

Statement of Proposal: Amendment to Wellington City Council's Long Term Council Community Plan

The Council proposes to amend the Long Term Council Community Plan to provide for the following decisions:

- Crown investment in the Council's social housing portfolio (Section 1)
- Development Contributions Policy changes (Section 2)
- Revenue and Financing Policy changes (Section 3)
- Consequential changes to the nine year funding and financial statements (Section 4)

The Council is required by legislation to consult on the Statement of Proposal to amend the 2006/07 – 15/16 Long-term Council Community Plan ahead of it being adopted using the special consultative procedure as prescribed in the Local Government Act 2002. Submissions can be made on the Statement of Proposal for one month concurrently with consultation on the 2007/08 draft annual plan (Monday 16 April 2007 until Friday 18 May 2007). This will be followed by meetings to hear submitters wishing to be heard, which are scheduled for late May 2007.

Section One:

Crown Investment in the Council's social housing portfolio

Introduction

The Wellington City Council (WCC) owns and manages over 2,300 units as social housing and has been considering the future of its social housing portfolio for a number of years. This has covered investigations of the most appropriate governance arrangements, as well as how to bring the asset up to an appropriate modern standard and the investment levels required.

Since 2004, the Council and Housing New Zealand Corporation have been working together to resolve these issues. This proposal is a result of this work and an offer made by the Crown to invest in the Council's social housing portfolio.

The decision to accept or decline the offer by the Crown to invest in social housing is significant. Under the Local Government Act 2002 (LGA), the implementation of the decision must be specifically authorised by the Council's Long Term Council Community Plan (LTCCP). The Council proposes to amend its LTCCP to make provision for the proposal. The LGA requires that the Council prepare a 'Statement of Proposal' and consult on the proposal using the special consultative procedure. The 'Statement of Proposal' must contain the information set out in section 84(3) of the LGA.

This statement of proposal contains (among other things):

1. a description of the proposal
2. the reasons for the proposal
3. a summary of the benefits, costs and risks
4. a summary of the options considered and
5. any other information that Council considers is relevant.

Council Objectives

The Council's objective has been to identify options and find a solution to:

- ensure the long term provision of social housing in Wellington
- enable the City Housing to provide safe and secure housing to an appropriate modern standard
- ensure the on-going financial sustainability of the City Housing portfolio.

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The Proposal

The proposal is that the Crown will provide the Council with financial assistance of \$220 million over the next 10 to 15 years to upgrade its housing portfolio to provide safe, secure housing to a good standard. This represents a contribution with a net present value of around \$150 million.

In return, the Crown requires the Council to agree to various terms and conditions. The terms and conditions are that the Council:

1. remain in social housing at approximately current levels for at least 30 years
2. ring fence all rental income from social housing for reinvestment in social housing
3. give the Crown first right of refusal should the Council choose to sell any of its housing stock
4. undertake a review of tenancy management, rent setting and tenancy allocation practices and policies, in conjunction with Housing New Zealand Corporation in the next 2 to 3 years
5. in accordance with the work programme that is to be developed, maintain approximately the same number of units currently provided. The Council will have the flexibility to divest and reinvest in social housing provided a similar level of housing need and housing standard is met
6. draw down funding each year to complete the work planned for that year.

If the Council were to breach the terms and conditions within the 30-year timeframe, then the Council would be liable for the following penalty costs:

1. repayment of the nominal value of any funds disbursed
2. repayment of an additional penalty charge equivalent to 90% of the disbursed amount
3. repayment of a portion of the funds disbursed by the Crown if the portfolio is sold incrementally.

It is proposed that the funding will be provided by way of a conditional grant with the penalty clauses as set out above. If the Council meets all the terms and conditions, then it would not be required to repay any principal or any penalty costs.

In order to prepare the work programme as required by the proposal, the Council considers it must develop a detailed investment plan that will set out the housing standard, concept designs, costing and timing of upgrade for each complex and unit within the Council social housing portfolio. The investment plan is planned to be completed in 2007/08.

The proposal suggests that the on-going relationship between the Council and the Crown is managed through the development of a Memorandum of Understanding. Finalisation of this Memorandum of Understanding is subject to the current consultation on the proposal and is expected to be consistent with the content of this proposal.

The Reasons for the Proposal

Wellington's social housing

WCC is the largest social housing provider in Wellington. The Council provides housing for low income households with rental set at 70% of the market rental for each property with a cap on rent levels set at 35% of household income. High needs groups are targeted and approximately 80% of tenant households receive government assistance of some kind. Targeted groups are the fit elderly (over 65), refugees and migrants, people with low-level psychiatric problems, households facing multiple disadvantage, all households with 50% rent to income ratio and people with physical disabilities.

Increasing need for social housing in Wellington

A 2006 analysis of housing need in Wellington city showed that the number of households in rental properties experiencing growing financial pressure because of housing costs will increase by almost 50% in the next 20 years. Of these households, many will be seeking social housing services to meet their housing needs. This will place increasing pressure on current social housing providers in Wellington such as the Council and Housing New Zealand Corporation.

Poorly configured and aging stock

The Council owns over 2300 housing units, of which over 70% are either bedsits or 1 bedroom units. The stock is aging and physically unattractive. The individual units are small, often poorly configured for modern living, unable to accommodate basic modern amenities, lack adequate ventilation, and are cold and noisy.

80% of the total housing portfolio is more than 30 years old, of which 95% is in the larger housing complexes of Central Park, Hanson Court, Kotuku, Granville and Newtown Park. These larger complexes contain between 100 and 280 units per complex. All complexes require significant investment in the short to medium term to bring them up to an appropriate modern standard. Other large complexes such as Arlington, Berkeley Dallard and Pukehinau, constructed in the late 1970's and early 1980's, make up a further 11% of the portfolio and present similar modernisation issues.

Scale of investment required

Work by the Council indicated that the scale of the investment required to upgrade the portfolio was financially unsustainable under the current Council policy to provide below market rental accommodation. A substantial portion of the required investment in the asset would have little or no financial return. The Council therefore only had a choice of either funding this investment through increasing rates, increasing the Council's debt levels, increasing the percentage of market rent levels charged or through partial sale of the housing asset. These options were not preferable and an alternative solution was sought.

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Working in partnership

The Council has worked with the Government to ensure the continuing provision of social housing in Wellington. This proposal represents the best option to deliver both the Council's and Crown's social housing objectives.

Summary of Benefits, Costs and Risks

Benefits

The proposal will provide for the Council's social housing portfolio to be upgraded to a modern standard and provide safe and secure housing for City Housing tenants. The health impacts of improving the quality of housing accommodation have been documented in the medical research literature and are expected to accrue to City Housing tenants.

The investment will be used to address issues within the units and upgrade the external appearance and functionality of the complexes. Urban design and crime prevention through environmental design principles will be employed to develop solutions to the current issues. The Council will also consider sustainability issues and the use of renewable energy sources as part of the upgrade programme.

The proposal effectively retains the City Housing stock in public ownership for a minimum of 30 years. This provides certainty for low income households that affordable rental housing in Wellington will continue to be provided by the Council.

The Council's current policy is to set the rent level charged to tenants at 70% of market rental. In addition, the Council caps any rent charged at 35% of the household's income. The proposal requires the Council to review its tenant management and policy setting for the housing portfolio in 2 to 3 years with Crown input. This is to ensure the ongoing financial sustainability of the housing portfolio continues throughout the term of the proposal.

Costs

Increasing the quality of the housing stock will have some flow on effects to tenants in terms of the rental levels. Improvements to the housing stock to increase thermal insulation, noise reduction and ventilation are unlikely to increase market rentals. However, other improvements, such as new kitchens and bathrooms, are likely to mean that the market rent level of the units will increase.

The proposal will 'ring fence' the housing income and expenditure. This means that any operating surplus from housing rental income will not be available to reduce the general rate requirement as has occurred in previous years. Ring fencing of the housing income and expenditure would begin in 2008/09 and would result in an estimated rates increase of approximately 1% (or \$1.9m). It is not anticipated that there will be a further significant rates impact within the term of this proposal.

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Ring fencing the housing income and expenditure will mean City Housing accrues an estimated \$36 million net cash surplus until 2015/16 for social housing purposes. Financial modelling of the housing portfolio suggests that the ring fencing will produce an estimated additional \$126 million for reinvestment in social housing, over and above the estimated renewals expenditure of \$223m, over the remaining period of Council involvement under this proposal.

The proposal includes a penalty clause should the Council decide to exit social housing in part or in full within the next 30 years. The penalty payable declines, when discounted, over that period. The Council considers that this is an acceptable method to recognise the value and length of the investment in social housing. The financial impacts to Council are included in Attachment 1 and in the updated funding and financial statements in Section 4 of this LTCCP amendment.

Risks

The proposal has a number of risks relating to the requirement for the Council to remain in social housing for a further 30 years. The main risks are from:

- buildings coming to the end of their practical asset life
- natural disaster causing substantial structural damage to a large proportion of the portfolio
- current and future building code reviews increasing the building standard required or changing the definition of earthquake prone building.

The Council considers that these risks exist for the housing portfolio with or without the investment by the Crown and that they are not exacerbated by the proposal. Council's exposure to these risks will be managed through any final agreement with the Crown.

Specific risks associated with the proposal are from:

- penalty costs associated with a decision to sell housing stock within the 30 year term of this proposal
- escalating costs of upgrading the portfolio are significantly above the current inflation rate.

Options Considered

A number of options were canvassed during the discussions with the Government over possible Crown investment in Wellington City Housing. These options included transferring the ownership and management of the housing stock to an independent entity, transferring the ownership of the housing to another party such as Housing New Zealand Corporation, developing alternative governance arrangements for the stock and sale of some of the complexes to fund the upgrade of the remaining portfolio.

None of these options were considered a viable alternative as they did not meet the Council's objectives for social housing in Wellington and:

- were less cost effective than the current proposal

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- did not retain the existing housing portfolio for the long term as social housing,
- increased operating costs, or
- required divestment of all or part of the housing portfolio.

The proposal to retain the housing stock in Council ownership with Crown investment to upgrade the portfolio best meets the objective outlined above and is considered the only practicable option.

Summary

The proposal by the Crown to invest in Wellington City Housing represents the best option to meet the Crown's and Council's objectives for social housing in Wellington city.

Attachment 1:

Proposed amendments to the 2006/16 LTCCP

Strategy Area 6: Social and Recreation (pages 247 – 305 of volume one)

1. Delete paragraph 3 under section 6.1.1 'Community Housing - What we do' (page 253 of volume one).

2. Insert new paragraph 3 under section 6.1.1 'Community Housing - What we do' (page 253 of volume one).

“Over the next three years, we will plan for and begin a significant upgrade of our housing units. This work is the start of a 10 to 15 year upgrade programme funded by the Crown’s investment of \$220 million in our social housing. The upgrade will ensure all our housing is safe, secure and of an appropriate modern standard.

