Questions and Answers
Pūroro Tahua | Finance and Performance Committee
18 November 2021

2.1 Dissolution of Wellington Regional Strategy Committee

How has the below resolution been actioned?

> *Resolution from Council meeting 24 February 2021, paper Wellington Regional Leadership Committee - A New Joint Committee*
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> *11. Note that the governance arrangements for WellingtonNZ will need to be changed in response to the disestablishment of the Wellington Regional Strategy Committee and that new arrangements will be discussed with affected parties before being confirmed through an appropriate process for a jointly owned CCO*

If the answer to the above question is no, what are we intending to do to rectify this? What is the policy/process Council has on involving CCOs in making these decisions, so there is a "no surprises" culture.?

This report has been withdrawn from the meeting by Barbara McKerrow, in consultation with the meeting Chair, Councillor Calvert. No further information required at this stage.

2.2 Statements of Expectation to Council-controlled Organisations

Why no reference to Living Wage in the paper for WellingtonNZ and Cable Car museum? Assuming they are both expected to continue paying Living Wage in line with our accreditation?

All CCOs are expected to pay the Living Wage as a minimum. The Cable Car passenger service (not the Cable Car Museum) & WellingtonNZ are not specifically referenced in the Statements Of Expectation, in terms of funding, because we have not provided material additional funding support for the impact of Living Wage in the past. Notwithstanding, all CCOs are expected to support the Council's Living Wage policy.

We have clarified the ongoing funding expectation in terms of Council's Living Wage policy with three CCOs (Zoo, Zealandia & Experience Wellington) because these CCOs have previously received additional funding for Living Wage impacts and going forward Council expects these impacts to be absorbed in the overall operation of the business.

Which of our CCOs (Council-controlled Organisations) have reliance on the cruise ship return to Wellington?

Cruise ship passengers are frequent passengers on the Cable Car, they are visitors to the i-SITE and also visit some of our other experiences and attractions. Zealandia has noticed a significant fall in visitation and revenue due to the absence of cruise ship passengers to Wellington.

What percentage of economic impact do the cruise ship businesses have on "local" Wellington/NZ businesses?

In aggregate the impact is small. Pre-COVID-19 income estimates for the whole Wellington Region in 2019 were estimated to be:

1. Cruise ship: $59m (StatsNZ)
2. All visitors: $3bn (MBIE)

However some merchants used to rely heavily on cruise ship income.

Do we have any research on the environmental impact and trade-offs of the cruise ship business for Wellington and globally?

Not for Wellington. Cruise ship emissions (mainly particulates and sulphur emissions) have been a concern in some pristine environments (notably Alaska) due to the historic use of high sulphur fuel, and the heavy traffic and environmental conditions. As a result specific emissions controls have been enacted: https://dec.alaska.gov/air/air-monitoring/cruise-ship-monitoring/

The International Maritime Organisation (IMO) have enacted rules to reduce the use of high sulphur fuels which took into effect in 2019: https://www.cnbc.com/2019/07/15/oil-imo-2020-marks-the-biggest-change-in-oil-market-history.html

What is the current strategy for the return of cruise ships to Wellington? Will it be at the same amount? Will it be reduced?

Visits:

2018-19: 109 ships visited: see https://newzealandcruiseassociation.com/cruise-ship-schedule-2018-19/

2022: 146 ships projected. See https://www.cleancruising.com.au/search?destinations=14&departure-date=JAN+2022+-+DEC+2022&visiting-port=2104&search-layout=panels&search-sort-order=Date

How does this align with Te Atakura/zero-carbon plan?

Maritime fuel use is included in the city's emissions inventory, and represents roughly 5% of 2020 gross emissions. There are no specific initiatives targeted at this emissions source, which is made up of fuel used by ships visiting CentrePort, and includes cruise ships. For context, roughly 13,000 ships dock at our Port each year.

Are these emissions part of the Wellington/ Regional AECOM GHG report?

Maritime fuel use is included in the City's emissions inventory, and represents roughly 5% of 2020 gross emissions. This emissions source is made up of fuel used by ships visiting CentrePort, and includes cruise ships. For context, roughly 3,500 large vessels docked at our Port each year pre-Covid.

