

APPENDIX 8

- Revenue & Financing Policy Activity Review on Policy Compliance

As part of its review the FAR Working Party has received, for each activity, a report outlining the factors contributing to policy non-compliance, along with options and limitations for achieving compliance with existing Revenue and Financing Policy. It was noted during the meetings that the impact of future Capital Upgrades was not included in the FAR papers. A one year policy impact was considered as future impacts of Capital Upgrades await finalisation through the Capex Prioritisation process. The following table summarises the Working Party's key recommendations for each activity. A full list of recommended changes to Fees and Charges is contained in Appendix 2.

Activity	Current Policy	FAR Consideration	Recommended changes to fees and charges	Recommend policy change	Compliance Gap to recommended target	
					%	\$000's
1.1.2 Civic Information	5% user charges	The income for Contact Centre is mainly generated from a contract with GWRC and for call answering services provided for City Care, Citywise, Wellington Waterfront and Meridian Energy. The Service Centre also sells a variety of different products and services on behalf of Council business units, but does not receive this revenue. It is attributed to the project it relates to.	No changes recommended.	No change to policy. Recommend accept temporary non-compliance with policy and continue to look for opportunities to deliver service for others.	-1%	-\$76k
2.1.2 Botanical Gardens	10% user charges	Retail sales and lease income has reduced. World Wildlife Fund has vacated their leased area in the Treehouse.	No changes recommended.	No change to policy. Recommend accept temporary non-compliance with policy. Retail sales are expected to improve as the economic situation improves & the activity will achieve its user funding target.	-1%	\$59k
2.3.1 Water Network	0% non-rates income	Water Activities are targeted to be 100% funded by targeted rates. There is an administration fee for all new domestic and commercial water connections and this revenue reduces the net expenditure required to be funded through rates. Cost increases mainly relates to depreciation, interest and insurance costs which have increased as a result of the 3 yearly asset revaluations of infrastructure assets and	<ul style="list-style-type: none"> • Increase the fixed charges from \$119.75 to \$127.25 (excl GST) • Increase the meter water rates by 6.62% from \$1.715 per cubic meter to \$1.784 per cubic meter • Increase the new connection 	No change to policy.	0%	\$0

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		management costs.	<p>charges from \$60 to \$62 (excl GST) for new residential connections and from \$200 to \$207 (excl GST) for new commercial connections</p> <ul style="list-style-type: none"> • Increase the water meter administration charge from \$100.00 (excl GST) to \$103.50 (excl GST) to reflect an inflationary cost increase and recovery of the GST increase • Balance of recovery will flow through charge based on capital values 			
2.4.2 Sewage collection and disposal network	5% user charges	<p>The Council's Liquid Waste management Plan adopted in 2005 provided a mechanism by which trade waste disposers are liable for the cost of treatment and disposal of the waste they create. This reflects the polluter pays principle and provides an incentive for disposers to reduce trade waste entering the sewer.</p> <p>If in the future the targeted objective of reduced waste is achieved, Council's revenues through trade waste charges will reduce using the mass volume charging model used for our largest customers as a guide. This would result in an increase in the rates funding to this activity.</p> <p>The future outlook is for a worsening position owing to a number of factors. In the Three Waters Asset Management Plan it was highlighted that the cost of continuing to</p>	Trade waste Fees – increase 6.4%		-1%	

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		maintain our water assets will steadily increase. Depreciation costs will continue to rise through regular asset revaluations (the next being due in 2014/15), the addition of new assets and vested assets. Given the current environment, insurance costs are predicted to increase by 10% per annum in the short term. This will impact on asset stewardship projects.				
2.4.3 Sewage Treatment	5% user charges	Revenue is received in this activity from UWI for the disposal of sewage sludge to the Southern Landfill at \$36.50 per tonne. UWI charge the Council a management fee for operating the Moa Point Waste Water Treatment Plant. Any increase in the fees Council charge UWI will be passed on as increased management fee expenditure in the same activity.	No changes recommended.	No change to policy – accept non-compliance with policy.	-1%	-\$277k
2.5.2 Recycling and Waste Minimisation & Disposal	100% user charges	The current funding policy of 100% user pays reflects TLA's responsibilities as described in the Waste Minimisation Act. Surpluses from rubbish collection, landfill and compost operations fund the new kerbside recycling service. Any shortfall is met from the waste minimisation levy. All revenue received from the MfE will be distributed to the activity to ensure compliance with R&F Policy and WMA requirements. Any remaining revenue will accumulate in the balance sheet, until WMA compliant activities are identified. WCC and PCC looking at establishing a jointly owned CCTO that will manage these activities with commercial focus, whilst operating within each Council's waste bylaws and policies.	No decision was reached at FAR as questions were raised over rubbish bag sales volumes. Officers recommended a package of fee increases. Officers recommended average increases of 6% to Landfill charges, 13% to Rubbish bags, (+31c) 5% green waste, and Kai to compost to \$7.50 from \$6	No changes recommended	0%	\$0
3.1.3 Convention	55% user	On September 29th 2010 Council agreed to establish a new CCTO to manage the Michael	No changes recommended.	Due to the change in the delivery of this activity the current funding	0%	\$0

