

WELLINGTON CITY COUNCIL'S

DRAFT ANNUAL PLAN 2011/12

Can you imagine the city with fewer local parks or libraries? Or what the city would be like without major events or the art gallery? Would you live in a city with poor water quality or with limited transport options? Or in a city that didn't reflect on the cost its service imposed on residents? We don't want to and believe other Wellingtonians wouldn't either.

Instead we've developed this plan - one that aims to sustain the wide array of services and experiences that a modern capital should offer. A plan that aims to leverage off the largest international event to ever be staged here and maintain our investment in core infrastructure while managing our finances prudently.

But to achieve this plan we've had to make some choices – changes to parts of some services and increased fees for others. These options are outlined in the plan.

They are proposals only at this stage and are suggested as a way to keep rates at affordable levels.

We chose them because they have a minimal impact on the overall outcomes for that service and for the city. A broad range of options were considered.

We can of course go further, to make more savings, to reduce rates. We would value your feedback on whether that's desirable:

- Should we reduce the quality of some of our services? Which ones and why?
- Are there any activities where you would accept a reduction in customer service ie where you would be happy that things might take slightly longer?
- We could reduce the number of locations of some facilities – is convenience the main reason that you use certain facilities or would you be comfortable travelling a bit further?
- Do you expect to be able to access facilities at times that suit you? Would you pay to be able to? Or are you happy to accept that sometimes the facilities are closed or busy and that you'll just make use of it at another time?
- Are there areas where you simply think we do too much or that it's another agencies responsibility? What are those areas and what steps should we take to make that happen?

There are other questions as well. Are there different priorities or things that we need to do or do more of? Why do those now and why should ratepayers pay for them?

Every year hundreds of people make comments on our plans. And every year we make changes or confirm our proposal with that feedback in mind. So please let us know whether we've got the balance right?

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A MESSAGE FROM MAYOR CELIA WADE-BROWN

This draft plan has been prepared at a time when the economy remains subdued and rates affordability remains a key issue for households and businesses.

These challenges are not new and have been with us for the last three years. In response, we have adopted a balanced approach that sees Council focusing on delivering its services more efficiently, identifying opportunities for modest reductions to some services where these will not unduly impact on the overall service experience and outcomes sought for the city, while continuing to invest in core infrastructure and services. We have favoured this approach over wholesale cuts which would cost jobs, remove important services, and make Wellington a less enjoyable place to live and visit.

The savings options we are proposing for 2011/12 will help deliver an affordable rates position. They are draft at this stage and we encourage you to have your say and tell us whether they are the right savings in these times, whether we have gone far enough, or whether there are other opportunities for savings that you think we should explore.

In the coming year we'll also continue to strengthen core infrastructure – particularly our water network where we will upgrade some of our critical mains to improve the resilience of the network against a seismic event and improve the post event recovery. We'll also maintain our parks and gardens, develop plans for the future of the city, regulate building work, make transport improvements and continue to deliver the hundreds of vital services on which the city and its residents rely for their quality of life.

And this year we'll look forward to hosting thousands of visitors to Wellington as part of the 2011 Rugby World Cup. The city will host a number of matches featuring among others France, Australia, South Africa, the United States and the All Blacks. The spotlight of the world's media will be focused on this fantastic city for several weeks and this presents a unique opportunity to showcase Wellington to the world. We've undertaken the necessary steps to ensure Wellington is ready to host the biggest event in living memory.

I encourage you to have your say and look forward to hearing your views on our draft plans for the year ahead.

[signature]

CELIA WADE-BROWN

A MESSAGE FROM CHIEF EXECUTIVE GARRY POOLE

This draft plan is about balance – about responding to the economic climate by delivering our services more efficiently and making modest savings in areas where tolerance is greatest to reduce the rates increase, while continuing to invest in core infrastructure and maintaining the vast array of services that give Wellingtonians their high quality of life.

This balanced approach has delivered a proposed average rates increase of 4.3 percent. The rates increase for individual properties will vary depending on shifts in valuations and the impact of a change in the share that the commercial sector has to pay. On average, the residential sector will have a 6.2 percent rates increase while the impact on the city's commercial sector will be 1.2 percent.

While nobody wants to see their rates increase in these economic times, we face significant costs pressures - from interest and depreciation costs, from increases to petroleum based products such as bitumen that is used for maintaining our roads, to our leaky buildings liability – these costs are unavoidable and have to be met.

It is also important to note that Wellington's rates are not high by national standards, and overall our services represent good value for money. A recent survey shows that 75 percent of you think this, with a further 20 percent indicating it's about right.

A quick comparison of Council service costs to other household costs also indicates a level of efficiency in the way our services are delivered. For example the average household energy bill is \$2,500 per annum, average petrol consumption per household a year is \$2,000¹, and the annual cost of a landline – a single piece of infrastructure – costs \$480. This compared to the vast array of services and infrastructure offered by the Council at an annual cost of just over \$1,900 (based on average residential property capital value) indicates our services represent value for money.

This outcome hasn't been achieved by accident. It's the result of a long standing commitment to look to deliver our services in more efficient ways year-on-year – to deliver the best service at least cost to ratepayers.

This work has continued throughout this year with the organisation identifying over \$6m in efficiencies and improvements in service delivery. This has included improved procurement processes, maintaining service levels where possible, reviewing the need to fill vacant positions, streamlining management levels in some areas, and a broad commitment to keep increases to a minimum.

Without the austerity and efficiency initiatives undertaken this year, the forecasted rates increase would be much higher.

This draft plan provides the chance for you to comment on the 2011/12 work programme formally before it is finalised by Councillors in June. I encourage you to have your say.

¹ Statistics NZ – Household Expenditure Survey

[signature]

GARRY POOLE

OUR ROLE

Our job is to look after Wellington, now and into the future.

Under the Local Government Act, we have two key roles. 1. To promote the well-being of Wellington and its people. 2. To facilitate democratic local decision-making.

