
From: Euan Kyle
Sent: Thursday, 18 June 2020 8:10 PM
To: [REDACTED]
Subject: RE: Costs of Naenae pool replacement - Mayor Campbell Barry's Virtual Public Meeting, Wed 20 May

18/06/2020

Dear [REDACTED]

Request for Information – Local Government Official Information and Meetings Act 1987

We refer to your official information request dated 20 May 2020 for the information regarding Naenae Pool.

We will be sending you the information shortly. However, we have had some delays with collating the information required. We will send you the information by 19 June 2020.

You have the right to seek an investigation and review by the Ombudsman of this decision. Information about how to make a complaint is available at www.ombudsman.parliament.nz or freephone 0800 802 602.

If you wish to discuss this decision with us, please feel free to contact [details of contact person].

Yours sincerely,

Euan Kyle
Senior Advisor, Official Information and Privacy

Hutt City Council, 30 Laings Road, Private Bag 31912, Lower Hutt 5040, New Zealand
T 04 570 6702 W www.huttcity.govt.nz

From: [REDACTED]
Sent: Friday, 22 May 2020 5:54 PM
To: Euan Kyle
Subject: RE: Costs of Naenae pool replacement - Mayor Campbell Barry's Virtual Public Meeting, Wed 20 May

Hi Euan

Thanks for your reply. I confirm that the list in your email is correct.

As this is already in the Long Term Plan, the numbers should be readily available. I look forward to your reply.

Cheers

From: Euan Kyle <Euan.Kyle@huttcity.govt.nz>

Sent: Friday, 22 May 2020 4:49 PM

To: [REDACTED]

Subject: RE: Costs of Naenae pool replacement - Mayor Campbell Barry's Virtual Public Meeting, Wed 20 May

22/05/2020

Dear [REDACTED]

REQUEST FOR INFORMATION - LOCAL GOVERNMENT OFFICIAL INFORMATION AND MEETINGS ACT 1987: ACKNOWLEDGEMENT OF REQUEST

I am writing to acknowledge receipt of your official information request dated 20 May 2020 for the information regarding Naenae Pool. However you sent two requests with slightly different wording so we just wanted to clarify that the below covers everything you were after?

Questions for the costs of the new Naenae pool:

- *Capital cost*
- *Annual*
 - *capital repayment & over how many years*
 - *interest on capital*
 - *maintenance*
 - *operating costs*
 - *income*
- *Percentage uncertainty for each of the above*
- *Discount factor used in the economic evaluation – WACC or other*
- *Total cost per person per swim (not the admission charge).*
- *Actual average percentage effect on annual rates per household.*
- *A description of any social or other benefits outside of the pool itself and an assessment of the benefits in dollar terms.*

We received your request on 20 May 2020. Given the current Covid-19 pandemic and the steps taken to mitigate it we will be endeavouring to respond to your request as soon as possible. However in some cases we may need to ask for an extension of the timeframe or further clarification to ensure we are responding efficiently and correctly. If this is the case we will keep in contact with you throughout the process and advise you of this.

If you have any queries, please feel free to contact me at ewan.kyle@huttcity.govt.nz. If any additional factors come to light which are relevant to your request, please do not hesitate to contact us so that these can be taken into account.

Yours sincerely,

Euan Kyle

Senior Advisor, Official Information and Privacy

Hutt City Council, 30 Laings Road, Private Bag 31912, Lower Hutt 5040, New Zealand
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Euan Kyle

Senior Advisor, Official Information and Privacy

Hutt City Council, 30 Laings Road, Private Bag 31912, Lower Hutt 5040, New Zealand
T 04 570 6702, M 022 4155438, W www.huttcity.govt.nz



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From: [REDACTED]
Sent: Wednesday, 20 May 2020 8:36 PM
To: WebServices
Subject: Costs of Naenae pool replacement - Mayor Campbell Barry's Virtual Public Meeting, Wed 20 May
Importance: High

Hi Hutt City

On 18 May, I supplied the questions below as you requested. I wanted the answers in order to form a rational opinion about the value and cost of this project. However, no answers were supplied in the meeting. Please supply

the answers to the following questions. I fully realise that all costs will have a level of uncertainty but this uncertainty should reduce as the project design advances.

In the meeting, Jenny said these costs were already in the (draft?) long term plan.

Cost of new Naenae pool including interest on capital, capital repayment, maintenance and operating costs expressed as:

1. Capital cost.
2. Annual cost of capital repayment, interest, maintenance and operating costs less income.
3. Cost per person per swim.
4. Actual average effect on rates per household.
5. A description of any social or other benefits outside of the pool itself and an assessment of the benefits in dollar terms.

Thanks



From: JotForm <noreply@jotform.com>
Sent: Monday, 18 May 2020 8:36 AM
To: [Redacted]
Subject: We have received your response for Mayor Campbell Barry Virtual Public Meeting Registration Form



Mayor Campbell Barry Virtual Public Meeting Registration Form

Name	[Redacted]
Email	[Redacted]
Type a question	Wednesday 20 May at 7pm
How did you hear about this event?	Hutt News Advertisement
Let us know if you have any questions for Campbell ahead of the event	Cost of new Naenae pool including interest on capital, capital repayment, maintenance and operating costs expressed as both: Annual cost Cost per person per swim. Also a description of any social or other benefits outside of the pool itself.

Thanks for your interest. You will be emailed a link closer to the meeting with further instructions.

Euan Kyle

From: Euan Kyle
Sent: Friday, 19 June 2020 1:42 PM
To: [REDACTED]
Subject: RE: Costs of Naenae pool replacement - Mayor Campbell Barry's Virtual Public Meeting, Wed 20 May
Attachments: HCC Report 9 July 2019 Naenae Pool.pdf; OIR [REDACTED] Officer Response.pdf; Revenue and Financing Policy 2015.pdf

19/06/2020

Dear [REDACTED]

Request for Information – Local Government Official Information and Meetings Act 1987

We refer to your official information request dated 20 May 2020 for the information regarding Naenae Pool.

Please find the information enclosed.

You have the right to seek an investigation and review by the Ombudsman of this decision. Information about how to make a complaint is available at www.ombudsman.parliament.nz or freephone 0800 802 602.

If you wish to discuss this decision with us, please feel free to contact me at euan.kyle@huttcity.govt.nz.

Yours sincerely,

Euan Kyle

Senior Advisor, Official Information and Privacy

Hutt City Council, 30 Laings Road, Private Bag 31912, Lower Hutt 5040, New Zealand
T 04 570 6702 W www.huttcity.govt.nz

Encl:

OIR [REDACTED] Officer Response.pdf
HCC Report 9 July 2019 Naenae Pool.pdf
Revenue and Financing Policy 2015.pdf

Questions regarding the Naenae Pool rebuild (Official Information request):

Request:

Questions for the costs of the new Naenae pool:

- *Capital cost*
- *Annual*
 - *capital repayment & over how many years*
 - *interest on capital*
 - *maintenance*
 - *operating costs*
 - *income*
- *Percentage uncertainty for each of the above*
- *Discount factor used in the economic evaluation – WACC or other*
- *Total cost per person per swim (not the admission charge).*
- *Actual average percentage effect on annual rates per household.*

A description of any social or other benefits outside of the pool itself and an assessment of the benefits in dollar terms.

Answer:

Social impact and Community engagement:

Hutt City Council operates three indoor swimming pools year around, as well as three outdoor Summer Pools, which contribute to the health and wellbeing of our community. They provide opportunities for recreation, fitness and learning to swim, are accessible to all ages and abilities, and also offer specialist facilities for persons with disabilities. As well as supporting physical wellbeing, they also provide important social connections for many regular users.

Economic analysis of Council activities can be found at <http://www.huttcity.govt.nz/Your-Council/research-and-monitoring/>

As with all of our sport and recreation facilities, our pools also have an important role to play as part of a regional network of facilities for aquatic sports, in particular Naenae Pool. When it was opened in 1956 it was built to the then Olympic Swimming Pool Standards and so also hosted many national and international events. Over time criteria has changed and while it no longer meets international requirements for aquatic sports, it was still used as a back-up venue for regional and national events.

In April, Naenae Pool, was closed due to earthquake safety concerns. This has had a significant impact on a number of parts of the community.

For the Naenae community, the pool was a focal point, and a place for the community to gather, particularly tamariki and rangatahi. It also provided local access to many programmes and services, including learn to swim, water safety, recreational swimming, school holiday programmes and gym services.

Two thirds of pool users come from the wider Hutt Valley community and also the wider Wellington region. They lost a venue for a number of aquatic sports and activities, predominantly competitive

swimming, water polo and canoe polo. These were relocated to other HCC facilities where possible, but generally in less convenient circumstances. For local retailers, the closure of the pool has led to a significant reduction in foot traffic in the area and they report a downturn in business.

Council committed to returning the pool, and while there was urgency to get that underway, there was also a desire to take the opportunity of such a significant capital investment to look at the bigger picture. In particular Council was keen to hear views on the role of both the pool and town centre in supporting the wellbeing of the wider Naenae community and contributing to a stronger Lower Hutt economy. Naenae residents make up about eight to nine per cent of the population of Lower Hutt, with around 8,700 residents in the latest census so a highly functioning Naenae is a long term investment for the city.

A three month community engagement project was launched seeking the views of Naenae residents, pool users from around the region and Lower Hutt rate payers. Planning was already underway, and funding had been committed, for a community hub in Naenae, and this was paused in the interim.

Community engagement included around 150 interviews with Naenae residents, community open days and workshops and a regional survey, which received 2,876 responses. In summary it found:

- i. a desire for the pool to be returned quickly, and a preference for a new pool, as a refurbished pool is unlikely to meet the community's needs and unlikely to support the vision for a more 'connected' town centre.
- ii. a desire to develop a lively, functional town centre, through multiple spaces, places and facilities that are separate, but feel connected.

A report that concluded these findings and was presented to Council on 11 December 2019. Council listened to the community's needs and agreed that replacing Naenae Pool alongside a spatial plan to reinvigorate the town centre is a key priority.

Before the pool project is confirmed, it will require amendments to the Long Term Plan 2018-2028.

The full Voice of the Community report can be found at <http://www.huttcity.govt.nz/Your-Council/Projects/naenae-pool/>

Capital Cost:

The total estimated uninflated capital cost of the project is \$50.6M. This cost is based on quantity survey estimates completed in July 2021 for a 6,000 sqm new build.

Annual Cost:

Capital repayment

The abovementioned capital would be paid off through the cash generated by funded depreciation.

Interest on Capital

Annualised borrowing rates vary between 3% and 3.5%.

Maintenance

Included in the forecasted operating costs provided below.

Operating costs

Estimated annual operating costs are \$1.8M excluding user revenue, depreciation and interest.

Income

As per our revenue and financing policy, our swimming pools are funded in part by user fees. This is to reflect the strong private benefits from the service and also because it is feasible to collect fees for this service. The fees are set in such a way that the user would contribute to the overall cost of providing the service but would not exclude participation from the service by the wider community.

The public good portion is therefore funded by general rates allocated in proportion to each sector's share of the total capital value of the city.

A copy of the full Revenue and Financing Policy is attached.

Average user fees are estimated at \$2.06 per visit (uninflated) in a full year of operation.

Uncertainty

Uncertainty was allowed for in capital by including an 18% contingency provision and similarly contingencies were allowed for in operating costs (33%) and revenue (10%). These figures are based on forecasts completed in February 2020.

NB: The full report on project costs was considered by Council in July 2019 and is attached.

Discount factor

Councils' average borrowing rate would apply, however it is to be noted that nett present value methods using hurdle rates are usually applied to decide between options, coupled with a profit seeking motive. The consultation process determined the preferred option for the community and the rate payers.

Total cost per person per swim

The estimated total cost (including depreciation and interest costs) to the ratepayer is \$5.70 per visit (uninflated), in a full year of operation.

Proposed rates increases

Council is in the process of adopting the emergency budget and has therefore not decided on any increases in rates with regards to the forecasted figures provided. The only provision in the emergency budget is \$1.7M to fund the demolition.



4 July 2019

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

Tuesday 9 July 2019 commencing at 3.00pm

Membership

Mayor W R Wallace (Chair)

Deputy Mayor D Bassett

Cr G Barratt

Cr L Bridson

Cr M Cousins

Cr T Lewis

Cr G McDonald

Cr L Sutton

Cr C Barry

Cr J Briggs

Cr S Edwards

Cr M Lulich

Cr C Milne

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

COUNCIL

Membership:	13
Meeting Cycle:	Council meets on a six weekly basis (Extraordinary Meetings can be called following a resolution of Council; or on the requisition of the Chair or one third of the total membership of Council)

POWER TO (BEING A POWER THAT IS NOT CAPABLE OF BEING DELEGATED)¹:

- Make a rate.
- Make bylaws.
- Borrow money other than in accordance with the Long Term Plan (LTP).
- Purchase or dispose of assets other than in accordance with the LTP.
- Purchase or dispose of Council land and property other than in accordance with the LTP.
- Adopt the LTP, Annual Plan and Annual Report.
- Adopt policies required to be adopted and consulted on under the Act in association with the LTP or developed for the purpose of the Local Governance Statement.
- Appoint the Chief Executive.
- Exercise any powers and duties conferred or imposed on the local authority by the Public Works Act 1981 or the Resource Management Act 1991 that are unable to be delegated.
- Undertake all other actions which are by law not capable of being delegated.
- The power to adopt a Remuneration and Employment Policy.

DECIDE ON:

Policy issues

- Adoption of all policy required by legislation.
- Adoption of policies with a city-wide or strategic focus.

District Plan

- Promotion of Plan Changes and Variations recommended by the City Development Committee prior to public notification.
- The withdrawal of Plan Changes in accordance with clause 8D, Part 1, Schedule 1 of the Resource Management Act 1991.
- Approval, to make operative, of District Plan and Plan Changes (in accordance with clause 17, Part 1, Schedule 1 of the Resource Management Act 1991).

Representation, electoral and governance matters

- The method of voting for the Triennial elections.
- Representation reviews.

¹ Work required prior to the making of any of these decisions may be deleted.

- Council's Code of Conduct and Local Governance Statement.
- Elected Members Remuneration.
- The outcome of any extraordinary vacancies on Council.
- Any other matters for which a local authority decision is required under the Local Electoral Act 2001.
- All matters identified in these Terms of Reference as delegated to Council Committees (or otherwise delegated by the Council) and oversee those delegations.
- Council's delegations to officers and community boards.

Delegations and employment of the Chief Executive

- The review and negotiation of the contract, performance agreement and remuneration of the Chief Executive.

Meetings and committees

- Standing Orders for Council and its committees.
- Council's annual meeting schedule.

