



COUNCIL BUDGET / ANNUAL PLAN MEETING

Commencing at 9.00am

on

Tuesday 15 March 2016

**Council Chamber
District Council Building
2 King George Place
Timaru**

TIMARU DISTRICT COUNCIL

Notice is hereby given that a meeting of the Timaru District Council to consider the 1 July 2016 to 30 June 2017 Budget and Annual Plan, will be held in the Council Chamber, District Council Building, 2 King George Place, Timaru on Tuesday 15 March 2016 at 9.00am.

Please bring your draft budget book and your Long Term Plan to the meeting

LOCAL AUTHORITIES (MEMBERS' INTERESTS) ACT 1968

Councillors are reminded that if you have a pecuniary interest in any item on the agenda, then you must declare this interest and refrain from discussing or voting on this item, and are advised to withdraw from the meeting table.

Peter Nixon
CHIEF EXECUTIVE

TIMARU DISTRICT COUNCIL
BUDGET / ANNUAL PLAN MEETING
15 MARCH 2016

AGENDA

Item No	Page No	
1		Opening Prayer – Marty Redhead, Trinity Presbyterian Church
2		Apologies
3	1	Food Act 2014 - Cost Recovery for Timaru District Council Ian Shaw, Director of Food and Health Standards Ltd will be in attendance at 9am
4	18	Timaru Airport Facilities Enhancement
5	20	Proposed Annual Plan and Budget for the Period 1 July 2016 to 30 June 2017 Aoraki Development Deputy Chairperson and Chief Executive will be in attendance at 1.30 pm.

TIMARU DISTRICT COUNCIL

FOR THE BUDGET/ANNUAL PLAN MEETING OF 15 MARCH 2016

Report for Agenda Item No 3

Prepared by - **Paul Cooper**
Environmental Services Manager

Food Act 2014 - Cost Recovery for Timaru District Council

Purpose of Report

This report explains some of the implications of the new Food Act for Council to consider; outlining what is required by law, what requires consultation and some of the limited options available within the new framework in terms of cost recovery.

Background

The Food Act 2014 came into force on 1 March 2016. The legislation reform repeals the old Food Act 1981, Health (Registration of Premises) Regulations 1966 and the Food Hygiene Regulations 1974.

The old framework for registration will continue to exist in part, as the transition for premises to come across to the new regime is three years, ending in March 2019.

In the past, the Council monitored food premises and checked for compliance by unannounced inspections by a health officer. The new regime changes the entire focus from inspection to audit and is risk based in respect of the types of foods prepared, stored and sold. It provides for low risk operations having simple less complicated requirements to high risk, which will have more stringent requirements. Territorial Authorities are cited as co-regulators with the Ministry for Primary Industries (MPI) for the administrative and regulatory responsibilities under the new Act.

In the past (and currently for those still under the old legislation) Council has charged a flat fee for the registration of food premises. This fee included the cost of a health officer inspecting the premises on an annual basis. Other extra costs were charged over and above the fee as required on a case by case basis, but these rarely applied.

Current Service Structure

Since July 2015, the Council has had a contractual arrangement with Food and Health Standards Ltd to provide environmental health services. Council has two full time contractors assigned to fulfilling all our requirements and they are supported as required by other staff from the Christchurch based company. The transition from an in-house service to the use of a contractor in this area has been smooth, with very few issues. The F&H team has brought vast experience and delivers a high quality level of service to our community.

The Council's contractual arrangements to provide environmental health services with the Mackenzie and Waimate District Councils have continued, but with a slight change to how the contract price is arrived at each year. For the 2016/17 financial year the

contract has moved away from a negotiated price to a price based on the proportion of work created by the particular TA expressed as a percentage of the total cost of providing the activity across the three districts. This has secured an increase in revenue for Council and more fairly reflects the financial environment in this area.

Food Act 2014 - Fees and Charges

For the new regime, there are three categories of food businesses that are required to be registered and audited or checked:

1. Customised Food Control Plans (FCPs).
2. Template (or Off-the-Peg) Food Control Plans (FCPs).
3. National Programmes (NPs) - Levels 3, 2 & 1.

Category 1 (above) Customised Food Control Plans (FCPs) are registered directly by Ministry for Primary Industry (MPI) and audited by an accredited and MPI approved third party audit body. The Territorial Authority (TA) has no jurisdiction over these FCPs. Such FCP businesses include food processors and packers that wholesale outside the TA geographical area and national retailers that elect to have their own programmes such as Progressive Enterprises, Foodstuffs, Burger King Corp, Spotless Services (national caterers) and so on.

Other food businesses can elect to have their own customised programme as well. The cheapest option for such businesses is to adopt an MPI template FCP if they fall under this category.

Categories 2 & 3 (above) are required to be registered and audited by the Council. These food businesses incorporate the currently registered premises and any additional food businesses/organisations that are not currently registered, i.e. National Programmes. These are described later in this report. The Council is responsible for employing qualified Environmental Health Officers (of which one will be an MPI approved Food Act Officer) and MPI Approved Food Control Plan Auditors. From 1 March 2016, the Council has the ability to approve their own FCP auditors. These persons are not required to be qualified EHOs but will need to have tertiary qualifications that are suitable (e.g. BSc Food Science, Technology or Nutrition), plus be trained as auditors.

From 1 March 2016 there is a three year time-frame for all food businesses to come under the new Act. There are identified food business categories for each year (e.g. 2016: the main group is the Food Service Sector businesses that have Alcohol Licences (On licences).

Over the past five years MPI has encouraged TAs throughout NZ to encourage currently registered food service sector businesses to adopt the currently available FCP Template. During the past 3 years MPI stepped up its focus on bringing as many FCPs on board as possible. This would take pressure off TAs and MPI and prepare the food industry for the legislative change.

