

STAFF REPORT

To: Chairman and Members, Corporate Services Committee
From: P Thomson, Engineering Manager
Reference: R376
Date: 17 March 2005
Subject: **Refuse Budget 2005/2006**

Purpose

This report reviews the proposed refuse budget and user charges for the 2005/2006 financial year.

Background

At the Engineering Services Committee meeting held on 3rd March 2005 the proposed 2005/06 budgets were considered. The Committee was concerned with the projected increase in General Rate funding required and requested that staff further review the estimates and attempt to lessen the General Rate funding component.

In summary the 3rd March proposal included:

- No change to the annual targeted rate for kerbside recycling services at \$40 incl GST per property
- No change to any refuse user charges
- Total General Rate funding requirement of \$906,769.

Comment

Estimated expenditure has increased since the 2004 LTCCP as a result of tendering and awarding new refuse contracts for the provision of collection services, resource recovery centre operation, green waste and waste minimisation services. These new contract costs have all exceeded the previous estimates for the 2004/2005 and 2005/2006 financial years.

The introduction of these new contracts and new user charges was delayed until 21 November 2004. Council has incurred significant additional costs providing interim services in the months leading up to these changes.

Council's estimated income has reduced since the 2004 LTCCP as we have lost volume due to the success of recycling but also due to some of our customers moving to lower priced services in the market.

Revised refuse budget figures and user charges for 2005/2006 are shown on the attached sheets. Key issues are highlighted below.

1. Kerbside Recycling Rate

The kerbside recycling service is in the process of being extended from Richmond/Hope/Brightwater to the rest of the district along all kerbside collection routes. To recover the full cost of the service has been re-assessed and the targeted rate would need to be raised from its current level of \$40 to \$50 (incl GST) per property. This generates a total income of \$518,683 in the budget.

2. User Charges

It is not proposed to increase user charges, since the market and our customers are still adjusting to the last round of price increases in November 2004, and also to the changes in services (e.g. new collection days, routes, refuse bag size etc). Further increases in charges will impact on our share of a competitive market and will result in our market share and thus our income dropping further.

It is therefore proposed to retain all current user charges for refuse bags and at resource recovery centres, and adopt a flat rate for compacted and uncompact mixed refuse. A flat rate will eliminate some anomalies in our volume based charging method, in the absence of more accurate weight based charging. We have re-assessed the fees and recoveries based on a flat rate and reviewed estimated volumes. Total Fees & Recoveries (user charges) now total \$1,669,940 or 64% of total expenditure.

3. General Rate

As a result of increased operational expenditure and reduced user income the General Rate component of funding needs to increase to balance the refuse account. Council also has high fixed costs to own and operate its refuse assets, and to maintain environmental standards for current and closed landfills.

Given the proposed alterations suggested above, the General Rate funds required have been re-calculated at \$641,503. This represents 25% of the total refuse account expenditure.

Recommendation:

- 1. That the Committee approve the proposed 2005/2006 refuse estimates for the draft Annual Plan.**

- 2. That the Committee approve the proposed 2005/2006 refuse charges for the draft Annual Plan, and introduce a flat mixed refuse charge of \$28.00 per cubic metre at the earliest available opportunity.**
- 3. That the Committee approve the proposed targeted rate for the purpose of funding kerbside recycling in 2005/2006 at \$50.00 (incl GST) per rating unit for the draft Annual Plan.**

Note: The rate is based on where the land is situated and will be set on each rating unit in the Kerbside Recycling Rating Area.

Peter Thomson
Engineering Manager