Operational matters

- The establishment and disposal of any Council Controlled Organisation or Council Controlled Trading Organisation and approval of annual Statements of Corporate Intent on the recommendation of the Finance and Performance Committee.
- Civil Defence Emergency Management Group matters requiring Council's input.
- Road closing and road stopping matters.
- All other matters for which final authority is not delegated.

Appoint:

- The non-elected members of the Standing Committees (including extraordinary vacancies of non-elected representatives).
- The Directors of Council Controlled Organisations and Council Controlled Trading Organisations.
- Council's nominee on any Trust.
- Council representatives on any outside organisations (where applicable and time permits, recommendations for the appointment may be sought from the appropriate standing committee and/or outside organisations).
- The Chief Executive of Hutt City Council.
- Council's Electoral Officer, Principal Rural Fire Officer and any other appointments required by statute.

HUTT CITY COUNCIL

Ordinary meeting to be held in the Council Chambers, 2nd Floor, 30 Laings Road,
Lower Hutt on
Tuesday 9 July 2019 commencing at 3.00pm.

ORDER PAPER

PUBLIC BUSINESS

1. APOLOGIES

2. PUBLIC COMMENT

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

3. CONFLICT OF INTEREST DECLARATIONS

4. NAENAE POOL - INITIAL INFORMATION ON OPTIONS FOR
COMMUNITY FEEDBACK (19/811)

Report No. HCC2019/3/139 by the Divisional Manager Community Hubs 6

MAYOR'S RECOMMENDATION:

"That Council discusses and makes final recommendations after discussion."

5. QUESTIONS

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

Donna Male
ACTING DIVISIONAL MANAGER, DEMOCRATIC SERVICES

19 June 2019

File: (19/811)

Report no: HCC2019/3/139

Naenae Pool - Initial Information on Options for Community Feedback

Purpose of Report

1. The purpose of this report is to provide Council with relevant information on possible project options in relation to the Naenae Pool and Naenae Community Hub, including how these project options might be funded. This information is to inform what options Council consults with the community on in the coming months.

Recommendations

That Council:

- (i) notes and receives the contents of the report;
- (ii) agrees that officers undertake pre-consultation in the July – September 2019 period with the community on project and funding options;
- (iii) considers which of the following project options, if not all, to consult with the community on:
 - (a) new integrated pool and community hub;
 - (b) refurbishment of pool and separate new community hub (as previously designed);
 - (c) new pool only;
 - (d) refurbishment of pool only; or
 - (e) do nothing;
- (iv) considers which of the following funding options, if not all, to consult with the community on:
 - (a) rates increase together with debt funding;
 - (b) removing or deferring projects already in the Long Term Plan;
 - (c) asset sales;

- (d) reducing Council services; or
- (e) combination of the above;
- (v) agrees that the incoming Council reviews the results of consultation and makes a decision on the future of this project in November 2019; and
- (vi) notes that this decision is likely to require a Long Term Plan amendment process early in 2020.

Executive Summary

2. This report provides Council with high level project options, rough orders of cost and possible funding options to address the closure of the Naenae Pool.
3. The information is provided to inform Council decision making on what it will seek feedback on from the community. Council is not required or able at this stage to agree a final option and how it will be funded. We need to hear from the community. We want:
 - the community to share their views and be heard;
 - to know which option people prefer, and why; so we can understand and so that we pick up any new or different thinking that might add value; and
 - to know how people think we should pay for it, if a refurbishment or rebuild option is preferred.
4. The project options Council has to consider are:
 - New integrated Pool and Community Hub (\$66M)
 - Refurbished Pool and separate new Community Hub (\$39M)
 - New Pool only (\$52M)
 - Refurbished Pool only (\$30M)
 - Do nothing.
5. The integrated Pool and Community Hub is aligned to current Council strategies and intent – Leisure and Wellbeing, Integrated Community Facilities.
6. The funding options available to Council are:
 - Rates increase together with debt funding
 - Remove or defer existing capital projects in the Long Term Plan (LTP)
 - Sale of Council Assets
 - Reduced Council services
 - A combination of all or some of the above.
7. The report notes that a number of the funding options may be unpalatable from a community perspective. Officers are of the view that a rates increase together with debt funding, is the preferable funding option as it does not impact significantly on existing Council plans and services.

8. Council is able to seek feedback and or consult on all options or some.
Council needs to give serious consideration to this, particularly with regard to funding options.

Background

9. In December 2018, following receipt of an engineering assessment of the Naenae Learners Pool building, a decision was made to close this part of the facility to the public due to some building elements in this area rating less than 34% New Building Standard or NBS.
10. Since this time engineers have continued to assess other structural elements of the remainder of the facility.
11. On 10 April 2019, officers received a written report on the main pool advising the results of the partial seismic assessment for the main pool hall and grandstand. This report indicated an overall rating of less than 34%NBS. This area houses the main pool, fitness suite, meetings rooms and offices. Some major components of the building structure were reported to be below 20%.
12. At a workshop held on 10 April 2019, officers informed the Mayor and Councillors of the contents of the report. They were unanimous in their support of the officers' decision to close the pool.
13. The decision to close the pool was made after considering a number of factors, with safety of the public and staff the number one priority.
14. Peer review verification of the seismic report has been completed by independent consultants and confirms the building is below 34% NBS.
15. Since closure, officers have been working to provide Councillors with information about potential future options for this facility, the Naenae Community Hub, and the Naenae Community Hall.
16. Officers engaged consultants to progress a remediation proposal and rough order of costs for the facility. This is discussed below.
17. Officers also engaged consultants to complete high level **concepts** and **rough order of costs** for a new aquatic facility as well as an integrated aquatic facility with a community hub. This is discussed below.
18. Several weeks ago as part of the Annual Plan process Council agreed to the following financial changes:
 - capital timing changes – \$9M for Pool in 2019/20, Community Hub \$8.1M in 2020/21;
 - reduction of net operating costs for Naenae Pool by \$0.5M with \$0.3M reallocated to other Aquatic Services;
 - supporting Naenae CBD activation \$200k over two years;
 - special consultation and LTP amendment costs \$100k; and

- Naenae community activities and events \$100k over two years.

Discussion

New Build Options (see images further in report)

19. The high level concept discussed in this section is an example of one possible option for progressing new swimming pool and community hub facilities in Naenae. It has been commissioned to enable rough order costs to be developed for Council consideration.
20. Consultants were tasked with developing a high level concept design for an integrated pool and community hub which incorporated swimming pool services, library, community meeting spaces, a recreation and performance hall and a community gym in a single building.
21. A new integrated pool/hub option provides a significant increase in the level of service provided to the community, with fit for purpose facilities designed in an optimal way for flexibility of use, ensuring full accessibility and providing synergy between hub and pool based activities. It reduces duplication and can leverage economies of scale in construction.
22. The concept developed includes minimum functional requirements to deliver a fit for purpose facility and is anticipated to have a lifespan of >75 years.
23. The integrated design retains all previous elements from the community hub project.
24. When developing the pool design consultants were asked to consider:
 - the swimming and recreational needs of the local community;
 - the needs of local aquatic clubs and the facilities fit within the regional pools network; and
 - recreational activities for children 10-14 years.
25. Key aspects of the new pool concept include: a 50m main pool, a warm water adults pool, waterslide, diving board, and a large children's and toddlers' pool with outlets to allow the addition of a range of waterplay features.
26. The 50m pool has been designed with a moveable bulkhead and moveable floor over part of the pool. This allows three independent zones to be provided for multiple activities to occur simultaneously; like swimming lessons, club bookings and public swimming.
27. This flexibility in design significantly increases the level of service to the public from previous provision and would allow greater public use of the pool when aquatic sport activities are taking place.
28. Naenae Pool's place in the regional network of pool facilities is primarily as an aquatic sport pool. The new pool option as designed has the ability to meet the majority of required standards for national level aquatic sports.

29. The design also includes all required ancillary spaces such as control rooms, change facilities, pool shop and a gym facility on level one.
30. At this stage a new build has not included a café due to the proximity of Hillary Court.
31. Energy efficient electric water heat pumps have been included in line with Council's 2050 zero carbon target.
32. This new design will be at 100% NBS IL3 and take two to three years to complete from project initiation.
33. For costing purposes consultants have provided delineation between the pool/gym facility and the community hub/library in the design allowing for costings to be developed for separate and combined facilities.
34. Council has previously been presented with information on a stand-alone community hub.

Refurbishment Option (see images further in report)

35. A refurbishment brings the pool facility up to 67% NBS at IL3.
36. This option addresses key structural issues identified in the detailed seismic assessment in addition to: replacing the roof; updating plant; completing necessary isolated remedial leak work on the pool tank; and accessibility and fire systems improvements required to meet code.
37. It should be noted that this does not make the facility wholly fit for purpose as it will still not meet a number of aquatic sport requirements, some accessibility constraints will still exist and the layout of the design is sub-optimal. No service level improvements will occur for the community in this option.
38. This option will take two to three years to complete from project initiation and have a significant time creep risk due to the type and complexity of work required.
39. The lifespan of a refurbished facility is hard to estimate. New parts of the building would be expected to have 50 years of life, however there are a large number of original items retained such as pool tank, glulam structural beams etc, that will require ongoing maintenance and budgets.
40. Officers have priced in a change from gas boilers to electrical heating for a refurbishment in line with Council's 2050 zero carbon targets.

Do Nothing Option

41. A 'do nothing' option is not recommended by officers, however this is still an option available to Council. This would still incur costs of demolition and asbestos removal of the unsafe facility/facilities.
42. The land could be kept as reserve, or repurposed for other uses. It is currently classified as recreation reserve. This would leave a very significant

gap in Hutt City's, and the wider regions, aquatic services. It would likely pose further challenges to the retail precinct also.

Additional Information

Alignment to Council Strategy and Direction

43. Officers are of the view that an Integrated Pool and Hub option is the most strategically aligned to existing Council strategies and intent.
44. An important contributor to achieving Council's strategic intent, as outlined in the Leisure and Wellbeing Strategy, is ensuring that our suburban centres and neighbourhoods are provided with world-class, fit-for-purpose community facilities.
45. Integration and rationalisation are the two main principles behind the Integrated Community Facilities Plan.
46. By combining facilities into hubs, Council can update and modernise its facilities more efficiently and at less cost, as well as broaden the range, and increase the standard, of services. They will provide multiple facilities at an appropriate level for the needs and size of the communities they serve.
47. These hub developments are important to our existing community, but will also help provide the kinds of facilities communities, whanau and individuals increasingly desire and expect in their community. Consequently, they are seen as crucial to rejuvenating the city and making it more attractive to prospective new home owners and developers.
48. Such hubs will be an exciting feature of our city in the future, contributing to Lower Hutt as being a great place to live, work and play.

Heritage

49. Neither the pool, library or hall are listed as heritage buildings in the District Plan or by Heritage New Zealand.
50. Officers are aware that some individuals and groups place heritage value on the pool façade particularly.
51. Naturally there is a tension between heritage retention, financial constraints and creating the most fit for purpose community facilities. Our view is that the priority should be on providing the best functional building for community use within the fiscal constraints Council identifies.
52. In a refurbishment option the existing façade of the pool will be retained and while changes will be required to windows and in-fill walls, officers believe that this will not detract from the current aesthetic.
53. At this stage a new build option has not considered retention of the façade due to how the build would fit on the available space of the pool and community hall area.
54. The new build concept presented, features two key elements. Firstly, the extension of the pedestrian mall from Hilary Court across Everest Avenue

and right through the new facility. The designers have embraced this idea and created a heart, or spine, for the facility that mirrors the mall, giving a nod to the importance of Hillary Court as the first pedestrian mall in New Zealand.

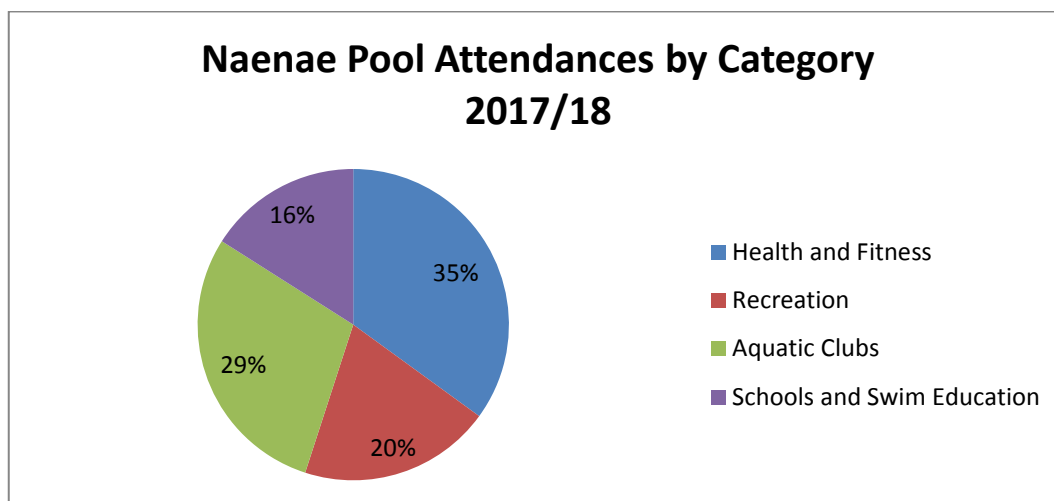
55. Secondly, pre-European history is celebrated by the jagged front edge of the facility and skylights. A key local legend is that of two Taniwha who through 'rupture' created the streams Te Awamutu and Waiwhetu. An extract of the design inspiration is included as Appendix 1 to this report.

Construction Sector and Procurement Options

56. Appendix 2 to this report provides a view of the current construction market and procurement options. Procurement methodology will be informed by the final option approved. Through consultation, officers will continue to explore all procurement options, including seeking expert advice.

Naenae Pool Significance in Aquatic Network

57. The Naenae Pool opened in 1956 to service the rapidly growing urban areas of Naenae, Epuni and Taita. The main pool was converted to a covered indoor pool in 1987 and a covered learners pool was added in 1998. The pool was built to the then Olympic Swimming Pool Standards and hosted many national and international events.
58. The pool plays an important role for aquatic sport codes in the Hutt Valley and is currently the home to Naenae Swimming Club, Swimzone Racing, Hutt Waterpolo Club and the Wellington Canoepolo Association. Within the regional pools network Naenae is considered a critical venue for aquatic sports training and as a back-up venue for regional and national aquatic sports events. The Wellington Regional Aquatics Centre (WRAC) in Kilbirnie is the only international class aquatic facility in the Wellington Region.
59. Naenae Pool currently hosts five national aquatic sport events annually and 20-30 local/regional events. 45% of visitors to Naenae Pool are for group, club or programme use. If the pool was not replaced there would be a significant decrease in aquatic sport participation.
60. In our local pool context Naenae and Huia are considered our major venues. Naenae Pool attracts on average 450,000 visitors per year or 40% of all swimming pool visits in the city. The pool also fills a gap locally by providing recreational opportunities for young teens (10-14 years). If the pool was not replaced it would not be possible to relocate all of this activity to other venues.



