
**2013/14 DRAFT ANNUAL PLAN: PROPOSED VARIANCES FOR
YEAR TWO OF THE 2012-22 LONG-TERM PLAN**

1. Purpose of Report

This report outlines the proposed variances to year two of our 2012-22 Long-Term Plan. Those variances agreed will be subject to consultation through the draft 2013/2014 Annual Plan.

2. Executive Summary

The 2013/14 financial year is the second year of the Wellington City Council's 2012-22 Long-Term Plan (LTP), which Council adopted in June last year. In that Plan, Council set out a programme of activities and investment in our infrastructure to deliver on our three immediate priorities and our four longer-term Community Outcomes. Collectively, this programme enables the Council, and Wellington, to take the next important steps in achieving our *Towards Wellington 2040: Smart Capital* vision.

This report provides for decisions to be made on proposed variances to year two of the 2012-22 Long-Term Plan, to be included in the Draft Annual Plan for consideration by Council, and then released for public consultation.

In the LTP, Council also adopted a Financial Strategy that sets out formulae for future rate rises and debt levels. Applying these formulae across the ten years of the plan resulted in a financial gap between planned expenditure and projected income. As a result, the Council established a Financial Sustainability Working Party of Councillors in February 2012 to examine the cost pressures facing Council and consider mitigating strategies. Its work resulted in a set of principles that have been used by officers to largely achieve the required reduction in expenditure and increases in income to meet our financial targets.

In doing so, officers have achieved efficiencies across all areas of Council's expenditure. Savings have also resulted from the reorganisation of the Council's internal structure, which was undertaken to achieve greater alignment between our strategic priorities and our operational structure.

In addition to this, moderate changes to services levels and our capital expenditure programme are proposed, and these are detailed in this paper. In addition to this, a small number of proposals to increase progress towards our

key priorities and investigate future projects with a strategic focus are also summarised in this paper.

In summary, this report provides an update and further detail on:

- Key projects Council plans to deliver in year two of the Long-Term Plan
- The context in which the draft 2013/14 Annual Plan has been developed
- How the targets in the Financial Strategy were calculated and have been largely achieved
- Proposed moderate changes to service levels and the capital works programme (where these differ significantly from the 2012-22 Long-Term Plan)
- A description of cost pressures
- Proposed new opportunities

Following the adoption of the draft plan by Council at the end of March, it will be consulted on with key stakeholders and the public. The consultation and engagement plan is included in Report 4.

3. Recommendations

That the Strategy and Policy Committee recommend that Council:

1. *Receive the information.*
2. *Agree the variances to the 2012-22 LTP (as detailed in Appendix 1) and note that they will be included in the 2013/14 Draft Annual Plan statement of proposal to be presented to Council on 27 March 2013.*

#	Variance	Funding impact for 2013/14 in \$000	
		Opex	Capex
a)	Closing branch libraries in evenings	(30)	
b)	Consistent closing hours at smaller branch libraries	(22.6)	
c)	Reduce opening hours at Khandallah Library	(23.4)	
d)	Changes to Leisure Card scheme	(75)	
e)	Transfer management of Tawa Recreation Centre to Tawa College	(75)	
f)	Hazardous Trees	(100)	
g)	Patent Slip Jetty	(100)	
h)	Wellington Zoo Trust	(84)	
i)	Positively Wellington Tourism	(140)	
j)	Pay and Display Parking – Wellington Botanic Garden	(52.3)	95
k)	Introduction of Car Parking Charges at Freyberg Pool	(72)	20

l)	Change to Operating Model / Closure of Crèche at WRAC	(40)	
m)	Permits for Taxi's using Taxi stands in Wellington	(200)	
n)	CX345 - Sportsfield Upgrades		(193)
o)	CX084 - Southern Landfill Improvement		(8,200)
p)	CX510 - Plimmer Bequest Project		358
q)	Smart Energy Capital	250	
r)	Proactive management of Built Heritage Incentive Fund	40	
s)	Greening of Taranaki Street	150	
t)	Civic Square Review	150	
u)	Miramar Peninsula Framework	50	
v)	Capital Education Initiative	60	
w)	Safer speed limit in the CBD	40	

4. Discussion

4.1 Our commitment to Wellington Towards 2040: Smart Capital

During the 2012-22 Long-Term Planning process, the Council agreed a comprehensive programme of activities and investments in infrastructure to achieve its Community Outcomes and key priorities. These are:

Four Community Outcomes:

- A connected city
- An eco-city
- A people-centred city
- A dynamic central city

Three priorities:

- An inclusive place where talent wants to live
- A resilient city
- A well-managed city

Key projects in the 2012-22 Long-Term Plan

Council is committed to progressing those key projects in the 2012-22 Long-Term Plan that enable us to take the next important steps towards our *Smart Capital* vision. Some of the key projects to be delivered in the 2013/14 financial year include:

- *Destination Wellington*: part of the City Council's Economic Development Strategy, this programme will attract business, talent and investment to the region. The project will build on the city's tourism marketing successes and expand the story we tell to celebrate and build the city's economy. It will be delivered jointly by Positively Wellington Tourism, Grow Wellington and the Wellington City Council. Council's role will be to assist in welcoming potential and new businesses, broker relationships as

required, provide market analysis and intelligence, and coordinate and monitor the overall programme of activities. Council has budgeted \$1.9 million for this project in 2013/14.

