

**CONFIDENTIAL**



# Annual Plan 2020/21

Council Workshop, 11 February 2020



greater WELLINGTON  
REGIONAL COUNCIL  
Te Pane Matua Taiao

# Introduction



## Three part workshop

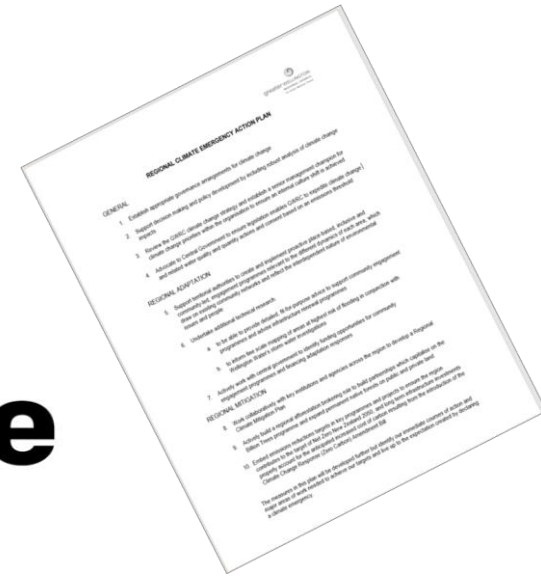
1. Low carbon acceleration fund for 20/21
2. Annual Plan 20/21 process from here
3. Rates impact for 20/21

**CONFIDENTIAL**

# Low carbon acceleration fund

***10. “Sell down the free allocation of carbon credits (NZUs) GWRC received for its pre-1990 forests to create a ‘low carbon acceleration fund’ to reduce the rates impact of this programme of work.”***

**CONFIDENTIAL**



# We Declare A Climate Emergency

# 'Free allocation units'

**CONFIDENTIAL**

**322,873 units...**

Presently worth \$9.1m (\$28/unit)



**CONFIDENTIAL**

Govt proposed changes in Dec 2019:

- ‘Price cap’ (fixed price offer) being raised from \$25/unit to **\$35/unit in 2021**
- From 2022, FPO ending, NZU auctions starting with **price floor and ceiling of \$20/unit and \$50/unit through to 2025**

These changes are currently being considered at select committee.

# Options

**CONFIDENTIAL**

	Pros	Cons
<b>1) Leverage NZUs as an asset, borrow to establish fund for 2020-21 only, then set up the multi-year fund through the 2021-31 LTP process</b>	<ul style="list-style-type: none"><li>• Council demonstrates it is acting with urgency on climate</li><li>• Commence carbon reducing activities in 2020</li><li>• No rates impact at this stage</li><li>• Likely future increase in the trading price of NZUs</li></ul>	<ul style="list-style-type: none"><li>• Need to pay interest costs at some stage, which will use some of the funds</li><li>• Very small risk that units will lose value</li><li>• Council may be criticised for acting without consulting</li></ul>
<b>2) Sell \$2m worth of NZUs to establish fund for 2020-21</b>	<ul style="list-style-type: none"><li>• Council demonstrates it is acting with urgency on climate</li><li>• Commence carbon reducing activities in 2020</li><li>• No interest costs incurred</li></ul>	<ul style="list-style-type: none"><li>• Will reduce the total fund size, lose benefit of likely future increases of NZUs</li><li>• Requires consultation with the community, and at this point consultation will not be meaningful</li></ul>
<b>3) Defer establishment of the fund until the 2021-31 LTP</b>	<ul style="list-style-type: none"><li>• Provides more time to analyse what the fund will be spent on and to have more meaningful engagement with the community</li><li>• No interest costs incurred (yet)</li></ul>	<ul style="list-style-type: none"><li>• Council may be criticised for not acting with urgency</li><li>• Any delays will make the 2030 target harder to reach and potentially more expensive</li></ul>

# Recommended option and financial strategy (Option 1)

Leverage NZU asset to create fund, but do not sell yet: **CONFIDENTIAL**

- Borrow up to \$2m as part of 2020-21 Annual Plan, to accelerate carbon reduction projects
- Capitalise interest costs
- Pay back costs from sale of NZUs when prices are higher, subject to public consultation as part of Long Term Plan

