

# **CHRISTCHURCH CITY COUNCIL AGENDA**

**THURSDAY 16 JUNE 2005**

**AT 9.30AM**

**IN THE COUNCIL CHAMBER, CIVIC OFFICES**

**Council:** The Mayor, Garry Moore (Chairperson).  
Councillors Helen Broughton, Sally Buck, Graham Condon, Barry Corbett, David Cox,  
Anna Crighton, Carole Evans, Pat Harrow, Bob Shearing, Gail Sheriff, Sue Wells and Norm Withers.

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16. 6. 2005

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1. **APOLOGIES**
  
2. **CONFIRMATION OF MINUTES - COUNCIL MEETING OF 9.6.2005**  
Attached.
  
3. **DEPUTATIONS BY APPOINTMENT**
  
4. **PRESENTATION OF PETITIONS**
  
5. **CORRESPONDENCE**

**6. 26 RUBBISH BAGS – ONE YEAR ON**

<b>General Manager responsible:</b>	General Manager City Environment
<b>Officer responsible:</b>	City Water and Waste Manager
<b>Author:</b>	Tony Moore, Senior Planner, Solid Waste, DDI 941 6426

**PURPOSE OF REPORT**

1. The purpose of this report is to update the Council on the first year under a 26 rubbish bag regime.

**EXECUTIVE SUMMARY**

2. In April 2004 the number of rate-funded rubbish bags allocated via a coupon system to each fully rateable property was reduced from 52 to 26 bags per year. Encouraging waste minimisation and reducing the annual rates demand were the main drivers for the reduction in rubbish bags.

The impact of this decision over the last 12 months has been:

- (a) The cost of providing 26 rubbish bags per year to each property has come off the rates, meaning that the rates are now 1.2% lower than they would have been with a 52 rubbish bag allocation.
  - (b) A 16% increase in the amount recycled at the kerbside.
  - (c) A 10% reduction in the amount collected in black rubbish bags.
  - (d) A 34% reduction in the number of rubbish bags acquired by residents from the Council (i.e. both purchased and allocated via the coupon system).
  - (e) A 10% increase in the number of households using private waste collection services.
  - (f) No increase in illegal dumping, but the amount of household rubbish collected in roadside litter bins increased by 15% above the long-term average.
  - (g) An average of 1.4% of households were initially using non-Council bags to dispose of their household rubbish. This has now fallen to below 0.3%.
  - (h) Education and enforcement programmes have been commenced to encourage waste minimisation and to reduce the inappropriate disposal of waste.
3. The move to 26 rubbish bags has been an important step towards meeting the Council's waste reduction targets. Initial and short-term problems related to the changes are being managed. However, it is evident from the recent 12% increase in total waste going to landfill that the Council, residents and businesses all need to do more to minimise waste.

**STAFF RECOMMENDATIONS**

It is recommended that the Council receive this information.

