

## **STATEMENT OF PROPOSAL FOR DRAFT 2008 AMENDMENTS TO THE LONG TERM COUNCIL COMMUNITY PLAN 2006-16**

### **Introduction**

This statement is required to be made by the Local Government Act 2002. It is to be read with the draft 2008 Amendments to the Long Term Council Community Plan (LTCCP) 2006-16. The statement has been prepared for the purpose of consulting with the community in respect of the proposals contained in it.

The draft 2008 Amendments to the LTCCP 2006-16:

- (a) Implement the waste minimisation strategy contained in the Council's Waste Management Plan 2006. The Council is required by the Local Government Act 2002 to make provision for the additional cost of implementation in its LTCCP 2006-16, in particular the proposed introduction of a new system for the kerbside collection of waste, organic waste and recyclable materials. This, and other relevant costs, are referred to in the amended financial overview, the income statement, the cashflow statement and the notes to the financial statements.
- (b) Amend the Revenue and Financing Policy to:
  - (i) Accommodate the introduction of a waste minimisation targeted rate to fund the kerbside collection and disposal of organic and other waste and recyclable materials.
  - (ii) Remove reference to the rates and charges of the former Banks Peninsula District Council.
  - (iii) Update the balances of the Church Bay and Governors Bay targeted rates.
  - (iv) Update the relative proportions of capital value for each of the Council's business, residential and rural sectors.
  - (v) Allow the changes reflected in the draft Annual Plan 2008/09 to be implemented.
- (c) The activities of the Christchurch City Council are those identified in its LTCCP 2006-16. The proposals in this draft 2008 Amendments to the LTCCP 2006-16 are the Council's preferred options, and continue the intentions published in that document.

### **Submissions**

The draft 2008 Amendments to the LTCCP 2006-16 will be available for inspection during ordinary office hours at the following places:

- Civic Offices, 163-173 Tuam Street, Christchurch.
- Christchurch City Council Libraries and Service Centres.

A copy of the draft may also be viewed on the Council's website [www.ccc.govt.nz/ltccp](http://www.ccc.govt.nz/ltccp).

Submissions on the draft may be made to the Council from Monday 31 March until 5.00pm on Thursday 1 May 2008. The submissions may be made:

- Electronically at [www.ccc.govt.nz/haveyoursay](http://www.ccc.govt.nz/haveyoursay)
- By email to [consultation@ccc.govt.nz](mailto:consultation@ccc.govt.nz).
- By using the submission forms contained in the draft 2008 Amendments to the LTCCP 2006-16.
- Or in any other written form to the Christchurch City Council, PO Box 237, Christchurch.

Any person who makes a submission will have the opportunity to be heard by the Council, but must make that request. Hearings will be held from Monday 12 May to Wednesday 14 May 2008.

The Local Government Act 2002 requires the Council to make all written submissions on this consultation available to the public. This requirement is subject to the provisions of the Local Government Official Information and Meetings Act 1987. Anyone wishing to withhold any information of a private or personal nature from their submissions should first discuss this with Kevin Roche, Ph 941-8112.

### **Cautionary Note**

The forecast financial statements in these draft 2008 Amendments to the LTCCP 2006-16 have been prepared on the basis of best estimates available at the time of preparing the accounts. Actual results are likely to vary from the information presented and the variations may be material.

The purpose of the draft 2008 Amendments to the LTCCP 2006-16 is to consult with the community. Following the consultation period there may be changes made to the draft Amendments. If at the end of the consultative process the Council decides to make the amendments these will be formally adopted on 25 June 2008.

### **Scope of Information**

The draft 2008 Amendments to the LTCCP 2006-16 cover the operations of Christchurch City Council only. The results of its subsidiary companies are not consolidated.

### **Responsibility**

The Council and management of Christchurch City Council accept responsibility for the preparation of the draft 2008 Amendments to the LTCCP 2006-16 and the judgements supplied therein.

### **Authorisation for Issue**

The draft 2008 Amendments to the LTCCP 2006-16 were considered by the Council on 27 March 2008 and approved for release for the purposes of public consultation.

The 2008 Amendments to the LTCCP 2006-16 will be issued in final form, following public consultation, no later than 1 August 2008.