Since the commencement of the Environmental Health Services contract in July 2015 there has been a focused and structured programme to bring as many food service sector businesses on board as possible. This approach is to prevent a “bottle neck” of premises leaving their transition to the last possible moment to come across to the new regime. MPI has waived the registration component of the Council’s fees under the new legislation for the three year transition period for all those food premises that transition prior to 1 March 2016.

These premises are called VIP premises and the Council has about a third of the total number of food premises in this category (approximately 115) who were on FCP's prior to 1 March 2016. The loss in revenue posed by this group for the registration component of their fees will be considerably less than the overall increase in revenue across the activity, due to the ability provided by the regulations to recover costs for tasks not previously covered, and for new tasks related to the new regime.

The registered FCPs are providing significant benefits to the food industry and communities throughout the three districts, by operating under the more robust systems provided by the FCP - individually tailored to the specific premises so ensuring a higher level of food hygiene and compliance.

Incentive to Perform

The new system is risk based with an audit approach, rather than inspection. It is a performance based verification system with food operators given the opportunity to reduce the frequency of audits based on good performance. For example, if a food premises on a FCP receives an "Achieved" outcome from two annual audits, it will automatically be moved out to an 18 month audit frequency. This is a considerable saving in terms of fees. Likewise, if a food operator struggles to meet the required level of compliance, their annual audit will become more frequent, with increased costs. In this way, the fees framework encourages high performance and discourages poor performance.

National Programmes (NPs), which cater for businesses deemed to pose less risk, work in a similar fashion, with the opportunity for operators to push out the frequency of their checks. Some, such as coffee carts, may only need one clear check, before being pushed out to not requiring any further checks unless they become the subject of an investigation or complaint.

Significant Considerations

Significant elements of the implementation of the Food Act 2014 for Council to be aware of can be summarised as follows:

- *Resourcing* – Ensuring staff are adequately trained and supported in terms of management, staff training, qualified EHO's and auditors.
- *Financial* – Cost recovery through the new food fees and charges for registration, audit, compliance and monitoring, amount attributed to the "public good" for ratepayer input etc.
- *Registration, Audit and Compliance* – Different registration periods for each premises, as the anniversary date they transitioned becomes the start of their registration period, rather than all invoices being sent out at the same time once a year.
- *Council's IT Collection and transfer of data to MPI* – MPI's portal for managing registration data from TAs will be closed on 19 February 2019. Council will need to develop IT solutions to cater for the registration, audit and compliance responsibilities placed on it by legislation and MPI.
- *Consultation on new fees structure* – The legislation requires that the Special Consultative Procedure (SCP) be used in relation to Council's consultation with the community about the new fees and charges for food premises.
- *Three Council's and three SCPs* – The three Council's involved via contractual agreement operate as one large Council (in practical terms) in how food premises are registered, administered, monitored and subjected to enforcement. However, the legislation requires that each consult their community on any proposed fees using the SCP. As a consequence each will make a decision about how those fees will apply in their own district. As will be discussed later in this report, it may be

beneficial to form a Joint Committee and run a more centralised SCP as was done for the development of the Joint Local Alcohol Policy.

Most of the considerations outlined here are well underway and Council is on track to meet each of the deadlines placed on it by legislation and MPI.

In Summary

The previous background information could be summarised as follows:

- The Food Act 2014 commenced on 1 March 2016.
- It provides the framework for the registration of food premises and administration of FCPs and NPs, audits, compliance and monitoring requirements, enforcement and a number of other activities.
- Food premises have up to 3 years to transition across to the new regime, with the Act not being fully implemented until 2019.
- Fees for the Food Act fees and charges must be consulted on using the SCP and this must occur in sufficient time so as to enable the new fees to apply from 1 July 2016.
- Fees across the three districts, if at all possible, should be aligned. This should be done using a mechanism that does not restrict the democratic process to an extent that the process becomes unfair to any of the stakeholders, or can be perceived as such.

Options

Section 205(5)(a) of the Act requires Council to take into account the following factors when setting fees:

- *Equity* – funding is sourced from users or beneficiaries at a level appropriate to the use or benefit they gain from the function, power or service being provided.
- *Efficiency* – costs are to be allocated and recovered to ensure maximum benefit delivered at minimum cost.
- *Justifiability* – costs are collected only to meet actual and reasonable costs (including indirect costs).
- *Transparency* – costs are identified and allocated as closely as practicable to tangible service provision for the recovery period in which the service is provided.

The registration component must be separated out from other fees and the overall cost of the activity must take into account any ratepayer input as a contribution to the public good, using the Revenue and Financing Policy as a guide. Please note that the current contribution by rate payers is across the whole of Environmental Health and includes liquor licensing.

The options (excluding travel costs) are limited and can be summarised as follows:

1. A fixed fee structure where individual costs are fixed at an agreed amount. For example \$150 for registration, \$75 monitoring and compliance, \$300 verification (audit) etc.
2. A mixed model of fixed fees and flexible fees. This model allows for those fees which can be fixed easily and with a degree of accuracy to be fixed, while those open ended tasks within the activity will be charged per hour to ensure costs are recovered.
3. The food fees are fully ratepayer funded.

Either option 1 or 2 is viable, although option 1 has slightly more risk associated with it than option 2. If we fix all fees, an estimate of the likely costs of investigations and enforcement work will be needed and charged against all premises. This might be seen by good business owners as unfair, because they might suggest the Act is set up to reward good performance and punish poor performance, so why should they subsidise the investigation of poor performers? This option can have ratepayer input in accordance with the Revenue and Financing Policy - currently 42%.

