the Long-Term Plan rates increase from an average of 5.1 percent to 3.3 percent.

For individual ratepayers, the rates on an average residential property (valued at $579,304) are forecast to increase to $2,430 (excluding GST). For commercial properties, after including the impact of 2017/18 increases in metered water charges, forecast average rates will increase by 3.1 percent.

3. Council Fees and User Charges

Our Revenue and Financing Policy guides our decisions on how to fund Council services. Under the policy, we take into account who benefits from a service (individuals, parts of the community, or the community as a whole) to help us determine how the service should be funded. The policy set targets for each Council activity, determining what proportion should be funded from each of user charges, general rates, targeted rates and other sources of income. In line with that policy, we're proposing some changes fees and charges in the following areas:

- Sewage collection and disposal network
- Swimming Pools
- Sportsfields
- Sportsfields (synthetic)
- Marinas
- Building Control and Facilitation
- Public Health Regulations
- Parking

New fees are proposed to be implemented as of 1 July 2017 and are inclusive of GST. For more information see www.Wellington.co.nz

Sewage collection and disposal network

We are proposing increases to some of our fees for sewage collection and disposal network.

Sewage collection and disposal network	Current Fee	Proposed Fee
Conveyance & Transport of Trade Waste		
Volume		
Up to 100m3/day	$0.29/m3	$0.30/m3
Above 7000m3/day	$0.91/m3	$0.93/m3
B.O.D (Biochemical Oxygen Demand)		
Up to 3150kg/day	$0.31/m3	$0.32/m3
Above 3150kg/day	$0.69/m3	$0.71/m3
Suspended Solids		
Up to 1575kg/day	$0.30/m3	$0.31/m3
Above 1575kg/day	$0.56/m3	$0.57/m3

Swimming pools

We are proposing changes to our spectator fees for swimming pools.

Swimming pools	Current Fee	Proposed Fee
General spectator fee	$1.00	Nil
Spectator fee – major events and tournaments	$1.00	$1.00

Note: a spectator fee will still be charged for major aquatic tournaments and events, and additional spectator fees may be charged by the hosting organisation.

Sportsfields

We are proposing increases to some of our fees for sportsfields.

Sportsfields	Current Fee	Proposed Fee
Cricket		
Casual		
Level 1	$386.50	$388.00
Artificial pitch on concrete base	$165.00	$170.00
Seasonal		
Level 1	$2,917.00	$2,930.00
Level 2	$2,433.00	$2,440.00
Level 3	$1,417.00	$1,420.00
Artificial pitch on concrete base	$955.00	$970.00
Rugby, League, Soccer/Football, Aussie Rules		
Casual		
Level 2	$107.00	$108.00
Level 3	$82.50	$85.00
Seasonal		
Level 1	$2,350.00	$2,400.00
Level 2	$1,535.00	$1,600.00
Level 3	$1,299.00	$1,300.00
Softball		
Casual		
Level 1	$176.00	$178.00
Level 2	$124.00	$125.00
Seasonal		

Sportsfields	Current Fee	Proposed Fee
Level 1	$739.50	$750.00
Level 2	$497.00	$500.00
Touch, 5-a-side, Ultimate, Gridiron		
Casual		
Level 1	$185.50	$187.00
Level 2	$149.00	$150.00
Seasonal		
Level 1	$1,535.00	$1,560.00
Level 2	$1,186.00	$1,200.00
Netball – per Court		
Court per season	$142.00	$144.00
Off-season or organised	$11.00	$12.00
Casual	$43.00	$44.00
Tennis		
Court per season	$193.00	$195.00
Casual	$43.00	$44.00
Cycling		
Casual	$173.00	$176.00
Seasonal	$1,747.00	$1,760.00
Athletics		
Casual	$633.50	$634.00
WRFU Speed Trials	$141.00	$144.00
Training		
Ground Only (Unserviced)		
1 night	$107.00	$108.00
1 night (season)	$384.00	$386.50
3 nights (season)	$1,150.50	$1,158.00
5 nights (season)	$1,917.50	$1,920.00
Ground and Changing Rooms		
1 night	$193.00	$195.00

Sportsfields	Current Fee	Proposed Fee
1 night (season)	$808.00	$818.00
2 nights (season)	$1,613.00	$1,633.00
3 nights (season)	$2,420.00	$2,450.00
4 nights (season)	$3,227.00	$3,267.00
5 nights (season)	$4,035.00	$4,085.00
Elite Parks		
Rugby League Park	$639.50	$642.00
Newtown Park	$639.50	$642.00
Add-Ons		
Groundsman – hourly rate(minimum 2 hours)	$36.00	$40.00
Toilets Open	$36.00	$38.00
Toilets and Changing rooms open	$86.00	$88.00

Sportsfields (synthetic)

We are proposing increases to some of our fees for sportsfields (synthetic turf).

Sportsfields (synthetic)	Current Fee	Proposed Fee
Synthetic Turf (full size)		
Peak	$75.00	$78.50
Off peak	$50.00	$52.50
Junior/College	$37.00	$39.00
Weekend/Tournament/Event daily rate	$750.00	$787.5
Nairnville Park/Terawhiti turf		
Peak	$51.50	$54.00
Off peak	$32.00	$33.50
Junior/College	$25.50	$27.00
National Hockey Stadium	$34,485.00	$35,520.00

Marinas

We are proposing increases to some of our fees for marinas.

Marinas	Current Fee	Proposed Fee
Clyde Quay		
Mooring	$1,044.00	$1,075.00
Boat Shed (2 to 13)	$2,196.00	$2,262.00
Boat Shed (14 to 27)	$1,976.00	$2,036.00
Boat Shed (28, 29)	$2,744.00	$2,826.00
Boat Shed (38B)	$1,586.00	$1,634.00
Boat Shed (38A to 42B, 48A, 48B	$2,280.00	$2,348.00
Boat Shed (43A to 47B)	$2,636.00	$2,716.00
Dinghy Rack	$184.00	$189.00
Evans Bay		
Berth	$2,632.00	$2,712.00
Berth (Sea Rescue Jetty)	$1,548.00	$1,594.00
Boat Shed (8 to 11)	$1,036.00	$1,067.00
Boat Shed (1 to 7, 12 to 32)	$2,072.00	$2,135.00
Boat Shed (33 to 46)	$3,108.00	$3,200.00
Dinghy Locker	$310.00	$319.00
Live-Aboard fee	$542.00	$558.00
Trailer Park	$117.00	$120.00

Building Control and Facilitation

We are proposing increases to some of our fees for building control and facilitation.

Building Control and Facilitation Fees	Current Fee	Proposed Fee
Customer Services		
Pre-application meetings: consent officer / expert / compliance officer (2 hours total officer time free, then a charge per hour thereafter).	$159.00	$163.50
Monthly report of Issued Building Consents	$75.50	$77.50
Official Information requests (property): Disbursements - 1st 20 A4 sheets free - 20 cents per additional sheet	POA	POA

Building Control and Facilitation Fees	Current Fee	Proposed Fee
Administration Fee (refunds / cancellations)	$100.00	$103.00
Time extension initial fee (30 mins admin, 30 mins inspector). Any time spent over this initial time will be charged at the relevant hourly rate	$129.50	$133.25
Time extension - additional inspectors time, hourly rate	$159.00	$163.50
Administration fee (other) - hourly rate	$100.00	$103.00
Restricted building work check (per notification)	$50.00	$51.50
Minor Works		
Drainage/Plumbing (value less than $2000)	$299.00	$307.50
Free Standing Fireplace	$198.50	$204.00
In-built fireplace	$418.00	$430.00
Additional Inspection fee (per hour)	$159.00	$163.50
Lodgement Fee		
Lodging Fee for Building Consents	$100.00	$103.00
Plan Check		
Less than $10,000 (Category 1)	$357.00	$367.00
Less than $10,000 (Category 2)	$555.00	$570.75
Less than $10,000 (Category 3)	$714.00	$734.00
$10,001 - $20,000 (Category 1)	$793.00	$815.50
$10,001 - $20,000 (Category 2)	$793.00	$815.50
$10,001 - $20,000 (Category 3)	$793.00	$815.50
$20,001 - $100,000 (Category 1)	$872.50	$897.25
$20,001 - $100,000 (Category 2)	$872.50	$897.25
$20,001 - $100,000 (Category 3)	$872.50	$897.25
$100,001 - $500,000 (Category 1)	$952.00	$979.00
$100,001 - $500,000 (Category 2)	$1,428.00	$1,468.50
$100,001 - $500,000 (Category 3)	$1,428.00	$1,468.50
$500,001 - $1,000,000 (Category 1)	$2,221.00	$2,283.75
$500,001 - $1,000,000 (Category 2)	$2,538.00	$2,609.75

