Elected Member Questions and Answers

Pūroro Maherehere | Annual Plan/Long-term Committee meeting of 8 March 2022

The following questions were received from Elected Members regarding items on the agenda of the Pūroro Maherehere | Annual Plan/Long-term Committee meeting of 8 March 2022.

Cr Calvert

Item 2.1 Establishing an Environmental and Accessibility Performance Fund

1. Why do officers support the establishment of this fund (which is funded through operational funding) to be debt funded?

   As there is a lack of certainty around the timing of drawing down on the fund and there is a risk of over rating ratepayers in any particular year, due to uncertainty of the potential level of grants that could be paid out. In order to provide a reliable source of funding, it is recommended that in this instance, this fund is debt funded.

2. Is this in accordance with Council policy, the LGA and or normal practices of this Council
   While this fund would normally be considered operational expenditure as a grant to developers of multi-unit housing developments. It is believed that there will be long term benefits for the city by providing this incentive and therefore the best way to balance the inter-generational requirement under the LGA, would be use debt funding as a means to spread the benefit / outcomes of the scheme to future generations by spreading the repayments over a number of years.

3. Why is this operational expenditure being singled out for debt funding? Many other projects/priorities have long-term benefits

   See above answer

4. What resolution/authority has work on this paper been completed in respect of consideration of the draft 22/23 plan and also the current workplan for this Council?

   Te Atakura First to Zero Wellington's blueprint for a Zero Carbon Capital includes the initiative that we will review the high performance building incentives to ensure that they align well with the outcomes sought, the level of certification required and the kind of payment needed to encourage all commercial buildings to perform as well as they can whether new or retrofitted.   This review has looked at this alongside residential developments.

5. Why is this being included in the draft Annual Plan budget given it was not identified in the meeting of the Annual Plan committee on the 8 Feb?

   The 8 February AP/LTP committee paper noted that advice on an Environmental and Accessibility Performance Fund would be presented to 8 March committee meeting.

6. Why is this a separate paper outside of the paper 2.2? Is this included in the draft annual plan budget? If so where is it noted

   The Fund is noted as a potential additional cost pressure in the Annual Plan paper in the table under on page 21. It is included as a separate paper as it was felt that a more detailed analysis of the issue and options was required than could be accommodated through inclusion of an item within the Annual Plan paper.

7. Why is this paper being considered now if funding is not intended to commence until 23/24?

   Certainty around funding is required now as building the programme to deliver it will take time.

8. Why is this being considered outside of a more comprehensive review of our development contributions policy?

   This is being presented now so that it can be considered within the Annual Plan process with a final decision to be considered in June as to whether this proposal will be adopted. The Development Contributions review paper will be considered on March 17th. The reasons for decoupling it from the DC policy are covered below

9. How does this fund compare to other councils' approach to handling a similar grant ie other councils appear to use their Development Contributions Policy to administer such grants via remissions

   Development contributions (DC) are a convenient mechanism used by Councils, however they are primarily a financing tool to provide funding for growth infrastructure. It is also uncapped. Any remission that is granted effectively has to be matched with either increased debt for the growth infrastructure or a change in policy position to increase DC funding for other consents to enable the Council to meet funding targets.

   A separate fund enables the criteria to be broader without having an uncapped remission and allows growth infrastructure to be funded by DCs.

10. Proposing to fund this operational expenditure via debt funding is directly contradictory to our own Rating and Funding policies and not in line with legislation?

    Please refer to the response to question 2.

Item 2.2 2022/23 Annual Plan and LTP Amendment Consultation Document

Recommendation 3-Restorative Planting project (page 17)

1. Why is this being included as a recommendation as the decision by the Annual Plan committee of 8 Feb was just to come back on 'opportunities to increase Council's tree planting Programme"

   In reviewing opportunities to increase the Council's tree planting programme it was identified that additional support for existing targets would be a more effective action to support restorative planting than increasing the target. This is because survivability rates are currently below target and need to be improved before expanded tree planting targets can be considered. Detail on the background to this issue is available on page 54 of the agenda.