Emissions from maritime fuel are calculated using the induced method, where 50% of emissions calculated of arrivals and departures are allocated to Wellington Port (CPL). The remaining 50% of each leg is allocated to the originating or destination port. Wellington City Council and Hutt City Council share equally the emissions generated by the East by West ferries. International shipping passing through Wellington Port (CPL) was split by weight of cargo into 'Logs' and 'All other cargo'. Emissions generated by 'All other cargo' has been allocated on a per capita basis between all districts in the Wellington Region. Emissions generated by 'logs' (over 50% of total international shipping emissions) was split between districts, proportionally, by the percentage share of district forest area of harvestable age (>26 years old).

Do we/will we pay ETS on these emissions? What would that be expected to be?

We are an ETS participant for our emissions from the Southern Landfill as we own that asset. We do not have ETS liabilities for any other emissions produced in Wellington City.

Do the ships we let in pay ETS or have a carbon zero and environmental commitments to meet Te Atakura strategy?

The fuel sold to ships docked at our Port is included in the ETS, and the cost of that is included in the price of the fuel. The cruise ships who frequent Wellington have a variety of levels of commitment to reducing their environmental impacts. Note that cruise ships are normally the best performing vessels of the international fleet, both as cruise ships tend to be newer, and due to requirements of many ports for low air pollution levels. The international maritime organisation has set a target of reducing carbon from the fleet by 40% by 2030. There is also a new rating system for ships being introduced around energy efficiency. The most likely way that ships will reduce emissions will be alternative fuels, which could be biofuels. The interislander replacement ships will have battery power for when they are berthed, and generate 40% lower carbon emissions than their current vessels.

What is the process for working with CCOs on the Letters of Expectation? Do we have a pre-discussion about what WCC is likely to include?

Council's significant strategies and policies are communicated through targeted meetings CCOs are often involved in the development of some important strategies and are generally well aware of Council's policies and expectations. Bespoke expectations of individual CCOs are well communicated (meetings, email & other communications) prior to being written into Statements of Expectations.

What opportunities are there for Council and CCOs to support each other on strategies - so that we are not redoing the work for each individual organisation, but tailoring it to suit each organisation? for example working on Te Atakura / First to Zero strategies.

We believe there will be many opportunities. The SOEs invite CCOs to engage with Council and provide their thoughts or intentions about how they can support or respond to relevant strategies via their draft Statement of Intent.

Paragraph 39 - what actions and roles will WCC play to support Experience Wellington Trust in a breakeven financial position?

In terms of the current year, Council has $2m in its CCO Covid Response Support fund to assist CCOs. In its 2021/22 Statement of Intent, Experience Wellington indicated that it plans to rely on $917k support from this fund in the current year.

How will WCC show financial support to WellingtonNZ to undertake the review of venues for local arts and events through the Aho-Tini strategy?

WellingtonNZ core funding will support this.

Is a non-breakeven financial model for Wellington Venues on the table to enable it to provide affordable venues to arts, community, and events?

This is one option. It would require discussion and decisions through Council's planning and budgeting processes.

How are WCC and WellingtonNZ working together on sustainable procurement strategies to understand the Carbon Impact of each sector we are attracting - ie cruise ships? Is there reporting available for this, or will there be in the future?

We have started conversations on impact of different sectors, not in any detail yet. We would anticipate that the Economic Wellbeing Strategy will also have this in mind, in terms of what sectors of the economy we want to support more, in order to become a zero carbon capital.

Has WCC discussed with WgtnNZ on the attracting visitors to Wellington model, with a view to having a long-term strategy of diversification in other sectors so there is not as much reliance on the attract people to Wellington model?

Yes, WellingtonNZ is developing a Wellington Destination Management Plan 2021 – 2031 for Wellington city. This MBIE-aligned project provides direction for how Wellington is developed and managed as a visitor-friendly destination. Alongside this plan, a Wellington Regional Plan is also being created, which will incorporate the priorities and desired outcomes from similar plans created by Porirua, the Hutt Valley, Kāpiti and the Wairarapa.