Building Control and Facilitation Fees	Current Fee	Proposed Fee
$500,001 - $1,000,000 (Category 3)	$2,855.00	$2,935.75
$1,000,000 + (Category 1)	$2,935.00	$3,018.00
$1,000,000 + (Category 2)	$2,935.00	$3,018.00
$1,000,000 + (Category 3)	$2,935.00	$3,018.00
for each $500,000 or part thereof over $1,000,000	$753.50	$774.75
Consent Suspend Fee (to review additional information), charge per additional hour of officer re-assessment time.	$159.00	$163.50
Plan check for fast track consents		
Fast Track - consents only - issued within 10 days (criteria applies, and applications will only be accepted on a case by case basis)	2 x consent approval charges	2 x consent approval charges
Fast Track - consents only - issued within 5 days (criteria applies, and applications will only be accepted on a case by case basis).	3 x consent approval charges	3 x consent approval charges
Multi-proof Consent		
Lodgement fee	$100.00	$103.00
Plan check – estimate 3 hours @ $163.50	$476.00	$489.50
Additional time per hour	$159.00	$163.50
Code Compliance Certificate		
Code Compliance Certificate (for Category 1 applications)	$100.00	$103.00
Code Compliance Certificate (for Category 2 applications)	$100.00	$103.00
Code Compliance Certificate (for Category 3 applications)	$126.00	$129.75
Building Inspections		
Hourly charge: the initial payment is based on estimate of inspections required. The final charges are based on actual time.	$159.00	$163.50
Engineering inspections (not covered by a Producers Statement), including fire, engineering, structural engineering for an	actual cost plus $100	actual cost plus $103

Building Control and Facilitation Fees	Current Fee	Proposed Fee
unusual proposal or specific design		
Structural Check & Additional Charges		
Deposit for Category 1 structural work (on Plan Reviews)	$283.50	$291.50
Deposit for Category 2 structural work (on Plan Reviews)	$386.50	$397.25
Deposit for Category 3 structural work (on Plan Reviews)	$706.00	$725.75
Deposit for Category 1 structural work (for Amended Plans)	$319.50	$328.50
Deposit for Category 2 structural work (for Amended Plans)	$319.50	$328.50
Deposit for Category 3 structural work (for Amended Plans)	$422.50	$434.25
Hourly Charge for Engineers (including internal overheads), over and above deposit	$285.00	$293.00
Hourly charge for Contract Management, over and above deposit	$136.00	$139.75
Deposit for all categories for structural checking not supported by a producer statement from a Chartered professional engineer	$706.00	$725.75
Levies		
DBH levy per $1,000 (of project value)	$2.01	$2.01
BRANZ levy per $1,000 (of project value)	$1.00	$1.00
Compliance Schedule		
New compliance schedule (linked with Building Consent). This is the minimum charge (based on one hour of processing), additional charges will apply for time taken over this, at $163.50 per hour for additional hours	$238.00	$244.75
Additional charge per hour for new compliance schedule (linked with Building Consent)	$159.00	$163.50
Alterations and amendments to compliance schedule (linked to building consent or application for amendment to CS Form 11) will	$159.00	$163.50

Building Control and Facilitation Fees	Current Fee	Proposed Fee
be charged on a time-taken basis at $163.50 per hour of officer time.		
Minor compliance schedule amendments - change of owner/ agent, minor changes to Compliance Schedule requested by owner/ agent. This is the minimum charge (based on 15 min of processing). Additional charges will apply for time taken over this, at $163.50 per hour for additional hours. (Application for amendment to Compliance Schedule required Form 11).	$40.00	$41.00
NZ Fire Service Charges		
Fire Service Review base fee collected with consent. Additional fees will be charged at cost.	$202.35	$208.00
Fire Service Review admin	$75.50	$77.75
Fire Service Courier charge	Actual cost	Actual cost
Consultants reports	Actual cost	Actual cost
Certificate Lodgement		
Processing time per hour	$159.00	$163.50
Preparation of legal documents (covers first two hours of processing time)	$300.00	$308.50
Disbursement of legal costs for registering certificates against titles	Actual Cost	Actual Cost
S77 building over two or more allotments - legal costs	Actual Cost	Actual Cost
S72 land subject to hazards - LINZ lodgement	Actual Cost	Actual Cost
Certificate of Public Use (CPU)		
Initial fee (includes 1 hour processing time)	$159.00	$163.50
Processing time over 1 hour	$159.00	$163.50
Lodgement fee	$75.00	$77.00
Amended Plan		
Initial fee (includes 1 hour processing time)	$159.00	$163.50
Processing time over 1 hour	$159.00	$163.50
Lodgement fee	$75.00	$77.00

Building Control and Facilitation Fees	Current Fee	Proposed Fee
Project Information Memorandum (PIM) - if lodged with building consent		
PIM ONLY - single residential dwelling including accessory buildings	$397.00	$408.25
PIM ONLY - other	$476.00	$489.50
Certificates of Acceptance		
Lodgement fee	$100.00	$103.00
Less than $10,000 (Category 1)	$674.50	$693.50
Less than $10,000 (Category 2)	$872.50	$897.25
Less than $10,000 (Category 3)	$1,031.50	$1,060.75
$10,001 - $20,000 (Category 1)	$1,110.50	$1,142.00
$10,001 - $20,000 (Category 2)	$1,110.50	$1,142.00
$10,001 - $20,000 (Category 3)	$1,110.50	$1,142.00
$20,001 - $100,000 (Category 1)	$1,507.00	$1,549.75
$20,001 - $100,000 (Category 2)	$1,507.00	$1,549.75
$20,001 - $100,000 (Category 3)	$1,507.00	$1,549.75
$100,001 - $500,000 (Category 1)	$1,586.50	$1,631.50
$100,001 - $500,000 (Category 2)	$2,062.00	$2,120.25
$100,001 - $500,000 (Category 3)	$2,062.00	$2,120.25
$500,001 - $1,000,000 (Category 1)	$2,855.00	$2,935.75
$500,001 - $1,000,000 (Category 2)	$3,172.50	$3,262.25
$500,001 - $1,000,000 (Category 3)	$3,490.00	$3,588.75
$1,000,000 + (Category 1)	$3,569.00	$3,670.00
$1,000,000 + (Category 2)	$3,569.00	$3,670.00
$1,000,000 + (Category 3)	$3,569.00	$3,670.00
for each $500,000 or part thereof over $1,000,000	$753.50	$774.75
Consent Suspend Fee (to review additional information), charge per additional hour of officer re-assessment time.	$159.00	$163.50
Building Warrant of Fitness		
Independent Qualified Person (IQP)	$159.00	$163.50

Building Control and Facilitation Fees	Current Fee	Proposed Fee
Registration Fee (New & Renewal)		
Additional charge for each new competency registered	$75.00	$77.00
Building Warrant of Fitness - Annual Certificate. This is the base charge for 1 specified system. Additional charges will apply for time over 0.5 hours	$79.50	$81.75
Building Warrant of Fitness - Annual Certificate. This is the base charge for 2 - 10 specified systems. Additional charges will apply for time taken over 1 hour	$159.00	$163.50
Building Warrant of Fitness - Annual Certificate. This is the base charge for 11+ specified systems. Additional charges will apply for time taken over 1.5 hours	$238.00	$244.75
Additional charge per hour for processing Annual Certificate, where processing time exceeds that allowed for in the base charge.	$159.00	$163.50
Building Warrant of Fitness Inspection (per hour)	$159.00	$163.50
Swimming Pool		
Pool fencing inspection per hour.	$159.00	$163.50
Exemptions: Base fees (including 5.5 hours of processing time)	$872.50	$897.25
Exemptions: processing costs after the initial 5.5 hours	$159.00	$163.50
Hearing costs	Actual Cost	Actual Cost
Special Activity and Monitoring		
Hourly charge for officer time considering proposals and monitoring compliance	$159.00	$163.50
Building Certificate (pre-requisite for liquor license application)		
Where application for building certificate received with application for town planning certificate	$159.00	$163.50
Where application received independently	$257.00	$264.25

Building Control and Facilitation Fees	Current Fee	Proposed Fee
Additional charge per hour for processing Building Certificate, where processing time exceeds one hour	$159.00	$163.50
LIM and Information Services		
LIMs : Residential	$323.50	$333.25
Fast track residential LIMs	$485.00	$499.50
LIMs: Commercial Base Fee	$755.00	$777.75
LIMs : Per hour after 7 hrs	$100.00	$103.00
Property Reports: Building Consents	$151.00	$155.50
Property Reports: Multi-residential 3-8 unit property	$220.50	$227.00
Property Reports: Multi-residential 8+ unit property	$234.00	$241.00
Building Consent printout (site specific)	$27.00	$27.75
Certificate of Title	$26.00	$26.75

