

Greater Wellington Draft Long Term Plan 2012-2022



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Part 1 – Overview

Introduction

This draft Long Term Plan outlines the services we propose to provide over the next 10 years to everyone who lives in the region.

If you live in Wellington, Lower Hutt, Upper Hutt, Porirua, Kapiti Coast, Masterton, Carterton or the South Wairarapa, Greater Wellington Regional Council provides you with a range of services. We manage and fund public transport services, build and maintain flood protection along our major rivers, provide drinking water for most people in the region, provide regional parks, and manage the region's natural resources – water, coasts, air, soil and biodiversity. We also lead regional planning for transport, economic development, emergency management and climate change.

What's in this draft plan?

This draft Long Term Plan proposes a range of activities and services to meet the needs of the region. Much of our business reflects our statutory responsibilities and the existing services we provide. This includes:

- Regional leadership for economic development, transport, and civil defence and emergency management.
- Public transport
- Water supply
- Flood protection
- Managing our environment
- Regional parks.

We have a number of established plans to guide our major infrastructure programmes. There has been extensive consultation on each of these programmes in recent years and strong community support for continued investment. These previous commitments drive a significant proportion of our proposed spending over the next 10 years.

These commitments include plans to continue our programme of flood protection works along our major rivers. Over the next three years these will include:

- Constructing Boulcott Hutt stopbank, Lower Hutt

- Stabilising Maoribank Riverbed, Upper Hutt
- Carrying out Lower Waitohu improvement works, Otaki
- Carrying out Jim Cooke Park stopbank improvements, Waikanae
- Implementing Waiohine Floodplain Management Plan outcomes, Wairarapa
- Completing Waiwhetu Stream environmental enhancements, Lower Hutt.

There is also a significant programme of public transport renewals and upgrades, some of which form part of the rail packages agreed with Government over the last few years. Over the next three years this will include:

- Commissioning the new Matangi trains onto the rail network
- Refurbishing the Ganz Mavag trains
- Modifying the SE trains for use on the Wairarapa line
- Continuing to upgrade rail stations and park and ride facilities

The draft Long Term Plan also proposes a number of new projects to improve services and facilities to meet increasing demand or new requirements. One such project is developing a new system of electronic integrated ticketing for all public transport services. This will be a significant step to moving the region's public transport network to the high standard expected by the community.

Improved services are also proposed for our regional parks, land management activities and pest control areas. We also need to earthquake strengthen our buildings or investigate options for co-locating with other local authorities.

We are seeking feedback on these proposed activities, in particular the new service improvements and on any additional services you think we should provide.

We are also consulting the community on the renewed commitment to undertake the Wellington Regional Strategy in collaboration with all other local authorities in the region (see Part 6 of this Plan).

Financial Strategy

A new requirement this time around is the inclusion of a financial strategy, which sets out the limits within which we propose to operate and how we will manage our finances. The strategy includes a proposed limit for rates increases and the proposed debt level for Greater Wellington over the next 10 years.

The rates proposed for each year of the Long Term Plan have been broken down into the sub-categories of: existing services, infrastructure programme commitments and proposed service improvements to help identify what is driving our costs. We would also like to hear your view on the level of the rates outlined and whether you think these are appropriate.

Feedback

There are a number of ways you can give us feedback. You can:

- **Write a submission.** Using our submission form on our website or in our Long Term Plan Summary or by writing to the Council. Our address is; Greater Wellington Regional Council, Long Term Plan, PO Box 11646, Manners Street, Wellington 6142.
- **Talk to our councillors.** You can come along and talk with regional councillors at one of the open days. Details of these are on our website.
- **Visit our website** at www.gw.govt.nz/haveyoursay to view a copy of the Long Term Plan Summary, contribute to discussion forums or send an online submission.

While in preparing this plan we have endeavoured to ensure the forecast information is as accurate as possible base on the information we currently have, the actual results achieved are likely to vary and some of the variations may be large. Please note that this plan has been prepared for the specific purpose of s93(6) of the Local Government Act 2002. The information contained in this plan may not be appropriate for any other purpose.

Chair's message

This Plan outlines the proposed activities of the Greater Wellington Regional Council for the next 10 years. While putting it together over the past several months, we have been acutely aware of the economic environment. The global financial crisis is still with us and here in New Zealand we have the added impact of the Canterbury earthquakes – with significant increases in insurance costs and a heightened awareness of the need to future proof our own regional infrastructure.

These are real challenges for our region, as we are already struggling with the huge cost of upgrading the rail infrastructure. In fact, as this Plan goes to print, we are farewelling from service the English Electric carriages that have been a major part of our rail fleet for over 60 years. The replacement Matangi fleet is still not completely rolled out, but the cost of financing these new trains through borrowing is now cutting in. Our policy of inter-generational funding means that we will spread the debt repayments over a number of years to ensure fairness.

Water is the other area where infrastructure upgrades have significant cost. We need to enhance the stop banks that prevent rivers from flooding urban areas, especially in the Hutt Valley, and our enhance water supply infrastructure to capture the water that a growing region will need in future.

In the light of all these necessary additional costs, we are conscious of the need to keep a tight rein on the budget for our existing activities. Thus in this ten-year Plan we have committed to maintaining an average increase in the cost of existing services to within the rate of inflation. This means that the proposed increase in rates income for existing services next year (2012-13) is 1.3%. However, there will also be further increases – an additional 2.5% of rates income for the rail and flood protection upgrade commitments and 1.7% for proposed new service improvements. This makes a total projected increase of 5.7% that we are seeking for our rates income in 2012/13. .

To give you some idea of what this means for you, the table below shows the increases that would be required on an average value residential property in each of the local council areas within the region.

District/City	Average residential property value	Annual rates increase	Weekly rates increase	Average Weekly rates
Carterton district	\$215,000	(\$1)	(\$0.02)	\$2.63

Kapiti Coast district	\$363,000	\$19	\$0.36	\$5.81
Lower Hutt city	\$367,000	\$34	\$0.66	\$8.30
Masterton district	\$235,000	\$11	\$0.22	\$2.39
Porirua city	\$379,000	\$9	\$0.18	\$7.99
South Wairarapa district	\$269,000	\$8	\$0.15	\$3.29
Upper Hutt city	\$331,000	\$17	\$0.33	\$7.27
Wellington city	\$509,000	\$17	\$0.33	\$7.09

Obviously there are variations between districts. This is because some areas have targeted rates for activities such as flood protection schemes and public transport.

The question we ask in this consultation is: Do you support the proposed delivery of our activities and the increase in expenditure in some areas of our business where we have to pay for upgrading our infrastructure or for new service the public have previously requested?

Specifically, I draw your attention to the proposed new service improvements that will require an additional 1.7% in rates income next year. These include a range of improvements in land management, pest control and regional parks, and, in particular the development of an integrated electronic ticketing system for the whole of the region's public transport network. We believe that this will provide the level of service that our community has said it wants, providing seamless transfers between modes and routes.

Another new area is the earthquake strengthening of our own buildings. In this respect, we are in the same situation as many other property owners, needing to ensure a safe work environment, even in the absence of certainty around the timing of future seismic events. Conscious that we share the same ratepayers as the city and district councils of our region (and that most of them also need to strengthen their buildings), we have approached those in whose districts we also have premises to see if we can explore co-location.

This brings me to the last issue I want to highlight. It would be impossible to look at any local government long term plan without contemplating the possibility of some change of structure in the future. In our region nothing formal has been proposed but the public debate is widening. The new Minister has publicly indicated that he believes councils should be examining how to be more effective and provide greater value for money. Engagement in this debate will not, in itself, incur notable costs for our council, but we will be engaged and if there is change it is likely to be significant for all councils in the region in the future.

So, this year as you look at our proposals and those of the other councils in the region, you need to think about the value you receive and let us know if we can do better.

In particular, we welcome your feedback on the detailed proposals in this plan, especially the proposed new service improvements that we have highlighted.

Guide to using this document

The following diagram illustrates the key contents of this draft Long Term Plan and where to find the information you are looking for.

Greater Wellington's role and purpose

Our role

Greater Wellington Regional Council (Greater Wellington) is responsible for a wide range of activities and makes a significant contribution to the overall wellbeing of the Wellington region.

We are guided by legislation including the Local Government Act 2002 which requires us to *promote the social, economic, environmental and cultural wellbeing* of the Wellington region and its people and to *facilitate democratic local decision making*. We are also required to fulfil the provisions of a wide range of other statutes and national policies.

In fulfilling our legal mandate, Greater Wellington operates in the following key areas:

- Provision and management of regional infrastructure and services - flood protection assets that protect urban populations and productive rural land; a secure supply of safe, high-quality water; as well as planning, procuring and funding public transport services
- Sustainable management of natural resources - land, air and water – assets on which our primary sector and export economy and our quality of life are based
- Strategic planning for the region - delivered through statutory instruments, such as the Regional Policy Statement, the Regional Land Transport Strategy and the Regional Pest Management Strategy and also non-statutory instruments such as the Wellington Regional Strategy – the region's sustainable economic growth strategy
- Management of natural hazards - floods, earthquakes, tsunamis and other emergencies.

Governance

Governance and decision making are the roles of the Council, which is made up of 13 elected Councillors, with one of the Councillors elected as Chair. It's the Council's job to set Greater Wellington's overall strategic direction and to approve budgets, policies and plans aimed at achieving that direction. We do this through a series of committees, including joint committees with regional partners.

Most of our business is conducted through three wellbeing committees (environmental, social and cultural, economic), a committee for audit, financial and risk matters and Te Upoko Taiao – a partnership with regional tangata whenua responsible for environmental regulation and overseeing the preparation of a new Natural Resource Plan.

Greater Wellington also works closely with local councils and key stakeholders on regional economic development and regional transport planning through the Regional Transport Committee (which we chair and service), the Wellington Regional Strategy Committee, and by hosting the Wellington Regional Strategy office.

Values and approach

The way we conduct our business is just as important as what we do. The following values and statements set out our overall approach and underpin the way Greater Wellington operates:

- ***Our overall aim is to promote Quality for Life.*** Greater Wellington promotes *Quality for Life* by ensuring the environment is protected while meeting the economic, cultural and social needs of the community.
- ***We take a strategic and long term view.*** Many of the issues we deal with are complex and span administrative boundaries and electoral timeframes. Taking a strategic and long-term view on planning and decision making ensures we put our efforts in the right place for current and future generations.
- ***Effective community engagement is an essential component of our work.*** Capturing the regional community's aspirations is not always easy, especially given the wide scope of Greater Wellington's responsibilities. We try to engage effectively at all levels by being innovative and adaptable in our approach.
- ***Shared issues require shared solutions.*** Issues such as freshwater management, land management, biodiversity, regional economic development and transport are shared issues that cannot be resolved by Greater Wellington in isolation. They require a collaborative approach with other key stakeholders, communities and agencies in local and central government.
- ***Working in partnership with tangata whenua.*** The physical environment has profound cultural and spiritual significance for iwi. Greater Wellington's approach is to build up capability and harness the Māori perspective on resource management through partnerships with tangata whenua of the Wellington region. We do this primarily through Te Upoko Taio (a joint partnership committee responsible for the development of a new, combined Natural Resource Plan for the Wellington region) and the Ara Tahi leadership forum.

The context of our work

The nature of the environment in which we operate has changed significantly over recent years. The following section provides the context in which this Long Term Plan has been prepared and summarises some of the key factors influencing the way we do business.

Economy and affordability

New Zealand's economy is confronting several global challenges, which continue to impact on our regional economy.

The impact of the global economic downturn is still being felt. The risks (particularly in the northern hemisphere) from global debt are expected to take years to overcome, with western economies facing a period of lower trend growth. Our proximity to Australia and some of the more robust Asian economies may offset this to some extent. However, all economies are feeling the effect of a slowdown in growth in the developed world.

Paying back debt continues to be an important challenge for New Zealand, of both the national balance sheet and for individual households. The same is true for local government – the past availability of cheap loans plus ever increasing expectations and demands on local government have led to a growing reliance on future generations to pay for new infrastructure and services. In response, we are now seeing pressure for local government to keep rates increases low and debt within manageable limits. Affordability continues to be a major consideration in all aspects of our business.

The Wellington region must consider its future in this context and set a path that ensures it is successful both nationally and internationally.

Successful city regions have a strong and locally distinctive identity that builds on the unique strengths and characteristics of each place and stimulates innovation, creativity and economic opportunities. They contain competitive centres and economic hubs that provide platforms for growth and centres of learning and innovation. They attract innovative knowledge workers, entrepreneurs and companies and appeal to talented people because they offer a high quality of life, housing choice, effective transport and infrastructure systems, high environmental quality, good connections to other places, have good leisure and cultural opportunities and a distinctive identity. Research, science and technology are also important to future prosperity, creating innovation and building opportunities for growth and improved wellbeing.

The Wellington region's competitive advantage is based around its compact urban core, supported by a wider regional employment base, productive rural areas, high quality natural areas and a high quality of life. Throughout the region there is a growing culture of innovation and job creation in new industry

sectors such as film, media and IT. Our people live in safe, attractive and diverse communities with access to the outdoors and a diverse and natural environment, as well as a thriving arts and entertainment sector. We share a strong community spirit and sense of pride.

Our rural areas are important. The focus on primary production and natural resources is closely connected to the integrity and globally competitive advantage of New Zealand's 'clean and green' brand. This focus has been a fundamental component of our economy in the past 20 years and is likely to be the case in the future, particularly given the New Zealand's location in relation to emerging Asian economies and the associated mega-trend of increasing demand for food.

Greater Wellington plays an important role in many of the foundational aspects of the regional economy, including:

- Freshwater management - adding value through traditional and new resource management policy and activity, and addressing allocation and quality
- Land management - adding value by assisting land owners to improve and retain the productive capacity of soils, particularly in erodible catchments
- Floodplain management - the security provided by Greater Wellington in floodplain management has significant economic spinoffs for communities and land owners
- Transport planning and public transport - Greater Wellington plays a major role in planning the complex transport network, and providing and promoting public transport to reduce severe congestion and increase resilience and reliability of the transport network
- Regional parks - Greater Wellington plays a major role in the provision of recreation infrastructure and management of regional parks and other public spaces
- Biosecurity - we invest and have significant expertise in safeguarding the productive and export earning capacity of the natural environment through pest control activities
- Biodiversity - Greater Wellington plays a major role in supporting indigenous biodiversity, a key foundation to a sustainable economy
- Water supply - Greater Wellington provides significant added value through the provision of regional water infrastructure and supply.

Resilience

Resilient communities are those that are capable of withstanding and bouncing back from adversity, be that changing climatic conditions, natural hazards, emergency situations or adverse economic conditions.

The recent earthquakes in Canterbury led to a renewed focus on ensuring our communities are more resilient to natural hazards. The heightened appreciation of this risk will have significant implications for our region, with the need to upgrade buildings to new earthquake standards and increased

costs for insurance. Building improved resilience into our key infrastructure is a key issue for Greater Wellington, particularly in terms of our water supply, which is an essential service, and flood protection, which protects our communities from significant risks.

The effects of climate change, and the response to it, present a major global challenge. For the region, we are likely to see increased rainfall (particularly in the west of the region) and storms may result in more floods, landslides and erosion, with potential for damage to regional infrastructure such as water supply and flood protection. Higher temperatures may result in more droughts, particularly in the east of the region (Wairarapa), which may affect the viability of certain crops and increase the demand for irrigation. In a region already renowned for its high wind levels, any increases in wind levels will impact on infrastructure, homes and other buildings.

Rising sea levels are a particularly important consideration for the region, both for rural productive land and urban areas located on low lying land close to the coast. Many of the region's major transport routes and lifeline utilities are at risk from coastal flooding. Salt water intrusion could also be an issue as a result and may impact on agricultural land, buildings and infrastructure in some of our coastal communities.

The price of some natural resources has been subject to considerable fluctuation, but the overall trend is increasingly upwards. Research suggests that world peak oil production has already been reached and that future production rates are likely to decline. This is likely to create difficulties for economies like ours, which are reliant on imported oil, as we have to absorb increased costs in the short term and in adapt to other solutions in the longer-term. Such long term changes could have profound implications for our urban form, our transport systems, and our economy.

Greater Wellington takes an important role in building the resilience of the region through:

- Emergency management - Greater Wellington is the administering authority for the Wellington region Civil Defence and Emergency Management Group and has joined the city and district councils in the region to form a joint civil defence and emergency management team
- Water supply - drinking water is an essential lifeline. Greater Wellington plans to upgrade water pipelines to improve their resilience to earthquakes and upgrade the Stuart Macaskill lakes to reduce seismic risk
- Flood protection - Greater Wellington plans to continue its current programme of constructing flood protection works as well as working to avoid development in high-risk areas to mitigate the risk of this major hazard to the region
- Land management - Greater Wellington works with landowners to prevent soil erosion on erosion-prone land in the Wairarapa

- Transport planning - we lead the planning of our regional transport network, the resilience of which will be critical in times of emergency to enable people and goods to be moved efficiently.

Transport

The desire to be better connected is a transforming global trend. Many cities around the world are developing new approaches to essential transport infrastructure, using a range of approaches. This investment is aimed at moving people and goods more efficiently and effectively and coping with growing populations without the high costs of road congestion.

In New Zealand the government are pursuing an ambitious programme of improvement to our strategic road networks through the Roads of National Significance programme. This is aimed at providing better access to key urban areas, economic centres, ports and airports. The Wellington Northern Corridor is identified as one of seven Roads of National Significance. Once completed, the corridor from Wellington to Levin, will support a growing population and increased freight volumes, improve access to regional facilities such as the port, CBD, airport and hospital, reduce congestion on state highways and local roads, and improve safety and journey times.

In our region we already have a strong and successful public transport network. There are more than 100 bus routes, four train lines, and two harbour ferry routes which provide excellent public transport services across the region. Public transport plays an important role in contributing to improved economic growth and productivity. Well patronised public transport services ease road congestion, reduce the need for more roading infrastructure, provide access to markets and employment, and make more efficient use of existing networks and infrastructure.

On the rail network, there has however been historical underinvestment in both the network and rolling stock which has resulted in reliability issues. Recently Greater Wellington, working jointly with the Government has invested heavily in double tracking and electrification to Waikanae, the purchase of a fleet of new Matangi trains, and rail network upgrades. Nevertheless continued investment is necessary to ensure these improvements are maintained, and to provide for growing passenger numbers and the demand for an increased level of service.

Greater Wellington takes an important role in planning and providing improved transport connections with our region through:

- Transport planning - we lead the planning of our regional transport network to ensure that investment is placed into the right areas to meet demand and achieve our regional outcomes
- Public transport infrastructure - Greater Wellington procures and funds rail services. We plan to continue to commission the new Matangi trains, to refurbish the Ganz Mavag trains, and to convert the SE trains for use on the Wairarapa line. Greater Wellington also owns bus infrastructure and procures bus services from private operators. We plan to implement the findings of the Wellington bus review and the national Public Transport Operating Model

- Public transport planning - Greater Wellington prepares a Regional Public Transport Plan and plans to continue to review Metlink services to ensure they meet customer needs and are as effective and efficient as possible. Fares and fare structures will also be reviewed and a major project is proposed to deliver electronic integrated ticketing across all public transport services
- Public transport information - Greater Wellington provides information on services through Metlink. We plan to complete the rollout of the real-time information system and continue to provide a call centre and timetable information.

Environment

New Zealanders are passionate about their environment and expect high levels of environmental quality and amenity.

Region councils play an important part in the governance and management of natural resources – the land, air and water assets on which our primary sector and export economy are based. In the past decade, dairying has increased significantly and land use intensification has moved from areas of plentiful water to areas where there are significant seasonal limits on water availability.

Freshwater, in particular, is acknowledged as one of the most significant natural assets that gives New Zealand a competitive advantage – but it is also under pressure. This has led to a renewed emphasis throughout New Zealand on how we plan and manage natural and physical resources as a result of these pressures and opportunities.

At a national level, the Government has initiated the *Fresh Start for Fresh Water* programme and established a Land and Water Forum to provide a national perspective on the issues and potential solutions for freshwater management. Greater Wellington and the regional sector are fully engaged in these discussions, resulting in a much greater collaborative understanding of the issues and potential solutions for freshwater management.

Regional councils are also in the process of developing their second generation plans under the Resource Management Act 1991. With the advent of the Resource Management Act, councils started placing huge emphasis on developing regional resource management plans and building science capability to inform these plans, along with increased planning and regulatory capacity. The inter-related responsibilities of regions (eg, land management, erosion control and flood management) enable the regional sector to take an integrated approach to decision making and policy on water issues. Greater Wellington is preparing a comprehensive Natural Resource Plan for public consultation in 2013/14.



Regional wellbeing

This section outlines our overall assessment of the wellbeing of the region, based on the newly developed Wellington Region Genuine Progress Index. The Local Government Act 2002 requires Greater Wellington to promote the economic, social, cultural and environmental wellbeing of the regional community in the present and for the future.

Wellington Region Genuine Progress Index (GPI)

The GPI is a holistic measurement tool that governments and communities can use to measure the wellbeing of the region or country. It counts beneficial activities as positive, harmful activities as negative, and provides a systematic way to integrate economic issues with environmental, social and cultural concerns.

The Wellington Region GPI is a new approach to measuring progress in the Wellington region, linked to the community outcomes of the Wellington Regional Strategy (WRS). The GPI framework measures progress towards outcomes that can play an important role in enhancing the wellbeing of the region's residents and environment. It uses indicators to identify trends over time and can demonstrate relationships among the different indicators.

Data for the vast majority of these indicators comes from existing official data sources or surveys, which have been conducted for many years. This provides us with the confidence that these indicators have been validated in various ways and measure what they are supposed to measure.

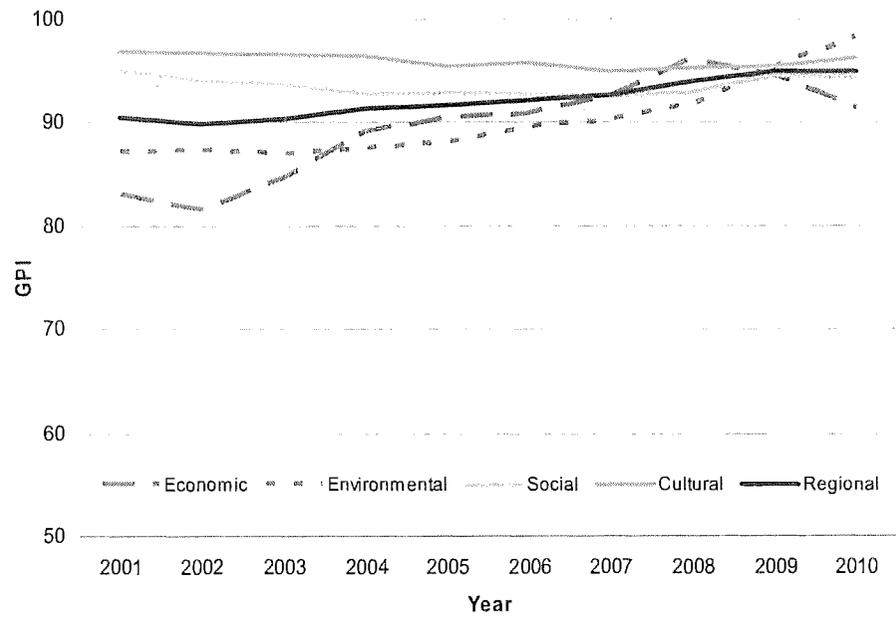


Figure 1. Overall regional wellbeing GPI compared with the four wellbeing GPIs, 2001-2010

This graph shows that, other than a slight decrease between 2001 and 2002, the regional GPI has increased over the period studied. The regional GPI was at its highest in 2010 and was 5% higher in 2010, compared to 2001. This result suggests that the overall state of wellbeing in the Wellington region is in a healthy and improving condition, though wellbeing in some areas needs further attention.

The improvement made to the state of the region’s overall wellbeing is due to progress in aspects of the region’s economic and environmental areas. The slight decline in social and cultural wellbeing from 2001 to 2007 restricted the progress of the region’s overall wellbeing, however, slight gains in these areas over the last few years are hopefully an indication that further progress will be made.

The regional economy, measured in terms of GDP per capita, has grown at a much faster rate than our overall wellbeing. This suggests that, over the last decade, some of the benefits of economic growth to society, measured in terms of GDP, have been offset by the decline seen in the region’s environmental, social and cultural wellbeing. However, the decrease in economic wellbeing which has occurred since 2008 is consistent with the general economic contraction associated with the global financial crisis.

Economic wellbeing

Over the 2001 to 2010 time period, the economic wellbeing GPI was found to be highest in 2008 and lowest in 2002. Overall, there was a 9.9% increase in the region's economic wellbeing GPI from 2001 to 2010.

This increase reflects the expansion of the Wellington economy which occurred from 2001 to 2008. The main contribution to this expansion came from growth in both employment and incomes, largely generated by growth in the public sector during this time. Income growth and the tight labour market over most of the period were responsible for buoyant consumer confidence, as reflected in a strong property market and high rates of construction growth.

The value of household and community work made the biggest contribution to the increases, with much smaller increases observed for purchasing power, value of building consents and percentage of the working age population with no qualifications. Other increases were seen in the percentage of GDP spent on research and development and the percentage of school leavers with NCEA level 2 or above. However, progress in these areas has slowed over the last few years.

From 2001 to 2010, the unemployment rate index showed the largest decrease, followed by the P80/P20 ratio of equivalised gross weekly household income. The decreases in other indicator trends which have occurred since 2008 are consistent with the general economic contraction associated with the fallout from the global financial crisis and, in particular, the reduction in income and employment growth in both the public and private sectors experienced since then.

Environmental wellbeing

Over the 2001 to 2010 time period, the environmental wellbeing GPI was found to be highest in 2010 and lowest in 2003. Overall, there was a 12.5% increase in the region's environmental wellbeing GPI from 2001 to 2010, showing that the environment in the Wellington region is in a relatively healthy state.

The environmental wellbeing GPI increased gradually between 2001 and 2008. Over this time there were some slight decreases in a couple of indicators, but overall increases were observed for the majority of indicators. The largest increases over this time were observed for fresh water suitability for recreation, QEII covenanted land and soil quality of dairy farm sites. Other gains were observed for residents' rating of air pollution as a city problem (ie, fewer residents thought it was a problem), fresh water suitability for recreation and volume diverted from landfills per capita.

The indicators within the Wellington region GPI framework indicate that good progress has been made towards some of the region's environmental goals, but there is still room for improvement. For example, further improvements to fresh water suitability for recreation and improvements to coastal/marine water for recreation, could potentially result in large gains in the environmental wellbeing GPI. The grading of freshwater and coastal/marine sites for recreational purposes is greatly affected by rainfall in the three days before sampling, and the majority of occasions when water quality in the region was unsuitable for recreational purposes were during and shortly after heavy rainfall.

Water quality also has a direct impact on the ecological health of our rivers and streams. In the region our "healthiest" rivers and streams are located in catchments dominated by indigenous forest cover and where human influences are minimal. Stream and river health can therefore be viewed as an indicator of wider catchment health.

Social wellbeing

There has been little change in the social wellbeing GPI over the period. From 2001 to 2010, the social wellbeing GPI was found to be highest in 2001 and lowest in 2007. Overall, the social wellbeing GPI gradually decreased from 2001 to 2004, remained relatively unchanged between 2004 and 2008, but shows signs of improvement with a slight increase observed over the last two years.

The social wellbeing indicators that showed the largest increase in their index values over the study period were the percentage of households with access to broadband, followed by the percentage of households with access to the internet, visitor guest nights and public transport boardings. However, indicators with the largest decrease in their indicator index values were water allocation compared to total water resource, followed by the number of households on Housing New Zealand waiting lists and peak AM/PM congestion rates.

Other strong decreases in indicator values were in the area of health, showing that the overall health of the region's population has experienced a decline since 2001. Without good health, people are less able to enjoy their lives, their options may be limited and their quality of life and happiness may be reduced. Also, without good health and the ability to access healthcare, people are less able to actively participate in and contribute to the economic, social and cultural life of the region.

Wellington region residents appear to be positive about their quality of life and appear to have high levels of individual happiness, satisfaction with work/life balance and sense of safety. While the majority of residents reported feeling safe, the rate of recorded offences for crimes against people increased between 2001 and 2010, whereas the rate for crimes against property decreased.

Cultural wellbeing

Over the 2001 to 2010 time period, the cultural wellbeing GPI was found to be highest in 2001 and lowest in 2007. Overall, the cultural wellbeing GPI gradually decreased from 2001 to 2005, but increased over the last year in 2010. However, these changes have resulted in little change overall in the cultural wellbeing GPI over the period.

The biggest contributor to the decline in the cultural wellbeing GPI is the decrease in average voter turnout. This was followed by the percentage of children enrolled in Māori language education and the percentage of the population who can have an everyday conversation in te reo Māori. Over this time there were increases in two indicators – the percentage of the population identifying with the Māori, Pacific and Asian ethnic groups, and the number of registered heritage places.

As well as increased ethnic diversity and an increased number of registered heritage places, there is an overall positive perception of cultural diversity and increased public understanding of Council decision making. However, the observed increases were not great enough to counteract the decreases observed across the other three indicators, resulting in a slight decrease in overall cultural wellbeing. While there has been little change in cultural wellbeing over the period, as a region our performance in cultural wellbeing is still relatively high. Overall, people living in the Wellington region have a high level of support available from family and friends during difficult times. This suggests that supporting and maintaining contact with family and friends are important to us.

Community outcomes

Greater Wellington's purpose, as defined by the Local Government Act 2002, is to promote the social, economic, environment and cultural wellbeing of the regional community in the present and for the future.

To measure our effectiveness in achieving this purpose the Act requires us to develop a set of community outcomes and indicators to measure progress towards these. Our community outcomes describe what Greater Wellington aims to achieve in the long term to improve the Wellington region's wellbeing. All the activities we undertake contribute in some way to achieving one or more of our community outcomes. How specific activities contribute towards community outcomes is described at the start of each of our activity chapters. However, we cannot achieve our community outcomes on our own. We work with other organisations such as local councils, government departments, business groups, tangata whenua and community groups to achieve them.

Our community outcomes were originally derived from a set of common outcomes that were developed in 2006 by drawing together outcomes from all of the councils in the Wellington region. These were consulted on as part of the development of the Wellington Regional Strategy, which is the sustainable economic growth strategy for the region.

In 2010 changes were made to the requirements regarding community outcomes in the Act. This now requires community outcomes to focus on the things that Greater Wellington has the capacity and influence to achieve. The community outcomes outlined below reflect these new requirements, but are derived from the outcomes previously agreed as part of the Wellington Regional Strategy.

We have also developed a set of community outcome indicators – things we will measure regularly to see if the region is progressing in the right direction.

Greater Wellington community outcomes

Strong economy

A thriving and diverse economy supported by high quality infrastructure that retains and grows businesses and employment.

Greater Wellington activities that contribute towards achieving this outcome: Regional leadership (pg x), Environment (pg x), Public transport (pg x), Water supply (pg x) and Flood protection and control works (pg x)

Connected community

People are able to move around the region efficiently and our communications networks are effective and accessible..

Greater Wellington activities that contribute towards achieving this outcome: Regional leadership (pg x), Public transport (pg x)

Resilient community

A community that plans for the future, adapts to change and is prepared for emergencies.

Greater Wellington activities that contribute towards achieving this outcome: Regional leadership (pg x), Water supply (pg x), and Flood protection and control works (pg x)

Healthy environment

An environment with clean air, fresh water, healthy soils and diverse ecosystems that supports community needs.

Greater Wellington activities that contribute towards achieving this outcome: Environment (pg x), Parks & forests (pg x), Public transport (pg x), Regional leadership (pg x), Water supply (pg x) and Flood protection and control works (pg x)

Quality of life

An engaged community that takes pride in our region, values our urban and rural landscapes, and enjoys our amenities and choice of lifestyles.

Greater Wellington activities that contribute towards achieving this outcome: Regional leadership (pg x), Water Supply (pg x), Parks & forests (pg x), Environment (pg x) and Flood protection and control works (pg x)

Community outcome indicators

Community outcome	Indicator	Baseline
Strong economy	Increase regional GDP per capita	GDP per capita of \$54,957 (2010)
	Decrease unemployment rate	Unemployment rate of 5.9% (2010)
	Increase percentage of GDP spent on research and development	1.6% of GDP spent on research and development (2010)
Connected community	Maintain or decrease peak AM/PM congestion	Peak AM/PM congestion rate of 28.2 seconds delay per kilometre travelled (2010)
	Increase public transport boardings per capita	Public transport boardings per capita of 76.4 (2010)
	Increase ease of making a journey across the region by public transport	56% of respondents rated getting around the region by public transport as somewhat easy, very easy or extremely easy (2010)
	Increase access to public transport	78.6% of people live within 400m of a public transport stop (2010)
	Increase household access to broadband	68.5% of households have broadband (2009)
Resilient community	Increase household preparedness for emergencies	72% of households survey have adequate supplies of emergency food and water (2010)
	Increase business preparedness for emergencies	56% of business surveyed have business continuity plans in place (2009)
Healthy environment	Maintain air quality	Concentrations of suspended particles (PM ₁₀) were at good/excellent levels on 82.2% of days (2010)

	Maintain or improve fresh water quality for recreation	36% of monitored fresh water recreation sites were given suitability for recreation grades of fair, good or very good over the summer bathing months (2010)
	Maintain or improve coastal/marine water quality for recreation	58% of monitored coastal/marine recreation sites were given suitability for recreation grades of good or very good over the summer bathing months (2010)
	Maintain ground water quality	Median nitrate concentrations were low (<3mg/L) in 80% of monitored bores (2010)
	Maintain or improve stream and river health	69% of monitored sites had a macroinvertebrate community index classification of good or excellent (2010)
	Maintain soil quality on dairy farms and dry stock sites	83% of dairy farms (2009) and 91% (2008) of drystock farms had no more than one soil quality indicator outside of the target range
	Increase in QEII covenanted areas	6,011ha of land is registered under QEII covenant (2010)
	Decrease water use per capita	Average daily water supply of 374.3 litres/person (2010)
	Maintain or decrease CO ₂ emissions from transport	Land transport fuel combustion produced 1,075 kilotonnes of CO ₂ emissions (2011)
Quality of life	Maintain or increase voter turnout in Council elections	Voter turnout of 43% in 2010 regional council election
	Maintain or increase perception that the public can influence council decision making	67.2% of respondents in the region thought the public had an influence on council decision making (2010)

	Maintain perception of quality of life	93% of residents rated their quality of life as good or extremely good (2010)
	Maintain sense of pride in the way their city looks and feels	71% of residents agreed or strongly agreed that they felt a sense of pride in the way their city looks and feels (2010)
	Maintain access to local parks and other green spaces	94.8% of residents thought it was easy or very easy to get to a local park or other green space (2010)

Part 2 – Financial strategy

Financial strategy

1. Our approach

This strategy explains how Greater Wellington is proposing to manage its finances over the next 10 years.

The goal of our financial strategy is to **ensure Greater Wellington delivers good value for ratepayers' money by delivering the right services at the best cost.**

Our approach to funding our activities is based on five principles:

- 1) Financial prudence (balancing the books)
- 2) Meeting our statutory requirements
- 3) Ensuring fairness across generations (intergenerational equity)
- 4) Fairness and transparency
- 5) Value for money.

Greater Wellington is currently in a strong financial position as evidenced by its AA credit rating (the same as Central Government). We have over \$886 million of infrastructure assets including flood stopbanks, bulk water supply, trains and stations, and station parking.

A financial strategy does not begin with a clean slate. We have a significant number of statutory requirements we must comply with, and we have committed to long term programmes to maintain and upgrade our essential regional infrastructure. Greater Wellington believes that we should continue to invest in our regional infrastructure programmes to improve the standard of our assets and to maintain them to an appropriate level. This will require continued investment over the next ten years.

This Long Term Plan proposes continued significant investment in our public transport and flood protection activities. Towards the end of this 10 year plan we may also have to invest in a new water storage facility to provide drinking water to our growing regional population. Some new service improvements are also proposed for public transport, parks, land management and pest control activities.

Most of this capital investment will be funded through borrowing, which is paid back over a number of years to ensure fairness. Greater Wellington's net debt is projected to increase from \$115 million in 2011/12 to \$194 million over the life of this Long Term Plan, but we will still be well within sustainable and prudent limits.

We are proposing to limit rate increases for existing services to the BERL Local Government Cost Index on average over the 10 years of the plan. Rates increases for new services, driven largely by regional infrastructure, will be limited to no more than 5.5% on average over the 10 years of the plan. These limits reflect the need to continue to invest in our essential regional infrastructure, and we are confident that we will be able to provide and maintain the levels of service that our community expects within these limits.

2. Proposed Rates

The global financial crisis and the need for financial prudence have resulted in a significant focus on managing our costs when putting together this draft Long Term Plan. We are also conscious of the regional community's desire for continuing high levels of service.

The average residential ratepayer in the region currently pays (2011/12) around \$6 per week towards the cost of Greater Wellington services.

This Long Term Plan includes significant costs for continuing our major regional infrastructure programmes, particularly in the activities of public transport and flood protection. This proposed spending has been signalled in our strategies and plans and consulted on over many years. There has been strong community support for continued investment in these areas.

In keeping with our high level goal and our financial principles, Greater Wellington has determined the following limits on rate increases over the next 10 years:

For existing services the average rates increases will be limited to the BERL Local Government Cost Index (this estimates an average cost increase of 3% per annum over the 10 years).

For new or additional services the average rates increase will be limited to 5.5% per annum.

The rates increase of 1.3% proposed in this Long Term Plan for existing services for the first year (2012/13) has been contained within the rate of inflation. Achieving this result has required a strong focus on cost-reduction across our activities. Just as the costs of running a household increase every year with

inflation, the costs of providing our services continues to increase every year. The costs of construction, materials, labour, energy and insurance have all continued to increase. This year, in particular, has seen significant increases in insurance costs due to the Canterbury earthquakes and other international natural disasters.

We also have a significant programme of infrastructure upgrades and improvements underway, particularly in the areas of public transport and flood protection. These are primarily the result of commitments Greater Wellington has made over many years in consultation with the regional community. We remain committed to these upgrades as we believe that deferring them will be a short term saving and a longer term cost.

A rates increase of 2.5% is proposed in this Long Term Plan for infrastructure programme commitments for the first year (2012/13).

The rail system has been undergoing a significant upgrade over the last few years to reverse a lack of investment over several decades. This has included the purchase of a fleet of new Matangi trains, upgrades of the signals and power systems, and a range of other network upgrades. Greater Wellington proposes to continue to invest in this upgrade with the refurbishment of the Ganz Mavag trains, the conversion of the SE train units for use on the Wairarapa line and ongoing improvements to the network to improve frequency and reliability. We also need to put in place a solid asset management plan to ensure the new assets we invest in, like the Matangi trains, are properly maintained.

A significant programme of flood protection work has been consulted on in previous years and is proposed to be continued over the life of this Plan. This includes major upgrades along the Hutt River at Boulcott and along the Otaki River, close to the town.

Table 1 – Rates impact of infrastructure programme commitments (\$000)

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Approved Flood Protection Upgrade Programme	596	936	1,223	1,717	2,269	2,915	3,482	3,775	4,373
Ganz Mavag trains refurbishment	29	1,074	2,530	3,993	4,846	5,024	5,141	5,257	5,374
New Matangi trains	558	644	644	644	644	644	644	602	602
Government Grant decreases	80	829	1,890	3,562	5,467	6,527	7,713	8,938	10,236
Other public transport increases	878	1,474	1,837	2,771	4,297	5,756	6,903	7,692	7,561
Total previous decisions	2,142	4,957	8,124	12,687	17,524	20,866	23,884	26,264	28,146

The impact of these previous decisions adds \$11 per year (22 cents per week) to the 2012/13 rates for the average ratepayer.

Greater Wellington is, where we believe necessary, proposing some new services in this Long Term Plan. These are largely improvements to existing activities we undertake or reflect new requirements.

A significant proportion of the cost is contained in proposed service improvements to public transport. This includes a significant investment in electronic integrated ticketing for public transport, which will be a significant step in delivering an efficient and effective public transport system across the region. We are also proposing to improve train reliability and frequency across the network and accelerate the upgrade of our rail stations and park and ride facilities.

Some more minor improvements are also proposed for our regional parks, our land management activities and pest control areas.

Greater Wellington has recently received reports on the earthquake strength of our main building in Wakefield Street, Wellington. This indicates that substantial remedial work is required to bring the building up to a safe level, and a provisional capital sum of \$10 million has been set aside for this, commencing in 2012/13.

A rates increase of 1.7% is proposed in this Long Term Plan for proposed service improvements for the first year (2012/13).

Table 2 – Rates impact of proposed service improvements (\$000)

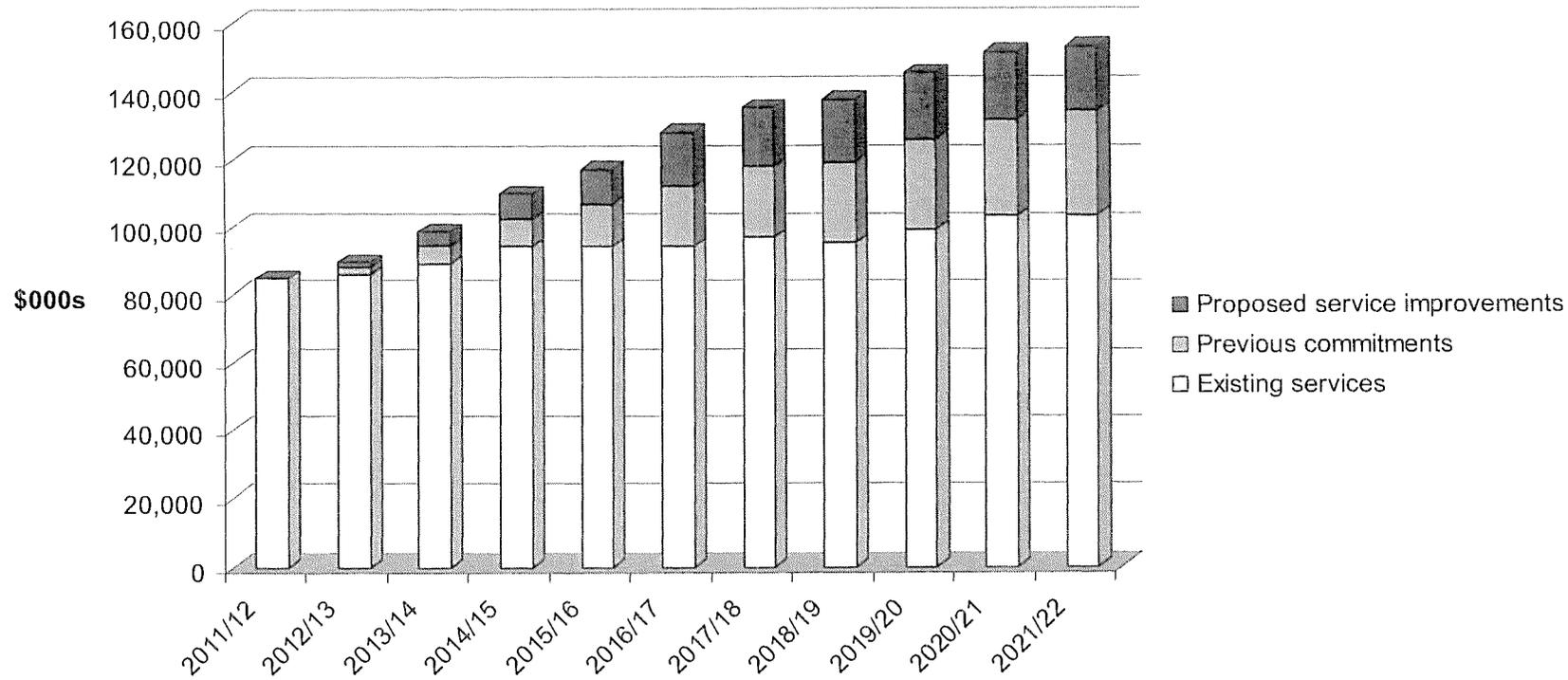
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Land and Environmental Plans to improve water and soil quality in low land farm areas	130	170	190	230	230	230	230	230
Regional Possum Predator Control Programme Extension	190	300	500	600	600	600	600	600
Greater Wellington building strengthening	-	650	875	875	875	875	875	875
Electronic/integrated ticketing	200	388	2,280	4,454	6,249	6,392	6,539	6,693
Additional carriages on the Wairarapa line	67	176	185	195	205	216	227	239
Regional Rail Plan reliability and frequency upgrades	-	-	-	248	4,124	4,840	5,485	6,191
Station and carpark upgrades	-	180	395	582	777	984	1,204	1,682
Other public transport improvements	-	194	318	458	410	462	500	500
Bus services	-	-	1,500	1,510	1,523	1,546	1,554	1,561
Sustainable land management and stream restoration in Battle Hill, Belmont and Queen Elizabeth Parks	81	20	190	200	200	200	200	200
Other Projects	-	443	469	660	567	579	591	591
Total new Projects	-	1,484	4,385	7,430	10,079	15,991	17,157	18,239
								19,362

Other projects include Porirua harbour monitoring and restoration work, erosion control, bio-control, costs of renewing flood protection consents, improvements in regional parks, integrated strategic planning, environmental monitoring and emergency management.

The impact of these proposals adds \$8 per year (15 cents per week) to the 2012/13 rates for the average ratepayer.

Total rates

The graph and table below show the effect on total rates over the 10 years of the Long Term Plan. The significant impact of previous decisions can be clearly seen.



	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Previous commitments	2.5%	3.0%	2.7%	3.3%	3.4%	1.4%	1.4%	1.4%	0.3%	0.6%
Proposed service improvements	1.7%	3.1%	2.6%	1.6%	4.5%	-0.2%	0.1%	0.6%	-0.3%	-1.2%
Existing services	1.3%	3.9%	5.5%	0.1%	0.0%	2.7%	-1.6%	4.3%	3.9%	0.2%
Total rates increases	5.7%	10.2%	11.3%	6.7%	9.2%	5.5%	1.9%	5.5%	4.4%	0.9%

3. Water levy

Greater Wellington delivers bulk water to the cities of Wellington, Lower Hutt, Upper Hutt and Porirua. In the longer term we also anticipate that the growing regional population will require Greater Wellington to increase our water storage capacity. There are several options under investigation for this and a provisional sum of \$10 million has been set aside commencing in 2017/18.

This is funded through a water levy. We are forecasting an increase in the water levy of between 3% and 6% per annum over the next 10 years. The levy is charged to Wellington City Council, Hutt City Council, Upper Hutt City Council and Porirua City Council, which then on-charges this to its ratepayers. The proposed increases are driven by our infrastructure programme, which requires us to continue to invest in our water assets, and to plan for additional water supply capacity to meet our growing regional population.

Table 3 – Water Levy: impact of key water projects (\$000)

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Replace main through Wainuiomata	-	-	17	145	377	572	647	647	647
Transfer Assets from WCC	32	198	331	331	331	331	331	331	331
Upgrades for earthquake strengthening	16	58	142	229	284	303	324	346	368
Hydro-Generation Wainuiomata	184	200	200	200	200	200	200	186	186
Stuart Macaskill Lakes upgrades	993	1,179	1,204	1,204	1,204	1,204	1,204	1,186	1,186
New Water Source	322	322	322	322	322	372	638	1,127	1,399
	1,547	1,957	2,216	2,431	2,718	2,982	3,344	3,823	4,117

4. Levels of service

Our levels of service and programmes are driven by our plans and strategies. The key planning documents are outlined in the chapters of this plan relating to each group of activities. The budgets are set to deliver those levels of service and programmes.

Greater Wellington also considers the following when making decisions on its activities and levels of service:

- i) The costs and benefits of the activity

- ii) The distribution of those costs and benefits
- iii) The timeframe of those costs and benefits
- iv) The consequences of funding that specific activity
- v) The impact of future liabilities on the social, economic, environment and cultural well-being of the community
- vi) The equity and efficiency of the funding mechanism
- vii) The financial policy limits set in this strategy
- viii) The impacts on current and future service levels
- ix) The desire of the community to engage in the activity.

This Long Term Plan is informed by the anticipated changes for our region. Population change has an important influence on our programmes. Over the next 10 years Greater Wellington is anticipating continuing moderate changes in population. In the last few years the regional population grew by 13,060¹ (2.8%) between 2007 and 2010. This is slightly below the national average (3.3%). There are however significant differences in the pattern of growth across the region with Wellington City growing at 3.8%¹ and Lower Hutt and Masterton only growing at 1.2% and 1.3%¹ respectively.

For most of our activities these changes will not impact on our levels of service. However, within the next 10 years the region will need to provide additional storage capacity and provide for increased patronage on our public transport network.

Changes in the insurance market following the Canterbury earthquakes and other international events have led to Greater Wellington reviewing our current insurance framework to ensure that we still provide adequate protection against the financial impacts of major natural disaster events. Currently the risk of asset loss is covered by a mix of reserve funds (for water and flood protection assets) and commercial insurance. The current policy is to have sufficient reserves and commercial insurance to cover us to the Maximum Probable Loss (MPL) on infrastructural assets.

5. Funding sources

Greater Wellington is currently in a strong financial position as evidenced by its AA credit rating (the same as Central Government). Despite the current challenges to our national and regional economy, the ratepayer base in the region remains relatively strong and the ability to pay rates is not considered a significant risk over the period of the plan.

Greater Wellington has a number of sources for funding the delivery of services and the investment in infrastructure. These sources are outlined in detail in the revenue and financing policy (see page XX of the Plan). The main sources of revenue for Greater Wellington are rates, levies (for water) and government grants. Dividends and investment income are relatively small, but important, contributors to total income. Over the life of the plan, rates, as a

¹ Source: Grow Wellington economic report

proportion of total income, increase as the capital related government grants for rail upgrades agreed in the rail packages are completed. This does not however affect the ability to pay for services or the overall financial viability of Greater Wellington.

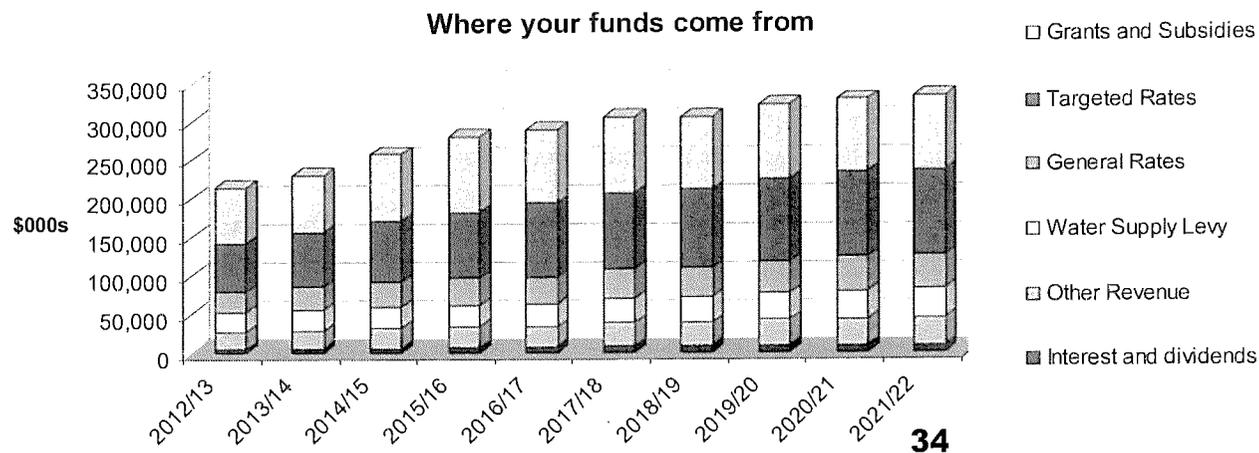
Greater Wellington’s strategy is to primarily fund capital expenditure from borrowings, proceeds from asset sales and the use of reserves (sources other than operating revenue). However, operating revenue will be used to fund interest on the debt as well as the repayment of debt principle. Greater Wellington has large infrastructural assets with long economic lives that yield long term benefits (particularly water supply, flood protection and rail rolling stock). We also have strategic investment holdings. The use of debt is seen as an appropriate and efficient mechanism for promoting intergenerational equity between current and future ratepayers in relation to Greater Wellington’s assets and investments.

The main source of government subsidies received by Greater Wellington is for the funding of transport activities through the New Zealand Transport Agency (NZTA). Greater Wellington also receives a small government subsidy in recognition of the national benefit from its civil defence emergency management activity.

These subsidies are an essential requirement in the continued delivery of services outlined in this Long Term Plan. Over the ten years of this Plan subsidies for infrastructure upgrades and rail services are reducing (due to changes to the NZTA’s financial assistance rates), resulting in larger rates requirements to maintain current levels of service and targeted user pay ratios.

The table below outlines the proposed rates income for each of the next 10 years along with revenue from other sources.

Table 4 – Where your funds come from



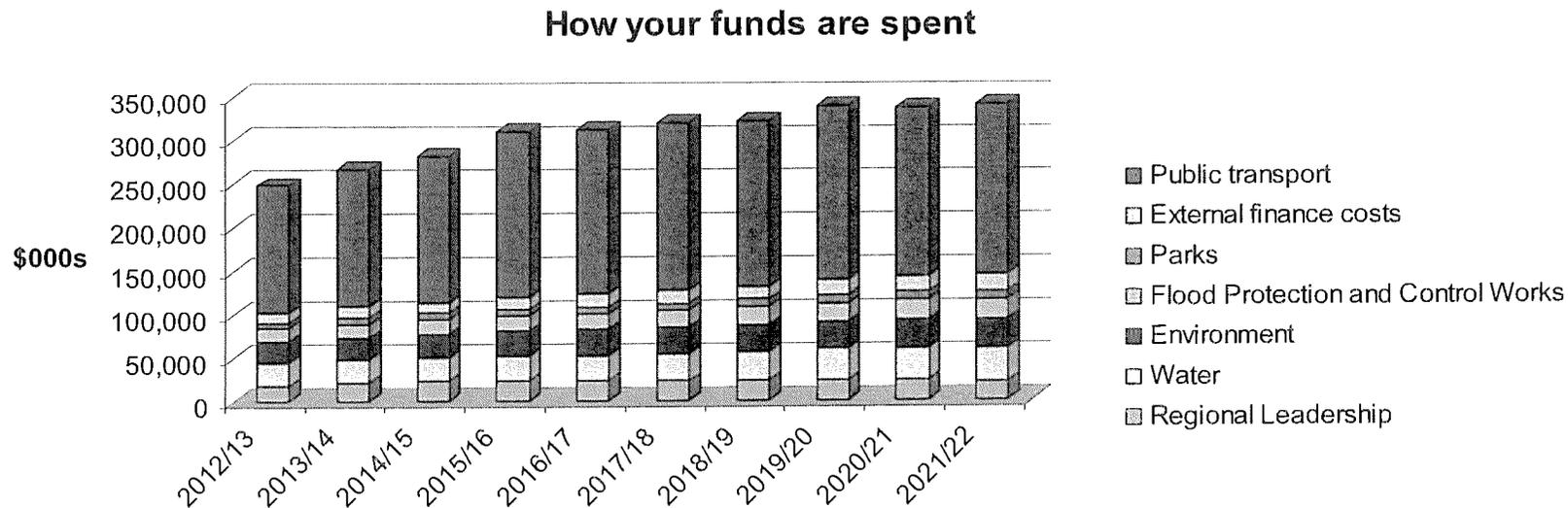
6. Proposed operational expenditure

Projected operating expenditure is set at a level that will achieve and maintain planned levels of service, including estimated expenses associated with maintaining the service capacity of assets throughout their useful life. Over the life of the Long Term Plan operating expenditure and debt repayments are expected to increase from \$248 million to \$342 million per year. This includes an estimated \$72 million for inflation increases.

Greater Wellington's strategy is to generally fund its operating expenditure out of operating revenue. Rates and levies will usually be set at a level to ensure that Greater Wellington achieves this objective. There may be circumstances where Greater Wellington will fund operating expenditure from sources other than its operating revenue. These will be considered on a case by case basis and will be detailed in the revenue and financing policy

The following table outlines the areas of expenditure by activity.

Table 6 – How your funds are spent



6. Proposed capital expenditure

Greater Wellington has over \$886 million of key regional infrastructure assets including flood stopbanks, bulk water supply, rail rolling stock and stations, and railway station parking facilities.

Over the past three years Greater Wellington has significantly increased our asset base with the acquisition of the new fleet of Matangi trains and the addition of assets acquired from KiwiRail. Greater Wellington currently directly owns assets of \$694 million and a further \$192 million of rail rolling stock and stations held by the Greater Wellington subsidiary, GW Rail Ltd. The proposed upgrade of the Ganz Mavag trains and completion of the Matangi procurement programme will further increase our asset base. In this Long Term Plan capital expenditure associated with these assets is \$247 million in Greater Wellington and \$213 million in GW Rail Ltd.

These increased investments and levels of service are to be funded by borrowing in the first instance. Rates and levies will be set at a level to recover the interest and principal on the borrowing. In the case of public transport assets, central government grants contribute between 50% and 60% of annual costs.

Additional water storage capacity to supplement the Stuart Macaskill Lakes at Te Marua is predicted to be required in 2020. This Plan provides for preliminary planning and investigation expenditure from 2017/18, however, more significant capital expenditure requirements sit outside of the 10 years of this Long Term Plan.

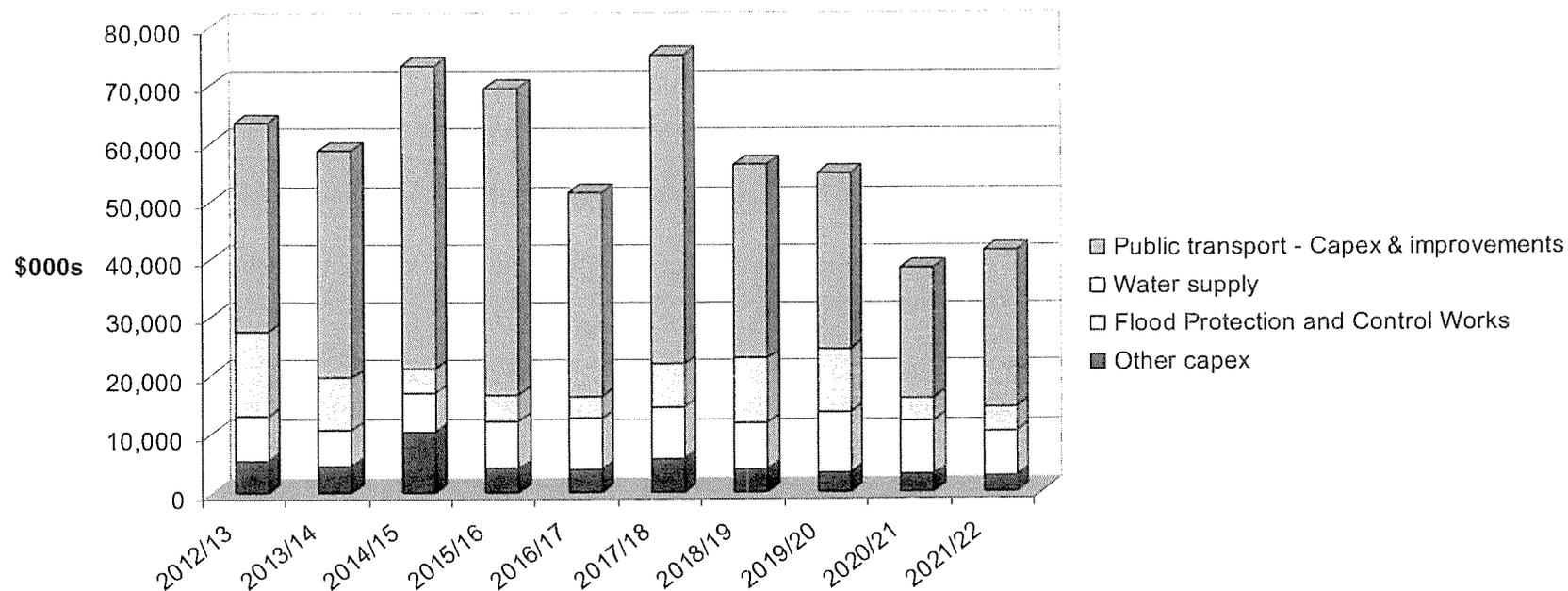
The ongoing flood protection works programme will also be significant during the 10 years of this Plan. Greater Wellington will continue to fund this programme through borrowings and rates to cover the cost of interest and principal.

For each asset class asset management plans are in place or under preparation. These are the key planning tool for the maintenance, future renewal and any new assets required to meet the increased levels of service or growth identified within the Plan. Asset management plans for public transport and water supply are under development and expected to be completed by 30 June 2012. This is not expected to result in any material changes to the estimated in the Long Term Plan.

Greater Wellington's 10 year forecast capital expenditure is shown in the following diagram:

Table 5: 10 year capital expenditure

Capital expenditure and transport improvements



7. Borrowing limits

Greater Wellington raises external debt primarily for the following purposes:

- To fund the capital expenditure programme
- To manage timing differences between cash inflows and outflows and to maintain appropriate liquidity
- To fund one-off projects (eg, Greater Wellington’s involvement in the Stadium)
- To fund other investment activity as appropriate.

Rates are set at a level such that the principal repayments plus interest are recovered over an appropriate period relative to the life of assets. Greater Wellington ensures that the cost of assets used in the delivery of services is adequately covered and that those enjoying the use of the assets contribute fairly to their costs. Joining the Local Government Funding Agency (LGFA) as a founding member is expected to further improve debt management. Borrowing covenants are outlined in the body of the strategy. Borrowing levels are considered prudent and the Long Term Plan stays within the covenant levels.

Borrowing will be managed within the following macro debt limits:

Ratio ²	
Net interest / total revenue	<20%
Net debt / total revenue	<250%
Net interest / annual rates and levies (debt secured under debenture)	<30%
Liquidity (external debt and committed loan facilities plus liquid investments to total external debt)	>110%

² Note:

Revenue is defined as earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue.

Net debt is defined as total debt less liquid financial assets/investments.