2. Why can't this cost be met under existing budgets?

   As outlined in the background, the existing budget for this activity has not increased as the planting programme has expanded. Resourcing has been stretched we can no longer deliver the appropriate level of service within the existing budget.

3. Why is this Council having to make up the shortfall for GWRC lack of funding for weed control which is their primary responsibility? (clause 29)

   GWRC is responsible for funding of the weed species listed in the Regional Pest Management Plan as eradication and progressive containment. These species are listed in the following plan https://www.gw.govt.nz/your-region/plans-policies-and-bylaws/plans-and-reports/environmental-plans/regional-pest-management-plan/

Other pest plants need to be managed by people on their own properties, including local Councils. The weeds listed in the Regional Pest Management Plan, are not the species that threatened our restoration planting success.

General Rates differential clauses (48-55)

1. What is the justification of charging the differential and when was this basis last reviewed
   This was last reviewed during the 2021 – 31 LTP and the adoption of the Revenue & Financing Policy.
2. I understand the Chamber of Commerce took the Council to court over the differential. When was this and what was the outcome

   Awaiting on the legal team to advise on the details of this.
3. What would be the average rates increase for residential and commercial if the commercial rating differential stayed the same (ie 3.25)

   For commercial ratepayers, it is estimated the average would have been 4%. For base ratepayers, it is estimated the average would have been 12%.
4. What is the current year's and proposed 22/23 differential for Auckland, Hamilton, Christchurch and Dunedin

Table 1. Rates differential - Auckland, Hamilton, Christchurch and Dunedin

	Share commercial (%)	Comments
Auckland	31.33%	will move from 31.33% in 20/21 to 25.8% by 2037/38
Hamilton	41.10%	
Christchurch	32.20%	
Dunedin	32.29%	
Wellington	44.10%	

Note: Commercial portion for 2021/22 taken from the LTP's.

5. Given its significance and knowledge since December 2021 that the commercial land values would be making up a lower % of land values, why was this aspect not socialised with elected members and the business sector before applying it to the draft

   This information has been shared with Councillors in December and in February. Officers are unable to provide precise advice on the differential due to uncertainty over final capital valuations due to the impact on the rating base arising from the unresolved valuation objections and impact of in the growth in the rating base.

Differential

6. Clause 49 - What rating land types make up 'base"

   See page 142 of the LTP (volume 1). The Base category shall be applied to the following rating units:

   a. Separately rateable land used for one or more household units; excluding those properties that provide short stay (28 days or less) commercial accommodation for which a tariff is charged

   b. Vacant land zoned residential

   c. Land used as farmland and lifestyle blocks which is included in the rural activity area in the District Plan. Farmland is defined as land used exclusively or principally for agricultural, horticultural, pastoral or silvicultural purposes, or for the keeping of bees or poultry or other livestock but excluding commercial dog kennels or catteries.

d. Separately rateable land occupied by a charitable organisation which is deemed by the Council to be used exclusively or principally for sporting, recreation or community purposes and that does not generate any private pecuniary benefit.

7. Clause 52 -Why is there a drop in rating units from 2021/22 to 22/23

   The total number of rating units will be confirmed at the end of year.

8. Clause 52 - What was the number of rating units (commercial and base) for the previous 3 years

   To be provided.

9. Clause 55- What discussions and when where conversations had with the Mayor, chair or any other elected member on the proposal to increase the differential?

   See response to number 5, no specific discussion on differentials.

10. Clause 55 – when you refer to ..this paper recommends…" are you referring to officers or the Mayor and or Chair?

    This is Officer's recommendation in order to maintain the proportional share of rates across the base and commercial rating bases.

Options to reduce the Proposed Rates Increase

1. As per approved recommendation 12 from the Annual Plan meeting of 8 Feb, please advise what the Mayor and Chair, in conjunction with officers, discussed in terms of options to reduce the rates increase.

   Attachment 1, as included in this paper.