Public Health Regulations

We are proposing the following changes to Public Health fees:

Public Health	Current Fee	Proposed Fee
Template or Model Food Control Plan		
Verification		
1st verification – Normal (changed from 2.5 to 4 hours)	$387.50	$620.00
2nd verification – Normal (changed from 2.5 to 4 hours)	$387.50	$620.00
1st verification – Simple (2 hours)	N/A	$310.00 (New)
2nd verification – Simple (2 hours)	N/A	$310.00 (New)
Reduced Verification – 1 hour	$155.00	Removed
National Programme		
Verification		
1st verification	$155.00 (1 hour)	$310.00 (2 hours)

Public Health	Current Fee	Proposed Fee
2nd verification	$155.00 (1 hour)	$310.00 (2 hours)
Pavement / Footpath Permissions		
Central city (per m2) – Non-smoking area	$90.00	Nil
Central city (per m2) – Smoking area	$90.00	$45.00
Suburbs (per m2) – Non-smoking area	$58.50	Nil
Suburbs (per m2) – Smoking area	$58.50	$29.25

Parking

We are also proposing the following changes to Parking fees through the Traffic Bylaw process:

Parking – per hour (2 hour max stay)	Current Fee	Proposed Fee
Zone A1 (see map below)	$4.00	$4.50

4. Prospective Financial and Funding Statements

Annual Plan disclosure statement for year ending 30 June 2018

Purpose of this statement?

The purpose of this statement is to disclose the council's planned financial performance in relation to various benchmarks to enable the assessment of whether the council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

The council is required to include this statement in its annual plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

Benchmark		Planned	Met
Rates affordability benchmark			
• income	Total rates collected $302.0m	$296.6.0m	Yes
• increases	4.5% after growth average rates increase over the first triennium	3.3%	Yes
Debt affordability benchmark	Net closing debt over operating income 175%	116.5%	Yes
Balanced budget benchmark	100%	104%	Yes
Essential services benchmark	100%	138%	Yes
Debt servicing	10%	5.5%	Yes

Notes on benchmarks:

Rates affordability benchmark

(1) For this benchmark:

(a) the council's planned rates income for the year is compared with a quantified limit on rates contained in the financial strategy included in the council's long-term plan; and

(b) the council's planned rates increases for the year are compared with a quantified limit on rates increases for the year contained in the financial strategy included in the council's long-term plan.

(2) The council meets the rates affordability benchmark if:

(a) its planned rates income for the year equals or is less than each quantified limit on rates; and

(b) its planned rates increases for the year equal or are less than each quantified limit on rates increases.

Debt affordability benchmark

(1) For this benchmark, the council's planned borrowing is compared with a quantified limit on borrowing contained in the financial strategy included in the council's long-term plan.

(2) The council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing.

Balanced budget benchmark

(1) For this benchmark, the council's planned revenue (excluding development contributions, vested assets, financial contributions, gains on derivative financial instruments, and revaluations of property, plant, or equipment) is presented as a proportion of its planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

(2) The council meets the balanced budget benchmark if its revenue equals or is greater than its operating expenses.

Essential services benchmark

(1) For this benchmark, the council's planned capital expenditure on network services is presented as a proportion of expected depreciation on network services.

(2) The council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.

Debt servicing benchmark

(1) For this benchmark, the council's planned borrowing costs are presented as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

(2) Because Statistics New Zealand projects that the council's population will grow slower than the national population growth rate, it meets the debt servicing benchmark if its planned borrowing costs equal or are less than 10% of its planned revenue.

FUNDING IMPACT STATEMENT FOR WHOLE OF COUNCIL

	2016/17 Annual Plan $000s	2017/18 Annual Plan $000s	Variance to Annual Plan $000s	Notes
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	160,913	170,617	9,704	
Targeted rates (other than a targeted rate for water supply)	123,271	127,281	4,010	
Subsidies and grants for operating purposes	8,086	9,151	1,065	
Fees and charges	123,171	133,908	10,737	
Interest and dividends from investments	11,125	11,294	169	
Local authorities fuel tax, fines, infringement fees, and other receipts	9,178	8,963	(215)	
Total operating funding (A)	**435,744**	**461,214**	**25,470**	
Applications of operating funding				
Payments to staff and suppliers	291,914	300,564	8,650	**1**
Finance costs	25,617	27,736	2,119	**1**
Internal charges and overheads applied	-	-	-	
Other operating funding applications	43,047	40,656	(2,391)	**1**
Total applications of operating funding (B)	**360,578**	**368,956**	**8,378**	
Surplus (deficit) of operating funding (A - B)	**75,166**	**92,259**	**17,093**	
Sources of capital funding				
Subsidies and grants for capital expenditure	32,950	29,462	(3,488)	
Development and financial contributions	2,000	2,000	-	
Increase (decrease) in debt	71,263	78,059	6,796	**2**
Gross proceeds from sales of assets	4,600	18,350	13,750	
Lump sum contributions	-	-	-	
Total sources of capital funding (C)	**110,813**	**127,871**	**17,058**	
Applications of capital funding				
Capital expenditure				
- to meet additional demand	1,922	1,810	(112)	**3**
- to improve the level of service	87,124	77,207	(9,917)	**3**
- to replace existing assets	91,736	82,545	(9,191)	**3**
Increase (decrease) in reserves	5,197	58,568	53,371	
Increase (decrease) in investments	-	-	-	
Total applications of capital funding (D)	**185,979**	**220,130**	**34,151**	
Surplus (deficit) of capital funding (C - D)	**(75,166)**	**(92,259)**	**(17,093)**	

Funding balance ((A - B) + (C - D))	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	101,975	106,482	4,507

Notes:

1. Variances for these operating expenditure items can be found in the Funding Impact Statement for each activity over the following 18 pages.

2. Includes funding for proposed Movie Museum and proposed Convention Centre.

3. Variances for these capital expenditure items can be found in the Funding Impact Statement for each activity ln the following pages.

FUNDING IMPACT STATEMENT – PROPOSED RATING MECHANISMS

RATES

Rates are a property tax to fund local government activities. Rates are assessed under the Local Government (Rating) Act 2002 (the Act) on rating units in the Rating Information Database. Where rates requirements are allocated based on property value, the capital value of the property as assessed by the Council's valuation services provider will apply. The latest city-wide revaluation was carried out as at 1 September 2015. This revaluation remains effective for the 2017/18 rating year, except where subsequent maintenance valuations have been required under valuation rules or the Council's rating policies.

City-wide revaluations are performed every three years. The next city-wide revaluation will be carried out as at 1 September 2018 and will be effective for the 2019/20 rating year and the two consecutive rating years (subject again to subsequent maintenance valuations).

Policy objective:

- To provide the Council with adequate income to carry out its mission and objectives.
- To support the Council's achievement of its strategic objectives.
- To be simply administered, easily understood, allow for consistent application and generate minimal compliance costs.
- To spread the incidence of rates as equitably as possible by balancing the level of service provided by the Council with ability to pay and the incidence of costs in relation to benefits received.
- To be neutral in that it does not encourage people to redirect activity in order to avoid its impact.
- To reflect the decisions of the Council's policies and rating reviews.

GENERAL RATES

General rates are set under section 13 of the Act on all rateable rating units in the City of Wellington.

The Council proposes to set a general rate based on the capital value of each rating unit within the city.

The general rate will be set on a differential basis, based on land use. All rating units (or part thereof) will be classified for the purposes of general rates within one of the following rating differentials.

DIFFERENTIAL RATING CATEGORIES

Base Differential

This includes:

a. Separately rateable land used solely for one or more household units; excluding those properties that provide short stay (28 days or less) commercial accommodation for which a tariff is charged
b. Vacant land zoned residential
c. Rural land (including farmland and lifestyle blocks) under the District Plan that is administered by the Council, but excluding any rating unit that is used for rural industrial purposes
d. Separately-rateable land occupied by a charitable organisation which is deemed by the Council to be used exclusively or principally for sporting, recreation or community purposes and that does not generate any private pecuniary profit.

This category has a general rate differential rating factor of 1.0.

Commercial, Industrial and Business Differential

This includes:

a. Separately-rateable land used for a commercial or industrial purpose
b. Vacant land zoned commercial, industrial or rural industrial under the District Plan administered by the Council
c. Land used for offices, administrative and/or associated functions
d. Land used for commercial accommodation for which a tariff is charged and where the principal purpose is the provision of short stay (28 days or less) accommodation
e. Business-related premises used principally for private pecuniary benefit
f. Utility networks
g. Any property not otherwise categorised within the Base Differential.

This category has a general rate differential rating factor of 2.8.