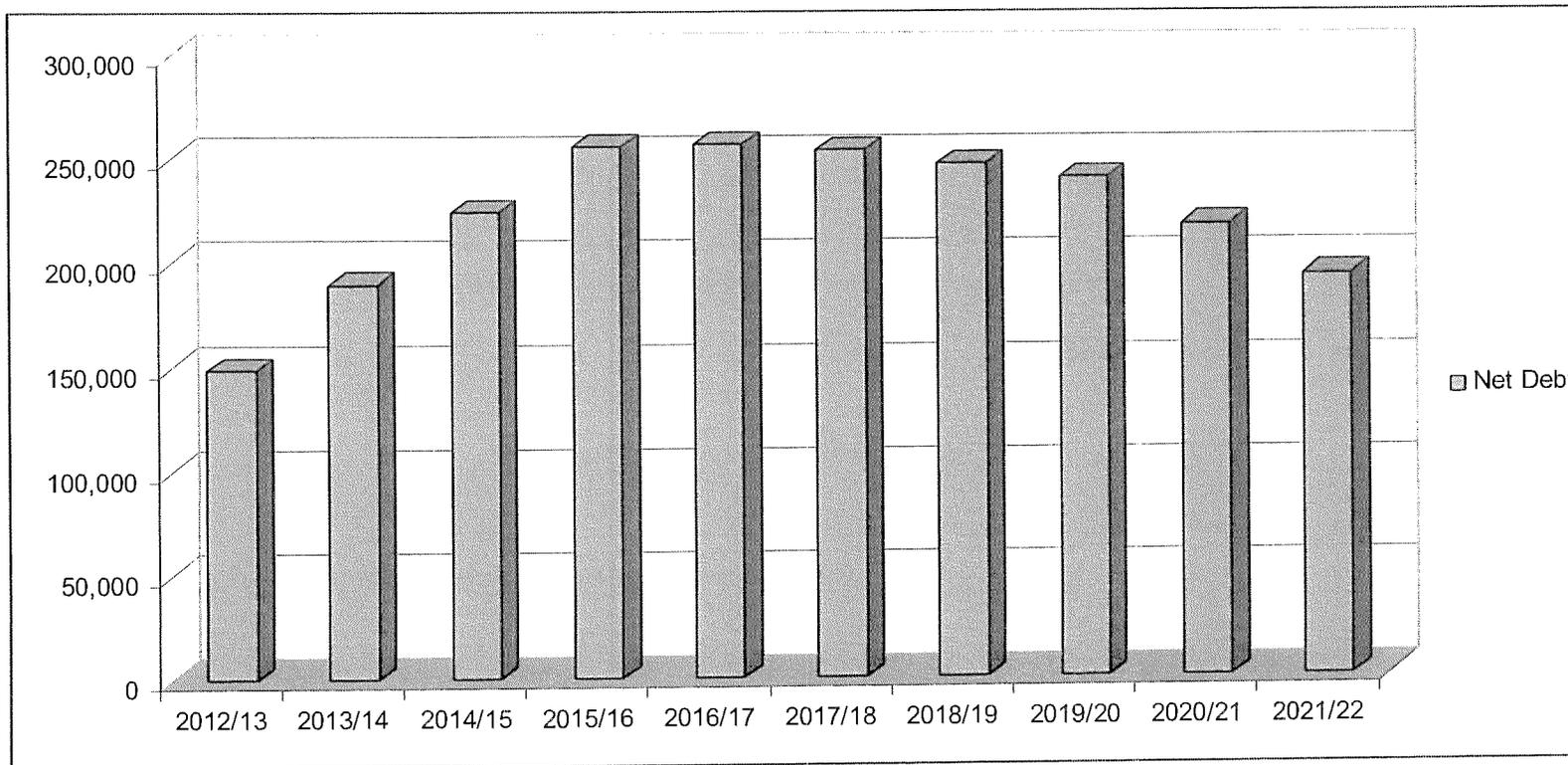
Debt will be repaid as it falls due in accordance with the applicable loan agreement. Subject to the debt limits, a loan may be rolled over or re-negotiated as and when appropriate.

Disaster recovery requirements are to be met through the liquidity ratio.

The financial position presented in the Long Term Plan 2012-2022 are within these macro limits.

Greater Wellington's net debt is projected to increase from \$115 million in 2011/12 to \$194 million in 2021/22 with a peak of \$257 million in 2015/16 over the life of this Long Term Plan. The debt level moves in line with the capital expenditure programme, as detailed earlier in this strategy. It is in line with the above limits.

Table 7: Greater Wellington net debt



8. Policy on the giving of security on borrowings

Greater Wellington borrows funds and grants security to its lenders via a Debenture Trust Deed (DTD). The DTD gives lenders a charge or security over the Greater Wellington's rates and rates revenue. A DTD was entered into during 2011 as part of the Local Government Funding Agency (LGFA) initiative. A trustee has been appointed to act as trustee under the DTD for the benefit of the lenders, or stock holders.

From time to time, with prior Greater Wellington approval, security maybe offered by providing a security interest in one or more of Greater Wellington's assets other than rates revenue. Security interest in physical assets will only be granted when:

- There is a direct relationship between a debt and the purchase or construction of the secured assets which it funds(eg through a finance lease, or some form of project finance)
- Greater Wellington considers a security interest or security in the physical assets to be appropriate.

In addition, the Council may grant security interests in physical assets where those security interests are leases or retention of the arrangements which arise under the terms of any lease or sale and purchase agreement.

9. Objectives for holding and managing financial investments and equity securities

Greater Wellington has a number of investments ranging from equity investments to financial investments (refer to the treasury risk management policy (page x) for more information).

Greater Wellington receives dividends from its equity investments, primarily from its main operating subsidiaries – CentrePort Ltd and the WRC Holdings Group. Dividend revenues are ultimately used to reduce general rates. Greater Wellington also receives interest from financial investments - mainly deposits, sinking funds and special funds. Revenue earned from Greater Wellington's deposits is used to reduce general rates. Revenue earned on special funds is added to each fund. These funds have been set up for self-insurance purposes.

10. Targets returns on investments

Internal borrowing

Greater Wellington reviews and sets the interest rates charged in relation to internal borrowing as part of the Long Term Plan process. Rates are set in line with the forecast long term weighted average cost of debt, based on advice from Greater Wellington's external treasury advisor. A borrowing premium is applied, to provide certainty of costs. The treasury function manages all external investment and borrowing activity, in accordance with the treasury risk management policy and the policy parameters detailed in this strategy.

Working capital funds

In order to ensure that Greater Wellington has access to funds to meet day-to-day expenditure requirements, working capital funds are held in a combination of on call and term deposit accounts which are administered by treasury staff in accordance with the treasury risk management policy. When investing these funds, the aim is to maximise returns achieved, while ensuring sufficient funds are available to meet cash flow demands.

Investment funds

The medium term (five to 10 years) investment policy objective for Greater Wellington's investment fund is to achieve an average, annual, real rate of return in line with expected market norms for the risk level involved.

Direct equity investments in CCO / CCTO

Investments in CCOs and CCTOs are made for strategic purposes, consistent with Greater Wellington's Long Term Plan and to hold revenue earning investments.

The key objective for Greater Wellington is to ensure that the capital investment made in such entities is protected.

11. How the financial strategy is reflected in the Long Term Plan

The key policies and plans that relate to this strategy are:

- Revenue and financing policy - sets out specifically how Greater Wellington intends to fund its operating expenditure and capital expenditure and discusses each of the funding mechanisms and their intended use by Greater Wellington. It also identifies sources of funding for all of the activities in the Long Term Plan (refer to page xxx)

- Asset management plans - defines the levels of service provided by Greater Wellington's key assets and the costs to maintain them. Asset management plans are developed by the business groups with significant assets
- Funding impact statement - translates rating requirements into the rating factors to be applied to properties in the region. This includes the fees and charges policy, which sets out the way in which Greater Wellington will levy direct charges for the services it provides (refer to page xxx)
- Treasury risk management policy (including investment policy and liability management policy) - sets out how Greater Wellington will manage any investments and borrowings (refer to page xxx)
- Rates remission policies - set out the criteria that Greater Wellington will consider when remitting rates charged (refer to page xxx)

SUMMARY OF RATES AND LEVIES

This table shows the rates and levies for Greater Wellington in 2012/13, together with the changes from 2011/12. Rates comprise the general rate and various targeted rates. Greater Wellington also charges a water supply levy directly to the four city councils in the region. The city councils then rate accordingly for this levy.

The largest single component of Greater Wellington's rates is the transport rate. The increase in the transport rate for 2012/13 includes the financial impacts of the on-going extensive rail rolling stock and network upgrade

The total rate increase in regional rates for 2012/13 is 5.68%. The water supply levy, which is charged to the four metropolitan city councils is proposed to increase by 3% over 2011/12. When the water supply levy is included, Greater Wellington's overall increase is 5.09%.

By rate and levy type:	2011/12	2012/13		Change
	Budget	Plan	Change	
	\$000s	\$000s	\$000s	
General rates	26,876	28,239	1,363	
Targeted rates:				
Region wide targeted rates:				
River management rates	4,152	4,858	706	
Transport rates	44,975	47,565	2,590	
Stadium rates	2,676	2,676	-	
WRS rates	4,659	4,668	9	
Specific area targeted rates:				
Bovine Tb and pest rates	143	296	153	
South Wairarapa district – river rates	83	83	-	
Wairarapa scheme and stopbank rates	1,290	1,291	1	
Total targeted rates	57,978	61,437	3,459	
Total regional rates	84,854	89,676	4,822	5.68%
Water supply levy	24,164	24,888	724	3.00%
Total regional rates and levies¹	109,018	114,564	5,546	5.09%
Warm Wellington rates ²	532	1,253		
Total rates and levies	109,550	115,817		

All figures on this page exclude GST

Notes:

Figures labelled "2011/12 Budget" are sourced from Greater Wellington's 2011/12 Annual Plan, and those labelled "2012/13 Plan" are those for this 2012/13 annual plan

Certain comparatives have been reclassified to aid comparability

¹ This total excludes any "Warm Greater Wellington" targeted rates as they impact only those ratepayers that participate in the scheme

² Warm Wellington is the scheme to assist regional ratepayers install insulation or clean heating appliances in their home. Only ratepayers participating in the scheme are charged this rate

This information should be read in conjunction with the Funding Impact Statement and the Revenue and Financing Policy contained within this long term plan

SUMMARY OF RATES AND LEVIES

WHAT IS THE IMPACT ON YOUR CITY OR DISTRICT?

Rates increases vary between city and district councils because of differing capital values. Further, some of Greater Wellington's work programmes impact differently across the region, especially flood protection and public transport. See the next page for a break down by city and rate type

By area:	2011/12 Budget	2012/13 Plan	Change	
	\$000s	\$000s	\$000s	
Wellington city	43,905	46,184	2,279	
Lower Hutt city	16,108	17,441	1,333	
Upper Hutt city	5,006	6,121	315	
Porirua city	6,986	7,147	161	
Kapiti Coast district	6,609	7,090	401	
Masterton district	1,761	1,834	73	
Carterton district	784	827	43	
South Wairarapa district	1,297	1,360	63	
Taranua district ¹	2	2	-	
Region-wide rates ²	83,338	88,006	4,668	5.60%
Bovine Tb rate	143	296	153	
South Wairarapa district – river rates	83	83	-	
Wairarapa scheme and stopbank rates	1,291	1,291	-	
Total regional rates	84,855	89,676	4,821	5.68%
Water supply levy				
Wellington City Council	13,053	13,444	391	
Hutt City Council	6,139	6,323	184	
Upper Hutt City Council	2,264	2,332	68	
Porirua City Council	2,708	2,789	81	
Water supply levy	24,164	24,888	724	3.00%
Total regional rates and levies ³	109,019	114,564	5,545	5.09%
Warm Wellington rate ⁴	532	1,253		
Total rates and levies	109,551	115,817		

All figures on this page exclude GST

Notes:

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Certain comparatives have been reclassified to aid comparability

¹ 11 rural properties in the Taranua district are within the boundaries of the Greater Wellington region.

² Region-wide rates are rates that are charged to all ratepayers in the region. It excludes Bovine TB, South Wairarapa Region river rates, Wairarapa river and drainage scheme rates and any "Warm Greater Wellington" targeted rates as they impact only certain ratepayers that are covered by those programmes

³ This total excludes any "Warm Greater Wellington" targeted rates as they impact only those ratepayers that participate in the scheme

⁴ Warm Wellington is the scheme to assist regional ratepayers install insulation or clean heating appliances in their home. Only ratepayers participating in the scheme are charged this rate

RATES AND LEVIES - RESIDENTIAL REGION-WIDE RATES

WHAT IS THE IMPACT ON YOUR CITY OR DISTRICT?

2012/13 Residential Region wide rates by rate type and for an average valued residential property

	General rate		River management rate		Transport rate		Stadium-purposes rate		Region-wide residential ¹	
	per average valued residential property									
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	excluding WRS rate	
Wellington city	\$143.30	\$159.76	\$1.12	\$0.66	\$132.13	\$139.98	\$15.15	\$15.13	\$291.71	\$306.54
Lower Hutt city	\$101.76	\$106.37	\$47.09	\$59.74	\$172.27	\$184.70	\$10.68	\$10.69	\$331.81	\$351.51
Upper Hutt city	\$92.00	\$94.85	\$30.13	\$32.04	\$169.39	\$179.65	\$8.05	\$7.99	\$299.57	\$314.52
Porirua city	\$103.02	\$107.45	\$3.28	\$2.31	\$223.25	\$227.89	\$9.51	\$9.48	\$339.06	\$347.13
Kapiti Coast district	\$99.46	\$104.73	\$43.56	\$49.07	\$84.37	\$89.02	\$5.05	\$5.05	\$232.45	\$248.06
Masterton district	\$60.98	\$68.64	\$0.00	\$0.00	\$19.06	\$21.41	\$4.25	\$4.23	\$84.29	\$94.28
Carterton district	\$64.15	\$65.35	\$2.36	\$2.23	\$35.45	\$33.79	\$4.28	\$3.76	\$106.24	\$105.14
South Wairarapa district	\$73.21	\$78.81	\$0.00	\$0.00	\$48.94	\$50.23	\$5.66	\$5.60	\$127.81	\$134.65

	Average value of residential property in each city or district		Total Region-wide ¹		WRS rate ²		Total Region-wide ¹	
	per average valued residential property	per average valued residential property	per average valued residential property	per average valued residential property	per residential property	per residential property	rates per average residential property	rates per average residential property
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	excluding WRS rate	including WRS rate
Wellington city	\$510,157	\$609,400	\$291.71	\$306.54	\$14.00	\$14.00	\$305.71	\$320.54
Lower Hutt city	\$365,908	\$367,422	\$331.81	\$351.51	\$14.00	\$14.00	\$345.81	\$375.51
Upper Hutt city	\$331,416	\$331,334	\$299.57	\$314.52	\$14.00	\$14.00	\$313.57	\$328.52
Porirua city	\$377,490	\$379,127	\$339.06	\$347.13	\$14.00	\$14.00	\$353.06	\$361.13
Kapiti Coast district	\$371,684	\$363,185	\$232.45	\$248.66	\$14.00	\$14.00	\$246.45	\$262.66
Masterton district	\$245,897	\$235,229	\$04.29	\$04.28	\$14.00	\$14.00	\$98.29	\$108.28
Carterton district	\$231,518	\$214,833	\$106.24	\$105.14	\$14.00	\$14.00	\$120.24	\$119.14
South Wairarapa district	\$276,177	\$269,354	\$127.81	\$134.65	\$14.00	\$14.00	\$141.81	\$148.65

All figures on this page exclude GST

Notes:

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Certain comparatives have been reclassified to aid comparability

¹ Region-wide rates are rates that are charged to all ratepayers in the region. It excludes Bovine TB, South Wairarapa Region river rates, Wairarapa river and drainage scheme rates and any "Warm Greater Wellington" targeted rates as they impact only certain ratepayers that are covered by these programmes

² The WRS rate is a targeted rate allocated on a fixed amount basis for residential and rural ratepayers. It is allocated on capital value for businesses. For residential properties the fixed amount is \$14.00 + GST and rural properties \$28.00 + GST. This rate is used to fund the Wellington Regional Strategy and Grow Wellington is the region's economic development agency (EDA)

Rates for Greater Wellington are mostly allocated to ratepayers on the basis of their capital values. The territorial local authorities undertake valuations in different years. To ensure properties are valued on the same basis in each territorial area, Greater Wellington undertakes an equalised capital value (ECV) calculation to ensure fair distribution of rates based on capital values.

The table below shows how you can calculate your own residential proposed region-wide rates for 2012/13. For example, if you live in Porirua city and have a residential property with a capital value of \$350,000 your indicative regional rates are \$334.46 plus GST @ 15% = \$384.63

Please note: The above calculation does not include rates set by your local city or district council and any district or property specific targeted rate

	2012/13 Region-wide ¹ rates per \$100,000 of capital value, excluding the WRS rate		Enter the capital value of your property			WRS rate ² residential property		Indicative rates on your property for 2012/13 1
Wellington city	\$60.18	x		÷ 100,000	+	\$14.00	=	
Lower Hutt city	\$98.39	x		÷ 100,000	+	\$14.00	=	
Upper Hutt city	\$94.92	x		÷ 100,000	+	\$14.00	=	
Porirua city	\$91.56	x		÷ 100,000	+	\$14.00	=	
Kapiti Coast district	\$68.47	x		÷ 100,000	+	\$14.00	=	
Masterton district	\$40.08	x		÷ 100,000	+	\$14.00	=	
Carterton district	\$48.94	x		÷ 100,000	+	\$14.00	=	
South Wairarapa district	\$49.99	x		÷ 100,000	+	\$14.00	=	
Porirua city example	\$91.56	x	\$350,000	÷ 100,000	+	\$14.00	=	\$334.46
								Including GST @ 15%
								\$384.63

Notes:

A calculator to assist you check your proposed region-wide rates for all property types is available on our website www.gw.govt.nz

¹ Region-wide rates are rates that are charged to all ratepayers in the region. It excludes Bovine TB, South Wairarapa Region river rates, Wairarapa river and drainage scheme rates and any "Warm Greater Wellington" targeted rates as they impact only certain ratepayers that are covered by these programmes

² The WRS rate is a targeted rate allocated on a fixed amount basis for residential and rural ratepayers. It is allocated on capital value for businesses. For residential properties the fixed amount is \$14.00 + GST and rural properties \$28.00 + GST. This rate is used to fund the Wellington Regional Strategy and Grow Wellington is the region's economic development agency (EDA).

Greater Wellington rates are set and assessed by Greater Wellington but are invoiced and collected by the relevant territorial authority in the Wellington region. Such combined collection arrangements are cost effective and more convenient for ratepayers.

This information should be read in conjunction with the Funding Impact Statement and the Revenue and Financing Policy contained within this long term plan

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Part 3 – Greater Wellington’s activities

We have broken down our activities into 6 groups. These reflect statutory requirements and logical groupings as follows:

Regional leadership

Public transport

Water supply

Environment

Flood protection and control works

Parks

Regional leadership

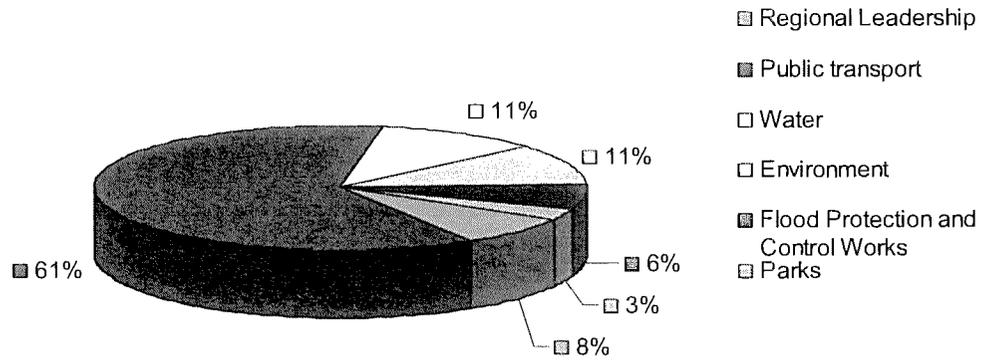
Greater Wellington coordinates regional leadership activities in partnership with other local authorities on a range of issues including economic development, transport, and civil defence and emergency management. We involve tangata whenua and the community in our decision making. We also lead regional initiatives that provide significant benefits to the regional community.

1. Activities

This group of activities includes:

- Wellington Regional Strategy
- Emergency management
- Democratic services
- Relationships with Māori
- Regional transport planning and programmes
- Regional initiatives.

Figure 1: Regional leadership as a percentage of total expenditure



Regional leadership expenditure by activity

\$000s

Wellington Regional Strategy	4,668
Emergency Management	4,474
Democratic Services	2,440
Relationships with Maori	895
Regional transport planning and programmes	2,726

Regional initiatives	<u>2,367</u>
Total applications of operating funding	<u>17,570</u>

2. Contribution to community outcomes

Our regional leadership activities contribute towards achieving:

- A **strong economy** by developing region-wide strategies and funding programmes to help the region realise its economic potential
- A **resilient community** by ensuring the region is ready to effectively respond to and recover from major emergency events, such as earthquakes
- A **connected community** by developing plans to meet the region’s transport needs, informing the community about the range of transport options available and supporting the availability of ultra-fast broadband
- **Quality of life** by providing opportunities for residents to engage in our activities and participate in decision making, including our tangata whenua iwi partners

3. Issues we are facing

Leadership is essential for the Wellington region to build on our existing strengths and develop new initiatives to improve our progress against the four areas of wellbeing. Many of the issues and opportunities have a regional context and require a coordinated approach across the region.

Our economy is being challenged by the global downturn, and by local factors including public service cuts and increased competition from other city regions in the Asia-Pacific region. Building world class infrastructure including improving our connections within the region and to the rest of the country and internationally is a vital component of improving our competitiveness. We also need to diversify our economy to ensure it is more resilient, including growing businesses in emerging new sectors. Maintaining and improving our quality of life is also an important component of attracting businesses and talented people to our region.

In the light of the Canterbury earthquakes, there is a renewed focus on improving our resilience and preparedness for major emergencies. The need for a coordinated approach across local government and other public sector agencies is an essential lesson from Canterbury.

Partnerships with tangata whenua are becoming increasingly significant as Treaty of Waitangi settlements are finalised in the region and co-management arrangements are developed. How we effectively engage with the wider community to ensure that our consultation processes and decision making are

appropriate is a constant issue, with low voter turnout and participation in local government processes. We need to develop means to reach out more effectively to different sectors of our society, taking account of changing technology and social media.

4. Strategy for regional leadership

4.1 Long term approach

Our long term approach is to develop and maintain strong relationships and collaborative programmes at a regional level. This will assist with achieving integrated decision making across the region. Our position as the regional council enables us to take a leadership role, working in partnership with other councils, tangata whenua, central government, community groups and the private sector.

We will continue to enhance the leadership role of Greater Wellington by facilitating a collaborative approach to economic development, emergency management, infrastructure, regional networks, assets, amenities and services, while making the most of scarce resources and capabilities.

For emergency management we aim to ensure that the region has sufficient capacity to manage a major emergency event, including promoting preparedness and public education.

For regional transport we aim to achieve an affordable, integrated, safe, responsive and sustainable land transport system. As well as leading the strategic planning of the region's transport network, we promote sustainable transport options and improved road safety. Greater Wellington is also the provider of public transport in the region (see Public transport).

We will maintain effective, open and transparent democratic processes through the appropriate conduct of Council meetings, statutory accountability processes and local authority elections. We also aim to continue to provide greater opportunities for tangata whenua to be involved in Greater Wellington's decision making and work.

4.2 Priorities for the next three years

- Progress the refreshed Wellington Regional Strategy and continue to support Grow Wellington, the region's economic development agency
- Implement the new joint regional civil defence and emergency management structure

- Upgrade the suite of regional transport models
- Complete the Wellington Public Transport Spine Study – a study to assess the merit of long term options for high frequency and high quality public transport through central spine of Wellington city
- Progress the Wairarapa Water Use Project
- Progress our partnership with tangata whenua.

4.3 Policy framework

These are the existing Greater Wellington policies and plans that relate to the regional leadership group of activities:

- Wellington Regional Strategy 2007 (WRS). The WRS was developed by the nine local authorities in the region, working in tandem with central government and business, education, research and voluntary sector interests. The WRS is a sustainable economic growth strategy and contains a range of initiatives to realise our economic potential and enhance our regional form by addressing issues such as transport, housing, urban design and open spaces, which contribute to quality of life. The WRS is currently being refreshed.
- Wellington Region Civil Defence Emergency Management Group Plan 2005 (CDEM Group Plan). The CDEM Group Plan provides the context and strategic direction for civil defence emergency management in the Wellington region.
- Charter of Understanding between Te Tangata Whenua o Te Upoko o te Ika a Maui and Greater Wellington Regional Council 2000. This charter sets the framework for developing the relationship between Greater Wellington and the region’s tangata whenua. It is currently under review.
- Wellington Regional Triennial Agreement 2010-2013. Greater Wellington and the territorial authorities of the region have committed to good governance by acting cooperatively and collaboratively.
- Wellington Regional Land Transport Strategy 2010-2040 (RLTS). The RLTS is the strategic document that guides the development of the region’s transport system including public transport, roads, walking, cycling and freight. It provides the overall context for investment in the region’s transport network. The RLTS includes the following implementation plans:
 - Regional Travel Demand Management Plan 2005 (TDM Plan) - sets a blueprint for improving travel efficiency in the region. The Plan aims to increase awareness of travel demand management and to ensure the most efficient use of existing infrastructure and services.
 - Regional Road Safety Plan 2009 - sets out an action programme aimed at improving the region’s road safety outcomes.

- Regional Cycling Plan 2008 - identifies a range of actions and initiatives to achieve the outcomes for cycling in the RLTS.
- Regional Walking Plan 2008 - sets out an action plan with a series of high level initiatives aimed at contributing to the walking and pedestrian outcomes of the RLTS.
- Regional Freight Plan 2011 - aims to improve the movement of freight to, from and within the Wellington region.
- Four corridor plans - contain a range of walking, cycling, public transport and roading projects to make it easier for people and freight to travel within the corridors and connect to other corridors. They provide a framework for the desired future development of the transport network including:
 - o Wairarapa Corridor Plan 2010
 - o Hutt Corridor Plan 2011
 - o Western Corridor Plan 2006
 - o Ngauranga-Airport Corridor Plan 2008.

5. Assumptions and risks

In managing this group of activities we have assumed that:

- A new emergency management team will work on a regional basis starting on 1 July 2012 and the 'business as usual' budget will be made available to operate the regional delivery of emergency management
- The refreshed Wellington Regional Strategy will be completed by 30 June 2012
- There are no legislative changes to the Land Transport Management Act 2003 that will significantly change the responsibilities of Greater Wellington. We are aware of a Cabinet decision to amend the Act, but as the content and timing of the changes are unknown we have prepared this plan on the basis of no significant change.

In addition to the risks associated with the above assumptions not being borne out, we have identified the following risks:

- The co-funding currently provided by the NZ Transport Agency for regional transport activities is reduced further or discontinued as a result of the review of financial assistance rates (FAR)
- There are additional costs associated with the establishment of a regional Emergency Management office for the construction or lease of suitable premises.

6. Significant negative effects on wellbeing

There are no significant negative effects on wellbeing from regional leadership activities.

7. Wellington Regional Strategy

As part of this Plan Greater Wellington is consulting on a proposal to continue with the Wellington Regional Strategy. This process is being followed in accordance with an agreement between Greater Wellington and the region's other council, signed in 2007.

A full copy of the proposal can be found in Part 6 of this document (page x). Whether Greater Wellington continues with this activity depends on the outcome of the decision making process on the Wellington Regional Strategy proposal.

8. Emergency management

8.1 What we do and why

The Wellington region is exposed to a wide range of natural and human-made hazards (earthquake, flooding, landslide, tsunami, storm, biological, chemical, terrorism, etc.). Our approach to emergency management is based on the principles of reduction of risk, readiness, response and recovery.

The Civil Defence Emergency Management Act 2002 requires each region to have a CDEM Group and prepare a CDEM Group Plan. The Act also requires Greater Wellington to be the administering authority for the Wellington region CDEM Group.

Greater Wellington has joined with the city and district councils in the region to form a joint civil defence and emergency management team. All of the councils' emergency management staff and resources will be pooled together. We expect this to lead to improved effectiveness from increased scale and coordination, as well as efficiencies from the centralised provision of services, such as training and public education. Local emergency management offices

will be retained to enable effective local responses to emergencies. The work of the team is overseen by the CDEM Group (a joint committee of all the Mayors in the region along with the Chair of Greater Wellington) and the Coordinating Executive Group³.

The team will start on 1 July 2012 and undertake the following:

- Lead the preparation and review of the Wellington Region CDEM Group Plan and associated plans
- Educate people about the risks they face and how to prepare for emergency events
- Maintain the Wellington Region CDEM Group emergency operations centre so that it can be quickly activated to manage an emergency event. The centre has information management systems, robust communication systems and trained volunteer staff.
- Work with central government, emergency services, welfare groups, lifeline utilities and a wide range of interested and affected organisations on emergency management issues.

An option to relocate the current regional Emergency Coordination Centre (ECC) from Greater Wellington's Wakefield Street building to a new facility to be developed in conjunction with Massey University as part of an emergency management hub, is under investigation. If the commercial arrangements are considered favourable, the business case is likely to be developed in 2012/13, with the facility completed and operational two years later.

8.2 What we will deliver

Level of service	Performance measure	Performance targets				
		Baseline	2012/13	2013/14	2014/15	2015-22
Work with the regional community to improve resilience to and	Percentage of households with	72% of households	75%	76%	77%	Continued increase to 85%

³ The Coordinating Executive Group is a requirement of the Civil Defence and Emergency Management Act 2002 and is made up of the Chief Executives of Greater Wellington, the district and city councils and district health boards in the region, along with senior representatives from NZ Police, NZ Fire Service, Wellington Lifelines Group and the Regional Commissioner for the Ministry of Social Development.

preparedness for major emergency events	emergency food and water to last three days	surveyed have emergency food and water for three days (2010)				
	That the Wellington Region CDEM Group Plan is reviewed and kept up to date	The CDEM Group Plan became operative in 2005	Review CDEM Group Plan	Adopt a new CDEM Group Plan	Implement CDEM Group Plan	Implement and review CDEM Group Plan

8.3 Specific areas of work

Specific areas of work in next three-year period	2012/13	2013/14	2014/15
Establish Wellington Region CDEM Group	✓		
Review and adopt Wellington Region CDEM Group Plan	✓	✓	
Establish a new Emergency Coordination Centre			✓

8.4 How we will fund this activity

Government grant in recognition of the national benefit plus general rates for remainder.

9. Democratic services

9.1 What we do and why

Greater Wellington Regional Council consists of 13 elected Councillors who represent six constituencies. The Council enables democratic local decision making and action on behalf of regional communities.

Our democratic services activity involves Council and committee meetings which are held on a six-weekly basis. These meetings provide opportunities for the public to provide input to the Council's decision making through public participation or through making submissions on specific proposals. The activity also includes the review of the Council's representation arrangements, three-yearly Council elections and any other elections and polls required to be conducted.

The Local Government Act 2002, Local Government Official Information and Meetings Act 1987 and Local Electoral Act 2001 provide a framework for the Council's democratic services activity. They prescribe the processes by which councils must make their decisions, including public participation, and the processes for the review of representation and the conduct of triennial local elections.

In addition to these statutory requirements, the Council has established advisory groups to provide it with advice on matters of concern to tanagata whenua, people with disabilities and the rural community.

9.2 What we will deliver

Level of service	Performance measure	Performance targets				
		Baseline	2012/13	2013/14	2014/15	2015-22
Provide information to enable the public to be informed of, and participate in, Council and committee meetings	Percentage of time meeting agenda is available to the public at least two working days prior to each meeting	100% (2010/11)	100%	100%	100%	100%
	Percentage of residents satisfied that they have had an opportunity to participate in decision making	New measure	Establish a baseline	Increase on baseline	Increase on previous year	Continued increase in resident satisfaction

9.3 Key areas of work

Specific areas of work in next three-year period	Proposed Year		
	2012/13	2013/14	2014/15
Continue to manage Council and committee meetings and advisory groups	✓	✓	✓
Conduct representation review	✓		
Conduct local elections		✓	

9.4 How we will fund this activity

All Greater Wellington functions are controlled at a governance level by elected members. Therefore, the majority of this activity is funded from general rates, with remaining funding coming from the specific areas of regional transport and regional water supply, where the majority of funding is derived from targeted rates and levies respectively.

Emerging issue: changing governance structures and relationships

Over the past few years there has been renewed debate about reform of local government, with the creation of a single council in Auckland and significant changes in Christchurch through the establishment of the Canterbury Earthquake Recovery Authority and the appointment of commissioners to Environment Canterbury. While this change has been led by central government, a number of local authorities are themselves investigating amalgamation, including Nelson City and Tasman District where a referendum is due to be held on the issue.

Many of the drivers of change behind the recent reforms are relevant to the Wellington region. The Wellington region has a total population of fewer than half a million people, with eight Territorial Authorities (TAs) and Greater Wellington. The Wellington Mayoral Forum (which includes all of the region's councils) has been keeping a close watch on these developments and in 2010 commissioned a report from PriceWaterhouseCoopers on local government arrangements in the region. The report analysed current arrangements and provided ideas on how the governance structures might be improved.

At present there are no proposals for structural change to local government in the Wellington region.

There is however active investigation into the potential for shared services among the region's local authorities. These might include areas such as water, waste disposal, community services, administration and IT. Shared services seek to provide more efficient and effective delivery of services to customers through combining similar services across different councils. Future proposals for shared services may impact on this Long Term Plan in terms of funding, delivery and performance management.

Greater Wellington is also seeking to further develop its collaboration with central government, councils in the region, other regional councils in New Zealand and other public agencies. This will assist in delivering effective and efficient services to the region.

There are no additional funding requirements for this work during the three-year period from 2012-2015.

10. Relationships with Māori

10.1 What we do and why⁴

Greater Wellington recognises the role of tangata whenua as mana whenua and kaitiaki in the region and has established relationships with tangata whenua.

Greater Wellington's relationship with tangata whenua is guided by the Local Government Act 2002 and the Resource Management Act 1991. These Acts require Greater Wellington to give effect to the relationship described in the Treaty of Waitangi and include recognising cultural, intellectual and physical property, and the provision of opportunities and resources that enable Maori to participate in regional decision making.

Tangata whenua is made up of several local iwi represented by six iwi rūnanga organisations and one mandated post-settlement governance entity. These include:

⁴ This section also sets out the steps that Greater Wellington intends to take to foster the development of Māori capacity to contribute to decision-making processes over the period of this Plan, as required by clause 8 of schedule 10 of the Local Government Act 2002.

- Ngāti Toa Rangatira
- Taranaki Whānui ki te Upoko o Te Ika a Maui
- Ngāti Raukawa ki Te Tonga
- Āti Awa ki Whakarongotai
- Kahungunu ki Wairarapa
- Rangitāne o Wairarapa
- Port Nicholson Block Settlement Trust.

The Wellington region is also home to a large population of Māori who relate to iwi from other tribal areas.

As further Treaty settlements with tangata whenua progress, the relationship between Greater Wellington and tangata whenua will continue to evolve. These settlements may require Greater Wellington to work closely with tangata whenua in the governance and management of geographic areas and cultural and intellectual property.

Greater Wellington and the tangata whenua have committed to Ara Tahi, a forum of tangata whenua and Greater Wellington leaders that focuses on strategic issues of significance within the region. Ara Tahi emphasises the continued development of expressions of partnership that inform Greater Wellington's decision making. To further provide for a Maori perspective in decision making, tangata whenua are represented in Greater Wellington's governance structure. Tangata whenua representatives are included on each of the Council's three wellbeing committees, as well as the Regional Transport Committee (representing cultural interests), and the Wellington Regional Strategy Committee. In addition, Te Upoko Taiao – Natural Resource Management Committee has equal tangata whenua and Councillor membership. We are working to improve the feedback between Ara Tahi and these committees.

Te Upoko Taiao – Natural Resource Management Committee has a membership of seven councillors and seven tangata whenua representatives.. Te Upoko Taiao represents a partnership approach to tangata whenua engagement in regional resource management. The Committee is responsible for the review and development of the region's natural resource management plans and for other environment management functions including resource consents, compliance, enforcement, pollution incidents and environmental monitoring. A committee of this nature developing a regional plan is a first for New Zealand and brings with it the challenge of two world views coming together in a regulatory framework. This includes the recognition of tangata whenua as kaitiaki and provides for the protection of tangata whenua values including mahinga kai (traditional food resources) and wāhi tapu (significant places).

Greater Wellington currently provides the following resources to support the partnership:

- Support for attendance of tangata whenua representatives on Council committees
- Capacity contracts to support individual tangata whenua engagement in resource management
- Project funding to support tino rangatiratanga (tangata whenua undertaking activities that support their aspirations) - tangata whenua and Greater Wellington work together to develop projects where the outcomes benefit both parties and also support resource management outcomes for the region.
- Te Hunga Whiriwhiri (Greater Wellington's Maori relations team) supports the relationship between Greater Wellington and the tangata whenua of the region..

The Charter of Understanding between tangata whenua and Greater Wellington, originally signed in 1993, is being reviewed and updated as a Memorandum of Partnership. The move from understanding to partnership marks an increasingly strategic relationship driven by Treaty settlements and the aspiration for a collaborative approach to regional development.

Greater Wellington seeks to build its own capacity to work more effectively with tangata whenua through a staff training programme, the coordination of tangata whenua resources into an accessible data base and support provided through Te Hunga Whiriwhiri.

10.2 What we will deliver

Level of service	Performance measure	Performance targets				
		Baseline	2012/13	2013/14	2014/15	2015-22
Provide opportunities for tangata whenua to be actively involved in decision making	Percentage of tangata whenua committee members satisfied that tangata whenua are	New measure	90%	90%	95%	Increasing to 100%

	recognised and involved in the decision making process					
--	--	--	--	--	--	--

10.3 Key areas of work

Specific areas of work in next three-year period	2012/13	2013/14	2014/15
Review Charter of Understanding to form a Memorandum of Partnership	✓		
Deliver Māori capacity training to Council and staff	✓	✓	✓
Develop terms of reference for Ara Tahi, including a reporting system	✓		
Develop an operational forum as a liaison channel between Ara Tahi and Greater Wellington	✓		

10.4 How we will fund this activity

The majority of this activity is funded through general rates because of the public good component of this work and the limited ability of tangata whenua to participate in a meaningful way without assistance. Remaining funding should come from the specific areas of public transport and water supply, where the majority of funding is derived from targeted rates and levies respectively, rather than from general rates.

11. Regional transport planning and programmes

11.1 What we do and why

Greater Wellington plans for the long term development of the region's land transport network, which includes regionally significant roads, public transport, and walking and cycling infrastructure. We do this through the development of a Regional Land Transport Strategy (RLTS) and a series of transport plans that detail how parts of the network should be developed taking into account changes to population, land use, travel patterns and transport infrastructure. We also prepare the Regional Land Transport Programme (RLTP) every three years. This outlines the projects which the region supports for central government co-funding through the National Land Transport Fund. These functions are prescribed by the Land Transport Management Act 2003.

Greater Wellington is also responsible for monitoring the implementation of the RLTS and prepares a full monitoring report every three years and a summary monitoring report on an annual basis. We maintain, update and administer regional transport models which are used by a number of agencies to plan for transport improvements.

We also provide regional coordination and delivery of programmes and initiatives that promote and support sustainable and safe transport such as walking, cycling, carpooling and public transport. We support and advocate for the provision of facilities and measures that contribute to improved road safety.

Our approach is to collaborate with and support the NZ Transport Agency, local councils and other stakeholders by providing best practice resources and tools that can be used across the region. This approach reduces duplication of programmes and resources and provides regional data collection and consistent data analysis methodologies.

These activities contribute to improving the regional and national economy, quality of life in the region and creating a more connected community by supporting transport choices for people. Supporting more sustainable transport choices also contributes to reducing congestion on our roads, assisting economic growth, reducing vehicle emissions, improving road safety and promoting public health.

We propose to refocus our sustainable transport activities to ensure a better fit with the Government Policy Statement on Land Transport Funding.

11.2 What we will deliver

Level of service	Performance measure	Performance targets				
		Baseline	2012/13	2013/14	2014/15	2015-22
Provide an up-to-date policy framework to guide investment in the region's land transport network	That the Regional Land Transport Strategy is reviewed, adopted and monitored	Regional Land Transport Strategy adopted 2010	Undertake transport perceptions survey	Consult on the Regional Network Plan	Publish the monitoring report	Regional Land Transport Strategy adopted in 2015/16 and 2021/22
	That the Regional Land Transport Programme is	Regional Land Transport			Regional Land Transport	Regional Land Transport

	reviewed and adopted	Programme 2012-15 adopted			Programme 2015-18 adopted	Programme 2018-20 and 2020-22 adopted
Coordinate and deliver programmes which promote and encourage sustainable and safe transport choices	Percentage of stakeholders and partners who rate coordination services and resources satisfactory or higher	New measure	85%	90%	95%	Maintain or improve level of stakeholder and partner satisfaction
	Number of total annual visitors to selected Greater Wellington sustainable transport web pages	New measure	Increase on previous year	Increase on previous year	Increase on previous year	Continued increase in total annual visitors
	Mode shift in workplace and school travel plan programmes	New measure	Programme participants increase their use of sustainable transport modes	Programme participants increase their use of sustainable transport modes	Programme participants increase their use of sustainable transport modes	Programme participants increase their use of sustainable transport modes

11.3 Specific areas of work

Specific areas of work in next three-year period	2012/13	2013/14	2014/15
Prepare and adopt the Regional Land Transport Programme 2015-18			✓
Regional Land Transport Strategy three-yearly monitoring report			✓
Complete the Wellington Public Transport Spine Feasibility Study	✓		
Review the existing transport plans through the development of a regional transport network plan		✓	
Continue to roll out sustainable transport programmes	✓	✓	✓

11.4 How we will fund this activity

A nationally funded road user contribution reflecting the national interest plus remainder by general rates.

12. Regional initiatives

12.1 What we do and why

Greater Wellington leads and partners with others on a number of key initiatives aimed at promoting significant economic, social and environmental benefits to the regional community. These include:

- Wairarapa Water Use Project – This project aims to maximise the productive capacity of the Wairarapa valley through water storage and irrigation opportunities as well as meeting a range of environmental and community needs which may include recreation and reliable potable water supply. Greater Wellington is undertaking feasibility work to investigate whether such schemes are environmentally and economically viable. We are also exploring the opportunity to fund some of this work with a contribution from central government’s Irrigation Acceleration Fund which requires matching funding from external parties.
- Warm Greater Wellington – Greater Wellington is participating in the Energy Efficiency and Conservation Authority’s (EECA) home insulation and clean heating scheme. Greater Wellington provides financial assistance to purchase insulation that is paid back through homeowners’ property rates. Over 1000 homes have been insulated since the scheme began in April 2010. Due to the success of the scheme, Greater Wellington would welcome partnering with EECA on any similar future schemes.

Greater Wellington also works on other strategic projects that are required from time to time in response to regionally significant issues. For example, the development of a climate change strategy, investigating a regional water strategy and looking at the benefits of and options for a regionally integrated planning framework. Such projects are often done in collaboration with other agencies.

Greater Wellington has a leadership role in environmental sustainability within the regional community. In order to demonstrate to the community that we are “walking the talk”, we will continue to promote corporate sustainability as we carry out our work.

12.2 What we will deliver

Level of service	Performance measures	Performance targets				
		Baseline	2012/13	2013/14	2014/15	2015-22
Work with partners to investigate options for water storage and water use such as irrigation in the Wairarapa valley	That a pre-feasibility study is prepared	New measure	Pre-feasibility study completed	Feasibility study completed	Resource consent application lodged	Project funders and owners identified, project constructed and operational
Provide funding assistance for home insulation through the Warm Greater Wellington scheme	Number of applications to join the Warm Greater Wellington scheme	2000 (2010/11)	2300	0 ⁵	0	0

12.3 Specific areas of work

Specific areas of work in next three-year period	2012/13	2013/14	2014/15
Pre-feasibility study of options for water storage and irrigation in the Wairarapa valley	✓		
Continue to roll out Warm Greater Wellington scheme ⁵	✓		
Complete and implement a regional climate change strategy	✓	✓	✓

⁵ This programme depends on EECA decisions on continuing with the Heat Smart programme.

Undertake investigations and scope the benefits of a regionally integrated planning framework	✓	✓	✓
Continue corporate responsibility work	✓	✓	✓

12.4 How we will fund this activity

100% general rates for plans/strategies. 100% targeted rates on properties that benefit from the home insulation and clean heat scheme. 100% general rates for Wairarapa Water Use Project. Central government's Irrigation Acceleration Fund is a potential significant funding source to cover the period of investigation, but would need to be matched by funds, for example, from Greater Wellington.

Key project: Wairarapa Water Use Project

The Wairarapa Water Use Project aims to sustainably store some of the water from the Tararua Ranges during winter for agricultural and other community uses the dry season. Initial investigations have found that up to 50,000ha of land across the Wairarapa valley could be irrigated as part of the project. This has the potential to create thousands of jobs and significantly increase the region's GDP.

Greater Wellington's 2011/12 Annual Plan provided for \$750,000 to continue pre-feasibility work, which has been underway for several years. Early in the 2012/13 financial year, a shortlist of schemes will be prepared and if it is thought these are feasible, they will be further investigated during the following six to nine months. The shortlisted schemes will then be evaluated to decide if one or more schemes are found to be viable. Other than the viability of the capital cost, the scheme must also be known to be environmentally viable for it to be considered.

Greater Wellington has set aside \$1 million for each of the next three years to advance this project. We are also exploring the opportunity to fund some of this work with a contribution from central government's Irrigation Acceleration Fund. Although funding has been aside by Greater Wellington for the next three years, a series of "go" or "no go" decisions will be made during this period.

We are currently reviewing the regional plan, and this exercise is key to ensuring appropriate controls on land use changes exist to mitigate

potential effects on water quality.

The additional funding for the Wairarapa Water Use Project will be a total of \$3 million over the next three years from 2012/13 – 2014/15

13. Financials

FINANCIAL INFORMATION

REGIONAL LEADERSHIP
PROSPECTIVE FUNDING IMPACT STATEMENT
FOR THE YEAR ENDING 30 JUNE

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
	5	6	7	8	9	10	11	12	13	14
Sources of operating funding										
General rate	6,094	6,489	7,623	7,642	7,248	7,207	7,620	8,333	8,359	8,496
Targeted rates	5,922	7,080	7,084	7,167	7,243	7,306	7,355	7,390	7,158	5,444
Government subsidies	973	1,191	2,463	2,264	1,397	1,297	1,113	1,368	1,384	1,340
Interest and dividends	87	61	51	46	40	27	23	16	13	18
Other operating revenue	4,563	4,680	5,083	4,955	5,045	5,246	5,336	5,489	5,659	5,898
Total operating funding	17,639	19,500	22,304	22,074	20,973	21,083	21,447	22,595	22,573	21,196
Applications of operating funding										
Direct operating expenditure	16,152	17,977	20,215	20,341	19,710	19,520	19,791	21,004	20,779	19,393
Finance costs	748	934	894	822	771	691	661	535	445	401
Internal charges applied	670	753	803	812	843	899	912	950	1,016	930
Total applications of operating funding	17,570	19,664	21,912	21,975	21,324	21,110	21,364	22,489	22,240	20,774
Surplus/(deficit) of operating funding	69	(164)	392	99	(351)	(27)	83	106	333	422
Sources of capital funding										
Subsidies for capital expenditure	122	-	-	-	-	801	517	36	-	-
Increase / (decrease) in debt	5,875	(562)	(548)	(1,483)	(1,399)	(820)	(1,134)	(1,555)	(901)	(106)
Proceeds from asset sales	-	37	-	17	18	24	-	39	-	27
Total sources of capital funding	5,995	(525)	(548)	(1,466)	(1,381)	5	(617)	(1,480)	(901)	(79)
Applications of capital funding										
- to meet additional demand	1,000	1,030	1,062	125	128	131	134	139	141	145
- to improve the level of service	215	-	326	54	-	1,414	913	63	-	-
- to replace existing assets	62	167	80	82	61	88	55	117	7	101
Investment additions	4,863	(1,494)	(1,505)	(1,505)	(1,505)	(1,505)	(1,505)	(1,595)	(709)	(1)
Operational reserve movements	(76)	(382)	(119)	(123)	(416)	(150)	(131)	(167)	93	99
Total applications of capital funding	6,064	(680)	(156)	(1,367)	(1,732)	(222)	(534)	(1,374)	(468)	343
Surplus/(deficit) of funding	-	-	-	-	-	-	-	-	-	-
Depreciation on Regional Leadership assets	375	435	485	600	581	279	517	688	633	625

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in this 10-Year Plan 2012-22

All figures on this page exclude GST

FINANCIAL INFORMATION

REGIONAL LEADERSHIP
PROSPECTIVE FUNDING INFORMATION
FOR THE YEAR ENDING 30 JUNE

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	\$000s
	5	6	7	8	9	10	11	12	13	14
Operating funding										
Wellington Regional Strategy	4,668	4,690	4,691	4,789	4,891	4,994	5,097	5,203	5,312	5,425
Emergency Management	4,504	4,639	4,775	4,949	5,038	5,191	5,342	5,532	5,681	5,858
Democratic Services	2,440	2,702	2,773	2,809	2,986	2,201	2,619	3,274	3,395	3,382
Relationships with Maori	895	922	949	1,002	1,008	1,037	1,067	1,126	1,134	1,169
Regional transport planning and programmes	2,765	2,923	5,446	4,804	3,299	3,855	3,573	3,753	3,724	3,656
Regional initiatives ¹	2,367	3,634	3,670	3,721	3,752	3,805	3,749	3,707	3,417	1,700
Total operating funding	17,639	19,500	22,304	22,074	20,973	21,083	21,447	22,595	22,573	21,196
Applications of operating funding										
Wellington Regional Strategy	4,668	4,690	4,691	4,789	4,891	4,993	5,097	5,203	5,312	5,426
Emergency Management	4,474	4,608	4,743	4,889	5,038	5,191	5,342	5,500	5,631	5,858
Democratic Services	2,440	2,852	2,641	2,716	3,142	2,913	2,993	3,461	3,217	3,289
Relationships with Maori	895	922	949	1,002	1,008	1,037	1,067	1,126	1,134	1,169
Regional transport planning and programmes	2,726	3,019	5,216	4,858	3,493	3,229	3,116	3,492	3,479	3,393
Regional initiatives ¹	2,357	3,583	3,670	3,721	3,752	3,747	3,749	3,707	3,417	1,639
Total applications of operating funding	17,570	19,664	21,912	21,975	21,324	21,110	21,364	22,489	22,240	20,774
Capital expenditure										
Capital project expenditure	1,215	1,030	1,388	179	128	1,545	1,047	201	141	145
Land and buildings	-	-	-	-	-	-	-	-	-	-
Plant and equipment	62	45	80	39	6	6	55	6	7	7
Vehicles	-	122	-	43	55	82	-	111	-	94
Total capital expenditure	1,277	1,197	1,468	261	189	1,633	1,102	318	148	246

¹ Regional initiatives includes the rates and expenditure associated with the Warm Greater Wellington Program. Only ratepayers participating in the scheme are charged a rate to recover the costs of the scheme.

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations.
For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the 'Revenue and Financing Policy' in this 10-Year Plan 2012-22.
All figures on this page exclude GST

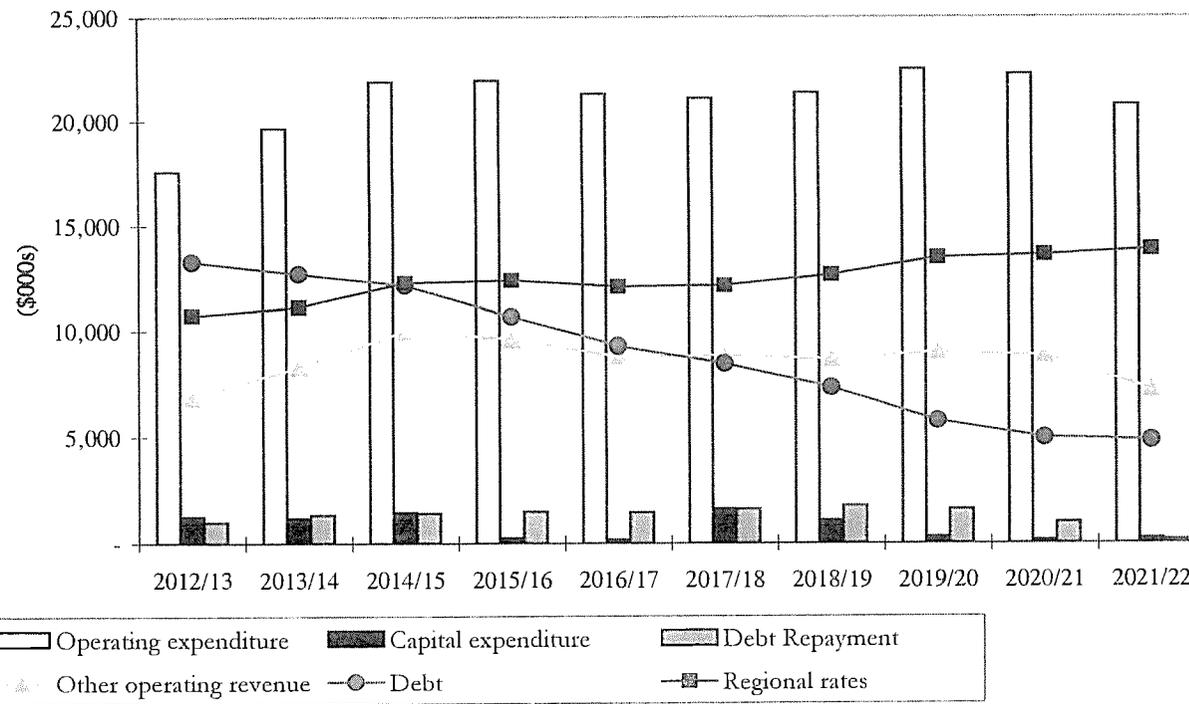
Regional Leadership

Ten-year financial forecast

This graph places the prospective funding impact statement for the next year in the context of the ten-year planning horizon.

Key points to note are:

- Operating expenditure is not consistent due to irregular updates to the regional transport model, tri-ennial election costs and the strategic projects through the life of the plan.



Please note that these figures exclude GST.

(\$000s)	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Operating expenditure	17,570	19,664	21,912	21,975	21,324	21,110	21,364	22,489	22,240	20,774
Debt Repayment	997	1,342	1,417	1,495	1,473	1,622	1,782	1,619	1,019	168
Capital expenditure	1,277	1,197	1,468	261	189	1,633	1,102	318	148	246
Debt	13,304	12,743	12,195	10,713	9,313	8,494	7,361	5,807	4,993	4,858
Regional rates	10,762	11,168	12,315	12,432	12,138	12,200	12,716	13,535	13,672	13,921
Other operating revenue	6,877	8,332	9,989	9,642	8,835	8,883	8,731	9,060	8,901	7,275

Public transport

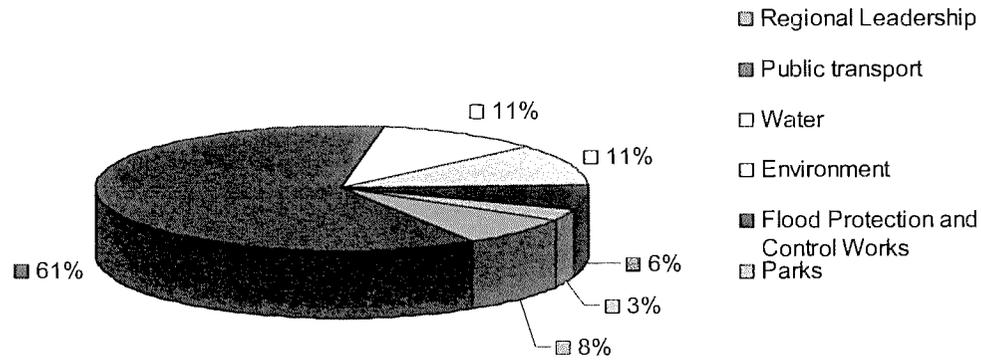
Greater Wellington is responsible for planning and funding the Metlink public transport network. We contract companies to run the train, bus and harbour ferry services on our behalf. We also own and maintain parts of the network, including trains and railway stations. We provide customer information about Metlink services and run the Total Mobility scheme for people with disabilities.

1. Activities

This group of activities includes:

- Metlink public transport network planning
- Rail operations and asset management
- Bus and ferry operations and asset management
- Metlink customer services and information
- Total mobility

Figure 1. Public transport as a percentage of Greater Wellington' expenditure



Public transport expenditure by activity

	\$000s
Metlink public transport network planning	1,663
Rail operations and asset management	81,383
Bus and ferry operations and asset management	52,763
Metlink customer services and information	2,632
Total mobility	<u>2,719</u>
Total applications of operating funding	<u>141,160</u>

2. Contribution to community outcomes

Our public transport activities contribute towards achieving:

- A **connected community** by providing a mass transit system that moves people efficiently and relieves congestion from our roads at peak times and by providing an essential service for people for whom, whether by choice or circumstance, private vehicle travel is not an option
- A **strong economy** by enhancing the efficient movement of people and goods within the region
- A **healthy environment** by reducing vehicle emissions from private vehicles.

3. Issues we are facing

Funding constraints make it a challenge to maintain service levels and grow patronage, in line with the Regional Land Transport Strategy. The Government Policy Statement on Land Transport Funding (GPS) provides for only limited annual increases in national funding for public transport service expenditure and reduced available funding for annual public transport infrastructure expenditure. There is an expectation that delivering services more efficiently and effectively will reduce reliance on public funding. At the same time, there is continued demand from passengers for increases in the frequency and coverage of services, particularly during off-peak periods. Greater Wellington must balance the costs and benefits of meeting these demands.

Our ability to control costs is limited in the short term by contracts with bus, rail and ferry operators and by our willingness to reduce services or increase fares as costs increase. Oil price volatility is also a constant pressure on operating budgets.

The rail network has suffered from reliability problems in recent years. Temporary network closures have been necessary to allow work to be undertaken to address these, including completion of rail infrastructure upgrades and implementation of the government rail package. This work is still underway and, until complete, will continue to impact on the reliability of the rail network.

The NZ Transport Agency (NZTA) is seeking to establish a national electronic ticketing programme for public transport in New Zealand, starting with Auckland. This will have implications for Wellington and how we develop and implement an electronic ticketing system for Wellington. .

There is also uncertainty about the impact of a proposed new procurement model that will change the way we contract bus and ferry services. The Public Transport Operating Model (PTOM) is a government initiative that is in development.

4. Strategy for public transport

4.1 Long term approach

Our long term approach is to provide a modern, effective and efficient integrated public transport network that contributes to sustainable economic growth and increased productivity while also providing for the social needs of the community. This will require us to continue to invest in and improve the public transport network so that it increasingly provides a viable alternative to travel by private car. We need to continue to upgrade the rail network infrastructure and provide new and upgraded rolling stock. To attract more users we need to increase the frequency and reliability of services and introduce features such as real time information and electronic ticketing.

However, such improvements are costly and we do not have a large population base to easily fund such initiatives. We have to balance the cost of providing services with demand and patronage and people's ability to pay.

4.2 Priorities for the next three years

The following priorities have been identified for the next three years:

- Maximise the benefits of existing investments and projects, including improving the reliability and efficiency of public transport in central Wellington
- Apply a layered service approach⁶ to the planning and delivery of bus services to ensure services are located where they provide the greatest benefit
- Implement network-wide integrated electronic ticketing at the earliest opportunity
- Provide public transport that is affordable for passengers and for ratepayers, while managing financial risks arising from exchange rate and oil price volatility
- Ensure the best possible return from investment in public transport to maximise value for money.

⁶ A layered service approach is explained in the Regional Public Transport Plan 2011. It provides a hierarchy of four service layers from a rapid transport network to targeted services.

4.3 Major infrastructure projects

This plan includes the following significant programme of new and upgraded public transport infrastructure. Projects can only proceed when funding approval has been obtained.

Project description	Total cost	Year(s)
48 new two-car Matangi trains ⁷	\$8 million	2012/13
Refurbish Ganz Mavag trains	\$79 million	2012-17
Rail infrastructure renewal and upgrades ⁸	\$49 million	2012-22
Rail rolling stock heavy maintenance and minor improvements ⁹	\$78 million	2012-22
Regional Rail Plan – reliability and frequency upgrades	\$52 million	2015-20
Trolley bus overhead network infrastructure renewals	\$36 million	2012-22
Bus shelters and interchanges	\$3 million	2012-22
Electronic/integrated ticketing	\$39 million	2013-16
Install bike racks on buses	\$1 million	2017/18
Customer information systems	\$2 million	2012-22
Total	\$347 million	

4.4 Policy framework

These are the existing Greater Wellington policies and plans relating to the public transport group of activities:

- Wellington Regional Land Transport Strategy 2010-2040 (RLTS) - the strategic document that guides the development of the region's transport system including public transport.

⁷ Significant expenditure on the new Matangi trains has already been incurred. The total expected cost for the trains is \$236 million.

⁸ This includes station and carpark upgrades

⁹ This includes the modification of SE cars for use on the Wairarapa line

- Wellington Regional Public Transport Plan 2011 - 2021 - sets the direction for public transport in the region including funding and delivery.
- Wellington Regional Rail Plan 2010 - provides for the long term development of the region's rail network.