# Indicative fund design and uses

**CONFIDENTIAL**

- For GW corporate carbon reduction projects only
- Spend entire fund endowment over 4-5 years
- Bids approved by Climate Committee (e.g. quarterly)
- Only project costs **additional** to BAU activity will be funded
- For capacity building as well as implementation
- Use for EVs, renewables, reforestation
- **Criteria:** \$/tonne CO<sub>2</sub>e saved, strategic significance, co-benefits, leverage



# Next steps and timeline

**CONFIDENTIAL**

March 2020

- Include in 2020/21 Annual Plan budget
- Design and use of the fund signed off by Climate Committee

April – June 2020

- Start communicating internally to encourage projects

July 2020 – June 2021

- Implementation of fund and projects

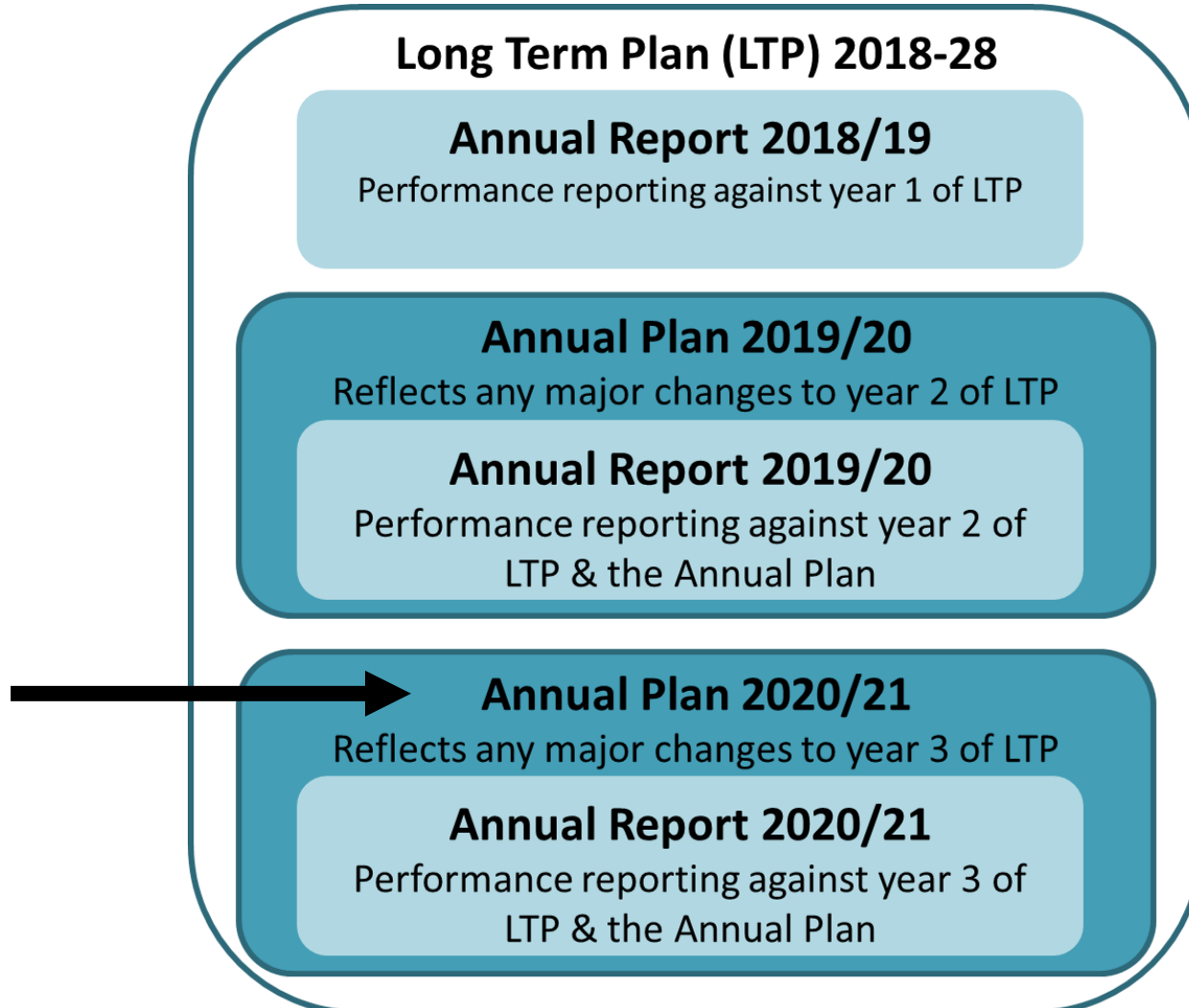
**CONFIDENTIAL**



# 2020/21 Annual Plan

- Prepared for the third year of the 2018-28 Long Term Plan (LTP)
- Reflects any changes to the LTP work programme and budgets.

**CONFIDENTIAL**



# Background / Context



## CONFIDENTIAL

- Average rates increase as per planned expenditure in year three of the 2018-28 LTP was 6.3%
- Council decisions in 2018/19 pushed this rate up to 10.1%
- Additional significant cost pressures added to the projected 2020/21 rates increase by approx. 8%
- An Activity Review was undertaken during late 2019 to find cost savings and efficiency improvements.
- **A prospective rates increase of 9.8% was endorsed in Dec 2019.**



**During 2020/21 we will be:**

Investing in our Public Transport Network

Developing the Business Case for rail rolling stock

Progressing our Climate Change Programme

Investing in Let's Get Wellington Moving

Continuing catchment / whaitua work

Progressing RiverLink

# Statutory Requirements – Local Government Act (LGA)



## CONFIDENTIAL

- Since 2014, no longer required to consult on an Annual Plan
  - Only consult where there are ‘significant or material’ differences from the relevant LTP year; and
  - Consultation is limited to ‘significant and material’ differences.
- The Annual Plan must be adopted before the commencement of the year to which it relates (**30 June 2020** in our case).

# What is “Significant or Material”?

Proposed changes are assessed against the following criteria:

**CONFIDENTIAL**

## **SIGNIFICANT (High, Medium, Low)**

Importance to  
region

Community  
interest

Inconsistency  
with existing  
Council policy  
and strategy

Impact on  
Council's  
capability and  
capacity