See ‘How we will manage our assets’ below.”

3. Delete third and fourth paragraph under the heading 'How we will manage our assets' (pages 253 & 254 of volume one)

4. Insert as new paragraph 3 under the heading 'How we will manage our assets' (page 253 of volume one) as follows:-

“Over the next three years, the Council will develop an investment plan and programme of works for the upgrade of our housing stock. The upgrade programme will take 10-15 years to complete. We will agree the work programme with the Crown in 2007/08 and it will be the basis of an annual drawdown of funds from the Crown, with the investment programme commencing in 2008/9. We will also review our current maintenance priorities and programmes and co-ordinate these with the upgrade programme of our housing assets.”

5. Delete the table ‘who should pay’ (page 254 of volume one and page 80 of volume two of the LTCCP) and replace with the following

WHO SHOULD PAY	
User charges	100%
Other revenue	0%
Targeted rate	0%
General rate	0%
Total	100%

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6. Delete the financial information on page 255 of volume one and replace with the following:

WHAT IT WILL COST

Operational Spending 2006-07 - 08/09		Expenditure 2006/07	User Charges and other revenue	Net expenditure/ revenue
Project description		(\$000)	(\$000)	(\$000)
C125	Housing Operations and maintenance			
Total for 2007/08		15,344	(16,553)	(1,209)
Total for 2008/09		16,889	(33,684)	(16,795)

Capital Spending 2006/07 - 08/09		Expenditure 2006/07
Project description		(\$000)
CX370	Housing upgrades	0
CX371	Housing renewals	2,232
Total for 2007/08		2,232
Total for 2008/09		19,915

7. Delete the financial information for C125 (page 289 of volume one) and replace with the following and consequentially amend the total:

Net operating expenditure (by strategy area, activity and project for 10 years)										
Annual Plan Project		Forecast 2007/08 \$000	Forecast 2008/09 \$000	Proposed 2009/10 \$000	Proposed 2010/11 \$000	Proposed 2011/12 \$000	Proposed 2012/13 \$000	Proposed 2013/14 \$000	Proposed 2014/15 \$000	Proposed 2015/16 \$000
C125	Housing Operations and maintenance	(1,209)	(16,796)	(18,590)	(20,280)	(21,460)	(22,041)	(22,613)	(22,529)	(23,076)
6.1.1	Provider - Community Housing	(1,209)	(16,796)	(18,590)	(20,280)	(21,460)	(22,041)	(22,613)	(22,529)	(23,076)
Total Social and Recreation		48,307	36,196	38,334	37,399	37,861	39,422	39,683	41,130	42,637

8. Delete the financial information for CX370 and CX371 (Page 292 of volume one) and replace with the following and consequentially amend the total:

Capital expenditure (by strategy, activity and project for 10 years)										
Annual Plan Project		Forecast 2007/08 \$000	Forecast 2008/09 \$000	Proposed 2009/10 \$000	Proposed 2010/11 \$000	Proposed 2011/12 \$000	Proposed 2012/13 \$000	Proposed 2013/14 \$000	Proposed 2014/15 \$000	Proposed 2015/16 \$000
CX370	Housing upgrades	-	15,754	17,376	18,658	24,427	25,724	26,636	27,315	28,079
CX371	Housing renewals	2,232	4,161	2,702	3,134	2,881	3,049	3,166	3,532	3,802
6.1.1	Provider - Community Housing	2,232	19,915	20,078	21,792	27,308	28,773	29,802	30,847	31,881
Total Social and Recreation		25,547	53,782	32,724	30,411	34,774	34,982	38,801	36,692	38,847

9. Insert new level of service in table 6.1.1 'Community Housing Level of service' (page 294 of volume one) as follows;

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- “we will upgrade our housing units to provide safe, secure housing to an appropriate modern standard and in accordance with the investment plan to be developed.”

Attachment 2:

Assumptions to the amendments to the 2006/16 LTCCP

1. Programme will be completed evenly (in nominal terms) over 10 years starting in 2008/9 and ending in 2017/18.
2. Ring fencing is of the cash surplus, this being the net operating position +/- the balance of capital expenditure funded by depreciation.
3. The current cost structure for the housing operations project will continue into the ring fenced operations with the following exceptions:
 - reduce rental income during the investment period as tenants are decanted
 - additional OPEX costs incurred for tenant liaison activities.
 - additional OPEX costs for additional premises to house decanted tenants.
 - minor maintenance savings occur during the investment period.
 - rentals increasing as a consequence of the investment which is likely to increase the assessed market rental valuations.
4. The cash surplus available from ring fencing will be used to fund investment into the housing stock.
5. Minor deferrals will occur on the current planned renewals programme as a consequence of the investment.
6. Consequential amendments as a result of updated opening balance sheet projections have been incorporated within the overall housing amendment.

Section Two:

To give effect to the proposed Amendments to the Wellington City Council Development Contributions Policy

Introduction

The Council's Development Contributions Policy provides the Council with the means to fund investment in reserves and infrastructure required as a result of growth. The Council recognises that strong population growth has been experienced and is expected to continue. This growth impacts on public infrastructure and drives demand for increased capacity for network infrastructure (for example, water, wastewater, roading and stormwater services), community infrastructure (for example, libraries and swimming pools) and reserves.

The Development Contributions Policy was adopted by Council in 2005 and revised in 2006. It is Council policy that where the investment in meeting new demand can be quantified, it shall be funded by development contributions.

Scope of amendments

The Council proposes to amend the Development Contributions Policy, effective from 1 July 2007. The proposed amendments are shown in the schedule of amendments attached (attachment 1). The changes are summarised as follows:

- **Pipitea Catchment- new development contribution for roading.** The LTCCP makes provision to fund roading changes in the vicinity of Waterloo Quay and Aotea Quay. A new catchment zone (Zone T) is being established to fund \$2.075 million of work that is growth related the Council intends to undertake.
- **Map change - boundary of zones K and N.** The effect of this change is to correct an error in the current policy to include the Overseas Passenger Terminal in zone K instead of zone N. The effect of the change is that development contributions for inner city reserves will apply to that site i.e. \$2266 per residential EHU in addition to the citywide fee payable.
- **Community Infrastructure** – The proposed amendment introduces a new development contribution for Community Infrastructure. The Council intends to undertake approximately \$8.8 million of growth related investment. This includes the Wellington Regional Aquatic Centre (\$5.4 million) and the Keith Spry Swimming Pool (\$3.4 million) and will use development contributions to fund this work. A proposed new citywide development contribution of \$584 per EHU will apply on a citywide basis. In addition, a new catchment zone (Zone U) is being established to fund the growth related investment in Keith Spry Pool. However in addition

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Councillors requested further work to be undertaken on alternative methodologies and that the consultation documentation specifically seek feedback on the approach taken by Council. This is set out later in this section.

- **Consequential changes arising from the proposed amendment to the LTCCP to revise capital expenditure figures.** The Development Contributions payable under the existing policy has been calculated by reference to the growth related capital expenditure in the 2006/16 LTCCP. As part of this overall LTCCP amendment, it is proposed to amend the forecast capital expenditure in the 2006/16 LTCCP (see Part 4 of the LTCCP amendment). Some of these changes relate to projects for which Development Contributions are payable. It is proposed that the Development Contributions payable under the policy, are amended to reflect those changes.
- **Minor/ editorial changes**

Effect of the proposed amendments

The proposed amendments will increase the overall development contribution fee payable per EHU across the City. The amount of the increase will depend on the location of the development. The proposed development contribution amounts are set out in the table at paragraph 2 of attachment 1.

Community Infrastructure - Swimming Pools

The methodology for calculating development contributions involves defining catchment zones. The zones define the catchment that is served by a particular type of infrastructure. In some cases the catchment is citywide and in other cases the catchment shows the benefits are provided to a clearly defined local area, which is depicted in a map in the Policy.

The proposed development contributions for Community Infrastructure have attributed the benefits of the investment in the Wellington Regional Aquatic Centre as being city wide and the benefits of the investment in the Keith Spry Swimming Pool as being confined to the suburbs north of Crofton Downs and Wadestown. The basis for using these catchments is found in surveys that show almost all users of the Keith Spry Pool come from the northern suburbs, and users of the Wellington Regional Aquatic Centre come from across the city. Option one is the proposed methodology in the amendments attached.

Other methodologies were also considered and are modelled in the tables below. Option two shows the investment as being of benefit to the whole city (resulting in only one city-wide contribution being payable). Option three shows the benefit mostly accruing to the area as defined in option one, but with a residual benefit of the Keith Spry pool also accruing to the whole city.

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Option One (proposed)			
Facility (Citywide Zone)	Growth Component (\$)	Expected increase in EHUs	Development Contribution per EHU (\$)
Wellington Regional Aquatic Centre	5,362,000	9,175	584
Facility (Local Zone)	Growth Component (\$)	Expected increase in EHUs	Development Contribution per EHU (\$)
Keith Spry Swimming Pool	3,382,000	3,849	879
Option Two			
Facility (Citywide Zone)	Growth Component (\$)	Expected increase in EHUs	Development Contribution per EHU (\$)
Wellington Regional Aquatic Centre	5,362,000		
Keith Spry Swimming Pool	3,382,000		
Total - All Pools	8,744,000	9,175	953
Option Three			
Facility (Citywide Zone)	Growth Component (\$)	Expected increase in EHUs	Development Contribution per EHU (\$)
Wellington Regional Aquatic Centre	5,362,000	9,175	584
Facility (Outside Local Zone)	Growth Component (\$)	Expected increase in EHUs	Development Contribution per EHU (\$)
Keith Spry Swimming Pool	202,920	5,326	38
Facility (Local Zone)	Growth Component (\$)	Expected increase in EHUs	Development Contribution per EHU (\$)
Keith Spry Swimming Pool	3,179,080	3,849	826

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In summary, each of the three options would increase development contributions that would be payable, however options two and three distribute part or all of the growth related investment in the Keith Spry Pool over the whole city, which would lessen the development contribution that would be payable from the proposed new catchment zone (Zone U).

Consultation process

The Council is keen to know what residents, ratepayers, developers and stakeholders think about the proposed amendments to the Development Contributions Policy. Information, including a copy of the current Development Contributions Policy, and a submission form can be obtained from the Council libraries, service centres and Contact Centre. They are also available online at www.wellington.govt.nz.