The Wellington City Council is made up of 15 elected representatives — the mayor and 14 councillors. It's their job to make bylaws, set the city's overall strategic direction, and approve budgets, policies and plans aimed at achieving that direction. A key part of their role is to listen and take the pulse of the community before making decisions.

The mayor and councillors are supported in their role by the Tawa and Makara/Ohariu community boards. A number of advisory groups also input into policy development and implementation.

The elected representatives are assisted by the Council's chief executive and 1,450+ staff, who provide advice, implement Council decisions, and look after the city's day to day operations.

PLANNING FOR WELLINGTON'S FUTURE

This draft annual plan is part of a longer-term process of planning and asking for community views.

The Local Government Act requires us to plan in three-year cycles. Every three years, we consult the community on a draft long-term plan. This sets out our intentions for the decade ahead — what we'll do, how we'll do it, how much we'll spend, who will pay, the levels of service we'll provide, and how we'll measure the quality and effectiveness of our work. Our last long-term plan was in 2009; we'll develop our next one in the coming financial year.

The long-term plan is prepared in line with community aspirations.

Our long-term plan is guided by 13 long-term goals (or "outcomes"). They are that Wellington will become more liveable, develop a stronger sense of place, and become more compact, eventful, inclusive, actively engaged, sustainable, safer, healthier, better connected, prosperous, competitive, entrepreneurial and innovative.

The projects we fund and our ongoing work programme — explained in the *2011/12 Activity Programme* section of this plan — aim to fulfil these community aspirations.

In-between these long-term plans, we take a fresh look each year at our work programme and consider whether any changes are needed. Change may be needed due to revisions to our budgets or new projects to help deal with issues or challenges facing the city. We publish a draft annual plan (this document) and listen to your feedback before deliberating on the final annual plan.

We'll make ourselves accountable by reporting on how we do for the year.

Every year, we also publish an annual report. This sets out how we performed against the long-term plan or annual plan for the year. Did we do all we said we'd do? Did we meet our budgets? Did we do as good a job as we should have? Did we contribute to improvements overall? The report is made available on our website and through libraries and service centres, and a summary is sent to all Wellington households.

OUR WORK

Running a city is a 24/7 operation. Our services touch the lives of all Wellingtonians — at work, home and play. The following section provides an outline of our work.

GOVERNANCE

Our governance work includes **seeking feedback** on our proposals from members of the public, producing annual plans and annual reports to make ourselves **accountable to residents**, engaging with **Maori and stakeholder groups**, producing policies and strategies to guide our work, and **providing information** about our services and activities.

A key focus of the coming year will be on engaging with Wellingtonians. We'll be reviewing our website to allow users more opportunities to navigate in a way that suits their needs. We'll also enter into a conversation about how to position the future of the city through Wellington 2040 and the long-term plan.

Proposed 2011/12 operational cost: \$74 per resident².

ENVIRONMENT

We provide **water supply**, and work to reduce the impact of stormwater and **sewage disposal** on the natural environment; provide **recycling** and **waste disposal** services; offer grants for environmental initiatives; run the Kiwi Point Quarry; and promote **energy efficiency and sustainability**.

We also look after the city's reserves and **town belts**, as well as **beaches**, and coastline. We fund **the Zoo** and **Zelandia**, and other world-class nature-based visitor attractions such as our **botanical gardens**. Our work includes track maintenance, pest management, and planting. Much of this is supported by the commitments of a large number of volunteers and groups.

The priority in the coming year will be to maintain our infrastructure and to take further steps to ensure our reservoirs will be a secure source of water as part of our emergency management planning. We'll also continue work on our climate Change Action Plan including year two of an electric vehicle trail and support for the home energy saver programme.

Proposed 2011/12 operational cost: \$669 per resident.

ECONOMIC DEVELOPMENT

Economic activity is dependent on secure reliable infrastructure. To that end, this entire plan can be seen as a commitment to the local economy. In addition we take specific steps to support economic vitality. We advocate for the city's interests to central and regional government. We maintain links with other markets

² Based on a resident population estimate of 197,700

through sister city relations. Our initiatives complement the regional economic development programme provided by the regional development agency Grow Wellington.

We also work to attract **major events** that bring new spending to the city such as Rugby World Cup matches. And we fund **tourism promotions**, and support attractions such as **Te Papa** and conference venues such as the **Wellington Convention Centre**.

The Rugby World Cup sits front and centre in the coming year. The tournament coverage will reach a cumulative global audience of over four billion people, and circa 30,000 overseas visitors are expected to visit the Wellington region. We're working to ensure the event showcases all that the city has to offer and ensure that we leverage long-term benefits from games being staged here.

Proposed 2011/12 operational cost: \$101 per resident.

CULTURAL WELL-BEING

We operate Toi Poneke — the **Wellington Arts Centre**, fund the Wellington Museums Trust and support the **NZ International Arts Festival**, the **St James Theatre** and the **NZ Symphony Orchestra**.

We also provide **cultural grants**, support **community events and festivals**, and run the **City Archives**.

The Wellington Museums Trust will deliver a full Rugby World Cup programme with families, art lovers and rugby fans in mind. Features include *score a try*, an interactive display at Capital E, and *Hard on the Heels* an exhibition by well known sports photographer Peter Bush. Three new sculptures are also planned for the coming year.

Proposed 2011/12 operational cost: \$76 per resident.

SOCIAL AND RECREATION

We work to protect **public health and safety** through projects such as monitoring the city centre, **licensing food and liquor outlets**, **animal control**, regulating other public health risks, providing **toilets and cemeteries**, and preparing the city to deal with emergencies such as **earthquakes**.

We provide **community centres and halls**, support community organisations, and provide **homes** for people whose needs are not met by state housing or the private housing market.

Our recreation work includes: providing 11 **libraries**, around 100 **playgrounds**, seven swimming **pools**, as well as **recreation centres**, sports **fields** and **marinas**. We also run recreation programmes; and an initiative to reduce the costs of using sport and recreation facilities for people on low incomes.