Differential Rating Category Conditions

Differential rating 2.8:1 Commercial: Base

- The differential apportionment for the commercial, industrial and business sector is 2.8 times the General rate per dollar of capital value payable by those properties incorporated under the Base (Residential) differential. There are no changes proposed to the differential apportionment in 2017/18.

- The separated parts of a rating unit will be differentially rated where a part of the property is non-rateable or the property fits under one or more rating differential and either:
  a) The total capital value of the rating unit is above $800,000 or
  b) Minority use(s) account for more than 30 percent of the total capital value of the rating unit.

  In any other case, the General rate differential is determined by principal use.

- In regard to the rates attributable to a rating unit during the transition period between two differential rating categories, a ratepayer may apply for a change in rating category at any

time between the lodgement of a building consent application with the Council (on the condition that the principal prior use has ended) and the earlier of either:
a) The time at which the Council gives final approval of the completed works, or
b) The property is deemed (by the Council) to be available for its intended use.

- In situations where the change in land use does not require a Council consent, but warrants a change in differential rating category, the onus is on the ratepayer to inform the Council prior to the property being utilised under the new use.

- The rating differential classification of all rating units must be set prior to the commencement of a rating year and will remain in place for that entire rating year. Any change in circumstances that results in a change of differential classification during a rating year will apply from 1 July of the following rating year.

- Any property eligible for mandatory 50 percent non-rateability under Part 2, Schedule 1, of the Act, will be first classified under the appropriate General rate differential classifications and the non-rateability applied to that rate.

Uniform Annual General Charge
The Council does not assess a uniform annual general charge.

NON-RATEABLE LAND

Non-Rateable
Includes any land referred to in Part 1, Schedule 1 of the Act. This land is non-rateable with the exception of targeted rates solely for sewerage and water where the service is provided.

50 Percent Non-Rateable
Includes all land referred to in Part 2, Schedule 1 of the Act. This land is 50 percent non-rateable in respect of the rates that apply, with the exception of targeted rates for sewerage and water for which the land is fully rateable if the service is provided.

TARGETED RATES

Targeted rates are set under section 16 of the Act.

The Council has not adopted any lump sum contribution schemes under part 4A of the Act in respect of its targeted rates, and will not accept lump sum contributions in respect of any targeted rate.

Sewerage Rate
Targeted sewerage rates are to be apportioned 60 percent:40 percent of rates between properties incorporated under the Base differential and the Commercial, Industrial and Business differential in accordance with the Revenue and Financing Policy. This rate pays for the cost of the provision of the sewerage treatment facilities for the city.

For the purposes of these rates the sewerage collection and disposal service is treated as being provided if the rating unit is connected to a public sewerage drain (either directly or indirectly), irrespective of whether the property is considered fully rateable or is mandatory non-rateable or 50 percent non-rateable under Schedule 1 of the Act.

The targeted Sewerage rate is calculated as follows:

For rating units incorporated in the Commercial, Industrial and Business differential:

A rate per dollar of capital value on all rating units connected to a public sewerage drain, to collect 40 percent of the required rates funding, after having deducted the total dollar amount budgeted to be collected through Trade Waste Charges (excluding consent fees).

For rating units incorporated in the Base differential:

A fixed amount per annum per rating unit for administration, plus a rate per dollar of capital value on all rating units connected to a public sewerage drain, to collect 60 percent of the required rate funding.

Water Rate

A targeted rate for water is to be apportioned with the aim of achieving a 60 percent:40 percent split between properties incorporated under the Base differential and the Commercial, Industrial and Business differential in accordance with the Revenue and Financing Policy.

This rate pays for water collection and treatment facilities, the water distribution network and water conservation for the city.

This rate is set on all rating units serviced by a water connection.

For the purposes of these rates, the water service is treated as being provided if the rating unit is connected to the public water supply (either directly or indirectly), irrespective of whether the property is considered fully rateable or is mandatorily non-rateable or 50 percent non-rateable under Schedule 1 or 2 of the Act.

The targeted Water rate is calculated as follows:

For rating units incorporated in the Commercial, Industrial and Business differential, either:

a) A consumption unit rate per cubic metre of water used for all rating units connected to the public water supply with a water meter installed, plus a fixed amount per annum per rating unit for administration.

   Or

b) A rate per dollar of capital value on all rating units connected to the public water supply, without a water meter installed.

For rating units rated incorporated in the Base differential, either:

a) A consumption unit rate per cubic metre of water used for all rating units connected to the public water supply with a water meter installed, plus a fixed amount per annum per rating unit for administration.

   Or

b) A fixed amount per annum per rating unit for administration, plus a rate per dollar of capital value on all rating units connected to the public water supply without a water meter installed, to collect the required Base differential contribution.

Stormwater Network Rate

A targeted stormwater rate is to be apportioned 77.5 percent to the non-rural rating units incorporated under the Base differential and 22.5 percent to the non-rural rating units incorporated under the Commercial, Industrial and Business differential in accordance with the Revenue and Financing Policy.

This rate pays for the cost of the provision of the stormwater collection/disposal network for the city.

Properties classified as rural under the Council's District Plan are excluded from the liability of this rate.

The targeted Stormwater network rate is calculated as follows:

For non-rural rating units incorporated in the Commercial, Industrial and Business differential:

A rate per dollar of capital value to collect 22.5 percent of the required rates funding.

For non-rural rating units incorporated in the Base differential:

A rate per dollar of capital value to collect 77.5 percent of the required rates funding.

Commercial, Industrial and Business Sector Targeted Rate

This rate pays for activities where the Council's Revenue and Financing Policy identifies that the benefit can be attributed to the commercial, industrial and business sector and where the activity is not incorporated in other service related targeted rates. This incorporates the following:

- 30 percent of the cost of the Wellington Regional Economic Development Agency (WREDA) and Venues. This is the equivalent of 100 percent funding of the events attraction and support activity within WREDA.

This rate is assessed on all properties incorporated in the commercial, industrial and business sector and is calculated on a rate per dollar of rateable capital value.

Base Sector Targeted Rate

This rate pays for activities where the Council's Revenue and Financing Policy identifies that the benefit can be attributed to properties incorporated under the Base differential rating category (incorporating residential ratepayers). This incorporates the following activities:

- 100 percent of the facilitation of community environmental initiatives, cultural grants, facilitation of recreation partnerships and community advocacy activities.
- 95 percent of the provision of community centres and halls activities.
- 60 percent of the provision of the water network, collection and treatment, and the sewage collection, treatment and disposal network activities
- 77.5 percent of the stormwater management activity.

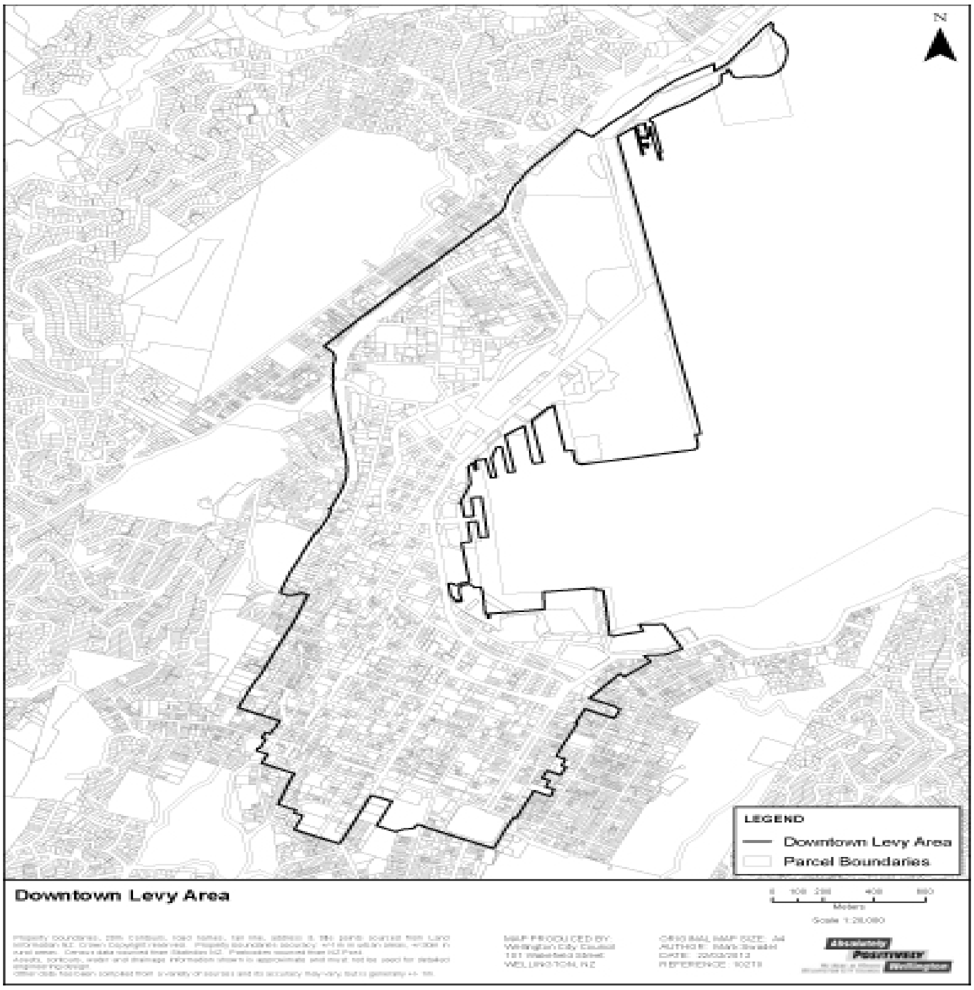
This rate is assessed on all properties incorporated under the Base differential rating category and is calculated on a rate per dollar of rateable capital value.