Attachments

1/ Proposed amendments to the Development Contributions Policy

Attachment 1

Proposed Amendments to the Development Contributions Policy

1. Paragraph 2.4.1

Delete paragraph 2.4.1 and replace it with the following:

'The schedule of development contributions refers to areas A to U. These refer to geographically defined development contribution areas set out in Appendix A – Maps of development contributions catchment areas. Catchment T (Pipitea Precinct) and U (Keith Spry Pool) apply in addition to the relevant catchment Zone A to S.'

2. Section 2.4 – schedule of development contributions

Delete the schedule of development contributions and replace it with the following:

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Map Zone	City Wide	Catchment Specific				
	City Wide \$ per EHU	Water Supply \$ per EHU	Waste Water \$ per EHU	Roading \$ per EHU	Reserves \$ per EHU	Community Infrastructure \$ per EHU
A Roseneath	\$ 2,532	\$ 1,775	\$ 1,185	\$ -	\$ -	\$ -
B Western Messines	\$ 2,532	\$ 961	\$ 2,440	\$ -	\$ -	\$ -
C Grenada North HL	\$ 2,532	\$ 7,250	\$ 1,185	\$ -	\$ -	\$ -
D Frobisher	\$ 2,532	\$ 1,904	\$ 1,185	\$ -	\$ -	\$ -
E Kelburn	\$ 2,532	\$ 1,392	\$ 1,185	\$ -	\$ -	\$ -
F Central Johnsonville West	\$ 2,532	\$ 850	\$ 1,185	\$ -	\$ -	\$ -
G Ngaio West	\$ 2,532	\$ 3,907	\$ 1,185	\$ -	\$ -	\$ -
H Onslow	\$ 2,532	\$ 677	\$ 1,185	\$ -	\$ -	\$ -
I Churton-Stebbins	\$ 2,213	\$ 1,543	\$ 722	\$ 2,719	\$ -	\$ -
J Grenada-Lincolnshire	\$ 2,532	\$ 5,720	\$ 722	\$ 1,359	\$ -	\$ -
K Inner City - Residential	\$ 2,532	\$ -	\$ 2,369	\$ -	\$ 2,266	\$ -
Inner City - Non-Residential	\$ 2,532	\$ -	\$ -	\$ -	\$ 283	\$ -
L Northern	\$ 2,532	\$ -	\$ 722	\$ -	\$ -	\$ -
M Western	\$ 2,532	\$ -	\$ 2,440	\$ -	\$ -	\$ -
N Central	\$ 2,532	\$ -	\$ 1,185	\$ -	\$ -	\$ -
O Rural	\$ 1,748	\$ -	\$ -	\$ -	\$ -	\$ -
P Rossaveel	\$ 2,532	\$ 500	\$ 722	\$ -	\$ -	\$ -
Q Central Messines	\$ 2,532	\$ 961	\$ 1,185	\$ -	\$ -	\$ -
R Northwest Johnsonville	\$ 2,532	\$ 850	\$ 722	\$ -	\$ -	\$ -
S Central Grenada-Lincolnshire	\$ 2,213	\$ 5,720	\$ 1,185	\$ 1,359	\$ -	\$ -
T Pipitea Precinct				\$ 540		\$ -
U Keith Spry Pool						\$ 879

Greenfield development

* See paragraph 12.2.9 and Appendix B6.1.2 – B6.1.7 for the development contribution for reserves for any greenfield development .As an indication, an average development contribution for Greenfield development reserve is \$7,510.

Note: Each EHU must pay the Citywide fee and the relevant catchment specific fees. In addition to the fee payable for Catchments A-S, if a development is also in Catchment T (Pipitea Precinct) or U (Keith Spry Pool) the additional catchment fee is payable.

3. Maps of development contribution areas

- (a) Delete existing Map K and replace it with new Map K (inner city).
- (b) Delete existing Map N (central) and replace it with new Map N (central).
- (c) Add new Map T (Pipitea Precinct).
- (d) Add new Map U (Keith Spry).

(See maps attached on pages 22 and 23.)

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4. Paragraph 8.2.6 (table)

Delete 'below' and include the words 'in 2.5.5'.

5. Paragraph 11.1.2 (table)

Make the following amendments to the table:

Step two: In the third bullet point, change the cross-reference from 3 to 9.

Step four: In the fourth bullet point, delete the words 'in the District Plan' and insert the words 'clause 5 'Definitions''.

6. Paragraphs 12.1.12 and 12.1.13 – citywide reserves

Delete the heading and paragraphs 12.1.12 and 12.1.13 and replace them with the following:

'Citywide reserves and community infrastructure

12.1.12 Citywide reserves and community infrastructure comprise amenities such as the botanic gardens, sporting facilities, swimming pools and open space. They are destination reserves and facilities that provide active recreational facilities to the city community. Increased demand can come from anywhere within the city.

12.1.13 Growth impacts on these amenities in a number of ways including degradation in the quality of the amenity, overcrowding, changes in activities and usage by residents, etc. Capital works are continually required to upgrade these reserves to enable increased usage and to purchase new land and assets. Works are planned to cater for growth to ensure cost effective use of the Council's resources and assets.'

7. Paragraph 12.2 – development contributions for specific catchment areas

Paragraph 12.2.1 – third bullet point: After the words 'development of local' insert the words 'community infrastructure such as' so that the third bullet point reads as follows:

'development of local community infrastructure such as playgrounds and open space to service a new subdivision or to

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cater for additional growth in household units within existing suburbs or the inner city.'

Paragraph 12.2.2 - delete the sentence in paragraph 12.2.2 that reads 'Currently there are specific catchments for water supply, waste water and reserves.' and insert the words 'There are specific catchments for water supply, waste water, reserves, roads and community infrastructure.' so that the paragraph reads as follows:

'It is anticipated that specific catchments will be defined from time to time as specific local works are required to mitigate the impact of growth on the local community. There are specific catchments for water supply, wastewater, reserves, roads and community infrastructure.'

8. **Pipitea Precinct roading improvements catchment**

Insert the following paragraphs into section 12.2 of the policy after paragraph 12.2.10 to provide for the Pipitea Precinct roading catchment:

'Pipitea Precinct Roading Improvements Catchment

12.2.11 The future urban development of the land currently used for port and railyards will generate a substantial amount of new vehicle traffic onto an important gateway route into and out of the city as well as substantial increase in pedestrian numbers between the new development, public transport hubs and the rest of the central city. This will require improvements to be made to the road corridor and to key intersections to facilitate this growth and ensure that congestion is managed appropriately.

12.2.12 Therefore a sub-catchment has been defined based on the areas of future development which will generate the majority of the increased traffic and turning movements.'

9. **Appendix A – Tables 1, 3 and 4**

In order to give effect to the introduction of community infrastructure and the amendments to the capital expenditure figures in the LTCCP, make the following amendments to Tables 1, 3 and 4

(a) **Table 1 – Capital expenditure from the LTCCP**

Delete existing Table 1 and replace it with the following:

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Summary of capex for infrastructure area	Total cost of capital works	Total growth component	Amount to be funded by development contributions	Amount to be funded from other sources
Water supply	\$ 113,809,537	\$ 9,337,663	\$ 9,337,663	-
Waste water	\$ 98,326,824	\$ 2,458,171	\$ 2,458,171	-
Storm water	\$ 72,295,229	\$ 1,807,381	\$ 1,807,381	-
Roading	\$ 154,082,545	\$ 22,183,709	\$ 15,741,131	6,442,578
Reserves	\$ 85,129,954	\$ 6,214,214	\$ 6,214,214	-
Community Infrastructure	\$ 18,544,000	\$ 8,743,793	\$ 8,743,793	-

(b) **Table 3 – Citywide development contributions**

Delete existing Table 3 and replace it with the following:

Citywide Development Contributions	Revised Citywide Levy
Water Supply	\$ 319
Storm Water	\$ 197
Waste Water	\$ 268
Transport	\$ 718
Reserves	\$ 446
Community Infrastructure	\$ 584
Total	\$ 2,532

(c) **Table 4 – Specific catchment related development contributions**

Delete existing Table 4 and replace with the following:

Wastewater Development Contributions	\$ per EHU (ex GST)
Central (Moa Point)	\$ 1,185
Western (Karori)	\$ 2,440
Northern (Porirua)	\$ 722

Water Supply Catchment Based Development Contributions	Revised Catchment Based Levy
Happy Valley and Frobisher	\$ 1,904
Kelburn	\$ 1,392
Grenada North High Level	\$ 7,250
Onslow	\$ 677
Roseneath	\$ 1,775
Messines Road	\$ 961
Ngaio West	\$ 3,907
Johnsonville West	\$ 850
Churton-Stebbings	\$ 1,543
Grenada-Lincolnshire	\$ 5,720
Rossaveel Heights	\$ 500

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Roading Development Contributions	\$ per EHU (ex GST)
Churton-Stebbing Catchment	\$ 2,719
Grenada-Lincolnshire Catchment	\$ 1,359
Pipitea Precinct	\$ 540

Reserves Development Contributions	\$ per EHU (ex GST)
Inner City Catchment - Residential	\$ 2,266
Inner City Catchment - Non Residential	\$ 283

Greenfield development	\$7,510 estimated (to be calculated under B6.1.2- B6.1.7 based on Council's policy for playgrounds and reserves)
Community Infrastructure Development Contributions	\$ per EHU (ex GST)
Keith Spry Swimming Pool	\$ 879

10. Appendix B - Methodology

Paragraph B1.1.2: Add a new paragraph (f) so that paragraph B1.1.2 reads as follows:

- (a) A citywide catchment for water supply, stormwater and roading
- (b) Water supply catchments
- (c) Wastewater catchments
- (d) Roothing catchments
- (e) An inner city catchment for reserves
- (f) Community infrastructure.

