



COMMUNITY PLAN COMMITTEE

7 February 2019

Order Paper for the meeting to be held in the
Council Chambers, 2nd Floor, 30 Laings Road, Lower Hutt,
on:

**Tuesday 12 February 2019 and Wednesday 13 February
2019 (if necessary) commencing at 9.30am**

Membership

Mayor WR Wallace (Chair)
Deputy Mayor D Bassett

Cr G Barratt
Cr L Bridson
Cr MJ Cousins
Cr T Lewis
Cr G McDonald
Cr L Sutton

Cr C Barry
Cr J Briggs
Cr S Edwards
Cr M Lulich
Cr C Milne

For the dates and times of Council Meetings please visit www.huttcity.govt.nz

COMMUNITY PLAN COMMITTEE

(Committee of Council as a whole)

Membership:	13
Quorum:	Half of the members
Meeting Cycle:	Meets as required during LTP and Annual Plan processes
Reports to:	Council

PURPOSE

To carry out all necessary consideration and hearings, precedent to the Council's final adoption of Long Term Plans (LTP) and Annual Plans (AP).

Receive and consider:

Submissions with regard to the Hutt City Council's Assessment of Water and Sanitary Services.

Determine:

The development of a framework and timetable for the LTP and AP processes.

Appropriate public consultation and statements to the media.

Such other matters as the Committee considers appropriate.

The hearing of all public submissions.

Consider and make recommendations to Council:

Rating levels and policies required as part of the LTP.

The Council's Proposed Draft Long Term Plan and final LTP.

The Council's Annual Plan.

Final content and wording, and adoption of the final Hutt City Council Assessment of Water and Sanitary Services.

(Attachment to Community Plan Committee Terms of Reference)

Extract from the Controller and Auditor General's October 2010 Good Practice Guide: Guidance for members of local authorities about the Local Authorities (Members' Interests) Act 1968

Appointment as the local authority's representative on another organisation

- 5.47 You may have been appointed as the authority's representative on the governing body of a council-controlled organisation or another body (for example, a community-based trust).
- 5.48 That role will not usually prevent you from participating in authority matters concerning the other organisation – especially if the role gives you specialised knowledge that it would be valuable to contribute.
- 5.49 However, you could create legal risks to the decision if your participation in that decision raises a conflict between your duty as a member of the local authority and any duty to act in the interests of the other organisation. These situations are not clear cut and will often require careful consideration and specific legal advice.
- 5.50 Similarly, if your involvement with the other organisation raises a risk of predetermination, the legal risks to the decision of the authority as a result of your participation may be higher, for example, if the other organisation has made a formal submission to the authority as part of a public submissions process.

HUTT CITY COUNCIL

COMMUNITY PLAN COMMITTEE

Meeting to be held in the Council Chambers, 2nd Floor, 30 Laings Road, Lower Hutt
on
Tuesday 12 February 2019 and Wednesday 13 February 2019 (if necessary)
commencing at 9.30am.

ORDER PAPER

PUBLIC BUSINESS

1. **APOLOGIES**

2. **PUBLIC COMMENT**

Generally up to 30 minutes is set aside for public comment (three minutes per speaker on items appearing on the agenda). Speakers may be asked questions on the matters they raise.

3. **PRESENTATION BY THE MAYOR** (18/1994)

4. **CONFLICT OF INTEREST DECLARATIONS**

5. **RECOMMENDATIONS TO COUNCIL - at the conclusion of the Community Plan Committee meeting**

i) **Supporting Lower Hutt's Indigenous Biodiversity** (19/88)

Report No. CPC2019/1/7 by the Strategic Advisor, City and Community Services

7

CHAIR'S RECOMMENDATION:

"That the recommendations contained in the report be endorsed."

ii) **Draft Budget 2019/2020** (18/1995)

Report No. CPC2019/1/8 by the Budgeting and Reporting Manager

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CHAIR'S RECOMMENDATION:

"That the recommendation contained in the report be noted and discussed."

6. **QUESTIONS**

With reference to section 32 of Standing Orders, before putting a question a member shall endeavour to obtain the information. Questions shall be concise and in writing and handed to the Chair prior to the commencement of the meeting.

Donna Male
COMMITTEE ADVISOR

24 January 2019

File: (19/88)

Report no: CPC2019/1/7

Supporting Lower Hutt's Indigenous Biodiversity

Purpose of Report

1. This report provides information on indicative costs for non-regulatory measures to assist private landowners support the management of indigenous biodiversity on private property in Lower Hutt.
2. It also provides a high level outline of activity and annual expenditure in support of indigenous biodiversity on Council owned reserve land, some of which has been identified as possessing significant natural values.

Recommendations

That the Committee recommends that Council:

- i) notes that Council owns and manages approximately 2,000 hectares of bush reserve land with ecological value, most of which has protection via Reserves Act classifications;
- ii) notes that Council currently allocates within the Parks budget a total of \$415,000 annually to support indigenous biodiversity on these reserves; and
- iii) agrees to include an indicative ongoing annual provision in its 2019/20 draft annual plan of \$265,000 to support indigenous biodiversity on identified private property.