Downtown Targeted Rate

This rate pays for tourism promotion and retail support (free weekend parking). It also pays for:

- 50 percent of the cost of the Wellington Regional Economic Development Agency (WREDA) and Venues activities
- 40 percent of the cost of the Wellington Convention Centre activity
- 100 percent of retail support (free weekend parking) activity
- 70 percent of the visitor attractions activity
- 25 percent of galleries and museums activity.

This rate is assessed on all commercial, industrial and business properties in the downtown area and is calculated on a rate per dollar of rateable capital value. For the purposes of this rate, the downtown area refers to the area as described by the Downtown Area map as follows:



Tawa Driveways Targeted Rate

This rate pays for the maintenance of a specified group of residential access driveways in the suburb of Tawa, overseen by the Council. This rate is assessed on a specific group of rating units that have shared access driveway that are maintained by Council in the former Tawa Borough at a fixed amount per annum per rating unit.

Marsden Village Targeted Rate

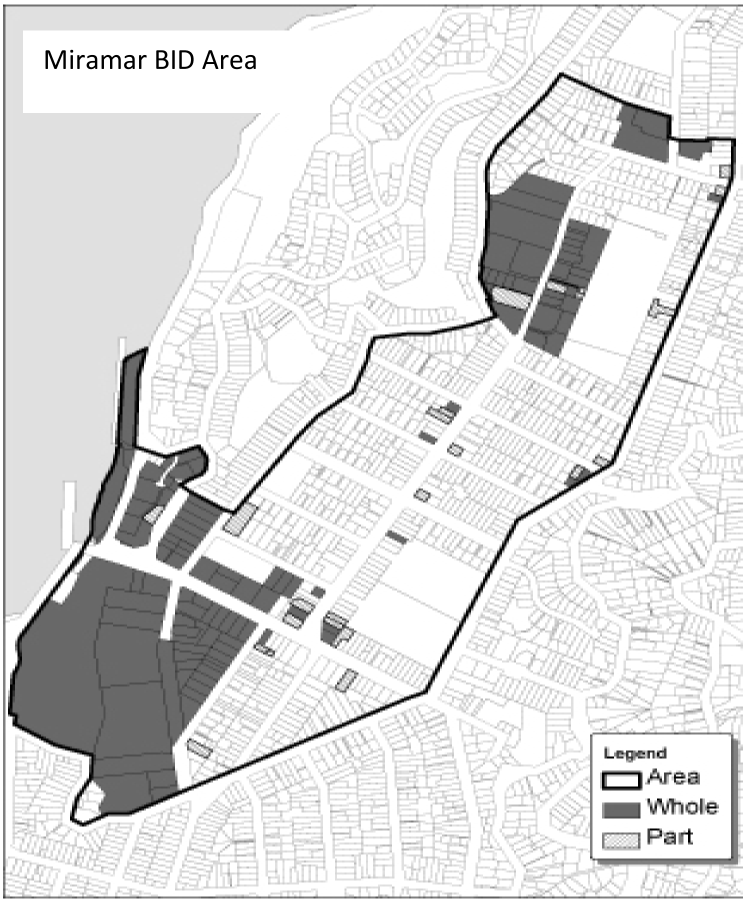
This rate is collected by the Council on behalf of the Marsden Village Association on all commercial, industrial and business properties in the Marsden shopping village (see map below) and is calculated on a rate per dollar of capital value to fund the maintenance of the area.

Miramar Business Improvement District Targeted Rate

This rate is set by Council to fund the Business Improvement District activities of Enterprise Miramar Peninsula Incorporated.

The category of land for which this rate is set is on all rating units within the Miramar Business Improvement District (see map) which are subject to the “commercial, industrial and business” differential, but excluding any rating unit that is a substation or used by local or central government for a non-business purpose.

Liability for this rate is calculated as a fixed amount per rating unit, plus a rate per dollar of capital value for any capital value over $1 million per rating unit.



Khandallah Business Improvement District Targeted Rate

This rate is set by Council to fund the Business Improvement District activities of the Khandallah Business Association Incorporated.

The category of land for which this rate is set is on all rating units within the Khandallah Business Improvement District (see map) which are subject to the “commercial, industrial and business” differential, but excluding any rating unit that is a substation.

Liability for this rate is calculated as a rate per dollar of rateable capital value.

Kilbirnie Business Improvement District Targeted Rate

This rate is set by Council to fund the Business Improvement District activities of the Kilbirnie Business Network.

The category of land for which this rate is set is on all rating units within the Kilbirnie Business Improvement District (see map) which are subject to the “commercial, industrial and business” differential, but excluding any rating unit that is a substation.

Liability for this rate is calculated as a fixed amount per rating unit, plus a rate per dollar of capital value for any capital value over $1 million per rating unit.

Kilbirnie BID area

July 2015

Property boundaries, 20m Contours, road names, rail line, address & title points sourced from Land Information NZ. Crown Copyright reserved. Property boundaries accuracy: +/-1m in urban areas, +/-30m in rural areas. Census data sourced from Statistics NZ. Postcodes sourced from NZ Post.
Assets, contours, water and drainage information shown is approximate and must not be used for detailed engineering design.
Other data has been compiled from a variety of sources and its accuracy may vary, but is generally +/- 1m.

MAP PRODUCED BY:
Wellington City Council
101 Wakefield Street
WELLINGTON, NZ

ORIGINAL MAP SIZE: A4
AUTHOR: bayly2s
DATE: 23/07/2015
REFERENCE:

Absolutely Positively Wellington City Council
Me Heke Ki Pōneke

Tawa Business Improvement District Targeted Rate

This rate is proposed to be set by Council to fund the Business Improvement District activities of the Tawa Business Group Incorporated.

The category of land for which this rate is proposed to be set is on all rating units within the Tawa Business Improvement District (see map) which are subject to the “commercial, industrial and business” differential, but excluding any rating unit that is not connected to a service.

Liability for this rate is proposed to be calculated as a fixed amount per rating unit, plus an amount set and assessed on capital values. Council will continue to work with the Tawa Business Group on developing the methodology.

Indicative Rates

The following table shows the indicative residential and commercial property rates inclusive of GST for a selection of billing categories, based on the proposed 2017/18 budget. These are subject to change based on Council decisions made during the adoption of the 2017/18 Annual Plan and changes in property valuations:

Indicative residential property rates (for properties without a water meter)		
Capital Values $	2017/18 Proposed Rates $	Increase over 2016/17 %
200,000	1,157	3.2%
300,000	1,589	3.2%
400,000	2,020	3.3%
500,000	2,452	3.3%
600,000	2,883	3.3%
700,000	3,315	3.3%
800,000	3,747	3.3%
900,000	4,178	3.3%
1,000,000	4,610	3.3%
1,100,000	5,041	3.3%
1,200,000	5,473	3.4%

Indicative suburban commercial property rates (for properties with a water meter). This excludes water by consumption which is charged on actual usage.		
Capital Values $	2017/18 Proposed Rates $	Increase over 2016/17 %
1,000,000	10,186	2.7%
1,250,000	12,697	2.7%
1,500,000	15,209	2.7%
1,750,000	17,720	2.7%
2,000,000	20,231	2.7%
2,250,000	22,743	2.7%
2,500,000	25,254	2.7%
2,750,000	27,766	2.7%
3,000,000	30,277	2.7%
3,250,000	32,789	2.7%
3,500,000	35,300	2.7%

Indicative downtown commercial property rates (for properties with a water meter). This excludes water by consumption which is charged on actual usage.		
Capital Values $	2017/18 Proposed Rates $	Increase over 2016/17 %
1,000,000	12,268	2.3%
1,250,000	15,300	2.3%
1,500,000	18,332	2.3%
1,750,000	21,364	2.3%
2,000,000	24,396	2.2%
2,250,000	27,428	2.2%
2,500,000	30,460	2.2%
2,750,000	33,492	2.2%
3,000,000	36,524	2.2%
3,250,000	39,556	2.2%
3,500,000	42,588	2.2%

