



2013 PROPOSED AMENDMENT TO LONG TERM PLAN 2012

DRAFT

This document proposes a 2013 amendment to the Revenue and Financing Policy of the 2012 Long Term Plan



2013 Proposed Amendment to the 2012 Long Term Plan

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Introduction

The Kāpiti Coast District Council adopted on 21 March 2013 a proposed amendment to the 2012 Long Term Plan.

The proposed amendment is required as a result of a change to Council's Revenue and Financing Policy and also due to changes to the levels of service provided in the Solid Waste Activity by the Council.

Full explanations for the change are detailed in the introductory text to the proposed amendment.

2013 Draft Amendment to the 2012 Revenue and Financing Policy

The Council intends to amend the Revenue and Financing Policy published in the 2012 Long Term Plan adopted on 28 June 2012 (pages 4 to 36 of Part Two refer).

2013 Proposed Amendment to the Solid Waste Section of the 2012 Revenue and Financing Policy

Solid Waste

- Change to Bag and Recycling Collections

The Council's contract for bag and recycling collections ends on 30 June 2013. The Council proposes that as from 1 July 2013 it exits the provision of a direct rubbish bag collection and recycling collection service. This proposal to exit is because it is no longer financially viable for the Council to provide these services due to the declining sales of Council rubbish bags.

The Council will ensure that the refuse bag collection and recycling collection services within the District are provided by licensed refuse collection operators. The operators will continue to be monitored by the Council under its licensing system and ensure the requirements of any license are enforced.

Other than this proposed change overall management of solid waste services will continue as a core activity. This includes continuing to operate as a registered Zero Waste Council which strongly supports reducing waste to landfill. As such it will continue with licensing waste collectors and operators, provision of recycling drop-off sites, transfer stations and the Otaihanga landfill operation (closure and aftercare). It will also continue to provide waste minimisation education and be responsible for resource consent management, and strategic development on a regional level.

The reason for this proposed change is that other alternative providers are currently offering bag collection services, including recycling, at a much lower rate than the Council can match.

This proposed change means that refuse bag collection and kerbside recycling collection services will continue, but they will be provided by licensed refuse collectors rather than Council taking financial responsibility for those services. This approach of private sector provision of services provided that this includes waste minimisation services is consistent with the Council's wider objective of encouraging a general waste minimisation economy and businesses. The Council will still continue to monitor the overall service and ensure that the operators are meeting their requirements under the licence and also that waste minimisation objectives are being met.

The reason Council's bag prices are higher than those being provided by alternative providers in the market is that the Council has to cover the costs of providing kerbside recycling to those ratepayers who use the recycling service weekly, but only use the refuse bags collection service infrequently. There is insufficient revenue from the refuse bag sales to cover the cost of recycling. The alternative providers are currently developing systems to cater for a user-pays kerbside recycling for bag users e.g. by a sticker system, an annual fixed charge or a register of users. Private



collectors will not provide services to customers who do not pay for them and so in the future if this proposed change is made there will be a full user pays system for bags and kerbside recycling. The estimated cost for the provision of 52 weeks of kerbside recycling is in the order of \$45-\$55 per household. On this basis we would expect that user pays for kerbside recycling will continue to be cheaper for a household than the cost of rubbish bags and therefore provides households with a choice in terms of managing their waste disposal costs.

Council's collections monitoring role is currently recovered through revenue from the sale of rubbish bags. In future this cost will be met from Districtwide rates from 1 July 2013.

Waikanae Recycling Centre

The level of service for Waikanae Recycling Centre will not change from what is currently provided (seven days per week and 8am to 5pm). To continue with this level of opening hours an additional \$15,000 per annum is required in the 2013/14 year and therefore a targeted rate of \$15,000 will be charged on the Waikanae community area. These costs will form part of the Waikanae Local Community Rate.

Ōtaki Transfer Station

For the Ōtaki Transfer Station it is proposed that the service continue to be provided seven days a week (8am to 5pm). The current operational contract will be extended until October 2013 to allow for the re-tendering process to commence before 30 June 2013. Once the re-tendering process is complete it may be necessary to reduce the opening hours of the Ōtaki Transfer Station to keep within the total budget for this service.

Proposed Change to Funding Split

In the 2012 Long Term Plan the Solid Waste Activity section of the Revenue and Financing Policy provides for a 99% private and 1% public funding split, with the 1% public funding being funded from rates.

With the proposed changes to the Solid Waste Activity the public/private split will change to 75% private and 25% public, with the 25% public benefit being funded from Rates. The 75% private benefit is primarily funded through the Transfer Station Charges at Ōtaki, the recovery of loan servicing costs on the Otaihangā Resource Recovery Centre and bio-solid revenue. This split more accurately reflects the public good components of expenditure.