## **MATERIAL (Yes, No)**

Major New  
Money

Major changes  
in timing

Significant  
changes in level  
of service






Significant  
changes to  
existing budgets

All assessment criteria are given equal weighting.





# What is Changing?

Following the Activity Review at the end of 2019 a number of changes to the work programme for 2020/21 were identified:

**CONFIDENTIAL**

Project / Work Programme	Significance	Material
NEW INITIATIVES SINCE LTP:		
 Low Carbon Acceleration Fund	Low	No
 Accommodation (Cuba Street & Masterton)	Low	No
INCREASED COSTS:		
 Public Transport (Snapper, staffing, total mobility, insurance, bus network review, meal & tea breaks, EV Buses, Vix contract)	Medium	No
 Natural Resources Plan	Low	No
 RiverLink	Low	No



Project / Work Programme	Significance	Material
PROJECT PHASING CHANGES:		
 Debt services costs	Low	No
OTHER:		
 Lets Get Wellington Moving (LGWM)	Low	No
 BAU activity savings	Low	No
 Reduction in reserves usage	Low	No

We assessed each of the changes against the Significant and Material criteria and determined that:

**none of the proposed changes to the work programme require public consultation**

The recommendation is for us to **Inform** rather than **Consult**

<b>Inform</b> <b>No significant or material changes</b>	<b>Consult</b> <b>Significant or material changes</b>
<p>This might look like:</p> <ul style="list-style-type: none"><li>• social media campaigns</li><li>• Media releases and councillors speaking to their communities about what is in the plan</li><li>• collate any feedback into general themes and issues</li><li>• Reactive Q&amp;A</li></ul>	<p>This might look like:</p> <ul style="list-style-type: none"><li>• formal consultation process on the 'significant and material differences' (incl. submissions and hearings)</li><li>• Online, print and social media awareness campaigns about the proposed change(s) and how people can have their say</li></ul>
<p>This will be supported by:</p> <ul style="list-style-type: none"><li>• 2020/21 Annual Plan document</li><li>• A one-page summary/highlights flyer <i>(potentially regionally-focussed)</i></li><li>• <i>Digital content for websites</i></li></ul>	<p>This will be supported by:</p> <ul style="list-style-type: none"><li>• A consultation document</li><li>• Supporting Information document</li></ul>

# Connecting the Annual Plan with the Long Term Plan

Either way (inform or consult) we can begin early engagement with our communities for the 2021-31 Long Term Plan.