Option 2 gives flexibility and is in keeping with the Act's intention to incentivise good performance. This option can have ratepayer input in accordance with the Revenue and Financing Policy - currently 42%. The Draft Statement of Proposal attached to this report is based on Option 2 and recommended as a preferred option. The statement is for discussion purposes for Council to consider their approach. Of note is that both the Mackenzie District Council and Waimate District Council have informally indicated a preference for Option 2.

Option 3 does not incentivise good performance in food businesses and in-fact undermines the intent of the legislation in this regard. The option contravenes the Revenue and Financing Policy.

Options for Recovering Travel Costs

Given the activity is across three districts but based in Timaru, the recovery of travel costs presents several options. The three simplest options for recovering travel costs are as follows:

1. Each Council is a zone based on its boundary. A point is chosen within each district, which is weighted to factor in the district's density of food premises and the distance from base (i.e. Timaru). Premises would then be charged the cost per kilometre for a return trip to that point. Section 205 dictates that Council must strive to make efficiencies and this can be achieved in terms of travel costs by clustering premises where possible so that the cost could be shared between 3 or 4 food premises. These efficiencies have already been introduced by our contractor, simply because they make good business sense. An example might be that 3 premises visited in the Waimate township in one day, with a rate of 90 cents per km, would split the total cost of \$81 plus GST between three (\$27 plus GST each). This would soften costs for those premises at the furthest reaches of each district, at the expense of those closer to the Timaru base.
2. Each Council is a zone based on its boundary. An average cost is arrived at per registration to form a flat rate to be charged to each food premises per visit from Council contractors. This method is the most simple to administer and as with the other options, those premises nearest to the Timaru base would in effect be subsidising those furthest from base. The proposed zones and flat rates for this model are as follows:
 - i. Zone 1 - Timaru District - \$10.00
 - ii. Zone 2 - Mackenzie District - \$55.00
 - iii. Zone 3 - Waimate District - \$30.00
3. A flat rate per kilometre charged for the mileage covered in the district, split between those food premises visited in that district that day. This could work in a similar fashion to the above system but again, those premises nearest to the Timaru base would in effect be subsidising those furthest from base.

Preferred Options

The fees and charges under the new regime are complex in comparison to those under the old legislation. For this reason the preferred option is the one which provides for Council and legislative requirements in terms of cost recovery, whilst being as simple and fair to stakeholders as it can be.

The attached draft Statement of Proposal for consultation has Option 2, the mixed model of fixed and flexible fees, as the preferred option. The preferred travel cost option is also Option 2, the flat rate zoned model.

Joint Committee

The simplest and most transparent method to ensure a consistent approach across the three Councils involved in this process is to form a joint committee to hear submissions. The committee will have the authority of the three Council's concerned to hear submissions and make a determination on their behalf on the final fees framework for the new regime. The joint committee is proposed to comprise two elected members from each Council, one of whom will act as the Chairperson. The formation of this committee and function will be similar in nature to that utilised in the development of the Joint Local Alcohol Policy.

Identification of Relevant Legislation, Council Policy and Plans

Food Act 2014

Food Act Regulations

Local Government Act 2002

Timaru District Council Revenue and Finance Policy

Assessment of Significance and Engagement

This issue is not deemed significant in relation to Council's overall activities or within the terms of our Significance and Engagement Policy.

However, the Food Act requires that Food Act fees are set by using the Special Consultative Procedure. Consultation for Timaru District is planned for 14 April to 16 May.

Consultation

The consultation on the proposed fee structure will be targeted by way of a mailout to all food registered premises, a small amount of information provided in the written media and by having the Statement of Proposal available in Council offices and online.

Funding Implications

The funding implications are significant in terms of the stakeholders and the activity of Environmental Health, but not in terms of the Council's overall activities. The financial environment in this area will be changing over the transition period as premises come across to the new legislation. Both revenue and related costs are predicted to increase.

Conclusion

In conclusion it is clear that the new fee structure will be more complicated and more costly to stakeholders than the fee structure under the previous legislation. This reflects the increased complexity and resource required to administer the new audit/risk based approach to food safety. Councils across the country are wrestling with this same issue. Complicating matters further, in terms of service delivery, it covers one area with three separate territorial authorities. The new Food Act, Regulations and the Ministry prescribe much of how the fees must be set up, and also require that the SCP be used for consultation for the setting of fees.

Of note, some councils, such as Auckland and Christchurch, have already set fees for the new Act and they are considerably higher than those proposed in the attached Statement of Proposal. The proposed fees are realistic and fair in that they are proposed at a level we believe reflects the actual cost.

The preferred option in the draft Statement of Proposal has been modelled on a statement that has been informally identified by the Ministry for Primary Industries as best practice and a good example. It meets the requirements of the legislation and although more complicated than the previous fee structure it is relatively simple given the options available.

A joint Committee formed from elected members from the Timaru, Waimate and Mackenzie District Councils could be formed. This would facilitate a consistent approach across districts and ensure all stakeholders are heard and fully involved in the decision making process.

A copy of the draft Statement of Proposal is attached for your information, together with a proposed zone map for establishing travel costs.

Recommendations

- 1 That Council considers the draft Statement of Proposal and gives direction to enable the adoption of a final document at the Council meeting set down for 5 April 2016; and**
- 2 That Council appoints two elected members to the Joint Committee for Setting Food Fees and Charges.**

Timaru District Council Logo
Waimate DC Logo
Mackenzie DC Logo

Statement of Proposal Review of Fees and Charges under the Food Act 2014

Let us know what you think about the proposed fees under the Food Act 2014

Contents —

1. The Food Act 2014 – A New Approach
2. Fees under the Food Act 2014
3. Proposed fees
4. Reasons for the proposed fees
5. Options to be considered
6. Have your say

Purpose of this Statement of Proposal

This statement of proposal has been prepared as part of consultation regarding the proposed fees to be charged under the Food Act 2014.