11. Paragraph B2.1 - citywide

In order to amend the table in paragraph B2.1.1 to reflect the proposed amended capital expenditure figures and the addition of community infrastructure, delete the current table and replace it with the following:

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Activity	Total Planned Capex	Gross Contribution Amount	Less Subsidy Receivable	Net Contribution Amount	EHUs	Citywide Development Contribution Amount
Water Supply	\$ 87,944,385	\$ 2,198,610	\$ -	\$ 2,198,610	6,885	\$ 319
Storm Water	\$ 72,295,229	\$ 1,807,381	\$ -	\$ 1,807,381	9,175	\$ 197
Waste Water	\$ 98,326,824	\$ 2,458,171	\$ -	\$ 2,458,171	9,175	\$ 268
Traffic and Roothing	\$ 130,281,466	\$ 13,028,147	\$ 6,442,578	\$ 6,585,569	9,175	\$ 718
Reserves	\$ 69,019,736	\$ 4,087,528	\$ -	\$ 4,087,528	9,175	\$ 446
Community Infrastructure	\$ 12,544,000	\$ 5,362,000	\$ -	\$ 5,362,000	9,175	\$ 584
Total	\$ 470,411,640	\$ 28,941,836	\$ 6,442,578	\$ 22,499,258	8,793	\$ 2,532

12. Paragraph B3.1 – water supply

In order to amend the table in paragraph B3.1.1 to reflect the proposed amended capital expenditure figures delete the current table and replace it with the following:

Water Supply	Completed prior to 2003/04	Planned capital expenditure	Proportion relating to growth	Growth EHUs	Development Contributions per EHU
Happy Valley and Frobisher	\$ 613,130		\$ 60,928	32	\$ 1,904
Kelburn	\$ 2,620,000		\$ 199,056	143	\$ 1,392
Grenada North High Level	\$ 580,000		\$ 152,250	21	\$ 7,250
Onslow	\$ 2,120,000		\$ 139,462	206	\$ 677
Roseneath		\$ 2,276,046	\$ 131,350	74	\$ 1,775
Messines Road		\$ 4,373,492	\$ 465,124	484	\$ 961
Ngaio West		\$ 8,335,000	\$ 2,344,200	600	\$ 3,907
Johnsonville West		\$ 1,600,000	\$ 299,200	352	\$ 850
Churton-Stebbing		\$ 1,759,241	\$ 1,759,241	1,140	\$ 1,543
Grenada-Lincolnshire		\$ 1,487,255	\$ 1,487,255	260	\$ 5,720
Rossaveel Heights		\$ 100,988	\$ 100,988	202	\$ 500
Total	\$ 5,933,130	\$ 19,932,022	\$ 7,139,054		

13. Paragraph B5.1 – roading

Delete paragraph B5.1.1 and replace it with the following:

'Three traffic and roading catchments are identified for new roads. Two come as part of the Northern Growth Management Plan. The third recognises the response to growth around the port and rail yards land at the northern gateway to the city.

This capital expenditure is included in capital projects CX311 and CX493 respectively as budgeted in the Council's LTCCP and related amendments. The calculation of development contributions in the following table identifies the proportion of the

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capital expenditure relating to growth divided by the estimated growth in EHUs.'

In order to amend the table in paragraph B5.1.1 to reflect the proposed amended capital expenditure figures and include the Pipitea Precinct catchment delete the current table and replace it with the following:

Churton-Stebbing Catchment	Planned capital expenditure	Proportion relating to growth	Growth EHUs	Development Contribution per EHU
Cortina to Ohariu	\$ 400,000	\$ 164,000	1,360	\$ 121
Westchester to Glenside	\$ 5,883,079	\$ 2,412,062	1,360	\$ 1,774
Ohariu to Westchester	\$ 2,735,000	\$ 1,121,350	1,360	\$ 825
Total	\$ 9,018,079	\$ 3,697,412	1,360	\$ 2,719

Grenada-Lincolnshire Catchment	Planned capital expenditure	Proportion relating to growth	Growth EHUs	Development Contribution per EHU
Mark Ave Extension	\$ 1,000,000	\$ 710,000	2,489	\$ 285
Mark Ave to Grenada North	\$ 2,510,000	\$ 1,782,100	2,489	\$ 716
Woodridge to Lincolnshire	\$ 1,255,000	\$ 891,050	2,489	\$ 358
Total	\$ 4,765,000	\$ 3,383,150	2,489	\$ 1,359

Pipitea Precinct Catchment	Planned capital expenditure	Proportion relating to growth	Growth EHUs	Development Contribution per EHU
Pipitea Precinct Catchment	\$ 10,018,000	\$ 2,075,000	3,845	\$ 540

14. B6.1 – Reserves

In order to amend the capital expenditure figures for the inner city reserves catchment to take into account the amendments to the capital expenditure figures in the LTCCP delete the table in paragraph B6.1.1 and replace it with the following:

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Residential	Planned capital expenditure	Residential share @ 44.77%	Residential EHUs	Development Contribution per EHU
Waitangi Park	\$ 5,225,000	\$ 2,339,233	3,183	\$ 735
Three Parks in Three Years Initiative	\$ 3,442,028	\$ 1,540,996	3,183	\$ 484
Other Inner City Parks	\$ 7,443,190	\$ 3,332,316	3,183	\$ 1,047
Total	\$ 16,110,218	\$ 7,212,545	3,183	\$ 2,266

Non Residential	Planned capital expenditure	Non residential share @ 55.23%	Non residential EHUs	Development Contribution per EHU
Waitangi Park	\$ 5,225,000	\$ 2,885,768	31,406	\$ 92
Three Parks in Three Years Initiative	\$ 3,442,028	\$ 1,901,032	31,406	\$ 61
Other Inner City Parks	\$ 7,443,190	\$ 4,110,874	31,406	\$ 131
Total	\$ 16,110,218	\$ 8,897,673	31,406	\$ 283

Amend paragraph (e) of the calculation for residential and non-residential reserves contribution to take into account the changed figures for capital expenditure as follows:

'Residential = $\$16,110,218 \times 44.77\% / 3,183$ or \$2,266 per residential EHU

Non-residential = $\$16,110,218 \times 55.23\% / 31,406$ or \$283 per non-residential EHU'

15. Community infrastructure – catchment based

Add the following new section B7.1 to the methodology section of the policy to record the methodology used to introduce community infrastructure to the policy:

'B7.1 Community infrastructure – Catchment based

B7.1.1 Community infrastructure is predominantly used by residents of the local area, but people resident in other areas of the city may also use the facilities, depending on the type of facility. Some local purpose community infrastructure can also be used on a less frequent basis by all residents and by visitors to the city. A ratio is applied to fairly reflect the expected predominant usage under the following methodology:

- (a) Determine the expected area of benefit. If the facility is intended to service a part of the city, define the catchment using the most suitable census area units.

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- (b) Determine whether the potential for a local facility to be used by residents living outside the catchment area is likely to be significant. For example where the local facility is part of a network or hierarchy of facilities there is potential for it to accommodate citywide growth. An example of this is shown in B6.1 of this policy (Reserves).
- (c) Determine the capital expenditure. Where capital expenditure is for increased levels of service, renewals and growth, only the growth component is eligible for funding by development contributions.
- (d) Apply the benefit ratio where expected growth related usage is a combination of local catchment zone and citywide.

	Planned capital expenditure	Growth component	Expected increase in EHUs	Development contribution per EHU
Local Project Keith Spry Pool	\$6,000,000	\$3,381,793	3,849	\$879

- (e) The growth component is quantified by:
 - An increase in funding required to provide additional capacity in a planned facility upgrade, or
 - The proportional change in EHUs in a community or citywide.
- (f) Mixed benefit projects are assessed on the basis of data indicating where users are domiciled.'

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Section Three: Proposed Amendments to the Revenue and Financing Policy

Introduction:

In accordance with the Local Government Act 2002 (the Act) the Council is required to adopt a Revenue and Financing Policy that provides the detail on the funding of operational and capital expenditure. The Council's Revenue and Financing Policy was adopted by the Council in June 2006 as part of the 2006/07 – 2015/16 Long Term Council Community Plan (LTCCP).

The Council proposes to amend the Revenue and Financing Policy to take into account the following:

- The Revenue and Financing policy implications of proposal from the Crown to invest in the Council's social housing. The proposal from the Crown contains a number of conditions that would require an amendment to the revenue and Financing Policy.
- Proposed changes to Funding Policy targets (user charges, other revenue and rates) where the current targets are no longer considered reasonable or affordable.
- Proposed changes to the Funding Policy targets to reflect the realignment of Council projects and activities.

The Council considers that the above amendments are necessary in order to ensure that the Council continues to operate in a financially prudent manner, in compliance with an approved and up to date Revenue and Financing Policy that meets the expectations and demands of it.

In accordance with the Act, the Council is required to prepare a "Statement of Proposal" detailing the proposed amendments and to consult on the proposal using the special consultative procedure.

The following Statement of Proposal provides further detail on the proposed amendments. A description of the amendment, the reasons for the proposed amendment and the implications of the amendment are set out below.

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Community Housing

As indicated in the Council’s Revenue and Financing Policy “the Council will use capital subsidies from third parties to fund investment in new or upgraded assets”. In the 15 years from 2008/09 the Council anticipates receiving \$220 million from Central Government to fund upgrade and/or replacement of its community housing assets. This will allow the Council to carry out significant upgrade of its housing assets, expenditure not previously contained in the LTCCP. This is detailed in section one of this Statement of Proposal (refer to page x).

Under the existing LTCCP any cash surpluses arising from the Community Housing operation are used to offset rates. In future these will be ‘ring fenced’ for reinvestment into the housing activity. This will have a consequential impact of increasing general rates by approximately 1% from 2008/09.

In conjunction with this change the Council proposes to remove the capital charge currently allocated to this activity. This reflects the cost of capital invested in the city housing stock and is shown in an activity funding split of 70% user charges and 30% general rate funding (LTCCP Vol. 2, page 80). This is also generally consistent with the application of the 70% of market rent policy currently applied.

The removal of the capital charge will result in the funding target for the activity reverting to 100% user charges.

Community Housing	Current Revenue and Policy Target	Revenue and Financing Funding	Amended Revenue and Financing Policy Funding Target
User charges	70%		100%
Other revenue	0%		0%
Targeted rate	0%		0%
General rate	30%		0%
Total	100%		100%

Development Control and Facilitation

This activity covers the issuing of resource consents, monitoring compliance and dealing with complaints in regard to the Council’s statutory responsibility under the Resource Management Act to ensure land and other resources are used in a sustainable manner.

As a result of a recent review of our Revenue and Financing Policy we propose to transfer Noise Monitoring (which is fully rates funded) away from Development Control and Facilitation activity and into the Public Health activity. As noise monitoring is 100% general rates funded, this shift will result in an increase in the User Charge funding target for the Development Control and

APPENDIX ONE – SECTION THREE

Facilitation activity from 40% User Fees to 45%. This change has no overall impact on the Council's rates requirement.

Development Control and Facilitation	Current and Policy Target	Revenue Financing Funding	Amended Revenue and Financing Policy Funding Target
User charges	40%		45%
Other revenue	0%		0%
Targeted rate	0%		0%
General rate	60%		55%
Total	100%		100%

Public Health

As a consequence of the transfer of Noise Monitoring from the Development Control and Facilitation activity to the Public Health activity, we propose to decrease the user charge funding target for the Public Health activity from 50% to 45% to reflect the increase in 100% rates funded expenditure proposed to be incorporated within the activity. This change has no overall impact on the Council's rates requirement.