### **Details of the Proposal**

It is proposed that the LTCCP 2006-16 be amended by:

- (a) Replacing pages 75, 143, 181, 184, 185, 186 and 187 with new pages, copies of which are attached.
- (b) Replacing the existing Revenue and Financing Policy with a new policy, a copy of which is attached.

### **Reasons for the Proposal**

Section 539 of the Local Government Act 1974 requires every local authority to adopt a Waste Management Plan. This is to:

- (a) Make provision for the collection and reduction, reuse, recycling, recovery, treatment, or disposal of waste; and
- (b) Provide for its effective efficient implementation.

In adopting its Waste Management Plan, the Council followed the special consultative procedure. There were also a number of Council seminars held and in February 2006 the Council established a working party to investigate options for achieving the vision, goals and targets contained in the Plan. Following receipt of the working party's recommendations and further seminars, the Council adopted the Waste Management Plan 2006 in November 2006.

The Council is now at the point where it proposes to implement the waste management strategy contained in the Plan. The cost of new processing plants for organic waste and recyclable materials have already been provided for in the LTCCP 2006-16. The cost of an enhanced kerbside collection service has yet to be included and is subject to consultation. The result of the consultative process carried out in the period 2005-2007 was that two options for the collection service were considered to be capable of meeting the Council's criteria for its waste minimisation strategy. These were a two bin and a bag system and a three bin system.

Under the two bin and a bag system, the Council would provide a 240 litre wheelie bin for the fortnightly collection of an expanded range of recyclable materials and an 80 litre wheelie bin for the weekly collection of organic waste (food scraps and green waste). Official Council rubbish bags would continue to be collected each week, although residents would need to buy the bags from supermarkets or service centres.

The three bin system includes, in addition to the wheelie bin collection service for organic waste and recyclable materials, a 140 litre wheelie bin for the collection of household rubbish.

Following adoption of the Waste Management Plan 2006, further work was carried out in respect of the two options. In December 2007 Council staff were authorised to conclude contractual terms and conditions and finalise commercial discussions with a preferred tenderer for both a two bin and bag and three bin system. On 4 March 2008 the Council resolved to adopt the three bin system as its preferred option.

The reasons for this were:

- (a) As a result of the tender process, the cost of collecting household rubbish in a bin will be less than the cost of using "user pays" bags.
- (b) Using a bin removes the need to have runners working with each collection vehicle and is a better option from a health and safety point of view.
- (c) The current practice in New Zealand of collecting rubbish in bags will be phased out during the terms of this project.
- (d) Using a bin will address issues of littering and damage to bags caused by animals.

Also at its meeting on 4 March 2008 the Christchurch City Council resolved to approve the rate and user-charge funding of its waste minimisation strategy as follows:

- A new uniform targeted rate for organic waste and recycling;
- A 75% part charge for outlying depot based service (predominantly in the Banks Peninsula wards);
- User charges for collections within the CBD; and
- The balance of the net cost funded by general rates.

The proposed targeted rates will be charged on a uniform basis to all occupied parts of a rating unit which receive or are entitled to receive the standard service of three separate bins for organic waste, recycling and rubbish. An alternative service will be available in specific circumstances that will be defined by the Council under its service entitlement rules. Those few rating units (mainly in the Banks Peninsula wards) that do not have a kerbside collection service will have access, for a part charge, to refuse depots.

Introduction of the new targeted rates requires changes to be made to the Revenue and Financing Policy which can only be done by an amendment to the LTCCP.

The opportunity has also been taken to further amend the policy by removing reference to the rates and charges of the former Banks Peninsula District Council, updating the balances of the Church Bay and Governors Bay targeted rates and updating the relative proportions of capital value for each of the business residential and rural sectors.

### **Financial Considerations**

The additional cost of implementing the Council's waste minimisation strategy, with the three bin kerbside collection service will be \$6.2 million in 2008/09 and \$12.4 million in 2009/10. Compared to the financial information contained in the LTCCP 2006-16 (which was prepared two years ago and does not reflect other minor subsequent changes) the cost impact will be \$6.7 million in 2008/09 and \$10.2 million in 2009/10.

These costs have been included in the Council's draft Annual Plan 2008/09 but have not previously been budgeted for in the LTCCP 2006-16. For this reason, and because of the significance of the additional cost, the Council is required by the Local Government Act 2002 to consult with its ratepayers before it can make a decision to amend the LTCCP to reflect the additional cost.