Indicative residential property rates (for properties without a water meter)		
Capital Values $	2017/18 Proposed Rates $	Increase over 2016/17 %
1,300,000	5,904	3.4%
1,400,000	6,336	3.4%
1,500,000	6,767	3.4%
1,600,000	7,199	3.4%
1,700,000	7,630	3.4%
1,800,000	8,062	3.4%

Indicative suburban commercial property rates (for properties with a water meter). This excludes water by consumption which is charged on actual usage.		
Capital Values $	2017/18 Proposed Rates $	Increase over 2016/17 %
3,750,000	37,812	2.7%
4,000,000	40,323	2.7%
4,250,000	42,835	2.7%
4,500,000	45,346	2.7%
4,750,000	47,858	2.7%
5,000,000	50,369	2.7%

Indicative downtown commercial property rates (for properties with a water meter). This excludes water by consumption which is charged on actual usage.		
Capital Values $	2017/18 Proposed Rates $	Increase over 2016/17 %
3,750,000	45,620	2.2%
4,000,000	48,652	2.2%
4,250,000	51,684	2.2%
4,500,000	54,716	2.2%
4,750,000	57,748	2.2%
5,000,000	60,780	2.2%

5. Rates Remission and Postponement Policies

Refer to the Council Rates Remission and Postponement Policies.

(Note: the Rates Remission Policy was adopted by Council as part of the 2015-25 Long-term Plan and proposed to be amended as part of the 2017/18 Annual Plan)

Changes proposed to the rates remission policy are outlined below.

Rates Remission Policy:

1. Rates Remission for First Home Builders:

REMISSION STATEMENT

The Council may grant a rate remission on a new residential dwelling (including apartments) on a separate rating unit, where construction is completed after 01 July 2017 within the boundaries of Wellington City Council.

The remission will be up to a maximum of $5,000 (including GST). To qualify for this remission, the property owner must be:

- a New Zealand resident or citizen,
- this will be their first home,
- and the home must be a new build

The earliest the remission can be applied for is after a building code compliance certificate has been issued by the Council for the rating unit. The remission will end once the $5,000 (including GST) has been remitted or when the rating unit is sold (whichever is the sooner).

The remission shall apply to all Wellington City Council rates assessed on the rating unit. Note that Greater Wellington Regional Council rates will still apply.

Applications must be received prior to the commencement of the rating year the remission is being applied for (1 July).

POLICY OBJECTIVE

The objective of this remission policy is to assist new first home builders and promote the supply of housing in Wellington city.

CONDITIONS AND CRITERIA

A remission of rates may apply under the following conditions and criteria:

i. the new residential dwelling must be within the Wellington City Council boundary
ii. the new residential dwelling must be on a separate rating unit
iii. the property owner(s) must be a New Zealand resident or citizen and provide evidence of this

iv. the property must be the first home owned by the applicant
v. the property must be a new residential dwelling (including apartments)
vi. the property owner intends to use the property as their primary residence
vii. the property must be either built for the first owner or purchased within six months of construction
viii. the property owner must provide evidence that they own the property
ix. application can be made by the ratepayer after a building code compliance certificate has been issued by the Council for the rating unit.
x. the remission will not be available retrospectively for residential dwellings (including apartments) that are already completed before 1 July 2017
xi. once granted, the remission will apply for a set period; commencing from the start of the following rating year and ending when the total amount of Wellington City Council rates remitted on the property reaches the $5,000 (including GST) limit or when the rating unit is sold (whichever is the sooner)
xii. Trusts, businesses and companies are not eligible for the remission

APPLYING FOR A RATES REMISSION

All applications must be in writing and set out the reasons for the request using the Wellington City Council 'Application for Remission' form.

Each remission application is applicable to a single rating year, except the Remission of Rates for Buildings Removed from the Earthquake Prone Buildings List, the Remission for New Greenfield Developments and the Remission for First Home Builders, which may apply to multiple rating years.

Applications must be received prior to the commencement of the rating year the remission is being applied for (1 July), with the exception of the following remission applications which may be received after the start of a rating year:

i. the Special Circumstances Remission,
ii. the Metered Water Rates Remission,
iii. the Remission of Rates for Buildings Removed from the Earthquake Prone Buildings List,
iv. and the Remission for New Greenfield Developments.

No applications will be backdated beyond the current rating year.

All applications for a remission on a rating unit that has previously received a remission or remissions, must be re-submitted annually for consideration of further remissions prior to the commencement of the rating year (1 July), with the exception of the Remission of Rates for Buildings Removed from the Earthquake Prone Buildings List, the Remission for New Greenfield Developments and the Remission for First Home Builders.

The determination of eligibility and approval of any remission is at the absolute discretion of the Wellington City Council or its delegated officer.

Applications made for a remission will be considered on their own merits and any previous decisions of the Council will not be regarded as creating a precedent or expectations.

Rates Postponement Policy:

No changes proposed.

6. Prospective Financial Statements

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

	2016/17 Annual Plan $000s	2017/18 Annual Plan $000s	Variance to Annual Plan $000s
ASSETS			
Current assets			
Cash and cash equivalents	1,714	1,144	(570)
Derivative financial assets	-	-	-
Receivables and recoverables	42,834	48,413	5,579
Prepayments	13,433	13,054	(379)
Inventories	906	932	26
Total current assets	**58,887**	**63,543**	**4,656**
Non-current assets			
Other financial assets	11,954	16,900	4,946
Intangibles	28,578	28,671	93
Investment properties	213,931	221,512	7,581
Property, plant & equipment	6,771,399	6,998,983	227,584
Investment in subsidiaries	5,071	5,071	-
Investment in associates	19,465	19,465	-
Total non-current assets	**7,050,398**	**7,290,602**	**240,204**
TOTAL ASSETS	**7,109,285**	**7,354,145**	**244,860**
LIABILITIES			
Current liabilities			
Derivative financial liabilities	-	-	-
Trade and other payables	62,477	58,094	(4,383)
Revenue in advance	16,717	13,107	(3,610)
Borrowings	267,279	274,731	7,452
Employee benefit liabilities and provisions	7,180	7,769	589
Provision for other liabilities	7,972	12,028	4,056
Total current liabilities	**361,625**	**365,729**	**4,104**
Non-current liabilities			
Derivative financial liabilities	-	-	-
Trade and other payables	630	630	-
Borrowings	211,766	262,706	50,940
Employee benefit liabilities	1,593	1,460	(133)
Provisions for other liabilities	18,231	28,110	9,879
Total non-current liabilities	**232,220**	**292,906**	**60,686**
TOTAL LIABILITIES	**593,845**	**658,635**	**64,789**
EQUITY			
Accumulated funds and retained earnings	5,011,091	5,066,415	55,324

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	2016/17 Annual Plan $000s	2017/18 Annual Plan $000s	Variance to Annual Plan $000s
Revaluation reserves	1,489,442	1,611,492	122,050
Hedging reserve	-	-	-
Fair value through other comprehensive income reserve	106	1,648	1,542
Restricted funds	14,801	15,955	1,154
TOTAL EQUITY	**6,515,440**	**6,695,510**	**180,070**
TOTAL EQUITY AND LIABILITIES	**7,109,285**	**7,354,145**	**244,859**

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

	2016/17 Annual Plan $000s	2017/18 Annual Plan $000s	Variance to Annual Plan $000s
INCOME			
Revenue from rates	284,138	297,897	13,759
Revenue from development contributions	2,000	2,000	-
Revenue from grants, subsidies and reimbursements	41,037	38,612	(2,425)
Revenue from operating activities	121,965	130,357	8,392
Investments	20,447	22,704	2,257
Fair value movement on investment property revaluation	3,989	3,058	(931)
Other revenue	1,050	1,050	-
Finance revenue	650	704	54
TOTAL INCOME	**475,276**	**496,382**	**21,106**
EXPENSE			
Finance expense	25,617	27,736	2,119
Expenditure on operating activities	334,923	341,217	6,294
Depreciation and amortisation	101,975	106,482	4,507
TOTAL EXPENSE	**462,515**	**475,435**	**12,920**
NET SURPLUS FOR THE YEAR	**12,761**	**20,947**	**8,186**
OTHER COMPREHENSIVE INCOME			
Fair value movement - property, plant and equipment - net	106,241	122,914	16,673
Share of equity accounted surplus from associates	-	-	-
TOTAL OTHER COMPREHENSIVE INCOME	**106,241**	**122,914**	**16,673**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**119,002**	**143,861**	**24,859**