2011/12 will see the Indoor Community Sports Centre open and the first full year operation of artificial surfaces at Wakefield Park and in Mt Cook. We'll continue our major upgrade of social housing. And also propose to undertake a feasibility study into the construction of a new deep water pool at the Regional Aquatic Centre

Proposed 2011/12 operational cost: \$487 per resident.

URBAN DEVELOPMENT

Our urban development work includes enhancing the **waterfront** and **city and suburban centres**, developing public spaces such as **urban parks and squares**, looking after **heritage sites**, assessing and issuing **building and resource consents**, and **planning for the city's future** development.

A key focus in the coming year will be to review our earthquake-prone buildings policy and manage its implementation. We'll also continue our public engagement on Wellington 2040 working towards adopting a long term spatial plan for the central city.

Proposed 2011/12 operational cost: \$138 per resident.

TRANSPORT

We look after the hundreds of kilometres of **streets and roads**, as well as footpaths, cycle lanes, traffic signals, car parks and access ways.

We take steps to improve traffic safety and **support public transport** through bus priority measures and provide bus shelters. We also plan to ensure the city's transport network meets future needs.

Our focus in the coming year will be on maintaining and operating the network. We'll also work in partnership with Greater Wellington Regional Council and New Zealand Transport Agency on the Wellington Public Transport Spine Study. This study is looking into a high quality public transport system between the railway station and the hospital in Newtown and other possible connections within the urban growth corridor

Proposed 2011/12 operational cost: \$272 per resident.

OUR APPROACH FOR 2011/12

Introduction

Affordability is a key issue for the community.

The impacts of the economic downturn continue to flow through to households and businesses making rates affordability a continuing challenge.

At the same time we face significant budgetary pressures from interest and depreciation costs, from inflation, from meeting the costs for leaky buildings and from service level increases that were agreed in recent years.

Our response has been to take a balanced approach.

All planning and budget processes involve choices. We've developed this plan with a clear set of choices in mind. In their simplest form those choices are; to make reductions to services to cut rates levels; borrow more and increase rates to ramp up investment in additional facilities and services; or strike a balance – focus on efficiencies and modest cuts to some services to contain higher rates increases.

In developing this draft plan we've taken the third approach. This is based on research that Wellingtonians value the quality of the services in the city and by-and-large see them as offering value for money.

The balanced approach includes:

a) Delivering affordable rates levels by

- Delivering over \$6 million in reduced costs from our ongoing programmes and efficiencies in the way we do our work (see financial summary for more information).
- Making sure fees and charges are set at appropriate levels so that individuals that directly benefit from a service (eg swimming) pay an appropriate contribution towards the cost of providing that service.
- Deferring non-urgent work.
- Making modest reductions to one or two dimensions of some services where these do not unduly impact on the overall service experience and outcomes sought for the city. This is favoured ahead of wholesale cuts to entire services that could make Wellington less vibrant and less prosperous.

b) Strengthening infrastructure and facilities

- Maintaining existing services and infrastructure costs money. We'll continue that in the coming year and have also budgeted additional funding in key areas to ensure they remain in good condition and that the build on the city's resilience (eg earthquake strengthening key parts of our water network).

c) Planning for the future

- Making the most of the long-term benefits that could arise from the city's international exposure through the Rugby World Cup

- Reviewing the operating environment, considering evidence for change and planning for the 2012 long-term plan.

The next section summarises the specific proposals that relate to these areas of focus.

This is a draft plan. We're interested to know your views on the most appropriate approach.

Key questions: do you agree with the overall approach? Should we reduce services further to keep rates down? Or should sustain all of these services at current levels and accept a higher rates increase?

NEW PROPOSALS FOR 2011/12:

AREA OF FOCUS ONE: DELIVERING AFFORDABLE RATES

We have sought to deliver operational efficiencies, defer non urgent work or spread it over a longer period of time, and reduce service levels where the impacts will be minimal.

In considering what we could do to reduce our costs to ratepayers we identified a number of savings options and efficiencies. They primarily consist of non-urgent work that can be deferred for a short time, efficiencies in the way we operate that reduces costs but don't impact on service levels, and modest reductions to budgets that will not adversely impact on the overall service experience and outcomes sought for the city.

The following efficiencies and savings are proposed for 2011/12.

Wellington Sculpture Trust

We are proposing to make a reduction in the annual grant we provide to the Wellington Sculpture Trust (from \$50,000 to \$35,000). The Trust commissions sculptures to enhance the urban environment and to support the creative arts in Wellington. The Trust works in partnership with Council, and raises funds from other sources, including private businesses and individual donors. The Trust has initiated and commissioned many of the city's permanent sculptures including the Meridian Energy Wind Sculpture series along Cobham Drive.

Despite the reduced funding the Trust will still be able to deliver its planned programme of activity on this reduced funding. In the coming year the Trust will deliver the following projects:

- *Nga Kina* a sculpture by Michel Tuffery to be located at the entrance to the Kumutoto Stream on the Wellington Waterfront
- A Katherine Mansfield memorial sculpture by Virginia King to be located on the edge of Midland Park in Lambton Quay
- The 4 Plinths Temporary Sculpture (round 3). This project uses the four plinths between the Te Papa forecourt and the waterfront. Each project is installed for two years with this round due for installation in January 2012.

We had also considered reducing our cultural grants (by \$78,000 on a budget of \$330,000) but have decided not to recommend this saving at this time. Wellington has a strong arts sector and the contestable cultural grants are important in the current economic climate where there is a reduced sponsorship of the sector.

Economic grants

In 2011/12 we're proposing to reduce our contestable economic grants from \$50,000 to \$25,000 a year to reflect the level of demand on this grant pool. We had initially considered removing the economic grants completely but are proposing to retain the reduced amount to support local development initiatives.

We are also proposing to make a minor reduction (from \$80,000 to \$70,000) in the annual grants that we provide to international associations related to our sister programme and to our marketing budget (totalling \$25,000) that is used for Council supported events.

In focusing on this area we are conscious that Wellington city ratepayers also contribute over \$4m per annum to the regional council for the work of Grow Wellington – the agency charged with regional economic development.

