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# A MESSAGE FROM MAYOR CELIA WADE-BROWN



## APPENDIX 1

Ko te pae tawhiti, whaia kia tata; ko te pae tata, whakamaua kia tina.  
Haumi e! Hui e! Taiki e!

E ngā mana, e ngā reo, e ngā maunga, e ngā awaawa, e ngā pātaka o  
ngā taonga tuku iho, tēnā koutou katou.

Seek out our distant horizons; cherish those we attain.

Let it be done!

All authorities, all voices, all mountains, all rivers,  
all treasure houses, greetings to you all.

Thanks to everyone who participated in the consultation process for  
this Long-Term Plan. The process connected with many people and  
we made changes in response to your concerns. We received a record  
number of submissions (over 2600) on a broad range of topics, as  
well as over 1600 submissions specifically on the Eco-City proposal  
relating to Zealandia.

We've listened closely and been able to deliver additional funding  
for Te Papa, Miramar and Kilbirnie town centres, a partnership with  
the SPCA to progress the Chest Hospital project, and other projects  
Wellingtonians see bringing significant benefits to the city.

What is particularly exciting is that the projects we've supported are  
all intrinsic to the strategic vision of Wellington Towards 2040: Smart  
Capital, providing for a city where talent wants to live, work and  
play.

They include city resilience and economic development  
projects, cultural grants, the development of cycle routes,  
improvements to public space in the central city and  
improved management of water networks to improve the  
health of our harbour and streams.

Through these, we are aligning what we do as a Council,  
and where we invest resources, to our four new  
community outcomes, which describe Wellington's

future as an Eco-City, a People-Centred City and a Connected City  
with a Dynamic Centre.

We cannot achieve this vision on our own. In this plan we are  
committing to work more in partnership with communities,  
businesses and other stakeholders locally, nationally and  
internationally. We want to involve Wellingtonians more in our  
decision-making, the delivery of services and the monitoring of  
progress towards our goals. We will maximise the opportunities to  
work with partners to best meet the needs of people living, working  
in and visiting our city, avoiding duplication and delivering good value  
for ratepayers' money.

During the consultation phase of this plan, many organisations  
identified how their work aligns with our priorities and contributes  
to our community outcomes. In several cases this has reinvigorated  
our relationship and led to exploration of how we can work together  
better in the future. Please continue to let us know what you are  
doing to contribute to our Smart Capital vision so that we can  
celebrate your success and share this with others. Also, if you can  
see an opportunity for the Council to work with you to achieve our  
shared goals, please let us know.

During the time this plan was being developed, several outstanding  
and passionate Wellingtonians, who made significant contributions to  
the city, died. We gratefully acknowledge their personal commitment  
to making our capital better. Let's emulate their passion for our  
great city and work together to, as Sir Paul Callaghan said, 'make  
Wellington a place where talent wants to live'.

Noho ora mai rā, nā Celia

Celia Wade-Brown  
Mayor

# A MESSAGE FROM CHIEF EXECUTIVE GARRY POOLE

This plan demonstrates our commitment to balancing the need to keep investing in our city, while keeping the costs of our services affordable. During the consultation period on this plan, you applauded our efforts to balance our budget and indicated where you would like to see us take further steps.

In particular, you supported our intention to work more with other councils in the delivery of services. We will keep pursuing these opportunities, not only by delivering front-line services in partnership, but also by sharing the expertise within our respective organisations and leveraging our combined purchasing power.

Also, during the consultation period, some organisations demonstrated their willingness and capacity to partner with us to develop community infrastructure. We welcome such partnership opportunities and recognise that this does provide a way for the city to keep developing while reducing the burden on the Council's own finances.

In parallel with the above, we will continually review and improve how we deliver our services. We are committed to taking advantage of changes in technology, and invite Wellington businesses to partner with us in this area. We have some of the best technology companies in the world on our doorstep and see opportunities to work with them, not only to find technology applications relevant to our work, but also to develop innovations that can be used elsewhere. If you see opportunities to work with us in this way, please contact me.

We have options around how we deliver services, including in-house delivery, through a council-controlled organisation, through contracting out or in partnership with the community. In deciding on which model to use, we will be mindful of what you told us during the consultation process. You want us to retain close

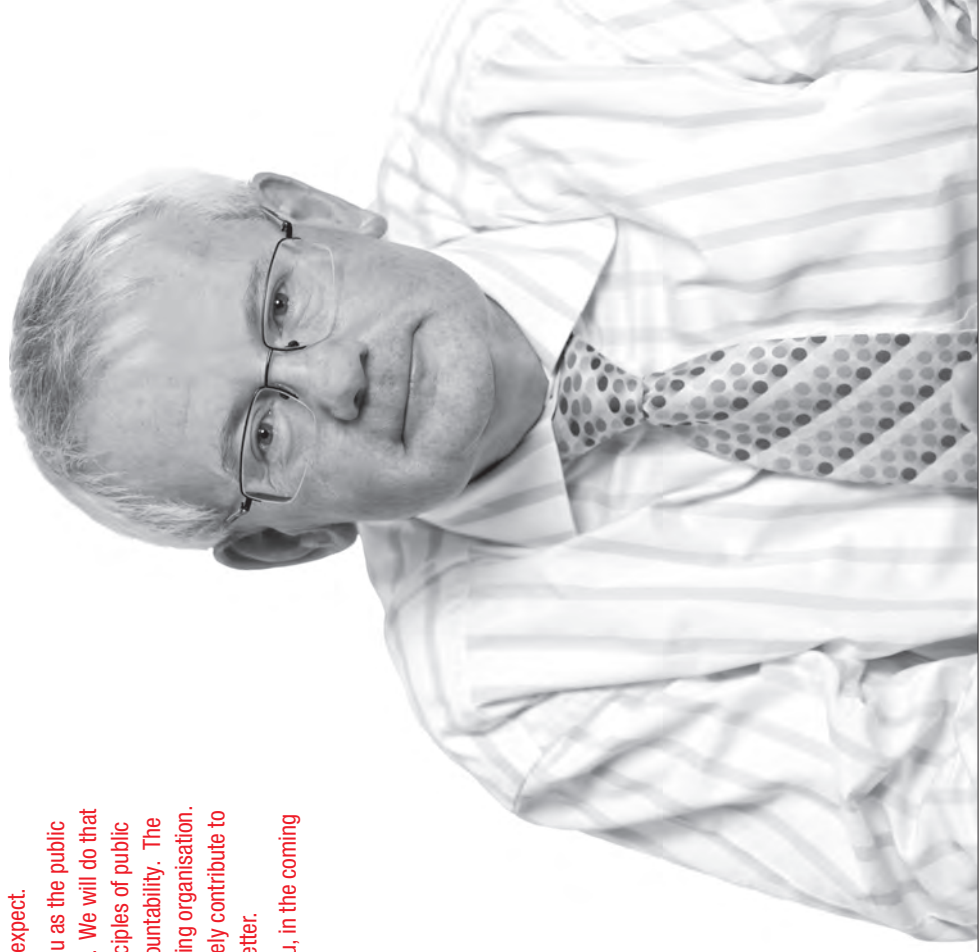
oversight of services so that they are delivered, not only in a cost-effective way, but also to the level of quality you expect.

Through all our services, we are here to serve you as the public of Wellington and the customers for our services. We will do that to the best of our ability while upholding the principles of public service including fairness, transparency and accountability. The Wellington City Council is already a high performing organisation. However, to achieve our city's vision and effectively contribute to our community outcomes, we want to do even better.

We look forward to working with, and serving you, in the coming years.



*Garry Poole*  
*Chief Executive*



# OUR ROLES AND RESPONSIBILITIES

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 work by the Tawa and Makara/Ohariu Community Boards.

The elected representatives are supported by the Council's chief executive and 1,400+ staff, who provide advice, implement Council decisions, and look after the city's day-to-day operations.

## Responsibilities

*We are responsible for community well-being*

This means that Councils are responsible not only for core infrastructure such as water supply and transport networks but also for helping the community achieve its aspirations for prosperity, social cohesion, inclusiveness, and safety.

## Roles we play

It is left to local authorities, working with their communities, to determine whether well-being is served by Council action, and if so what *type* of action the Council should take.