Public Health	Current and Policy Target	Revenue Financing Funding	Amended Revenue and Financing Policy Funding Target
User charges	50%		45%
Other revenue	0%		0%
Targeted rate	0%		0%
General rate	50%		55%
Total	100%		100%

Promoting and Hosting Cultural Events

We propose to decrease the other revenue funding target for this activity from 35% to 25% to reflect the reduction in non-Council external grant funding received for the provision of this activity. This will result in an increase in the general rates requirement of approximately \$130,000 per annum.

Promoting and Hosting Cultural Events	Current and Policy Target	Revenue Financing Funding	Amended Revenue and Financing Policy Funding Target
User charges	0%		0%
Other revenue	35%		25%
Targeted rate	0%		0%
General rate	65%		75%
Total	100%		100%

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Community Centres and Halls

We propose to decrease the user charges and other revenue component targets for this activity from 20% to 2%, to reflect the reclassification of rental revenue streams previously included under this activity but now more appropriately recorded as corporate revenue (which is unallocated to Council activities). This change has no overall rates impact.

Community Centres and Halls	Current and Policy Target	Revenue and Financing Funding	Amended Revenue and Financing Policy Funding Target
User charges	10%		2%
Other revenue	10%		0%
Targeted rate	0%		0%
General rate	80%		98%
Total	100%		100%

Swimming Pools

We propose to decrease the user charge funding target for this activity from 45% to 40%, with an increase in the General Rates funding target from 55% to 60%. This change is proposed in conjunction with an increase in fees for these services. The objective of these proposed changes is to appropriately manage the competing expectations of recovering an appropriate level of funding from users of the Council's swimming pools but at a level that remains affordable to all potential users. This change will result in an increase in general rates funding requirement of approximately \$780,000 per annum (an increase that would otherwise have been required to have been met by increased fees and charges if the Council ensured full compliance with the targets set out in the current policy).

Swimming Pools	Current and Policy Target	Revenue and Financing Funding	Amended Revenue and Financing Policy Funding Target
User charges	45%		40%
Other revenue	0%		0%
Targeted rate	0%		0%
General rate	55%		60%
Total	100%		100%

Section 4: Consequential Changes to Financial and Funding Statements

Introduction:

In accordance with the Local Government Act 2002 (the Act) the Council's Long term Council Community Plan (LTCCP) sets out the following financial information for the period 2006/07 – 2015/16:

- Funding Impact Statements for the Council's forecast operating and capital expenditure
- Forecast funding statements including:
 - Statement of Prospective Borrowings
 - Statement of Prospective Investments
 - Statement of Prospective Capital Expenditure and Capital Expenditure Funding
 - Statement of Prospective Decline in Service Potential Funding
- Forecast financial statements, including:
 - Prospective Income Statement
 - Prospective Balance Sheet
 - Prospective Statement of Changes in Equity
 - Statement of Prospective Cash Flows
 - Prospective Segment Analysis by Strategy

The Council proposes to amend the above financial information and statements to take into account the financial implications and consequences of the following:

- The proposal from the Crown to invest in the Council's social housing portfolio (as detailed in Section One of this Statement of Proposal)
- Proposed changes to the Revenue and Financing Policy (as detailed in Section Three of this Statement of Proposal)
- Proposed changes to project and programme budgets as detailed in the 2007/08 Draft Annual Plan
- Proposed changes to the forecast budget assumptions that underpin the LTCCP including, revenue and expenditure assumptions and forecasts, scheduled timing of projects and proposed amendments to asset management plans.

The Council considers that the above amendments are necessary in order to ensure that ratepayers have the most up to date and relevant information on the Council's financial position and projections for the period covered by the current LTCCP. The Council considers that preparation of updated financial statements and long term forecasts is particularly important given the significance of the effect of the proposed Crown investment in the Council's housing portfolio on these statements. In the Council's opinion, up to date

APPENDIX ONE – SECTION FOUR

financial forecasts enhance the principle of fiscal accountability between the Council and Wellington ratepayers.

Amendments to Financial Information – Project and Programme Budgets, Forecasts and Assumptions

The Council's LTCCP details the financial forecasts for the delivery of the Council's activities, services and capital investment. The LTCCP includes the prospective financial information and statements for the 10 year period to 30 June 2016. The financial information and forecasts was prepared on the basis of best estimate assumptions as to future events which the Council reasonably expected to take place. The prospective financial statements were authorised for issue on 28 June 2006 and the assumptions and estimates contained in these statements were appropriate as at that date. The prospective financial statements contain a cautionary note to the effect that the financial information is prospective and therefore actual results are likely to vary from the information presented, and that the variations may be material.

In developing the 2007/08 Draft Annual Plan the Council has updated its budget assumptions and forecasts for the financial year ending 30 June 2008. In accordance with the Act the Council is required to prepare financial information for the 2007/08 financial period only. The Council is not required to prepare and / or publish updated forecast financial information for the subsequent periods covered by the current LTCCP.

Notwithstanding this, as a matter of good financial management, the Council updates its long term financial forecasts to take into account budget changes covered by the proposed 2007/08 Draft Annual Plan (and the consequential future implications of these budget changes), updates to forecast budget assumptions (including changes to the forecast timing of projects, forecast inflation rates etc.) and for proposed amendments to asset management plans and Council policies.

The overall impact of the proposed amendments, across the nine years to 30 June 2015/16 is as follows:

- Increased rates of \$51 million
- Increased capital expenditure of \$226 million
- Increased borrowings of \$8 million
- Increased development contributions revenue of \$8 million.

Except as separately noted for the proposed Crown investment in the Council's housing portfolio, there are no significant changes proposed to the forecast financial information and statements over the period covered by the LTCCP that would require amendment to the LTCCP. However, the Council proposes to amend the forecast financial statements to ensure that the most up to date forecast financial information is available. The effect of the proposed amendment is to ensure that the Council's most current and up to date financial forecasts are consistent with its published amended LTCCP for the same period.

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In amending the current LTCCP financial statements the Council will update its financial forecasts for the following changes that have occurred since the finalisation of the current LTCCP in June 2006:

- Changes in the forecasted rate of general inflation and cost increases for significant inputs used in the delivery or production of Council services or assets.
- Current labour market cost pressures that have been reflected in the 2007/08 Draft Annual Plan and the forecasted effect of these over the period covered by the LTCCP.
- Council approved new initiatives. For a fuller understanding of the new initiatives currently proposed by Council, refer pages x to x of the Draft Annual Plan.
- Changes to activity funding approved by the Council.
- The consequential operating expenditure impact of changes to the level and timing of capital expenditure as detailed in Asset Management Plans. This includes the nature, timing and extent of the receipt of capital or operating subsidies from third parties such as Land Transport New Zealand.
- The consequential operating expenditure impact of the revaluation of significant classes of Council assets (i.e. movements in depreciation, interest, and maintenance expenditure).
- The repayment (to Council) of the Council's subordinated debt in Wellington International Airport Ltd.
- Council-wide efficiency reviews. The Council continually examines the way that it operates and its service delivery models. Where appropriate efficiencies are achieved through a range of methods including supply chain management, use of external providers and implementation of new technology.
- Consequential impacts on the allocation of corporate overheads arising from amendments for all / some of the proposed changes set out above.

As part of the proposed amendment the Council proposes to replace the current financial statements detailed in the LTCCP with those Statements attached.

APPENDIX ONE – SECTION FOUR ATTACHMENT 1

Attachment 1

Replace Funding and Financial Statements on pages 328 to 335 (of volume one) and 343 to 349 (of volume one) with the following:

Funding Statements

APPENDIX ONE – SECTION FOUR ATTACHMENT 1

2007/08 DRAFT ANNUAL PLAN RATES FUNDING STATEMENT					
Rate	Factor	Differentiation	Total Value of Factor	Rate/charge	Rates yield GST Inclusive (\$000's)
General Rate	Capital Value	Base differential use	\$30,029,077,812	¢0.178587	53,628
	Capital Value	Commercial, industrial & business use	\$9,220,161,232	¢0.6781800	62,529
	TOTAL				116,157
Sewerage Rate	Fixed charge	Base differential use / connection status	62185 properties	\$112.50	6,996
	Capital Value	Base differential use / connection status	\$31,480,226,656	¢0.042453	13,364
	Capital Value	Commercial, industrial and business use / connection status	\$7,865,039,688	¢0.172579	13,573
	TOTAL				33,933
Water rate	Fixed charge	Base differential use/connection status	56332 properties	\$112.50	6,337
	Capital Value	Base differential use/connection status	\$26,251,626,529	¢0.045422	11,924
	Consumption unit charge	Base differential use/connection status	n/a	\$1.37 / m ³	394
	Capital Value	Commercial, industrial and business use /connection status	\$768,323,578	¢0.390225	2,998
	Consumption unit charge	Commercial, industrial and business use /connection status	n/a	\$1.37 / m ³	9,439
	TOTAL				31,092
Stormwater rate	Capital value	Base differential use (excluding rural)	\$29,653,379,892	¢0.035355	10,484
	Capital value	Commercial, industrial and business use (excluding rural)	8,226,303,492	¢0.031861	2,621
	TOTAL				13,105
Indoor Community Sports Centre rate	Capital value	Base differential use	\$30,029,077,812	¢0.003303	992
	Capital value	Commercial, industrial and business use	8,226,303,492	¢0.003423	281
	TOTAL				1,273
Base sector targeted rate	Capital Value	Residential use	\$30,029,077,812	¢0.022540	6,769
Commercial sector targeted rate	Capital Value	Commercial, industrial & business use	\$9,220,161,232	¢0.022555	2,080
Downtown levy	Capital Value	Commercial, industrial & business use / central city location	\$6,340,616,804	¢0.165386	10,486
Tawa driveways levy	Capital Value	Commercial, industrial & business use / central city location	256 properties	\$100.00	26
Marsden Village levy	Capital Value	Commercial, industrial & business use / central city location	\$10,565,905	¢0.132420	14
TOTAL RATES REQUIREMENT (INCLUDING GST)					214,935

APPENDIX ONE – SECTION FOUR ATTACHMENT 1

RATING MECHANISMS

RATES

Rates are assessed under the Local Government (Rating) Act 2002 on all rateable rating units in the Rating Information Database. Where rates are based on value, the capital value of the property as assessed annually by Quotable Value New Zealand Limited will apply. The latest revaluation was carried out as at **1 September 2006** and will be effective for the 2007/08 rating year.

Policy Objective

- To provide the Council with adequate income to carry out its mission and objectives.
- To support the Council's achievement of its strategic objectives.
- To be simply administered, easily understood, allow for consistent application and generate minimal compliance costs.
- To spread the incidence of rates as equitably as possible, by balancing the level of service provided by the Council with ability to pay and the incidence of costs in relation to benefits received.
- To be neutral in that it does not encourage people to redirect activity in order to avoid its impact.
- To reflect the decisions of the Council's policies and rating reviews.