There is an opportunity to look for quality tourism, rather than volume. WNZ is working on a promotion strategy that focuses on businesses that have positive environmental outcomes (eco-tourism). Both Wellington City and Regional Destination Management Plans consider the need for better public transport for visitors – at the moment it is oriented to commuters.

2.6 Health and Safety Report

What is the timeline for reviewing the remuneration framework?

The majority of this work was already done prior to the pandemic but put aside due to the financial constrictions. We can review the work previously done during 2022, ideally this will be done in the first six months ready for 1 July 2022 financial year.

2.7 Performance Report Quarter One 2021/22

Building consents – not meeting timeliness because of capacity issues, what is the strategy to fix it and timeline?

Building consent delays are the result of a shortage in structural engineering expertise. This has been worsened by CCC dropping consenting work to deal with the impacts of the July floods. Additional expertise is being sort, recruitment is being planned for an internal resource and short-term contracts to clear backlog have been struck.

City Parking occupancy - how will we monitor over November/December? Is there an update on this for the last 2 months? How is this impacting Council income?

Occupancy Update / On-going Monitoring

In the first half of the year (January to June) the metered car park **peak** occupancy (highest occupancy point of a given day) was approximately 66 percent across both weekdays and weekends. The approximate **average** car park occupancy (across the entire day) was 55 percent.

Separating out weekdays from weekend (January to June) – on weekdays the **peak** occupancy was around 67 percent and **average** was 55 percent. In the weekends the **peak** occupancy was 62 percent and **average** occupancy averaged 49 percent.

From July onwards, there was a fee increase which saw a small drop in both peak and average occupancy as to be expected each time we apply a fee increase. In July, the peak occupancy was 63 percent and average occupancy was 53 percent across both weekday and weekends.

Both the peak and average occupancy dropped in August because of the Level 4 lockdown which commenced on 17 August. For the month of August, the **peak** occupancy was 48 percent and **average** occupancy was 41 percent across both weekday and weekends.

In the month of September following the move to Alert level 3 and subsequently Alert level 2 both the peak and average occupancy improved. In September the **peak** occupancy was 50 percent and **average** occupancy was 44 percent across both weekday and weekends.

In October while remaining at Alert level 2, the **peak** occupancy was 55 percent and **average** occupancy was 50 percent across both weekday and weekends.

Weekend occupancy in the period July to October is as follows:

Month	Peak Occupancy	Average Occupancy
July	55%	44%
August	40%	33%
September	42%	34%
October	50%	42%
Nov (To date)	53%	46%

Overall parking occupancy is beginning to return to pre-lockdown levels, but it is not expected to significantly return to pre-lockdown levels until at least February 2022, given that anecdotally a significant number of people are still working from home at least a few days a week and the holiday period is fast approaching.

We will continue to monitor occupancy levels for the remainder of the second quarterly reporting period and provide a further update as part of quarter 2 reporting.

How is this impacting Council income?

Parking Revenues have and continue to be impacted by COVID-19 and reflects the overall downturn in the number of people parking on metered car parks. It is unlikely that full year revenue budgets will be achieved given the ongoing impact of operating in an Alert level 2 operating environment.

At the end of the first quarter Revenue was $3.2m behind budget at the end of September, which reflects a reduction in overall metering and enforcement revenue.

2.8 Te Upoko o Te Ika a Māui Commitment

How does this fit with our existing procurement policy, including giving priority to Living Wage employers?

This aligns with the Objectives set out in the existing procurement policy, in particular:

- Sustainability and Corporate Social Responsibility.
- Supplier Collaboration and Economic Development.

In addition, the policy contains principles for Council which includes Economic Development.