The changes required to budgeted figures for subsequent years of the LTCCP 2006-16 are reflected in the replacement page 75 attached.

At present the Council provides free to ratepayers 26 rubbish bags each year with the cost, including collection and disposal charges being recovered through the general rate. If "user pays" bags were introduced for the collection and disposal of rubbish as part of the two bin and a bag system, this cost would fall on ratepayers choosing to use that service, in addition to the net cost of the system that would be funded by rates.

The total cost of the three bin system will be \$21.5 million in 2008/09. It is proposed that of this sum, \$11.3 million will be funded from the new targeted rates and \$10.2 million will be funded from general rates.

Where the level of service for the collection and disposal of waste and recyclable materials is different for outlying properties, predominately in the Banks Peninsula wards, a lower uniform targeted rate (75% of the full charge) will be assessed to the rating units in this area.

The central business district will substantially continue with the current level of service. For both commercial and residential ratepayers, the current recycling bins will be withdrawn and replaced with "user pays" recycling bags. For commercial ratepayers there will be no change to the level of service currently provided to them. Residential ratepayers will be required to pay for rubbish bags.

### **Social Considerations**

The Council has had regard to social considerations, particularly the potential impact of the new waste minimisation targeted rates. It is the Council's view that any impact in terms of the present and social wellbeing of ratepayers is minimal. The Council's proposal strikes a balance between the general benefits of an enhanced kerbside collection service funded by general rates and the direct benefits service being funded by uniform charges.

The proposal allows the Council to charge only those ratepayers who receive the enhanced service by way of the uniform charge. A full targeted rate option would have a higher social impact on lower valued properties.

The Council has also considered the impact the proposed three bin system may have on various sectors of the community, particularly the elderly, those living in apartment buildings and in hill suburbs. Smaller bins, communal waste collection bins and a suitable collection system for some properties on the hills are being considered.

### **Environmental Considerations**

Implementation of the Council's waste minimisation strategy will result in the reduction of waste (particularly organic waste) going to the Kate Valley Landfill. There will also be greater opportunities for recycling. Currently 630 tonnes of rubbish per day are taken from Christchurch to that facility. The proposed introduction of the new kerbside collection service will assist the city's aim of becoming the most sustainable city in New Zealand.

The new system will reduce the amount of rubbish going to the landfill by one third. Kitchen scraps and garden green waste will be composted rather than dumped. 20% of the rubbish could be recycled. A third less rubbish would result in 2,000 fewer return trips to Kate Valley. This means reduced carbon emissions and less congestion, wear and tear on our roads.

The three bin system for the kerbside collection of waste, organic waste and recyclable materials has been introduced in Timaru where already the amount of waste going to landfill has been reduced by 70%.

### **Cultural Considerations**

The Council is not aware of any cultural issues that should be taken into account in respect of the proposals contained in this statement.

## **Economic Considerations**

Successful implementation of the 2006 Waste Management Plan will result in considerable benefits to the Council's ratepayers. It is acknowledged that to achieve these benefits, it will be necessary to increase rates in the 2008/09 and 2009/10 financial years. This increase will be maintained in subsequent years.

The Council has considered the impact on the rates and user charges that will result from implementation of its waste minimisation strategy. If all costs were recovered in the general rate charging structure by relative capital value, any increase in costs resulting from a change in the level of service would be met by all ratepayers in proportion to the capital value of their properties. If the costs were recovered by way of a targeted rate, they would be met by all ratepayers using the service. The proposed option is that costs will be recovered partially by a targeted rate, with the balance to be funded by the general rate.

An analysis of the rates impact on a sample of properties is attached.

## **Risks**

The risks of not adopting the waste minimisation targeted rates may be that the implementation of the strategy is delayed. The effect of this would be that waste going to the Kate Valley would remain at current levels, and likely to increase.

## **Analysis of Options Considered by the Council**

As indicated earlier, the Council has resolved that the three bin system for the kerbside collection service is its preferred option. The reasons for this are:

- (a) The current collection service has limited capacity for recyclable materials and there are serious health and safety issues associated with it. In addition, continuing with this service would not enable the Council to meet its waste reduction targets.
- (b) The two bin and a bag system would be more expensive to operate. The cost of collecting and disposing of household rubbish in "user pays" bags would be more than the cost of using bins.
- (c) Using a bin to collect household rubbish removes the need to have runners working with each collection vehicle. A bin is a much safer option and in fact the use of bags for the collection of rubbish is being phased out.
- (d) Using a bin will address issues of littering and damage to bags caused by animals.

