

REPORT 3
(1215/52/IM)

**2011/2012 DRAFT ANNUAL PLAN: PROPOSED
 VARIANCES FOR YEAR THREE OF THE 2009/2019
 LONG-TERM PLAN**

1. Introduction

Much of the 2011/2012 draft annual plan is about sustaining the many services that the city offers. But to keep rates at an affordable level, the Council has had to look hard at the services that it provides. This report outlines some of the modest changes that are proposed to some of our services for the Draft Annual Plan 2011/2012.

2. Recommendations

That the Strategy and Policy Committee recommend that Council:

- 1. Receive the information.*
- 2. Note the responses to additional information requested at the 16 February workshop outlined in appendix one.*
- 3. Agree the savings options as detailed in appendix two and note that they will be included in the 2011/2012 Draft Annual Plan statement of proposal to be presented to Council on 24 March 2011.*

#	Variance	Proposed savings
		\$000
(a)	Wellington Sculpture Trust	15
(b)	Cultural contestable grants	78
(c)	Economic grants and marketing comprising: <ul style="list-style-type: none"> • Contestable grants (\$25,000) • Strategic economic grants (\$10,000) • Marketing support for events (\$25,000) 	60

#	Variance	Proposed savings \$000
(d)	<i>Botanic Gardens and local parks comprising:</i> <ul style="list-style-type: none"> • <i>Reduce opening hours in winter for Begonia House shop (\$19,000)</i> • <i>Close Botanic Garden/Otari Wilton Bush library (\$24,000)</i> • <i>Reprioritise maintenance programmes (\$55,000)</i> • <i>Reduce park furniture maintenance (\$20,000)</i> 	118
(e)	<i>Reduce pest monitoring (\$14,000) and defer increase (\$77,000) for Biodiversity Action Plan</i>	91
(f)	<i>Mowing in public places – efficiencies</i>	10
(g)	<i>Defer increase to hazardous tree removal programme</i>	100
(h)	<i>Defer decommissioning of Patent Slip jetty</i>	100
(i)	<i>Sportsfield efficiencies</i>	108
(j)	<i>Libraries comprising:</i> <ul style="list-style-type: none"> • <i>Align opening hours (\$57,000)</i> • <i>Close 1 (of 5) information desks (28,000)</i> • <i>Newspapers in digital format only (\$20,000)</i> 	105
(k)	<i>Swimming pools – rephase school pool grant funding</i>	500
(l)	<i>Targeted approach to dog control</i>	36
(m)	<i>Divest of under used properties</i>	48
(n)	<i>Cemeteries – reduce funding</i>	31
(o)	<i>Reduce contestable heritage grants</i>	100
(p)	<i>Wellington waterfront</i>	170

3. Background

The wider operating environment continues to influence the planning process. The impacts of the economic downturn continue to flow through to households and businesses making rates affordability a continuing challenge.

At the same time the Council faces significant budgetary pressures from interest and depreciation, from inflation, leaky buildings and from service level increases that were agreed in recent years.

3.1 The starting position

The Council's services represent good value for money. Satisfaction surveys show 75 percent of residents think this with a further 20 percent indicating it's about right.

The Council is focused on delivering value for money and efficiencies. 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 \$2,000 per annum, average petrol consumption per household a year is \$2,400, and the annual cost of a landline – a single piece of infrastructure – costs \$480. When compared to the vast array of services and infrastructure offered by the Council at an annual cost of \$1,800 (based on average residential property capital value of \$515,000).

This outcome hasn't been achieved by accident. It's the result of a long standing commitment to continuously look to deliver Council service in an efficient way – to reduce the impact of cost pressures on ratepayers.

Over the past few years we've looked to deliver services differently to achieve this. Examples include:

- Working in partnership: the development of a recreation centre in Tawa was achieved with joint funding with the College
- Drawing funding from other sources: the \$200+ million upgrade of the Council's social housing portfolio is a clear example
- Aligning back office functions: the decision to bring the St James Theatre under the Convention Centre was in part to reduce duplicated services.

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

Other options continue to be explored. Shared services across the region and across 'common' functions of the Council Controlled Organisations are both anticipated to provide some savings. This work is in the early stages with estimated savings yet to be quantified.

There are also other factors that will impact on Council's opening budget position that will be clearer towards the end of this financial year. These include the level of dividends and flow through of any carry forwards.

Without the efficiency initiatives undertaken this year the forecasted rates increase would be higher. These steps can be achieved without impacting on the experience that residents and users have of our services. There remains an opportunity to reduce any rates increases further by considering modest reductions in some areas. The approach to this is outlined below.

3.2 Council's approach to preparing the draft plan

The poor economic climate and cost pressures have existed for the duration of the long-term plan and Council's response has been to take a balanced approach – one that sustains the city's momentum, while delivering an acceptable rates increase. It is recommended that this approach be continued for year three of the long-term plan.

The approach focuses on three key areas:

- Management led initiatives to drive efficiencies in the business delivery.
- The review of fees and charges to ensure they are set at appropriate levels and comply with the Revenue and Financing Policy.