The range of options open to us includes:

- advocacy – using local knowledge/expertise to encourage others to act or fund services that contribute to well-being
- facilitation – bringing others together or providing guidance so others can act
- regulation – requiring others to act in particular ways, either to comply with legislative requirement or bylaws
- funding – either directly or through partnerships that leverage external funding, or
- providing a service – directly owning assets and providing services such as pools, libraries, roads, and water pipes.

In many cases, these are unique roles that can only be performed by Councils. At other times we are committed to adding value and playing a unique role, rather than taking on things that could be performed by others.

## Determining what action to take

Whether we take action at all, and what type of action we take, depends on a range of factors including:

- legislative requirement
- contractual obligation
- community expectations (see 'community outcomes', next page)
- costs and benefits, risks
- impact on others (for example, if we provide a service will someone else withdraw)
- our strategic direction (see next page).

## Accountability

*This draft plan is part of an ongoing planning process*

The Local Government Act requires us to plan in three-year cycles. Every three years, we publish a long-term plan setting 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 adopted in June 2009.

In-between these long-term plans, we take a fresh look each year at our work programme, consider whether any changes are needed, and publish an annual plan setting out changes to the long-term plan.

*We consult before adopting these plans*

**Before we adopt long-term plans and annual plans, we seek Wellingtonians' views. On pages 13 and 14 we outline the consultation process we undertook for this plan and the key changes made as a result.**

*We make ourselves accountable by reporting on how we do for the year*

Every September, we 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 perform as expected? Did we contribute to improvements in the overall well-being of Wellington and its residents?

Recent changes to our legislation also require Councils to produce a pre-election report. This report will summarise major projects planned for the following three years and financial information, including a statement that compares rates, rate increases, and borrowing with the quantified limits specified in our



financial strategy.

This and our other reports will be made available on our website as well as through our libraries and service centres.

*Our work is delivered through seven, interconnected areas of activity*

As a Council, and in keeping with legislative requirements, we undertake a range of activities to promote the economic, environmental, cultural and social well-being. We group our diverse activities into seven areas called governance, the environment, economic development, cultural well-being, social and recreation services, urban development, and transport.



# APPENDIX 1

# OUR STRATEGIC DIRECTION

Our vision is for Wellington to be a smart city – an inclusive place where ‘people choose to live’. For the next three years our priorities will focus on earthquake preparedness, enhancing Wellington as place to live and work, and effectively managing the city’s resources.

## The focus of this plan

<b>ONE VISION</b>	Wellington Towards 2040: Smart Capital
<b>FOUR OUTCOMES</b>	<ul style="list-style-type: none"> <li>A connected city</li> <li>An eco-city</li> <li>A people centred city</li> <li>A dynamic central city</li> </ul>
<b>THREE PRIORITIES</b>	<ul style="list-style-type: none"> <li>An inclusive place where talent wants to live</li> <li>Resilient city</li> <li>A well managed city</li> </ul>
<b>SEVEN ACTIVITY AREAS</b>	<ul style="list-style-type: none"> <li>Governance</li> <li>Environment</li> <li>Economical Development</li> <li>Cultural Wellbeing</li> <li>Social and Recreation</li> <li>Urban Development</li> <li>Transport</li> </ul>

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# LONG-TERM VISION AND COMMUNITY OUTCOMES

## Wellington Towards 2040: Smart Capital

*Wellington Towards 2040 is a vision of Wellington as a smart, green city.*

It is a long-term vision for Wellington, and a strategy to promote the social, economic, environmental, and cultural well-being of Wellington's communities now and into the future. It was adopted by the Council in September 2011 after extensive community participation.

It's a vision for a city that puts people first – a place that is welcoming and friendly, provides opportunities for all, strong neighbourhoods and communities, and embraces differences and changes.

It's a vision for a smarter and stronger economy – one that is based on knowledge, skill and innovation; that provides a wider range of exciting and rewarding jobs; that leads to greater prosperity, and is based on stronger connections between people and businesses both within the city and around the world.

It's a vision for Wellington as a leading eco-city – one that moves steadily towards a low-carbon future based on 'green' innovations that also provide an economic edge and support an outstanding quality of life.

Above all, it's a vision that positions Wellington for the future – one that's smart and sustainable.

## Community outcomes

Community outcomes are required by the Local Government Act 2002. 'Outcomes' are goals or aspirations for the city and its communities. They are aimed at promoting Wellington's social, economic, environmental, and cultural well-being now and into

the future.

In this long-term plan, our community outcomes reflect the four strategic goals adopted in *Towards 2040: Smart Capital*. Those community outcomes are:

### People Centred City

Wellington's people are the city's greatest asset. Wellington's shape and character will continue to reflect the people who live in, work in, and visit the city. The city will be healthy, vibrant, affordable and resilient, with a strong sense of identity and 'place' expressed through urban form, openness and accessibility.

### Connected City

Wellington will be a connected city, with easy access to regional, national and global networks. Connections will be physical, allowing for ease of movement of people and goods; virtual, in the form of world-class ICT infrastructure; and social, enabling people to connect with each other and with their communities.

### Eco-City

Developing Wellington as an eco-city means proactively responding to environmental challenges. It is important that Wellington takes an environmental leadership role, as the capital city of clean and green New Zealand. Our many natural assets give the city a head start and opportunities as part of a green economy.

### Dynamic Central City

Wellington will be a city with a dynamic centre. A place of creativity, exploration and innovation. The central city will be a vibrant and creative place, helping Wellington to offer the lifestyle, entertainment and amenity of a much bigger city.

The CBD accounts for 52% of the region's GDP and will continue to drive the regional economy.

These community outcomes guide decisions about which services we provide and which activities we support over the next 10 years. In *Part Two: Our Work in Detail*, you'll find explanations of how each activity supports community outcomes.

We will work with other organisations to further these community outcomes

The city's success in achieving these outcomes isn't a matter for the Council alone – it's a matter for all Wellingtonians.

We will work with government agencies, businesses, and a wide range of other organisations and groups to further these community outcomes. Depending on the circumstances, we will work in partnership with other organisations, or we will provide funding, or we will provide services, or we will play a facilitating role. As examples: we work with the Police on city safety; and our partnership with the government is helping us to upgrade our social housing complexes.

*Part Two: Our Work in Detail* explains which key organisations we work with in relation to each activity.

We will monitor and report on progress towards these community outcomes

We will report on progress against community outcomes each year in our Annual Report. The results for community outcome indicators are drawn from a variety of sources, including surveys of city residents, Statistics NZ, Greater Wellington Regional Council, and others.

## OUR THREE PRIORITIES

In this plan we want to address the immediate issues we face while also taking important steps towards our long-term vision. We will also effectively manage the city's resources by working smarter. Consequently we are proposing to focus our efforts on the following three priorities.

### Priority 1:

#### Wellington – an inclusive place where talent wants to live

Our economic future depends on our ability to attract and retain people, and employment opportunities, in our city. To do this, we will maintain our investment in those things that make Wellington a great place to live, while increasing our investment in activities that will grow the economy and make Wellington an even more attractive place to work, invest in and visit. **At the same time we will continue to work in ways consistent with an inclusive community. This will include providing accessible and affordable services and promoting a sense of safety, fairness and tolerance.**

### Priority 2:

#### Resilient city

To maintain and enhance our city's resilience, we will prioritise investment in earthquake strengthening the city's key infrastructure and work with businesses and communities so that, as a city, we are better prepared for and can swiftly recover from such an event.

### Priority 3:

#### A well-managed city

We are committed to providing effective services that are good value for money. To achieve this priority, we will focus on simplifying our processes, making the best use of technology, working in partnership with others, managing demand ahead of investing in new assets, and looking for opportunities to reduce costs or generate income. This will help us stay within the parameters of our financial strategy by keeping rates affordable and managing our debt levels.



Our three priorities are the focus for our activities, investment and energy. Priority one directly links to our Wellington Towards 2040: Smart Capital vision and highlights the key steps we are taking towards achieving our community outcomes. Priority two provides an immediate focus on increasing Wellington's resilience to earthquakes. This, and our liability for weather-tight buildings, represent a significant cost to Council in the short and medium term. Priority three represents our commitment to keep our costs low and, consequently, to keep our rates and charges affordable. In this summary, we will highlight the key issues and proposals under each priority, including those that changed as a result of consultation on the draft plan. We will also identify how they link to the seven areas under which we group our activities; namely Governance, Environment, Economic Development, Cultural Wellbeing, Social and Recreation, Urban Development, and Transport. This is so that you can find out more information about them, including financial information, later in this plan.