Early engagement options will be discussed at a LTP briefing in March.

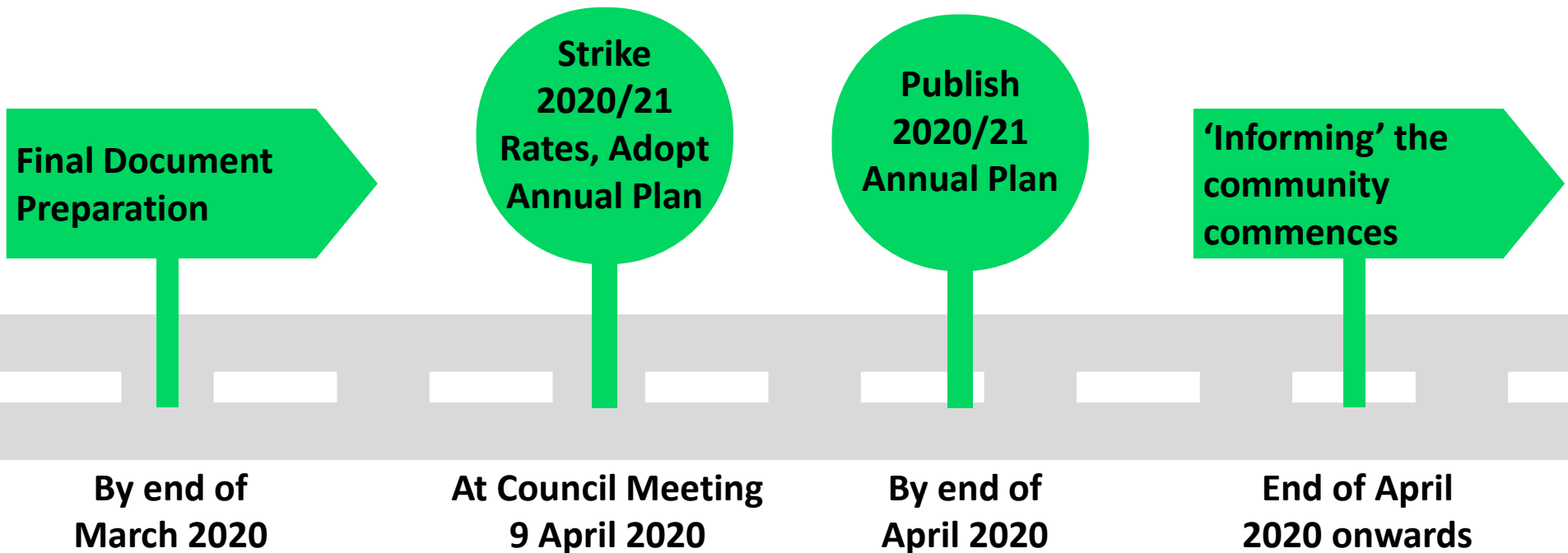


**CONFIDENTIAL**

# Next Steps: Delivery of the 2020/21 Annual Plan **CONFIDENTIAL**

The 2020/21 Annual Plan must be adopted by Council by 30 June 2020.