61. Naenae pool continues to play an integral part in the local community providing opportunities for people, particularly children, to learn to swim, exercise, recreate, compete and socialise.
62. As with all public pools a balance between public and programmed use is essential to maintain a well-used and efficient service. As such, flexibility in design and operation is critical.

Naenae Community Hall

63. Officers undertook an Initial Seismic Assessment in April/May 2019 of the Naenae Community Hall (the Hall) as due diligence before deciding whether to reopen this facility for public use.
64. The result of the ISA was 19% of NBS with advice from engineers that:
 - there is little point in undertaking a Detailed Seismic Assessment as it was unlikely to change the outcome of this initial assessment; and
 - the Hall currently poses a significant life safety risk and should be fenced off immediately.
65. The Hall was going to be demolished as part of the Naenae Community Hub development.
66. In the event that the Naenae Hub is either removed from the LTP or pushed back significantly, then Council needs to make a decision about the future of the Naenae Community Hall.
67. It can either:
 - be demolished; or
 - design works started to ascertain a design solution and cost to bring the structure from current to minimum 67% NBS.
68. Officers have been given advice that to develop a solution will take a minimum of six months. Only at this point in time will a cost estimate be possible. Completion of these works will take another minimum six months given the type and nature of work required is complex.

Options

69. As detailed in the report Council has multiple options to consider in terms of delivery of this project:
- New build pool and integrated community hub.
 - Refurbishment of pool and new community hub (as previously designed).
 - New build pool only.
 - Refurbishment of pool only.
 - Do nothing.
70. Each option has a range of considerations noted below.

Consultation

71. Officers are of the view that this project meets Council's Significance Policy thresholds, particularly that 'the matter under consideration is of public interest or controversial within the community', together with these relevant criteria in the policy:
- a. Financial threshold of 10% LTP spend change (~\$63M)
 - b. An alternation to the 'level of service provision of a core Council activity', which would likely be the case with the new pool/hub option.

The project is therefore likely to trigger the need for a special consultative procedure and an amendment to Council's LTP as per the Local Government Act.

72. Ahead of the local body elections in October this year, officers recommend an initial informal pre-consultation process to help inform and guide any special consultative procedure required for an LTP amendment.
73. Following the election, the incoming Council will meet and consider the consultation feedback and make a decision on how to progress forward. An LTP amendment is required to be audited which adds some complexity to the process and has timing implications. There is also the need to ensure that the public have a reasonable period to consider the options presented in the LTP amendment and are provided with an opportunity to present their views to Council on the options. This is likely to be a minimum period of two to three months in duration. Council could choose to progress this process at pace post the election or to do this as part of a broader piece of work linking into the Annual Plan 2020-2021 timing.
74. If the refurbishment option is selected there will be no further public engagement after the LTP amendment.
75. If a new build is selected then officers recommend undertaking a full public and community engagement process.
76. This process can easily be replicated and conducted in a time efficient manner, providing the community with an opportunity to comment on how their aspirations are reflected in the facility design. This consultation would

engage with local Naenae residents and key stakeholders of the pool/hub (ie, user groups, gym members, key community groups etc.).

77. This would utilise the existing concept as a starting point and encourage feedback to amend the design and note any current exclusions that the community see as desirable. The approach uses:
- using the billboard that has been planned for the corner of Everest Avenue and Treadwell Street;
 - written and online surveys distributed in letterboxes and at key community locations;
 - face to face meetings with key community organisations and user groups;
 - open public meetings with officers and the design team;
 - the Eastern Community Panel;
 - Bang the Table; and
 - using the portable container in Naenae to have Council staff engage directly with the community for a period of time.
78. Outcomes from this consultation process would be presented back to the Project Control Group for consideration and decision, taking into account the fiscal constraints of the project.
79. Officers were asked to provide some commentary on a co-design process for a new pool. Officers do not recommend that this be pursued for this project. The following has been taken into account when considering this recommendation:
- Co-design can be an extremely effective way to bring community on a journey with Council on a particular topic/project.
 - Co-design also sometimes brings new ideas or thoughts to the table that otherwise would not be considered.
 - Co-design also has the ability to provide peer to peer mediation within a community which can be useful.
 - Often co-design is not appropriately resourced or given the time required to be conducted in an effective manner.
 - Officers are acutely aware of the community desire to have a functioning pool operating in Naenae in a timely fashion, and that a co-design process conducted properly would extend project timelines presented in this report by one to two years. This is backed up by colleagues from other Councils who have undertaken similar processes. This could mean opening a new facility to the public extends into 2025.
 - If a co-design process is not conducted properly officers would have concerns that we place large value in a potentially minority view and not focus on mass participation processes. Officers clearly support methods of community engagement which encourage the largest possible number of responses. Generally these are those that are delivered with mixed methods, times, ways to participate and are

overall simple and easy to understand and to be involved in. Co-design as a method can deliver this desired outcome, but as noted above needs appropriate resource and time.

- That the hub project has had extensive consultation already undertaken.
- An existing engagement plan for the hub project can easily be replicated and delivered.
- There is a risk that co-design might lead to design which conflicts with core Council functional requirements, or contradicts Council's/sector adopted strategic priorities.
- Council would need to employ an officer to lead this process as we do not currently have capacity to run a proper co-design process with the community in-house.
- The scope of the architects' work obtained in procurement would need to extend considerably to allow for co-design to run in parallel to the design process. This would add cost to the estimates provided.
- We would need to factor in construction cost escalation over the additional period of time for the project budget.
- Total cost projected increase by undertaking a co-design process is \$4-5M for the above three items (construction cost escalation for additional time, additional architect fee requirements, staffing and delivery costs).
- The largest risk of co-design is setting unrealistic expectations in the community for what they can influence within project fiscal constraints (ie, unless there is an open or ranged project budget then many community ideas may not be possible to achieve alongside core requirements).

Legal Considerations

80. Legal considerations are covered in consultation and financial sections respectively.

Financial Considerations

81. The table below details the indicative capital cost comparison between the three major project options:

	Refurbishment of Pool	New Pool	New Integrated Pool/Hub
Demolition of Pool		\$1,000,000*	\$1,000,000*
Asbestos Removal	\$500,000*	\$500,000*	\$500,000*
Design	\$2,007,100	\$4,464,672	\$5,662,260
Main Construction Contract (Facility)	\$20,071,000	\$37,205,600	\$47,185,500
External Works	\$200,000	\$500,000*	\$500,000*
Council Consultants (Project Manager, QS Geotech, peer reviews, Accessibility, Sustainability etc,)	\$460,000	\$460,000	\$460,000
Consenting	\$80,000	\$120,000	\$150,000
Fit Out	\$480,000	\$500,000	\$1,300,000
Community and Public Art Initiatives	\$100,000	\$200,000	\$200,000
Relocation of Wellington Electricity Transformer		\$200,000*	\$200,000*
Contingency @ 18% for new build, 30% for refurb	\$6,021,300	\$7,141,875	\$9,055,616
Resource Consent Fees	\$10,000	\$10,000	\$10,000
Building Insurance	\$60,000	\$60,000	\$60,000
Total	\$29,989,400	\$52,362,147	\$66,283,376
Scope Variations	Unknown	Unknown	Unknown

**No quotes currently obtained on these items.*

82. The above costs do not give allowance for any changes in scope to the projects as a result of community input, project governance input etc.
83. Contingency levels are deemed appropriate for the type of project (ie, 18% new build and 30% refurbishment), although it should be noted there is a significant outstanding risk for the new build options in ground conditions.
84. To date no geotechnical work has been undertaken and this could have a significant impact on foundation and structure requirements. Officers would recommend that geotechnical work is undertaken early in any new build initiative.
85. The construction costs presented above are in line with other recent builds.

86. Councillors need to be aware that this report presents a rough order of costs only, with two significant variables noted above.

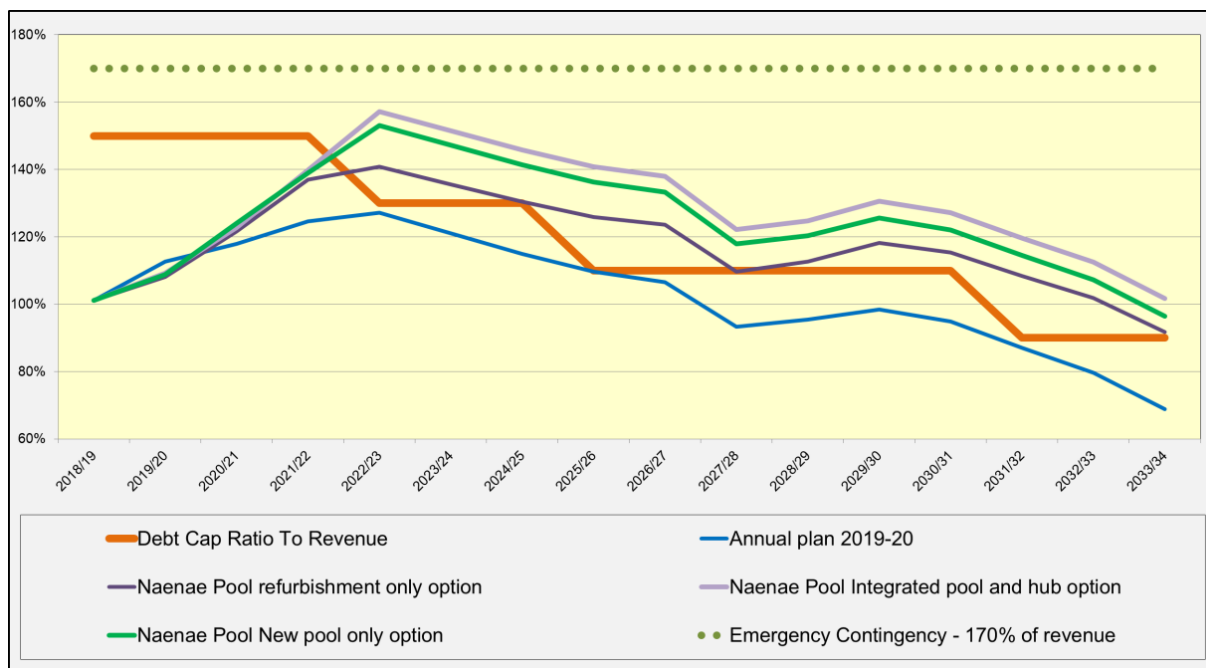
Impact on Financial Strategy Limits

87. While there is no allowance in the financial plan for this scale of work on the Naenae Pool, there is an allowance of \$9M for some refurbishment work on the pool, as well as \$8.8M for the Naenae Community Hub.

88. The table below summarises the funding shortfall:

	Refurbishment of Pool	New Pool	New Integrated Pool/Hub
Total Cost	\$30M	\$52M	\$66M
LTP Funding	\$9M	\$9M	\$18M
Shortfall	\$21M	\$43M	\$48M

89. With no change to funding options, each of these projects will result in breaches of the Financial Strategy debt cap as outlined in the following graph.



Year	Debt limit	Current state	Refurbishment only option	Integrated pool and hub option	New pool only option
		Debt to revenue %			
		\$M variance to debt limit			
2022/23	130%	128% (2% gap) \$4.1M	141% (11% over) \$19.6M	157% (27% over) \$49.6M	153% (23% over) \$42.2M
2025/26	110%	109.9% (0.1% gap) \$0.1M	126% (16% over) \$31.3M	141% (31% over) \$60.9M	136% (26% over) \$52M

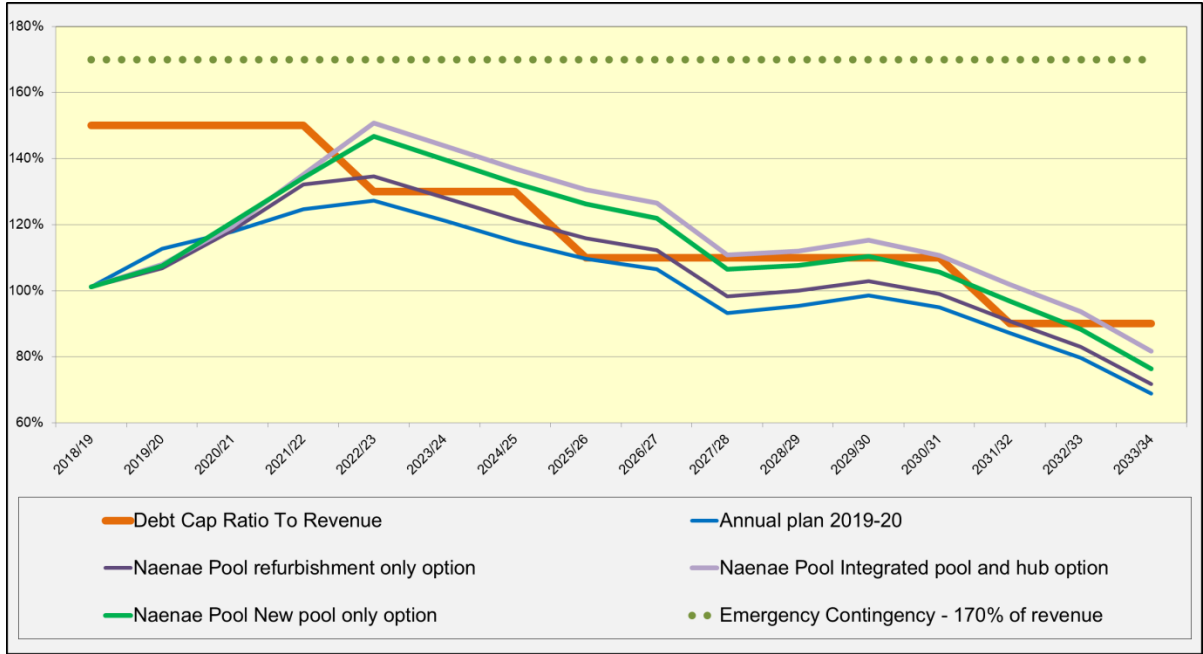
90. It should be noted that while the debt cap is breached, the debt is always within the emergency contingency of 170% of revenue.