The Solid Waste Activity receives revenue from the disposal of wastewater and water bio-solids from Council's Treatment Plant operations. These internal charges have been reviewed and now reflect the costs of disposal of these bio-solids at Otaihangā landfill. As a result of this review, the internal revenue from the disposal of wastewater and water bio-solids reduces from \$352,000 to \$164,000. This results in an increased level of funding of the Solid Waste Activity from Districtwide rates and a corresponding reduction in wastewater and water rates.

The Council's solid waste external income will decrease from \$3.167 million to \$1.117 million. This reflects the revenue reduction resulting from Council exiting the direct provision of the refuse collection and kerbside recycling. Council's Districtwide General Rates funding for the Solid Waste Activity will increase from \$39,000 to \$309,000 for the 2013/14 year.

Proposed changes to the Annual Budgeted Operating Costs and Revenue

The proposed changes to the annual budgeted operating costs and revenue for the Solid Waste Activity for the 2013/14 year are highlighted by shading as follows:

Financial Summary by Activity	Annual Plan 2012/13 \$000	Long Term Plan 2013/14 \$000	Draft Annual Plan 2013/14 \$000
<u>Solid Waste</u>			
<u>Expenditure</u>			
Operating Costs	2,613	2,880	1,170
Interest	178	179	163
Depreciation	56	59	58
Operating Expenditure	2,847	3,118	1,391
<u>Revenue</u>			
External Income	2,888	3,166	1,117
Operating Revenue	2,888	3,166	1,117
NET OPERATING COSTS	-41	-48	274
<u>Capital Items</u>			
Loan Repayments	116	121	109
New Assets	137	143	143
Capital Expenditure	137	143	143
Total Capital Expenditure	253	264	251
NET COST OF ACTIVITY	212	216	525
<u>Funding Sources</u>			
Solid Waste Surplus	-22	-37	-
Depreciation Reserve	58	61	58
Loans	137	143	143
Total Funding before Rates	173	167	201
Rates	39	49	324
TOTAL SOURCES OF FUNDS	212	216	525

Note: For the years 2014/15 to 2031/32 the operating costs and operating revenues are forecast to follow a similar pattern to the 2013/14 year after taking into account the impacts of the Local Government Inflation Index.



Revenue and Financing Policy Incorporating Proposed 2013 Amendment

The Local Government Act 2002 requires the Council to adopt a range of policies that outline how operating and capital expenditure for each Council activity will be funded. These policies include a Revenue and Financing Policy. The reason for having such policies is to ensure the Council provides predictability and certainty about sources and levels of funding for the Council's activities.

This Long Term Plan (LTP) is constructed around the following seven community outcomes identified by the community:

- Outcome 1: there are healthy natural systems which people can enjoy;
- Outcome 2: local character is retained within a cohesive District;
- Outcome 3: the nature and rate of population growth is appropriate to community goals;
- Outcome 4: the community make use of local resources and people have the ability to act in a sustainable way on a day-to-day basis;
- Outcome 5: there is increased choice to work locally;
- Outcome 6: the District is a place that works for young people; and
- Outcome 7: the District has a strong, healthy, safe and involved community.

These Community Outcomes are detailed on page 18 of Part One of the 2012-32 Long Term Plan. The Council manages a range of activities to support the achievement of the Council's role in that area to give effect to the Community Outcomes.

Note: These Community Outcomes remain very relevant to this Council despite legislative change in 2010 to the Local Government Act 2002 which altered the process of identifying Community Outcomes and further legislative change in 2012 which repealed all references to social, economic, environmental and cultural wellbeing of the community, both now and for the future. An example of the ongoing relevance is that the five Council priorities confirmed in the 2012 Long Term Plan fit with the existing Community Outcomes; and they have also been used to inform the District Plan Review which is underway.

There is considerable detail that sits behind these seven broad Community Outcome areas. The documents can be obtained from Council Service Centres or found on the website: www.kapiticoast.govt.nz

Funding Considerations

In determining the most appropriate funding source for each activity the Council is required under section 101(3) of the Local Government Act 2002 to consider the following factors:

First Step Considerations:

- the Community Outcomes to which the activity primarily contributes; and
- the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and
- the period in, or over which, those benefits are expected to occur; and
- the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and
- the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.



Second Step Considerations:

- The overall impact of any allocation of liability for revenue needs on the community.

