
ORDINARY MEETING

OF

**PŪRORO MAHEREHERE | ANNUAL PLAN/LONG-TERM PLAN
COMMITTEE**

MINUTES

Time: 9:30am
Date: Wednesday, 1 June 2022
Venue: Ngake (16.09)
Level 16, Tahiwī
113 The Terrace
Wellington

PRESENT

Mayor Foster (Deputy Chair)
Deputy Mayor Free
Councillor Calvert
Councillor Condie (via audiovisual link)
Councillor Day
Councillor Fitzsimons
Councillor Foon
Councillor Matthews (Chair)
Councillor O'Neill
Councillor Pannett
Councillor Paul
Councillor Woolf (via audiovisual link)
Councillor Young

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1. Meeting Conduct

1.1 Karakia

The Chairperson declared the meeting open at 9:30am and invited members to stand and read the following karakia to open the meeting.

Whakataka te hau ki te uru,	Cease oh winds of the west
Whakataka te hau ki te tonga.	and of the south
Kia mākinakina ki uta,	Let the bracing breezes flow,
Kia mātaratara ki tai.	over the land and the sea.
E hī ake ana te atākura.	Let the red-tipped dawn come
He tio, he huka, he hauhū.	with a sharpened edge, a touch of frost,
Tihei Mauri Ora!	a promise of a glorious day

1.2 Apologies

Moved Councillor Matthews, seconded Deputy Mayor Free, the following motion

Resolved

That the Pūroro Maherehere | Annual Plan/Long-Term Plan Committee:

1. Accept the apologies received from Councillor Woolf and Liz Kelly for absence.

Carried

1.3 Conflict of Interest Declarations

Deputy Mayor Free declared a conflict of interest with clauses 12-20 of item 2.2 2022/23 Annual Plan and LTP amendment deliberation, and agreed not to participate in debate of vote on these clauses.

1.4 Confirmation of Minutes

Moved Councillor Matthews, seconded Councillor Day, the following motion

Resolved

That the Pūroro Maherehere | Annual Plan/Long-Term Plan Committee:

1. Approves the minutes of the Pūroro Maherehere | Annual Plan/Long-Term Plan Committee Meeting held on 25 May 2022, having been circulated, that they be taken as read and confirmed as an accurate record of that meeting.

Carried

1.5 Items not on the Agenda

There were no items not on the agenda.

1.6 Public Participation

1.6.1 Mike Mellor

Mike Mellor addressed the meeting regarding item 2.2 2022/23 Annual Plan and LTP amendment deliberation.

2. General Business

2.1 Town Hall Development Update

Moved Mayor Foster, seconded Councillor Pannett, the following motion

Resolved

That Pūroro Maherehere | Annual Plan/Long-Term Plan Committee:

- 1) Receive the information
- 2) Note that the forecast practical completion date for the Town Hall project is now September 2024.
- 3) Note that the forecast cost to complete the Town Hall project has increased to \$182.4m.
- 4) Note that the forecast cost is our best estimate at this time and project completion remains subject to a range of risks.
- 5) Note that a contingency of \$24.3m was agreed at Council on 27 February 2019 which was held outside the project budget, \$12.3m of this was added to the project budget in the current financial year, the balance of \$12m now needs to be added to the project budget for future years.
- 6) Note that the current funding included in the Annual Plan for this centrally held contingency balance is \$10.3m (Activity 2117 – Unscheduled Infrastructure Renewals).
- 7) Recommend to Council to increase the capex budget for the Town Hall project to \$182.4m through the following detailed budget adjustments:
 - a. Move existing contingency balance of \$10.3m (Activity 2117) in 2022/23 to the Town Hall Project (Activity 2076) in 2023/24,
 - b. Increase the above by \$1.7m to represent the full balance of the agreed contingency in the budget,
 - c. Increase the Town Hall project budget by the addition project budget requirement of \$37.1m, \$24m in 2023/24 and \$13.1m in 2024/25.

Carried

The meeting adjourned at 10:10am and reconvened at 10:40am with the following members present: Councillor Calvert, Councillor Condie, Councillor Day, Councillor Fitzsimons, Councillor Foon, Mayor Foster, Deputy Mayor Free, Councillor Matthews, Councillor O'Neill, Councillor Pannett, Councillor Paul and Councillor Young.

2.2 2022/23 Annual Plan and LTP amendment deliberation

Moved Councillor Matthews, seconded Mayor Foster, the following motion

That Pūroro Maherehere | Annual Plan/Long-Term Plan Committee:

1. **Receive** the information;

LTP amendments recommendation – the future of City Housing:

