

**COUNCIL BUDGET / LTCCP MEETING**

**Commencing at 9.00am**

**on**

**Tuesday 24 March 2009**

**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 2009 to 30 June 2019 Budget, and LTCCP, will be held in the Council Chamber, District Council Building, 2 King George Place, Timaru on Tuesday 24 March 2009 at 9.00am.**

**Please bring to the meeting your draft budget (coloured document) and LTCCP (white document)**

### **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.

Warwick Isaacs  
**CHIEF EXECUTIVE**

**TIMARU DISTRICT COUNCIL**

**BUDGET / LTCCP MEETING**

**24 March 2009**

**AGENDA**

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**TIMARU DISTRICT COUNCIL**  
**FOR THE MEETING OF 24 MARCH 2009**

**Report for Agenda Item No 3**

**Prepared by**     **Tina Rogers**  
                                 **Chief Financial Officer**

**Mark Low**  
**Strategic Planning Manager**

**Draft LTCCP and Budget for the Period 1 July 2009 to 30 June 2019** (File C5/17/3)

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**Purpose of Report**

The purpose of this report is to present the draft Long Term Council Community Plan (LTCCP), budget, and fees and charges to Council for consideration. (Two documents are circulated separately).

**Background**

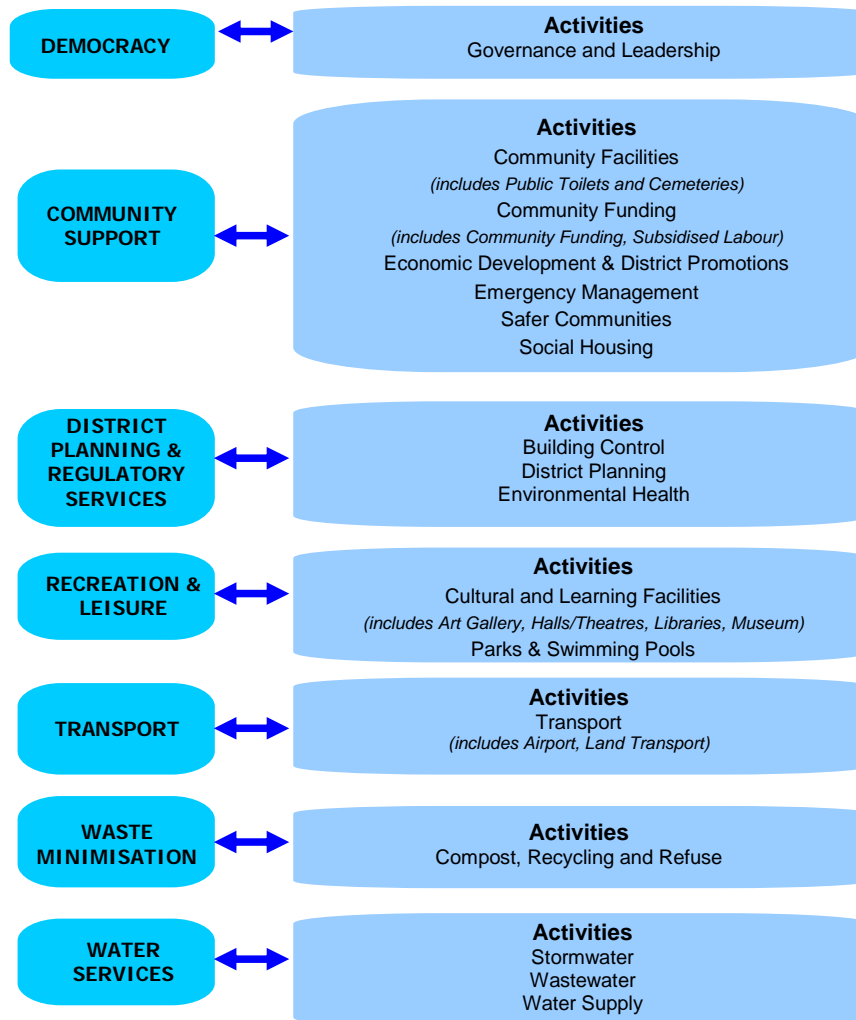
The draft budget document is the financial basis that supports the Long Term Council Community Plan. The Local Government Act 2002 Section 93 (6) states:

*“The purpose of a long-term council community plan is to—*

- (a) describe the activities of the local authority; and*
- (b) describe the community outcomes of the local authority's district or region; and*
- (c) provide integrated decision-making and co-ordination of the resources of the local authority; and*
- (d) provide a long-term focus for the decisions and activities of the local authority; and*
- (e) provide a basis for accountability of the local authority to the community; and*
- (f) provide an opportunity for participation by the public in decision-making processes on activities to be undertaken by the local authority.”*

The LTCCP represents the primary planning and accountability document of the Council and contains the 2009/10 Annual Plan and basis for the 2010/11 and 2011/12 Annual Plans. This is the Council's third LTCCP (they are reviewed three yearly). It presents the blueprint for what the Council is aiming to deliver over the next ten years, taking into account potential issues that will impact on the delivery of the Council's services. It shows how the Council will continue to contribute towards the community outcomes, identified by the community in 2005.

The Plan is organised by the Council's seven groups of activities, as illustrated below:



The LTCCP is a large and complex document, which has to meet the needs of several audiences, including the community, the Council, Council officers and the Office of the Auditor General. Much of the content is required for inclusion under the Local Government Act 2002. Several documents provide a basis for the direction in the LTCCP including Activity and Asset Management Plans, Council policy and strategies.

A summary document is being prepared that summarises the major matters in the LTCCP. This is to be distributed to all residents through a community newspaper when consultation on the LTCCP opens.

The 'core' of the LTCCP document is the Activities section (Section 2), which outlines for the activities that Council is involved with:

- The nature of the activity
- Why the Council is involved with the activity
- The assets managed by the activity
- The overall strategic direction for the activity
- Future issues and challenges and the impact of demand on the activity
- Assumptions and uncertainties relating to the activity

- The negative effects the activity may contribute towards and how these are addressed
- The Levels of Service to be provided by the activity
- How the Council will monitor performance
- The work programme of the activity, including financial information for capital work
- The overall expenditure and funding of the activity.

Along with this, information is included on Council policy, overall financial information, community outcomes, rating and rating policy and general information about the district.

The LTCCP highlights the five key issues and challenges for the Timaru District Council as:

1. 'Keeping a balance' - Building for the future while maintaining what we have
2. Dealing with our sewage - Wastewater Upgrades
3. The time is now – Timaru Aquatic Leisure Centre
4. 'My toby is leaking' - Ageing infrastructure
5. Keeping it real – Affordability.

A number of key projects are planned over the period, detailed in the Activity Statements, and including:

- Temuka and Timaru cemetery extensions
- Timaru Aquatic Leisure Centre
- Factory and Temuka road upgrades
- Southern port access
- Washdyke roading improvements
- Timaru CBD carpark
- Redruth landfill capital expenditure
- Timaru/Temuka stormwater development
- Completion of the Main Trunk Sewer Renewal project
- Arowhenua Wastewater scheme constructions and potential connection to the network of Winchester and Acacia Drive
- Domestic and Industrial Wastewater Plan upgrades and separation of industrial effluent
- Downlands additional water source and DWS upgrade
- Drinking Water Standards upgrades for several water supply schemes.

As well as these, the Council will continue to provide all its existing services at the proposed level of service.

The preliminary draft budget shows the 2009/10 total rate increase of 2.74%. This incorporates a proposed increase of 3.28% in the District Wide Rate requirement. The sewer uniform charge was expected to increase to \$310 in 2009/10, but due to the approved delay in the construction programme the increase has been kept to \$248, up from \$247 in 2008/09. The proposed targeted rate for the aquatic leisure centre will not commence until the 2010/11 year when it will be phased in at approximately \$30, increasing to \$102 in 2012/13.

Extensive evaluation and scrutiny of the approved 2008/09 budget and 2009/10 proposed budget has been undertaken by the Management Team and staff, including a rigorous assessment of the levels of service to be provided by the Council to the community. During the Activity Management Planning process, a number of items were included in the draft budget. As the Management Team considered the budget, a

number of these items were unable to be included at this time mainly because of financial prudence reasons. These items have been included in appendix A. A number of items already included in the budget document presented last year have also been removed and these are included in appendix B.