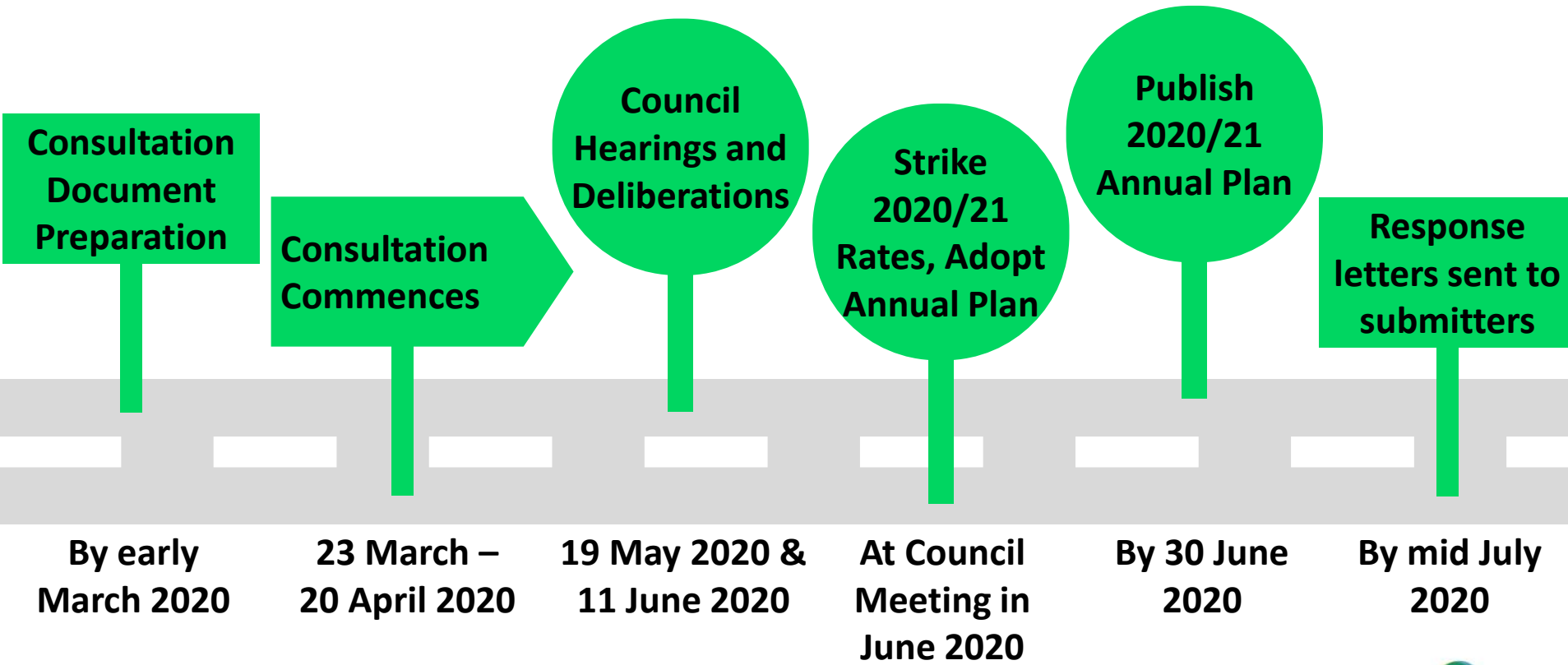
Unless any significant or material differences arise this month, the next steps will enable us to **adopt the Annual Plan early**.