The special consultative procedure gives the public an opportunity to make submissions and provide feedback on the proposed fees. Once the submission period closes, hearings will be conducted if people indicate they want to speak in support of their submissions.

This statement of proposal has been prepared in accordance with the requirements of section 83 of the Local Government Act 2002. It includes making publicly available—

- The proposed fees and the rationale behind them;
- Other reasonably practicable options; and
- A description of the consultation and submission process, including the period within which views on the proposal may be provided.

1 The Food Act 2014 - A New Approach

The Food Act 2014 came into force on 1 March 2016 replacing the Food Act 1981 and the Food Hygiene Regulations 1974.

The new Food Control Act 2014 (the Act) has resulted in changes to the way food premises operate and are regulated.

The central feature of the new Act is that businesses will be regulated according to the level of food safety risk that their food presents to the public. The new law recognises that each business is different, as opposed to the old Food Act 1981 and its one size-fits-all approach to food safety.

Food providers involved in higher risk activities will operate under a Food Control Plan (FCP), whereas those involved in lower risk activities, like selling pre-packaged goods or growing vegetables, will operate under a National Programme (NP).

Under the new Act lower risk businesses and providers have fewer requirements and costs. In addition providers who operate under a FCP and demonstrate consistent and effective compliance with the Act are also able to incur lower costs through reduced audit frequency.

Existing food premises operating under the Food Hygiene Regulations 1974 have a three year transition period from March 2016 to March 2019 to move to FCP's. New food premises must operate under a FCP from 1 March 2016.

Council currently charges fees under the Food Hygiene Regulations 1974 to recover the costs of environmental health functions for food premises. The Council is now proposing to set fees to recover the costs of carrying out its functions under the new Act.

Council's roles in the food sector under the Food Act 2014

Registration	Assessing applications for registration or variation of food control plans and applications for registration of national programmes.
Verification	Auditing ongoing compliance with the requirements of the Act and risk-based measures and the applicability and effectiveness of risk-based measures to a food business.
Compliance	Investigating complaints and instigating appropriate corrective and preventative actions for non-compliance.
Monitoring	Monitoring compliance with the requirements of the Act.

2 Fees under the Food Act 2014

The Act provides the Council with the ability to fix fees to recover the direct and indirect costs of its functions under the new Act

There are a range of methods available to Council for recovering costs including—

- Fixed fees or charges
 - Fees or charges based on a scale or formula or an hourly or unit basis
 - Fees or charges for actual and reasonable costs
 - Estimated fees or charges paid before the provision of service and further payment or refund after the provision of the service
-
- Refundable or non-refundable deposits
 - Fees or charges imposed on users of services or third parties

3

Proposed fees

Council is proposing a mix of fixed fees and fees based on an hourly rate. Fixed fees are proposed for services like registration where the process has very few variables. The benefit of a fixed fee is that it will give business owners certainty regarding how much a service will cost.

In other instances where there is likely to be more variability in the costs for the services provided, such as verification of a single Food Control Plan involving multiple sites an hourly rate charge is considered more appropriate than an additional fixed fee.

An hourly rate is also being proposed for Food Control Plan audit close outs that take longer than 15 minutes as this is considered more equitable. It means those businesses who require more follow up due to non-compliance are charged directly, rather than compliant businesses having to share this cost. This approach also provides an incentive for business to reduce verification costs.

The proposed fees are detailed in the table below

(1) New Registration	
FCP – single site	\$150 fixed fee plus \$150 per hour after the first hour
FCP – multi site	\$225 fixed fee plus \$150 per hour after the first hour
NP	\$150 fixed fee plus \$150 per hour after the first hour
Optional Consultancy - new business set up assistance/pre opening visit	\$150 per hour
Optional FCP Mentoring	\$300 fixed fee
(2) Registration Renewal	
12 month renewal FCPs single site	\$150 fixed fee
12 month renewals FCPs multi site	\$225 fixed fee
24 month renewals - NPs	\$200 fixed fee
FCP Mentoring	\$300 fixed fee
(3) Compliance and Monitoring	
FCP – annual (incl those FCPs registered before 1 March 2016)	\$75 fixed fee
NP – 24 month	\$150 fixed fee
(4) Verification (Audit)	
FCP – single site audit	\$300 fixed fee
FCP – multi site audit	\$300 fixed fee plus \$150 per hour after the first 2 hours
FCP Audit close-out over 15 minutes	\$150 per hour
NP1 Check (one-off)	\$150 per hour
NP2 Audit – 3 yearly	\$150 per hour
NP3 Audit – 2 yearly	\$150 per hour
(5) Complaint driven investigation	
Complaint resulting in issue of improvement notice by Food Safety Officer and its review	\$150 per hour plus actual mileage and disbursements
(6) Exemption	
Application & Assessment	\$150 per hour

4

(7) Travel Charges	
Zone One (Timaru District Council)	\$10 fixed charge
Zone 2 (Mackenzie District Council)	\$55 fixed charge
Zone 3 (Waimate District Council)	\$30 fixed charge

Notes:

GST - All proposed fees include GST

FCP - Food Control Plan

NP - National Programme

FCP Audit – this will include 15 minutes of staff time for any follow ups and confirm to compliance.

FCP Audit Close out over 15 minutes – this applies where non - compliance and follow up matters take longer than 15 minutes.