2. **Note** a full community feedback report on the City Housing options presented through consultation as summarised in Attachment One;
3. **Agree** the LTP amendment preferred City Housing option- Leasehold Community Housing Provider with broad responsibilities to be the basis of the LTP amendment for adoption on 30 June;
4. **Note** that, that, subject to adoption of the LTP amendment by the Council on 30 June 2022, the transition plan for the CHP's establishment would likely proceed in three stages, with more detail to be provided by Officers in August 2022:
 - Stage 1: Council led – July 2022 to February 2023;
 - Stage 2: Joint Council and Community Housing Partnership led – February to July 2023; and
 - Stage 3: Transition to new BAU arrangements – July 2023 onwards
5. **Agree** that, as a first step to implementing the LTP amendment Pūroro Rangaranga | Social Cultural and Economic Committee will make decisions on the following details in August 2022:
 - CHP's purpose and operational scope
 - Support for existing tenants who transfer to the CHP
 - Details of the Trust Board
 - Relevant registrations the CHP must maintain (e.g. registering as a charity)
 - Relevant provisions for assets if the Trust is wound up
 - How major maintenance responsibility is transferred to the CHP over time
 - Key details of the lease agreement (e.g. lease term, lease payment to council)
 - CHP transition and establishment plan.
6. **Note** advice on support for existing tenants will include options on funding, given this is not included in the LTP amendment costs.
7. **Note** the government has provided initial funding for 380 income-related rent subsidised (IRRS) places over two years, to support the establishment of a CHP and a commitment to continue to work with the Council on longer-term funding arrangements.
8. **Agree** that Officers prepare the City Housing LTP amendment document (including associated activity statements, budgets, financial statements, funding impact statements, policies, and plans) for external audit and a 30 June adoption; and
9. **Note** that the proposed City Housing amendment document will be audited by the Council's external auditors - Audit New Zealand.

LTP amendments recommendation – the future of Southern Landfill:

10. **Note** a full community feedback report on the Southern Landfill options presented through consultation as summarised in Attachment One;
11. **Agree** the LTP amendment preferred option on the future of Southern Landfill - new landfill on top of existing landfill (piggyback option).
- 11A. **Agree that it is this Council's intention that the piggyback landfill extension will be the final landfill extension.**
- 11B. **Note that the landfill extension Piggyback Option will work in parallel with an increased commitment to waste minimisation given effect by a Zero Waste programme that includes the sludge minimisation project, and the renewed Wellington Region Waste Management and Minimisation Plan, to be in place by 2023.**
- 11C. **Note that to support the Council desire for the Piggyback Option to be the final extension to the Southern Landfill, waste minimisation initiatives will be prioritised so that landfill use is the final option, prolonging the useful life of the landfill extension as much as possible.**
- 11D. **Note plans to investigate and determine suitable alternatives for any residual waste will be undertaken well in advance of the landfill reaching capacity. This will include working in collaboration with other councils to review regional landfill capacity as per the current WMMP and, if necessary, to identify alternative landfill sites.**
- 11E. **Note that council officers will continue to work with community representatives on the design of the landfill extension Piggyback Option prior to the resource consent application.**

2022/23 Annual Plan Recommendations – Road encroachment licence/lease:

12. **Note** community feedback on the draft Annual Plan as summarised in Attachment One;
13. **Note** the road encroachment licence/lease fee consultation analysis and alternative option is in Attachment Three;
14. **Agree** that the road encroachment fees will be increased by one-third in 2022 to \$17.77/m²;
15. **Agree** that the consideration of further fee increases (in addition to CPI) will be subject to the completion of the work specified in recommendations 17-20 below.
16. **Agree** that quarterly payment arrangement is made available to road encroachment licence/lease fee payers;
17. **Note** that officers will investigate options to recognise different values represented by different encroachments **as well as looking at the policy purpose behind encroachments and how that might link in better with other Council strategic priorities.**
18. **Note** that officers will investigate whether the licence/lease terms and conditions should be reviewed to better support encroachments licence/lease holders;
19. **Note** that officers will undertake further work to streamline the road stopping and sale process to support more sale of unformed road if appropriate;
20. **Note** that officers will investigate a different valuation process for encroachment fees based on adjacent rateable land values and also consider whether the additional

benefits from road encroachments are captured in the existing rating values;

2022/23 Annual Plan Recommendations - Environmental and Accessibility Performance Fund

21. **Agree** the Environmental and Accessibility Performance Fund parameters, funding cap and criteria set out in Attachment Four;
22. **Note** that as agreed on 8 March 2022, this fund replaces the existing Green Building Remission in the Development Contributions policy (apart from existing Remission applications that have been approved at 30 June 2022); and
23. **Agree not to recommend** funding for Circa Theatre as requested in their submission (outlined in paragraphs 56 to 59), but that Officers will continue to work with Circa Theatre on the proposal and, depending on the outcome of that work, bring forward a future Council funding bid through the development of the 2023/24 Annual Plan.
24. ~~**Agree not to recommend** funding for Enviroschools as requested in their submission (outlined in paragraphs 65 to 69) as the Grants Sub-Committee on 24 May agreed an increase to \$70k per annum for three years.~~ **Agree to fund the Toimata Foundation Enviroschools programme an additional \$90k annually for three years to be funded through waste disposal levy money. This is in addition to the \$70kpa funding recommended by the 24 May 2022 Kāwai Māhirahira | Grants Subcommittee through multi-year contract funding through the Natural Environment Fund and the Social and Recreation Fund.**
25. **Agree to fund** Capital BMX ~~\$30~~**50**k of funding for track resurfacing, **development** and maintenance in 2022/23 and ~~\$15~~**25**k of funding in 2023/24 and 2024/25 for ongoing **development and** maintenance of the facility ~~(outlined in paragraphs 60 to 64).~~