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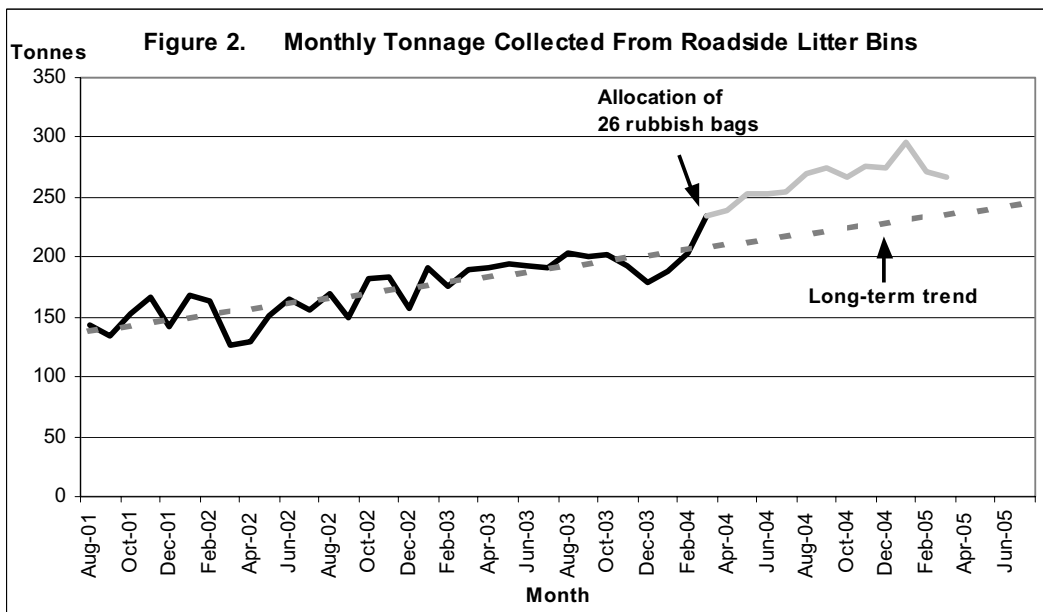
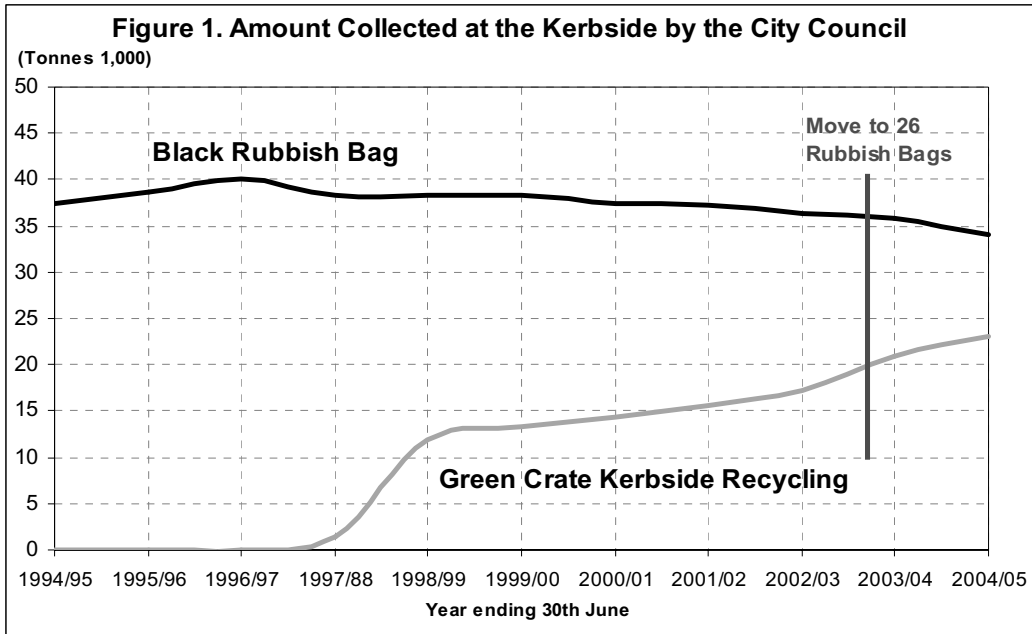
**BACKGROUND ON 26 RUBBISH BAGS – ONE YEAR ON**