Payment of Fees and Charges – Payment of registration fees is upon application and any other fees are payable with 20 days from invoice date

Travel Charges – A fixed travel charge has been calculated for each District Council area (Zone).
[? attach map](#)

Explanation of how the proposed fees apply

(1) & (2) New Registration and Registration Renewals

The proposed fee for new or renewal registration is a fixed charge for the cost of the administration process to check and lodge the information and produce documentation.

If further time (more than 1 hour) is required to complete the registration, this will be charged at a rate of \$150 per hour.

New businesses can request consultancy assistance at an hourly rate of \$150.

A mentoring service for assistance with food control plans or national programmes is available for those businesses requiring assistance. A fixed fee of \$300 is proposed for this service.

(3) Compliance and Monitoring fees

It is proposed that an annual fixed fee be charged to all food premises who have a Food Control Plan, and a 2 yearly fixed fee for those with a National Programme. This fee covers Council's responsibility to monitor compliance on matters such as food labelling, surveillance, data collection, sampling and testing and meeting reporting requirements relating to results regarding contaminants in food.

(4) Verification (Audit) Fee

It is proposed that the cost of verifying a Food Control Plan for a single audit is charged to the food business as a fixed charge. The proposed charge is based on an average of 2 hours staff time being required. For a multi-site audit an hourly rate of \$150 per hour for time over 2 hours is proposed in addition to the fixed charge, as multiple site visits will be required.

Included in each verification fee is an allowance of 15 minutes for close out (follow up work) in

order to sign off full compliance. If more than 15 minutes is required then time will be charged out at a rate of \$150 per hour

(5) Complaint Driven Investigations

It is proposed that complaint driven investigations resulting in the issue of an improvement notice by food safety officer and its review, is charged to the food business on an hourly rate of \$150 per hour. In addition actual travel costs plus disbursements will be charged to the business owner.

Where the outcome of a complaint requires no action, no charge is proposed as the complaint has not been validated.

(6) Exemption

Within the new legislation there is an option for businesses to apply for an exemption to the requirement for a Food Control Plan or a National Programme. It is proposed that the application and assessment process for this be charged out at \$150 per hour.

(3) Travel Charges

The proposed fixed charge for each Zone is based on the following:

- 85 cents per km
- Staff travel time charged at \$150 per hour
- An assumption that for Zones 1 & 3 an average of 3 premises will be visited per day allowing for 2 hours per visit plus travel time and for Zone 2 an average of 5 premises per day, 2 auditors traveling together, allowing 2 hours per visit plus travel time.

Examples scenarios of how the proposed fees would apply for a 12 month period

Scenario 1

A new café, with a single site, is established and requires a Food Control Plan:

- New registration fee \$150
- Compliance & Monitoring fee \$ 75
- *Verification/audit charge \$300
*initially this is an annual verification audit, but following 2 successful audits, moves to once every 18 months
- Travel charge either \$10, \$30 or \$55 depending on zone

If the verification audit identifies small/minor issues and the business owner supplies evidence of completion to the auditor within the agreed timeframe the audit can then be closed out in less than 15 minutes so there is no extra charge.

If follow up matters take longer than 15 minutes – such as staff having to follow up for requested items or undertake another visit then a charge of \$150 per hour will apply.

Scenario 2

An existing business with a single site:

- Registration renewal \$150
- Compliance & Monitoring fee \$ 75
- Verification/audit charge \$300
*initially this is an annual verification audit, but following 2 successful audits, moves to once every 18 months
- Travel charge either \$10, \$30 or \$55 depending on zone

If the verification audit identifies small/minor issues and the business owner supplies evidence of completion to the auditor within the agreed timeframe the audit can then be closed out in less than 15

6

minutes so there is no extra charge.

If follow up matters take longer than 15 minutes – such as staff having to follow up for requested items or undertake another visit then a charge of \$150 per hour will apply.

Scenario 3

An existing food business owned by 1 operator with 1 Food Control Plan and more than 1 site (multi-site).

- Registration renewal \$225
- Compliance & Monitoring fee \$ 75
- Verification/audit charge \$300
*plus a charge of \$150 per hour after the first 2 hours
- Travel charge either \$10, \$30 or \$55 depending on zone

If the verification audit identifies small/minor issues and the business owner supplies evidence of completion to the auditor within the agreed timeframe the audit can then be closed out in less than 15 minutes so there is no extra charge.

If follow up matters take longer than 15 minutes – such as staff having to follow up for requested items or undertake another visit then a charge of \$150 per hour will apply.

