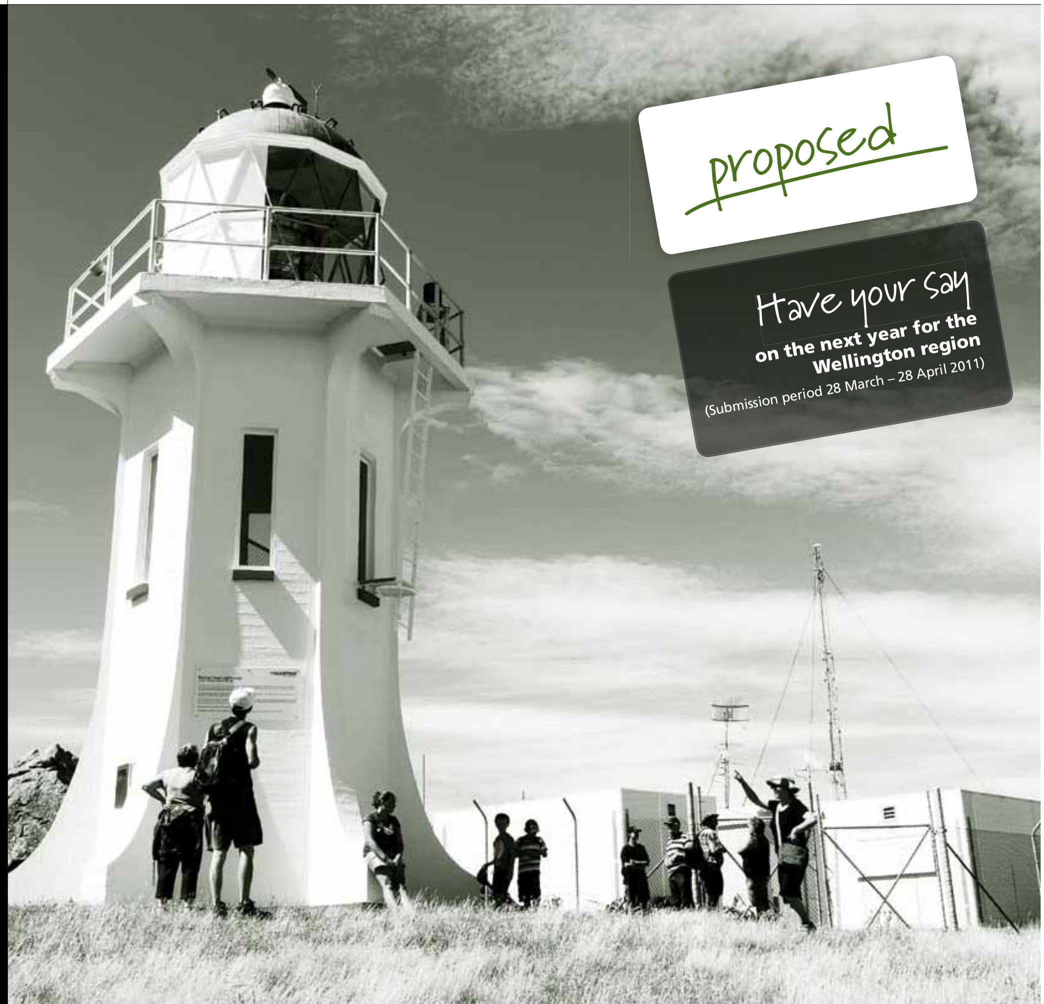
greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

GREATER WELLINGTON REGIONAL COUNCIL

Annual Plan 2011/12 – Proposed



Annual Plan 2011/12 – Proposed GREATER WELLINGTON REGIONAL COUNCIL

greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

Greater Wellington promotes **Quality for Life** by ensuring our environment is protected while meeting the economic, cultural and social needs of the community

greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

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March 2011
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Introduction

Welcome to the Greater Wellington Regional Council's *Annual Plan 2011/12 – Proposed.*

You will find information about Greater Wellington's key projects for the 2011/12 financial year, which will contribute to the Wellington region's community outcomes.

THE ANNUAL PLAN IS A REQUIREMENT OF THE LOCAL GOVERNMENT ACT 2002.

Have your say

How can I have my say and make a submission?	
Make an online submission	www.gw.govt.nz/have-your-say
Email us	info@gw.govt.nz
Phone us	0800 496 734

When can I make a submission?	
You have one month to make your submissions	28 March to 28 April 2011
• Drop-in sessions with Regional Councillors will be held (details advertised in newspapers and on our website)	
Your submissions heard by Greater Wellington	19 May to 20 May 2011
• Submissions can be made in person during this time (details advertised on our website)	

Where can I get more information?	
Attend a drop-in session with Regional Councillors	Details to be advertised on our website
Contact your local Regional Councillor	See p113 for details
Visit our Wellington office	142 Wakefield Street, Wellington
Visit our Masterton office	34 Chapel Street, Masterton

Message from the Chair

Once more it is a pleasure to introduce this proposed annual plan and invite your comments.

For the forthcoming year we have kept to a bare minimum the rate increase required for "business as usual" – 1.98% across the normal activities of the organisation. At the same time we are proposing an important change to the rail upgrade programme in partnership with the Government. This will require a further 2.60% funding, bringing the total proposed rates increase to 4.58%. For the average property, the total increase equates to approximately $20 per annum. However, the exact dollar figure will vary according to your property value and the district in which you live.

Why plan a rail upgrade at a time when most people are tightening their belts? For some years we have been immensely frustrated at our lack of ability to undertake comprehensive forward planning of the regional rail network. The sorry history of rail ownership does not need rehearsing and we all know the result – antiquated infrastructure that has caused many headaches for commuters. The $550 million improvements currently being rolled out – the new Matangi fleet and an upgraded network – will be enormously helpful but they are simply "catch-up". The challenge has been that with so many parties involved we could not sensibly plan how to deliver or fund the next stage.

The rail package we are proposing in this annual plan would give us certainty.

If agreed, it would result in the Greater Wellington owning the metropolitan rail fleet, together with our regional stations (except Wellington Railway Station), while the Government would continue to own the network.

What would be the benefit of this new arrangement?

First of all we believe that permanent regional ownership of the metropolitan rail fleet and stations would give you, the residents of the region, more control over the long-term future of these assets, regardless of which company has the operating and maintenance contracts. We would ensure that assets are maintained, with no chance of any kind of asset stripping.

The second benefit is that ownership would be divorced from the operator. Essentially this means that Greater Wellington could introduce competition into the provision of rail services, providing greater incentive for the operator to perform and thus better value for ratepayers and more reliable service for passengers.

Rail is a key enabler of economic activity in our region, with 11.1 million trips in the last year. Most of these passengers commute into Wellington City for work. We believe that attaining more certainty around the rail system will benefit our regional economy.

The proposal also includes the refurbishment of the 30-year-old Ganz Marvag trains. Even when all the new Matangi units are in use, there will not be enough capacity for the projected peak hour demand and, unfortunately, the Ganz fleet has reached its "use by" date. Currently we have sufficient funding to refurbish only one of these units (a prototype) but the package would enable us to refurbish the whole fleet, thus increasing capacity.

The package also gives us the ability to put more carriages on the Wairarapa Line.

An important part of the deal involves continued network upgrades by the Government. Significant work such as replacing wooden poles, signals and overhead wires would be programmed in, with secured funding.

This is just the broad parameters of the proposed package. We are still in discussion with the Government over the phasing in of some of the changes and, of course, we need feedback from you as to whether you think this is a good idea for our region in the long term.

Our Council believes it is a unique opportunity to secure and "future proof" our metropolitan rail network, while still retaining Government funding support.

Though I have described the rest of our rates increase as covering "business as usual", there is one feature that is worth highlighting. Next year we are proposing significant funding ($750,000) to continue the feasibility study for the Wairarapa Water Use Project. This project recognises the pressures currently on water in Wairarapa, resulting in both quality and quantity issues.

The idea is to harvest some of the vast amount of water that pours off the Tararua ranges in the winter, store it off-river and release if for a variety of community and agricultural uses during the dry season. In recent years we have undertaken a massive study of the behaviour of groundwater and rivers in Wairarapa, and we believe that a carefully conceived and executed water scheme could help restore the balance of our degraded systems. It would also be one of the largest economic development projects in the region, bringing benefits much further afield than the immediate area under consideration.

This annual plan also covers our usual wide range of activity – other transport work, flood control, biodiversity, regional parks, emergency management, economic development, land and water management, and many other areas. All of this is aimed at enabling the economic, environmental, social and cultural wellbeing of our community.

This consultation document is based on what we know now - but some areas are difficult to predict. These include future oil prices and the level of the New Zealand dollar, both of which impact on our public transport costs. When we make our final rates decision at the end of June we will use the most current projections available to assess likely changes in these areas.

At a time when the economy is flat lined and when the whole nation is united in its response to the tragedy of the Christchurch earthquake, we have thought hard about our proposed rates increase. However, on balance it seemed to us that the proposed rail package and work such as the Wairarapa Water Use project are investments in our future and, despite current circumstances, are worthy of consideration.

Our Council looks forward to your response.

FRAN WILDE
CHAIR

Community outcomes for the Wellington region

HEALTHY ENVIRONMENT

We have clean water, fresh air and healthy soils. Well-functioning and diverse ecosystems make up an environment that can support our needs. Resources are used efficiently. There is minimal waste and pollution.

CONNECTED COMMUNITY

Access is quick and easy – locally, nationally and internationally. Our communication networks, air and sea ports, roads and public transport systems enable us to link well with others, both within and outside the region.

QUALITY LIFESTYLE

Living in the Wellington region is enjoyable and people feel safe. A variety of lifestyles can be pursued. Our art, sport, recreation and entertainment scenes are enjoyed by all community members – and attract visitors.

ENTREPRENEURIAL AND INNOVATIVE REGION

Innovation and new endeavours are welcomed and encouraged. Ideas are exchanged across all sectors, resulting in a creative business culture. We have excellent education and research institutions, and benefit from being the seat of government.

SENSE OF PLACE

We have a deep sense of pride in the Wellington region. We value its unique characteristics – rural, urban and harbour landscapes, climate, central location and capital city.

ESSENTIAL SERVICES

High-quality and secure infrastructure and services meet our everyday needs. These are developed and maintained to support the sustainable growth of the region, now and in the future.

PROSPEROUS COMMUNITY

All members of our community prosper from a strong and growing economy. A thriving business sector attracts and retains a skilled and productive workforce.

HEALTHY COMMUNITY

Our physical and mental health is protected. Living and working environments are safe, and everyone has access to health care. Every opportunity is taken to recognise and provide for good health.

PREPARED COMMUNITY

We can cope with emergency events. Individuals and businesses are able to take responsibility for their own wellbeing. Effective emergency management systems are in place.

STRONG AND TOLERANT COMMUNITY

People are important. All members of our community are empowered to participate in decision making and to contribute to society. We celebrate diversity and welcome newcomers, while recognising the special role of tangata whenua.

Financial summary

The overall rates and levies increase 4.23% in 2011/12

This proposed annual plan's rates and levies are proposed to increase by 4.23% compared to our projected increase of 10.1% in the *10-Year Plan 2009-19*, which is $14.5 million less in rates and levies.

The primary reasons for the decrease in rates and levies requirements compared to the *10-Year Plan 2009-19* are:

- Lower interest rates have reduced finance costs and improved returns from Greater Wellington's subsidiaries
- A dedicated effort to maintain core operating costs at 2009/10 base levels in light of the economic downturn
- Project payments for the rail upgrade (particularly for the new Matangi trains) have been later than anticipated, resulting in lower debt than forecast in the *10-Year Plan 2009-19*, which reduces current costs

Please see p10-15 for a full breakdown of Greater Wellington's proposed rates

Summary income statement	2011/12 Plan $000s	2011/12 LTCCP $000s	2011/12 Change $000s
Rates and levies	109,267	123,784	(14,517)
Grants revenue	142,450	109,094	33,356
Other revenue	20,573	18,350	2,223
Total revenue	272,290	251,228	21,062
Operating expenditure	(102,022)	(101,101)	(921)
Grant expenditure	(42,387)	(94,289)	51,902
Transport improvement grants[1]	(137,157)	(52,189)	(84,968)
Total expenditure	(281,566)	(247,579)	(33,987)
Operating surplus/(deficit)	**(9,276)**	**3,649**	**(12,925)**

Overall, the *10-Year Plan 2009-19* operating surplus of $3.6 million has reduced to a $9.3 million defict

The changes proposed for the way forward for passenger rail highlighted in the Chair's message results in Greater Wellington fully loan funding future rail project costs, with government grants being received as the debt servicing costs are incurred instead of when the expenditure occurs. As a result, capital grant revenue is now proposed to be lower in 2011/12 when compared to the *10-Year Plan 2009-19*, which results in a larger accounting deficit.

The changes in timing of the transport improvements create the large increase in the transport improvement grants and grants expenditure for 2011/12 when compared to the *10-Year Plan 2009-19*.

For full details of the key changes to the *10-Year Plan 2009-19*, please see the key changes section in each group of activities in this proposed annual plan.

[1] Transport improvement grants are capital grants to external public organisations and the 100% Council-Controlled Trading Organisation, Greater Wellington Rail Ltd, for improvements to public transport infrastructure where Greater Wellington will not own the resulting asset. These improvements include trolley bus overhead wire renewals, rail infrastructure, rail track renewals, the new Matangi trains and the proposed Ganz Mavag refurbishment project

Note that all figures on this page exclude GST

Financial summary (continued)

The key changes between the *10-Year Plan 2009-19* and 2011/12 proposed annual plan are:

- An increased investment in Greater Wellington Rail Limited reflecting the changes in the proposed Regional Rail Package
- A $28 million increase in debt primarily driven by the changes in the proposed Regional Rail Package
- The proposed debt levels still remain comfortably within Greater Wellington's treasury management policy limits

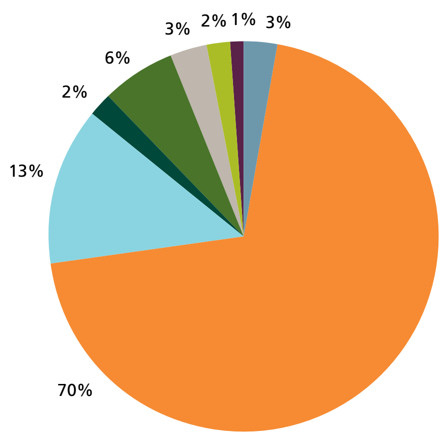
The Matangi trains and the Ganz Mavag (which will be refurbished) will be owned by Greater Wellinton Rail Limited. In Greater Wellington's balance sheet they are repesented by the increase in the investment in subsidiaries, not within fixed assets. The proposed Regional Rail Package results in a larger share of expenditure being directly funded by Greater Wellington than projected in the *10-Year Plan 2009-19*.

Summary balance sheet	2011/12 Plan $000s	2011/12 LTCCP $000s	2011/12 Change $000s
Current assets	86,638	83,159	3,479
Non-current assets	813,309	799,469	13,090
Total assets	899,947	882,628	16,569
Current liabilities	64,948	66,616	(1,668)
Non-current liabilities	170,430	141,442	28,238
Total liabilities	235,378	208,058	26,570
Net assets	**664,569**	**674,570**	**(10,001)**
Closing ratepayers' funds	**664,569**	**674,570**	**(10,001)**

Note that all figures on this page exclude GST

2011/12 proposed revenue and expenditure

Greater Wellington's proposed gross expenditure 2011/12

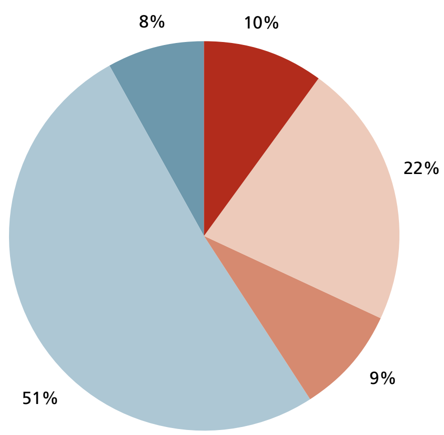


Resource management	$11.7m (3%)
Transport	$238.8m (70%)
Water supply	$45.2m (13%)
Parks	$7.9m (2%)
Safety and flood protection	$19.9m (6%)
Land management	$8.7m (3%)
Regional sustainable development	$8.1m (2%)
Community	$5.2m (1%)

All figures exclude GST

Greater Wellington is planning $31 million on capital expenditure, $137 million on transport improvements and $177 million in operating expenditure. This pie chart shows the total cost of delivering Greater Wellington's services, broken down by our groups of activities. The most significant area of our expenditure is transport, accountable for 70% of the total work programme for 2011/12.

Greater Wellington's proposed revenue 2011/12



General rates	$26.0m (10%)
Targeted rates	$59.1m (22%)
Water supply levy	$24.2m (9%)
Government subsidies	$142.5m (51%)
Other revenue	$20.6m (8%)

All figures exclude GST

Greater Wellington's work programmes will be funded by a mix of rates, levies, government subsidies and other revenue. Regional rates, comprising general rates and targeted rates, make up 32% of Greater Wellington's total revenue for 2011/12. Government subsidies (primarily for funding public transport services and the extensive public transport rail network upgrade) make up a further 51% and the water supply levy (charged to the Wellington, Porirua, Hutt and Upper Hutt city councils) makes up 9%. The remaining 8% of revenue is from other external sources.

Summary of proposed rates and levies

This table shows the rates and levies for Greater Wellington in 2011/12, together with the changes from 2010/11. Rates comprise the general rate and various targeted rates. Greater Wellington also charges a water supply levy directly to the four city councils in the region. The city councils then rate accordingly for this levy.

The largest single component of Greater Wellington's rates is the transport rate. The increase in the transport rate for 2011/12 includes the financial impacts of the ongoing extensive rail rolling stock and network upgrade.

Fluctuations in the world oil price and New Zealand exchange rate can also significantly impact the amount paid by Greater Wellington for its diesel bus contracts.

The total rate increase in regional rates for 2011/12 is 4.58%. The water supply levy, which is charged to the four metropolitan city councils, is proposed to increase by 3% over 2010/11. When the water supply levy is included, Greater Wellington's overall increase is 4.23%.

By rate and levy type:	2010/11 Budget $000s	2011/12 Plan $000s	Change $000s	Change %
General rates[1]	26,803	25,983	(820)	(3.06%)
Targeted rates:				
River management rates[2]	3,976	4,459	483	12.15%
Transport rates[3]	41,392	45,437	4,045	9.77%
Stadium rates	2,676	2,676	-	-
EDA rates	4,500	4,500	-	-
Bovine Tb rates	143	143	-	-
South Wairarapa district – river rates	83	83	-	-
Wairarapa scheme and stopbank rates	1,288	1,290	2	0.16%
Total targeted rates	54,058	58,588	4,530	8.38%
Total regional rates	80,861	84,571	3,710	4.58%
Water levy	23,460	24,164	704	3.00%
Total regional rates and levies[4]	**104,321**	**108,735**	**4,414**	**4.23%**
Warm Greater Wellington rates[5]	31	532		
Total rates and levies	**104,352**	**109,267**		

Figures labelled "2010/11 Budget" are sourced from Greater Wellington's Annual Plan 2010/11, and those labelled "2011/12 Plan" are those proposed in this Annual Plan 2011/12.

1 Overall the general rate has decreased over 2010/11 due to increased returns from investments and lower debt-servicing costs

2 The river management rates have increased due the continuing flood protection programme, including the Boulcott-Hutt Stopbank in Lower Hutt and the Convent Road and South Waitohu stopbank improvements in Kapiti, which are progressing in 2011/12

3 The transport rate has increased due to funding the ongoing rail upgrade projects and the increased expenditure associated with ensuring the rail network and rolling stock are appropriately managed and maintained after the upgrade is complete

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

5 Warm Greater Wellington is the scheme to assist regional ratepayers install insulation or clean heating appliances in their home

This information should be read in conjunction with the Funding Impact Statement and the Revenue and Financing Policy in the *Policies Document* of the *10-Year Plan 2009-19*.

Note that all figures on this page exclude GST

Summary of proposed rates and levies

What is the impact on your city or district?

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

By area:	2010/11 Budget $000s	2011/12 Plan $000s	Change $000s	Change %
Wellington city	41,832	43,507	1,675	4.00%
Lower Hutt city	15,327	16,273	946	6.17%
Upper Hutt city	5,450	5,820	370	6.79%
Porirua city	6,547	6,927	380	5.80%
Kapiti Coast district	6,349	6,768	419	6.60%
Masterton district	1,798	1,724	(74)	(4.12%)
Carterton district	766	765	(1)	(0.13%)
South Wairarapa district	1,276	1,269	(7)	(0.55%)
Tararua district[1]	2	2	-	-
Region-wide rates[2]	**79,347**	**83,055**	**3,708**	**4.67%**
Bovine Tb rate	143	143	-	-
South Wairarapa district – river rates	83	83	-	-
Wairarapa scheme and stopbank rates	1,288	1,290	2	0.16%
Total regional rates	**80,861**	**84,571**	**3,710**	**4.58%**
Water supply levy	23,460	24,164	704	3.00%
Total regional rates and levies[3]	**104,321**	**108,735**	**4,414**	**4.23%**
Warm Greater Wellington rate[4]	31	532		
Total rates and levies	**104,352**	**109,267**		

Figures labelled "2010/11 Budget" are sourced from Greater Wellington's Annual Plan 2010/11, and those labelled "2011/12 Plan" are those proposed in this Annual Plan 2011/12.

[1] 10 rural properties in the Tararua district are within the boundaries of the Wellington region

[2] Region-wide rates are rates that are charged to all ratepayers in the region. They exclude bovine Tb, South Wairarapa river rates, Wairarapa river and drainage scheme rates and any Warm Greater Wellington targeted rates, as they impact only certain ratepayers that are covered by these programmes

[3] These totals exclude any Warm Greater Wellington targeted rates as they impact only those ratepayers that participate in the scheme

[4] Warm Greater Wellington is the scheme to assist regional ratepayers install insulation or clean heating appliances in their home

This information should be read in conjunction with the Funding Impact Statement and the Revenue and Financing Policy in the *Policies Document* of the *10-Year Plan 2009-19*.

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Proposed rates and levies – region-wide changes by city and rate type

What is the impact on your city or district?

Changes in region-wide rates due to equalised capital value (ECV) movements and apportionment from 2010/11 to 2011/12

	ECV movements[1]		General rate		River management rate		Transport rate		Stadium-purposes rate		EDA rate		Total region-wide rates[2]	
	Change $000s	Change %	Change $000s	Change %	Change $000s	Change %	Change $000s	Change %	Change $000s	Change %	Change $000s	Change %	Change $000s	Change %
Wellington city	89	0.21%	(396)	(0.94%)	(12)	(0.03%)	1,988	4.75%	-	-	6	0.01%	1,675	4.00%
Lower Hutt city	(63)	(0.41%)	(143)	(0.93%)	351	2.29%	813	5.30%	-	-	(12)	(0.08%)	946	6.17%
Upper Hutt city	28	0.51%	(54)	(0.99%)	51	0.94%	344	6.31%	-	-	1	0.02%	370	6.79%
Porirua city	5	0.08%	(63)	(0.97%)	(12)	(0.18%)	450	6.87%	-	-	-	-	380	5.80%
Kapiti Coast district	20	0.32%	(85)	(1.34%)	105	1.65%	376	5.92%	-	-	3	0.05%	419	6.60%
Masterton district	(62)	(3.45%)	(38)	(2.12%)	-	-	26	1.45%	-	-	-	-	(74)	(4.12%)
Carterton district	(4)	(0.52%)	(15)	(1.96%)	-	-	17	2.22%	-	-	1	0.13%	(1)	(0.13%)
South Wairarapa district	(13)	(1.02%)	(26)	(2.04%)	-	-	31	2.43%	-	-	1	0.08%	(7)	(0.55%)
Tararua district	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Region-wide rates[2]	**-**	**-**	**(820)**	**(1.03%)**	**483**	**0.61%**	**4,045**	**5.10%**	**-**	**-**	**-**	**-**	**3,708**	**4.67%**

Water supply levy

This table shows that the proposed water supply levy will increase by 3.00% from the 2009/10 level. The amounts charged to each of the four cities are based on the 2010/11 water consumption budgets and will be based on actual usage when the annual plan is finalised in June 2011.

	2010/11 Budget $000s	2011/12 Budget $000s	Change $000s	Change %
Wellington City Council	12,634	13,015	381	3.00%
Hutt City Council	5,928	6,106	178	3.00%
Upper Hutt City Council	2,170	2,235	65	3.00%
Porirua City Council	2,726	2,808	82	3.00%
Water supply levy	**23,458**	**24,164**	**706**	**3.00%**

[1] Rates for Greater Wellington are mostly allocated to ratepayers on the basis of their capital values. The territorial local authorities undertake valuations in different years. To ensure properties are valued on the same basis in each territorial area, Greater Wellington undertakes an equalised capital value (ECV) calculation. The movements in ECV reflect the extent to which capital values in each area have moved relative to each other. The ECV change by city amount shows how much the general rate changes as a direct consequence of the relative changes in capital values between the cities and districts from 2009/10 to 2010/11

[2] Region-wide rates are rates that are charged to all ratepayers in the region. They exclude bovine Tb, South Wairarapa river rates, Wairarapa river and drainage schemes and any Warm Greater Wellington targeted rates, as they impact only certain ratepayers that are covered by these programmes

This information should be read in conjunction with the Funding Impact Statement and the Revenue and Financing Policy in the *Policies Document* of the *10-Year Plan 2009-19*.

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Proposed rates and levies – region-wide changes by city and rate type

What is the impact on your city or district?

Percentage changes in each rate type which together make up the changes in region-wide rates from 2010/11 to 2011/12

	General rate			River management rate			Transport rate			Stadium-purposes rate			EDA rate		
	2010/11 Budget $000s	2011/12 Plan $000s	Change %	2010/11 Budget $000s	2011/12 Plan $000s	Change %	2010/11 Budget $000s	2011/12 Plan $000s	Change %	2010/11 Budget $000s	2011/12 Plan $000s	Change %	2010/11 Budget $000s	2011/12 Plan $000s	Change %
Wellington city	12,813	12,506	(2.40%)	111	99	(10.81%)	25,274	27,262	7.87%	1,589	1,589	-	2,045	2,051	0.29%
Lower Hutt city	4,737	4,531	(4.35%)	2,024	2,375	17.34%	7,166	7,979	11.35%	522	522	-	878	866	(1.37%)
Upper Hutt city	1,729	1,703	(1.50%)	563	614	9.06%	2,691	3,035	12.78%	141	141	-	326	327	0.31%
Porirua city	2,076	2,018	(2.79%)	77	65	(15.58%)	3,854	4,304	11.68%	192	192	-	348	348	-
Kapiti Coast district	2,761	2,696	(2.35%)	1,182	1,287	8.88%	1,815	2,191	20.72%	130	130	-	461	464	0.65%
Masterton district	1,289	1,189	(7.76%)	-	-	-	221	247	11.76%	54	54	-	234	234	-
Carterton district	520	501	(3.65%)	19	19	-	125	142	13.60%	19	19	-	83	84	1.20%
South Wairarapa district	876	837	(4.45%)	-	-	-	246	277	12.60%	29	29	-	125	126	0.80%
Tararua district	2	2	-	-	-	-	-	-	-	-	-	-	-	-	-
Region-wide rates[1]	**26,803**	**25,983**	**(3.06%)**	**3,976**	**4,459**	**12.15%**	**41,392**	**45,437**	**9.77%**	**2,676**	**2,676**	**-**	**4,500**	**4,500**	**-**

Rates increases vary between city and district councils because of differing capital values. In addition, some of Greater Wellington's work programmes impact differently across the region, especially flood protection and public transport.