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PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

	2016/17 Annual Plan $000s	2017/18 Annual Plan $000s	Variance to Annual Plan $000s
EQUITY - OPENING BALANCES			
Accumulated funds and retained earnings	4,999,468	5,046,221	46,753
Revaluation reserves	1,383,201	1,488,578	105,377
Hedging reserve	-	-	-
Fair value through other comprehensive income reserve	106	1,648	1,542
Restricted funds	13,663	15,202	1,539
TOTAL EQUITY - Opening balance	**6,396,438**	**6,551,649**	**155,211**
CHANGES IN EQUITY			
Retained earnings			
Net surplus for the year	12,761	20,947	8,186
Transfer to restricted funds	(4,518)	(4,518)	-
Transfer from restricted funds	3,380	3,765	385
Revaluation reserves			
Fair value movement - property, plant and equipment - net	106,241	122,914	16,673
Hedging reserve			
Share of other comprehensive income	-	-	-
Restricted Funds			
Transfer to retained earnings	(3,380)	(3,765)	(385)
Transfer from retained earnings	4,518	4,518	-
TOTAL COMPREHENSIVE INCOME	**119,002**	**143,861**	**24,859**
EQUITY - CLOSING BALANCES			
Accumulated funds and retained earnings	5,011,091	5,066,415	55,324
Revaluation reserves	1,489,442	1,611,492	122,050
Fair value through other comprehensive revenue and expense	0	0	-
Restricted funds	106	1,648	1,542
Hedging reserve	14,801	15,955	1,154
TOTAL EQUITY - Closing balance	**6,515,440**	**6,695,510**	**180,070**

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PROSPECTIVE STATEMENT OF CASH FLOWS

	2016/17 AP $000s	2017/18 AP $000s	Variance to AP $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from rates - Council	292,828	279,361	(13,467)
Receipts from rates - Greater Wellington Regional Council	56,838	60,941	4,103
Receipts from activities and other income	100,082	153,302	53,220
Receipts from grants and subsidies - operating	33,017	(4,000)	(37,017)
Receipts from grants and subsidies - capital	8,020	42,612	34,592
Receipts from investment property lease rentals	9,335	11,464	2,129
Cash paid to suppliers and employees	(298,973)	(312,172)	(13,199)
Rates paid to Greater Wellington Regional Council	(56,838)	(60,941)	(4,103)
Grants paid	(42,672)	(40,419)	2,253
NET CASH FLOWS FROM OPERATING ACTIVITIES	**101,637**	**130,148**	**28,511**
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received	11,112	11,240	128
Interest received	650	704	54
Proceeds from sale of property, plant and equipment	4,600	(7,850)	(12,450)
Purchase of Intangibles	(5,102)	(8,527)	(3,425)
Purchase of property, plant and equipment	(165,583)	(177,668)	(12,085)
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(154,323)**	**(182,101)**	**(27,778)**
CASH FLOWS FROM FINANCING ACTIVITIES			
New borrowings	298,783	314,227	15,444
Repayment of borrowings	(227,516)	(233,427)	(5,911)
Interest paid on borrowings	(26,690)	(29,063)	(2,373)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**44,577**	**51,737**	**7,160**
Net increase/(decrease) in cash and cash equivalents	(8,109)	(216)	7,893
Cash and cash equivalents at beginning of year	9,823	1,360	(8,463)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,714**	**1,144**	**(570)**

PROSPECTIVE STATEMENT OF CHANGES IN RESTRICTED FUNDS

	OPENING BALANCE 2017/18 $000	DEPOSITS $000	EXPENDITURE $000	CLOSING BALANCE 2017/18 $000	Purpose
SPECIAL RESERVES AND FUNDS					
Reserve purchase and development fund	782	0	0	782	Used to purchase and develop reserve areas within the city.
Economic initiatives development fund	3,876	3,000	(3,000)	3,876	
Insurance reserve	10,116	1,500	(750)	10,866	Allows the Council to meet the uninsured portion of insurance claims
Total special reserves and funds	**14,774**	**4,500**	**(3,750)**	**15,524**	
TRUSTS AND BEQUESTS					
A Graham Trust	3	-	-	3	For the upkeep of a specific area of Karori Cemetery
A W Newton Bequest	319	16	(15)	320	For the benefit of art (Fine Arts Wellington), education (technical and other night schools) and athletics (rowing)
E A McMillan Estate	6	-	-	6	For the benefit of the public library
E Pengelly Bequest	15	1	-	16	For the purchase of children's books
F L Irvine Smith Memorial	7	-	-	7	For the purchase of books for the Khandallah Library
Greek NZ Memorial Association	5	-	-	5	For the maintenance and upgrade of the memorial
Kidsarus 2 Donation	3	-	-	3	For the purchase of children's books
Kirkaldie and Stains Donation	17	-	-	17	For the beautification of the BNZ site
QEII Memorial Book Fund	21	1	-	22	For the purchase of books on the Commonwealth
Schola Cantorum Trust	8	-	-	8	For the purchase of musical scores
Terawhiti Grant	10	-	-	10	To be used on library book purchases
Wellington Beautifying Society Bequest	14	-	-	14	To be used on library book purchases
Total trusts and bequests	**428**	**18**	**(15)**	**431**	
Total restricted funds	**15,202**	**4,518**	**(3,765)**	**15,955**	

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7. Summary of Significant Accounting Policies

Reporting entity

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

The primary objective of the Council is to provide goods or services for community or social benefits rather than making a financial return. Accordingly, for the purposes of financial reporting, as the Council is audited by the Auditor General, it is classed as a Public Sector Public Benefit Entity.

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

Basis of preparation

Statement of compliance

Due to ongoing discussions between the Local Government sector and its auditors on the application of certain new PBE standards, no change has been made in these prospective financial statements to reflect the new standards. The accounting policies have been updated to reflect the Council's current interpretation of the new standards but they are subject to amendment. It is anticipated that any changes to the financial statements resulting from the application of the new PBE standards are not expected to be material as they will be principally presentational differences only.

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

The prospective financial statements have been prepared to comply with Public Sector Public Benefit Entity Standards (PBE Standards) for a Tier 1 entity. The Council is adopting the PBE standards for the first time in the periods presented in these financial statements.

The reporting period for these prospective financial statements is the year ending 30 June 2015. The prospective financial statements are presented in New Zealand dollars, rounded to the nearest thousand ($000), unless otherwise stated.

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

Measurement base

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

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

Amounts expected to be recovered or settled more than one year after the end of the reporting period are recognised at their present value. The present value of the estimated future cash flows is calculated using applicable inflation factors and a discount rate. The inflation rates used are obtained from the latest relevant BERL[1] forecasts and the discount rate is the Council's forecast long-term cost of borrowing.

Judgements and estimations

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

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

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

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes. Significant judgements and estimations include landfill post-closure costs, asset revaluations, impairments, certain fair value calculations and provisions.

Revenue

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

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

Revenue from exchange transactions

Revenue from exchange transactions arises where the Council provides goods or services to another entity and directly receives approximately equal value (primarily in the form of cash in exchange).

Revenue from non-exchange transactions

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

Approximately equal value is considered to reflect a fair or market value, which is normally commensurate with an arm's length commercial transaction between a willing buyer and willing seller. Many of the services that Council provides for a fee are charged at below market value as they are subsidised by rates. Other services operate on a cost recovery or breakeven basis and are not considered to reflect a market return. Most of Council's revenue is therefore categorised as non-exchange.

[1] Business and Economic Research Limited

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

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

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

Rates

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

Water rates by meter are regulated in the same way as other rates and are taxes that use a specific charging mechanism to collect the rate and are non-exchange revenue.

Operating activities

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

Grants, subsidies and reimbursements

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

Reimbursements are recognised upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

Development contributions

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

Rendering of services

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

Within rendering of services the only revenues considered to be exchange revenue are from Parking services (meter fees and permits) and commercial leases of some building assets. For these transactions the revenue is recognised by reference to the stage of completion of the transaction at the reporting date.

Fines and penalties

Revenue from fines and penalties (eg traffic and parking infringements, library overdue book fines, rates penalties) is recognised when infringement notices are issued or when the fines/penalties are otherwise imposed.

Sale of goods

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

Investment revenues

Dividends

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

Investment property lease rentals

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

Other revenue

Donated, subsidised or vested assets

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

Gains

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

Finance revenue

Interest

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

Donated services

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

Expenses

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

Operating activities

Grants and sponsorships

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

Finance expense

Interest

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

Depreciation and amortisation

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

Taxation

Income tax on the surplus or deficit for the year comprises current and deferred tax.

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

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

Goods and Services Tax (GST)

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

Financial instruments

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

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

Financial assets

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

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

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

Trade and other receivables have fixed or determinable payments. They arise when the Group provides money, goods or services directly to a debtor, and has no intention of trading the receivable.