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Venues	charges	Fowler Centre, Wellington Town Hall, TSB Arena, St James Theatre and the Opera House. Much of the revenue and expenditure has been transferred into the new CCTO and will not be reflected in the Council's budgets in detail in the future but will instead be reflected through the budgets of the CCTO. The remaining revenue relates to tenancy income from the St James Theatre and Opera House.		policy will not be achievable. Decrease user charges target from 55% to 5%.		
4.2.1 City Archives	10% user charges	The key revenue source for this activity is from charging users for searches, photocopying, and copying of archived photographs. A digital copy option for the existing building plan search service is currently being trialled and expected to be implemented in 2013/14.	Fees changes proposed. Refer to Appendix 2 for details. Carry out a full review in the 2013/2014 year in connection with the proposed new service.	No change to policy	1%	\$14k
4.3.1 Arts & Cultural Festivals	20% Non-rates income	The income for this activity predominately comes in the form of grants (mainly from gaming trusts e.g. New Zealand Community Trust & Pelorus Trust). The budget assumes no increase in the income received from these sources. Increased sponsorship would appear to be the best option in achieving compliance. The current slow economic recovery will make this difficult for 2012/13 but may be more likely in future years as the economy recovers.	No changes recommended.	No change to policy – accept temporary non-compliance	-3%	-\$81k
4.3.3 Access and support for community arts	0% Non-rates income	Revenue is mainly generated from ARTSPLASH! festival (ticket sales and school participation fees) as well as funding from external entities (e.g. NZCT, Arts foundation, Decorative and Fine Arts Society & Hutt City Council) and a bequest for the Asian Residency Programme.	No changes recommended	Increase non-rates income target from 0% to 10%, in line with expected levels of income.	1%	\$6k
5.1.1 Libraries	10% user	The proposed budget achieves R&F compliance in 2012/13. However from	Reduce price of DVD issues that have not issued in 8 months to	No change to policy.	0%	\$0

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network	charges	2013/14 onwards compliance is not forecasted primarily due to expected declining revenue for DVDs, CDs and overdue fees.	\$2			
5.2.3 Recreation Programmes	5% user charges	The key revenue source for this activity is from charges for Council run programmes and funding from CCDHB for Push Play community outreach programmes. The non-compliance is mainly driven by short-term funding from SPARC for an ocean water sports programme which is being run by the Royal Port Nicholson Yacht Club.	No changes recommended	No change to policy – accept temporary non-compliance to policy as the funding from SPARC for the ocean water sports programme is for 3 years only and the project should be monitored excluding the SPARC funded programme.	14%	\$128k
5.3.1 Swimming Pools	40% user charges	The proposed fee change is to eliminate the current under 5's fee and to charge all children the current standard child fee of \$3.50 at Wellington Regional Aquatic Centre only. The Wellington City Council pricing for lane hire/booking charges is well below pricing in other parts of the country. A proposal has been put forward to change the lane hire/booking charges by an average of 20% across all hires.	Fees changes proposed. Refer to Appendix 2 for details.	No change to policy proposed.	-0%	-\$0
5.3.2 Sports fields	10% user charges	As discussed in 2011/12, officers have proposed to split out the Berhampore Municipal Golf course from this activity & set it up as a stand alone activity. In the past the core sporting codes have been cross-subsidised by the golf course which earns a greater proportion of its costs from its user charges. After separating out the golf course the overall budgeted expenditure in Sportsfields has increased by \$236k. The key increases relate to additional operating costs due to increases in fertiliser, grass seed, sand and topsoil as well as large increases in line marking paint.	To achieve compliance with the R&F policy an 18% increase in fees is necessary – this is in line with what was agreed last year & also with discussions with the sporting codes to date. Refer to Appendix 2 for details.	No change to policy.	\$0	0%