2022/23 Financial and budget recommendations

26. **Note** the impact of infrastructure asset revaluations on three waters depreciation expenses and the potential impact on 2022/23 operating expenses and rates
27. **Agree** to rates fund the three waters depreciation expense based on the quantum of the three waters renewals capital programme in 2022/23 and 2023/24 in order to ensure three waters renewals remain fully funded while mitigating the impact of depreciation expense on 2022/23 rates;
28. **Note** that the changed approach to funding for depreciation would result in operating expenditure exceeding operating revenue budget in 2022/23 and 2023/24;
29. **Note** that under this approach, Council will have balanced budget in 2028/29 and considers this approach is financially prudent for the reasons outlined in the report in paragraphs 83 to 91;
30. **Note** the financial risk associated with a changed approach to three waters depreciation funding, should three waters reform not progress as currently indicated and that this risk would need to be addressed through the 2024 Long-Term Plan;
31. **Agree** to increase WWL OPEX budget for the relevant activities by a total of \$9.64m over the next two years - \$4.64m for the 2022/23 and \$5.01m for the 2023/24 as recommended by Pūroro Āmua | Planning and Environment. The additional OPEX was required to address a shortfall in forecast reactive maintenance costs relative to WWL's LTP budget for reactive maintenance;
32. **Agree** to rescind the resolution of the 12 May 2022 Pūroro Āmua | Planning and Environment Committee that officers pursue an application to fund relevant operational

costs relating to three waters out of the Government's Three Waters Reform support package ("Better off Funding") available to Wellington City Council;

33. **Agree** to rates fund the additional three waters operating costs, noting that rates funding these costs will reduce the level of financial risk the Council is exposed to and, with other budget changes, is now affordable within an overall average 8.0 percent rates increase;
34. **Agree** a further \$5.64m of capital funding to be budgeted towards the new skate park at Kilbirnie Park, for year 2023/24 and 2024/25 as recommended by the Social, Cultural and Economic Committee;
35. **Agree** to the inclusion of a budget of \$1.5m in 2022/23 to remove, upgrade, or develop the building and grounds of the former NWBC site for community use as agreed by the Social, Cultural and Economic Committee;
36. **Agree** changes to Waste fees:
 - User charges for rubbish bags are increased an additional 5.6c per bag due to rising production and distribution costs, and
 - the price for disposal of contaminated soil is proposed to increase by \$30 per tonne (\$34.50 incl. GST) due a new class of waste levy that comes into effect on in the 2022/23 financial year.
37. **Agree** that the 2022/23 budget for adoption on 30 June is prepared based on an updated commercial differential calculated so that commercial and residential ratepayers continue to pay the same proportional share of rates as was set in the 2021-31 Long-Term Plan;
38. **Direct** officers to complete a comprehensive review of the 'Rating Policy', and the 'Revenue and Financing Policy' in time for the 2024-34 Long-term Plan;
39. **Agree** the remainder draft 2022/23 Annual Plan operating and capital budget (including rate increase) outlined in Attachment Six, ~~and Seven~~ **and Eight**;
40. **Note** that the recommendations of this report result in a proposed rates increase of 8.0 percent in 2022/23, and that any changes to the officer recommendations may have a resulting impact on the projected rates increase which will be confirmed in the finalisation of the budget for adoption on 30 June;
41. **Note** the draft 2022/23 Annual Plan document (Attachment Five) for Councillor review and feedback (excluding Financial Sections of the report which will be prepared to reflect any changes agreed at this meeting of the Committee)

Next steps recommendations

42. **Agree** that Officers prepare the 2022/23 Annual Plan (including associated activity statements, budgets, financial statements, funding impact statements and plans) to reflect any changes agreed at this meeting of the Committee;
43. **Delegate** to the Chief Executive Officer the authority to work with Audit NZ and make editorial changes that may arise as part of preparing the City Housing LTP amendment for Council adoption on 30 June 2022.

Secretarial note: The motion was moved with amendments, as marked in red. Clauses 11A-E were discussed as Clauses 44 – 48 throughout the meeting.

Attachments

1 Introduction Slides

The meeting adjourned at 11:29am and reconvened at 10:32am with the following members present: Councillor Calvert, Councillor Condie, Councillor Day, Councillor Fitzsimons, Mayor Foster, Deputy Mayor Free, Councillor Matthews, Councillor O'Neill, Councillor Pannett, Councillor Paul and Councillor Young.

(Councillor Foon returned to the meeting at 11:34am.)

(Councillor O'Neill left the meeting at 12:20pm.)

The meeting adjourned at 12:28pm and reconvened at 1:02pm with the following members present: Councillor Calvert, Councillor Condie, Councillor Day, Councillor Fitzsimons, Councillor Foon, Mayor Foster, Deputy Mayor Free, Councillor Matthews, Councillor O'Neill, Councillor Pannett, Councillor Paul and Councillor Young.