### **Priority 1: Wellington - an inclusive place where talent wants to live**

#### **Economic Development**

During the consultation period, the Council received strong support for a number of proposals in this area. We will now proceed with the 'Destination Wellington' initiative by developing an operating arrangement with key partners, which provides for clear roles and responsibilities, and that meets the city's economic needs for attracting business, talent and investment. Key performance indicators will be drafted accordingly and presented to the Council for approval.

The Council has also made provision to support long-haul flights to Wellington by retaining funding of \$200,000 (for the Council to

administer for this purpose) and identifying a funding mechanism to rapidly respond to an opportunity should it arise. It has also confirmed funding for The Hobbit Premiere later this year and funding for the FIFA Under 20 Men's World Championships in 2015 (although at a reduced level following feedback from the community).

A number of the Council's activities in this area are funded through the Downtown Levy. This is a rate that businesses based in the central business area pay in addition to their ordinary rates. The area where this levy applies has increased marginally in this plan, to include more businesses that benefit from the activities funded through it. In response to submissions from levy payers, the Council has continued to provide Positively Wellington Tourism with funding of \$1m per year for the next three years to undertake its Australian marketing campaign. We will also provide Positively Wellington Venues with funding of \$4m to refurbish Shed 6 and the TSB Arena to act as a temporary replacement venue for The Town Hall while it is earthquake strengthened. This is necessary to retain valuable conference activity in the city during this time. The future use of these buildings will be subject to a review on the completion of the strengthening of the Town Hall.

The Council decided not to proceed with a proposed reduction in funding for Te Papa. A majority of submitters were opposed to this proposal saying Te Papa is Wellington's premier visitor attraction, is important for education purposes and contributes significantly to the city's cultural capital status. Te Papa also identified greater opportunities to align their activities with the Council's new strategic direction and priorities, for example demonstrating how its activities off-shore reflects positively on Wellington as the home of the museum. There has also been agreement that there will be a closer working relationship and greater transparency around the

use of the Council's funding, with the contract to be reviewed in 2015 (i.e. it is a three year contract).

#### **Environment**

In parallel to the consultation on our draft plan, we consulted on the establishment of a Council Controlled Organisation to manage Zealandia, Wellington Zoo, the Botanic Garden and Otari-Wiltons Bush. Following significant feedback on this proposal, a new alternative 'partnership model' for Zealandia was developed and agreed to by the Council. This includes new governance and funding arrangements between Zealandia and the Council. Submissions on the proposal also highlighted the number and range of other environmental attractions the city has. They supported a wider initiative that would raise the profile and connections between these features of Wellington, which the Council agreed to pursue with other partners such as the Victoria University of Wellington.

The Council also decided to reinstate support for a number of environmental programmes and projects. This included reinstating a previously planned increase in funding of \$36,000 from 2012/13 for the Biodiversity Action Plan, deciding not to reduce the Environmental Grants pool by \$40,000 and, deciding to proceed with the upgrade to the Curator's Cottage at Otari-Wiltons Bush at a cost of \$316,000 over two years starting in 2013/14.

It also agreed the projects to be funded by the Plimmer Bequest and to enter into a formal agreement with the Greater Wellington Regional Council to manage Council land adjacent to Belmont Regional Park, both as outlined in the draft plan.

#### **Urban Development**

The Council is also investing significantly in the Central Business District and our suburban communities. In the central city, we

are planning a number of projects to implement our Central City Framework. These begin with proposed improvements to Opera House Lane and Eva Street. Further detail on this and other projects in the framework can be found in the urban development section of the plan. Also in this section, and based on input during the consultation period, we have reinstated funding for the upgrade of the Miramar Town Centre. Submitters reinforced their support for the current proposal and that it would address the main issues with the current lay-out. They also emphasised the level of recent private investment in the area and their continuing commitment to contribute to the area. The Council agreed the project should be delivered in a way that is coordinated with any changes that Greater Wellington needs to make to implement the bus review. Similarly, the Council agreed to reinstate funding of \$559,000 to undertake the second stage of the plans to upgrade the Kilbirnie Town Centre - Coutts Street/Onepu Rd.

In terms of the Waterfront, a design brief will be prepared to guide the future of north Kumutoto. This area will now be developed inline with the Environment Court decision, which will see buildings at a lower scale on two sites and another site retained as open space. The building developments will pay for the cost of developing open space on the waterfront. Other initiatives include strengthening of wharf piles and the construction of a new diving platform on Taranaki Wharf. The Council will increase the loan to the waterfront company by \$5 million to bridge the timing difference between undertaking the public space works and receiving the commercial proceeds from developments.

### **Social and Recreation**

Another change arose during the consultation period when the SPCA offered to contribute to the cost of capital works on the

former Chest Hospital so that they can relocate their services to that site. The Council welcomed this proposal, which not only enables the SPCA to better deliver its services within Wellington, but also ensures an important heritage building on the Town Belt is productively used and well-maintained.

Council agreed to fund a series of upgrade projects in line with our Community Facilities Policy. These include improvements to the Keith Spry swimming pool in Johnsonville, and the building of a new library next to it, to meet the needs of the growing population in the northern suburbs. Also included in the plan from 2016/17 are upgrades of the Aro Valley Community Centre, the Newtown Community and Cultural Centre, the Strathmore Community Base and the Kilbirnie Community Centre.

Other key projects include our investment in additional artificial sports fields, beginning with one on Alex Moore Park in 2013/14 to coincide with a local community led upgrade of the existing sport and community facility at the park. The annual operating grant for the Basin Reserve Trust has also been increased from \$180,000 to \$355,000.

### **Cultural Well-being**

The Council agreed to the establishment of and makes its contribution to, the proposed Regional Amenities Fund, pending agreement from across the region

Funding changes have also been made in the area of cultural wellbeing with decisions to continue funding the New Zealand International Arts Festival at the current level, increase the level of the cultural grants pool, but reduce the level of the Public Art Fund.

### **Transport**

Following submissions during the consultation period, the Council

agreed to bring forward funding earmarked for Johnsonville roading improvements, up to a total of \$5.365m (un-inflated), to align with the timeline for the redevelopment of the Johnsonville Shopping Centre.

In keeping with a large number of submissions we received, the Council is investing in cycle safety projects and new cycling routes. It also agreed to take a collaborative leadership role on the Great Harbour Way initiative. We are also reinstating funding for minor safety projects and new bus shelters.

### **Priority 2: A resilient city**

During the consultation process, people expressed strong support for this priority and the proposed projects under it.

### **Environment**

Many of these are in our environment group of activities, including projects to increase the resilience of our water network. One of these is to build a new water reservoir on the Prince of Wales Park, which will serve Wellington Hospital's emergency needs as well as providing bulk water supply to meet the needs of the city's growing inner-city population. We also plan to develop strategic partnerships, and continue investing in existing climate change initiatives, to help achieve Wellington's emissions reduction targets.

### **Urban Development**

Other key projects include earthquake strengthening the Council's buildings and helping others to earthquake strengthen.

As a result of officers undertaking additional earthquake assessment work and planning during the consultation period for this plan, changes have had to be made to the funding for earthquake risk mitigation budgets (relating to council-owned buildings). Capital and operational budgets have been increased

by a total of \$1.86m and \$2.8m respectively and rephased as a consequence of the changes in scope, nature and timing of the earthquake strengthening work. It was also recognised that further funding requests to undertake capital works related to this programme will be presented in the future.

We will also be assisting other building owners to strengthen their buildings and continuing to provide a heritage grants, the focus of which will be on remedying earthquake-prone structures or obtaining related reports.

### **Transport**

In addition, we are undertaking a number of projects to increase the resilience of our road network. These include building new retaining walls on key transport routes as well as strengthening or rebuilding tunnels and bridges throughout the city.

### **Priority 3: A well-managed city**

In the draft plan, the Council highlighted a number of initiatives designed to help it balance its budget. These included making savings now, working smarter (which included working with other Councils), reviewing how we look after our assets and, making some changes to our fees and charges.

People generally applauded the Council for taking steps to keep its costs and rate increases down. After receiving feedback during consultation, we changed some specific proposals (including not reducing funding for Te Papa and proceeding with a partnership with the SPCA for the use of the Chest Hospital) as outlined above.

