



2011 **AMENDMENT TO** **LONG TERM COUNCIL** **COMMUNITY PLAN**

This document contains the 2011 amendment to the Revenue and Financing Policy of the 2009 Long Term Council Community Plan.

This amendment was adopted by the Council on 23 June 2011.

2011 Amendment to the 2009 Long Term Council Community Plan

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Introduction

On 23 June 2011, the Kāpiti Coast District Council adopted an amendment to the 2009 Long Term Council Community Plan (LTCCP).

This amendment was required as a result of a change to Council's Revenue and Financing Policy for Water Management.

2011 Amendment to the 2009 Revenue and Financing Policy

The following 2011 amendment to the Council's Revenue and Financing Policy published in the 2009 Long Term Council Community Plan (LTCCP) was adopted on 23 June 2011.

2011 Amendment to the Water Management Section of the 2009 Revenue and Financing Policy

The main reason for the 2011 amendment to the 2009 LTCCP in relation to the Water Management Activity was the addition of a new funding mechanism compared to the disclosure in the LTCCP.

The Council decided that from 1 July 2014 all potable water costs will be fully funded from water meter charges. This is part of Council's overall strategy to reduce consumption to 400 litres per person per day peak demand. It should be noted that this initiative sits alongside the continued implementation of the water supply project for Waikanae, Paraparaumu and Raumati.

Staging of the Water Supply Project is now established as being possible, such that immediate issues of water quality (taste) and some increase in capacity can be addressed in Stage 1 (2010-2014). The Council's resource consent for water abstraction from the Waikanae River has a maximum allowable daily total abstraction limit of 23,000m³ per day. This water is abstracted treated and is the potable supply for the all of the Waikanae/Paraparaumu/Raumati zones. Once Council abstracts more than 23,000m³ per day from the river that is considered a breach of this consent condition, the greater the number of days this limit is exceeded the more serious the breach.

Significant new capacity will not need to be provided until approximately 2035/36 (Stage 2), provided that demand can be reduced significantly by 2015/16. This was the year at which it has been identified (2009 LTCCP) that the community would be likely to be in major breach of its resource consent for water extraction from the Waikanae River. Council is not currently in breach of this consent and has not been, but without reduction in water demand and with population growth continuing we will see this daily maximum figure exceeded in 2015/16. As growth increases water demand increases and the number of days this limit is exceeded will also increase. This therefore would be considered as a major breach of Council's resource consent as the primary purpose of the consent is to manage the rate of abstraction from the

Waikanae River. The Council, on review of its Water Conservation Plan initiatives has concluded that water meters will give greater certainty of reduced water demand than the currently proposed financial incentive programme.

The following two key assumptions have been made in preparing this amendment:

- other local authorities in New Zealand who have installed water meters over the last 10-15 years have successfully reduced demand for water through water meter charges. Collectively they have seen reductions in the order of 25% as a result. This figure has also been seen when meters have been installed internationally. Based on that experience the Council considers that water meters will reduce the overall demand for water by 30% which will allow for staging of the water supply project. This includes a 5% reduction projected through the use of meters to better enable Council to target leaks from the public supply network. This reduction of 5% in leakage from the public supply network is also based on experience of other local authorities. This will mean that the next upgrade in capacity will not have to occur until 2035/36;
- all costs allow for inflation indexed for CPI and represents management's best estimates of costs at this point of time.

Some funding for the full Water Supply Project will now be invested in the water meter installation which will physically take place from 1 July 2012. There is no increase in the total 2009 Long Term Council Community Plan expenditure for the Water Supply Project as a consequence.

The purchase of land for a potential supply dam to be constructed by future generations at Maungakotukutuku will also continue.

In addition, Council will continue with its rolling fund for interest free loans for installation of on-site systems for non-potable outdoor use. The previously signalled rates grants used to recognise consumers who have installed such systems will not be used. (Note: These grants were originally not scheduled to commence until 1 July 2011 to allow time for establishing the criteria and the method of verifying qualifying recipients). The financial incentives achieved using water meters provides a greater certainty as to the timing of demand reduction, ensures reduction achieved through behaviour as well as investment in on-site systems is recognised and the financial benefits of reduced consumption are available to all consumers.

In addition, Council will be including a number of changes to its Standing Orders during 2011 to entrench the principle of public ownership and management of water services (including control of pricing), over and above the protection provided in the Local Government Act 2002.

Finally, Council will establish a Charging Regime Advisory Group with key community stakeholders which during 2011/12, will design and recommend to Council a charging regime which takes full account of social impact and equity issues. This Charging Regime Advisory Group would remain in force, beyond 2012, to maintain annual oversight of Council's charging regime.

The Revenue and Funding Policy will now include an explicit statement of current Council practice, that is: any charging regime will only recover costs of service and managing the assets.