2. Was it just those items resulting in savings of 1.36% approx at Attachment 1?

   Correct

3. Given the rates increase has only reduced by .3% since the meeting of 8 Feb, please advise where the other 1% of savings have gone?

   The additional encroachment revenue of $1.5m (0.3% of rates) is not reflected in this version of the budget included in this paper. The additional rates impact of 0.7% offset by updated interest costs, CHP establishment costs and Pandemic response costs.

4. At the 8 Feb meeting, the proposed average rates rise was 9.1%. A month later it is 8.8% (a reduction of 0.03%). In attachment 1, cost savings show a reduction of 1.36%. What have been the additional costs pressures added in to reduce the savings from 1.36% to 0.3%

   In addition to the answer above, the information provided on the 8th of February was based on a 'draft version of the budget'. The budget system and processes were not fully completed.

Other

11. Water infrastructure including capex. Given the indication by Wellington Water that their current budget is not sufficient- what allowance for this has been incorporated in changes to the LTP and in this draft No allowance has been incorporated in the current draft budget. As noted in the report, while this pressure has been raised by Wellington Water, additional information is required on options for managing this cost pressure before a decision on inclusion in the 22/23 budget can be considered. Annual Plan deliberations in May will resolve this issue.

12. LGWM- Is their sufficient funding in the budget (opex and capex) to fund WCC's share of the activities. Has the budget been increased since the LTP. If so by how much and what does this relate to

    The Transformational programme is unbudgeted at this stage but WCC's contribution to programme costs, the early delivery programme, and City Streets budgets remain unchanged from the LTP other than rephasing of components.

13. I previously asked about the following and was advised by the CFO that these options would be in the paper but I can't find reference to them. Please advise where in the paper it is ie

    - Reductions in the Grant pools e.g. BHIF, City Centre etc.
    - Reduce or remove the planned budget increase for Maori Partnerships/Outcomes in the 22/23 year
    - Reduction of the Te Atakura budget.

    Attachment 1 (page 31 of the agenda) includes reference to potential rates mitigation options including reductions in discretionary grants and delays in opex agreed in the LTP. These options were not recommended due to the relatively low amounts of non-committed spending in these areas balanced against risk to Council priorities.

14. Other than Depreciation savings on the capital savings as outlined in Attachment 1 (no 7), what other savings have been identified on reducing the capex programme for the 22/23 year given the impact of scarcity of resourcing and materials

    No further changes to the capital budget are proposed beyond those agreed by the Finance and Performance committee in November. The focus for identifying rates mitigations related to the capital programme was focused on 22/23 capitalisation assumptions given these have the greatest impact on 2022/23 operating expenditure.

15. I understood this agenda was to include an overview of changes to the capex programme due to continuing delays caused by the current environment, and since the last adjustment as at 30 Sept 2021 as agreed by the CFO). Where is this included in the paper?

    The plan includes the rescheduled Capital programme. Capital forecasts have continued to occur and no material change to the plan is included. The work did identify savings in depreciation due to capitalisation dates being refined.

Annual Plan Paper

Why are officers making the substantive recommendations? Under Section 41A (2) it is the Mayor's responsibility to lead the development of the Annual Plan. Please advise if he agrees with the recommendations being presented.

The draft Annual Plan presented is in line with the decisions made by the Committee on 8 February. The development of the Draft Annual Plan and LTP Amendment Statement of Proposal is the responsibility of the Annual Plan/Long Term Plan Committee. A range of meetings and workshops are held in the lead-up to deliberations to allow for key issues to be considered.

Engagement and Consultation clauses 58-70

Why is no specific engagement to commercial ratepayers on the change to the differential? Noting in clause 70 that there will be direct engagement with encroachment license holders?

No specific engagement with commercial ratepayers has been planned as the proportional share of rates is not proposed to change. The proposed average rates increase for the year would apply equally to base and commercial rating sectors. Communication on the impact of revaluation is included in the consultation document and this could be expanded upon to further explain the impacts of revaluation on the commercial differential.

Rating valuations

What is the approx. cost of doing a valuation?