Given the Council's objectives, the management team has been mindful of the following objectives:

- 1 Maintain the physical infrastructure;
- 2 To provide a level of service that should at least maintain the status quo unless there are reasons for change; and
- 3 Provide a well-run professional organisation for ratepayers and other stakeholders;
- 4 Minimise rate increases;
- 5 The identification of additional items on a priority basis.

The level of discretionary expenditure in the budget is very low. Any further reductions are most likely to affect levels of service and therefore have some impact on the community.

The timetable for the consideration and adoption of the 2009/19 LTCCP is as follows:

9 to 11 March	Meetings of Community Boards to consider Preliminary Draft LTCCP and Budget
24-26 March	Council meets to consider Preliminary Draft LTCCP and Budget
14 April	Council adopts Draft LTCCP
18 April	Draft LTCCP opens for submissions
18 May	Draft LTCCP submissions close
9-11 June	Draft LTCCP submission hearings and decisions
30 June	Council meeting to adopt LTCCP and Rates Resolution.

Details of all Council activities are included in the LTCCP document which includes key projects, levels of services, future issues and assumptions.

Major items relating to the LTCCP and budget include:

- Inflation has not been included beyond 2009/10.
- Sewer treatment upgrades are significant over the next 7 years. The sewer rate peaks at \$452 in 2015/16, up from the \$248 proposed for 2009/10.
- Aquatic leisure centre has been included on page RL6. The aquatic leisure centre rate will be phased in from the 2010/11 year.
- Income in the planning and regulatory area is trending downwards, reflecting the economic situation. There is however a backlog of work that is still required to be completed.
- Over the next 2 years, \$4.6 million has been included to develop a multilayer carpark on the Sophia street site. Parking fees for all car parks are proposed to increase by 10 cents per hour for each of the next 5 years to finance this project.

- Significant capital expenditure has been included in the solid waste activity to provide additional capacity and to meet requirements regarding drainage and gas emissions. A National Environmental Standard (NES) now applies to this activity.
- The \$10 plus GST per tonne Government Waste Levy has been included as a \$50,000 cost to the kerbside collection service and a \$150,000 revenue to the waste operations service.
- Water treatments upgrades for Te Moana and Downlands have been delayed with completion now expected in the 2013/14.
- Social Housing rents are proposed to increase for each of the next 4 years to cover operational costs. Recent rent increases have all been used to cover the increased sewer charges for the units.
- Maintenance costs remain a significant item for Council. For example, roading maintenance amounts to almost \$4 million in 2009/10.
- Management have reduced Parks operating expenses by \$270,000 to maintain the rate input to the activity at the same level as 2008/09. The areas for these reductions have not yet been identified by staff, but there may be a reduction in level of service in some locations.
- Fee revenue has been reviewed in all areas to offset further rate increases. The details of all fees are included in the budget document.
- A list of projects not being currently funded by the Council is included for public information and feedback
- The Revenue and Financing Policy has been rewritten to aid clarity and understanding. This policy details why and how each individual Council activity will be funded, including the funding sources used (e.g. rates, fees).
- The LTCCP includes the proposed new remissions policy on Remission of Multiple Use differentials and service charges when separate self contained flat is used for private purpose and not for profit.
- The LTCCP includes adjusted differentials as proposed through the Policy and Development committee and the Timaru Aquatic Leisure Centre targeted rate (as mentioned earlier).
- A proposal to dispose of endowment land in John Street, Temuka is included. This is required to be consulted on under the Local Government Act.

### **Conclusion**

The Preliminary Draft LTCCP and budget sets out all known work proposals ahead of Council for the next 10 years. It represents the major Council planning and accountability document and takes into account potential issues that will impact on the delivery of the Council's services, while maintaining quality and affordable services for the community into the future.

The current financial situation has resulted in some "belt tightening" and in some areas there may be a slight reduction in the level of service provided to the Timaru District community.