2011 Amendment to 2009 Long Term Council Community Plan - Water Management

Annual Budget	2009/10 \$000	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000	Total \$000
Water Supply Options (River Recharge / Secure Long Term Water Storage Site)	1,610	1,725	2,425	5,361	3,535	14,656
Water Meter Installation	-	-	200	6,400	1,400	8,000
	1,610	1,725	2,625	11,761	4,935	22,656

Annual Budgeted Operating Costs

Annual Budget	\$000
River Recharge Operating Costs	100
Water Meter	
Reading/Processing Invoices and Payments Repairs and Maintenance	450
Debt Servicing – River Recharge/Secure Long Term Water Storage Site/Water Meters (\$22.656 million)	1,812
	2,362

Revenue and Financing Policy Incorporating 2011 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 2009 Long Term Council Community Plan (LTCCP) adopted on 3 June 2009 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 makes wise use of local resources and people have the ability to act in a sustainable way;
- Outcome 5: there is increased choice to work locally;
- Outcome 6: the District is a place that works for young people;
- Outcome 7: the District has a strong, healthy and involved community.

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.

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;
- the distribution of benefits between the community as a complete unit, any identifiable part of the community and individuals;
- the period in, or over which, those benefits are expected to occur;
- the extent to which the actions, or inactions, of particular individuals, or a group, contribute to the need to undertake the activity;
- the cost 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 current and future social, economic, environmental and cultural wellbeing of the community.

The Council prepared this third LTCCP with a commencement date of 1 July 2009. The LTCCP includes a table that provides a summary of the funding considerations for the 16 Council activities and identifies the Community Outcomes each activity contributes to. The following table provides a summary of the funding considerations for the Water Management Activity which is where the Revenue and Financing Policy

has changed. It also identifies the Community Outcomes the activity contributes to.

Some of the rating mechanisms included in the Revenue and Financing Policy are subject to differentials for equity purposes for various groups of ratepayers such as retirement villages, community organisations, large scale commercial operations and motels. Some of these differentials are referenced in the Revenue and Financing Policy but the full details are included in the Funding Impact Statement.

Water Management - Incorporating 2011 Amendment	
Community Outcomes	<ol style="list-style-type: none"> 1. there are healthy natural systems which people can enjoy 3. the nature and rate of population growth is appropriate to community goals 4. the community makes wise use of local resources and people have the ability to act in a sustainable way 7. the District has a strong, healthy, safe and involved community.
Overall impact	<ul style="list-style-type: none"> • protection of community health and safety • provision of safe drinking water to the community • provision of water services for fire fighting promoting a safe and caring community • reduced water consumption.
Nature of benefit/activity	<ul style="list-style-type: none"> • efficient use of water and management of effects on the environment • efficient use of potable water • maintenance of safe and efficient provision of drinking water • maintenance of health standards • services provided for commercial and fire fighting purposes.
Who/what creates need?	<ul style="list-style-type: none"> • individuals and households for essential and agreed non-essential needs • exacerbators – excessive users of potable water for non-essential needs • entire community creates the need for a safe urban environment where water services are adequately provided and health standards maintained • commercial and industrial enterprises create need for water services applicable to their business • fire fighting services create need for water services to carry out their job.
Who benefits - exacerbator or individuals or groups of individuals or community as a whole?	<ul style="list-style-type: none"> • entire community benefits from safe and efficient provision of drinking water • direct household benefit • commercial businesses benefit specifically from the provision of water services • entire community benefits from provision of water services by ensuring fire fighting capabilities are maintained • ongoing benefits for the period the infrastructural assets are being maintained and renewed.

Water Management - Incorporating 2011 Amendment	
Can the beneficiaries be identified?	Yes – where measurement of consumption is used.
Public benefits?	Public benefits from management of water use to reasonable/responsible levels – deferred impacts on the environment, deferred need for infrastructure investment.
Period of benefits	For period of active water management and life of water assets.
Costs and benefits of separate funding	<p>From 1 July 2011 to 30 June 2014 retain flat charge and from 1 July 2014 change to a consumption charge. Note the flat charge is in place until the water meters are installed. The benefits of a consumption charge are:</p> <ul style="list-style-type: none"> - reduced demand for water and therefore reduced costs of infrastructure; - reduced environmental effects – both water take and discharge, - fairer /more equitable distribution of costs across consumers.
How do benefits relate to funding?	Primarily private benefit and individual benefit can be accurately measured through consumption charge.
Funding source allocation and funding source	<p>Operating Costs</p> <ul style="list-style-type: none"> • Private water user - 100% operating and financing costs. • Progressive shift to Districtwide funding completed by 2013/14. • Funding from 1 July 2014 - water meter charges for private beneficiaries of District’s water supply system made up of a line charge and a volumetric charge. • Targeted rates set for private beneficiaries who take up Council’s interest free loan offer for Council approved water conservation purposes that reduce the use of Council’s potable water supply (detailed policy being developed). • Targeted rate set to recover loan repayments over a 10 year period and will commence from 1 July 2011. • Interest costs of the interest free loans are to be met by all Council potable water users in the Paraparaumu/Raumati/Waikanae areas. <p>Operating Costs - Funding Sources Water meter charges based on consumption (from 1 July 2014)</p> <p>Capital Costs - Funding Sources Development contributions Loans From 1 July 2014 water meter charging (depreciation).</p>