4. Through its deliberations of the 2003/04 Annual Plan in June 2003, the Council decided to lower the number of rate-funded rubbish bags from 52 to 26 bags per property per year. The Council made this decision after a special consultative process that included two separate letters to all ratepayers (via the quarterly rates demand), a media campaign and wide-ranging public feedback (via telephone surveys and the Annual Plan consultation process). Initially, the proposal was to provide no rate-funded bags, but the Council decided to go halfway and provide 26 bags per property per year.
5. In April 2004 the first allocation of 26 rate-funded bags occurred via a coupon for each fully rateable property. The availability of rubbish bags, for about \$1.00 per bag at supermarkets and Council service centres, for those households that required more bags, remained unchanged with the decision (*note: the price charged for official Council rubbish bags includes the cost of providing, collecting and disposing of the bags*).
6. It would be premature to judge the effectiveness of the 26 rubbish bag decision on the first year of the scheme. The full effect of the bag reduction has yet to occur for the following reasons:
  - People need time to adjust to the new system and to find their own solutions to minimise waste.
  - Many households are still using bags left over from previous allocations.
  - Further improvements are planned for the kerbside recycling services as outlined in the Solid and Hazardous Waste Management Plan (e.g. increasing the range of materials able to be recycled at the kerbside).
  - An anticipated shift to private waste collection services occurred as a result of the providers carrying out aggressive promotion campaigns and owing to public uncertainty about the changes. National and international experience would suggest that many of these households will revert back to the Council rubbish bag system once things settle down and as the price for these private services increases with the disposal of waste to Kate Valley.
7. Despite these constraints the following observations can be made about the last 12 months (from 1 May 2004 to 30 April 2005):
  - (a) The cost of providing 26 rubbish bags per year to each property has come off the rates, meaning that the rates are now 1.2% lower than they would have been with a 52 rubbish bag allocation.
  - (b) A 16% (3,800 tonne) increase in the total amount collected in green recycling crates (Figure 1 below), with contamination remaining at previous background levels (below 2% by weight).
  - (d) A 10% (3,360 tonne) reduction in the total amount of waste collected in black rubbish bags (Figure 1 below). This waste reduction equates to a saving for the community of nearly \$500,000 (at \$148 per tonne to collect and dispose of the rubbish bags). The weight of individual rubbish bags rose from an average of 4.6 kg to 5.5 kg per bag. Therefore, people are fitting more into each bag, but throwing out less household rubbish overall. It is important to place this achievement in context, because over the last year the total amount of waste landfilled increased by 12%, largely due to the buoyant economy. The amount collected in rubbish bags could have increased accordingly. The fact that it fell, and that kerbside recycling increased, indicates the success of the scheme.
  - (e) A 34% reduction in the number of rubbish bags acquired by residents from the Council compared to the same period in the previous year (i.e. 2,900,000 fewer bags were either purchased or allocated to residents by the coupon system in 2004/05 than in 2003/04) indicating, that people are making do with fewer bags or are using bags left over from previous allocations.

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- (f) A 10% increase in the use of private waste collection services, as a result of waste companies undertaking aggressive promotional campaigns and public uncertainty around the decision. Prior to the change Council officers expected an initial 20% shift to private services. Experience elsewhere would suggest that households will revert back to Council services in time.
  - (g) Illegal dumping in the city has remained at background levels (e.g. 12 reported cases via Requests for Service per week including dumping in parks, waterways and other areas), but the amount of household rubbish collected in roadside litter bins has increased 15% above long-term trends (Figure 2 below). A programme to manage this issue was implemented during the year, including placing stickers on the roadside litter bins and ongoing enforcement.
  - (h) An average of 1.4% of households were initially using non-Council bags to dispose of their household rubbish. An initial situation arose where some residents mistakenly purchased and used non-Council rubbish bags. These bags were not collected and marked with rejection stickers, in line with normal practices. Where this mistake was made consistently, notices were placed in letterboxes to inform residents of the correct way to dispose of household refuse and this issue has now returned to background levels (below 0.3% of households). The Council has taken a firm line on the use of non-Council rubbish bags and on average only 13 telephone calls per week asking for the Council to remove non-Council bags have been received. *Note: only official Council bags, those clearly marked with the Council logo, are collected because the bag price includes the cost of collecting and disposing of the rubbish.*
  - (i) Education and enforcement programmes have been commenced to encourage waste minimisation and to reduce the inappropriate disposal of waste (e.g. illegal dumping, use of non-Council rubbish bags and contamination in recycling crates).
8. In spite of an initial reluctance from the public, Council staff have received very few complaints and in some instances letters in support of the decision have been received. Anecdotally, public opinion remains polarised on the issue. Experience from elsewhere indicates that after an initial resistance, people accept direct charging for refuse disposal ("pay as you throw" systems) and see them as a fair way to pay for waste disposal services and to minimise waste.
9. Moving to 26 rubbish bags has been an important step toward meeting the Council's waste reduction targets. The initial and short-term problems related to the changes are being managed. Proposed improvements to the kerbside collection services and increasing waste disposal costs related to Kate Valley, will further encourage waste diversion. However, the recent 12% increase in total waste going to landfill, clearly indicates that the Council, residents and businesses, all need to do more to minimise waste.