5. Assumptions and risks

In managing this group of activities we have assumed that:

- All public transport projects and services will receive funding assistance from Crown agencies, primarily NZ Transport Agency, at the following levels (percentage of cost):

Operations funding assistance rates

Rail services	50-60%
Bus and ferry services	50%
Total Mobility	60%
Infrastructure maintenance and operations	50-60%

Improvement projects funding assistance rates

Real time information system	80%
Electronic/integrated ticketing	50%
Rail projects	50-90%

- Passenger transport infrastructure investment and other capital expenditure will be partly funded by debt. Debt repayments have been estimated in accordance with the Treasury Management Policy

- Fare revenue will be increased by 3% per annum as a result of fare increases
- Growth in passenger numbers on rail services has been assumed at 2.5% over the ten years of the Long Term Plan. An increase in expenditure is assumed from 2016/17 to improve capacity and reliability of services as outlined in the Regional Rail Plan. An increase in services on the Wairarapa line is assumed from 2012/13.
- Growth in passenger numbers on bus and ferry services has been assumed to come from within current budget provisions. Greater Wellington is working with the Ministry of Transport on a new way of contracting bus and ferry services known as the Public Transport Operating Model (PTOM). An underlying principle of PTOM is getting more services from the same or reducing funding levels.
- Use of the Total Mobility Scheme will grow at 2.9% over the ten years of the Long Term Plan.
- Expenditure on the electronic integrated ticketing project is based on the limited information available from a similar project underway in Auckland. An investigation is planned in 2012-14 which will further inform expenditure levels.
- Greater Wellington has entered into a number of bus contracts to supply public transport services. Included in these contracts are cost indices requiring Greater Wellington to adjust payments depending on the movement of the indices. The indices are calculated on a number of factors, including the New Zealand dollar price for diesel, staff costs, etc. For the 2012/13 year, the cost of oil is assumed to be US\$100 per barrel (WTI) and the NZ/US exchange rate is assumed to be \$0.75. For subsequent years the indices increase at the level of inflation
- Trolley bus services are assumed to continue after the current contract expires in 2017 at current expenditure levels.
- The interest-free Crown loan used to fund a number of rail rolling stock projects will be extended indefinitely on the same terms when it is due to mature in 2016
- Greater Wellington will not rate the community to fund depreciation and impairment of transport infrastructure and passenger rail rolling stock. Rates will only fund debt repayment on Greater Wellington's share of capital expenditure.
- Greater Wellington recognises the importance of good asset management including having up-to-date asset management plans. An asset management plan for Public Transport is expected to be completed by May 2012 – this is not expected to result in any material changes to the estimates in this Long Term Plan

In addition to the risks associated with the assumptions not being borne out, the following risks have been identified:

- Customers are unhappy with metro rail performance because of failure of the network or rolling stock

- Customers are unhappy with contracted bus and ferry services because of failure to meet reliability and/or quality targets.

6. Significant negative effects on wellbeing

There is the potential for public transport projects and on-going operations to have negative effects on environmental wellbeing, although public transport has an overall positive effect on CO² emissions in the region. We will seek to minimise the impact of public transport projects and operations, for example, by ensuring that stormwater run-off from sealed car parks is managed appropriately.

7. Plan the Metlink public transport network

7.1 What we do and why

The Metlink public transport network currently operating in the Wellington region is a network of bus, train and harbour ferry services. To ensure that the network operates efficiently and effectively, it must be planned in an integrated way. It is also important that, at a sub-regional level, services are reviewed from time to time to ensure that they are meeting the needs of the community that they serve and providing value for money for users, ratepayers and taxpayers.

As a contractor of public transport services Greater Wellington is required by the Public Transport Management Act 2008 to prepare a Regional Public Transport Plan (PT Plan). The purpose of the PT Plan is to give effect to the public transport service components of the Regional Land Transport Strategy. In 2011 Greater Wellington adopted a new PT Plan and the Act requires that it be kept current for a period of not less than three years, and not more than 10 years in advance.

The PT Plan incorporates the key findings of the Regional Rail Plan which is a non-statutory document that sets out the plans for the Metlink rail network to 2035. This includes rolling stock fleet requirements and network enhancements needed to meet future demands on the network, which generally have a long lead time for implementation. These Plans enable Greater Wellington to be responsive to changing travel demand in a timely manner.

7.2 What we will deliver

Level of service	Performance measure	Performance targets				
		Baseline	2012/13	2013/14	2014/15	2015-22
Prepare and review the Regional Public Transport Plan	Regional Public Transport Plan reviewed and adopted in accordance with the Public Transport Management Act 2008	Regional Public Transport Plan adopted November 2011	Regional Public Transport Plan amended as necessary to incorporate the new Public Transport Operating Model, the Wellington City Bus Review and the Long Term Plan 2012-2022	Regional Public Transport Plan remains operative	Regional Public Transport Plan remains operative	Regional Public Transport Plan reviewed

7.3 Specific areas of work

Specific areas of work in next three-year period	2012/13	2013/14	2014/15
Review Metlink services in Eastbourne, Wainuiomata, Lower Hutt and Upper Hutt including east-west connection to Porirua	✓		
Review Metlink services in Wellington city	✓		
Review Metlink services in Kapiti		✓	
Review Metlink services in Porirua, including east-west connections to the Hutt Valley			✓
Review minor services in two areas		✓	✓

Review Metlink fares structure (types of fare)	✓		
Review and amend the Regional Public Transport Plan	✓	✓	✓
Carry out a review of fare levels	✓	✓	✓
Investigate integrated electronic ticketing	✓	✓	

7.4 How we will fund this activity

Our public transport activities are funded by a mix of fares, rates and contributions from Crown agencies. Further information can be found in section 3.2 of our Revenue and Financing Policy on page x.

Key project: implementation of electronic integrated ticketing

Electronic ticketing systems for public transport are quicker and more efficient. They provide useful data on passenger numbers and journeys to assist planning and also allow for more flexibility in fare structures and changes.

Electronic ticketing systems (ie, Snapper) are already in use on many bus services within the region, but may need to be amended to be compliant with national standards. The NZ Transport Agency is currently developing national standards to ensure consistency in how electronic ticketing systems work, and can provide access to Greater Wellington to a proposed national data processing centre.

Electronic systems are not currently used on the rail network, and they would require the installation of electronic ticket barriers at Wellington Railway Station.

An integrated ticketing system allows customers to use one ticket or fare product, regardless of mode or operator. This provides a more convenient and efficient system that enables seamless travel across the region. It is critical to the successful implementation of the Wellington Bus Review. While integrated ticketing can be implemented on any system, it is much more effective and efficient if combined

with an electronic ticketing system.

This Long Term Plan proposes to develop and implement an electronic integrated ticketing system for all Metlink public transport services in the region that is compliant with emerging national standards. It will require collaboration with NZ Transport Agency and public transport operators.

The investigation, development and implementation of integrated electronic ticketing is estimated to cost \$40 million plus ongoing operational costs. Costs will be refined through an investigation starting in 2012.

8. Rail operations and asset management

8.1 What we do and why

The Metlink rail network is a key part of the rapid transit network identified in the Regional Public Transport Plan. It helps to connect the region's major activity centres and major growth nodes, and supports the development of higher density centres. Trips made using public transport mean fewer private car trips, resulting in lower levels of congestion, reduced environmental impacts and fewer injury-causing accidents. Public transport also functions as an essential service for people for whom private car travel is not an option, for reasons of access, age, ability, income, choice or disability or injury. The provision of public transport is a core service for local government under the Local Government Act 2002.

Greater Wellington's role in the provision of metro rail services can be divided into two parts – operations and assets.

Greater Wellington procures and funds rail operations and asset management services because, in the current environment, they are unable to be solely funded from commercial returns, such as fares.

We determine the timetable and procure and fund a rail operator to provide services. The 2012/13 timetable has around 2200 services per week across four rail lines. Greater Wellington owns the electric trains that service the metropolitan area and also the carriages that service Wairarapa. We also own all railway stations, except Wellington Railway Station, and all overbridges and underpasses. In addition, we manage all of the park and ride car parks. Greater Wellington manages these assets in accordance with its asset management plans to ensure that they are maintained, upgraded and replaced in a timely manner that ensures that the agreed service levels can be achieved.

8.2 What we will deliver

Level of service	Performance measure	Performance targets				
		Baseline	2012/13	2013/14	2014/15	2015-22
Deliver rail services in accordance with the published timetable	Percentage of scheduled services delivered	99.1% (September 2011)	99.3%	99.4%	99.5%	99.5%
	Percentage of scheduled services on-time to 5 minutes by line	Kapiti Line 90% ¹⁰ Hutt Line 90% ⁶ Johnsonville Line 95% ⁶ Wairarapa Line 80% ⁶ (November 2011)	Increase on baseline Increase on baseline Maintain baseline Increase on baseline	Increase on previous year Increase on previous year Maintain baseline Increase on previous year	Increase on previous year Increase on previous year Maintain baseline Increase on previous year	Kapiti Line 95% ⁶ Hutt Line 95% ⁶ Johnsonville Line 95% ⁶ Wairarapa Line 90% ⁶
Maintain and improve rail rolling stock, stations, over-bridges, subways and car parks in accordance with rail asset management plans	Percentage of fleet available for service	86% (September 2011)	88%	90%	92%	95%
	Fixed asset condition	Baseline to be	Average asset	Average asset	Average asset	Maintain average

¹⁰ Actual performance data is provided by the rail operator. When real time information is fully introduced these targets may need to be revised.

	rating score	established from asset condition assessment report due March 2012	condition rating score improves from previous year	condition rating score improves from previous year	condition rating score improves from previous year	asset condition rating score
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Commitment to improving Wellington's urban rail commuter service

Greater Wellington is committed to improving Wellington's urban rail commuter service. In 2005, after securing enhanced Crown funding through the Wellington Transport Funding Package, we undertook community consultation on a proposal to take ownership of rail rolling stock, as well as to significantly increase rail expenditure and associated transport rates and fares over time. Community feedback was generally supportive and, as a consequence, we adopted amendments to our 2003- 2013 Long Term Plan. This set the direction that we continue to follow today.

In July 2007 the Crown and Greater Wellington approved a \$500 million investment package for the Wellington urban rail network over a five year period. The improvements were designed to deliver greater service reliability and capacity. They involved new rolling stock (purchasing the Matangi trains), track upgrades, station upgrades, infrastructure renewals and short term capacity enhancement.

In July 2011 Greater Wellington confirmed a package with the government, KiwiRail and the NZ Transport Agency that will complete the rebuild of Wellington's commuter rail services. This deal included government funding of \$88 million to fund deferred renewals of the rest of the signalling and track assets on the network, and means that Greater Wellington has ownership of the entire commuter rail fleet and stations (other than Wellington Railway Station). It includes a commitment by Greater Wellington to upgrade or replace the Ganz Mavag train units at a cost of \$80 million.

8.3 Changes to what we will deliver

The 2011/12 the budget provided for expenditure on improvement projects of \$101.5 million, primarily for the purchase of new Matangi passenger trains and associated rail infrastructure works. In 2012/13 this amount has reduced to \$26.3 million as the last payments are made for the new trains.

8.4 Specific areas of work

Specific areas of work in next three-year period	2012/13	2013/14	2014/15
Commission and introduce the new Matangi trains	✓		
Maintain and improve rail assets including trains and station buildings	✓	✓	✓
Refurbish GanzMavag trains	✓	✓	✓
Modify six SE cars so they can be used on the Wairarapa line	✓		

8.5 How we will fund this activity

Our public transport activities are funded by a mix of fares, rates and contributions from Crown agencies. Further information can be found in section 3.2 of our Revenue and Financing Policy on page x.

9. Bus and ferry operations and asset management

9.1 What we do and why

The Metlink bus and ferry network primarily forms part of the quality transit network identified in the Regional Public Transport Plan. The quality transit network connects the region's major activity centres and major growth nodes and, together with the rapid transit network, enables relatively fast and reliable travel around the region. Bus and ferry services are key elements of the public transport system which performs as a mass transit system at peak hours. Trips made using public transport mean fewer private car trips, resulting in lower levels of congestion, reduced environmental impacts and fewer injury-accidents. Public transport also functions as an essential service for those people in the Wellington region for whom private car travel is not an option, for reasons of access, age, ability, income, choice, or due to a disability or injury. The provision of public transport is a core service for local government under the Local Government Act 2002.

Greater Wellington's role in the provision of metro bus and ferry services can be divided into two parts – operations and assets.

Greater Wellington owns and/or funds bus infrastructure such as bus stop signs, bus shelters and the Lambton Bus Interchange.

We procure and fund bus and ferry operations and asset management services because, in the current environment, they are unable to be solely funded from commercial returns, such as fares. We determine the timetable and procure and fund bus and ferry services in accordance with the timetable. The 2011/12 timetable has around 19,600 services per week across the network.

9.2 What we will deliver

Level of service	Performance measure	Performance targets				
		Baseline	2012/13	2013/14	2014/15	2015-22
Deliver bus and ferry services in accordance with the published timetable	Percentage of scheduled services delivered ¹¹	99% (September 2011)	≥ 99%	≥ 99%	≥ 99%	≥ 99%
	Percentage of scheduled services on-time to 10 minutes	99.8% (September 2011 ¹²)	≥98% ⁸	≥98% ⁸	≥98% ⁸	≥98% ⁸
Maintain and improve bus stop facilities and interchanges	Fixed asset condition rating score	Baseline to be established from asset condition assessment report due March 2012	Average asset condition rating score improves from previous year	Average asset condition rating score improves from previous year	Average asset condition rating score improves from previous year	Maintain average asset condition rating score
Improve the quality and accessibility of the bus fleet	Compliance with NZTA requirements for urban buses	All buses entering service in the region meet NZTA requirements (Nov 2011)	All bus operating contracts varied to comply with NZTA requirements for urban buses	All bus operating contracts varied to comply with NZTA requirements for urban buses	All existing contracted buses in the region meet NZTA requirements for urban buses	All contracted buses in the region are super-low floor and wheelchair accessible

¹¹ Services which run 10 minutes or more late are deemed as not run and are included in this measure.

¹² Actual performance data is provided by bus and ferry operators. When real time information is fully introduced these targets may need to be revised.

9.3 Specific areas of work

Specific areas of work in next three-year period	2012/13	2013/14	2014/15
Implement the new Public Transport Operating Model for the procurement of bus services	✓	✓	✓
Maintain and improve bus shelters, signage and other fixed assets	✓	✓	✓
Implement the outcome of the Wellington Bus Review		✓	✓

9.4 How we will fund this activity

Our public transport activities are funded by a mix of fares, rates and contributions from Crown agencies. Further information can be found in section 3.2 of our Revenue and Financing Policy on page x.

New project: review of trolley buses

The contract for the electric trolley buses that are in use in parts of Wellington city and the related contracts to maintain the overhead power wires expire in 2017. This Long Term Plan proposes a review of these operations in advance of the contract expiry to determine whether trolley buses or alternative vehicles will be used to provide public transport services on current trolley bus routes in the future.

Continuation of trolley buses beyond 2017 is likely to require significant additional funding to further renew the electric power network (run by Wellington Cable Car Ltd).

The Wellington Bus Review, which is underway, may also influence the review of trolley buses, as it proposes some changes to current bus routes. The cost of moving or installing overhead power cables is significant. The Public Transport Spine Study, which is examining longer

term options for services through the Wellington CBD will also have an influence on the review of trolley buses as it will help to determine the future routes and type of vehicle to be used on this part of the network.

The review will also be an opportunity to consider emerging environmentally friendly technology that may be available in light of the iconic and environmentally sustainable status of the trolley bus fleet in Wellington.

Additional funding for undertaking the review of trolley bus operations will be a total of \$155,000 in 2013/14.

10. Metlink customer services and information

10.1 What we do and why

An essential element of a successful public transport network is the provision of information about the services that are available. In the Wellington region the various services and providers are brought together under the Metlink brand. Greater Wellington provides information about the Metlink network and runs promotions to encourage use of the network.

Information about public transport is provided through printed timetables, timetable information at bus stops and stations, maps, guides and leaflets. Bus and train timetable information is available via text messages (txtBUS and txtTRAIN) and Greater Wellington provides a comprehensive Metlink website with timetable and fare information, and a journey planner.

Real time information is available for bus services in Wellington and the Hutt Valley, and will be progressively available in other parts of the region and also on rail network. Information is available through on-street platform display signs, on mobile phones and the internet.

Greater Wellington provides a Metlink service centre. Promotional campaigns use advertising, leaflets, posters and newsletters, and aim to inform the public of service changes/new services, or to promote use of the public transport network. We regularly monitor customer satisfaction with our services to help us to continually improve them.

10.2 What we will deliver

Level of service	Performance measure	Performance targets				
		Baseline	2012/13	2013/14	2014/15	2015-22
Provide information to the public from a call centre	Percentage of residents who rate the service they receive from Metlink public transport services as excellent or very good	78% (2011)	84%	90%	90%	90%
	Number of visits to the Metlink website and mobi site	1.8 million visits to the Metlink website (2010/11) 143,000 visits to the Metlink mobi site (2010/11)	2 million 300,000	2.05 million 325,000	2.1 million 350,000	Continued increase in visits to Metlink website and mobi site
Provide a real time information system	Percentage of bus and train services tracked by real time information where the system has been deployed	85 % (2011)	87%	90%	90%	90%

10.3 Changes to what we will deliver

There will be an increase in the level of service from 2011/12, with real time information available across bus and train services by the end of 2012/13.

10.4 Specific areas of work

Specific areas of work in next three-year period	2012/13	2013/14	2014/15
Complete the rollout of the real time information system for bus and train services	✓		
Continue to provide information on Metlink services through a call centre, timetable production, website and twitter	✓	✓	✓
Conduct the public transport customer satisfaction monitor	✓	✓	✓

10.5 How we will fund this activity

Our public transport activities are funded by a mix of fares, rates and contributions from Crown agencies. Further information can be found in section 3.2 of our Revenue and Financing Policy on page x.

11. Total Mobility

11.1 What we do and why

Greater Wellington operates a Total Mobility Scheme by subsidising taxis for people with disabilities who are not able to use public transport. There are 8,230 registered users (January 2012) in the Wellington Region and nearly one quarter of a million trips were made using the scheme in 2010/11.

In 2010 Greater Wellington introduced a new electronic card system for users of the Scheme which has significantly improved the ease of administration of the Scheme.

11.2 What we will deliver

Level of service	Performance measure	Performance targets				
		Baseline	2012/13	2013/14	2014/15	2015-22
Provide a subsidised taxi service for those members of the public unable to use buses or trains	Percentage of scheme users who rate the overall service of the scheme as good or better	97% (2011)	≥97%	≥97%	≥97%	≥97%
	Average time to process an application to join the scheme	15 working days (2010/11)	15 working days	15 working days	15 working days	15 working days

11.3 How we will fund this activity

Greater Wellington uses the following funding allocations in respect of the Total Mobility Scheme:

- A target of 50% user charges
- The remainder from a community contribution (national and regional).

This community contribution is funded as follows:

- The maximum contribution from NZ Transport Agency (this contribution is currently 60%)
- The balance is from a Greater Wellington contribution funded via targeted rates set as follows:
 - The rates required are borne by ratepayers across the region
 - A 50% discount is given for rural properties
 - Within districts, costs are allocated on rateable capital values.

12. Financials

FINANCIAL INFORMATION

PUBLIC TRANSPORT
PROSPECTIVE FUNDING IMPACT STATEMENT
FOR THE YEAR ENDING 30 JUNE

	2012/13	2013/14	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Public transport operations												
Sources of operating funding												
General rate												
Targeted rate	47,565	54,261	47,565	54,261	62,264	67,647	77,512	81,654	85,890	89,705	92,594	93,405
Government subsidies	61,358	64,579	61,358	64,579	69,004	70,854	70,365	69,218	81,740	83,342	85,441	85,818
Interest and dividends	212	65	212	65	19	20	24	25	29	30	32	33
Other operating revenue	832	885	832	885	924	943	808	845	867	873	935	920
Total operating funding	109,967	119,790	109,967	119,790	132,211	139,464	156,709	162,952	168,526	173,950	179,002	181,194
Applications of operating funding												
Direct operating expenditure	132,814	139,323	132,814	139,323	144,310	162,610	156,365	157,206	153,597	162,292	156,769	161,071
Finance costs	5,069	6,661	5,069	6,661	8,492	10,505	12,516	12,427	12,779	11,755	11,241	10,492
Internal charges applied	3,277	3,685	3,277	3,685	3,928	3,973	4,125	4,400	4,469	4,646	4,972	4,643
Total applications of operating funding	141,160	149,669	141,160	149,669	156,730	177,168	173,006	174,033	170,836	178,695	173,002	177,206
Net surplus/(deficit) of operating funding	(31,193)	(29,879)	(31,193)	(29,879)	(24,519)	(37,704)	(16,297)	(11,081)	(2,310)	(4,745)	6,000	3,988
Sources of capital funding												
Government subsidies for capital expenditure	9,195	8,466	9,195	8,466	15,591	25,418	16,564	16,287	11,504	13,746	8,410	8,782
Increase / (decrease) in debt ¹	20,522	23,607	20,522	23,607	26,990	30,491	181	(3,564)	(8,739)	(8,531)	(13,901)	(12,235)
Proceeds from asset sales	10	10	10	10	-	-	11	12	-	-	13	13
Total sources of capital funding	29,727	32,083	29,727	32,083	42,571	55,909	16,756	12,735	2,765	5,215	(5,470)	(3,440)
Applications of Capital Funding												
Capital expenditure												
- to meet additional demand	-	-	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	1,170	4,422	1,170	4,422	17,660	17,965	171	1,355	183	189	195	202
- to replace existing assets	382	137	382	137	373	220	264	274	243	251	303	313
Investment additions	-	-	-	-	-	-	-	-	-	-	-	-
Reserve movements	(3,010)	(2,355)	(3,010)	(2,355)	19	20	24	25	29	30	32	33
Working capital movements	-	-	-	-	-	-	-	-	-	-	-	-
Total applications of capital funding	(1,466)	2,204	(1,466)	2,204	18,052	18,205	459	1,654	455	470	530	548
Surplus/(deficit) of funding	-	-	-	-	-							
Depreciation on Public Transport assets	798	979	798	979	1,461	3,288	5,115	5,167	5,402	5,406	5,409	5,447

¹ As part of the Wellington Rail Package 2011, Greater Wellington now fully funds some public transport improvement expenditure at the time the expense is incurred, and recovers a share of the debt servicing costs from the New Zealand Transport Agency. This expenditure is treated as operational expenditure in Greater Wellington's accounts as the underlying assets will mostly be owned by the Greater Wellington subsidiary Greater Wellington Rail Limited. This has the effect of creating an operational deficit which funded by debt in accordance with Greater Wellington's Revenue and Financing Policy.

This statement is not an income statement. It excludes all non-cash transactions such as depreciation and valuations.

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in this 10-Year Plan 2012-22.

All figures on this page exclude GST.

FINANCIAL INFORMATION

PUBLIC TRANSPORT
PROSPECTIVE FUNDING INFORMATION
FOR THE YEAR ENDING 30 JUNE

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	\$000s	\$000s	\$000s
Public transport operations										
Operating funding										
Metlink public transport network planning	1,663	1,656	1,206	1,205	1,241	1,314	1,311	1,349	1,433	1,428
Rail operations and asset management	58,095	60,349	65,831	68,930	81,764	86,471	90,436	94,026	97,122	99,069
Bus and ferry operations and asset management	46,815	52,122	59,260	63,171	67,277	68,474	68,837	71,364	72,896	72,836
Metlink customer services and information	2,848	2,764	2,890	2,982	3,085	3,168	3,231	3,300	3,414	3,501
Total mobility	2,754	2,899	3,034	3,176	3,342	3,525	3,711	3,911	4,137	4,360
Total operating funding	109,867	119,790	132,211	139,454	156,709	162,952	168,526	173,950	179,002	181,194
Applications of operating funding										
Metlink public transport network planning	1,663	1,656	1,206	1,205	1,241	1,314	1,311	1,349	1,433	1,428
Rail operations and asset management	51,467	55,459	58,819	59,159	70,051	72,864	75,774	77,589	80,476	82,150
Bus and ferry operations and asset management	48,103	52,295	56,226	58,788	62,278	63,472	64,782	65,931	67,422	68,738
Metlink customer services and information	2,632	2,732	2,822	2,902	2,989	3,081	3,160	3,242	3,354	3,439
Total mobility	2,719	2,862	3,010	3,168	3,342	3,525	3,711	3,911	4,137	4,360
Total applications of operating funding	106,584	115,004	122,083	125,222	139,901	144,256	148,738	152,022	156,822	160,115
Net surplus/(deficit) of operating funding	3,283	4,786	10,128	14,232	16,808	18,696	19,788	21,928	22,180	21,079
Public transport improvements¹										
Government subsidies for improvements										
Rail operations and asset management	7,373	4,612	5,168	14,847	14,790	13,816	9,508	11,633	6,171	6,394
Bus and ferry operations and asset management	2,330	1,584	1,282	1,471	1,569	1,671	1,777	1,891	2,018	2,151
Total government subsidies for improvements	9,703	6,196	6,550	16,318	16,359	15,487	11,285	13,524	8,189	8,545
Improvement expenditure										
Rail operations and asset management	(29,686)	(31,490)	(31,884)	(49,003)	(29,968)	(26,436)	(18,543)	(22,891)	(12,144)	(12,788)
Bus and ferry operations and asset management	(4,686)	(3,167)	(2,763)	(2,943)	(3,137)	(3,341)	(3,555)	(3,782)	(4,036)	(4,303)
Total improvement expenditure	(34,372)	(34,657)	(34,647)	(51,946)	(33,105)	(29,777)	(22,098)	(26,673)	(16,180)	(17,091)
Operational funding deficit from public transport improvements	(24,669)	(28,461)	(28,097)	(35,628)	(16,746)	(14,290)	(10,813)	(13,149)	(7,991)	(8,546)
Net surplus/(deficit) of operating and transport improvement funding	(21,486)	(23,675)	(17,969)	(21,396)	62	4,406	8,975	8,779	14,189	12,533
Capital expenditure										
New public transport shelters, signage, pedestrian facilities and systems	1,520	4,526	18,033	18,185	399	1,591	426	440	456	472
Total capital project expenditure	1,520	4,526	18,033	18,185	399	1,591	426	440	456	472
Land and buildings	-	-	-	-	-	-	-	-	-	-
Plant and equipment	-	-	-	-	-	-	-	-	-	-
Vehicles	32	33	-	-	36	38	-	-	42	43
Total capital expenditure	1,552	4,559	18,033	18,185	435	1,629	426	440	498	515

¹ Public transport improvements include capital grants to external public organisations and the 100% Council Controlled Trading Organisation, Greater Wellington Rail Ltd, for improvements to public transport infrastructure where Greater Wellington will not own the resulting asset. These improvements include trolley bus overhead wire renewals, rail station and carpark renewals, rail track renewals, the new Matangi trains and the Genz Mavag refurbishment programme.

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations.

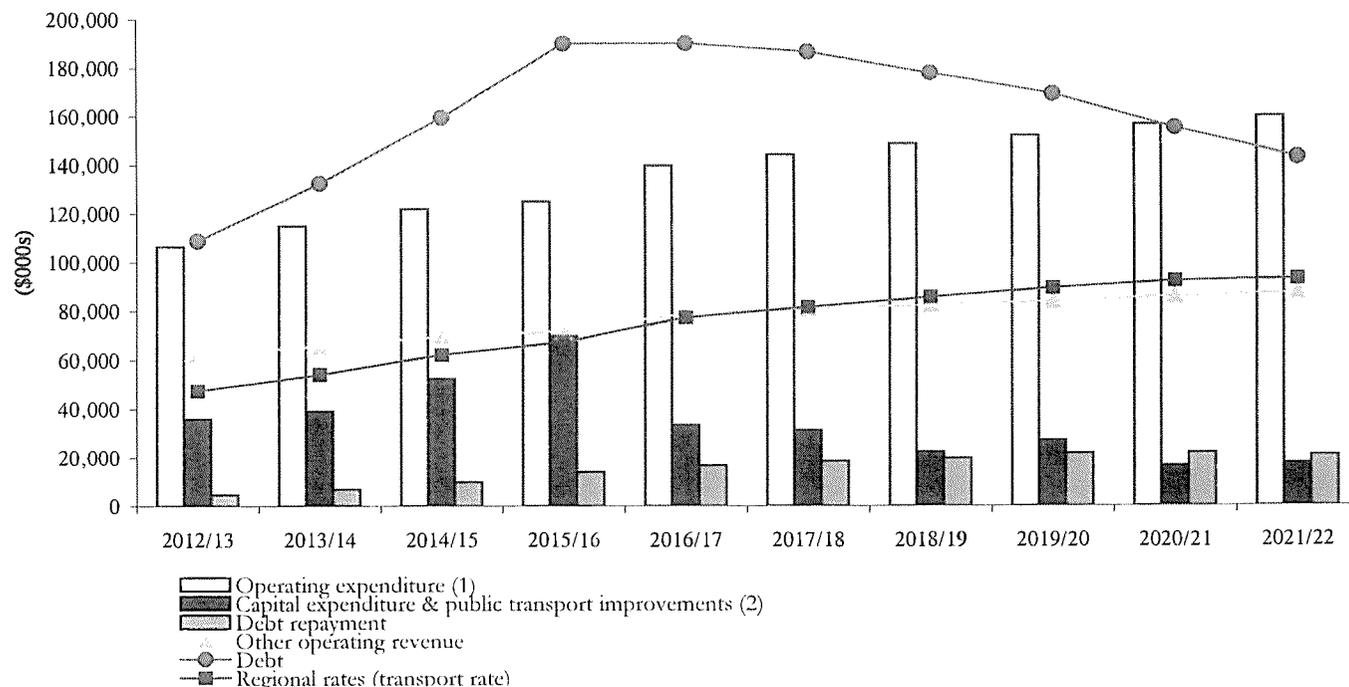
For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in this 10-Year Plan 2012-22.

All figures on this page exclude GST.

Transport Ten-year financial forecast

This graph places the prospective funding impact statement for the next year in the context of the ten-year planning horizon.

Capital expenditure and debt peaks in 2015/16 as the Ganz Mavag refurbishment programme nears completion.



Please note that these figures exclude GST.

(\$000s)	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Operating expenditure (1)	106,604	115,004	122,083	125,222	139,901	144,256	148,738	152,022	156,822	160,115
Debt repayment	4,813	7,118	10,108	14,222	16,760	18,646	19,761	21,898	22,119	21,017
Capital expenditure & public transport improvements (2)	36,108	39,224	52,680	70,131	33,540	31,406	22,524	27,113	16,678	17,606
Debt	108,828	132,433	159,411	189,902	190,080	186,516	177,777	169,244	155,340	143,105
Regional rates (transport rate)	47,565	54,261	62,264	67,647	77,512	81,864	85,890	89,705	92,594	93,405
Other operating revenue	62,402	65,529	69,947	71,817	79,197	81,088	82,636	84,245	86,408	87,789

(1) Excluding public transport improvements

(2) Public transport improvements include capital grants to external public organisations and the 100% Council Controlled Trading Organisation, Greater Wellington Rail Ltd, for improvements to public transport infrastructure where Greater Wellington will not own the resulting asset. These improvements include trolley bus overhead wire renewals, rail infrastructure, rail track renewals and the new Marangi trains.

Water supply

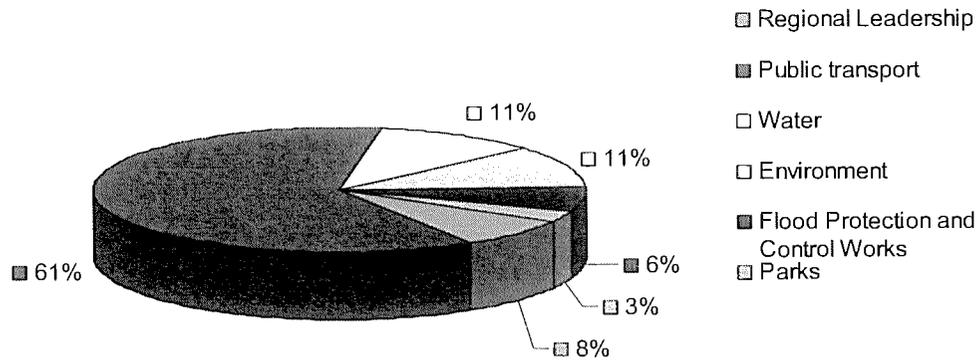
Greater Wellington is responsible for collecting, treating and distributing drinking water to Wellington City Council, Hutt City Council, Upper Hutt City Council and Porirua City Council for their supply to consumers.

1. Activities

Our water supply activities have three components:

- Water quality – ensuring safe high quality water
- Water availability – a secure reliable water supply
- Sustainability – planning for future demand and being cost effective while meeting all relevant environmental and health and safety standards

Figure 1. Water supply as a percentage of Greater Wellington's expenditure



Expenditure on Water supply

Water Supply	\$000s 22,950
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2. Contribution to community outcomes

Water supply activities contribute towards achieving a **strong economy** by:

- Ensuring there is sufficient drinking water available to sustain and grow our population and support our economy

They contribute towards a **resilient community** by:

- Preparing the system to cope with emergencies and the long term impacts of climate change

They contribute towards achieving a **healthy environment** by:

- Encouraging people to use water wisely to reduce the environmental impacts.
- Protecting current and future water catchments

They contribute towards achieving **quality of life** by:

- Ensuring that drinking water meets Ministry of Health requirements

3. Issues we are facing

Water supply is an essential service, which is vital to our health, quality of life and economic prosperity. While Greater Wellington currently provides a sufficient supply of high quality water, population growth will require us to increase our water supply capacity within the next 10 years, despite the downward trend in water use per person. Climate change may also impact on water supply with extended dry periods affecting security of supply, and extreme weather events affecting water supply assets. Increasing our water supply capacity will require capital investment, and may also require the community to make some trade-offs, such as between rate increases, further environmental protection and increased resilience.

The Canterbury earthquakes have highlighted the importance of the resilience of regional water supply infrastructure. Our water supply system is vulnerable to earthquakes and our research estimates that following a significant earthquake on the Wellington Fault it would take around six to eight weeks to reinstate a bulk water supply sufficient to meet basic needs.

Building, maintaining and operating water supply infrastructure is expensive so we need to make the most efficient use of our limited resources. Other local authorities in the region have similar water supply issues, and there are many opportunities to provide a better/cheaper service to the community by taking a more coordinated approach to tackling these issues.

4. Strategy for water supply

4.1 Long term approach

Our long term approach is to maintain and operate our existing water supply system to the highest standard, and to be ready to provide additional sources of supply, when these are needed, to meet our growing population. We will also continue to work with the local authorities we supply and with the community to promote efficient and wise use of water.

We will maximise opportunities to work with others and take a strategic approach to enable better long term planning, increased cost effectiveness and enhanced operational capability. This includes taking the lead in developing a regional approach to the provision of bulk water supply in emergencies to improve resilience.

4.2 Priorities for the next three years

- Confirm preferred option for future additional water supply capacity
- Continue to improve the resilience of the bulk water supply
- Complete investigations for the provision of bulk water in emergencies and commence planning for implementation of preferred options
- Complete Stuart Macaskill Lakes upgrade to enhance water storage capacity and reduce seismic risk.

4.3 Major infrastructure projects

This Plan includes the following significant programme of new and upgraded water supply infrastructure.

Project description	Total cost	Year(s)
Operate the water supply network, and renew and improve water supply infrastructure, including improvement of earthquake resilience	\$17.51 million	2012-22
Replace pipeline assets	\$14.72 million	2012-22

Replace control system assets	\$3.17 million	2012-22
Replace and refurbish pump station assets	\$2.66 million	2012-22
Increase the capacity of the Stuart Macaskill Water Storage Lakes	\$1.7 million	2012-14
Earthquake-strengthen the Stuart Macaskill Water Storage Lakes	\$2.4 million	2012-14
Construct inlet pipeline to proposed Prince of Wales Park reservoir and rationalisation of GWRC and WCC assets	\$4.8 million	2012-14
Provisional sum for Land Purchase (proposed Te Marua Lake 3)	\$4 million	2012/13
Water supply development (interim solution)	\$10 million	2017-20

4.4 Policy framework

These are the existing Greater Wellington policies and plans that relate to the water supply group of activities:

- Proposed Regional Policy Statement 2009 (RPS) - identifies regionally significant issues around the management of the region's natural and physical resources, including freshwater
- Regional Freshwater Plan 1999 - identifies issues, objectives, policies and methods for the sustainable management of freshwater resources in the region, including rivers, lakes, streams, ponds, aquifers and artificial water courses
- Asset Management Plan (Water Supply) 2004 and 2008 addendum - ensure that the necessary water supply assets are in place and maintained to provide stated levels of service at a reasonable cost, and in a sustainable and environmentally responsible way.

5. Assumptions and risks

In managing this group of activities we have assumed that:

- The urban population of the four cities we supply will reach approximately 435,000 by June 2031. This is based on continued growth at the medium growth rate as projected by Statistics New Zealand
- Gross consumption will not exceed 387 litres per person per day (on a five year average basis). This value is based on the average gross consumption over the five year period ending 30 June 2011. Factors such as the weather, conservation measures and economic activity affect per capita water use
- Additional supply capacity will be required by June 2020 to maintain the supply standard
- An interim solution will provide the additional capacity required from 2020 until a significant new water storage facility will be operational. Potential interim solutions are being investigated and \$10 million is provided in 2017-2020 to implement an interim solution.
- The new Regional Plan (under development) will not significantly affect the allocation of water for public water supply purposes. Resource consents for water takes expire between 2033 and 2036
- The water levy will be adjusted accordingly to meet the impact of any significant changes to interest rates and to maintain debt at sustainable levels
- There will be no events, such as contamination of the water catchments, major failure of treatment processes, or contamination of the bulk distribution network, that would compromise compliance with the New Zealand drinking water standards
- The design standard for security of supply is that the probability of a shortfall in any year is no more than 2% (ie, one in 50 years on average). This is assessed using a model that compares supply and demand scenarios. A “shortfall” is defined as a supply shortage lasting a single day or more.
- Greater Wellington recognises the importance of good asset management planning, including having up-to-date asset management plans. An updated asset management plan for water supply is expected to be completed by 30 June 2012. The updated asset management plan will be based on the requirements of the NAMS International Infrastructure Management Manual 2011. We aim to meet agreed levels of service in a sustainable and optimal way over the lifecycle of our assets.
- We have been working on a significant project over the last few years to improve the reliability of our underlying water supply asset information. This project is expected to be complete by 30 June 2012. Our assets are generally in good condition, so we do not expect there to be a significant change to our financial forecasts.

In addition to the risks associated with the above assumptions not being borne out, we have identified the following major risks:

- Our ability to meet “normal” demand could be severely compromised by drought, source failure or an unanticipated significant increase in demand
- Damage to the water supply infrastructure resulting from a catastrophic event such as an earthquake, tsunami, flooding or major landslide could severely compromise our ability to maintain supply
- Damage to the water supply infrastructure resulting from vandalism or an act of terrorism could also compromise our ability to maintain supply.

6. Significant negative effects on wellbeing

Water supply infrastructure for the collection, storage, treatment and distribution of water can have a negative effect on environmental wellbeing through water abstraction and the use of electricity for treating and pumping water. A new supply could also result in an increase in these effects.

The environmental impacts of existing water supply activities are identified and very closely monitored through resource consents and an ISO 14001 accredited environmental management system. We are reducing our impacts by continuing to use electricity and chemicals more efficiently and by encouraging people to use water wisely.

7. Water supply

7.1 What we do and why

We collect, treat and distribute drinking water to Hutt City Council, Porirua City Council, Upper Hutt City Council and Wellington City Council for their supply to consumers. Our water supply system includes four water treatment plants, 18 pumping stations and 183km of pipelines. We supply about 145 million litres of water daily on average, to meet the needs of industry, commerce, public services, and approximately 395,000 residents.

Greater Wellington’s role in providing wholesale drinking water services is governed by the Wellington Regional Water Board Act 1972. The Wellington Regional Water Board was formed in 1972 from the amalgamation of the Hutt River Board, Hutt Valley Underground Water Authority, and Wellington City and Suburban Water-supply Board. The role of the Wellington Regional Water Board was transferred to Wellington Regional Council (now Greater Wellington) when it was established in 1980.

Water quality

The availability of safe drinking water is a fundamental requirement for public health. We aim to provide water that is safe, pleasant to drink, does not degrade household plumbing or water distribution pipelines and is acceptable for use by industry.

We are governed by the Health (Drinking Water) Amendment Act 2007. In addition, the Ministry of Health's *Grading systems for community drinking water supplies* is used as a tool for managing and assessing the quality of the water supply – how safe it is to drink and the risk of contamination. We target an A1 grade quality standard for our water treatment plants and distribution system, with the exception of Waterloo treatment plant where a B grade is the highest possible due to our customers requirement not to use chlorine.

Water availability

A secure and reliable water supply is fundamental to public health and essential for commercial activity in the region. Our aim is to have a very low risk of water shortages. We plan for the future needs of the region by projecting population growth, forecasting water demand for each city and providing the infrastructure required to maintain the agreed security of supply standard.

Our water network relies primarily on river flows, backed up by an aquifer source and some lake storage. Available water and production and distribution capacities easily exceed water use for most of each year. However, dry spring and summer conditions can raise potentially serious water shortage concerns. In such years, storage can be depleted rapidly, as demand for water tends to reach more extreme peaks due to the same set of climate conditions that restrict supply. This extra demand during summer – as much as 65 ML/day on 'peak' days – arises mainly from discretionary outdoor water use, particularly for garden watering, on top of indoor water use.

We promote the responsible use of water, particularly during late spring and summer, via a mix of advertising and promotions, and education resources. Activity includes a drought management plan and proactive promotion of water-conserving behaviours to the public, with these activities coordinated with our four customers.

As an essential service, it is important to have a secure water supply system that is resilient to damage from hazards, both natural and man-made, and is able to be reinstated quickly should any serious damage occur. We are continuously improving the robustness and level of standby in the water supply system and preparing for emergencies.

Sustainability

Greater Wellington owns and manages around \$350 million worth of water supply assets. We have a responsibility to manage these assets so that we can sustainably provide our services to current and future generations. We do this by:

- Being cost effective, including by managing assets to optimise the return on the public's investment
- Meeting all relevant environmental, health and safety standards

7.2 What we will deliver

Level of service	Performance measure	Performance targets				
		Baseline	2012/13	2013/14	2014/15	2015-22
Provide water that is safe and pleasant to drink	Number of waterborne disease outbreaks	0 (2010/11)	0	0	0	0
	Number of taste complaint events related to the bulk water supply	0 (2010/11)	0	0	0	0
	Percentage compliance with the Drinking Water Standards of New Zealand	Microbiological and aesthetic compliance – 100% Chemical compliance – 85% (2010/11)	Microbiological and aesthetic compliance – 100% Chemical compliance – 90%	100%	100%	100%
	Treatment plant and distribution system	Te Marua, Wainuiomata and Gear Island	Maintain current grading	Maintain current grading	Maintain current grading	Maintain current grading

	grading	treatment plants – A1 Waterloo treatment plant – B Distribution system – a1 (2010/11)				
Provide a continuous and secure water supply	Number of shut-offs of the wholesale water supply network resulting in loss of water or pressure to consumers	0 (2010/11)	0	0	0	0
	Improve the resilience of the wholesale water supply to catastrophic events such as earthquakes	Resilience projects completed in 2010/11 included: Aro Tunnel improvements Gear Island valve chamber improvements Emergency supply point in Khandallah New connection in Ngaio Changing the management of pipe stock	Establish a methodology for assessing improvements to the resilience of the wholesale water supply	Plan for and implement resilience improvements	Plan for and implement resilience improvements	Continued improvements to the resilience of the wholesale water supply

		(2010/11)				
Ensure that water supply infrastructure is adequate to meet future needs while minimising environmental impacts	Modelled probability of annual water supply shortfall	1.5% (20/11/12 forecast)	No greater than 2%	No greater than 2%	No greater than 2%	No greater than 2%
	Compliance with environmental regulations	Full compliance (2010/11)	Full compliance	Full compliance	Full compliance	Full compliance

7.3 Changes to what we will deliver

The forecast increase in the cost of delivering wholesale water supply services is primarily due to activities associated with providing more supply capacity to meet growing demand and increasing the resilience of water supply infrastructure to withstand natural events such as earthquakes.

7.4 Specific areas of work

Specific areas of work in next three-year period	2012/13	2013/14	2014/15
Renew and improve water supply infrastructure, including improvement of earthquake resilience	✓	✓	✓
Increase the water storage capacity of the Stuart Macaskill Lakes	✓	✓	
Earthquake-strengthen the Stuart Macaskill Lakes	✓	✓	
Confirm preferred option for a significant new water storage facility	✓		

Investigate options for an interim solution to increase capacity	✓		
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7.5 How we will fund this activity

Our funding policy for water supply is prescribed by the Wellington Regional Water Board Act 1972. The costs of operating the water supply system are apportioned to individual cities, based on each city's proportion of total water deliveries.

Key issue: additional water storage and improved resilience

Greater Wellington aims to maintain sufficient stored water to meet a 2% probability of a shortage of supply event (ie, a one in 50 year drought). To continue to meet this standard and to cater for population growth an additional water storage facility will be needed within the region within the next 10 years. Development of a new significant water storage facility has a very long lead time and it is necessary to begin to plan now for this now.

Greater Wellington has identified two main options for a new significant water storage facility:

A 6,000 million litre storage dam on the Whakatikei River near the end of Moonshine Road and a new water treatment plant, at a cost of approximately \$140 million, or,

A 5,000 million litre off-river storage lake at Kaitoke alongside State Highway 2, at a cost of approximately \$90 million. The existing Te Marua water treatment plant would be upgraded in about 15 years at an additional cost.

Based on current modelling, to meet demand we will need to start increasing our supply capacity from 2020. We are investigating a number of potential interim solutions that will provide us with enough capacity until the new water storage facility is built. We have set aside ten million dollars in 2017/18 to 2019/20 to implement an interim solution.

Further work is also needed to reduce the time it will take to restore water to the urban areas in our region following a major earthquake. Greater Wellington, in association with other local governments in metropolitan Wellington, is investigating how the water supply system can be made more resilient so that fewer repairs are required following an earthquake, and how emergency water supplies could be provided.

There are a number of possible ways of achieving this including emergency treatment plants, shipping water in using ferries or barges, asking householders to store more water or storing water in small, local ponds. These options will be considered during 2012/13 and will

form part of the decision on a new water storage facility.

No additional funding requirements have been identified at this stage for this work during the three-year period from 2012-2015.

8. Financials

FINANCIAL INFORMATION

WATER SUPPLY

PROSPECTIVE FUNDING IMPACT STATEMENT

FOR THE YEAR ENDING 30 JUNE

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	\$000s	\$000s
Sources of operating funding										
General rate	-	-	-	-	-	-	-	-	-	-
Targeted rate	-	-	-	-	-	-	-	-	-	-
Water supply levy	24,880	25,894	26,919	28,265	29,679	31,163	32,721	34,357	36,075	37,876
Government subsidies	-	-	-	-	-	-	-	-	-	-
Interest and dividends	546	765	913	1,081	1,270	1,362	1,326	1,412	1,503	1,598
Other operating revenue	1,309	1,335	1,370	1,408	1,447	1,494	1,524	1,566	1,612	1,659
Total operating funding	28,743	27,984	29,202	30,754	32,396	34,019	35,571	37,335	39,190	41,135
Applications of operating funding										
Direct operating expenditure	17,508	18,043	18,515	19,091	19,697	20,352	20,893	21,531	22,196	22,972
Finance costs	4,069	4,705	4,985	5,073	5,467	5,521	6,072	6,233	6,630	6,951
Internal charges applied	1,373	1,543	1,645	1,664	1,728	1,843	1,868	1,947	2,063	2,029
Total applications of operating funding	22,950	24,291	25,145	25,828	26,892	27,716	28,833	29,711	28,909	29,362
Surplus/(deficit) of operating funding	3,793	3,693	4,057	4,926	5,504	6,303	6,738	7,624	10,281	11,773
Sources of capital funding										
Subsidies for capital expenditure	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in debt	11,456	6,446	1,450	965	(61)	2,641	6,073	5,010	(4,356)	(5,543)
Proceeds from asset sales	115	40	79	57	108	136	84	75	66	101
Total sources of capital funding	11,571	6,486	1,529	1,022	47	2,777	6,157	5,085	(4,290)	(5,442)
Applications of capital funding										
Capital expenditure										
- to meet additional demand	5,500	206	-	-	137	1,178	4,869	6,288	(1)	(1)
- to improve the level of service	5,302	5,631	1,342	1,167	1,031	825	925	326	338	350
- to replace existing assets	3,616	2,964	2,905	3,260	2,657	5,244	5,289	4,180	3,650	3,644
Investment additions	946	1,178	1,339	1,521	1,726	1,833	1,813	1,915	2,024	2,138
Operational reserve movements	-	-	-	-	-	-	-	-	-	-
Total applications of capital funding	15,364	10,179	5,586	5,948	5,551	9,080	12,895	12,709	5,991	6,331
Surplus/(deficit) of funding	-	-								
Depreciation on Water Supply assets	8,340	8,509	9,446	9,370	9,373	9,398	9,433	11,534	11,441	11,318

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in this 10-Year Plan 2012-22

All figures on this page exclude GST

FINANCIAL INFORMATION

WATER SUPPLY

PROSPECTIVE FUNDING INFORMATION

FOR THE YEAR ENDING 30 JUNE

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	\$000s
Operating funding										
Water Supply	26,743	27,984	29,202	30,754	32,395	34,019	35,571	37,335	39,190	41,135
Total operating funding	26,743	27,984	29,202	30,754	32,396	34,019	35,571	37,335	39,190	41,135
Applications of operating funding										
Water Supply	22,950	24,291	25,145	25,828	26,892	27,716	28,833	29,712	29,910	29,363
Total applications of operating funding	22,950	24,291	25,145	25,828	26,892	27,716	28,833	29,712	28,910	29,363
Capital expenditure										
Water sources	7,530	825	-	-	-	(1)	(1)	(1)	(1)	(1)
Water treatment plants	845	839	814	949	922	949	977	1,006	1,038	1,071
Pipelines	1,827	537	501	628	1,305	3,583	3,774	2,012	1,433	1,483
Pump stations	490	103	692	771	251	118	122	126	130	135
Reservoirs	-	-	160	-	-	-	-	-	-	-
Monitoring and control	740	815	192	418	205	212	219	226	235	243
Seismic protection	-	826	852	881	228	236	243	252	261	270
Energy	135	-	-	-	-	-	-	-	-	-
Other	2,410	4,816	686	430	442	1,631	5,332	6,763	487	501
Capital project expenditure	13,977	8,761	3,897	4,077	3,353	6,728	10,666	10,384	3,583	3,702
Land and buildings	-	-	-	-	-	-	-	-	-	-
Plant and equipment	81	83	86	89	92	95	98	101	105	109
Vehicles	360	157	264	261	380	424	318	309	279	382
Total capital expenditure	14,418	9,001	4,247	4,427	3,825	7,247	11,082	10,794	3,967	4,193

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in this 10-Year Plan 2012-22

All figures on this page exclude GST

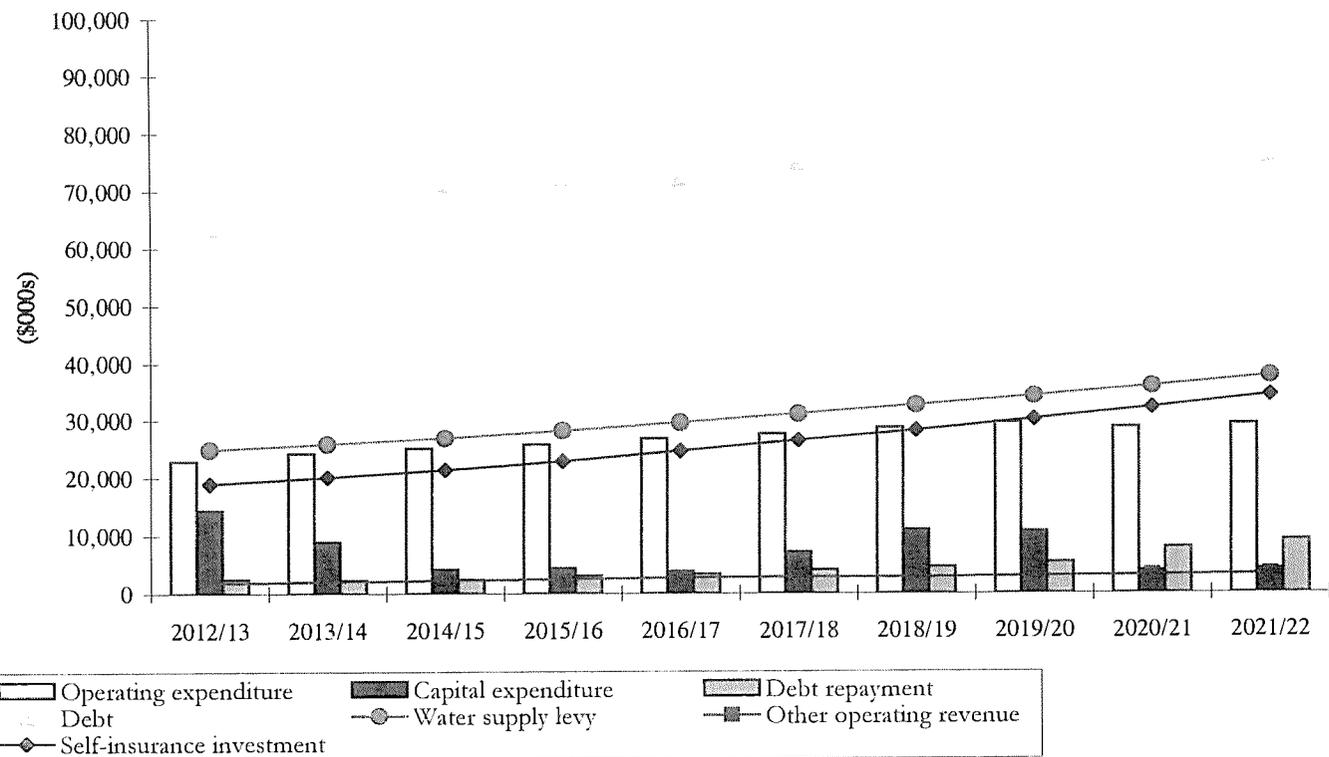
Water supply

Ten-year financial forecast

This graph places the prospective funding impact statement for the next year in the context of the ten-year planning horizon.

Key points to note are:

- The water supply levy is forecast to increase over the 10-year period due to higher costs and to fund the forecast new water supply development from 2012/13 onwards



Please note that these figures exclude GST.

(\$000s)	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Operating expenditure	22,950	24,291	25,145	25,828	26,892	27,716	28,833	29,711	28,909	29,362
Debt repayment	2,521	2,315	2,446	3,112	3,413	4,087	4,593	5,373	7,939	9,244
Capital expenditure	14,418	9,001	4,247	4,427	3,825	7,247	11,082	10,794	3,967	4,193
Debt	63,372	69,817	71,268	72,233	72,171	74,813	80,887	85,897	81,541	75,996
Water supply levy	24,888	25,884	26,919	28,265	29,679	31,163	32,721	34,357	36,075	37,878
Other operating revenue	1,855	2,100	2,283	2,489	2,717	2,856	2,850	2,978	3,115	3,257
Self-insurance investment	18,931	20,109	21,449	22,970	24,696	26,529	28,342	30,258	32,282	34,419

Environment

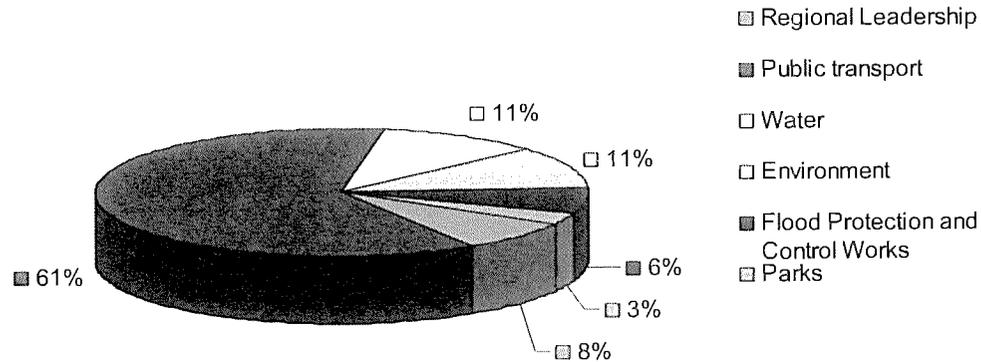
Greater Wellington is responsible for regulating the use of the region's natural resources. We do this through regional policies, plans and resource consents, helping the community to manage and restore ecosystems, and manage land sustainably. We monitor and report on the state of the environment, manage environmental threats like pest plants and animals, and provide a 24-hour pollution response service. We also look after the region's harbours.

1. Activities

This group of activities includes:

- Resource management
- Land management
- Biodiversity management
- Pest management
- Harbour management.

Figure 1. Environment as a percentage of Greater Wellington's expenditure



Environment expenditure by activity	\$000s
Resource management	10,429
Land management	3,682
Biodiversity management	4,271
Pest management	4,171
Harbour management	1,830
Total applications of operating funding	<u>24,383</u>

2. Contribution to community outcomes

Our environment activities primarily contribute towards achieving a **healthy environment** by:

- Regulating and monitoring the use and development of the environment to ensure that our natural and physical resources are managed sustainably
- Working with the community on initiatives to protect and restore the environment such as pest management and planting
- Advising landowners and businesses on practices that reduce the environmental impact of their activities.

Our environment activities also contribute towards achieving a **strong economy** by:

- Working with landowners to enhance the prosperity and security of the farming sector through developing plans to prevent soil erosion and managing pests that threaten farm productivity, including working to eradicate Bovine TB
- Supporting commercial shipping by monitoring commercial ships arriving and departing from Wellington and providing navigational aids in our harbours.

3. Issues we are facing

Some of the significant natural and physical resources issues in our region include degradation of water quality, increasing demands for water use, soil erosion on erosion-prone land, impacts from introduced plants and animals, and continued biodiversity loss.

In terms of water use, there is growing demand for water from both the urban population and the farming sector. This can impact on the health of aquatic ecosystems. Better understanding of these potential impacts and efficiently managing water use to more sustainable levels are an ongoing challenge.

Our water quality is affected by discharges from wastewater, stock, urban land use and activities in our rivers and streams. These need to be managed to improve the quality of our water and the health of our ecosystems.

Soil conservation continues to be a significant issue in the region, particularly in the steeper parts where soil erosion is more prevalent. Soil loss impacts on water quality (both freshwater and coastal), and reduces the long term economic potential of our land. Building and maintaining landowner commitment to more sustainable land management is vital to combat this issue.

Biodiversity is continuing to decline in the region. Various activities contribute to this decline and although there is an increasing awareness of the human impacts on biodiversity, tension often remains between biodiversity and economic development objectives. Partnerships between Greater Wellington, territorial authorities and landowners are essential for long term biodiversity management, as is the valuable input of volunteers.

Introduced plants and animals have significantly changed our environment and, despite efforts from Greater Wellington and the wider community, we remain susceptible to threats from invasive species. Continuing to manage pests is essential to ensuring the economic future of the region and improving environmental outcomes.

In terms of our harbours' functions, changes to the coastal shipping industry and increased awareness of the environmental risk of oil spills requires us to maintain our vigilance and ensure continued high levels of safety.

From a policy perspective, the framework under which we develop our plans, such as the Regional Policy Statement and regional plans, is changing with increased national direction under the Resource Management Act 1991 (RMA). This includes national policy statements, national environmental standards, the establishment of the Environmental Protection Agency and ongoing amendments to the RMA. Such changes require us to be able to respond quickly and to review our strategies and plans.

At a national level, the Land and Water Forum has influenced the way in which complex resource management issues are tackled, with increasing emphasis on collaboration approaches. Maintaining and developing strong relationships between industry and sector groups and Greater Wellington is important for the long term effectiveness of resource management solutions.

4. Strategy for environment

4.1 Long term approach

Our long term approach is to use a combination of regulatory and non-regulatory mechanisms. Our regulatory policies will be based on best practice science, and we aim to be leaders in New Zealand in this field. We will also work proactively with landowners, other key stakeholders and the wider community to improve outcomes on the ground.

The Regional Policy Statement (RPS) is the overarching strategy that guides our activities. The review of the RPS is nearing operational status, with almost all appeals resolved. This Regional Policy Statement has a key role in integrating the management of natural and physical resources. It identifies the resource management issues of regional significance, recognising the shared responsibility and need for a common understanding of issues. It then sets out objectives, policies and methods that recognise the interaction and connection between different resources, the range of scales in which an issue can be addressed and the need to consider social, economic, cultural and environmental factors alongside one another. Ultimately, the Regional Policy Statement focuses on matters that it can influence to make progress towards a sustainable region.

Our other regulatory plans include the Regional Pest Management Strategy, reviewed in 2009, and our Regional Plans, which are currently being reviewed. We ensure that our regulatory plans are kept up-to-date through continuous monitoring and regular reviews, and that the weight of these plans is maximised by progressing through all the relevant stages of the statutory process as efficiently as possible.

Our approach to non-regulatory measures is to build collaborative partnerships with territorial authorities, sector groups, landowners and key stakeholders. We are looking at ways to work with territorial authorities in a more integrated and streamlined way, with fewer overlaps and duplication. We are also looking at how to work more effectively with central government agencies, including the Environmental Protection Agency, and related Boards of Inquiry. We work with owners of properties with highly erosion-prone land to develop land and environment management plans to improve environmental outcomes. We also work with landowners to actively manage pest species and to improve biodiversity outcomes. We plan to investigate new ways to fund voluntary initiatives, and to continue to involve stakeholders in key matters using forums, such as the Wellington Farming Reference Group.

We take a leadership role in managing the region's environment and as a landowner and land manager, we recognise that we must lead by example. This includes taking on the role of the regional pest management agency, modelling best practice in delivering biodiversity outcomes through all our activities and delivering a 24-hour regional harbours service.

4.2 Priorities for the next three years

Resource management

- Implement the Regional Policy Statement
- Complete the review of the Regional Plan, including resolving appeals
- Review our approach to monitoring
- Continue to make high quality, robust decisions on resource consent applications.

Land management

- Manage the six community catchment plans in Wairarapa hill country
- Retain the four Soil Conservation Reserves
- Develop Land and Environment Plans to manage water and soil quality on intensively farmed floodplains
- Continue to provide land management advice to landowners
- Sell specialist soil conservation trees and eco-sourced native plants through the Akura Conservation Centre.