Project Funding Options

91. Several funding options are available for Council to consider to assist with mitigating the project costs. These include:
- Rates increase together with debt funding
 - Removing or deferring projects already in the LTP
 - Asset Sales
 - Reducing Council services
 - A combination of all of the above.
92. It is recommended that Council considers which funding options are included in this initial consultation. While Council could consult on all options, it is however noted that a number of the funding options, such as reducing service levels or removing/deferring projects, are likely to be unpalatable from a community perspective. There has been significant consultation through previous LTP/Annual Plan processes that has established service levels and projects that are included in Council plans. Officers are of the view that the first funding option, being a rates increase together with debt funding, is likely to be the preferable funding option as it does not impact significantly on existing Council plans and services. There may however be some minor service changes or projects that could be deferred which may be acceptable and help support the funding solution. Further information on each of the funding options is provided below.
93. Funding option 1 : Rates increase together with debt funding
- Council could consider increasing rates by 1% for one, two or three years. This would have a significant cumulative impact over 20 years. In the short term the rates funding would not be sufficient to fund the full project and debt funding would also be required to supplement the rates funding.

Example – 1% rates increase over two years

	Y1	Y2	Accumulated at Y20
Additional 1% rates 2020/21	\$1.05m	\$1.05m	\$21m
Additional 1% rates 2021/22		\$1.05m	\$19.9m



Year	Debt limit	Current state	Refurbishment only option	Integrated pool and hub option	New pool only option
		Debt to revenue %			
		\$M variance to debt limit			
2022/23	130%	128% (2% gap) \$4.1M	135% (5% over) \$8.3M	151% (21% over) \$38.3M	147% (17% over) \$30.9M
2025/26	110%	109.9% (0.1% gap) \$0.1M	116% (6% over) \$11.7M	131% (21% over) \$41.3M	127% (16% over) \$32.4M

- In this specific example, the Financial Strategy limit cap breach is alleviated, but it is still breached.
- Essentially this option uses both increased rates and debt to meet the overall funding requirement over a 20 year period.
- Council could approve a short term breach in the Financial Strategy limits specifically in order to deliver a solution for Naenae pool.

94. Funding option 2: Removing or deferring projects already in the LTP

- Council could choose to remove, defer or realign projects that are already in the LTP. Depending on the size and timing of the project, this option could help to relieve pressure on the Financial Strategy limits.
- There has already been public consultation on these projects through previous LTP processes, so it is likely that there would be adverse feedback received from the community on this funding option and it may require further consultation. Some minor deferrals of projects may be acceptable but total removal of projects is unlikely to be palatable.
- Examples of potential projects are as follows:
 - Naenae and Wainuiomata Community Hubs
 - Petone Wharf

- iii. Hutt Valley Tennis
- iv. Wainuiomata Sportsville
- v. Bell Park and Te Whiti Park Improvements
- vi. Hutt Valley Gymsports development
- vii. Cycleway/Shared pathway developments.

- Additionally, RiverLink (\$50M) and Cross Valley Connection (\$35M) projects could be considered for removal and or deferring.

95. Funding option 3 : Asset Sales

The sale of Council assets (non-infrastructure) is also a funding option. Council could consider such assets as Houses, Marina, other. Given the history of consultation on these services through previous LTP processes, it is not expected that this funding option would be the preferred option.

96. Funding option 4 : Reducing Council services

- Council could choose to reduce operating budgets to mitigate the funding impact. This would result in a reduction of services, the impact of which Council officers would need to determine.
- There are a range of service reduction options that could be considered which include:
 - i. Reduced Library, Museum, Hub, Aquatic services – reduced hours, facilities available.
 - ii. Reduced Community Grant funding.
 - iii. Disestablish Community Panels and Boards.
 - iv. Reduced recycling services.
 - v. Reduced funding support for economic development – Chamber of Commerce, Suburban Shopping precincts, other.
 - vi. Reduced funding for City Events.
 - vii. Reduced funding for Environmental Sustainability initiatives.
 - viii. Other
- Very significant reductions in services would be required to meet the budget shortfall outlined for all three options. The savings would be made up of direct costs as well as savings in associated salaries and other personnel costs. Whilst the community may support minor changes to service levels, it is unlikely that significant service reductions would be supported.

Ongoing Operational Costs

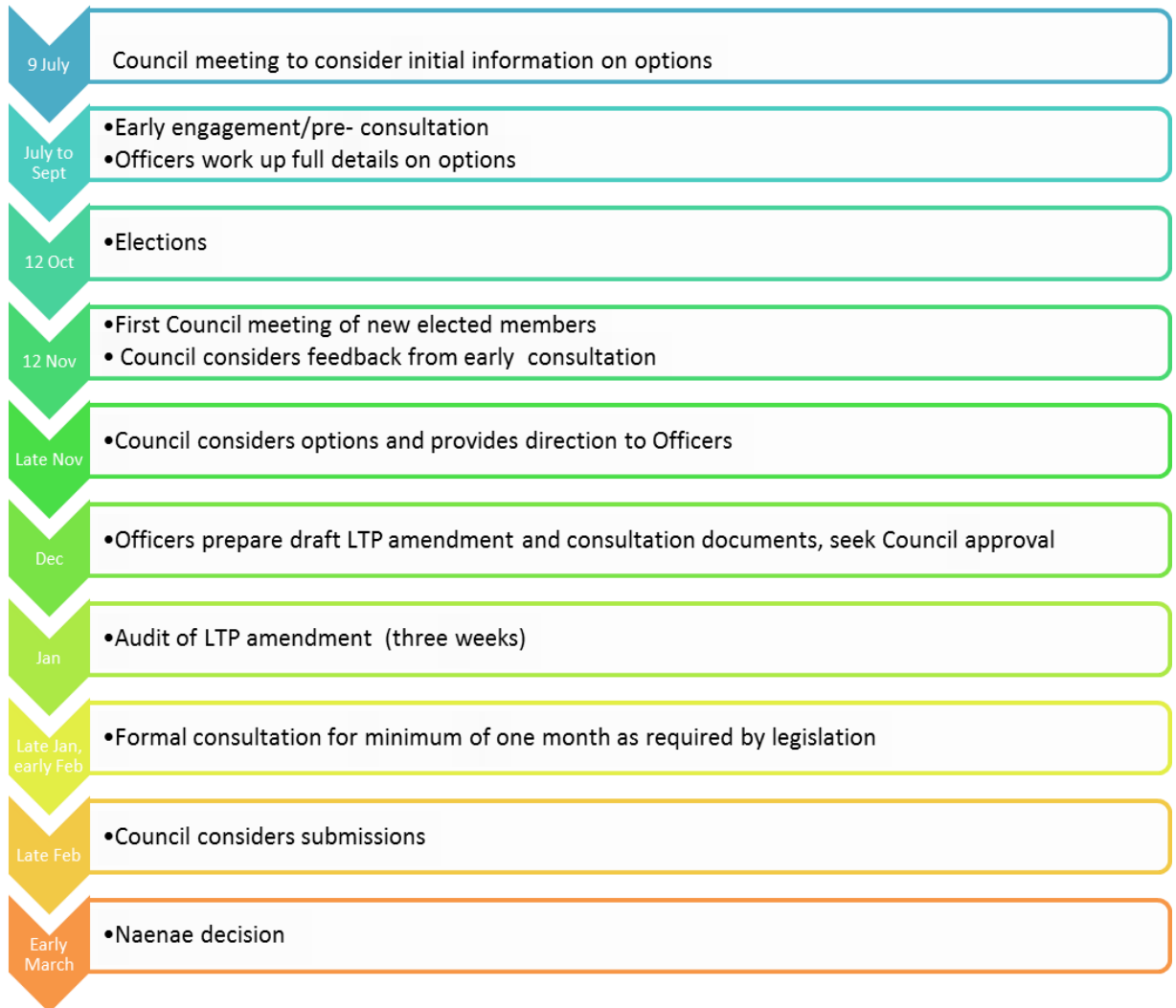
97. A more detailed business case will need to be developed when design details are agreed and finalised. For all options the overall net-costs (excluding Council overheads, depreciation and interest) of operating the Naenae Pool is not expected to change materially.

Economic Impact

98. An economic impact assessment of options is in progress and needs further review.

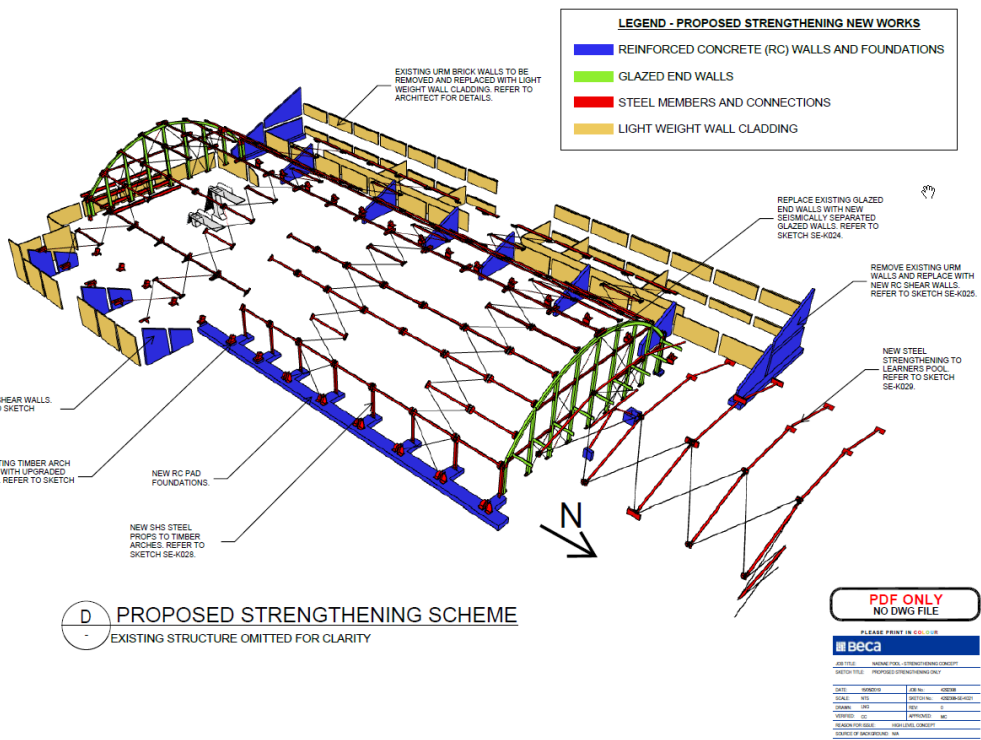
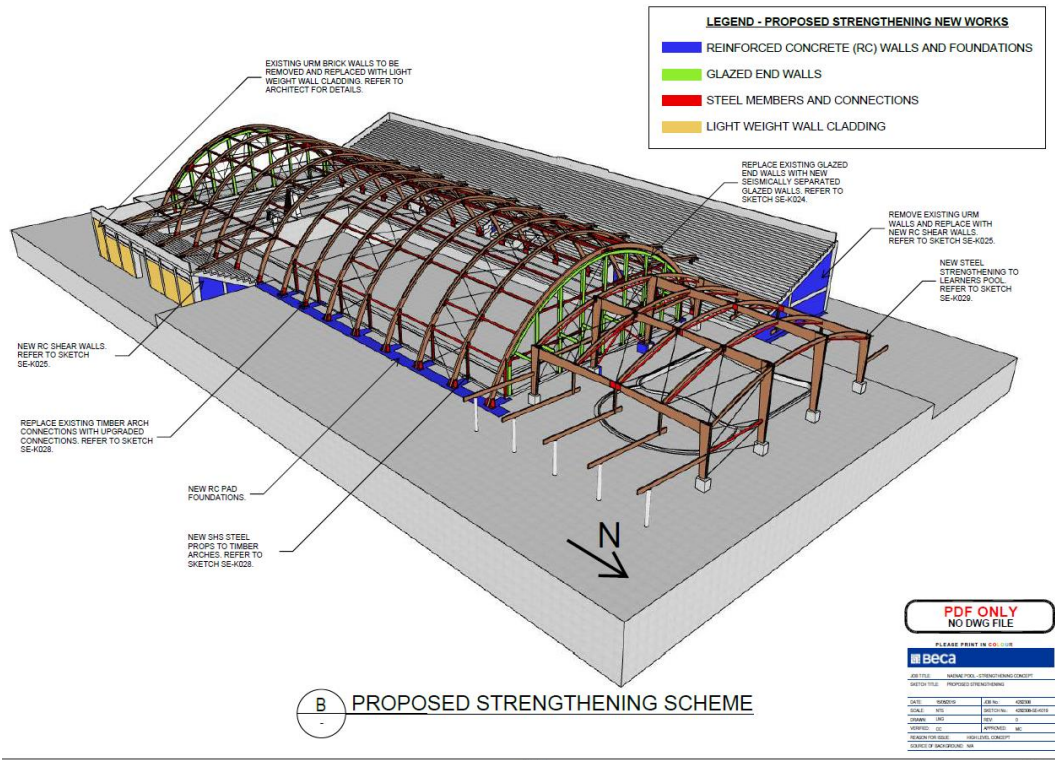
Timeline

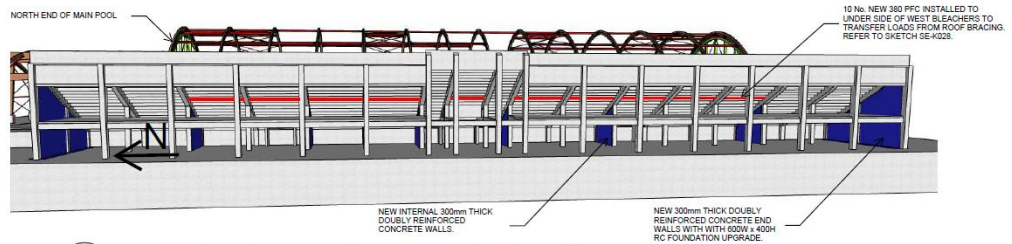
99. The following is an indicative timetable with ambitious deadlines due to the urgency and significance of the project. An alternative timeline would be to complete the LTP amendment process together with the Annual Plan 2020-2021 process.