### **Recommendation**

**That the 2009-2019 LTCCP and budget be considered.**

**Appendix A**

Additional Expenditure Requests for 2009/10 to 2018/19 Budget													
	Mgmt	Operating /Capital	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	Source of Funds
<b>Drainage and Water</b>													
<b>Geraldine Stormater</b>													
Soak Holes - Raukapuka	Med	Capital	30,000	25,000	25,000	25,000	25,000						Rates
Domain camping ground swales	Med	Capital						135,000					Loan
<b>Transport</b>													
<b>Geraldine NonSubsidised Rooding</b>													
Cox St carpark sealing	Low	Capital	80,000	50,000									Loan
Footpaths - increase to \$15,000 per annum	Low	Capital	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	Rates
<b>Pleasant Point Non-subsidised roading</b>													
Railway land purchase - incl carpark & toilet area	High	Capital	50,000										Property Development Fund
<b>Timaru Non Subsidised Rooding</b>													
Timaru CBD Wayfinding maps	Low	Capital	10,000	10,000									Tu Ward Capital asset fund
<b>Subsidised Rooding</b>													
Seal Widening - Coach & Tiplady Rds due to heavy traffic	Med	Capital		200,000	300,000								Depreciation fund
Seal Widening - Coach & Tiplady Rds due to heavy traffic - NZTA subsidy	Med	Revenue		-104,000	-156,000								Revenue
Additional kerb & channel replacements	Low	Capital	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	Depreciation fund
Additional kerb & channel replacements - NZTA subsidy	Low	Revenue	-52,000	-52,000	-52,000	-52,000	-52,000	-52,000	-52,000	-52,000	-52,000	-52,000	Revenue
New off carriageway cycleways/walkways	Low	Capital	200,000	100,000		300,000		200,000		300,000		300,000	Loan
New off carriageway cycleways/walkways - NZTA subsidy	Low	Revenue	-124,000	-62,000		-186,000		-124,000		-186,000		-186,000	Revenue
<b>Streetlighting</b>													
Network extension - Greig St PI Point	Low	Capital	65,000										Loan
Network extension - Greig St PI Point - NZTA subsidy	Low	Revenue	-33,800										Revenue
<b>Solid Waste</b>													
<b>Solid Waste Operations</b>													
EDAY	Med	Operating	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	Rates

## Appendix A (Continued)

		Mgmt	Operating	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	Source of Funds
<b>Recreation and leisure</b>			/Capital											
<b>Museum</b>														
	Advertising/marketing to increase visitor numbers	Low	Operating	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	Rates
	Public programme position	Low	Operating	20,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	Rates
	Public programme position - admin	Low	Operating	2,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	Rates
	Public programme position - revenue	Low	Operating	-10,000	-24,500	-24,500	-24,500	-24,500	-24,500	-24,500	-24,500	-24,500	-24,500	Rates
	Building extension feasibility study	Low	Operating	12,000										Rates
<b>Halls and Community Centres</b>														
	Install lift and extend kitchen/bar area in Geraldine Pavillion	Low	Capital			150,000								Loan
<b>Parks</b>														
	Mulcahys reserve - redevelopment due to urban growth	Med	Capital			65,000								Loan
	Mulcahys reserve - Maintenance	Med	Operating				6,000	6,000	6,000	6,000	6,000	6,000	6,000	Rates
	Aorangi Park paths	Low	Capital				40,000	40,000						Loan
	Marine Parade redevelopment	Low	Capital	200,000										Loan
	Temuka Domain grass cycletrack	Med	Operating					35,000						Rates
	Temuka Domain reseal cycletrack	Low	Capital					125,000						Depreciation fund
<b>Pools</b>														
	Temuka Pool - install floodlights	Low	Capital	7,000										Depreciation fund
	Geraldine Pool - install floodlights	Low	Capital	7,000										Depreciation fund
<b>Community Support</b>														
<b>Public Toilets</b>														
	Arundel bridge toilet	Low	Capital	15,000										Loan
	Additional Geraldine toilets	Low	Capital	????										Loan