- *National War Memorial Park:* Council has been working with the Ministry of Culture and Heritage and the New Zealand Transport Agency on the design of the National War Memorial Park. Part of the design is to move State Highway 1 at Buckle Street underground, to create a contemplative park. This park will be completed in time for the Gallipoli centenary on Anzac day 25 April 2015. Council has resolved to contribute \$5 million to the Park.
- *Upgrading Wellington's Laneways network:* Council has completed concept designs for the upgrade of Opera House Lane to Te Aro Park by creating a new pedestrian link through the Michael Fowler car park, improved crossing point at Wakefield Street and high quality, well lit and inviting experience through Opera House Lane. Our focus is now shifting to stage two of the laneways upgrade which will continue the connection from Opera House Lane through Eva Street and Leeds Street to create a high quality experience which supports economic investment between Ghuznee Street and the waterfront. \$516,000 has been budgeted for the network in 2013/14.

Other key projects will be identified by strategic areas and profiled in the full draft plan for consultation.

Our Living City

In addition to such projects, officers are aligning existing activities and reprioritising budgets to achieve our strategic objectives. An example of this is the *Our Living City* project designed to strengthen urban-nature connections, further improve Wellington's quality of life and achieve our *Smart Capital* vision.

The goals of the programme include growing our natural capital to attract people, ideas and investment to the city. The programme itself includes a number of associated initiatives including the *Two Million Trees* project, which is a celebration of our Council and community planting programmes.

Working in partnership with others will be a key feature of this project. As an example of this, the Council and Victoria University of Wellington recently announced a ground-breaking three-year research collaboration to explore issues related to the city's resilience, ecology and urban environment.

4.2 Context:

The following factors have been taken into account, or had an impact, on the development of the 2013/14 Draft Annual Plan.

Wellington's economy

The health of Wellington's economy continues to be a key focus for Council and the wider community. Indicators suggest that Wellington has weathered the economic upheaval of the last few years relatively well. The GDP of the city is still growing, albeit slowly, increasing to above \$13.5 billion for the first time in the year to September 2012.

However a rise in unemployment over the last year means that concerns remain. While the reduction in central government jobs in Wellington seems to have slowed, other large employers in the region are reducing their workforce to align with reduced income levels and other pressures.

Property values have risen again, approaching the levels seen at market height in 2007 – this indicates confidence but also reflects low interest rates and pent up buyer demand. An update on steps Council is taking to support the development of the Wellington is provided later in this paper.

Legislative change

Since the Council adopted its LTP, the Government has begun giving effect to its *Better Local Government* reform programme. The programme is directed at improving the legislative framework for local government, in particular by providing better clarity about councils' roles, stronger governance, improved efficiency and more responsible fiscal management.

Stage one of the programme was completed by the passing of the *Local Government Act 2002 Amendment Act 2012*, which came into effect on 5 December 2012. Among other things, the Act changed the purpose of local government, repealing reference to promotion of the 'four well-beings' and substituting a requirement that councils "meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses" (section 10 (b)).

The Council has responded to this change by undertaking a review of its activities to assess their alignment with the new purpose. The report back on this review is included in Report 5.

Stage two of the reform programme includes:

- An efficiency taskforce
- An expert advisory group on local government infrastructure efficiency
- A review of development contributions
- A framework to guide the allocation of regulatory roles between local and central government
- Investigation of a dual or two-tiered governance model for local government

- Development of options for a performance framework for local government

The results of these work streams will feed in to a second amendment Bill in late 2013. There may also be changes which can be made without legislation. These will likely include process and practice changes.

Potential regional governance changes

A third significant contextual issue is that of potential change in governance arrangements across local authorities in the Wellington region. The councils have been investigating, individually and collectively, the key issues around the current arrangements and the impact of potential changes. While it may be some time before any new arrangements are implemented, the discussion has influenced the development of this draft plan.

Firstly, in terms of balancing our Council's budget over the ten years of the LTP, a decision has been made to focus on the first three years of the plan, through until the next long-term plan development process. This will allow time for the future of local governance arrangement across the region, and the subsequent impact on programmes and budgets, to become clearer.

Secondly, in considering potential changes to programmes, fees and levels of services, officers have made comparisons with other councils in the region. Where appropriate, officers have looked to ensure that our Council's approach is not significantly different from that of others in the region (for example entry prices for our swimming pools).

4.3 The approach to our targets:

Financial Strategy

New to the 2012-22 Long-Term Plan was a requirement for councils to develop a Financial Strategy. It outlines how a council will balance investment in its strategy with prudent and sustainable financial management. The strategy must include a number of key measures.

Some of the measures in our Council's Financial Strategy include:

- For the 2012/13 financial year, the rates increase target equalled the increase in the Local Government Cost Index (LGCI), which was 3.8%. For 2013/14 the target is the average of the LGCI and the Consumer Price Index (CPI), which equates to a 2.5% average rate rise after growth. From 2014/15 onwards the target is based on CPI.
- Targeted net borrowing as a percentage of operating income should be less than 105%. In this draft plan, for 2013/14, it is at 106%. The limit is 150%.
- Borrowings funded capital expenditure target is \$45 million in total over each three year statutory LTP period. On current projections in this draft plan, they will be \$39.8 million from 2012/13 to 2014/15.

To deliver the full operational and capital investment programme contained within the 2012-22 Long-Term Plan, and achieve the above targets, Council is required to reduce its expenditure, or increase revenue, by a total of \$240 million over the ten years of the plan.