Biodiversity management

- Implement the Biodiversity Strategy
- Include more land of high biodiversity value under protection and active management
- Incorporate biodiversity into the state of the environment monitoring and reporting
- Establish programmes to expand relationships with landowners.

Pest management

- Implement the Regional Pest Management Strategy
- Implement the Regional Possum Predator Control Programme including expansion into areas outside Wairarapa
- Continue involvement in bovine TB vector control programme.

Harbour management

- Implement the port and harbour navigational safety code.

4.3 Policy framework

These are the existing Greater Wellington policies and plans that relate to the environment group of activities:

- Proposed Regional Policy Statement 2009 (RPS) - identifies regionally significant issues around the management of the region's natural and physical resources. It sets out what needs to be achieved (objectives) and the way in which the objectives will be achieved (policies and methods)
- Regional Coastal Plan 2000 - identifies issues to be addressed so the coastal marine area can be sustainably managed. The Coastal Plan also includes objectives, policies and methods to address these issues
- Regional Freshwater Plan 1999 - identifies issues, objectives, policies and methods for the sustainable management of freshwater in the region. Freshwater resources include rivers, lakes, streams, ponds, aquifers and artificial water courses
- Regional Soil Plan 2000 - deals with soil disturbance and vegetation disturbance on erosion-prone land in the region
- Regional Air Quality Management Plan 2000 - identifies issues, objectives, policies and methods to promote the sustainable management of air
- Regional Plan for Discharge to Land 1999 - covers all discharges of contaminants to land
- Measuring Up - the state of the environment report for the Wellington region 2005
- Annual monitoring report cards - include air quality, hydrology, groundwater, recreational water quality, freshwater quality, coastal and soil quality
- Resource Management Charging Policy 2011 - describes the charges that are payable to Greater Wellington for a range of resource management services, including processing and monitoring resource consent applications
- Regional Pest Management Strategy 2002-22 (RPMS) developed under the Biosecurity Act 1993 - includes management programmes for individual pest plants and animals which have the potential to impact on the region's economy, environment, human health, recreation, or Maori culture and traditions

- Regional Biodiversity Strategy 2011 - provides guidance for policy and decision making, resource allocation and on the ground projects relating to biodiversity management in the region
- Wellington Regional Navigation and Safety Bylaws 2009 - promote the safe usage of the harbours and waters of the region.

5. Assumptions and risks

In managing this group of activities we have assumed that:

- Proposed changes to the Biosecurity Act 1993 and pending National Policy Direction will not require significant changes to the Regional Pest Management Strategy 2002-2022
- Animal Health Board funding of the National Pest Management Strategy for Bovine TB continues
- The Animal Health Board's Bovine TB vector control programme in the region is maintained at current levels and Greater Wellington is successful in maintaining preferred contractor status and securing contracts
- The public remain supportive of pest management practice, including the continued use of pesticides
- Volunteers continue to make themselves available to assist with biodiversity and land management activities
- The Ministry of Agriculture and Forestry's Forestry Schemes Review will lead to a reduction in central government funding for the Wellington Regional Erosion Control Initiative
- Funding partners such as territorial authorities, the QEII National Trust and landowners continue to support biodiversity, pest management and land management activities
- The rural economic situation does not change significantly, particularly the ability of landowners to maintain investment in sustainable land management programmes
- Demand for services and products from the Akura Conservation Centre will be maintained

In addition to the risks associated with the above assumptions not being borne out, we have identified the following risks:

- Legal expenses exceed our legal reserves due to our decisions being appealed or from undertaking enforcement action
- The number of consent applications reduces to a point where the revenue generated from processing consents is significantly less than planned for affecting our overall budget
- The development of the Regional Plan requires additional resources in the area of tangata whenua values
- The development of the Regional Plan raises community expectations for higher levels of service
- Some technical staff prove hard to recruit, and we have to pay above the median to attract and retain key specialist staff
- Additional harbour hulks become Greater Wellington's responsibility and require disposal.

6. Significant negative effects on wellbeing

Our environment activities require a balancing of cultural, economic and environmental wellbeing.

The control of animal pests uses a range of methods and pesticides. The compound 1080, in particular, is of significant concern to some sectors of the community. Greater Wellington has participated in a number of studies and believes that the benefits of using 1080 outweigh the negative effects. The Environment Risk Management Authority reviewed the use of 1080 in 2007 and allowed its ongoing use.

7. Resource management

7.1 What we do and why

Under the Resource Management Act 1991 (RMA), Greater Wellington must prepare a Regional Policy Statement (RPS) and a Regional Coastal Plan, and may prepare other regional plans. The purpose of the RPS is to provide an overview of the resource management issues of the region and policies and methods to achieve integrated management of the natural and physical resources of the region. Regional plans help us carry out our functions to achieve the

purpose of the RMA – to promote the sustainable management of natural and physical resources. They contain rules that permit and control resource use through the resource consent process.

Greater Wellington adopted its first RPS in 1995 and also developed five regional plans – coastal, air quality management, discharges to land, soil and freshwater. The RPS has been reviewed and this is expected to be formally adopted and operational in 2012. The review of the regional plans is underway, and it is expected that a combined regional plan will be released for public consultation in late 2013 or early 2014.

Resource consents service

The RMA requires Greater Wellington to process all applications to use natural resources, eg, abstracting water, discharging into water, discharging into air, and certain types of land and coastal use. Consents must be obtained for resource use unless an activity is “permitted” by a regional plan or directly by the RMA. The Act provides detailed procedures to be followed in processing resource consents. In recent years, Greater Wellington has typically processed 700-800 consent applications per year. Of these applications, about 5-10% are processed as notified consents, where affected parties may make a submission and the decision goes through a formal hearing process.

Compliance and enforcement

Greater Wellington carries out compliance monitoring as an essential part of its consenting responsibilities. This varies according to the nature of the consented activity and ranges from a detailed compliance monitoring schedule to the consent holder undertaking self-monitoring and preparing a report for audit by the Council. Compliance reports provide consent holders feedback on their performance and give the community confidence that the consent holder’s environmental performance is being monitored and recorded. Greater Wellington has carried out an average of 1,200 compliance inspections per year over the past eight years (ranging from 833 in 2002/03 to 1,647 in 2007/08). We expect this activity to increase in the future.

Pollution prevent and control

Greater Wellington operates a 24-hour pollution response service for both environmental and public health purposes. This includes investigation of all reported environmental pollution incidents and cleaning up whenever possible. Pollution incidents include contaminated waterways, dust, sediment and, most commonly, odour.

We are also trying to take a more proactive approach to pollution prevention through the Take Charge programme (a pollution-prevention programme for businesses) and the Muddy Waters Programme (a programme to prevent pollution from developers’ earthworks activities).

State of the environment monitoring

The RMA requires Greater Wellington to gather information necessary to carry out its regulatory functions, to monitor the state of the environment and measure the effectiveness of policy statements and plans, and to make the information available to the public.

We monitor rainfall, river flows, groundwater levels and quality, freshwater coastal water quality, air quality and soil quality. Results of monitoring are produced by way of annual report cards, a six-yearly comprehensive state of the environment monitoring report for the region and through real-time data on our website. The monitoring information ensures a sound understanding of the state of the environment and contributes to robust and defensible resource management planning.

We also conduct targeted studies to investigate significant resource issues identified through our general monitoring programmes.

7.2 What we will deliver

Level of service	Performance measure	Performance targets				
		Baseline	2012/13	2013/14	2014/15	2015-22
Provide an up-to-date policy framework to manage the region's natural and physical resources	That the Regional Policy Statement is reviewed and adopted	The Regional Policy Statement was approved by the Council in May 2010 and is subject to a number of appeals	Resolve appeals on the Regional Policy Statement	Regional Policy Statement becomes operative	Maintain an operative Regional Policy Statement	Maintain an operative Regional Policy Statement
	That regional plans are reviewed and	Review of regional plans has been	Review of regional plans	Proposed Regional Plan published for	Council considers public submissions and finalises the	Appeals on the Regional Plan are resolved and the

	adopted	underway since 2009	continues	public submissions	Regional Plan	plan becomes operative
Process resource consents in a timely manner	Percentage of resource consents ¹³ processed within 20 working days ¹⁴	98% (2010/11)	100%	100%	100%	100%
Monitor and enforce compliance with regional plans and resource consents	Percentage of monitoring inspections completed for resource consents with individual monitoring programmes.	98% (2010/11)	100%	100%	100%	100%
	Percentage of environmental incidents reported to the 24-hour incident response service investigated in accordance with legal timeframes ¹⁵ for enforcement	68% (2010/11)	100%	100%	100%	100%
Provide information to the community on the state of the region's environment	Number of state of the environment report cards downloaded on the Greater Wellington website	1929 (2010/11)	Increase on previous year	Increase on previous year	Increase on previous year	Continued increase in the number of environment report cards downloaded

¹³ Non-notified resource consents -- in 2010/11 95.77% of resource consents we processed were non-notified.

¹⁴ Working days as defined by the Resource Management Act 1991.

¹⁵ The timeframe for infringement notices is 4 months, the timeframe for charges laid in District Court is 6 months.

7.3 Specific areas of work

Specific areas of work in next three-year period	Year		
	2012/13	2013/14	2014/15
Review of the regional plans	✓	✓	✓
Guidelines for assessing water takes	✓		
Customer satisfaction survey (undertaken every four years for applicants, consent holders and incident notifiers)	✓		
Study of hydrology and nutrient status of Lake Wairarapa and environs (Wairarapa Moana) to aid decisions on water allocation and intervention measures	✓	✓	✓
Development of earthworks site scoring system to assist with compliance	✓		
Development of compliance strategies for dairy farm effluent, water management and earthworks	✓	✓	✓
Consenting for major RoNS projects, including Transmission Gully, Mackays to Peka Peka, Otaki to Levin, Wellington Airport to Mt Victoria, Basin Reserve, Terrace Tunnel	✓	✓	✓
Porirua Harbour monitoring programme	✓	✓	✓

7.4 How we will fund this activity

Resource management planning and advice to the public is funded 100% by general rates. Resource consent processing service is funded up to 90% by user charges, with the remainder from general rates. The compliance monitoring service is funded up to 50% by user charges and at least 50% by general rates (investigations and legal costs). Pollution prevention and control are funded 100% by general rates, less any cost recovery from enforcement or legal action. State of the environment reporting is funded 100% by general rates, less state of the environment monitoring charges paid by some consent holders.

8. Land management

8.1 What we do and why

The land management activity seeks to manage the environmental impacts of the farming sector while ensuring the sector remains prosperous and secure. Inappropriate land management practices can directly affect soil erosion and health, water quality (including groundwater quality) and the health of streams, rivers and the coast. Around one third of the land in the region is erosion-prone – meaning that the land is likely to erode more quickly unless good land management practices are used. Climate change predictions suggest rainstorms may become more frequent and intense, causing greater damage to erosion-prone land in the future. Loss of land through erosion not only threatens the long term prosperity and security of the farming sector, but can also exacerbate flooding and reduce water quality and the health of streams and rivers.

Greater Wellington delivers a range of programmes to encourage good land management practices. Our approach places a strong emphasis on voluntary services, supported by financial incentives (such as contributing to the cost of planting) to further encourage behavioural change. We actively work on initiatives that will deliver land management outcomes at the catchment level.

Our activities include:

- Farm Plans - implementation of long term plans for farms with identified problems of sustainable land use because of soil erosion, including tree planting and other improvements
- Land and Environment Plans - preparation of plans for intensive farming operations within priority catchments throughout the region, identifying options to mitigate nutrient and sediment discharges from properties in accordance with an overall catchment plan
- Catchment Management Schemes - operation of six Catchment Management Schemes in liaison with their Scheme Advisory Committees. These schemes protect local infrastructure from erosion and flooding problems affecting identified rural communities
- Soil Conservation Reserves - rehabilitation of severely eroded land and control of pest animals within Greater Wellington's four Soil Conservation Reserves
- Akura Conservation Centre - the supply of project materials, primarily poplars and willows and eco-sourced native plants, for Greater Wellington's land based programmes

- Advisory services - providing advice on land management to landowners and the community.

These programmes and services support the achievement of several objectives of the Regional Policy Statement including objective 28 “Land management practices do not accelerate soil erosion”, and objectives relating to natural hazards, water quality and healthy functioning ecosystems in rivers, lakes and wetlands. These programmes and services also fulfil our responsibility under the Soil Conservation and Rivers Control Act 1941 to promote soil conservation and prevent and mitigate soil erosion.

8.2 What we will deliver

Level of service	Performance measure	Performance targets				
		Baseline	2012/13	2013/14	2014/15	2015-22
Work with landowners to sustainably manage erosion-prone land	Percentage of erosion-prone land covered by a Farm Plan	72% (2010/11)	74%	75%	76%	80%
	Hectares of erosion-prone land planted	432 Hectares (2010/11)	400 hectares	470 hectares	530 hectares	600 hectares
Work with landowners to sustainably manage nutrient and sediment discharges on a catchment basis	Number of Land and Environment plans prepared	This is a new level of service	10 per annum	10 per annum	10 per annum	50 plans prepared by 2016/17

8.3 Changes to what we will deliver

Land and Environment Plans will be introduced from 2012/13, following a pilot project in the Mangatarere catchment in 2011/12. These plans encourage landowners to sustainably manage nutrient and sediment discharges on a catchment basis.

The material costs of the Wellington Regional Erosion Control Initiative (WRECI) will increase from 2013/14 as our current funding arrangement with the Ministry of Agriculture and Forests (MAF) has changed as a result of the recent Forestry Schemes Review.

8.4 Specific areas of work

Specific areas of work in next 3 year period	2012/13	2013/14	2014/15
Implement the Wellington Regional Erosion Control Initiative	✓	✓	✓
Implement annual works programme on erosion-prone land within Property and Sustainability Plans	✓	✓	✓
Implement Land and Environment Plans	✓	✓	✓
Complete annual works programmes for each of the Catchment Control Schemes	✓	✓	✓

8.5 How we will fund this activity

Sustainability and Property Plans are funded 60% to 70% by user charges and 30% to 40% by general rates. WRECI Plans are funded 40% by user charges, 30% Crown funding and 30% by general rates. Should the Ministry of Agriculture and Forestry discontinue its funding for this programme, from 2013/14 WRECI Plans will be funded 50% by user charges and 50% by general rates. Land and Environment Plans are funded 50% by general rates and 50% user charges. Consultancy services are funded by way of direct payment by those who seek the service. Typically, Greater Wellington's operational staff supervises contractors to do the work. A service fee for the services delivered by contractors pays the cost of Greater Wellington's supervision. Land management advice is funded 100% by general rates for inspections, promotion, monitoring and advice.

Catchment Schemes are funded 50% by general rates, 30% to 40% scheme rates (landowners) and 10% to 20% district council contribution. Soil conservation reserves are funded 100% by general rates. Akura Conservation Centre is funded 100% by user charges.

New project: extension of Akura Conservation Centre

The Akura Conservation Centre is a business unit of Greater Wellington which sells specialist soil conservation plant materials (poplars, willows, pine seedlings), general revegetation plants, including natives, and associated materials such as herbicides and fertilisers. Akura sells to both external customers and Greater Wellington. Akura consists of a 26ha nursery and retail outlet, west of Masterton (Akura), and a 16ha nursery block at Mangapakeha near Tinui. Akura sold 304,402 trees for the financial year to 30 June 2010. The operating surplus for the year was \$54,500.

This Long Term Plan provides for the Akura Conservation Centre to be extended to provide additional capacity for poplar and willow planting programmes and for land at Mangapakeha to eventually be sold. The land at Mangapakeha is not irrigated and efficient management is difficult. The sale of Mangapakeha nursery will be used to offset development costs of the new nursery. The extension to Akura will be irrigated and offers economies of scale and increased efficiency of management.

This extension of nursery land will support the increased demand for existing erosion control programmes. Future pole production is required to reach output of 36,000 three metre poles by 2015 (26,925 in 2010).

The funding for the extension of Akura Conservation Centre will be a total of \$100,000 over the 2012/13 financial year and will come from within the business unit at no net cost to ratepayers.

New funding: sustainable land management

Soil erosion is a major problem in our region, with over 40% of the region classed as erosion-prone. It is estimated that a typical Wairarapa hill country catchment generates some 10 tonnes of sediment per hectare per year. Greater Wellington helps landowners to manage soil erosion on their properties by preparing farm plans, and providing advice and financial assistance for on-farm works. In 2008, the Ministry of Agriculture and Forestry started giving us more funding to focus on five selected catchments and isolated hot spots in Wairarapa hill country. The Ministry is now reviewing this funding and this Long Term Plan proposes additional rates funding to ensure we maintain the momentum if Ministry funding is cut.

From 2013/14, Greater Wellington's share of the works implementation costs would rise from 30% to 50% and the landowner's share of the works implementation costs would rise from 40% to 50%.

The additional funding for preventing soil erosion will be a total of \$90,000 over the next three years.

Following a successful trial in Carterton's Mangatarere catchment, we are proposing to expand our sustainable land management work to lowland areas to improve water and soil quality. Much of this work will target effluent and nutrient run-off from dairy farms and be 50% funded by general rates and 50% funded by participating landowners.

Additional funding for sustainable land management in lowland areas will be a total of \$490,000 over the next three years.

9. Biodiversity management

9.1 What we do and why

The biodiversity management activity aims to maintain and, where possible, restore biodiversity. Biodiversity loss in the region, as in the rest of New Zealand, has been dramatic. Less than 3% of the region's original wetlands remain and more than 120 different types of plants and animals are threatened with extinction. Biodiversity contributes to our region's natural character and supports the healthy functioning of ecosystems which in turn provide essential, life supporting services such as purifying air and water.

Greater Wellington has a responsibility to protect biodiversity as a matter of national importance under the Resource Management Act 1991. Our biodiversity management activity supports the achievement of several objectives of the Regional Policy Statement including objective 16 "Indigenous ecosystems and habitats with significant biodiversity values are maintained and restored to a healthy functioning state". The activity is guided by Greater Wellington's Biodiversity Strategy 2011-2021, which is directed by the priorities of the NZ Biodiversity Strategy and the policy direction of the Regional Policy Statement. A three-year Operational Plan will be completed by 30 June 2012.

Our biodiversity management activity includes:

- Protecting the highest value biodiversity sites in the region by managing a range of threats to their ecological health. These sites can be on Greater Wellington, territorial authority or private land
- Working with the regional community to raise awareness of indigenous biodiversity issues and encourage local action
- Providing advice to a range of regional audiences to protect sites of high biodiversity value and promote functioning, indigenous ecosystem processes across the landscape.

9.2 What we will deliver

Level of service	Performance measure	Performance targets				
		Baseline	2012/13	2013/14	2014/15	2015-22
Work with the regional community to improve the region's indigenous biodiversity	Total number of identified high value biodiversity sites (excluding streams and marine sites) under active management ¹⁶	106 (2011/12)	106	106	106	125

9.3 Specific areas of work

Specific areas of work in next three-year period	2012/13	2013/14	2014/15
Implement the Key Native Ecosystems Programme	✓	✓	✓
Monitor high value biodiversity sites	✓	✓	✓
Provide advice in planning and regulatory services to protect biodiversity	✓	✓	✓

¹⁶ Active management means that work programmes such as fencing and pest control are in place to address key threats to ecological health and that the effectiveness of these programmes is monitored across a representative range of ecosystem types.

9.4 How we will fund this activity

100% general rates.

10. Pest management

10.1 What we do and why

Our pest management activity aims to mitigate the adverse impacts of pest animals and plants on the environment, economy and community, and maximise the effectiveness of pest management through a regionally coordinated response. Adverse impacts of pest plants and animals include: loss of native flora and fauna, reduced productivity for farming and horticulture and public nuisance. Our pest management activity supports Objective 16 of the Regional Policy Statement “Indigenous ecosystems and habitats with significant biodiversity values are maintained and restored to a healthy functioning state”.

Greater Wellington has chosen to take on the role of the regional pest management agency and to prepare and implement the Regional Pest Management Strategy 2002-2022 (RPMS) under the Biosecurity Act 1993. Our approach is determined by how widespread individual pests are in the region. We attempt to prevent new pests from establishing in the region by early detection and eradication of pests that are present at a limited number of sites. For pests that are present only in certain parts of the region we try to slow their spread and contain them to their existing sites. Widely spread pests we control only in high value sites in the region.

Our pest management activity includes:

- Regulation - setting rules in the RPMS that help pest management action and prevent the propagation, sale and spread of pest species
- Inspection and monitoring - undertaking inspections to ensure rules are adhered to and monitoring the effect of our pest management programmes
- Direct control - undertaking pest control in special circumstances where there is direct regional benefit, such as pest organisms of limited distribution, of significance for human health or occurring at sites of high value
- Advice and education - raising public awareness of the negative effects of pest species, the benefits of pests management programmes and providing advice to the public on the most effective and sustainable pest control options
- Providing support for community initiatives - supporting public initiatives by providing information, control advice, staff time and some materials to undertake pest control

- Biological control - contributing to the National Biocontrol Collective research programmes and releasing and spreading biological control agents around the region. Biological control is most effective and often the only way to control widely spread pest plant species.

In addition to our programme of work to implement the RPMS, we also run the Regional Possum and Predator Control Programme. The programme controls possums in two areas: firstly, land that has not received any possum control under either GW programmes or the National Pest Management Strategy for Bovine TB; and, secondly, land that has recently been declared Bovine TB-free after a sustained period of control. The Animal Health Board no longer controls possums in TB-free areas. In consultation with the local community, Greater Wellington decided to continue controlling possums in these areas to capitalise on the biodiversity and primary production gains created by maintaining low possum numbers. This programme will expand to include areas near Wellington, Porirua and Kapiti Coast that have not had large scale possum and predator control in the past. We also continue to support the National Pest Management Strategy for Bovine TB by contributing funding for the vector control programmes undertaken by the Animal Health Board in our region.

10.2 What we will deliver

Level of service	Performance measure	Performance targets				
		Baseline	2012/13	2013/14	2014/15	2015-22
Work with landowners to reduce the impact of pest animals and plants within the region	Number of active pest plant "Total Control" sites ¹⁷	890 (2010/11)	Decrease on previous year	Decrease on previous year	Decrease on previous year	Continued decrease

¹⁷

Notes:

1 - Active Total Control sites are sites that have living Total Control species pest plants or have had living plants within the past five years. A list of Total Control species pest plants can be found in the Regional Pest Management Strategy.

3 - Modified McLean's scale provides an index from 1-8 of rabbit density based on the amount of fresh rabbit faecal pellets present on the ground and the numbers of rabbits seen

	Number of rabbits in the region	Low No areas persistently recording above 5 on the Modified McLean Scale ³ (2010/11)	Low (<5 on the Modified McLean Scale)			
	Number of possums in the Regional Possum Predator Control Programme area	Low Less than 5% Residual Trap Catch ⁴ (2010/11)	Low (<5% Residual Trap Catch)			

10.3 11.3 Changes to what we will deliver

There is an increase in the level of service from 2011/12. The Regional Possum Predator Control Programme is expanding to include areas near Wellington and Porirua cities and Kapiti Coast in addition to the areas declared by the Animal Health Board to be free from Bovine TB. Currently there are 19,200ha that are free from Bovine TB expanding to 38,000ha in 2012 and 133,000ha by 2016.

10.4 Specific areas of work

Specific areas of work in next three-year period	2012/13	2013/14	2014/15
Review of Regional Pest Management Strategy		✓	✓
Carry out Regional Possum Predator Control Programme	✓	✓	✓
Carry out Regional Pest Management Strategy	✓	✓	✓

4 - Relative possum population density is measured using Residual Trap Catch index (RTC) calculated as a numbers of possums caught per 100 trap nights

10.5 How we will fund this activity

100% general rates for inspections, surveillance, monitoring and approved control work under the Regional Pest Management Strategy. Implementation of the Animal Health Board's regional bovine TB vector control programme is funded 60% by works and services rates (land area) on all rateable properties exceeding 4ha in the control area and 40% general rates. Regional possum control is funded 40% by works and services rates (land area) on all rateable properties exceeding 4ha and 60% by general rates.

New project: expanding pest control programmes

Possums have been controlled in most of the region over the last 20 years largely through work undertaken by the Animal Health Board (AHB) to eradicate bovine TB from cattle and deer herds (principally in Wairarapa), and through work undertaken by Greater Wellington and other agencies such as the Department of Conservation to control possums in high value native ecosystems (public reserves and legally protected private land).

Greater Wellington commenced the Regional Possum Predator Control Programme (RPPCP) in 2010/11 to maintain and build on the environmental and economic gains in the areas where control has ceased under the AHB bovine TB control programme. This work capitalises on the lower cost of continued maintenance work, compared with controlling high possum densities at a later date.

This Long Term Plan proposes to expand the RPPCP to ensure that all areas declared TB-free continue to be controlled. It also proposes to expand possum control to include a range of high value areas, farm land and public reserves in areas near Wellington, Porirua and Kapiti.

Changes are also proposed to the way that we fund possum control. Possum control to manage bovine TB will be funded 60% by targeted works and services rates on properties larger than 4ha in the AHB vector control areas and 40% by general rates (currently this is funded 40% by targeted rates and 60% by general rates). Other possum control will be funded 40% by works and services rates on all properties larger than 4ha and 60% by general rates (currently this is funded 100% by general rates).

Additional funding for the extension of the RPPCP programme will be a total of \$990,000 over the next 3 years 2012/13 – 2014/15.

11. Harbour management

11.1 What we do and why

Greater Wellington is responsible under the Maritime Transport Act 1994 for the management of the region's harbours and coastal waters for navigation and safety purposes. We operate a 24/7 communication station at Beacon Hill in Wellington and provide and maintain navigational aids in our harbours. We also promote the safe use of harbours and coastal waters by educating recreational users and operating a harbour ranger service. Greater Wellington manages and cleans up oil spills in our harbours.

11.2 What we will deliver

Level of service	Performance measure	Performance targets				
		Baseline	2012/13	2013/14	2014/15	2015-22
Provide safe and competent maritime management for commercial and recreational users of our region's waters.	That Beacon Hill Communications station is staffed and operational 24 hours a day, seven days a week	100% (2010/11)	100%	100%	100%	100%
	That all navigational aids are working, 24 hours a day, seven days a week	All navigation aids were working 24 hours, seven days a week, except for when a replacement part was required for the Porirua Inner Channel marker	100%	100%	100%	100%

		(2010/11)				
	Percentage of reports of unsafe boating incidents investigated	90% (2010/11)	100%	100%	100%	100%
	Percentage of harbour oil spills responded to within 30 minutes and clean up started within one hour	100% (2010/11)	100%	100%	100%	100%
	Percentage of coastal oil spills responded to within 30 minutes and clean up started within 3 hours	100% (2010/11)	100%	100%	100%	100%

11.3 Specific areas of work

Specific areas of work in next three-year period	2012/13	2013/14	2014/15
Operate Beacon Hill Signal Station and maintain navigational aids	✓	✓	✓
Provide a response to harbour and coastal marine oil spills	✓	✓	✓

11.4 How we will fund this activity

Navigational aids and communications service are funded 40% from general rates for non-commercial users and 60% from user charges on commercial shipping. Enforcing maritime safety regulations and educating people on water safety are funded 100% from general rates. The standing costs of cleaning up of oil spills is funded 5% from general rates (for recreational users) and 95% user charges (paid via Maritime New Zealand as an agent for all shipping). Pollution clean up costs are fully recovered from the polluter (any costs that cannot be recovered to be funded from general rates).

12. Financials

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ENVIRONMENT
PROSPECTIVE FUNDING IMPACT STATEMENT
FOR THE YEAR ENDING 30 JUNE

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	\$000s
Sources of operating funding										
General rate	18,751	19,593	20,351	21,164	21,914	22,499	23,090	23,717	24,577	24,947
Targeted rate	355	516	755	803	865	910	912	914	917	920
Government subsidies	208	-	-	-	-	-	-	-	-	-
Interest and dividends	19	12	12	14	18	20	24	26	29	31
Other operating revenue	5,663	5,744	6,015	6,387	6,755	6,959	7,163	7,381	7,621	7,865
Total operating funding	24,996	25,865	27,133	28,368	29,552	30,388	31,189	32,038	33,144	33,763
Applications of operating funding										
Direct operating expenditure	22,818	23,564	24,725	25,026	26,931	27,787	28,496	29,400	30,258	31,111
Finance costs	89	62	75	56	35	21	7	(2)	(3)	(6)
Internal charges applied	1,476	1,659	1,769	1,789	1,858	1,982	2,008	2,093	2,230	2,181
Total applications of operating funding	24,383	25,305	26,569	27,673	28,824	29,790	30,511	31,491	32,494	33,286
Surplus/(deficit) of operating funding	613	560	564	695	728	598	678	547	650	477
Sources of capital funding										
Subsidies for capital expenditure	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in debt	(77)	(129)	(66)	(479)	(185)	(193)	(169)	(2)	(31)	(27)
Proceeds from asset sales	106	86	92	368	121	84	102	114	134	92
Total sources of capital funding	31	(43)	26	(111)	(64)	(109)	(67)	112	103	65
Applications of capital funding										
Capital expenditure										
- to meet additional demand	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	90	36	19	-	-	-	-	-	-	-
- to replace existing assets	659	520	531	542	619	442	539	614	706	492
Investment additions	-									
Operational reserve movements	(105)	(39)	40	42	45	47	52	45	47	50
Total applications of capital funding	644	517	590	584	664	489	591	659	753	512
Surplus/(deficit) of funding	-									
Depreciation on assets	560	593	615	678	657	621	592	596	607	603

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in this 10-Year Plan 2012-22

All figures on this page exclude GST

FINANCIAL INFORMATION

ENVIRONMENT

PROSPECTIVE FUNDING INFORMATION
FOR THE YEAR ENDING 30 JUNE

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	\$000s
Operating funding										
Resource management	10,790	11,085	11,401	11,797	12,151	12,322	12,691	13,099	13,567	13,703
Land management	3,767	3,924	4,263	4,630	4,974	5,115	5,251	5,406	5,596	5,733
Biodiversity management	4,271	4,279	4,336	4,461	4,584	4,708	4,824	4,985	5,132	5,268
Pest management	4,109	4,456	5,029	5,323	5,651	5,981	6,124	6,315	6,553	6,718
Harbour management	2,050	2,121	2,104	2,157	2,192	2,262	2,299	2,233	2,296	2,341
Total operating funding	24,986	25,865	27,133	28,368	29,552	30,388	31,189	32,038	33,144	33,763
Applications of operating funding										
Resource management	10,429	10,852	11,166	11,507	11,812	12,135	12,423	12,841	13,202	13,509
Land management	3,682	3,839	4,195	4,509	4,843	4,984	5,118	5,271	5,463	5,598
Biodiversity management	4,271	4,279	4,336	4,461	4,584	4,708	4,824	4,985	5,132	5,268
Pest management	4,171	4,449	4,930	5,215	5,558	5,884	6,025	6,212	6,446	6,607
Harbour management	1,830	1,886	1,934	1,981	2,027	2,079	2,121	2,182	2,251	2,304
Total applications of operating funding	24,383	25,305	26,569	27,673	28,824	29,790	30,511	31,491	32,484	33,286
Capital expenditure										
Environment projects	90	36	19	-	-	-	-	-	-	-
Capital project expenditure	90	36	19	-						
Land and buildings	-	-	-	-	-	-	-	-	-	-
Plant and equipment	233	214	176	140	130	136	140	182	150	145
Vehicles	426	306	355	402	489	306	399	432	556	347
Total capital expenditure	749	556	550	542	619	442	539	614	706	492

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in this 10-Year Plan 2012-22

All figures on this page exclude GST

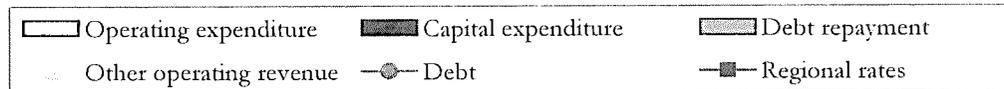
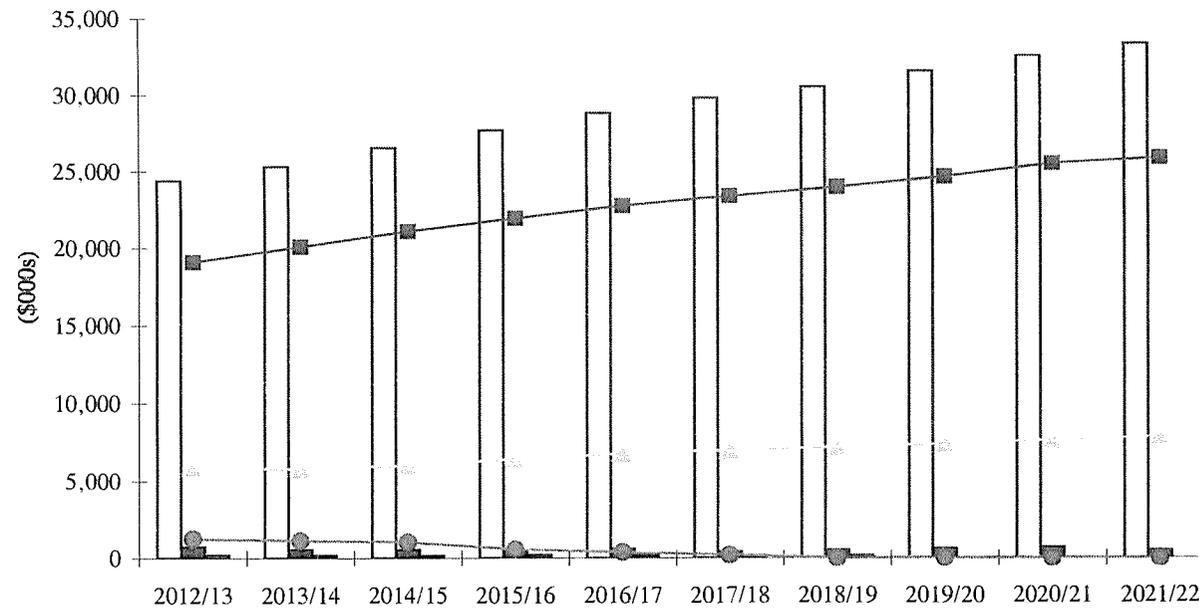
ENVIRONMENT

10-year financial forecast

This graph places the prospective funding impact statement for the next year in the context of the ten-year planning horizon.

Key point to note is:

All key financial indicators are expected to remain relatively constant over the 10-year period after allowing for inflation



Please note that these figures exclude GST.

(\$000s)	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Operating expenditure	24,383	25,305	26,569	27,673	28,824	29,790	30,511	31,491	32,494	33,286
Debt repayment	203	190	170	212	179	185	186	13	19	7
Capital expenditure	749	556	550	542	619	442	539	614	706	492
Debt	1,259	1,130	1,064	585	401	209	20	17	0	0
Regional rates	19,106	20,109	21,106	21,967	22,779	23,409	24,002	24,631	25,494	25,867
Other operating revenue	5,890	5,756	6,027	6,401	6,773	6,979	7,187	7,407	7,650	7,896

Flood protection and control works

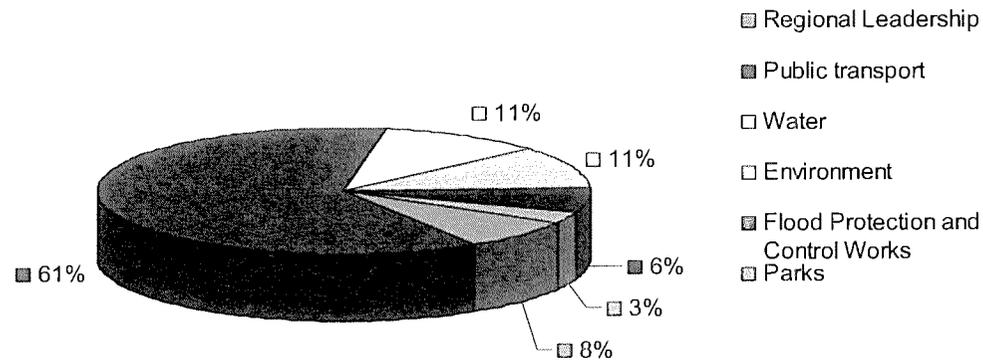
Greater Wellington works with communities to manage flood risk from the region's rivers and streams. We develop floodplain management plans, provide a free advice and consultation service, maintain and build flood protection works, work with the community to improve the environment and recreational opportunities and provide flood warnings.

1. Activities

This group of activities includes:

- Understanding flood risk
- Maintaining flood protection and control works and improving flood security.

Figure 1. Flood protection and control works as a percentage of Greater Wellington's expenditure



Flood protection and control works expenditure by activity	\$000s
Understanding flood risk	530
Maintaining flood protection and control works and Improving flood security	11,486

2. Contribution to community outcomes

Our flood protection and control works activities primarily contribute towards achieving a **resilient community** by:

- Reducing the risk of flooding in the region now and in the future by encouraging new development away from our most flood-prone areas
- Building planned flood protection works and informing communities about the risk and consequences of flood events in their area

Our flood protection and control works also contribute towards achieving:

- A **strong economy** by minimising the impact of flooding on activities that contribute to the regional economy
- **Quality of life** by enabling people to enjoy recreational use of river corridors
- A **healthy environment** by enhancing the environment along river corridors.

3. Issues we are facing

The region contains a number of major rivers and streams that have the potential for flooding. We are committed to providing and maintaining an agreed level of flood protection to existing communities, however flood protection works are expensive for ratepayers to develop and to maintain. Climate change may impact on flood levels in the longer term and we need to investigate and plan for this.

Although there is continuing pressure to develop areas of the region that are subject to floods, inappropriate development in flood risk areas should be avoided. Long term planning and providing advice about appropriate development are key components of dealing with this issue. Mitigating flooding by building expensive stopbanks or other protection structures is often not an appropriate solution. Continuing to raise awareness of flood risk and the need to be prepared is important in existing communities that are subject to flooding.

4. Strategy for flood protection and control works

4.1 Long term approach

Greater Wellington's long term approach to flood protection is to promote a safe and prosperous community through appropriate flood protection measures while maintaining a natural river environment. We achieve this by developing floodplain management plans. This approach minimises loss of life, supports economic development, informs and empowers communities, enhances ecological quality and provides for recreational opportunities. Development that is compatible with flood risk is an essential part of this approach. We advocate against new development in flood risk areas, and manage the risk to existing developments.

4.2 Priorities for the next three years

- Maintain existing flood protection assets
- Complete planned flood protection structures
- Raise public awareness through floodplain management planning and education
- Investigate and model the potential impacts of climate change
- Continue to build collaborative partnerships with territorial authorities and other government agencies, particularly in relation to managing flood risk through District Plans
- Utilise best practice flood protection methods to enhance river and stream ecology and provide for recreational opportunities.

4.3 Major infrastructure projects

This plan includes the following significant programme of new and upgraded flood protection and control works.

Flood Protection and control works capital expenditure programme 20012/13 to 2021/22 (\$000)

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/2021	2021/22	
Capital expenditure											
Investigations											
Mangaroa Flood Hazard Assessment	-	103,000	-	110,000	-	118,000	-	0	0	0	331,000
Pinehaven Flood Hazard Study	50,000	-	-	-	-	-	-	-	-	-	50,000
Waiwhetu FMP .	100,000	-	-	-	-	-	-	-	-	-	100,000
Resource Consent Project	100,000	129,000	-	-	-	-	-	-	-	-	229,000
Environmental Code of Practice	100,000	129,000	-	-	-	-	-	-	-	-	229,000
Total	350,000	361,000	-	110,000	-	117,000	-	-	-	-	938,000

Capital Works												
Hutt River												
Maoribank riverbed stabilisation	-	-	319,000	826,000	854,000	-	-	-	-	-	-	1,999,000
Ebdentown rocklining	-	-	-	-	-	824,000	-	-	-	-	-	824,000
City Centre Upgrade	150,000	206,000	727,000	876,000	5,180,000	5,295,000	5,468,000	8,162,000	4,154,000	1,331,000	31,549,000	
Pinehaven Stream Improvements	-	-	-	273,000	282,000	291,000	300,000	309,000	319,000	330,000	2,104,000	
Boulcott/Hutt Stopbank Construction.	4,500,000	1,856,000	-	-	-	-	-	-	-	-	-	6,356,000
Melling Bridge Investigations	-	-	-	109,000	-	-	-	-	-	-	-	109,000
Pharazyn Stopbank Construction	-	-	-	-	-	-	-	-	2,602,000	4,041,000	6,643,000	
Hutt Environmental strategy implementation	113,000	74,000	43,000	52,000	157,000	160,000	144,000	213,000	177,000	143,000	1,276,000	
Waiwhetu Flood	100,000	-	-	-	-	-	-	-	-	-	-	100,000

Improvements											
Hutt River Total	4,863,000	2,136,000	1,089,000	2,136,000	6,473,000	6,570,000	5,911,000	8,684,000	7,252,000	5,845,000	50,960,000
Kapiti											
Jim Cook Park Stopbank	-	413,000	852,000	991,000	-	-	-	-	-	-	2,256,000
Waikanae Environmental strategy implementation	-	21,000	43,000	50,000	-	-	-	-	-	-	114,000
River Works Mouth to SH1	-	361,000	-	330,000	-	377,000	-	375,000	-	401,000	1,844,000
River Works Chrystalls to Gorge	-	320,000	383,000	-	421,000	-	473,000	-	388,000	-	1,985,000
Lower Waitohu Improvements	700,000	392,000	-	-	-	-	-	-	-	-	1,092,000
Otaki South Stopbank Land	-	-	107,000	165,000	-	-	-	-	-	-	272,000
Otaki South Stopbank	-	-	-	-	569,000	588,000	-	-	-	-	1,157,000

Improvements												
Crystals Extended Stopbank	400,000	-	-	-	-	-	-	-	-	-	-	400,000
North stopbank improvements (mouth to SH1)	-	258,000	-	-	-	-	-	-	-	-	-	258,000
Otaki Environmental strategy implementation	55,000	67,000	24,000	25,000	50,000	48,000	24,000	19,000	19,000	20,000		351,000
Kapiti Area Total	1,155,000	1,832,000	1,409,000	1,561,000	1,040,000	1,013,000	497,000	394,000	407,000	421,000		9,729,000
Western Area Total	6,368,000	4,329,000	2,498,000	3,807,000	7,513,000	7,701,000	6,408,000	9,078,000	7,659,000	6,266,000		61,627,000
Wairarapa												
LWVD River Scheme Development works	774,000	811,000	814,000	829,000	857,000	885,000	913,000	942,000	975,000	1,008,000		8,808,000
Waiohine River Scheme Constuction	-	310,000	2,939,000	3,039,000	-	-	-	-	-	-		6,288,000
Waiohine Floodplain Management Plan	150,000	-	-	-	-	-	-	-	-	-		150,000
Wairarapa Total	924,000	1,121,000	3,753,000	3,868,000	857,000	885,000	913,000	942,000	975,000	1,008,000		15,246,000

Flood Protection	7,292,000	5,450,000	6,251,000	7,675,000	8,370,000	8,585,000	7,322,000	10,020,000	8,634,000	7,274,000	76,873,000
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4.4 Policy framework

These are the existing Greater Wellington policies and plans that relate to the flood protection group of activities:

- Floodplain management plans - outline a holistic approach to reducing the effects of flooding including physical protection, non-structural measures, and environmental opportunities
- Regional Policy Statement - includes objectives and policies relating to flood hazards.

5. Assumptions and risks

In managing this group of activities we have assumed that:

- There will not be any flood events in the next 10 years, where repair costs exceed available contingency funding and reserves
- Maintenance costs remain within identified budget parameters
- Resource consents will be obtained, or renewed, for necessary activities including capital improvements, routine operations and maintenance
- Treaty of Waitangi claims will not impact significantly on river management activities.

6. Significant negative effects on wellbeing

There is the potential for flood protection projects, and ongoing operations and maintenance activities to have a negative effect on environmental wellbeing. However, flood protection activities also have a positive effect on the general wellbeing of communities adversely affected by flooding. Greater Wellington will seek to minimise the impact of flood protection projects, maintenance and operations on the environment.

7. Understanding flood risk

7.1 What we do and why

Floods are the Wellington region's greatest hazard, both in terms of frequency and continuing losses.

We work with the community to reduce the impact of flooding on people and their property and to assist people to make informed decisions about development in areas of the region subject to flood hazards. We do this by preparing flood hazard maps and developing floodplain management plans.

Floodplain management plans are our key planning tool to respond to the threat of flooding. The plans set out how we manage flood risk on individual rivers. The planning process involves:

- Preparing flood hazard assessments
- Consulting with affected communities
- Agreeing appropriate levels of flood protection from avoidance through to mitigation of the hazards
- Enhancing river corridor environments.

We provide advice to people, communities and local and central government organisations about flood hazards. We work closely with city and district councils to provide flood hazard information for Land and Property Information Memorandums (LIMS and PIMS) and district plans. We also gather information, monitor, provide flood warnings and keep records about flood risks throughout the region.

Greater Wellington maintains a network of flood and rainfall gauges to help provide a flood warning service to the region. River levels are monitored and flood warnings are provided to local authorities and selected landowners, as well as the media. We monitor stopbanks and river levels and respond to emergencies.

Better information assists decision-makers developing planning controls, locating structures and providing advice to landowners. Floodplain management plans are a key part of a shift toward avoiding flood hazards, rather than relying on structures to mitigate their impact on communities.

7.2 What we will deliver

Level of service	Performance measure	Performance targets				
		Baseline	2012/13	2013/14	2014/15	2015-22
Improving information and understanding of flood risk in the community	Number of new flood hazard assessments completed	2 new assessments completed (2011/12 forecast) In total 14 out of 24 rivers and streams have been assessed	0 (The focus is on floodplain management planning)	0 (The focus is on floodplain management planning)	1	24 out of 24 rivers will have been assessed
	Number of new floodplain management plans developed	1 new plan completed (2011/12 forecast) 5 out of 24 rivers have plans	2	2	2	15 out of 24 rivers will have plans
	Number of requests for flood hazard advice	500 (2010/11)	Increase on previous year	Increase on previous year	Increase on previous year	> 500
	Percentage of flood warning alarms responded to appropriately	100% (2010/11)	100%	100%	100%	100%

7.3 Specific areas of work

Specific areas of work in next three-year period	2012/13	2013/14	2014/15
Develop Waiwhetu Floodplain Management Plan	✓	✓	
Begin the Mangaroa flood hazard assessment		✓	
Prepare Pinehaven Floodplain Management Plan (in conjunction with Upper Hutt City Council)	✓		
Prepare Waiohine Floodplain Management Plan	✓		
Prepare Ruamahanga, Waipoua and Waingawa Floodplain Management Plan	✓	✓	
Complete a scoping study on the impacts of climate change	✓		

7.4 How we will fund this activity

100% funded by general rates.

8. Maintaining flood protection and control works and improving flood security

8.1 What we do and why

Greater Wellington builds and maintains a network of flood protection structures, including stopbanks, river works and detention dams, throughout the region to mitigate the effect of floods.

Regular maintenance is a key component of our work to ensure that flood protection structures continue to perform as planned. Maintenance involves routine inspections, repairs and adjustments, as well as repairing damage caused by floods.

Greater Wellington reduces the risk of floods through the implementation of floodplain management plans. We are currently implementing plans for the Lower Ruamahanga (2008), Hutt (2001), Waikanae (1997) and Otaki (1998) rivers. These plans each contain a capital works programme of between 10 and 40 years, which we continue to implement.

As our knowledge and understanding of the potential for flood damage increases, the demand for protection from flooding from the community will also increase. This is a key driver for future, new, physical flood protection works.

We carry out environmental enhancement work on river corridors and encourage public use and enhancement by providing access, tracks, planting and removing rubbish. A ranger service is provided on the Hutt River to facilitate public use of this popular area.

8.2 What we will deliver

Level of service	Performance measure	Performance targets				
		Baseline	2012/13	2013/14	2014/15	2015-22
Improve flood security by implementing floodplain management plans	Percentage of floodplain management plan capital works 40-year programme implemented	30% completed (2011/12 forecast)	30% completed	35% completed	35% completed	50% completed
Maintain flood protection schemes to mitigate the effect of flooding	No failures of flood protection schemes below specified design levels	100% (2010/11)	100%	100%	100%	100%
Minimise the environmental impact of flood protection works and support public access to rivers and streams	All flood protection works are undertaken in accordance with resource consent conditions or relevant plan provision	No significant non-compliance (2010/11)	No significant non-compliance	No significant non-compliance	No significant non-compliance	No significant non-compliance
	Number of new public access points to rivers and streams	1 (2011/12 forecast)	1 new public access point	1 new public access point	1 new public access point	Continued increase in number of public access points to rivers and streams

8.3 Key areas of work

Specific areas of work in next three-year period	2012/13	2013/14	2014/15
Commence obtaining statutory approvals for maintenance of infrastructure assets	✓	✓	✓
Construct Boulcott Hutt stopbank (Hutt River Floodplain Management Plan)	✓	✓	
Carry out Waiwhetu Stream environmental enhancement (as required by resource consent)	✓		
Stabilise Maoribank Riverbed (Hutt River Floodplain Management Plan)			✓
Planning for Lower Hutt City Centre stopbank upgrade (Hutt River Floodplain Management Plan)	✓	✓	✓
Planning for channel widening on the Hutt River from Melling Bridge to Kennedy Good Bridge (Hutt River Floodplain Management Plan)	✓	✓	✓
Continue implementing the environmental strategy on the Hutt, Waikanae and Otaki rivers	✓	✓	✓
Carry out Lower Waitohu improvement works (Waitohu Stream Management Plan)	✓	✓	
Carry out Jim Cooke Park stopbank improvements (Waikanae Floodplain Management Plan)		✓	✓
Implement Waiohine Floodplain Management Plan outcomes		✓	✓

8.4 How we will fund this activity

Greater Wellington sets two rates on a scheme-by-scheme basis (combined capital and operations):

- 0%-50% general rates from the regional community
- The balance of costs (ie, 50%-100%) met via targeted rates on the local authority area or scheme rates or direct contributions (for both direct beneficiaries on the floodplain and the beneficiaries in the economic catchment).

Note: Where a utility provider makes a contribution for protection of infrastructure assets, the revenue is directly applied to alleviate the scheme's costs.

The flood warning service is funded 100% from general rates.

9. Financials

FINANCIAL INFORMATION

FLOOD PROTECTION AND CONTROL WORKS
PROSPECTIVE FUNDING IMPACT STATEMENT
FOR THE YEAR ENDING 30 JUNE

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	\$000s
Sources of operating funding										
General rate	8,219	8,575	8,792	9,196	9,615	10,154	10,764	11,161	11,839	12,194
Targeted rates	6,172	6,503	6,720	7,070	7,626	8,064	8,570	8,863	9,318	9,706
Government subsidies	-	-	-	-	-	-	-	-	-	-
Interest and dividends	451	460	518	579	689	741	800	863	918	974
Other operating revenue	1,243	1,298	1,330	1,376	1,419	1,465	1,517	1,528	1,583	1,637
Total operating funding	16,085	16,836	17,360	18,221	19,349	20,424	21,659	22,415	23,658	24,511
Applications of operating funding										
Direct operating expenditure	7,565	7,860	8,088	8,369	8,601	8,846	9,259	9,370	9,621	9,920
Finance costs	3,300	3,535	3,729	3,996	4,631	5,007	5,676	5,875	6,482	6,985
Internal charges applied	1,151	1,294	1,379	1,395	1,449	1,545	1,566	1,632	1,746	1,701
Total applications of operating funding	12,016	12,689	13,196	13,760	14,681	15,398	16,501	16,877	17,849	18,606
Surplus/(deficit) of operating funding	4,069	4,147	4,164	4,461	4,668	5,026	5,158	5,538	5,809	5,905
Sources of capital funding										
Subsidies for capital expenditure	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in debt	4,303	2,386	3,148	4,315	4,993	4,820	3,522	5,932	4,354	2,770
Proceeds from asset sales	94	133	70	132	99	61	116	150	158	96
Total sources of capital funding	4,397	2,519	3,226	4,447	5,092	4,881	3,638	6,082	4,512	2,866
Applications of capital funding										
Capital expenditure										
- to meet additional demand	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	7,292	5,450	6,251	7,676	8,371	8,586	7,321	10,019	8,634	7,274
- to replace existing assets	339	345	229	403	294	197	326	422	486	265
Investment additions	322	383	428	480	539	575	579	614	651	689
Operational reserve movements	513	488	482	349	556	549	570	565	550	543
Total applications of capital funding	8,466	6,666	7,390	8,908	9,760	9,907	8,796	11,630	10,321	8,771
Surplus/(deficit) of funding	-									
Depreciation on assets	913	970	1,035	1,180	1,242	1,440	1,540	1,535	1,558	1,635

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in this 10-Year Plan 2012-22
All figures on this page exclude GST

FINANCIAL INFORMATION

FLOOD PROTECTION AND CONTROL WORKS
PROSPECTIVE FUNDING INFORMATION
FOR THE YEAR ENDING 30 JUNE

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	\$000s
Operating funding										
Understanding flood risk	530	726	734	752	786	802	846	860	821	837
Maintaining flood protection and control works and Improving flood security	15,555	16,110	16,626	17,469	18,563	19,622	20,813	21,555	22,837	23,674
Total operating funding	16,085	16,836	17,360	18,221	19,349	20,424	21,659	22,415	23,658	24,511
Applications of operating funding										
Understanding flood risk	530	726	734	752	786	802	846	860	821	837
Maintaining flood protection and control works and Improving flood security	11,486	11,963	12,462	13,008	13,895	14,596	15,655	16,017	17,028	17,769
Total applications of operating funding	12,016	12,689	13,196	13,760	14,681	15,398	16,501	16,877	17,849	18,606
Capital expenditure										
Waiwhetu flood improvements	100	-	-	-	-	-	-	-	-	-
Hutt River improvements	4,763	2,137	770	1,311	5,619	6,571	5,911	8,664	7,252	5,845
Olaki River improvements	1,155	1,398	514	521	1,040	1,013	497	393	407	421
Wairarapa scheme improvements	924	1,121	3,754	3,868	857	885	913	942	975	1,098
Other flood protection	350	794	1,213	1,976	855	117	-	-	-	-
Capital project expenditure	7,292	5,450	6,251	7,676	8,371	8,586	7,321	10,019	8,634	7,274
Land and buildings	-	-	-	-	-	-	-	-	-	-
Plant and equipment	122	79	12	8	13	8	13	97	14	9
Vehicles	217	266	217	395	281	189	313	325	472	256
Total capital expenditure	7,631	5,795	6,480	8,079	8,665	8,783	7,647	10,441	9,120	7,539

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in this 10-Year Plan 2012-22

All figures on this page exclude GST

FLOOD PROTECTION AND CONTROL WORKS

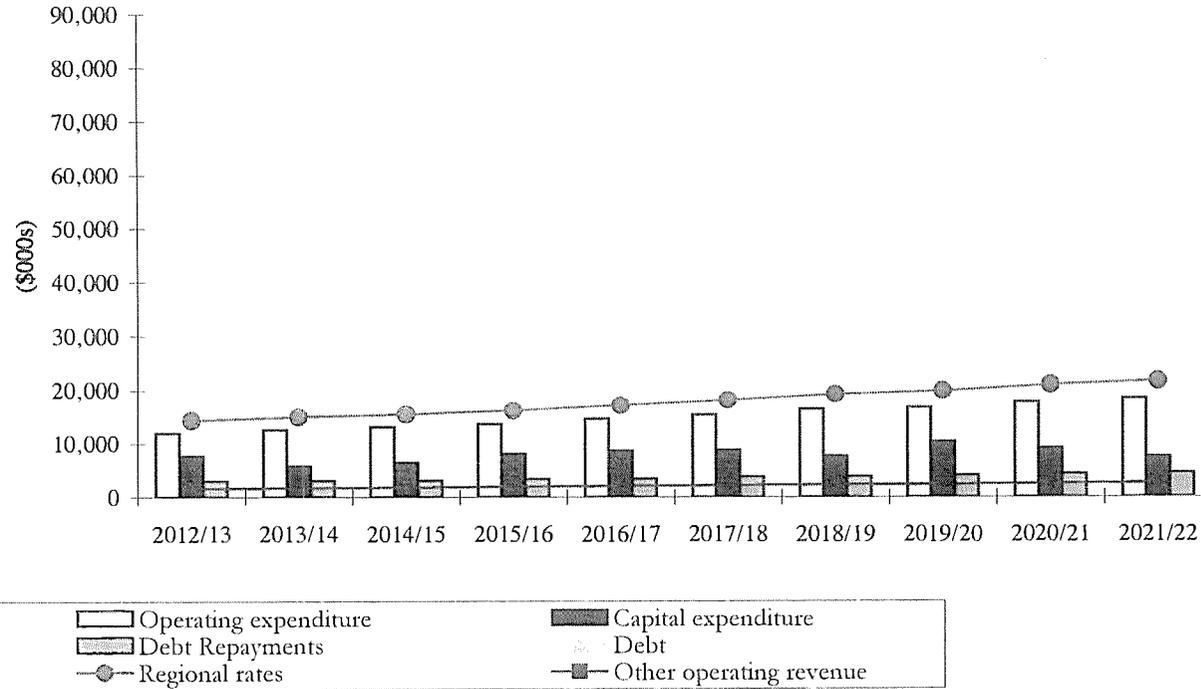
Ten-year financial forecast

This graph places the prospective funding impact statement for the next year in the context of the ten-year planning horizon.

Key point to note is:

All key financial indicators are expected to remain relatively constant over the 10-year period after allowing for inflation

Debt continues to grow as the flood protection programme progresses.



Please note that these figures exclude GST.

(\$000s)	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Operating expenditure	12,016	12,689	13,196	13,760	14,681	15,398	16,501	16,877	17,849	18,606
Debt Repayments	2,988	3,063	3,103	3,361	3,378	3,766	3,799	4,087	4,280	4,504
Capital expenditure	7,631	5,795	6,480	8,079	8,665	8,783	7,647	10,441	9,120	7,539
Debt	48,531	50,917	54,069	58,384	63,376	68,196	71,717	77,649	82,004	84,775
Regional rates	14,391	15,078	15,512	16,266	17,241	18,218	19,334	20,024	21,157	21,900
Other operating revenue	1,694	1,758	1,848	1,955	2,108	2,206	2,325	2,391	2,501	2,611

Parks

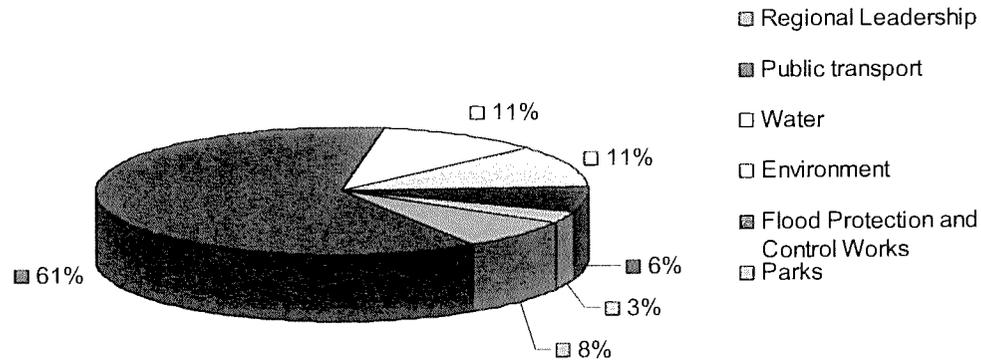
Greater Wellington manages a network of regional parks and forests for use and enjoyment by the community. The network includes a range of unique natural areas for recreation and conservation. We plan for the future of the network, provide facilities and services for visitors (including park rangers, toilets and tracks) and work with community groups to protect the environment of regional parks.

1. Activities

This group of activities includes:

- Parks planning
- Visitor services
- Protecting the environment of regional parks.

Figure 1. Parks as a percentage of Greater Wellington's expenditure



Parks expenditure by activity	\$000s
Parks Planning	257
Visitor Services	5,758
Protecting the environment of regional parks	<u>101</u>
Total Applications of Operating Funding	<u>6,116</u>

2. Contribution to community outcomes

Our parks and forests activities contribute towards achieving **quality of life** by:

- Providing a range of outdoor recreational opportunities and amenities for the community to enjoy
- Protecting part of the region’s unique natural and cultural heritage.

Our parks and forests activities also contribute towards achieving a **healthy environment** by protecting and restoring the habitat of native plants and animals.

3. Issues we are facing

As people participate in a wider range of recreational activities, more pressure is being placed on the region’s parks and forests. Our parks and forests cater for a wide range of recreational activities from walking (the most popular) to mountain biking, and more specialised pursuits such as 4-wheel driving, hunting and hang gliding. Active management is needed to ensure that any conflicts are avoided or minimised while retaining the quality of experience for all visitors. Our parks also need to be made more accessible and relevant to a wider spectrum of our community.

The regional park network is expanding with recent additions at Baring Head and Whitireia. This places more pressure on the available resources necessary to manage them and increases the need to look for new ways to improve efficiency.

There is ongoing tension between the desire to manage the regional parks to maximise environmental, heritage and cultural values and the need for effective and efficient land management of large areas of land. Where and how to allow farming on our parks, including how we manage issues such as stock access to waterways, is a topical issue, as is how best to protect the identified heritage and cultural assets in the longer-term.

Volunteer groups are vital to the management of the region's parks. They add value by acting as park advocates, carrying out ecological and recreational improvement programmes, and working with Greater Wellington on joint activities. Encouraging and supporting these groups to remain active, especially as many volunteers grow older, is a key issue in the longer term.

Joint management arrangements are also becoming important for some of our parks. Whitireia Park is the first example of a co-management arrangement with iwi, with the Parangarahu Lakes Area to follow.

4. Strategy for parks

4.1 Long term approach

Greater Wellington's long term approach is to maintain a network of regional parks that provides a range of recreational opportunities for the region's residents and visitors, catering for different ages, abilities and experiences.

Our regional parks and forests will be managed to promote the protection of high value ecosystems, important heritage and cultural features and the visual quality of significant landscapes, as well as to enhance degraded areas.