This commitment is not in conflict with Council's focus on living wage considerations and will not change our core principle of providing fair opportunity for local suppliers of goods, services and works, through robust and appropriate procurement processes. This is also reflected in the Procurement Strategy which was approved by the Strategy and Policy Committee in February 2021:

Social equity *– the Council shall encourage procurement decisions that actively seek benefits to the community in terms of social wellbeing, social cohesion, diversity and inclusion, equal opportunities and participation. Wherever practicable, Council remains committed to encouraging selection and contracting of suppliers that pay their people at least the Living Wage, to the Living Wage being a requirement in our contracts for regular and ongoing core services provided to Council and to maintaining our Living Wage Aotearoa New Zealand accreditation status.*

2.9 Recommended Response to Construction Market Pressures

There is currently $45M worth of capex that is proposed to be rescheduled outside the three-year window of the current LTP. What options do we have to bring more of this back within the first three years?

This depends on how well the market responds to the recommendations that Officers are proposing. If we can secure resources (both labour and materials) using these proactive recommendations, we may be able to make further changes to the budgets through the annual planning process.

How much of the capex that is proposed for rescheduling (if any) have projects with completed design/planning and are ready for tender this financial year?

Projects that have completed design and planning will be tendered and will not be proposed for rescheduling.

What options do we have to reschedule different capex projects than those staff have identified? For example, if councillors did not want to reschedule cycleways (2094) or housing upgrades (2059 and 2060) as much as currently proposed, are there different projects that could be delayed instead?

To be answered at the meeting.

How does last week's decision on The Parade Upgrade (2094) change the proposed rescheduling of that line item?

There is no effect to The Parade upgrade. The proposed rescheduling of The Parade still leaves $1m in this financial year to do the safety improvements and Traffic Resolutions and $1.5m in next financial year for the town centre upgrade.

Which playground renewals projects (2051) and community centres/halls (2061) will be affected by the proposed rescheduling?

To be answered at the meeting.

How are library materials upgrades (2054) affected by the construction market or supply chain issues? Could these funds be invested in different types of library materials in the short term?

To be answered at the meeting.

What is the north Lambton Quay upgrade project (2070)? Why is it being rescheduled outside of the first three years?

North Lambton Quay project relates to work to be done on Stout Street. It is being rescheduled as it is impacted through the Golden Mile LGWM programme and is dependent on LGWM decisions that are yet to be made.

Why are the pocket parks 44 Frederick St (2070) being rescheduled when they aren't set to start construction until year 4 of the LTP?

To be answered at the meeting.

How does the proposed rescheduling of the Town Hall (2076) affect its likely opening date?

Our current forecasts for project completion in mid-2024 and for a potential overspend of up to 8.7% with both the completion and cost forecast very dependent on delivery of the project and where cost escalation lands over the next three years.

The construction Programme is being affected by the latest covid lockdowns and flow on impacts through the supply chain, consultants and labour markets. Cost escalation as outlined in the report is looking both steeper and longer and these impacts together with the programme risks will inevitably flow through into the project. Steps are being taken to ensure the impacts are mitigated to the extent they can be.

Will the rescheduling the of parking meter renewals (2108) affect our ability to deliver on the Parking Policy, in particular a move to demand-based pricing?

The implementation of the parking policy is occurring over several years. Currently we are beginning a procurement programme of work that once completed will allow the introduction of initiatives such as demand-based pricing to be implemented during 22/23 so moving the spend to 22/23 will not majorly impact delivery. The exact date for the introduction of initiatives such as demand-based pricing cannot be confirmed until the procurement process has been completed.

Why have commercial property renewals (2120) been rescheduled out to year 7 of the LTP?

This is in relation to commercial property renewals and the $1.5m make good provision for all our leased corporate spaces (which ends Sept 2026). This includes Kai Upoko and Tahiwi. Deferred from 21/22.

Will the rescheduling of quarry renewals and upgrades (2133) affect our supply or cost of materials for transport projects?

The quarry is currently not producing aggregate as the northern resource has reached end of life. The rescheduling of the quarry budgets will allow us time to begin the northern face rehabilitation and investigate the southern resource. This will not increase the costs of materials for transport projects as we are already importing materials into the quarry. It is likely that this will secure resources for transport project because aggregate can be sourced through rehabilitating the northern resource.

Are officers able to provide an Excel version of the Proposed Rescheduled Capital Programme attachment, which includes a subtotal and percentage change for each Activity Grouping category?

This has been circulated separately.