To help achieve this, a Financial Sustainability Working Party of Councillors was established. During the LTP process, it explored ways to meet this gap. Council agreed to reduce rate-funded depreciation by \$4 million per year for the duration of the plan, a \$40 million reduction in total. In addition other measures totalling \$120 million were identified before the plan was adopted. The remaining \$120 million was to be found in subsequent years.

Approach to budgeting

The Financial Sustainability Working Party continued to meet after adoption of the LTP. It discussed a range of options to address the financial challenges faced by Council. The discussion resulted in a set of principles and proposals for further development, which were subsequently agreed to by Council. These have informed the work undertaken by officers to develop this annual plan. An approach to budgeting for this plan was also identified and agreed. Key aspects of this approach included:

- Officers identifying long-term reductions in expenditure, or increases of revenue, that would enable Council to achieve its financial targets through until the next long-term plan in 2015. This should mean that no further efficiencies or changes to services will be required to develop the 2014/15 Annual Plan.
- To implement the above, all areas of Council were provided with a 'budget envelope' within which to budget. These envelopes were similar to their 2012/13 budgets but below their projected budget for 2013/14 in the Long-Term Plan. Consequently, any new spending requirements would have to be offset by a reduction in expenditure in other areas.

4.4 Achieving our rates target

As a result of this approach, officers have identified savings options and income opportunities across Council's activities and internal functions. These can be summarised under the following headings.

General efficiencies, savings and increased income

The largest contributing factors towards Council achieving its rates target are changes that have been made to how Council operates internally.

Some of these changes have been made through making our processes more efficient and also through better use of technology. For example, our Building Compliance and Consents business unit is extending the use of *Go Get*, a system that enables inspection teams to access information and processes in the field using a mobile tablet device. This will increase the efficiency of the team by

reducing double handling of information and automating administrative tasks. As a result, the number of inspection hours that can be recorded in a day will increase and the turnaround time for inspections is expected to improve. As a result of the introduction of *Go Get*, additional revenue of \$235,000 has been included in the draft budget.

Other examples of efficiencies, savings and increased income across the Council's budgets include:

- When the LTP was developed, it was assumed that insurance costs would increase by 10% year on year for the first three years of the plan. Initial indications are that premiums will not increase as significantly as originally forecast. This is dependant on negotiations. However current forecasts are that insurance costs will be \$1.3 million lower than the baseline budgets.
- Initial budgets for 2013/14 included allowances for inflation. Officers have reviewed budget lines in detail and reduced their budget where inflation increases are not needed or where expenditure in 2012/13 is below budgeted levels.
- Council's electricity and gas contract has been renegotiated resulting in savings of \$71,000.
- Having Council's sustainable transport coordinator provide transport safety education and advice within schools through the school travel plan programme, instead of Parkwise performing this role, will save Council \$41,000 per year.
- Council plans to increase the publication and design work it does for external parties for which it expects to bring in increased revenue of \$30,000.
- Council recently implemented a process for sending rates notices by email and expect more people to opt to receive their rates notice this way. This is expected to reduce postage costs by \$10,000.

In addition to the above, a thorough line-by-line review by officers has found additional savings in the areas of advertising, printing and expenditure on external contractors.

Infrastructure changes

Another large contributing factor is a set of targeted expenditure reductions in Council's city networks area (transport and waste). As a result of prudent best practice Asset Management Planning we are now able to see a reduction in the need for reactive repairs on a number of asset groups such as street furniture, traffic signs, traffic signals, roads and footpaths. The systematic and optimised renewal of such assets ensures that unforeseen failures are reducing. Concurrently, the smart bundling of services under mixed types of contracts has produced better price stability and reduced costs in some types of assets and services. In summary, the application of expertise in this area has enabled

Council to budget \$1.62 million less to maintain these assets in 2013/14 with no change in service level for users.

Reorganisation

Savings will also flow into the 2013/14 budget as a result of the Council's reorganisation programme. This began in 2012 with a reduction in senior managers and is continuing this year. The purpose of the reorganisation has been to better align our internal structure with our strategic priorities. The management structure is now more streamlined with each manager having clearly defined objectives that contribute to our *Smart Capital* vision. In anticipation of the review, Council business units have not been filling vacancies as they have arisen over the last year. Consequently, redundancies have been kept to a minimum as internal staff members have had the opportunity to apply for new positions before advertising externally. It is noted that during consultation on our draft 2012-22 Long-Term Plan, reducing the number of Council managers was the most frequently made suggestion by submitters on how Council could reduce its costs.

Depreciation savings

A range of depreciation savings have been identified. Examples include the following:

- Council has reduced information technology depreciation costs by buying out the leases on desktop computers and increasing their effective life of the assets. This will save the Council \$413,000.
- When redeveloped, Shed 6 will act as a viable alternative for future events and as a way to address capacity constraints at the TSB Arena. Consequently, it is proposed to have a life beyond the original two years and so the associated depreciation has now shifted out to future years, creating savings in 2013/14. St James Theatre and Opera House have also been re-valued creating some additional reductions in depreciation. These savings total \$547,000.
- The revaluation of other assets under the management of Council Controlled Organisations has resulted in depreciation savings of \$140,000.

Changes in levels of service

Council has made every effort to reduce its expenditure through making internal efficiencies and working smarter. However, to achieve the rates target some moderate changes to services are proposed. These are summarised in Appendix 1.