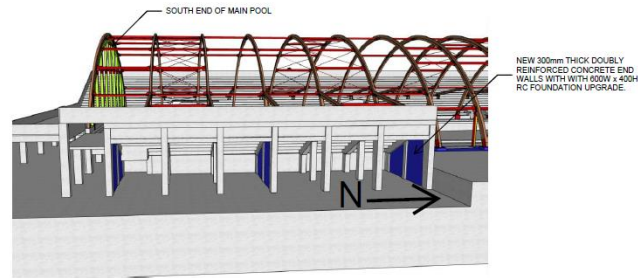
Images

Strengthening Option





K PROPOSED WEST BLEACHER STRENGTHENING



L PROPOSED EAST BLEACHER STRENGTHENING

PDF ONLY
NO DWG FILE

PLEASE PRINT IN COLOUR

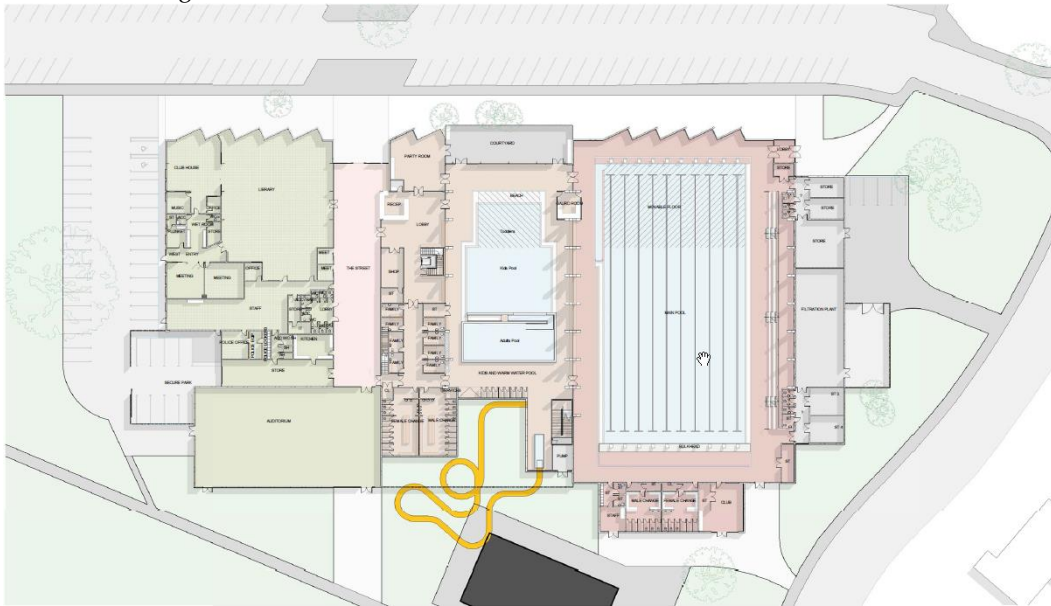


JOB TITLE	NAENAE POOL - STRENGTHENING OPTION 1
PROJECT TITLE	PROPOSED BLEACHER STRENGTHENING
DATE	19/07/19
SCALE	AS SHOWN
DRAWN BY	MC
CHECKED BY	MC
APPROVED BY	MC
DATE OF ISSUE	19/07/2019
PROJECT NO.	19/07/001



New Build Option

Floor Plan - Integrated Pool and Hub



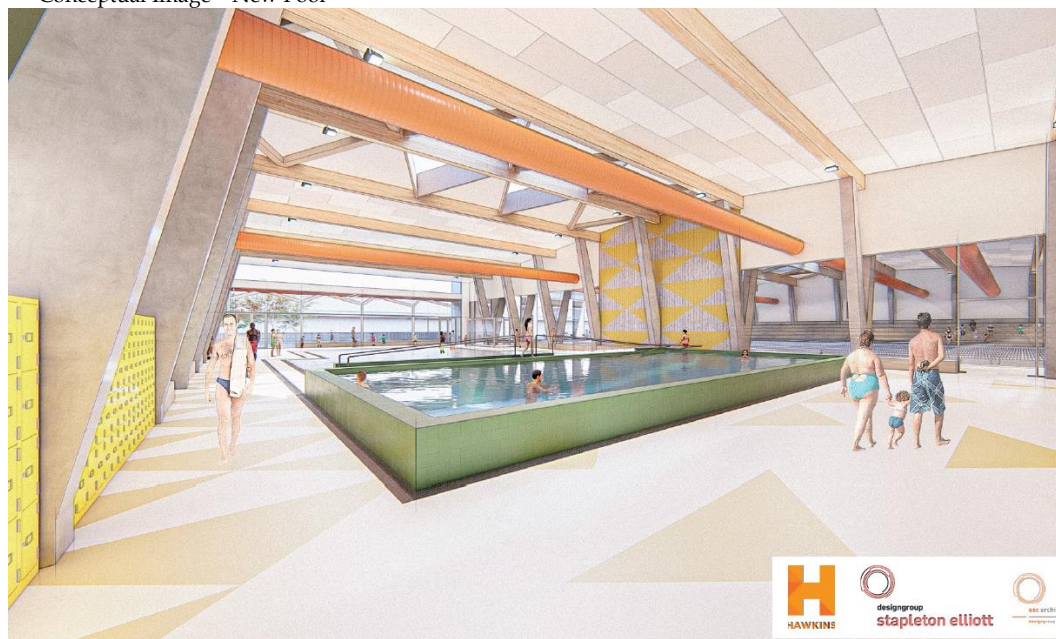
Conceptual Image - Integrated Pool and Hub



Conceptual Image – new entrance aligned to Hiliary Court Entrance



Conceptual Image – New Pool



Appendices

No.	Title	Page
1↓	Local Naenae Legend	29
2↓	Current State of Wellington Construction Market and Procurement Options	30

Author: Mike Mercer
Divisional Manager Community Hubs

Author: Allen Yip
Strategic Projects Manager

Author: Marcus Sherwood
Divisional Manager, Parks and Recreation

Author: Stephen Keatley
Strategic Assets and Project Manager

Author: Jenny Livschitz
Chief Financial Officer

Reviewed By: Matt Reid
General Manager City and Community Services

Approved By: Jo Miller
Chief Executive

Local Naenae legend: two Taniwha who through ‘rupture’ created the streams Te Awamutu and Waiwhetu.

The Inspiration

The original name of Naenae, Te Ngae Ngae, means ‘to cause effect through rupture’. This idea and Naenae’s history of innovation play an important part in the conceptual design.

Naenae has claims to New Zealand’s first pedestrian mall. One of the strongest representations of this is Hillary Court and the connection it creates from the existing pool through the central precinct and out to the train station. Another is careful planning of the zones of activity created so that even though they are complex in their interaction they are clear and unconfused in what activity is to occur within

The Rupture:

Hillary Court is used to split the two main functions of the Centre, a Pool and Community Hub, that in reality because of their environments shouldn’t be put together.

This ‘rupture’ creates ‘The Street’, which continues the connection of the central precinct through the building and out to the recreational precinct of Naenae including the bowling club and the basketball court.

‘The Street’ becomes an important space in itself with the community kitchen and access to the auditorium at the end and, along its length, to all of the main functions of the Centre.

The siting of the building is based around the connection through to the central precinct as mentioned above. It allows for the treed parks at each end and the site, the onsite parking to be maintained on the west end and good connections into the building as required by internal function. The area along Everest Avenue is activated by developing it as a social space.

The Taniwha:

Maori legend says that the Waiwhetu Stream and Te Awamutu River were created by two Taniwha who smelt a human entering a freshwater lake near the cemetery and ended up ripping each other apart.

Taniwha, whilst thought of as a water monster and guardian of an area, could also be considered an unknown phenomenon such as an earthquake or a landslide. The idea of this, along with the ‘rupture’ idea, have helped shape the Centre. Two Taniwha coming together, in this case, to create something positive and significant for the Community.

The forms and materials of the Pool and Community Hub are as required by their function. The moist air and volume of the Pool environment have meant high ceilings and water-resistant materials. This includes the makeup of the main structure being timber beams and precast concrete columns, robust and easily cleanable walls and non-slip flooring.

The Community Hub is set lower with softer, but still robust, materials including a steel structure to create the clear spans, carpet tiles and other acoustic linings.

Despite the differences a similar language ties the two buildings together. The filtered glass bays of the Community Hub with a pattern representative of the basket of knowledge translate into tall glass and patterned precast panels in the Pool. This pattern is used as a place holder for further narrative ideas to be developed. The shape could be the teeth clashing or the spines along the back or the claws grasping at the landscape. The skylights across the top of the Pool are of a similar shape and drop down into the roof of Community Hub.

The narrative ideas above were developed after a session with Kura Moeahu, Kaiwhakarite Maori –Senior Advisor, Parliament Services and Chairman – Waiwhetu Marae trust, Te Runanga o Taranaki Whanui ki te Upoko o te Ika a Maui Inc. We would like to thank him for the input and hope to develop these ideas further as the design progresses.

The Pool and Community Hub will become a Guardian not just acting locally but attracting people from far and wide creating a connected and diverse community invigorating Naenae for years to come.

The current state of the Wellington Construction Market and Procurement options for Naenae Pool in light of the forecasted market conditions

The Wellington Construction Market

Short History

Over the last 5 years the construction sector underwent some significant changes. These include rising construction costs, labour shortages, high demand, ongoing changes in legislative requirements and natural events such as flooding and earthquakes.

We have also seen the rise and fall of some of the main construction companies in the market, following on from demise of Mainzeal in 2011. These include Hawkins Orange and Ebert Construction going into receivership and Fletcher Building withdrawing from vertical construction.

Leading Wellington Construction Firms

The main leading construction, infrastructure and project management firms active in the Wellington Market is LT Mcguiness Ltd, Naylor Love, McKee Fehl Construction and Hawkins Construction owned by Downer Group.

Other rising construction, infrastructure and project management firms on the rise in the Wellington Market are Maycroft Construction, Armstrong Downs, Southbase Construction and Watts & Hughes Construction.

Wellington Construction economic forecast/pipeline

The future pipeline for Wellington is still strong, signalling a continuation of the pressures of the past two years.

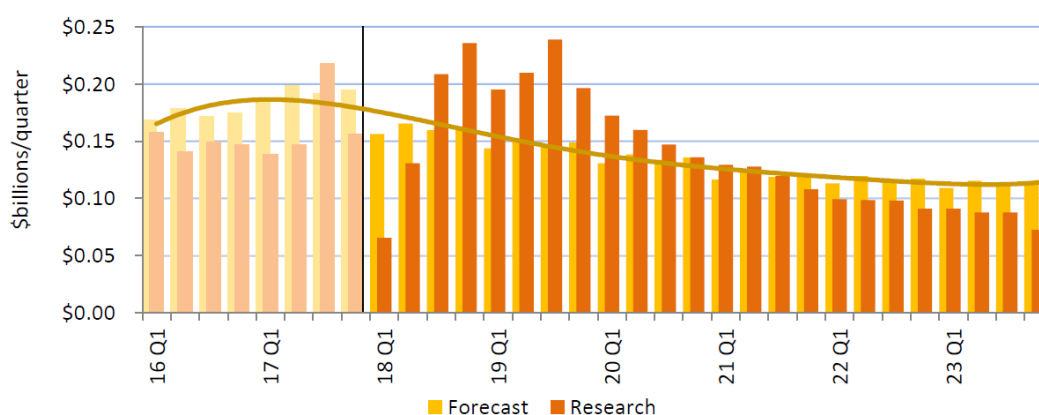
MBIE's National Construction Pipeline Report 2018² states that the Wellington region had the strongest growth of any of the regions featured in this report in 2017, with total construction value increasing 11% to \$2.8b.

Total construction value is forecast to continue at this raised level before growing again in 2020 by 20% to \$3.4b in 2023. Residential building activity is expected to drive growth in Wellington with Non-residential building activity expected to reduce slowly from the \$0.8b in 2017 to around \$0.5b in 2020.

- The value of Wellington's non-residential building activity is expected to reduce by 30% to \$0.5b in 2020 and then level out to 2023

² <https://www.mbie.govt.nz/assets/d89e8ad463/national-construction-pipeline-report-2018.pdf>

Figure 4-4-3 Non-residential building activity for Wellington



Source: BRANZ/Pacifecon

- Since 2015 the Wellington infrastructure activity held steady around the \$0.5b per annum and is expected to continue along this line until 2023. Strong Infrastructure project intentions in the region is indicated by the high value of research data.

The RLB Forecast Report 89, Fourth Quarter 2018³ indicate that construction picked up in the second quarter of 2018 and that underlying construction demand remains very strong especially in the residential sector despite some slowing in the pipeline of construction work in some areas.

Some key points.

- Architects can expect some slowing in the pipeline of non-residential and Government work as shown in the NZIER Quarterly Survey of Business Opinion (QSBO).
- An increase of technicians and trades people moving to New Zealand is expected as Government focuses on bringing workers to areas where labour demand is greatest.
- The construction sector continues to face various challenges such as low operating margins, labour shortages and uncertainty of cashflow. This is particularly evident amongst smaller and mid-sized firms.
- Construction demand for concrete in Wellington has risen slightly since 2015 with Auckland and its surrounding regions leading demand.

Influencing Factors on the construction market

The rising construction cost and future pipeline has led to specific pressure points especially around supply and demand constraints, skills shortages and wage pressures.

Skill shortages

Various industry leaders have been vocal about the skills shortages:

- Ruma Karaitiana, the previous chief executive of the Building and Construction Industry Training Organisation (BCITO) stated “...construction is now one of the fastest growing parts of the economy, predicted to grow 3.2 per cent per annum until at least 2017.” He specified that the most recent forecasts showed about 1600 carpenters would be needed by 2018. About 5500 project builders, including carpenters, would be required, and the bricklaying industry would need about 150 workers a year. Experts say one of the distinguishing characteristics of this construction cycle is the breadth of the shortage of workers, with

³ https://s28259.pcdn.co/wp-content/uploads/2018/11/RLB-Forecast-Report-89_2.pdf

engineers, quantity surveyors, architects and building scientists also in extremely short supply⁴.

- IPENZ chief executive Andrew Cleland says some of the work in Christchurch is not able to be carried out as quickly as people would like because of the high volume of work and not enough engineers with the right competence for technically demanding work. Immigrant engineers have helped meet some of the demand but take time to get up to speed with local requirements for critical work.

The shortage of engineers is not confined to Christchurch though. There is a nationwide demand for engineering expertise. Engineering disciplines at Immigration New Zealand⁵ in the category of long-term skills' shortages include structural, civil, chemical, electrical and mechanical. The Ministry of Business, Innovation and Employment website (Immigration) also flags a need for quantity surveyors and project managers, and some demand for tradesmen such as painters and carpenters.

MBIE's Future demand for Construction Workers 2nd Edition⁶ projects a 9 percent growth in demand for Wellington construction related workers. Project Builders is in high demand (up 14 percent) followed by Truck Drivers (up 10 percent). The overall regional increase in construction related occupations is approximately 4,200 between 2016 and 2013. When compared to earlier projections prepared in 2016, 700 additional employees will be required over the period 2012-21. Stats NZ report the regions unemployment rate at 3.7 percent in Q1, 2019 as opposed to the national figure of 4.3 per cent.