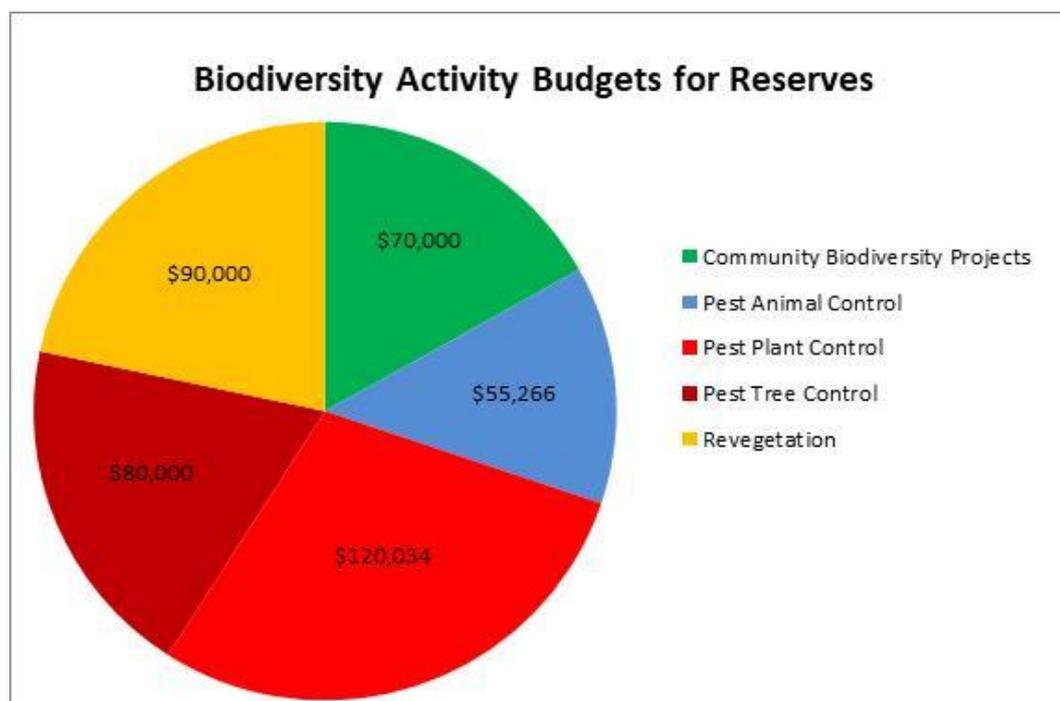
Background

3. At its meeting of 11 December 2018, Council resolved that the officers report back on an action plan to implement Council's resolutions of 29 November 2018 to protect indigenous biodiversity, including any additional resources and funding required.
4. While a draft action plan is currently under preparation for Council consideration, it is proposed that this Committee consider including within its 2019/20 draft annual plan an indicative provision which would be available to support voluntary measures on private property.

5. Once the action plan has been agreed, this indicative provision would be reviewed and any changes reported back to the Community Plan Committee at the time it finalises the annual plan in June.
6. Attached to this report at Appendix 1 is information that was included in the reports to the District Plan Committee meeting of 29 November 2018, setting out the details of the support measures proposed.
7. In summary the measures include:

Support Measure	Annual Budget
Information, Promotion and Advice	\$30,000
Rates rebates for land protected in perpetuity by legal instrument on Record of Title	\$10,000
Land use consent assistance including ecological assessments and consent fee remission	\$120,000
Grant 1 (small grants for traps, sprays, trees)	\$25,000
Grant 2 (large grants for covenants, ecological assessments, management plans)	\$80,000
Total	\$265,000

8. As a comparison, Council has traditionally allocated in its operating budget a sum of \$415,000 for activities supporting biodiversity within its reserves network. This amount does not include officer salaries. We estimate that between 1.5 and 2 FTEs are currently required to manage these activities. The following diagram shows how this budget allocation is used.



Discussion

9. Council has resolved to work with private landowners who wish to further enhance indigenous biodiversity on their properties and provide funding to

do so. Making provision now in the draft annual plan sends a clear message that Council is committed to this course of action. It will also provide an opportunity for feedback from the wider community as to the desirability of the proposed measures and the level of funding provided. The funds would be available for private property which has been assessed as having significant natural attributes.

Options

10. Council could decide to wait for the development of the action plan before making a decision on funding. This is not recommended as showing an early indication of the level of Council commitment to support private landowners in protecting indigenous biodiversity will provide affected parties a positive basis for further engagement.
11. Council could decide to put an indicative budget in the annual plan that is different from the one proposed in this report.

Consultation

12. Advice was sought from other local authorities and the Ministry for the Environment in considering the types of support measures that Council could implement. Other Councils have reported a good level of engagement where such measures are available.
13. Key stakeholders will be involved in helping to formulate the action plan and provide feedback on the funding required to implement the plan.

Legal Considerations

14. There are no legal considerations as this is a proposal to make budget provision for putting non-regulatory measures in place.

Financial Considerations

15. The ongoing annual cost of support measures not currently funded is estimated \$265,000 per annum. Some in-house staffing provision is currently provided through the Council's Ecology/Horticultural Officer.

Other Considerations

16. In making this recommendation, officers have given careful consideration to the purpose of local government in section 10 of the Local Government Act 2002. Officers believe that this recommendation falls within the purpose of local government in that the measures and funding proposed in this report will support the protection of significant indigenous biodiversity consistent with national and local priorities.

Appendices

No.	Title	Page
1	Non-Regulatory Support Measures for Indigenous Biodiversity on Private Land	11

Author: Bruce Hodgins
Strategic Advisor, City and Community Services

Approved By: Matt Reid
General Manager City and Community Services

File number:

Report number:

INDIGENOUS BIODIVERSITY ON PRIVATE LAND –

NON-REGULATORY SUPPORT MEASURES FOR LAND OWNERS

1. PURPOSE OF REPORT

The purpose of this report is to recommend non-regulatory measures that will assist landowners engage with and support the management of indigenous biodiversity on private property in Lower Hutt.

The report identifies and evaluates the main options and recommends a range of preferred measures.

2. RECOMMENDATIONS

This report recommends a range of non-regulatory support measures to complement the land use management provisions of the District Plan. The measures would be available to qualifying landowners and would include the following:

1. Free professional advice and information.
2. Rates rebates for land protected in perpetuity by legal instrument, such as covenant, on Record of Title.
3. Land use resource consent fee remission and assistance with ecological assessments and consent applications.
4. Small grants fund.
5. Large grants fund.

Work on the qualifying criteria and assessment methods, as well as a mechanism to administer and monitor the measures, will need to be done before the measures are made available.

It is further recommended that Council considers that the cost of this package is an addition to Council's annual expenditure budget. Rates rebates, if included, would be a reduction to Council's rates and fees revenue.

3. BACKGROUND

According to the Ministry for the Environment's *Our Land 2018*, New Zealand's indigenous biodiversity and ecosystems continue to be under threat.

Council is working on a District Plan proposal to identify and protect Significant Natural Areas in Lower Hutt in accordance with Council's obligations under the Resource Management Act and the Regional Policy Statement for the Wellington Region. The clearance of vegetation in SNAs is likely to require resource consent so that the effects on indigenous biodiversity can be assessed and mitigated on a case by case basis.