The quantum of saving associated with some of the proposals is not significant. However, every reduction in expenditure contributes to Council's overall financial targets, especially if it is sustained over the remaining years of the LTP budget.

Officers have proposed only marginal changes to these services in an effort to achieve budget targets with as little impact on users as possible. However, officers are of the view that a rethink of how Council delivers key services, such as libraries, is necessary. This is because it is increasingly difficult to find efficiencies without impacting on the public's experience of these services.

If the Council agrees to include these proposals in the draft 2013/14 Annual Plan, they will be highlighted in the consultation documents and through other engagement processes.

Changes to fees and charges

Proposed changes to fees and charges have been jointly considered by members of both the Funding and Activity Working Party and Financial Sustainability Working Party members. Recommended changes are included in Report 1.

Changes to the capital work programme

Due to timing delays, efficiency gains and resourcing requirements, the total capital programme for the 2013/14 Annual Plan has reduced by \$8.2 million on the LTP. This will not result in any service level changes.

The key changes to the programme are included in Appendix 1 for approval by the Committee.

4.5 Budgets challenges

Cost pressures

The Council has made a concerted effort to reduce costs. However there have been some cost increases that need to be reflected in changes to the 2013/14 budgets.

These are largely to be found in the 3 Waters costs, which have increased due to reactive maintenance costs being higher than in the LTP, bulk water costs increasing, and expenditure on rates rising.

Others challenges

As was reported to Councillors in the workshops held to develop this draft plan, there is continuing uncertainty about our future liabilities in terms of earthquake mitigation for Council buildings and weather-tight buildings.

In terms of watertight building provisions, the Council will continue to fund settlements initially through borrowings. To repay those borrowings we have planned to fund \$5.0 million through rates in 13/14 and the remaining liability of \$55.4 million between 2014/15 and 2019/20.

In terms of earthquake strengthening, Council will receive a report in May containing options around the programme to strengthen Council's earthquake

prone buildings. Current estimates for earthquake strengthening total \$49.7 million over the 10 years of the current LTP and \$17.6 million in 2013/14.

4.6 New opportunities

It has been challenging to deliver the programme of investments currently contained in the LTP while also achieving the targets of our Financial Strategy. However, the Council needs to continually assess progress against its strategic priorities and as they arise, address any gaps in the provision of services and respond to new opportunities to take the city forward.

As a result of the discussions with the Mayor and Councillors in workshops and other forums, a small number of new initiatives are proposed for inclusion in the draft 2013/14 Annual Plan. These are summarised in Appendix 1 to this report.

They include a mix of proposals to both increase progress towards our key priorities and also investigate projects that could be included in the development of Council's 2015-25 Long-Term Plan.

5. Conclusion

This paper presents proposed variances for year two of the 2012-22 Long-Term Plan and seeks a decision on whether they are included in the 2013/14 Draft Annual Plan statement of proposal for consultation with the community.

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SUPPORTING INFORMATION

1) Strategic fit / Strategic outcome

This report proposes variances to year two of the 2012-22 LTP.

2) LTP/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 and channels.

4) Decision-making

This is not a significant decision.

5) Consultation

a) General consultation

The variances proposed in this report will be consulted on with the community through the 2013/14 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.

Summary of proposed variances

Proposed reductions in expenditure

a. Closing branch libraries in evenings

Officers are proposing to make some changes to the branch library operating hours. Currently all branch libraries are open one evening per week until 8.00pm. Overall, usage at these times is comparatively low. We are proposing to close branch libraries in the evenings. However, we propose that Newtown Library open longer on Saturdays (10.00 am – 2.00 pm). This would achieve savings of \$40,000 per annum (\$30,000 if implemented from 1 September 2013).

b. Consistent closing hours at smaller branch libraries

Officers are also proposing to be consistent with closing hours as currently some branch libraries close at 5.30 or 6.00pm four days a week. We propose to close Brooklyn, Cummings Park Ngaio, Wadestown and Island Bay at 5.00pm weekdays. Larger sites (Newtown, Karori, Central, Ruth Gotlieb Kilbirnie and Miramar) will continue to close at their usual time. This would achieve savings of \$30,800 per annum (\$22,600 from 1 September 2013).

c. Reduce opening hours at Khandallah Library

Khandallah is the only small library in network open five mornings a week. Officers propose to reduce hours and only open Khandallah Library from 1.00pm to 5.30pm each weekday. Alternative library services for Khandallah residents would continue to be available at Cummings Park (Ngaio) and Johnsonville libraries. This would achieve savings of \$31,200 per annum (\$23,400 from 1 September 2013)

Officers have been collecting data on use of the libraries at the times when the above changes are proposed to be made. This will be presented to the Committee when this report is considered.

Please note that in the first year, changes would take effect from 1 September to allow for customers to be advised of the changes and for consultation with employees and their representatives. If all the changes above were made, there would be a reduction in staffing of 2.25 FTEs and potentially a change in the location of the library where remaining staff work.

d. Changes to Leisure Card scheme

Officers are proposing to change how we deliver the Leisure Card scheme. The Leisure Card reduces cost as a barrier to participation in recreation and other programmes by those who otherwise might not be able to afford it and improves their health and wellbeing. There are currently 6,885 Leisure Card holders.

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Currently the leisure card scheme is delivered in two parts: the issuing and management of leisure cards (effectively a membership); and the development of programmes and services for leisure card holders in partnership with other providers and health organisations. The budget to deliver Leisure Card for the current year is \$121,432 which is 100% rates funded.