- 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 a less enjoyable place to live.

3.2.1 Principles guide how savings are identified

A series of principles support the overall approach and has guided the development of the 2011/2012 draft annual plan and how efficiencies and savings options are developed.

The principles have been used since 2009 (as part of the long-term plan) and are outlined below with examples from previous years to demonstrate how they have been used:

- a) *Being efficient and effective* – focus on delivering organisational process and structure improvements to ensure services are delivered as efficiently and effectively as possible. It is also about using new technologies to change the way services are delivered so they are more customer focused and more cost effective. For example, merging the St James and Convention Centre functions and providing more services online etc.
- b) *Managing demand* – focus on opportunities to better manage demand for the resources and services provided by the Council rather than delivering supply-side solutions ie water conservation measures to postpone construction of a new reservoir, improvements to public transport network to encourage use and manage demand for roading network etc.
- c) *Decouple service provision from asset ownership* – focus on moving Council's role up the following hierarchy of roles as appropriate: advocate, facilitator, regulator, funder, provider ie the joint venture between Tawa College and Wellington City Council on the Tawa Recreation Centre.
- d) *Leverage external funding/revenue* – explore partnership opportunities to deliver existing services and any increase in levels of service ie housing upgrade programme, artificial surface upgrade programme etc.
- e) *Reduce service levels where tolerance is greatest* – instead of removing entire services focus on reducing *one aspect* of a service ie:
 - *quality*: reduce the standard to which the service is provided
 - *reliability*: allow for some level of interruption (ie accept a higher level of risk)
 - *customer service*: accept some level of impact on how the customer experiences the service (ie take slightly longer)
 - *safety*: mitigate the risks in a different way (eg close a track section rather than undertake proactive tree felling)
 - *sustainability*: consider altering services in areas where changes are expected to arise in the future
 - *accessibility*: manage the time and number of locations or channels that can be used to access a service (ie focus on peak demand times)

- *high performance*: review funding levels for activities where performance is consistently higher than agreed target.
- f) *Review recent level of service decisions* – reconsider agreed increases to levels of service that have not yet been implemented ie reduce, remove or defer increase as appropriate.
- g) *Ensure overall service continuity* – focus on small cuts across Council’s service spectrum rather than deep cuts in one or two areas, protect the basics of public health and safety, ensure strategic cornerstones are not irreparably compromised, and focus on service level changes that can easily be reinstated in future should economic conditions allow.

4. Conclusion

This paper presents proposed savings options for year three of the long-term plan and seeks a decision on whether they be included in the 2011/2012 Draft Annual Plan statement of proposal for consultation with the community.

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Supporting Information

1) Strategic Fit / Strategic Outcome

This report on proposed variances for year two of the LTCCP contributes towards the following outcome: “Wellington will operate an open and honest decision-making process that generates confidence and trust in the democratic system.”

2) LTCCP/Annual Plan reference and long term financial impact

Development of draft annual plans sits within the following project: C530 Annual Planning and Reporting.

3) Treaty of Waitangi considerations

Targeted consultation will be undertaken with iwi using existing relationships.

4) Decision-Making

This is not a significant decision.

5) Consultation

The variances proposed in this report will be consulted on with the community through the Draft Annual Plan statement of proposal.

6) Legal Implications

The report meets all statutory requirements of the LGA 2002.

7) Consistency with existing policy

This report is consistent with Council policy.

APPENDIX ONE

Additional information to questions raised at workshop

[To be circulated]

APPENDIX TWO

Cultural Wellbeing

a) Wellington Sculpture Trust

We are proposing to make a reduction in the annual grant we provided to the Wellington Sculpture Trust (from \$50,000 to \$35,000). The Trust commissions sculpture 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.

When the Public Art Fund was reduced two years ago, funding to the Trust was not reduced. Given the need to now make further savings, it is proposed that a modest reduction be made to the Trust's funding. We believe 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.

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b) Cultural contestable grants

We provide strong support to the arts sector through Toi Poneke, our City Arts team and grants. We are proposing to reduce our cultural grants in the coming year (by \$78,000 on a budget of \$330,000). The reduction is for contestable grants only – strategic cultural grants allocated for a three year period are not affected by this reduction. We're also proposing to reduce other aspects of our grants pool (economic and heritage). This is due to the simple fact that the recipients are yet to be identified – there is no direct impact of reducing the funds as there is no existing expectation that grants will be provided.

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Economic Development

c) Economic grants and marketing

From hosting events such as the Wearable World of Art, managing the Wellington Convention Centre, supporting attractions such as Te Papa, funding Positively Wellington Tourism, and providing essential infrastructure - we support the local economy in many ways. In considering what we can do to reduce our costs to ratepayer from this activity we have been mindful not to look at areas that may impact on the economic recovery. Instead we have focused on making small cuts in a number of areas to minimise any impact.

In 2011/2012 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 are also proposing to make a minor reduction (from \$80,000 to \$70,000) in the grants that we provide to external organisations, and make a reduction to our marketing budget (reduction of \$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.