Wage Increases

According to the latest labour market statistics in March 2019, the LCI (Labour Cost Index) salary and wage rates (including overtime) increased 2.3 percent over the year. The gap between wage rates and consumer inflation increased further in the latest quarter, as wage growth remained steady and CPI inflation continued to weaken. Wage inflation has now been higher or equal to the CPI for four-and-a-half years. Contributing to higher construction costs.

Supply and demand constraints

- The construction industry is classified as a high growth industry according to Statistics NZ. The latest Business Demography Statistics show that for the construction industry enterprises increased to 61,860 (up 3.1 percent) from February 2017 and during the same period 4,931 closed their doors⁷. This high churn leads to severe supply chain constraints or even a breakdown of consistent and reliable supply, for example Mainzeal.
- Building cost inflation is predicted to ease below 4 percent later in 2019 before settling down to just over 3 percent by the end of 20123⁸.
- Earthquake strengthening activity continues to contribute to demand in non-residential construction.

Legislative changes and Design

Earthquake standards changed resulting in previously seismic acceptable buildings now falling below the NBS line and requiring strengthening to comply with code.

⁴ <http://sarnz.org.nz/wp-content/uploads/2015/06/Dom-Post-07042015-Construction-sector-fears-broad-skills-shortages.pdf>

⁵ <https://www.immigration.govt.nz/employ-migrants/explore-your-options/before-you-start-hiring-migrants/skill-shortages>

⁶ <https://www.mbie.govt.nz/dmsdocument/44-future-demand-for-construction-workers-final-2016-pdf>

⁷ <https://www.stats.govt.nz/information-releases/new-zealand-business-demography-statistics-at-february-2018>

⁸ <https://s28259.pcdn.co/wp-content/uploads/2019/06/RLB-Forecast-Report-91.pdf>

Inflation

Inflation contributed to increased materials and labour costs, combined with increasing demand for construction has pushing overall construction cost significantly upwards. The construction cost has risen significantly due to a combination of factors including the cyclical nature of the industry, changes in construction methods, supply and demand pressures as well as legislative changes.

New Zealand construction industry is highly cyclical with significant boom and bust periods. This implicitly leads to a high number of deaths and births of construction (and construction related) companies. The consequence of this high churn is supply chain constraints and lack of constructive and sufficient long-term planning to meet varying demand. These constraints are even more pronounced in Christchurch due to the rebuild as well as in Auckland as a result of rapid expansion.

New innovative methods and designs have been introduced leading to a significant increase in demand for products such as engineered structural steel and precast concrete. Demand has outstripped supply leading to capacity issues resulting in substantial price increases for these products.

Legislative changes including the ongoing changes in the building code has increased the demand for compliance on contractors. Constant legislative changes within the sector requires constant up skilling of staff by already under resourced small construction SMEs.

Environmental events

The report by Local Government New Zealand found that sea level rise and flooding could affect \$14 billion worth of council-owned infrastructure assets across New Zealand without . This value does not take into consideration cost to central government or private interests and could place increased demand on the construction sector over the next decade⁹.

What does this mean for Naenae Pool?

From the evidence above it is clear that the New Zealand construction industry is complex. It is apparent that timing and tight management of the up- and downstream supply and demand value chain will be needed to provide cost effective solutions for clients.

Despite on-going demand for construction in the region, indications predict a slight ease in the Wellington construction market over the next couple of years although construction cost is expected to outperform CPI inflation.

What this mean for Naenae Pool depends on Hutt City Council's decision on options for repair or reconstruction of the asset. Strong demand for earthquake strengthening in the region will mean less available contractors and inflated non-competitive pricing.

Demolition and reconstruction of the asset may present slightly better procurement options due to diminishing construction workload forecast to 20123. The scale of the project will also draw attention among the main contractor market leaders.

⁹ <https://www.rnz.co.nz/news/national/381337/sea-level-rise-could-affect-14bn-nz-council-infrastructure>

Procurement Options for Construction

Methods of Procurement

Traditional Method

Traditional method is a procurement method that the design work will separate from construction. Upon the completion of the design, client will appoint a main contractor following a tender process to carry out the works through bidding.

Disadvantages of this method resolve around time where a lot of time is devoted to the design element. The cost may be higher as the quantities are captured in the design and specifications and the contractor has little flexibility to manage the price.

This method is recommended for use in both options where the pool is going to be refurbished and strengthened as well as for the demolition and reconstruction of the pool.

Design & Build Method

Design and build method of procurement is a way to fast track the construction and the contractor should dictate a fixed cost or maximum price that offers certainty to the client. A single line of contact also smoothens the line of communication and avoids fall outs.

The down side is that the contractor now has interest in cutting costs that may compromise quality and quantity of materials. Margins will be tight as they need to make a profit under a set maximum price calculated under competitive circumstances. It also reduces flexibility as the contractor may apply huge penalties to implement changes.

This option is recommended for use in conjunction with the ECI option below for demolition and reconstruction of the building.

Early Contractor Involvement (ECI)

This procurement model allows for the early engagement of the contractor during the design stage. The contractor provides constructability, methodology and suitable materials input throughout the design period and have the opportunity to work with subcontractors ahead of the tender stage.

This option is recommended for consideration when the pool is to be demolished and rebuild.

Positive attributes:

- Selection by value
- Buildability Challenges
- Opportunity for innovation
- Client Involvement
- Target Price
- Accuracy of estimating
- Programme Savings
- Collaborative approach

Negatives:

- Reduced price tension/non-competitive pricing (value for money – Perceived or real?)
- Must have a clear project objective
- Incentive to deliver?
- Resource Requirements

Construction Management (Not Recommended)

Construction management is best suited to experienced developers with a large in house experience team to deal with complex projects. This is normally performed by the main contractor who packages each element and let it for tender to sub-contractors to complete the project.

The benefit is cost as you know you are getting the best cost by tendering each element across the board. The developer will also retain control of quantity and changes can be made throughout the development at minimum penalty compared to the other options.

This is a high time and management intense process that require the hire of an experienced construction manager and with the potential for a large amount of contracts to be put in place with a room for error.

REVENUE AND FINANCING POLICY



INTRODUCTION

A wide number of funding sources are available to Council to help fund its activities, ranging from general and targeted rates through to fees and user charges.

This policy outlines Council's approach to funding its activities. It provides information on what funding tools are used and who pays, as well as describing the process used to make these decisions.

The policy sets target funding bands for the two main funding sources (Public and Other) for each activity. The funding bands are:

- High 80-100%
- Medium / High 60-79%
- Medium 40-59%
- Medium / Low 20-39%
- Low 0-19%

This policy should be read in conjunction with the Funding Impact Statement contained elsewhere in this Long Term Plan (and in Council's Annual Plan in later years). The Funding Impact Statement is the mechanism used to implement the Revenue and Financing Policy and provides detail on how rates are set.

HOW DOES COUNCIL DECIDE WHAT IS FUNDED FROM WHERE?

Appropriate funding sources are determined using a two-step process on an activity by activity basis.

Step One

The funding needs of Council must be met from what Council determines to be the most appropriate funding source for each activity following consideration of:

- The community outcomes to which the activity contributes
- The distribution of benefits between the community as a whole and any identifiable parts of the community and individuals
- The period over which the benefits are expected to occur
- The extent to which the action or inaction of particular individuals or groups contributes to the need for the activity to take place
- The costs and benefits of funding an activity distinctly from other activities

A more detailed discussion of the use of different funding tools and the reasons for the allocation of costs to various sectors of the community for each activity is provided in Appendix 1.

Step Two

The second step in the process is for Council to apply its judgement to the overall impact on the community. In exercising this judgement Council considers the following;

- The impact of rates and rates increases on residential properties, and in particular on the affordability of rates and rates increases for low, average and fixed income households.

- The impact of rates and rates increases on businesses and on the competitiveness of Hutt City as a business location.
 - The fairness of rates (and changes in rates) relative to the benefits received for “stand-out” properties with unusually high capital values.
 - The special characteristics of particular classifications of property - including their purpose and proximity to the city.
 - The complexity of the rating system and the desirability of improving administrative simplicity.
- Shifting the “differential factor” for each sector’s share of the city’s overall capital value is the principal means of achieving the desired overall rates impact on the wider community.

FUNDING OF OPERATING EXPENDITURE

GENERAL RATES

General rates, together with targeted rates, are the largest source of funding for Council.

General rates are used to help fund activities that exhibit strong or dominant public good characteristics. A public good / service is defined as one that demonstrates the following characteristics:

- Non-rival – the enjoyment by one person does not prevent the benefit from being enjoyed by others. An example is street lighting.
- Non-excludable – no person or group can easily be prevented from enjoying the benefit. An example is a beach or park.

In these cases, all ratepayers pay towards the cost of the activity. Where the activity also provides private benefits, rates are used to fund the balance of costs after the potential for user charges has been exhausted.

Council sets general rates based on the capital value of properties. Capital value is used because, in the main, it reflects ability to pay better than the alternatives of land value or annual value.

What each ratepayer pays depends on the capital value of their property relative to the value of other properties, and on the share of the general rate that has been allocated to each sector of the community (Residential, Business, Utilities and Rural). Council has determined that for most activities, the general rates funded costs should be allocated to each sector of the community in line with each sector’s percentage share of the capital value of the city. For most activities, there is little evidence to support alternative approaches where one sector should be carrying a greater or lesser proportional share.

However there are two exceptions.

1. Roading and Traffic - general rates are weighted towards the business and utility sectors because of the particularly high use of the roads (or road space) by these sectors. Trip generation data is used as an indicator of the cause and benefit of this activity’s costs – this data shows that the business/utility and residential sector trip generation is 72% and 28% respectively. The share of general rates costs are allocated accordingly.
2. Stormwater - is weighted towards the business/utility sector to reflect the fact that it accounts for approximately 37% of the city’s impervious area (after making an allowance for roads). The share of general rates costs for Stormwater are allocated on this basis,

To achieve the desired weighting of general rates allocation towards the business and utility sectors in these cases the Council increases each sector’s assumed share of the overall capital value of the city.

Appendix 2 provides more detail of Council’s operating costs and the allocation of general rates costs to various sectors of the community.

UNIFORM ANNUAL GENERAL CHARGES

Council also has the option to levy a uniform annual general charge (UAGC). A UAGC recovers a portion of general rates costs as a fixed amount per property. Such fixed charges tend to have a disproportionate impact on low income households as the charges make up a higher proportion of such a household's income. For this reason, Council does not currently propose using a UAGC. Council does, however, use fixed charges for some targeted rates.

TARGETED RATES

Targeted rates are used where Council has decided that the cost of a service or function should be met by a particular group of ratepayers (possibly even all ratepayers) or in order to provide greater transparency about the use of the funding. There is considerable scope to set rates for a specific function (e.g. water) or target a rate on a specific geographic area (e.g. Jackson Street) or set different levels of rates for different property types (e.g. promotion levy targeted on business central properties). The targeted rates charged by Hutt City Council are:

- Water supply, per property
- Wastewater services, per pan
- Jackson Street upgrade project, per business property in Jackson Street
- Recycling, per property

FEES AND CHARGES

User charges are used where there are strong private benefits from an activity and it is feasible to collect fees.

User charges contribute to the cost of some facilities (such as swimming pools) and also fully or partly meet the cost of regulatory services, such as those under the Building and Resource Management Acts.

Similarly, Council has the ability to fine people and businesses for certain rule infringements. The amount of income derived through these fines depends on the level of noncompliance and the amount of effort Council puts into enforcement activities.

OTHER FUNDING SOURCES

The other main funding sources for operating expenditure are grants and subsidies. New Zealand Transport Agency funding assistance for road maintenance makes up the majority of this funding.

Council does not use borrowing, proceeds from asset sales or development or reserve contributions to help fund operating expenditure.

FUNDING OF CAPITAL EXPENDITURE

Council funds capital expenditure mainly from borrowing and then spreads the repayment of that borrowing over several years. This enables Council to better match funding with the period over which benefits will be derived from assets and helps ensure intergenerational equity. Borrowing and repayments are managed within the framework specified in the Liability Management Policy.

In some cases other funds are available to finance capital expenditure. Such other funds include:

- Council reserves, including reserves comprising development contributions under the LGA, and financial contributions under the Resource Management Act 1991 (see Council's Development Contributions Policy).
- Contributions towards capital expenditure from other parties such as the New Zealand Transport

Agency (in relation to certain roading projects) and Upper Hutt City Council (in relation to joint wastewater activities)

- Annual revenue collected through rates to cover depreciation charges.
- Proceeds from the sale of assets, not otherwise used for debt reduction
- Operating surpluses

DIFFERENTIAL FACTOR

The general rate payable on each category of property is expressed as a rate in the dollar of capital value. The different rates in the dollar for different categories of property are determined as a result of the review described above. These different rates in the dollar for different property categories are known as “differential factors’ and are agreed following the completion of Step Two of the process (which is designed to allow the Council to apply its judgement on the overall impact on the community).

Following a Revenue and Financing review undertaken by Council in 2012 it determined the following differential factors for each category of property:

- Residential: 1.0
- Business: 2.3
- Business Central: 2.3
- Utility Networks: 2.3
- Rural: 0.8
- Community Facilities 1: 1.0
- Community Facilities 2: 0.5
- Community Facilities 3: 2.3

In 2012 the Council commenced a 10 year shift in the differential to achieve these ratios.

The underlying objectives of the transition are to:

- Lower the allocation of rates to the rural sector to a level where the rural differential is equal to 0.8. This change has been made on the basis that rural properties often experience a lower level of service because of the longer distances between rural properties and Council facilities.
- Provide two special categories of community facilities and rate them at a lower differential to recognise the community benefits provided by such facilities. The two categories are community facilities 1 and community facilities 2 and are defined in the Funding Impact Statement, along with the differential to apply to each. A third category of community facilities is also defined but no adjustment has been made to the differential to be levied on this category.
- Standardise the differential for all other non-residential properties so that such properties are rated on the same basis.

The differential policy was reviewed by Councillors during the preparation of the Long Term Plan 2015-2025 and it was decided to continue with both the current target differential factors and the 10 year transition.

REVIEW

The overall revenue and financing policy (including the differential factors) will be reconsidered every 3 years as part of the Long Term Plan preparation.