**Appendix B**

<b>Items removed from 2009/10 to 2018/19 Budget</b>											
		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
<b>Drainage and Water</b>											
<b>Temuka Stormater</b>											
	Stormwater upgrades	450,000		370,000							
<b>Transport</b>											
<b>Road/Street landscapes</b>											
	Security cameras	20,000									
<b>Subsidised Roothing</b>											
	Seal extensions	330,000		330,000		330,000		330,000		330,000	
	Railway warning signals	100,000									
<b>Recreation and leisure</b>											
<b>Parks</b>											
	Seal Torepe fields carpark			38,500							
	Seal Temuka Domain bowling carpark		62,200								

**TIMARU DISTRICT COUNCIL**  
**FOR THE BUDGET / LTCCP MEETING OF 24 MARCH 2009**

**Report for Agenda Item No 4**

**Prepared by**     **Warwick Isaacs**  
                          **Chief Executive**

**Committee and Community Board Recommendations**

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Budget recommendations for consideration from the meetings of the

- Te Moana Water Supply Committee
- Downlands Water Supply Committee
- Temuka Community Board
- Pleasant Point Community Board
- Geraldine Community Board

**Recommendations**

**TE MOANA WATER SUPPLY COMMITTEE**

Draft budget approved as presented.

**DOWNLANDS WATER SUPPLY**

Draft budget approved as presented.

**Additional Expenditure Requests for 2009/10 to 2018/19 Budget**

	<b>Temuka Community Board</b>	<b>Pleasant Point Community Board</b>	<b>Geraldine Community Board</b>
<b>Geraldine Stormwater</b>			
Soak Holes Raukapuka			Already in budget
Domain camping ground swales			High – move to 2011/12
<b>Geraldine Non-Subsidised Roding</b>			
Cox Street access			Access (not sealing) high priority for 2009/10 and sealing medium for 2014/15
Footpaths – increase to			High

\$15k pa			
<b>Pleasant Point Non-Subsidised Roding</b>			
Railway land purchase	High	High	High
<b>Timaru Non-Subsidised Roding</b>			
Timaru CBD Wayfinding maps			
<b>Subsidised Roding</b>			
Seal Widening – Coach & Tiplady roads			High Move to 2009/10 & 2010/11
Additional kerb & channel replacement	Low	Low	
New off carriageway cycleways/walkways	Low	Low	High
<b>Streetlighting</b>			
Network extension Greig St Pleasant Point		High	
<b>Solid Waste</b>			
EDAY participation	Medium	Medium - to be offset by other savings	High
<b>Museum</b>			
Advertising/Marketing	Low	Low	Low
Public Programme position	Low	Low	
Building extension feasibility study	Low	Medium	
<b>Halls &amp; Community Centres</b>			
Geraldine Pavilion			\$8,000 high in 09/10 for shower partitions \$50,000 high in 10/11 for d/stairs kitchen upgrade \$100,000 high in 12/13 for lift
<b>Parks</b>			
Mulcahys Reserve			
Aorangi Park paths	Low	Low	
Marine Parade redevelopment	Low	Low	Low
Temuka Domain grass cycle track	Medium	Medium	
Temuka Domain reseal cycle track	Low	Low	
<b>Pools</b>			
Geraldine Pool install floodlights	Delete		Question necessity
Temuka Pool install	Delete		Question

floodlights			necessity
<b>Public toilets</b>			
Arundel bridge toilet			High
Additional Geraldine toilets			High For rural areas. Move to 2012/13

## **TEMUKA COMMUNITY BOARD**

### **Temuka Non-subsidised Roothing**

That the rates be increased by \$15,000 for the upgrade of the Temuka footpath programme.

### **Parks**

That the sealing of Torepe Fields carpark remain in the Budget but be pushed out two years (2013/14) and that the sealing of the Temuka Domain bowling carpark also remain but be pushed out two years (2012/13).

## **PLEASANT POINT COMMUNITY BOARD**

### **Pleasant Point Court Resurfacing**

THAT the resurfacing of the courts be moved out 5 years from 2010/11 to 2014/15

### **Seal Extensions**

Pleasant Point Community Board members request that \$330,000 subsidised roading be removed (for 2009/10 and 2011/12) but the 2013/14, 2015/16 and 2017/18 be included in the Budget and LTCCP.