	Total region-wide rates[1]		
	2010/11 Budget $000s	2011/12 Plan $000s	Change %
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[1] Region-wide rates are rates that are charged to all ratepayers in the region. They exclude bovine Tb, South Wairarapa river rates, Wairarapa river and drainage schemes and any Warm Greater Wellington targeted rates as they impact only certain ratepayers that are covered by these programmes

Note that all figures on this page exclude GST

Proposed rates and levies – residential region-wide rates

What is the impact on your city or district?

2011/12 residential region-wide rates by rate type and for an average valued residential property

	General rate "per $100,000 of capital value"		River management rate "per $100,000 of capital value"		Transport rate "per $100,000 of capital value"		Stadium-purposes rate "per $100,000 of capital value"		Region-wide residential[1] "per $100,000 of capital value" (excluding EDA rate)	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
Wellington city	$28.44	$27.56	$0.25	$0.21	$26.49	$27.48	$3.03	$3.01	$58.21	$58.26
Lower Hutt city	$26.43	$26.93	$11.30	$14.12	$40.43	$48.00	$2.76	$2.93	$80.92	$91.98
Upper Hutt city	$26.65	$27.15	$8.67	$9.79	$44.76	$52.40	$2.36	$2.46	$82.44	$91.80
Porirua city	$26.17	$25.31	$0.96	$0.82	$51.34	$57.10	$2.48	$2.47	$80.95	$85.70
Kapiti Coast district	$26.79	$25.98	$11.47	$12.41	$19.97	$23.98	$1.37	$1.36	$59.60	$63.73
Masterton district	$26.34	$24.11	$0.00	$0.00	$7.22	$8.02	$1.77	$1.75	$35.33	$33.88
Carterton district	$27.34	$26.38	$1.00	$1.00	$13.17	$15.42	$1.80	$1.92	$43.31	$44.72
South Wairarapa district	$27.65	$26.05	$0.00	$0.00	$16.15	$17.90	$2.10	$2.06	$45.90	$46.01

	Total regional rates[1] per average residential property, (excluding EDA rate)		EDA rate[2] per residential property		Total regional rates[1] per average residential property, (including EDA rate)	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
Wellington city	$294.09	$295.47	$14.00	$14.00	$308.09	$309.47
Lower Hutt city	$314.30	$335.55	$14.00	$14.00	$328.30	$349.55
Upper Hutt city	$282.12	$301.49	$14.00	$14.00	$296.12	$315.49
Porirua city	$312.64	$330.42	$14.00	$14.00	$326.64	$344.42
Kapiti Coast district	$220.43	$235.93	$14.00	$14.00	$234.43	$249.93
Masterton district	$85.98	$82.87	$14.00	$14.00	$99.98	$96.87
Carterton district	$109.87	$105.63	$14.00	$14.00	$123.87	$119.63
South Wairarapa district	$124.70	$126.40	$14.00	$14.00	$138.70	$140.40

[1] Region-wide rates are rates that are charged to all ratepayers in the region. They exclude bovine Tb, South Wairarapa river rates, Wairarapa river and drainage schemes and any Warm Greater Wellington targeted rates, as they impact only certain ratepayers that are covered by these programmes

[2] Grow Wellington is the region's economic development agency (EDA). The EDA rate is a targeted rate allocated on a fixed-amount basis for residential and rural ratepayers. It is allocated on capital value for businesses. For residential properties, the fixed amount is $14.00 + GST and rural properties $28.00 + GST

This information should be read in conjunction with the Funding Impact Statement and the Revenue and Financing Policy in the *Policies Document* of the *10-Year Plan 2009-19*.

Note that all figures on this page exclude GST

Proposed rates and levies – residential region-wide rates calculator

What is the impact on your property?

The table below shows how you can calculate your own residential proposed region-wide rates for 2011/12. For example, if you live in Upper Hutt city and have a residential property with a capital value of $350,000, your indicative regional rates are $335.30 plus GST = $385.60.

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

	2011/12 region-wide[1] rates per $100,000 of capital value, excluding the EDA rate		Enter the capital value of your property			EDA rate[2] residential property		Indicative rates on your property for 2011/12[1]
Wellington city	$58.26	x		÷ 100,000	+	$14.00	=	
Lower Hutt city	$91.98	x		÷ 100,000	+	$14.00	=	
Upper Hutt city	$91.80	x		÷ 100,000	+	$14.00	=	
Porirua city	$85.70	x		÷ 100,000	+	$14.00	=	
Kapiti Coast district	$63.73	x		÷ 100,000	+	$14.00	=	
Masterton district	$33.88	x		÷ 100,000	+	$14.00	=	
Carterton district	$44.72	x		÷ 100,000	+	$14.00	=	
South Wairarapa district	$46.01	x		÷ 100,000	+	$14.00	=	
Upper Hutt city example	$91.80	x	$350,000	÷ 100,000	+	$14.00	=	$335.30 + gst

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

[1] Region-wide rates are rates that are charged to all ratepayers in the region. They exclude bovine Tb, South Wairarapa river rates, Wairarapa river and drainage schemes and any Warm Greater Wellington targeted rates, as they impact only certain ratepayers that are covered by these programmes

[2] Grow Wellington is the region's economic development agency (EDA). The EDA rate is a targeted rate allocated on a fixed-amount basis for residential and rural ratepayers. It is allocated on capital value for businesses. For residential properties the fixed amount is $14.00 + GST and rural properties $28.00 + GST

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

This information should be read in conjunction with the Funding Impact Statement and the Revenue and Financing Policy in the *Policies Document* of the *10-Year Plan 2009-19*.

Note that all figures on this page exclude GST

Resource management

1. Community outcomes

The Resource management group of activities primarily contributes to the following community outcome by promoting the sustainable use, development and protection of the Wellington region's natural and physical resources – water, air, coast, soil and biodiversity:

Healthy Environment
A healthy environment is one with clean water, fresh air and healthy soils. Well functioning and diverse ecosystems make up an environment that can support our needs. Resources are used efficiently. There is minimal waste and pollution.

This group of activities also contributes to the following outcome:

Healthy Community by helping to provide a clean and healthy environment in which to live.

2. Key projects 2011/12

Activity: Resource management planning

- Continue our engagement process with the community as we further develop a new regional plan under the guidance of Te Upoko Taiao – the Natural Resource Management Committee, addressing issues such as water allocation and land use
- Resolve appeals on the Regional Policy Statement and where necessary defend decisions in the Environment Court
- Make submissions on notified resource consents, district plans and other environmental policy documents from both local and central government to support the Regional Policy Statement and regional plans

Activity: Resource consent service

- Work with the Environmental Protection Authority to ensure efficient and effective pre-application processes for projects of national significance, such as the Transmission Gully motorway project
- Continue to carry out our core function of processing resource consents within statutory timeframes
- Hold workshops with resource management consultants to improve the quality of applications received, leading to a more consistent and streamlined approach to resource consent processing

Activity: Compliance and enforcement

- Complete a comprehensive compliance monitoring strategy to ensure we target our compliance resources to the areas of greatest environmental risk
- Continue promoting our Muddy Waters and urban streams programmes – a set of initiatives targeted at local authorities, contractors and consultants to improve environmental performance on earthworks sites to lessen the impact of land development on urban streams and estuaries
- Engage with landowners around Lake Wairarapa on best practice approaches to working in watercourses and compliance with our regional plans

Activity: Pollution prevention and control

- Continue to provide a prompt and efficient 24-hour, seven day a week response to pollution incidents and undertake enforcement action if and when required

Activity: State of the environment monitoring

- Continue monitoring the state of the region's air, water and soil to enable us to report on the state of the region's environment
- Provide specific scientific advice and research to assist in informing the development of the regional plan in areas such as the interaction of ground and surface water in the Wairarapa, air quality, environmental flows and soil quality
- Maintain records of land use where hazardous activities have been undertaken in the past

Activity: Environmental education and community engagement

- Continue our Take Care programme, which supports community groups, businesses and landowners to restore wetlands, streams, dunes and estuaries
- Maintain our commitment to the Take Action environmental education programme and continue our close involvement with the Enviroschools programme, including funding for the Enviroschools Regional Coordinator

Activity: Wairarapa Water Use Project

- Undertake a feasibility study for the Wairarapa Water Use Project – a project to explore optimal water use in the Wairarapa valley by harvesting, storing and distributing water, involving irrigation

3. Key changes from 10-Year Plan 2009-19 (LTCCP)

ACTIVITY
Resource management planning

- There are no significant changes from the *10-Year Plan 2009-19*

ACTIVITY
Resource consent service

- There are no significant changes from the *10-Year Plan 2009-19*

ACTIVITY
Compliance and enforcement

- There are no significant changes from the *10-Year Plan 2009-19*

ACTIVITY
Pollution prevention and control

- A reallocation of staff time between compliance and other activities has resulted in an overall reduction of $178,478 compared to the budget forecast in *10-Year Plan 2009-19*

ACTIVITY
State of the environment monitoring

- There are no significant changes from the *10-Year Plan 2009-19*

ACTIVITY
Environmental education and community engagement

- Greater Wellington supported more than 20 businesses though the eMission programme. However, funding for the programme has not been continued due to a reallocation of staff and financial resources

ACTIVITY
Wairarapa Water Use Project

- This is a new activity. $750,000 has been budgeted in 2011/12 to undertake a feasibility study

4. Short-term targets – by 30 June 2012

ACTIVITY
Resource management planning

TARGET	BUDGET
A Proposed Regional Plan(s) for the management of the region's soils, freshwater, air, coasts and land will be approved by the Council for public consultation.	$519,347

ACTIVITY
Resource consent service

TARGET	BUDGET
100% of resource consents will be processed within statutory timeframes and in compliance with the Resource Management Act.	$709,298
100% of consent decisions appealed to the Environment Court will be successfully defended.	$80,050
Two workshops on specific issues will be held for consent customers.	$73,209

ACTIVITY
Compliance and enforcement

TARGET	BUDGET
100% of compliance inspections for all major consents with an individual monitoring programme will be completed.	$465,099
6.7% (1 in 15) of all consents not subject to an individual monitoring programme will be subject to a monitoring inspection.	$31,162
100% enforcement actions taken will be successful.	$64,000

ACTIVITY
Pollution prevention and control

TARGET	BUDGET
100% of environmental pollution incidents will be responded to according to the following timeframes: • Log only: no action required • Red (serious adverse environmental effect requiring immediate attention): 60 minutes • Yellow (serious environmental effect where no benefit will be gained by an immediate response): 24 hours • Blue (minor environmental effect not requiring immediate response): 7 days	$228,184
20 businesses will be audited for compliance with the Resource Management Act and regional plans.	$46,338

ACTIVITY
Wairarapa Water Use Project

TARGET	BUDGET
Progress the feasibility study to the satisfaction of Council	$750,000

ACTIVITY

State of the environment monitoring

TARGET	BUDGET
A comprehensive state of the environment report will be completed to the satisfaction of the Council and thereafter publicly distributed.	$1,783,075
Greater Wellington's managers with responsibility for water supply and consents will be notified within one working day of low groundwater levels in the Waiwhetu aquifer.	$45,136
Water samples will be taken weekly throughout the bathing season (1 November – 31 March) and tested for the presence of bacteria. A traffic light warning framework (see below) will be used at the sites and on Greater Wellington's website to inform the public: Green – low or no public health risk Amber – alert mode requiring follow-up monitoring Red – action required and beach closed	$55,489
Real-time environmental data will be available on Greater Wellington's website throughout the year.	$57,456
Targeted investigations will be completed in a timely manner and to the satisfaction of the Council.	$515,530

ACTIVITY

Environmental education and community engagement

TARGET	BUDGET
2,000 primary school students will participate in a Take Action environmental education programme.	$274,000
Community groups will work on restoring 30 degraded ecosystems through the Take Care programme.	$297,000
25 businesses will be assisted to improve their environmental performance through our eMission business sustainability and carbon reduction programme.	Discontinued

Prospective funding impact statement
For the year ending 30 June

	2011/12 Plan $000s	2011/12 LTCCP $000s
Funding statement		
General rate	9,803	10,340
Targeted rate	-	-
Government subsidies	-	11
Interest and dividends	-	-
Other operating revenue	1,695	1,783
Operating revenue	**11,498**	**12,134**
Direct operating expenditure	11,048	11,783
Finance costs	36	45
Depreciation	345	223
Operating expenditure	**11,429**	**12,051**
Operating surplus/(deficit)	**69**	**83**
Less:		
Capital expenditure	1,017	149
Proceeds from asset sales	(33)	(24)
Loan funding	(750)	-
Rates-funded capital expenditure	**234**	**125**
Debt repayment	180	181
Investment additions	-	-
Operational reserve movements	-	-
Working capital movements	-	-
Non-cash items[1]	(345)	(223)
Net funding required	**-**	**-**

	2011/12 Plan $000s	2011/12 LTCCP $000s
Operating revenue		
Resource management planning	2,175	2,503
Resource consent and compliance service	3,464	3,400
Pollution control	471	489
State of the environment monitoring	4,447	4,378
Environment education and engagement	941	1,364
Total operating revenue	**11,498**	**12,134**
Operating expenditure		
Resource management planning	2,181	2,508
Resource consent and compliance service	3,495	3,397
Pollution control	471	489
State of the environment monitoring	4,312	4,269
Environment education and engagement	970	1,388
Total operating expenditure	**11,429**	**12,051**
Capital expenditure		
Wairarapa Water Use Project	750	-
Capital project expenditure	-	-
Land and buildings	-	-
Plant and equipment	135	74
Vehicles	132	75
Total capital expenditure	**1,017**	**149**

[1] Non-cash items includes depreciation

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in the *Policies Document* of the *10-Year Plan 2009-19*.

Please note that all figures on this page exclude GST

Transport

1. Community outcomes

The Transport group of activities primarily contributes to the following community outcome by identifying the region's transport needs, planning how to meet them and working with others to develop networks and services:

Connected Community
Access is quick and easy – locally, nationally and internationally. Our communication networks, air and sea ports, roads and public transport systems enable us to link well with others, both within and outside the region.

This group of activities also contributes to the following outcomes:

Prosperous community by enhancing the movement of goods and people within the region

Healthy environment by reducing vehicle emissions through good transport planning and the provision of public transport services

Essential services by providing and maintaining high-quality secure public transport infrastructure, and planning for roads, walkways and cycleways

Healthy community by encouraging walking and cycling, and reducing air pollution

Quality lifestyle by enabling people, including those with disabilities, to travel across the region easily and safely to participate in a variety of activities

2. Key projects 2011/12

Activity: Regional transport network planning

- Review and update the Western Corridor Plan
- Develop a Regional Land Transport Programme for 2012-15
- Commence the Wellington Public Transport Spine Study

Activity: Encouraging sustainable transport choices

- Coordinate and support the carrying out of 23 new school travel plans and 58 existing school travel plans across the region
- Manage, maintain and promote the regional Cycling and Walking Journey Planner
- Provide advice on safe cycling and walking
- Facilitate active transport forums to encourage information sharing and collaboration
- Provide assistance, support and promotion for local cycling and walking events
- Coordinate and facilitate a regional road safety forum to identify and collaborate on the delivery of suitable regional road safety campaign initiatives

Activity: Public transport services

- Ensure existing services provide value for money by redeploying resources from poorly performing services
- Finalise the review of diesel bus services in Wellington city (excluding Tawa)
- Support bus priority measures, particularly in the Wellington CBD
- Continue public transport planning for the 2011 Rugby World Cup
- Complete a review of public transport services fare structures in the region
- Complete a review of Wairarapa bus services

Public transport operations

- Continue funding rail, bus and harbour ferry services
- Continue working with KiwiRail to improve passenger rail reliability, performance and customer satisfaction
- Continue working with the Ministry of Transport and the bus industry to develop a new procurement model for bus and ferry services which is consistent with the Minister of Transport's objectives
- Ensure quality standards are maintained for public transport users by continuing to develop and carry out new monitoring processes
- Continue funding and administering the Total Mobility Scheme (which offers half-price taxi fares for people with disabilities)
- Assess the success of the new Total Mobility Scheme electronic system and amend processes where further efficiencies can be made within budget

Maintain infrastructure assets and invest in new infrastructure

- Continue delivery, commissioning and introduction of the new Matangi passenger trains into service
- Secure funding and commence refurbishment of the Ganz Mavag passenger trains
- Ensure that the Greater Wellington Rail Limited-owned rolling stock is maintained at a level that ensures vehicles are available for service and reliable
- Continue the retrofit programme for bus shelters, replacing glass with perforated sheet metal to deter vandalism
- Install 15 new bus shelters across the region
- Install further Porirua CBD bus stop units (subject to available funding)
- Extend rail commuter carpark facilities (subject to available funding)
- Continue the region-wide maintenance programme for rail commuter carpark facilities

- Continue managing region-wide public transport infrastructure. Release to the market a number of tenders for the ongoing maintenance of these assets
- Review the Transport Asset Management Plan in readiness for the next 10-Year Plan.

Marketing and information management

- Continue introducing real-time information at bus stops and train stations to inform users when the next service will actually arrive (rather than its scheduled arrival time)
- Promote Metlink's public transport services through promotional campaigns
- Continue providing information on Metlink's public transport services through a call centre, timetable production, website and Twitter
- Conduct the annual public transport customer satisfaction monitoring survey

The Council had planned to review the formula used to calculate how the transport rate applies to different areas of the region. While some initial work has commenced, Council believes that this review would more appropriately take place in the 2011/12 year as part of the review of funding and financial policies in Greater Wellington's next 10-Year Plan

Consistent with the *10-Year Plan 2009-19*, the *Annual Plan 2011/12 – Proposed* includes a public transport fare revenue increase of 3%. The Council reviews fares annually and the proposed increase is deemed necessary to ensure that the direct user contribution to the cost of providing services will remain within the target range of 45% to 50% over the medium term

3. Key changes from 10-Year Plan 2009-19 (LTCCP)

ACTIVITY

Regional transport network planning

- A review of the requirements for the regional transport model has led to removing the household travel survey. This results in a $269,000 saving on the budget forecast in the *10-Year Plan 2009-19*
- The Freight Plan was due to be reviewed in 2011/12 but will be completed and approved by the Regional Transport Committee in the 2010/11 financial year
- A short-term target specific to the Wellington Public Transport Spine Study has been added. This study is part of the Ngauranga to Airport Corridor Plan and jointly funded with the Wellington City Council and New Zealand Transport Agency (NZTA)

ACTIVITY

Encouraging sustainable transport choices

- The budgets for school travel plans and walking and cycling initiatives have been reduced from what was forecast in the *10-Year Plan 2009-19*. This is due to lower overhead costs and realignment of the projects to ensure they fit with NZTA's new strategic investment framework
- The budget for the Regional Road Safety Campaign has been increased by $48,000 (70%) on that forecast in the *10-Year Plan 2009-19*. As this activity receives funding from NZTA, the increase has no impact on rates
- The community travel behaviour change project has been merged into the wider travel awareness campaign budget, resulting in a $27,000 saving

ACTIVITY

Public transport services

A number of changes to public transport expenditure in 2011/12 compared to our *10-Year Plan 2009-19* are outlined here. For operational costs the impact on the transport rate will depend on the NZTA's funding rate for that activity (usually 50% subsidy for bus operations, 60% for rail operations).

The financial projections for infrastructure improvements and rolling stock projects include changes in expenditure and also include changes to some funding arrangements. Key changes are included in the "Maintain infrastructure assets and invest in new infrastructure" section below.

Planning public transport services

- Planned expenditure on investigating electronic ticketing has been deferred until 2012/13. The timing of this expenditure will depend on integrated ticketing developments in Auckland and our ability to access NZTA funding

Public transport operations

- The cost of providing diesel bus services is $5.5 million less than projected in the *10-Year Plan 2009-19*. Contractual payments to operators for inflation have not been as high as anticipated and there are significant savings following the commercial registration and consequential withdrawal of subsidies for bus routes 110 and 120 from February 2010
- The provision in the *10-Year Plan 2009-19* of $2.3 million for bus service improvements has not been utilised. The global economic downturn has been a factor in this, with management efforts concentrated on providing service enhancement within existing budgets. In addition, NZTA's share of the increased funding has not been approved
- The cost of providing trolley bus services is $1.0 million less than projected in the *10-Year Plan 2009-19*. Contractual payments to the trolley bus operator are not as high as anticipated but offsetting this are increases in the cost of maintaining the overhead network
- The operating expenditure budget for the real-time information project has been reduced by $1.2 million. The current budget is based on the signed contract, which is less than anticipated when the *10-Year Plan 2009-19* budgets were set
- The forecast cost of subsidising passenger rail operations in Wellington has decreased by approximately $5.6 million. This change in projections is primarily driven by reduced maintenance and insurance expenditure on the new Matangi trains as they are phased into service, partly offset by increased payments to KiwiRail for network operations and maintenance
- A provision of up to $0.1 million has been included for services related to the 2011 Rugby World Cup

Maintain infrastructure assets and invest in new infrastructure

- There have been a number of changes to the expected timing of payments for rail infrastructure and rolling stock projects that are underway. The net effect of these changes has been to increase expenditure in 2011/12 by approximately $86 million. This change is primarily:
  - A delay to the timing of expenditure on the new Matangi passenger trains. The first in-service run was completed in 2010 and the fleet will be progressively introduced, with all units expected to be in-service in 2012
  - A delay to the timing of the planned refurbishment of the Ganz Mavag trains. This work is now assumed to commence in 2011/12 but is subject to suitable funding arrangements
  - Deferment of some Regional Rail Plan expenditure. With the change in emphasis in central government funding priorities, more work needs to be completed to refine this programme before a case for funding is put forward
- As part of the proposed Regional Rail Package, Greater Wellington would fully fund some rail project expenditure at the time the expense is incurred and recover a share of the debt-servicing costs from the NZTA over the life of that debt. This would have the effect of increasing Greater Wellington's debt and reported operating deficit in 2011/12
- The cost of renewing the trolley bus infrastructure has increased by $0.6 million

4. Short-term targets 2011/12 – by 30 June 2012

ACTIVITY

Regional transport network planning

TARGET	BUDGET
A monitoring report on RLTS will be approved by the Regional Transport Committee for publication by 30 September 2011.	$80,000
A reviewed Freight Plan will be approved by the Regional Transport Committee by 30 June 2012.	Completed in 2010/11
The technical work for the transport model rebuild will be completed.	$335,000
The Regional Land Transport Programme will be approved by the Council for submission to the New Zealand Transport Agency.	$120,000
The Wellington Public Transport Spine Study will have made significant progress, with the first three phases complete and public consultation on the options ready to commence.	$750,000

ACTIVITY

Encouraging sustainable transport choices

TARGET	BUDGET
New travel plans will be developed by 16 schools and four workplaces, and all existing travel plans in schools and work places will be monitored/reviewed.	$621,000
At least one community travel behaviour change project will be supported.	Combined with wider public awareness campaigns
Walking and cycling initiatives will be facilitated. The Cyclist and Walking Journey Planner will be maintained and the region's Active Transport Forum will be facilitated.	$189,000
The Regional Road Safety Campaign will be supported and reported to the Regional Transport Committee.	$69,000
Public awareness campaigns will be carried out to promote walking, cycling and public transport, and to discourage unnecessary car trips.	$223,000

ACTIVITY

Public transport services

TARGET	BUDGET
Service reviews of two contract areas will be completed and reported to the Council.	$150,000
Peak-time passenger trips using public transport will increase by 4%, off-peak passenger trips using public transport will increase by 6% and the number of public transport vehicles that are wheelchair accessible will increase from the previous year.	All of Greater Wellington's expenditure of $229,718,000 on public transport services will contribute to this target
All 48 new Matangi trains will be in passenger service.	$118,683,000
A rail station and carpark upgrade programme will commence.	$2,500,000
15 new bus shelters will be installed across the region.	$250,000
More than 90% of residents will rate the service they receive from the Metlink Service Centre as excellent or very good. More than 95% of calls to the Metlink Service Centre will be answered. Metlink website usage and its usefulness rating will increase from the previous year. Use of txtBUS and txtTRAIN will increase from the previous year.	$827,000

Prospective funding impact statement

For the year ending 30 June

	2011/12 Plan $000s	2011/12 LTCCP $000s
Funding statement		
General rate	-	-
Targeted rate	45,437	55,050
Government subsidies	142,179	108,769
Interest and dividends	127	15
Other operating revenue	180	1,107
Operating revenue	**187,923**	**164,941**
Direct operating expenditure	92,522	109,744
Finance costs	4,397	4,221
Depreciation	935	1,978
Operating expenditure	**97,854**	**115,943**
Operating surplus/(deficit) before transport improvement grants	**90,069**	**48,998**
Transport improvement grants[1]	137,157	52,189
Operating surplus/(deficit)[2]	**(47,088)**	**(3,191)**
Less:		
Capital expenditure	3,830	3,107
Proceeds from asset sales	-	-
Loan funding	(349)	(657)
Rates and subsidy-funded capital expenditure	**3,481**	**2,450**
Loan funding of public transport improvements[1, 2]	(52,303)	(7,023)
Debt repayment	4,688	3,845
Investment additions	-	-
Reserve movements	(2,019)	(485)
Working capital movements	-	-
Non-cash items[3]	(935)	(1,978)
Net funding required	**-**	**-**

	2011/12 Plan $000s	2011/12 LTCCP $000s
Operating revenue		
Regional transport network planning	2,343	2,779
Encouraging sustainable transport choices	1,189	2,478
Public transport services	184,391	159,684
Total operating revenue	**187,923**	**164,941**
Operating expenditure		
Regional transport network planning	2,283	2,269
Encouraging sustainable transport choices	1,187	2,478
Public transport services	94,384	111,196
Total operating expenditure (excluding transport improvement grants)	**97,854**	**115,943**
Public transport services		
Transport improvement grants[1]	**137,157**	**52,189**
Capital expenditure		
New public transport shelters, signage, pedestrian facilities and systems	3,830	3,107
Capital project expenditure	**3,830**	**3,107**
Land and buildings	-	-
Plant and equipment	-	-
Vehicles	-	-
Total capital expenditure	**3,830**	**3,107**

[1] Transport improvement grants include capital grants to external public organisations and the 100% Council-Controlled Trading Organisation, Greater Wellington Rail Ltd, for improvements to public transport infrastructure where Greater Wellington will not own the resulting asset. These improvements include trolley bus overhead wire renewals, rail infrastructure, rail track renewals, the new Matangi trains and the proposed Ganz Mavag refurbishment project

[2] As part of the proposed Regional Rail Package, Greater Wellington would fully fund some rail project expenditure at the time the expense is incurred, and recover a share of the debt servicing costs from the New Zealand Transport Agency over the term of the debt. This would have the effect of increasing Greater Wellington's debt and reported operating deficit in 2011/12

[3] Non-cash items include depreciation

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in the Policies Document of the *10-Year Plan 2009-19*.