APPENDIX 1

REVENUE AND FINANCING POLICY BY MAJOR ACTIVITY

ACTIVITY	OUTCOME	FUNDING SOURCE PROPORTION	FUNDING RATIONALE [LGA 2002 SECTION 101(3)(A)] Who benefits (community as a whole, or individuals, group or users, exacerbators), intergenerational benefits, reasons for funding the activity separately)
Libraries			
<p>Council provides, maintains and manages eight libraries in the city. These are run as a single city-wide service. Their primary role is to provide written and recorded material such as books, audio-visual resources and access to online information. Library services are used for many purposes including learning, research and entertainment.</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ A safe community ▪ A strong and diverse economy ▪ An accessible and connected city ▪ Healthy people ▪ Actively engaged in community activities ▪ Strong and inclusive communities 	<p>Public – High Other – Low</p>	<p>Who benefits: While there are identifiable private benefits from the provision of library services, the Council views the open and low cost access to information and books as being in the best interest of the city as a whole. The library system is an efficient way for the community to pool their reading and information resources and it is unlikely it could continue to exist if it operated on a strictly user pays system. Rather charges are levied for late returns, internet access and DVD hire, but these contribute only a small amount towards total operating cost.</p> <p>Who pays: No particular sector or group is considered to drive these costs beyond those groups that can be targeted by user fees. The public good portion of this activity cost is therefore allocated in proportion to each sector’s share of the total capital value of the city.</p>
Museums			
<p>Council operates two museums. The Dowse displays art, craft and other cultural materials. The Petone Settlers Museum specialises in the social history of the lower Hutt Valley and Petone. These institutions are open to the public at no charge, other than for special</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ A strong and diverse economy ▪ An accessible and connected 	<p>Public – High Other – Low</p>	<p>Who benefits: The Council believes that the support of the arts, recognition of our social history and cultural endeavours is an important component in making the city a vibrant and attractive city, as well as providing a means for the community to express a sense of self and place. While individual visitors to these facilities do gain private benefits, collecting an entry fee would be inefficient due to the costs associated with establishing and operating a door charge system. Council recognises the contribution the Dowse Foundation and donors are making to the city through the extensive community fundraising activities.</p>

ACTIVITY	OUTCOME	FUNDING SOURCE PROPORTION	FUNDING RATIONALE [LGA 2002 SECTION 101(3)(A)] Who benefits (community as a whole, or individuals, group or users, exacerbators), intergenerational benefits, reasons for funding the activity separately)
exhibitions.	city <ul style="list-style-type: none"> ▪ Actively engaged in community activities ▪ Strong and inclusive communities 		Who pays: No particular sector or group is considered to drive or benefit from these costs beyond those groups that can be targeted by user fees. The public good portion of this activity cost is therefore allocated in proportion to each sector's share of the total capital value of the city.
Aquatics and Recreation			
Council provides and maintains six swimming pools in the city as part of its portfolio of recreational facilities. Recreational programmes are community-based programmes designed to encourage residents to engage in a range of recreational activities. These services are provided to promote health and enjoyment and stimulate the community's interest in different recreational opportunities.	This activity contributes primarily to the following Community Outcomes: <ul style="list-style-type: none"> ▪ A safe community ▪ A strong and diverse economy ▪ An accessible and connected city ▪ Healthy people ▪ Actively engaged in community activities 	Public – Medium Other – Medium	Who benefits: Fees and charges contribute a significant portion of the income for this activity. This reflects the fact that individuals benefit from the personal fitness and enjoyment they derive from using the facilities. However it is also recognises that there are positive benefits for the community when the population is fit and actively engaged. The pool also provides quality and accessible tuition in essential water safety and life skills, which produces both private and public benefits. To this extent funding from general rates is a key source of income for this activity. Who pays: No particular sector or group is considered to drive or benefit from these costs beyond those groups that can be targeted by user fees. The public good portion of this activity cost is therefore allocated in proportion to each sector's share of the total capital value of the city.
Parks and Reserves			
Council provides and maintains passive recreational facilities in the city for the enjoyment and well-being of the public, free of charge. Sports fields are provided and maintained through charges to sports codes. Recreation areas are both natural and created, with the majority of effort targeted at maintenance and retaining areas in their natural state. This activity	This activity contributes primarily to the following Community Outcomes: <ul style="list-style-type: none"> ▪ Healthy people ▪ A healthy natural environment ▪ Actively engaged in community activities 	Public – High Other – Low	Who benefits: Parks and Reserves: Council views the active participation of residents in outdoor activities as beneficial to the whole community. Some degree of user charging is appropriate, however affordability for sporting clubs is now a factor in limiting participation. The actions of sports codes contribute to the need for Council to undertake the maintenance of sports fields. This is therefore an example of the exacerbator principle. Cemeteries: There is a significant private benefit in this service to the families of deceased people where burials and interment services are provided. There is also an ongoing community benefit in providing for the respectful treatment of deceased people who form part of the community's heritage

ACTIVITY	OUTCOME	FUNDING SOURCE PROPORTION	FUNDING RATIONALE [LGA 2002 SECTION 101(3)(A)] Who benefits (community as a whole, or individuals, group or users, exacerbators), intergenerational benefits, reasons for funding the activity separately)
also includes Council's cemeteries.	<ul style="list-style-type: none"> ▪ A healthy and attractive built environment 		<p>and whakapapa.</p> <p>While it is recognised that the rural sector often provides its own recreational land, Council considers that this sector is also a beneficiary from this activity and should share the general rates cost.</p> <p>Lands purchased for sports grounds and reserves provide substantial intergenerational benefits.</p> <p>Who pays: No particular sector or group is considered to derive benefit from these costs beyond those groups that can be targeted by user fees. The public good portion of this activity cost is therefore allocated in proportion to each sector's share of the total capital value of the city.</p>
Community Safety and Connections			
<p>Council has a policy of identifying and understanding its communities and their issues. Through greater knowledge of local needs Council is able to respond suitably to social issues affecting members and groups of communities it represents. The support Council contributes assists groups to achieve their goals when it would not otherwise have been possible owing to lack of resources. This support includes facilitation, advocacy, consultation and allocation of grants to community organisations and groups. These services are carried out through Council's Community Services Group or through private contracts.</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ A safe community ▪ Healthy people ▪ Actively engaged in community activities ▪ Strong and inclusive communities ▪ A well-governed city 	<p>Public – High</p> <p>Other – Low</p>	<p>Who benefits: In most cases community support or grants are targeted towards the most disadvantaged groups in society. Targeting intervention at the most disadvantaged groups does provide individual benefits for those people. However the very nature of this service means that the recipients cannot be expected to shoulder the cost. By lifting the status of our most disadvantaged groups, the whole community benefits through greater social cohesion, higher productivity, and less demand for remedial services. Therefore this activity is appropriately funded from the general rate.</p> <p>There is an intergenerational aspect to this activity, in that the social policy framework was developed over a few years but its benefits will occur over a longer period.</p> <p>Who pays: No particular sector or group is considered to drive or benefit from these costs beyond those groups that can be targeted by user fees. The public good portion of this activity cost is therefore allocated in proportion to each sector's share of the total capital value of the city.</p>
Community Facilities Development			
<p>Council has underway a significant rejuvenation plan and programme for its community facilities. It plans to develop</p>	<p>This activity contributes primarily to the following Community</p>	<p>Public – High</p> <p>Other – Low</p>	<p>Who benefits: While there are identifiable private benefits from the provision of community facilities, the Council views the open and low cost access to community facilities as being in the best interest of the</p>

ACTIVITY	OUTCOME	FUNDING SOURCE PROPORTION	FUNDING RATIONALE [LGA 2002 SECTION 101(3)(A)] Who benefits (community as a whole, or individuals, group or users, exacerbators), intergenerational benefits, reasons for funding the activity separately)
<p>strategic and integrated community hubs across the city. The developments are predominantly aimed at increasing community participation and improving the wellbeing of Hutt City residents.</p> <p>Communities Facility developments are generally being done through the Community Facilities Trust, for which Council contributes funding by way of annual grant funding.</p>	<p>Outcomes:</p> <ul style="list-style-type: none"> ▪ A safe community ▪ A strong and diverse economy ▪ An accessible and connected city ▪ Healthy people ▪ Actively engaged in community activities ▪ Strong and inclusive communities 		<p>city as a whole.</p> <p>Who pays: No particular sector or group is considered to drive or benefit from these costs beyond those groups that can be targeted by user fees. The public good portion of this activity cost is therefore allocated in proportion to each sector's share of the total capital value of the city.</p>
Regulatory Services			
<p>The Regulatory Services team provides inspection, auditing, enforcement and education that ensures Council's policies and regulations are being complied with.</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ A safe community ▪ A strong and diverse economy ▪ An accessible and connected city ▪ Healthy people ▪ A healthy natural environment ▪ A healthy and attractive built environment 	<p>Public – Medium Other – Medium</p>	<p>Who Benefits: <i>Environmental Inspections & Enforcement:</i> The service acts to control the negative effects of non-compliance by individuals or groups, nearly all of which are businesses. There is also a general public benefit in the assurance of a safe environment.</p> <p><i>Animal Control:</i> Animal control is primarily the dog control function with a small amount of service involved with general livestock control. Dog registration fees are a targeted form of cost recovery for this activity. An animal control function is necessary in order to ensure the public is safe from the negative effects of animal ownership. At one level, the activity can be considered an exacerbator issue, as the actions of animal owners create the need for the service. Often, it can be hard to track down an animal's owner – or the animal may be a stray – so recouping the costs of this activity is difficult.</p> <p>Who pays: These activities protect the public interests of both residents and business. After maximising user charges, the public good portion of this activity cost is allocated in proportion to each sector's share of the total capital value of the city.</p>
Emergency Management			

ACTIVITY	OUTCOME	FUNDING SOURCE PROPORTION	FUNDING RATIONALE [LGA 2002 SECTION 101(3)(A)] Who benefits (community as a whole, or individuals, group or users, exacerbators), intergenerational benefits, reasons for funding the activity separately)
<p>Council develops and implements city-wide emergency management plans, and promotes community preparedness for emergencies. Plans are also in place for dealing with and preventing rural fires. Council maintains the in-house capacity to co-ordinate responses to both civil defence and rural fire emergencies. There is a legal requirement under the Forest and Rural Fires Act and the Civil Defence Act for Council to perform these functions.</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ A safe community ▪ Strong and inclusive communities 	<p>Public –High Other – Low</p>	<p>Who benefits: The whole community benefits from this activity. It is triggered where the disruption to community life is such that a coordinated community response is required.</p> <p>The work regarding rural fire response and prevention applies largely to Council-owned land and therefore any benefits apply to the community. A rural fire response is necessary to deal with fires lit accidentally or deliberately. Where the person responsible for starting a rural fire is identified, they are dealt with through the courts and compensation is obtained where possible.</p> <p>Who pays: No particular sector or group is considered to drive or benefit from these costs beyond those groups that can be targeted by user fees. The public good portion of this activity cost is therefore allocated in proportion to each sector’s share of the total capital value of the city.</p>
Roading and Traffic			
<p>The roading and traffic activity consists of five sub-functions – roading and footpaths, street cleaning, street lighting, traffic management and parking. Council provides, maintains and cleans sealed roads and footpaths throughout the city. Traffic control measures are utilised to ensure the efficient and safe movement of motor vehicles, cyclists, pedestrians and other forms of transport. Street lighting is provided to ensure the safety and security of road and footpath users at night.</p> <p>Parking involves the provision, maintenance and regulation of on-street and off-street carparks in the commercial areas of the city. The location and regulation of carparks is designed to ensure fair, easy and efficient access to the</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ A safe community ▪ A strong and diverse economy ▪ An accessible and connected city ▪ Healthy people ▪ A healthy and attractive built environment 	<p>Public – Med/High Other – Med/Low</p>	<p>Who benefits:</p> <p>Roading: Many of the benefits of roading networks accrue to individuals or businesses. To a large extent, this is reflected in the subsidies received by Council from government for roading, which are ultimately funded from fuel excise, road user charges, and vehicle registration charges. However, for the balance of costs which Council must cover, Council has no direct means to charge individual users of the local network on a user-pays basis. Consequently, rates revenue is used to fund Council’s share of these costs. Most roading expenditure in the city relates to the ongoing maintenance of the existing network and assets, with only moderate expenditure on improvements. Most of the expenditure is therefore funded directly from rates revenue (and government subsidies) rather than through borrowing. However, major projects with benefits over several decades, or very high costs, will be debt funded, along with an approximate contribution from development contributions charges where possible. This helps ease the immediate burden on rates, helps to ensure intergenerational equity, and ensure growth costs are borne by developers.</p> <p>Street Cleaning: Street cleaning has a range of benefits widely dispersed amongst the community, and for which there is little ability or sense in charging individuals for the benefits they receive. The need to undertake street cleaning is partially caused by the actions of individuals littering or dumping and is thus an exacerbator issue. However, it is very difficult to police this activity, and consequently few costs are</p>

ACTIVITY	OUTCOME	FUNDING SOURCE PROPORTION	FUNDING RATIONALE [LGA 2002 SECTION 101(3)(A)] Who benefits (community as a whole, or individuals, group or users, exacerbators), intergenerational benefits, reasons for funding the activity separately)
city's commercial areas.			<p>able to be recovered this way.</p> <p>Parking: The benefits of on-street parking largely accrue to the individuals or groups involved. However charging and actively monitoring parking in most areas, such as most urban neighbourhoods, is simply not practical or cost effective – although some time restrictions may still apply. Consequently, a large proportion of the cost is simply absorbed into the roading budget, and funded accordingly. In areas with a high concentration of parking demand, it becomes necessary and cost-effective to manage parking, allowing much of the cost associated with these parks to be recouped through parking charges and/or fines.</p> <p>The benefits of road facilities are ongoing and spread over the long term. These intergenerational benefits support the ongoing use of debt financing for associated capital works.</p> <p>Who pays: Trip generation is used as an indicator of both the cause and benefit of this activity's costs. Trip generation of the business / utility and residential sectors is estimated at 72% / 28% respectively. The shares of general rates costs are allocated to these sectors on this same basis.</p>
Water Supply			
<p>This activity involves the supply of high quality drinkable water for domestic and commercial use. Council purchases bulk water from Greater Wellington Regional Council, and this accounts for 56% of the total cost of water supply to the city. Water is then distributed around the city through the local pipe network. Council's ownership of the pipe network is historical. There is a legal requirement for Council to retain control of these assets.</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ A strong and diverse economy ▪ An accessible and connected city ▪ Healthy people ▪ A healthy natural environment ▪ Strong and inclusive communities 	<p>Public – Low Other – High</p>	<p>Who benefits: Much of the benefit from this activity is considered to be private to the people who obtain and use the water. Public health benefits arise out of the treatment of water borne diseases.</p> <p>Water leakage and unaccounted for water accounts for a portion of total water use. This cost is spread evenly across all users.</p> <p>There are ongoing benefits as long as infrastructure is maintained. These intergenerational benefits support the ongoing use of debt financing for associated capital works.</p> <p>Who pays: In the absence of metering, targeted rates can be seen as a proxy for user charges. All connections are charged the targeted rate, and this is assumed to cover the supply of the average residential user. Commercial water users are charged on a metered rate for water consumption.</p>
Wastewater			