Officers considered ceasing production of the Leisure Card with those wishing to access the discount presenting their proof of qualification (Gold Card, Community Service Card etc.) at the facility. Alternatively Council could cease the proactive development of programmes and services with partners and respond only to initiatives presented to it where possible. A third consideration would be to take up both these options, however this would result in the Leisure Card being reduced to a discount line on our price list with no active promotion on the part of Council.

Officers recommend ceasing the proactive development of programmes and services with partners. This means that officers would no longer work with partner agencies to develop tailored programmes for specific users groups. An example was a 10 week swim programme for the Pacific Island communities in 2011. This would achieve the budgeted savings of \$75,000 per annum with no redundancy.

This option is preferred because Council's partners such as Sport Wellington, refugee services, city housing and Compass Health PHO have been all been canvassed on the effectiveness of Leisure Card. They have told us that it has been successful in increasing participation, especially for marginalised groups, improved wellbeing and a sense of belonging, and has reduced the barrier of price to access these services. All have indicated that they are keen to see the card itself continue.

e. Transfer management of Tawa Recreation Centre to Tawa College

Officers are proposing to change the management structure of the Tawa Recreation Centre. Council currently operates the Tawa Recreation Centre located at Tawa College after school Monday to Thursday, at weekends, and during the school holiday periods. The current annual cost to ratepayers to deliver this service is \$140,000. This allows community access to the facility, the construction of which Council helped to fund, and is available for hire. In addition Council delivers some programmes at the centre.

Officers recommend passing the management of the Recreation Centre over to the College while ensuring guarantees are in place to retain community access and quality of service. Council would retain the option of hiring the centre for the delivery of its own programmes to the local community. This would achieve savings of \$75,000 in year one. It is anticipated that all staff would be redeployed within the business unit.

An initial discussion has been held with the staff at the College and they are interested 'in principle'. The next step is for agreement to be sought from the College's Board of Trustees. Tawa Community Board has been briefed in respect of the discussion with the College.

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f. Hazardous Trees

Officers are proposing to permanently reduce the funding for hazardous tree removal by \$100,000.

Council has temporarily reduced the funding available for removing hazardous trees over the past 3 years and has been able to adequately manage the risk within normal weather conditions. If a major storm occurs there may be work required over and above the budget which would require some reprioritisation at the time.

g. Patent Slip Jetty

Officers are proposing to remove funding for the demolition of the Patent Slip Jetty.

The jetty removal is not a high priority as it is currently fenced off. A reduction in budgeted expenditure of \$100,000. There is no risk associated with not funding the demolition of the jetty. However any major failure in the structure would require Council to address at the time.

Officers are also proposing the following changes to Council Controlled Organisations grant funding.

h. Wellington Zoo Trust

It is proposed that the grant to The Wellington Zoo Trust be reduced by 3% from the 2012/13 grant level. The 2013/14 is proposed to be set at \$2.715m.

The reduction was endorsed by CCOPS and the Zoo was advised of the reduction in grant funding through the Letter of Expectation. The Zoo has reflected the reduced grant funding in their draft Statement of Intent. While there are no expected direct impacts on service levels in the 2013/14 financial year, the Zoo notes that this level of funding may not be sustainable into the future years without a reduction in service levels, impacts on staff and visitation.

i. Positively Wellington Tourism (PWT)

It is proposed that the grant to PWT be reduced by 3% from the 2012/13 grant level. The grant for 2013/14 is proposed to be set at \$4.6m. This excludes any reduction to the \$1 million grant funding for the Australian Marketing initiative and funding for Destination Wellington.

The reduction in proposed grant funding was endorsed by CCOPS and communicated to PWT through the Letter of Expectation. The draft Statement of Intent from PWT acknowledges the proposed reduction in funding and identifies a range of efficiency gains and cost savings initiatives that they will investigate. It notes that rather than any low priority activities

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being ceased, that any funding reduction would be absorbed across all of the PWT's activities. PWT note that reduced funding may impact on their leverage to raise other partner funding and have identified a range of areas where additional funding could be sourced.

Proposed increases in income

j. Pay and Display Parking – Wellington Botanic Garden

Officers are proposing to enforce parking time restrictions at the Wellington Botanic Garden, and to install pay and display parking for seven days per week.

At present there are 46 car parks available in the Botanic Garden, Anderson Park and Bolton Street Memorial Park. During peak season these car parks are in constant use from 10.00am to 3.30pm most days. Informal surveying was completed in March and December 2012 and February 2013. This suggested that up to 10% of parks are occupied by parkers using the P120 spaces for greater than two hours. This restricts the turnover and availability of the limited number of car parks for others. This survey also suggests that over the November - April period between 800 and 1800 cars per week use the car parks. Formal research is currently underway to record duration and frequency of car park use and, if possible, the destinations of the visitors using the car parks. This will be presented at deliberations.

Currently there is no ability enforce the P120 other than discouragement and towing of vehicles. Officers considered having an enforceable P120 time limit seven days a week and pay and display parking at \$2.00/hr from 10.00am to 4.00pm Monday – Friday only. Officers also considered having an enforceable P120 seven days per week only, without pay and display facilities. These options are not recommended.

Officers recommend an enforceable P120 time limit and installing pay and display parking at \$2.00/hr from 10.00am to 4.00pm seven days per week. This would achieve revenue of \$52,300 per annum or \$33,000 per annum after offsetting capital costs over ten years. It is expected that the return on capital costs will take three years.