Please note that all figures on this page exclude GST

Water supply

1. Community outcomes

The Water Supply group of activities primarily contributes to the following community outcome by collecting, treating and delivering water to the following cities – Lower Hutt, Upper Hutt, Porirua and Wellington. This requires Greater Wellington to maintain infrastructure and plan to meet future demand. We also promote the careful use of water and build resilience in the system to cope with emergencies:

Essential Services
High-quality and secure infrastructure and services meet our everyday needs. These are developed and maintained to support the sustainable growth of the region now and in the future

This group of activities also contributes to the following outcomes:

Healthy Community by ensuring that drinking water standards set by the Ministry of Health are met

Prepared Community by planning the reinstatement of water supply following an emergency event

Healthy Environment by encouraging people to use water wisely so that the environmental impacts of water supply operations are reduced

2. Key projects 2011/12

Activity: Water collection, treatment and delivery

- Maintain the gradings for the water treatment plants and distribution system
- Restore the long-term supply of wholesale drinking water to the four city customers to meet a security of supply standard of not less than a 2% probability of shortfall (a 1 in 50-year drought)

Activity: Water supply infrastructure

- Increase the storage capacity of the Stuart Macaskill Lakes
- Continue with the seismic upgrading of Stuart Macaskill Lakes
- Complete and commission the Wainuiomata mini-hydro generation facility

Activity: Planning for future water demand and supply

- Investigate whether the construction of an additional off-river water storage lake at Kaitoke is practical and cost effective
- Undertake a multi-criteria analysis comparing the options for increasing our future water supply – constructing an additional off-river water storage lake or building the Whakatikei dam

Activity: Water conservation programmes

- Monitor water supply conditions, particularly the availability of water during construction work on the Stuart Macaskill Lakes, and how this affects the Summer Water Demand Management Plan
- Deliver a comprehensive public communications initiative during construction works on the Stuart Macaskill Lakes

3. Key changes from 10-Year Plan 2009-19 (LTCCP)

ACTIVITY

Water collection, treatment and delivery

- There are no significant changes from the *10-Year Plan 2009-19*

ACTIVITY

Water supply infrastructure

- Work to strengthen and raise the level of the Stuart Macaskill lakes was originally planned to take place over the summers of 2010/11 and 2011/12
- The work on the internal lake linings has been deferred until the summers of 2011/12 and 2012/13 due to constraints identified in the construction programme. Work on the external embankments has been let as a separate contract and is planned to be completed by December 2011. As a result, the timing of capital expenditure has changed, with almost $3 million of funding for 2010/11 transferred to the 2011/12 and 2012/13 financial years
- Greater Wellington has withdrawn from the Wellington CBD reservoir project, so will no longer be undertaking preliminary work with the Wellington City Council
- Design of the Upper Hutt aquifer development has been deferred until at least 2012/13 to allow investigations into a third storage lake at Kaitoke to be completed

ACTIVITY

Planning for future water demand and supply

- There are no significant changes from the *10-Year Plan 2009-19*

ACTIVITY

Water conservation programmes

- The comprehensive public communications initiative planned for when construction work reduces the availability of water from the Stuart Macaskill Lakes has been moved to the 2011/12 summer, as construction has been delayed

4. Short-term targets – by 30 June 2012

ACTIVITY

Water collection, treatment and delivery

TARGET	BUDGET
Water will be supplied to the four cities in the region that meets or exceeds national quality standards and meets reasonable daily demand.	
Treatment plant gradings will be maintained or improved.	$22,392,000
Security of supply will be no less than 2.0% probability of shortfall (1 in 50-year drought).	
There will be no deferred maintenance in the system.	

ACTIVITY

Water supply infrastructure

TARGET	BUDGET
Assets will be replaced or enhanced in accordance with the asset-management plan.	$860,000
Asset management plans will be maintained in accordance with best practice (eg, International Infrastructure Management Manual or (BS/PAS 55:2003)).	$230,000

ACTIVITY

Planning for future water demand and supply

TARGET	BUDGET
Major infrastructural developments will be undertaken in accordance with the Wellington Water Supply Development Plan.	$12,400,000
Raising of water level of Stuart Macaskill Lakes will continue.	$2,500,000
Network valves will be upgraded.	Deferred
Preliminary design and planning for the CBD reservoir will be carried out.	Cancelled
Design of Upper Hutt aquifer will be carried out.	Deferred
Construction for the seismic upgrading of the Stuart Macaskill Lakes will continue.	$5,700,000

ACTIVITY

Water conservation programmes

TARGET	BUDGET
Increases in total consumption will be held to levels consistent with population change and targets for per head consumption.	$503,000

Prospective funding impact statement

For the year ending 30 June

	2011/12 Plan $000s	2011/12 LTCCP $000s
Funding statement		
General rate	-	-
Targeted rate	-	-
Water supply levy	24,164	26,350
Government subsidies	-	-
Interest and dividends	716	1,276
Other operating revenue[2]	1,044	1,038
Operating revenue[2]	**25,924**	**28,664**
Direct operating expenditure[2]	16,588	17,425
Finance costs	3,699	4,504
Depreciation	8,179	7,767
Operating expenditure[2]	**28,466**	**29,696**
Operating surplus/(deficit)	**(2,542)**	**(1,032)**
Less:		
Capital expenditure	16,762	13,146
Proceeds from asset sales	(93)	(61)
Loan funding	(16,391)	(12,826)
Levy-funded capital expenditure	**278**	**259**
Debt repayment	4,243	4,406
Investment additions	1,116	2,070
Operational reserve movements	-	-
Working capital movements	-	-
Non-cash items[1]	(8,179)	(7,767)
Net funding required	**-**	**-**

	2011/12 Plan $000s	2011/12 LTCCP $000s
Operating revenue		
Plan, collect, treat and deliver water[2]	25,299	28,380
Water conservation programmes	625	284
Total operating revenue[2]	**25,924**	**28,664**
Operating expenditure		
Plan, collect, treat and deliver water[2]	27,982	29,255
Water conservation programmes	484	441
Total operating expenditure[2]	**28,466**	**29,696**
Capital expenditure		
Water sources	12,500	7,992
Water treatment plants	970	815
Pipelines	800	339
Pump stations	40	-
Reservoirs	70	74
Monitoring and control	542	455
Seismic protection	630	212
Energy	240	-
Other	599	2,939
Capital project expenditure	**16,391**	**12,826**
Land and buildings	-	-
Plant and equipment	91	85
Vehicles	280	235
Total capital expenditure	**16,762**	**13,146**

[1] Non-cash items includes depreciation

[2] Certain *10-Year Plan 2009-19* numbers have been adjusted to aid comparability

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in the Policies Document of the *10-Year Plan 2009-19*.

Please note that all figures on this page exclude GST.

Parks and forests

1. Community outcomes

The Parks and Forests group of activities primarily contributes to the following community outcomes by providing a range of outdoor recreational opportunities in regional parks, forests and recreational areas:

Healthy Community
Our physical and mental health is protected. Living and working environments are safe, and everyone has access to health care. Every opportunity is taken to recognise and provide for good health by providing regional parks and forest areas for outdoor recreation.

Quality Lifestyle
Living in the Wellington region is enjoyable and people feel safe. A variety of lifestyles can be pursued. Our art, sport, recreation and entertainment scenes are enjoyed by all community members – and attract visitors

This group of activities also contributes to the following outcomes:

Sense of Place because our parks and forests are an integral part of the region's uniqueness and history

Healthy Environment by carrying out environmental protection and restoration works in our parks, forests and recreation areas

2. Key projects 2011/12

Activity: Recreational, facilities and services

- Manage Whitireia Park with Ngāti Toa Rangatira
- Manage park land and carry out maintenance and monitoring on all park facilities
- Provide rangers in all park and forest areas
- Continue to develop and start implementing sustainable farm management plans to guide decision making on farmland areas within parks

Activity: Parks network planning

- Develop and finalise amendments to the Parks Network Plan to include the Baring Head block and Whitireia Park
- Protect land at Baring Head by creating a reserve under the Reserves Act
- Develop a strategic management plan for Wairarapa Moana with our partners the Department of Conservation, South Wairarapa District Council and local iwi

Activity: Environmental protection and enhancement

- Work to control pest animals and pest plants within parks, and monitor forest health

Activity: Marketing and community relations

- Formalise relationships with parks' Friends groups through Memoranda of Understanding
- Work with parks' Friends groups to evolve our planning processes so there is more effective collaboration between staff and volunteers in planning

3. Key changes from 10-Year Plan 2009-19 (LTCCP)

ACTIVITY
Recreational, facilities and services

- Provide a ranger service for the Baring Head Block at the East Harbour Regional Park. Additional funding included to cover unbudgeted debt repayment, asset maintenance and any other costs associated with the block
- Replace the water reticulation system at Queen Elizabeth Park because the existing system has failed

ACTIVITY
Parks network planning

- The Greater Wellington Parks Network Plan was adopted in December 2010. This replaces the parks' individual management plans. Work in 2011/12 will therefore concentrate on amending the network plan to include newly acquired land at Baring Head and Whitireia Park (managed in conjunction with Ngāti Toa Rangatira)

ACTIVITY
Environmental protection and enhancement

- There are no significant changes from the *10-Year Plan 2009-1*

ACTIVITY
Marketing and community relations

- There are no significant changes from the *10-Year Plan 2009-19*

4. Short-term targets 2011/12 – by 30 June 2012

ACTIVITY

Recreational, facilities and services

TARGET	BUDGET
Park and forest assets will be maintained in accordance with the relevant asset management plans and reported to the satisfaction of the Council.	$1,528,000
Ranger services will be provided for seven days per week in four parks and for five days per week in the remaining parks and forest areas (excluding Whitireia Park and Lake Wairarapa). This will amount to 7,000 hours of ranger time.	$527,000

ACTIVITY

Parks network planning

TARGET	BUDGET
Amendments to the Parks Network Plan to incorporate new parks will be developed to the satisfaction of the Council.	$164,818

ACTIVITY

Environmental protection and enhancement

TARGET	BUDGET
Compliance with the environmental asset management plan – pest plant control will be achieved.	$1,408,000

ACTIVITY

Marketing and community relations

TARGET	BUDGET
A marketing plan will be implemented such that 85% of residents will be able to freely recall a regional park or forest and 60% of residents will have visited one regional park in the previous 12 months. The regional outdoors programme (Great Outdoors) will be delivered and at least 5,000 people will attend the events led by Greater Wellington.	$195,000
Eight "Friends of the Park" groups will have been actively involved in parks planning and management.	$23,000
There will have been a 5% increase over the previous year in on-park volunteer hours.	

Prospective funding impact statement
For the year ending 30 June

	2011/12 Plan $000s	2011/12 LTCCP $000s
Funding statement		
General rate	6,365	6,129
Targeted rates	-	-
Government subsidies	-	-
Interest and dividends	-	-
Other operating revenue	831	976
Operating revenue	**7,196**	**7,105**
Direct operating expenditure	6,466	6,419
Finance costs	276	276
Depreciation	581	282
Operating expenditure	**7,323**	**6,977**
Operating surplus/(deficit)	**(127)**	**128**
Less:		
Capital expenditure	590	499
Proceeds from asset sales	(78)	(57)
Loan funding	(353)	(317)
Rates-funded capital expenditure	**159**	**125**
Debt repayment	295	285
Investment additions	-	-
Operational reserve movements	-	-
Working capital movements	-	-
Non-cash items[1]	(581)	(282)
Net funding required	**-**	**-**

	2011/12 Plan $000s	2011/12 LTCCP $000s
Operating revenue		
Plan, manage and protect recreational facilities and services	6,550	6,450
Marketing and community relations	646	655
Total operating revenue	**7,196**	**7,105**
Operating expenditure		
Plan, manage and protect recreational facilities and services	6,677	6,322
Marketing and community relations	646	655
Total operating expenditure	**7,323**	**6,977**
Capital expenditure		
Park infrastructure upgrades	353	317
Capital project expenditure	**353**	**317**
Land and buildings	-	-
Plant and equipment	50	58
Vehicles	187	124
Total capital expenditure	**590**	**499**

[1] Non-cash items includes depreciation

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the “Revenue and Financing Policy” in the Policies Document of the *10-Year Plan 2009-19*.

Please note that all figures on this page exclude GST.

Safety and flood protection

1. Community outcomes

The Safety and Flood Protection group of activities primarily contributes to the following community outcome by building flood protection measures and ensuring that communities know the risk of emergency events in their area, including earthquakes, and are as ready as possible to cope with these events. We also prepare emergency management plans and provide an emergency operations centre to respond to any emergency events:

Prepared Community
We can cope with emergency events. Individuals and businesses are able to take responsibility for their own well-being. Effective emergency management systems are in place

This group of activities also contributes to the following outcomes:

Healthy Environment by cleaning up pollution incidents in our harbours and coastal waters, and enhancing the environment along flood corridors

Prosperous Community by ensuring that the regional economy is protected from the worst effects of emergencies and can recover quickly

Quality Lifestyle by ensuring that floods and other emergencies cause minimum disruption to normal activities, and by ensuring that people can enjoy safe recreational use of the harbour and coastal waters and river corridors.

2. Key projects 2011/12

Activity: Floodplain management planning

- Progress the next phase of the Waiohine Floodplain Management Plan
- Complete the Pinehaven Floodplain Management Plan in conjunction with the Upper Hutt City Council
- Complete the Waiwhetu Floodplain Management Plan
- Progress the Waipoua River Flood Hazard Assessment to identify the existing flood risk to Masterton

Activity: Flood protection infrastructure

- Progress construction of the Boulcott-Hutt Stopbank
- Complete Year 5 of the 10-year development plan for the Lower Wairarapa Development Scheme
- Commence construction of the lower Waitohu stream flood improvements
- Complete edge-protection works on the Otaki River
- Commence flood protection improvements at Ebdentown in conjunction with the New Zealand Transport Agency

Activity: Environmental enhancement of river corridors

- Maintain the tracks and restoration sites on the Waikanae, Otaki and Hutt rivers in accordance with each river's environmental strategy and in partnership with Friends of the River groups

Activity: Flood warning service

- Continue to provide a flood warning service to landowners, local authorities and the public

Activity: Civil defence and emergency management

- Recommend a Civil Defence and Emergency Management Group structure and service delivery model to optimise the region's readiness and capability to respond to and recover from both local and region-wide emergencies
- Ensure Greater Wellington is able to perform a coordinating role and carry out emergency management systems effectively

Activity: Harbour management

- Continue to provide navigation aids in our harbours and a communication service for Wellington Harbour
- Educate people about water safety and enforce maritime safety rules
- Clean-up oil spills in our harbours and coastal waters

3. Key changes from 10-Year Plan 2009-19 (LTCCP)

ACTIVITY

Floodplain management planning

- Completion of the Waiwhetu Floodplain Management Plan was deferred while the remediation of the lower reach of the stream was completed. The Waiwhetu Floodplain Management Plan is now due to be completed in 2013
- Reviews of the Otaki and Hutt Floodplain Management Plans have been deferred to allow resources to be focused on completing the Boulcott-Hutt Stopbank design work and the Waiwhetu Stream remediation project. These reviews will now commence in 2013

ACTIVITY

Flood protection infrastructure

- Construction of the Boulcott-Hutt Stopbank has been delayed by one year as a result of delays in gaining the necessary statutory approvals
- The construction of the Ebdentown rock line as been delayed until the necessary agreements with New Zealand Transport Agency are finalised

ACTIVITY

Environmental enhancement of river corridors

- There are no significant changes from the *10-Year Plan 2009-19*

ACTIVITY

Flood warning service

- There are no significant changes from the *10-Year Plan 2009-19*

ACTIVITY

Civil defence and emergency management

- There are no significant changes from the *10-Year Plan 2009-19*

ACTIVITY

Harbour management

- There are no significant changes from the *10-Year Plan 2009-19*

4. Short-term targets – by 30 June 2012

ACTIVITY

Floodplain management planning

TARGET	BUDGET
The Waiohine River flood plain management plan will be adopted by the Council.	$145,000
The Waiwhetu Stream floodplain management plan adopted by the Council.	$150,000
A review of Masterton flood risk will be completed to the satisfaction of the Council.	Included within the Wairarapa area investigations budget
A review of the Hutt River floodplain management plan will be commenced.	Deferred until 2013/14

ACTIVITY

Flood protection infrastructure

TARGET	BUDGET
The construction and upgrade of flood protection infrastructure in the region will be completed in accordance with the capital expenditure programme.	$4,828,000
Flood infrastructure in the western part of the region will be maintained in accordance with established standards, statutory requirements and the Western Rivers Asset Management Plan. Achievement will be approved by the Council.	$4,330,000
Flood infrastructure will be maintained in the 10 Wairarapa river schemes and will be completed to established standards and to the satisfaction of the Scheme Advisory Committees.	

ACTIVITY

Environmental enhancement of river corridors

TARGET	BUDGET
Maintenance within the Hutt River corridor, including tracks and restoration sites, will be carried out in accordance with the Hutt River Environmental Strategy. Progress will be reported to the Council.	$191,000
Maintenance within the Otaki River corridor, including tracks and restoration sites, will be carried out in accordance with the Otaki River Environmental Strategy and in partnership with the Friends of the River group. Progress will be reported to the Council.	
Maintenance within the Waikanae River corridor, including tracks and restoration sites, will be carried out in accordance with the Waikanae River Environmental Strategy and in partnership with the Friends of the River group. Progress will be reported to the Council.	$37,500

ACTIVITY

Flood-warning service

TARGET	BUDGET
All flood warnings will be issued within 30 minutes of alarms being triggered in accordance with established flood procedures.	$132,500

ACTIVITY

Civil defence and emergency management

TARGET	BUDGET
Progress with the implementation of the CDEM Group Plan will be to the satisfaction of the Wellington Region CDEM Group.	$38,000
The Wellington Region CDEM Group will meet twice during the year.	$38,000
A major exercise to test the operational capability of the CDEM Group's Emergency Operations Centre will be conducted.	$25,000

ACTIVITY

Harbour management

TARGET	BUDGET
The Beacon Hill Harbour Communications Station will provide a 24-hour, 365-day service in accordance with Council agreed operating standards.	$484,600
Navigation aids will be will be repaired within 24 hours, weather permitting, and maintained in accordance with International Association of Lighthouse Authorities (IALA) guidelines.	$121,500
Reports of oil spills in harbours and coastal waters will be checked within 30 minutes and clean-up action will be commenced within one hour of being reported (for harbours) and within three hours (for coastal waters).	$17,800
All reports of unsafe behaviour will be investigated. Formal records will be kept of all reports At least 500 safe boating packs will be distributed to recreational boaties.	$112,600

Prospective funding impact statement

For the year ending 30 June

	2011/12 Plan $000s	2011/12 LTCCP $000s
Funding statement		
General rate	10,133	10,059
Targeted rates	5,771	5,824
Government subsidies	88	123
Interest and dividends	474	617
Other operating revenue	2,077	2,000
Operating revenue	**18,543**	**18,623**
Direct operating expenditure	10,504	10,437
Finance costs	3,312	3,582
Depreciation	887	971
Operating expenditure	**14,703**	**14,990**
Operating surplus/(deficit)	**3,840**	**3,633**
Less:		
Capital expenditure	5,242	5,343
Proceeds from asset sales	(123)	(114)
Loan funding	(4,828)	(4,976)
Rates-funded capital expenditure	**291**	**253**
Debt repayment	3,195	2,954
Investment additions	356	474
Operational reserve movements	885	923
Working capital movements	-	-
Non-cash items[1]	(887)	(971)
Net funding required	**-**	**-**

	2011/12 Plan $000s	2011/12 LTCCP $000s
Operating revenue		
Flood protection	15,705	15,696
Emergency management	900	857
Harbour management	1,938	2,070
Total operating revenue	**18,543**	**18,623**
Operating expenditure		
Flood protection	11,983	12,113
Emergency management	847	877
Harbour management	1,873	2,000
Total operating expenditure	**14,703**	**14,990**
Capital expenditure		
Harbour improvements	-	-
Waiwhetu flood improvements	100	-
Hutt River improvements	3,500	3,703
Otaki River improvements	171	181
Wairarapa scheme improvements	907	933
Other flood protection	150	159
Capital project expenditure	**4,828**	**4,976**
Land and buildings	-	-
Plant and equipment	69	80
Vehicles	345	287
Total capital expenditure	**5,242**	**5,343**

[1] Non-cash items includes depreciation

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in the Policies Document of the *10-Year Plan 2009-19*.

Please note that all figures on this page exclude GST.

Land management

1. Community outcomes

The Land Management group of activities primarily contributes to the following community outcome by carrying out pest management to protect the region's important ecosystems and promoting the sustainable use of land through our soil conservation work and farm sustainability planning:

Healthy Environment
A healthy environment is one with clean water, fresh air and healthy soils. Well-functioning and diverse ecosystems make up an environment that can support our needs. Resources are used efficiently. There is minimal waste and pollution

This group of activities also contributes to the following outcome:

Prosperous Community by enhancing the sustainability and security of the farming sector through soil conservation, pest management and continued support for the Animal Health Board's bovine Tb vector control programme.

2. Key projects 2011/12

Activity: Pest (animal and plant) management

- Carry out the Regional Pest Management Strategy, including management of new species and new control regimes
- Assist in controlling 10 National Interest Pests under contract to MAF Biosecurity on a cost-recovery basis. This work includes surveying at-risk sites, monitoring and control of known sites and contract management obligations
- Continue to inspect all plant retailers, wholesalers and markets to ensure no plants prohibited from sale under the National Pest Plant Accord are being sold
- Continue to provide a vector management service for the Animal Health Board under the National Pest Management Strategy for Bovine Tb

Activity: Biodiversity

- Carry out the Key Native Ecosystems and Reserves predator control programmes to improve biodiversity in the region and actively promote joint agency programmes aimed to deliver regional benefit through shared resources
- Carry out the Regional Possum/Predator Control Programme to maintain the biodiversity gains achieved by the bovine TB vector control programme
- Carry out the Biodiversity Implementation Plan on Greater Wellington, territorial authority and private land to improve biodiversity in the region
- Complete a Regional Biodiversity Strategy, including a Regional Biodiversity Monitoring plan, and undertake a review of existing programmes

Activity: Soil Conservation

- Carry out the third year's programme of the Wellington Regional Erosion Control Initiative, focusing on the Whareama and Awhea catchments
- Continue to administer the large portfolio of farm plans that target erosion prone land throughout the region through the provision of planning and operational services
- Continue to promote the Regional Council Pool of the Afforestation Grant Scheme ensuring co-benefits of erosion control, water quality and biodiversity
- Continue to liaise closely with each of the Catchment Scheme Advisory Committees and carry out agreed annual works programmes

Activity: Akura Conservation Centre

- Provide sufficient willow and poplar poles to meet the planting requirements of the hill country erosion-control programmes
- Secure new nursery land to meet the foreseeable needs of the region's hill country erosion-control programmes

3. Key changes from 10-Year Plan 2009-19 (LTCCP)

ACTIVITY
Pest (animal and plant) management

- Greater Wellington's contract with the Animal Health Board (AHB) to provide vector management services for the Wellington region was due to expire at the end of 2010/11. Negotiations are continuing with the AHB regarding an extension to this contract
- Funding for the Regional Possum Predator Control Programme was increased by $100,000 in 2010/11 using reserves. The budget for 2011/12 remains the same as forecast in the *10-Year Plan 2009-19*

ACTIVITY
Biodiversity

- Greater Wellington has created a Biodiversity department that brings together functional responsibility for all our biodiversity activities under one place. The creation of this department will enable a coordinated focus for Greater Wellington's biodiversity functions, including the production of a regional strategy that establishes a regional vision, objectives and priorities for management. However, activities and targets remain unchanged from the *10-Year Plan 2009-19*

ACTIVITY
Soil conservation

- There are no significant changes from the *10-Year Plan 2009-19*

ACTIVITY
Akura Conservation Centre

- There are no significant changes from the *10-Year Plan 2009-19*

4. Short-term targets 2011/12 – by 30 June 2012

ACTIVITY
Pest (animal and plant) management

TARGET	BUDGET
The operational plan for implementing the RPMS will be achieved and reported in detail to the Council.	$2,246,000
Year 2 of the regional possum control programme in northern Wairarapa Tb-free zone will be implemented to the satisfaction of the Council.	$150,000

ACTIVITY
Biodiversity

TARGET	BUDGET
Pests will be maintained at very low levels in the following key native ecosystems: • 10 wetlands • 40 native forest areas • 4 coastal escarpments • 2 dune ecosystems	$632,000
The biodiversity implementation programme will be progressed through the following programmes:	
• Wetland Action Plan	$67,000
• Queen Elizabeth II National Trust private land-protection programme	$65,000
• Freshwater ecosystem programme	$62,000
• Streams Alive riparian planting programme	$182,000
• Pauatahanui Inlet Action Plan	$40,000
• Coastal ecosystems	$60,000
A review of the Regional Biodiversity Implementation Plan will be completed to the satisfaction of the Council.	