4 Reasons for the proposed fees

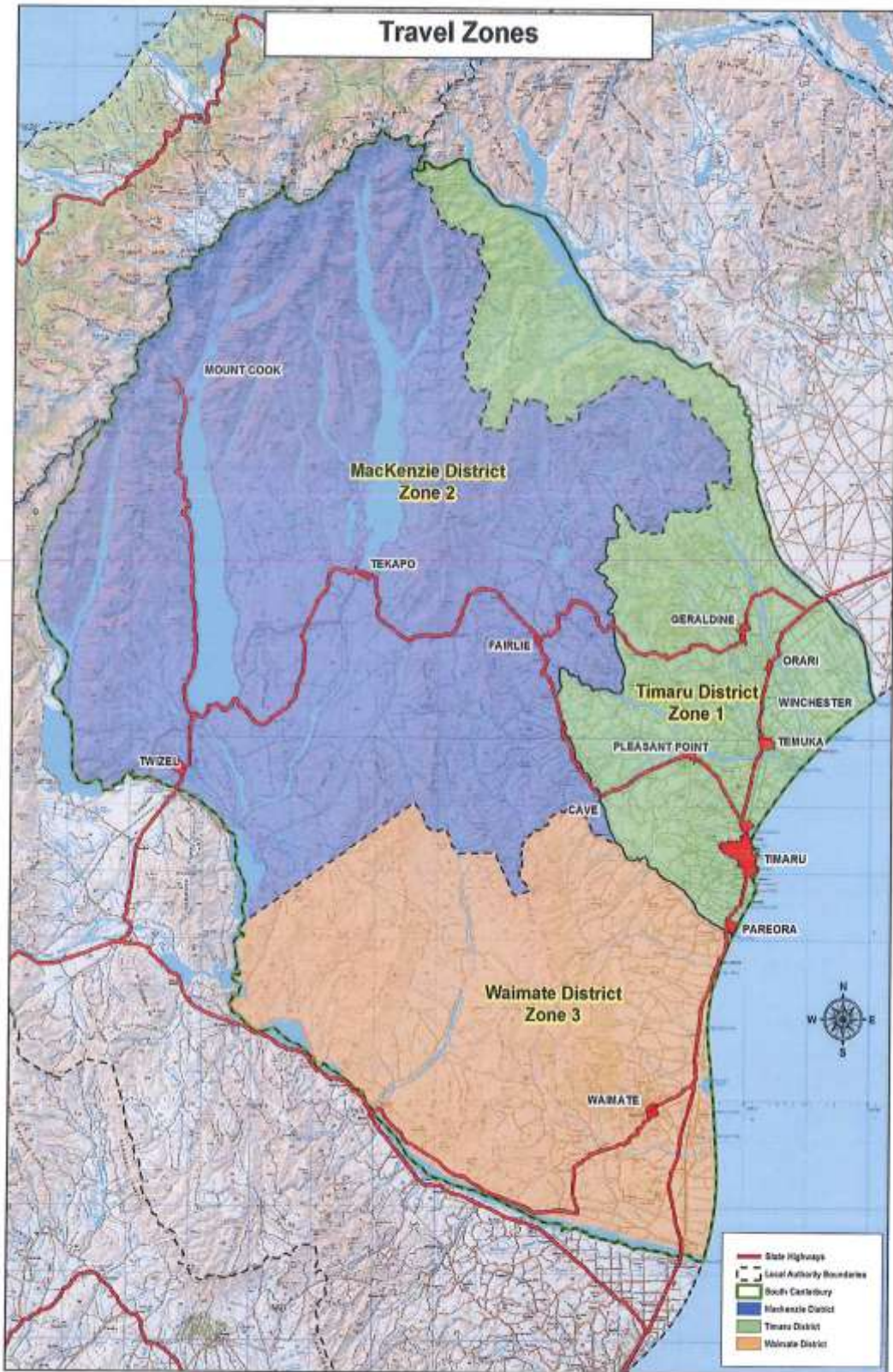
As required in s198 (2) of the Food Act Council has taken the following principles into account when proposing the fees to be charged.

<p>Equity</p>	<p>Council considers it is equitable to recover the full direct costs of its statutory functions from the direct beneficiaries of those functions.</p> <p>The direct beneficiaries of Council's functions of registration, verification and compliance and monitoring are the food businesses which must register and be audited under the Act. Without registration and verification, they cannot operate.</p> <p>Consumers also receive benefits from Council's Food Act functions when Council investigates complaints, monitors compliance and educates on food safety. Where Council follows up a complaint that requires no action it is considered that this cost should not be recovered from the food business but met by the public via general rates.</p>
<p>Efficiency</p>	<p>Council considers that costs should be allocated and recovered in order to ensure maximum benefits are delivered at minimum cost. For this reason fixed fees have been proposed where there is likely to be little variation in the time required to undertake a particular function, as this requires less staff time to calculate and invoice.</p>
<p>Justifiability</p>	<p>The proposed fees have been determined on estimated time and costs to carry out the statutory functions. Estimations have been calculated based on Councils experience thus far of how long each part of the process takes.</p>
<p>Transparency</p>	<p>The proposed fees are allocated to individual functions to ensure transparency and enable tracking of costs for the delivery of that function.</p>

5 Options to be considered

Option 1

Options	Advantages and Disadvantages
Fixed fees for all charges	<p>A fixed fee gives certainty for operators and requires less staff time to administer.</p> <p>This option would mean higher performing businesses would effectively be subsidising poor performers.</p> <p>For example there would be no opportunity to recover actual costs from those operators who required extensive follow up after verification audits, or to charge actual costs for complaint investigations where the complaint is substantiated.</p> <p>With fixed fees all operators end up having to share these costs.</p>
Recover none of the costs from operators	<p>The full cost of Council's functions under the Act would need to be recovered from rates.</p> <p>This option does not incentivise good performance in food businesses and could be seen to undermine the intent of the legislation in this regard.</p> <p>This approach is not consistent with Council's Revenue and Financing policy.</p>
<p>A mixed model of fixed fees and charging actual costs</p> <p>Council's preferred option</p>	<p>This model allows for those fees that can be fixed easily and with a degree of accuracy to be fixed, while those open ended tasks within an activity can be charged per hour to ensure costs are recovered.</p> <p>This option gives flexibility and is in keeping with the Act's intention to incentivise good performance.</p>



TIMARU DISTRICT COUNCIL
FOR THE MEETING OF 15 MARCH 2016

Report for Agenda Item No 4

Prepared by Ashley Harper
District Services Manager

Timaru Airport Facilities Enhancement (File A3/12)

Purpose of Report

To update Council on the scope, scale, cost and revenues associated with the above project and to seek further financial approval for the work to proceed.

Background

On 1 December 2016 the District Services Committee approved the proposed Timaru Airport Facilities enhancement project for referral to this meeting. At that time the project involved a terminal upgrade at \$575,000 and a carpark upgrade at \$300,000, with revenue projections of \$65,000 per annum.