CAPEX costs for installation are \$95,000 with an estimate of \$45,000 every five years for renewals of plant and signage. CAPEX funding for these costs have been included in the 2013/14 budgets.

k. Introduction of Car Parking Charges at Freyberg Pool

We are proising to introduce charges for parking at Freyberg Pool. Presently there are 72 parks available at Freyberg Pool along with an additional seven which are leased by Parade Café.

The car park itself is used by a mixture of pool and beach users, and customers of Parade Café, other local cafés, and by others visiting other local amenities and the CBD. Currently a P120 is enforced within the car park to ensure

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turnover. However all of the maintenance, renewal and depreciation costs are carried by the pool.

Officers are proposing to adopt the same charging mechanism for this car park as those used on the CBD side of the pool. That is: \$1.50 per hour between 8am-6pm Monday to Thursday, 8am-8pm Friday and no charge Saturday and Sunday. This would achieve annual net revenue, after operating costs, in the region of \$72,000 per annum. This is based on each car park generating revenue for an average of three hours for each day it is in operation. Capex costs for the installation of pay and display meters are estimated to be \$20,000. CAPEX funding for these costs have been included in the 2013/14 budgets.

Officers are undertaking a survey of car park occupancy and where users go. An initial discussion with the Parade Café is also taking place regarding their leased parking spaces and implications if this proposal were adopted. This information will be presented at deliberations.

1. Change to Operating Model / Closure of Crèche at WRAC

Officers are proposing to change the operating model of the crèche at the WRAC.

The crèche at WRAC has been in operation since the facility was first built, and in recent years has seen a lower level of patronage. Recent changes have seen some improvements in these numbers through the use of subsidies offered by the Ministry of Education with some 96 families using the service regularly. Despite these changes the budgeted annual cost to ratepayers for this service is \$53,000 (in 2012/13).

Officers considered closing the crèche and partnering with another local childcare provider to provide a similar service. To date conversations with local providers have indicated that either, they do not have the capacity to offer such a service or, it is not an option under their own operating model. Officers also considered putting the crèche operation out to tender on a commercial lease basis. These options are not recommended.

Officers recommend retaining the management of the crèche, but changing the operating model to a cost recovery basis. Current estimates indicate this would require every user of the facility to pay between \$3 and \$4 per hour for the service regardless of the level of subsidy available from the Ministry of Education (with the exception of those with 3 year olds who use their 20 hours free entitlement for this service – currently eight users). A survey of crèche customers is currently being developed to gauge the impact of this proposal.

This would achieve a savings of \$53,000 per annum, but due to the lead in time required to change prices this saving is estimated to be \$40,000 for the first year. Officers will also look to improve promotion and knowledge of the crèche and look at how we might better integrate use of the crèche with people wanting to access programmes and services in the adjacent pools, recreation centre and library.

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m. Permits for taxi's using taxi stands in Wellington

Officers propose to introduce a parking permit for taxis using dedicated taxi ranks in Wellington City. This would not cover pay and display spaces, where taxis would continue to be liable for parking charges.

Currently taxis do not contribute to the maintenance of the transport network through parking charges (unlike other users). This is despite being commercial operators and receiving exclusive access to often prime parking spaces. In addition taxis are a key beneficiary of much of Council's economic development activities such as tourism activities and events. However because taxi's operate out of vehicles, and not buildings, they do not contribute financially to these activities through rates.

Taxi companies already pay to use taxi stands located on private property, for example the Amora and Intercontinental Hotels and the Airport. Palmerston North has introduced a permit for taxi's using taxi stands, albeit a nominal fee in line with their much lower hourly parking charges. Other metropolitan cities in New Zealand are considering a similar permit. If Council taxi stands in the city converted to paid parking, it would yield around \$400,000 per year of additional income. A fee of \$400 per taxi per year would recover a similar amount.

Officers recommend the staged introduction of a \$400 fee per taxi per year over three years. In year one the fee would be \$200 per taxi per year rising to \$400 per taxi per year by year three. No additional costs will be incurred by Council by introducing this new permit as our existing systems are already set up to issue and enforce parking permits.

This would achieve revenue of \$200,000 in year one; \$300,000 in year two and \$400,000 in year three and subsequent years.

All Taxi companies have been informed in writing of the proposal and feedback has been sought from them. Meetings were held on the 28 February and 6 March with members of the industry to discuss the proposal. The feedback we receive will be presented at deliberations.

Proposed key variances to the capital programme

n. CX345 - Sportsfield Upgrades

Officers propose that the timing of the couch/rye grass trial is moved back to allow time to assess the impact of the synthetic turf sports fields being built across the region. Also as the couch/rye grass trial involves upgrading an existing sports field to a sand carpet sports field, this change will allow more time to assess the ideal location from both the perspective of the network and to maximise the chance of the grass performing well. This will reduce expenditure in 2013/14 by \$193,000.

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o. CX084 - Southern Landfill Improvement

Additional requirements for achieving a Resource Consent from the Greater Wellington Regional Council for this work has resulted in the programmed spend moving out by two years. This delay has allowed officers more time to gain clarity around a possible Environmental Court hearing. Current volumes indicate that the timing pressure around the requirement for the Stage 4 development has been eased, allowing stage 3 to be utilised for a longer than expected period. This will reduce expenditure in 2013/14 by \$8.2 million.

p. CX510 - Plimmer Bequest Project

The timing of beautification work at Alex Moore Park has been moved forward to align with the construction of the new synthetic turf. This has no impact on borrowings due to the funding coming from the Plimmer Bequest Trust. This will increase expenditure in 2013/14 by \$358,000.