ACTIVITY
Soil conservation

TARGET	BUDGET
15 new farm or sustainability plans will be prepared and approved by the Council.	$110,000
530ha of erosion prone land will be protected during the year.	$565,000
Catchment schemes will be progressed in accordance with agreed work plans.	$100,000
15 events with a land management focus will be supported by Greater Wellington.	$12,000

ACTIVITY
Akura Conservation Centre

TARGET	BUDGET
Akura Conservation Centre will break even or make a profit.	$32,000
23,000 3m poplar poles will be supplied.	$187,500

Prospective funding impact statement

For the year ending 30 June

	2011/12 Plan $000s	2011/12 LTCCP $000s
Funding statement		
General rate	6,127	5,112
Targeted rates	202	205
Government subsidies	183	193
Interest and dividends	26	20
Other operating revenue	1,898	1,733
Operating revenue	**8,436**	**7,263**
Direct operating expenditure	8,331	7,038
Finance costs	-	-
Depreciation	156	165
Operating expenditure	**8,487**	**7,203**
Operating surplus/(deficit)	**(51)**	**60**
Less:		
Capital expenditure	174	225
Proceeds from asset sales	(42)	(51)
Loan funding	48	-
Rates-funded capital expenditure	**180**	**174**
Debt repayment	(15)	-
Investment additions	-	-
Operational reserve movements	(60)	51
Working capital movements	-	-
Non-cash items[1]	(156)	(165)
Net funding required	**-**	**-**

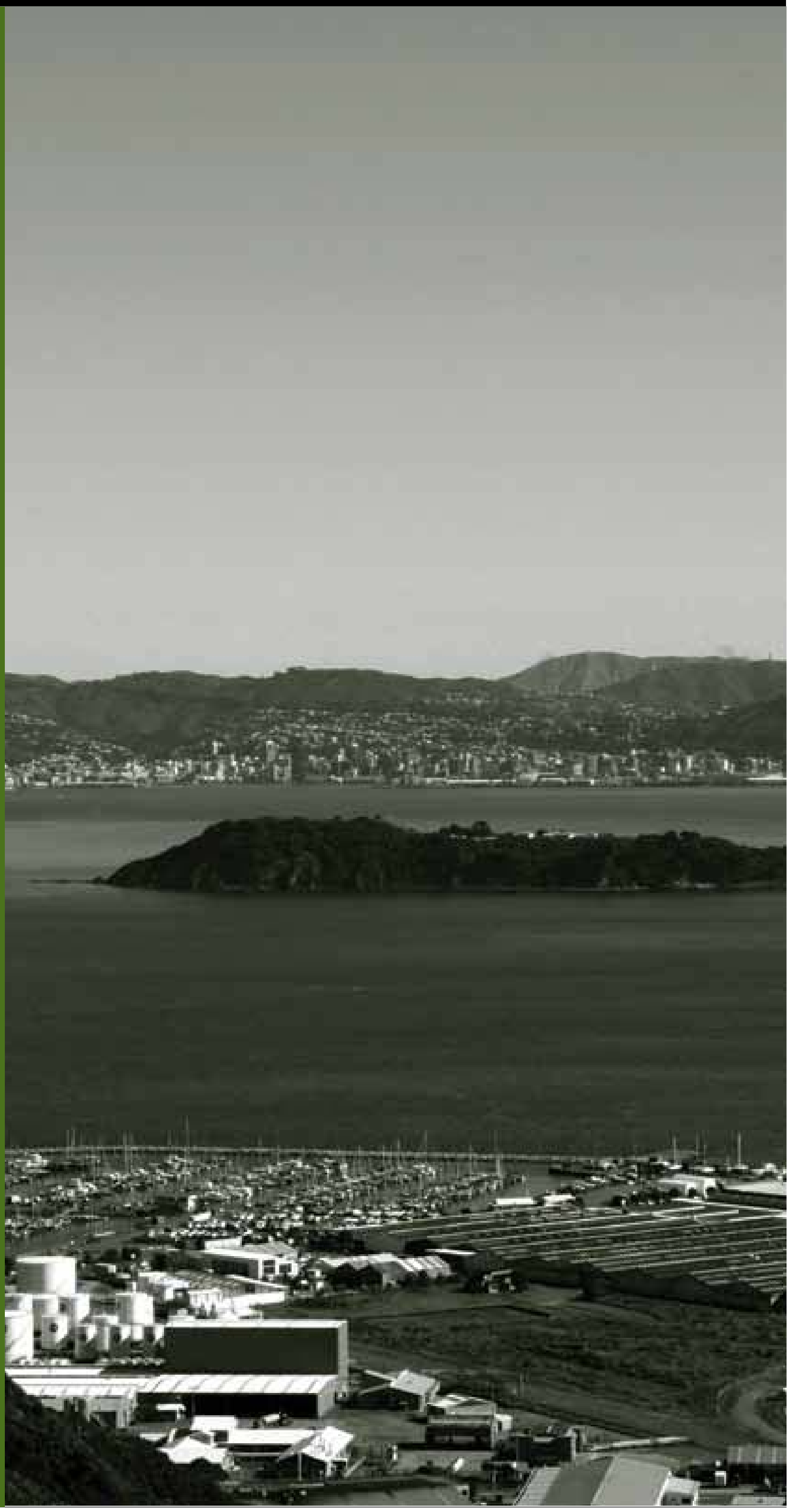
	2011/12 Plan $000s	2011/12 LTCCP $000s
Operating revenue		
Soil conservation and biodiversity	4,455	3,347
Manage pest plants and animals	3,981	3,916
Total operating revenue	**8,436**	**7,263**
Operating expenditure		
Soil conservation and biodiversity	4,402	3,339
Manage pest plants and animals	4,085	3,864
Total operating expenditure	**8,487**	**7,203**
Capital expenditure		
Land and buildings	-	-
Plant and equipment	7	7
Motor vehicles	167	218
Total capital expenditure	**174**	**225**

[1] Non-cash items includes depreciation

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in the Policies Document of the *10-Year Plan 2009-19*.

Please note that all figures on this page exclude GST.

Regional sustainable development



1. Community outcomes

The Regional Sustainable Development group of activities contributes principally to the following community outcome by developing region-wide strategies that contribute to the economic well-being of the region:

Prosperous Community
All members of our community prosper from a strong and growing economy. A thriving business sector attracts and retains a skilled and productive workforce

This group of activities also contributes to the following outcomes:

Essential Service by increasing the resilience of the region through the development of strategies and actions promoting the sustainable use of our natural resources for key services, eg, water and electricity

Entrepreneurial and innovative region through strategies and regional programmes to encourage creativity in key sectors of our region

Connected Community through its focus on the region's transport systems

Healthy Environment through the attention it gives to the impact of urban design and open spaces on the environment and on the reduction of greenhouse gas emissions

2. Key projects 2011/12

Activity: Regional resilience

- Develop strategies on issues such as climate change and water
- Continue the Warm Greater Wellington programme for home insulation and clean heating in association with the Energy Efficiency and Conservation Authority (EECA). Under this programme Greater Wellington will provide up to $2,600 assistance to ratepayers. This assistance is fully recovered by way of a targeted rate on those ratepayers that participate in the programme

Activity: Wellington Regional Strategy

- Continue to fund Grow Wellington, the region's economic development agency
- Continue strategic projects identified in the Wellington Regional Strategy, including:
  - Regional broadband
  - Genuine progress index
  - Regional open spaces
  - Regional urban design
  - Industrial land

Wellington Regional Strategy activities will be confirmed following the outcome of the review of the strategy in June 2011.

3. Key changes from 10-Year Plan 2009-19 (LTCCP)

ACTIVITY
Regional resilience

- Funding of $3 million per year for new installations will be allocated to the Warm Greater Wellington programme[1]
- The developer holding the Puketiro wind farm development contract has not yet applied for resource consent. Construction is delayed

ACTIVITY
Wellington Regional Strategy

- Less funding has been required to support Grow Wellington and that has resulted in a $541,000 saving from the budget forecast in the *10-Year Plan 2009-19*. However, the expected performance of the Wellington Regional Strategy activity remains unchanged

[1] This assistance is fully recovered by way of a targeted rate on those ratepayers that participate in the programme

4. Short-term targets 2011-12 – by 30 June 2012

ACTIVITY

Regional resilience

TARGET	BUDGET
Progress with resilience planning, such as for climate change and water, will be reported to the satisfaction of the Council.	$70,000
Construction of the wind farm development at Puketiro will be underway, subject to obtaining resource consent.	Delayed
Rollout Warm Greater Wellington to 1,350 ratepayers[1] homes[2]	$3,332,000

ACTIVITY

Wellington Regional Strategy (WRS)

TARGET	BUDGET
The Wellington Regional Strategy (WRS) Committee will approve the annual report of the WRS office on progress with implementation of the WRS.	$405,000
A summit for the major stakeholders of the WRS will be held by 30 November 2011.	$5,000
The Wellington Regional Strategy Committee will receive Grow Wellington's annual report and agree that it reflects Grow Wellington's SOI and contributes to the WRS – by 30 April 2012.	$4,250,000

[2] This total includes the debt servicing costs of the programme

Prospective funding impact statement

For the year ending 30 June

	2011/12 Plan $000s	2011/12 LTCCP $000s
Funding statement		
General rate	159	219
Targeted rates[1]	5,032	5,000
Government subsidies	-	-
Interest and dividends	-	-
Other operating revenue	138	181
Operating revenue	**5,329**	**5,400**
Direct operating expenditure	7,807	5,400
Finance costs	323	-
Depreciation	-	-
Operating expenditure	**8,130**	**5,400**
Operating surplus/(deficit)	**(2,801)**	**-**
Less:		
Capital expenditure	-	-
Proceeds from asset sales	-	-
Loan funding	(3,228)	-
Rates-funded capital expenditure	**(3,228)**	**-**
Debt repayment	427	-
Investment additions	-	-
Operational reserve movements	-	-
Working capital movements	-	-
Non-cash items	-	-
Net funding required	**-**	**-**

	2011/12 Plan $000s	2011/12 LTCCP $000s
Operating revenue		
Regional resiliance planning	654	128
Wellington regional strategy	175	272
Regional economic development agency	4,500	5,000
Total operating revenue	**5,329**	**5,400**
Operating expenditure		
Regional resiliance[2]	3,455	128
Wellington regional strategy	425	522
Operate a regional economic development agency	4,250	4,750
Total operating expenditure	**8,130**	**5,400**
Capital expenditure		
Land and buildings	-	-
Plant and equipment	-	-
Vehicles	-	-
Total capital expenditure	**-**	**-**

[1] Includes targeted rates for economic development and the "Warm Greater Wellington" programme

[2] Includes expenditure for the "Warm Greater Wellington" programme

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in the Policies Document of the *10-Year Plan 2009-19*.

Please note that all figures on this page exclude GST.

Community

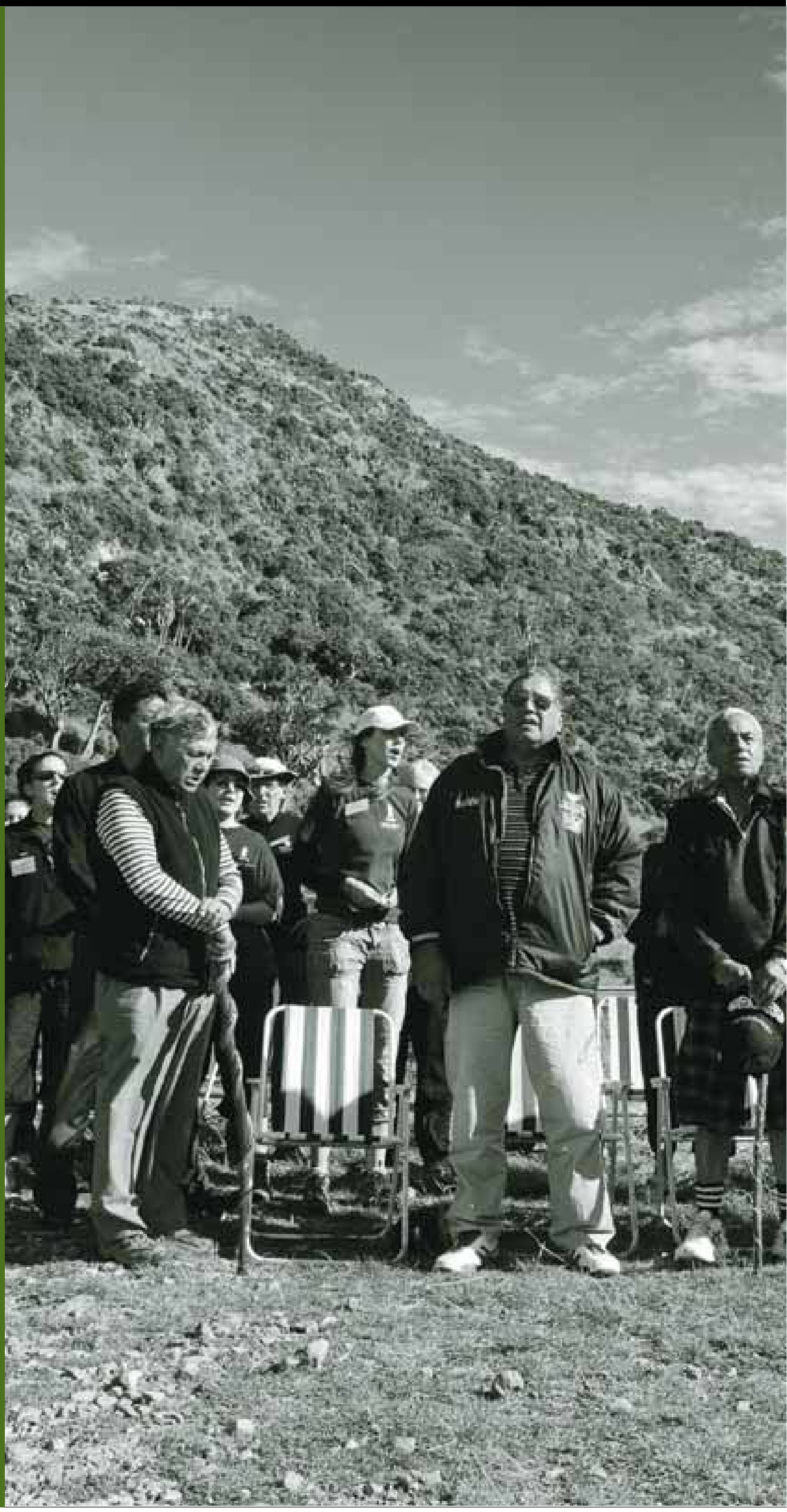
1. Community outcomes

The Community group of activities primarily contributes to the following community outcome by providing opportunities for all people who live in the region to participate in the Council's decision making:

Strong and Tolerant Community
People are important. All members of our community are empowered to participate in decision making and to contribute to society. We celebrate diversity and welcome newcomers, while recognising the special role of tangata whenua

The group of activities also contributes to the following outcome:

Quality Lifestyle by supporting a key recreational facility of the region.



2. Key projects 2011/12

Activity: Democratic services

- Complete the 2010/11 Annual Report and the 2012-22 Long Term Plan
- Undertake a review of the Council's electoral system
- Undertake a review of Māori representation on the Council
- Undertake a review of representation arrangements for the Council's elections
- Support the Greater Wellington Accessibility Reference Group

Activity: Relationship with Māori

- Develop an iwi internship programme
- Deliver an internal Greater Wellington capacity building programme
- Establish contracts with each mana whenua iwi
- Convene Ara Tahi Regional Iwi Council Leadership forum
- Convene individual mana whenua iwi/Greater Wellington relationships forums

Activity: Westpac Stadium

- Monitor the performance of the Westpac Stadium Trust
- Appoint a Greater Wellington Councillor to the trust and jointly with the Wellington City Council appoint the other trustees

3. Key changes from 10-Year Plan 2009-19 (LTCCP)

ACTIVITY
Democratic services

- Provision has been made for the costs of Te Upoko Taiao – Natural Resource Management Committee
- The budget allocated to statutory public accountability processes has increased $161,000 from that forecast in the *10-Year Plan 2009-19*. This is due to dedicated staff being assigned to this target and the costs of preparing the Long-Term Plan 2012-22

ACTIVITY
Relationship with Māori

- There has been a change in emphasis in how Greater Wellington engages with iwi. Ara Tahi has an increased focus on strategic leadership, with operational matters increasingly being dealt with through individual mana whenua relationships. A programme to increase staff knowledge of tikanga Māori will be introduced. Overall, the budget for the Relationship with Māori activity is increasing by $70,000 (21%) on that forecast in the *10-Year Plan 2009-19*

ACTIVITY
Westpac Stadium

- There are no significant changes from the *10-Year Plan 2009-19*

4. Short-term targets 2011/12 – by 30 June 2012

ACTIVITY

Democratic services

TARGET	BUDGET
All meetings will be conducted in accordance with statutory requirements and Council policies.	$1,597,000
Statutory public accountability processes will be completed in accordance with requirements.	$711,000

ACTIVITY

Relationship with Māori

TARGET	BUDGET
Ara Tahi will meet formally at least twice	$19,000
A Cultural Capacity training programme will be in place for all staff	$50,000
Iwi Capacity contracts will be in place with seven mana whenua iwi partners	$238,000
Contracts between iwi and Greater Wellington will be in place for agreed projects.	$100,000

ACTIVITY

Westpac Stadium

TARGET	BUDGET
The financial and operational performance of the Westpac Stadium Trust will be in accordance with its Statement of Intent.	$2,676,000

Prospective funding impact statement

For the year ending 30 June

	2011/12 Plan $000s	2011/12 LTCCP $000s
Funding statement		
General rate	3,044	3,001
Targeted rates	2,676	2,673
Government subsidies	-	-
Interest and dividends	6	5
Other operating revenue	1,636	1,809
Operating revenue	**7,362**	**7,488**
Direct operating expenditure	4,280	4,407
Finance costs	865	865
Depreciation	33	34
Operating expenditure	**5,178**	**5,306**
Operating surplus/(deficit)	**2,184**	**2,182**
Less:		
Capital expenditure	5	5
Proceeds from asset sales	-	-
Loan funding	-	-
Rates-funded capital expenditure	**5**	**5**
Debt repayment	1,757	1,757
Investment additions	-	-
Operational reserve movements	86	85
Working capital movements	-	-
Non-cash items[1]	336	335
Net funding required	**-**	**-**

	2011/12 Plan $000s	2011/12 LTCCP $000s
Operating revenue		
Run a democratic process	3,474	3,836
Relationships with iwi	843	610
Repayment of Westpac Stadium advance	3,045	3,042
Total operating revenue	**7,362**	**7,488**
Operating expenditure		
Run a democratic process	3,409	3,780
Relationships with iwi	850	610
Repayment of Westpac Stadium advance	919	916
Total operating expenditure	**5,178**	**5,306**
Capital expenditure		
Land and buildings	-	-
Plant and equipment	5	5
Vehicles	-	-
Total capital expenditure	**5**	**5**

[1] Non-cash items include depreciation and a projected unrealised gain in the advance to the Wellington Regional Stadium Trust. The nominal amount of this advance is $25 million and as repayment of the advance gets nearer a higher projected value is recorded. The projected increase in value is recorded as an unrealised revaluation gain each year

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in the *Policies Document* of the *10-Year Plan 2009-19*.

Please note that all figures on this page exclude GST.

Investments

Overview

Greater Wellington has a significant portfolio of investments, comprising:

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

Greater Wellington's philosophy in managing investments is to optimise returns in the long-term while balancing risk and return considerations. It recognises that as a responsible public authority any investments that it holds should be held for the long-term benefit of the community, with any risk being appropriately managed. It also recognises that lower risk generally means lower returns.

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

It is important to appreciate that Greater Wellington's investments contribute approximately 8% to the total level of regional rates. In other words, regional rates would need to be 8% higher were it not for the contribution from Greater Wellington's investments.

Liquid financial deposits

Greater Wellington holds $33 million in liquid financial deposits as a result of selling its interest in CentrePort Ltd to one of its wholly owned subsidiaries, Port Investments. Greater Wellington regularly reviews the rationale for holding these liquid financial deposits, taking into account:

- General provisions of our Treasury Management Policy, including Greater Wellington's attitude to risk and creditworthy counterparties.
- Specific provisions of Greater Wellington's Treasury Management Policy to hold sufficient deposits or have committed funds available as part of its self-insurance of infrastructural assets
- The rate of return from alternative uses of these funds
- The requirement to hedge the $44 million debt within the WRC Holdings Group

Treasury management

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

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

Administrative properties

Our interests in the Upper Hutt and Mabey Road depots and the Masterton office building are grouped to form an investment category, Administrative Properties. It is intended that the new Masterton office building will be constructed for around $6 million and owned by Pringle House Ltd. Pringle House is a wholly owned Council-Controlled Trading Organisation, which currently owns the Regional Council Centre at 142 Wakefield Street, Wellington.

Forestry and business units

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

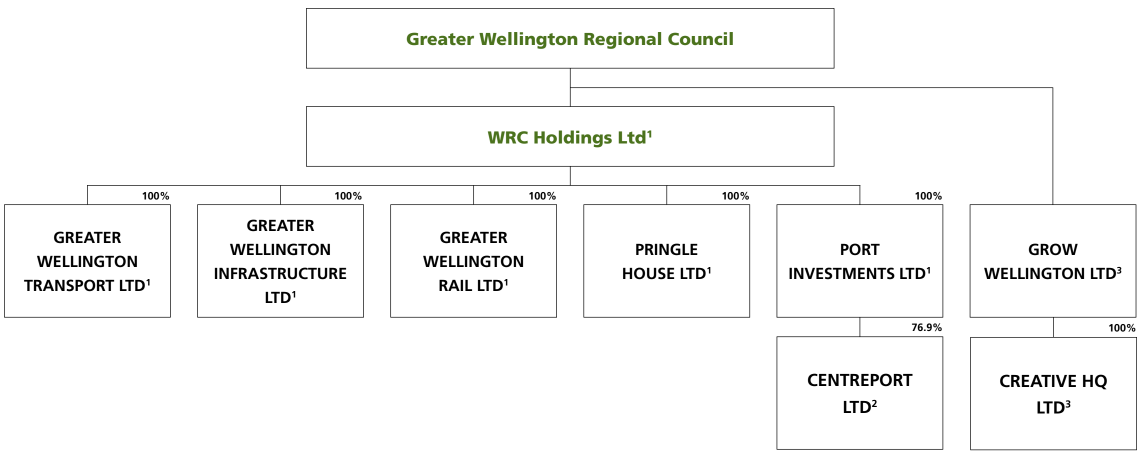
Greater Wellington currently holds 6,000 hectares of plantation and soil conservation reserve forests of which approximately 4,000 hectares are in the western or metropolitan part of the region, with the remaining 2,000 hectares in the Wairarapa.

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

Our other business units, BioWorks (pest control) and the Wairarapa Workshop (vehicle equipment and repairs), are also required to return to us an internal dividend in the same way as plantation forestry and reserve forests. The internal dividend rate is based on the net assets employed by each of these businesses. The level of internal dividend will continue to be reviewed annually.

WRC Holdings Group

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



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

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

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

WRC Holdings Ltd and Port Investments Ltd are in essence investment holding companies. The main operating companies in the Group are CentrePort Ltd and Pringle House Ltd. Each year WRC Holdings Ltd provides to Greater Wellington, as 100% shareholder, a Statement of Intent for the WRC Holdings Group.

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

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

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

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

Grow Wellington Ltd acts as an economic development agency. Further discussion on this is included in the Regional Sustainability Development group of activities under the activity Wellington Regional Strategy in this proposed Annual Report.

WRC Holdings – Statement of Intent

Objectives and activities of the Group

Objectives

The primary objectives of the Group shall be to:

- Support Greater Wellington's strategic vision, and operate successful, sustainable and responsible businesses
- Manage its assets prudently
- Where appropriate, provide a commercial return to shareholders
- Adopt policies that prudently manage risks and protect the investment of its shareholders

Activities

WRC Holdings Ltd is the holding company for Pringle House Ltd (PHL), Port Investments Ltd (PIL), Greater Wellington Rail Ltd (GWRL) and, indirectly, CentrePort Ltd. It does the following:

- Owns and operates the Regional Council Centre at 142-146 Wakefield Street, Wellington. The building is owned by PHL who leases it out on commercial terms to Greater Wellington, Vector and Chartis. The building's management is undertaken by Greater Wellington's property consultants Jigsaw Property Ltd
- Owns Greater Wellington's investments in rail rolling stock via GWRL. GWRL currently owns a number of carriages and units. During 2007/08 a contract was entered into with Rotem Mitsui for the supply of 96 Matangi electric multiple units (EMU). The units will be delivered in stages, which commenced in 2010
- Owns 76.9% of CentrePort Ltd via PIL and monitors the performance of CentrePort Ltd through the board of PIL

The major activities of CentrePort Ltd are:

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

- Effectively manages any other investments held by the Group to maximise the commercial value to shareholders and protect the shareholders' investment
- Acts as a diligent, constructive and inquiring shareholder

Environmental and social performance targets of the Group

Environment

- Operate in an environmentally sustainable manner
- Minimise the impact of any of the Group's activities on the environment
- Raise awareness of environmental issues within the Group

Social

- Provide a safe and healthy workplace
- Participate in developing cultural and community activities within the regions that the Group operates
- Help sustain the region's economy

Performance targets for the Group

Financial	2011/12	2012/13	2013/14
Net profit/(deficit) before tax	$14.5 million	$14.9 million	$15.1 million
Net profit/(deficit) after tax[1]	$9.8 million	$10.3 million	$10.5 million
Return on total assets[2]	4.5%	4.0%	3.8%
Return on shareholders' funds[3]	4.8%	4.4%	4.2%
Stakeholders equity in total assests	22.3%	22.3%	22%
Dividends[4]	$2.3 million	$2.5 million	$2.8 million

1 Net profit after tax, but before deduction of minority interest

2 Earnings before interest and tax as a percentage of average total assets

3 Net profit after tax (and after deduction of minority interest) as a percentage of average shareholder equity (excluding minority interest)

4 Dividends (interim and final) paid or payable to the shareholder

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

Anne Blackburn
Peter Blades
Peter Glensor
Prue Lamason (Chair)
Fran Wilde (Deputy Chair)
Nigel Wilson

CentrePort Ltd

Statement of corporate intent

Objectives

The *primary* objectives of the company shall be to:

- Be a successful transport and property infrastructure company, built around the core port business
- Operate as a sustainable and responsible business with due reference to community and environmental interests

The *financial* objectives of the company shall be to:

- Deliver competitive financial returns compared to industry benchmarks (port and comparable sectors)
- Adopt policies that prudently manage risk and protect the investment of shareholders

The *environmental* and sustainability objectives of the company shall be to:

- Minimise our impact on the environment
- Operate in a sustainable manner

The *social* objectives of the company shall be to be socially responsible and have a positive and sustainable impact on the social systems (employees, customers, suppliers, local community and wider society) by:

- Being a respected and responsible employer
- Providing a safe and healthy workplace
- Building awareness of the value and contribution of CentrePort's activities to the local economy
- Participating in and encouraging selected community activities. Consulting with employees, stakeholders and the community where appropriate

Performance targets

Financial	2011/12	2012/13	2013/14
Net profit before tax	$16.1	$17.1 million	$17.8 million
Net profit after tax	$11.8 million	$12.5 million	$13.0 million
Return on total assets[1]	6.2%	6.1%	6.2%
Return on shareholders' funds[2]	5.5%	5.6%	5.7%
Dividends based on 40% NPAT	$4.7 million	$5.0 million	$5.2 million
Dividend distribution[3]	40%–60%	40%–60%	40%–60%
Interest cover ratio[4]	2.7	2.8	2.9
Gearing ratio[5]	48%	48%	47%

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

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

3 Dividend as a percentage of net profit after tax

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

5 Total liabilities divided by total assets

The target for return on shareholders' funds is to be benchmarked against comparable New Zealand ports.