Subsequent to the December meeting further discussions have been held with Air NZ over the terminal upgrade and additional research has been carried out on the carpark control mechanisms and the integration of the carpark with the enhanced entry/exit points of the terminal.

The results are that:

- 1) Air NZ requires additional space for luggage management necessitating the construction of a new luggage unloading bay and therefore extending the building to the east.
- 2) Air NZ requires considerable storage space for in flight consumables.
- 3) The drop off-pick up area near the terminal entrance will be considerably improved.
- 4) The control mechanism for the carpark is proposed to be a barrier arm. This will facilitate flexibility around carpark exit times and fees and allow a significantly higher fee collection ratio than other parking control mechanisms.

The proposed new budget has been updated and is recommended to be:

Airport Terminal Upgrade	\$725,000
Carpark	<u>\$575,000</u>
Total	\$1,300,000

Revenues \$106,000 p.a.

A fresh calculation shows that \$200,000 should be funded from depreciation and the remainder funded from loan.

Options

To approve the project, or to modify the budget by excluding some elements.

Relevant Legislation

TDC Annual Plan and Budget.

Assessment of Significance

This matter is not deemed significant under the Council's Significance Policy.

Consultation

As a result of face to face meetings and further correspondence with Air NZ the proposed project has escalated in both scope and scale. The outcome is that there will be additional project costs and additional revenues from leased space, aircraft landing charges and carparking. Only this last item was included in the original revenue proposal.

Air NZ has verbally committed to a lease of 5 years which is the minimum acceptable in order for the project to be recommended.

Conclusion

The introduction of the Q300 aircraft on the Timaru to Wellington scheduled air service provides an opportunity to enhance the Timaru Airport Terminal and carparking facilities.

The total cost of the work is estimated to be \$1,300,000 and it is recommended that Council consider this work package for implementation from July 2016.

Recommendations

1. **That it be recommended to the 2016 Council Annual Plan and Budget process that:**
 - **A terminal upgrade budget of \$725,000 be included**
 - **A carpark upgrade budget of \$575,000 be included**
 - **That carparking charging commence with an annual revenue projection of \$65,000.**
2. **That design and documentation for the approved enhancements be prepared in early 2016.**
3. **That physical work commence from 1 July 2016.**

TIMARU DISTRICT COUNCIL
FOR THE BUDGET/ANNUAL PLAN MEETING 15 MARCH 2016

Report for Agenda Item No 5

Prepared by **Tina Rogers**
 Group Manager Corporate Services

Mark Low
 Corporate Planning Manager

Proposed Annual Plan and Budget for the Period 1 July 2016 to 30 June 2017
(File F1/4)

Purpose of Report

The purpose of this report is to present the draft budget and fees and charges to the Council (budget document has been circulated separately).

Background

The draft budget document varies from the budget that has been presented previously in the Long Term Plan (LTP) 2015-2025. The Local Government Act 2002 Section 95 (5) states:

“The purpose of an annual plan is to—

- (a) contain the proposed annual budget and funding impact statement for the year to which the annual plan relates; and*
- (b) identify any variation from the financial statements and funding impact statement included in the local authority's long-term plan in respect of the year; and*
- (c) provide integrated decision-making and co-ordination of the resources of the local authority; and*
- (d) contribute to the accountability of the local authority to the community.”*

Council is required to prepare an Annual Plan for the 2016/17 year. This is founded on year two of the 2015-2025 LTP which was adopted by Council in June 2015. The next Long Term Plan is due for preparation for the ten years beginning 1 July 2018.

Proposed Annual Plan 2016/17 Overview

This budget is based on the LTP but reflects changes that have occurred since its adoption in June 2015. These include reprioritisation of some capital expenditure projects, the impact of the new roading contracts and some new projects.

Major Projects

Significant projects planned in 2016/17 that we previously highlighted in year two of the 2015-25 LTP are:

- Over \$14m of water network asset renewals and upgrades including Te Ngawai pipeline renewal for the Downlands water scheme, Timaru reservoir cover replacements, Pleasant Point water storage and Te Moana water capacity upgrades.

- Over \$11 million of roading asset renewals and upgrades including completion of the CBD refresh project and Washdyke network improvements.
- Ongoing upgrading of district parks and reserves, including playgrounds, park furniture and walkways.
- Renewal of the outdoor pool plant facilities at CBay.
- Construction of a waste sorting facility.
- Timaru library roof replacement.

A new item that has been added since the 2015-25 LTP was adopted is the terminal and carparking upgrade at the Timaru airport. This has been added due the larger aircraft that will be servicing the Timaru to Wellington route from March 2016. Considerable discussions have occurred with Air New Zealand to determine the changes that are required to the facilities. The cost of these facilities will be funded primarily via a loan which will be repaid through additional landing fees, lease fees and new parking fees. Service changes were signaled in the LTP 2015, but at that point funding requirements were not able to be identified.

Specific items that are to be considered by the Council are the Statement of Intent for Aoraki Development Business and Tourism (to be tabled) and the recommendation from the Community Development Committee regarding Otupua Wetlands (attached). Comments from Community Boards will also be tabled at the meeting.

Rates Impact

The proposed annual plan shows the 2016/17 increase of 1.92% including inflation. The LTP 2015-25 proposed a rate increase of 5.33% including inflation for the 2016/17 year.

District wide rates are proposed to increase by 2.97%. Targeted rate increases include:

- Sewer charge increases by \$2 to \$369
- Urban water charge increases by \$9 to \$287
- Aquatic Centre charge increases by \$1 to \$109
- Waste Management charge increases by \$4 to \$279.