Botanic gardens and local parks

We spend over \$12 million every year on the city's botanic gardens, beaches, parks and open space. We've reviewed our operations across these areas and are proposing some modest reductions. We believe these will not adversely impact on the overall experience of visitors to these areas. Our proposals include:

- reducing the hours the Botanic Gardens Begonia House Shop hours during the quieter winter months (saving \$19,000), reallocating administrative resources and the Botanic Garden/Otari Wilton Bush library (saving \$24,000)
- reprioritising maintenance programmes for Botanic Gardens and the Town Belt - meaning that less will be spent on mowing, planting, general maintenance and on garden beds. We're proposing to make a saving of \$55,000
- reducing our funding by \$20,000 for park infrastructure maintenance for one year only
- made some efficiencies in the way we undertake mowing in the city and expect to be able to make \$10,000 in savings from 2011/12 onwards in this activity.

Monitoring of pest plants and delivering on the biodiversity action plan

We monitor plant and animal pests for their impact on our natural environment. This helps us prepare and refine our pest control programmes. We have made significant gains in pest control in recent years and believe we can make a small reduction in the level of pest monitoring in 2011/12 (\$14,000). Over \$900,000 will continue to be spent on pest control work in the coming year.

We are also propose deferring the budgeted increase (of \$77,000) to expand the Biodiversity Action Plan – a programme of establishing key native eco-systems with operational 'pest management plans'. We've already achieved our target for the coming year of 33 areas.

Every year we provide over 20,000 plants to volunteer groups to plant on road side reserves and other public areas. We explored reducing the number of plants made available or charging for this service which could have generated revenue or savings of \$20,000 but have decided to retain the budget in full so it continues to be a free service. This recognises the hundreds of volunteers who participate in this programme and the benefit they have on the city and the environment.

Hazardous trees

In 2004 and 2005 significant storms increased the number of hazardous trees on the city's Town Belt and reserve areas, and additional funding was made available to remove these trees – including many on Te Ahumairangi Hill (previously known as Tinakori Hill). Removal of hazardous trees – mainly pine – has continued since at a reduced level. We had planned to reinstate the higher level of clearance but propose to defer that increase of \$100,000 for another year.

Patent Slip jetty

We were scheduled to demolish – at a cost of \$103,000 – the Patent Slip jetty at Evans Bay in the coming year. The jetty has limited use, is in poor condition and public access has been blocked off. The work is not urgent and we are proposing that the demolition occur in 2012/13.

Libraries

In 2011/12 we're proposing to better align opening hours at the Central Library to demand which will see the Central Library close at 7pm instead of 8.30pm during the working week (\$57,000 savings). We also propose to close the dedicated enquiries desk on the ground floor. Library users will still be able to get support from the four enquiry desks that will remain across the other floors. We also propose to provide most international newspapers in digital format only which will save \$20,000 per year.

We spend over \$20 million every year on the libraries network and believe the modest reductions proposed above will not adversely impact on the overall experience of the library service. These proposals are also made in light of the cost of undertaking design work for the refresh of the central library in the coming year (see Libraries on page xx).

In identifying savings for the 2011/12 year, a number of other library service areas were explored – but on balance we have decided not to recommend these. They include reducing smaller 'low use' branch library opening hours (Wadestown, Khandallah and Brooklyn) to half days which could provide \$347,000 savings per year.

Sportsfields

2011/12 will see artificial sportsfields in operation at three sites. These require less intensive maintenance than grass surfaces. As a result we've been able to reduce on operations funding in this area by \$108,000 to reflect the change in the way these services are now delivered.

Wellington Waterfront Ltd

We oversee the development of the waterfront and implementation is managed by a Council-controlled organisation – Wellington Waterfront Ltd. Any development of the waterfront is guided by the Wellington Waterfront Framework – a document that provides the overall vision and objectives for this important part of the city. In the current economic climate there is less development on the waterfront. We've taken the decision to reduce the waterfront company to match the level of development taking place. We propose savings of \$170,000 in this area.

The work programme for the waterfront for 2011/12 is included in the appendices.

Dog control

We're proposing to make changes to the way we undertake dog control work. Currently we undertake city-wide monitoring and will now take a more targeted approach that focuses primarily on problem areas. This approach will be more efficient and will deliver \$36,000 in savings per year.

Divesting under used properties

We have taken a closer look at some of our assets to see if they are still meeting the needs of our communities. We have reviewed Vogelhorn and Wadestown Halls, St Johns in Karori and the Te Aro garages and considered their future use. We're proposing to defer maintenance for the coming year for Vogelhorn Hall and St Johns in Karori and consider divestment opportunities. We have decided to retain Wadestown Hall and the Te Aro garages within Council ownership. The process of divesting assets takes time and we are seeking feedback on whether we should start this process in 2011/12. The level of savings in 2011/12 is \$48,000, and ongoing savings are estimated at \$159,000.

Cemeteries

The Karori Cemetery provides sensitive and respectful bereavement services catering for a wide range of communities and beliefs. With many private crematoriums now operating, there is less demand on Karori Cemetery crematorium. A saving of \$31,000 in 2011/12 is recommended in this area which reflects the reduced demand for crematorium services and a modest reduction in the maintenance programmes for cemeteries.

Swimming pools

In 2010/11 we established a grants fund to support schools to upgrade existing school pools to improve access to learn-to-swim opportunities and aquatic sports for the community. The 2010/11 grant round is about to be completed and the experience to date is that schools are seeking high levels of advice and support for these applications. Accordingly, it is recommended that the grant funding be phased over a longer period to allow schools to develop grant applications. The funding is currently budgeted at \$2 million over two years and we're now proposing to redistribute the funding over four years (\$500,000 per year for four years). We are also proposing to undertake feasibility work on a new deep water pool complex at the Wellington Regional Aquatic Centre to meet demand for aquatic space – see Area of Focus Three on page **XX** for more information.

In considering what we can do to reduce our costs to ratepayers we also looked at closing the Khandallah pool. It is the least used pool in the city (accounting for approximately 1% of aquatic visits per year) and total visits have been declining in the last three years. Closing the facility has the potential to deliver \$146,000 in savings. We have decided not to recommend this option.