Proposal to increase investment

q. Smart Energy Capital

The Smart Energy Capital initiative addresses key gaps in the City around smart, healthy and energy efficient homes, energy efficiency in the commercial sector and increased renewable generation. The initiative helps to grow our reputation as a progressive city, reduces pressure on the environment and infrastructure and assists us in continuing to deliver an outstanding quality of life.

This proposal sees the Council acting as a catalyst to build partnerships where Council investment has the potential to be matched or exceeded with investment by programme partners. Exit strategies will be put in place for when the market develops and can become self-reliant.

The initiative consists of a number of potential components, totalling \$250,000 per annum for two years. The selection of components will need to be flexible to meet the needs of both Council and key partners and the intent is to seek leveraged funding on at least a dollar-for-dollar basis. This would raise the total available funding pool for these programmes to at least \$500,000 per annum. This funding would be reviewed as part of the 2015-25 Long-Term Plan.

The initiative will look to deliver a mix of the following components:

- i. *Smart grid pilot project:* Working with the electricity industry, households and service providers to deliver a smart-grid pilot.
- ii. *Healthy Homes projects:* The Council currently supports two programmes – the government “Warmup NZ programme” and our own “Home Energy Saver Programme” through existing LTP funding of \$100,000 per annum. This project would look to expand upon these programmes to include multiple housing quality and resilience issues.

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- iii. *Solar partnerships:* Involves working with partners to develop solar PV retrofits. This programme would be subject to successfully attaining matching funding from industry partners. For example currently Kiwibank is offering \$2000 for solar power installations to residential customers – and Council could supplement this with \$1000 to encourage uptake.
 - iv. *Commercial building energy benchmarking:* NABERS is being introduced to New Zealand this year by the Energy Efficiency and Conservation Authority (EECA). It provides a process for benchmarking business energy performance. Council could provide commercial properties with a subsidy on the NABERS assessment fee.
 - v. *Sector-based energy reduction programmes:* Involves targeting specific sectors with proven mechanisms to reduce energy use, in partnership with EECA.
 - vi. *Smart energy innovation fund:* Providing a contestable fund for development of business or community based initiatives leading to improved energy efficiency and/or renewable energy.
 - vii. *Energy retrofits as part of earthquake strengthening work:* Providing incentive funding to encourage appropriate energy efficiency work to be undertaken concurrently with earthquake strengthening.
 - viii. *A smart-energy financing package:* Developing viable options for improving access to finance for energy improvement purposes.
- r. *Proactive management of Built Heritage Incentive Fund*

We are planning to take a proactive management approach for the Built Heritage Incentive Fund (BHIF) to improve the earthquake strengthening outcomes from this fund.

The purpose of the BHIF is to help with conserving, restoring and protecting Wellington's built heritage. The fund also helps meet some of the additional costs associated with owning and caring for a heritage property. The BHIF is currently being managed in a reactive way by considering applications received, rather than proactively targeting heritage building owners that would benefit most from earthquake strengthening. Our experience from the 1998 Building and Safety Fund and Heritage Fund was that a proactive management approach meant more successful strengthening and heritage outcomes were achieved from the available funding. Applying this approach to the BHIF would require more officer time.

It is therefore proposed that funding of \$40,000 be provided for additional officer resources to establish which buildings would most benefit from the fund, meet with building owners to discuss their earthquake strengthening Needs, gain agreement to progress projects and helps with the application to the BHIF for funding support.

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s. Greening of Taranaki Street

Officers propose that work continues on the greening of Taranaki Street. Taranaki Street is a major movement spine within the city that is currently traffic dominated. Taranaki Street forms part of the processional route through the city from Parliament up to Government House. It will be used in the 2015 celebrations as a key access to Memorial Park. The redesign of the streetscape aims to ensure prioritisation of pedestrian comfort through landscaping, paving and lighting. A review of development controls, canopy provision and encroachments would also be undertaken.

Proposed funding of \$150,000 would be used to:

- Comprehensive concept design options and costs for an interim project.
- Establish that the interim design could be implemented to facilitate longer term infrastructure upgrades.
- Commence engagement with stakeholders in the area.

t. Civic Square Co-ordination

Officers propose that funding is provided to enable investigation of options for the future of the Civic Square precinct. Civic Square plays a vital role in the open space network of Wellington City. It is home to cultural facilities such as the City Gallery, City Library, the Town Hall, the Michael Fowler Centre and the Wellington City Council. With a range of works being undertaken in this location there is an opportunity to achieve some of our design objectives for this area.

Key design objectives are:

- Create clear connections and entry points between Civic Square and the street network surrounding it.
- Ensure that the uses in buildings adjacent to the square are contributing to the vibrancy and activity.
- Create clear way-finding between Willis Street and the waterfront.