ACTIVITY	OUTCOME	FUNDING SOURCE PROPORTION	FUNDING RATIONALE [LGA 2002 SECTION 101(3)(A)] Who benefits (community as a whole, or individuals, group or users, exacerbators), intergenerational benefits, reasons for funding the activity separately)
<p>Council ensures the treatment and disposal of household and commercial effluent according to regional and national environmental standards. A new treatment plant was commissioned in 2002 to ensure effluent is treated to higher standards.</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ A strong and diverse economy ▪ An accessible and connected city ▪ Healthy people ▪ A healthy natural environment ▪ Strong and inclusive communities 	<p>Public – Low Other – High</p>	<p>Who benefits: The removal of wastewater largely benefits the person whose wastewater is removed. However the public also benefits through improved public health and an unpolluted environment. The operation of many social and commercial activities would be curtailed if raw effluent was not properly dealt with.</p> <p>There is also a significant exacerbator component to the treatment of wastewater, as people cause costs through their action (for example commercial businesses that produce trade waste) or inaction (for example not installing a dual flush toilet).</p> <p>Some revenue is collected from the Upper Hutt City Council as an operating contribution towards the shared service.</p> <p>The benefits of wastewater services are ongoing and spread over the long term. These intergenerational benefits support the ongoing use of debt financing for associated capital works.</p> <p>Who pays: In the absence of metering of water supplied as a proxy for water discharged, targeted rates can be seen as a proxy for user charges.</p>
Stormwater			
<p>Council operates an effective drainage system to protect property from flooding damage. Stormwater infrastructure includes pipe networks, street-side gutters, retention dams and open watercourses. These are provided and maintained according to the reasonable costs of managing foreseeable flooding events. There is a legal requirement for Council to retain control of these assets.</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ A safe community ▪ A strong and diverse economy ▪ An accessible and connected city ▪ Healthy people ▪ A healthy natural environment ▪ Strong and inclusive communities ▪ A healthy and attractive built 	<p>Public – High Other –Low</p>	<p>Who benefits: Stormwater reticulation, watercourses, major storm events and watercourse quality management, addressed under this activity, are partly for private benefit but mainly for public benefit. This is in terms of dealing with public spaces and the public stormwater system, minimising damage from severe flooding and conducting monitoring and pollution control for the community at large. Economies of scale associated with the provision of the overall system are also recognised.</p> <p>Buildings and pavements increase the necessity for stormwater management and in this respect the built-up areas can be considered to exacerbate the problem.</p> <p>The benefits accrue over a long period, and hence costs need to be appropriately allocated between current and future users. These intergenerational benefits support the ongoing use of debt financing for associated capital works.</p> <p>Who pays: The business sector is estimated to represent around 37% of the city's impervious area after allowing for a proportion of road stormwater allocated to the business sector on the same basis as the roading activity. General rates allocation to the business sector is twice this sector's share of the city</p>

ACTIVITY	OUTCOME	FUNDING SOURCE PROPORTION	FUNDING RATIONALE [LGA 2002 SECTION 101(3)(A)] Who benefits (community as a whole, or individuals, group or users, exacerbators), intergenerational benefits, reasons for funding the activity separately)
	environment		capital value.
Solid Waste			
<p>Council contracts out the collection of residential solid waste and household recycling. It also owns a landfill for the disposal of the city's refuse.</p> <p>Council wishes to promote recycling and waste reduction and to provide for the disposal of the city's solid waste.</p> <p>Commercial operators also provide waste and recycling collection services so that ratepayers have options other than Council services.</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ Healthy people ▪ A healthy natural environment 	<p>Public – Low</p> <p>Other – High</p>	<p>Who benefits: The primary benefits of this activity are private benefits to people whose refuse is disposed of, and this is the classic example of polluter pays.</p> <p>Council provides kerbside recycling which is funded through a targeted rate. Recycling produces public benefits through sustainable resource use and through the deferral of costs involved in replacing landfills.</p> <p>There are also public benefits in ensuring that refuse is disposed of appropriately. The consequences of poorly dealt with waste are immediate public health effects. Longer term health effects can also result from interaction with contaminated sites.</p> <p>The benefits of this activity are ongoing and spread over a long period. These intergenerational benefits support the ongoing use of debt financing for associated capital works.</p> <p>Who pays: The solid waste function makes an overall surplus, particularly as a result of landfill activities. This return on investment compensates Council as a whole and the whole ratepayer base for the long-term business risks of landfill operation and aftercare. Any surplus is therefore used to offset general rates.</p>
Environmental Policy			
<p>Council develops district plan policy and makes changes to the district plan in line with national and regional policy changes and also in line with expectations of the local community. The district plan provides the “rules” by which individuals and businesses can build and undertake activity within the city.</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ A safe community ▪ A strong and diverse economy ▪ An accessible and connected city 	<p>Public – High</p> <p>Other – Low</p>	<p>Who benefits: <i>Environmental Policy:</i> District planning has a mix of private and public benefits, as well as encouraging optimal resource use over time. The District Plan is determined by the community in terms of the Resource Management Act. It therefore applies to, and represents the environmental aspirations of the community as a whole.</p> <p>Who pays: These activities protect the public interests of both residents and business. After maximising user charges (which are minimal and in some years non-existent), the public good portion of this activity cost is allocated in proportion to each sector's share of the total capital value of the city.</p>

ACTIVITY	OUTCOME	FUNDING SOURCE PROPORTION	FUNDING RATIONALE [LGA 2002 SECTION 101(3)(A)] Who benefits (community as a whole, or individuals, group or users, exacerbators), intergenerational benefits, reasons for funding the activity separately)
	<ul style="list-style-type: none"> ▪ Healthy people ▪ A healthy natural environment ▪ A healthy and attractive built environment 		
Environmental Consents			
<p>The Environmental Consents Division is responsible for the regulatory consents and compliance functions for building work in Lower Hutt, for general advice to the public on consenting matters, for co-ordinating LIM applications for Council and for advice on environmentally sustainable residential design and products.</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ A safe community ▪ A strong and diverse economy ▪ An accessible and connected city ▪ Healthy people ▪ A healthy natural environment ▪ A healthy and attractive built environment 	<p>Public – Medium Other – Medium</p>	<p>Who Benefits: <i>Environmental Consents:</i> The environmental consents activity is undertaken to ensure that public welfare is not jeopardised by the actions of individuals or groups now or in the future.</p> <p><i>Building Consents:</i> Current charges for building consents are already considered to be significant. High charges may restrict development activity in the city.</p> <p>Who pays: These activities protect the public interests of both residents and business. After maximising user charges, the public good portion of this activity cost is allocated in proportion to each sector's share of the total capital value of the city.</p>
Local Urban Environment			
<p>Council aims to develop an urban environment that will help to attract people and investment and enhance the city's image. The public space of the city is managed and developed by Council on behalf of the community. The benefits of preserving buildings of architectural, heritage and historic value are to both the community as a whole and the owner or</p>	<p>This activity contributes to all Community Outcomes.</p>	<p>Public – Med/High Other – Med/Low</p>	<p>Who benefits: Council aims to carry out improvements to public areas to improve the amenity value of the city. Most of the benefits from this activity accrue to the community as a whole. Certain parts of the community, such as business owners, may gain distinct private benefits as a result of council work in shopping areas etc.</p> <p>Benefits are ongoing, and work particularly around the preservation of heritage elements is intended for the benefit of future generations. These intergenerational benefits support the ongoing use of debt financing for associated capital works.</p> <p>Who pays: No particular sector or group is considered to drive or benefit from these costs beyond</p>

ACTIVITY	OUTCOME	FUNDING SOURCE PROPORTION	FUNDING RATIONALE [LGA 2002 SECTION 101(3)(A)] Who benefits (community as a whole, or individuals, group or users, exacerbators), intergenerational benefits, reasons for funding the activity separately)
occupier. Council purchases the public benefit of this on behalf of the community.			those groups that can be targeted by user fees. The public good portion of this activity cost is therefore allocated in proportion to each sector's share of the total capital value of the city.
Economic Development			
<p>Council has a leading role in fostering the city's growth in a number of ways.</p> <p>These are through creating a business-friendly environment, facilitating the expansion and creation of local businesses and employment, increasing tourism to the city and contributing to regional growth through regional economic development initiatives. Individual businesses generally have insufficient incentives to explore opportunities that benefit the city as a whole as well as themselves. The city's businesses and residents benefit from Council's support of the business sector and from the promotion of the city as a place to visit.</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ A strong and diverse economy ▪ An accessible and connected city ▪ Strong and inclusive communities 	<p>Public – Med/High</p> <p>Other – Med/Low</p>	<p>Who benefits: These projects are targeted at regional cooperation and growth industries. The general economic development function of Council aims to increase jobs and wealth for the benefit of the whole city in the long term.</p> <p>Who pays: No particular sector or group is considered to drive or benefit from these costs beyond those groups that can be targeted by user fees. The public good portion of this activity cost is therefore allocated in proportion to each sector's share of the total capital value of the city.</p>
City Promotions			
<p>Council undertakes a number of activities in this area including external communications (eg to residents and businesses), marketing and promotions, web based information and local and national level events.</p> <p>Council does this to ensure that all parts of</p>	<p>This activity contributes to all Community Outcomes.</p>	<p>Public – Med/High</p> <p>Other – Med/Low</p>	<p>Who benefits: The beneficiaries of this activity are the people, businesses and organisations in the city who benefit from having access to information, doing business on line with us and who attend or are part of events.</p> <p>Who pays: The City applies for and receives some grant funding to help with specific events in the city. No particular sector or group is considered to drive or benefit from these costs beyond those groups that can be targeted by user fees (minimal). The public good portion of this activity cost is</p>

ACTIVITY	OUTCOME	FUNDING SOURCE PROPORTION	FUNDING RATIONALE [LGA 2002 SECTION 101(3)(A)] Who benefits (community as a whole, or individuals, group or users, exacerbators), intergenerational benefits, reasons for funding the activity separately)
the community have the information they require about Council, are aware of what is happening in the city, can do business with us online and have access to community and other events.			therefore allocated in proportion to each sector's share of the total capital value of the city.
Elected Members			
Council is an elected body that governs the direction and objectives of the activities it is responsible for on behalf of the city. Community representatives on Community Boards and Community Committees are part of Council and provide local input into governance issues. Council is required by law to have elected members.	This activity contributes to all Community Outcomes.	Public – High Other – Low	<p>Who benefits: The beneficiaries of this activity are the people and organisations in the city who benefit through the democratic governance of the city's affairs.</p> <p>Who pays: No particular sector or group is considered to drive or benefit from these costs beyond those groups that can be targeted by user fees. The public good portion of this activity cost is therefore allocated in proportion to each sector's share of the total capital value of the city.</p>

Advice and Support			
<p>This activity involves the processes of policy formation, consultation and public accountability on behalf of Council. The most public examples of this are the annual planning and reporting processes and the development of the city's strategic plans. Professional advice and support are necessary to assist the community and their representatives on Council, Community Boards and Community Committees to make informed decisions on behalf of the community.</p>	<p>This activity contributes to all Community Outcomes.</p>	<p>Public – High Other – Low</p>	<p>Who benefits: The beneficiaries of this activity are the people and organisations in the city who benefit through the democratic governance of the city's affairs.</p> <p>Who pays: No particular sector or group is considered to drive or benefit from these costs beyond those groups that can be targeted by user fees. The public good portion of this activity cost is therefore allocated in proportion to each sector's share of the total capital value of the city.</p>
Support Services			
<p>This activity incorporates the organisational support functions that help Council to provide its other activities in the most efficient and effective manner. It includes:</p> <ul style="list-style-type: none"> ▪ Human Resources Management ▪ Financial Management ▪ Corporate Strategy and Risk ▪ General Counsel ▪ Communication & Marketing ▪ Information Services 	<p>This activity contributes to all Community Outcomes.</p>	<p>Public – High Other – Low</p>	<p>Who benefits: The entire community benefits from the Council being run as an efficient organisation.</p> <p>Who pays: No particular sector or group is considered to drive or benefit from these costs beyond those groups that can be targeted by user fees. The public good portion of this activity cost is therefore allocated in proportion to each sector's share of the total capital value of the city.</p>

APPENDIX 2

REVENUE AND FINANCING POLICY BY ACTIVITY

REVENUE AND FINANCING POLICY BY ACTIVITY								RATE TYPE												
	Gross Expenditure	Gross Revenue	Capital Subsidies	Other Revenue	Loan Funded	Targetted Rate	General Rate	Residential	Business						Utilities	Rural	Community Facilities			Total %
								Res %	Accom %	Central %	Qsgate %	Eastb %	Sub %	Tot Bus %	%	%	CF1	CF2	CF3	
Libraries	9,890	621		621			9,269	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%
Museums	4,472	842		842			3,630	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%
Aquatics and Recreation	12,391	5,986		5,986			6,405	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%
Parks and Reserves	13,158	1,969		1,969			11,189	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%
Community Safety and Connections	2,431	89		89			2,342	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%
Community Facilities Development	11,800	-		-	10,929		871	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%
Regulatory Services	4,193	2,321		2,321			1,872	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%
Emergency Management	817	-		-			817	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%
Roading and Traffic	28,585	17,154	7,502	9,652			11,431	27.4%	1.4%	9.1%	6.5%	0.4%	40.8%	58.2%	11.9%	0.6%	0.4%	1.1%	0.4%	100.0%
Water Supply	15,369	2,485		2,485		12,884	-	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%
Wastewater	20,802	4,135		4,135		16,667	-	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%
Stormwater	7,048	178		178			6,870	61.7%	0.7%	4.6%	3.3%	0.2%	20.9%	29.7%	6.3%	1.3%	0.2%	0.6%	0.2%	100.0%
Solid Waste	7,522	12,900		12,900		1,336	-	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%
Environmental Policy	1,678	-		-			1,678	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%
Environmental Consents	5,103	2,898		2,898			2,205	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%
Local Urban Environment	4,780	300		300			4,480	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%
Economic Development	5,131	150		150		132	-	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%
City Promotions	960	676		676			284	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%
Elected Members	1,826	-		-			1,826	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%
Advice and Support	4,360	-		-			4,360	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%
Support Services	-	1,099		2,109		-	3,208	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%
Total	161,217	54,813	7,502	47,311	10,929	31,019	64,456													
Total Rates	95,475																			
Gross Revenue	54,813																			
Gross Expenditure	161,217																			
Deficit	-	10,929																		