Council has signalled to affected landowners that the land use management provisions of the District Plan will be complemented by measures to assist landowners in their active management of SNAs.

Other Councils have reported a good level of engagement when non-regulatory measures are available, especially when combined with active engagement with property owners. The experiences of these Councils along with recommendations from the Ministry for the Environment have been taken into account for this paper.

4. DISCUSSION

Several other Councils use non-regulatory measures to assist with their SNA initiatives. In general, the most effective approaches are when a combination of economic and non-economic assistance is offered. This combination provides a mix of support and incentive to landowners to participate in SNA management activities. This combination may be able to be adjusted depending on the type of biodiversity that needs to be protected, and the type of impact on the landowner.

A community survey was conducted in September 2018 via the Hutt City Views panel to canvas general community attitudes to native bush and willingness to pay for its protection. The results and related contingent valuation (available on the Council website <http://portal.huttcity.govt.nz/Record/ReadOnly?Tab=3&Uri=5054819>) show the community values native bush highly and has a high level of willingness to pay for its protection and enhancement.

The results provide Council with a solid basis to fund support landowners who commit to protecting and managing their SNAs.

The measures that Hutt City Council could offer are discussed below.

4.1 Information and Advice

Several Councils offer advice, planning, assessment and monitoring services. Landowners will have access to expert ecologists, and the personal contact can assist with building relationships. The position of Ecology / Horticultural Officer was established by Council to assist with landowner engagement around SNAs, both for the District Plan set-up phase and for ongoing management efforts. The officer also leads Council's efforts to ensure Council-owned land is managed appropriately with regard to indigenous biodiversity and is involved in horticultural management in the Parks and Gardens Division. The role is split approximately 50/50 biodiversity/horticulture.

Information and advice can be an effective tool, as it provides landowners with personal access to skills and expertise and can assist with relationship building.

Information and advice would include:

- ecological expertise and advice.
- free information on planting, pest management, native species, local conservation groups and resources provided by other agencies such as Greater Wellington Regional Council and Department of Conservation. Enquiries may be referred to specialists for more information and free on-site visits are available.
- development of action plans.
- development and/or management of council biodiversity programmes and projects (e.g. plant and animal pest control programmes).
- development or commissioning of appropriate biodiversity monitoring programmes.

Councils can prepare and distribute information that can assist landowners and community groups involved in SNA protection activities.

- brochures and booklets

- articles showing good practice in local newspapers, council newsletters or other council communications
- reports with more detailed technical information
- website information
- phone numbers that landowners and members of the community can call for advice.

Benefits and Costs

Information and advice is relatively low-cost and can be an effective tool, as it provides landowners with personal access to skills and expertise and helps to increase the effectiveness of their management efforts.

The direct and ongoing engagement can assist with relationship building.

Information and Advice requires the ongoing employment of a qualified, experienced professional. The officer needs access to administrative support and a budget for the production and distribution of information. The Ecology / Horticultural Officer is already employed at Council as 0.5 FTE in ecology and biodiversity and the administrative support required is able to be provided with existing staff resources.

The cost of engagement and preparing and distributing advice and information is estimated at \$30,000 annually.

4.2 Rates Rebates

The recently released Biodiversity Collaborative Group Report on the Draft National Policy Statement for Indigenous Biodiversity recommends to Government that land protected in perpetuity by conservation covenants be non-rateable.

Benefits and Costs

Rates rebates on covenants would directly recognise the community benefits provided by protected private land. At the level of full rebate of the land value component of rates, the financial support given to landowners may be well-regarded and provide a useful incentive to establish protective legal instruments on the Record of Title.

If, over time, 10% of SNAs were protected in legal instruments that were eligible for rates rebates, Council would forego several tens of thousands of dollars in annual rates income. This report recommends that Council allows **\$10,000** annually for rates rebates in the short term.

The cost of rates rebates is well within the range of *willingness to pay* suggested by the community survey and contingent valuation referred to above.

4.3 Land Use Resource Consent Fee Remissions and Ecological Assessments for Land Use Consent Applications

The District Plan will enable specified minor vegetation clearing in SNAs to be permitted activities. Other vegetation clearance would trigger land use resource consent, which would mean site specific assessment of the proposed clearance and its adverse effects, informed by an ecological assessment. Landowner acceptance of SNAs would be enhanced by transferring the costs of the consent process, including the ecological assessments, from the landowner to the community via consent fee remissions.

Financial support would not be available for subdivision consent applications or ecological assessments directly associated with subdivision consent applications. That is because the District Plan subdivision rules will provide bonus subdivision allotments in return for legal protection of SNAs.

The financial benefit to the landowner has the potential to be substantial and the costs of the subdivision consent process should be borne by the applicant.

This report recommends that in cases where SNAs trigger land use resource consent requirements, Council funds the following:

- the ecological assessments required as inputs to land use resource consent applications and
- the costs of the land use consent application consideration of the ecological assessment.
- the SNA component of the consent processing fee.

Historically, consents for work in SNA areas are not common, so the assessment of the financial impact is as follows:

Assistance with Ecological Assessment (assumed average cost \$3,000, maximum \$5,000)	\$3,000
Assistance with Consent Application based on Ecological Assessment	1,000
Consent fee remission (SNA component)	2,000
Grant per applicant annually	7,000
Assumed maximum number of applicants per year (although the historic average is lower than that)	10-20
Annual grant budget request	120,000

4.4 Grants

Some Councils manage grants or contestable funds to support their SNA initiatives where landowners can apply for financial assistance for SNA protection activities.

Hutt City funding could be allocated in a two tier system - SNA Grants 1 and 2. The first tier, SNA Grants 1, would provide a small allocation of HCC funding (up to say \$150 per year per SNA landowner) to provide protection, restoration and enhancement materials such as native plants, predator traps, weed spray. The allocation would be made on application (with a simple 1 page form) and be in the form of a voucher to a local plant nursery or reimbursement upon presentation of an invoice.

SNA Grants 1 would be a low key way to provide useful support for regular, small scale SNA management activities.

At a maximum of \$150, and an assumed participation rate of about 15% of affected properties would require an annual budget of \$25,000.