Moved Councillor Calvert, seconded Councillor Young, the following amendment

Resolved

23A. Agree that officers continue to work with Circa Theatre on their proposal, including actively supporting their application for lotteries grant funding.

~~23B. Agree to set aside \$250K (approximately 0.07% rates impact) funding for Circa Theatre in the 2022/23 year for the budget bid to be considered following further work and discussions between officers and Circa Theatre on the proposal. A report back on progress and a final decision on the funding bid to the committee should be no later than the end of the calendar year.~~

~~32. Agree to rescind **maintain** the resolution of the 12 May 2022 Pūroro Āmua | Planning and Environment Committee that officers pursue an application to fund relevant operational costs relating to three waters out of the Government's Three Waters Reform support package ("Better off Funding") available to Wellington City Council;~~

~~37A. Agree to allocate the remaining balance of unallocated funded operational revenue (approximately \$4.6 million) to fund the additional amounts required for Circa Theatre (\$250k) and BMX (\$75K) and use the balance to reduce the increase planned from the commercial rate multiplier.~~

Carried

Secretarial note: The motion was decided part by part. Clause 23A was carried, clauses 32 and 37 were lost. Voting on clause 23B was tied, the chairperson applied her casting vote **against** the clause.

Moved Councillor Condie, seconded Councillor O'Neill, the following amendment

Resolved

23C. Agree to set aside \$50K funding in the 2022/23 year for the development of a business case/feasibility study to support Circa Theatre, following further work and discussions between Officers and Circa Theatre on the proposal. A report will come to committee to consider the lease, landowner approvals and partnership funding in 2022/23 with an update on progress to Councillors this calendar year.

Carried

(Councillor Woolf joined the meeting at 1:46pm and left the meeting at 1:49pm.)
(Councillor Paul left the meeting at 1:56pm and returned to the meeting at 1:58pm.)

Moved Councillor Matthews, seconded Mayor Foster, the following substantive motion:

That Pūroro Maherehere | Annual Plan/Long-Term Plan Committee:

1. **Receive** the information;

LTP amendments recommendation – the future of City Housing:

2. **Note** a full community feedback report on the City Housing options presented through consultation as summarised in Attachment One;

3. **Agree** the LTP amendment preferred City Housing option- Leasehold Community Housing Provider with broad responsibilities to be the basis of the LTP amendment for adoption on 30 June;

4. **Note** that, that, subject to adoption of the LTP amendment by the Council on 30 June 2022, the transition plan for the CHP's establishment would likely proceed in three stages, with more detail to be provided by Officers in August 2022:

- Stage 1: Council led – July 2022 to February 2023;
- Stage 2: Joint Council and Community Housing Partnership led – February to July 2023; and
- Stage 3: Transition to new BAU arrangements – July 2023 onwards

5. **Agree** that, as a first step to implementing the LTP amendment Pūroro Rangaranga | Social Cultural and Economic Committee will make decisions on the following details in August 2022:

- CHP's purpose and operational scope
- Support for existing tenants who transfer to the CHP
- Details of the Trust Board
- Relevant registrations the CHP must maintain (e.g. registering as a charity)
- Relevant provisions for assets if the Trust is wound up
- How major maintenance responsibility is transferred to the CHP over time

- Key details of the lease agreement (e.g. lease term, lease payment to council)
 - CHP transition and establishment plan.
6. **Note** advice on support for existing tenants will include options on funding, given this is not included in the LTP amendment costs.
 7. **Note** the government has provided initial funding for 380 income-related rent subsidised (IRRS) places over two years, to support the establishment of a CHP and a commitment to continue to work with the Council on longer-term funding arrangements.
 8. **Agree** that Officers prepare the City Housing LTP amendment document (including associated activity statements, budgets, financial statements, funding impact statements, policies, and plans) for external audit and a 30 June adoption; and
 9. **Note** that the proposed City Housing amendment document will be audited by the Council's external auditors - Audit New Zealand.

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- 11B. **Note that the landfill extension Piggyback Option will work in parallel with an increased commitment to waste minimisation given effect by a Zero Waste programme that includes the sludge minimisation project, and the renewed Wellington Region Waste Management and Minimisation Plan, to be in place by 2023.**
- 11C. **Note that to support the Council desire for the Piggyback Option to be the final extension to the Southern Landfill, waste minimisation initiatives will be prioritised so that landfill use is the final option, prolonging the useful life of the landfill extension as much as possible.**
- 11D. **Note plans to investigate and determine suitable alternatives for any residual waste will be undertaken well in advance of the landfill reaching capacity. This will include working in collaboration with other councils to review regional landfill capacity as per the current WMMP and, if necessary, to identify alternative landfill sites.**
- 11E. **Note that council officers will continue to work with community representatives on the design of the landfill extension Piggyback Option prior to the resource consent application.**

2022/23 Annual Plan Recommendations – Road encroachment licence/lease:

12. **Note** community feedback on the draft Annual Plan as summarised in Attachment One;
13. **Note** the road encroachment licence/lease fee consultation analysis and alternative option is in Attachment Three;
14. **Agree** that the road encroachment fees will be increased by one-third in 2022 to \$17.77/m²;
15. **Agree** that the consideration of further fee increases (in addition to CPI) will be subject

to the completion of the work specified in recommendations 17-20 below.