Another issue where we received a number of submissions was the proposal to move from a universal fee structure for encroachments to a location based one more related to the value of properties in different parts of the city. Many submitters

opposed this proposal. While the Council agreed to maintain the principle of charging different fees for different parts of the city, it did reduce the level of proposed fees (by 10%), agree that encroachment holders can obtain a valuation for encroachment land and use that as a basis for determining their future encroachment fees, and investigate a fee remission scheme tied to the rates remission scheme. A number of other changes to fees and charges were made when this plan was adopted. New fees are detailed in the Finance section of the plan.

Other comments generally supported our intentions to work more with other councils and to undertake reviews of our services. The results of planned reviews will be presented to the Council, and where necessary, consulted on with the community. It is noted that the Council voted to stop work on the proposed joint venture with Porirua City Council on a joint waste management Council Controlled Organisation until we have completed a review of our approach to Council Controlled Organisations.

During the consultation period, the Council undertook an external review of the City Safety Officer programme. As a result, it decided to reduce both the scope of the service and the hours of its operation, and to deliver the service in-house rather than through a contract for service. As a result of these changes the costs of the service will reduce to \$480,000 in 2012/13. From 2013/14, the service will include a volunteer programme which will increase the annual cost of the whole service to \$555,000.

Finally, while Council agreed to reduce the size of the Our Wellington page as proposed in the draft plan, it also agreed that staff would develop a communications and marketing plan that outlines the most appropriate channels and addresses the future need for the page.

### **Financial Strategy**

A majority of people who completed our submission form, and participated in our long-term plan survey, felt that the proposed rates targets and limits in our Financial Strategy were 'about right'. Both were adopted by the Council as proposed in the draft, along with the other aspects of our Financial Strategy, which you can find in the Finances section of this plan.

The rates limits are set as an indexation based on the Local Government Cost Index (LGI) and these are currently forecast between 3.3% and 3.9% over the ten years. Currently the forecast rates increases exceed the planned limits by up to 0.6% in years 4 and 5. We acknowledge this temporary breach but have established a number of measures, including the set up of the Financial Sustainability Working Party to work towards bringing these increases below the limits by year four. We acknowledge that there may be impacts on service levels in the future to achieve rates at a level below our limits. Our goal is to find more efficient ways to deliver current services, however if there will be any impact on service levels, we will not implement any changes without consultation.

The planned capital expenditure sets projected borrowings at a level within the borrowings limits we set. We are planning to spend \$68.966m, \$80.275m and \$61.198m on improvements to existing assets and new assets in years 1-3, 4-6 and 7-9 respectively.

While this is higher than the \$60m goal we set for each of the three year periods, we are committed to significant resilience projects including earthquake strengthening and the construction of the Prince of Wales Reservoir and believe this is the best decision for the people of Wellington in the Long Term.

## APPENDIX 1

Another significant consideration during the development of this plan was a review of how the Council plans and budgets to replace assets when they come to the end of their useful life. This is a significant area of expenditure and we looked at several options to reduce it. In submissions on the draft plan, and in the survey responses, people said that we should make the proposed reductions in expenditure and reduce rates as a result.

After considering other options to reduce expenditure in this area during the consultation period, the Councillors have decided to reduce rate-funded depreciation by \$4 million per year for the duration of this plan. This means we will not collect this money, and so rates rises will be kept lower.

However, it also means we will have less money to spend on renewing our assets. This increases the risk of assets failing, as it is estimated that around 5% of assets ready for renewal will be kept in active service longer. The Council will manage the impact of this in two ways. Firstly, it will continue to focus expenditure on renewing the most critical assets across all our

asset groups. A risk assessment process will be used to make sure that we do renew those assets where failure could result in significant risks to people's safety, major costs or disruption. Secondly, if failures do occur to less critical assets, the Council is committed to responding rapidly to minimise the potential risks.

In parallel to this, the Council will undertake a detailed analysis of its assets to identify those that could be divested, not renewed or modified (to increase their life) in both the short-term and the longer-term. This could be technology assets, equipment or assets that are not essential to the delivery of our services. These will be presented to Councillors, and where appropriate to the public, for a final decision on their future. Depreciation will no longer be rated for on those assets that remain on the schedule. Council may subsequently choose to divest itself of those assets or run them to the end of their usual life.

The aim of this strategy is to reduce the impact of asset ownership to the ratepayer.



## THE CONSULTATION PROCESS

### The process

Formal consultation on the long-term plan ran from 16 April until 18 May 2012. The Council used a broad range of methods to engage people in the process and gather their feedback on proposals. These included a series of community meetings and clinics led by Councillors, meetings with key stakeholders (including the Council's reference groups and mana whenua partners), an independent on-line survey of the Wellington population and, the use of an on-line budget simulator where people could achieve their preferred rate rise by identifying projects to be funded. There was also a high level of media coverage on key issues under consultation in the draft plan.

### The results

Our consultation resulted in over 2600 written submissions with 174 of these also presenting their submission in person to the Strategy and Policy Committee. This is a record number of

submissions on a Wellington City Council annual or long-term plan document. The submissions covered a wide range of the Council's activities, with the majority focused on key issues and proposals identified in the summary document. A high number of responses were received on some of the proposals identified as 'alternative proposals not included in the plan'. In parallel with this, the Council consulted on an Eco-City proposal in relation to Zealandia and other natural attractions in the city. This resulted in over 1600 additional submissions.

### The Council's response to submissions

Most submitters strongly endorsed the Council's new vision, community outcomes and priorities. Many of the Council's key partners identified how their activities aligned to those priorities and, in some cases, alerted the Council to new opportunities for, and benefits from, partnering with them.

Many submitters strongly supported proposals as outlined in the draft plan. These were confirmed by Councillors and are highlighted in the executive summary or the Our Work in Detail sections of this document.

A number of submitters requested changes to proposals in the plan. In some cases, they provided new information, or identified new partnership opportunities, which supported the change they requested. This resulted in a number of amendments to the final plan, most of which have been highlighted in the executive summary.

Some submitters asked the Council to support new initiatives which were not identified in the initial plan. This resulted in the Council deciding to implement, or investigate further, some of these including:

- A proposal by East by West Ferries for a new extension to Seatoun Wharf to enable an all weather commuter ferry service to operate:
  - It was agreed that staff will work with the ferry company and the Greater Wellington Regional Council to assess the requirements and costs of this proposal. Future Council funding is conditional on East by West Ferries providing the Council with a business plan supporting the proposal, producing a detailed design of a suitable wharf extension, and contributing half the required funding.
- A proposal for a couch and rye grass trial on a Council sports field was received: Council staff developed an alternative proposal in response. This was accepted by the Council and should result in a trial on Churton Park in 2013/14.
- A request for additional operational funding from Surf Life Saving New Zealand to increase its service levels on Wellington City beaches. The Council agreed to provide additional funding of \$20,000 per annum for this purpose.
- A proposal for a wilderness toilet at Tarakena Bay:
  - Some submitters identified proposals that would require further investigation. The Council agreed to work with those parties to undertake this work. Examples of these include:
    - A large number of submissions were received in support of an extension to the Wellington Regional Aquatic Centre. The Council did not include this in the plan, but did instruct officers to explore, with proponents of the extension, additional alternative funding sources for this proposal.
- The Council also requested a report on the scope of a feasibility

- study for the Clyde Quay Restoration Master Plan. It will be considered in December 2012, with any associated costs considered as part of the 2013/14 Draft Annual Plan.
- Any decision on the divestment of Vogelmoor Hall has been deferred for at least two years to coincide with the end of the lease on associated land to the Vogelmoor Bowling Club. During this time officers will engage with users of the hall, and the surrounding communities, to identify options for the future of the site.
- Other submitters requested Council support for smaller projects and initiatives. It was decided that these could be addressed within existing budgets and other resources. These requests have been sent to relevant Council staff to respond to and progress as appropriate.
- A number of submitters suggested improvements to content or wording in the plan. Where appropriate, changes have been made to this final document. Examples of these included:
  - The Council's Accessibility Advisory Group identified a number of places where incorrect terminology was used in the full draft plan. The wording has been amended in this final version of the plan.
  - Port Nicholson Block Settlement Trust and other submitters called for greater commentary on the importance of the harbour and Wellington's connections to the Porirua Basin in the final plan. These changes have been included in the plan.

# SUMMARY OF OUR WORK

## OUR WORK AT A GLANCE

We group our work into seven areas. Describing our work in this way provides **coherence, and ensures** we retain a clear sense of direction.