GENERAL RATES

General rates are set under section 13 of the Local Government (Rating) Act 2002 on all rateable rating units in the City of Wellington.

The Council proposes to set a general rate based on the Capital Value of each rating unit within the city.

The general rate will be set on a differential basis, based on land use. All rating units (or part thereof) will be classified for the purposes of General rates within one of the following rating differentials:

DIFFERENTIAL RATING CATEGORIES

NON-RATEABLE

Included any land referred to in Part 1, Schedule 1 of the Local Government (Rating Act 2002). This land is non-rateable with the exception of targeted rates for sewerage and water where rates are applicable.

50 PERCENT NON-RATEABLE

Includes all land referred to in Part 2, Schedule 1 of the Local Government (Rating) Act 2002. This land is 50 percent non-rateable in respect of the rates that would have applied had the property not been classified as non-rateable, with the exception of targeted rates for sewerage and water for which the land is fully rateable.

BASE DIFFERENTIAL

This includes:

- a) Separately rateable land used solely for one or more household units; excluding those properties that provide short stay (28 days or less) commercial accommodation for which a tariff is charged
- b) Vacant land zoned residential
- c) Rural land (including farmland and lifestyle blocks) under the District Plan that is administered by Council, but excluding any rating unit that is zoned rural industrial
- d) Separately rateable land occupied by a charitable organisation, which is deemed by the Council to be used exclusively or principally for sporting, recreation or community purposes and that does not generate any private pecuniary profit.

COMMERCIAL, INDUSTRIAL AND BUSINESS DIFFERENTIAL

This includes:

- a) Separately rateable land used for a commercial or industrial purpose
- b) Vacant land zoned commercial, industrial or rural industrial under the District Plan administered by the Council
- c) Land used for offices, administrative and/or associated functions
- d) Land used for commercial accommodation for which a tariff is charged and where the principle purposed is the provision of short stay accommodation
- e) Business-related premises used principally for private pecuniary benefit
- f) Utility networks

APPENDIX ONE – SECTION FOUR ATTACHMENT 1

g) Any property not otherwise categorised within the Base differential.

ANNUAL UNIFORM GENERAL CHARGE

The Council does not assess a Uniform Annual General Charge.

DIFFERENTIAL RATING CATEGORY CONDITIONS

- The Council has resolved to achieve a target in 2009/10, which modifies the differential apportionment so that the commercial, industrial and business sector pay 2.8 times the General rate per dollar of capital value payable by those properties incorporated under the Base (Residential) differential. For 2007/08 the General rate differential ratio will be 3.8:1.
- The separated parts of a rating unit will be differentially rated where a part of the property is non-rateable or the property fits under one or more rating differential and either:
 - a) The total capital value of the rating unit is above \$500,000 or
 - b) Minority use(s) account for more than 30 percent of the total capital value of the rating unit.

In any other case, the General rate differential is determined by principal use.

We propose to increase in the threshold at which a property with both base differential (residential) and non-residential uses is required to be divided for rating purposes. In line with increases in capital value since the current rating policy was introduced in 2002, it is proposed to increase the capital value threshold requiring a property division from \$500,000 to \$800,000.

- In regard to the rates attributable to a rating unit during the transition period between two differential rating categories, a ratepayer may apply for a change in rating category at any time between the lodgement of a consent application with the Council (on the condition that the principal prior use has ended) and the earlier of either:
 - a) The time at which the Council gives final approval of the completed works, or
 - b) The property is deemed (by the Council) to be available for its intended use.

In situations where the change in land use does not require a Council consent, but warrants a change in differential rating category, the onus is on the ratepayer to inform the Council prior to the property being utilised under the new use.

- The rating differential classification of all rating units must be set prior to the commencement of a rating year and will remain in place for that entire rating year. Any change in circumstances that results in a change of differential classification during a rating year will apply from 1 July of the following rating year.
- Any property eligible for mandatory 50 percent non-rateability under Part 2, Schedule 1, of the Rating Powers Act will be first classified under the appropriate General rate differential classifications and the non-rateability applied to that rate.

TARGETED RATES

Targeted Rates are set under section 16 of the Local Government (Rating) Act 2002.

SEWERAGE RATE

A targeted sewerage rate is to be apportioned 60 percent:40 percent between properties incorporated under the Base differential and the Commercial, Industrial and Business differential in accordance with the Revenue and Financing Policy. This rate pays for the cost of the provision of the sewerage treatment facilities for the city.

For the purposes of these rates the sewerage collection and disposal service is treated as being provided if the rating unit is connected to a public sewerage drain (either directly or indirectly), irrespective of whether the property is considered fully rateable or is mandatory non-rateable or 50 percent non-rateable under Schedule 1 of the Local Government (Rating) Act 2002.

The targeted Sewerage rate is calculated as follows:

For rating units incorporated in the Commercial, Industrial and Business differential:

A rate per dollar of capital value on all rating units connected to a public sewerage drain, to collect 40 percent of the required rates funding.

For rating units incorporated in the Base differential:

A fixed amount of \$112.50 (incl. GST) and a rate per dollar of capital value on all rating units connect to a public sewerage drain, to collect 60 percent of the required rate funding.

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WATER RATE

A targeted rate for water is to be apportioned with the aim of achieving a 60 percent:40 percent split between properties incorporated under the Base differential and the Commercial, Industrial and Business differential in accordance with the Revenue and Financing Policy.

This rate pays for water collection and treatment facilities, the water distribution network and water conservation for the city.

This rate is set on all rating units serviced by a water connection. For the purposes of these rates, the water service is treated as being provided if the rating unit is connected to the public water supply (either directly or indirectly), irrespective of whether the property is considered fully rateable or is mandatory non-rateable or 50 percent non-rateable under Schedule 1 of the Local Government (Rating) Act 2002.

The targeted Water rate is calculated as follows:

For rating units incorporated in the Commercial, Industrial and Business differential, either:

a) A fixed water meter charge of \$1.37 (incl. GST) per cubic meter of water used by all rating units connected to the public water supply with a water meter installed, plus an administrative charge of \$84.37 (incl. GST) per annum

Or

b) A rate per dollar of capital value on all rating units connected to the public water supply, without a water meter installed.

For rating units rated incorporated in the Base differential, either:

a) A fixed water meter charge of \$1.37 (incl. GST) per cubic meter of water used by all rating units connected to the public water supply with a water meter installed, plus an administrative charge of \$84.37 (incl. GST) per annum

Or

b) A fixed amount of \$112.50 (incl. GST) per rating unit and a rate per dollar of capital value on all rating units connected to the public water supply without a water meter installed, to collect the required Base differential contribution.

STORMWATER NETWORK RATE

A targeted stormwater rate is to be apportioned 80 percent to the non-rural rating units incorporated under the Base differential and 20 percent to the Commercial, Industrial and Business differential in accordance with the Revenue and Financing Policy. This rate pays for the cost of the provision of the stormwater collection/disposal network for the city.

Properties classified as "rural" under the Council's operative District Plan are excluded from the liability of this rate.

The targeted Stormwater network rate is calculated as follows:

For non-rural rating units incorporated in the Commercial, Industrial and Business differential:

A rate per dollar of capital value to collect 20 percent of the required rates funding.

For non-rural rating units incorporated in the Base differential:

A rate per dollar of capital value to collect 80 percent of the required rates funding.

COMMERCIAL, INDUSTRIAL AND BUSINESS SECTOR TARGETED RATE

This rate pays for activities where the Council's Revenue and Financing Policy identifies that the benefit can be attributed to the commercial, industrial and business sector and where the activity is not incorporated in other service related targeted rates. This incorporates the following:

- 100% of the cost of the events attraction and support activity This rate is levied on all properties incorporated in the commercial, industrial and business sector and is calculated on a rate per dollar of rateable capital value.

APPENDIX ONE – SECTION FOUR ATTACHMENT 1

BASE SECTOR TARGETED RATE

This rate pays for activities where the Council's Revenue and Financing Policy identifies that the benefit can be attributed to properties incorporated under the Base differential rating category (incorporating residential ratepayers). This incorporates the following activities:

- 100% of the Facilitation of community environmental initiatives, cultural grants, facilitation of recreation partnerships and community advocacy activities.
- 80% of the provision of community centres and halls activities. This rate is levied on all properties incorporated under the Base differential rating category and is calculated on a rate per dollar of rateable capital value.

DOWNTOWN LEVY

This rate pays for tourism promotion, facilitation of suburban and city centres vitality, the New Zealand International Arts Festival. It also pays for 70% of the visitor attractions activity and 25% of the provision of galleries and museums activity.

This rate is levied on all commercial, industrial and business properties in the downtown area and is calculated on a rate per dollar of rateable capital value. For the purpose of this rate, the downtown area refers to the area designated as the "Central Area" under the operative Wellington City District Plan.

We propose to change the terminology used to describe the area to which the Council's non-residential Downtown Levy rate applies. It is proposed that the definition of the Downtown Area be amended to "*...the downtown area refers to the area designated as the "Central Area" under the Wellington City District Plan shown on map 32 as reprinted on 02/11/2005 and operative as at that date*". This is required because the 'Central Area' as currently defined will not exist under District Plan changes on which the Council is currently consulting. There is no change to the actual area to which the Downtown levy targeted rate applies.

TAWA DRIVEWAYS LEVY

This rate pays for the maintenance of a specified group of residential access driveways in the suburb of Tawa, overseen by the Council. This rate is levied on a specific group of rating units in the former Tawa Borough at a fixed amount of \$100 (including GST).

MARSDEN VILLAGE LEVY

This rate is collected by the Council on behalf of the Marsden Village Association on all commercial, industrial and business properties in the Marsden shopping village and is calculated on a rate per dollar of capital value.

INDOOR COMMUNITY SPORTS CENTRE

As signalled in the LTCCP, a targeted rate will be introduced from 2007/08 to cover \$11 million of the capital cost of the new indoor community sports centre.

RATES REMISSION AND POSTPONEMENT POLICIES

Refer to the Council Remission and Postponement Policies.