# Next Steps if we Consult

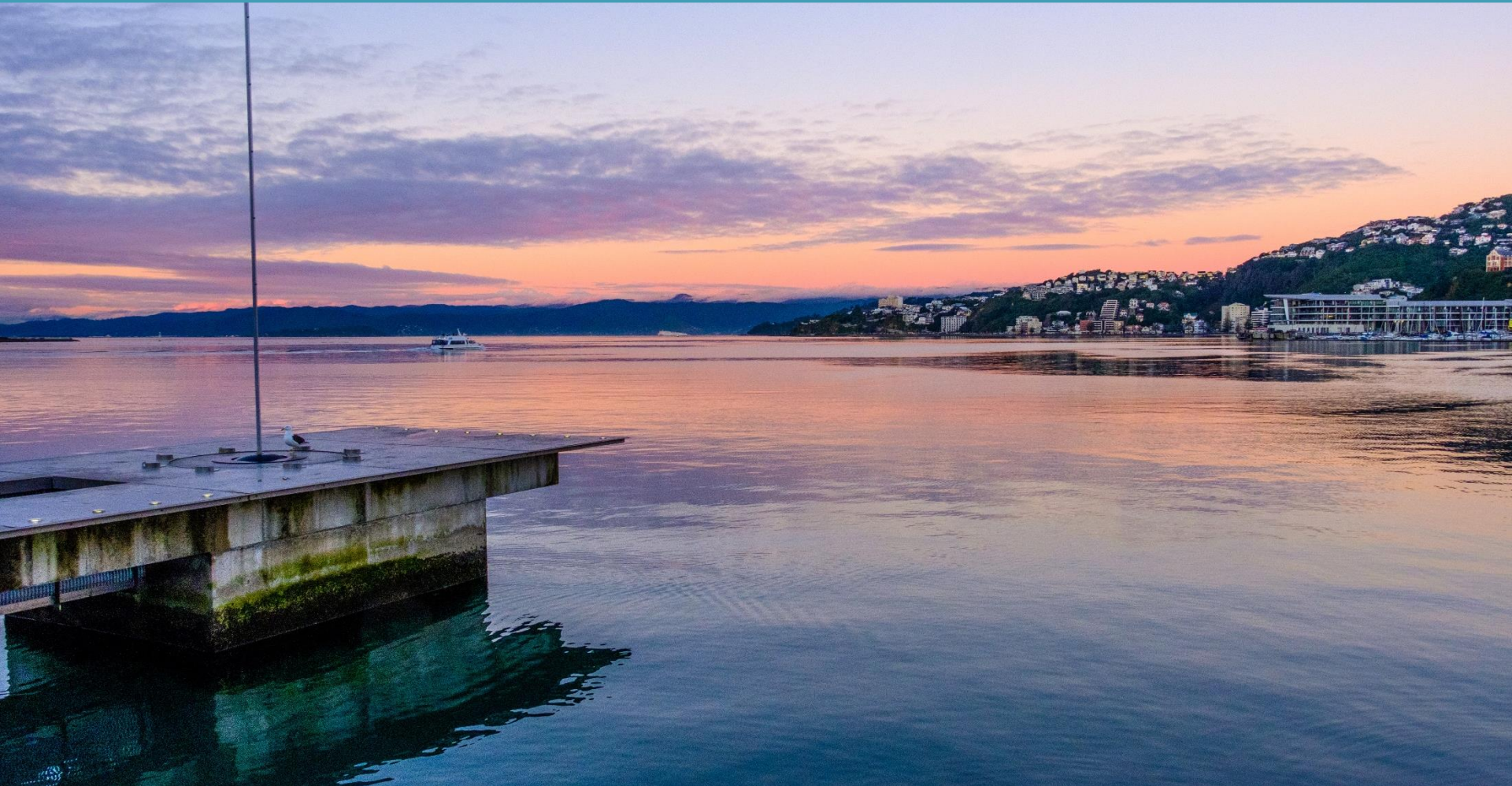
**CONFIDENTIAL**

If any significant or material differences arise this month and we need to follow a consultation process, we will adopt the Annual Plan by 30 June 2020.




# Rates Requirement – 2020/21

**CONFIDENTIAL**



# Proposed rates (excluding bulk water levy) **CONFIDENTIAL**



Particulars	Increase %
General rate	5.8%
Public transport rate	13.5%
River management rate	6.3%
Wellington regional strategy rate	6.3%
<b>District-Wide Rates</b>	<b>9.9%</b>
Pest management rate	4.0%
River management rate - Non district wide	1.0%
Special Rates	6.4%
<b>Total Other Rates</b>	<b>5.5%</b>
<b>Total Regional Rates</b>	<b>9.8%</b>

# Capital value (CV) movements of Territorial Authority (TA)



TA	Increase %
Wellington city	0.0%
Hutt city	31.2%
Upper Hutt city	36.1%
Porirua city	33.9%
Kāpiti Coast district	0.4%
Masterton district	0.8%
Carterton district	0.7%
South Wairarapa district	1.0%
Tararua district	0.0%