### Governance

Our governance work includes running local elections, holding meetings of the Council and its committees, producing policies and strategies to guide our work, seeking feedback on our proposals from members of the public, producing annual plans and annual reports to make ourselves accountable to residents, engaging with Māori and stakeholder groups, and providing information about our services and activities.

The key challenges we face are to increase participation levels and build trust and confidence in civic decision-making.

### Environment

We look after the city's 34+ square kilometres of reserve land, as well as beaches, coastline, and botanical gardens. We provide funding support to the Zoo and Zealandia.

We also: provide water supply, stormwater and sewage disposal; provide recycling and waste disposal services; offer grants for environmental initiatives; and promote energy efficiency and sustainability. The environment is by far our biggest area of spending.

One of our long-term goals is for Wellington to be an 'eco city', one that has an environmental leadership role and responds proactively to environmental challenges. Our aim is for Wellington

to move steadily towards a lower carbon future based on 'green' innovations that also provide an economic edge and support outstanding quality of life.

Though Wellington enjoys a stunning natural environment, the challenges we face are significant. We need to make our network infrastructure more resilient, and like other cities, we need to find ways of becoming more sustainable – to address broad issues such as climate change – by producing fewer greenhouse gas emissions, dumping less waste, using resources such as water and energy more efficiently, and protecting biodiversity and ecosystems.

### Economic development

We work to attract major events such as the World of WearableArt Awards and the International Sevens. We also fund tourism promotions, and support attractions such as the Carter Observatory and conference venues such as the Wellington Convention Centre.

To support businesses, we advocate for the city's interests to central and regional government. We maintain links with other markets through sister city relations. Our initiatives complement the regional economic development programme provided by the regional development agency Grow Wellington.

A key aspect of our 2040 vision is for Wellington to have a smarter and stronger economy – one that is based on knowledge, skill and innovation; that provides a wider range of exciting and rewarding jobs; that leads to greater prosperity, and is based on stronger connections between people and businesses both within the city and around the world.

We continue to work towards this vision while recognising the constraints imposed by the global economic slowdown.

### Cultural well-being

We fund the city's popular art galleries and museums, operate Toi Poneke – the Wellington Arts Centre, and support the NZ International Arts Festival, and other institutions.

We also provide cultural grants, and support community events and festivals

A key aspect of our 2040 vision is for Wellington to be a 'people-centred' city – one that is welcoming and friendly, and embraces diversity and change. This doesn't just mean maintaining our edge as New Zealand's arts and culture capital, it also means ensuring that the city remains friendly and vibrant, and continues to have a strong sense of identity expressed through its urban form, openness and accessibility.

### Social and recreation

We provide some homes for people whose needs are not met by state housing or the private housing market, fund projects to help homeless people, support community organisations, and provide community centres and halls.

We also work to protect public health and safety through projects such as monitoring the city centre, banning liquor consumption in public in parts of the city, licensing food and liquor outlets, animal control, regulating other public health risks, providing toilets and cemetaries, and preparing the city to deal with emergencies such as earthquakes.

Our recreation work includes: providing playgrounds, swimming pools, recreation centres, sports fields and marinas; running recreation programmes; and reducing the costs of using sport and recreation facilities for people eligible for our Leisure Card subsidy scheme. We also provide libraries throughout the city.

A key aspect of our 2040 vision is for Wellington to be a 'people-centred' city – that is, a city that puts people first, is healthy and safe, welcoming and friendly, provides opportunities for all, has strong neighbourhoods and communities, and embraces diversity and change.

Key challenges include providing for a population that is growing in size, getting older, and getting more diverse, and catering to demand for more and better facilities.

### 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, ensuring earthquake-prone buildings are strengthened, and planning for the city's future development.

The growth expected in Wellington over the next 20 years creates some challenges. We're aiming to respond to those challenges in ways that are sustainable and preserve the city's special character.

A key approach is to improve land use and transport by focusing development in key centres or 'hubs'.

Our 2040 vision is for a people-centred city that is vibrant and resilient, has strong communities and a powerful sense of identity and 'place' expressed through urban form, openness and accessibility. A key aspect of that vision is a dynamic central city – an attractive place for creativity, exploration and innovation.

### Transport

We look after 684km of streets and roads, as well as footpaths, cycle lanes, traffic signals, car parks and so on.

We also: support public transport through bus priority measures such as bus lanes, letting buses go first at traffic lights, and providing bus shelters; work suburb by suburb to improve traffic safety; and plan to ensure the city's transport network meets future needs.

A key aspect of our 2040 vision is for Wellington to be a 'connected city' – one that is easy to move around. We also aim to be an environmental leader, which means promoting transport options that minimise energy use and emissions.

Our transport system is generally performing well – Wellington's streets are safe by national standards, we're relatively high users of public transport, and most residents believe the city is easy to get around. However, we do face challenges such as ensuring the transport network can keep up with growing demand, and reducing effects such as noise, water and air pollution.

Further details about what we plan to do are available in the '[Our Work in Detail](#)' section of [this long-term plan](#).





## Key facts

- The city's population is 200,100 (Statistics New Zealand as at 30 June 2011)
- Proposed total operating expenditure 2012/13 is **\$379 million**
  - Income from general rates **36%**
  - Income from targeted rates **30%**
  - Income from fees and charges **21%**
  - Income from other areas **13%**
- Equity per resident in 2012 is \$31,326
- Forecast equity per resident in 2022 is \$35,570 (based on forecast population level of 216,478)
- Rates limit in 2012: 3.8% after allowing for growth in the ratepayer base
- Rates increase in this plan **2012/13: 3.5%** after allowing for growth in the ratepayer base.

## Did you know

- 2.7%: the average annual reduction in rates increases compared to the past ten years
- 5%: the amount of efficiencies that we are targeting to find in the next decade equated to the average funded operating expenditure
- Approximately \$1 billion: the cost of renewing the city's core assets till 2022
- 3,043: kilometres of pipes are maintained by the Council
- 335: kilometres of walkways are offered in the city
- 2.5million: visits to the city's libraries each year
- \$2,564: average cost of residential power per annum in the region (Statistics New Zealand)
- \$2,012: the average spend on telecommunications per annum in the region ( Statistics New Zealand)
- **\$1,950**: the annual rates on an average residential (**\$522,570**) house in Wellington City
- This equates to **less than 2.3%** of the average household income in the city (Statistics New Zealand).

# FINANCIAL OVERVIEW

## OUR FINANCIAL STRATEGY AT A GLANCE

New to this long-term plan is our Financial Strategy. It is intended to guide the decisions we make now and in the future to deliver a financially sustainable city in the long term. One in which its citizens can afford to live in the near future, and also in 50 and 100 years from now. In many ways, our strategy is formalising our current practice and complements our existing financial policies. The Financial Strategy is founded on the following five guiding principles:

- Fairness and Equity
- Willingness to pay
- Value for Money
- Risk management and assessment
- Good financial governance and stewardship

The strategy outlines how **we balance** investment in our city strategy with prudent and sustainable financial management of the Council's resources. The Council currently has a sound financial position; however we are facing significant financial challenges over the next 10 years because of the costs of earthquake strengthening our assets, our weathertight homes liability and increasing costs for insurance.

Through setting limits on our rates and borrowings we prioritise expenditure decisions together with review of existing services and their delivery. A Financial Sustainability Working Party has been established to aid in this process, the outcomes of which will be consulted on through our annual plan processes.