The SNA Grants 2 fund would be more involved and would be able to allocate much higher levels of funding. Funding eligibility would require the landowner to enter a binding agreement with Council to achieve the following:

- Ecological assessment of the property's SNA
- Management plan for the property setting out areas for protection by covenant, production areas, areas for built development and vehicle access, pest and weed management regime, restoration and enhancement
- Protective covenants attached to property titles providing legal protection in perpetuity of agreed areas of the SNA

Funding could be allocated to all of the above aspects as well as materials (traps, sprays etc) for operational management. The suggested budget for the second tier fund is \$80,000 to allow for several significant projects annually.

Council should invest some time into designing its funding programme so that the funding is allocated to effectively encourage landowners to participate in SNA protection activities, is assessed on the basis of the quality of the projects, and is not onerous to administer.

There are various ways to this including:

- Applicants to consult Council's Ecology / Horticultural Officer to ensure that SNA protection activities meet Council's expectations such as a Property Management Plan
- The protection of vegetation within the SNA covered by a legal covenant
- Ecology / Horticultural Officer to assessing the sustainability of the project
- Ecology / Horticultural Officer to monitor the SNA after the project has been completed
- Council has a robust process to assess applications
- Limit the maximum grant amount for each application

Applications would be received and assessed at key time(s) of the year so they can be compared to each other, enabling the funding to be proportionally allocated to the most beneficial or significant projects on a case by case basis. Council could open one or two rounds of applications annually. This would also reduce the administration resource required.

Typically Councils have limited funds available, so they should award the funding to the most beneficial or significant projects. Some Councils assess applications as they come in. This creates the risk that the annual available funding will be depleted and not available for a worthy project that materialises later in the financial year. This is possibly not the best way efficiently allocate scarce funds.

Another way to do this is to have specific dates at all applications are received and assessed. This is efficient because applications can be compared to each other, enabling the funding to be proportionally allocated on the basis of the quality of the applications. Council could open one or two rounds of applications annually. This would also reduce the administration resource required.

Many Councils that offer funding have designed forms to collect information about the applicant, the property and the proposed work or project. This process is usually administered by the Planning teams or Ecology officers. Hutt City Council runs very lean teams, so this process needs to be very efficient. This can be facilitated with online forms and a structured assessment system.

This has been an effective tool for other Councils.

5. SUGGESTED SUPPORT PACKAGE

This report recommends the assistance package set out in the table below.

Support Measure	Annual Budget (additional to existing)
Information, Promotion, Engagement and Advice	\$30,000
Rates rebates for land protected in perpetuity by legal instrument on Record of Title	\$10,000
Land use consent assistance including ecological assessments and consent fee remission	\$120,000

SNAG1 (small grants for traps, sprays, trees)	\$25,000
SNAG2 (large grants for covenants, ecological assessments, management plans)	\$80,000
Total	\$265,000

6. MONITORING AND REPORTING

The Ecological /Horticulture Officer will present an annual report to the Policy and Regulatory Committee summarising the support measures allocated, the results achieved and any recommended changes to the support package.

7. CONSULTATION

This report has benefited from the advice and experience of the following organisations:

- Hamilton City Council
- Timaru District Council
- Marlborough District Council
- New Plymouth District Council
- Environment Canterbury
- Ministry for the Environment

The support package preferred by Council should be consulted on informally with SNA landowners then more formally with landowners and the wider community.

8. LEGAL CONSIDERATIONS

There are no legal considerations necessary for this report.

9. FINANCIAL CONSIDERATIONS

The financial implications are set out earlier in this report.

Council must consider that funding for this programme will be an addition to Council's annual expenditure budget. Furthermore, rates and fee waivers and rebates will be a reduction to Council's revenue.

10. OTHER CONSIDERATIONS

The support package recommended here should be considered as complementary to, and not alternative to, a District Plan approach that meets Council's statutory obligations under the Resource Management Act.

Author:

Reviewed by:

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Approved by:

,

20 December 2018

File: (18/1995)

Report no: CPC2019/1/8

Draft Budget 2019/2020

Purpose of Report

1. To provide the Committee with the proposed budget for the draft 2019/20 Annual Plan for consideration and recommendation to Council for adoption, prior to further engagement with the wider community.

Recommendations

That the Committee recommends that Council:

- (i) adopts the draft budgets attached as Appendices 1 to 4 (attached under separate cover);
- (ii) agrees to increase rates by an average of 1.8% in 2019/20; and
- (iii) notes the potential cost pressures currently not included in the draft budget, as outlined in paragraphs 28 to 30 inclusive and paragraphs 44 to 67 inclusive.

Background

2. The 2018-2028 Long Term Plan (LTP) was approved on 28 June 2018. The 2019/20 financial year represents year two of the LTP. The Local Government Act 2002 (LGA) requires an Annual Plan be prepared and adopted for each financial year.
3. The purpose of an Annual Plan is to contain the proposed annual budget and Funding Impact Statement for the year to which the Annual Plan relates, and to identify any variations from the Financial Statements and Funding Impact Statements included in the Local Authority's LTP in respect of the year.
4. The Annual Plan for 2019/20 is required to be adopted by Council on or before 30 June 2019.
5. In preparing the draft budget, Officers applied the budget assumptions that were approved by Council at its meeting on 11 December 2018 (as detailed in Report No. FPC2018/5/325). The key assumptions included the following:

- a. there are no changes to Council's Financial Strategy and Revenue and Financing Policy in 2019/20;
 - b. the increase in the rates revenue for 2019/20 may not exceed 1.8% (actual local government inflation for the 12 months to 30 June 2018), plus actual growth in the rating base of 1% (estimated at this stage);
 - c. employee costs for 2019/20 would be based on actual 2018/19 employee costs increased by 3% (being a 2% increase for independently assessed market movement across local government positions, and critical for good quality staff attraction and retention, a further 1% for "catch-up" position in range adjustments, relative to salary midpoints for local government positions);
 - d. except for rates revenue and external subsidy income, LTP inflation in 2019/20 was included for all other revenue sources and these were fully reviewed by Officers; and
 - e. lastly, except for employee costs, inflation in 2019/20 for operating costs and capital project costs was excluded and these were then fully reviewed by Officers.
6. The Strategic Leadership Team completed several reviews of the proposed budgets, including all identified budget changes and cost pressures to ensure that the draft budget for the 2019/20 Annual Plan was both achievable and fully compliant with Council's financial strategy limits on both rates revenue and net debt.
 7. The 2019/20 draft Activity Statements, Funding Impact Statements and the various Operating and Capital Projects lists are attached as appendices to this report.
 8. The long term financial model has been updated and as in previous years, a spreadsheet will be displayed at the meeting showing the impact on rates and debt of any changes proposed by the Committee to the draft budgets for the 2019/20 Annual Plan.