APPENDIX ONE – SECTION FOUR ATTACHMENT 1

Funding impact statement - Operating expenditure

(All figures shown exclusive of GST)	Forecast 2007/08 \$000	Forecast 2008/09 \$000	Projected 2009/10 \$000	Projected 2010/11 \$000	Projected 2011/12 \$000	Projected 2012/13 \$000	Projected 2013/14 \$000	Projected 2014/15 \$000	Projected 2015/16 \$000
Operating Statement									
Total project expenditure	310,346	326,811	339,688	348,454	360,799	370,616	380,038	394,596	405,021
Self-insurance reserve	500	500	500	500	500	500	500	500	500
Total operating expenditure	310,846	327,311	340,188	348,954	361,299	371,116	380,538	395,096	405,521
Less expenditure not funded under section 100 of LGA:									
LTNZ Transport funded projects	(6,852)	(7,203)	(7,329)	(7,459)	(8,024)	(8,072)	(8,050)	(8,872)	(9,016)
Clearwater sewerage treatment plant	(2,356)	(2,431)	(2,431)	(2,431)	(2,582)	(2,582)	(2,582)	(2,808)	(2,808)
Living Earth joint venture	(755)	(779)	(779)	(779)	(827)	(827)	(827)	(900)	(900)
Total operating expenditure to be funded	300,883	316,898	329,649	338,285	349,866	359,635	369,079	382,516	392,797
Funded by:									
General rates	103,251	113,395	120,617	125,874	131,432	135,883	139,620	145,042	149,810
Targeted rates:									
Sewerage rate	30,163	31,369	32,210	32,933	34,158	34,884	35,605	37,084	37,745
Water rate	27,637	28,790	29,599	30,304	31,488	32,187	32,892	34,338	34,969
Stormwater rate	11,649	12,396	12,924	13,280	13,894	14,219	14,588	15,391	15,621
Base (residential) sector targeted rate	6,016	6,269	6,029	6,164	6,411	6,602	6,854	7,214	7,382
Commercial sector targeted rate	1,849	1,914	1,976	2,034	2,095	2,157	2,215	2,272	2,335
Downtown levy	9,321	9,607	9,908	10,217	10,519	10,819	11,120	11,414	11,714
Tawa driveways levy	22	22	22	22	22	22	22	22	22
Marsden Village levy	13	13	13	13	13	13	13	13	13
Total targeted rates	86,670	90,380	92,681	94,967	98,600	100,903	103,309	107,748	109,801
Total rates to fund operating expenditure	189,921	203,775	213,298	220,841	230,032	236,786	242,929	252,790	259,611
User charges	69,051	71,193	74,300	76,302	78,221	80,490	82,818	84,759	87,164
Other income									
Ground and commercial leases	32,241	31,926	32,074	31,426	31,556	32,138	32,921	33,695	34,496
Dividends	4,750	4,750	4,750	4,750	4,750	4,750	4,750	4,750	4,750
Transfund subsidies	3,158	3,256	3,357	3,461	3,562	3,663	3,765	3,862	3,963
Interest on investments	-	-	-	-	-	-	-	-	-
Petrol tax	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Miscellaneous	762	998	870	505	745	808	896	1,660	1,813
Total funding for operating expenditure	300,883	316,898	329,649	338,285	349,866	359,635	369,079	382,516	392,797

APPENDIX ONE – SECTION FOUR ATTACHMENT 1

Funding impact statement - Capital expenditure and loans to other organisations

(All figures shown exclusive of GST)	Forecast 2007/08 \$000	Forecast 2008/09 \$000	Projected 2009/10 \$000	Projected 2010/11 \$000	Projected 2011/12 \$000	Projected 2012/13 \$000	Projected 2013/14 \$000	Projected 2014/15 \$000	Projected 2015/16 \$000
Renewal capital expenditure	55,133	67,712	59,589	62,225	63,918	64,118	67,287	70,908	70,865
Upgrade capital expenditure	36,238	68,284	54,069	45,510	49,896	55,780	62,748	59,834	56,119
Capital expenditure carried forward from 2005/06	6,771	4,794	-	-	-	-	-	-	-
Capital expenditure carried forward from 2006/07	19,767	-	-	-	-	-	-	-	-
Total capital expenditure to be funded	117,909	140,790	113,658	107,735	113,814	119,898	130,035	130,742	126,984
Loans to other organisations	2,000	13,000	-	-	-	-	-	-	-
Total capital expenditure and loans to be funded	119,909	153,790	113,658	107,735	113,814	119,898	130,035	130,742	126,984
Funded by:									
Rates funded depreciation	53,080	57,314	59,589	61,489	63,918	64,118	67,287	70,908	70,865
LTNZ transport subsidies	9,828	11,723	12,835	10,288	10,588	11,899	10,147	11,634	14,009
Housing grants	-	16,796	18,590	20,280	21,460	22,041	22,613	22,529	23,076
Development contributions	1,274	2,287	3,657	5,407	6,935	7,310	7,596	7,629	7,664
Targeted rates	1,132	1,132	1,132	1,132	1,132	1,132	1,132	1,132	1,132
Bequests	450	464	-	-	-	-	-	-	-
Borrowings	55,277	65,207	18,987	10,272	10,913	14,530	22,392	18,042	11,370
Total funding for capital expenditure and loans to other organisations	121,041	154,923	114,790	108,868	114,946	121,030	131,167	131,874	128,116

Note: The forecast surplus of funding over expenditure in years 2007/08 to 2015/16 reflects targeted rates funding for the repayment of borrowings.

**APPENDIX ONE – SECTION FOUR
ATTACHMENT 1**

Statement of Prospective Capital Expenditure and Capital Expenditure Funding

(All figures shown exclusive of GST)	Forecast 2007/08 \$000	Forecast 2008/09 \$000	Projected 2009/10 \$000	Projected 2010/11 \$000	Projected 2011/12 \$000	Projected 2012/13 \$000	Projected 2013/14 \$000	Projected 2014/15 \$000	Projected 2015/16 \$000
Capital expenditure:									
Renewals	55,133	67,712	59,589	62,225	63,918	64,118	67,287	70,908	70,865
New assets	36,238	68,284	54,069	45,510	49,896	55,780	62,748	59,834	56,119
Total annual capital expenditure programme	91,371	135,996	113,658	107,735	113,814	119,898	130,035	130,742	126,984
Renewals funded by:									
Depreciation	53,080	57,314	59,589	61,489	63,918	64,118	67,287	70,908	70,865
Borrowings	2,053	10,398	-	736	-	-	-	-	-
New assets funded by:									
Borrowings	24,686	37,014	18,987	9,535	10,913	14,530	22,392	18,042	11,370
Housing grants	-	16,796	18,590	20,280	21,460	22,041	22,613	22,529	23,076
Development contributions	1,274	2,287	3,657	5,407	6,935	7,310	7,596	7,629	7,664
LTNZ subsidies	9,828	11,723	12,835	10,288	10,588	11,899	10,147	11,634	14,009
Bequests	450	464	-	-	-	-	-	-	-
Sale of assets and investments	-	-	-	-	-	-	-	-	-
Total capital expenditure	91,371	135,996	113,658	107,735	113,814	119,898	130,035	130,742	126,984

Assumptions:

1. For LTCCP purposes it is assumed that Development contributions , Reserve fund and Bequests income are utilised in the year it is received.

**APPENDIX ONE – SECTION FOUR
ATTACHMENT 1**

Summary Statement of Prospective Borrowings

(All figures shown exclusive of GST)	Forecast 2007/08 \$000	Forecast 2008/09 \$000	Projected 2009/10 \$000	Projected 2010/11 \$000	Projected 2011/12 \$000	Projected 2012/13 \$000	Projected 2013/14 \$000	Projected 2014/15 \$000	Projected 2015/16 \$000
Opening Gross Borrowings	236,610	290,755	354,829	370,872	379,412	386,627	396,644	417,111	429,383
Annual Plan capital expenditure	91,371	135,996	113,658	107,735	113,814	119,898	130,035	130,742	126,984
Capital expenditure carried forward from 2005/06	6,771	4,794	-	-	-	-	-	-	-
Capital expenditure carried forward from 2006/07	19,767	-	-	-	-	-	-	-	-
Total Capital Expenditure to be Funded	117,909	140,790	113,658	107,735	113,814	119,898	130,035	130,742	126,984
New borrowings to fund loans to external organisations	2,000	13,000	-	-	-	-	-	-	-
Net adjustment to 06/07 closing borrowings									
Less:									
Funded depreciation	(53,080)	(57,314)	(60,801)	(61,489)	(65,884)	(66,899)	(67,480)	(74,946)	(77,448)
Utilisation of development contributions	(1,274)	(2,287)	(3,657)	(5,406)	(6,935)	(7,310)	(7,596)	(7,629)	(7,664)
Utilisation of LTNZ subsidies	(9,828)	(11,723)	(12,835)	(10,288)	(10,588)	(11,899)	(10,147)	(11,634)	(14,009)
Utilisation of housing grants/surplus	-	(16,796)	(18,590)	(20,280)	(21,460)	(22,041)	(22,613)	(22,529)	(23,076)
Targeted rates for capital projects	(1,132)	(1,132)	(1,132)	(1,132)	(1,132)	(1,132)	(1,132)	(1,132)	(1,132)
Funding from bequests	(450)	(464)	-	-	-	-	-	-	-
Repayment of loans	-	-	(600)	(600)	(600)	(600)	(600)	(600)	(15,600)
Closing Gross Borrowings	290,755	354,829	370,872	379,412	386,627	396,644	417,111	429,383	417,438

**APPENDIX ONE – SECTION FOUR
ATTACHMENT 1**

Statement of Prospective Investments

(All figures shown exclusive of GST)	Forecast 2007/08 \$000	Forecast 2008/09 \$000	Projected 2009/10 \$000	Projected 2010/11 \$000	Projected 2011/12 \$000	Projected 2012/13 \$000	Projected 2013/14 \$000	Projected 2014/15 \$000	Projected 2015/16 \$000
Short Term Investments	1,883	1,883	1,883	1,883	1,883	1,883	1,883	1,883	1,883
Loans to Others	17,606	30,606	30,006	29,406	28,806	28,206	27,606	27,006	11,406
Investments in associates/subsidiaries	8,712	8,712	8,712	8,712	8,712	8,712	8,712	8,712	8,712
Income generating commercial equity and property	298,073	298,073	298,073	298,073	298,073	298,073	298,073	298,073	298,073
Total Investments	326,274	339,274	338,674	338,074	337,474	336,874	336,274	335,674	320,074