Key questions: do you agree with the savings options that have been identified? Should we go further to keep rates down? Are there other aspects of these services you'd rather see cut? What other services would you want us to explore and why?

AREA OF FOCUS TWO: STRENGTHENING FACILITIES AND INFRASTRUCTURE

We've budgeted additional funding in several key areas to maintain facilities and infrastructure and build on the city's resilience.

The Council owns and manages over \$6 billion of assets on behalf of the people of Wellington. These assets have to be maintained in good condition, both to protect health and safety and to maintain a high quality city. We have well established asset management practices to ensure this and associated budgets are in place. Despite this, new needs arise from time to time. The following variances have emerged in the coming year.

Earthquake strengthening and core infrastructure resilience

The recent quakes in Christchurch and Japan have highlighted again the importance of being prepared for such events.

We've reviewed our own assets and believe there are some upgrades that we had planned to at a later stage should now be brought forward. This includes funding of \$400,000 for planning work for earthquake strengthening of the Town Hall and Council Municipal Office Buildings. We had planned to do this in 2014/15.

We also propose to continue with works on some of our water infrastructure assets in the coming year. This programme includes the upgrade of critical mains in the central city and Te Aro flat to ensure that sufficient water can flow to and from a new reservoir that will be constructed in the next five years. Replacing this main will improve the resilience of the network against a seismic event and improve the post event recovery. The total value of the budgeted works planned for the next decade is \$9.5m. A further \$852,000 of capital funding is required in 2011/12 after further detailed planning.

Our objective is to retain as much water as possible within our larger reservoirs after a seismic event. While automatic shut off valves are on most of the outlet pipes - preventing reservoirs from draining if there is a failure on the outlet pipe - couplings on the short length of pipe between the reservoir and the inlet needs to be upgraded to minimise risk of failure in a seismic event. If the coupling should fail the reservoir would drain.

Approximately 16 reservoirs require upgrade work. This work was already budgeted but more funding is required at a rate of \$150,000 per year for two years to complete the work earlier than previously planned. The total value of works planned over the decade is \$18m.

Heritage grants

We've also decided to increase our Heritage Grants fund by about 40% to \$329,000 per annum. The additional funding aims to meet some of the costs borne by heritage owners to maintain the heritage fabric of their buildings. The increase reflects the fact that additional heritage areas are being identified through District Plan changes.

St James Theatre and Basin Reserve Assets

We have created a new Council Controlled Organisation – Wellington Venues Ltd – to manage the Wellington Convention Centre, the St James Theatre and the State Opera House. While the co-location of key functions under one organisation has led to operational efficiencies, a recent condition assessment of the St James Theatre assets has identified deferred maintenance that now needs to be carried out. Funding is required for ongoing renewals of these assets estimated at \$925,000 capital expenditure. A further \$830,000 is also required to renew the Town Hall Organ and fix retractable seating in TSB Bank Arena.

An asset condition survey has also been completed for the Basin Reserve and we now have detailed information on renewal and maintenance costs for this iconic sports ground. Based on the survey, we have budgeted \$297,000 per year for renewal requirements at the Basin Reserve.

***Key questions: do you think we should have different priorities than these?
Why and what would they be?***

AREA OF FOCUS THREE: PLANNING FOR THE FUTURE

How Wellington should develop over the next thirty years, and what we should prioritise our funding on are key questions we will look to answer in the coming year.

One of our roles is to think ahead: to anticipate and prepare for changes in the city's population, and review the economic, social and technological forces that will influence residents' quality of life into the future.

Our role is also to prioritise competing demands – balancing cost pressures that must be met from looking after the city's \$6 billion of assets, meeting the city's leaky buildings liability estimated at \$88 million, and earthquake strengthening our own buildings and assets to ensure the city is resilient – with community demand for improved services such as new swimming pools, improvements to libraries, more artificial sportsfields, an upgraded Clyde Quay Boat Harbour and others. And these cost pressures have to be considered against the community desire to keep rates and borrowing levels within acceptable limits.

Our 2012-22 long-term plan will guide the decisions on these important questions and agree the city's development. It provides an opportunity to consider what infrastructure and services will need to be prioritised in the coming years and decades.

Much of the foundation work for the 2012-22 long-term plan will be carried out in 2011/12 – from collecting evidence of demand for services, identifying opportunities to change services over time to meet strategic objectives, identifying funding requirements, and engaging the community on their ideas for Wellington now and into the future as part of the Wellington 2040 project.

We seek your feedback on one of these key issues as part of this annual plan: swimming pool demand

We're proposing to set aside \$650,000 to undertake a feasibility study on spending up to \$18.9 million on a new pool and associated parking at the Wellington Regional Aquatic Centre. Initial community feedback was sought in 2010 on what community facilities and approach the city should have in response to demand for pool space and congestion at certain times.

At that time we committed to the School Pools Funding Grant (that we propose to continue see page [xx](#)) and to undertake an assessment of needs. This assessment is expected to be complete in April. In anticipation of the findings discussing a new pool as an option, it has been proposed that we undertake the feasibility work now.

The operating costs of a new pool are estimated to be at least \$1.5 million per annum. If it was decided to proceed with the pool a portion of the capital funding would be drawn from money that was previously set aside, as part of the Community Facilities Policy, to construct a retractable roof at the Thorndon Summer Pool.

The feasibility work will encompass:

- location on site and linkage with existing facilities
- potential resource consent issues with a particular focus on vehicle access and carparking
- a detailed assessment of the costs of construction.

Key questions: do you see pool provision as a key issue for the city in the coming year? Who do you think should pay for the development of a new pool and the feasibility study – should it be pool users or ratepayers or both? Are there other services you think should be prioritised ahead of pools? Would you prefer we didn't make some of the savings outlined under focus area one instead of undertaking this work? Why would you prefer that?