Proposed Budget Discussion

9. The draft budget is attached as appendices 1 and 2. There is limited capacity to include additional expenditure in the proposed budget for 2019/20, unless changes are made to existing budgets (both timing and/or dollars). Significant changes to the LTP are discussed separately below.

REVENUE

Rates Revenue Increase

10. Council's Financial Strategy limits average general rates increases to no more than Local Government Cost Index (LGCI).
11. The draft budget assumes an average rates increase of 1.8% in 2019/20. This is based on actual LGCI of 1.8% for the year ending 30 June 2018 – the most recent actual measure of LGCI. The 1.8% proposed increase is the same as the budgeted increase for year 2 (2019/20) of the LTP.

12. By comparison, Consumer Price Index (CPI) for the 12 month period ending 31 December 2018 was 1.9%.
13. In addition to the increase in general rates from existing properties, the draft budget assumes that rates revenue will increase by a further 1% in 2019/20 as a result of new builds and property investment. This will increase the net rates revenue earned without impacting on existing ratepayers. This 1% growth target is currently on track to being achieved. The actual growth percentage will be reviewed and adjusted if necessary, immediately prior to the final 2019/20 budget being approved in June 2019.
14. Council's financial strategy requires that the total net rates revenue increases in the out-years (2020/21 and beyond), are updated with the latest LGCI forecasts. The latest LGCI forecasts provided by BERL for those out-years closely follow the forecasts included in the LTP except for 2018/19.
15. BERL is forecasting LGCI of 3.3% in 2018/19 (this would be used to determine the maximum total rates revenue, excluding growth, for 2020/21). BERL has confirmed that their 2018/19 LGCI forecast was mainly driven by increasing construction sector costs, as activity levels ramp up and constraints in the sector begin to bite. This is evidenced in particular, by the earthmoving price index and consequently in the roading cost adjustor. BERL expects this to be particularly important for the Auckland and Christchurch areas, with some of this pressure flowing through to other areas. This pressure is expected to ease over-time as increased capacity allows. For these reasons, Officers have at this stage only included 2.3% as the LGCI adjuster to be used for 2020/21, in the proposed budget for the 2019/20 Annual Plan.
16. The following table shows the annual percentage increase in the total net rates income included in the LTP (shaded green), and the annual percentage increase in total net rates income proposed in the 2019/20 Annual Plan (shaded yellow).

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
BERL LGCI 2017 Update (2018/28 LTP)	1.80%	2.00%	2.20%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.60%
BERL LGCI 2018 Update (2019/20 AP)	1.80%	2.30%	2.30%	2.30%	2.10%	2.20%	2.20%	2.30%	2.40%	2.50%

17. Council's Development Charges and Rates Remissions Policy (the Policy) was suspended to 31 December 2018. The Policy has been successful in stimulating housing and population growth, attracting new developers into the City, changing the mix of housing types in the City more suited to the City's future population, and returned confidence and increased development activity to parts of the City that was previously in decline.
18. Growth in the rating base has been fully reviewed and adjusted to reflect known changes to urban developments (eg, residential developments and a number of commercial developments, including the Queensgate cinema and car park) and known changes to the timing of significant projects (eg, the RiverLink Programme).
19. The table below shows the estimated percentage growth in the rates information database included in the LTP (shaded green) and the estimated

percentage growth in the rates information database now proposed in the 2019/20 Annual Plan (shaded yellow).

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Allowance For Growth	1.00%	0.50%	1.00%	1.50%	1.50%	1.50%	1.00%	1.00%	1.00%	1.00%
Allowance For Growth	1.00%	1.20%	1.20%	1.40%	1.00%	1.00%	1.00%	1.00%	1.20%	1.20%

20. This uplift in growth projections results in additional rates revenue over the next ten years of \$5.1M in total, as shown in the table below.

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Total Rates Income per the 2018/28 LTP	108,067	110,768	114,311	118,537	122,921	127,588	131,804	136,282	141,054	146,132
Total Rates Income per the 2019/20 AP	108,067	111,849	115,764	120,047	123,768	127,729	131,816	136,166	141,068	146,288
Change In Rates Income Increase/(Decrease)	0	1,081	1,453	1,510	847	141	12	(116)	14	156
Cummulative Change In Rates Income Increase/(Decrease)	0	1,081	2,534	4,044	4,891	5,032	5,044	4,928	4,942	5,098

Other Revenue

21. The table below shows other revenue (excluding rates, subsidies, vested assets and interest income) included in the LTP (shaded green), and other revenue (with the same exclusions) now proposed in the 2019/20 Annual Plan (shaded yellow).

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2018/28 LTP										
User Charges	39,607	39,391	40,216	41,298	42,207	43,149	43,847	44,961	46,149	47,410
Development Contributions	1,082	1,106	970	992	1,015	1,037	1,063	1,088	1,118	1,148
Other Revenue	5,013	4,914	4,257	4,567	4,448	4,550	4,894	4,778	5,146	5,033
Total	45,702	45,411	45,443	46,857	47,670	48,736	49,804	50,827	52,413	53,591
2019/20 AP										
User Charges	42,230	43,649	43,556	41,898	42,813	43,690	44,347	45,391	46,577	47,723
Development Contributions	1,702	2,866	2,932	617	631	645	660	676	693	710
Other Revenue	4,888	4,738	4,769	4,131	3,920	4,006	4,362	4,193	4,299	4,692
Total	48,820	51,253	51,257	46,646	47,364	48,341	49,369	50,260	51,569	53,125
Change In Revenue Increase/(Decrease)	3,118	5,842	5,814	(211)	(306)	(395)	(435)	(567)	(844)	(466)
Cummulative Change In Revenue Increase	3,118	8,960	14,774	14,563	14,257	13,862	13,427	12,860	12,016	11,550

22. User Charges includes revenues from resource consents, building consents and reserve contributions. Council's 2012 Urban Growth Strategy includes a Development Charges and Rates Remissions Policy. Following consultation, Council voted to suspend the Development Charges and Rates Remissions Policy to 31 December 2018.