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**7. AUDIT AND RISK MANAGEMENT SUBCOMMITTEE STRUCTURE AND TERMS OF REFERENCE**

<b>General Manager responsible:</b>	Chief Executive
<b>Officer responsible:</b>	Chief Executive
<b>Author:</b>	Bob Lineham, Director of Strategic Investment, DDI 941-8411

**PURPOSE OF REPORT**

1. To review and recommend to the Council a revised structure for the Audit and Risk Management Subcommittee and approve new terms of reference which reflect good governance practice.

**BACKGROUND**

2. Good corporate governance practice normally includes an Audit Committee which is charged with overseeing and monitoring the relationship with external and internal auditors, and satisfying itself on behalf of the board (Council) that good risk management practices are in place in the organisation.
3. The current terms of reference of the Council's Audit and Risk Management Subcommittee were established without detailed consideration and there is now a need to give more careful consideration to whether these terms of reference adequately reflect good governance practice in today's world. These terms of reference are:
  - Approve the Annual Report and Audited Financial Statements of the Council.
  - Review and approve significant accounting policy changes.
  - Review the format of financial reports prior to audit.
  - Evaluate the adequacy and effectiveness of the administrative, operating and accounting policies through active communication with the external and internal auditors and consideration of their report.
  - The authority to recommend to the Council amended terms of reference for this subcommittee.
4. It is clear from the final point in the terms of reference that there was an intention to review these.
5. Apart from a period when a previous Council used this subcommittee to concentrate on cost savings (not the normal use of an audit committee), the Audit and Risk Management Subcommittee has had a limited role mostly relating to review of the external audit management letter, approval of the annual report and approval of some complex accounting policies.

**DISCUSSION**

6. The *Audit Committee's Best Practice Guide* (published by the Auditing and Assurance Standards Board of the Australian Accounting Research Foundation, Australian Institute of Company Directors and the Australian Institute of Internal Auditors) outlines the functions which are common for Audit Committees to have in order to achieve good corporate governance practice:
  - Assisting the board of directors to discharge their responsibility to exercise due care, diligence and skill in relation to:
    - Reporting of financial information to users of financial reports
    - Application of accounting policies
    - Financial management
    - Internal control systems
    - Risk management systems
    - Business policies and practices
    - Protection of the entities' assets
    - Compliance with applicable laws.

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- Improving the credibility and objectivity of the accountability process.
  - Providing a formal forum for communication between the board of directors and senior financial management.
  - Improving board efficiency by allowing such matters to be discussed in sufficient depth without the whole Board being involved.
  - Improving effectiveness of internal and external audit functions by being a forum for communication with these functions.
  - Facilitating the independence of the external auditor.
  - Providing a structure for internal audit reporting and enable the independence of the internal audit.
  - Improving the quality of internal and external reporting of financial and non-financial information and reports.
  - Fostering an ethical culture throughout the entity.
7. In the case of a local authority, the Council exercises the functions of a governance board and while not all the above functions are fully applicable, most will be relevant.
8. It is accepted best practice that an audit committee would have the following membership composition:
- A subcommittee of the Council.
  - In some circumstances (particularly the public sector) independent individuals with expertise may be appointed to such committees where the Board or Council do not have that expertise.
  - A majority of the members of the subcommittee need to have financial literacy and experience with financial and business matters.
  - The subcommittee chairperson should be appointed based on the person's leadership and other skills.
  - The chairperson of the subcommittee should not be the chair of the main board (ie the Mayor).
  - Staff attending meetings have no voting powers.
9. The appointment of an Audit and Risk Management Subcommittee is an important part of the accountability chain and enables complex issues of a financial nature to be discussed by those who have sufficient knowledge and interest to be effective in a forum away from the main Council meeting. This recognises that the complexities of financial issues are too complex for general Council review and need to be focussed on by a small group with some knowledge and expertise.
10. As would be expected with any large organisation, there needs to be good systems of internal control, risk management, and internal and external audit. Each of the components has a role to play and it would not be expected that the subcommittee would get into the detail of the operations through this subcommittee. However, by having summary reports and the internal and external auditors having access to the subcommittee and its Chairperson, the subcommittee will be able to satisfy itself that there are adequate safeguards in place.
11. For example, the Internal Auditor produces very detailed reports on a wide range of topics which deal with a lot of detail, sometimes at a low operational level, and makes recommendations to management. He follows up on implementation and reports through the management structure in a summarised way. It would be inappropriate for the Audit Subcommittee to get involved in the detail of these reports, but it should be informed in summary of the work that has been done and any serious unresolved issues.
12. Internal audit is an important management tool for good internal accountability and this should remain its main focus, but the Internal Auditor should attend all meetings of the subcommittee whether he has issues on the agenda or not so that he is familiar with the subcommittee and will feel free to report and utilise his right to direct access to the subcommittee and its chair should that be necessary.
13. It would be normal practice for the Internal Auditor to submit his annual work plan to the subcommittee and report back against that on a periodic basis at summary level.