The proposed funding of \$150,000 would be used to:

- Identify how all the separate works (such as Town Hall strengthening and removal of Portico) within the civic area can be integrated and co-ordinated for maximum benefit.
- Concept design for public space and connections.
- Identify potential modification to adjacent buildings and uses and work with stakeholders to define timing around any modifications.
- Identify opportunities and constraints and assess feasible options.

u. Miramar Peninsula Framework

The Miramar Peninsula Framework is intended to be a long-term planning tool, looking at a wide range of issues relevant to the Miramar Peninsula and

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outlining a strategy to guide future development and investment. The first work stream of this framework, the Miramar Town Centre Action Plan, is underway with the upgrade suburban centre. Other work streams contributing to the Framework include working with Port Nicholson Block Settlement Trust on the future development of Shelly Bay, and working with landowners, key interested parties and the community to develop a vision for the future use of the large land holding on the northern point of the peninsula, known as Watts Peninsula.

It is proposed that Council now undertakes further work on the development of these work streams. This work would include discussions with the other parties involved with the framework including the Defence Force, Port Nicholson Block Settlement Trust, the Minister for Arts, Culture and Heritage, the Department of Conservation, NZ Historic Places Trust, Greater Wellington, and key local advocacy and interest groups.

It is proposed that funding of \$50,000 is provided to undertake further work on the development of the framework in preparation for the next long-term planning process, where Council's role and investment can be considered further.

v. Capital Education Initiative

In 2012, the Council, through the Wellington Museums Trust (WMT), commissioned a project to better understand the nature of these school visits to the capital, the type of out-of-region schools that plan a visit to Wellington and why, which schools aren't visiting and why, what the major draws of the capital are, how such visits can be facilitated in the future, and what opportunities exist to maximise visitation.

The report found that there is huge potential for connecting core nationhood institutions based in Wellington, especially in light of developments around the National Library and other institutions. Furthermore, teachers and project partners felt that there was an opportunity for Wellington facilities to offer a more cohesive approach.

The report consequently recommended that attractions, institutions, transport and accommodation providers develop a partnership approach to facilitate visitation from schools outside the Wellington region: sharing data, best practice, programming and packaging opportunities. In addition to this, it recommended using existing infrastructure (PWT & Wellington Museums Trust), fund a strategic marketing campaign to New Zealand schools promoting Wellington, its facilities and unique offer as a destination for education visits. Launching by 2015, this should incorporate a teacher-specific landing page on www.wellingtonNZ.com, targeted collateral and familiarisation opportunities for teachers.

Officers proposed that \$60,000 is provided to implement the recommendations of the report. This would include funding the necessary changes to the PWT website to coincide with the work being undertaken as part of the Destination Wellington initiative.

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w. Safer speed limits in the CBD

On 22 November 2012, SPC considered setting a safer speed limit of 20km/h on part of the Golden Mile. The proposal was not adopted. However the following amendment was made and approved:

Confirm Council policy to consult on a possible reduction in the speed limit across the Central City (except for arterial roads) to either 30 or 40 kph and request officers to plan to consult on this during 2013/14 and seek appropriate funding in the next Annual Plan round.

Officers have estimated that the cost to undertake the necessary consultation to be \$40,000 and to be funded in 2013/14. If approved officers would look to consult in November and feed the results into the 2014/15 annual planning process. It is estimated that funding of \$250,000 would be required for implementation.

Other proposals for discussion - unbudgeted

Changes to current on-street parking fees in Te Aro

Following a detailed analysis of current parking space occupancy across the central business district (CBD), and in line with Council's approved parking policies, it is concluded that there is a strong case for introducing an evening parking charge in the Te Aro area where there is currently no charge and there is very high occupancy of parking spaces.

The logic for introducing evening fees will align with the long standing practice of charging for on street parking during weekday business hours. It will encourage turnover in the busier streets thus freeing up space for shorter term use e.g. entertainment, restaurant and hospitality-related parking, reducing street congestion, and identifying that such space has a value which should be recouped for the ratepayer.

Officers have looked at a range of pricing options and recommend a new \$2 per hour fee at existing metered spaces between 6pm and 10pm, with no time limit applying during these times Mondays to Fridays inclusive in that part of Te Aro bounded by Willis St, Manners St, Cable St, Kent Terrace, Buckle St and Abel Smith St. This is considered to be a moderate fee level considering most of the area has an existing \$4 per hour daytime fee. Also having no limit on the length of time the public will be able to park, reflects the more leisurely nature of activity in this area in the evening.

There is an additional option to extend the above charging regime through to include weekends on the basis that the long standing free weekend parking was designed to assist the retail sector during weekend shopping hours. However, a quite different situation exists after 6pm where unlike during daytime, there is less competition from out of town entertainment, restaurant and hospitality venues.

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A further officer proposal is to reduce the current daytime hourly meter fee from \$4 per hour down to \$3 per hour in the eastern part of the area proposed for an evening fee because although there is very high evening occupancy, daytime occupancy is quite low in most of this sub-area, and lowering the fee is expected to generate additional parking activity and reduce the cost of doing business in the sub area.

The estimated additional revenue from applying a \$2 per hour evening fee during weekday evenings is \$1.2 million over a full year and \$1.9 million if weekend evenings are included. This takes account of the loss in revenue resulting if the daytime fees are reduced from \$4 to \$3 per hour in the eastern sub area. There will be a one off cost of approximately \$20,000 for publicity and marketing.

Research to inform this advice was carried out for City Networks and City Communities business units of Council by Bullen Consultancy, with additional data provided by Finance.

A presentation to the retailers association and restaurant and hospitality industry is planned for 13 March. The outcome of that meeting will be reported back to the Committee.

Please note that this proposal is not included in the budget for the draft 2013/14 Annual Plan. It is presented for Councillors' consideration as an option for inclusion.