Environmental

- Develop and maintain a formal environmental management system consistent with the standards specified in AS/NZ ISO 14001: 2004
- Formally review, at least annually, the company's compliance with all environmental legislation, district and regional plans, and conditions of resource consents held

- Maintain a sustainability programme with measurable performance criteria covering, as a minimum, the monitoring of waste and greenhouse gas emissions
- Undertake the monitoring of environmental discharges in accordance with implemented management plans in the areas of:
  - Port noise
  - Stormwater discharges to the Coastal Marine Area
  - Fumigants associated with the pest treatment of cargoes
- Monitor compliance of methyl bromide use for fumigating log shipments and work collaboratively with Greater Wellington and Crown agencies to investigate alternative fumigation options
- Maintain an environment issues register of environmental complaints and issues for monitoring and actioning purposes. The register is to be reported to CentrePort Ltd's Health, Safety and Environmental Committee on a regular basis (meets four times per annum)
- Measure CentrePort's carbon footprint on an average tonnage and ship call basis, benchmark the footprint against similar entities, and develop a plan to reduce that footprint to zero
- CentrePort Ltd will hold a minimum of three environmental consultative committee meetings in 2010/11, comprising CentrePort Ltd and effected stakeholders (customers, port users, local authorities, iwi and residential groups). The meetings provide a forum to identify and inform on a range of environmental port-related matters

Social

- Contribute to the desired outcome of the Wellington Regional Strategy through:
  - Providing workplace opportunities and skills enhancement of our employees
  - Ensuring the regional economy is connected by the provision of high-quality port services to support international and coastal trade
  - Supporting the regional community by investing in community sponsorship
- Maintain tertiary level of compliance with the ACC Workplace Safety Management Practices Programme and comply with the AS/NZS 4801: Occupational Health and Safety Management Systems
- Annual review of Health and Safety Policy
- Maintain compliance with the International Ship & Port Security Code, which promotes security against terrorism within the port environment
- Undertake risk assessments and implement any mitigating procedures relating to the Port and Harbour Safety Code, which promotes safety and excellence in marine operations
- To meet regularly with representative community groups

General

The company will, in consultation with shareholders, continue to develop performance targets in the financial, environmental and social areas to be able to maintain triple bottom line reporting in accordance with best practice.

When developing "property held for development", the board is to adhere to the following principles:

- Properties may be developed without the building being fully pre-let, as long as tenancy risk[1] is managed prudently
- Property developments must not compromise port operations
- Developments are to be undertaken only if they are able to be funded without additional capital from shareholders

Shareholders of CentrePort Ltd

- Port Investments Ltd: 76.9%
- MWRC Holdings Ltd: 23.1%

Directors of Centreport Ltd

David Benham
Richard Janes
John Monaghan
Malcolm Johnson
Warren Larsen (Chair)
Mark Petersen

[1] Mangement of tenancy risk means that each single property investment has committed rental income (via executed lease contracts) that is sufficient to meet forecast interest costs on (i) the cost of the site development related to the development and (ii) the cost of the construction of the development AND the vacant net lettable area of the proposed development is no greater than 25%

Prospective funding impact statement

For the year ending 30 June

	2011/12 Plan $000s	2011/12 LTCCP $000s
Income statement		
Operating revenue	13,100	12,122
Operating expenditure	9,142	8,485
Earnings before interest	**3,958**	**3,637**
Net interest	4,169	1,927
Internal income[1]	39,781	3,824
Operating surplus/(deficit)	**47,908**	**9,388**
Less:		
Contribution to general rates	10,249	6,916
Earnings retained	**37,659**	**2,472**
Operating surplus / (deficit) before contribution to general rates of individual investments		
Liquid financial deposits	1,589	1,795
WRC Holdings[1]	42,679	4,513
Treasury management	3,989	2,931
Forestry	(412)	(300)
Other Investments and Property	63	449
Operating surplus	**47,908**	**9,388**

	2011/12 Plan $000s	2011/12 LTCCP $000s
Net contribution to general rates from individual investments		
Liquid financial deposits	1,589	1,795
WRC Holdings[1]	2,897	283
Treasury management	5,754	4,271
Forestry	-	225
Other Investments and Property	9	342
Total contribution to general rates	**10,249**	**6,916**

[1] Internal income from public transport is used to fund the new Matangi trains purchase and the start of the proposed Ganz Mavag refurbishment project carried out by the 100% Council-Controlled Trading Organisation, Greater Wellington Rail Ltd

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in the Policies Document of the 10-Year Plan 2009-19.

Please note that all figures on this page exclude GST.

Financial information

Total Council financial statements

Prospective comprehensive income statement

For the year ending 30 June

	2010/11 Budget $000s	2011/12 Plan $000s	2011/12 LTCCP $000s
Operating revenue			
General rates	26,803	25,985	28,682
Targeted rates	54,089	59,118	68,752
Regional rates	**80,892**	**85,103**	**97,434**
Water supply levy	23,460	24,164	26,350
Government subsidies	252,009	142,450	109,094
Interest and dividends	2,998	4,594	3,418
Other operating revenue	15,838	15,979	14,932
Total external operating revenue	**375,197**	**272,290**	**251,228**
Operating expenditure			
Personnel costs	33,516	35,359	34,132
Grants and subsidies	65,113	42,387	94,289
Finance costs	7,020	8,830	11,795
Depreciation	11,660	12,030	12,256
Other operating expenses	43,502	46,710	44,920
Total external operating expenditure	**160,811**	**145,316**	**197,392**
Operating surplus before transport improvement grants[1]	**214,386**	**126,974**	**53,836**
Transport improvement grants[1]	222,186	137,157	52,189
Operating surplus/(deficit)	**(7,800)**	**(10,183)**	**1,647**
Other comprehensive income			
Unrealised revaluation gains	1,950	907	2,002
Total comprehensive income / (deficit) for year	**(5,850)**	**(9,276)**	**3,649**

As part of the proposed Regional Rail Package, Greater Wellington would fully fund some rail project expenditure at the time the expense is incurred and recovers a share of the debt servicing costs over the life of the debt from the New Zealand Transport Agency. This has the effect of increasing Greater Wellington's debt and reported operating deficit in 2011/12 when complared to the *10-Year Plan 2009-19*.

[1] Transport improvement grants include capital grants to external public organisations and the 100% Council-Controlled Trading Organisation, Greater Wellington Rail Ltd, for improvements to public transport infrastructure where Greater Wellington will not own the resulting asset. These improvements include trolley bus overhead wire renewals, rail infrastructure, rail track renewals, the new Matangi trains and the start of the proposed Ganz Mavag refurbishment project during 2011/12

Please note that all figures on this page exclude GST

Prospective statement of changes in equity
As at 30 June

	2010/11 Budget $000s	2011/12 Plan $000s	2011/12 LTCCP $000s
Total opening ratepayers' funds	**653,762**	**647,902**	**639,267**
Total comprehensive income / (deficit) for year	(5,850)	(9,276)	3,649
Movements in revaluation reserve[1]	-	25,943	31,654
Movement in ratepayers funds for year	**(5,850)**	**16,667**	**35,303**
Closing ratepayers' funds	**647,912**	**664,569**	**674,570**
Components of ratepayers funds			
Opening accumulated funds	**353,355**	**347,639**	**348,041**
Total comprehensive income / (deficit) for year	(5,850)	(9,276)	3,649
Movements in other reserves	3,333	1,461	118
Movement in accumulated funds for year	**(2,517)**	**(7,815)**	**3,767**
Closing accumulated funds	**350,838**	**339,824**	**351,808**
Opening other reserves	**17,906**	**17,828**	**11,065**
Movements in other reserves	(3,333)	(1,461)	(118)
Movement in ratepayers funds for year	**(3,333)**	**(1,461)**	**(118)**
Closing other reserves	**14,573**	**16,367**	**10,947**
Opening asset revaluation reserves	**282,501**	**282,435**	**280,161**
Movements in revaluation reserve[1]	-	25,943	31,654
Movement in asset revaluation reserve for year	**-**	**25,943**	**31,654**
Closing asset revaluation reserve	**282,501**	**308,378**	**311,815**
Closing ratepayers' funds	**647,912**	**664,569**	**674,570**

As part of the proposed Regional Rail Package, Greater Wellington would fully fund some rail project expenditure at the time the expense is incurred and recovers a share of the debt servicing costs over the life of the debt from the New Zealand Transport Agency. This has the effect of increasing Greater Wellington's debt and reported operating deficit in 2011/12 when complared to the *10-Year Plan 2009-19*

[1] Movements in revaluation reserves are the projected revaluation of property, plant and equipment for flood protection

Please note that all figures on this page exclude GST

Prospective balance sheet
As at 30 June

	2010/11 Budget $000s	2011/12 Plan $000s	2011/12 LTCCP $000s
Assets			
Cash and other equivalents	30,735	38,902	42,084
Investments (current)	22,145	10,000	14,954
Other current assets	38,345	37,736	26,121
Current assets	91,225	86,638	83,159
Investments (non-current)	4,802	8,393	5,323
Forestry investments	12,319	15,881	16,538
Investment in subsidiary	54,188	85,736	63,697
Property, plant and equipment	654,431	703,299	713,911
Non-current assets	725,740	813,309	799,469
Total assets	**816,965**	**899,947**	**882,628**
Ratepayers' funds			
Retained earnings	350,838	339,824	351,808
Reserves	297,074	324,745	322,762
Total ratepayers' funds	**647,912**	**664,569**	**674,570**
Liabilities			
Debt (current)	28,900	28,945	40,531
Other current liabilities	30,710	36,003	26,085
Current liabilities	59,610	64,948	66,616
Debt (non-current)	109,443	170,430	141,442
Non-current liabilities	109,443	170,430	141,442
Total liabilities	**169,053**	**235,378**	**208,058**
Total equity and liabilities	**816,965**	**899,947**	**882,628**

Debt has increased from the *10-Year Plan 2009-19* largely due to the proposed Regional Rail Package. Under this proposal Greater Wellington would fully fund some rail project expenditure at the time the expense is incurred and consequently recover a share of the debt servicing costs from the New Zealand Transport Agency over the life of that debt. This has the effect of increasing Greater Wellington's debt and reported operating deficit in 2011/12 when complared to the *10-Year Plan 2009-19*

Please note that all figures on this page exclude GST

Prospective statement of cashflows

For the year ending 30 June

	2010/11 Budget $000s	2011/12 Plan $000s	2011/12 LTCCP $000s
Cashflows from operating activities			
Cash is provided from:			
Regional rates	80,892	85,103	97,434
Water supply levy	23,460	24,164	26,350
Government subsidies	252,009	142,450	109,094
Interest and dividends	2,998	4,594	3,418
Fees, charges and other revenue	15,838	15,979	14,932
	375,197	**272,290**	**251,228**
Cash is disbursed to:			
Interest	6,864	8,830	11,629
Payment to suppliers and employees	363,412	261,081	224,646
	370,276	269,911	236,275
Net cashflows from operating activities	**4,921**	**2,379**	**14,953**
Cashflows from investing activities			
Cash is provided from:			
Sale of property, plant and equipment	452	436	1,275
	452	436	1,275
Cash is applied to:			
Purchase of property, plant and equipment	27,221	31,751	27,799
Investment additions	14,801	39,781	3,824
	42,022	71,532	31,623
Net cashflows from investing activities	**(41,570)**	**(71,096)**	**(30,348)**
Cashflows from financing activities			
Cash is provided from:			
Loan funding	49,068	83,339	33,050
Cash is applied to:			
Debt repayment	10,816	13,284	15,110
Net cashflows from financing activities	**38,252**	**70,255**	**17,940**
Net increase/(decrease) in cash and cash equivalents	**1,603**	**1,538**	**2,545**
Opening cash and cash equivalents	29,132	37,364	39,539
Closing cash and cash equivalents	**30,735**	**38,902**	**42,084**

As part of the proposed Regional Rail Package, Greater Wellington would fully fund some rail project expenditure at the time the expense is incurred and recovers a share of the debt servicing costs over the life of the debt from the New Zealand Transport Agency. This has the effect of increasing Greater Wellington's debt and reported operating deficit in 2011/12 when complared to the *10-Year Plan 2009-19*.

Please note that all figures on this page exclude GST

Prospective regional rates and capital expenditure

For the year ending 30 June

	2010/11 Budget $000s	2011/12 Plan $000s	2011/12 LTCCP $000s
Regional rates			
Resource management	9,821	9,803	10,340
Transport	41,392	45,437	55,050
Parks and forests	5,517	6,365	6,129
Safety and flood protection	14,687	15,904	15,883
Land management	5,046	6,329	5,317
Regional sustainable development	4,710	5,191	5,219
Community	5,600	5,720	5,674
Investments[1]	(6,550)	(10,249)	(6,916)
Other	669	603	738
Total regional rates	**80,892**	**85,103**	**97,434**

	2010/11 Budget $000s	2011/12 Plan $000s	2011/12 LTCCP $000s
Capital expenditure			
Resource management	213	1,017	149
Transport[2]	6,676	3,830	3,107
Water supply	10,163	16,762	13,146
Parks	416	590	499
Safety and flood protection	7,786	5,242	5,343
Land management	264	174	225
Community	78	5	5
Investments	602	2,902	3,791
Other	1,023	1,229	1,534
Total capital expenditure	**27,221**	**31,751**	**27,799**

[1] Investment returns reduce the requirement for rates

[2] Transport capital expenditure excludes capital grants provided to Greater Wellington Rail Limited for the purchase of rail rolling stock. See the Public Transport financial forecast for more information

Please note that all figures on this page exclude GST

Prospective debt

As at 30 June

	2010/11 Budget $000s	2011/12 Plan $000s	2011/12 LTCCP $000s
Resource management	538	1,113	431
Transport	70,752	111,812	80,191
Water supply	47,966	58,473	60,158
Parks and forests	3,274	4,099	3,389
Flood protection	44,017	46,557	44,212
Harbour management	856	809	800
Stadium	13,320	11,563	11,563
Forestry	31,808	32,015	33,858
Property and investments	158	2,549	8,165
Corporate systems	1,657	1,391	2,461
Total activities debt	**214,346**	**270,401**	**245,228**
Treasury internal funding[1]	(76,003)	(71,026)	(63,255)
Total external debt	**138,343**	**199,375**	**181,973**
External debt (current)	28,900	28,945	40,531
External debt (non-current)	109,443	170,430	141,442
Total external debt	**138,343**	**199,375**	**181,973**

[1] Greater Wellington manages community outcome debt via an internal debt function. External investments and debt are managed through a central treasury management function in accordance with the Treasury Managagment Policy

Please note that all figures on this page exclude GST

Prospective funding impact statement

For the year ending 30 June

	2010/11 Budget $000s	2011/12 Plan $000s	2011/12 LTCCP $000s
Operating revenue			
General rates	26,803	25,985	28,682
Targeted rates[1]	54,089	59,118	68,752
Regional rates	**80,892**	**85,103**	**97,434**
Water supply levy	23,460	24,164	26,350
Government subsidies	252,009	142,450	109,094
Interest and dividends	2,998	4,594	3,418
Unrealised revaluation gains	1,950	907	2,002
Other operating revenue	15,838	15,979	14,932
Total external operating revenue	**377,147**	**273,197**	**253,230**
Operating expenditure			
Personnel costs	33,516	35,359	34,132
Grants and subsidies[1]	65,113	42,387	94,289
Finance costs	7,020	8,830	11,795
Depreciation	11,660	12,030	12,256
Other operating expenses	43,502	46,710	44,920
Total external operating expenditure	**160,811**	**145,316**	**197,392**
Operating surplus/(deficit) before transport improvement grants[1]	**216,336**	**127,881**	**55,838**
Transport improvement grants[1]	**222,186**	**137,157**	**52,189**
Operating surplus/(deficit)[1]	**(5,850)**	**(9,276)**	**3,649**
Less:			
Capital expenditure and transport investments	27,221	31,751	27,799
Proceeds from asset sales	(452)	(436)	(1,275)
Loan funding of capital expenditure	(18,234)	(26,827)	(20,436)
Rate, levy and subsidy-funded capital expenditure	**8,535**	**4,488**	**6,088**
Loan funding of public transport[1]	(25,161)	(52,303)	(7,023)
Other loan funding	(5,828)	(4,408)	(5,758)
Debt repayment	14,149	14,744	15,229
Other investment movements	16,337	44,554	6,368
Operational reserve movements	(3,333)	(1,460)	(118)
Non-cash items[2]	(10,549)	(14,891)	(11,137)
Net funding required	**-**	**-**	**-**

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

2 Non-cash items include depreciation, forestry cost of goods sold and unrealised revaluation gainsd and losses

Please note that all figures on this page exclude GST

Rates funding impact statements

General rate	2011/12 Cents per $ of rateable capital value	2011/12 Revenue sought $
Wellington city	0.02756	12,506,628
Lower Hutt city	0.02693	4,531,074
Upper Hutt city	0.02715	1,703,133
Porirua city	0.02531	2,017,808
Kapiti Coast district	0.02598	2,695,693
Masterton district	0.02411	1,189,011
Carterton district	0.02638	500,757
South Wairarapa district	0.02605	836,909
Tararua district[1]	0.01851	1,704
Total general rate		**25,982,717**

Targeted rate: River management based on capital value	2011/12 Cents per $ of rateable capital value	2011/12 Revenue sought $
Wellington city	0.00021	97,331
Lower Hutt city	0.01412	2,375,380
Upper Hutt city	0.00979	614,372
Porirua city	0.00082	65,161
Kapiti Coast district	0.01241	1,287,377
Carterton district	0.00100	18,985
Total region-wide river management rate		**4,458,606**
Greytown ward	0.01797	80,593
Total river management rates based upon capital value		**4,539,199**

Targeted rate: River management based on land value	2011/12 Cents per $ of rateable capital value	2011/12 Revenue sought $
Featherston urban: Donalds Creek Stopbank	0.00234	2,170
Total river management rates based upon land value		**2,170**

Total river management rates		**4,541,369**

Targeted rate: Transport	2011/12 Cents per $ of rateable capital value	2011/12 Revenue sought $
Wellington city		
Downtown city centre business	0.22627	16,948,953
Urban	0.02748	10,275,552
Rural	0.00753	37,535
Lower Hutt city		
Urban	0.04800	7,944,025
Rural	0.01276	34,800
Upper Hutt city		
Urban	0.05240	2,944,239
Rural	0.01382	90,586
Porirua city		
Urban	0.05710	4,215,457
Rural	0.01505	88,666
Kapiti Coast district		
Urban	0.02398	2,076,196
Rural	0.00668	114,627
Masterton district		
Urban	0.00802	179,797
Rural	0.00248	66,735
Carterton district		
Urban	0.01542	83,872
Rural	0.00431	58,320
South Wairarapa district		
Urban	0.01790	167,455
Rural	0.00483	109,896
Total transport rate		**45,436,711**

Targeted rate: Warm Greater Wellington based on extent of service provided	2011/12 Percentage of service provided	2011/12 Revenue sought $
For any ratepayer that utilises the service	15.349%	532,000

[1] 11 rural properties in the Tararua District are within the boundaries of the Wellington region

Note that all figures on this page exclude GST

Rates funding impact statements

Targeted rate: Stadium purposes	2011/12 Cents per $ of rateable capital value	2011/12 Revenue sought $
Wellington city		
Business	0.00516	549,874
Residential	0.00301	1,031,783
Rural	0.00156	7,760
Lower Hutt city		
Business	0.00381	136,198
Residential	0.00293	379,962
Rural	0.00226	6,154
Upper Hutt city		
Business	0.00214	21,139
Residential	0.00246	114,255
Rural	0.00082	5,352
Porirua city		
Business	0.00300	33,180
Residential	0.00247	155,196
Rural	0.00064	3,746
Kapiti Coast district		
Urban	0.00136	118,002
Rural	0.00067	11,506
Masterton district		
Urban	0.00175	39,334
Rural	0.00053	14,182
Carterton district		
Urban	0.00192	10,436
Rural	0.00061	8,295
South Wairarapa district		
Urban	0.00206	19,266
Rural	0.00045	10,168
Total stadium-purposes rate		**2,675,788**

Targeted rate: Economic development agency (EDA)	2011/12 $ per rating unit	2011/12 Cents per $ of rateable capital value	2011/12 Revenue sought $
Wellington city			
Downtown city centre business		0.01020	764,018
Business		0.01020	322,735
Residential – per rating unit	$14.00		945,028
Rural – per rating unit	$28.00		18,172
Lower Hutt city			
Business		0.00997	356,003
Residential – per rating unit	$14.00		496,412
Rural – per rating unit	$28.00		13,384
Upper Hutt city			
Business		0.01001	98,783
Residential – per rating unit	$14.00		198,268
Rural – per rating unit	$28.00		30,268
Porirua city			
Business		0.00937	103,685
Residential – per rating unit	$14.00		227,892
Rural – per rating unit	$28.00		16,464
Kapiti Coast district			
Business		0.00962	112,195
Residential – per rating unit	$14.00		280,280
Rural – per rating unit	$28.00		71,512
Masterton district			
Business		0.00892	32,310
Residential – per rating unit	$14.00		107,534
Rural – per rating unit	$28.00		94,164
Carterton district			
Business		0.00976	5,348
Residential – per rating unit	$14.00		28,756
Rural – per rating unit	$28.00		50,176
South Wairarapa district			
Business		0.00964	15,215
Residential – per rating unit	$14.00		39,438
Rural – per rating unit	$28.00		71,708
Tararua district[1] – per rating unit	$28.00		252
Total economic development agency rate			**4,500,000**

[1] 11 rural properties in the Tararua district are within the boundaries of the Wellington region

Note that all figures on this page exclude GST

Rates funding impact statements

Targeted rate: River management Scheme 1		2011/12 $ per hectare	2011/12 Revenue sought $
Waingawa	A	117.60591	4,082
	B	76.45148	9,698
	C	58.81522	6,508
	D	52.93270	99
	E	47.14939	8,118
	F	41.25643	1,041
	G	17.72304	890
	H	11.83539	1,998
			32,434
Upper Ruamahanga	A	111.59513	10,261
	B	92.99591	615
	C	74.39678	9,246
	D	55.79817	983
	E	37.19843	11,077
	F	18.59922	743
	S	1,047.88748	1,572
			34,497
Middle Ruamahanga	A	105.41670	4,714
	B	87.84730	4,805
	C	70.27791	359
	D	52.70843	6,526
	E	35.13878	1,656
	F	17.56939	5,203
	S	1,063.10757	1,807
			25,070
Lower Ruamahanga	A	49.09722	6,278
	B	42.08330	2,301
	C	35.06939	7,671
	D	28.05557	9,295
	E	21.04174	6,914
	F	14.02774	17,222
	SA	1,231.09748	3,078
	SB	615.54878	985
			53,744

Targeted rate: River management Scheme 1		2011/12 $ per hectare	2011/12 Revenue sought $
Waiohine – rural	A	41.23557	4,632
	B	34.50557	13,095
	C	27.60443	35,231
	D	20.70339	7,513
	E	13.80217	11,219
	S	690.11183	8,902
			80,592
Mangatarere	A	30.01470	644
	B	28.70974	6,018
	C	24.32861	382
	D	21.53226	1,547
	G	0.09322	35
			8,626
Upper Mangatarere	A	8.49739	591
	B	6.38043	111
	C	4.26252	204
			906
Waipoua	A	102.29330	8,994
	B	81.83548	20,664
	C	61.37652	1,366
	D	40.91774	11,455
	SA	3,457.54704	346
	SC	2,066.34461	207
			43,032

Note that all figures on this page exclude GST

Rates funding impact statements

Targeted rate: River management Scheme 1		2011/12 $ per hectare	2011/12 Revenue sought $
Kopuaranga	A2	49.36452	1,299
	A3	44.42817	3,063
	A4	24.68235	279
	A5	17.27757	997
	A6	9.87278	801
	B2	9.87278	605
	B3	8.88557	654
	B4	4.93643	46
	B5	3.45557	107
	B6	1.97452	237
	SA	121.30557	607
	SB	60.65278	667
			9,362
Lower Taueru	A	3.40174	1,382
	B	0.68000	191
	C	0.34000	64
	S	169.99800	206
			1,843
Lower Whangaehu	A	15.53374	524
	B	12.42678	834
	C	9.31983	509
	D	6.21417	479
	E	3.10687	551
	S	77.66417	102
			2,999
Total river management Scheme 1 rates			**293,105**

Targeted rate: River management Scheme 2		2011/12 $ per dwelling[1]	2011/12 $ per point	2011/12 Revenue sought $
Lower Wairarapa valley	A		0.19191	554,402
Development scheme	Sa	15.00000		5,790
	Sb	30.00000		59,730
Total river management Scheme 2 rates				**619,922**
Total river management scheme rates				**913,027**

[1] "Separately used or inhabited part" (dwelling) includes any part of a rating unit separately used or inhabited by the owner or any other person who has the right to use or inhabit that part by virtue of a tenancy, lease, licence or other agreement. At a minimum, the land or premises intended to form the separately used or inhabited part of the rating unit must be capable of actual habitation or actual separate use. To avoid doubt, a rating unit that has only one use (ie, it does not have separate parts or is vacant land) is treated as being one separately used or inhabited part (dwelling)

Note that all figures on this page exclude GST

Rates funding impact statements

Targeted rate: Catchment Scheme 1		2011/12 $ per hectare	2011/12 Revenue sought $
Whareama	A	4.26130	2,818
	B	1.63913	1,178
	C	0.28696	12,555
	D	0.24583	5
	E	0.20574	1
	F	0.16426	460
			17,017
Homewood	A	1.37557	3,252
	B	1.31052	584
	C	1.14678	3,823
	D	0.16365	286
			7,945
Maungaraki	A	0.86700	2,963
	B	0.40800	1,212
			4,175
Upper Kaiwhata	A	8.94322	375
	B	3.91261	307
	C	0.55896	512
	D	0.33539	596
	E	0.22357	419
	F	0.11148	50
			2,259
Lower Kaiwhata	A	14.91930	981
	B	6.52722	302
	C	0.93235	1,065
	D	0.55948	1,470
	E	0.37304	13
	F	0.18643	52
			3,883
Catchment management scheme 1 rates			**35,279**

Targeted rate: Catchment Scheme 2		2011/12 Cents per $ of rateable land value	2011/12 Revenue sought $
Awhea-Opouawe	Land value	0.13548	9,499
Mataikona-Whakataki	Land value within scheme area	0.00306	2,627
Catchment management scheme 2 rates			**12,126**

Targeted rate: Catchment Scheme 3		2011/12 $ per dwelling[1]	2011/12 Revenue sought $
Awhea-Opouawe	Charge per dwelling	$113.00 / $56.50	8,863
Maungaraki	Charge per dwelling	$30.60	581
Mataikona-Whakataki	Charge per dwelling	$15.30	1,867
Catchment management scheme 3 rates			**11,311**

Targeted rate: Catchment Scheme 4		2011/12 Cents per metre of river frontage	2011/12 Revenue sought $
Maungaraki	River frontage	0.04080	1,117
Catchment management scheme 4 rates			**1,117**
Total catchment management scheme rates			**59,833**

[1] "Separately used or inhabited part" (dwelling) includes any part of a rating unit separately used or inhabited by the owner or any other person who has the right to use or inhabit that part by virtue of a tenancy, lease, licence or other agreement. At a minimum, the land or premises intended to form the separately used or inhabited part of the rating unit must be capable of actual habitation or actual separate use. To avoid of doubt, a rating unit that has only one use (ie, it does not have separate parts or is vacant land) is treated as being one separately used or inhabited part (dwelling)

Note that all figures on this page exclude GST

Rates funding impact statements

Targeted rate: Pump drainage schemes		2011/12 $ per hectare	2011/12 Revenue sought $
Papatahi	A	71.00887	25,000
Te Hopai	A	74.77870	92,000
Moonmoot pump	A	53.90757	12,500
Onoke pump	A	140.26313	95,800
Pouawha pump	A	60.06583	54,000
Total pump drainage scheme rates			**279,300**

Targeted rate: Bovine Tb	2011/12 $ per hectare	2011/12 Revenue sought $
Land area > 10ha and defined operational area	0.30000	142,604
Total bovine Tb rate		**142,604**

Targeted rate: Gravity drainage schemes		2011/12 $ per hectare	2011/12 Revenue sought $
Taumata	A	6.04113	1,747
East Pukio	A	26.01252	3,000
Longbush	A	14.91139	3,253
	B	7.45557	963
Te Whiti	A	3.81383	518
Ahikouka	A	25.87322	2,903
Battersea	A	14.59400	2,451
	B	12.08313	2,242
	C	9.41548	2,934
	D	5.64922	869
	E	4.86461	991
	F	4.70774	353
Manaia	A	40.59252	7,000
Whakawiriwiri	A	13.26435	8,273
Total gravity drainage scheme rates			**37,497**

Note that all figures on this page exclude GST

Significant forecasting assumptions

These prospective financial statements were authorised for issue by the Council on 15 March 2011. Greater Wellington is responsible for these prospective financial statements, including the appropriateness of the assumptions and other disclosures.