16. **Agree** that quarterly payment arrangement is made available to road encroachment licence/lease fee payers;
17. **Note** that officers will investigate options to recognise different values represented by different encroachments **as well as looking at the policy purpose behind encroachments and how that might link in better with other Council strategic priorities.**
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20. **Note** that officers will investigate a different valuation process for encroachment fees based on adjacent rateable land values and also consider whether the additional benefits from road encroachments are captured in the existing rating values;

2022/23 Annual Plan Recommendations - Environmental and Accessibility Performance Fund

21. **Agree** the Environmental and Accessibility Performance Fund parameters, funding cap and criteria set out in Attachment Four;
22. **Note** that as agreed on 8 March 2022, this fund replaces the existing Green Building Remission in the Development Contributions policy (apart from existing Remission applications that have been approved at 30 June 2022); and
- ~~23. **Agree not to recommend** funding for Circa Theatre as requested in their submission (outlined in paragraphs 56 to 59), but that Officers will continue to work with Circa Theatre on the proposal and, depending on the outcome of that work, bring forward a future Council funding bid through the development of the 2023/24 Annual Plan.~~
- 23A. **Agree** that officers continue to work with Circa Theatre on their proposal, including actively supporting their application for lotteries grant funding.
- 23C. **Agree** to set aside \$50K funding in the 2022/23 year for the development of a business case/feasibility study to support Circa Theatre, following further work and discussions between Officers and Circa Theatre on the proposal. A report will come to committee to consider the lease, landowner approvals and partnership funding in 2022/23 with an update on progress to Councillors this calendar year.
24. ~~**Agree not to recommend** funding for Enviroschools as requested in their submission (outlined in paragraphs 65 to 69) as the Grants Sub-Committee on 24 May agreed an increase to \$70k per annum for three years.~~ **Agree to fund the Toimata Foundation Enviroschools programme an additional \$90k annually for three years to be funded through waste disposal levy money. This is in addition to the \$70kpa funding recommended by the 24 May 2022 Kāwai Māhirahira | Grants Subcommittee through multi-year contract funding through the Natural Environment Fund and the Social and Recreation Fund.**
25. **Agree to fund** Capital BMX ~~\$30~~**50k** of funding for track resurfacing, **development** and maintenance in 2022/23 and ~~\$45~~**25k** of funding in 2023/24 and 2024/25 for ongoing **development and** maintenance of the facility ~~(outlined in paragraphs 60 to 64).~~

2022/23 Financial and budget recommendations

26. **Note** the impact of infrastructure asset revaluations on three waters depreciation

- expenses and the potential impact on 2022/23 operating expenses and rates
27. **Agree** to rates fund the three waters depreciation expense based on the quantum of the three waters renewals capital programme in 2022/23 and 2023/24 in order to ensure three waters renewals remain fully funded while mitigating the impact of depreciation expense on 2022/23 rates;
 28. **Note** that the changed approach to funding for depreciation would result in operating expenditure exceeding operating revenue budget in 2022/23 and 2023/24;
 29. **Note** that under this approach, Council will have balanced budget in 2028/29 and considers this approach is financially prudent for the reasons outlined in the report in paragraphs 83 to 91;
 30. **Note** the financial risk associated with a changed approach to three waters depreciation funding, should three waters reform not progress as currently indicated and that this risk would need to be addressed through the 2024 Long-Term Plan;
 31. **Agree** to increase WWL OPEX budget for the relevant activities by a total of \$9.64m over the next two years - \$4.64m for the 2022/23 and \$5.01m for the 2023/24 as recommended by Pūroro Āmua | Planning and Environment. The additional OPEX was required to address a shortfall in forecast reactive maintenance costs relative to WWL's LTP budget for reactive maintenance;
 32. **Agree** to rescind the resolution of the 12 May 2022 Pūroro Āmua | Planning and Environment Committee that officers pursue an application to fund relevant operational costs relating to three waters out of the Government's Three Waters Reform support package ("Better off Funding") available to Wellington City Council;
 33. **Agree** to rates fund the additional three waters operating costs, noting that rates funding these costs will reduce the level of financial risk the Council is exposed to and, with other budget changes, is now affordable within an overall average 8.0 percent rates increase;
 34. **Agree** a further \$5.64m of capital funding to be budgeted towards the new skate park at Kilbirnie Park, for year 2023/24 and 2024/25 as recommended by the Social, Cultural and Economic Committee;
 35. **Agree** to the inclusion of a budget of \$1.5m in 2022/23 to remove, upgrade, or develop the building and grounds of the former NWBC site for community use as agreed by the Social, Cultural and Economic Committee;
 36. **Agree** changes to Waste fees:
 - User charges for rubbish bags are increased an additional 5.6c per bag due to rising production and distribution costs, and
 - the price for disposal of contaminated soil is proposed to increase by \$30 per tonne (\$34.50 incl. GST) due a new class of waste levy that comes into effect on in the 2022/23 financial year.
 37. **Agree** that the 2022/23 budget for adoption on 30 June is prepared based on an updated commercial differential calculated so that commercial and residential ratepayers continue to pay the same proportional share of rates as was set in the 2021-31 Long-Term Plan;
 38. **Direct** officers to complete a comprehensive review of the 'Rating Policy', and the 'Revenue and Financing Policy' in time for the 2024-34 Long-term Plan;