### **Parks**

Pleasant Point Community Board members supported the decision of the Temuka Community Board, that the sealing of Torepe Fields carpark remain in the Budget but be pushed out two years (2013/14) and that the sealing of the Temuka Domain bowling carpark also remain but be pushed out two years (2012/13).

## **GERALDINE COMMUNITY BOARD**

### **Environmental Health**

That it be recommended that fees for street dining areas for rural areas be considered on a separate basis to urban areas.

### **Seal Extensions**

That Seal extensions be put back into the budget document in every year.

### **Railway Warning signs**

That Railway warning signals be a high priority and be put back into the budget document.

**TIMARU DISTRICT COUNCIL**  
**FOR THE MEETING OF 24 MARCH 2009**

**Report for Agenda Item No 5**

**Prepared by**     **Tina Rogers**  
                          **Chief Financial Officer**

**Community Works and Services Rates** (File F1/2)

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**Purpose of Report**

The purpose of this report is for Council to consider whether the Community Works and Services Rates should be changed.

**Background**

At the Council meeting on 4 November 2008, Council discussed the Community Works and Services Rates and agreed to investigate the following options for the Community Works and Services Rates:

- 1) Including the non-subsidised roading component in the District Works and Services Rate and maintaining the stormwater component as a Community Works and Services Rate for each community.
- 2) Combining the Community Works and Services Rate for Geraldine, Temuka and Timaru, with the balance included in the Rural Community Works and Services Rate.
- 3) Combining the Community Works and Services Rate for Geraldine, Pleasant Point, Temuka and Timaru, with the balance included in the Rural Community Works and Services Rate.
- 4) Effects of phasing in any of the options.

The Community Works and Services Rate funds the non-subsidised roading, community lighting and stormwater activities of Council.

The Community Works and Services Rates proposed for 2009/10 in the preliminary draft budget, and the rate for an average residential property is:

	Rate Input	Rate per \$ Land Value	Average Residential Land Value	Community Works and Services Rate for Average Residential Property
Timaru	\$2,030,500	\$0.00151	\$103,500	\$156.29
Temuka	\$223,100	\$0.00174	\$70,800	\$123.19
Geraldine	\$169,000	\$0.00123	\$115,200	\$141.70
Rural	\$142,300	\$0.00005	\$97,600 (Pleasant Point)	\$4.88

A rural property with a land value of \$1.3 million would pay a Community Works and Services Rate of \$65.00.

## **Options**

### Option 1

Non-subsidised roading could be removed from the Community Works and Services Rate and added to the District Works and Services Rate. Non-subsidised roading has a total rate requirement of \$1,160,000. The District Works and Services Rate is the same across the district but differentiated based on the use of the land. If the non-subsidised roading was moved to this rate type, there would be a shift in incidence of rates due to the differentials from the Rural sector to the Commercial/Industrial sector. For this reason, this option has not been pursued any further.

### Option 2

The Community Works and Services Rate for Timaru, Temuka and Geraldine could be combined. The rates would be amended as follows:

	Rate per \$ Land Value	Example Land Value	Community Works and Services Rate for Average Example Property
Timaru	\$0.00150	\$103,500	\$155.59
Temuka	\$0.00150	\$70,800	\$106.43
Geraldine	\$0.00150	\$115,200	\$173.18
Pleasant Point	\$0.00005	\$97,600	\$4.88
Rural	\$0.00005	\$1,300,000	\$65.00

### Option 3

The Community Works and Services Rate for Timaru, Temuka, Geraldine and Pleasant Point could be combined. The rates would be amended as follows:

	Rate per \$ Land Value	Example Land Value	Community Works and Services Rate for Average Example Property
Timaru	\$0.00149	\$103,500	\$154.60
Temuka	\$0.00149	\$70,800	\$105.76
Geraldine	\$0.00149	\$115,200	\$172.08
Pleasant Point	\$0.00149	\$97,600	\$145.79
Rural	\$0.00003	\$1,300,000	\$38.89

### Option 4

The Community Works and Services Rates could remain unchanged with different rates for Timaru, Temuka, Geraldine and Rural.