Fees and charges for some Council services are proposed to increase to meet increased costs of some services and reflect required cost recovery. Fee schedules are included in the budget document.

As included in and agreed through the 2015-25 LTP process, the rate differentials are being amended over a three year period to increase the proportion of the general rate that is paid by the primary sector. Appendix A shows the impact of the rate changes on example properties.

Temuka properties are above the average increase due to stormwater and footpath upgrades. These upgrades were included in the LTP 2015-25.

Annual Plan Changes

Changes to the Local Government Act 2002 in 2014 mean that the Council's approach to preparing and consulting on an Annual Plan is changed. These changes mean that:

- There is no requirement to prepare information that duplicates the LTP content. As such, the Annual Plan is an exception based document and the Annual Plan 2016/17 content is reduced.
- A Council is not required to prepare a "Draft Annual Plan" or Draft Annual Plan Summary.

- Consultation on an Annual Plan is not required unless the differences to the LTP are 'significant' or 'material' or the Council chooses to. The Annual Plan is not required to go through a formal Special Consultative Procedure as previously carried out. If consultation is carried out, it must give effect to the consultation principles under the LGA (S82).
- Where consultation occurs, a Consultation Document (CD) must be prepared. The focus of the CD can only be around the 'significant' and 'material' changes between the 2016/17 year in the LTP 2015-25 and the Annual Plan 2016/17.

The new Annual Plan process is not about re-litigating issues already decided in the LTP. It is effectively an exceptions document that contains the major differences from the LTP. Consultation, if required, focuses around these differences or anything else that the Council wishes to consult on.

2016/17 Annual Plan Approach

Based on our initial analysis, it is proposed that the Annual Plan will **not** be consulted on. The Council will take more of a notification and information sharing approach.

This is likely to include an overview of what the main projects are for the coming year, any new projects included, changes to what was included in Year Two of the LTP and the financial and rating impact. There will not be a formal Special Consultative Procedure (SCP) as has occurred in the past. Note this is the proposed approach, and Council may decide to consult using a 'Consultation Document' under the Act.

Information on the proposed Annual Plan information will be included as part of the Courier, on the Council's website, made available from Council Service Centres/Libraries, and mailed out to stakeholders.

Timetable

The approved timetable for the consideration and adoption of the 2016/17 Annual Plan is as follows:

7 - 9 March	Budget meetings of Community Boards
15 - 16 March	Council meets to consider Budget and proposed Annual Plan
5 April	Council adopts Consultation Document (if required)
16 May	Close-off for any feedback to the Council regarding the Annual Plan Consultation Document (if prepared).
30 - 31 May	Council consideration of any feedback received.
28 June	Council meeting to adopt Annual Plan and Rates Resolution.

At the same time as the above process for the proposed Annual Plan, the Council will be undertaking an SCP in relation to the fees under the Food Act.

Conclusion

The preliminary draft budget continues the implementation of the 2015–25 LTP work programme. It proposes an increase in the Council's rate requirement of 1.92% for 2016/17.

Recommendations

That the Council:

- 1 Notes the proposed 2016/17 Annual Plan and Budget.**
- 2 Considers**
 - a. the Draft Statement of Intent and Budget for Aoraki Development Business and Tourism; and**
 - b. the additional funding request for \$30,000 for Otipua Wetland; and**
 - c. any Community Board comments.**
- 3 Notes the changes to the Annual Plan process and consultation provisions.**
- 4 Confirms the proposed notification/information sharing approach for the proposed 2016/17 Annual Plan, and that the Annual Plan will not be consulted on.**

Appendix A

RATE MOVEMENT FOR AVERAGE RESIDENTIAL PROPERTIES & INDICATIVE FARMING/COMMERCIAL PROPERTIES

(including GST at 15%)

Rate Type	Residential						Farming		Timaru Commercial
	Geraldine	Pleasant Point	Temuka	Timaru	Farming	Farming	Farming	Commercial	
	\$	\$	\$	\$	\$	\$	\$	\$	
Average Land Value	128,000	110,000	80,000	110,100	365,400	1,400,000	3,654,000	317,800	
General Charge/Aquatic centre	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	
General - Rate Requirement	6.40	5.50	4.00	5.51	47.50	182.00	475.02	-120.76	
District W & S - Rate Requirement	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Total District Wide Rate Movement	22.40	21.50	20.00	21.51	63.50	198.00	491.02	-104.76	
Community Bd Charge	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Community W & S - Rate Requirement	1.28	0.00	46.40	-14.31	0.00	0.00	0.00	-41.31	
Rural Fire Protection Rate Requirement	0.00	0.00	0.00	0.00	-7.31	-28.00	-73.08	0	
Waste Charge	4.00	4.00	4.00	4.00	0.00	0.00	0.00	4.00	
Sewer Charge	2.00	2.00	2.00	2.00	0.00	0.00	0.00	2.00	
Water Charge	9.00	9.00	9.00	9.00	0.00	0.00	0.00	9.00	
Total Rate Movement	38.68	36.50	81.40	22.19	56.19	170.00	417.94	-131.08	
2015/16	2,128.92	1,889.00	2,014.90	2,037.33	1,046.56	2,226.00	4,795.56	5,823.52	
2014/15	2,090.24	1,852.50	1,933.50	2,015.14	990.36	2,056.00	4,377.62	5,954.60	
Diff	38.68	36.50	81.40	22.19	56.19	170.00	417.94	-131.08	
% Increase	1.85%	1.97%	4.21%	1.10%	5.67%	8.27%	9.55%	-2.20%	
Note: the farming property does not include any service charges.									
UAGC/Aquatic Centre	630.00								