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14. Because of the representational nature of the Council, it is not always going to be possible to get members of the Council with expertise in financial matters to be on the Audit Subcommittee. It is nevertheless important that the subcommittee membership has a significant number of elected members because the Council needs to have confidence in the subcommittee. Because of this, it will be sensible to add to the subcommittee some independent external expertise.
15. A local example of where this has happened is at the University of Canterbury where the Audit and Risk Committee comprises three lay members of the University Council plus two co-opted members. In the University's case, the lay members comprise an accountant and an experienced business person, and the two co-opted members are similarly qualified making for a very experienced committee. It is suggested that at least two external persons be added to the Council's Audit and Risk Management Subcommittee.
16. Ideally the Audit and Risk Management Subcommittee should have three to five members including external appointments. The current committee comprises four members and it is suggested that for the remainder of the current term of the Council that it be increased to six to accommodate two additional external members.
17. Risk management is also a topic typically reviewed by an audit committee. Such a review would ensure that management and the Council are complying with its policies, and respond appropriately to risk issues in the widest sense which include market, credit, liquidity, operational and commercial risk.
18. Risk management is a matter that needs to be embodied in all our managers' roles. It is not a function that one assigns one individual to be responsible for. Management is already charged with developing a framework and process for identifying and monitoring risk. This will be introduced to the Council by end of June. It is reporting from this process that should be referred to the Audit and Risk Management Subcommittee.

**STAFF RECOMMENDATIONS**

1. That the existing subcommittee be enhanced by the addition of two external appointees with experience in financial/risk management and that the CEO be authorised to negotiate a suitable retainer fee to be paid to these members.
2. That the chair of the Audit and Risk Management Subcommittee be appointed by the subcommittee from amongst its own ranks but that as a matter of policy the Mayor not be the chair.
3. That the Mayor and Chief Executive approach suitable external candidates for appointment and report back to the Council with their recommendations.
4. That the terms of reference for the Audit and Risk Management Subcommittee be amended to the following:
  - To consider and discuss with the external auditors their summary report at the conclusion of each audit and any other reports which are provided direct to the Audit and Risk Management Subcommittee.
  - To discuss with the Internal Auditor the annual work plan and approve that plan.
  - To receive from and discuss with the Internal Auditor a summary report on their audit activity.
  - To provide direct accessibility for the internal and external auditors on issues which, in the view of the respective auditors, should be made known to the subcommittee.
  - To review and approve all significant accounting policies.
  - To recommend that the Council approves the Annual Report and Audited Financial Statements.
  - To receive six-monthly reports from management regarding the adequacy of risk management practices in the organisation.