## **Assessment of Relevant Legislation, Council Policy and Plans**

Should the Council wish to change the Community Works and Services Rates, the Local Government (Rating) Act 2002 requires the decision to be consulted on in the 2009 LTCCP.

**Assessment of Significance**

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

**Consultation**

Discussions have been held with Council as part of the Council meeting to discuss the 2009 LTCCP held in November 2008.

As the decision is to be included in the LTCCP, the community will have the ability to submit on any decision the Council makes in relation to the rates.

**Other Considerations**

Options 1, 2 and 3 could be phased in over a period Councilor's considered appropriate.

**Funding Implications**

There are no significant funding implications for the Council.

**Conclusion**

The Community Works and Services Rates are specific to the communities where the services are provided and as such there is a difference across the district.

**Recommendation**

**That the basis for the Community Works and Services remain unchanged at this time (Option 4).**

**TIMARU DISTRICT COUNCIL**  
**FOR THE MEETING OF 24 MARCH 2009**

**Report for Agenda Item No 6**

**Prepared by**     **Matt Ambler**  
                          **Property Manager**

**Proposed Increases for Social Housing Rentals (File P4/1)**

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**Purpose of Report**

This report is seeking the Council's approval of the proposed level of increase of the weekly rentals charged in Council's social housing rentals by \$5.00 per week, each year on 1 July, for the next 3 years.

The level of increase is the minimum level to be implemented annually for the next 3 years.

**Background**

Since 2005, the Council has been increasing its annual rental charges from 1 July each year to enable the provision of the identified levels of service for the activity, and the continued maintenance of the units.

Over the past 3 financial years, the annual increase has been \$2.00 per week per person for each of the units. As the activity is a self funding activity, the rentals provide the income for all associated costs. It has become evident that during the course of this current financial year, that the previously applied level of increase is now insufficient.

Key issues to consider are as follows:

- There have been additional fixed costs imposed, such as the increases in rates, including sewer charges, and the provision of the 3-bin system for waste management. The cost of the provision of bins is proposed to be \$280 pa which is over \$5.00 per unit per week. Bins are provided to all units.
- Taking samples of social housing addresses, rates charges have been increased on average across the units by 38% since the 2005/06 financial year. The overall effect on the total maintenance budget is covered in the funding implications section of this report.
- While insurance costs are expected to remain at current levels there have been significant increases over the last few years.
- The cost of servicing loans for new housing is also met from income generated from rentals. Currently debt servicing costs \$139,000 per annum for the 23 new units - \$116 per week per unit.

- The present (2008/09) budget for response and programmed maintenance on the housing units totals \$384,000. Rates and insurances total \$193,179, leaving \$190,281 for all maintenance throughout the year, which equates to \$15,900 per month. Current average monthly maintenance expenditure levels (as at February 2009) are \$18,600. This leaves a shortfall of \$2,700 per month, or approximately \$33,000 per annum which means that an equal amount of work cannot be done on other maintenance. Current maintenance expenditure goes on response maintenance to service requests, and on refurbishing units when they are vacated. In some cases the units have been occupied for over 10 years, and require maintenance to attract new tenants.

The key issue is the ability to continue sustaining the existing levels of service and attending to identified deferred maintenance items within the current income stream and identified expenses. The present income stream and \$2.00 per week annual increases cannot sustain the present demand on maintenance and capital works required to sustain present levels of service.

The annual capital budget is allocated primarily to the conversion of baths and shubs to showers throughout the district, and to insulation upgrades. These tasks are still seen as priorities, and the budget is fully committed.

Tenants have been written to over the past 6 weeks to gauge their opinions and gain feedback on a proposed \$5.00 per week increase, to be applied each year for the next 3 years, and also on what items they view as requiring remedial attention. The response has been positive.

### **Options**

The present situation (status quo) cannot continue, so doing nothing is not an option.

The best option is considered the recommendation of this report. The rental needs to be increased by \$5.00 per week per year, for each of the next 3 years.

Feedback from tenants has shown that the proposed level of increase is manageable within their incomes.

The increase will enable the continuation of the basic levels of service and identified social outcomes, subject to any future increases in market force costs.

### **Identification of Relevant Legislation, Council Policy and Plans**

The Council's revenue and financing policy in respect of social housing is that the activity is to be self-funding.