**CONFIDENTIAL**



# CV movements of Territorial Authority (TA) by category



TA	Category	Increase %
Hutt city	Business	25.3%
Hutt city	Residential	32.4%
Hutt city	Rural	31.5%
Upper Hutt city	Business	17.8%
Upper Hutt city	Residential	40.0%
Upper Hutt city	Rural	32.1%
Porirua city	Business	24.4%
Porirua city	Residential	35.1%
Porirua city	Rural	33.2%

**CONFIDENTIAL**

# Average rates for each area and category - Residential

TA, including GST	Average capital value	Increase per week	Rates 2020/21	Rates per week	Increase % 2020/21
Wellington city	\$802,500	<b>\$1.06</b>	\$622	\$11.97	9.8%
Hutt city	\$630,110	<b>\$1.29</b>	\$723	\$13.91	10.2%
Upper Hutt city	\$584,231	<b>\$1.34</b>	\$626	\$12.05	12.5%
Porirua city	\$667,885	<b>\$1.20</b>	\$655	\$12.60	10.5%
Kāpiti Coast district excl Ōtaki	\$578,288	<b>\$1.14</b>	\$572	\$11.01	11.6%
Ōtaki rating area	\$358,354	<b>\$0.36</b>	\$317	\$6.10	6.3%
Masterton district	\$334,633	<b>\$0.58</b>	\$235	\$4.51	14.7%
Carterton district	\$350,085	<b>\$0.39</b>	\$261	\$5.02	8.5%
South Wairarapa district	\$418,349	<b>\$0.43</b>	\$313	\$6.02	7.6%

These projected rates exclude the targeted rural pest and river management rates that are not charged to all ratepayers

**CONFIDENTIAL**

# Average rates for each area and category - Rural

TA, excluding GST	Average capital value	Increase per week	Rates 2020/21	Rates per week	Increase % 2020/21
Wellington city	\$1,022,000	<b>\$0.48</b>	\$448	\$8.61	5.9%
Hutt city	\$864,000	<b>\$1.00</b>	\$578	\$11.12	9.9%
Upper Hutt city	\$859,000	<b>\$0.51</b>	\$497	\$9.55	5.7%
Porirua city	\$1,352,000	<b>\$1.11</b>	\$657	\$12.64	9.7%
Kāpiti Coast district	\$751,000	<b>\$0.52</b>	\$453	\$8.72	6.3%
Masterton district	\$722,000	<b>\$0.82</b>	\$370	\$7.11	13.0%
Carterton district	\$856,000	<b>\$0.79</b>	\$443	\$8.51	10.3%
South Wairarapa district	\$950,000	<b>\$0.72</b>	\$476	\$9.16	8.5%
Tararua district	\$1,067,000	<b>\$0.27</b>	\$449	\$8.63	3.3%

These projected rates exclude the targeted rural pest and river management rates that are not charged to all ratepayers

**CONFIDENTIAL**

# Average rates for each area and category - Business

TA, excluding GST	Average capital value	Increase per week	Rates 2020/21	Rates per week	Increase % 2020/21
Wellington city	\$2,454,000	<b>\$4.87</b>	\$2,266	\$43.59	12.6%
Wellington city - CBD	\$2,931,000	<b>\$14.25</b>	\$9,888	\$190.15	8.1%
Hutt city	\$2,033,000	<b>\$3.58</b>	\$2,308	\$44.38	8.8%
Upper Hutt city	\$1,889,000	<b>(\$0.03)</b>	\$2,016	\$38.78	<b>-0.1%</b>
Porirua city	\$1,723,000	<b>\$2.40</b>	\$1,705	\$32.79	7.9%
Kāpiti Coast district	\$1,104,000	<b>\$2.90</b>	\$1,123	\$21.59	15.5%
Masterton district	\$760,000	<b>\$1.82</b>	\$592	\$11.38	19.0%
Carterton district	\$440,000	<b>\$1.20</b>	\$359	\$6.90	21.0%
South Wairarapa district	\$672,000	<b>\$1.29</b>	\$549	\$10.56	13.9%

These projected rates exclude the targeted rural pest and river management rates that are not charged to all ratepayers

**CONFIDENTIAL**