23. With the suspension of the Policy, a significant number of applications were received (104), between 1 July and 31 December 2018, resulting in a large increase in the value of potential future remissions. Consequently, user charges and development contributions have increased significantly in the first few years of the 2019/20 Annual Plan compared to the LTP.

24. The LTP included non-specific additional revenue of \$500,000 per annum within development contributions as a placeholder only. Officers were tasked to specifically identify this additional revenue requirement during 2018/19 and anticipated that this would come primarily from consents fees but also from development contributions and other user charges like liquor licensing fees. As a result of the significant uplift in consent revenues and development contributions now expected from "known" developments, the additional revenue target of \$500,000 per annum has been removed from the 2019/20 Annual Plan, resulting in net additional Other Revenue of \$11.5M over the next 10 years.

25. These “known” developments have not only increased overall revenue by approximately \$16.5M over the next 10 years, (Rates Revenue from growth of \$5M plus \$11.5M net of User Charges and Development Contributions), but has also increased development charges and rates remissions expenditure by \$17.8M across the same period. The draft budget proposes to fund this additional \$ 17.8M of development contributions and rates remissions from the Urban Growth Strategy capital budget already in the LTP (although now earlier than originally planned).

OPERATING COSTS

Employee Costs

26. The table below shows total employee costs included in the LTP (shaded green), and total employee costs now proposed in the 2019/20 Annual Plan (shaded yellow).

	2019/20 \$000	2020/21 \$000	2021/22 \$000	2022/23 \$000	2023/24 \$000	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000	2028/29 \$000
Total Employee Costs 2018/28 LTP	36,589	37,386	37,482	38,318	39,187	40,087	41,061	42,074	43,184	44,335
Total Employee Costs 2019/20 AP	37,906	38,594	39,102	39,377	40,215	41,100	42,073	43,054	44,130	45,265
Total Employee Costs Actual Increase	(1,317)	(1,208)	(1,620)	(1,059)	(1,028)	(1,013)	(1,012)	(980)	(946)	(930)

27. The \$1.3M increase in 2019/20 is mainly due to the following:
- an additional \$0.4M, being a 1% increase, for “catch-up” position in range adjustments towards market movement salary midpoints;
 - an additional \$0.4M for revenue generating resource required in the Environmental Consents team to service increasing customer demand; and
 - an additional \$0.5M for salary changes within Finance, Information Technology, Promotions and Events teams due to changes in working hours, role changes and team restructures completed post finalisation of the LTP.
28. Council resolved, from 1 July 2018, to pay staff employed by Council the Living Wage of \$20.55 per hour. As advised to the Finance and Performance Committee at its meeting on 28 November 2018, Council will best endeavour to ensure that all Council staff continue to be paid at least the Living Wage, by applying its remuneration framework in the first instance and “topping-up” any shortfall if required to the new level of the Living Wage.
29. Officers expect the Living Wage to apply from 1 July 2019 will be confirmed in April 2019. At that point, Officers will establish whether the increase to the Living Wage can be accommodated within the 3% overall increase to employee costs.
30. At this stage, no allowance has been made in the draft budget for paying the Living Wage to contractors.

Other Operating Costs

31. The tables below show the total operating costs included in the LTP (shaded green), and total operating costs now proposed in the 2019/20 Annual Plan

(shaded yellow), including a breakdown of the majority of the significant increases in operating costs per annum.

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operating Costs 2018/28 LTP	86,057	80,602	81,346	83,160	84,943	86,822	89,457	91,768	94,455	96,722
Operating Costs 2019/20 AP	100,694	89,211	89,277	85,664	87,223	89,195	93,494	93,025	100,713	102,598
Operating Costs Increase	(14,637)	(8,609)	(7,931)	(2,504)	(2,280)	(2,373)	(4,037)	(1,257)	(6,258)	(5,876)
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Actual Cost Increases										
Bulk Water Costs	(929)	(955)	(983)	(991)	(1,001)	(1,011)	(1,020)	(1,028)	(1,039)	(1,039)
Insurance	(771)	(791)	(811)	(826)	(842)	(858)	(876)	(894)	(913)	(931)
Software Licence	(169)	(174)	(217)	(220)	(223)	(226)	(229)	(232)	(236)	(237)
Offset By Transfers From Or Reductions In Capital										
Development Incentive Remissions	(3,354)	(6,686)	(5,747)	(695)	(586)	(567)	(228)			
CFT Naenae Hub Development (moved from capital)	(6,400)	(307)								
CFT Wainuiomata Hub (moved from capital)									(5,153)	(4,299)
CFT Sportsville Artificial Surface (moved from capital)							(2,283)			
Wainuiomata Sportsville Carryover										

Bulk Water Costs

32. The cost of Bulk Water, purchased from Greater Wellington Regional Council, is now budgeted to be higher than what is in the LTP. The main reason for this is that the City's overall usage has increased relative to other Councils in the Wellington region, pushing up our overall share of the total cost of supply by almost 2% (\$660,000).
33. In addition, the overall uninflated cost of bulk water supply is forecast to increase over the next five years from \$33.9M to \$41.3M, (21.8%) primarily due to finance costs associated with the cross harbour pipeline project.
34. Council may wish to further consider increasing the cost of the commercial water rate to partly offset these cost increases.

Insurance Costs

35. An update on the 2018 Insurance Renewal was provided to the Finance and Performance Committee at its meeting on 28 November 2018 (Report no. FPC2018/5/328). The 2019/20 draft budget includes the balance of the increase in premiums from the 2018 policy renewal, plus assumes further increases to premiums due to continued market tightening from both (a) domestic insurers exiting the Wellington market (thereby requiring new underwriters, applying more expensive "technical" rates, to fill the gap), and (b) reduced insurance capacity due to increasing significant natural disaster events occurring world-wide.