**STATEMENT TO THE READERS OF
KAPITI COAST DISTRICT COUNCIL'S
LONG-TERM COUNCIL COMMUNITY PLAN, AS AMENDED ON 23 JUNE 2011 FOR THE
TEN YEARS COMMENCING 1 JULY 2009**

Purpose of Statement

The primary purpose of this statement is to inform readers that we have no role to report, and do not give an opinion, on Kapiti Coast District Council's adopted amendment or its Long-Term Council Community Plan (LTCCP), as amended.

This statement informs readers about the Council's process of amending its LTCCP for the ten years commencing 1 July 2009 and the extent, and limit, of our involvement in that process.

The Council's process of amending its LTCCP commencing 1 July 2009 and our involvement

The Council adopted its LTCCP for the ten years commencing 1 July 2009 on 25 June 2009. The Auditor-General appointed, Robert Manktelo, using the staff and resources of Audit New Zealand to report on his behalf on the LTCCP adopted on that date.

Audit New Zealand expressed an unqualified opinion on the Council's LTCCP for the ten years commencing 1 July 2009 in their report dated 25 June 2009. We considered that the LTCCP adopted on 25 June 2009 provided a reasonable basis for long term integrated decision-making by the Council and for participation in decision-making by the public and subsequent accountability to the community about the activities of the Council.

In forming our overall opinion, we reported on specific matters required by section 94(1) of the Local Government Act 2002 (the Act).

In a Statement of Proposal dated 17 March 2011 the Council proposed an amendment to its LTCCP for the ten years commencing 1 July 2009 to change its Revenue and Financing Policy.


We expressed an unqualified opinion on this Statement of Proposal in our audit report dated 17 March 2011.

We considered that the information within the Statement of Proposal, about the proposed amendment to the LTCCP and any consequential amendments to the LTCCP that would be required if it was amended in the manner proposed, was fairly presented, and that the Council had complied with the applicable requirements of the Act in preparing the Statement of Proposal.

In forming our overall opinion, we reported on specific matters required by section 84(4) of the Act.

On 23 June 2011 the Council adopted the proposed amendment to its LTCCP for the ten years commencing 1 July 2009 as described in the Statement of Proposal mentioned above. The Council has prepared the LTCCP, as amended to reflect the amendments adopted by the Council on 23 June 2011, and any consequential amendments.

We do not give an opinion on the Council's adopted amendment or its LTCCP, as amended. There is no legislative requirement for us to report on the adopted amendment or the LTCCP, as amended by Council on 23 June 2011 and we have not performed an audit of either the adopted amendment or the LTCCP as amended. Consequently we have not updated the audit report that was attached to the LTCCP adopted on 25 June 2009.



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

Matters relating to Council's adopted amendment to the LTCCP subsequent to this report.

This report dated 23 June 2011 relates to the Long Term Council Community Plan (the LTCCP) for the 10 years commencing 1 July 2009, approved by Council on 25 June 2009. Subsequent to this, the Council adopted an amendment to its LTCCP for the 10 years commencing 1 July 2009 to change its Revenue and Financing Policy on 23 June 2011. The Council has not prepared an amended LTCCP that incorporates the amendment adopted on 23 June 2011. Consequently, to form a view of the LTCCP of the Council, the content of the LTCCP to which this report relates should be considered in conjunction with the Council's adopted amendment. There is no legislative requirement for us to report on the adopted amendment and we have not done so.

Matters relating to the electronic presentation of the report to the readers of the Long-Term Council Community Plan

This report relates to the LTCCP of Kapiti Coast District Council for the ten years commencing 1 July 2009 which was approved by Council on 25 June 2009 included on Kapiti Coast District Council's web-site. The Kapiti Coast District Council's governing body is responsible for the maintenance and integrity of the Kapiti Coast District Council's web site. We have not been engaged to report on the integrity of the Kapiti Coast District Council's web site. We accept no responsibility for any changes that may have occurred to the LTCCP since it was initially presented on the web site.

The report refers only to the LTCCP named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the LTCCP, including the adopted amendment to the LTCCP published by the Council and which has not been incorporated with the content of the LTCCP to which this report relates. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the LTCCP approved on 25 June 2009 and the related audit report dated 25 June 2009 to confirm the information included in the LTCCP presented on this web site.

The preparation and dissemination of the LTCCP is governed by New Zealand legislation.

This document can be viewed on the Council's website at:
<http://www.kapiticoast.govt.nz/planning>
Additional copies are also available from the Kāpiti Coast District Council on request.

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