The Council prepared the Long Term Plan with a commencement date of 1 July 2012. The following table provides a summary of the funding considerations for the Solid Waste Activity for the 2013/14 year and identifies the Community Outcomes the activity contributes to. The proposed changes are highlighted by shading as follows:

SOLID WASTE	
Nature of benefit/activity	<ul style="list-style-type: none"> • provision of an integrated solid waste reduction service; and aftercare of landfills.
Who/what creates need?	<ul style="list-style-type: none"> • creation of problem by producer and consumer. Waste disposer creates the need to reduce waste and dispose of safely.
Who benefits - exacerbator or individuals or groups of individuals or community as a whole? Can the beneficiaries be identified? Public benefits?	<ul style="list-style-type: none"> • entire community benefits from a solid waste reduction strategy; • the exacerbator (waste disposer) benefits from the safe and efficient disposal of solid waste by licenced collectors who are monitored by Council; and • direct households benefit from refuse collection and recycling. <ul style="list-style-type: none"> • Yes – entire community. <ul style="list-style-type: none"> • public benefits in terms of health; • Waikanae residents benefit from convenience of location and operating hours of Waikanae Recycling Centre; and • Ōtaki residents benefit from convenience of location and operating hours of the Ōtaki Transfer Station.
Period of benefits	<ul style="list-style-type: none"> • ongoing benefits for the period the service is undertaken.
Funding source allocation and funding source	<p>Current <u>Operating Costs:</u> collection, recycling and disposal exacerbator</p> <ul style="list-style-type: none"> • 99% private - refuse bag charges Ōtaki Transfer Station charges • 1% public - Debt Serving Costs on Residual Aftercare costs. Additional operating hours Waikanae Recycling Centre funded from Districtwide General Rate. <p><u>Capital Costs:</u></p> <ul style="list-style-type: none"> • 100% public - residual aftercare <p><u>Funded by:</u></p> <ul style="list-style-type: none"> • Loans



SOLID WASTE	
	<p>Proposed</p> <p><u>Operating Costs:</u> 75% private - Ōtaki Transfer Station charges: wastewater and water bio-solid disposal revenue; recovery of loan servicing costs of Otaihanga Resource Recovery Centre. 25% public - Debt Serving Costs on Residual Aftercare costs. Additional operating hours Waikanae Recycling Centre. Monitoring of Solid Waste services provided by private contractors who are licensed by the Council and are required to provide general waste collection and kerbside recycling collection services.</p> <p><u>Capital Costs:</u> • 100% public - residual aftercare</p> <p><u>Funded by:</u> • Loans</p>
Costs and benefits of separate funding	<p>Current This activity is separately funded from charges generated from refuse bag sales and landfill charges.</p>
	<p>Proposed The residual cost of this activity after recoveries is funded from the Districtwide General Rate/Waikanae Local Community Rate.</p>
Overall impact	<ul style="list-style-type: none"> • increased safety of the District; • protection of the local environment; and • protection of community health and safety.
Community Outcomes	<ol style="list-style-type: none"> 4. The community makes use of local resources and people have the ability to act in a sustainable way on a day to day basis. 5. There is increased choice to work locally.

**Proposed Changes:
to the Solid Waste Levels of Service 2013/14 Performance Measures**

The proposed changes are highlighted by shading as follows:

Level of Service	How we will measure success	When we measure	2013/14 Target	Change from 2012/13
Waste and recycling collected weekly on the same day in the urban area.	No more than 10 reports of uncollected bags per week.	Annually	Less than ten	To be deleted when Council exits the bag collection and recycling collection service
Waste and recycling collected weekly on the same day in the urban area.	No more than 10 reports of uncollected recycling bins per week.	Annually	Less than ten	To be deleted when Council exits the bag collection and recycling collection service
Ensure all collection service providers are licensed and operate in compliance with the Solid Waste Bylaw.	Performance survey results show that collection service providers are compliant with the Solid Waste Bylaw and licensing requirements.	Annually	Achieve	New
Reduce waste to landfill.	Waste analysis every three years, (base year 2010), shows a reduction of waste (tonnes) to landfill.	Three yearly	-	-
Reduce waste to landfill.	Annual report on waste streams (tonnes) shows a reduction.	Annually	Achieve	Yes replaced with Achieve for clarity.



**INDEPENDENT AUDITOR'S REPORT TO THE READERS OF
KAPITI COAST DISTRICT COUNCIL
PROPOSED AMENDMENT TO THE
LONG-TERM PLAN STATEMENT OF PROPOSAL
FOR PUBLIC CONSULTATION
FOR THE TWENTY YEARS COMMENCING 1 JULY 2012**

The Auditor-General is the auditor of Kapiti Coast District Council (the District Council). The Auditor-General has appointed me, Grant Taylor, using the staff and resources of Ernst & Young, to report on the Statement of Proposal for adoption of the proposed amendment to the Long Term Plan (the Statement of Proposal), on her behalf.