Budget Transfers from Capital Projects

36. \$12.2M of the \$14.6M increase to operating costs are not new cost increases. Instead, accounting standards require funding provided by Council for capital projects to be undertaken by Hutt City Community Facilities Trust (CFT), be classified as operating grants and therefore operating expenditure. These projects will be financed in the same way as if they were classified as capital projects. Importantly, this is not additional expenditure required but simply a transfer of existing LTP budgets from capital expenditure to operating expenditure.

Interest Expense

37. The table below shows the assumed average annual borrowing rates included in the LTP (shaded green) and the assumed average annual borrowing rates now proposed in the 2019/20 Annual Plan (shaded yellow).
38. Council's Treasury Advisors have reviewed the interest expense assumptions within the LTP and recommended changes be made to the 2019/20 Annual Plan. On average, the total cost of borrowings over the next ten years is now proposed to be 0.3% lower than the LTP assumptions.

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Borrowing Interest Rates 2018/2028 LTP	4.52%	4.52%	4.58%	4.61%	4.62%	4.66%	4.66%	4.65%	4.68%	4.77%
Borrowing Interest Rates 2019/2020 AP	4.02%	4.07%	4.15%	4.25%	4.35%	4.43%	4.43%	4.47%	4.53%	4.62%
Borrowing Interest Rate Decrease	0.50%	0.45%	0.43%	0.36%	0.27%	0.23%	0.23%	0.18%	0.15%	0.15%

CAPITAL EXPENDITURE

39. The table below shows the total capital expenditure included in the LTP (shaded green) and the total capital expenditure now proposed in the 2019/20 Annual Plan (shaded yellow), including the main changes at a project level.

	2019/20 \$000	2020/21 \$000	2021/22 \$000	2022/23 \$000	2023/24 \$000	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000	2028/29 \$000
Total Capital 2018/28 LTP	49,563	74,301	63,680	47,622	43,435	50,752	104,378	80,053	50,499	68,457
Total Capital 2019/20 AP	45,824	68,886	63,360	47,725	42,437	48,938	54,510	52,693	80,797	95,126
Total Capital Change Decrease/(Increase)	3,739	5,415	320	(103)	998	1,814	49,868	27,360	(30,298)	(26,669)

	2019/20 \$000	2020/21 \$000	2021/22 \$000	2022/23 \$000	2023/24 \$000	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000	2028/29 \$000
Riverlink Melling Bridge Renewal - Moved Out 1 Year							7,583	(7,599)		
Road Network Improvements (CVL) - Moved Out 2 Years						1,139	38,498	35,901	(39,544)	(38,077)
Avalon Park Development - Moved Out 1 Year							1,283	(1,286)		
Huia Pool Replace Moveable Floor - Moved Out 2 years	51	990	(52)	(1,015)						
Petone Wharf - Brought Forward From 2030/2031			(837)				(776)			
Urban Growth Strategy Reduction To Offset Remissions	3,617	3,168	573	787	640			204	3,681	6,174
Wainuiomata Hub - Move To CFT Operating									5,276	4,410
Naenae Hub Development - Move To CFT Operating	6,120									
Sportsville & Artificial Surface - Move To Operating							2,333			
Cycleway/Shared Path Beltway - Additional	(1,114)	(115)	(118)	(120)	(122)	(125)	(127)	(130)	(132)	(135)
Cycleway/Shared Path Eastern Bays - Carryover	(3,240)									
Sub Standard Rds Upgrade - Carryover	(625)									
Silverstream LF Stg 2 Design & Construction - Additional	(223)	(232)	(298)	(222)	(318)	(249)	(164)	(269)	(350)	(283)

Timing of the Riverlink Melling Bridge Renewal and the Cross Valley Link Road

40. At this stage, the timing of the Melling Link Bridge (part of the RiverLink Programme), has been pushed back one year and the Cross Valley Link Road has been pushed back two years. The changes reflect the likely timeframes to complete Council and New Zealand Transport Agency (NZTA) business cases, obtain consents, tender and procurement phases, and construction timeframes and sequences. Note that these can be revisited if and when more definite information becomes available as to when these projects will likely commence.

Capital Budget Transfers to Operating Expenditure

41. The other main changes to the capital budgets relate to transferring \$17.8M of Urban Growth Strategy capital budget to operating expenditure, to fund the consents, development contributions and rates remissions for "known" developments following suspension of the Policy from 31 December 2018 (as per paragraph 25), and re-classifying capital budgets to operating grants in

the case of capital projects undertaken by CFT on behalf of Council (as per paragraph 36).

Cycleway/Shared Pathway - Beltway

42. Detailed design work continues on the Beltway and public consultation has recently been undertaken. The current estimate for the Northern and Central sections of the Beltway is now \$2.6M (Gross), being \$1M (Council's share \$500,000) above the approved budget.

Cycleway/Shared Path – Eastern Bays

43. Consenting work continues on the Eastern Bays Shared Pathway. The preparatory work has highlighted the complexity of working in the coastal marine environment and a risk based cost estimate for this project has escalated the potential cost to around \$20M (Gross), some \$5M (Council's share \$2.5M) above the current approved budget. The decision has been taken to proceed with consenting and then re-assess the programme of work.

COST PRESSURES EXCLUDED FROM THE DRAFT BUDGET

Additional Cycleway/Shared Pathway Studies

44. The Beltway and Eastern Bays cycleway/shared pathway projects have a total approved budget of \$28.3M. Potentially, costs may increase by a further \$10.5M, to \$38.8M. Council's contribution to these additional costs would be \$5.15M (being 49%).
45. Council has commissioned a connectivity study to identify the further work required to connect and activate the network. This work includes analysis of how the cycleways/shared pathways are connected to each other and to other key locations such as schools, the CBD, recreational spaces, places of employment, parks, etc.
46. In addition, a further Mobility Hub study has been commissioned around Waterloo Station to understand how the area can be improved for a wider range of transport modes and network connectivity along with delivering wider community objectives such as Healthy Streets. Officers are working with both NZTA and Greater Wellington Regional Council (GWRC) on this study.
47. The costs associated with implementing the connectivity study recommendations and exploiting the Mobility Hub opportunities have not been estimated at this stage.
48. Officers are however exploring further funding options with NZTA and GWRC, as well as continuing the value management challenge inherent in all of this work.