To achieve this we will work in partnership with tangata whenua and the community, developing relationships based on good faith and common understanding so that the management of parks reflects the needs of park users.

4.2 Priorities for the next three years

- Successfully integrating new areas into the parks network
- Building community connections to parks through partnerships with volunteer groups
- Fulfilling our obligations through co-management arrangements
- Determining the appropriate scale and form of farming activities in regional parks taking a sustainable land management approach
- Further developing recreational opportunities, including easy-medium grade tracks for walking and cycling.

4.3 Policy framework

These are the existing Greater Wellington policies and plans that relate to the parks group of activities:

- Proposed Regional Policy Statement 2009 (RPS) - identifies the regionally significant issues around the management of the region's natural and physical resources. It includes objectives relating to landscape, indigenous ecosystems and historic heritage
- Regional Parks Network Plan 2010 - provides policies and rules for the management of our regional parks and forests. This plan takes an integrated approach to parks management in the region and replaces all former parks management plans.
- Regional Parks, Forests and Reserves Bylaws 2009 - control activities carried out in regional parks and forests, including water catchment areas and soil conservation and river control reserves
- Parks and Forests Concessions Guidelines 2008 - cover short and long term activities and events on lands owned by Greater Wellington.

5. Assumptions and risks

In managing this group of activities we have assumed that:

- There will be no serious damage to forests from fires, insect attacks, fungal attacks or significant storm or flood damage
- Revenue from existing leases and licenses will continue.

In addition to the risks associated with the above assumptions not being borne out, we have identified the following risks:

- Recreational opportunities in the new additions to the parks network are limited by the cost of new infrastructure
- Volunteer support for managing the parks network declines
- Increasing pressure of a wider range of uses in the parks network degrades the overall visitor experience.

6. Significant negative effects on wellbeing

There is the potential for parks management and ongoing operations and maintenance activities to have a negative effect on environmental wellbeing, through land management activities, including farming and pest control. Greater Wellington seeks to minimise any impacts on the environment. The control of animal pests in parks and forests uses a range of methods and pesticides. The compound 1080, in particular, is of significant concern to some sectors of the community. Greater Wellington has participated in a number of studies and believes that the benefits of using 1080 outweigh the negative effects. It notes that, in 2007, the Environmental Risk Management Authority reviewed the use of 1080 and allowed its ongoing use. However, overall parks activities also have a significant positive effect on environmental wellbeing through protection of significant ecosystems and restoration of degraded environments.

7. Parks planning

7.1 What we do and why

An integrated Parks Network Plan is maintained by Greater Wellington to provide a framework to manage regional parks, forests and recreation areas. This provides a consolidated management regime for the network as a whole, as well as specific management provisions for each park.

As new parks are added to the network an amendment is made to the Parks Network Plan. This is done in partnership with the Department of Conservation, landowners and tangata whenua, and in close consultation with the community and other key stakeholders.

The Parks Network Plan forms the management plan required by the Reserves Act 1977 for those areas of land held as reserves. Greater Wellington has included other land, held primarily as water catchment areas and forests, to ensure that all land that contributes to the regional parks network is managed consistently and in accordance with best practice.

We also assess proposals for leases, licences, easements and other developments that may impact on parks against the provisions of the Parks Network Plan. These are assessed in accordance with the requirements of the Reserves Act 1977 and other relevant legislation.

7.2 What we will deliver

Level of service	Performance measure	Performance targets				
		Baseline	2012/13	2013/14	2014/15	2015-22
Provide an up-to-date policy	That the Parks	Parks Network	Adopt	Adopt amendment	Undertake 5 yearly	Review Parks

framework to manage the regional park network	Network Plan is maintained and updated	Plan adopted December 2010	amendments to the Parks Network Plan on: Baring Head Parangarahu Lakes Queen Elizabeth Park	to the Parks Network Plan on Whitirea Park	monitoring of Parks Network Plan	Network Plan in 2020
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7.2 Specific areas of work

Specific areas of work in next three-year period	2012/13	2013/14	2014/15
Amendment to Parks Network Plan to include Baring Head	✓		
Development of Parangarahu Lakes area co-management plan with iwi and amendment to Parks Network Plan to update park specific management policies for Parangarahu Lakes area	✓		
Amendment to Parks Network Plan to update Queen Elizabeth Park policies	✓		
Amendment to Parks Network Plan to include Whitireia		✓	
Five-yearly monitoring of Parks Network Plan			✓

7.3 How we will fund this activity

Parks activities are funded 90% from general rates and 10% user charges for organised events, leases, license fees and added value services. Note: New land and infrastructure is loan-funded (serviced by 100% from general rates).

Emerging issue: the future of farming in regional parks

Farming occurs in parts of four of our regional parks: Belmont, Battle Hill, Queen Elizabeth and Baring Head. Farming is part of the overall land management approach as it provides an effective method of controlling weeds, reducing fire risk and subsidises the cost of managing the land. In some of our parks (eg, Baring Head) the pastoral landscape is an important cultural feature, which tells the story of our colonial heritage and the long history of farming in the area. In Battle Hill the farming operation is part of a model working farm which can be visited by the public and forms an important part of our educational resources.

Farming also has costs and impacts on the environment. Currently, the farming operations in our regional parks are commercial leases, however, the income from these leases is not sufficient to pay the cost of maintaining the land. Additional funding from rates is required to install and maintain key assets, such as fences. The commercial nature of the farming operations also means that the public can be excluded from the land at certain times of the year (eg, lambing) and access can be otherwise restricted. Stock can also impact on the environment, including water quality, native plants and animals.

Greater Wellington is proposing to undertake a review of farming on each of the four regional parks, starting with Queen Elizabeth and Baring Head. This will examine the long term viability of farming on the parks and potential alternative land management approaches, including the recommendations of the sustainable land use plans developed for Battle Hill, Belmont, Queen Elizabeth and Whitireia.

There are no additional funding requirements for this work during the three-year period from 2012-2015.

Emerging issue: mitigating the impact of planned improvements to State Highway 1 on regional parks

Two major state highway roading projects – the Transmission Gully Motorway and Mackays to Peka Peka upgrade – will directly impact on three of our regional parks. The roads propose to cross Belmont, Battle Hill and Queen Elizabeth Regional Parks.

Greater Wellington is working with NZ Transport Agency and Department of Conservation to ensure that the impacts of the proposed roads are appropriately mitigated (through such means as planting and the provision of recreational accessways), and that there is appropriate

compensation for the loss of the land. Greater Wellington is also looking for opportunities to work with NZ Transport Agency to provide additional facilities of value to the regional park network and its other interests, such as new cycleways.

There are no additional funding requirements for this work during the three-year period from 2012-2015.

Managing additional land as part of Belmont Regional Park

The Horokiwi Bridleway and entrance to Belmont Regional Park from the south-east is owned by Wellington City Council. As this land functions as part of Belmont Regional Park, it has been decided the land management responsibilities should be transferred to Greater Wellington under Section 17 of the Local Government Act. Greater Wellington would then manage this land as part of Belmont Regional Park. This is a similar arrangement to East Harbour Regional Park (Northern Forest) where Greater Wellington manages the land on behalf of Hutt City Council.

As part of the purchase of Waitangirua Farm (which now forms part of Belmont Regional Park) Greater Wellington also agreed to manage some sections of land adjacent to Cannons Creek, Belmont Regional Park which are owned by Porirua City Council.

8. Visitor services

8.1 What we do and why

Greater Wellington manages five regional parks (Queen Elizabeth Park, Battle Hill Farm Forest Park, Belmont Regional Park, Kaitoke Regional Park and East Harbour Regional Park) in accordance with the provisions of the Reserves Act.

In addition, it manages the Hutt River Trail, the Wainuiomata Recreation Area, Whitireia Park (in partnership with Ngati Toa) the Akatarawa and Pakuratahi forests and the Hutt, Orongorongo and Wainuiomata water collection areas under the provisions of the Local Government Act, Wellington Regional Water Board Act, and Wellington City and Suburban Water Supply Act.

Greater Wellington provides visitor services to these areas, including the provision of a park ranger service to manage the day-to-day operation of each park. Park rangers promote security, provide public information, and educate visitors about the natural and cultural features of the parks. We work with volunteer groups to maintain and improve the environment and recreational opportunities.

Greater Wellington provides a wide range of assets such as tracks, toilets, picnic facilities, camping areas and signage, for recreational purposes. These are maintained and replaced in accordance with our asset management plan.

Some land is leased to private operators, mainly for grazing, or made available to community groups for specific recreational use, eg, pony clubs, or for temporary use, eg, filming. Greater Wellington processes and grants leases, licences and concessions for these uses to organisations. Revenue from these activities helps offset the cost of managing the parks.

As well as our statutory duty to manage our reserves and other land held for water supply purposes, the provision of visitor services makes an important contribution to the social, cultural and economic wellbeing of the region. Recreational activities provide the opportunity for people to appreciate the outdoor environment and promote healthier lifestyles. They also contribute to economic wellbeing through commercial opportunities, such as filming, and through their contribution to overall quality of life.

8.2 What we will deliver

Level of service	Performance measure	Performance targets				
		Baseline	2012/13	2013/14	2014/15	2015-22
Provide a range of facilities and recreational opportunities to meet community expectations	Percentage of the regional population that has visited a regional park in the last 12 months	59% (2010/11)	>60%	>60%	>60%	>60%
	Percentage of regional park visitors who are satisfied with park facilities	94% (2010/11)	92%	93%	94%	94%
	Number of people attending Greater	4,730	4,900	5,000	5,100	5,200

	Wellington events in regional parks	(2010/11)				
	Number of volunteer hours in regional parks	6,167 (2010/11)	Maintain or increase on previous year			

8.3 Specific areas of work

Specific areas of work in next three-year period	Proposed Year		
	2012/13	2013/14	2014/15
Review track upgrade and development needs across the parks network to increase opportunities for families and youth, especially relatively inactive people	✓		
Run the Great Outdoors Summer Events programme and other events in all parks	✓	✓	✓
Process and issue concessions, leases and licences	✓	✓	✓
Develop visitor services at Baring Head, East Harbour Regional Park	✓	✓	✓

8.4 How we will fund this activity

Parks activities are funded 90% from general rates and 10% user charges for organised events, leases, license fees and added value services. Note: New land and infrastructure is loan-funded (serviced by 100% from general rates).

9. Protecting the environment of regional parks

9.1 What we do and why

Greater Wellington protects the significant ecosystems and landscapes within the regional parks network by managing use and access and pest control. We also restore degraded environments through replanting (often in partnership with volunteer groups). Regional parks contribute significantly to the identity of the Wellington region, and conserve important natural areas of biodiversity and ecosystems, such as lowland forests, wetlands and dunes, which are home to many rare plants and animals and contribute to healthy soils and ecosystems. This supports the achievement of several objectives of the Regional Policy Statement including objective 29 “Indigenous ecosystems and habitats with significant biodiversity values are maintained and restored to a healthy functioning state”, and objective 17 “The region’s outstanding natural features, landscapes and significant amenity landscapes, are identified and their values protected, maintained or enhanced.”

Our regional parks also contain important heritage features which represent the living history of our relationships with the land, for both pakeha and Māori. These are special and irreplaceable parts of our identity. Greater Wellington protects these features through managing use and access, provides interpretation for visitors, prepares long term management plans and, where appropriate, seeks to reuse these features.

9.2 What we will deliver

Level of service	Performance measure	Performance targets				
		Baseline	2012/13	2013/14	2014/15	2015-22
Work with the regional community to protect and restore the environmental values within the regional parks network	Total number of active environmental restoration sites within regional parks network (excluding high value biodiversity sites)	No baseline currently exists	Establish objectives and criteria for environmental restoration sites Continue management of current sites	Assess current sites against objectives and criteria Identify and prioritise new restoration sites Confirm environmental restoration sites	Active management of environmental restoration sites	Continued active management of environmental restoration sites

9.2 Specific areas of work

Specific areas of work in next three-year period	Proposed year		
	2012/13	2013/14	2014/15
An engineering assessment of the bunkers in Belmont Regional Park will be undertaken as part of planning for their protection			✓
Replanting will continue in identified environmental restoration sites across the parks network (excluding high value biodiversity sites)	✓	✓	✓
Fencing and stream restoration at Whareroa Stream (Queen Elizabeth), Korokoro Stream (Belmont) and Speedy's Stream (Belmont)	✓	✓	✓
The management plan for Baring Head will identify significant heritage features and their future management approach	✓		
A monitoring regime for heritage features will be established			✓
Establishing a heritage precinct in Queen Elizabeth Park	✓	✓	✓

9.5 How we will fund this activity

Parks activities are funded 90% from general rates and 10% user charges for organised events, leases, license fees and added value services. Note: New land and infrastructure is loan-funded (serviced by 100% from general rates).

10. Financials

FINANCIAL INFORMATION

PARKS
PROSPECTIVE FUNDING IMPACT STATEMENT
FOR THE YEAR ENDING 30 JUNE

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	\$000s
Sources of operating funding										
General rate	5,955	6,018	6,572	6,704	7,104	7,520	7,682	7,982	7,987	8,141
Targeted rates	-	-	-	-	-	-	-	-	-	-
Government subsidies	-	-	-	-	-	-	-	-	-	-
Interest and dividends	-	-	-	-	-	-	-	-	-	-
Other operating revenue	740	761	783	807	832	859	892	910	939	959
Total operating funding	6,695	6,779	7,355	7,511	7,936	8,378	8,564	8,892	8,926	9,110
Applications of operating funding										
Direct operating expenditure	5,000	4,983	5,390	5,496	5,650	5,833	5,895	6,159	6,343	6,540
Finance costs	271	301	339	374	465	551	634	621	654	697
Internal charges applied	845	950	1,012	1,024	1,063	1,134	1,149	1,198	1,281	1,248
Total applications of operating funding	6,116	6,234	6,741	6,894	7,178	7,518	7,778	7,978	8,278	8,485
Surplus/(deficit) of operating funding	579	545	614	617	758	860	786	914	648	625
Sources of capital funding										
Subsidies for capital expenditure	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in debt	275	536	502	466	1,228	1,039	86	53	244	270
Proceeds from asset sales	69	65	69	43	112	81	62	97	50	47
Total sources of capital funding	348	601	571	509	1,340	1,120	158	150	294	317
Applications of capital funding										
Capital expenditure										
- to meet additional demand	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	-	-	-	-	-	-	-	-	-	-
- to replace existing assets	927	1,146	1,185	1,126	2,098	1,980	944	1,064	942	942
Investment additions	-	-	-	-	-	-	-	-	-	-
Operational reserve movements	-	-	-	-	-	-	-	-	-	-
Total applications of capital funding	927	1,146	1,185	1,126	2,098	1,980	944	1,064	942	942
Surplus/(deficit) of funding	-									
Depreciation on Parks assets	700	701	720	751	752	787	814	821	795	767

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations.
For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in this 10-Year Plan 2012-22.
All figures on this page exclude GST.

FINANCIAL INFORMATION

PARKS

PROSPECTIVE FUNDING INFORMATION
FOR THE YEAR ENDING 30 JUNE

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	\$000s
Operating funding										
Parks Planning	257	266	275	292	291	300	308	328	328	322
Visitor Services	6,438	6,493	7,060	7,199	7,625	8,064	8,234	8,541	8,576	8,775
Protecting the environment of regional parks	-	20	20	20	20	14	22	23	22	13
Total operating funding	6,695	6,779	7,355	7,511	7,936	8,378	8,564	8,892	8,926	9,110
Applications of operating funding										
Parks Planning	257	266	275	292	291	300	309	329	329	322
Visitor Services	5,758	5,993	6,207	6,412	6,710	7,022	7,259	7,454	7,726	7,941
Protecting the environment of regional parks	101	(24)	260	190	177	196	211	195	224	232
Total Applications of Operating Funding	6,116	6,234	6,741	6,894	7,178	7,518	7,778	7,978	8,278	8,485
Capital expenditure										
Battle Hill Fram Forest Park	5	5	6	6	6	6	6	7	7	7
Belmont Regional Park	29	30	31	32	33	34	36	37	38	39
Queen Elizabeth Park	230	555	572	592	613	1,223	289	299	309	320
Whitireia Park	69	71	73	75	78	81	83	86	89	92
Pakurahi Forest	50	52	53	55	57	59	61	63	65	67
Akatarawa Forest	36	37	38	40	41	42	44	45	47	49
Wainuomata Recreation Area	31	32	33	34	35	37	38	39	40	42
Kaitoko Regional Park	38	39	41	42	43	45	46	48	50	51
East Harbour Regional Park	84	87	91	93	88	100	103	106	111	116
Capital project expenditure	580	908	938	969	1,744	1,627	706	730	756	783
Land and buildings	-	-	-	-	-	-	-	-	-	-
Plant and equipment	67	12	18	21	23	24	24	25	26	27
Vehicles	260	226	229	136	331	329	214	309	160	132
Total capital expenditure	927	1,146	1,185	1,126	2,098	1,980	944	1,064	942	942

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations
For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in this 10-Year Plan 2012-22
All figures on this page exclude GST

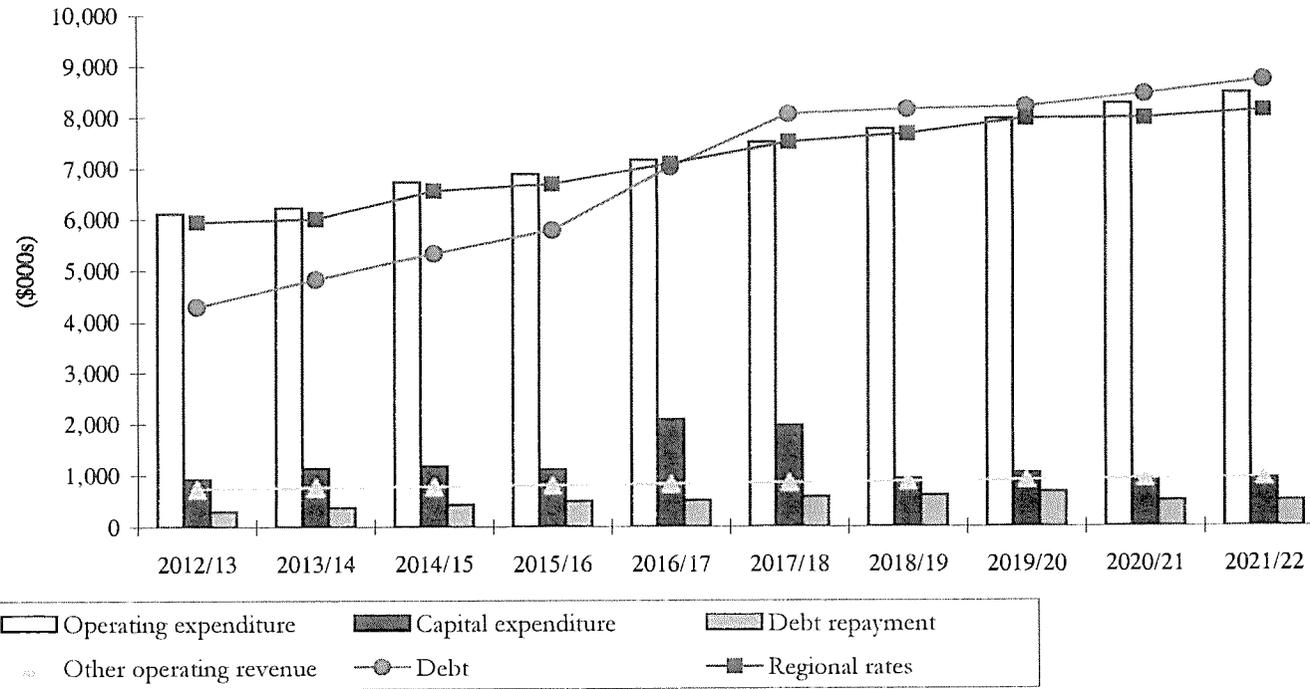
PARKS

Ten-year financial forecast

This graph places the prospective funding impact statement for the next year in the context of the ten-year planning horizon.

Key point to note is:

All key financial indicators are expected to remain relatively constant over the 10-year period after allowing for inflation



Please note that these figures exclude GST.

(\$000s)	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Operating expenditure	6,116	6,234	6,741	6,894	7,178	7,518	7,778	7,978	8,278	8,485
Debt repayment	301	373	436	503	516	588	610	677	512	513
Capital expenditure	927	1,146	1,185	1,126	2,098	1,980	944	1,064	942	942
Debt	4,300	4,836	5,339	5,805	7,032	8,071	8,166	8,220	8,464	8,734
Regional rates	5,955	6,018	6,572	6,704	7,104	7,520	7,682	7,982	7,987	8,141
Other operating revenue	740	761	783	807	832	858	882	910	939	969

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Part 4 – Investments

Overview

Greater Wellington has a significant portfolio of investments, comprising:

- Liquid financial deposits
- Administrative properties (eg, depots)
- Forestry and business units
- Equity investments in the WRC Holdings Group (including CentrePort Ltd)
- Rail rolling stock.

Greater Wellington's approach in managing investments is to balance risk against maximising returns. We recognise that as a responsible public authority, investments should be held for the long term benefit of the community, with any risk being managed appropriately. We also recognise that lower risk generally means lower returns.

From a risk management point of view, Greater Wellington is well aware that investment returns to the rate line are exposed to the success or otherwise of two main investments – the WRC Holdings Group (including CentrePort Ltd) and our liquid financial deposits.

Investments offset the needs for rates revenue. Regional rates would need to be 8% higher without the revenue from Greater Wellington's investments.

Treasury management

Greater Wellington's treasury management is carried out centrally to maximise our ability to negotiate with financial institutions.

We then on-lend these funds to activities that require debt finance. This allows the true cost of debt funding to be reflected in the appropriate areas. The surplus is used to offset regional rates.

Local Government Funding Agency

Greater Wellington is a founding shareholder in the Local Government Funding Agency (LGFA). The LGFA was established by statute in December 2011 and Greater Wellington has subscribed to \$2 million shares in the LGFA. The LGFA has been set up to assist local authorities to access wholesale debt at better rates than they could expect on their own. Greater Wellington will source term debt requirements from the LGFA and anticipates we will receive an annual dividend on our investment once the LGFA becomes fully established. As part of the arrangement Greater Wellington has guaranteed the debt obligations of the LGFA along with the other shareholders of the LGFA in proportion to its level of rates revenue. Greater Wellington believes the risk of this guarantee being called on is extremely low, given the internal liquidity arrangements of the LGFA, the lending covenants of the LGFA and

the charge over rates the LGFA has from councils.

Liquid financial deposits

Greater Wellington holds \$33 million in liquid financial deposits as a result of selling our interest in CentrePort Ltd to one of its wholly-owned subsidiaries, Port Investments. Greater Wellington regularly reviews the rationale for holding these liquid financial deposits, taking into account the general provisions of our Treasury Management Policy, including Greater Wellington's attitude to risk and creditworthy counterparties.

Administrative properties

Our interests in the Upper Hutt and Mabey Road depots and the Masterton office building are grouped to form an investment category, Administrative Properties. Pringle House is a wholly-owned Council-Controlled Trading Organisation, which currently owns the Regional Council Centre at 142 Wakefield Street, Wellington.

Earthquake strengthening of Regional Council Centre building

Following the Canterbury earthquakes a check was made of the expected performance of the Regional Council Centre (RCC) building in Wakefield Street in Wellington City in a major earthquake. The initial report received in June 2011 indicated that the building was designed to the earthquake codes of the time (1980s) but it is not up to the standard of the current building code, having an overall performance just above the 33% level of the current code.

Further data was obtained and this confirmed that the material at the level of the foundation piles is satisfactory to support the mass of the building, however, there is some less dense material beneath the floor slab that requires remedial work.

Overall, the RCC building is not expected to be classified as an earthquake-prone building and, based on the best advice received at this point, it is not considered appropriate to immediately vacate the building.

However, significant upgrading work is likely to be required to bring the building up to or above 67% of the code for an Importance Level 2 structure. This means that after a Wellington fault movement type event the building would be standing but may not be available as a workplace.

Undertaking this remedial work is likely to cause significant disruption to the business of Greater Wellington, and it may be necessary for

Greater Wellington to move premises temporarily or permanently (including selling the building). Further investigation is underway to detail and cost the necessary work. A decision can then be made on the most appropriate option.

In addition to investigating the building itself we have initiated a conversation with Wellington City Council to explore opportunities for co-locating as a potential future option.

The additional funding required to upgrade the building or to provide for alternative accommodation is not accurately known, but is expected to cost millions of dollars. We have included a 'placeholder' amount of \$10 million of capital expenditure in the 2012/13 and 2013/14 financial years. Once the actual cost is better understood the budget will be adjusted.

Forestry and business units

Greater Wellington and our predecessor organisations have been involved in forestry for many years, primarily for soil conservation and water quality purposes.

Greater Wellington currently holds 6,000ha of plantation and soil conservation reserve forests of which approximately 4,000ha are in the western or metropolitan part of the region, with the remaining 2,000ha in Wairarapa.

Our overall investment policy with regard to forestry is to maximise long term returns while meeting soil conservation, water quality and recreational needs. This policy assumes that harvesting will be on a sustainable yield basis and maintained without any demand on regional rates.

Civic Assurance and Airtel Ltd

Greater Wellington has minor equity interests in Civic Assurance and Airtel Ltd. These investments are owned directly by Greater Wellington rather than via the WRC Holdings Group.

Grow Wellington

Grow Wellington Ltd is a Council Controlled Organisation that is 100% owned by Greater Wellington. It acts as an economic development agency to implement the Wellington Regional Strategy. It has a subsidiary company, Creative HQ, which is an incubator to support growing companies. See Section 5 of the Plan for more details on the company and the proposal to continue the Wellington Regional Strategy activity.

Westpac Stadium

The Westpac Stadium is a regional facility which provides a high-quality, multi-purpose venue for sporting and cultural events.

Greater Wellington provided a \$25 million loan to the Westpac Regional Stadium Trust to plan and build the stadium. It is the Trust's principle funder. Greater Wellington services and repays this loan through a targeted stadium rate.

Greater Wellington appoints one of its Councillors to the Westpac Stadium Trust and jointly with the Wellington City Council appoints other trustees. Greater Wellington also monitors the Trust's performance against its statement of intent.

Selling of forestry cutting rights

Greater Wellington has 3,695ha of plantation forestry between the Upper Hutt area and Kapiti Coast, and 1,755ha of forestry in southwest Wairarapa on land set aside for erosion conservation purposes. Up to approximately 80,000 tonnes a year are harvested from the Wellington forests and approximately 15,000 tonnes a year from the Wairarapa forests. These logs are supplied to local sawmills and a significant quantity is exported.

In the Wellington area, the forests have been established in potential future water catchment area that are currently used for recreational activities. In Wairarapa, the land is more remote and there is very little recreational activity.

In order to establish and operate the forests, over the years Greater Wellington has taken on substantial debt (currently around \$29.7 million).

This Long Term Plan proposes that cutting rights to these forests be sold for two cutting cycles (60 years). This should enable the current debt to be paid back. Any sale of cutting rights would ensure protection of ongoing recreational activities and preservation of future water catchment opportunities. The land would remain in the ownership of Greater Wellington.

There are no additional funding requirements for this work during the three-year period from 2012-2015.

Selling land that is surplus to requirements

Two areas of land have been identified as surplus to Greater Wellington's requirements;

- 1) The Mangaroa area (146ha) is between the Mangaroa Valley and the Mt Climie ridgeline to the east of the Upper Hutt urban area. Currently, the lower slopes are used for plantation forestry and the upper steeper slopes are regenerating native bush.*
- 2) The Maungakotukutuku area (181ha) lies to the east of Raumati on the Kapiti Coast. The land is predominantly plantation forestry with some native bush.*

This Long Term Plan proposes to sell this land. At current land values, it is expected that both parcels of land would return approximately \$3 million in total.

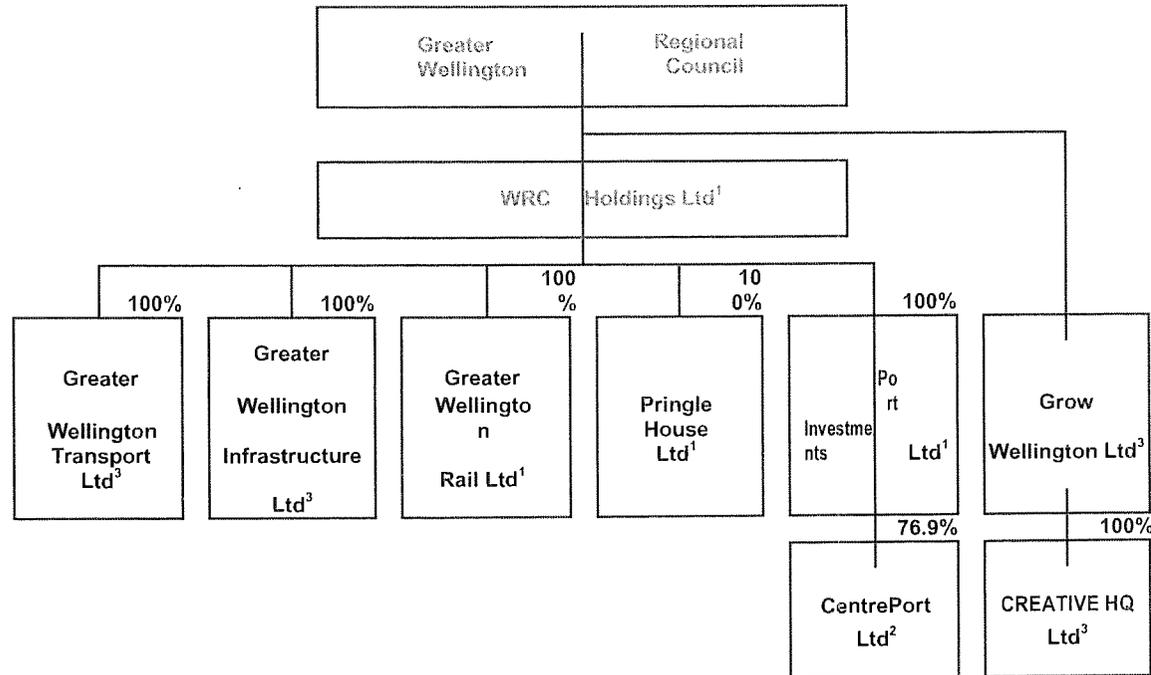
There are no additional funding requirements for this work during the three-year period from 2012-2015.

Deferral of new Masterton office

Greater Wellington's 10-Year Plan 2009-19 included building a new office in Chapel Street, Masterton, to replace our ageing premises in Masterton. In light of the review of local government structure underway in Wairarapa and the debate about the structure of local government in the wider region we have decided to defer plans for a new Masterton office. We are also beginning discussion with other councils on the potential opportunities for co-locating with them as each council addresses seismic strengthening issues associated with their buildings. We will re-assess this decision over the next three years as appropriate.

WRC Holdings Group

Greater Wellington has established the following equity investments in the WRC Holdings Group:



1 Council-Controlled Trading Organisation in accordance with the Local Government Act 2002

2 Commercial Port Company pursuant to the Port Companies Act 1988 and not a Council-Controlled Organisation in accordance with the Local Government Act 2002

3 Council-Controlled Organisation in accordance with the Local Government Act 2002

Note: Greater Wellington Transport and Infrastructure Ltd are dormant companies. Grow Wellington and Creative HQ activities are included in Regional Leadership, refer to pager XX

WRC Holdings Ltd and Port Investments Ltd are, in essence investment holding companies. The main operating companies in the Group are CentrePort

Ltd, Greater Wellington Rail Limited and Pringle House Ltd. Each year WRC Holdings Ltd provides to Greater Wellington, as 100% shareholder, a Statement of Intent for the WRC Holdings Group.

The WRC Holdings Group structure was set up for the following reasons that are still applicable:

- Appropriate separation of management and governance
- Imposing commercial discipline on the Group's activities to produce an appropriate return by ensuring appropriate debt/equity funding and requiring a commercial rate of return where appropriate
- Separating Greater Wellington's investment and commercial assets from its public good assets
- Minimise the risk of owning commercial assets such as rail rolling stock

The WRC Holdings Group is Greater Wellington's prime investment vehicle and the main mechanism by which it will own and manage any additional equity investments should they be acquired in the future. Periodically, Greater Wellington reviews the structure to determine if it is still an appropriate vehicle for holding its investments.

The primary objectives of WRC Holdings Ltd are to support Greater Wellington's strategic vision and operate successful, sustainable and responsible businesses, manage its assets prudently and where appropriate, provide a commercial return. It has adopted policies that prudently manage risks and protect the investment.

WRC Holdings financial performance targets are:

WRC Holdings Limited	2012/13	2013/14	2014/15
Dividend distribution \$000s	2,699	2,528	2,248
Dividend distribution %	100%	100%	100%
Return on equity ¹	4.5%	3.5%	2.9%
Return on assets ²	4.3%	7.2%	6.8%

1 Based on net surplus before tax divided by average equity, but excluding revaluation gains and losses.

2 Based on earnings before interest and tax divided by average assets

Performance targets for the Group

Financial	2012/13	2013/14	2014/15
Net profit/(deficit) before tax	\$15.2 million	\$9.9 million	\$9.2 million
Net profit/(deficit) after tax ¹	\$12.2 million	\$8.4 million	\$7.9 million
Earnings before interest, tax and depreciation.	\$51.9 million	\$50.2 million	\$53.3 million
Return on total assets ²	3.4%	2.6%	2.6%
Return on shareholders' funds ³	2.4%	1.4%	1.2%
Stakeholders equity in total assets	55.1%	55.1%	55.6%
Dividends ⁴	\$2.7 million	\$2.6 million	\$2.4 million

- 1 Net profit after tax, but before deduction of minority interest
- 2 Earnings before interest and tax as a percentage of average total assets
- 3 Net profit after tax (and after deduction of minority interest) as a percentage of average shareholder equity (excluding minority interest)
- 4 Dividends (interim and final) paid or payable to the shareholder

Directors of WRC Holdings and its subsidiaries (excluding CentrePort Ltd) are:

- Peter Blades
- Peter Glensor
- Megan McKenna
- Prue Lamason (Chair)
- Fran Wilde (Deputy Chair)
- Nigel Wilson.

Pringle House Ltd

Pringle House owns and operates the Regional Council Centre at 142-146 Wakefield Street, Wellington. The building is leased out on commercial terms to Greater Wellington and Chartis. The management of the building is undertaken by Greater Wellington's property consultants, Jigsaw Property Ltd.

The building consists of 6,545 square metres over nine floors with 88 % being leased to Greater Wellington and with the balance being partially vacant and the rest leased to Chartis.

The main activities of Pringle House Limited are:

- Maintain a regular maintenance programme.
- Ensure the Regional Council Centre is insured at competitive rates.
- Ensure the Regional Council Centre meets the requirements of the Building Act
- Ensure the Regional Council Centre provides a rental at competitive market rates with residual income after expenses paid as a dividend to the shareholder.
- Ensure Pringle House Ltd operates in an energy efficient manner.

Its financial performance targets are:

Pringle House Limited

2012/13

2013/14

2014/15

Dividend distribution \$000s	184	203	202
Dividend distribution %	100%	100%	100%
Return on equity ¹	9.7%	6.4%	5.1%
Return on assets ²	6.2%	4.7%	3.9%

1 Based on net surplus before tax divided by average equity, but excluding revaluation gains and losses.

2 Based on earnings before interest and tax divided by average assets

Greater Wellington Rail Ltd

Greater Wellington Rail Ltd owns Greater Wellington's investments in rail rolling stock, which includes the following:

- 18 SW Carriages
- 6 SE Carriages
- 1 AG Luggage van
- 1 2 Car DM 216 English Electric unit
- 44 Ganz Mavag units (these are made up of 2 or 3 car sets)
- 35 English Electric units (currently being phased out of service)
- 48 Matangi units, once production completed.

In 2008 a contract was entered into with Rotem Mitsui for the supply of 48 Matangi electric multiple units (EMUs). The units are being delivered in progressively with the final units due in mid 2012.

In June 2011 Greater Wellington Rail Ltd acquired rail infrastructure assets from Kiwirail including 48 railway stations (excluding Wellington Railway Station) and various overbridges and underpasses supporting the network.

Greater Wellington will be transferring to Greater Wellington Rail Ltd two railway stations (Waterloo and Petone) and various station improvements and other ancillary rail related assets at the end of the 2011/12 financial year:

Greater Wellington Rail Ltd will be responsible for all aspects of asset management, with the majority of activities carried out by Greater Wellington staff, supported by a management contract.

Greater Wellington is proposing to spend in the vicinity of \$80 million over the next four years to upgrade and refurbish the Ganz Mavag units. The English Electric units will be retired. The final decision on refurbishing the Ganz Mavag units is yet to be made.

Greater Wellington Rail Ltd's financial performance targets are.

Greater Wellington Rail Limited	2012/13	2013/14	2014/15
Dividend distribution \$000s	-	-	-
Dividend distribution %			
Return on equity ¹	(0.90%)	(0.76%)	(1.07%)
Return on assets ²	(0.68%)	(0.58%)	(0.82%)

¹ Based on net surplus before tax divided by average equity, but excluding revaluation gains and losses.

² Based on earnings before interest and tax divided by average assets

Port Investments Ltd

Port Investments Ltd is an investment vehicle that owns 76.9% of CentrePort Ltd. The other shareholder of the company is MWRC Holdings Ltd: 23.1%, owned by Horizons Regional Council.

The major activities of CentrePort are:

- Port infrastructure (land, wharves, buildings, equipment, utilities)
- Shipping and logistical services (pilotage, towage, berthage)
- Operational service (cargo handling, warehousing, facilities management, property management, security, emergency services)
- Integrated logistics solutions (networks, communications, partnerships)
- Property services (development, leasing management)
- Joint ventures (coldstore, container repair, cleaning, packing, unpacking and storage).

Port Investments Limited	2012/13	2013/14	2014/15
Dividend distribution \$000s	2,723	2,538	2,398
Dividend distribution %	100.0%	100.0%	100.0%
Return on equity ¹	115.4%	107.6%	101.6%
Return on assets ²	9.3%	9.3%	9.4%

¹ Based on net surplus before tax divided by average equity, but excluding revaluation gains and losses. Based on earnings before interest and tax divided by average asset

² Based on earnings before interest and tax divided by average assets

The performance of CentrePort is monitored through the board of Port Investments Ltd.

Its financial performance targets set in 2011/12 are as follows, with the updated financial information available in final version of this approved Long Term Plan:

Performance targets

Financial		2011/12	2012/13	2013/14
Net profit	before tax	\$15.3 million	\$15.4 million	\$16.5 million
Net profit	after tax	\$11.2 million	\$11.3 million	\$12.1 million
Return on total assets ¹		8.1%	8.1%	8.1%
Return on shareholders' funds ²		7.9%	7.7%	8.0%
Dividends distribution as a percentage of NPAT		40%–60%	40%–60%	40%–60%
Dividend ³		\$4.5 million	\$4.5 million	\$4.8 million
Interest cover ratio ⁴		3.5	3.6	4.1
Gearing ratio ⁵		38%	39%	39%

¹ Net profit before interest and tax as a percentage of average total assets.

² Net profit after tax as a percentage of average shareholders' funds.

³ For forecasting purposes the base of 40% (rounded to the nearest \$100k) has been used for out-year reporting.

⁴ The company has set medium and long-term financial performance and financial health targets. Earnings before interest, tax and depreciation, divided by interest expense.

⁵ Total liabilities divided by total assets.

The target for return on shareholders' funds is to be benchmarked against comparable New Zealand ports.

The directors of Centreport Ltd are

- David Benham
- Richard Janes
- Malcolm Johnson
- Warren Larsen (Chair)
- John Monaghan
- Mark Petersen.

Management of tenancy risk means that each single property investment has committed rental income (via executed lease contracts) that is sufficient to meet forecast interest costs on (i) the cost of the site development related to the development and (ii) the cost of the construction of the development AND the vacant net lettable area of the development is no greater than 25%

FINANCIAL INFORMATION

INVESTMENTS

PROSPECTIVE FUNDING IMPACT STATEMENT
FOR THE YEAR ENDING 30 JUNE

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Sources of operating funding										
General rate ¹	(10,780)	(10,522)	(10,498)	(10,426)	(11,401)	(9,427)	(11,920)	(10,605)	(9,266)	(10,275)
Targeted rates	2,676	2,677	2,678	2,680	2,681	1,378	-	-	-	-
Government subsidies	-	-	-	-	-	-	-	-	-	-
Interest and dividends ²	18,870	20,068	20,864	20,987	22,908	23,207	25,645	24,512	23,252	23,816
Internal charges recovered ³	10,676	13,972	14,699	18,802	9,346	9,318	5,812	7,041	7,782	8,623
Other operating revenue	12,088	13,762	15,327	15,980	15,036	18,774	18,061	21,015	21,695	22,654
Total operating funding	33,730	39,957	43,270	48,023	38,570	43,250	37,598	41,963	43,463	44,818
Applications of operating funding										
Direct operating expenditure	20,522	25,189	25,856	30,541	21,064	21,962	18,480	21,809	23,005	24,318
Finance costs	11,830	12,842	13,692	14,242	14,470	16,765	16,196	16,331	16,545	16,224
Internal charges applied	288	324	346	350	363	387	392	409	437	426
Total applications of operating funding	21,764	24,383	24,995	26,331	26,551	29,794	29,266	31,508	32,205	32,345
Surplus/(deficit) of operating funding	11,966	15,574	18,275	21,692	12,019	13,456	8,332	10,455	11,258	12,473
Sources of capital funding										
Subsidies for capital expenditure	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in debt	8,184	8,118	3,546	(2,127)	(2,548)	(5,339)	(3,980)	(5,087)	(5,046)	(5,961)
Proceeds from asset sales	49	32	19	31	56	38	22	35	64	43
Total sources of capital funding	8,233	8,150	3,565	(2,096)	(2,492)	(5,301)	(3,958)	(5,052)	(4,982)	(5,918)
Applications of capital funding										
Capital expenditure										
- to meet additional demand	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	464	417	289	562	581	535	579	681	745	661
- to replace existing assets	257	162	6,621	1,377	179	185	144	188	204	212
Investment additions ²	16,276	20,177	14,416	17,074	8,200	7,506	3,974	4,789	5,973	6,394
Operational reserve movements	3,202	2,968	514	583	567	(71)	(323)	(275)	(645)	(712)
Total applications of capital funding	21,199	23,724	21,840	19,596	9,527	8,155	4,374	5,393	6,276	6,555
Surplus/(deficit) of funding	-	-	-	-	-	-	-	-	-	-
Depreciation on investment assets	260	284	309	447	485	508	531	552	565	593

¹ Net Investment surpluses are used to reduce the general rate. It is applied to general rate as all ratepayers benefit proportionally the same from a reduction in the general rates.

² Internal income from public transport is used to fund the rail infrastructure, the new Matangi trains and the Ganz Mavag replacement or refurbishment project carried out by the 100% Council-Controlled Trading Organisation, Greater Wellington Rail Ltd. The funds recovered are utilised for an equity injection into Greater Wellington Rail Ltd to enable Greater Wellington Rail Ltd to fund councils share of the upgrades.

Investment in Greater Wellington Rail Ltd

³ Greater Wellington manages community outcome debt via an internal debt function. Internal Interest income is the total interest charge to the operational activities. External investments and debt are managed through a central treasury management function in accordance with the Treasury Management Policy.

Internal Interest Revenue	15,463	16,034	16,167	16,035	17,607	16,888	18,943	17,740	16,424	17,021
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This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in this 10-Year Plan 2012-22

All figures on this page exclude GST

FINANCIAL INFORMATION

INVESTMENTS

PROSPECTIVE INCOME INFORMATION FOR THE YEAR ENDING 30 JUNE

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
	5	6	7	8	9	10	11	12	13	14
NET CONTRIBUTION										
TO GENERAL RATES FROM										
INDIVIDUAL INVESTMENTS										
Liquid financial deposits	1,496	1,687	1,845	2,002	2,002	2,239	2,160	2,239	2,317	2,317
WRC Holdings ¹	3,490	3,365	3,925	4,754	4,517	5,535	5,668	5,978	6,323	6,741
Treasury management	5,670	5,249	4,812	4,156	5,458	2,123	4,561	2,857	1,089	1,667
Forestry	-	-	-	-	-	-	-	-	-	-
Other Investments and Property	122	221	(84)	(485)	(576)	(470)	(468)	(469)	(462)	(449)
Regional Stadium	-	-	-	-	-	-	-	-	-	-
Total contribution to general rates	10,780	10,522	10,498	10,427	11,401	9,427	11,921	10,605	9,267	10,276

For more information on the revenue and financing mechanisms applicable to investments, please refer to the "Revenue and Financing Policy" in the this 10-Year Plan 2012-22

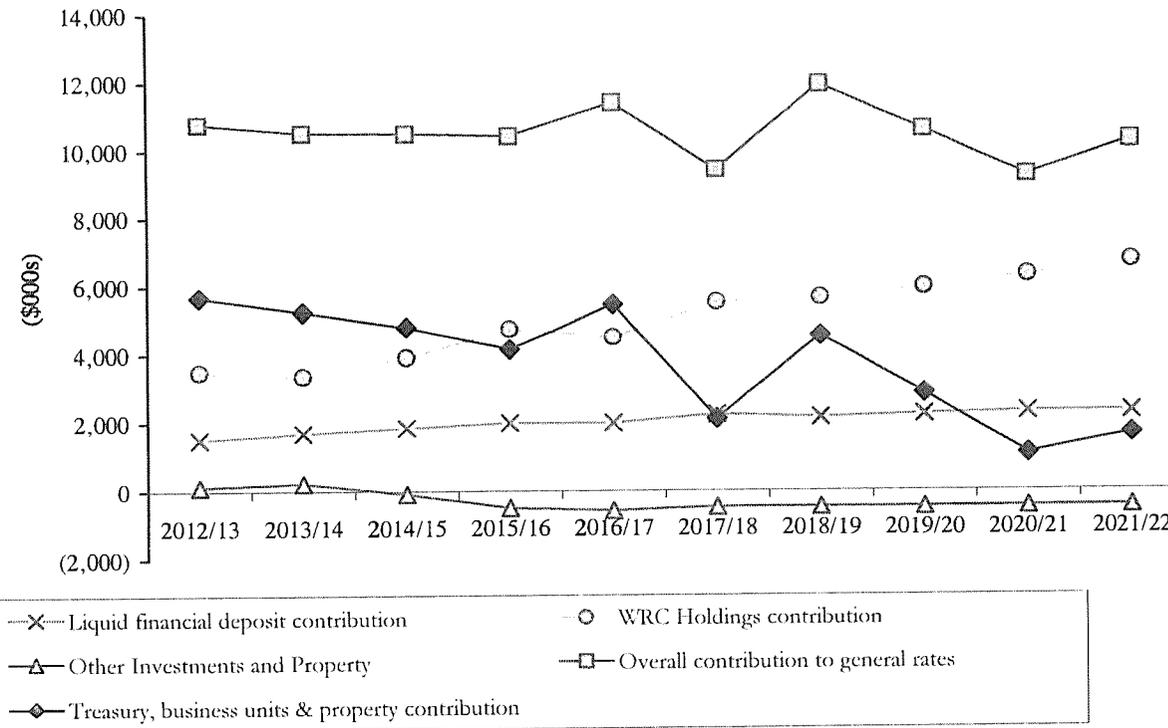
All figures on this page exclude GST

Investments

Ten-year financial forecast

This graph places the prospective income statement for the next year in the context of the ten-year planning horizon.

The contribution to general rates is variable due to the impact of the forecast changing interest rates on total external debt



Please note that these figures exclude GST.

(\$000s)	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Overall contribution to general rates	10,780	10,522	10,498	10,427	11,401	9,427	11,921	10,605	9,267	10,276
Liquid financial deposit contribution	1,498	1,687	1,845	2,002	2,002	2,239	2,160	2,239	2,317	2,317
WRC Holdings contribution	3,490	3,365	3,925	4,754	4,517	5,535	5,668	5,978	6,323	6,741
Other Investments and Property	122	221	(84)	(485)	(576)	(470)	(468)	(469)	(462)	(449)
Treasury, business units & property contribution	5,670	5,249	4,812	4,156	5,458	2,123	4,561	2,857	1,089	1,667





Part 5 – Financial information

Significant forecasting assumptions and risks

A number of significant assumptions about underlying future conditions and events have been made in the preparation of the financial forecasts in this Long Term Plan. This section outlines those assumptions which have a material impact on the forecasts and which are common across all of our activities, or make a material difference to Greater Wellington's overall forecast financial position. The assumptions are reasonably expected based on the information available at the time the Long Term Plan was prepared.

Assumptions specific to particular groups of activities are stated in the chapter relating to that group of activities. Assumptions concerning the useful life of significant assets and sources of funds for replacing significant assets are included in the statement of significant accounting policies on page x.

Non-financial assumptions

Regional population

Assumption: The regional population will continue to grow at the medium growth rate as forecast by Statistics New Zealand and will reach approximately 519,900 persons by 2021, an annual average increase of 0.6%.

Risk: The regional population grows significantly faster than anticipated, requiring infrastructure projects to be brought forward to meet demand. There is also a risk that the regional population grows significantly slower than anticipated. The consequences of this risk are that economic growth will also be slower than anticipated and that the costs of planned service level increases become less affordable.

Level of uncertainty: low

Legislative changes

Assumption: There will be no major changes to key legislation affecting Greater Wellington's activities.

Risk: There are major changes to key legislation making Greater Wellington subject to new requirements or responsibilities that require funding beyond what is forecast in the Long Term Plan. Legislative changes have been proposed in a number of specific areas relevant to our business, including the Resource Management Act and Land Transport Management Act. The potential impact of these changes is discussed in the relevant activities chapters.

Level of uncertainty: medium

Emergency events

Assumption: There will be no major emergency events.

Risk: There is a major emergency event. The Wellington region is vulnerable to a range of natural and man-made hazards, such as earthquakes and floods, which could disrupt "business as usual". Greater Wellington makes contingencies for emergency events. The likelihood of an emergency event of a scale and impact beyond what Greater Wellington has planned for occurring during the life of this Long Term Plan is low.

Level of uncertainty: medium

Treaty of Waitangi settlements

Assumption: The settlement of Treaty of Waitangi claims will not significantly affect Greater Wellington's governance arrangements, functions or ability to undertake our activities.

Risk: Treaty of Waitangi claims at regional or national level result in changes of land ownership or management of land and/or natural resources within the region that affects our ability to undertake our activities as planned. The Port Nicolson Block Settlement Trust has concluded their Treaty negotiations and others in the region are at a fairly advanced stage so the risk of unexpected changes is low.

Level of uncertainty: low

Greater Wellington offices

Assumption: The cost of earthquake strengthening Greater Wellington's Wakefield Street building is \$10 million.

Risk: Greater Wellington's Wakefield Street building does require earthquake strengthening. Initial seismic assessments indicate that the Wakefield Street building requires significant upgrading in order to meet 67% of the code for an Importance Level 2 building. Moving to alternative accommodation may be necessary. A full seismic assessment is currently being undertaken. The range of future options will be considered once the full assessment is completed.

Level of uncertainty: high

Potential impacts of the uncertainty: The potential impacts can not be quantified until the full seismic assessment is completed. From initial assessment, upgrading the building to 67% of the Code for an Importance Level 2 building could have costs of around \$10 million.

Financial assumptions

Inflation

Assumption: The Council has assumed moderate inflation over the period of this Long Term Plan. We use the cost adjustors provided by Business and Economic Research Ltd (BERL) which are calculated specifically for local authorities. BERL adjustors are used by the majority of local authorities. These indices allow for the Emissions Trading Scheme and Christchurch earthquake recovery.

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Staff	2.40%	2.40%	2.60%	2.60%	2.40%	2.30%	2.60%	2.70%	2.70%
All other expenditure	3.20%	3.20%	3.40%	3.50%	3.40%	3.30%	3.30%	3.60%	3.50%

Risk: There is a reasonable amount of uncertainty in these numbers. If the level of inflation has been underestimated, costs and rates revenue will increase. For example, if staff costs in 2013/14 rose by 3.4% (instead of 2.4%) – this would result in additional staff costs of \$374,000. If other costs rose by 4.2% (instead of 3.2%) this would affect operating expenditure by \$1.6 million. Increases in activity costs may result in a review of their effectiveness. All projects are reviewed annually during the Annual Plan process which minimises the impact of inflation.

(\$m)	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Capital expenditure	25.1	34.0	43.8	29.7	41.7	73.2	76.1	32.3	19.6
Operating expenditure	257.6	280.5	296.8	285.3	296.7	301.5	317.8	330.6	336.6
Staff costs	38.4	39.4	40.4	41.2	42.2	43.2	44.4	45.6	46.8
Inflationary allowance	5.9	12.5	21.1	29.5	39.7	53.4	65.1	66.4	72.2

Level of uncertainty: medium

Interest rates

Assumption: The Council has used a composite forecast based on the Reserve Bank of New Zealand (RBNZ) 90 day bank bill rate forecast and the implied market based 90 day forward rates for its floating interest rate projections. The fixed interest rate is based on the existing pay fixed interest rate swaps in place. Added to both of these is the market determined credit margin to borrow funds. This has been budgeted at 1%.

Interest rate base rate assumptions	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
90 Day bill rate	4.00%	3.75%	4.25%	4.75%	5.25%	5.5%	6.0%	5.75%	6.0%	6.25%
Fixed rate	5.4%	5.4%	5.5%	5.3%	5.7%	5.7%	5.8%			
Internal interest rate	7.0%	7.0%	7.0%	7.5%	7.5%	7.5%	8.0%	7.75%	8.0%	8.25%

Risk: There is a risk that the credit margin may increase and that floating rates may rise around the assumed composite tract. A 1% increase in interest rates above budgeted levels, assuming expenditure is in accordance with Long Term Plan, is around \$1 million for the 2012/13 year.

Level of uncertainty: medium

Insurance

Assumption: The budgeted insurance premiums are in line with the actual premiums struck.

Risk: Insurance rates are volatile and moving in an upward path. The biggest risk is around the Material Damage & Business Interruption premium. A review of insurance and risk around loss in relation to property has been undertaken. This will see Greater Wellington retaining more risk, however, this should be ameliorated via lower or stabilised premiums.

Level of uncertainty: medium

Transport funding from central government

Assumption: Funding assistance will be provided by Crown agencies, primarily the NZ Transport Agency, at the following levels (percentage of cost):

Operation funding assistance rates

Rail services	50-60%
Bus and ferry services	50%
Total Mobility	60%
Infrastructure maintenance and operations	50-60%
Studies and strategies	57%
Network and asset management (road safety)	57%

Community programme	47%
Improvement projects funding assistance rates	
Real time information system	80%
Electronic/integrated ticketing	50%
Rail projects	50-90%

Risk: The funding currently provided by NZTA towards regional transport activities is reduced further or discontinued as a result of the review of financial assistance rates. NZTA have indicated that financial assistance rates are unlikely to change over the first three years of the Long Term Plan.

Level of uncertainty: medium

Fuel prices

Assumption: Greater Wellington has entered into a number of bus contracts to supply public transport services. Included in these contracts are cost indices requiring Greater Wellington to adjust payments, depending on the movement of the indices. The indices are calculated on a number of factors, including the New Zealand dollar price for diesel, staff costs, etc. For 2012/13 the cost of oil is assumed to be US\$100 per barrel (WTIs) and the NZ/US exchange rate is assumed to be \$0.75. For subsequent years the indices increase at the level of inflation.

Risk: The exchange rate and/or oil price are higher or lower, affecting the cost of our bus contracts.

Level of uncertainty: high

Potential impacts of uncertainty: An increase in the price of oil of US\$10 per barrel would require an increase in rates of \$0.25 million, while a 10 cent fall in the value of the New Zealand dollar compared to the US dollar would require an increase in rates of \$0.4 million.

Emissions Trading Scheme

Assumption: Greater Wellington has assumed that its application to be awarded emissions credits for its Pre-1990 forests will be successful. Greater Wellington may sell the credits at a future date but no sales have been assumed in this Long Term Plan.

Risk: If credits are sold and a land use change is required credits would have to be repurchased on the open market creating the potential for a financial loss at that time.

Level of uncertainty: low

Balance budget requirement

The Council has resolved under Section 100 (2) of the Local Government Act 2002 not to balance its operating budget in 2012/13. The reasons for this are:

- The deficit has arisen from the accounting treatment for the purchase and funding of capital assets such as passenger rail rolling stock and station upgrades that will be owned by the Greater Wellington subsidiary Greater Wellington Rail Limited.
- The Crown's full share of the costs for the Greater Wellington's rail rolling stock and station upgrades is granted out directly to Greater Wellington Rail Limited as the upgrade is undertaken, whereas the Crown's revenue is only received as the debt repayment and finance costs are incurred.
- Therefore, in the first year of the Long Term Plan when grants are paid out to Greater Wellington Rail Limited for the upgrade of the Ganz Mavag trains the funding shortfall is met by debt. In future years the revenue for debt repayments creates operational surpluses as there is no grant expenditure relating to that income, just debt repayment and finance costs.
- Greater Wellington is of the opinion that it is appropriate to debt fund this expenditure as it relates to the improvement of the public transport assets owned by Greater Wellington's subsidiary and it is not equitable to recover these costs immediately from current ratepayers.

Statement of significant accounting policies

1 Reporting entity

Greater Wellington is a regional local authority governed by the Local Government Act 2002. It has not presented group prospective financial statements because it believes that the parent prospective financial statements are more relevant to users.

The main purpose of prospective financial statements in the 10-Year Plan is to provide users with information about the core services that Greater Wellington intends to provide ratepayers, the expected cost of those services and, as a consequence, how much Greater Wellington requires by way of rates to fund the intended levels of service. The level of rates funding required is not affected by subsidiaries, except to the extent that Greater Wellington obtains distributions from, or further invests in, those subsidiaries. Such effects are included in the prospective financial statements presented.

For the purposes of financial reporting, Greater Wellington and its subsidiaries are designated as public benefit entities.

The subsidiary companies comprise WRC Holdings, Pringle House Ltd, Port Investments Ltd, which owns 76.9% of CentrePort Ltd, Greater Wellington Rail Ltd, Greater Wellington Transport Ltd, Greater Wellington Infrastructure Ltd and Grow Wellington Ltd which owns 100% of Creative HQ Ltd.

2 Statement of compliance

The prospective financial statements of Greater Wellington have been prepared in accordance with the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). The statements comply with FRS 42 Prospective Financial Statements, NZ IFRS and other applicable financial reporting standards, as appropriate for public benefit entities. The financial statements use opening balances from the period ending 30/06/2011. Estimates have been restated accordingly if required.

The preparation of financial statements in compliance with NZ GAAP requires management to make judgements, estimates and assumptions that affect the application of policies and projected amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These results form the basis of judgements on carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

3 Accounting policies

Basis of preparation

The prospective financial statements are presented in New Zealand dollars, rounded to the nearest thousand, and have been prepared on an historical cost basis, except for investment properties, forestry assets, derivative financial instruments and certain infrastructural assets, which have been measured at fair value.

The accounting policies set out below have been applied consistently to all periods presented in these prospective financial statements.

Revenue recognition

Revenue is recognised when billed or earned on an accrual basis.

Rates and levies

Rates and levies are a statutory annual charge and are recognised in the year the assessments are issued.

Government grants and subsidies

Greater Wellington receives government grants from NZ Transport Agency, which subsidises part of Greater Wellington's costs in the provision of public transport subsidies to external transport operators and for capital purchases of rail rolling stock, rail stations and associated rail infrastructure within Greater Wellington's subsidiary Greater Wellington Rail Ltd and transport network upgrades owned by the central government owned KiwiRail.

The grants and subsidies are recognised as revenue when eligibility has been established by the grantor. Other grants and contributions from territorial local authorities are recognised in the Statement of Comprehensive Income when eligibility has been established by the grantor.

Note:

Revenue and expenditure associated with these capital purchases for other entities are treated as operational revenue and expenditure in Greater Wellington's accounts. To aid clarity these items are separately detailed in these financial statements as transport improvement revenue and transport improvement expenditure.

Sale of goods

Revenue on the sale of goods is recognised when all risks are transferred to the buyer and there is no longer control or managerial involvement with the goods.

Rendering of services

Revenue from services rendered is recognised by reference to stage of completion of the service.

Dividends

Revenue from dividends is recognised on an accrual basis (net of imputation credits) once the shareholders' right to receive payment is established.

Interest

Interest is accrued using the effective interest rate method. The effective interest rate method discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Other revenue

Other income is also recognised on an accrual basis. Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in Greater Wellington are recognised as revenue when control over the asset is obtained.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred on an accrual basis.

Property, plant and equipment

Property, plant and equipment consists of operational and infrastructure assets. Expenditure is capitalised when it creates a new asset or increases the economic benefits over the total life of an existing asset. Costs that do not meet the criteria for capitalisation are expensed. The initial cost of property, plant and equipment includes the purchase consideration and those costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose.

Property, plant and equipment are categorised into the following classes:

- Operational land and buildings
- Operational plant and equipment
- Operational vehicles
- Flood protection infrastructural assets
- Transport infrastructural assets¹⁸
- Navigational aids infrastructural assets
- Parks and forests infrastructural assets
- Water supply infrastructural assets
- Capital work in progress.

¹⁸ Rail rolling stock and stations are owned by Greater Wellington Rail Ltd.

All property, plant and equipment are initially recorded at cost.

Valuations

Valuations for water supply, parks and forests, flood protection and transport infrastructural assets are carried out or reviewed by independent qualified valuers at regular intervals. Any increase in the value of a class of assets on revaluation is recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, if it offsets a previous decrease in value for the same asset recognised in the Statement of Comprehensive Income, then it is recognised in the Statement of Comprehensive Income. A decrease in the value of a class of assets on revaluation is recognised in the statement of comprehensive income where it exceeds the increase of that class of asset previously recognised in equity under the heading of revaluation surplus.

The remaining property, plant and equipment are recorded at cost, less accumulated depreciation and impairment. Cost represents the value of the consideration given to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service. All property plant and equipment, except land, are depreciated.