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

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

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

Financial liabilities

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

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

Derivatives

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

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

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

Inventories

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Inventories consumed in the provision of services (such as botanical supplies) are measured at the lower of cost and current replacement cost.

Inventories held for resale (such as rubbish bags), are recorded at the lower of cost (determined on a first-in, first-out basis) and net realisable value. This valuation includes allowances for slow-moving and obsolete stock. Net realisable value is the estimated selling price in the ordinary course of business.

Inventories held for distribution at no or nominal cost, are recorded at the lower of cost and current replacement cost.

Investment properties

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

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

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

Non-current assets classified as held for sale

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

- the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets;
- a plan to sell the asset is in place and an active programme to locate a buyer has been initiated;
- the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value;
- the sale is expected to occur within one year or beyond one year where a delay has occurred which is caused by events beyond the Group's control and there is sufficient evidence the Group remains committed to sell the asset; and
- actions required to complete the sale indicate it is unlikely that significant changes to the plan will be made or the plan will be withdrawn.
- A non-current asset classified as held for sale is recognised at the lower of its carrying amount or fair value less costs to sell. Impairment losses on initial classification are included within surplus or deficit.

Property, plant and equipment

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

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

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

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

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

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

Recognition

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

Measurement

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

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

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

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

Operational assets

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

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

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

Restricted assets

Art and cultural assets (artworks, sculptures and statues) are valued at historical cost. Zoo animals are stated at estimated replacement cost. All other restricted assets (buildings, parks and reserves and the Town Belt) were valued at fair value as at 30 June 2005 by independent registered valuers. The Council has elected to use the fair value of other restricted assets at 30 June 2005 as the deemed cost of the assets. These assets are no longer revalued. Subsequent additions have been recorded at cost.

Infrastructure assets

Infrastructure assets (roading network, water, waste and drainage reticulation assets) are valued at optimised depreciated replacement cost on a three-year cycle by independent registered valuers. Infrastructure valuations are based on current quotes from actual suppliers. As such, they include

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ancillary costs such as breaking through seal, traffic control and rehabilitation. Between valuations, expenditure on asset improvements is capitalised at cost.

Infrastructure land (excluding land under roads) is valued at fair value on a three-year cycle.

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

The service concession asset class consists of the Moa Point, Western (Karori) and Carey's Gulley waste water treatment plants which are owned by the Council but operated by Veolia Water under agreement. The assets are valued consistently with waste infrastructure network assets.

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

Revaluations

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

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

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

Impairment

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

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

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

Disposal

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

Work in progress

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

Depreciation

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

Land	unlimited	not depreciated
Buildings	1 to 100 years	1% to 100%
Civic Centre complex	10 to 100 years	1% to 10%
Plant and equipment	3 to 100 years	1% to 33.3%
Library collections	3 to 11 years	9.1% to 33.3%
Restricted assets (excluding buildings)	unlimited	not depreciated
Infrastructure assets:		
Land (including land under roads)	unlimited	not depreciated
Roading:		
Formation/earthworks	unlimited	not depreciated
Pavement	13 to 40 years	2.5% to 7.7%
Traffic islands	80 years	1.25%
Bridges and tunnels	3 to 150 years	0.67% to 33.3%
Drainage	15 to 120 years	0.83% to 6.67%
Retaining walls	30 to 100 years	1% to 3.33%
Pedestrian walkway	10 to 50 years	2% to 10%
Pedestrian furniture	8 to 25 years	4% to 12.5%
Barriers	10 to 110 years	0.91% to 10%
Lighting	10 to 50 years	2% to 10%
Cycleway network	25 to 45 years	2.2% to 4%
Parking equipment	8 to 10 years	10% to 12.5%
Passenger transport facilities	25 years	4%
Traffic infrastructure	3 to 30 years	3.33% to 33.3%

Drainage, waste and water:		
Pipework	40 to 110 years	0.91% to 2.5%
Fittings	7 to 100 years	1% to 14.29%
Water pump stations	10 to 100 years	1% to 10%
Water reservoirs	40 to 100 years	1% to 2.5%
Equipment	25 years	4%
Sewer pump stations	20 to 80 years	1.25% to 5%
Tunnels	150 years	0.67%
Treatment plants	3 to 100 years	1% to 33.3%

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

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

Intangible assets

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

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

Computer software	1 to 7 years	14.29% to 100%

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

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

Research and Development

Research costs are expensed as incurred. Development expenditure on individual projects is capitalised and recognised as an asset when it meets the definition and criteria for capitalisation as an asset and it is probable that the Council will receive future economic benefits from the asset. Assets which have finite lives are stated at cost less accumulated amortisation and are amortised on a straight-line basis over their useful lives.

LEASES

Operating leases as lessee

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

Operating leases as lessor

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

Finance leases

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

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

EMPLOYEE BENEFIT LIABILITIES

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

Holiday leave

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

Retirement gratuities

Retirement gratuities are calculated on an actuarial basis based on the likely future entitlements accruing to employees, after taking into account years of service, years to entitlement, the likelihood that employees will reach the point of entitlement, and other contractual entitlements information.

Other contractual entitlements

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

Provisions

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

Landfill post-closure costs

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

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

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

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

ACC partnership programme

The Council is an Accredited Employer under the ACC Partnership Programme. As such the Council accepts the management and financial responsibility of our employee work-related injuries. From 1 April 2009 the Council changed its agreement with ACC from Full Self Cover (FSC) to Partnership Discount Plan (PDP). Under the PDP option, the Council is responsible for managing work related injury claims for a two-year period only and transfer ongoing claims to ACC at the end of the two-year claim management period with no further liability. Under the ACC Partnership Programme the Council is effectively providing accident insurance to employees and this is accounted for as an insurance contract. The value of this liability represents the expected future payments in relation to work-related injuries occurring up to the end of the reporting period for which the Council has responsibility under the terms of the Partnership Programme.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the Council to make specified payments to reimburse the contract holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. The Council measures the fair value of a financial guarantee by determining the probability of the guarantee being called by the holder. The probability factor is then applied to the principal and the outcome discounted to present value.

Financial guarantees are subsequently measured at the higher of the Council's best estimate of the obligation or the amount initially recognised less any amortisation.

Net Assets/Equity

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

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

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

Prospective Statement of Cash Flows

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

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

Related parties

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

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

Cost allocation

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

Comparatives

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

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

Public Benefit Entity Financial Reporting Standard 42 *Prospective Financial Statements* (PBE FRS 42)

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

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

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

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

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

(iii) Bases for assumptions, risks and uncertainties

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

(iv) Cautionary Note

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

(iv) Other Disclosures

The prospective financial statements were authorised for issue on 7 May 2014 by Wellington City Council. The Council is responsible for the prospective financial statements presented, including the assumptions underlying prospective financial statements and all other disclosures. The Annual Plan is prospective and as such contains no actual operating results.

DRAFT

Have your say

Share your thoughts on our 3-year work programme and initiatives for the Annual Plan 2017/18.

Key dates

Public engagement	18 April–19 May
Stakeholder workshops	15–19 May
Council deliberations	15–16 June
Adoption of the Annual Plan	28 June

Let us know what you think

Online submissions:
Use the online submission form at wellington.govt.nz/haveyoursay

Email:
Send your feedback to annual.plan@wcc.govt.nz

Social media:
Join the conversation at facebook.com/wellingtoncitycouncil and on Twitter @WgtnCC

Paper submissions:
Mail your feedback to Annual Plan 2017/18, Freepost WCC, Wellington City Council, PO Box 2199, Wellington 6140

Your feedback will help shape the Council's final decision on what the Annual Plan 2017/18 contains.

Our draft Waste Management and Minimisation Plan – help us reduce waste by a third

The councils of the Wellington region are working together to reduce waste and encourage people to recycle more following an average report card on our performance to date.

You can help by providing feedback on the new draft Wellington Region Waste Management and Minimisation Plan, which aims to slash the amount ending up in local landfills by a third over the next 10 years.

Key dates

Public engagement
18 April–19 May

Let us know what you think

You can make a submission and find more information including our latest waste assessment, the statement of proposal and the draft plan at **wgtnregionwasteplan.govt.nz**

Looking ahead – Long-term Plan 2018–2028

We have also started work on our next long-term plan (LTP), which councils are required to publish every 3 years. Our LTP sets our direction, budgets and work plans for the next 10 years. As such, it's our most important budgeting and planning project, and it will need your input.

We will be talking with mana whenua, community groups, residents' associations, businesses and other local organisations over the coming months to understand what projects they want delivered in the next few years.

These conversations will help guide the development of the Long-term Plan 2018–28.