**The limits on rates is the amount of rates income forecast to be collected by Council based on the 'limit on rates increases' which is based on the Local Government Index (LGCI) annually. The limits on rates increases is set as an indexation based on the LGCI.**

**The base year is the 2011/12 rates income.** The target for 2012/13 equates to the increase of the LGCI. The 2013/14 target is the average of the LGCI and the Consumer Price Index (CPI). From 2014/15 to 2021/22 the target is based on the CPI. Rates increase target limit will be set annually with the updated forecast of the relevant indexation for the subsequent year, and will be net of growth in the ratepayer base. A forecast indication of our rates increases are:

Indicator	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Indicator</b>	<b>Rates limits</b>									
LTP Rates Increase - After Growth	3.5%	3.2%	3.0%	3.9%	4.1%	2.7%	3.4%	3.7%	1.2%	0.8%
Rates Target - Before Growth	4.3%	3.4%	2.9%	2.49%	3.0%	3.0%	3.1%	3.1%	3.2%	3.1%
Rates Target - After Growth <sup>1</sup>	3.8%	2.9%	2.4%	2.4%	2.5%	2.5%	2.6%	2.6%	2.7%	2.6%
Rates Increase Limit - Before Growth	4.3%	4.0%	3.7%	3.8%	3.9%	3.8%	3.9%	4.2%	4.4%	4.4%
Rates Increase Limit - After Growth <sup>2</sup>	3.8%	3.5%	3.2%	3.3%	3.4%	3.3%	3.4%	3.7%	3.9%	3.9%

Forecast Rates Limit (\$'000)<sup>3</sup> 240,161 249,671 258,834 268,592 279,121 289,616 300,853 313,459 327,220 341,618

<sup>1</sup> For 2012/13 the rates increase target equates to the increase in the Local Government Cost Index (LGCI). For 2013/14 the target is the average of the LGCI and the Consumer Price Index (CPI). From 2014/15 onwards the target is based on CPI.

<sup>2</sup> The limit on rates increases are set as an indexation based on the LGCI. The base year is the 2011/12 rates income.

<sup>3</sup> The limits on rates is based on the [rates increases limit](#) and [references the LGCI](#) annually.

We have set targets and limits separately to be clear about our intentions. Targets are the level that is **we intend to achieve**. Limits are the level it is **we do not intend to breach**.

The **parameters** set for borrowings and capital expenditure are:

Borrowings limits	Operating Targets	Prudential Limits
Net borrowing as a percentage of equity	<10%	<10%
Net borrowing as a percentage of operating income	<105%	<150%
Net interest as a percentage of income	<15%	<15%
Net interest as a percentage of annual rates income	<20%	<20%
Liquidity (term borrowing + committed loan facilities to 12 month peak net borrowing forecast)	>110%	>110%
Borrowings funded capital expenditure target		\$45 million over three year statutory Long Term Plan period
Borrowings funded capital expenditure limit		\$60 million over three year statutory Long Term Plan period
LTP Triennium Capital Investment		1. 68.97m 2. 80.28m 3. 61.20m

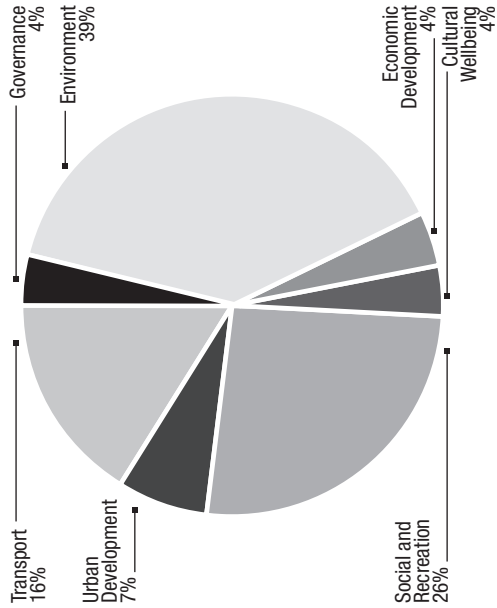
# OUR FINANCES AT A GLANCE

## Operational expenditure

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 Council plans to spend \$379 million on operational expenditure across our seven strategy areas in 2012/13, and a total of \$4.4 billion during the next 10 years. The graph below shows where this operational expenditure will be spent by strategy area over the 10 years of the plan:

**Operational expenditure over 10 years (\$4.4 billion) by strategy**

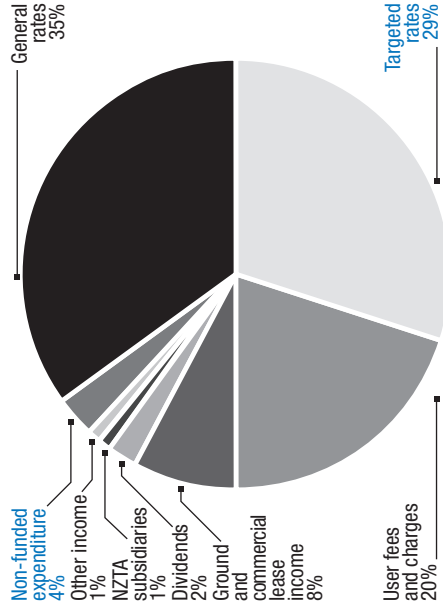


## Sources of operational funding

64 percent of our operational expenditure is funded from a combination of general rates (paid on all 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. A small portion is not funded.

The graph below shows how our operational expenditure is being funded over the 10 years of the plan:

**Operational expenditure over 10 years (\$4.4 billion) by funding source**



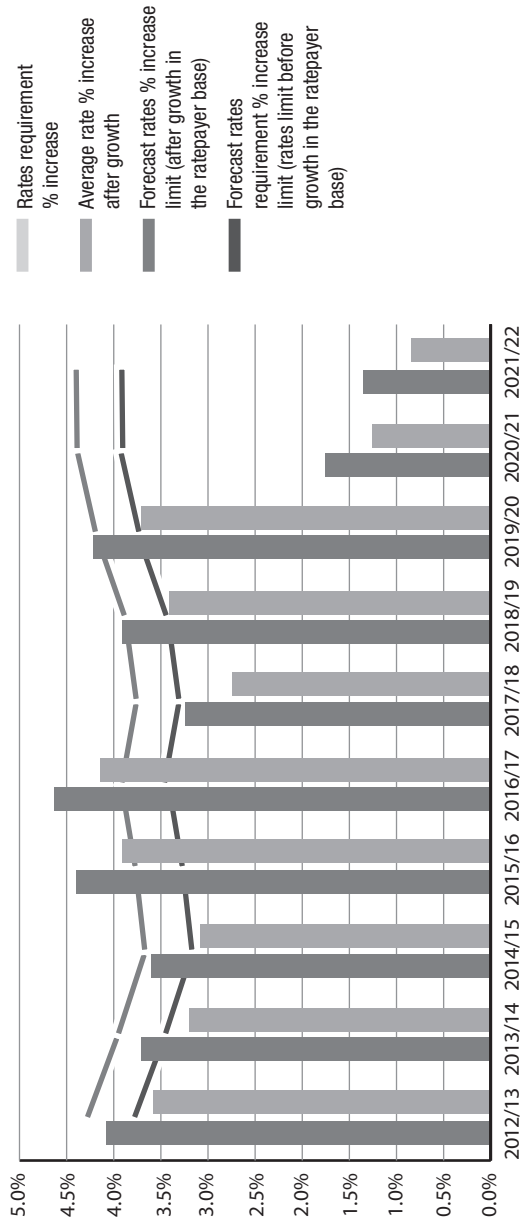
Detailed information on all of our rating mechanisms is included in part three of this document.

### Your rates

For 2012/13, our total rates requirement is forecast to increase by 4.0% (3.5% average ratepayer impact after allowing for growth in the ratepayer base). Total rates are forecast to increase by a further 3.7% for 2013/14 and 3.5% 2014/15 before allowing for growth in the ratepayer base, but including inflation. Rates on the average residential property (valued at \$522,570) are proposed to increase by 1.9% to \$1,950 in 2012/13, assuming no change in the capital value. An average rates increase of around 4.7% is proposed for commercial properties, including the impact of increases in metered water charges in 2012/13, assuming no change in capital value.

The following graph shows the forecast average rates increases across the 10 year long-term plan. Currently the planned rates increases (after growth in the ratepayer base) exceed the rates increase limits in four years. The Financial Sustainability Working Party will recommend options to reduce the rates requirement below the limits in those years. The actual impact on each ratepayer will vary depending on the change in their property value compared to the change in the total city valuation base, particularly when the new valuations will be used from 2013/14.

10 Year Average Rates Increase Forecast





### Explaining your rates

Our total rates revenue is split between general rates and targeted rates.

**General rates** are used to fund activities where the Council is unable to clearly identify a specific group of ratepayers who receive the benefit of that activity, or where it is not possible or appropriate for that group to be targeted to pay. There are two categories of general rates: the base sector general rate (residential) and the commercial sector general rate. The Council has a rates differential in place that decides how the general rate is shared between the residents and businesses in each category.

In 2012/13, the commercial sector general rate per dollar of capital value is proposed to be 2.8 times higher than the base sector general rate for a residential property of the same value. We will review this rating differential again next year after the September 2012 valuation is complete to check whether there is any significant shift in the relative proportion of capital value between the base and commercial sectors. We will consult on any recommended change arising from that review in the 2013/14 Annual Plan.