Greater Wellington's planning processes are governed by the Local Government Act 2002 (the Act). The Act requires Greater Wellington to prepare a long-term council community plan (10-Year Plan) every three years and an annual plan, which updates the 10-Year Plan by exception, in the intervening years. This is Greater Wellington's proposed Annual Plan 2011/12 and is prepared in accordance with the Act. Caution should be exercised in using these prospective financial statements for any other purpose.

Assumptions

The prospective financial information contained in this proposed annual plan is based on assumptions that Greater Wellington reasonably expected to occur as at 15 March 2011. Actual results are likely to vary from the information presented and these variations may be material. The following are the key assumptions used in preparing this annual plan:

- In respect of 2011/12, financial projections have been calculated in estimated 2011/12 dollars
- Funding assistance will be provided by Crown agencies, primarily the New Zealand Transport Agency and Ministry of Transport at the following levels (percentage of cost):

Operations funding assistance rates	
Public transport administration	50%
Travel demand management	75%
Rail services	60%
Bus and ferry services	50%
Infrastructure maintenance and operations	60%
Improvement projects funding assistance rates	
Real-time information system	80%
Electronic ticketing investigation	75%
Rail projects	60%-90%

- No revaluation of property, plant and equipment is projected, as this would not have a material effect on the prospective financial information
- For water supply purposes, the population of the four city councils in the region will continue to grow at a rate midway between the high and medium-growth forecasts of Statistics New Zealand
- The water supply security of supply standard will continue to be a 2% probability of a shortfall event – 1 in 50-year drought. (An "event" is defined as a year that contains at least one shortfall day)
- There will be no requirement for major capital works arising from the Ministry of Health's ongoing reviews of drinking water standards
- The review of Greater Wellington's Regional Freshwater Plan in 2010 is unlikely to impact significantly on the allocation of water for public water supply purposes
- Any increase in costs from the introduction of an emission trading scheme is included in projected expenditure
- Greater Wellington's external interest rate will be 5.25%
- There will not be any significant changes in planned service levels
- There will be no major changes to key legislation affecting Greater Wellington's activities
- There will not be any major flood events
- Asset lives will be in accordance with Greater Wellington's accounting policies
- A 3% increase in fare revenue for public transport.
- Passenger transport infrastructure investment and other capital expenditure will be partly funded by debt. Debt repayments have been estimated in accordance with the Treasury Management Policy

Significant forecasting assumptions

- Greater Wellington has entered into a number of bus contracts to supply public transport services. Included in these contracts are cost indices requiring Greater Wellington to make additional payments depending on whether the index increases or not. The indices are calculated on a number of factors, including the New Zealand dollar price for diesel, staff costs, etc. For 2011/12, the diesel price is assumed to be US$95/ barrel and a US$/NZ$ exchange rate is assumed to be 0.75.

  It should be noted that an additional US$10 per barrel on the oil prices would require an increase of $0.2 million in rates, while a fall in the New Zealand dollar by 10 percentage points would increase rates by $0.4 million
- There will not be any funding of depreciation of infrastructure assets, as they are loan funded in accordance with the Revenue and Financing Policy. Greater Wellington believes this is financially prudent

Risks to assumptions

The following table outlines the risks to significant forecasting assumptions. If these assumptions prove to be incorrect, there could be a significant effect on the level of rates that Greater Wellington plans to collect from the community. In this situation, Greater Wellington will re-examine its work programmes and determine if it's appropriate to rate the community or change the scope of those programmes.

Greater Wellington has considered each of its activities in terms of the requirements of Schedule 10 of the Local Government Act 2002. There are no significant negative effects on the social, economic, environmental or cultural wellbeing of the local community resulting from any activity, except where stated.

Risk to assumption	Risk level	Likely financial effect	Consequence/mitigation strategy
Inflation is lower or higher	Medium	Medium	Changes the level of rates and debt levels
Interest rates are higher or lower	Medium	Medium	Changes the level of rates and debt levels/offset by hedging strategies
Funding from the New Zealand Transport Agency is higher or lower	Medium	High	Changes the level of rates and debt. Examine service levels and work programme, and adjust if necessary. Greater Wellington to maintain a strong working relationship with the New Zealand Transport Agency and Ministry of Transport
Exchange rate and/or the oil price is higher or lower, affecting the costs of our bus contracts	High	High	Change the levels of rates and hedging of the New Zealand dollar oil price
A natural disaster/flood event occurs which damages Greater Wellington's property, plant and equipment	Medium	Low-High	Call on insurance and self-insurance funds, adjust operating programmes and change the level of rates and debt if necessary

Significant forecasting assumptions

Differential rating categories

Each rating unit is allocated to a differential rating category (based upon location and/or land use) for the purpose of calculating the general rate or any specific targeted rate based upon capital or land value. As Greater Wellington rates are invoiced and collected by each of the territorial authorities in the Wellington region, Greater Wellington is limited to using rating categories based on those used by each of the territorial authorities.

Set out below are the definitions used by Greater Wellington to allocate rating units into rating categories. For more information on the specific territorial authority categories, please refer to their planning documents or websites.

- **Rates based on land area**

Some rating units (either in whole or part) are allocated to additional differential rating categories for the purpose of calculating the bovine Tb and Wairarapa schemes' targeted rate based upon land area. This may be based upon the area of land within each rating unit and the provision of a service provided or its location. Some schemes have an additional fixed charge per separate use or inhabited part. Rating units subject to these rates are shown within an approved classification register for each scheme. For more information on whether your rating unit is allocated to one or more of these categories, please contact Greater Wellington's Masterton office (see back cover).

- **Economic development agency rate (EDA)**

Funding for the EDA ceases after 30 June 2012. A decision about whether or not to continue the activity will follow a review that will be undertaken before 30 June 2011.

- **Warm Greater Wellington rate**

The Energy Efficiency and Conservation Authority (EECA) provide grants to part-fund retrofitting of home insulation or installation of clean heat appliances. As part of this programme Greater Wellington may also provide assistance to ratepayers to fund some or all of the remaining costs of insulation or clean heat. If such assistance is made it will be recovered over nine years (or sooner if certain criteria are met) by way of a targeted rate set on those properties benefiting from this service.

Statement of significant accounting policies

Reporting entity

Greater Wellington is a regional local authority governed by the Local Government Act 2002. It has not presented Group prospective financial statements because it believes that the parent prospective financial statements are more relevant to users. The main purpose of prospective financial statements in the Annual Plan 2011/12 is to provide users with information about the core services that Greater Wellington intends to provide ratepayers, the expected cost of those services and, as a consequence, how much Greater Wellington requires by way of rates to fund the intended levels of service. The level of rates funding required is only affected by the extent that Greater Wellington obtains distributions from, or further invests in, those subsidiaries. Such effects are included in the prospective financial statements presented.

For the purposes of financial reporting, Greater Wellington is designated as a public benefit entity. The subsidiary companies comprise WRC Holdings Limited, Pringle House Limited, Port Investments Limited, Greater Wellington Rail Limited, Greater Wellington Transport Limited, Greater Wellington Infrastructure Limited, Grow Wellington Limited, Creative HQ Limited and CentrePort Limited. All subsidiaries, except Grow Wellington Limited and Creative HQ Limited, are designated as profit-oriented entities. Grow Wellington Limited and Creative HQ Limited are designated as public benefit entities.

Statement of compliance

The prospective financial statements of Greater Wellington have been prepared in accordance with the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). With the exception of applying the public benefit entity exemption to capitalising interest costs on qualifying assets, these statements comply with FRS 42 Prospective Financial Statements, NZ IFRS, and other applicable financial reporting standards, as appropriate for public benefit entities. The financial statements use opening balances from the period ending 30 June 2011. Estimates have been restated accordingly if required.

The preparation of financial statements in conformity with NZ GAAP requires management to make judgements, estimates and assumptions that affect the application of policies and projected amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These results form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Accounting policies

Basis of preparation

The prospective financial statements are presented in New Zealand dollars, rounded to the nearest thousand and have been prepared on a historical cost basis, except for investment properties, forestry assets, derivative financial instruments and certain infrastructural assets that have been measured at fair value. The accounting policies set out below have been applied consistently to all periods presented in these prospective financial statements.

Revenue recognition

Revenue is recognised when billed or earned on an accrual basis.

Rates and levies

Rates and levies are a statutory annual charge and are recognised in the year the assessments are issued.

Government grants and subsidies

Greater Wellington receives government grants from the New Zealand Transport Agency and Ministry of Transport, which subsidises part of Greater Wellington's costs in providing public transport subsidies to external transport operators and for capital purchases of rail rolling stock within Greater Wellington's subsidiaries and transport network upgrades owned by Ontrack.

The grants and subsidies are recognised as revenue when eligibility has been established by the grantor.

Statement of significant accounting policies

Other grants and contributions from territorial authorities are recognised in the comprehensive income statement when eligibility has been established by the grantor.

Sale of goods

Revenue on the sale of goods is recognised when all risks are transferred to the buyer and there is no longer control or managerial involvement with the goods.

Rendering of services

Revenue from services rendered is recognised by reference to stage of completion of the service.

Dividends

Revenue from dividends is recognised on an accrual basis (net of imputation credits) once the shareholder's right to receive payment is established.

Interest

Interest is accrued using the effective interest rate method. The effective interest rate method discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Other revenue

Other income is also recognised on an accrual basis. Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as revenue. Assets vested in Greater Wellington are recognised as revenue when control over the asset is obtained.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred in accordance with the public benefit entity exemption in NZIAS 23.

Property, plant and equipment

Property, plant and equipment consists of operational and infrastructure assets. Expenditure is capitalised when it creates a new asset or increases the economic benefits over the total life of an existing asset. Costs that do not meet the criteria for capitalisation are expensed.

The initial cost of property, plant and equipment includes the purchase consideration and those costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose.

Property, plant and equipment are categorised into the following classes:

- Operational land and buildings
- Operational plant and equipment
- Operational vehicles
- Flood protection infrastructural assets
- Transport infrastructural assets
- Rail rolling stock
- Navigational aids infrastructural assets
- Parks and forests infrastructural assets
- Water supply infrastructural assets
- Capital work in progress

All property, plant and equipment are initially recorded at cost.

Valuations

Valuations for water supply, parks and forests, flood protection and transport infrastructural assets are carried out or reviewed by independent qualified valuers. They are carried out at regular intervals.

Any increase in the value of a class of assets on revaluation is recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus.

However, if it offsets a previous decrease in value for the same asset recognised in the comprehensive income statement, then it is recognised in the comprehensive income statement. A decrease in the value of a class of assets on revaluation is recognised in the comprehensive income statement where it exceeds the increase of that class of asset previously recognised in equity under the heading of revaluation surplus.

The remaining property, plant and equipment are recorded at cost, less accumulated depreciation and impairment.

Statement of significant accounting policies

Cost represents the value of the consideration given to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service. All property, plant and equipment, except land, are depreciated.

Depreciation

Depreciation is provided on a straight-line basis on all tangible property, plant and equipment other than land and capital works in progress, at rates which will write off assets, less their estimated residual value over their remaining useful lives.

The useful lives of major classes of assets have been estimated as follows:

Operational land and buildings	10 years to indefinite
Operational plant and equipment	2 to 20 years
Operational vehicles	3 to 10 years
Flood protection infrastructural assets	15 to indefinite
Transport infrastructural assets	5 to 50 years
Rail rolling stock	15 to 35 years
Navigational aids infrastructural assets	5 to 50 years
Parks and forests infrastructural assets	10 to 100 years
Water supply infrastructural assets	3 to 150 years
Capital work in progress is not depreciated	

Stopbanks included in the flood protection infrastructure asset class are maintained in perpetuity. Annual inspections are undertaken to ensure design standards are being maintained and check for impairment. As such, stopbanks are considered to have an indefinite life and are not depreciated.

Intangible assets

Software is carried at cost, less any accumulated amortisation and impairment losses. It is amortised over the useful life of the asset – 1 to 5 years.

Impairment

All assets are reviewed annually to determine if there is any indication of impairment.

An impairment loss is recognised when its carrying amount exceeds its recoverable amount. Losses resulting from impairment are accounted for in the comprehensive income statement, unless the asset is carried at a revalued amount, in which case any impairment loss is treated as a revaluation decrease.

Recoverable amount

The recoverable amount of an asset is the greater of the net selling price and value in use.

Value in use

Value in use for Greater Wellington assets is calculated as being the depreciated replacement cost of the asset.

Forestry investments

Forestry investments are stated at fair value, less point-of-sale costs. They are independently revalued to an estimate of market valuation based on net present value. The net gain or loss arising from changes in forestry valuation is included in the comprehensive income statement.

Financial instruments

Greater Wellington classifies its financial assets and liabilities according to the purpose for which they were acquired. Financial assets and liabilities are only offset when there is a legally enforceable right to offset them and there is an intention to settle on a net basis.

Financial assets

Greater Wellington's financial assets are categorised as follows:

- **Financial assets at fair value accounted through the comprehensive income statement**

Financial assets are classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Gains or losses on re-measurement are recognised in the comprehensive income statement.

Statement of significant accounting policies

- **Financial assets at fair value accounted through equity**

Financial assets are classified in this category if they were not acquired principally for selling in the short term. After initial recognition these assets are measured at their fair value. Any gains and losses are recognised directly to equity, except for impairment losses which are recognised in the comprehensive income statement.

Available-for-sale financial assets are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are initially recorded at fair value plus transaction costs when that can be reliably estimated. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised directly through equity. If there is no active market, no intention to sell the asset and fair value cannot be reliably measured, the item is measured at cost.

Fair value is equal to Greater Wellington's share of the net assets of the entity. Upon sale, the cumulative fair value gain or loss previously recognised directly in equity is recognised in the comprehensive income statement.

- **Loans and receivables**

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or sold are accounted for in the comprehensive income statement.

- **Held to maturity investments**

These are assets with fixed or determinable payments with fixed maturities that Greater Wellington has the intention and ability to hold to maturity. After initial recognition they are recorded at amortised cost using the effective interest method. Gains and losses when the asset is impaired or settled are recognised in the comprehensive income statement. Cash and cash equivalents comprise cash balances and call deposits with up to three months maturity from the date of acquisition. These are recorded at their nominal value.

Financial liabilities

Financial liabilities comprise trade, other payables and borrowings. Financial liabilities with duration of more than 12 months are recognised initially at fair value, less transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method. Amortisation is recognised in the comprehensive income statement, as is any gain or loss when the liability is settled. Financial liabilities entered into with duration of less than 12 months are recognised at their nominal value.

Derivative financial instruments

Greater Wellington uses derivative financial instruments to manage its exposure to interest rate and foreign exchange risks arising from its operational, financing and investment activities. In accordance with its treasury policies, Greater Wellington does not hold or issue derivative financial instruments for trading purposes. Derivatives are accounted for as trading instruments.

Derivative financial instruments are initially recognised at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. For those instruments that do not qualify for hedge accounting, the gain or loss on re-measurement to fair value is recognised immediately in the comprehensive income statement. The fair value of an interest rate swap is the estimated amount that Greater Wellington would receive or pay to terminate the swap at balance date, based on current interest rates. The fair value of forward exchange contracts is their quoted market price at the balance date.

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of carrying amount and fair value, less costs to sell. Non-current assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.

Statement of significant accounting policies

Inventories

Inventories are valued at the lower of cost or net realisable value on a first-in first-out basis. The value of harvested timber is its fair value, less estimated point-of-sale costs at the date of harvest. Any change in value at the date of harvest is recognised in the comprehensive income statement.

Income tax

Income tax in the comprehensive income statement for the year comprises current and deferred tax. Income tax is usually recognised in the comprehensive income statement except to the extent that it relates to items recognised directly in equity. In this case that amount is recognised in equity.

Deferred tax is provided using the balance sheet liability method. This provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures, except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Foreign currency

In the event that Greater Wellington has any material foreign currency risk, it will be managed by derivative instruments to hedge the currency risk.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to New Zealand dollars at the foreign exchange rate ruling at that date. Foreign exchange gains and losses arising on their translation are recognised in the comprehensive income statement.

Employee entitlements

A provision for employee entitlements is recognised as a liability in respect of benefits earned by employees but not yet received at balance date. Employee benefits include salaries, annual leave and long-service leave. Where the benefits are expected to be paid for within 12 months of balance date, the provision is the estimated amount expected to be paid by Greater Wellington. The provision for other employee benefits is stated at the present value of the future cash outflows expected to be incurred. Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the comprehensive income statement as incurred.

Greater Wellington belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme. Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

Provisions

A provision is recognised in the balance sheet when Greater Wellington has a present legal or constructive obligation as a result of a past event and it is probable that an amount will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Goods and services tax (GST)

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated as GST inclusive.

Statement of significant accounting policies

Leases

Greater Wellington leases office space, office equipment, vehicles, land and buildings. Operating lease payments, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are charged as expenses in the periods in which they are incurred.

Overhead allocation and internal transactions

Greater Wellington allocates overhead from support service functions on a variety of different bases that are largely determined by usage. The treasury operation of Greater Wellington is treated as an internal banking activity. Any surplus generated is credited directly to the comprehensive income statement.

Individual significant activity operating revenue and operating expenditure is stated inclusive of any internal revenues and internal charges. These internal transactions are eliminated in Greater Wellington's prospective financial statements.

The Democratic Services costs have not been allocated to significant activities, except where there is a major separate community of benefit other than the whole region, ie, water supply and regional transport.

Equity

Equity is the community's interest in Greater Wellington and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of components to enable clearer identification of the specified uses of equity within Greater Wellington.

The components of equity are accumulated funds, revaluation reserves and other reserves. Other reserves are restricted-use funds.

Statement of cashflows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which Greater Wellington invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of Greater Wellington and the cash payments made for the supply of goods and services. Investing activities are those activities relating to the acquisition and disposal of non-current assets. Financing activities comprise the change in equity and debt capital structure.

Changes in accounting policies

There have been no changes from the accounting policies adopted in the last audited financial statements.

Standards, amendments and interpretations that are not yet effective and have not been early adopted

No standards issued are considered to have a material future impact on greater wellington.

Rating mechanisms

Funding mechanisms	Groups of activities funded	Valuation system	Matters for differentiation/ categories of land	Calculation factor
General rate				
General rate	All except water supply, transport, Warm Greater Wellington, economic development and regional stadium	Capital value	Where the land is situated	Cents per dollar of rateable capital value
Targeted rates				
Transport	Transport	Capital value	Where the land is situated and the use to which the land is put	Cents per dollar of rateable capital value
River management	Safety and flood protection	Capital value/ land value	Where the land is situated	Cents per dollar of rateable capital value/land value
Stadium purposes	Community	Capital value	Where the land is situated and the use to which the land is put	Cents per dollar of rateable capital value
Economic development agency	Community	Capital value for business	Where the land is situated and the use to which the land is put	Cents per dollar of rateable capital value
		n/a for residential	Where the land is situated and the use to which the land is put	Fixed dollar amount per rating unit
		n/a for rural	Where the land is situated and the use to which the land is put	Fixed dollar amount per rating unit
Warm Greater Wellington[1]	Regional sustainable development	Extent of service provided	Provision of service to the land	Extent of service provided calculated as a percentage of the service
Bovine Tb	Land	Land area	The area of land within each rating unit and provision of a service provided	Dollars per hectare

[1] This rate was called the insulation rate in the *10-Year Plan 2009-19*

Rating mechanisms

Funding mechanisms	Groups of activities funded	Valuation system	Matters for differentiation/ categories of land	Calculation factor
Targeted rates				
Wairarapa river management schemes	Safety and flood protection	Land area/ inhabited parts/services provided	Where the land is situated (in some cases set under section 146 of the Local Government (Rating) Act 2002 using approved classification and differential registers) and/or the benefits accruing through the provision of services and in some cases use	Dollars per hectare in the area protected, or dollars per point attributed to each rating unit and in some cases a fixed charge per separately used or inhabited part (dwelling)[1]
Wairarapa catchment schemes	Land	Land area/ land value/ inhabited part(s)	Where the land is situated (in some cases set under S146 of the Local Government (Rating) Act 2002 using approved classification and differential registers) and in some cases use and land value	Dollars per hectare or cents per metre of river frontage in the area protected and in some cases a fixed charge per separately used or inhabited part (dwelling[1]) and cents per dollar of rateable land value
Wairarapa drainage schemes	Safety and flood protection	Land area	Where the land is situated (in some cases set under S146 of the Local Government (Rating) Act 2002 using approved classification and differential registers)	Dollars per hectare in the area protected

Differential on the general rate – Greater Wellington uses an "estimate of projected valuation" under section 131 of the Local Government (Rating) Act 2002 to recognise that valuation dates vary across the region.

1 "Separately used or inhabited part" (dwelling) includes any part of a rating unit separately used or inhabited by the owner or any other person who has the right to use or inhabit that part by virtue of a tenancy, lease, licence or other agreement. At a minimum, the land or premises intended to form the separately used or inhabited part of the rating unit must be capable of actual habitation, or actual separate use. To avoid doubt, a rating unit that has only one use (ie, it does not have separate parts or is vacant land) is treated as being one separately used or inhabited part (dwelling)

Rating mechanisms

Differential rating categories

Each rating unit is allocated to a differential rating category based upon location and / or land use for the purpose of calculating the general rate or any specific targeted rate based upon capital or land value.

As Greater Wellington rates are invoiced and collected by each of the territorial authorities in the Wellington region, Greater Wellington is limited to using rating categories based on those used by each of the territorial authorities.

Set out below are the definitions used to allocate rating units into rating categories.

Category 1 – rates based on capital or land value

Location	Use	Description
Wellington city	Wellington city downtown city centre business	All rating units not classified as base within the central area boundary, currently shown on Map 32 of the District Plan of Wellington city, as may be amended from time to time by Wellington city
	Wellington city business	All rating units not classified as base in the rating information database for Wellington city outside the downtown city centre
	Wellington city residential	All rating units classified as base (excluding rural and farm) in the rating information database for Wellington city
	Wellington city urban	All Wellington city business and Wellington city residential rating units.
	Wellington city rural	All rating units sub-classified as rural or farm within the base category in the rating information database for Wellington city
Hutt city	Hutt city business	All rating units not classified as residential, rural or community facilities in the rating information database for Hutt city
	Hutt city residential	All rating units classified as residential or community facilities in the rating information database for Hutt city
	Hutt urban	All Hutt city business and Hutt city residential rating units
	Hutt city rural	All rating units classified as rural in the rating information database for Hutt city
Porirua city	Porirua city business	All rating units classified as business in the rating information database for Porirua city
	Porirua city residential	All rating units classified as residential in the rating information database for Porirua city
	Porirua city urban	All Porirua city residential and Porirua city business rating units
	Porirua city rural	All rating units classified as rural in the rating information database for Porirua city
Upper Hutt city	Upper Hutt city business	All rating units classified as business or utilities in the rating information database for Upper Hutt city
	Upper Hutt city residential	All rating units not classified as rural, business or utilities in the rating information database for Upper Hutt city
	Upper Hutt city urban	All Upper Hutt city business and Upper Hutt city residential rating units
	Upper Hutt city rural	All rating units classified as rural in the rating information database for Upper Hutt city

Rating mechanisms

Location	Use	Description
Kapiti Coast district	Kapiti Coast district urban	All rating units not classified in the rural rating areas for the Kapiti Coast district
	Kapiti Coast district rural	All rating units classified in the rural rating areas for the Kapiti Coast district
Masterton district	Masterton district urban	All rating units not classified as rural in the rating information database for the Masterton district
	Masterton district rural	All rating units classified as rural in the rating information database for the Masterton district
Carterton district	Carterton district urban	All rating units not classified as rural in the rating information database for the Carterton district
	Carterton district rural	All rating units classified as rural in the rating information database for the Carterton district
South Wairarapa district	South Wairarapa district urban	All rating units not classified as rural in the rating information database for the South Wairarapa district
	South Wairarapa district rural	All rating units classified as rural in the rating information database for the South Wairarapa district
	Greytown ward	All rating units classified in the rating area of the Greytown ward in the rating information database for the South Wairarapa district
	Greytown urban	All rating units classified in the urban area of Greytown in the rating information database for the South Wairarapa district. (Prefaced Nos 18400 and 18420)
	Featherston urban	All rating units classified in the urban area of Featherston in the rating information database for the South Wairarapa district. (Prefaced Nos 18440 and 18450)
Tararua district		All rating units classified as being within the boundaries of the Wellington region

Rating mechanisms

Category 2 – rates based on land area

Some rating units (either in whole or part) are allocated to additional differential rating categories (based on the area of land within each rating unit and the provision of a service or location) for the purpose of calculating the bovine Tb and Wairarapa schemes targeted rates based on land area.

Some schemes have an additional fixed charge per separate use or inhabited part.

Rating units subject to these rates are shown within an approved classification register for each scheme or a designed operational area for bovine Tb. For more information on whether your rating unit is allocated to one or more of these categories, please contact Greater Wellington's Masterton office (see back cover).

Category 3 – Lower Wairarapa Valley Development scheme rate

The Lower Wairarapa Valley Development scheme rate is a targeted rate allocated according to extent of services received (as measured in a points system) and in some cases an additional fixed charge per separately used or inhabited part.

Rating units subject to this rate are shown within an approved classification register for each scheme. For more information on whether your rating unit is located in this area, and for the points allocated to your property, please contact Greater Wellington's Masterton office (see back cover).

Category 4 – Warm Greater Wellington rate

The Warm Greater Wellington rate is a targeted rate set on properties that have benefited from the installation of clean heat or insulation provided by Greater Wellington in respect of the property. The rate is calculated as a percentage of the service amount until the service amount and the costs of servicing the service amount are recovered.

This rate was called the insulation rate in the *10-Year Plan 2009-19*.