Wainuiomata Hub

49. Progressive has announced its plans for significant developments in the Wainuiomata CBD, including a new supermarket. Council may wish to consider bringing forward its funding for a new community hub (currently planned for 2027/28 to 2028/29 as per the LTP), to be developed alongside

Progressive's plans. This is a very significant opportunity for the overall revitalisation of the area.

Biodiversity Funding

50. As covered in the separate report for this Committee meeting, "Supporting Lower Hutt's Indigenous Biodiversity" (report number CPC 2019/1/7), Officers are recommending adding to the 2019/20 draft Annual Plan budget, a provision of \$265,000 per annum over the next 10 years to support indigenous biodiversity on identified private property.

Petone Centre

51. Officers are working with Urban Plus Limited (UPL) on a concept to replace the Library with a new Community Centre which will include apartments above the centre.
52. There are currently two options being considered. The first option is purely a replacement of the current building; the second option is replacement of the building but with the addition of a master plan for the surrounding area.
53. UPL have estimated the first option can be completed with Council contributing a total of \$2.5M. The second masterplan option will be considerably more expensive. There is currently a budget provision of \$1.5M in 2021/22 for the Petone Library. Officers are recommending Council add an additional \$1M into the 2020/21 budget as a placeholder to cover the additional investment.
54. Officers are continuing to work with UPL on both options and will bring all information back to Council to consider.

Hutt Valley Tennis

55. At the end of February, Mitchell Park Squash will be leaving their current Mitchell Park facility to form a new club, Hutt City Squash, with Fraser Park Squash at the RICOH Sports Centre at Fraser Park (Sportsville). As a consequence, Hutt Valley Tennis (HVT) will be left to shoulder the costs that it used to share with Squash. This is an obvious challenge for HVT. Adding to the challenge and liability is that the building is earthquake prone.
56. For the reasons outlined above, Council has supported recent Annual Plan submissions by HVT which has resulted in \$500,000 being included in the LTP as a contribution to a redeveloped Mitchell Park.
57. Officers have presented a proposal to HVT which they believe will significantly enhance the venue (especially regarding covered courts), allow for greater participation, help grow the sport and support a more sustainable business model.
58. HVT agree and like the concept of covered courts. Based on current playing numbers and courts hours use and including an assumption for growth, Officers believe two covered courts are desirable. However HVT would like four courts covered. Officers like the ambition but have recommended starting with two with the ability/scope to add more in the future.

59. Officers are currently working with HVT on exploring options for the existing building to bring it above earthquake code.
60. This project is being overseen by CFT. The matter will be on the agenda for the CFT's first meeting of 2019.
61. The CFT and Officers will continue to support and work with HVT to ideally reach agreement on a preferred option. Officers agree that urgency is required regarding this matter and a report will go the appropriate Council Committee as soon as possible.

Update on Wharves

62. Council agreed to a programme of wharf refurbishment in 2017, with the first stage being the refurbishment of Rona Bay Wharf. This first stage was completed in December 2018 at a cost of \$3.4M.
63. When it became apparent last year that the total cost of the wharf refurbishment programme would be far greater than first forecast, Council decided to defer the refurbishment of Petone Wharf to 2032. A sum of \$8M was included in the LTP in 2031/32 for this purpose.
64. A report to the City Development Committee in September 2018 recommended that Council bring forward part of the 2031/32 budget in order for essential works on Petone Wharf to ensure the wharf is safe and can remain open for use. These changes have been included in the draft 2019/20 Annual Plan.
65. Tenders for the Days Bay Wharf refurbishment have been received and evaluated. If the lowest tender is accepted the total cost of the project is likely to exceed available budget by \$500,000. Note that this includes a substantial contingency of 25% (\$750,000).
66. There are three options to consider:
 - a. accept the lowest tender as is and report any overspend;
 - b. negotiate with the preferred tenderer a reduced scope of works; or
 - c. reject all tenders and defer works on Days Bay Wharf.
67. Officers will address each of these options in more detail at the meeting with the preference being to manage the contingency as tightly as possible given the community expectations.

NET DEBT

68. The net debt chart has been updated to reflect the 30 June 2019 full year forecasts (as at 31 December 2018). The draft budget ensures that the net debt forecasts per the draft 2019/20 Annual Plan remains within the Financial Strategy limits. The debt forecasts relative to the Financial Strategy limits are shown in appendix 6 to this report.

Consultation

69. There are no consultation matters arising from this report. Council will undertake a community engagement and communication process leading

into the 2019/20 Annual Plan rather than a special consultative procedure following the publication of a draft Annual Plan. The special consultative procedure, consisting of formal public consultation and hearings, is only required when significant changes to the LTP are being proposed.

70. The community engagement and consultation process leading in to the 2019/20 Annual Plan will provide opportunity for community feedback in a less formal and prescribed manner. It will also provide a mechanism for updating the community on significant projects for the upcoming year, any changes to the LTP and explaining how the community can have their say throughout the year including the funding process.

Legal Considerations

71. There are no legal considerations in addition to those already outlined in this report.

Financial Considerations

72. Financial considerations are contained in the body of this report.

Other Considerations

73. In making this recommendation, officers have given careful consideration to the purpose of local government in section 10 of the Local Government Act 2002. Officers believe that this recommendation falls within the purpose of local government in that producing draft budgets for the 2019/20 Annual Plan provides the opportunity for members of the public to comment on the manner in which Council proposes to meet the current and future needs of the community.

Appendices (Attached under separate cover)

No.	Title	Page
1	2019/20 Annual Plan - Financial Statements	
2	2019/20 Annual Plan - Activity Statements	
3	2019/20 Annual Plan - Funding Impact Statements	
4	2019/20 Annual Plan - Operating & Capital Projects	
5	2019/20 Annual Plan - Projects Changes From LTP	
6	2019/20 Annual Plan - Debt Forecast Graph	

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