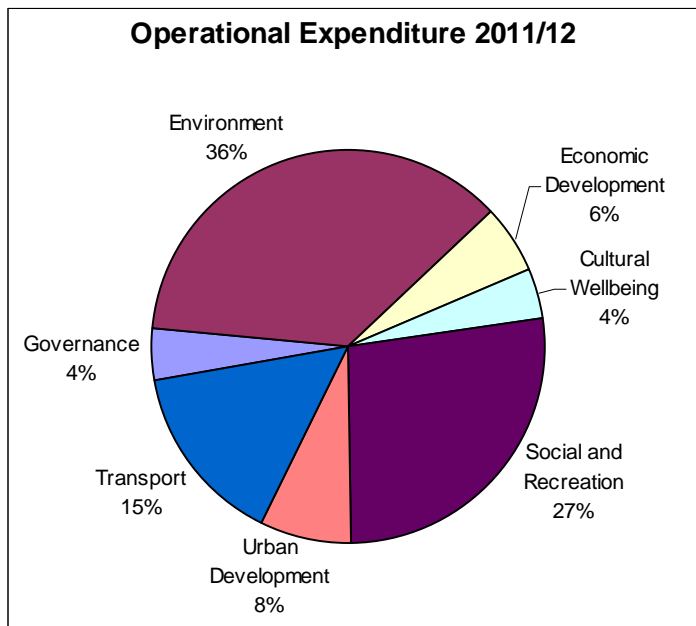
RATES, CHARGES AND SPENDING

OPERATIONAL EXPENDITURE

We are forecasting total operational spending of \$366 million during 2011/12.

The Council is planning to spend \$366 million on operational expenditure across our strategy areas in 2011/12. Operational expenditure provides for all of our day-to-day operations and services, from waste disposal, water supply and maintaining our roads, to issuing building consents, running our recreational facilities and maintaining our parks and gardens.

The graph below shows the proposed operational expenditure across our strategy areas in 2011/12.



Where our funding will come from

SOURCES OF FUNDING

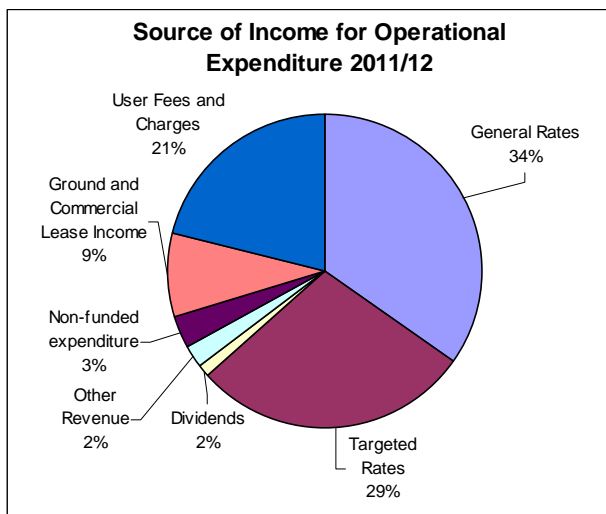
Sixty three percent of our operational expenditure will be funded from rates. The remainder will be funded from user fees and charges, ground and commercial lease income, dividends, and other revenue such as grants and government subsidies.

Our rates revenue is split between targeted rates and general rates. The Council sets targeted rates to fund costs associated with the Council's water, sewerage and stormwater systems. Separate targeted rates are set for Marsden Village, Downtown and Tawa driveways.

Detailed information on rating mechanisms is included in the financial statements of this plan.

The table and graph below shows how our operational spending will be funded.

Funding Sources 2011-12	%	\$000
General Rates	34%	127,181
Targeted Rates	29%	104,445
User Fees and Charges	21%	77,801
Ground and Commercial Lease Income	9%	31,519
Non-funded expenditure	3%	12,041
Other Revenue	2%	7,657
Dividends	2%	5,650
	100.0%	366,294



RATES

We are proposing to increase average rates by 4.3% in 2011/12.

The Council is planning to collect \$231.6 million (GST exclusive) of rates during 2011/12. This figure reflects our efforts to manage the city's finances efficiently and prudently. As noted, we have sought operational efficiencies, are proposing minor changes to some services, and have rescheduled some of our work programme to keep the rates increase at an affordable level.

While the proposed average rates rise is held to 4.3%, the residential rates increase on an average Wellington home is likely to be about 6.2% and for commercial property owners about 1.2%.

There are two categories of general rates: the base general rate, and the commercial sector general rate. The Council has a rates differential in place that decides the share of general rates paid by residents and businesses. We have been gradually reducing this over time and 2011/12 is the final year of change. In 2010/11, the commercial sector general rate per dollar of capital value was 3.1 times higher than the base rate for a residential property of the same value. We are proposing to reduce the differential between our commercial and residential sectors to 2.8:1 in 2011/12 in line with our long term plan.

WEATHERTIGHT HOMES

We are also proposing an approach to funding the cost of meeting weathertight home settlements in 2011/12 and beyond.

The Draft Annual Plan includes \$8.8m for the cost of the Financial Assistance Package (FAP) and litigation associated with weathertight homes (also known as leaky homes).

It is proposed that \$2.22m of this cost will be funded through general rates and the balance of \$6.58m will be funded through borrowings.

Given the quantum of the liability and the levels of uncertainty around the costs and take up rates of the FAP the proposal is for an interim approach to balance the funding of the cost through an increase in general rates in 2011/12 and spreading the recovery of the cost over a longer timeframe through the use of borrowings. This approach is an interim solution pending further consideration during the 2012-22 Long Term Plan when better information around the take up rates and costs associated with the implementation of FAP is known.

This proposed approach is not currently provided for in the Revenue and Financing Policy. In particular:

- Weathertight homes settlements are a cost under activity 6.2.1 – Building Control and Facilitation. The current description of the activity does not specifically make reference to the settlements costs of weathertight homes or envisage the extent of the cost against this activity.
- There is currently no mechanism within the Revenue & Financing Policy that provides for the funding of operational expenditure requirements from borrowings. Under the current Revenue & Financing Policy borrowings can only be used to fund capital expenditure.