Depreciation

Depreciation is provided on a straight-line basis on all tangible property, plant and equipment, other than land and capital works in progress, at rates which will write off assets, less their estimated residual value over their remaining useful life.

The useful life of major classes of assets has been estimated as follows:

- Operational land and buildings 10 years to indefinite
- Operational plant and equipment 2 to 20 years
- Operational vehicles 3 to 10 years
- Flood protection infrastructural assets 15 years to indefinite
- Transport infrastructural assets 5 to 50 years
- Navigational aids infrastructural assets 5 to 50 years
- Parks and forests infrastructural assets 10 to 100 years
- Water supply infrastructural assets 3 to 150 years.

Capital work in progress is not depreciated.

Stopbanks included in the flood protection infrastructure asset class are maintained in perpetuity. Annual inspections are undertaken to ensure design standards are being maintained and to check for impairment. As such, stopbanks are considered to have an indefinite life and are not depreciated.

Intangible assets

Software is carried at cost, less any accumulated amortisation and impairment losses. It is amortised over the useful life of the asset (1-5 years).

Impairment

All assets are reviewed annually to determine if there is any indication of impairment. An impairment loss is recognised when its carrying amount exceeds its recoverable amount. Losses resulting from impairment are accounted for in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount, in which case any impairment loss is treated as a revaluation decrease.

Recoverable amount

The recoverable amount of an asset is the greater of the net selling price and value in use.

Value in use

Value in use for Greater Wellington assets is calculated as being the depreciated replacement cost of the asset.

Forestry investments

Forestry investments are stated at fair value, less point-of-sale costs. They are independently revalued to an estimate of market valuation based on net present value. The net gain or loss arising from changes in forestry valuation are included in the Statement of Comprehensive Income.

Financial instruments

Greater Wellington classifies its financial assets and liabilities according to the purpose for which they were acquired. Financial assets and liabilities are only offset when there is a legally enforceable right to offset them and there is an intention to settle on a net basis.

Financial assets

Greater Wellington's financial assets are categorised as follows:

- Financial assets at fair value accounted through the Statement of Comprehensive Income
Financial assets are classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Gains or losses on remeasurement are recognised in the Statement of Comprehensive Income.
- Financial assets at fair value accounted through equity

Financial assets are classified in this category if they were not acquired principally for selling in the short term. After initial recognition these assets are measured at their fair value. Any gains and losses are recognised directly in equity, except for impairment losses which are recognised in the Statement of Comprehensive Income.

Available-for-sale financial assets are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are initially recorded at fair value plus transaction costs when that can be reliably estimated. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, are recognised directly through equity. If there is no active market, no intention to sell the asset and fair value can not be reliably measured, the item is measured at cost.

Fair value is equal to Greater Wellington's share of the net assets of the entity. Upon sale, the cumulative fair value gain or loss previously recognised directly in equity, is recognised in the Statement of Comprehensive Income.

- Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition they are measured at amortised cost using the effective interest method.

Gains and losses when the asset is impaired or sold are accounted for in the Statement of Comprehensive Income.

- Held to maturity investments

These are assets with fixed or determinable payments with fixed maturities that Greater Wellington has the intention and ability to hold to maturity. After initial recognition they are recorded at amortised cost using the effective interest method. Gains and losses when the asset is impaired or settled are recognised in the Statement of Comprehensive Income.

Cash and cash equivalents comprise cash balances and call deposits with up to three months maturity from the date of acquisition. These are recorded at their nominal value.

Financial liabilities

Financial liabilities comprise trade, other payables and borrowings. Financial liabilities with duration of more than 12 months are recognised initially at fair value, less transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method. Amortisation is recognised in the

Statement of Comprehensive Income, as is any gain or loss when the liability is settled. Financial liabilities entered into with duration of less than 12 months are recognised at their nominal value.

Derivative financial instruments

Greater Wellington uses derivative financial instruments to manage exposure to interest rate and foreign exchange risks arising from our operational, financing and investment activities.

In accordance with its treasury policies, Greater Wellington does not hold or issue derivative financial instruments for trading purposes. Derivatives are accounted for as trading instruments. Derivative financial instruments are initially recognised at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. For those instruments that do not qualify for hedge accounting, the gain or loss on remeasurement to fair value is recognised immediately in the Statement of Comprehensive Income.

The fair value of an interest rate swap is the estimated amount that Greater Wellington would receive or pay to terminate the swap at balance date, based on current interest rates. The fair value of forward exchange contracts is their quoted market price at the balance date.

Financial guarantee contracts

A financial guarantee contract is a contract that requires Greater Wellington to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to meet a payment when due.

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract is issued in a stand-alone arms length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received a provision is recognised based on the probability that Greater Wellington will be required to reimburse a holder for a loss incurred discounted to present value. The portion of the guarantee that remains unrecognised, prior to discounting to fair value, is disclosed as a contingent liability.

Financial guarantees are subsequently measured at the initial recognition amount less any amortisation. However, if Greater Wellington assesses that it is probable that expenditure will be required to settle a guarantee, then a provision for the guarantee is measured at the present value of the future expenditure.

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of carrying amount and fair value, less costs to sell.

Non-current assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.

Inventories

Inventories are valued at the lower of cost or net realisable value on a first-in first-out basis. The value of harvested timber is its fair value, less estimated point-of-sale costs at the date of harvest. Any change in value at the date of harvest is recognised in the Statement of Comprehensive Income.

Income tax

Income tax in the Statement of Comprehensive Income for the year comprises current and deferred tax. Income tax is usually recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity. In this case, that amount is recognised in equity.

Deferred tax is provided using the balance sheet liability method. This provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Foreign currency

In the event that Greater Wellington has any material foreign currency risk, it will be managed by derivative instruments to hedge the currency risk. Transactions in foreign currencies are translated at the foreign exchange rate at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into New Zealand dollars at the foreign exchange rate ruling at that date. Foreign exchange gains and losses arising on their translation are recognised in the Statement of Comprehensive Income.

Employee entitlements

A provision for employee entitlements is recognised as a liability in respect of benefits earned by employees but not yet received at balance date.

Employee benefits include salaries, annual leave and long-service leave.

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the Statement of Comprehensive Income as incurred. Greater Wellington belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme. Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme the extent to which the surplus/ deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

Provisions

A provision is recognised in the balance sheet when Greater Wellington has a present legal or constructive obligation as a result of a past event and it is probable that an amount will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Goods and services tax (GST)

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated as GST inclusive.

Leases

Greater Wellington leases office space, office equipment, vehicles, land and buildings. Operating lease payments, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are charged as expenses in the period in which they are incurred.

Overhead allocation and internal transactions

Greater Wellington allocates overhead from support service functions on a variety of different bases that are largely determined by usage. The treasury operation of Greater Wellington is treated as an internal banking activity. Any surplus generated is credited directly to the Statement of Comprehensive Income. Individual significant activity operating revenue and operating expenditure is stated inclusive of any internal revenues and internal charges. These internal transactions are eliminated in Greater Wellington's prospective financial statements.

Democratic services costs have not been allocated to significant activities, except where there is a major, separate community of benefit other than the whole region, ie, water supply and transport.

Equity

Equity is the community's interest in Greater Wellington and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of components to enable clearer identification of the specified uses of equity within Greater Wellington.

The components of equity are accumulated funds and retained earnings, revaluation reserves and restricted funds.

Statement of cash flows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which Greater Wellington invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of Greater Wellington and the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise change in equity and debt capital structure.

Changes in accounting policies

There have been no changes from the accounting policies adopted in the last audited financial statements.

Standards, amendments and interpretations that are not yet effective and have not been adopted early

No standards issued are considered to have a material future impact on Greater Wellington.

TOTAL COUNCIL FINANCIAL STATEMENTS
PROSPECTIVE COMPREHENSIVE INCOME STATEMENT
FOR THE YEAR ENDING 30 JUNE

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Budget	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
OPERATING REVENUE											
General rates	25,658	28,239	30,152	32,040	34,280	34,480	37,953	37,236	40,588	43,496	43,502
Targeted rates	59,726	62,690	71,037	79,500	85,367	95,929	99,520	102,726	106,872	109,987	109,475
Regional rates	85,384	90,929	101,189	112,340	119,647	130,409	137,473	139,962	147,460	153,483	152,977
Water supply levy	24,164	24,888	25,884	26,919	28,265	29,679	31,163	32,721	34,357	36,075	37,878
Government subsidies	177,339	71,856	74,236	87,058	98,536	96,326	90,602	94,873	98,491	95,243	96,940
Interest and dividends	5,107	4,941	5,551	6,333	6,778	7,402	8,529	8,937	9,134	9,331	9,456
Other operating revenue	15,886	22,260	24,194	26,178	27,267	26,597	30,742	30,400	33,691	34,850	36,234
Total external operating revenue	307,880	214,874	231,054	258,828	280,493	290,413	306,509	306,893	323,133	328,962	333,485
OPERATING EXPENDITURE											
Personnel costs	35,529	38,736	39,785	40,842	41,842	42,722	43,804	44,765	46,054	47,298	48,512
Grants and subsidies	46,168	79,788	84,689	90,160	87,255	109,399	113,412	120,888	123,603	127,520	130,883
Finance costs	8,533	9,988	13,181	16,196	19,229	20,827	24,168	23,195	23,724	23,665	22,198
Depreciation	12,156	12,623	14,245	15,122	16,658	18,602	18,578	19,069	21,297	21,197	21,256
Other operating expenses	48,458	53,420	57,088	59,291	61,391	62,054	64,572	65,521	69,964	71,994	71,310
Total external operating expenditure	150,844	194,555	208,988	221,611	226,375	253,604	264,534	273,438	284,642	291,674	294,159
Operating surplus before transport improvement grants ¹	157,036	20,319	22,066	37,217	54,118	36,809	41,975	33,455	38,491	37,308	39,326
Transport improvement grants ¹	170,352	34,556	34,665	34,647	51,946	33,105	29,777	22,098	26,673	16,180	17,091
Operating surplus / (deficit) before other comprehensive income	(13,316)	(14,237)	(12,599)	2,570	2,172	3,704	12,198	11,357	11,816	21,128	22,235
Other comprehensive income											
Unrealised revaluation gains	27,055	2,473	46,157	1,833	1,295	36,663	2,058	58,451	1,372	429	39,202
Total comprehensive income / (deficit) for year	13,739	(11,764)	33,558	4,403	3,467	40,367	14,256	69,808	13,190	21,557	61,437

¹ As part of the Wellington Rail Package 2011, Greater Wellington now fully funds some public transport improvement expenditure at the time the expense is incurred, and recovers a share of the debt servicing costs from the New Zealand Transport Agency. This expenditure is treated as operational expenditure in Greater Wellington's accounts as the underlying assets will mostly be owned by the Greater Wellington subsidiary Greater Wellington Rail Limited. This has the effect of creating an operational deficit which funded by debt in accordance with Greater Wellington's Revenue and Financing policy.

TOTAL COUNCIL FINANCIAL STATEMENTS
PROSPECTIVE STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Budget	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	\$000s
Total opening ratepayers' funds	656,352	670,444	667,680	701,240	705,643	709,110	749,477	763,733	833,541	846,731	868,288
Total comprehensive income / (deficit) for year	13,739	(11,764)	33,558	4,403	3,467	40,367	14,256	69,808	13,190	21,557	61,437
Movement in ratepayers funds for year	13,739	(11,764)	33,558	4,403	3,467	40,367	14,256	69,808	13,190	21,557	61,437
Closing ratepayers' funds	670,091	667,680	701,238	705,643	709,110	749,477	763,733	833,541	846,731	868,288	929,725
Components of ratepayers funds											
Opening accumulated funds	354,029	355,506	346,913	338,612	343,480	347,466	351,212	365,294	377,702	390,470	411,210
Total comprehensive income / (deficit) for year	13,739	(11,764)	33,558	4,403	3,467	40,367	14,256	69,808	13,190	21,557	61,437
Movements in other reserves	(23,153)	3,171	(41,859)	465	519	(36,621)	(174)	(57,400)	(422)	(817)	(38,265)
Movement in accumulated funds for year	(9,414)	(8,593)	(8,301)	4,868	3,986	3,746	14,082	12,408	12,768	20,740	23,152
Closing accumulated funds	344,615	346,913	338,612	343,480	347,466	351,212	365,294	377,702	390,470	411,210	434,362
Opening other reserves	19,808	20,371	17,200	14,271	13,806	13,287	12,805	12,979	13,433	13,855	14,672
Movements in other reserves	(2,790)	(3,171)	(2,929)	(465)	(519)	(482)	174	454	422	817	912
Movement in ratepayers funds for year	(2,790)	(3,171)	(2,929)	(465)	(519)	(482)	174	454	422	817	912
Closing other reserves	17,098	17,200	14,271	13,806	13,287	12,805	12,979	13,433	13,855	14,672	15,584
Opening asset revaluation reserves	282,435	303,567	303,567	348,357	348,357	348,357	385,460	385,460	442,406	442,406	442,406
Movements in revaluation reserve ¹	25,943	-	44,788	-	-	37,103	-	56,946	-	-	37,373
Movement in asset revaluation reserve for year	25,943	-	44,788	-	-	37,103	-	56,946	-	-	37,373
Closing asset revaluation reserve	308,378	303,567	348,355	348,357	348,357	385,460	385,460	442,406	442,406	442,406	479,779
Closing ratepayers' funds**	670,091	667,680	701,238	705,643	709,110	749,477	763,733	833,541	846,731	868,288	929,725

¹ Movements in revaluation reserves are the projected revaluation of property, plant and equipment over the life of the plan

** Closing Ratepayer's funds in the 2011/12 year differ from the opening balance 2012/13 as the latter allows for forecast movements in the current financial year compared with budgeted movements

All figures on this page exclude GST

TOTAL COUNCIL FINANCIAL STATEMENTS
PROSPECTIVE BALANCE SHEET
AS AT 30 JUNE

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
ASSETS											
Cash and other equivalents	38,353	46,643	48,204	49,971	51,972	54,237	56,645	59,037	61,566	64,241	67,068
Investments (current)	10,000	0	0	0	0	0	0	0	0	0	0
Other current assets	37,941	39,290	38,697	37,789	36,545	35,122	33,619	32,116	30,611	29,903	29,901
Current assets	86,294	85,933	86,901	87,760	88,517	89,359	90,264	91,153	92,177	94,144	96,969
Investments (non-current)	8,856	39,209	41,041	41,677	41,904	42,149	42,013	41,499	41,007	41,340	41,700
Forestry investments	15,881	23,366	23,996	25,401	26,635	26,521	26,720	26,658	26,171	24,686	24,686
Investment in subsidiary	85,736	97,754	116,293	130,283	147,357	155,557	163,463	168,237	173,835	179,809	186,203
Property, plant and equipment	695,980	699,840	754,047	777,674	795,165	829,978	834,501	895,220	898,345	893,181	923,808
Non-current assets	806,453	860,169	935,377	975,035	1,011,061	1,054,205	1,066,697	1,131,614	1,139,358	1,139,016	1,176,397
Total assets	892,747	946,102	1,022,278	1,062,795	1,099,578	1,143,564	1,156,961	1,222,767	1,231,535	1,233,160	1,273,366
RATEPAYERS' FUNDS											
Retained earnings	344,615	346,913	338,612	343,480	347,466	351,212	365,294	377,702	390,470	411,210	434,362
Reserves	325,476	320,767	362,626	362,163	361,644	398,265	398,439	455,839	456,261	457,078	495,363
Total ratepayers' funds	670,091	667,680	701,238	705,643	709,110	749,477	763,733	833,541	846,731	868,288	929,725
LIABILITIES											
Debt (current)	26,722	31,721	36,515	36,218	35,904	35,570	35,216	34,839	34,441	34,017	33,568
Other current liabilities	36,003	49,922	49,922	49,922	49,922	49,922	49,922	49,922	49,922	49,922	49,922
Current liabilities	62,725	81,643	86,437	86,140	85,826	85,492	85,138	84,761	84,363	83,939	83,490
Debt (non-current)	159,931	196,779	234,603	271,012	304,642	308,595	308,090	304,465	300,441	280,933	260,151
Non-current liabilities	159,931	196,779	234,603	271,012	304,642	308,595	308,090	304,465	300,441	280,933	260,151
Total liabilities	222,656	278,422	321,040	357,152	390,468	394,087	393,228	389,226	384,804	364,872	343,641
Total equity and liabilities	892,747	946,102	1,022,278	1,062,795	1,099,578	1,143,564	1,156,961	1,222,767	1,231,535	1,233,160	1,273,366

All figures on this page exclude GST

TOTAL COUNCIL FINANCIAL STATEMENTS
PROSPECTIVE STATEMENT OF CASHFLOWS
FOR THE YEAR ENDING 30 JUNE

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Budget	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	\$000s
CASH FLOWS FROM OPERATING ACTIVITIES											
Cash is provided from:											
Regional rates	85,384	90,829	101,189	112,340	119,847	130,409	137,473	139,892	147,469	153,493	152,877
Water supply levy	24,164	24,888	25,884	26,919	28,265	29,679	31,163	32,721	34,357	36,075	37,876
Government subsidies	177,339	71,656	74,236	87,056	93,536	96,326	98,692	94,873	98,491	95,243	90,940
Interest and dividends	5,107	4,941	5,551	6,333	6,778	7,402	8,529	8,937	9,134	9,331	9,456
Fees, charges and other revenue	15,898	22,260	24,194	26,178	27,267	26,597	30,742	30,400	33,891	34,850	36,234
	<u>307,880</u>	<u>214,674</u>	<u>231,054</u>	<u>253,826</u>	<u>260,493</u>	<u>290,413</u>	<u>306,509</u>	<u>306,893</u>	<u>323,133</u>	<u>328,992</u>	<u>333,485</u>
Cash is disbursed to:											
Interest	8,533	9,986	13,182	16,196	19,229	20,827	24,168	23,195	23,724	23,665	22,198
Payment to suppliers and employees	299,973	205,939	210,165	222,557	235,536	244,462	248,068	250,487	263,239	269,701	266,325
	<u>308,506</u>	<u>215,927</u>	<u>223,347</u>	<u>238,753</u>	<u>254,765</u>	<u>265,289</u>	<u>272,236</u>	<u>273,682</u>	<u>286,983</u>	<u>294,266</u>	<u>288,523</u>
Net cash flows from operating activities	-626	(1,053)	7,707	20,075	21,728	25,124	34,273	33,211	36,170	44,616	44,962
CASHFLOWS FROM INVESTING ACTIVITIES											
Cash is provided from:											
Sale of property, plant and equipment	512	467	414	380	716	551	461	415	597	529	433
	<u>512</u>	<u>467</u>	<u>414</u>	<u>389</u>	<u>716</u>	<u>551</u>	<u>461</u>	<u>1,215</u>	<u>1,387</u>	<u>529</u>	<u>433</u>
Cash is applied to:											
Purchase of property, plant and equipment	33,773	29,013	24,079	39,126	34,855	16,853	23,561	23,259	25,006	16,565	14,944
Investment additions	39,781	15,876	18,539	13,990	17,074	6,209	7,906	4,774	5,559	5,973	6,394
	<u>73,554</u>	<u>44,889</u>	<u>42,618</u>	<u>53,116</u>	<u>51,929</u>	<u>23,062</u>	<u>31,467</u>	<u>28,033</u>	<u>30,605</u>	<u>22,538</u>	<u>21,338</u>
Net cashflows from investing activities	(73,042)	(44,422)	(42,204)	(52,736)	(51,223)	(24,512)	(31,006)	(26,818)	(29,218)	(22,009)	(20,905)
CASHFLOWS FROM FINANCING ACTIVITIES											
Cash is provided from:											
Loan funding ¹	86,987	50,336	53,546	58,385	60,583	33,297	31,943	24,823	24,069	15,015	11,156
Cash is applied to:											
Debt repayment	11,864	12,330	17,488	23,957	29,067	31,644	32,892	28,924	28,492	34,947	32,426
Net cashflows from financing activities	75,123	47,006	36,058	34,428	31,496	1,653	(859)	(4,001)	(4,423)	(19,932)	(21,230)
Net increase/(decrease) in cash and cash equivalents	1,455	1,541	1,561	1,767	2,001	2,265	2,408	2,392	2,529	2,675	2,827
Opening cash and cash equivalents ²	36,899	45,112	46,643	48,204	49,971	51,972	54,237	56,645	59,037	61,566	64,241
Closing cash and cash equivalents²	38,354	46,643	48,204	49,971	51,972	54,237	56,645	59,037	61,566	64,241	67,068

¹ As part of the Wellington Rail Package 2011, Greater Wellington now fully funds some public transport improvement expenditure at the time the expense is incurred, and recovers a share of the debt servicing costs from the New Zealand Transport Agency. This increases the debt earned by Greater Wellington compared to the previous regime of Crown grants at time of expenditure for capital projects.

² Closing cash and cash equivalent balances in the 2011/12 year differ from the opening balance 2012/13 as the latter allows for forecast movements in the current financial year compared with budgeted movements.

TOTAL COUNCIL FINANCIAL STATEMENTS
PROSPECTIVE REGIONAL RATES AND CAPITAL EXPENDITURE
FOR THE YEAR ENDING 30 JUNE

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Budget	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan		
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
REGIONAL RATES											
Regional Leadership - excluding Warm Wellington	10,112	10,762	11,168	12,315	12,432	12,138	12,200	12,716	13,535	13,672	13,921
Public transport	44,974	47,565	54,261	62,264	67,647	77,512	81,864	85,890	89,705	92,594	93,405
Environment	17,771	19,106	20,109	21,106	21,967	22,779	23,409	24,002	24,631	25,494	25,867
Flood Protection and Control Works	13,317	14,391	15,078	15,512	16,266	17,241	18,218	19,334	20,024	21,157	21,900
Parks	5,832	5,955	6,018	6,572	6,704	7,104	7,520	7,682	7,982	7,987	8,141
Investments ¹	(7,154)	(8,103)	(7,845)	(7,821)	(7,746)	(8,718)	(8,052)	(11,921)	(10,604)	(9,266)	(10,276)
Total Rates excluding Warm Wellington targeted rate	84,852	89,676	98,789	109,948	117,270	128,056	135,159	137,703	145,273	151,638	152,958
Regional Leadership - Warm Wellington targeted	532	1,253	2,400	2,392	2,377	2,353	2,314	2,259	2,187	1,845	19
Total regional rates	85,384	90,929	101,189	112,340	119,647	130,409	137,473	139,962	147,460	153,483	152,977
CAPITAL EXPENDITURE											
Environment	679	749	556	550	542	619	442	539	614	706	492
Public transport ²	3,968	1,552	4,559	18,033	18,185	435	1,629	426	440	498	515
Water supply	16,809	14,418	9,001	4,247	4,427	3,825	7,247	11,082	10,794	3,967	4,193
Parks	665	927	1,146	1,185	1,126	2,098	1,980	944	1,064	942	942
Flood Protection and Control Works	5,274	7,631	5,795	6,480	8,079	8,665	8,783	7,647	10,441	9,120	7,539
Regional Leadership	2,215	1,277	1,197	1,468	261	189	1,633	1,102	318	148	246
Investments	2,902	721	579	6,911	1,939	760	720	723	869	949	873
Other	1,261	1,738	1,246	252	306	272	1,127	796	466	235	144
Total capital expenditure	33,773	29,013	24,079	39,126	34,865	16,863	23,561	23,259	25,006	16,565	14,944
Public Transport Improvements	170,352	34,556	34,665	34,556	34,665	34,647	51,946	33,105	29,777	22,098	26,673
Total Capex and improvements	204,125	63,569	58,744	73,682	69,530	51,510	75,507	56,364	54,783	38,663	41,617

¹ Investment returns reduce the requirement for rates

² Transport capital expenditure excludes capital grants provided to Greater Wellington Rail Limited for the purchase of rail rolling stock. See the Public Transport financial forecast for more information.

Financial Reserves

We have two types of council created reserves, which are monies set aside by the council for a specific purpose:

- Retained earnings - any surplus or deficit not transferred to a special reserve is aggregated into retained earnings
- Other reserves - any surplus or deficit or specific rate set aside or utilised by council for a specific purpose.

Reserves are not separately held in cash and funds are managed as part of Greater Wellington's treasury risk management policy.

Other reserves are split into three categories:

- Area of Benefit reserves - any targeted rate funding surplus or deficit is held to fund future costs for that area
- Contingency reserves - funds that are set aside to smooth the impact of costs associated with specific unforeseen events
- Special reserves - funds that are set aside to smooth the costs of irregular expenditure.

Council Created Reserves	Purpose of the Fund	Opening Balance	Deposits	Expenditure	Closing Balance
		Jul-12			Jun-22
		\$000s	\$000s	\$000s	\$000s

Area of benefit reserves

Public transport reserve	Any funding surplus or deficit relating to provision of public transport services is used only on subsequent public transport expenditure	5,858	489	(5,650)	696
Transport planning reserve	Any funding surplus or deficit relating to provision of public transport planning services is used only on subsequent public transport planning expenditure	1,660	326	(1,736)	250
Wellington Regional Strategy reserve	Any funding surplus or deficit relating to the Wellington Regional Strategy implementation is used only on subsequent Wellington Regional Strategy expenditure	192	0	0	192

Catchment scheme reserves	Any funding surplus or deficit relating to the provision of flood protection and catchment management schemes is used only on subsequent flood protection and catchment management scheme expenditure	6,098	7,762	(3,086)	10,774
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Contingency reserves

Environmental legal reserve	To manage the variation in legal costs associated with resource consents and enforcement	286	0	0	286
Flood contingency reserves	To help manage the costs for the repair of storm damage throughout the region.	1,271	1,700	0	2,971
Rural fire reserve	To help manage the costs of rural fire equipment.	58	33	0	91

Special Reserves

Election reserve	To manage the variation in costs associated with the election cycle	181	616	(609)	187
Corporate systems reserve	To manage the variation in costs associated with key IT infrastructure and software.	4,768	(4,631)	0	136

Total Reserves		20,371	6,294	(11,081)	15,584
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TOTAL COUNCIL FINANCIAL STATEMENTS
PROSPECTIVE DEBT
AS AT 30 JUNE

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Budget	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	\$'000s
Environment	1,377	1,259	1,130	1,064	585	401	209	20	17	0	0
Public transport	109,370	108,828	132,433	159,411	189,902	190,080	186,516	177,777	169,244	155,340	143,105
Water supply	58,262	63,372	69,817	71,268	72,233	72,171	74,813	80,887	85,897	81,541	75,996
Parks	4,099	4,300	4,836	5,339	5,805	7,032	8,071	8,166	8,220	8,464	8,734
Flood Protection and Control Works	42,557	48,531	50,917	54,069	58,384	63,376	68,196	71,717	77,649	82,004	84,775
Stadium	11,563	9,604	7,906	5,859	3,651	1,267	0	0	0	0	0
Forestry	32,274	32,103	32,777	31,384	30,258	30,142	27,212	25,052	21,801	18,205	13,802
Regional leadership	6,890	13,304	12,743	12,195	10,713	9,313	8,494	7,361	5,807	4,993	4,858
Property and investments	2,549	6,144	12,556	19,079	19,768	19,236	18,269	16,902	15,479	14,832	14,158
Corporate systems	1,391	1,700	2,358	1,771	1,117	567	1,123	1,472	1,241	846	451
Total activities debt	270,332	289,345	327,473	361,439	392,416	393,585	392,903	389,354	385,355	366,225	345,079
Treasury internal funding ¹	(83,679)	(60,845)	(56,355)	(54,209)	(51,870)	(49,420)	(49,597)	(50,050)	(50,473)	(51,275)	(52,160)
Total external debt	186,653	228,500	271,118	307,230	340,546	344,165	343,306	339,304	334,882	314,950	293,719
External debt (current)	26,722	31,721	36,515	36,218	35,904	35,570	35,216	34,839	34,441	34,017	33,568
External debt (non-current)	159,931	196,779	234,603	271,012	304,642	308,595	308,090	304,465	300,441	280,933	260,151
Total external debt	186,653	228,500	271,118	307,230	340,546	344,165	343,306	339,304	334,882	314,950	293,719

¹ Greater Wellington manages community outcome debt via an internal debt function. External investments and debt are managed through a central treasury management function in accordance with the Treasury Management Policy

**TOTAL COUNCIL FINANCIAL STATEMENTS
PROSPECTIVE FUNDING IMPACT STATEMENT
FOR THE YEAR ENDING 30 JUNE**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Budget	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	\$000s	\$000s
Greater Wellington operations											
Sources of operating funding											
General rates	25,658	28,239	30,152	32,840	34,280	34,480	37,953	37,236	40,588	43,496	43,502
Targeted rates	59,726	62,690	71,037	79,500	85,367	95,929	99,520	102,726	106,872	109,907	109,475
Regional rates	85,384	90,929	101,189	112,340	119,647	130,409	137,473	139,962	147,460	153,483	152,977
Water supply levy	24,164	24,888	25,884	26,919	28,265	29,679	31,163	32,721	34,357	36,075	37,878
Government operational subsidies	102,855	62,539	65,770	71,467	73,118	79,762	81,514	82,852	84,709	86,825	88,158
Interest and dividends	5,107	4,941	5,551	6,333	6,778	7,402	8,529	8,937	9,134	9,331	9,456
Other operating revenue	15,886	22,260	24,194	26,178	27,267	26,597	30,742	30,400	33,691	34,850	36,234
Total operating funding	233,396	205,557	222,588	243,237	255,075	273,849	289,421	294,872	309,351	320,564	324,703
Applications of operating funding											
Personnel costs	35,529	38,736	39,785	40,842	41,842	42,722	43,804	44,765	46,054	47,298	48,512
Grants and subsidies	181,628	114,344	119,354	124,807	139,201	142,504	143,189	142,986	150,276	143,700	147,974
Finance costs	8,533	9,988	13,181	16,196	19,229	20,827	24,168	23,195	23,724	23,665	22,198
Other operating expenses	47,346	53,419	57,086	59,294	61,390	62,056	64,573	65,521	69,965	71,994	71,309
Total applications of operating funding	273,036	216,487	229,406	241,139	261,662	268,109	275,734	276,467	290,019	286,657	289,993
Operating surplus/(deficit)	(39,640)	(10,930)	(6,818)	2,098	(6,587)	5,740	13,687	18,405	19,332	33,907	34,710
Sources of Capital Funding											
Grants provided in relation to capital expenditure	95,579	9,317	8,466	15,591	25,418	16,564	17,088	12,021	13,782	8,418	8,782
Increase / (decrease) in debt	18,056	48,835	38,129	33,964	30,976	1,173	(684)	(3,547)	(4,000)	(19,114)	(20,319)
Proceeds from asset sales	512	467	414	380	716	551	461	415	587	529	433
Total Sources of Capital Funding	114,747	58,619	47,009	49,935	57,110	18,288	16,865	8,889	10,369	(10,167)	(11,104)
Applications of Capital Funding											
Capital expenditure											
- to meet additional demand	-	7,000	2,269	1,062	125	265	1,309	5,612	6,425	141	145
- to improve the level of service	-	14,533	16,156	25,887	27,424	10,154	12,715	9,920	11,278	9,913	8,487
- to replace existing assets	33,773	7,480	5,654	12,177	7,316	6,444	9,537	7,727	7,303	6,511	6,312
Other investment movements	44,350	22,408	20,244	14,678	17,570	8,960	8,409	4,861	5,823	7,939	9,220
Operational reserve movements	(3,258)	(3,732)	(4,132)	(1,771)	(1,912)	(1,795)	(1,418)	(826)	(1,128)	(764)	(558)
Total Applications of Capital Funding	74,865	47,689	40,191	52,033	50,523	24,028	30,552	27,294	29,701	23,740	23,606
Surplus/(Deficit) of Capital Funding	-	-									
Depreciation	12,156	12,623	14,245	15,122	16,658	18,602	18,578	19,069	21,297	21,197	21,256

This statement is not an income statement. It excludes all non cash transactions such as depreciation and valuations

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in this 10-Year Plan 2012-22

All figures on this page exclude GST

General rate	2012/13 Cents per \$ of rateable capital value	2012/13 Revenue sought \$	Targeted rate: Transport	2012/13 Cents per \$ of rateable capital value	2012/13 Revenue sought \$
Wellington city	0.02960	13,666,664	Wellington city		
Lower Hutt city	0.02895	4,890,887	Downtown city centre business	0.23729	18,229,001
Upper Hutt city	0.02862	1,831,634	Urban	0.02748	10,436,977
Porirua city	0.02834	2,177,371	Rural	0.00709	36,377
Kapiti Coast district	0.02884	2,912,826	Lower Hutt city		
Masterton district	0.02918	1,278,607	Urban	0.05027	8,356,560
Carterton district	0.03042	557,878	Rural	0.01289	35,118
South Wairarapa district	0.02926	920,851	Upper Hutt city		
Taranua district ¹	0.02880	1,793	Urban	0.05422	3,100,392
Total general rate		28,238,511	Rural	0.01383	94,331
			Porirua city		
Targeted rate: River management			Urban	0.06011	4,304,471
	2012/13 Cents per \$ of rateable capital value	2012/13 Revenue sought \$	Rural	0.01540	80,544
based on capital value			Kapiti Coast district		
Wellington city	0.00013	69,565	Urban	0.02473	2,103,589
Lower Hutt city	0.01626	2,747,968	Rural	0.00546	103,039
Upper Hutt city	0.00967	619,154	Masterton district		
Porirua city	0.00061	47,041	Urban	0.00910	198,636
Kapiti Coast district	0.01351	1,364,243	Rural	0.00265	59,414
Carterton district	0.00104	18,985	Carterton district		
Total district-wide river management rate		4,857,956	Urban	0.01573	93,690
Greytown ward	0.01821	80,593	Rural	0.00425	52,627
Total river management rates based upon capital value		4,938,549	South Wairarapa district		
			Urban	0.01865	172,718
			Rural	0.00489	108,705
Targeted rate: River management based on land value			Total transport rate		47,585,188
	2012/13 Cents per \$ of rateable capital value	2012/13 Revenue sought \$	Targeted rate: Warm Greater Wellington Based on extent of service provided	2012/13 Percentage of service provided	2012/13 Revenue sought \$
Featherston urban: Donalds Creek Stopbank	0.00242	2,170			
Total river management rates based upon land value		2,170	For any ratepayer that utilises the service	15.349%	1,253,000
Total river management rates		4,940,719			

Note:

¹ 11 Rural properties in the Taranua District are within the boundaries of the Wellington region

Note that all figures on this page exclude GST

PAGE

Funding impact statement

Targeted rate: Stadium purposes	2012/13 Cents per \$ of rateable capital value	2012/13 Revenue sought \$	Targeted rate: Economic development (EDA)	2012/13 \$ per rating unit	2012/13 Cents per \$ of rateable capital value	2012/13 Revenue sought \$
Wellington city			Wellington city			
Business	0.00503	549,874	Downtown city centre business		0.01091	838,196
Residential	0.00297	1,031,783	Business		0.01091	353,441
Rural	0.00151	7,760	Residential – per rating unit	\$14.00		954,842
Lower Hutt city			Rural – per rating unit	\$28.00		19,124
Business	0.00394	136,198	Lower Hutt city			
Residential	0.00291	375,962	Business		0.01067	378,381
Rural	0.00226	6,154	Residential – per rating unit	\$14.00		495,539
Upper Hutt city			Rural – per rating unit	\$28.00		13,244
Business	0.00213	21,139	Upper Hutt city			
Residential	0.00241	114,255	Business		0.01052	104,462
Rural	0.00078	5,352	Residential – per rating unit	\$14.00		199,192
Porirua city			Rural – per rating unit	\$28.00		30,184
Business	0.00344	33,100	Porirua city			
Residential	0.00250	155,196	Business		0.01045	100,769
Rural	0.00072	3,746	Residential – per rating unit	\$14.00		228,816
Kapiti Coast district			Rural – per rating unit	\$28.00		16,520
Urban	0.00139	118,002	Kapiti Coast district			
Rural	0.00072	11,506	Business		0.01063	121,764
Masterton district			Residential – per rating unit	\$14.00		281,302
Urban	0.00180	39,334	Rural – per rating unit	\$28.00		72,744
Rural	0.00064	14,182	Masterton district			
Carterton district			Business		0.01076	39,602
Urban	0.00175	10,436	Residential – per rating unit	\$14.00		107,912
Rural	0.00067	8,295	Rural – per rating unit	\$28.00		96,040
South Wairarapa district			Carterton district			
Urban	0.00208	19,266	Business		0.01122	14,460
Rural	0.00046	10,168	Residential – per rating unit	\$14.00		28,854
Total stadium-purposes rate		2,675,788	Rural – per rating unit	\$28.00		42,168
			South Wairarapa district			
			Business		0.01079	17,367
			Residential – per rating unit	\$14.00		39,564
			Rural – per rating unit	\$28.00		72,436
Note:			Tararua district – per rating unit	\$28.00		252
¹ 11 Rural properties in the Tararua District are within the boundaries of the Wellington region			Total economic development rate			4,668,174

Note that all figures on this page exclude GST

PAGE	Funding impact statement			
	Targobd rate: River management schemes 1	2012/13 \$ per hectare	2012/13 Revenue sought \$	2012/13 Revenue sought \$
	Targobd rate: River management schemes 1			
	Waingawa			
	A	117,60591	4,082	41,23560
	B	76,45150	9,638	34,50560
	C	58,81520	6,508	27,60440
	D	52,93270	89	20,70340
	E	47,14940	8,110	13,80220
	F	41,25640	1,041	6,890,11189
	G	17,72300	890	
	H	11,83540	1,988	
			32,434	80,593
	Upper Ruamahanga			
	A	111,59510	10,261	30,01470
	B	92,99550	615	28,70970
	C	74,39680	9,246	24,32860
	D	55,79820	983	21,53220
	E	37,19940	11,077	0,99320
	F	18,59920	743	
	S	1,047,88730	1,572	
			34,497	8,826
	Middle Ruamahanga			
	A	106,20000	4,722	102,29330
	B	87,84730	4,797	81,89550
	C	70,27790	359	61,37650
	D	52,70840	6,526	40,91770
	E	35,13880	1,656	
	F	17,56940	5,203	3,457,54700
	S	1,063,10760	1,007	2,066,34450
			25,070	906
	Lower Ruamahanga			
	A	49,09720	6,276	
	B	42,08330	2,301	
	C	35,06940	7,671	
	D	28,05560	9,295	
	E	21,04170	6,814	
	F	14,02770	17,222	
	SA	1,231,09700	3,078	
	SB	615,54680	985	
			53,744	43,031

Note that all figures on this page exclude GST

PAGE

Funding impact statement

Targeted rate: River management schemes 1				Targeted rate: River management schemes 2			
		2012/13 \$ per hectare	2012/13 Revenue sought \$			2012/13 \$ per dwelling ¹	2012/13 Revenue sought \$
Kopuaranga	A2	53.31370	1,403	Lower Wairarapa valley	A	0.19191	554,393
	A3	47.99250	3,308	Development scheme	Sa	15.00000	5,790
	A4	26.65690	301		Sb	30.00000	59,730
	A5	18.65990	1,077	Total river management scheme rates 2			619,913
	A6	10.66260	865	Total river management scheme rates			913,768
	B2	10.66260	653				
	B3	9.59640	706				
	B4	5.33130	49				
	B5	3.73200	116				
	B6	2.13250	256				
	SA	131.01000	655				
SB	65.50500	721					
			10,112				
Lower Taueru	A	3.40170	1,382				
	B	0.68000	191				
	C	0.34000	64				
	S	109.90800	206				
			1,843				
Lower Whangaohu	A	15.53370	524				
	B	12.42680	834				
	C	9.31990	509				
	D	6.21420	479				
	E	3.10690	551				
	S	77.66420	102				
			3,000				
Total river management scheme rates 1			293,855				

¹ "Separately used or inhabited part" (dwelling) includes any part of a rating unit separately used or inhabited by the owner or any other person who has the right to use or inhabit that part by virtue of a tenancy, lease, licence or other agreement. At a minimum, the land or premises intended to form the separately used or inhabited part of the rating unit must be capable of actual habitation, or actual separate use. To avoid doubt, a rating unit that has only one use (ie, it does not have separate parts or is vacant land) is treated as being one separately used or inhabited part (dwelling)

Note that all figures on this page exclude GST

Targeted rate: Pump drainage schemes				Targeted rate: Gravity drainage schemes			
		2012/13 \$ per hectare	2012/13 Revenue sought \$			2012/13 \$ per hectare	2012/13 Revenue sought \$
Papatahi	A	71,00090	25,000	Taumata	A	0,00000	0
Te Hapai	A	74,77870	92,000	East Pukio	A	26,01250	3,000
Moonmoot pump	A	64,69910	15,000	Longbush	A	14,91140	3,253
Onoke pump	A	140,26310	95,800		B	7,45560	963
Pouawha pump	A	60,06580	54,000	Te Whiti	A	4,19520	570
Total pump drainage scheme rates			281,800	Ahikouka	A	25,87320	2,903
				Ballersea	A	14,59400	2,451
					B	12,08310	2,242
					C	9,41550	2,934
					D	5,64920	869
					E	4,86460	591
					F	4,70770	353
				Manaia	A	40,59250	7,000
				Whakawiriwiri	A	13,26430	8,273
				Total gravity drainage scheme rates			35,802
Targeted rate: Bovine Tb and Pest rates							
		2012/13 \$ per hectare	2012/13 Revenue sought \$				
Land area in defined operational plans							
Bovine TB > 4 hectares		0,54000	142,565				
Regional Pest > 4 hectares		0,35000	153,582				
Total bovine Tb rate			296,147				

Note that all figures on this page exclude GST

Rating mechanisms

Each rating unit is allocated to a differential rating category based upon location and/or land use for the purpose of calculating general rates or targeted rates based upon capital or land value. As Greater Wellington rates are invoiced and collected by each of the territorial authorities in the Wellington region, Greater Wellington is limited to using rating categories based on those used by each of the territorial authorities. Set out below are the definitions used to allocate rating units into rating categories.

Category 1 – rates based on capital or land value

Location	Use	Description
Wellington city	Wellington city downtown city centre business	All rating units not classified as base within the central area boundary, currently shown on Map 32 of the District Plan of Wellington city, as may be amended from time to time by Wellington city
	Wellington city business	All rating units not classified as base in the rating information database for Wellington city outside the downtown city centre
	Wellington city residential	All rating units classified as base (excluding rural and farm) in the rating information database for Wellington city
	Wellington city urban	All Wellington city business and Wellington city residential rating units.
	Wellington city rural	All rating units sub-classified as rural or farm within the base category in the rating information database for Wellington city
Hutt city	Hutt city business	All rating units not classified as residential, rural or community facilities in the rating information database for Hutt city
	Hutt city residential	All rating units classified as residential or community facilities in the rating information database for Hutt city
	Hutt urban	All Hutt city business and Hutt city residential rating units
	Hutt city rural	All rating units classified as rural in the rating information database for Hutt city
Porirua city	Porirua city business	All rating units classified as business in the rating information database for Porirua city
	Porirua city residential	All rating units classified as residential in the rating information database for Porirua city
	Porirua city urban	All Porirua city residential and Porirua city business rating units

	Porirua city rural	All rating units classified as rural in the rating information database for Porirua city
Upper Hutt city	Upper Hutt city business	All rating units classified as business or utilities in the rating information database for Upper Hutt city
	Upper Hutt city residential	All rating units not classified as rural, business or utilities in the rating information database for Upper Hutt city
	Upper Hutt city urban	All Upper Hutt city business and Upper Hutt city residential rating units
	Upper Hutt city rural	All rating units classified as rural in the rating information database for Upper Hutt city
Kapiti Coast district	Kapiti Coast district urban	All rating units not classified in the rural rating areas for the Kapiti Coast district
	Kapiti Coast district rural	All rating units classified in the rural rating areas for the Kapiti Coast district
Masterton district	Masterton district urban	All rating units not classified as rural in the rating information database for the Masterton district
	Masterton district rural	All rating units classified as rural in the rating information database for the Masterton district
Carterton district	Carterton district urban	All rating units not classified as rural in the rating information database for the Carterton district
	Carterton district rural	All rating units classified as rural in the rating information database for the Carterton district
South Wairarapa district	South Wairarapa district urban	All rating units not classified as rural in the rating information database for the South Wairarapa district
	South Wairarapa district rural	All rating units classified as rural in the rating information database for the South Wairarapa district
	Greytown ward	All rating units classified in the rating area of the Greytown ward in the rating information database for the South Wairarapa district
	Greytown urban	All rating units classified in the urban area of Greytown in the rating information database for the South Wairarapa district. (Prefaced Nos 18400 and 18420)

	Featherston urban	All rating units classified in the urban area of Featherston in the rating information database for the South Wairarapa district. (Prefaced Nos 18440 and 18450)
Tararua district		All rating units classified as being within the boundaries of the Wellington region

Category 2 – rates based on land area

Some rates (either in whole or part) are allocated to additional differential rating categories (based on the area of land, provision of service, or location) for the purpose of calculating the bovine TB and pests and Wairarapa schemes targeted rates based on land area.

Some schemes have an additional fixed charge per separate use or inhabited part.

Rating units subject to these rates are shown within an approved classification register for each scheme or a designed operational area for bovine TB and pests. For more information on whether your rating unit is allocated to one or more of these categories, please contact Greater Wellington’s Masterton office (see back cover).

Category 3 – Lower Wairarapa Valley Development scheme rate

The Lower Wairarapa Valley Development scheme rate is a targeted rate allocated according to extent of services received (as measured in a points system) and in some cases an additional fixed charge per separately used or inhabited part.

Rating units subject to this rate are shown within an approved classification register for each scheme. For more information on whether your rating unit is located in this area, and for the points allocated to your property, please contact Greater Wellington’s Masterton office (see back cover).

Category 4 – Warm Greater Wellington rate

The Warm Greater Wellington rate is a targeted rate set on properties that have benefited from the installation of clean heat or insulation provided by Greater Wellington in respect of the property. The rate is calculated as a percentage of the service amount until the service amount and the costs of servicing the service amount are recovered. This rate was called the insulation rate in the 10-Year Plan 2009-19.

Category 5 – Wellington Regional Strategy (WRS) rate

The WRS rate is a targeted rate allocated on a fixed-amount basis for residential and rural ratepayers, and capital value for businesses. For residential properties the fixed amount is \$14 plus GST and rural properties \$28 plus GST. This rate will fund the Wellington Regional Strategy activities and include funding of Grow Wellington, the region's economic development agency. See table below.

Location	Use	Description
Wellington city	Wellington city WRS business	All rating units not classified as base in the Wellington city rating information database
	Wellington city residential	As per differential category 1
	Wellington city rural	As per differential category 1
Hutt city	Hutt city business	As per differential category 1
	Hutt city residential	As per differential category 1
	Hutt city rural	As per differential category 1
Porirua city	Porirua city business	As per differential category 1
	Porirua city residential	As per differential category 1
	Porirua city rural	As per differential category 1
Upper Hutt city	Upper Hutt city business	As per differential category 1
	Upper Hutt city residential	As per differential category 1
	Upper Hutt city rural	As per differential category 1
Kapiti Coast district	Kapiti Coast district business	All rating units used for a commercial, business, industrial purpose, or utility network activity in the Kapiti Coast rating information database
	Kapiti Coast district residential	All rating units located in the urban rating areas except those properties which

		meet the classification of rural, commercial, business, industrial purpose or utility network activity and all community activities in the Kapiti Coast rating information database
	Kapiti Coast district rural	All rating units located in rural rating areas except those properties which meet the classification of commercial, business, industrial purpose, utility network or community activity in the Kapiti Coast rating information database
Masterton district	Masterton district urban	All rating units classified as non-residential urban in the Masterton district rating information database
	Masterton district residential	All rating units classified as urban residential in the Masterton district rating information database
	Masterton district rural	As per differential category 1
Carterton district	Carterton district business	All rating units classified as urban commercial, urban industrial or urban smallholding – greater than one hectare in the Carterton district rating information database
	Carterton district residential	All rating units classified as urban residential in the Carterton district rating information database
	Carterton district rural	As per differential category 1
South Wairarapa district	South Wairarapa district business	All rating units classified as commercial in the South Wairarapa district rating information database
	South Wairarapa district residential	All rating units classified as urban in the South Wairarapa district rating information database
	South Wairarapa district rural	As per differential category 1
Tararua district		As per differential category 1

Part 6 – Wellington Regional Strategy Proposal

1. Introduction

Greater Wellington Regional Council (Greater Wellington) wants to hear the views of the people of the region on our Proposal to continue to fund the Wellington Regional Strategy (WRS) activity.

The Wellington region is a great place to live and work. To keep it this way we must ensure our economy is internationally competitive. As a region we face some challenges to achieve sustainable prosperity, which is why in 2004 the councils of the Greater Wellington region decided to work together to develop a WRS to achieve our economic goals.

Since 2007 the region's councils, in conjunction with central government and the region's business, education, research and voluntary sectors, have worked together under the WRS to make the region "internationally competitive" – in other words, a region that offers the competitive package of a great lifestyle and job opportunities, supported by a strong economy.

When the WRS multi-party agreement was signed by all the region's councils in late 2007, Greater Wellington was asked by the other local authorities in the region to host the WRS and to fund this through regional rates. It was agreed that the WRS arrangements be revisited this year. We are proposing in this Long Term Plan that Greater Wellington continue this role.

2. Overview of proposal

This Proposal represents a renewed commitment from all councils in the Wellington region to continue the WRS activity. This recognises the ongoing commitment of the region's councils to work together on sustainable economic growth and development for the Wellington region.

The key elements of this Proposal are:

- Greater Wellington retains responsibility on behalf of the region for the WRS by hosting the WRS Committee and the WRS Office:
 - The WRS Committee continues to oversee decision making and governance of the WRS. All councils in the region will be represented on the committee, in addition to five non-local government members.
 - The WRS Office continues to support the implementation, monitoring and review of the WRS.
- Grow Wellington (a Council Controlled Organisation of Greater Wellington) continues as the region's economic development agency.

- Greater Wellington, on behalf of the region, continues to fund the delivery of the WRS (including Grow Wellington and the WRS Office) through a targeted rate for economic development initiatives.

3. Background

3.1. Current WRS

The WRS (or Strategy) is a joint initiative by all councils in the Wellington region to promote and facilitate sustainable economic growth and development for the region.

The process to develop the Strategy was initiated in 2004, following recognition by councils that each had similar aims and goals for economic development and it made sense to avoid duplication and work together for the benefit of all.

At its heart, the current Strategy is about economic growth and development. In preparing the WRS however, the region's councils were keen to ensure that the WRS was underpinned by broader and more sustainable aims. To this effect, the current WRS was developed on the basis that:

- Economic growth and development must reflect the principle of sustainable development with its four dimensions of economic, environmental, social and cultural well-being
- Particular attention was made on the interconnectedness of economic development to urban development, transport and environmental quality
- Economic activity supported by the WRS reflects and takes account of the community values that define each city or district of the region
- Links were made to councils' statutory obligations under the Local Government Act 2002 and other Acts, in particular, the development and adoption of Long Term Plans, the Regional Land Transport Strategy and the Regional Policy Statement.

The WRS was formally adopted by all councils in the Wellington region in May 2007. This included the establishment and funding of a regional economic development agency (Grow Wellington Ltd), as well as establishing a committee of Greater Wellington to oversee the implementation and further development of the Strategy (the WRS Committee). Membership of the WRS Committee includes representatives from the region's councils and independent members with specialist expertise and experience.

The current WRS has three primary focus areas:

- Effective leadership and partnerships. Most of the WRS initiatives are about facilitation and bringing together the key players that can deliver on the region's sustainable growth objectives. This relies on effective leadership and forging partnerships between local authorities, central government, business and the education, research and voluntary sectors
- Growing the region's economy, especially its exports. The focus on investment in exports was proposed as a response to the generally poor economic performance of the region at that time

- Good regional form. Regional form is about the physical arrangement of urban and rural communities and how they link together. It is a key aspect that contributes to the region's economy and quality of life. Priority actions include: strengthening city and town centres, matching transport decisions to urban and rural needs, quality urban design, improving open spaces and providing housing choice in appropriate locations.

It is important to note that the economic climate facing the region today is fundamentally different to that of 2006/07 when the original WRS was adopted. The Strategy is being revised to focus more closely on economic growth issues in the region. Further details are set out in section 4.2 of this Proposal.

3.2. Review of the WRS

Consultants MartinJenkins were commissioned in late 2010 to undertake a review of the WRS. The findings were presented to the WRS Committee, all Councillors in the region, and the Grow Wellington Board in June 2011.

Overall, the review supported the fundamental rationale behind the WRS and continuation of a regional approach to facilitating economic development. The final report concluded that there remain good reasons for continuing to pursue economic development at a region-wide level, and to fund and deliver economic development activities on a region-wide basis. For a copy of the WRS review report go to <http://www.wrs.govt.nz/wrs-review-2/>.

4. The Proposal

This Proposal is issued by Greater Wellington because it wishes to continue its current role in relation to regional economic development and the WRS, beyond 30 June 2012.

When the region's councils entered into the multi-party agreement for a regional approach to economic development in 2007, it was agreed that the arrangements be reviewed by 30 June 2012 and that, if it was agreed that Greater Wellington continues to carry out regional economic development activity after 30 June 2012, it would undertake this process.

As set out in section 5 of this Proposal, few changes are anticipated to the way in which the activity is currently run. For this reason, it is expected there will be a negligible effect on council's activities.

Matters relating to the WRS and its governance, delivery and funding are regularly discussed at the Wellington region's Chief Executives' Forum and the Mayoral Forum, as well as more formally through the WRS Committee. Represented by their mayors, the territorial authorities are each broadly in line with the WRS, as outlined in this Proposal. It is therefore unlikely that any objections will be raised.

4.1. Governance, delivery and funding of the WRS

This Proposal is about the on-going governance, delivery and funding of the WRS activity through Greater Wellington.

It proposes that:

- Greater Wellington retains responsibility on behalf of the region by hosting the WRS Committee and the WRS Office:
 - The WRS Committee continues to oversee decision making and governance of the WRS. The WRS Committee is proposed to comprise the Chair of Greater Wellington Regional Council, a representative of each of the eight local councils, and five non-local government representatives who represent established networks within the region
 - The WRS Office continues to support the implementation, monitoring and review of the WRS.
- Grow Wellington, as a Greater Wellington-controlled organisation, continues to operate as the region's economic development agency on behalf of the region
- Greater Wellington, on behalf of the region, continues to fund the delivery of the WRS (including Grow Wellington and the WRS Office) through a targeted rate for economic development initiatives from 1 July 2012. Funding for the WRS for the 2012-2022 period is proposed at \$4.6 million per year, the same as funding in 2011/12. The allocation of funding is to be split at \$4 million for Grow Wellington and \$600,000 for the WRS Office and the work of the WRS Committee.

This is a targeted rate allocated on a fixed-amount basis for residential and rural ratepayers. It is allocated on capital value for businesses. For residential properties, the fixed amount is \$14 plus GST and rural properties \$28 plus GST.

4.2. Revised Strategy

Following the WRS review, further work was commissioned on economic development issues for the region. The WRS Committee considered and endorsed the following revised focus areas to address sustainable economic growth issues in the region:

- Focus area 1: Commercialisation of innovation
With a focus on science and technology-driven innovation, this focus area involves supporting existing successful businesses, and exploiting the region's attractiveness as a vibrant and supportive environment for entrepreneurs to set up firms, access capital, and to innovate.
- Focus area 2: Investment mechanisms for sustainable growth
This is about attracting international investment, making more of existing investment networks (such as angel investment networks) and ensuring these are connected internationally and through local business opportunities.
- Focus area 3: Building world class economic infrastructure

Regional economic prosperity is heavily dependent on the region's level of connectedness at local, national and international levels. This is in turn, dependent on the quality of our foundation infrastructure and transport systems.

- Focus area 4: Attracting business, investment and talent to the region

This is about having a targeted approach to attracting businesses, potential investors, skilled migrants and students to the region.

- Focus area 5: Education and workforce development to service regional economy needs

This focus area is about building on existing connections and initiatives to grow the region's skills and education base, and ensure the region's specific skills needs are met.

- Focus area 6: Open for business

Being open for business is about councils delivering business services with a 'can do' attitude and facilitating a business environment where smart, innovative firms can flourish.

Work is currently underway to refresh the WRS document and look in detail at how Grow Wellington and the region's councils can focus their work in these areas.

5. Consideration of alternative governance, delivery and funding options for the WRS

In coming to this Proposal, the WRS Committee considered a series of options for the governance, delivery and funding of the WRS, following on from the report back on the WRS review. This forms part of the requirement under the Local Government Act 2002 for councils to consider the benefits and costs in terms of the present and future social, economic, environmental and cultural wellbeing of the region.

5.1. Governance options

Two governance options were considered:

1. Status quo - continuation of the WRS Committee as a standing committee of Greater Wellington with funding provided as it currently is through a regionally administered targeted rate to support Grow Wellington and other implementation costs.

2. Joint committee of the region's councils - this would see partners in the joint committee (those who wish to be involved) taking shared responsibility for the administration, delivery and funding of the WRS. Each council partner would rate separately via an integrated funding agreement for the WRS implementation, including support for Grow Wellington.

Options	Assessment
1. Status quo	<p>Simple rating structure</p> <p>A targeted rate means that the funds are significant and that the whole region pays a share of the costs</p> <p>Simplicity of approval and appointments processes for Grow Wellington through one governing body</p> <p>Involvement of independent members potentially provides: wider range of expertise and new ideas</p> <p>balancing the potential for focus on local activities at the expense of wider regional benefit</p> <p>Structures already in place so there would be no transitional costs</p>
2. Joint committee	<p>Maintains accountability at a local level</p> <p>Could enable stronger integration between Grow Wellington activities and territorial authority business development activities</p> <p>No guaranteed long term commitment to action or funding because annual funding decisions are subject to individual councils' Annual Plan processes</p> <p>If all councils are not involved it could potentially be more difficult to obtain central government assistance</p> <p>Risk of high transaction costs in relation to on-going contractual requirements between Grow Wellington and the various councils constituting the committee</p> <p>Inefficient and duplicate processes for funding and monitoring</p>

We are proposing Option 1 - status quo - for governance.

5.2. Delivery of economic development activities

Two variations of delivery models were considered:

1. Status quo - Grow Wellington, as the region's economic development agency, continues to deliver economic development activities across the region on behalf of the region's councils, supported by councils delivering at a local level.
2. Councils deliver - Councils within the region undertake economic development activities in-house.

Options	Assessment
1. Status quo	Provides a consolidated delivery of economic development activities across the region according to a regional mandate set by the WRS Ability to access central government funding for regional growth projects Ability to target collaboration and investment in larger capital-intensive projects
2. Only councils or their agencies deliver	Local priorities likely to affect the ability to deliver on regional economic development priorities Could result in duplication or competition of local economic activity to the detriment of regional economic gain Variable ability between councils to access central government funding and investment

We are proposing Option 1 - status quo - for the delivery of economic development activities.

5.3. Funding formula

Two options were considered:

1. Status quo – the economic development agency rate. This is a targeted rate allocated on a fixed-amount basis for residential and rural ratepayers. It is allocated on capital value for businesses. For residential properties, the fixed amount is \$14 plus GST and rural properties \$28 plus GST

2. Capital or land value based system for all ratepayer categories. Rural and residential ratepayers would pay an amount based on capital or land value. Businesses would pay on a capital or land value.

Options	Assessment
1. Status quo	Fair and equitable system that reflects the distribution of benefits Transparent and easily understood by ratepayers A capital value based rate for businesses allows for equity between large and small businesses
2. Capital value based system for all ratepayer categories	Rural ratepayers, especially the owners of larger rural properties, would pay a disproportionately high contribution to the activity Businesses would potentially be pay a disproportionately low contribution to the activity that has high direct benefits to business

We are proposing Option 1 - status quo - for the funding formula.

6. What we will deliver

It is intended that the WRS activity contribute or deliver the following performance targets shown in the following table.

Note: The region will also continue to update the Genuine Progress Index. This will assist us in measuring the region's overall performance, including our economic wellbeing.

Level of service	Performance measures	Performance targets				
		Baseline	2012/13	2013/14	2014/15	2015/22
Promote economic growth in the region through:	Percentage of GDP spent on research and development	1.50% (Average 2005-2010)	1.55%	1.65%	1.75%	1.85%

<ul style="list-style-type: none"> • CCO • WRS Office • WRS Committee 						
	Percentage of workforce employed in highly skilled occupations	21.8% (2010)	21.9%	22.0%	22.1%	22.2%
	GDP per capita	\$55,000 (2010)	\$56,100	\$56,900	\$57,750	\$58,600

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Part 7 – Policies

Revenue and financing policy

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 - 1.1 **Statutory considerations**
 - 1.2 **Rates**
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1. Introduction

This revenue and financing policy sets out how Greater Wellington intends to fund its operating expenditure and capital expenditure. Greater Wellington is permitted to use the funding mechanisms set out in Section 103(2) of the Local Government Act 2002. This section allows the following funding mechanisms to be used when funding operating and capital expenditure:

- General rates
- Targeted rates
- Grants and subsidies
- Interest and dividends from investments
- Fees, charges and other operating revenue
- Lump sum contributions
- Borrowings
- Proceeds from asset sales
- Development or financial contributions
- Any other source (including reserves).

This policy discusses each of the funding mechanisms and their intended use by Greater Wellington. It also identifies sources of funding for each of Greater Wellington's activities, which are considered using the following headings:

- Description
- Greater Wellington's involvement
- Statutory considerations (see 1.1 below)
- Discussion (when required)
- Funding.

1.1 Statutory considerations

Greater Wellington used the considerations listed in Section 101(3) of the Local Government Act 2002 prior to identifying appropriate sources of funding. These considerations are listed for each activity as follows:

Primary community outcomes

Each group of activities contributes primarily to achieving one or more of these community outcomes:

- Strong economy
- Connected community
- Resilient community
- Healthy environment
- Quality of Life.

Distribution of benefits

The beneficiaries and type of benefit (individual, group, direct, indirect, etc.) of each activity are identified.

Timeframe of benefits

The period in, or over, which the benefits are expected to occur is identified. The timeframe is most often “ongoing,” although several activities involve “intergenerational equity” (benefits from a current activity that will accrue to future generations).