Category 5 – Economic development rate

The economic development rate is a targeted rate allocated on a fixed-amount basis for residential and rural ratepayers, and capital value for businesses. For residential properties the fixed amount is $14.00 plus GST and rural properties $28.00 plus GST. This rate will fund Grow Wellington, the region's economic development agency. See table on the following page.

Rating mechanisms

Economic development rate

Location	Use	Description
Wellington city	Wellington city WRS business	All rating units not classified as base in the Wellington city rating information database
	Wellington city residential	As per differential category 1
	Wellington city rural	As per differential category 1
Hutt city	Hutt city business	As per differential category 1
	Hutt city residential	As per differential category 1
	Hutt city rural	As per differential category 1
Porirua city	Porirua city business	As per differential category 1
	Porirua city residential	As per differential category 1
	Porirua city rural	As per differential category 1
Upper Hutt city	Upper Hutt city business	As per differential category 1
	Upper Hutt city residential	As per differential category 1
	Upper Hutt city rural	As per differential category 1
Kapiti Coast district	Kapiti Coast district business	All rating units used for a commercial, business, industrial purpose, or utility network activity in the Kapiti Coast rating information database
	Kapiti Coast district residential	All rating units located in the urban rating areas except those properties which meet the classification of rural, commercial, business, industrial purpose or utility network activity and all community activities in the Kapiti Coast rating information database
	Kapiti Coast district rural	All rating units located in rural rating areas except those properties which meet the classification of commercial, business, industrial purpose, utility network or community activity in the Kapiti Coast rating information database
Masterton district	Masterton district urban	All rating units classified as non-residential urban in the Masterton district rating information database
	Masterton district residential	All rating units classified as urban residential in the Masterton district rating information database
	Masterton district rural	As per differential category 1
Carterton district	Carterton district business	All rating units classified as urban commercial, urban industrial or urban smallholding – greater than one hectare in the Carterton district rating information database
	Carterton district residential	All rating units classified as urban residential in the Carterton district rating information database
	Carterton district rural	As per differential category 1
South Wairarapa district	South Wairarapa district business	All rating units classified as commercial in the South Wairarapa district rating information database
	South Wairarapa district residential	All rating units classified as urban in the South Wairarapa district rating information database
	South Wairarapa district rural	As per differential category 1
Tararua district		As per differential category 1

Amendment to the 10-Year Plan 2009-19

Statement of Proposal to amend the Treasury Risk Management Policy contained in the Regional Council's 2009-2019 Long-Term Council Community Plan and to invest in New Zealand Local Government Funding Agency Limited

Introduction

Greater Wellington is considering participating as a "Principal Shareholding Local Authority" in the New Zealand Local Government Funding Agency Limited (LGFA), which will be a Council-Controlled Trading Organisation (CCTO).

The LGFA is being established by a group of local authorities and the Crown to enable local authorities to borrow at lower interest margins than would otherwise be available.

All local authorities will be able to borrow from the LGFA, but different benefits apply depending on the level of participation. Generally all local authorities borrowing from LGFA will be required to have some shareholding and enter into guarantees in favour of LGFA and other local authorities. This is certainly the case for Principal Shareholding Local Authorities. The exceptions will apply to some local authorities with much lower levels of borrowing, but those local authorities will only be able to borrow a limited amount, and will be required to pay higher funding costs.

Principal Shareholding Local Authorities will be required to invest capital in the LGFA, but are expected to receive a return on that capital. The Principal Shareholding Local Authorities will be required to meet a certain proportion of their borrowing needs through the LGFA Scheme for an initial period.

An Information Memorandum, describing the arrangements in detail, is attached as Appendix 2, and forms part of this proposal. A number of terms used in this proposal are defined in that Information Memorandum.

Change to Greater Wellington's security structure

As set out in the Information Memorandum (see paragraphs 26 to 28, 45 and 53), each participating local authority will be required to provide security for the performance of some of its obligations under the LGFA Scheme by granting a charge over its rates and rates revenue. This is a type of security which is widely granted by New Zealand local authorities to secure their general borrowing obligations (and related incidental arrangements).

In contrast to most local authorities, Greater Wellington currently borrows without granting such security, and instead has an arrangement under a "Negative Pledge Deed" under which it undertakes to each borrower not to grant security to any other borrower. This arrangement will need to be replaced by one under which Greater Wellington grants security in the form of a charge over its rates and rates revenue to its lenders (including the LGFA) if Greater Wellington is to participate in the LGFA Scheme.

Statutory Considerations

Section 56 of the Local Government Act 2002 (LGA 2002) provides that a proposal to establish a council-controlled organisation (CCO) (which includes a CCTO) must be adopted by special consultative procedure before a local authority may establish or become a shareholder in the CCO.

Section 102(6) of the LGA 2002 requires any amendment to a liability management policy or investment policy to be by way of an amendment to the 2009-2019 Long-Term Council Community Plan (LTCCP).

Both of these provisions are relevant in the present case. Greater Wellington's involvement in the LGFA as a Principal Shareholding Local Authority is not provided for in the Investment Policy, and specifics of the debt raising arrangements with the LGFA go beyond what is currently provided in the Liability Management Policy particularly the guarantee commitments and the required charge over the Greater Wellington's rates and rate revenue. It is therefore appropriate to amend these policies (by amending the LTCCP) using the same special consultation procedure required to comply with section 56. (Section 83A of the LGA 2002 expressly authorises combined special consultative procedures.)

Reasons for Proposal

Greater Wellington is proposing participating in the LGFA Scheme because it believes that it will enable it to borrow at lower interest margins, and that this benefit outweighs the costs and risks associated with the LGFA Scheme. A discussion of these costs and benefits is included as Part C of the Information Memorandum.

Greater Wellington is proposing that its participation be as a Principal Shareholding Local Authority for two reasons:

(a) As discussed in the Information Memorandum (in Part C), a return will be paid on the capital investment made by Principal Shareholding Local Authorities.

(b) A certain amount of capital (expected to be around $20,000,000) will need to be invested by local authorities for the LGFA Scheme to be viable. As a Principal Shareholding Local Authority, Greater Wellington will be contributing some of this amount, which increases the chance that the LGFA Scheme will be viable, and Greater Wellington will be able to gain the benefits of participating in it. Greater Wellington understands that eight other local authorities are currently considering participating in the LGFA Scheme as Principal Shareholding Local Authorities.

Greater Wellington is consulting on this proposal for the reasons set out above under "Statutory Considerations" above.

Analysis of Reasonably Practicable Options

The reasonably practicable options are as follows:

(a) Participate in the LGFA Scheme as a Principal Shareholding Local Authority.

(b) Participate in the LGFA Scheme as a Guaranteeing Local Authority, but not a Principal Shareholding Local Authority.

(c) Participate in the LGFA Scheme, but not as a Principal Shareholding Local Authority or as a Guaranteeing Local Authority.

(d) Not participate in the LGFA Scheme.

Part C of the Information Memorandum sets out an analysis of the costs and benefits of participating in the LGFA Scheme. That analysis is supplemented by some consideration of Greater Wellington's specific circumstances below.

Should Greater Wellington participate in the LGFA Scheme as a borrower?

The projected level of the Greater Wellington's borrowings (that could be financed by LGFA) at 30 June 2011 is $38 million based on the 2009-2019 LTCCP. Borrowings (that could be financed by LGFA) are projected to grow to $190 million by 2018/19. Consequently, the benefits of lower interest margins are significant. The borrowings for WRC Holdings Limited which may be refinanced have been included when existing borrowings mature in 2013/14 as savings will be realised for Greater Wellington through increased dividends.

Greater Wellington anticipates that savings will be $40,000 per $10 million (0.4%) of borrowings financed with the LGFA instead of through the existing debt market.

Based on this assumption, the savings for Greater Wellington on the projected levels of debt are:

	2010/11 ($000s)	2011/12 ($000s)	2012/13 ($000s)	2013/14 ($000s)	2014/15 ($000s)	2015/16 ($000s)	2016/17 ($000s)	2017/18 ($000s)	2018/19 ($000s)
Total projected borrowings in the 2009-2019 Long Term Council Community Plan (LTCCP)	162,527	181,973	200,684	218,554	223,959	226,303	229,617	230,200	225,473
Total new and re-financed debt (that could be financed by LGFA. This includes WRC Holdings Limited's refinanced debt, but excludes working capital requirements which will be financed through private sector banks.	38,314	106,173	123,190	193,001	196,222	196,747	194,617	195,200	190,473
Expected savings from Council's involvement in the LGFA	-	425	493	772	785	787	778	781	762
Impact of current interest margins compared to interest margins in the LTCCP	-	(266)	(310)	(482)	(491)	(492)	(486)	(488)	(476)
Expected savings from Council's involvement in the LGFA compared to interest margins in the LTCCP	-	159	185	290	294	295	292	293	286

The projected savings are based on modelling by Cameron Partners and Asia Pacific Risk Management. Although the modelling is based on a number of assumptions, this number gives an indication of the scale of potential savings. Greater Wellington believes that the benefit of these savings outweigh the costs referred to in the cost/benefit analysis in Part C of the Information Memorandum.

Consequently, Greater Wellington proposes that option (d) is not adopted.

Should Greater Wellington participate in the LGFA Scheme without being a Guaranteeing Local Authority?

If Greater Wellington was to join the LGFA Scheme without being a Guaranteeing Local Authority, the cost of participating would be less. However, it would face higher funding costs, reducing the benefit of participating, and it is likely that it would only be able to borrow up to $20 million, meaning the benefits would be limited to a small portion of its borrowing.

Consequently, Greater Wellington is proposing to participate as a Guaranteeing Local Authority, and therefore proposes that option (c) is not adopted.

Should Greater Wellington participate in the LGFA Scheme as a Principal Shareholding Local Authority?

The Council believes that investing in the LGFA Scheme as a Principal Shareholding Local Authority is justified here for the two reasons set out above. That is:

(a) As discussed in the Information Memorandum (in Part C), a return will be paid on the capital investment made by Principal Shareholding Local Authorities.

(b) If Greater Wellington participates as a Principal Shareholding Local Authority, that increases the chance that the LGFA Scheme will be viable, and that Greater Wellington will be able to gain the benefits of participating in it.

What is the risk of Greater Wellington participating in the LGFA Scheme as a Principal Shareholding Local Authority as a result of the guarantee?

Greater Wellington is intending to provide a guarantee in support of the LGFA and to all participating Local Authorities. Greater Wellington has considered the risks associated with the guarantee and consider it to be low because:

- The only borrowers from LGFA will be Local Authorities and there has been no default by a Local Authority in New Zealand. In the event of a default, the LGFA will immediately be able to appoint a receiver and assess a special rate against all ratepayers in the defaulting Local Authority's district.
- The LGFA will have considerable sources of capital and liquidity available to meet any shortfall in timing of payments before any call is made under the guarantee.
- Operational risk is minimal due to the conservative borrowing and lending policies proposed as part of the LGFA scheme. Furthermore, it is proposed that all borrowing, investing, back office and hedging functions will be undertaken on behalf of LGFA by the Debt Management Office of the New Zealand Treasury.

Why can we not quantify the guarantee exposure?

Greater Wellington cannot quantify the guarantee exposure at this time because it depends upon the size of the LGFA, the lending profile and the operating structure. This information is not available until such time that the LGFA is established and these factors are more certain. At inception of the LGFA, Greater Wellington will assess its exposure to the guarantee and review the exposure on an annual basis. This exposure may have to be included in the annual financial statements. .

Consequently, Greater Wellington is proposing that option (a) be adopted. That is, Greater Wellington is proposing that it participates in the LGFA Scheme as a Principal Shareholding Local Authority (and Guaranteeing Local Authority) and amends the Treasury Risk Management Policy accordingly.

Parts of Policies Documents from the 2009-19 Long-Term Council Community Plan to be Amended

Greater Wellington proposes that sections be added to Treasury Risk Management Policy (TRMP) which incorporates Greater Wellington's Investment Policy and Liability Management Policy. The suggested additions are attached as Appendix 1, and form part of this proposal.

Investment activity

The investment activity component of the TRMP will be amended to make it clear that Greater Wellington's investment activity includes participating as a Principal Shareholder in LGFA.

There will be a direct return on this investment, but it is acknowledged that this may be less than might be achieved by alternative investments. There is an additional benefit to Greater Wellington in that Greater Wellington's investment of capital makes it more likely that the LGFA Scheme, which will deliver benefits to Greater Wellington, will become viable.

The primary objective for Greater Wellington's interest in LGFA is to lower the Greater Wellington's cost of borrowing.

There are no consequential changes the investment activity component of the LTCCP, though there is a related change to the liability management policy component which is discussed below.

Liability management

The liability management component of the TRMP will be amended to make it clear that Greater Wellington may participate in the LGFA Scheme, including borrowing from the LGFA and entering into the transactions relating to that borrowing described in paragraph 63 of the Information Memorandum.

The primary objective of these changes is to allow borrowing by Greater Wellington at lower interest margins than it currently faces.

Greater Wellington will also need to change the security arrangements it has in relation to its borrowing (and related incidental arrangements) from the exiting negative pledge deed arrangements to one under which its lenders are granted a charge over the rates and rates revenue of Greater Wellington.

Opportunity to make Submissions

This proposal and the summary of proposal will be distributed, and available for inspection and copying, as required by section 83 of the Local Government Act 2002.

This statement of proposal and the Information Memorandum is available for inspection at Greater Wellington offices at 142 Wakefield Street, Wellington – ground floor and on the Council's web site www.gw.govt.nz.

Submissions on this proposal must be in writing (using the form attached or any other form) and addressed to Greater Wellington. Submissions may be sent either:

- by post to:

  Proposed Annual plan Summary
  FreePost 3156
  Greater Wellington Regional Council
  PO Box 11646
  Manners Street
  Wellington 6142

- or by email to: info@gw.govt.nz

Submissions must be received no later than 4 pm on 28 April 2011.

Any person or organisation who makes a submission has a right to be heard by Greater Wellington. Submitters who wish to be heard must request this in their submission.

Every submission will be:

- acknowledged by Greater Wellington in accordance with the LGA 2002,
- copied and made available to the public.

The LGA 2002 requires Greater Wellington to make all written submissions on this consultation available to the public. This requirement is subject to the provisions of the Local Government Official Information and Meetings Act 1987. If you consider there to be compelling reasons why your contact details and/or submission should be kept confidential, you should advise within your submission.

The consultation process dates are as follows:

15 March 2011	– adopts statement of proposal and summary of proposal
28 March 2011	– submissions open
28 April 2011	– submissions close at 4pm
19 and 20 May 2011	– submissions heard
8 June 2011	– Council considers outcome of consultation process
29 June 2011	– final Council decision
1 July 2011	– decision comes into effect

Appendix 1 – Proposed Treasury Risk Management Policy wording

The following wording would be added into section 5 of current Policy:

"New Zealand Local Government Funding Agency Limited investment

Despite anything earlier in this Policy, the Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (LGFA), and may borrow to fund that investment.

The Council's objective in making any such investment will be to:

(a) obtain a return on the investment; and

(b) ensure that the LGFA has sufficient capital to become and remain viable, meaning that it continues as a source of debt funding for the Council.

Because of this dual objective, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments.

If required in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA."

The following wording would be added into section 4 of the current Policy:

"New Zealand Local Government Funding Agency Limited Investment

Despite anything earlier in this Policy, the Council may borrow from the LGFA and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

(a) contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA;

(b) provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself;

(c) commit to contributing additional equity (or subordinated debt) to the LGFA if required;

(d) subscribe for shares and uncalled capital in the LGFA; and

(e) secure its borrowing from the LGFA, and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue."

The following wording would replace section 4.2 of the current Policy:

Security and charges

The Council operates under a "negative pledge" arrangement, which is an arrangement under which (with some limited exceptions) it provides no security to any creditor. Although lenders are unsecured, they have the benefit of an undertaking that other lenders will also be unsecured. This arrangement is created by the Council's "Negative Pledge Deed".

The Council may join a scheme (LGFA Scheme) under which it borrows from the New Zealand Local Government Funding Agency Limited (LGFA). One of the requirements of the LGFA Scheme is that the Council grants a change over its rates and rates revenue to secure obligations related to its borrowing from the LGFA. It cannot do this under the current negative pledge arrangement, so will need to replace the arrangement if it joins and LGFA Scheme.

From time to time, with prior Council approval, security maybe offered by providing a security interest in one or more of the Council's assets other than its rates and rates revenue.

Security interest in physical assets will only be granted when:

- there is a direct relationship between a debt and the purchase or construction of the secured assets which it funds(eg through a finance lease, or some form of project finance)
- the Council considers a security interest in the physical assets to be appropriate
- the security interest is permitted by the Negative Pledge Deed (unless the Negative Pledge Deed has been terminated)

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

Appendix 2– Information Memorandum

Proposed Local Government Funding Agency Scheme Information Memorandum

Part A – Introduction and purpose

Purpose of Information Memorandum

1. This Information Memorandum provides a description of a proposed funding structure for local authorities (LGFA Scheme), which is designed to enable participating local authorities (Participating Local Authorities) to borrow at lower interest margins than they would otherwise pay.

2. The purpose of this Information Memorandum is to provide information to supplement consultation materials prepared by local authorities consulting on whether to participate in the LGFA Scheme.

3. This Information Memorandum is divided into three parts:

    (a) This Part A (Introduction and Purpose), which sets out the purpose of the Information Memorandum and provides some background on the purpose of, and rationale for, the LGFA Scheme.

    (b) Part B (How the LGFA Scheme Works), which sets out the characteristics of the LGFA Scheme, and the transactions that Participating Local Authorities will be entering into as part of their participation in the LGFA Scheme.

    (c) Part C (Local Authority Costs and Benefits), which sets out the costs and benefits to individual local authorities of participating in the LGFA Scheme.

Origin of the LGFA Scheme

4. The LGFA Scheme has been developed by a group of New Zealand local authorities and central government over the last 18 months. That development has involved:
   (a) undertaking a detailed review and analysis of:
      (i) the current borrowing environment in which New Zealand local authorities borrow; and
      (ii) centralised local authority debt vehicle structures that have been developed offshore to successfully lower the cost of local authority borrowing;
   (b) using this review and analysis to develop a funding structure (the LGFA Scheme), which is anticipated to deliver significant benefits to New Zealand local authorities;
   (c) confirming with rating agencies that the proposed LGFA Scheme can achieve a high enough credit rating to deliver the anticipated benefits;
   (d) obtaining formal central government support to facilitate establishment of the LGFA Scheme.

Rationale for LGFA Scheme

New Zealand Local Authority debt market

5. New Zealand local authorities face a number of debt related issues.

6. First, local authorities have significant existing and forecast debt requirements. Current long-term council community plans indicate that local authority debt will double over the next five years to over $9 billion.

7. Secondly, pricing, length of funding term and other terms and conditions vary considerably across the sector and are less than optimal. This is due to:
   (a) Limited debt sources – Local authorities' debt funding options are limited to the banks, private placements and wholesale bonds (issuance to wholesale investors), and, to a lesser extent, retail bonds. Increasing local authority sector funding requirements and domestic funding capacity constraints are likely to further negatively impact pricing, terms and conditions and flexibility of local authority sector debt.
   (b) Fragmented sector – There are 78 local authorities. Individually, a significant proportion of these local authorities lack scale - the 10 largest account for ~68% of total sector borrowings with average borrowings of ~$470 million and the remaining 68 have average debt of ~$33million.
   (c) Regulatory restrictions - Offshore (foreign currency) capital markets are closed to local authorities and the compliance process for local authority retail bond issuance is burdensome and generally restricts issuance to a six month window.

Addressing the local authority debt issues

8. Each of these issues needs to be addressed to rectify this situation. This is not likely to happen without an intervention like the LGFA Scheme for the following reasons:
   (a) The New Zealand debt markets (at least in the foreseeable future) are likely to maintain the status quo.
   (b) Individually, local authorities will not be able to attain significant scale (except organically in the long-term).
   (c) At a sector level it may be possible to address the issue regarding regulation, but regulators are likely to remain reluctant to significantly ease restrictions on financial management across the sector without gaining significant comfort as to the sophistication of the financial management of all local authorities. Even if this issue was addressed by regulators, this change alone would be insufficient to provide a major step change.

9. The LGFA Scheme has been developed because the homogenous nature of local authorities; the large sector borrowing requirements and the high credit quality / strong security position (ie charge over rates) of local authorities, creates the opportunity for a centralised local authority debt vehicle to generate significant benefits.

10. There are numerous precedents globally of successful vehicles which pool local authority debt and fund themselves through issuing their own financial instruments to investors. Such vehicles achieve success through:
    (a) "Credit rating arbitrage" – Attaining a credit rating higher than that of the individual underlying assets (local authority borrowers) and therefore being able to borrow at lower margins.
    (b) "Economies of scale" – By pooling debt the vehicles can access a wider range of debt sources and spread fixed operating costs, thereby reducing the $ cost per $ of debt raised.
    (c) "Regulatory arbitrage" – The vehicles can receive different regulatory treatment than the underlying local authorities, improving their ability to efficiently raise debt eg through access to offshore foreign currency debt markets.

11. The offshore precedents are typically owned by the local authorities in the relevant jurisdiction (often with central government involvement), and that is what is proposed here through the LGFA Scheme.

Part B – How the LGFA scheme works

Basic structure of the LGFA Scheme

12. The basic structure of the LGFA Scheme is that a company is established which will borrow funds and lend them on to local authorities at lower interest margins than those local authorities would pay to other lenders. For a number of reasons discussed below, it is expected that the company will be able to borrow at low enough interest margins to be able to do this.

New Zealand Local Government Funding Agency Limited

13. The company which will be lending to local authorities under the LGFA Scheme has not yet been established, but it is expected to be called the New Zealand Local Government Funding Agency Limited (LGFA). It will be a limited liability company, and its shares will be held entirely by central government and by local authorities.

14. At this stage the exact percentage of shares that will be held by central government has not been finalised, but it will be less than or equal to 20%, meaning more than 80% or more of the shares will be held by local authorities. Consequently, the LGFA will be a council-controlled organisation. Further, it is intended that the LGFA turn a small profit, at least in the medium to long term, so it will be a council-controlled trading organisation.

15. The LGFA will be established solely for the purposes of the LGFA Scheme, and its activities will be limited to performing its function under the LGFA Scheme.

16. It is anticipated that a small number of local authorities (Principal Shareholding Local Authorities) will hold most, if not all, of those shares that are not held by central government. The Principal Shareholding Local Authorities will contribute capital and, as compensation for their capital contribution, will receive a pre-determined return on this capital. However, the over-arching objective is that the benefits of the LGFA Scheme are passed to local authorities as lower borrowing margins, rather than being passed to shareholders as maximised profits.

17. As discussed below, it is possible that the local authorities outside the Principal Shareholding Local Authority group will hold some shares in the LGFA as well, but this aspect of the LGFA Scheme has not yet been finalised.

Design to minimise default risk

18. One of the things which is critical to the LGFA Scheme delivering its anticipated benefits is the achievement of a high credit rating for the LGFA (to achieve the credit rating arbitrage referred to in paragraph 10(a). Consequently there are a number of features of the LGFA Scheme which are included to provide the protections for creditors which rating agencies require before agreeing to a high credit rating. These features are described in paragraphs 19 to 54 below.

19. Before agreeing to a high credit rating, rating agencies will consider the risks of both short term and long term default. Short term default is where a payment obligation is not met on time. Long term default is where a payment obligation is never met. In many cases short term default will inevitably translate into long term default, but this is not always the case – a short term default may be caused by a temporary liquidity problem (ie a temporary shortage of readily available cash).

Features of the LGFA Scheme designed to reduce short term default risk

20. When a local authority borrows, the risk of short term default, although low, is probably significantly higher than its risk of long term default. In the long term it can assess and collect sufficient rates revenue to cover almost any shortfall, but such revenue cannot be collected quickly. Consequently, there is a risk that inadequate liability and revenue management could lead to temporary liquidity problems and short term default.

21. The principal asset of the LGFA will be local authority debt, so such temporary liquidity risks are effectively passed on to the LGFA. Consequently, the rating agencies will look for safeguards to ensure that liquidity problems of a Participating Local Authority will not lead to a default by the LGFA.

22. There are two principal safeguards that the LGFA will put in place to manage short term default (liquidity) risk:

    (a) It will hold a certain amount of cash and other liquid investments (investments which can be quickly turned into cash).

    (b) It will have a borrowing facility with central government which allows it to borrow funds from central government if required.

23. It is expected that these safeguards will sufficiently reduce any short term default risk.

Features of the LGFA Scheme designed to reduce long term default risk

24. There are a number of safeguards that the LGFA will put in place to manage long term default risk, the most important of which are set out below:

(a) The LGFA will require all local authorities that borrow from it to secure that borrowing with a charge over that local authority's rates and rates revenue (Rates Charge).

(b) The LGFA will maintain a minimum capital adequacy ratio (or have some equivalent capital adequacy safeguard).

(c) The Principal Shareholding Local Authorities will be required to subscribe for uncalled capital in an equal amount to their paid up equity contribution.

(d) The LGFA will require most, or possibly all, Participating Local Authorities (Guaranteeing Local Authorities) to guarantee the obligations of all other Guaranteeing Local Authorities and the obligations of the LGFA.

(e) The Guaranteeing Local Authorities will commit to contributing additional equity to the LGFA if there an imminent risk that the LGFA will default.

(f) The LGFA will hedge any exposure to interest rate and foreign currency fluctuations to ensure that such fluctuations do not significantly affect its ability to meet its payment obligations.

(g) The LGFA will put in place risk management policies in relation to its borrowing and lending designed to minimise its risk. For example, it will impose limits on the percentage of lending which is made to any one local authority to ensure that its credit risk is suitably diversified.

(h) The LGFA will ensure that its operations are run in a way which minimises operational risk. It will do this from commencement of operations by outsourcing its operations to the New Zealand Debt Management Office (NZDMO), which is part of The Treasury. NZDMO manages the capital raising for central government, and has robust processes in place to manage operational risk. It is possible that at some point the operations function will be moved from NZDMO, but this will not be done unless the LGFA is satisfied that it has alternative robust processes in place.

25. Additional detail in relation to the features referred to in paragraphs 24(a) to 24(e) is set out below.

Rates Charge

26. All local authorities borrowing from the LGFA will be required to secure that borrowing with a Rates Charge. Many but not all, local authorities have a Rates Charge in place already.

27. This is a powerful form of security for the LGFA, because it means that, if the relevant local authority defaults, a receiver appointed by the LGFA can assess and collect sufficient rates in the relevant district or region to recover the defaulted payments. Consequently, it significantly reduces the risk of long term default by a local authority borrower.

28. From a local authority's point of view it is also advantageous, because, so long as the local authority does not default, it is entitled to conduct its affairs without any interference or restriction. This contrasts with most security arrangements, which involve restrictions being imposed on a borrower's use of its own assets by the relevant lender.

Minimum capital

29. One important safeguard against long-term default for the LGFA will be having a minimum capital adequacy ratio (a ratio which measures the relative amounts of equity and debt-based assets which an entity has). This ratio is important, because it provides an indication of the ability of the LGFA to ultimately repay all of its debts despite local authorities that have borrowed from it defaulting or some other loss occurring.