The proposed use of borrowings to fund weathertight homes settlements in 2011/12 is appropriate as the circumstances are exceptional for the following reasons:

- To date weathertight homes settlements have been funded by Council through a mix of proceeds from insurance cover and operating surpluses. The total cost of settling the weathertight homes issues is estimated to be \$88.m for the Council, the extent of this cost and the diminishing levels of insurance cover will necessitate the use of borrowings to fund settlements.
- In Council's Financial Statements as at 31 June 2010 provisions of \$19.7m have been made to cover the costs associated with known weathertight homes claims. These provisions recognise the liability of the Council but as the associated claims are settled they will need to be funded.
- Council's best estimate of the total cost of settling all weathertight homes issues is \$88.m over an expected period of seven years, it is considered that the extent of this potential cost is too high to be funded directly through general rates.

It is therefore proposed that as part of the Draft Annual Plan the Revenue and Financing Policy is amended to better reflect the activity description and the benefit analysis. This would require the following amendments to Revenue and Financing Policy under Activity 6.2.1 on page 53 of the Long Term Plan 2009-19. The existing policy and then the proposed amended paragraph (in italics) are shown below.

"This activity is expected to be non-compliant to the user charges funding target in the 2009/10 and 2010/11 financial years due to the economic climate, however it is expected to achieve compliance again in 2011/12."

"This activity is expected to be non-compliant to the user charges funding target in the 2009/10 and 2010/11 financial years due to the economic climate and in 2011/12 due to the impact of weathertight homes settlements. In 2011/12 it is proposed that the general rates will fund \$2.22m of settlements under the Financial Assistance Package as an interim solution prior to further consideration of the Council's funding approach during the development of the 2012/22 Long Term Plan."

It is also proposed that the following paragraph be inserted into the Revenue and Financing Policy within the "Policy Statement on funding operating expenditure" to provide for the use of borrowings to fund weathertight homes settlements and record that the use of borrowings is an interim approach prior to further consideration during the development of the 2012/22 Long Term Plan.

- *"Borrowings – Borrowings to fund the Council interim approach for the 2011/12 financial year for the funding of weathertight homes."*

To ensure that the funding of weathertight homes settlements is fully transparent and accountable the associated settlement costs, borrowings and general rates funding for this activity will be effectively ring fenced and reported separately.

WATER RATES

This year we are planning to increase the water rating mechanisms in the following four areas:

- An increase to the annual fixed charge for base (residential) sector properties without a water meter from \$113.33 + GST to \$119.75 + GST.
- An increase to the annual administrative charge for properties with a water meter from \$96.00 + GST to \$100.00 + GST.
- An increase to the water consumption charge for those properties with a water meter installed from \$1.618 + GST per cubic metre to \$1.715 + GST per cubic metre.
- The water rate levied via a rate per dollar of capital value has been increased to recover a 5.9% increase in associated water costs.

These increases are to ensure the costs of the water activity are appropriately recovered through our rating mechanisms.

PROPERTY VALUATIONS AND RATES DISTRIBUTION

The Council sets the total amount of rates required to fund its expenditure based on the budgeted costs included in this annual plan. For the majority of its rates the Council then uses property valuations as the basis to distribute the total rates requirement proportionally across all rateable properties in Wellington.

In 2008 the Council changed its revaluation cycle from an annual cycle to a 3-yearly cycle to be more in line with other cities in New Zealand. The next property revaluation is scheduled for 2012/13.

Over the last year the average residential property capital value has increased by 0.4%, from \$515,708 in 2010/11 to \$517,776 in 2011/12.

The actual rates changes affect each household or property differently, depending on a household's capital value relative to the change in capital value for the entire city.

The final rates increase for an individual property will depend on:

- the overall increase in the Council's rateable budget
- any changes in the rates differential or uniform rates applying to that property
- the growth in the number of rateable properties in the city (e.g. due to construction of new houses, apartments or business premises)
- the change in a particular property's capital value compared to the average change in the capital value for other properties

INDICATIVE RESIDENTIAL PROPERTY RATES EXCLUSIVE OF GST (FOR PROPERTIES WITHOUT A WATER METER)

Capital Values \$	2011/12 Total Rates \$	Increase over 2010/11 %
200,000	883	5.93%
300,000	1,213	6.06%
400,000	1,543	6.13%
500,000	1,873	6.18%
600,000	2,203	6.17%
700,000	2,533	6.20%
800,000	2,863	6.22%
900,000	3,193	6.24%

USER CHARGES

We're also changing fees and charges for some of our services.

For 2011/12 we are proposing to increase user fees and charges in a number of areas. We are also introducing fees for the Indoor Community Sports Centre and for digital archive scanning. The proposed increases reflect cost pressures on the underlying services provided by the Council. Increasing the fees ensures that ratepayers are not over-subsidising services the Council provides, and also helps avoid larger increases in future. Our fees are set in accordance with our Revenue and Financing Policy, and depend on a range of factors including who benefits from the activity (see below). Areas where fees will increase include:

- Recycling and Waste Minimisation and Disposal
- Swimming Pools
- Sportsfields
- Synthetic Turf Sportsfields
- Marinas
- Burials and Cremations
- Public Health Regulations
- Building Control and Facilitation
- Development Control and Facilitation
- Network-wide Control and Management
- Parking.

We considered a number of options before proposing some of the above increases. We have described the options considered in more detail in the activity statements of the report.

A full list of updated fees and charges is outlined in greater detail in the appendices to this plan.

PROGRAMME OF EFFICIENCIES

We have an ongoing process to find efficiencies in the way we manage our work. This year we have managed to reduce around \$6 million of internal operating costs. Had we not taken this step the rates raise would be higher. The key elements of these are: savings from joining the management of the St James Theatre venues with the Wellington Convention Centre; administration of our encroachments; interest savings; and review our maintenance contracts.

UNDERSTANDING THE COUNCIL'S BUDGETED SURPLUS

The Council is forecasting a net operating surplus of \$53.3 million in 2011/12. The majority of the Council's budgeted net surplus arises from cash funding received for capital purposes (Housing New Zealand grants, development contributions, NZTA subsidies and bequests). This income flows through to the net operating surplus to be available to fund capital expenditure. Offsetting this are some depreciation costs on assets which we have resolved not to fund.