Contributors to need for activity

Any individuals or groups are identified who, through their action, or inaction, contribute to the need to undertake the activity. This consideration is generally ‘not applicable’.

Costs and benefits of funding activity distinctly

The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.

After giving consideration to the above, Greater Wellington considers the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environment and cultural wellbeing of the community. In doing so, it considers equity, efficiency and inter-generational equity.

1.2 Rates

Greater Wellington seeks to achieve a rating system that is fair, transparent, and simple, provides flexibility to respond to future needs, reflects the principle of user pays, and takes account of ability to pay.

In addition, Greater Wellington’s approach to rating is to:

- Spread the incidence of rates fairly over the region
- Provide a consistent approach to different categories of ratepayer across the region
- Ensure that all ratepayers contribute as fairly as possible to fund Greater Wellington services

- Provide Greater Wellington with the income it needs to achieve its objectives and carry out its activities, in accordance with community needs and expectations.

Greater Wellington is required to make decisions about the following in respect of general rates:

- Valuation system
- Differential rates
- Uniform Annual General Charge.

1.2.1 Valuation basis

Greater Wellington uses capital value as its valuation system when allocating rates. Territorial authorities undertake property valuations in different years. To ensure properties are valued on the same basis in each territorial area, Greater Wellington undertakes an equalised capital value (ECV) calculation. The movements in ECV reflect the extent to which capital values in each area have moved relative to each other.

1.2.2 Differentials

Rating differentials can be used to shift the incidence of rating between sectors or groups of ratepayers. Greater Wellington does not propose to use rating differentials for general rates. Greater Wellington uses differentials in setting targeted rates as detailed in section 2.12.

1.2.3 Uniform Annual General Charge (UAGC)

The Local Government (Rating) Act 2002 allows councils to collect up to 30% of their total rates requirement through flat rates charges, one of which is known as the Uniform Annual General Charge (UAGC). UAGC is a fixed amount per rating unit applied to all rating units regardless of property value. Greater Wellington does not propose to use a UAGC.

1.3 Funding of operating and capital expenditure

1.3.1 Funding of operating expenditure

Greater Wellington generally funds its operating expenditure out of operating revenue. Rates and levies are usually set at a level to ensure that Greater Wellington achieves this objective. There may be circumstances where Greater Wellington funds operating expenditure from sources other than its operating revenue. These are considered on a case by case basis. Greater Wellington also receives operating revenue in the form of government grants for public transport.

1.3.2 Funding of capital expenditure

Greater Wellington primarily funds capital expenditure from borrowings, proceeds from asset sales and the use of reserves (sources other than operating revenue). However, operating revenue is used to fund interest on debt, as well as to repay debt principal.

Greater Wellington has large infrastructural assets with long economic lives that yield long term benefits (particularly water supply, flood protection and rail rolling stock). It also has strategic investment holdings.

The use of debt is seen as an appropriate and efficient mechanism for promoting inter-generational equity between current and future ratepayers in relation to Greater Wellington's assets and investments and ensuring annual rates and charges are set at a level to pay for the underlying assets used in service delivery.

There may be circumstances where Greater Wellington considers funding capital expenditure from operating revenue. These are considered on a case by case basis.

2. Funding mechanisms

Greater Wellington has two main types of funding mechanisms available to fund expenditure:

- Operating revenue
- Other funding sources.

2.1 Operating revenue

2.1.1 General rate

General rates are set to fund activities that reflect “public good” with a broader, whole of society benefit. They are distinct from targeted rates, which are intended to recover costs of particular activities that benefit particular groups. General rates fund activities such as:

- Resource management
- Land management
- Biodiversity management
- Pest management
- Harbour management
- Visitor services
- Protecting the environment in regional parks
- Understanding flood risk
- Maintaining flood protection and control works and improving flood security
- Wellington Regional Strategy
- Emergency management
- Democratic services
- Relationship with Maori
- Regional transport planning and programmes
- Regional initiatives.

Greater Wellington’s general rates requirement is reduced by revenue generated from investment and treasury activities.

General rates are apportioned across the whole region on an equalised capital value basis and then set according to the current rateable capital value of each city or district. Greater Wellington does not charge general rates on a differential basis, nor does it levy a Uniform Annual General Charge.

2.1.2 Targeted rates

(a) Transport rate

The transport rate funds Greater Wellington’s net expenditure (after deducting fare and Central Government contributions) for the region’s public transport services, including public transport operations, infrastructure and marketing activities. This rate is apportioned principally on the basis of a surrogate congestion charge. The transport rate to be recovered from each territorial authority area is set on the basis of capital values.

(b) River management rates

River management rates are set in Lower Hutt, Upper Hutt, Porirua, Wellington, Kapiti Coast and Carterton districts, Greytown ward, Greytown urban and Featherston urban rating areas. River management rates are allocated on a uniform capital or land value basis on all rateable land within the defined boundaries. The river management rates fund local community contributions to river maintenance and flood protection improvements. There is also a region-wide contribution from the general rate.

(c) Stadium purposes rate

This rate meets Greater Wellington's annual costs of servicing and repaying the monies raised to fund its contribution to the Wellington Regional Stadium Trust. The rate is based on a differential capital value, reflecting direct and indirect benefits to different areas and classes of ratepayers. Ratepayers of cities and districts more distant from the Stadium contribute proportionally less.

(d) Bovine TB vector control rate

This rate is set on rateable land with an area of 4ha or more where there are current control programmes in place or where TB has recently been eradicated. There is also a region-wide contribution for vector control operations undertaken by the Animal Health Board from general rates.

(e) Regional Possum/Predator control rate

This rate is set on rateable land with an area of 4ha or more to control predators and possums in areas not included in the Animal Health Board's Bovine TB control programme. There is also a region-wide contribution from general rates.

(f) Wairarapa scheme rates (river management, catchment and drainage)

Greater Wellington sets rates on specific properties within some 30 river management, catchment and drainage schemes in the Wairarapa constituency. Generally, these rates are made on a differential land area basis. They are apportioned to reflect the benefit to each separately rateable property in the part of the district benefiting from the scheme, on the basis of the area and the classification of the property as it appears in the approved classification register. As with river management rates, river management and catchment scheme rates fund local community contributions to river maintenance and flood protection improvements. There is also a region-wide contribution from general rates.

(g) Wellington Regional Strategy (WRS) rate¹⁹

Greater Wellington supports the WRS through a dedicated office and also part-funds the activities of Grow Wellington Ltd, a wholly-owned Council Controlled Organisation which carries out economic development in the region. The rate is charged on a uniform basis to residential and rural ratepayers. Businesses are charged on a capital value basis.

(h) Warm Wellington Home Insulation rate

The Energy Efficiency and Conservation Authority (EECA) provide grants to part-fund retrofitting of home insulation and/or clean heat appliances. As part of this scheme Greater Wellington also makes funds available for some or all of the remaining costs of the project. If such funds are made available they will be recovered over 10 years (or sooner if certain criteria are met) by a way of a targeted rate set on those properties benefiting from the funding. This rate will meet Greater Wellington's costs of servicing and repaying the monies raised to fund this programme over the life of the programme.

2.1.3 Water supply levies

The water supply group of activities is not funded from regional rates. Greater Wellington directly levies the four metropolitan city councils (Wellington, Hutt, Upper Hutt and Porirua) for the wholesale supply of water. The levies are based on actual water usage. These costs are included as a component of those councils' water rates and charges.

2.1.4 Government subsidies

The main source of government subsidies received by Greater Wellington is NZ Transport Agency (NZTA) for the funding of regional transport. NZTA provides nationally funded road user subsidies reflecting the benefits to road users and the social benefits of public transport activities and regional transport planning and programmes. Greater Wellington also receives a government subsidy in recognition of the national benefit from its civil defence emergency management activity.

¹⁹ Previously, known as the Economic Development (EDA) rate.

2.1.5 Interest and dividends

Greater Wellington has a number of investments ranging from equity investments to financial investments (refer to the treasury risk management policy).

(a) Dividends received

Greater Wellington receives dividends from its equity investments, primarily from its operating subsidiaries held through the WRC Holdings Group. Dividend revenues are ultimately used to reduce general rates.

(b) Interest received

Greater Wellington receives interest from its financial investments, mainly deposits and special funds. Revenue earned from Greater Wellington's deposits is used to reduce general rates. Revenue earned on special funds is added to each fund. These funds have been set up primarily for self insurance purposes.

2.1.6 Fees, charges and other operating revenue

Greater Wellington receives a variety of fees, charges and other operating revenue. Other operating revenue includes, but is not limited to:

- Charges to commercial harbour users for navigation and communication services
- Charges for the processing and monitoring of resource consents
- Charges to land owners for contribution to land management activities on their land
- Charges to territorial authorities and utility companies for water supply services
- Charges to territorial authorities for pest management activities on their land
- Rent received on properties owned by Greater Wellington and leased to third parties
- Contributions from NZTA and territorial authorities and gravel extraction revenue for flood protection activities
- Sales from the Akura Conservation Centre
- Management fees for providing administrative support to our council controlled organisations
- Fees received from the use of Greater Wellington assets
- Council fees.

2.2 Other funding sources

2.2.1 Borrowing

Greater Wellington raises external debt primarily for the following purposes:

- To fund Greater Wellington's capital expenditure programme
- To manage timing differences between cash inflows and outflows and to maintain appropriate liquidity
- To fund one-off projects (eg, Greater Wellington's involvement in the Stadium)
- To fund other investment activity as appropriate (generally when the benefit is considered to be greater than one year).

Greater Wellington approves the overall borrowing programme for each financial year during the annual planning process.

2.2.2 Proceeds from asset sales

Greater Wellington generally uses proceeds from the sale of assets and investments to repay debt, unless it determines otherwise. The main exception is where Greater Wellington intends to replace the asset, eg, motor vehicles. In this instance, proceeds from the sale are used to help fund the replacement of that asset.

2.2.3 Reserves

From time to time Greater Wellington uses surplus funds from previous years (in the form of reserves) to fund expenditure. There is a formal process for establishing and using these specific reserves which is undertaken as part of the annual reporting and planning process. Greater Wellington does not hold reserves in the form of cash assets.

Reserves are used to reduce external borrowing, therefore reducing interest expense. When reserves are required to be used, new debt is raised to fund expenditure.

3. Groups of activities

3.1 Regional leadership

3.1.1 Wellington Regional Strategy

Description

Greater Wellington operates a Wellington Regional Strategy Committee to act as the keeper of the Wellington Regional Strategy (WRS). The aim of the WRS is to build an internationally competitive region and to enhance the economic prosperity of the region.

Greater Wellington's involvement

Greater Wellington is the host of the Wellington Regional Strategy because the councils in the region collectively agreed that this is the most appropriate model.

This is a joint local government initiative and Greater Wellington has a key role in implementing the WRS. Greater Wellington has established an economic development agency, Grow Wellington, to undertake this activity.

Statutory considerations

Primary community outcome	Strong economy
Distribution of benefits	The primary beneficiaries for this activity are people and organisations in the regional community. They benefit through economic growth in the region. Economic growth includes the creation of new jobs and more opportunities for businesses to establish and expand
Timeframe of benefits	Ongoing
Contributors to need for activity	Not applicable
Costs and benefits of distinct funding	A dedicated rate is justified as the funds raised are significant and the whole region pays a reasonable share of the costs. Targeted rates provide transparency and accountability for this activity that is distinct from Greater Wellington's other activities, and is carried out on behalf of all the region's local authorities. A fixed charge basis for non-business ratepayers distributes the costs to this group equitably, recognising the benefits of this activity to these ratepayers. A capital value rating basis is weighted towards higher value properties (for businesses) which is a fair basis for the collection of revenue where businesses will receive proportional benefits

Funding

- 100% targeted rates.

3.1.2 Emergency management

Description

Greater Wellington's emergency management activity focuses on:

- Planning for emergency events
- Maintaining a group emergency operations centre for the region
- Educating people about the risks they face.

Greater Wellington's involvement

Under the Civil Defence Act 2002 Greater Wellington is required to be the administering authority for the Wellington Region Civil Defence Emergency Management Group. The Group has decided that a new joint regional civil defence and emergency management team will be established to carry out the emergency management function for Greater Wellington and all the local authorities in the region.

Statutory considerations

Primary community outcome	Resilient community
Distribution of benefits	The individuals and groups who benefit from this activity include regional and national communities who benefit directly from the maintenance of a response capability and from planning for major emergency events
Timeframe of benefits	Ongoing
Contributors to need for activity	Not applicable
Costs and benefits of distinct funding	Not applicable

Funding

Government grant in recognition of the national benefit plus general rates for remainder.

3.1.3 Democratic services

Description

Democratic services include leadership, representation and decision making at a political level and support to elected members. This activity also includes general advocacy for the regional community.

Greater Wellington’s involvement

This is the core governance and advocacy activity of Greater Wellington.

Statutory considerations

Primary community outcome	Quality of life
Distribution of benefits	Democracy is a public good whose benefits accrue to, or are shared by, the people, communities, and organisations of the entire region. Greater Wellington acts in the best interests of the Wellington region as a whole. The people of the region benefit through representation at a regional level and involvement in regional decision making, and by having an advocate for the regional community
Timeframe of benefits	Ongoing
Contributors to need for activity	Not applicable
Costs and benefits of distinct funding	Not applicable

Funding

All Greater Wellington functions are controlled at a governance level by elected members. Therefore, the majority of this activity is funded from general rates, with the remaining funding coming from the specific areas of regional transport and regional water supply, where the majority of funding is derived from targeted rates and levies respectively.

3.1.4 Relationship with Māori

Description

Involving Māori in our work includes servicing and facilitating the central relationship Greater Wellington has with the mana whenua iwi of the region.

Greater Wellington's involvement

Greater Wellington has a long established relationship with the tangata whenua of the region. There is a statutory obligation to improve opportunities for Māori to contribute to Greater Wellington's decision making.

Statutory considerations

Primary community outcome	Quality of life
Distribution of benefits	The beneficiaries are the community as a whole, Greater Wellington and tangata whenua. The community benefits from the enhanced opportunity provided to a key group to participate in decisions that affect them and the wellbeing of the whole community. Greater Wellington benefits through greater access to tangata whenua and their increased ability to provide input to Greater Wellington and to assist with its work. Tangata whenua benefit from increased resources which enable them to participate and also from the collective forum which provides a regular opportunity for collective discussion
Timeframe of benefits	Ongoing
Contributors to need for activity	Not applicable
Costs and benefits of distinct funding	Not applicable

Funding

The majority of this activity is funded through general rates because of the public good component of this work and the inability of mana whenua iwi to participate in a meaningful way without assistance. The remaining funding should come from the specific areas of public transport and water supply, where the majority of funding is derived from targeted rates and levies respectively.

3.1.5 Regional transport planning and programmes

Description

This activity has several key components:

- Producing and monitoring the Regional Land Transport Strategy (RTLTS) and servicing the Regional Transport Committee
- Producing and monitoring plans to implement the RLTS
- Producing a Regional Land Transport Programme
- Advocating for and promoting Greater Wellington's transport policies
- Monitoring a Regional Transport Model
- Developing and promoting school, workplace and community travel plans

- Promoting walking and cycling
- Promoting road safety.

Greater Wellington’s involvement

Preparation of the Regional Land Transport Strategy is a legal requirement under the Land Transport Management Act 2003, as amended by the Land Transport Management Act 2008. A strategy has to be renewed every six years. The preparation of a Regional Land Transport Programme is a legal requirement under the same Act, and is required to be prepared every three years.

Travel planning activities are provided for in the Regional Travel Demand Management Strategy, Regional Road Safety Plans and the Regional Walking and Cycling Plans. All these implement the Regional Land Transport Strategy.

Statutory considerations

Primary community outcome	Connected community, strong economy, healthy environment
Distribution of benefits	<p>People and organisations in local communities benefit directly from transport planning undertaken in their area</p> <p>People and organisations in the regional community benefit directly from a planned land transport system that supports the economy</p> <p>Those members of the national community who use the Wellington region land transport system also benefit directly</p> <p>People and organisations for whom travel plans are prepared</p> <p>Communities for which travel plan programmes are implemented</p> <p>People and organisations that use the roads benefit from less congestion as others make the choice to use alternative transport modes</p> <p>Everyone benefits from a safer transport system</p>
Timeframe of benefits	Ongoing
Contributors to need for activity	Not applicable
Costs and benefits of distinct funding	Not applicable

Discussion

There are currently more specific studies of the metropolitan part of the region and the Kapiti Coast than there are of Wairarapa because of the greater traffic problems in these areas. In general, rural capital values are significantly higher than urban capital values and, if they were not discounted, their relative contribution would exceed the relative benefits they receive.

Funding

A nationally funded road-user contribution reflecting the national interest plus the remainder from general rates.

3.1.6 Regional initiatives

Description

Strategies are required from time to time for issues that cut across the activities of Greater Wellington regional, city and district councils and other organisations in the region. These strategies, for example, the regional water strategy, contribute to the sustainable development and resilience of the region.

Specific programmes may also be undertaken to increase the resilience of the region eg, part funding EECA's scheme for retrofitting home insulation.

Greater Wellington's involvement

Greater Wellington generally coordinates and funds the development of these resilience/sustainability plans and programmes and can have a key role in their implementation.

Statutory considerations

Primary community outcome	Strong economy
Distribution of benefits	The primary beneficiaries are people and organisations in the regional community. They benefit through the contribution that these strategies and programmes make to increase the resilience of the region The primary beneficiaries of the EECA home insulation scheme are ratepayers who take advantage of this scheme to insulate their homes, resulting in warmer homes and/or lower energy costs
Timeframe of benefits	Ongoing
Contributors to need for activity	Not applicable
Costs and benefits of distinct funding	Not applicable

Funding

- 100% general rates for plans/strategies
- 100% targeted rates on properties that benefit from the home insulation and clean heat scheme.

Wairarapa Water Use Project Investigations

Description

This activity is to investigate, promote and develop an environmentally, socially, culturally and economically viable leading-edge rural water harvesting, storage and distribution infrastructure project in the Wairarapa valley.

Greater Wellington's involvement

Since Greater Wellington's involvement started in 2009 the focus of the project has been broadened to achieve a regionally integrated rural water management infrastructure for all water uses, not just irrigation.

Commencing in 2010/2011, Greater Wellington is funding a project manager and resourcing a team of specialists to determine whether a viable project can be established and, if so, progress through to the resource consent application stage. Two full-time Greater Wellington staff are currently allocated to the project.

Greater Wellington's investigation aims to:

- Manage the utilisation of water by the Wairarapa Water Use Project (WWUP) so that on an ongoing basis the environmental integrity of natural water bodies will not be compromised
- Educate the Wairarapa community regarding the benefits of managing their water resource through water storage infrastructure
- Provide increased water reliability, flexibility and efficiency
- Maximise the economic and broader community benefits that a reliable water supply can provide
- Lessen dependence on natural water storage where a managed rural scheme(s) operates now or in the future
- Develop a set of viable water storage locations in which water is principally harvested during winter months and possibly during high flows at other times of year
- Develop a managed water reticulation system to deliver water efficiently when and where it is required, and in the volume and to the pressure required
- Maximise multiple uses of water that the project can reasonably provide, for which there is an identified demand
- Maximise water use efficiency while minimising disbenefits
- Prioritise water demand locations (command areas for irrigation, towns for potable water etc.) where clients are prepared to pay for it
- Provide schemes that promote a high uptake
- Develop an approach to minimise land use intensification effects
- Identify potentially 'new' agricultural products suitable to Wairarapa's natural environs, processing support, transport, etc.
- Develop a consentable project with a broad level of local and regional community acceptance and be granted resource consent(s) with acceptable conditions
- Identify commercial entity options that could potentially own, finance, manage and/or operate the project.

Statutory considerations

Primary Community outcome	Resilient communities, healthy environment
Distribution Benefits	The benefits of this development project will be numerous and widespread. It is being touted as the region's most significant potential economic development. The rural community will benefit directly from access to a reliable water supply, increasing their ability to grow a wider range of high value agricultural produce. It will also benefit the natural environment due to water being sourced from storage ponds, not rivers or aquifers during the summer months
Timeframe of Benefits	Benefits will start to flow once construction starts (due to significant capital costs to build the project) and increase progressively as water uptake commences and the scheme's stages are implemented. Benefits will then be inter-generational and region-wide
Contributors to need for activity	Not applicable
Costs and Benefits of distinct funding	It is likely that water users will pay for the water through a mix of fixed charges and levies based on the amount of volume used.

Source of Funding

- 100% funded by general rates
- Central government's Irrigation Acceleration Fund is a potential significant funding source to cover the period of investigation, but will need to be matched by regional funds, such as funding from Greater Wellington.

3.2 Public Transport

Includes the following activities:

- Plan the Metlink public transport network
- Rail operations and asset management
- Bus and ferry operations and asset management
- Metlink customer services and information
- Total mobility.

Description

The provision of public transport services has the following components:

- Planning the Metlink public transport network
- Funding rail, bus and local harbour ferry passenger services
- Administering the SuperGold Card Travel Scheme
- Providing and maintaining urban passenger trains, park and ride commuter car parks, train stations, bus-rail interchanges, signage, bus shelters and a real time information system
- Providing information about public transport services through printed timetable leaflets, timetable information at bus stops and stations, maps, guides and leaflets, SMS text messages, a comprehensive Metlink website with timetable and fare information, a journey planner and a Metlink service centre
- Promoting services changes (eg, Christmas timetables) and new services, as well as the more general use of public transport
- Funding the Total Mobility scheme (a scheme that provides services to people with disabilities)

Greater Wellington's involvement

Greater Wellington is involved in providing public transport services, for the following two reasons, in addition to the fact that public transport is a private good:

- Market failure (road use in the region is cheaper than it should be because road users in the region do not pay a price that reflects the congestion and environmental costs they impose on others)
- Social issues (meeting the needs of the transport disadvantaged).

Statutory considerations

Primary community outcome	Connected community, strong economy, healthy environment
Distribution of benefits	<p>Road users benefit directly through less congested roads</p> <p>Public transport users benefit directly by travelling to their destination for a subsidised fare, and from more frequent and better quality services</p> <p>People in the region benefit indirectly through reduced pollution (reduced car emissions) and the existence of a public transport system as an alternative transport option</p> <p>Roading authorities benefit from reduced wear and tear on their networks and delayed construction of new roads</p> <p>The transport disadvantaged, including people with disabilities, benefit directly by obtaining transport services</p> <p>Family and friends of those with disabilities benefit indirectly by less need to “taxi” people with disabilities</p>
Timeframe of benefits	Significant capital costs are incurred in providing this activity and thus there are significant inter-generational equity considerations – future generations benefit from capital expenditure made now. Other benefits are ongoing
Contributors to need for activity	<p>Road users cause the problems (and associated costs) of congestion and pollution</p> <p>Road operators may contribute to congestion and pollution (and associated costs) through poor road design or poor traffic management</p> <p>Businesses and residents expect and demand the existence of a certain level of public transport services in the region</p>
Costs and benefits of distinct funding	The total sum raised by targeted transport rates is considerable. As they are collected in conjunction with general rates the marginal cost of collection is very minor, fully justifying a distinct funding source

Discussion

Congestion relief

Greater Wellington is of the view that a congestion charge should be levied on users of congested roads. It is estimated that 85% of public transport services contribute to congestion relief. Greater Wellington's strategic transport model shows that congestion pricing could completely remove the need for subsidies for peak public transport services. However, there is no legal framework for Greater Wellington to levy, or to have others levy, a congestion charge on motorists. Accordingly, the funding needs to come from a surrogate for users of congested roads.

Surrogates for congestion pricing considered were: charging based on peak time origin/destination travel statistics, charging people in their district of origin, charging businesses in the district of destination, car park charges, and general rates across the region. (Greater Wellington notes that none of the proposed surrogates force road users to face the full cost of road use; the surrogates thus provide an incentive to road users to live further away and let others meet a component of their travel costs.) Charging ratepayers based on peak time origin/ destination travel statistics is used as a reasonable surrogate for charging the users of congested roads. Allocations are generally made on a territorial authority district basis, with Wairarapa being treated as one district. Journeys are considered on a door-to-door, whole trip basis.

People travelling to and from the central business district (CBD) of Wellington city are a major cause of congestion. Travel statistics from the latest national census show over 30% of peak hour travel movements in the region are to the CBD. Therefore, a proportion of congestion costs is charged directly to the CBD.

Concessionary travel

Public transport provides a reduced cost travel option for the transport disadvantaged, including children and the elderly. Under the SuperGold Card Travel Scheme, central government funds off-peak travel for people over 65 and for those receiving a veteran's pension.

Many young people travel to and from school using public transport. This reduces the need for parents to drive their children to school and hence has a congestion benefit. Accordingly, the ratepayer contribution for concession fares is levied using the same surrogate used for congestion, ie, peak time origin / destination travel statistics.

It is estimated that 10% of services contribute to concessionary travel.

Social services

Public transport services provide a social good as they:

- Provide an option for those members of the community who are unable to travel by private means, for example by their own car
- Provide a travel option as an alternative or back-up to other means of transport
- Improve safety and health
- Reduce air, noise and visual pollution, including greenhouse gas emissions
- Reduce energy use.

These social benefits contribute to the overall economic, social and environmental wellbeing of the region, making it a more attractive location for industry and for people to live in.

Because there are generally fewer public transport services available in Kapiti and Wairarapa, ratepayers in those areas receive a discount on the social services component of the transport rate.

High rural capital values, and the inability to distinguish between farms and lifestyle blocks and residential housing, mean that if targeted rates were struck uniformly, then they would be disproportionate to the relative benefits that most rural ratepayers receive. Accordingly, a reduced of the transport rate is applied to rural capital values.

It is estimated that 5% of services contribute to social benefits.

Total Mobility

The cost of providing Total Mobility services exceeds the ability of people with disabilities to pay for them, so communities must contribute. In general, people with disabilities are a consistent proportion of the population. Accordingly, the amount to be collected from a community for Total Mobility should be allocated by relative population or by using actual costs, where known.

People in rural areas use Total Mobility services but not as much as people living in the urban areas. In recognition of this, a rural discount is applied.

Charging for park and ride car parks

Currently, 30% of rail commuters use park and ride car parks provided by Greater Wellington. A charge could be considered in the future to:

- Provide funding to cover the cost of providing and maintaining the car parks including associated security services (patrols and CCTV)
- Discourage those living in close proximity to the car parks from driving to the station (a 2002 survey showed that 50% of users travelled from within 1.85 km of a station)
- Encourage users to consider other modes of travel to the station where these are available and practicable (eg, using a connecting bus service, walking and cycling)
- Manage demand. The ability of Greater Wellington to provide additional parking spaces in line with growing rail patronage and demand is limited by the availability of land in close proximity to stations.

Parking charges would be levied directly on the users of the car parks and become part of the user charge for public transport services. Charges would be set at a level that remained substantially cheaper than parking in the Wellington CBD, and would take into account the total cost of the trip so that public transport remained a competitive travel mode. Charges could be introduced on a trial basis and may be targeted at certain car parks where demand exceeds supply.

Funding

Greater Wellington uses the following funding allocations in respect of expenditure on public transport services, except for Total Mobility:

- A target of 45-50% user charges
- The remainder from a community contribution (national and regional).

This community contribution is funded as follows:

- The maximum contribution from Crown agencies, primarily New Zealand Transport Agency (NZTA), reflecting the benefits to road users and social services (this contribution ranges from 50-100%, depending on the type of service)
- The balance of the community contribution is from a Greater Wellington contribution funded via a targeted rate set as follows:
 - 95% of the rates required are for congestion relief and concessionary and are allocated as follows:
 - Inter-district services:
 - Inter-district services includes all rail costs and a portion of the cost of bus services that connect with rail
 - 20-25% of rates required for inter-district services are borne by the Wellington CBD with the remainder borne equally by ratepayers in the district of origin and the district of destination using census journey to work statistics
 - Within Wellington city, 10% of inter-district destination trips are allocated to ratepayers outside of the CBD
 - Intra-district services:
 - Intra-district services include all ferry costs and bus costs that have not been apportioned to inter-district costs
 - The rates required for intra-district services are borne by the ratepayers in the district that services operate in.
 - A cost apportionment is made where services travel through more than one district
 - Within Wellington city 50% of intra-district trips are allocated to the Wellington CBD
 - A discount of 75% is given to rural properties
 - Within districts, costs are allocated on rateable capital values
 - 5% of the rates required are for social services and are allocated as follows:
 - The rates required are borne by ratepayers across the region
 - A discount of 25% is given for Kapiti
 - A discount of 70% is given for Wairarapa
 - A discount of 75% is given to rural properties
 - Within districts, costs are allocated on rateable capital values.

Greater Wellington uses the following funding allocations in respect of Total Mobility:

- A target of 50% user charges
- The remainder from a community contribution (national and regional).

This community contribution is funded as follows:

- The maximum contribution from NZTA (this contribution is currently 60%)
- The balance is from a Greater Wellington contribution funded via a targeted rate set as follows:
 - The rates required are borne by ratepayers across the region
 - A 50% discount is given to rural properties
 - Within districts, costs are allocated on rateable capital values.

Rates required for planning the public transport network, providing information about public transport services, promoting services, network-wide infrastructure and administration are apportioned across ratepayer groups based on the weighted average of total allocated rates.

3.3 Water supply

Our water supply activities have three key components:

- Water quality – ensuring safe high quality water
- Water availability – ensuring a secure reliable water supply
- Sustainability – being cost effective while meeting all relevant environmental and health and safety standards.

Description

These activities entail the collection, treatment and delivery of bulk water to the cities of Lower Hutt, Porirua, Upper Hutt and Wellington. This involves providing adequate water supply infrastructure, such as treatment plants, bulk mains and pumping stations, and planning to ensure that future demand can be met.

Greater Wellington's involvement

Greater Wellington is the owner and manager of the bulk water system under the Wellington Regional Water Board Act 1972 and the Health (Drinking Water) Amendment Act 2007.

Statutory considerations

Primary community outcome	Quality of life, strong economy, resilient community, healthy environment
Distribution of benefits	People in the cities of Lower Hutt, Porirua, Upper Hutt and Wellington benefit directly from the supply of high quality, potable water, treated to the Ministry of Health's drinking water standards
Timeframe of benefits	There is significant capital expenditure and thus there are inter-generational equity effects
Contributors to need for activity	Not applicable
Costs and benefits of distinct funding	A water levy on the four customers is a cost effective collection mechanism recognising the singularity of this function

Discussion

Greater Wellington is of the view that pricing should reflect the fixed and variable costs of supplying each customer, the short run marginal costs of supply and all other costs.

The Wellington Regional Water Board Act 1972 constrains the ability of Greater Wellington to price the services to reflect the costs of supply. The four cities have previously advised they are of the unanimous view that the current charging methodology is the most appropriate for the medium term.

Funding

The funding policy is prescribed by the Wellington Regional Water Board Act 1972. The costs of operating the water supply system are apportioned to the cities based on the individual city's proportion of total water deliveries.

3.4 Environment

3.4.1 Resource management

Resource management

Description

This activity entails developing and implementing the Regional Policy Statement, preparing and implementing regional plans, monitoring compliance with consent conditions and taking necessary enforcement action.

Greater Wellington's involvement

Greater Wellington is required by the Resource Management Act 1991 to develop a Regional Policy Statement and a Regional Coastal Plan. It may develop further plans.

Statutory considerations

Primary community outcome	Healthy environment
Distribution of benefits	The primary beneficiaries for this activity are people and organisations in the regional community. They benefit through the sustainable management of the region's resources
Timeframe of benefits	Ongoing
Contributors to need for activity	Not applicable
Costs and benefits of distinct funding	Not applicable

Funding

100% general rates.

Resource consent service

Description

This activity entails:

- Processing applications for resource consents, procedural steps including assessing applications, notifying the public (some consents only), holding pre-hearing meetings, conducting a hearing (when necessary), issuing or declining a consent, and defending decisions in the Environment Court
- Advising the public on Greater Wellington's plans, the consent process, the environmental management options open to them and the consequences of those options
- Carrying out some minor activities under the Building Act 2004, eg, processing project information memorandums.

Greater Wellington's involvement

Greater Wellington is an authority for processing consents. Section 36 of the Resource Management Act 1991 enables Greater Wellington to set 'actual and reasonable' user charges. The maximum charge may not cover all of the costs incurred in compliance monitoring. Greater Wellington also funds the activity to meet its requirements to provide general advice and information to the public on resource management.

Statutory considerations

Primary community outcome	Healthy environment
Distribution of benefits	The beneficiaries of this activity (applicants and consent holders) can be readily identified and can be charged
Timeframe of benefits	Ongoing
Contributors to need for activity	Resource consent applicants, consent holders and submitters all drive the need for this activity
Costs and benefits of distinct funding	Charges can be administered cost effectively. There is no alternative funding mechanism that would be a reasonable proxy

Discussion

The advice Greater Wellington gives to the public is general, not specific. A user charge might serve as a disincentive to seeking advice or information, which could lead to a mismanagement of resources, affecting the regional community. Accordingly, Greater Wellington considers advice should be provided at no cost because of the environmental and community benefits.

Funding

Resource consent processing service:

- Up to 90% user charges
- Remainder general rates (costs of appeals etc).

Advice to the public:

- 100% general rates.

Compliance and enforcement

Description

This activity involves monitoring compliance with consent conditions and taking necessary enforcement action.

Greater Wellington's involvement

Where individual resource consents require compliance inspections, Greater Wellington believes that the individual or business that holds the consent should pay as it is their activity that requires monitoring. While all compliance monitoring and enforcement work provides a community benefit, in that adverse effects on the environment are investigated and managed, it is not always possible to identify the business or individual who caused the problem. However, when the source of the problem can be identified all possible costs, including the cost of prosecutions and appeals, are recovered.

Statutory considerations

Primary community outcome	Healthy environment
Distribution of benefits	The beneficiary of this activity is the regional community because non-compliance is identified and the environment is protected.
Timeframe of benefits	Ongoing
Contributors to need for activity	Consent holders drive the costs as their activities need to be monitored
Costs and benefits of distinct funding	Charges can be administered cost effectively. There is no alternative funding mechanism that would be a reasonable proxy

Funding

Compliance monitoring service:

- Up to 50% user charges
- At least 50% general rates (investigations and legal costs).

Pollution prevention and control

Description

This activity includes the following:

- Investigating complaints
- Checking compliance with regional plans and policies (rather than compliance with consents)
- Taking enforcement action where non-compliance is found, if appropriate.

Greater Wellington's involvement

Monitoring regulatory compliance complements other resource management activities.

Statutory considerations

Primary community outcome	Healthy environment
Distribution of benefits	The beneficiary of this activity is the regional community because the environment is protected by ensuring an early response to pollution events
Timeframe of benefits	Ongoing
Contributors to need for activity	The businesses or individuals who cause problems which need to be addressed drive the need for this enforcement activity
Costs and benefits of distinct funding	Not applicable

Discussion

Greater Wellington believes that any businesses or individuals who cause environmental damage should pay to rectify the problems they have caused. However, it is often not possible to recover costs from those responsible and, in practice, the legal cost of enforcement action far exceeds fines recovered.

Funding

100% general rates, less any cost recovery from enforcement or legal action.

State of the Environment monitoring

Description

This sub-activity involves reporting to the public on the state of the environment by publishing annual monitoring reports and six-yearly reports.

Greater Wellington's involvement

Greater Wellington is required, under the Resource Management Act 1991, to monitor and report on the state of the environment and ensure the information is made available to the public. It is authorised to set charges for this activity under section 36 of the Act.

Statutory considerations

Primary community outcome	Healthy environment
Distribution of benefits	The regional community is the primary beneficiary of this activity since the information is used by Greater Wellington to develop policies and plans to manage the region's natural physical resources and report on the efficiency and effectiveness of these plans
Timeframe of benefits	Ongoing
Contributors to need for activity	Consent holders who are using a resource that is under pressure contribute to the need for this activity
Costs and benefits of distinct funding	Not applicable

Funding

100% general rates, less state of the environment monitoring charges paid by some consent holders.

3.4.2 Land management

Farm plans

Description

This is achieved in four different ways:

(i) *The delivery of sustainability and property plans*

Sustainability plans target severely eroded land and provide works aimed at an integrated long term approach to sustainable land management. Property Plans are also designed to stabilise erosion prone land and protect natural environments.

(ii) *The provision of a commercial specialised consultancy service comprising:*

- Wood lot establishment on erosion-prone land
- Silviculture on conservation wood lots planted for soil erosion purposes
- Farm shelter establishment to complement the wind erosion control scheme.

(iii) *The Wellington Regional Erosion Control Initiative (WRECI)*

This initiative targets five selected catchments within the region. Catchments have been selected on the basis of moderate to high sediment generation from the erosion-prone land. The initiative is a partnership between the Crown (MAF), Greater Wellington and landowners that will speed up the protection of erosion-prone land and improve water quality in the receiving environments.

(iv) *The delivery of land and environment plans in key catchments where intensive land uses is undertaken*

This is a new initiative to address water quality issues. Land and environment plans will be developed with landowners to manage nutrient discharges using a range of best management practices.

Greater Wellington's involvement

Greater Wellington is involved because it wishes to encourage sustainable land management, improve water quality and promote biodiversity.

Statutory considerations

Primary community outcome	Healthy environment, strong economy
Distribution of benefits	Private landowners benefit directly from property protection and stabilised soil, and the maintenance of a long term productive asset The local community benefits directly as the sub-activity reduces flood risk, improves water quality and addresses other downstream problems (a considerable benefit in erosion-prone areas). It also protects infrastructure The regional community benefits indirectly through preserved landscapes, improved water quality and

	enhanced local ecology
Timeframe of benefits	Soil conservation benefits start to accrue five to seven years after planting and the income from a wood lot may take up to 30 years after planting. Accordingly, landowners do not see a cash benefit for a considerable time, if at all, and may not make appropriate decisions about work required
Contributors to need for activity	Private landowners drive the costs as past land management practices have not always been sustainable. However, it is often not the current landowner who caused the problems. For example, past government policies sometimes resulted in unsustainable land management practices. Hill country farming is only sustainable when appropriate protection methods are used. There is a demand from landowners to maximise returns, even on relatively small blocks of land
Costs and benefits of distinct funding	The significant beneficiaries are required to pay a reasonable share of the costs

Discussion

Greater Wellington believes that those who benefit most from land management activities should pay the greater part of the cost. However, it is Greater Wellington's policy to encourage soil conservation for erosion-prone soil types through plans and biodiversity measures, so a regional contribution is considered appropriate.

Funding

- Sustainability and property plans
 - 60% to 70% user charge
 - 30% to 40% general rate.
- WRECI plans
 - 40% user charge
 - 30% crown funding
 - 30% general rate.

If the Ministry of Agriculture and Forestry discontinues its funding for this programme, from 2013/14 WRECI plans will be funded 50% from user charges and 50% from general rates.

- Consultancy – all costs are to be funded by way of direct payment by those who seek the service. Typically, Greater Wellington's operational staff supervises contractors to do the work. A service fee on services delivered by the contractors pays for the costs of Greater Wellington's supervision
- Land Environment Plans – Greater Wellington contributes to fencing, site preparation, plant supply and planting costs. This work is funded 50% from general rates and 50% by user charges.

Catchment schemes

Description

This activity involves planting in the headwaters of rivers and the management of the rivers downstream. As good catchment management lessens the flood risk downstream, catchment schemes are similar to flood protection. Each of the six catchment schemes operate under the guidance of a local Scheme Advisory Committee.

Greater Wellington's involvement

Greater Wellington is involved because it wishes to encourage sustainable land management, protect community assets and promote biodiversity.

Statutory considerations

Primary community outcome	Healthy environment, strong economy
Distribution of benefits	Private landowners benefit directly from property protection, stabilised soil, flood protection and the maintenance of a long term productive asset The wider or district community benefits directly through reduced flood risk, improved water quality and better infrastructure protection The regional community benefits indirectly through preserved landscapes, improved water quality, and enhanced local ecology
Timeframe of benefits	Soil conservation benefits start to accrue five to seven years after planting and consolidation of river management works has a similar timeframe. Accordingly, ratepayers do not see benefits for a considerable time
Contributors to need for activity	Private landowners drive the cost as past land management practices have often been unsustainable. However, it is often not the current landowner who caused the problems. For example, past government policies sometimes resulted in unsustainable land management practices within catchments, leading to increased erosion and flooding
Costs and benefits of distinct funding	The significant beneficiaries are required to pay a reasonable share of the costs, eg, scheme rates

Discussion

Greater Wellington believes that the benefits to the region are similar to those enjoyed by local scheme ratepayers and the district ratepayers. Strong emphasis on sustainable land management, river management, flood protection and biodiversity ensures that a regional contribution is considered to be appropriate.

Funding

- Catchment schemes
 - 50% general rates
 - 30% to 40% scheme rates (landowners)
 - 10% to 20% district council contribution.

Soil conservation reserves

Description

This activity involves the protection and enhancement of indigenous vegetation and riparian areas within each of the four soil conservation reserves. Exotic plantings have been established in Tauanui, Hiwinui and Stoney Creek reserves. Rough Hill reserve is completely covered by indigenous vegetation.

Greater Wellington's involvement

Greater Wellington is involved because it wishes to encourage sustainable land management, river management, flood protection and promote biodiversity.

Statutory considerations

Primary community outcome	Healthy environment, strong economy.
Distribution of benefits	Private landowners benefit directly from reduced flood risk, less soil deposition and better protection of infrastructure The local community benefits directly through reduced flood risk, improved water quality and better infrastructure protection The regional community benefits indirectly through preserved landscapes, improved water quality, and enhanced local ecology
Timeframe of benefits	Ongoing
Contributors to need for activity	Not applicable
Costs and benefits of distinct funding	Not applicable

Funding

100% general rates.

Akura Conservation Centre

Description

This activity involves the management of the Akura Conservation Centre. The Centre is operated as a business unit and is required to be self-funding. Greater Wellington has operated the Centre for more than 15 years.

Its primary activity is the growing of poplar and willow poles for soil conservation and river-management purposes. Greater Wellington owns 40ha of nursery land for this purpose. Additionally, the Centre provides a wide variety of native and exotic seedlings, and supplies chemicals, protectors, and a range of hardware to assist landowners with their planting programmes.

Greater Wellington's involvement

Greater Wellington is involved because it is able to supply its internal needs for trees and poles in an environment where external markets are very limited. It also sells to the public and is able to provide a wide range of land management advice as part of its retail activities.

Statutory considerations

Primary community outcome	Healthy environment, strong economy
Distribution of benefits	Private landowners benefit directly from quality material and advice from nursery staff The local community benefits directly from landowners implementing soil conservation programmes, thereby ensuring that sustainable land management is a developing ethic within the region The regional community also benefits indirectly through preserved landscapes, improved water quality, and enhanced local ecology
Timeframe of benefits	Ongoing
Contributors to need for activity	Not applicable
Costs and benefits of distinct funding	Not applicable

Funding

100% user charges.

Land management advice

Description

This activity involves providing advice to a wide range of individuals, agencies, groups and communities on sustainable land use activities. There are four major components:

- Inspections, education and advice
- Consent advice
- Promotion and advocacy
- Regional monitoring.

Greater Wellington’s involvement

Greater Wellington promotes sustainable land use for the long term benefits of the region and its ratepayers.

Statutory considerations

Primary community outcome	Healthy environment, strong economy
Distribution of benefits	Private landowners benefit through the use of sustainable land use practices The regional community benefits by having its land used sustainably
Timeframe of benefits	Ongoing
Contributors to need for activity	Not applicable
Costs and benefits of distinct funding	Not applicable

Funding

100% general rates.

3.4.3 Biodiversity management

Description

Greater Wellington’s biodiversity management activities aim to maintain, and where possible restore regional indigenous biodiversity. A biodiversity strategy for Greater Wellington has been developed reflecting the priorities of the NZ Biodiversity Strategy and the policy direction of the Regional Policy Statement. A three-year operational plan will be completed by 30 June 2012 to guide the work of the newly formed Biodiversity Department.



Greater Wellington's involvement

Greater Wellington's biodiversity management activity includes:

- Protecting the highest value biodiversity sites in the region by managing a range of threats to their ecological health. These sites can be on Greater Wellington, territorial authority or private land
- Working with the regional community to raise awareness of indigenous biodiversity issues and encourage local action
- Providing advice to a range of regional audiences to protect sites of high biodiversity value and ensure indigenous ecosystem processes function across the landscape.

Statutory considerations

Primary community outcome	Healthy environment
Distribution of benefits	Private landowners benefit from having indigenous ecosystems protected and enhanced The regional community benefits from having rare and endangered indigenous ecosystems protected and enhanced, as well as from improved water quality, reduced flood risk and enhanced recreational opportunities
Timeframe of benefits	Ongoing
Contributors to need for activity	Not applicable
Costs and benefits of distinct funding	Not Applicable

Discussion

Greater Wellington believes that protection and enhancement of indigenous ecosystems provides a range of benefits to the regional community.

These benefits exceed those available to individually affected landowners. Therefore, regional funding is appropriate to fund these services.

Funding

100% general rates.

3.4.4 Pest management

Regional pest management strategy

Description

This entails managing and controlling pest animals and plants throughout the region through the development and implementation of a Regional Pest Management Strategy. Pests include species that impact on the environment and on agricultural production. There are four components of this activity:

- Inspections, education and enforcement
- Surveillance and monitoring
- Control (eradication and containment of species, various pests in key native ecosystems and others on request)
- Control trials including biocontrol.

Greater Wellington's involvement

Greater Wellington manages pest animals and plants throughout the region to protect ecosystems. It also carries out pest management to negate the potential long term threats to both ecosystems and agricultural production capacity that may be posed by recent immigrant species.

Greater Wellington controls some agricultural pests when a high level of pest control expertise is required or when the pests are transitory.

Statutory considerations

Primary community outcome	Healthy environment, strong economy.
Distribution of benefits	Private landowners benefit by reduced loss of pasture and crops, reduced damage to trees and shrubs and better production The regional community benefits by reduced spread of unwanted pest damage to high value ecosystems The regional community benefits by the flow-on economic effects of improved production systems
Timeframe of benefits	Ongoing
Contributors to need for activity	Not applicable
Costs and benefits of distinct funding	Not applicable

Funding

100% general rates.

Bovine TB funder

Description

This activity provides funding for implementation of the regional bovine TB vector control programme. The programme is developed by the Animal Health Board, which is the management agency responsible for implementing the National Pest Management Strategy for bovine TB control.

Funds for this strategy are also provided by the Crown and affected industries (beef, dairy and deer). Funding apportionment is currently Crown (50%), industries (40%) and regional landowners (10%).

Greater Wellington's involvement

Greater Wellington collects the regional share on behalf of all landowners who either act as exacerbators to the national strategy (ie, landowners who provide habitat for bovine TB vectors) or who benefit directly and or indirectly from the programme.

Statutory considerations

Primary community outcome	Healthy environment, strong economy.
Distribution of benefits	Cattle and deer farmers benefit by reduced exposure to bovine TB infected wildlife, thus reducing associated on-farm production costs Private landowners benefit by reduced loss of pasture and crops, reduced damage to trees and shrubs and better production The regional community benefits by reduced spread of unwanted pest damage to high value ecosystems
Timeframe of benefits	Ongoing
Contributors to need for activity	Not applicable
Costs and benefits of distinct funding	Not applicable

Funding

- 60% works and services rates (land area) on all rateable properties exceeding 4ha in the control area
- 40% general rates.

Regional possum control

Description

This activity seeks to maintain the environmental, social and economic benefits provided by long-standing possum control programmes completed under the Bovine TB control strategy. Work will be undertaken in areas of the region recently declared free of Bovine TB. This initiative will also see work commencing in parts of the region where no formal possum/predator control programmes have occurred to date. The focus will mainly be on maximising biodiversity benefits.

Greater Wellington's involvement

Greater Wellington will organise possum and predator control programmes in collaboration with landowners in affected areas. Control may be undertaken in-house or in conjunction with private contractors. Greater Wellington will undertake performance and outcome monitoring to ensure the programme achieves its objectives.

Statutory considerations

Primary community outcome	Healthy environment, strong economy
Distribution of benefits	Private landowners benefit by reduced loss of pasture and crops, reduced damage to trees and shrubs and better production The regional community benefits by reduced spread of unwanted pest damage to high value ecosystems Cattle and deer farmers in operational areas benefit by reducing the risk of Bovine TB re-entering wildlife vectors and spreading the disease to farmed animals
Timeframe of benefits	Ongoing
Contributors to need for activity	Not applicable
Costs and benefits of distinct funding	Not applicable

Funding

- 40% works and services rates (land area) on all rateable properties exceeding 4ha
- 60% general rates.

Harbour management

Navigational aids and communications service

Description

This work focuses on the provision of navigational aids and a 24-hour communications service (Beacon Hill) to monitor shipping movements and broadcast navigational warnings.

Greater Wellington's involvement

Greater Wellington is empowered under the Local Government Act 1974 to provide navigational aids.

Statutory considerations

Primary community outcome	Strong economy
Distribution of benefits	Recreational users benefit directly by avoiding natural and other hazards (eg, collisions) Commercial shipping and commercial fishing owners and operators benefit directly by avoiding natural and other hazards (eg, collisions); they also enjoy a direct commercial benefit
Timeframe of benefits	Ongoing
Contributors to need for activity	Not applicable
Costs and benefits of distinct funding	Collection of user-charges via CentrePort Ltd is a cost-effective funding mechanism that is appropriately targeted

Discussion

Maritime New Zealand has investigated a number of systems for charging non-commercial users for navigational aids and found them to be impractical.

It is not feasible to stop non-payers from benefiting from the navigational aids and, therefore, the inequity between commercial and non-commercial users can not be addressed.

Funding

- 40% from the general rates for non-commercial users
- 60% from user charges on commercial shipping.

Note: CentrePort Ltd collects user charges from commercial shipping on Greater Wellington's behalf.

Enforce maritime safety regulations and educate people about water safety

Description

This enforcement role focuses on:

- Preparing policies and plans for use of the harbours
- Maintaining safety and compliance with relevant legislation relating to recreational use of coastal waters and regional harbours
- Providing advice to recreational users
- Authorising special events in the harbour
- Educating recreational water users about safety

Greater Wellington's involvement

Greater Wellington has a statutory responsibility under the Local Government Act 1974 and the Maritime Transport Act 1994 to maintain safety and ensure recreational users are law-abiding in the regional harbours and coastal waters.

Statutory considerations

Primary community outcome	Prepared community
Distribution of benefits	The regional community benefits from having safe harbours and coastal waters available for their use
Timeframe of benefits	Ongoing
Contributors to need for activity	Those actively using harbours and coastal waters for recreational purposes contribute to the need for this activity
Costs and benefits of distinct funding	Not applicable

Discussion

While Greater Wellington believes that recreational users of the harbour should pay, it is not practical to collect user charges or to levy recreational users or swimmers because the transaction costs are too high.

Funding

100% general rates.

Clean up oil spills in our harbour and coastal waters

Description

This activity has two components:

- Developing and maintaining oil pollution response plans
- Managing the clean-up of minor marine oil spills in harbours and regional coastal waters out to twelve miles. Note: major events are the responsibility of Maritime New Zealand.

These two components carry the following corresponding costs:

- The standing cost of the preparedness and mitigating role

- The cost of cleaning up pollution in regional harbours.

Greater Wellington's involvement

Greater Wellington has a statutory responsibility under the Local Government Act 1974 and the Maritime Transport Act 1994 to provide pollution management in coastal waters out to twelve miles.

Statutory considerations

Primary community outcome	Healthy environment
Distribution of benefits	Commercial harbour users benefit directly from a clean marine environment, and through shorter duration of pollution (thus avoiding delays and loss of business) Recreational harbour users benefit directly from a clean marine environment and shorter duration of pollution The regional community benefits from a clean marine environment and shorter duration of pollution
Timeframe of benefits	Ongoing
Contributors to need for activity	The polluters create the need for any clean-up activities and services
Costs and benefits of distinct funding	Not applicable

Discussion

It is not feasible to levy recreational harbour users.

Funding

Standing costs:

- 5% general rates (for recreational users)
- 95% user charges (paid via Maritime New Zealand as an agent for all shipping).

Pollution clean-up costs are fully recovered from the polluter (any costs that cannot be recovered to be funded by general rates).

Note: Maritime New Zealand pays the direct standing costs (no overheads) on behalf of all shipping. It also provides the capital items (equipment, etc.).

3.5 Flood protection and control works

3.5.1 Understanding flood risks

Description

This activity involves research and planning associated with the general management of rivers and floodplains, including:

- Investigating flood hazards
- Identifying and refining risk alleviation options
- Defining environmental issues
- Preparing floodplain and/or river management plans.

The activity also includes providing advice on the use and protection of flood and erosion-prone land. Flood protection planning is an integral component of flood protection works and the beneficiaries and benefits are the same.

Greater Wellington's involvement

Greater Wellington plans for flood protection to decide how best to protect life and property in the floodplain and to preserve or enhance the environment and amenity values of river corridors. Greater Wellington has a general duty to avoid or mitigate natural hazards, stipulated in the Resource Management Act 1991.

Statutory considerations

Primary community outcome	Resilient community
Distribution of benefits	Ratepayers in the floodplain (residents and businesses) in the area directly affected by the planning and subsequent works benefit directly through avoiding the risk of floods and potentially through increased property values Owners and providers of infrastructure (telephone, roads, rails etc.), including territorial authorities, also benefit directly through avoiding damage to their assets Ratepayers in the surrounding economic "catchment" adjacent to the floodplain benefit indirectly through their association with the area affected by the flood protection scheme The regional community also benefits indirectly through protection of their means of access around the region. (However this benefit should be addressed through the owners of the infrastructure)
Timeframe of benefits	Future generations will benefit from implementation of the plans. The planning work is funded by loans repaid over time
Contributors to need for activity	Not applicable
Costs and benefits of distinct funding	Not applicable

Funding

100% funded by general rates.

3.5.2 Maintaining flood protection and control works and improving flood security

Description

This involves the operation, maintenance, ongoing asset management, construction and improvement of schemes throughout the region to manage flooding, control erosion and manage a river in its course subject to environmental considerations. The environment in flood corridors is enhanced.

Greater Wellington's involvement

Greater Wellington delivers flood protection to protect life and property in the floodplain and to preserve or enhance the environment and amenity values of river corridors. Greater Wellington has a general duty to avoid or mitigate natural hazards, as stipulated in the Resource Management Act 1991.

Statutory considerations

Primary community outcome	Resilient community
Distribution of benefits	Ratepayers in the floodplain (residents and businesses) in the area directly affected by the planning and subsequent works benefit directly through avoiding the risk of floods and potentially through increased property value Owners and providers of infrastructure (telephone, roads, rails etc.) (including territorial local authorities) also benefit directly by avoiding damage to their assets Ratepayers in the surrounding economic "catchment" adjacent to the floodplain benefit indirectly through their integration with the area affected by the flood protection scheme The regional community also benefits indirectly through protection of their means of access around the region. (However this benefit should be addressed through the owners of the infrastructure)
Timeframe of benefits	Significant capital costs are incurred in providing this service and thus there are significant intergenerational equity considerations – future generations benefit from capital expenditure made now
Contributors to need for activity	Not applicable
Costs and benefits of distinct funding	A targeted or scheme rate is a cost-effective mechanism that makes sure that significant beneficiaries of the activity pay their reasonable share of the costs

Discussion

Funding issues

Ability to pay and equity across the region: Greater Wellington is concerned about the ability of direct beneficiaries (residents and businesses) to pay for the majority of the costs of flood protection. Addressing ability to pay requires an element of regional funding. The difficulty with using funding by the region to address ability to pay concerns is that it is a transfer of costs

from one group to another. Since flood protection raises property values, residents in the region are paying for services that raise other residents' property values.

Valuing safety and security: Greater Wellington values the protection of all residents and businesses in the region from the risk of flooding and from the associated effects of dislocation, stress and trauma, as well as from losses to the region's productive capacity. However, the downside of spreading costs across the region can be that residents and businesses on the floodplain do not have the appropriate incentives to weigh up the costs of flood protection works against the level of risk. Greater Wellington has decided that it is appropriate for the whole region to pay for some of the protection for those areas at risk from flooding because of these wider considerations.

Environmental and amenity benefits: Greater Wellington has decided that it is appropriate for the regional community to contribute to flood protection strategies which are designed (at additional cost) to comply with environmental or amenity conditions (eg, not disturbing the river during trout spawning and riverbank planting requirements).

Sense of community: Greater Wellington has decided that it is appropriate for a regional contribution to be made in recognition of the value that each area of the region contributes to the overall wellbeing of the total region.

Summary of source of funding issues: Greater Wellington has decided that, because of the wider regional considerations previously outlined, it is appropriate that the region contributes up to 50% towards the costs of flood protection works through general rates. Greater Wellington considers that the importance of these regional issues to each flood protection works may vary between schemes and that some flexibility is needed for Greater Wellington to determine the proportion of funding from general rates up to a maximum of 50%.

Feasibility issues

Surrogates: in practice, it may not be realistic to precisely identify either direct beneficiaries on the floodplain or indirect beneficiaries in the economic catchment, and proxies will need to be used. Also, it may not be feasible for Greater Wellington to recoup costs from some types of direct beneficiaries and so a surrogate may need to be found for these benefits too.

Residents and businesses on the floodplain: in theory, the direct beneficiaries on the floodplain can be identified and rated accordingly through a combination of mapping and Greater Wellington's knowledge and judgement. However, this approach is currently not considered to be cost effective in all circumstances and Greater Wellington has decided to use the local authority boundary as a surrogate for direct beneficiaries, in some cases.

Economic catchment: a reasonable surrogate for the economic catchment adjacent to the floodplain can be taken to be the local authority.

Community facilities: there are a number of significant properties, for example schools and hospitals, which have a Crown exemption and do not pay rates. Here, there is a considerable risk to both property and life but many of those with lives at risk are not likely to be able to provide their own security. Greater Wellington has decided that the indirect beneficiaries, ie, the regional community, should pay for protection of community facilities.

Summary of feasibility issues

Greater Wellington has decided for practical reasons to continue its general practice of not distinguishing between the direct beneficiaries on the floodplain and the indirect beneficiaries in the economic catchment area, and to treat these as one group.

Funding

Greater Wellington sets two rates on a scheme-by-scheme basis (combined capital and operations):

- Up to 50% general rates from the regional community
- The balance of costs (ie, 50%-100%) met via targeted rates on the local authority area or via scheme rates or direct contribution from both the direct beneficiaries on the floodplain and the beneficiaries in the economic catchment area.

Note: Where a utility provider makes a contribution for protection of infrastructure assets, the revenue is directly applied to alleviate the scheme's costs.

Flood warning service

Description

This activity involves the establishment, maintenance and operation of a flood warning system with core data coming from a range of rainfall and river level sites established across the region.

The flood warning service is directed at territorial authorities and specified landowners and communities, where agreed.

The service aims to provide early warning of flood events, and ongoing monitoring through a flood event so that territorial authorities and landowners can make appropriate decisions to reduce the risk to people, and minimise business losses.

Greater Wellington's involvement

Greater Wellington has a monitoring network and the capability to provide a service to much of the region. The level of service to individual communities will vary depending on the level of risk, and the location of rainfall and river flow monitoring stations.

Statutory considerations

Primary community outcome	Resilient community
Distribution of benefits	Ratepayers in the floodplain (residents and businesses) in the area Owners and providers of infrastructure (telephone, roads, rails etc.), including territorial authorities, also benefit directly The regional community also benefits indirectly through knowing where flooding may occur
Timeframe of benefits	Ongoing
Contributors to need for activity	Not applicable

Costs and benefits of distinct funding	Not applicable
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Funding
100% general rates.

3.6 Parks

Parks planning

Visitor services

Protecting the environment of regional parks

Description

These activities involve the management of five regional parks, the Hutt River trail and significant recreation areas in the Akatarawa and Pakuratahi forests. Wairarapa Moana and Whitireia Park are being included in the network and will be managed in conjunction with other parties.

Greater Wellington's involvement

Greater Wellington's parks provide those living in major urban areas with recreational opportunities and allow regionally significant landscapes, ecosystems and heritage features to be protected and enhanced.

Statutory considerations

Primary community outcome	Quality of life, healthy environment
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Distribution of benefits	Individuals who use the parks benefit directly from that use The regional community benefits from preservation of regionally significant landscapes, forests and heritage features for future generations The national community benefits from preservation of nationally significant landscapes, forests and heritage features for future generations
Timeframe of benefits	If new parks were purchased there would be significant intergenerational equity effects. There are significant intergenerational benefits from maintaining the present network
Contributors to need for activity	Not applicable
Costs and benefits of distinct funding	Not applicable

Discussion

Funding by a regional contribution is considered appropriate because it is not feasible to identify and charge users. A specific charge is only feasible for value-added services such as events and camping facilities. Government funding will be sought to cover areas that affect the national interest over and above that of the regional community.

Funding

- 90% general rates
- 10% user charges for organised events, leases, license fees and added value services.

Note: New land and infrastructure is loan-funded (serviced 100% by general rates).

3.7 Other rates funding

Westpac Stadium

Description

This activity services and repays a \$25 million contribution to the Stadium Trust which facilitated the planning, development and construction of the Westpac Stadium in Wellington.

Greater Wellington's involvement

Greater Wellington part-funded the construction of Westpac Stadium because there are benefits to the region beyond the direct private benefits that accrue to individuals from attending events. Greater Wellington is thus funding the indirect benefits. The funding of Greater Wellington's \$25 million contribution is governed by the Wellington Regional Council (Stadium Empowering) Act 1996.