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Environment

d) Botanic gardens and local parks

Wellington is surrounded by nature. It gives the city its distinct character that is cherished by locals and enjoyed by thousands of visitors each year. In considering what we could do to reduce our costs to ratepayers from this activity we sought to ensure there was as little impact as possible on the high quality of the gardens and parks themselves. We spend over \$12 million every year on the city's botanic gardens, beaches, parks and open space, and we are proposing to make some modest reductions to help reduce the costs to ratepayers from this activity. We believe the reductions 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 is open over winter months to reflect the reduced number of visitors during this time of the year (savings of \$19,000), through a reallocation of administrative resources, and removing internal access to the Botanic Garden/Otari Wilton Bush library (savings of \$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 in this area
- reducing our funding by \$20,000 for park furniture maintenance for one year only.

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e) 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 2011/2012. The proposed reduction of \$14,000 is for reduced pest monitoring work – we are not recommending that funding for pest control be reduced. Over \$900,000 will continue to be spent on pest control work in the coming year.

We are also proposing to defer a proposed increase (\$77,000) we had planned for expanding the Biodiversity Action Plan – a programme of establishing key native eco-systems with operational ‘pest management plans’. We had budgeted for an increase to take the number of key native eco-systems from 26 to 29 in 2011/2012 but have already established 29 sites within existing funding levels and will look to deliver additional key native eco sites within current funding levels.

Every year we provide over 25,000 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 that it is free at the point of use. This recognises the hundreds of volunteers who participate in this programme and the benefit they have on the city and the environment.

f) Mowing in public places

We have recently invested in technology that allows for our staff to receive daily work job sheets electronically in the morning as well as job updates throughout the day. This has resulted in a significantly more efficient operation with fewer visits/time spent at the depot, as well as reduced travel time and petrol consumption. With these efficiencies embedded in the new work practices we expect to be able to make \$10,000 in savings from 2011/2012 onwards in this activity.

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f) 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 that peak time at a reduced level and an increase of \$100,000 was budgeted for 2011/2012 to return it to its original level. We're proposing to defer the increase in funding for one further year to reduce our costs to ratepayers from this activity.

g) Patent Slip jetty

In considering what we could do to reduce costs to ratepayer we looked at work that could be deferred for one year. We had scheduled to demolish – at a cost of \$103,000 – the Patent Slip jetty at Evan 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 Patent Slip now be considered for demolition in 2012/13. Demolition of the structure will be subject to Resource Consent as the structure is listed in District Plan and the site is registered as a category 2 historic place by NZ Historic Places Trust.

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Social and recreation

h) Sportsfields

In recent years we have made significant improvements to our recreation facilities – from upgrading aquatic facilities, the soon to be completed indoor community sports centre and the introduction of artificial surfaces for some of our sportsfields – we strive to continually improve our facilities to meet the needs of our communities. With the move to more artificial turf sportsfields and cricket wickets there is less need for ground repair, mowing and other turf maintenance. In 2011/2012 we are proposing to reduce funding in this area by \$108,000 to reflect the change in the way these services are now delivered.

i) Libraries

Our recommended approach for this area is to broadly maintain levels of service at existing (2010/11) levels for the coming year. In considering savings options the focus has been on making small variances to one aspect of the library service that will not unduly impact on service continuity and the overall service experienced by library users.

In 2011/2012 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). And we're proposing that the dedicated information desk on the ground floor be closed saving \$28,000. The remaining information desks will remain open to help library users with their enquiries. We're also proposing that we move to providing international newspapers in digital format only which will save \$20,000 per year.

In identifying savings for the 2011/2012 year, a number of other library service dimensions were explored for efficiencies – but that on balance we have decided not to recommend. This included reducing smaller 'low use' branch library opening hours (Wadestown, Khandallah and Brooklyn) to half days which could provide \$347,000 savings per year.

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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.

j) 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 rephased over a longer period of time to better align with officers ability to work with 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).

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 accounting for approximately 1% of aquatic visits per year across the seven pools 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.

k) Dog control

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

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l) Divesting of 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 2011/2012. The level of savings in 2011/2012 is \$48,000, and ongoing savings are estimated at \$159,000.

m) 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 2011/2012 is recommended in this area which reflects the reduced demand for crematorium services and a modest reduction in the maintenance programmes for cemeteries.

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Urban development

n) Heritage grants

In 2009 we reduced our heritage grants by about 40 percent to \$200,000 a year. We had considered reducing this even further at that time but on balance decided to retain funding at that level to support our heritage objectives. We are now proposing to reduce our heritage grants budget from \$200,000 to \$100,000 in 2011/2012 as it has not been fully allocated in previous years. In addition to a reduced grants pool, we will continue to also preserve the city's heritage through District Plan provisions and by providing a waiver on some resource consent fees for listed heritage buildings to acknowledge that protecting a heritage building by listing it in the District Plan can impose costs on building owners by restricting what they can do with the building.

P) 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 and the proposal is for a reduced waterfront company to match the level of development taking place. We propose savings of \$170,000 in this area.