

15 April 2024

File ref: IRC-6152

Sarah Allison
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Tēnā koe Sarah

Thank you for your email of 10 March 2024 to Wellington City Council, requesting the following information:

- *... all advice, reports, correspondence, or other documents produced by Council Officers since 1 August 2023 on the subject of the Council's debt borrowing limits. This should include all advice, reports, correspondence, or other documents relating to the impact of a potential increase in the Council's debt borrowing limits beyond the current 225% limit.*

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

We have **granted** your request in part, and have attached excerpts from a workshop presentation from August 2023, where debt levels were discussed.

We also refer you to information that is available on the Wellington City Council's website, linked below. This information is subject to section 17(d), where we will not provide you with copies of the material on the grounds that the information requested is publicly available.

[Agenda of Kōrau Tōtōpū | Long-term Plan, Finance, and Performance Committee - Thursday, 15 February 2024 \(wellington.govt.nz\)](https://www.wellington.govt.nz/agenda/korau-totopu-long-term-plan-finance-and-performance-committee-thursday-15-february-2024)

[Agenda of Kōrau Tōtōpū | Long-term Plan, Finance, and Performance Committee - Wednesday, 13 March 2024 \(wellington.govt.nz\)](https://www.wellington.govt.nz/agenda/korau-totopu-long-term-plan-finance-and-performance-committee-wednesday-13-march-2024)

The subject of debt is discussed in Wellington City Council's annual reports, long term plans and annual plans each year. These documents can also be obtained from the Council's website.

You have the right, by way of complaint under section 28(1) of the LGOIMA, to request an investigation and review of the Council's decision to withhold information by the Ombudsman. Information about how to make a complaint is available at www.ombudsman.parliament.nz or freephone 0800 802 602.

Nāku noa, nā

Susan Sales
Official Information

Our recommendation on borrowing

- An increase to the ratio could result in a downgrade of our credit rating (already on negative watch)
- We need to maintain headroom (between 225% and LGFA limit of 280%) in our debt to mitigate risk to some degree
- Maintain insurance headroom of \$300m within the limit (which we know is not sufficient) as a proxy for our insurance gap

Borrowing Limit:

- Retain existing 225% debt to revenue ratio
- Actively explore ways to reduce our risk exposure through Balance Sheet review
 - Review of investment portfolio with a view to increase returns, diversify and better align to our vision.



Indicative impact of different rates limits at 225% debt limit

Based on the 2021-31 LTP and subsequent Annual Plan's, the capital programme over the next 10 years is forecasted at \$3.1b.

At an average rates increase of 5% over 10 years, the capacity in our debt would be \$3.1b

At an average rates increase of 8% over 10 years, the capacity in our debt would be \$3.8b

At an average rates increase of 10% over 10 years, the capacity in our debt would be \$4.2b

Note: The interest & depreciation arising from an increased capital programme would likely breach the indicative rates limit. Trade-offs in Levels of Service to manage operating expenditure would be necessary.

