
REPORT 5
(1215/52/IM)

FINANCIAL SUSTAINABILITY FOR WELLINGTON CITY COUNCIL – ESTABLISHMENT OF A WORKING PARTY

1. Purpose of Report

This report presents, for Council approval, draft Terms of Reference for a Financial Sustainability Working Party.

2. Executive Summary

In developing its 2012-22 Long Term Plan, the Wellington City Council has adopted a new strategic direction (as outlined in *Wellington Towards 2040: Smart Capital*), identified a new set of Community Outcomes and a new set of Council priorities.

However, the Council is facing a number of challenges, some of which are sector wide, others have a uniquely Wellington character. These are significantly constraining Council's ability to achieve the goals of its long-term strategy.

The purpose of the Working Group, as proposed in the draft terms of reference, is to develop options that will deliver financial sustainability into the future for Wellington City Council.

3. Recommendations

Officers recommend that the Committee:

- 1. Receive the information.*
- 2. Agree to establish a Working Party to develop options that will deliver financial sustainability into the future for Wellington City Council.*
- 3. Agree to the Terms of Reference for the Working Party as attached as Appendix 1.*
- 4. Direct that the Working Party will report back to the Strategy and Policy Committee in August, October and December 2012.*
- 5. Appoint three Councillors to the Working Party, in addition to the Mayor and Deputy Mayor.*

4. Background

In developing its 2012-22 Long Term Plan, the Council has developed and adopted a new strategic direction (as outlined in *Wellington Towards 2040: Smart Capital*), identified a new set of Community Outcomes and a new set of Council priorities.

However, Wellington City Council is facing a number of challenges, some of them are sector wide, others have a uniquely Wellington character.

- Increasing community expectations in terms of quality and quantity of services
- A growing asset base that requires significant financial investment to maintain. Local authorities are also entering a period when significant replacement of network and community infrastructure will be required as a result of the lifecycles of critical infrastructure elements
- Cost pressures greater than the rate of inflation
- A regulatory environment that is changing significantly (Resource Management Act, Building Act, Alcohol Management and changes flowing from the Christchurch earthquake)
- A gloomy national and international economic outlook
- A growing debate about the form of local governance in the region

Consequently, it is proposed that a working group of Councillors be established to develop options that will deliver financial sustainability into the future for the Wellington City Council.

The working party will not have any decision making powers but rather report back to its parent body, which is Council's Strategy & Policy Committee.

5. Principles

5.1 Financial Strategy

The working party will operate within the constraints imposed by the Council's Financial Strategy.

5.2 Wellington Towards 2040; Smart Capital

The working party will align its recommendations to the strategic direction as outlined in *Wellington Towards 2040; Smart Capital* – connected city, people centred city, dynamic central city, eco city.

5.3 Council Priorities

The working party will also consider the priorities

- We will focus on those things that make Wellington an inclusive place where talent wants to live
 - Focus on the CBD, otherwise where necessary along growth spine to maintain quality and with co-investment
- We will improve the resilience of the city
 - Infrastructure
 - Neighbourhoods
- We will reduce our costs
 - Reduce regulation – remove red tape
 - Technology
 - Manage demand
 - Partner with others to deliver
 - Income opportunity or cost reduction through demand

6. Considerations

6.1 Financial

There are no immediate financial impacts of the proposed Working Group.

6.2 Climate Change

There are no climate change impacts or considerations in this paper.

7. Appendices

Appendix 1: Terms of Reference for a Financial Sustainability Working Party

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Supporting Information

1) Strategic Fit / Strategic Outcome

The purpose of the Working Party is to develop options that will deliver financial sustainability into the future so that Council can achieve the goals of the Towards Wellington 2040: Smart Capital Strategy.

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

The outputs from the Working Party will be reported to SPC in time for any changes that will be needed for the 2013/14 Annual Plan and/or amendment to the Long Term Plan.

3) Treaty of Waitangi considerations

This report raises no new treaty considerations.

4) Decision-Making

There are no decisions associated with this paper.

5) Consultation

a) General Consultation

No consultation has been undertaken with external parties.

b) Consultation with Māori

No specific consultation has been undertaken with Māori.

6) Legal Implications

There are no specific legal implications in this report.

7) Consistency with existing policy

This paper is consistent with existing policy.

Terms of Reference for a Financial Sustainability Working Party

Membership

Membership of the Working Party will consist of five elected members; the Mayor, the Deputy Mayor and three other councillors agreed by the Council.

The working party will also be supported by relevant senior staff and external advice as required.

Quorum

The quorum for the Working Party will be three members.

Chair

The Chair shall be the Mayor. The Deputy Mayor will be the Chair in her absence.

Frequency of Meeting

The Working Party will meet on an 'as required' basis.

Parent Body

The Working Party will report to the Strategy and Policy Committee.

Purpose

In developing its 2012-22 Long Term Plan, the Council has developed and adopted a new strategic direction (as outlined in its *Wellington Towards 2040: Smart Capital Strategy*), identified a new set of Community Outcomes and a new set of Council priorities.

However, Wellington City Council is facing a number of challenges, some of them are sector wide, others have a uniquely Wellington character.

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APPENDIX 1

Consequently, it is proposed that a working group of Councillors be established to develop options that will deliver financial sustainability into the future for the Wellington City Council.

Principles

1. Financial Strategy

The working party will operate within the constraints imposed by the Council's Financial Strategy.

2. Wellington Towards 2040; Smart Capital

The working party will align its recommendations to the strategic direction as outlined in *Wellington Towards 2040; Smart Capital* – connected city, people centred city, dynamic central city, eco city.

3. Council Priorities

The working party will also consider the priorities

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Terms of Reference

The Working Party will examine the cost pressures facing Council and consider mitigating strategies including:

1. Services

- 1.1. What services should the Council provide now and into the future?
- 1.2. What is Council's role? funder, provider, facilitator etc
- 1.3. What different delivery options are available to the Council? e.g. regional delivery, contracting out, partnership with other entities etc)

APPENDIX 1

2. Assets

- 2.1. What assets, if any, will be required to deliver the service?
- 2.2. What is the appropriate degree of risk the Council will tolerate in terms of managing these assets

3. Demand Management

- 3.1. Consider strategies that will manage demand

4. Funding

- 4.1. Assess who benefits from the services and how they should be paid for
- 4.2. Re-assess the rationale behind revenue and financing policies across activities for consistency

5. Debt

- 5.1. Review the Council's debt management policies so that debt is reduced

6. Investment

- 6.1. Consider options to balance the Council's investment profile

Deliverables

The working party will report to the Strategy and Policy Committee in August, October and finally in December 2012 in time for any changes that will be needed for the 2013/14 Annual Plan and/or amendment to the Long Term Plan.

Delegation

The Working Party has the authority to carry out its activities in line with its terms of reference.

Frequency of Meetings

A schedule of meetings will be agreed by the working party with the chair having the discretion to call additional meetings as required.

Duration

The Working Party will first convene in late March 2012 and discontinue 21 December 2012.