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5.3.3 Synthetic Turf sports fields	40% user charges	A Memorandum of Understanding has been signed with Capital Football and Island Bay United AFC that in exchange for \$100k contribution each towards the construction of synthetic turf fields at Wakefield Park, rates will be held at the 2010/11 rates for 3 years. This applies to each of the 3 full size synthetic pitches. The fees included in the draft budget have been set at a level to achieve policy compliance assuming all users paid the full rate. However the activity is not compliant once the discount for Capital Football and Island Bay United AFC is factored in.	An increase of 10% on hockey fees for the National Hockey Stadium. Refer to Appendix 2 for details.	No change to policy – accept temporary non-compliance until the 3 year price discount for Capital Football and Island Bay United AFC has been upheld.	-4%	-\$46k
5.3.7 Golf Courses	N/A	Historically the municipal golf course came under the Sportsfields activity 5.3.2 which targets 10% user funding. The golf course achieves greater than 10% so has been cross subsidising the other sports codes. Officers recommend the golf course be established as a separate activity so that the true costs of both Sportsfields and the golf course could be identified separately.	No fee changes proposed while work is being done with the club to increase volumes in the first incidence. In future years, fee increases will be considered to help achieve the target.	A target of 50% user charges is recommended	9%	\$13k
5.3.X Indoor Community Sports Centre (ASB Sports Centre)	N/A	The ASB Sports Centre commenced operation in August 2011. Officers recommend the ASB Sports Centre be established as a separate activity from Recreation Centres, as it is much larger than other centres. Also, given it's a new facility, moving it to a separate activity will allow it to be clearly tracked and a different funding policy applied if appropriate. Depreciation and interest make up a large proportion of the costs of the ASB Sports Centre.	No changes recommended	A target of 25% user charges is recommended, with a view to reconsider a 30% target for the 2013/14 plan. This is due to the uncertainty around the NZCT funding post the 2013/14 period and the lack of data around attendance and occupancy figures (given that the ASB Centre only commenced operation in August 2011).	2%	\$109k
5.4.1 Burials and cremations	50% user charges	User fees are the main revenue stream for the activity. The number of cremations performed by WCC has been gradually decreasing. This is mainly due to the fact that many funeral directors have their own cremators. This	2% increase across all fees proposed to partially cover cost increases and changes in demand. Refer to Appendix 2 for details.	No change to policy. Temporary non-compliance with policy is proposed allowing officers to complete work considering the future of burial	-3%	-\$47k

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		downward trend is expected to continue over the next 5 years, by which time demand is expected to reach a point where it is no longer economically viable for WCC to provide this service. In anticipation of this reduction in demand, officers are currently working on a long term plan to reorganise the level of service that will eventually see an exit from cremation services. Officers are also working on a strategy to allow the two cemeteries to stand alone.		and cremation services.		
5.4.3 Public Health	50% user charges	The Council's current target is to fund 50 % of the cost of this activity through user charges, although LTP policy (2009/10 – 19/20) is to raise this target over time. Given expected changes to some of the relevant legislation we recommend no change should be made to the R&F Policy until these changes come into effect and the impact is known.	Fees changes proposed. Refer to Appendix 2 for details.	No policy changes recommended Proposed legislative changes are likely to impact on future volumes and fee levels. These include: • Proposed changes to the Food Act, and • Proposed new Sale of Liquor Act (Alcohol Reform Bill)	3%	\$152k
5.4.5 Wellington Emergency Management Office	5% non-rates income	GWRC are currently in the consultation stage for bringing together the regional CDEM services, which as a result may bring about changes to future cost structures.	No changes recommended.	No change to policy – accept non-compliance	-3%	\$-59k
5.6.4 Community Centres and Halls	2% user charges	This activity has been over-compliant in the past. Costs have increased in 2013 with the addition of the Churton Park Community Centre however this has been offset by an increase in income.	No changes recommended.	Increase user charges target from 2% to 5% to align with actual income levels	1%	\$32k
6.2.1 Building Regulation and Facilitation	65% user charges	In the 2010/11 FAR meeting there was an agreement in principle that the R&F Policy would reduce to 60% at the next LTP (2012/13). The current trends are in line with the existing 65% policy so no change is recommended, however, proposed legislative change could impact this in the future.	Fees changes proposed. Refer to Appendix 2 for details.	No change to policy – accept non-compliance Change user benefit ratios: Individual benefit – reduce from 100% to 80% Community benefit – increase from 0% to 20%	-2%	-\$296k