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5. The following practices should be standard for the subcommittee:
- The subcommittee will meet at least four times a year.
  - At least once a year the subcommittee shall meet with the internal and external auditors without management present.
  - The subcommittee will principally rely on discussions and reports from staff, and remain at arm's length from operational activity.
  - The subcommittee may initiate investigations and call for reports on issues of concern appropriate for a committee of this type.
  - The subcommittee will act collectively and individual members will not undertake personal investigations.
  - The subcommittee will be serviced by the Secretariat.
  - The Chairperson of the subcommittee may initiate meetings as they sees fit.

**8. CAPITAL TRANSFERS WITHIN BUDGETS**

<b>General Managers responsible:</b>	General Manager Corporate Services and General Manager City Environment
<b>Officers responsible:</b>	General Manager Corporate Services and General Manager City Environment
<b>Author:</b>	Roy Baker, DDI 941-8540

**PURPOSE OF REPORT**

1. To enable a transfer of capital projects between the 2004/05 and 2005/06 years.

**EXECUTIVE SUMMARY**

2. The Transport and City Streets Unit is looking to reprogramme some capital projects between 2004/05 and 2005/06.
3. This would normally be handled by the General Manager Corporate Services under delegations pursuant to the Capital and Operating Budgets section of the delegated powers register. However, a number of projects are over the delegated limit of \$300,000.
4. The effect over the two financial years is a zero cost change, ie it is caused by timing issues only.
5. The requested transfers (in total) are attached as Appendix 1. While Council approval is only required for transfer projects greater than \$300,000, it is considered appropriate for the Council to view these in the context of the total requested changes of plus or minus \$2.856 million, and therefore nil rate impact.

**STAFF RECOMMENDATIONS**

It is recommended that the Council approve the reprogramming of Transport and City Streets projects as detailed in Appendix 1.

**9. FUNDRAISING CO-ORDINATION - QUARTERLY REPORT**

<b>General Manager responsible:</b>	General Manager Corporate Services
<b>Officer responsible:</b>	Corporate Support Manager
<b>Author:</b>	Paul Comrie, Operations Team Leader, DDI 941-8795

**PURPOSE OF REPORT**

1. The purpose of this report is to inform the Council of applications for funding that have been forwarded to funding agencies by the Corporate Support Unit on behalf of Council units. Details of funding applications are required to be reported to the Council on a quarterly basis.

**EXECUTIVE SUMMARY**

2. The following applications were forwarded to funding agencies during the period 1 March–31 May 2005:

<b>Project/Event</b>	<b>Time of Project/Event</b>	<b>Money applied for</b>	<b>Money Received</b>	<b>Funding Agency</b>
4YP Youth Entertainment Project	July 2005- June 2006	70,000	47,500	The Canterbury Community Trust
Comment: Shortfall will be met by delivering less than planned for in the application.				
Heritage Week	August 2005	15,000	Awaiting decision	The Canterbury Community Trust
Settlement Support Christchurch	July 2005 – June 2006	150,000	Awaiting decision	The Department of Labour
Comment: Settlement Support is a nationwide Department of Labour initiative to coordinate support for refugees and migrants.				

3. The table below lists, for information, money received by the Council as a result of an application previously reported:

<b>Project/Event</b>	<b>Time of Project/Event</b>	<b>Money applied for</b>	<b>Money Received</b>	<b>Funding Agency</b>
Kiwiable Programme	July 2005 - June 2006	32,000	20,000	The Canterbury Community Trust (Disabled Sector)
Comment: Shortfall will be met by reducing the number of projects in the programme.				

**STAFF RECOMMENDATION**

It is recommended that the Council receive this information.

**10. REPORT OF THE BURWOOD/PEGASUS COMMUNITY BOARD**

Attached.

**11. REPORT OF THE FENDALTON/WAIMAIRI COMMUNITY BOARD**

Attached.

**12. REPORT OF THE SHIRLEY/PAPANUI COMMUNITY BOARD**

Attached.

**13. REPORT OF THE SPREYDON/HEATHCOTE COMMUNITY BOARD**

Attached.

**14. NOTICES OF MOTION**

**15. QUESTIONS**

**16. RESOLUTION TO EXCLUDE THE PUBLIC**

Attached.