Statutory considerations

Primary community outcome	Strong economy
Distribution of benefits	<p>The degree of indirect benefit derived from the multipurpose regional stadium by any category of property in different parts of the region has been assessed by Greater Wellington as follows:</p> <ul style="list-style-type: none"> • 70% – benefits arising from flow-on economic activity from the Stadium through increased business and employment opportunities • 20% – benefits arising from the opportunity to attend events at the Stadium which would not otherwise be held in Wellington • 10% – other benefits arising from publicity for the region, civic pride, critical mass in tourism, promotion of increased participation in sport and physical leisure and ability of the region to attract new residents and businesses <p>Greater Wellington took into account the following features for different parts of the region:</p> <ul style="list-style-type: none"> • Net equalised capital value • Type of employment by industry • Average travel times to the Stadium • Population • Average household incomes.
Timeframe of benefits	There are significant inter-generational equity considerations as the facility will be available for future generations. For reasons of inter-generational equity and transparency, this funding requirement was met by way of loans over 20 years, fully serviced and funded by a targeted rate. Ratepayers are made fully aware of their annual contribution to the provision of a stadium, and those who benefit over the life of the asset contribute to it
Contributors to need for activity	Not applicable
Costs and benefits of distinct funding	A dedicated rate is justified as the funds raised are significant, the costs of collection are reasonable and the distribution of benefit is particular

Funding

The contribution by Greater Wellington to the Stadium Trust is funded by commercial loans, which are serviced by a 100% targeted (stadium purposes) rate on the indirect beneficiaries. The rate is struck across the region on a differential basis to reflect the benefits derived from the provision of the stadium to different classes of ratepayer in different parts of the region.

Significance policy

Introduction

This policy sets out:

- Greater Wellington's general approach for determining the significance of proposals and decisions in relation to issues, assets or other matters
- The thresholds, criteria or procedures that are to be used by Greater Wellington in assessing the extent to which proposals, decisions or other matters are significant
- The assets considered by Greater Wellington to be strategic assets.

What is significance?

The Local Government Act 2002 (the Act) gives the following definitions with regard to significance:

significance, in relation to any issue, proposal, decision, or other matter that concerns or is before a local authority, means the degree of importance of the issue, proposal, decision, or other matter, as assessed by the local authority, in terms of its likely impact on, and likely consequences for:

- (a) the current and future social, economic, environmental, or cultural well-being of the district or region;
- (b) any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision, or matter;
- (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so

significant, in relation to any issue, proposal, decision, or other matter, means that the issue, proposal, decision, or other matter has a high degree of significance

What does this mean for Greater Wellington?

The degree of significance of a decision influences our approach to decision-making and community consultation. As the significance increases, the degree to which consultation and decision making processes should be followed increases.

In the case of a significant decision, Greater Wellington must ensure that consultation and decision making processes are appropriately observed.

How we will determine the degree of significance

Greater Wellington will consider each proposal or decision in relation to issues, assets or other matters on a case-by-case basis to determine its significance. When determining the degree of significance, Greater Wellington will consider the extent to which the matter:

- Is likely to affect the current and future social, economic, environmental and cultural wellbeing of the greater Wellington region
- Is likely to affect residents or ratepayers (proposals with a moderate impact on a large number of residents or ratepayers, or proposals with a major impact on a small number of residents or ratepayers will have greater significance than those of a minor impact)
- Has a history of generating public concern within the greater Wellington region or New Zealand generally
- Is likely to affect Greater Wellington's capacity to perform its role (proposals that affect Greater Wellington's capacity to perform its role and carry out its existing activities, now and in the future, will have greater significance than those that do not).

How Greater Wellington will determine which proposals and decisions are significant

Greater Wellington will consider a proposal to be significant if, in addition to the factors set out above, it meets any one or more of the following criteria:

- The proposal substantially affects Greater Wellington's ability to deliver the levels of service outlined in Greater Wellington's Long Term Plan. (see "significant activities")
- The proposal results in the transfer of ownership or control of a strategic asset as defined by the Act or listed in this policy (see "strategic assets"). Replacement of key components of each strategic asset in accordance with Greater Wellington's asset management plans will not be considered to be significant.

Matters that are in accordance with Greater Wellington's Long Term Plan or Annual Plan, or are specified within another policy or plan that has been subject to public consultation as required by the Act or other legislation, will not usually need further consideration in terms of this policy.

For the avoidance of doubt, management decisions made by officers under delegated authority during the course of implementing decisions of the Council will not be significant.

Greater Wellington procedures

- Staff will use decision-making guidelines to assist them to provide advice to the Council on the significance of decisions. Every report to the Council (or its committee(s)) that requires a decision will include a statement of the significance of the decision, assessed under this policy and in accordance with the guidelines
- Greater Wellington has delegated powers to the Chairperson and Chief Executive to act in emergency situations.

Significant activities

In addition to the decision making requirements for significant decisions, the Act prescribes procedures which must be followed with regard to certain decisions affecting significant activities.

A significant activity is one that substantially affects the wellbeing of the Wellington region.

A decision to “alter significantly the intended level of service provision” for a significant activity, such as a decision to add or remove a major component of a significant activity, can only be made after it has been included in a statement of proposal in a Long Term Plan (or an amendment to the Long Term Plan).

Strategic assets

A decision to transfer ownership or control of a strategic asset cannot be made unless it has first been included in the LTP (and in a statement of proposal relating to the Long Term Plan).

Assets and groups of assets that Greater Wellington holds and considers to be strategic assets are:

- Greater Wellington’s regional bulk water supply network, including storage lakes, treatment plants, pipelines and reservoirs
- Greater Wellington’s flood protection assets on the region’s major waterways, including stopbanks
- Greater Wellington’s regional parks and forests network (including water supply catchments)
- Greater Wellington’s plantation and reserve forest lands (taken as a whole)
- Greater Wellington’s ownership interest in CentrePort Ltd (via the WRC Holdings Group)
- Greater Wellington’s harbour navigational aids and communications systems (taken as a whole)

- Greater Wellington's ownership, via the WRC Holdings Group, of rail rolling stock and other rail infrastructure required for the operation of the passenger rail system in the region (taken as a whole).

In addition, Greater Wellington is a joint settlor with the Wellington City Council of the Wellington Regional Stadium Trust and although it has no ownership interest in the Stadium Trust, Greater Wellington considers the stadium to be a strategic asset of the region.

Acquisition or disposal of a small component of a strategic asset will not trigger this provision, unless it is considered that the component is an integral part of the strategic asset and that its acquisition or disposal would substantially affect the operation of the strategic asset.

Treasury risk management policy including liability management and investments policies

1. Introduction

The purpose of the treasury risk management policy is to outline the approved policies and procedures in respect of all treasury activity to be undertaken by Greater Wellington. The formalisation of such policies and procedures will enable treasury risks to be prudently managed.

As circumstances change, the policies and procedures outlined in this policy will be modified to ensure that treasury risks within Greater Wellington continue to be well managed. In addition, regular reviews will be conducted to test the existing policy against the following criteria:

- Industry “best practice” for a council the size and type of Greater Wellington
- Greater Wellington’s risk-bearing ability and tolerance levels
- Effectiveness and efficiency of the treasury risk management policy and treasury management function in recognising, measuring, controlling, managing and reporting on Greater Wellington’s financial exposures
- Robustness of the policy’s risk control limits and risk spreading mechanisms against normal and abnormal interest rate market movements and conditions
- The extent to which the policy assists Greater Wellington in achieving strategic objectives relating to ratepayers.

The policy will be distributed to all personnel involved in any aspect of Greater Wellington’s financial management. In this respect, all staff should be completely familiar with their responsibilities under this policy at all times.

A twelve month phase-in period to debt and interest rate control limits is permitted upon ratification of this policy.

2. Scope and objectives

2.1 Scope

This document identifies the policy and procedures of Greater Wellington in respect of treasury management activities.

The policy has not been prepared to cover other aspects of Greater Wellington's operations, particularly transactional banking management, systems of internal control and financial management. Other policies and procedures of Greater Wellington cover these matters. Planning tools and mechanisms are also outside of the scope of this policy.

2.2 Principles

- All borrowing, investments and incidental financial arrangements (eg, use of interest rate hedging financial instruments) will meet requirements of the Local Government Act 2002 and incorporate the liability management policy and investment policy.
- All projected borrowings will be approved by the Council as part its Annual Plan.
- All legal documentation in respect to borrowing and financial instruments will be approved by Greater Wellington's solicitors.
- Greater Wellington will not enter into any borrowings denominated in a foreign currency.
- Greater Wellington will not transact with any Council Controlled Trading Organisation (CCTO) on terms more favourable than those which Greater Wellington would achieve without pledging rates revenue.
- A resolution of Greater Wellington will not be required for hire purchase, credit or deferred purchase of goods if:
 - The period of indebtedness is less than 91 days (including rollovers); or
 - The goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding in aggregate an amount determined by resolution of Greater Wellington.

2.3 Objectives

The objective of this treasury risk management policy is to control and manage costs and investment returns that can influence operational budgets and public equity and set debt levels. Specific objectives are as follows:

- Minimise Greater Wellington's costs and risks in the management of its borrowings and maximise its return on investments
- Minimise Greater Wellington's exposure to adverse interest rate movements
- Monitor, evaluate and report on treasury performance

- Borrow funds and transact risk management instruments within an environment of control and compliance under the Council-approved treasury risk management policy so as to protect Greater Wellington's financial assets and costs
- Arrange and structure appropriate funding for Greater Wellington at the lowest achievable interest margin from debt lenders. Optimise flexibility and spread of debt maturity within the funding risk limits established by this policy statement
- Monitor and report on financing/borrowing covenants and ratios under the obligations of Greater Wellington's lending/security arrangements
- Comply with financial ratios and limits stated within this policy
- Maintain a long term Standard & Poor's credit rating at AA- or better
- Monitor Greater Wellington's return on investments in CCTOs, property and other shareholdings
- Ensure management, relevant staff and, where appropriate, the Council are kept abreast of latest treasury products, methodologies, and accounting treatments through training and in-house presentations
- Maintain liquidity levels and manage cash flows within Greater Wellington to meet known and reasonable unforeseen funding requirements
- Minimise counterparty credit risk
- Adhere to all statutory requirements of a financial nature
- Provide adequate internal controls to protect Greater Wellington's financial assets and to prevent unauthorised transactions
- Develop and maintain relationships with financial institutions and investors in Greater Wellington's debt securities
- Manage foreign exchange risk associated with capital expenditure and goods and services on imported items as outlined in section 6.4 of this policy
- Keep Council abreast of macro economic trends.

2.4 Policy exclusion

This policy covers WRC Holdings and its subsidiaries, but excludes CentrePort Ltd.

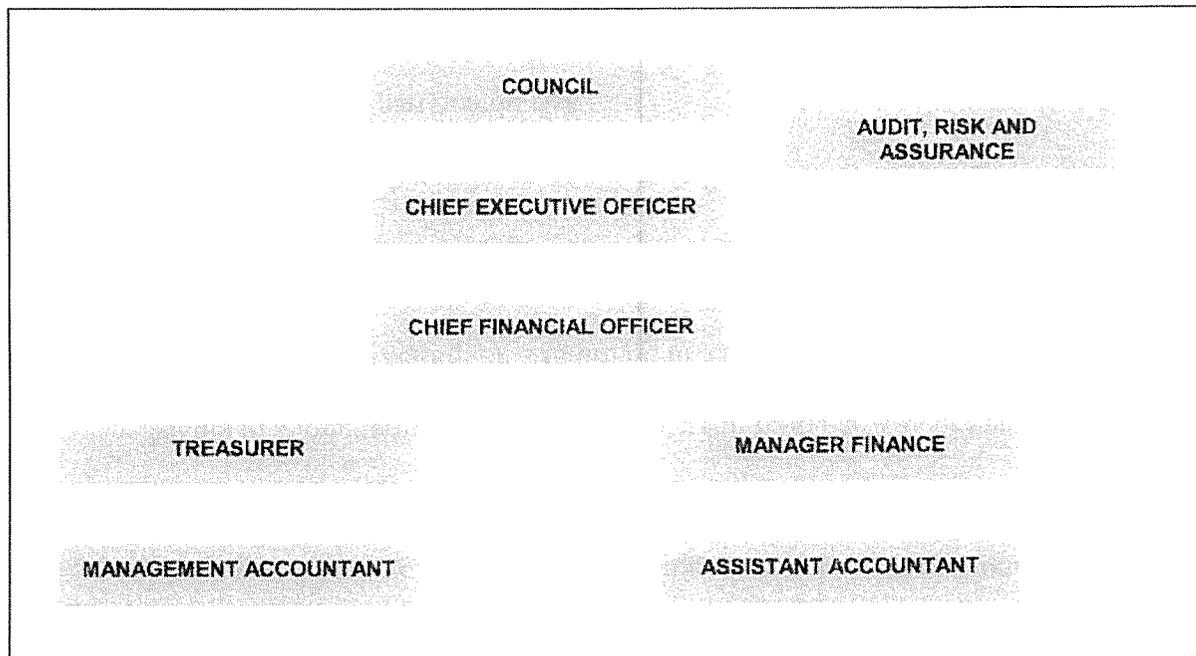
3. Management responsibilities

3.1 Overview of management structure

All Greater Wellington's treasury management activities are undertaken by the Treasury Management Department.

The following diagram illustrates those individuals and bodies who have treasury responsibilities. Authority levels, reporting lines and treasury duties and responsibilities are outlined in sections 3.2 – 3.8 of this policy.

Management structure



3.2 Council

The Council has ultimate responsibility for ensuring that there is an effective policy for the management of its risks. In this respect the Council decides the level and nature of risks that are acceptable.

The Council is responsible for approving this treasury risk management policy and any changes to it required from time to time. While the policy can be reviewed and changes recommended by other persons, the authority to make or change the policy can not be delegated.

In this respect, the Council has responsibility for:

- Approving the long term financial position of Greater Wellington through the 10-year Long Term Plan (LTP) and the Annual Plan.
- Approving new debt/funding via resolution of the Annual Plan
- Approving the treasury risk management policy, incorporating the following delegated authorities:
 - Borrowing, investing and dealing limits and the respective authority levels delegated to the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and other managers
 - Counterparties and credit limits
 - Risk management methodologies and benchmarks
 - Guidelines for the use of financial instruments.
- Approving budgets and high level performance reporting
- Delegating authority to the CEO and other officers
- Reviewing and approving the treasury risk management policy every three years.

The Council will also ensure that:

- It receives appropriate information from management on risk exposure and financial instrument use in a form that is understood
- Issues raised by auditors (both internal and external) in respect of any significant weaknesses in the treasury function are resolved immediately

- Approval is gained for any transactions falling outside policy guidelines.

3.3 Audit, Risk and Assurance Committee (Audit, Risk and Assurance)

Audit, Risk and Assurance has the following responsibilities:

- Recommending the treasury risk management policy (or changes to existing policy) to the Council
- Receiving recommendations from the CEO and CFO and making submissions to the Council on all treasury matters requiring Council approval
- Recommending performance measurement criteria for all treasury activity
- Monitoring six-monthly performance against benchmarks.

Audit, Risk and Assurance will:

- Oversee the implementation of Greater Wellington's treasury management strategies and monitor and review the effective management of the treasury function
- Ensure that the information presented to the Council is timely, accurate and identifies the relevant issues and is represented in a clear and succinct report
- Discuss treasury matters on a six-monthly basis (and informally as required).

3.4 Chief Executive Officer (CEO)

While the Council has final responsibility for the policy governing the management of Greater Wellington's risks, it delegates overall responsibility for the day-to-day management of such risks to the CEO. The Council formally delegates to the CEO the following responsibilities:

- Ensuring Greater Wellington's policies comply with existing and new legislation

- Approving the register of cheque and electronic banking signatories
- Approving new counterparties and counterparty limits as defined within section 6.3 of this policy and recommended by the CFO
- Approving the opening and closing of bank accounts.

3.5 Chief Financial Officer (CFO)

The CEO formally delegates the following responsibilities to the CFO:

- Managing responsibility for borrowing and investment activities
- Recommending policy changes to Audit, Risk and Assurance for evaluation
- Ongoing risk assessment of borrowing and investment activity, including procedures and controls
- Approving new borrowing undertaken in line with Council resolutions and approved borrowing strategy
- Approving refinancing of existing debt
- Approving treasury transactions in accordance with policy parameters outside of the Treasurer's delegated authority
- Authorising the use of approved financial market risk management instruments within discretionary authority
- Recommending authorised signatories and delegated authorities in respect of all treasury dealing and banking activities
- Recommending changes to credit counterparties to the CEO
- Proposing new funding requirements falling outside the Annual Plan and Long Term Plan (LTP) to Audit, Risk and Assurance for consideration and submission to the Council
- Reviewing and making recommendations on all aspects of the treasury risk management policy to Audit, Risk and Assurance, including dealing limits, approved instruments, counterparties, working capital policies and general guidelines for the use of financial instruments
- Conducting a triennial review of the treasury risk management policy, treasury procedures and all dealing and counterparty limits

- Receiving advice of breaches of treasury risk management policy and significant treasury events from the Manager, Finance
- Managing the long term financial position of Greater Wellington in accordance with Greater Wellington’s requirements
- Ensuring that all borrowing and financing covenants to lenders are adhered to
- Ensuring management procedures and policies are implemented in accordance with this treasury risk management policy
- Ensuring all financial instruments are valued and accounted for correctly in accordance with current best practice standards
- Monitoring and reviewing the performance of the treasury function in terms of achieving the objectives of minimising and stabilising funding costs and maximising investment returns year-to-year
- Managing the organisation’s exposure and statutory requirements in relation to the holding, acquiring or disposing of carbon credits
- To sign debenture stock and security stock certificates in relation to Greater Wellington’s Debenture Trust Deed, in compliance with sections 112 and 118 of the Local Government Act 2002

3.6 **Treasurer**

The Treasurer runs the day-to-day activities of Greater Wellington’s Treasury Management Department.

The CFO formally delegates the following responsibilities to the Treasurer who, in turn, may delegate these to the Treasury Management Accountant:

- Overseeing and managing relationships with financial institutions including the Local Government Funding Agency (LGFA)
- Approving treasury transactions in accordance with policy parameters within delegated authority
- Negotiating borrowing facilities

- Authorising interest rate hedge transactions (swaps, forward rate agreements (FRAs) and options) with bank counterparties to change the fixed/floating mix to re-profile Greater Wellington's interest rate risk on either debt or investments
- Making decisions and authorisations to raise and lower fixed rate (interest rate market price re-set greater than 12 months) percentage of net debt or investment position within interest rate policy risk control limits
- Designing, analysing, evaluating, testing and implementing risk management strategies to position Greater Wellington's net interest rate risk profile to be protected against adverse market movements within the approved policy limits
- Monitoring credit ratings of approved counterparties
- Coordinating annual reviews with Standard & Poor's credit rating agency
- Investigating financing alternatives to minimise borrowing costs, margins and interest rates, making recommendations to Audit, Risk and Assurance, as appropriate
- Negotiating bank funding facilities and managing bank and other financial institution relationships
- Executing treasury transactions in accordance with set limits
- Entering into FX transactions to cover foreign currency liabilities
- Entering into FX hedging transactions, in accordance with the section in this policy on foreign exchange risk
- Monitoring treasury exposure on a regular basis, including current and forecast cash position, investment portfolio, interest rate exposures and borrowings
- Providing written evidence of executed deals on an agreed form immediately to the Manager, Finance
- Coordinating the compilation of cash flow forecasts and cash management
- Managing the operation of all bank accounts including arranging group offsets, automatic sweeps and other account features
- Handling all administrative aspects of bank counterparty agreements and documentation, such as loan agreements and International Swap Dealer's Association (ISDA) swap documents

- Preparing treasury reports
- Monitoring all treasury exposures daily
- Forecasting future cash requirements
- Providing regular short term and long term cashflow and debt projections to the CFO
- Completing deal tickets for treasury transactions
- Updating treasury system/spreadsheets for all new, renegotiated and maturing transactions
- Updating credit standing of approved counterparty credit list on a quarterly basis.

3.7 **Manager, Finance (MF)**

The CFO formally delegates the following responsibilities to the Manager, Finance, who may, in turn, delegate these to the Assistant Accountant:

- Checking all treasury deal confirmations against deal documentation and reporting any irregularities immediately to the CFO
- Reconciling monthly summaries of outstanding financial contracts from banking counterparties to internal records
- Reviewing and approving borrowing and investment system/spreadsheet reconciliations to the general ledger
- Accounting for all treasury transactions in accordance with legislation and generally accepted accounting principles and Greater Wellington's accounting policy
- Checking compliance against limits and preparing reports on an exceptions basis
- Approving all amendments to Greater Wellington's records arising from checks to counterparty confirmations

- Creating batches for borrowing and investment settlements and arranging for approval by authorised signatories
- Delivering weekly reports to the CFO covering cash/liquidity, investment profile, funding profile and interest rate risk position.

3.8 Delegation of authority and authority limits

Treasury transactions entered into by Greater Wellington without the proper authority are difficult to cancel given the legal doctrine of “apparent authority”. Insufficient authority for a given bank account or facility may prevent the execution of certain transactions, or at least cause unnecessary delays.

Therefore, the following procedures will apply:

- All delegated authorities and signatories will be reviewed at least every six months to ensure that they are still appropriate and current
- A comprehensive letter will be sent to all bank counterparties, at least every year, detailing all relevant, current, delegated authorities of Greater Wellington and contracted personnel empowered to bind Greater Wellington
- Whenever a person with delegated authority on any account or facility leaves Greater Wellington, all relevant banks and other counterparties will be advised in writing on the same day to ensure that no unauthorised instructions are to be accepted from such persons.

Greater Wellington has the following responsibilities, either directly, or via the following stated delegated authorities.

Activity	Delegated authority	Limit
Approving and changing policy	The Council	Unlimited
Borrowing new debt	The Council	Unlimited (subject to legislative and other regulatory limitations)
	CEO (delegated by Council)	Subject to Council
	CFO (delegated by Council)	Resolution and policy
Signing Stock/Debenture Issuance Certificate – as per the Debenture Trust Deed	CFO (delegated by the CEO)	As per the Annual Council Plan to meet

		lenders requirements
Acquiring and disposing of investments other than financial investments	The Council	Unlimited
Approving charging assets as security over borrowing	The Council	Subject to terms of the Debenture Trust Deed
Overall day-to-day risk management	CEO (delegated by Council) CFO (delegated by Council)	Subject to policy
Re-financing existing debt	CEO (delegated by Council) CFO (delegated by Council)	Subject to policy
Approving transactions outside policy	The Council	Unlimited
Acquiring and disposing of carbon credits	CFO (delegated by Council)	\$5 million any one transaction
Adjusting net debt or net investment interest rate risk profile	Treasurer	Per risk control limits
Managing investments and funding maturities in accordance with Council approved facilities	Treasurer	Per risk control limits
Setting maximum daily transaction amount (borrowing, investing, foreign exchange, interest rate risk management and cash management) excluding roll-overs on debt facilities	The Council CEO (delegated by council)	Unlimited \$75 million

	CFO (delegated by council)	\$50 million
	Treasurer (delegated by Council)	\$30 million
Authorising lists of signatories	CEO	Unlimited
Opening/closing bank accounts	CEO/CFO	Unlimited
Reviewing the Treasury Management Policy every three years	Audit, Risk and Assurance	N/A
Ensuring compliance with policy	CFO	N/A

4. Liability management policy

Greater Wellington's liabilities comprise borrowings and various other liabilities. Greater Wellington's liability management policy focuses on borrowings as this is the most significant component and exposes Greater Wellington to the most significant risks. Other liabilities are generally non-interest bearing. Cash flows associated with other liabilities are incorporated in cash flow forecasts for liquidity management purposes and determining future borrowing requirements.

Greater Wellington's ability to readily attract cost-effective borrowing is largely driven by its ability to collect rates, maintain a strong credit rating, and manage its relationships with its investors and financial institutions.

New Zealand Local Government Funding Agency (LGFA)

Despite anything earlier in this policy, Greater Wellington may borrow from the LGFA and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

- (a) Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA
- (b) Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself

- (c) Commit to contributing additional equity (or subordinated debt) to the LGFA if required
- (d) Subscribe for shares and uncalled capital in the LGFA
- (e) Secure its borrowing from the LGFA, and the performance of other obligations to the LGFA or its creditors with a charge over Greater Wellington's rates and rates revenue.

4.1 Debt ratios and limits

Debt will be managed within the limits set down by the LGFA. The foundation policy covenants are presently:

Ratio	
Net interest / total revenue	<20%
Net debt / total Revenue	<250%
Net interest / annual rates and levies (debt secured under debenture)	<30%
Liquidity (external debt plus committed loan facilities plus liquid investments to total external debt)	>110%

Revenue is defined as earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue.

Revenue excludes non-government capital contributions (eg, developer contributions and vested assets).

Net debt is defined as total external debt less liquid financial deposits/investments.

Debt will be repaid as it falls due, in accordance with the applicable loan agreement. Subject to the debt limits, a loan may be rolled over or renegotiated, as and when appropriate.

Financial covenants are measured on Council only, not the consolidated group.

Disaster recovery requirements will be met through the liquidity ratio and contingency reserves.

4.2 Security and charges

Greater Wellington borrows funds and grants security to its lenders via a Debenture Trust Deed (DTD). The DTD gives the lenders a charge or security over Greater Wellington's rates and rates revenue. A DTD was entered into during 2011 as part of Greater Wellington's initiative and requirements to borrow funds from the LGFA.

A Trustee has been appointed to act as Trustee under the DTD for the benefit of the lenders, or stock holders.

From time to time, with prior Council approval, security may be offered by providing a security interest in one or more of Greater Wellington's assets other than its rates and rates revenue. Security interest in physical assets will only be granted when:

- There is a direct relationship between a debt and the purchase or construction of the secured assets which it funds (eg, through a finance lease, or some form of project finance)
- The Council considers a security interest or security in the physical assets to be appropriate.

In addition, Greater Wellington may grant security interests in physical assets where those security interests are leases or retention of the arrangements which arise under the terms of any lease or sale and purchase agreement.

4.3 Borrowing mechanisms

Greater Wellington will borrow through a variety of market mechanisms including but not limited to:

- Commercial Paper (CP)
- Fixed rate bonds and Floating Rate Notes (FRNs)
- Direct bank borrowing or loans with private placement investors

- Short and long term capital markets directly
- Internal reserve and special funds.

In evaluating strategies for new borrowing (in relation to source, term, size and pricing) the CFO will take into account the following:

- Available terms from banks, capital markets and loan stock issuance
- Greater Wellington's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time
- Prevailing interest rates and margins relative to term for debt issuance, capital markets and bank borrowing
- The market's outlook on future interest rate movements
- Greater Wellington's outlook on future interest rate movements
- Legal documentation and financial covenants, together with credit rating considerations
- Whether retail or wholesale debt issue.

5. Investment policy and limits

5.1 General policy

Greater Wellington is currently a net borrower of funds and will generally apply surplus funds to debt repayment and, wherever possible, internally borrow from reserve funds to meet future capital expenditure. Greater Wellington may invest liquid funds externally for the following reasons:

- Strategic purposes consistent with Greater Wellington's Long Term Plan
- Holding short term liquid investments for general working capital requirements or any other cash management objective

- Holding investments that are necessary to carry out Greater Wellington operations consistent with annual plans
- Holding investments for self-insured infrastructural assets and contingency reserves.

Greater Wellington recognises that, as a responsible public authority, any investments that it holds should be low risk. It also recognises that lower risk generally means lower returns.

In its financial investment activity, Greater Wellington's primary objective when investing is the protection of its investment. Accordingly, only credit-worthy counterparties are acceptable.

5.2 Investment mix

Greater Wellington maintains investments in the following assets from time to time:

- Equity investments, including CCOs/CCTOs and other shareholdings
- Property investments incorporating land and buildings
- Financial investments incorporating longer term and liquidity investments.

5.2.1 Equity investments

Greater Wellington's current equity investments are held in WRC Holdings Ltd (100%):

WRC Holdings Ltd owns the following companies:

- Port Investments Ltd (100%), which owns 76.9% of CentrePort Ltd (CentrePort)
- Pringle House Ltd (100%), which owns the Regional Council Centre
- Greater Wellington Rail Ltd
- Greater Wellington Infrastructure Ltd
- Greater Wellington Transport Ltd.

The above companies are CCOs or CCTOs.

5.2.2 Council Controlled Organisations (CCOs) and Council Controlled Trading Organisations (CCTOs)

Greater Wellington is responsible for the appointment of the board of directors for Greater Wellington's CCOs and CCTOs. Any asset additions or disposals of note are approved by directors, unless they are significant, as defined by the companies' constitutions, at which point shareholder approval is required.

The objectives of Greater Wellington's CCOs and CCTOs are to:

- Separate Greater Wellington's investments and commercial assets from its public good assets.
- Impose a commercial discipline
- Separate of management and governance.

Greater Wellington manages risk associated with CCOs and CCTOs by:

- Appointing suitably qualified external directors
- Receiving regular reports from directors
- Using external advisors when required
- Providing input into the Statements of Corporate Intent and constitutions of the CCOs and CCTOs.

5 New Zealand Local Government Funding Agency Ltd investment

Despite anything earlier in this policy, Greater Wellington may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Ltd (LGFA), and may borrow to fund that investment.

Greater Wellington's objective in making any such investment will be to:

- (a) Obtain a return on the investment
- (b) Ensure that the LGFA has sufficient capital to become and remain viable, meaning that it continues as a source of debt funding for Greater Wellington.

Because of these dual objectives, Greater Wellington may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments.

If required in connection with the investment, Greater Wellington may also subscribe for uncalled capital in the LGFA.

5.2.3 Other investments

Greater Wellington's other investments are:

- CentrePort Ltd
- Forestry investments
- Stadium advance
- Liquid financial investments.
- Contingency funds.

- (a) CentrePort Ltd

Greater Wellington, through Port Investments Ltd (PIL), owns 76.9% of CentrePort Ltd.

CentrePort operates under the Port Companies Act 1988. It is not a CCTO under the Local Government Act 2002.

PIL, along with the other shareholder in CentrePort, is responsible for appointing the board of directors who, in turn, are responsible for the operation of the company. Any major transactions, as defined in the company's constitution or the Companies Act 1993, require the approval of the shareholders. PIL, as a shareholder, has input into CentrePort's Statement of Corporate Intent and constitution and receives regular reports and briefings.

Greater Wellington manages risk associated with CentrePort by:

- Appointing suitably qualified external directors
- Appointing Greater Wellington's CFO as reporting officer for Greater Wellington in respect of CentrePort
- The Council receiving formal briefings and reports twice a year
- The CFO receiving quarterly briefings and monthly reports
- Providing input into CentrePort's Statement of Corporate Intent.

(b) Forestry investments

Greater Wellington has investments in forestry which are managed on a commercial basis. These also minimise soil erosion and water sedimentation (for land which is held for water catchment purposes). Harvesting is on a sustainable yield basis.

The forestry investments are set up as separate units within Greater Wellington and their operations are regularly reported to Council. Greater Wellington manages the forests but contracts out silviculture, harvesting and marketing. Risk is managed by the use of in-house expertise along with external consultants.

(c) Stadium advance

Greater Wellington has lent \$25 million to the Wellington Regional Stadium Trust. The advance is interest free with limited rights of recourse. Greater Wellington will continue to hold the advance until repayment. It receives regular reports from the Stadium Trust on the Trust's performance. Greater Wellington and Wellington City Council, as the settlors of the Trust, appoint the trustees to the Stadium Trust.

(d) Liquid financial investments

Greater Wellington's primary objective when investing is the protection of its investment capital and the maximisation of its returns. Accordingly, only creditworthy counterparties are acceptable. Creditworthy counterparties and investment restrictions are covered in section 6.3 of this policy. Credit ratings are monitored on a regular basis by the Treasurer.

For the foreseeable future, Greater Wellington will be in a net borrowing position and liquid investment funds will be prudently invested as follows:

- Any liquid investments will be restricted to a term that meets future cash flow and capital expenditure projections
- Interest income from financial investments will be credited to general funds
- Internal borrowing will be used to avoid external borrowing, wherever possible.

Greater Wellington may invest in acceptable liquid debt instruments and make interest rate duration positions using investor swaps. This will further meet Greater Wellington's objectives of investing in high credit quality and highly liquid assets, yet allow for optimal interest rate decisions.

Greater Wellington's external investment interest rate profile will be managed within the parameters outlined in section 6 of this policy.

(e) Contingency funds

Greater Wellington currently has monies set aside in liquid funds that may be used when an event occurs such that the funds are required by the business.

From time to time Greater Wellington may set aside funds for such contingency purposes, which will be held in a readily available form.

5.2.4 Special funds and reserve funds

Liquid assets will not be required to be held against special funds and reserve funds. Instead, Greater Wellington will internally use or borrow these funds wherever possible.

Interest accrued from these funds will be credited to the particular fund.

6. Risk recognition/identification management

The definition and recognition of interest rate, liquidity, funding, counterparty credit, market, operational and legal risk of Greater Wellington, will be as follows and will apply to both the liability management policy and investment policy.

6.1 Interest rate risk

6.1.1 Risk recognition

Interest rate risk is the risk that investment returns or funding costs will be materially different from those in annual plans and the Long Term Plan.

The primary objective of interest rate risk management is to reduce uncertainty to interest rate movements through fixing of investment returns or funding costs. This will be achieved through the active management of underlying interest rate exposures.

6.1.2 Approved financial instruments

Dealing in interest rate products will be limited to financial instruments approved by the Council.

Approved interest rate instruments are:

Category	Instrument
Cash management and borrowing	Bank overdraft Committed cash advance and bank accepted bill facilities (short term and long term loan facilities) Uncommitted money market facilities Wholesale bond and Floating Rate Note (FRN) issues Commercial paper (CP) New Zealand Dollar (NZD) denominated local or offshore private placements Retail bond and FRN issues
Investments	Short term bank deposits

	<p>Bank bills</p> <p>Bank certificates of deposit</p> <p>Treasury bills</p> <p>Local authority stock or State-owned Enterprise (SOE) bonds and FRNs</p> <p>Corporate/bank senior bonds</p> <p>Floating Rate Notes</p> <p>Promissory notes/Commercial Paper</p> <p>Redeemable Preference Shares (RPS)</p>
Interest rate risk management	<p>Forward rate agreements (FRAs) on:</p> <ul style="list-style-type: none"> - Bank bills - Government bonds <p>Interest rate swaps including:</p> <ul style="list-style-type: none"> - Forward start swaps - Amortising swaps (whereby notional principal amount reduces) - Swap extensions and shortenings <p>Interest rate options on:</p> <ul style="list-style-type: none"> - Bank bills (purchased caps and one-for-one collars) - Government bonds - Interest rate swaptions (purchased only)
Foreign exchange risk management	<ul style="list-style-type: none"> - Foreign currency deposits - Purchased currency options - Collars (one-for-one) - Forward foreign exchange contracts

Any other financial instruments must be specifically approved by the Council on a case-by-case basis and only be applied to the one singular transaction being approved. Credit exposure on these financial instruments will be restricted by specified counterparty credit limits.

6.1.3 Interest rate risk control limits

Net interest rate debt is defined as being total external debt less matching liquid investments.

Greater Wellington net interest rate debt will be within the following fixed/floating¹ interest rate risk control limits:

Master fixed/floating control limit

Minimum fixed rate	Maximum fixed rate
40%	95%

The percentages will be calculated on the rolling 12-month projected net debt level calculated by management (approved by the CFO). Net debt is the amount of total debt net of liquid financial assets/investments. This allows for pre-hedging in advance of projected physical drawdown of new debt. When approved forecasts are changed, the amount of fixed rate cover in place may be adjusted to comply with the policy minimums and maximums.

Fixed rate

Fixed rate is defined as an interest rate repricing date beyond 12 months forward of a continuous rolling basis.

The fixed rate amount at any point in time will be within the following maturity bands:

Fixed rate maturity profile limit		
Period	Minimum cover	Maximum cover
1 to 3 years	15%	60%

¹ 'Fixed rate' is defined as an interest rate repricing date beyond 12 months forward on a continuous rolling basis. 'floating rate' is defined as an interest rate repricing within 12 months.
* Any swaps greater than 10 years in length must be approved by Council.

3 to 5 years	15%	60%
5 years plus*	0%	60%

Floating rate

Floating rate is defined as interest rate repricing within 12 months.

Floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months.

Options/collars/swaptions

- Interest rate options will not be sold outright. However, 1:1 collar option structures will be allowable whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, only the sold side of the collar can be closed out in isolation (ie, repurchased) otherwise both sides must be closed out simultaneously. The sold option leg of the collar structure will not have a strike rate 'in-the-money'.
- Purchased borrower swaptions will mature within 18 months.
- Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 1% above the appropriate swap rate, will not be counted as part of the fixed rate cover percentage calculation.

6.1.4 Liquid financial investment portfolio

The following interest rate re-pricing percentages are calculated on the projected 12-month rolling Financial Investment Portfolio total. This allows for pre-hedging in advance of projected physical receipt of new funds. When cash flow projections are changed, the interest rate re-pricing risk profile may be adjusted to comply with the policy limits.

Interest rate repricing period	Minimum limit	Maximum limit
0 to 1 year	40%	100%
1 to 3 years	0%	60%
3 to 5 years	0%	40%

5 to 10 years	0%	20%
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To ensure maximum liquidity, any interest rate position beyond five years will be made with acceptable financial instruments, such as investor swaps.

The re-pricing risk mix may be changed within the above limits through selling/purchasing fixed income investments and/or using approved financial instruments, such as swaps.

6.1.5 Special Funds/Reserve Funds

Where such funds are deemed necessary they will be used for internal borrowing purposes. This will negate counterparty credit risk and any interest rate gap risk that occurs when Greater Wellington borrows at a higher rate compared with the investment rate achieved by special/reserve funds.

Liquid assets will not be required to be held against special funds or reserve funds, unless such funds are required to be held within a trust. For non-trust funds, Greater Wellington will manage these funds using internal borrowing facilities.

6.2 Liquidity risk/funding risk

6.2.1 Risk recognition

Cash flow deficits in various future periods based on long term financial forecasts are reliant on the maturity structure of loans and facilities. Liquidity risk management focuses on the ability to borrow at that future time to fund the gaps. Funding risk management centres on the ability to re-finance or raise new debt at a future time, in order to achieve pricing (fees and borrowing margins) and maturity terms that are the same as, or better than, existing facilities.

Managing Greater Wellington's funding risks is important as changing circumstances can cause an adverse movement in borrowing margins, term availability and general flexibility, such as:

- Local Government risk is priced at a higher fee and margin level
- Greater Wellington's own credit standing or financial strength as a borrower deteriorates due to financial, regulatory or other reasons

- A large individual lender to Greater Wellington experiences its own financial/exposure difficulties resulting in Greater Wellington not being able to manage its debt portfolio as optimally as desired
- New Zealand’s investment community experiences a substantial ‘over supply’ of Greater Wellington’s investment assets.

A key factor of funding risk management is to spread and control the risk to reduce the concentration of risk at one point in time. Then, if any of the above circumstances occur, the overall borrowing cost is not unnecessarily increased and the desired maturity profile is not compromised.

6.2.2 Liquidity/funding risk control limits

These control limits will be determined by the following:

- Alternative funding mechanisms, such as leasing, will be evaluated. The evaluation will take into consideration, ownership, redemption value and effective cost of funds
- Term debt and committed debt facilities together with liquid investments, will be maintained at an amount that averages 110% of existing external debt
- The maturity profile of total external debt less liquid financial investments in respect to all loans, bonds and committed facilities, will be controlled by the following:

Period	Minimum	Maximum
0 to 3 years	15%	60%
3 to 5 years	15%	60%
5 years plus	10%*	60%

A maturity schedule outside these limits will require specific Council approval.

The CFO will have discretionary authority to re-finance existing debt.

The Greater Wellington may prefund its forecasted debt requirements up to 12 months in advance (and in some cases up to 18 months) including the re-financing of existing debt maturities.

6.2.3 Commercial Paper

Commercial Paper (CP) should not be issued to fund core term debt requirements unless there are bank standby, committed bank or committed undrawn lending facilities that are available to cover any outstanding CP. As a result, any undrawn credit lines to cover maturing CP do not count as excess liquidity.

Nevertheless, the coverage of CP by back-up facilities is a Credit Rating Agency requirement, and Greater Wellington will adhere to the requirements of the rating agencies in the first instance.

The exception to the above is where CP is used for working capital or bridging financing purposes and where certain, known or contracted cashflows are used to repay the CP on maturity.

6.3 Counterparty credit risk

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where Greater Wellington is a party. The credit risk to Greater Wellington in a default event will be weighted differently depending on the type of instrument.

Credit risk will be regularly reviewed by Greater Wellington. Treasury related transactions will only be entered into with organisations specifically approved by the Council.

Counterparties and limits may only be approved on the basis of long term credit ratings (Standard & Poor's or Moody's) being A- and above or a short term rating of A2 or above, with the exception of New Zealand local authorities.

Limits will be spread among a number of counterparties to avoid concentration of credit exposure.

To avoid undue concentration of exposure, financial instruments will be used with as wide a range of counterparties as possible. Where possible, transaction notional sizes and maturities will also be well spread. The approval process to allow the use of individual financial instruments will take into account the liquidity of the market in which the instrument is traded and re-priced.

The following matrix guide will determine limits.

Counterparty/Issuer	Minimum long term/ short term credit rating – stated and possible	Investments maximum per counterparty (\$m)	Interest rate risk management instrument maximum per counterparty (\$m)	Total maximum per counterparty (\$m)
NZ Government		Unlimited	None	Unlimited
Local Government Funding Agency		50.0	None	50.0
NZD registered supranationals ¹	AAA/AA	50.0	None	50.0
State Owned Enterprises	A-/ A2	15.0	None	15.0
NZ registered bank	A-/ A2	50.0	70.0	70.0
Corporate Bonds/ CP*	A-/ A2 (if rated)	10.0	None	10.0
Local government stock/ bonds/ FRN/ CP***	A-/ A2 or Unrated	40.0 25.0	None None	40.0 25.0

In determining use of the above gross limits, the following product weightings will be used:

- Investments (eg, bank deposits) – transaction notional × weighting 100% (unless a legal right of set-off over corresponding borrowings exist whereupon a 0% weighting may apply)

* Subject to a maximum exposure no greater than 25% of total funds invested in corporate debt at any one point in time.

** Subject to a maximum exposure no greater than 60% of total funds invested in local government debt at any one point in time.

Debt instruments should rank as senior debt and subordinated debt investments are not permitted.

1- This excludes equity investment or investment connected with borrowing funds via borrower notes.

- Interest rate risk management (eg, swaps, FRAs) – transaction notional × maturity (years) × 3%
- Foreign exchange – transactional principal amount x the square root of the maturity (years) x 15%.

Each transaction will be entered into a reporting spreadsheet and a monthly report will be prepared to show assessed counterparty actual exposure versus limits.

The above limits may be amended by the Council, especially in the case where the NZ Government credit rating is changed.

Individual counterparty limits will be kept on a register by management and updated on a day-to-day basis. Specific approvals will be made by the CFO. Credit ratings will be reviewed by the Treasurer on an ongoing basis and in the event of material credit downgrades, this will be immediately reported to the CFO and the Council and assessed against exposure limits. Counterparties exceeding limits will be reported to the Council.

6.4 CentrePort debt and guaranteeing debt

Greater Wellington, through its wholly owned CCO WRC Holdings Limited, is a 77% owner of the port company CentrePort Ltd. Greater Wellington has guaranteed the debt obligations of CentrePort as it is a strategic regional asset.

By providing a guarantee, Greater Wellington formally recognises this relationship and, as a result, means CentrePort can borrow funds at a similar cost to Greater Wellington. This is cheaper than borrowing on its own, ultimately resulting in a financial benefit to ratepayers.

From time to time the Council will guarantee these obligations, given that the level of CentrePort's debt varies over time and the lenders to CentrePort may also change.

Greater Wellington may lend funds directly to CentrePort when it believes that there is further benefit to be gained by ratepayers.

6.5 Foreign exchange risk

6.5.1 Foreign exchange risk recognition

Greater Wellington's policy is to identify and record these risks by their respective types and then to manage each risk under predetermined and separately defined policies and risk control limits.

It is prudent practice to pre-hedge potential adverse foreign exchange rate movements on capital imports from the time the capital expenditure budget is approved by the Council. There is a risk that the net NZ dollar cost could increase substantially between the time the expenditure is approved by the Council and the actual placement of the purchase order. It is expected that the payment currency and payments schedule are known at the time the purchase order is issued and the contract is signed with the supplier.

Greater Wellington has foreign exchange risks on imported items or services (capital and operating expenditure). There is a contingent risk when there is a time lapse between expenditure approval and placement of orders or finalisation of contracts and a further risk when the contract is signed or order is placed.

Full risk is at the time the expenditure is approved and legal commitments are made.

6.5.2 Foreign exchange risk control limits

All individual items/services greater than NZ\$100,000 must be hedged at all times in accordance with the following risk control limits:

Time – point	Exposure hedged by forward exchange contracts or options	Exposure hedged by purchased foreign exchange options
1. Budget approved by Council – (medium probability)		Maximum 50%
2. Specific item approved – (high probability)		Maximum 100%
3. Contract/ order confirmed – (undoubted risk)	Minimum 100%	

6.5.3 Use of foreign exchange instruments and forecasting

Financial instruments, other than those stipulated in section 6.1.2, will require Council approval. Foreign exchange options will not be sold outright. The purchase price paid for an option (premium) will be amortised (spread) over the period of cover and added to the actual average exchange rate achieved.

All significant tenders will allow bidders the opportunity to select desired currencies and, where possible, allow for suppliers to transparently link price escalations to clear financial market references.

Project managers will update any assumptions prior to budgets being finalised and, where necessary, discuss these with the Treasurer or CFO. The following approach will be used when calculating foreign exchange rates for budgeting purposes:

- In order to determine a suitable spot rate to use for the calculation of outright forward cover budget levels, the two-year daily average rate or spot rate (whichever is the lower rate), will be used. This will allow for some degree of movement in the NZD cross during the budget evaluation process, prior to Council approval. This will take into consideration the annual volatility of the NZD, especially with the USD, where the average annual movement over the past 10 years has been NZD 9.7 cents. Forward points, reflecting the market rates at the time, will then be added/subtracted to the budget spot rate to establish an effective budget rate
- Consideration will be given to using options within the hedging strategy and, consequently, option premiums will be built into any scenario testing and break-even analysis.

Managing operational risk

Operational risk is the risk of loss as a result of human error including fraud, system failures or inadequate procedures and controls.

Operational risk is very relevant when dealing with financial instruments given that:

- Financial instruments may not be fully understood
- Too much reliance is often placed on the specialised skills of one or two people
- Most treasury instruments are executed over the phone.

Operational risk is minimised by this policy.

6.6.1 Dealing authorities and limits

Transactions will only be executed by those persons and within limits approved by the Council.

6.6.2 Segregation of duties

There will be adequate segregation of duties among the core borrowing and investment functions of deal execution, confirmation, settling and accounting/reporting. However, there are a small number of people involved in borrowing and investment activity. Accordingly, strict segregation of duties will not always be achievable.

Risk will be minimised by the following:

- The MF will report directly to the CFO to control the transactional activities of the Treasurer
- There will be a documented approval process for borrowing and investment activity.

6.6.3 Procedures and controls

- The CFO will have responsibility for establishing appropriate structures, procedures and controls to support borrowing and investment activity.
- All borrowing, investment, cash management and risk management activity will be undertaken in accordance with approved delegations authorised by the Council.
- All treasury products will be recorded and diarised within a treasury system, with appropriate controls and checks over journal entries into the general ledger. Deal capture and reporting will be done immediately following execution and confirmation. Details of procedures, including templates of deal tickets, will be included in a treasury procedures manual separate from this policy. Greater Wellington will capture the percentage of deals transacted with banks to determine competitiveness and reconcile the summary.

Procedures and controls will include:

- Regular management reporting
- Regular risk assessment, including review of procedures and controls
- Organisational systems, procedural and reconciliation controls to ensure:

- All borrowing and investment activity is bona fide and properly authorised
 - Checks are in place to ensure Greater Wellington's accounts and records are updated promptly, accurately and completely
 - All outstanding transactions are revalued regularly and independently of the execution function to ensure accurate reporting and accounting of outstanding exposures and hedging activity
 - Cheque/electronic banking signatories are approved by the CEO. Dual signatures will be required for all cheques and electronic transfers.
- All counterparties will be provided with a list of personnel approved to undertake transactions, standard settlement instructions and details of personnel able to receive confirmations.
 - All deals will be recorded on properly formatted deal tickets by the Treasurer and approved, where required, by the CFO. Market quotes for deals (other than cash management transactions) will be perused by the Treasurer before the transaction is executed. Deal summary records for borrowing, investments, interest rate risk management and cash management transactions (on spreadsheets) will be maintained and updated promptly following completion of transactions
 - All inward letter confirmations, including registry confirmations, will be received and checked by the Manager, Finance against completed deal tickets and summary spreadsheets records to ensure accuracy
 - Deals, once confirmed, will be filed (deal ticket and attached confirmation) in deal date/number order
 - Any discrepancies arising during deal confirmation checks which require amendment to Greater Wellington records will be signed off by the CFO
 - The majority of borrowing and investment payments will be settled by direct debit authority
 - For electronic payments, batches will be set up electronically. These batches will be checked by the MF to ensure settlement details are correct. Payment details will be authorised by two approved signatories as per Council registers

- Bank reconciliations will be performed monthly by the Manager, Finance. Any unresolved unreconciled items arising during bank statement reconciliation which require amendment to Greater Wellington's records will be signed off by the CFO
- A monthly reconciliation of the debt management system and borrowing and investment spreadsheets to the general ledger will be carried out by the Treasurer and reviewed by the Manager, Finance.

6.7 Managing legal risk

Legal and regulatory risks relate to the unenforceability of a transaction due to an organisation not having the legal capacity or power to enter into the transaction, usually because of prohibitions contained in legislation. While legal risks are more relevant for banks, Greater Wellington may be exposed to such risks.

In the event that Greater Wellington is unable to enforce its rights due to deficient or inaccurate documentation, Greater Wellington will seek to minimise this risk by:

- The use of standing dealing and settlement instructions (including bank accounts, authorised persons, standard deal confirmations, contacts for disputed transactions) to be sent to counterparties
- The matching of third party confirmations and the immediate follow-up of anomalies
- The use of expert advice for any non-standardised transactions.

6.7.1 Agreements

Financial instruments will only be entered into with banks that have in place an executed International Swap Dealer's Association (ISDA) Master Agreement with Greater Wellington. All ISDA Master Agreements for financial instruments will be signed under seal by Greater Wellington.

Greater Wellington's internal/appointed legal counsel will sign off on all documentation for new loan borrowings, re-financings and investment structures.

Currently, Greater Wellington has ISDA agreements with the following banks:

- Bank of New Zealand
- ANZ Banking Group (New Zealand)

- National Bank of New Zealand
- ASB/CBA Bank
- Westpac.

6.7.2 Financial covenants and other obligations

Greater Wellington will not enter into any transactions where it would cause a breach of financial covenants under existing contractual arrangements.

Greater Wellington will comply with all obligations and reporting requirements under existing funding facilities and legislative requirements.

6.8 Diesel hedging

Other risks, such as commodity price risk associated with diesel, will be considered for risk management by Greater Wellington. Management is aware of the indirect risk to diesel procurement that is embedded in existing transport contracts. To this end, the Council has delegated to the CFO the power to enter into any price hedges or options with the following conditions:

- The CFO will report any hedges to the Council on a quarterly basis
- Maximum term of a hedge or option contract once it becomes operational is one year
- Contracts shall only be with a counterparty with a S&P rating of at least A.

7. Measuring treasury performance

In order to determine the success of Greater Wellington's treasury management function, benchmarks and performance measures have been prescribed.

Those performance measures that provide a direct measure of the performance of treasury staff (operational performance and management of debt and interest rate risk) will be reported to Audit, Risk and Assurance on a quarterly basis.

7.1 Operational performance

All treasury limits will be complied with, including, but not limited to, counterparty credit limits, dealing limits and exposure limits.

All treasury deadlines will be met, including reporting deadlines.

7.2 Management of debt, investments and interest rate risk

The actual funding cost for Greater Wellington (taking into consideration costs of entering into interest rate risk management transactions) will be below the budgeted interest cost and investment returns will be above the budgeted interest rate income.

8. Cash management

The Treasurer has the responsibility to carry out the day-to-day cash and short term debt management activities.

The Treasurer will:

- Calculate and maintain comprehensive cash flow projections on a daily (two weeks forward), weekly (four weeks forward), monthly (12 months forward) and annual (five years) basis
- Electronically download all Greater Wellington bank account information daily
- Coordinate Greater Wellington's operating units to determine daily cash inflows and outflows with the objective of managing the cash position within approved parameters
- Undertake short-term borrowing functions as required, minimising overdraft costs
- Ensure efficient cash management, through improvement to accurate forecasting using spreadsheet modelling
- Minimise fees and bank/Government charges by optimising bank account/facility structures
- Monitor Greater Wellington's use of cash advance facilities
- Match future cash flows to smooth over time

- Provide reports to the CFO detailing actual cash flows during the month compared with those budgeted
- Maximise the return from available funds by ensuring significant payments are made within the vendor's payment terms, but no earlier than required, unless there is a financial benefit from doing so.

9. Reporting – performance measurement

When budgeting forecast interest costs/returns, the actual physical position of existing loans, investments and swaps/swaptions/FRAs must be incorporated.

9.1 Treasury reporting

The following reports will be produced:

Report Name	Frequency	Prepared by	Recipient
Daily cash position	Daily	Treasurer	CFO
Treasury exceptions report	Daily	Treasurer	CFO
Risk exposure position	Monthly	Treasurer	CFO
Risk management performance	Monthly	Treasurer	CFO
Policy compliance	Monthly	Manager, Finance	CFO
Interest rate exposure report	Monthly	Treasurer	CFO
Cost of funds report	Monthly	Treasurer	CFO
Funding facility report	Monthly	Treasurer	CFO
Funding risk report	Monthly	Treasurer	CFO

Cash flow forecast report	Monthly	Treasurer	CFO
Summary treasury report	Monthly Quarterly	Treasurer	CFO Council/Audit, Risk and Assurance
Quarterly treasury strategy paper	Quarterly	Treasurer	CFO CFO CEO/Audit, Risk and Assurance
Limits report	Daily, report on an exceptions basis Quarterly	Manager, Finance	Treasurer Audit, Risk and Assurance
Debt maturity profile	Quarterly	Treasurer	Audit, Risk and Assurance/Council
Statement of public debt	Quarterly	Treasurer	Audit, Risk and Assurance/Council
Revaluation of financial instruments	Quarterly	Treasurer	CFO

9.2 Accounting treatment of financial instruments

Greater Wellington uses financial market instruments for the primary purpose of reducing its exposure to fluctuations in interest rates.

The accounting treatment for such financial instruments will follow IFRS accounting standards.

9.3 Valuation of treasury instruments

All treasury financial instruments will be revalued at least quarterly for risk management purposes. These include those instruments that are used only for hedging purposes.

Underlying rates to be used to value treasury instruments are as follows:

- Official daily settlement prices for established markets

- Official daily market rates for short term treasury instruments (eg, FRA settlement rates calculated by Reuters from price-maker quotations as displayed on the BKBM page)
- Relevant market mid-rates provided by the company's bankers at the end of the business day (5.00pm) for other over-the-counter treasury instruments
- For markets that are illiquid, or where market prices are not readily available, rates are calculated in accordance with procedures approved by the CFO.

Policy review

This treasury risk management policy will be formally reviewed every three years.

The CFO has the responsibility to prepare a review report (following the preparation of annual financial statements) that is presented to Audit, Risk and Assurance. The report will include:

- Recommendations on changes, deletions and additions to the policy
- Overview of the treasury management function in achieving the stated treasury objectives, including performance trends in actual interest cost against budget (multi-year comparisons)
- Summary of breaches of policy and one-off approvals outside policy to highlight areas of policy tension
- Analysis of bank and lender service provision, share of financial instrument transactions, etc
- Comments and recommendations from Greater Wellington's external auditors on the treasury function, particularly internal controls, accounting treatment and reporting
- Total net debt servicing costs.

The policy review will be completed and presented to Audit, Risk and Assurance within five months of the financial year-end. Audit, Risk and Assurance will approve any resulting policy changes.

Rates remission and postponement policies

REMISSION OF PENALTIES

Objective

To enable Greater Wellington to act fairly and reasonably when rates have not been received by the penalty date.

Conditions and criteria

- 1) Upon receipt of an application from the ratepayer, or if identified by Greater Wellington, Greater Wellington may remit a penalty where it considers that it is fair and equitable to do so. Matters that will be taken into consideration by Greater Wellington include the following:
 - a) The ratepayer's payment history
 - b) The impact on the ratepayer of extraordinary events
 - c) The payment of the full amount of rates due
 - d) The ratepayer entering into an agreement with Greater Wellington for the payment of rates.
- 2) Greater Wellington reserves the right to impose conditions on the remission of penalties.

Decisions

Decisions on the remission of penalties may be delegated to Greater Wellington officers. All delegations will be recorded in the delegations register.

RATES POSTPONEMENT

Objective

To enable Greater Wellington to retain its discretion to postpone the payment of rates.

Conditions and criteria

- 1) Greater Wellington will postpone rates when the following circumstances are met:
 - a) A territorial authority in the Wellington region has postponed some or all of the territorial authority rates for the rating unit in the current rating year AND
 - b) The ratepayer is experiencing extreme financial hardship.
- 2) Applications for postponements must be made to Greater Wellington in writing and contain supporting information demonstrating compliance with criteria.

- 3) Approval of rates postponements is for one year only.
- 4) The postponement of rates is a last resort and will be considered only after all other avenues to meet rates commitments have been exhausted.
- 5) Postponed rates will be registered as a statutory land charge on the rating unit title. This means that Greater Wellington will have the first call on the proceeds of any revenue from the sale or lease of the rating unit.
- 6) A fee will be charged in arrears on rates postponed, in accordance with section 88 of the Local Government (Rating) Act 2002.

Decisions

Decisions on the postponement of rates may be delegated to Greater Wellington officers. All delegations will be recorded in the delegations register.

REMISSION AND POSTPONEMENT OF RATES ON MĀORI FREEHOLD LAND

Objectives

- 1) To recognise that certain Māori owned land may have particular conditions, features, ownership structures, or other circumstances that make it appropriate to provide for relief from rates.
- 2) To recognise that Greater Wellington and the community benefit through the efficient collection of rates that are properly payable and the removal of rating debt that is considered non-collectable.
- 3) To meet the requirements of section 102 of the Local Government Act 2002 to have a policy on the remission and postponement of rates on Māori freehold land.

Considerations

In setting a policy on the remission and postponement of rates on Māori freehold land Greater Wellington has considered the matters identified in Schedule 11 of the Local Government Act 2002.

Conditions and criteria

- 1) Application for a remission or postponement under this policy should be made in writing prior to the commencement of the rating year. Applications made after the commencement of the rating year may be accepted at the discretion of Greater Wellington. A separate application must be made for each rating year.
- 2) Owners or trustees making applications should include the following information in their applications:
 - a) Details of the rating unit or units involved
 - b) Documentation that shows that the land qualifies as land whose beneficial ownership has been determined by a freehold order issued by the Māori Land Court.
- 3) Greater Wellington may of its own volition investigate and grant remission or postponement of rates on any Māori freehold land in the region.
- 4) Relief, and the extent thereof, is at the sole discretion of Greater Wellington and may be cancelled and reduced at any time.

- 5) Greater Wellington will give a remission or postponement of up to 100% of all rates for the year for which it is applied for based on the extent to which the remission or postponement of rates will:
 - a) Support the use of the land by the owners for traditional purposes
 - b) Support the relationship of Māori and their culture and traditions with their ancestral lands
 - c) Avoid further alienation of Māori freehold land
 - d) Facilitate any wish of the owners to develop the land for economic use
 - e) Recognise and take account of the presence of waahi tapu that may affect the use of the land for other purposes
 - f) Recognise and take account of the importance of the land in providing economic and infrastructure support for marae and associated papakainga housing (whether on the land or elsewhere)
 - g) Recognise and take account of the importance of the land for community goals relating to:
 - The preservation of the natural character of the coastal environment
 - The protection of outstanding natural features
 - The protection of significant indigenous vegetation and significant habitats of indigenous fauna
 - h) Recognise the level of community services provided to the land and its occupiers
 - i) Recognise matters related to the physical accessibility of the land
 - j) Provide for an efficient collection of rates and the removal of rating debt.

Decisions

Decisions on the remission and postponement of rates on Māori freehold land may be delegated to Greater Wellington officers. All delegations will be recorded in the delegations register.

REMISSION OF RATES IN SPECIAL CIRCUMSTANCES

Objective

To enable Greater Wellington to act fairly and reasonably to remit regional rates in special circumstances.

Conditions and criteria

- 1) Greater Wellington may remit all or part of the rates assessed in relation to a particular rating unit in special or unforeseen circumstances where it considers it just and equitable to do so.
- 2) Each request for a remission of rates in special circumstances shall be considered on its merits and any decision on such a request shall be deemed to not set a precedent for any future decision under this policy.
- 3) A remission under this policy will last for one rating year only. Applicants must reapply annually for a remission.
- 4) No application under this policy will be backdated beyond the rating year. An application for remission under this policy must be made within the *rating/financial* year for which remission is sought.
- 5) An application for remission under this policy:
 - a) Must be made within the rating year for which remission is sought and
 - b) Made in writing to Greater Wellington and

- c) Contain supporting information.
- 6) The Council may of its own volition investigate and grant remission of rates that satisfy the requirements of any direction it receives from the Government or other agency to remit rates. In such circumstances rates will generally be remitted to the extent Greater Wellington receives payment from the Government or other agency.
- 7) Under this policy “special circumstances” excludes remissions sought for rating units with conservation and/or heritage values, including land subject to a QEII covenant.

Decisions

Decisions on remission of rates in special circumstances will be made by Council where the amount requested is over \$250.

Decisions on the remission of rates in special circumstances where the amount requested is \$250 or less may be delegated to Greater Wellington officers. All delegations will be recorded in the delegations register.

Policy on development contributions or financial contributions

This policy describes Greater Wellington's approach to development and financial contributions.

DEVELOPMENT CONTRIBUTIONS

Greater Wellington will not be seeking any development contributions as provided for under the Local Government Act 2002. The power to levy such contributions is restricted to territorial authorities.

FINANCIAL CONTRIBUTIONS

Greater Wellington does not have any provisions in its regional plans prepared under the Resource Management Act 1991 to levy financial contributions. The inclusion of such contributions may be reconsidered as part of any review of the regional plans. No financial contributions can be levied by Greater Wellington unless they are included within a regional plan.





Part 8 – Audit report

Your Regional Councillors