39. **Agree** the remainder draft 2022/23 Annual Plan operating and capital budget (including rate increase) outlined in Attachment Six, ~~and Seven~~ **and Eight**;
40. **Note** that the recommendations of this report result in a proposed rates increase of 8.0 percent in 2022/23, and that any changes to the officer recommendations may have a resulting impact on the projected rates increase which will be confirmed in the finalisation of the budget for adoption on 30 June;
41. **Note** the draft 2022/23 Annual Plan document (Attachment Five) for Councillor review and feedback (excluding Financial Sections of the report which will be prepared to reflect any changes agreed at this meeting of the Committee)

Next steps recommendations

42. **Agree** that Officers prepare the 2022/23 Annual Plan (including associated activity statements, budgets, financial statements, funding impact statements and plans) to reflect any changes agreed at this meeting of the Committee;
43. **Delegate** to the Chief Executive Officer the authority to work with Audit NZ and make editorial changes that may arise as part of preparing the City Housing LTP amendment for Council adoption on 30 June 2022.

Secretarial note: The motion was decided part by part and all clauses were carried. Deputy Mayor Free had declared a conflict of interest in relation to clauses 12-20 and did not debate or vote on those clauses. Per standing order 27.5, Councillor Calvert wished to have her dissenting vote against Clause 24 recorded.

2.3 Forward Programme

Moved Councillor Matthews, seconded Mayor Foster, the following motion

Resolved

That Pūroro Maherehere | Annual Plan/Long-Term Plan Committee:

1. Receive the information.

Carried

2.4 Actions Tracking

Moved Councillor Matthews, seconded Mayor Foster, the following motion

Resolved

That the Pūroro Maherehere | Annual Plan/Long-Term Plan Committee:

1. Receive the information.

Carried

The meeting concluded at 2:22pm with the reading of the following karakia:

Unuhia, unuhia, unuhia ki te uru tapu nui	Draw on, draw on
Kia wātea, kia māmā, te ngākau, te tinana, te wairua	Draw on the supreme sacredness To clear, to free the heart, the body and the spirit of mankind
I te ara takatū	
Koia rā e Rongo, whakairia ake ki runga	Oh Rongo, above (symbol of peace)
Kia wātea, kia wātea	Let this all be done in unity
Āe rā, kua wātea!	

Authenticated: _____
Chair

ORDINARY MEETING

OF

**PŪRORO MAHEREHERE | ANNUAL PLAN/LONG-TERM PLAN
COMMITTEE**

MINUTE ITEM ATTACHMENTS

Time: 9:30am
Date: Wednesday, 1 June 2022
Venue: Ngake (16.09)
Level 16, Tahiwī
113 The Terrace
Wellington

Business

Page No.

2.2 2022/23 Annual Plan and LTP amendment deliberation

1. Introduction Slides

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2022/23 Annual Plan and LTP Amendment

1 June 2022

Absolutely Positively
Wellington City Council
Me Heke Ki Pōneke

Consultation

Consultation ran from 14 April -15 May

Included:

- Webinars for city housing and waste issues
- Social media campaign
- Digital, newspaper, radio and poster advertising
- Tenant Drop-in Sessions across city locations

28% of submitters were city housing tenants

Significant numbers of encroachment holders provided feedback as a result of direct letter on proposed fee changes.

840
submissions
71
oral
hearings

City Housing and residual waste

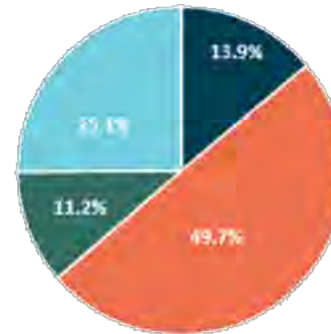
216 comments were made on city housing by submitters.

185 comments were made on the Southern Landfill by submitters.

Council proposals for both City Housing and Landfill attracted the largest levels of support of the options presented

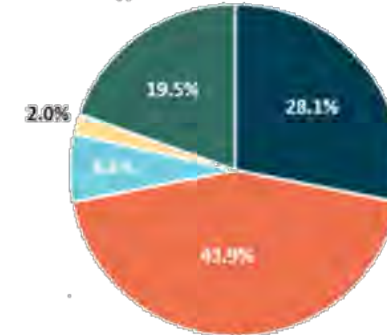
Recommendation is to proceed with the preferred options for both City Housing and residual waste as proposed.

Question 1: Would you prefer the Council to retain City Housing through increasing rates and borrowing or by establishing a Community Housing Provider?