Allocation of housing is based on need, which is assessed internally, with age and shortage of assets receiving emphasis. Tenants are mainly superannuitants and pensioners, (63%) and on other types of benefits (37%).

The tenancies are all subject to the Residential Tenancies Act 1986.

### **Assessment of Significance**

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

## Consultation

Other councils in the region were approached to seek comparable evidence for similar bedsit and 1 bedroom units. The following figures were provided:

	<b>Bedsits</b>	<b>1 bedroom (single)</b>
Timaru	\$53.00 – 55.00	\$55.00 – 67.00
Christchurch	\$77.50	\$84.00 – 111.00
Waitaki	\$65.00	\$80.00
Waimakariri	\$78.20	\$92.50
Dunedin	\$84.00 – 106.00	\$106.00 – 116.00
Selwyn		\$90.00 – 95.00
Westland/ Greymouth		\$80.50 – 88.00
Ashburton		\$72.00 (from 1 April 2009)

These comparative figures are suggesting that this council's rentals are well below other local authority rentals for similar housing, when our figures are shown as below:

The median rental charged in our units is	\$65.00
The average weekly rent paid by single tenants is	\$66.00
Couples pay an average of	\$87.00

The above figures were calculated by reviewing the current weekly rental charges across all our units at each site and taking the average rental for singles and couples at the each site.

Letters were written to all tenants, at each block of units to advise them individually of the need to increase the rental by \$5.00 per week due to the increasing cost of services. The tenants were given a schedule of items identified for attention, specific to each address. Their input has been sought on the items suggested, which were deferred maintenance items or improvements. They were given return envelopes to address their concerns, or raise other items which might be worthy of attention. Their feedback was requested as background for this report.

The majority of those providing feedback have responded favourably to the proposed increase, with their observations of what items need attention or reasonable improvements would improve their well-being, and ideal priority.

Work and Income New Zealand (WINZ) was also consulted in terms of the rentals and the potential entitlement of tenants to accommodation supplements. The majority of tenants are superannuitants. Information from WINZ showed that the current rental charges are below the threshold figure for supplement assistance. The threshold applies at approximately 25% of net income. A single person's net weekly income from New Zealand Superannuation is \$285. Married couples net approximately \$417 – 439.

The current rental levels are below the current thresholds set by Government for providing financial support to tenants on low or fixed incomes. Currently rentals for single superannuitants need to be at \$74 per week and at \$116 per week for couples.

## Other Considerations

The level of incomes received by the tenants is controlled by central government. The market dictates the level of service costs. While there may be a perception that the

impact of the increase may be more significant than in previous years, there is no sign that market costs will stabilize or reduce for maintenance costs.

Sewer charges are to increase over the next 2 years, which will further erode the effectiveness of the maintenance budget.

### **Funding Implications**

The proposed \$5.00 per week rental has been included in the draft budget sheets for the activity. The proposed increase will enable the maintaining of the asset in terms of currently known outgoings.

Fixed costs such as rates and insurances have significantly reduced the net effectiveness of the income stream. The implications of not increasing the rentals have been outlined earlier in this report. If the negative cash flow is allowed to continue, the standards of service and the physical standard of Council's activity asset will decline.

### **Conclusion**

As well as providing levels of service to our tenants, we also need to be providing for the ongoing protection of our asset. The current self funding nature of the activity means that rentals need to be maintained at a level that can enable both goals to be achieved. The proposed \$5.00 per week increase has met with acceptance with the majority of tenants, who have also provided feedback on what improvements they should wish to see within their tenancy.

Most of the tenants will not qualify for accommodation supplement support, which suggests that the current rent levels are not up to a level that the current Government agency WINZ sees as requiring such support.

If the rents are not increased by the minimum amount, Council's asset may become at risk of not being able to provide the identified service levels and deferred maintenance becoming unaffordable.

### **Recommendations**

- A. That the \$5.00 per week increase be approved and applied from 1 July 2009 for the 2009/2010 year.**
- B. That the same level of increase be the minimum increase applied for the following two financial years, being the 2010/11 and 2011/12 years.**