To be answered later.

Cr Condie

1. Can we get a table to set out the additional costs of ARL, rent freeze, translating welcome pack into 9 new languages and how those will affect the run down of City Housing cash reserves.

   ARL $800,000

   Rent Freeze $1.6m

   Total $2.4m

   Translation $50k-100k (estimate, and absorbed into current budget)

   The $2.4m of additional costs will reduce the reserves by the same amount by the end of FY22/23.

2. SCEC recommended to AP/LTP that we remit rates for City Housing. Is this included? How much does it cost and how is it going to be funded?

   Officers will be providing advice to this Annual Plan / LTP committee post consultation regarding resolutions 9 & 10 from the Pūroro Rangaranga | Social, Cultural and Economic Committee.

3. Can we get additional information about why officers recommend debt funding the green building grants.

   As there is a lack of certainty around the timing of drawing down on the fund and there is a risk of over rating ratepayers in any particular year, due to uncertainty of the potential level of grants that could be paid out. In order to provide a reliable source of funding, it is recommended that in this instance, this fund is debt funded.

4. Can we confirm whether covid support will be debt funded or rates funded?

   The current year costs will be debt funded and next year's costs are budgeted and included in the general rate.

5. Regarding Cr Matthews library fines amendment, can we confirm how we will treat and fund the elimination of all currently outstanding library fines?

   If adopted this would result in current fines being written off and budgeted income will then be funded from general rates.

6. and if we debt fund the green building grants, what will be the opex impact over 10 years?

The table below shows the forecasted grossed rates revenue increase over the 10 year period.

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Forecasted Rates increase	8.83%	9.96%	7.22%	7.44%	3.97%	3.36%	3.57%	3.48%	1.07%
Rates increase Debt Funding		9.96%	7.52%	7.73%	4.24%	3.62%	3.80%	3.69%	1.28%
Rates increase Rates Funding		10.42%	7.86%	8.44%	4.89%	4.08%	3.74%	-	-

Cr Fitzsimons/Day amendment on Chamber of Commerce

If our governing body wish to withdraw our membership from the Chamber of Commerce, then they are entitled to do so. The Council needs to satisfy itself that there are tangible benefits derived from belonging (and paying to belong) to the Chamber of Commerce

Question from Cr Rush on jurisdiction of the Committee

Cr Rush questions that the motion before the Committee refers to the annual budget and not participating in advocacy groups, does Standing Order 21.10(a) apply?

Any ruling under standing orders is for the chair of the committee to make and should be referred to Cr Matthews. The chairperson's ruling can be challenged and requires a vote of 75% to overturn. The Officers view is that as this budget implications under the Annual Plan, it does fall within the terms of reference for the Pūroro Maherehere | Annual Plan/Long-term Plan Committee.

Questions from Cr Calvert

Question: What is the cost of membership (& therefore savings) to the Chamber?

Answer: $14,500 plus gst, $16,675 Total (30 June 2022 is the end of this invoice)

Question: Have you factored in increased fees paid by staff & elected members to Chamber resources once we are non-members?

Answer: We are unaware what resources the Chamber provides to elected members. WellingtonNZ is also a member and therefore, it is possible through this membership that the Council could still access resources. It is also possible that we could access information that they provide, through other sources.

Question: What impact will this have on our CCOs including WgtnNZ. Are you suggesting the same to them?

Answer: It would be up to CCOs to decide including WellingtonNZ.

Question: What are the overall pros and cons to holding membership?

Answer: This is a political judgement call

Question: What other the membership organisations does the Council contribute to either through corporate membership and via grants.

Answer: There are a number of organisations that the Council subscribes to, and some of them are essential for the technical roles that we have to stay registered.

Question: What is the driver(s) for this amendment at this time?

Answer: Refer to Cr Fitzsimons and Day

Question: Why single the Chamber out at this stage without an effective review of all memberships?

Answer: Refer to Cr Fitzsimons and Day. The amendment also asks the Council to review its membership of other advocacy groups