**Targeted rates** are used to fund activities where the Council is able to clearly identify a specific group of ratepayers who receive the benefit of the activity, and where it is appropriate that this group be targeted to pay. The Council sets targeted rates to fund costs associated with the Council's water, sewerage and stormwater systems. Separate targeted rates are also set for our base (residential) sector, commercial sector, downtown commercial sector, Marsden Village and Tawa driveways.

Your total rates bill will be made up of the general and targeted rates that apply to your property.

### 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 10 year 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 properties in Wellington by setting a rate per dollar of capital value on your property.

The Council is on a 3-yearly valuation cycle and for the 2012/13 rating year the September 2009 valuations will be used to distribute the total rates requirement across all properties in Wellington. Therefore the proportional distribution of the total rates requirement to each property will remain relatively unchanged from 2011/12 - except for any growth in the ratepayer base arising from new development or property improvements in the last 12 months. Over the last year the average residential property capital value has increased by 0.5 percent from \$519,802 in 2011/12 to \$522,570 in 2012/13.

The next property valuation will be completed as of 1 September 2012 and will be used to distribute the total rates requirement for the 2013/14, 2014/15 and 2015/16 rating years.

It is important to note that your rates bill does not automatically change when your property value changes. Your rates bill will only be impacted by the change in your property's capital value relative to the change in the capital value for the entire city. The final rates bill for an individual property will depend on:

- The overall increase in the Council's rateable budget
- Any changes to the way we fund our activities (as set out in our Revenue and Financing Policy)
- Any changes in the rates differential or uniform rates applying to that property

• The growth in the number of rateable properties in the city (eg due to construction of new houses, apartments or business premises)

• The change in that property's capital value compared to the average change in the capital value for the entire city

The following table shows the indicative residential property rates exclusive of GST for properties without a water meter for 2012/13:

Capital value (\$)	2012/13 Rates (\$)	Increase over 2011/12 (%)
200,000	886	2.12%
300,000	1,216	2.01%
400,000	1,546	1.95%
500,000	1,875	1.91%
600,000	2,205	1.88%
700,000	2,534	1.86%
800,000	2,864	1.84%
900,000	3,193	1.86%

### Proposed changes to rates or rating mechanisms

*Funding our Weathertight Homes Liability (also known as leaky homes)*

The Council's Weathertight Homes Liability has been estimated by actuarial calculations to be \$53.2 million. Our financial statements as at 30 June 2011 included a discounted provision of \$50.9 million for this liability. To date weathertight homes settlements have been funded through a mix of proceeds from insurance cover and operating surpluses.

For this long-term plan, the Council will fund weatheright homes settlements initially through borrowings. To repay those borrowings, we will incrementally increase rates by 0.75% per annum until such time as the Weatheright Homes Liability has been settled and the associated borrowings and funding costs are repaid. This is anticipated to be in 8 years (2019/20).

To allow for this funding, some changes to our Revenue and Financing Policy were required (as included in Part Three of this document);

To provide for the use of borrowings to fund the weatheright homes settlements the following paragraph has been inserted in the "Policy Statement on the funding of operational expenditure" section of the policy (Section 1):

**Borrowings** *In general Council does not fund operating expenditure by borrowing. The exception is to fund the impacts on ratepayer's equity from payments associated with liabilities arising from weatherightness payments. Any borrowings associated with the settlement of these liabilities will be repaid over time.*

To allow our rates to be set at a level to repay these borrowings and all associated costs the following paragraph has been inserted in the "Setting the level of revenue from rates" section of the policy (Section 3).

"The total level of revenue from rates will be established as the total revenue required to cover all projected operating expenditure after taking into account:"

*an amount equal to the projected level of repayment of borrowings associated with the settlement of liabilities for weatherightness payments.*

To ensure that the funding of our Weatheright Homes Liability is fully transparent the associated settlement costs, borrowings and rates funding will be reported annually within our Annual Report.

#### **Water Rates**

We have set the following increases to our targeted water rates to ensure the cost increases in the associated water activity are appropriately recovered:

Targeted Water Rating Mechanism	Current (excluding GST)	Proposed for 2012/13 (excluding GST)
Water consumption charge for properties with a water meter	\$1.715 per cubic metre	\$1.73 per cubic metre
Annual administrative charge for properties with a water meter	\$100.00	\$103.50
Annual fixed charge for base (residential) sector properties without a water meter	\$119.75	\$127.25
New connection charges for new residential properties	\$60.00	\$62.00
New connection charges for new commercial properties	\$200.00	\$207.00

#### **Downtown Levy**

We have also introduced a new map detailing the area to which the downtown levy targeted rate is applied. This map (shown on page 194) includes some new areas not previously covered by our existing policy and is effective from 1 July 2012.

**Rates remission and postponement policies**  
 This long-term plan includes a new rates remission for voluntary residential metered water rates. This remission is to provide some relief to residential ratepayers who have a voluntary water meter for their property and are charged for their water on a usage basis, including water usage arising from a leak from pipes on their property. If this leak were to occur on a neighbouring property without a water meter, no additional charges would be incurred by that property owner.

This remission allows the Council to charge the estimated usage arising from the leak at the Greater Wellington Regional Council bulk water rate, rather than the normal Wellington City Council usage rate. For details of the remission please refer to section 2.4 of the Remission Policy in Part Three of this document.

### Funding our activities

When we're deciding how to fund an activity, we consider a wide range of factors including:

- who benefits (individuals, an identifiable part of the community)
- can the beneficiary be easily identified
- can the beneficiary be easily excluded from using the service for non-payment
- intergenerational equity (i.e. do the benefits accrue to future generations as well as present ones)
- the 'polluter pays' principle (i.e. people should pay for negative effects they cause)
- fairness/equity of excluding people who cannot afford to pay
- transparency/accountability of a particular funding method
- overall impact on social, economic, cultural and environmental wellbeing.

Our Revenue and Financing Policy outlines how we fund our activities and is detailed in Part Three of this document. In 2012/13 we have made the following changes to how our activities are funded in our Revenue and Financing Policy:

Activity	Change
3.1.2 Convention Venues	Decrease from 55% to 5% non-rates income, with 95% rates funding to be split 55% general rate and 40% downtown levy, to reflect change in the way this activity is delivered
3.1.7 Destination Wellington	New activity 100% rates funded (50% commercial targeted rate and 50% downtown levy)
4.1.5 Access and support for community arts	Increase from 0% to 10% non-rates income, in line with expected levels of revenue
4.1.7 Regional amenities	New activity 100% rates funded (general rate)
5.1.8 Municipal Golf Course	New activity 50% user charges, 50% rates funded (general rate)
5.2.6 Community Centres and Halls	Increase from 2% to 5% user charges to align with historic and expected revenue levels
7.1.1 Transport Planning	Increase from 0% to 15% non-rates income in line with historic and expected levels of NZTA revenue
7.1.4 Passenger transport network	Decrease from 70% to 65% non-rates funding, reflecting increasing costs but mainly fixed income
7.1.6 Network-wide Control and Management	Increase from 25% to 30% non-rates funding in line with historic and expected levels of income
7.1.3 Cycle Network	Decrease from 5% to 0% non-rates funding
7.1.7 Road Safety	Increase from 25% to 30% non-rates funding in line with historic and expected levels of income
6.2.4 Regulator – Building Control and Facilitation Weatheright Homes	New activity 100% rates funded (general rate)

## User charges

For 2012/13, we have increased user charges in a number of areas. The majority of these increases are minor and reflect cost pressures on the underlying service provided by the Council. Increasing fees by a little each year ensures that ratepayers are not over-subsidising services the Council provides and helps to avoid larger catch up increases in future. Our fees are set in accordance with our Revenue and Financing Policy which is outlined in Part Three of this document. **Areas where we have increased fees include:**

- Sewage collection and disposal network
- Recycling and waste minimisation & disposal
- City archives
- Sports fields
- Synthetic turf sports fields
- Burials and cremations
- Public health
- Building regulation and facilitation
- Development control & facilitation

The level and extent of the fee increases vary and are outlined in greater detail in the appendices of this plan.