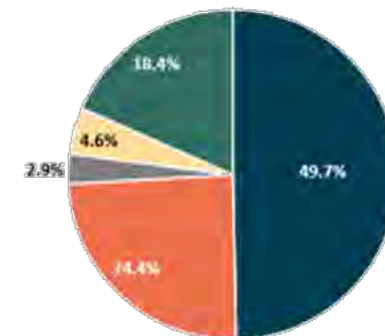


- Retain Council's City Housing through increasing rates and borrowing
- Establish a Community Housing Provider
- None of these options
- Don't know

Question 2: If the Council did establish a Community Housing Provider, which option do you support?



- Option A: Retaining CHP with local responsibilities
- Option B: Local CHP with local responsibilities
- Option C: Local CHP with non-local responsibilities
- None of these



- New landfill on top of the existing landfill (piggyback option)
- Waste to energy incineration
- No residual waste facility in Wellington City
- None of these options
- Don't know

Encroachments

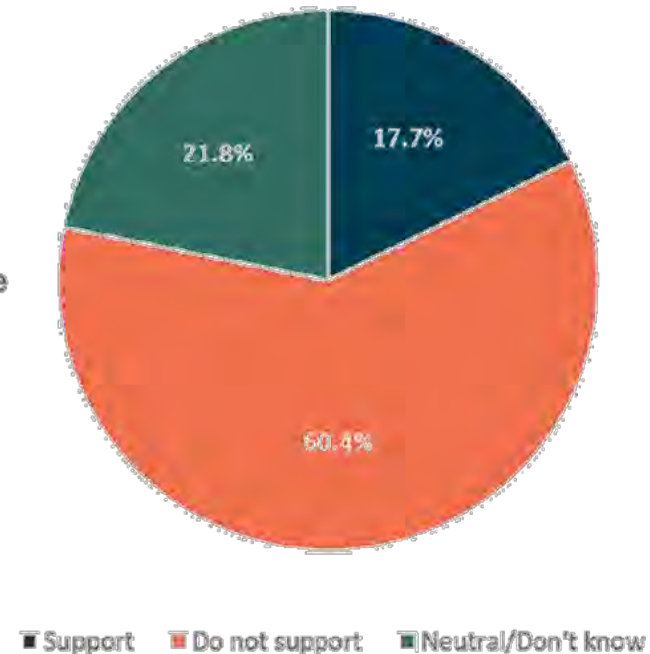
Over 700 responses were provided on whether Council should increase encroachment fees to better reflect their value.

60.3% did not support the increase

Revised recommendation based on community feedback:

- road encroachment fees will be increased by one-third in 2022 to \$17.77/m²;
- Agree that the consideration of further fee increases will be subject to the completion of further work
 - quarterly payment arrangements;
 - options to recognise different values represented by different encroachments;
 - whether terms and conditions should be reviewed to better support encroachments licence/lease holders;
 - streamline the road stopping and sale process to support more sale of unformed road if appropriate;
 - different valuation process for encroachment fees based on adjacent rateable land values and also consider whether the additional benefits from road encroachments are captured in the existing rating values.

Question: Increasing encroachment licence fees to better reflect their value



Annual Plan budget changes

- Revised budget for next year includes an 8.0% rates increase (8.5% before growth). Lower than the 8.9% taken to consultation
- Changes are a result of late changes to:
 - Asset valuations (affecting depreciation, insurance, borrowings and interest)
 - Interest rate changes
 - recognition of additional cost pressures on delivery of Council services;
 - Committee recommendations: Wellington Water, destination skate park;
 - additional capital programme changes based on updated project timings; and some additional investment requirements.
- Property revaluations will impact how this average rates increase will impact individual ratepayers

Three waters revaluations

- Final draft reports received from Valuer (WSP) indicating an uplift in the value of our water assets of 80%.
- This is an unusual and unexpected increase that was not forecasted in the draft budget. Differs to other assets i.e. Transport
- Impact of increased value of assets equates to an additional increase in depreciation expense of \$34m (9% increase in rates).
- Officers recommend a changed approach to three waters depreciation funding – to **Rates fund depreciation to the value of the 3 waters capital renewals programme**
- This will ensure that *the renewal programme is fully funded* but mitigate the depreciation impact on 2022/23 rates.

Option	Impacts	Policy Issues	Recommended
3. Rates fund depreciation to the value of the 3 waters capital renewals programme	Depreciation Expense \$88m Rates funded depreciation \$27m Increase in rates uplift 9% (other cost pressures absorbed)	- Operating expenditure is greater than operating revenue - Logical/transparent link between rates funding and capital programme	Yes

Three waters revaluations

Financial prudence:

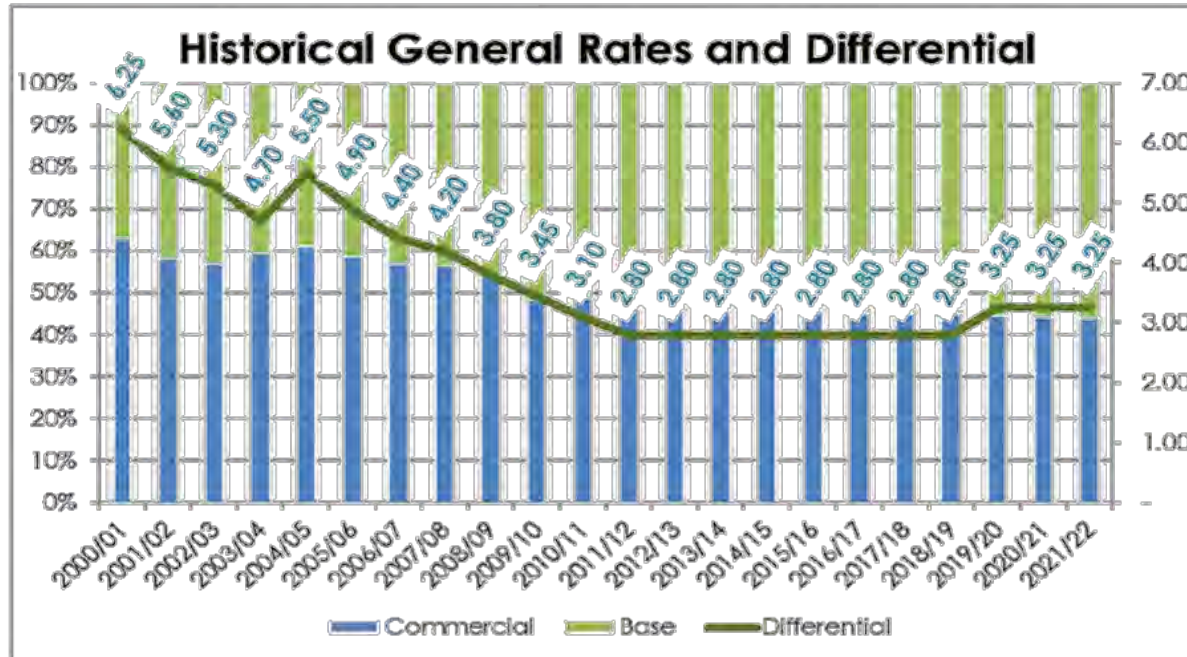
- While imbalanced in 2022/23, the budget is **forecast to have operating revenue matched to operating expenditure by 2028/29** after taking a graduated approach to return to fully funding the increase in depreciation arising from this revaluation of assets.
- the Council's **balance sheet capacity** is able to fund required renewals without fully funding depreciation for two years.
- the alternative of a material increase in rates to fully fund three waters depreciation would give rise to **high legal risk**
- three waters reform would mean that the replacement of three-water assets will **in the future be funded by a third party** rather than Council.
- the 'no worse off funding' funding available through reform should address any long-term impacts of the unbalanced budget on Council debt, making the **impacts on Council finances temporary**.

Rates changes from consultation

Table shows the potential rates impact of late cost pressures as well as the impact of the proposed approach to managing three waters depreciation cost pressure

2022/23 Rates Increase Consultation (before Growth)		9.5%
Depreciation uplift - Water Assets	8.6%	
Depreciation uplift - Other Infrastructure Assets	0.3%	
Insurance	1.4%	
Interest	0.8%	
Costs related to Revaluation of Assets	11.0%	20.5%
Bulk Water costs	0.6%	
Encroachment fees reduction in fee increase	0.3%	
Electricity costs	0.4%	
WWL budget uplift	1.2%	
Other inflationary pressures	1.0%	
Other Cost Pressures	3.4%	23.9%
Change of approach to Waters Assets depreciation (reducing depreciation expense)	-15.3%	
Funding Adjustments	-15.3%	8.5%
2022/23 Rates Increase (before Growth)		8.5%

Rates Differential



- The general rate is split between the base differential rate, which applies to residential ratepayers and the commercial, industrial and business differential rate
- Historically the council has applied a modifier to alter the rates differential (the rates split between residential and commercial rates) that decides the share of general rates paid by residents and by businesses

Rates Differential continued

- Wide variety of factors considered when setting the differential (see Council's R&F policy):
 - The benefits each sector derives
 - The ability of ratepayers within each sector to pay
 - The historic relationship between various groups of ratepayers and the existing level of the differential
 - Ensuring any change to the differential does not impact unreasonably on any particular group of ratepayers
 - The impact on social, cultural, economic and environmental well-being of the community
- Any substantial fluctuation in CV's (such as due to a revaluation) means the differential needs to be reviewed to ensure sector affordability and proportionality of rates increases with benefits derived

Next steps

- Over June officers will prepare the final 2023/24 Annual Plan and budget based on decisions of Committee.
- Officers will also prepare the full Long-term Plan amendment documentation related to the decision on City Housing. This includes updated 10 year financial forecasts, strategy and policy documentation.
- Adoption of the Annual Plan is due on 30 June 2022.
- The final LTP amendment documentation will be audited by Audit NZ. The recommended changes to three waters depreciation funding will add complexity to our long-term financial forecasts. While we are working closely with our auditors on the changes, the added complexity adds some risk to the adoption timeline.