30. The minimum capital adequacy ratio requirement is likely to be that the equity of the LGFA is an amount equal to at least 1.6% of its total assets.

Sources of equity for capital adequacy purposes

31. The equity held by the LGFA to ensure that it meets its minimum capital adequacy ratio requirement will come from two sources. First, central government and the Principal Shareholding Local Authorities will contribute initial equity as the issue price of their initial shareholdings. Secondly, it is anticipated that each Participating Local Authority will, at the time that it borrows from the LGFA, contribute some of that borrowing back as equity.

32. The way the second source of equity will work is that, whenever a Participating Local Authority borrows, it will not receive the full amount of the borrowing in cash. Instead, a small percentage of the borrowed amount will remain with the LGFA as equity. That percentage is expected to be 1.6% of the amount borrowed.

33. The equity contributed in this way will be repaid when the borrowing is repaid, so, in effect, the amount which must be repaid will equal the cash amount actually advanced.

34. The equity will be contributed by subscribing for "Borrower Notes". It is likely, though not yet finally decided, that these Borrower Notes will be redeemable preference shares in the LGFA.

35. To illustrate with an example, if a local authority borrowed $1,000,000 for five years from the LGFA, it would receive $984,000 in cash and $16,000 of Borrower Notes (likely to be redeemable preference shares in the LGFA). At the end of the five years, it would repay $1,000,000, but would simultaneously redeem its Borrower Notes for $16,000, meaning its net repayment was equal to the $984,000 it initially received in cash.

36. A return will be paid on the Borrower Notes, which will be in the form of a dividend if they are redeemable preference shares. The exact amount of that return is not yet finally decided, but is likely to be equal to the cost of funds of the LGFA. While it is anticipated that this return will be paid, it will be paid at the discretion of the LGFA. It is likely that this return will be capitalised and paid at maturity.

37. There is some additional risk to Participating Local Authorities from this arrangement, because redemption of the Borrower Notes will only occur if the LGFA is able to pay its other debts. For example, if at the end of five years, the LGFA was insolvent, the local authority would have to repay $1,000,000, but would not receive its $16,000 back for redeeming its Borrower Notes.

Uncalled capital

38. Each Principal Shareholding Local Authority will be required to subscribe for uncalled capital which is equal in amount to its paid up equity contribution (Uncalled Capital).

39. It is anticipated that the Uncalled Capital will only be able to be called by the LGFA if it determines that there is a risk of imminent default if the call is not made. However, such a call is likely to be made before the Guarantee or additional equity commitment described below are utilised.

Guarantee

40. Most, if not all, Participating Local Authorities will be required to enter into a guarantee when they join the LGFA Scheme (Guarantee). Under the Guarantee the Guaranteeing Local Authorities guarantee the payment obligations of other Guaranteeing Local Authorities to the LGFA (Cross Guarantee), and guarantee the payment obligations of the LGFA itself (LGFA Guarantee).

41. The purpose of the Guarantee is to provide additional comfort to lenders (and therefore credit rating agencies) that there will be no long term default, though it may also be used to cover a short term default if there is a default which cannot be covered using the protections described in paragraphs 20 to 23 above, but which will ultimately be fully covered using the rates charge described in paragraphs 26 to 28. The Guarantee allows the LGFA to draw upon the resource of all Guaranteeing Local Authorities to avoid defaults.

Risk from Cross Guarantee

42. There are five factors which mitigate the risk to Guaranteeing Local Authorities under the Cross Guarantee:

    (a) The risk only materialises if another Participating Local Authority defaults on its debt obligations. It is believed that no such default has ever occurred, which suggests that the risk of a local authority default is very low.

    (b) If a Participating Local Authority defaults, but it is because of temporary liquidity problems only, the safeguards in place to cover temporary liquidity shortages may be sufficient for the LGFA never to have to call upon the Cross Guarantee. The detail of when the LGFA will be able to call upon the Cross Guarantee is not yet finalised, but it is likely that it will be restricted to situations in which there is a risk of an imminent default by the LGFA.

    (c) It is anticipated that the Guarantee will only be called if a call on the Uncalled Capital does not generate sufficient funds to eliminate the risk of an imminent default by the LGFA.

    (d) If a Participating Local Authority defaults, the burden will be shared by all Guaranteeing Local Authorities.

    (e) If a Participating Local Authority defaults, the LGFA will exercise its rights under the Rates Charge to recover the payments defaulted on. The funds recovered through that exercise of rights will be passed on to the local authorities who have made payment under the Cross Guarantee, so those local authorities should, in the long term, be reimbursed for a significant portion, if not all, of the amount they have paid under the Cross Guarantee. The statutory processes involved in exercising these rights suggest that funds will be able to be recovered within 18 months of default.

LGFA Guarantee

43. The LGFA Guarantee will only ever be called if the LGFA defaults. Consequently, a call on the LGFA Guarantee will only occur if the numerous safeguards put in place to prevent an LGFA default fail. This is highly unlikely to happen.

44. If any such default did occur, and the Guaranteeing Local Authorities were called on under the LGFA Guarantee they could potentially be called on to cover any payment obligation of the LGFA. Such payment obligations may (without limitation) include obligations under the following transactions:
    (a) A failure by the LGFA to pay its principal lenders.
    (b) A failure by the LGFA to repay drawings under the liquidity facility with central government.
    (c) A failure by the LGFA to make payments under the hedging transactions referred to in paragraph 24(f).

Guarantee risk shared

45. Although the detail is not yet finalised, there will be a mechanism to ensure that payments made under the Guarantee are shared between all Guaranteeing Local Authorities. The proportion of any payments borne by a single Guaranteeing Local Authority is likely to be based on the number of ratepayers in its district or region, or on some other statistic which is a proxy for its relative ability to make payments.

Rates Charge

46. It is possible that Guaranteeing Local Authorities will be required to provide a Rates Charge to secure their obligations under the Guarantee.

Benefits of being a Guaranteeing Local Authority

47. If some Participating Local Authorities are permitted not to be Guaranteeing Local Authorities it will be on the basis that their borrowings are only allowed to reach a limited level. The exact limitation is not yet finalised, but is likely to be less than $20,000,000. Such local authorities will also be required to pay higher funding costs, either by paying higher interest margins or through some other mechanism.

48. Guaranteeing Local Authorities will, therefore, have the benefit of not having this low limit on borrowing, and paying lower funding costs.

Additional equity commitment

49. In addition to the equity contributions made in conjunction with borrowing, all Guaranteeing Local Authorities are likely to be required to commit to contributing equity if required under certain circumstances. It is expected that calls on any such commitments will be limited to situations in which there is a risk of imminent default by the LGFA.

50. A call for additional equity contributions will only be made if calls on the uncalled Capital and on the Cross Guarantee will not be sufficient to eliminate the risk of imminent default by the LGFA. Consequently, the factors which limit the risk in relation to the Cross Guarantee also apply here.

51. It is not yet finalised what form the additional equity contributions will take.

52. If an additional equity contribution is required, the LGFA will lend the money required to make that contribution to the relevant local authority. For example, if $100,000 was required, the LGFA might issue $100,000 of shares to the local authority and, in return, the local authority would owe it a debt of $100,000. Consequently, there would be no requirement on the local authority to immediately make a cash payment. However, such a debt would ultimately have to be paid if the LGFA never regained a position in which it could buy back the shares.

53. It is possible that Guaranteeing Local Authorities will be required to provide a Rates Charge to secure their obligations to contribute additional equity.

Initial purchase of a single share

54. It is possible that Guaranteeing Local Authorities may be required to initially subscribe for 1 share in the LGFA. This is so that, if they have an ongoing commitment to subscribe for shares when required, they will already be a shareholder in the LGFA. The significance of this is that they will not be required, when subscribing for further shares, to go through the special consultative process associated with becoming a shareholder in a council-controlled organisation.

Characteristics designed to make the LGFA Scheme fair for all Participating Local Authorities

55. The principal risk involved with the LGFA Scheme is that Participating Local Authorities will default on their payment obligations. The greater this risk is, the less attractive participation in the LGFA Scheme is for all Participating Local Authorities.

56. The Participating Local Authorities do not create this risk in equal amounts. There are some that carry a greater default risk than others, and therefore contribute disproportionately to the overall risk in the LGFA Scheme. Those local authorities are also the local authorities that would be likely to pay the highest interest margins if they borrowed outside the LGFA Scheme, and so potentially benefit the most from the LGFA Scheme.

57. To avoid, or at least minimise, what is effectively cross subsidisation of the higher risk local authorities by the lower risk local authorities, it is anticipated that

different interest margins will be paid by different local authorities when they borrow from the LGFA, with those carrying the higher default risk paying the higher interest margins.

Viability of the LGFA Scheme dependent on participation levels

58. The modelling and other analysis done by Cameron Partners and Asia Pacific Risk Management (APRM) suggests that the LGFA Scheme will be viable (in that it will deliver sufficient benefits to justify its establishment and continued existence) if:
    (a) the LGFA attains a high enough credit rating; and
    (b) sufficient funds are borrowed through it to obtain the economies of scale benefits referred to in paragraph 10(b).

59. Discussions with rating agencies to date about the credit rating have been promising, and considerable work has gone into a design which will achieve this credit rating. However, a high credit rating will only be attainable if, among other things, sufficient capital is initially contributed.

60. Consequently, the participation of sufficient local authorities, both initially as Principal Shareholding Local Authorities (to contribute initial capital) and in meeting their ongoing borrowing requirements through the LGFA Scheme is critical.

61. It is anticipated that Principal Shareholding Local Authorities will need to collectively contribute $20 million by way of initial capital contribution. What this amounts to on a per-local authority basis will depend on the number of Principal Shareholding Local Authorities.

62. It is likely that Principal Shareholding Local Authorities will be required to meet a certain proportion of their borrowing needs through the LGFA Scheme for an initial period, to ensure that the critical amount of utilisation is achieved.

Summary of transactions a Council will enter into if it joins the LGFA Scheme

63. If a Council joins the LGFA Scheme as a Principal Shareholding Local Authority, it will:
    (a) subscribe for shares in the LGFA to provide it with capital (see paragraphs 16 and 31);
    (b) possibly commit to meeting a certain proportion of its borrowing needs from the LGFA (see paragraph 62);
    (c) borrow from the LGFA;
    (d) subscribe for Uncalled Capital in the LGFA (see discussion in paragraphs 38 to 39 above);
    (e) subscribe for Borrower Notes (see discussion in paragraphs 32 to 37;
    (f) enter into the Guarantee (see discussion in paragraphs 40 to 45 above);
    (g) commit to providing additional equity to the LGFA under certain circumstances (see discussion in paragraphs 49 to 53 above);
    (h) possibly purchase one share in the LGFA at the time of joining the LGFA Scheme (see discussion in paragraph 54 above); and
    (i) provide a Rates Charge to secure some or all of its obligations under the LGFA Scheme (see discussion in paragraphs 26 to 28, 46 and 53 above).

64. If a Council joins the LGFA Scheme as a Guaranteeing Local Authority, but not as a Principal Shareholding Local Authority, it will enter into the transactions described in paragraph 63, other than those described in paragraphs 63(a), 63(b) and 63(d).

65. If a Council joins the LGFA Scheme, but not as a Guaranteeing Local Authority (and therefore also not as a Principal Shareholding Local Authority) it will only enter into the transactions described in paragraph 63(a) and 63(i).

Part C - Local authority costs and benefits

66. The costs and benefits to a Participating Local Authority will depend on whether it participates as a Principal Shareholding Local Authority, a Guaranteeing Local Authority, or as neither.

Benefits to local authorities that borrow through the LGFA Scheme

67. It is anticipated that the LGFA will be able to borrow at a low enough rate for the LGFA Scheme to be attractive because of the three key advantages the LGFA will have over a local authority borrower described in paragraph 10. That is – exploiting a credit rating arbitrage, economies of scale and a regulatory arbitrage.

68. In addition, the LGFA will provide local authorities with increased certainty of access to funding and terms and conditions (including the potential access to longer funding terms eg ~ 10 yrs+).

69. The potential savings for a local authority in terms of funding costs will depend on the difference between the funding cost to that local authority when it borrows from the LGFA and the funding cost to the local authority when it borrows from alternative sources. This difference will vary between local authorities.

70. The funding costs each local authority pays when it borrows from the LGFA will be affected by the following factors, some of which are specific to the local authority:
    (a) the borrowing margin of the LGFA;
    (b) the operating costs of the LGFA;
    (c) any price adjustment made by the LGFA for that specific local authority as a result of:
        (i) the credit quality of the local authority;
        (ii) the size of the borrowings of that local authority from the LGFA and
        (iii) the local authority being a Guaranteeing Local Authority or not.

71. A diagram which shows what will affect the amount of any funding cost savings is set out as Annex 1.

72. Cameron Partners and APRM have developed a detailed financial model of the LGFA Scheme and analysed the current debt markets. The table set out in Annex 2 summarises the potential savings for local authorities depending on their credit status. (The modelling is based on conditions prevailing at December 2010 and on a number of assumptions regarding the LGFA, including its credit rating and the amount of loans it makes to local authorities.)

Costs to local authorities that borrow through the LGFA Scheme

73. The costs to Participating Local Authorities as a result of their borrowing through the LGFA Scheme take two forms:
    (a) First, there are some risks that they will have to assume to participate in the scheme, which create contingent liabilities (ie costs which will only materialise in certain circumstances).
    (b) Secondly, there is some cost associated with the Borrower Notes.

Risks

74. The features of the LGFA Scheme described above which are included to obtain a high credit rating are essentially steps which remove risk from lenders to make their residual risk low enough to justify the high credit rating. These features remove risk, in part, by transferring it to Participating Local Authorities.

75. These risks are that:
    (a) in the case of Guaranteeing Local Authorities, a call is made under the Guarantee (see discussion in paragraphs 40 to 45 above);
    (b) in the case of Guaranteeing Local Authorities, a call is made for a contribution of additional equity to the LGFA (see discussion in paragraphs 49 to 53 above); and
    (c) in the case of all Participating Local Authorities, the LGFA is not able to redeem their Borrower Notes (see discussion in paragraphs 32 to 37).

76. Each of these risks is discussed in some detail in the paragraphs indicated next to the relevant risk. For the reasons set out in those discussions, it is anticipated that each of the risks is low.

Cost of Borrower Notes

77. As discussed in paragraphs 32 to 37, all Participating Local Authorities will be required to invest in Borrower Notes when they borrow from the LGFA. This carries a cost in addition to the risk referred to in paragraph 75(c), because the investment in Borrower Notes will be funded by borrowing from the LGFA, and the cost of this funding will be higher than the return paid on the Borrower Notes.

78. It is anticipated that the Borrower Notes will pay a discretionary payment equal to the LGFA's own cost of funds. Any discretionary payment is likely to be capitalised until maturity.

79. As noted in paragraph 36, while it is the intention for the LGFA to always pay the proposed annual payment on the Borrower Notes, such payments are at the LGFA's discretion so, in some situations, those payments may not be made.

Cost/benefit analysis for the investment by Principal Shareholding Local Authorities

80. In addition to those costs and benefits that all Participating Local Authorities are expected to receive in relation to their borrowing from the LGFA, Principal Shareholding Local Authorities will also hold shares in the LGFA (Establishment Shares).

81. Establishment shares will pay a discretionary annual payment which is an amount up to the LGFA's own cost of funds plus 200 bps.[1]

82. While it is the intention for the LGFA to always pay the proposed annual payment on the Establishment Shares, this payment will not be made, or will be reduced, if the performance of the LGFA means that the LGFA does not consider it appropriate to make the payment.

83. Any local authority investor in Establishment Shares will also be required to subscribe for the same amount of Uncalled Capital in the LGFA. This Uncalled Capital can be called at the discretion of the LGFA under certain circumstances to ensure the ongoing viability of the LGFA. Once called the Uncalled Capital is called, it will have the same characteristics as Establishment Shares. This is an additional risk (and therefore contingent cost) for Principal Shareholding Local Authorities. Uncalled Capital is discussed in more detail in paragraphs 38 to 39 above.

[1] A "bp" is a "basis point", which is a term that means "0.01%". 200bps therefore refers to 2% of the amount invested

Annex 1
Diagram showing factors affecting potential savings

LGFA borrowing margin	+	LGFA operating costs	+	Retern to LGFA Investors	±	LGFA pricing adjustment	−	Individual LG counterfactual borrowing margin	=	Potential LG savings

Annex 2
Table showing anticipated pricing benefits

Cameron Partners and APRM have developed a detailed financial model of the LGFA Scheme and analysed the current debt markets. The following table summarises the potential savings for local authorities depending on their credit status and based on conditions prevailing at December 2010 and a number of assumptions regarding the LGFA (including its credit rating and the amount of loans it makes to local authorities).

Potential LGFA 5 Year Pricing Benefits (all bps*)

LA Borrowers	LGFA Borrowing Margin	LGFA Operating Costs & Investor Returns	LGFA Pricing Adjustment	LGFA Pricing	Standalone LA Borrowing Rate	Potential LA Savings
AA+ rated	65	25	-10	80	120	40
AA rated	65	25	-5	85	125	40
AA- rated	65	25	0	90	130	40
A+ rated	65	25	5	95	135	40
A rated	65	25	10	100	140	40
Un-rated	65	25	15	105	155	50

As at December 2010

* A “bp” is a “basis point”, which is a term that means “0.01%”.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Audit report

Report to the readers of Wellington Regional Council's proposed amendment to the Long-Term Council Community Plan for the ten years commencing 1 July 2009 Statement of Proposal for public consultation

The Auditor-General is the auditor of Wellington Regional Council (the Regional Council). The Auditor-General has appointed me, Karen Young, using the staff and resources of Audit New Zealand, to audit the proposed amendment to the Long Term Council Community Plan (the Statement of Proposal), on her behalf.

The Wellington Regional Council (the Regional Council) adopted its Long Term Council Community Plan (LTCCP) for the ten years commencing 1 July 2009 on 30 June 2009.

We expressed an unqualified opinion on the Regional Council's LTCCP in our audit report dated 30 June 2009.

We considered that the LTCCP provided a reasonable basis for long term integrated decision-making by the Regional Council and for participation in decision-making by the public and subsequent accountability to the community about the activities of the Regional Council.

The Regional Council is now proposing to amend its LTCCP to change the Treasury Risk Management Policy and to invest in the New Zealand Local Government Funding Agency. The Statement of Proposal provides information about the proposed amendment and any consequential amendments to the LTCCP that will be required if it is amended in the manner proposed.

We are required by section 84(4) of the Local Government Act 2002 (the Act) to report on:

- the extent to which the Statement of Proposal complies with the requirements of the Act; and
- the quality of information and assumptions underlying the forecast information provided in the Statement of Proposal.

Those reporting requirements differ from the reporting requirements we had for the LTCCP for the ten years commencing 1 July 2009, due to recent changes to the Act.

Opinion

Overall Opinion

In our opinion, the information within the Statement of Proposal on pages 95 to 107, dated 15 March 2011 about the proposed amendment and any consequential amendments to the LTCCP that will be required if it is amended in the manner proposed, is fairly presented and the Regional Council has complied with the applicable requirements of the Act in preparing the Statement of Proposal.

In forming our overall opinion, we considered the specific matters in section 84(4) of the Act which we report on as follows.

Opinion on Specific Matters Required by the Act

In our view:

- **the Regional Council has complied with the requirements of the Act in all material respects demonstrating good practice for a council of its size and scale within the context of its environment; and**
- **the underlying information and assumptions used to prepare the Statement of Proposal provide a reasonable and supportable basis for the preparation of the forecast information.**

Actual results are likely to be different from the forecast information since anticipated events frequently do not occur as expected and the variation may be material. Accordingly, we express no opinion as to whether the forecasts will be achieved.

Our report was completed on 3 March 2011. This is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Regional Council and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the International Standard on Assurance Engagements 3000: Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards. We have examined the forecast financial information in accordance with the International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information.

We planned and performed our audit to obtain all the information and explanations we considered necessary to obtain reasonable assurance that the information within the Statement of Proposal, about the proposed amendment to the LTCCP and any consequential amendments does not contain material misstatements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

Our audit procedures included assessing, whether:

- the presentation of the Statement of Proposal complies with the legislative requirements of the Act;
- the decision-making and consultation processes underlying the development of the Statement of Proposal comply with the decision-making and consultation requirements of the Act;
- the key plans and policies adopted by the Regional Council have been consistently applied in the development of the forecast information;
- the assumptions set out within the Statement of Proposal are based on best information currently available to the Regional Council and provide a reasonable and supportable basis for the preparation of the forecast information;
- the forecast information has been properly prepared on the basis of the underlying information and the assumptions adopted and the financial information complies with generally accepted accounting practice in New Zealand; and
- the rationale for the activities is clearly presented.

We do not guarantee complete accuracy of the information in the Statement of Proposal. Our procedures included examining on a test basis, evidence supporting assumptions, amounts and other disclosures in the Statement of Proposal and determining compliance with the requirements of the Act. We evaluated the overall adequacy of the presentation of information. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Council

The Regional Council is responsible for preparing a Statement of Proposal to amend its LTCCP. The Regional Council's responsibilities include applying assumptions and presenting the financial information in accordance with generally accepted accounting practice in New Zealand. The Regional Council's responsibilities arise from sections 93 and 111 of the Act.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the Statement of Proposal and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 84(4) of the Act.

It is not our responsibility to express an opinion on the merits of any policy content within the Statement of Proposal.

Independence

When reporting on the Statement of Proposal we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than this report, and in conducting the audit of the Long Term Plan and the annual audit, we have no relationship with or interests in the Regional Council.

Karen Young

KAREN YOUNG
AUDIT NEW ZEALAND
ON BEHALF OF THE AUDITOR-GENERAL
WELLINGTON, NEW ZEALAND

Amendments to policies

Proposed Dangerous Dam Policy (including earthquake-prone and flood-prone dams)

The Building Act 2004 requires Greater Wellington to review its policy on dangerous dams within five years of the policy being adopted. The policy only applies to medium or high-potential impact dams that retain three or more metres depth and hold 20,000 of more cubic metres volume of water or fluid.

Amendments to the Act in 2008 introduced two additional categories of dam – earthquake prone and flood prone. Section 161 of the Act requires now also requires Greater Wellington to develop a policy on these categories of dam in conjunction with the dangerous dam policy.

In identifying dams of concern, the policy proposes to investigate dams:

- That have not complied with the requirement to supply a complying annual compliance certificate, or
- Where complaints have been received, or
- Where information received under the Building (Dam Safety) Regulations 2008 highlight areas of concern, or
- Where through other related work (such as undertaking compliance work), Greater Wellington becomes concerned about a dam

Where a dam has been identified as potentially dangerous, earthquake prone or flood prone, further investigations will be undertaken by Greater Wellington in conjunction with the dam owner to establish whether the dam meets the dangerous, earthquake-prone or flood-prone criteria.

If a dam is deemed to be dangerous, earthquake-prone or flood-prone, Greater Wellington (with the dam owner) will take action to reduce or remove the danger. The range of actions proposed varies depending on the risk and potential impact should the dam fail.

At each stage of the process, the proposed policy allows dam owners to dispute Greater Wellington's assessment of the dam and provide information to Greater Wellington that may influence the assessment.

A copy of the Proposed Dangerours Dams Policy can be viewed on our website www.gw.govt.nz/have-your-say. To make a submission, please see the submission form on the back page of this annual plan.

Proposed resource management charging policy (2011)

Greater Wellington has reviewed its Resource Management Charging Policy. This policy sets out a regime for resource management charges for the Wellington region, including:

- Resource consent application charges
- Consent supervision and monitoring charges
- Charges for not complying with a rule in a regional plan or the Resource Management Act 1991
- Charges for providing information in relation to plans and resource consents
- Application charges for changing a plan or the Regional Policy Statement

The charges in the Policy are made either under section 36 of the Resource Management Act 1991 or section 150 of the Local Government Act 2002. The charges are consistent with Greater Wellington's Revenue and Financing Policy June 2009.

The review has resulted in some key changes to the Policy including:

- An increase to the hourly charge-out rate for Greater Wellington from $105/hour to $110/hour
- Changes to initial fixed application fees for processing applications
- Inclusion of existing policy on Building Act charges under the Building Act 2004
- An increase in the customer service charge for all consents from $35/year to $40/year
- Changes to some compliance monitoring charges to reflect changes brought about by central government regulations and current best practice
- Changes to state of the environment charges for consents to discharge contaminants to air and to land/water from bulk earthworks

A copy of the Proposed Resource Management Charging Policy (2011) can be viewed on our website www.gw.govt.nz/have-your-say. To make a submission, please see the submission form on the back page.

Your Regional Councillors

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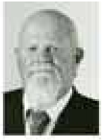

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Submission form

Have your say…

on the proposed Annual Plan, Local Government Funding Agency (amendment to the *10-Year Plan 2009-19*), Dangerous Dams Policy and Resource Management Charging Policy (2011).

Online **www.gw.govt.nz/have-your-say**
Written **– use this freepost form**
– Fax 04 385 6960
– info@gw.govt.nz

Submissions close
4pm 28 April 2011

Please give us your feedback

Annual Plan 2011/12 – Proposed

Key projects for 2011/12

Please use a separate sheet of paper if you need more space

Key changes from our *10-Year Plan 2009-19*, including the proposed regional rail package

Please use a separate sheet of paper if you need more space

Proposed rates (see p10)

Please use a separate sheet of paper if you need more space

Proposal to join the Local Government Funding Agency (amendment to the *10-Year Plan 2009-19*) (see p95)

Please give feedback on this proposed amendment to the *10-Year Plan 2009-19*

☐ Please tick if you also want to present your views on this proposal in person

Please use a separate sheet of paper if you need more space

Dangerous Dams Policy

Please give us your feedback on the proposed Dangerous Dams Policy (see p111)

☐ Please tick if you also want to present your views on this proposal in person

Please use a separate sheet of paper if you need more space

Resource Management Charging Policy (2011) (see p112)

☐ Please tick if you also want to present your views on this proposal in person

Please use a separate sheet of paper if you need more space

Your details:

Name

Postal address

Phone Email

☐ Please tick if you also want to present your views on the proposed annual plan in person. You will be allocated a timeslot (19 or 20 May) and notified in writing.
(Submissions may be made publicly available under the Local Government Official Information and Meetings Act 1987. If you make a submission as an individual, we will consider removing your personal details if you request this in your submission)

Fold

Full copies of the Statement of Proposal on the Local Government Funding Agency, Proposed Dangerous Dams Policy and Proposed Resource Management Charging Policy (2011) are available from:

- **www.gw.govt.nz/have-your-say**
- **Your local library**
- **Your nearest Greater Wellington office:**
  142 Wakefield Street, Wellington
  34 Chapel Street, Masterton

FOR MORE INFORMATION, PLEASE CONTACT GREATER WELLINGTON:

- 0800 496 734
- info@gw.govt.nz
- Or attend a public meeting (details to be advertised on our website)

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REGIONAL COUNCIL
Te Pane Matua Taiao

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