The current charging option for waste collection and disposal has all the costs recovered in the general rate by capital value. If this was to be used to fund the Council's waste minimisation activities, any cost increases resulting from a change in the level of service would impact on all general ratepayers proportionally to their capital value.

The Council could adopt a single, but differentiated uniform targeted rate. However, it is believed that a simpler and clearer option is a separate targeted rate for each of the two areas of benefit. In addition this method of funding puts more of the cost into rates, as opposed to a user pays approach that operates outside the rating system.

The Council considered three options before approving for consultation the proposal set out in this statement. These were:

- (a) The current system of recovering all costs in the general rate by the relative capital value of properties. If this option was adopted for the implementation of the waste minimisation strategy, any cost increases resulting from a change in the level of service would have to be met by all general ratepayers in proportion to the capital value of those properties. Those in lower valued properties would face a higher percentage increase than those whose homes were worth more.

- (b) A second option was to recover all costs under a targeted rate. Where drop-off facilities only were available, ratepayers would pay 75% of the full charge. The central business district would have a system of user charges and a small balance of costs remaining would be covered by general rates. A single but differentiated uniform targeted rate is considered not to be as simple nor clear as a separate targeted for each of the two areas of benefit.
- (c) The preferred option is as follows:
- (i) The costs of the enhanced kerbside collection service will be recovered by way of a targeted rate;
  - (ii) For those properties, mainly in the Banks Peninsula wards, where community drop-off facilities for rubbish and recycling only are available, a lower uniform targeted rate (75% of the full charge) will be paid;
  - (iii) For the central business district, a system of user charges will be introduced that will extend to both residential and business premises for the collection and disposal of waste and recyclable materials; and
  - (iv) The balance of the net cost will be funded by general rates.

The attached table (Appendix 1) shows the impacts on a sample of rating units at various capital values.

The options shown are:

1. For the proposal to change the method of collection of waste:
  - (a) 2008/09 rate requirement for the current bag and crate system, made up of the Annual Plan rate requirement for 2008/09 (under the three bin system) less the additional costs of \$6.2 million of that year for the three bin system.
2. For the proposal to change the rate structure:
  - (a) 2008/09 rate requirement with the new Waste Minimisation Strategy of 3 bins, under:
    - (i) Rate charge - Option 1 - the current general rate system
    - (ii) Rate charge - Option 2 - a new Waste Rate for Organics and Recycling only
    - (iii) Rate charge - Option 3 - a new Waste Rate for all 3 bins
  - (b) 2009/10 rate requirement with the new Waste Minimisation Strategy of 3 bins. For the purposes of this comparison the rate increase has been estimated at 5% after growth in the rate base plus the additional waste minimisation costs of \$6.2 million.

The rate options are:

- (i) Rate charge - Option 1 - the current general rate system
- (ii) Rate charge - Option 2 - a new Waste Rate for Organics and Recycling only
- (iii) Rate charge - Option 3 - a new Waste Rate for all 3 bins

### **Report from the Auditor**

Section 84(4) of the Local Government Act 2002 requires that a statement of proposal for a amendment to the LTCCP must contain a report from the Council's auditor. That report is attached.

**Proposed Amendments to the LTCCP 2006-16**

It is proposed to amend the LTCCP 2006-16 as follows:

- (a) By replacing the Council's Revenue and Financing Policy with the new policy contained in the document "Draft 2008 Amendments to the Long Term Council Community Plan 2006-16".
- (b) By amending the costs of the proposed services resulting from implementation of the 2006 Waste Management Plan, in particular the new system for the kerbside collection of organic and other waste and recyclable materials, at page 75 and 143 of the LTCCP 2006-16.
- (c) By reflecting the amended costs in the Financial Overview (page 75), the Income Statement (page 181), the Cash Flow Statement (pages 184-185) and the notes to the financial statements on pages 186-187 of the LTCCP 2006-16 (some of these pages were also amended in the 2007 Amendments to the LTCCP 2006-16).