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				'Who Benefits' ratio has shifted due to legislation changes, and/or changing proportions of activity, increasing number of extreme natural events, and how Council delivers its services.		
6.3.1 Development Control and Facilitation	50% user charges	Reductions in expenditure and revenue are due to changes in volumes. This paper recommends a change to the way users are charged for our assessment of building consent against the District Plan or for compliance with resource consent conditions. Rather than just a fixed fee (based on one hour) charges will be based on the actual time taken, which is intended to improve cost recovery of providing services to applicants.	No price based fee changes, only a change in the manner in which building consent compliance checking against the resource consent is charged.	Change user benefit ratios: Individual benefit – reduce from 75% to 60% Community benefit – increase from 25% to 40% Level of public benefit has increased from Council maintaining environmental standards, through to compliance or public advisory services undertaken in response to community enquiries.	-1%	-\$81k
7.1.1 Transport Planning	0% non-rates income	The sole source of non-rates income for this activity is NZTA subsidy. Qualification for funding is dependant on the nature of particular projects and this can be variable from year to year.	No changes recommended.	Increase non-rates revenue target from 0% to 15% in line with historic and budgeted NZTA revenue stream	2%	\$12k
7.2.2 Vehicle Network (combined with 7.2.1 Port & Ferry Access)	5% non-rates income	The main source of non-rates income for this activity is NZTA subsidy. Qualification for funding is dependant on the nature of particular projects and this can be variable from year to year.	No changes recommended.	No change to policy – accept over compliance. Activities 7.2.1 Port and Ferry Access to be combined with 7.2.2 Vehicle Network to recognise the connectivity between the two activities.	3%	\$569k
7.2.3 Passenger Transport Network	70% non-rates income	The main source of non-rates income for this activity is funding from GWRC and Adshel bus shelter contract, which is mostly fixed.	No changes recommended.	Decrease non-rates revenue target from 70% to 65%.	1%	\$16k
7.2.4 Network-wide Control and	25% non-rates income	This activity has consistently over-complied with the current policy targets, due to the level of NZTA funding and user fees received. It has also been established that fees charged for	No changes recommended.	Increase non-rates revenue target from 25% to 30%, including a shift from other income to user charges to align with actual	2%	\$118k

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Management		administration and monitoring of activities on the transport network align more with User Charges than Other Income, where it was previously budgeted. The budget has now been adjusted accordingly. Other Income received for the other projects relates to income from NZTA. These costs have not seen any significant movement since previous years that affect current policy.		income levels. As a result, the target for user charges will increase from 0%to 15%. As new legislation is established in the coming 12 months, and once future Capital Upgrades are finalised, it is recommended the policy be reviewed in the next budget.		
7.2.5 Cycle Network	5% non-rates income	The sole source of non-rates income for this activity is NZTA subsidy. Qualification for funding is dependant on the nature of particular projects and this can be variable from year to year.	No changes recommended.	Decrease non-rates revenue target from 5% to 0%. This would make the activity non-compliant by 1% but as the depreciation and interest costs rise, this should become compliant over time.	1%	\$7k
7.2.6 Pedestrian Network	0% non-rates income	The main source of non-rates income for this activity is NZTA subsidy. Qualification for funding is dependant on the nature of particular projects and this can be variable from year to year.	No changes recommended.	No change to policy – accept over compliance.	1%	\$38k
7.2.7 Road Safety	25% non-rates income	The sole source of non-rates income for this activity is NZTA subsidy.	No changes recommended.	Increase non-rates revenue target from 25% to 30% to align with historic and budgeted levels of income. There is an expectation to review the targets in 2013/14 to adjust for any decisions made on the level of Capex upgrades.	0%	\$0k
7.3.1 Car Parking	100% user charges	This activity recovers significantly more revenue, through enforcement and meter charges than the operating costs. The surplus from this activity subsidises transport infrastructure projects. • No fee increases since 2004 (the increases in service costs currently offset by rates); • Cost increases in contracts, personnel and general expenditure over this timeframe has	Fee increase of \$0.50cents and a review of Parking Services	No change to policy – accept over compliance.	125%	\$15,304k

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		<p>eroded the surplus used to offset the Transport network costs;</p> <ul style="list-style-type: none"> • GST increase in November 2010 not passed to users by approx \$274k p.a. (currently offset by rates); • Improving compliance on enforcement further eroding the surplus in this activity (currently offset by rates). <p>Officers to review service provider business model (continue with the outsource model or bring back in house). Officers to review the pay & display fee from an hourly fixed charge to an alternative fee model. Review to be completed during 2012/13. Engagement with business community started in 2011 to explore alternative fee models.</p>				
Regulator – Building Control and Facilitation Weathertight Homes	N/A	Initially fund the settlement of Weathertight Homes liabilities through borrowings which would be repaid through an incremental increase in rates each year until such time as the associated borrowing and interest costs are repaid.	No changes recommended	An incremental annual 0.75% increase in rates until such time as the Weathertight Homes liability has been settled and the associated borrowings and funding costs are repaid.		

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