## Understanding the council's budgeted surplus

The Council is forecasting a net operating surplus of \$37.4 million in 2012/13, \$33.1 million in 2013/14 and \$33.8 million in 2014/15. The majority of this surplus arises from cash funding received for capital purposes (Crown grants for housing, 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.

## Capital expenditure

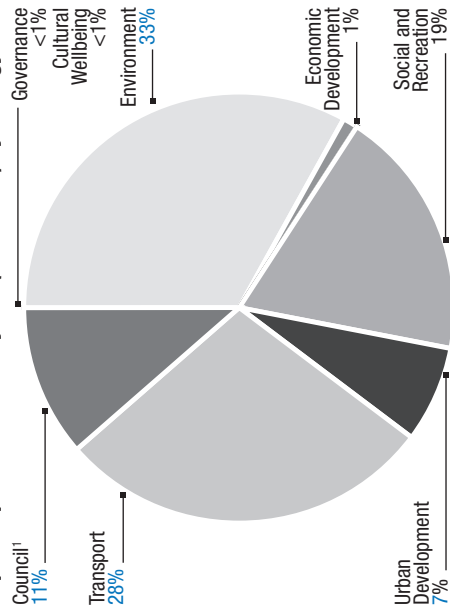
*We're continuing to invest in our city's infrastructure while focussing on city resilience.*

Capital expenditure pays for purchasing, building or developing the Council's assets (pipes, roads, libraries, swimming pools). Our capital expenditure (excluding carry forwards and loans to other organisations) is forecast to be \$136 million in 2012/13 and \$1.4 billion, including inflation, over the next 10 years.

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.

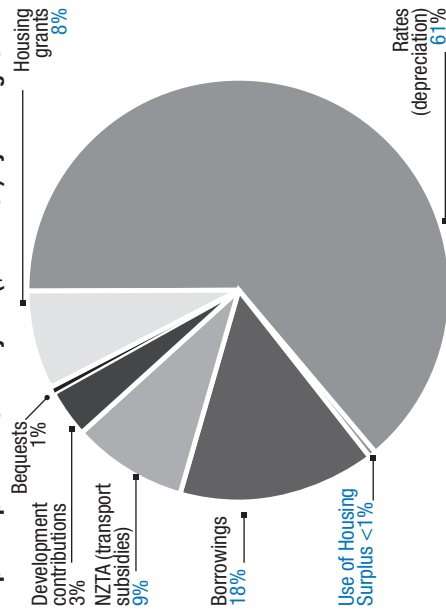
The following graphs show where our capital expenditure programme is being spent by strategy area, and how that expenditure is being funded, over the 10 years of the plan:

**Capital expenditure over 10 years (\$1.4 billion) by strategy**



<sup>1</sup> Council Projects predominately relate to capital expenditure on our technology infrastructure and replacement of vehicles and equipment.

**Capital expenditure over 10 years (\$1.4 billion) by funding source**





## Borrowings

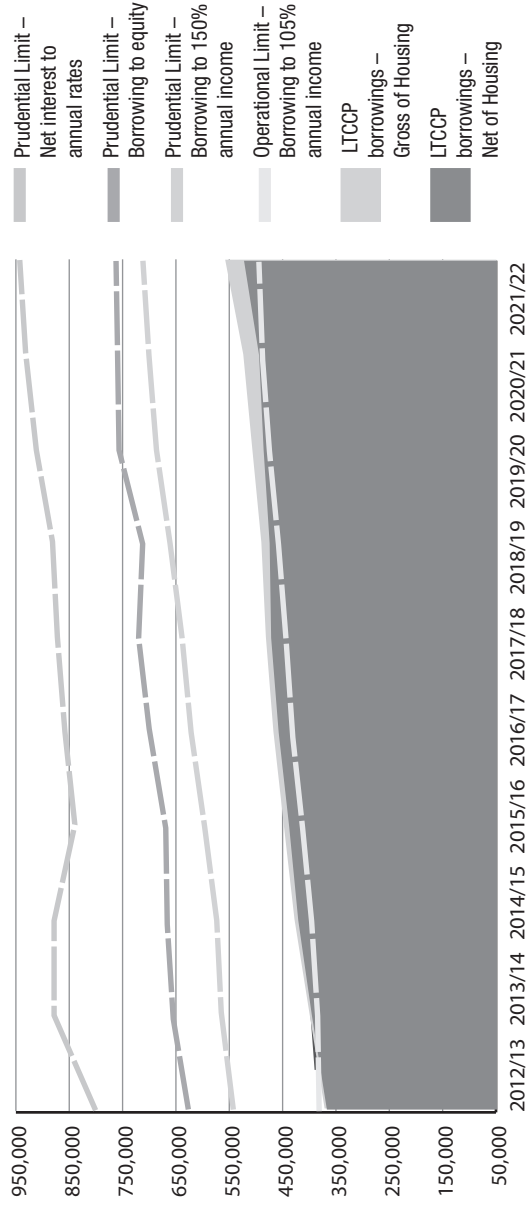
Total borrowings are forecast to be \$381.3 million at the end of 2012/13 increasing to \$532.4 million by 2021/22. Over the same period our forecast asset base totals \$6.8 billion in 2012/13, and increases to \$8.4 billion by 2021/22. We have changed our Revenue and Financing Policy to allow the funding of our Weatheright Homes Liability through borrowings, with repayments through annual incremental rates increases until such time as the borrowings and associated funding costs are repaid. Also impacting on our borrowings profile over the next 10 years are the costs to strengthen buildings and other infrastructure so that they can withstand earthquakes.

As borrowings are a consequence of capital expenditure, our financial strategy has also set a 'borrowings funded capital investment target' of \$45 million, and a 'borrowings funded capital investment limit' of \$60 million for each 3 yearly Council Long Term Plan. This will ensure our debt levels remain sustainable and affordable for years to come. The current plan breaches the \$60m Capex investment limit in the three trienniums, however the Council is committed to change this through the annual plan / long term plan process to enable compliance with this limit. The Financial Sustainability Working Party will work on this objective from mid 2012, to ensure compliance with this self imposed limit.

Wellington City Council currently holds an AA credit rating from Standard and Poor's. This credit rating should result in lower borrowing costs for the Council and greater access to debt markets. The following graph shows our forecast borrowings over the next 10 years against our operational and budget prudential borrowing limits. We remain compliant with all prudential limits across the life of the plan.

Our Housing activity is forecast to generate a cash surplus over the ten years for re-investment in our housing stock upgrade. This cash surplus is "ring-fenced" in our financial statements, but offsets our total borrowings. The graph also shows how our borrowings would increase if this cash surplus was excluded from our borrowings profile.

Forecast 10 Year Borrowings with Key Borrowings Limits (\$'000)



# APPENDIX 1

## Insurance

The earthquakes in Christchurch resulted in a tightening in the insurance market both in New Zealand and overseas leading to increases in insurance rates, reductions in capacity and closer vetting of risks by insurers.

In renewing Council's insurance contract for the 2011/12 year a small increase in the total level of cover was achieved.

The existing Wellington City Council insurance programme includes cover for all above and below ground infrastructure, buildings, plant and equipment throughout the city.

In the event of a significant event in Wellington, the Council would fund any major infrastructure rebuild via a combination of:

- Insurance cover
- Self insurance reserve fund
- Reprioritisation of renewals capital and new capital, if required
- Loan funding in the event of any shortfall

It should also be noted that there may be contributions from Central Government towards restoration of core infrastructure.

## Financial indicators at a glance

Over the 10 year plan our forecasts show:

- operating expenditure will increase from \$379.2 million in 2012/13 to \$496.1 million in 2021/22
- capital expenditure will range between \$133 million and \$160 million each year
- total borrowings will increase from \$374 million in 2012/13 to \$532 million in 2021/22
- total rates revenue will increase from \$240 million in 2012/13 to \$323 million in 2021/22

The key reasons for the increasing trends across our 10 year plan are as follows:

- Operational expenditure and rates are impacted by inflationary assumptions around our underlying costs, and the operational impact of our capital expenditure programme
- Rates are also impacted by our annual incremental increase in rates of 0.75 percent to repay our weatheright homes borrowings liability
- Capital expenditure is largely influenced by the renewal profiles within our asset management plans, and our housing upgrade and earthquake strengthening programmes
- Borrowings are influenced by the timing and extent of our capital expenditure programme and estimated timing of payment of our weatheright homes liability

## Key Financial Indicators for 10 Year Long Term Plan (\$'000)