How capital expenditure is funded

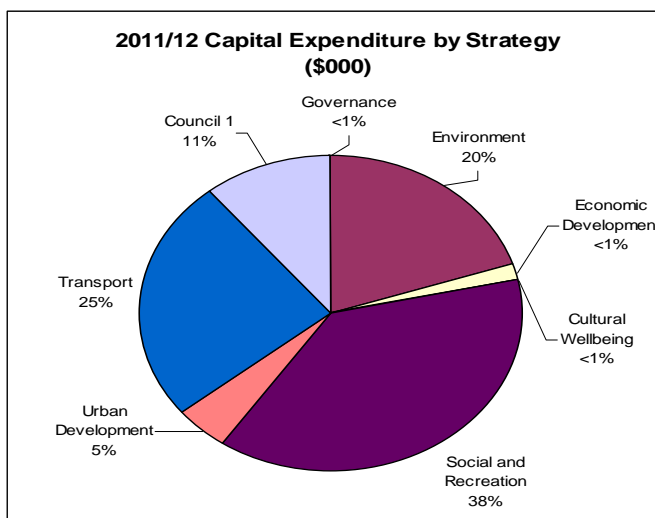
CAPITAL EXPENDITURE

We're planning to invest \$152 million in our city's network of assets during 2011/12.

Capital spending pays for purchasing, building, and upgrading of the Council's assets such as buildings, roads, water and stormwater pipes, libraries, swimming pools, artificial sports fields etc.

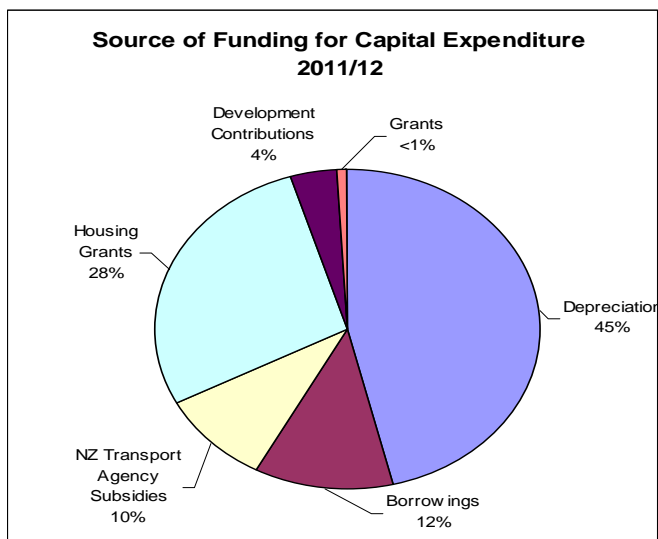
During 2011/12 the Council plans to invest \$152 million in the renewal and upgrade of assets. This is \$8.4 million more than was forecast in the long term plan, and reflects the changes to our capital works programme arising from community requests for Council to invest in or reprioritise some projects and services. The proposed expenditure also includes \$42.7 million on upgrading our social housing which is fully funded by a Housing New Zealand Grant, and \$36.6 million of transport network costs of which \$14 million is funded from the New Zealand Transport Agency (NZTA).

The graph below shows the proposed capital expenditure across our strategy areas.



¹ Council Projects predominately relate to capital expenditure on our technology infrastructure, replacement of vehicles and equipment and meeting health and safety requirements.

We fund capital expenditure from depreciation, borrowings, NZ Transport Agency 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.



BORROWINGS

Total borrowings are forecast to be \$365 million at the end of 2011/12. Our asset base is forecast to total \$6.7 billion at the same period. We manage our borrowings within the following prudential borrowing limits:

Net borrowing as a percentage of equity	<10%
Net borrowing as a percentage of income	<150%
Net Interest as a percentage of income	<15%
Net Interest as a percentage of annual rates income	<20%
Liquidity (term borrowing + committed loan facilities to 12 month peak net borrowing forecast)	>110%

In September 2010, Wellington City Council received an AA+ credit rating from Standard & Poor's. In Standard & Poor's opinion, the Council displays excellent financial management and a strong financial position. The AA+ credit rating should result in lower borrowing costs for the Council and greater access to debt markets.

VARIANCES FROM THE LONG TERM PLAN

Each year we review the underlying assumptions and costs that make up each activity. For each activity we consider the impact of a number of factors including:

- changes in direct costs
- updated forecasting assumptions (including changes to the forecast timing of projects)
- the allocation of indirect and organisational costs/efficiencies
- the appropriateness of forecast inflation and CPI adjustments
- changes affecting our opening position (e.g. updated borrowings forecasts).

This means that the costs for each activity may differ from those we had originally forecast in the 2009/19 long term plan for 2011/12.

Further information is provided in the "Our Activities in Detail" chapter.

HOW TO HAVE YOUR SAY ON OUR DRAFT PROPOSALS

YOU CAN MAKE COMMENTS ONLINE OR WRITE TO US.

You can make your submission:

- online at www.Wellington.govt.nz
- by writing to Annual Plan, Wellington City Council, PO Box 2199, Wellington
- by emailing Annual.Plan@wcc.govt.nz

You also have the opportunity to present your submission in person to councillors.

We need to hear your views before 5pm on 12 May 2011.

We're happy to attend a meeting of your group or organisation at any time during the consultation period to discuss the draft plan and your ideas (see contact details below).

YOUR VIEWS DO MATTER.

Every year, we change or confirm our plans in response to public input. We appreciate the submissions we get, and we take them very seriously.

The mayor and councillors will get copies of every submission. A committee will listen to oral submission in mid May with final decision being made in June.

If you've made a submission, we'll write to you and let you know what was decided. Our annual plan will be published in July.

COPIES OF THIS PLAN

You can get extra copies of this annual plan from libraries, service centres, or Council offices. If you phone (04) 499-4444 we'll send you a copy. You can also download copies from www.Wellington.govt.nz.