Financial Statements

**APPENDIX ONE – SECTION FOUR
ATTACHMENT 1**

Prospective Statement of Financial Performance

	Forecast 2007/08 \$000	Forecast 2008/09 \$000	Projection 2009/10 \$000	Projection 2010/11 \$000	Projection 2011/12 \$000	Projection 2012/13 \$000	Projection 2013/14 \$000	Projection 2014/15 \$000	Projection 2015/16 \$000
INCOME									
Revenue from rates and levies	191,053	204,906	214,430	221,972	231,164	237,919	244,061	253,923	260,743
Revenue from operating activities	102,160	123,566	130,276	131,808	136,280	141,347	143,432	148,364	154,704
Revenue from investment property leases	11,468	10,891	10,287	8,970	8,343	8,160	8,173	8,194	8,213
Finance income	5,589	5,676	5,773	5,880	5,998	6,130	6,277	6,440	4,876
Other revenues and gains	4,036	5,083	6,010	7,781	9,330	9,726	10,033	10,086	10,142
Total operating income	314,306	350,122	366,776	376,411	391,115	403,282	411,976	427,007	438,678
EXPENSE									
Finance expense	19,590	23,534	26,329	27,297	27,874	28,385	29,392	30,485	30,448
Expenditure on operating activities	227,713	235,550	242,020	248,999	255,606	263,852	271,708	276,586	284,401
Depreciation and amortisation	63,043	67,727	71,340	72,158	77,317	78,380	78,939	87,526	90,172
Total operating expense	310,346	326,811	339,689	348,454	360,797	370,617	380,039	394,597	405,021
Net surplus/(deficit) for the year	3,960	23,311	27,087	27,957	30,318	32,665	31,937	32,410	33,657

APPENDIX ONE – SECTION FOUR ATTACHMENT 1

Prospective Statement of Changes in Equity

	Forecast 2007/08 \$000	Forecast 2008/09 \$000	Projection 2009/10 \$000	Projection 2010/11 \$000	Projection 2011/12 \$000	Projection 2012/13 \$000	Projection 2013/14 \$000	Projection 2014/15 \$000	Projection 2015/16 \$000
Equity - opening balances									
Accumulated funds and retained earnings	4,691,471	4,694,831	4,717,542	4,744,029	4,771,386	4,801,104	4,833,169	4,864,506	4,896,316
Revaluation reserves	844,155	1,021,596	1,012,053	1,002,510	1,370,640	1,360,181	1,349,722	1,955,475	1,944,099
Hedging reserve	1,793	1,793	1,793	1,793	1,793	1,793	1,793	1,793	1,793
Restricted funds	20,549	21,049	21,549	22,049	22,549	23,049	23,549	24,049	24,549
Total equity - opening balance	5,557,968	5,739,269	5,752,937	5,770,381	6,166,368	6,186,127	6,208,233	6,845,823	6,866,757
Changes in equity									
Retained earnings									
Transfer from retained earnings	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)
Transfer to retained earnings	-	-	-	-	-	-	-	-	-
Revaluation reserves									
Revaluation gains/(losses) taken directly to equity	177,441	(9,543)	(9,543)	368,130	(10,459)	(10,459)	605,753	(11,376)	(11,376)
Restricted Funds									
Transfer from restricted funds	-	-	-	-	-	-	-	-	-
Transfer to restricted funds	500	500	500	500	500	500	500	500	500
Net income recognised directly in equity	177,441	-9,543	-9,543	368,130	-10,459	-10,459	605,753	-11,376	-11,376
Net surplus/(deficit) for the year to retained earnings	3,960	23,311	27,087	27,957	30,318	32,665	31,937	32,410	33,657
Total recognised income and expense for the year	181,401	13,768	17,544	396,087	19,859	22,206	637,690	21,034	22,281
Effect of changed shareholding in Chaffers Marina Holdings Limited	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Total changes in equity	181,301	13,668	17,444	395,987	19,759	22,106	637,590	20,934	22,181
Equity - closing balances									
Accumulated funds and retained earnings	4,694,831	4,717,542	4,744,029	4,771,386	4,801,104	4,833,169	4,864,506	4,896,316	4,929,373
Revaluation reserves	1,021,596	1,012,053	1,002,510	1,370,640	1,360,181	1,349,722	1,955,475	1,944,099	1,932,723
Hedging reserve	1,793	1,793	1,793	1,793	1,793	1,793	1,793	1,793	1,793
Restricted funds	21,049	21,549	22,049	22,549	23,049	23,549	24,049	24,549	25,049
Equity - closing balance	5,739,269	5,752,937	5,770,381	6,166,368	6,186,127	6,208,233	6,845,823	6,866,757	6,888,938

APPENDIX ONE – SECTION FOUR ATTACHMENT 1

Prospective Statement of Financial Position

	Forecast 2007/08 \$000	Forecast 2008/09 \$000	Projection 2009/10 \$000	Projection 2010/11 \$000	Projection 2011/12 \$000	Projection 2012/13 \$000	Projection 2013/14 \$000	Projection 2014/15 \$000	Projection 2015/16 \$000
ASSETS									
Current assets									
Cash and cash equivalents	1,883	1,883	1,883	1,883	1,883	1,883	1,883	1,883	1,883
Trade and other receivables	28,481	28,481	28,481	28,481	28,481	28,481	28,481	28,481	28,481
Inventories	976	976	976	976	976	976	976	976	976
Total current assets	31,340	31,340	31,340	31,340	31,340	31,340	31,340	31,340	31,340
Non-current assets									
Derivative financial instruments	1,793	1,793	1,793	1,793	1,793	1,793	1,793	1,793	1,793
Trade and other receivables	26,221	40,044	40,360	40,780	41,316	41,980	42,788	43,755	28,155
Available-for-sale financial assets	527	527	527	527	527	527	527	527	527
Investment in subsidiaries	6,509	6,509	6,509	6,509	6,509	6,509	6,509	6,509	6,509
Investment in associates	19,358	19,258	19,158	19,058	18,958	18,858	18,758	18,658	18,558
Intangibles	9,594	10,573	9,506	11,298	13,628	11,549	12,350	15,193	13,798
Investment properties	174,358	174,358	174,358	174,358	174,358	174,358	174,358	174,358	174,358
Property, plant & equipment	5,837,109	5,900,149	5,934,487	6,336,902	6,361,110	6,394,748	7,051,296	7,080,792	7,108,123
Total non-current assets	6,075,469	6,153,211	6,186,698	6,591,225	6,618,199	6,650,322	7,308,379	7,341,585	7,351,821
TOTAL ASSETS	6,106,809	6,184,551	6,218,038	6,622,565	6,649,539	6,681,662	7,339,719	7,372,925	7,383,161
LIABILITIES									
Current liabilities									
Trade and other payables	50,579	50,579	50,579	50,579	50,579	50,579	50,579	50,579	50,579
Borrowings	104,805	104,805	104,805	104,805	104,805	104,805	104,805	104,805	104,805
Employee benefits	4,204	4,204	4,204	4,204	4,204	4,204	4,204	4,204	4,204
Provisions for other liabilities	4,118	4,118	4,118	4,118	4,118	4,118	4,118	4,118	4,118
Total current liabilities	163,706	163,706	163,706	163,706	163,706	163,706	163,706	163,706	163,706
Non-current liabilities									
Trade and other payables	200	200	200	200	200	200	200	200	200
Borrowings	185,950	250,024	266,067	274,607	281,822	291,839	312,306	324,578	312,633
Employee benefits	2,214	2,214	2,214	2,214	2,214	2,214	2,214	2,214	2,214
Provisions for other liabilities	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470
Total non-current liabilities	203,834	267,908	283,951	292,491	299,706	309,723	330,190	342,462	330,517
TOTAL LIABILITIES	367,540	431,614	447,657	456,197	463,412	473,429	493,896	506,168	494,223
EQUITY									
Accumulated funds and retained earnings	4,694,831	4,717,542	4,744,029	4,771,386	4,801,104	4,833,169	4,864,506	4,896,316	4,929,373
Revaluation reserves	1,021,596	1,012,053	1,002,510	1,370,640	1,360,181	1,349,722	1,955,475	1,944,099	1,932,723
Hedging reserve	1,793	1,793	1,793	1,793	1,793	1,793	1,793	1,793	1,793
Restricted funds	21,049	21,549	22,049	22,549	23,049	23,549	24,049	24,549	25,049
TOTAL EQUITY	5,739,269	5,752,937	5,770,381	6,166,368	6,186,127	6,208,233	6,845,823	6,866,757	6,888,938
TOTAL EQUITY AND LIABILITIES	6,106,809	6,184,551	6,218,038	6,622,565	6,649,539	6,681,662	7,339,719	7,372,925	7,383,161

OPEX AND CAPEX ACTIVITY LISTINGS

The following shows the impacts of the proposed amendments at an activity level. It is proposed that this section replaces all activity level financial information from page 40 to 325 of volume one.

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ATTACHMENT 1**

SIGNIFICANT FORECASTING ASSUMPTIONS

The financial information has been prepared on the basis of best estimate assumptions as to future events which the Council expects to take place. The Council has considered factors that may lead to a material difference between information in the prospective financial statements and actual results. These factors, and the assumptions made in relation to the sources of uncertainty and potential effect, are included within the principal assumptions underlying the forecasts noted within the LTCCP (page 363 to 371) with the following three changes (highlighted):

Forecasting Assumptions	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
<p>Expected interest rates on borrowings Interest is calculated as follows: Existing borrowings 7.00% New borrowings 7.00%</p>	<p>That prevailing interest rates will differ significantly from those estimated.</p>	<p>Mod</p>	<p>Interest rates are largely driven by factors external to the NZ economy. Council is predicting a significant increase in borrowings over the 10 year period. Based on Council projected borrowings levels, interest costs will increase/decrease by between \$2.1m - \$4.2m per annum for every 1% movement in interest rates.</p>
<p>Growth in ratepayer base: The estimated growth in the City’s ratepayer base between 2006/07 and 2007/08 is 1.50%. As a result, the “real” average rates funding increase will be reduced by an equivalent amount as there are a greater number of ratepayers across which the rates funding requirement will be allocated.</p>	<p>The growth in the ratepayer base is higher or lower than projected.</p>	<p>Low</p>	<p>The Council has used current property information from its valuation service provider (Quotable Value) to assess the level of growth in rating units. The projected 1.50% growth is considered robust.</p>

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<p>Expected Return on Investments</p> <p>Remove section on Wellington International Airport Limited subordinated debt</p>			
<p>Inflation Rates Applied: Inflation rates have been estimated using the BERL price level change forecasts to calculate an average inflation rate for each year of the DAP.</p> <p>2008/09 3.1% 2009/10 3.1% 2010/11 3.0% 2011/12 2.9% 2012/13 2.8% 2013/14 2.7% 2014/15 2.7% 2015/16 2.6%</p>	<p>That actual inflation will be significantly different from the assumed inflation.</p>	<p>Low Medium Years (1-3)</p> <p>Medium - High Years (4-9)</p>	<p>Inflation is affected by external economic factors, most of which are outside of the Council's control and influence.</p> <p>Council's costs and the income required to fund those costs will increase by the rate of inflation unless efficiency gains can be made.</p> <p>While individual indices will at times vary from what has been included in this LTCCP, the Council has relied on the Reserve Bank use of monetary controls to keep inflation within the 1.5 to 3% range</p>