The District Council adopted its Long Term Plan (LTP) for the twenty years commencing 1 July 2012 on 28 June 2012.

We expressed an unqualified opinion on the District Council's LTP for the Twenty years commencing 1 July 2012 in our audit report dated 28 June 2012.

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

The District Council is now proposing to amend its LTP for the twenty years commencing 1 July 2012 by amending the revenue and financing policy in relation to solid waste. The Statement of Proposal provides information about the proposed amendment to the District Council's LTP and any consequential amendments to the LTP that will be required if it is amended in the manner proposed.

The Auditor-General is required by section 84(4) of the Local Government Act 2002 (the Act) to report on:

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

We have audited the Statement of Proposal of the District Council on pages 1 to 9 dated 21 March 2013 for public consultation for the twenty years commencing 1 July 2012.

Opinion

Overall Opinion

In our opinion, the information within the Statement of Proposal on pages 1 to 9, dated 21 March 2013 about the proposed amendment to the LTP and any consequential amendments to the LTP that will be required if it is amended in the manner proposed, is fairly presented and the District Council has complied with the applicable requirements of the Act in preparing the Statement of Proposal.

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

Opinion on Specific Matters Required by the Act

In terms of our obligation to report on the matters required by the Act, as it applies to the proposed amendment to the LTP, in our view:

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

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

Our report was completed on 21 March 2013, and is the date at which our opinion is expressed.

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

Basis of Opinion

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

Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain all the information and explanations we considered necessary to obtain reasonable assurance that the information within the Statement of Proposal, about the proposed amendment to the LTP and any consequential amendments to the LTP that will be required if it is amended in the manner proposed, does not contain material misstatements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves performing procedures to obtain audit evidence about the forecast information and disclosures in the Statement of Proposal. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the information in the Statement of Proposal. In making those risk assessments we consider internal control relevant to the District Council's preparation of the Statement of Proposal. We consider internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the *District Council's* internal control.

Our audit procedures also include assessing, where and as it applies to the proposed amendment to the LTP, whether:

- the Statement of Proposal provides the community with sufficient and balanced information about the strategic and other key issues, choices and implications it faces to provide an opportunity for participation by the public in decision making processes;
- the District Council's financial strategy, supported by financial policies, is financially prudent and has been clearly communicated to the community in the Statement of Proposal;
- the presentation of the Statement of Proposal complies with the legislative requirements of the Act;
- the decision-making and consultation processes underlying the development of the Statement of Proposal are compliant with the decision-making and consultation requirements of the Act;
- the information in the Statement of Proposal is based on materially complete and reliable asset or activity management plans;
- the agreed levels of service are fairly reflected throughout the Statement of Proposal;
- the key plans and policies adopted by the District Council have been consistently applied in the development of the forecast information;

- the assumptions set out within the Statement of Proposal are based on best information currently available to the District Council and provide a reasonable and supportable basis for the preparation of the forecast information;
- the forecast information has been properly prepared on the basis of the underlying information and the assumptions adopted and the financial information complies with generally accepted accounting practice in New Zealand;
- the rationale for the activities is clearly presented;
- the levels of service and performance measures are reasonable estimates and reflect the key aspects of the District Council's service delivery and performance; and
- the relationship of the levels of service, performance measures and forecast financial information has been adequately explained within the Statement of Proposal.

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

Responsibilities of the District Council

The District Council is responsible for preparing a LTP under the Act, by applying the District Council's assumptions and presenting the financial information in accordance with generally accepted accounting practice in New Zealand. The District Council is also responsible for such internal control as it determines is necessary to enable the preparation of a LTP that is free from material misstatement.

The District Council's responsibilities arise from Section 93 of the Act.

Responsibilities of the Auditor

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

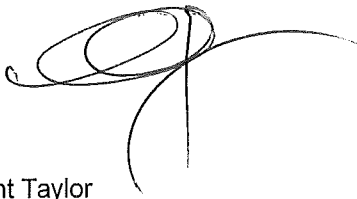
It is not our responsibility to express an opinion on the merits of any policy content within the Statement of Proposal.



Independence

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

Other than this report, and in conducting the audit of the LTP and the annual audit, we have no relationship with or interests in the District Council.



Grant Taylor
Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand

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A decorative graphic consisting of several overlapping, wavy bands of different shades of blue, ranging from a light sky blue to a deep navy blue. The bands curve across the page, creating a sense of movement and depth. The graphic is positioned on the right side of the page, partially overlapping the contact information.