

Christchurch is widely recognised by people as a great place to work and live. This recognition comes not only from those who live here but also from people who live in other parts of the country and those who visit.

Christchurch has not earned this reputation overnight and no one party can take the credit. It is the product of generations of vision, interaction and hard work on the part of people from all walks of life in the community. The Council and its predecessors have played an important part in shaping the environment and community of Christchurch to make it what it is today working in conjunction with the community as a whole. The Council has a role to play especially where there is a need for a collective community approach to issues.

Achievements and Plans

The last 11 years since Local Government reform and the creation of Christchurch as a single city have been years of great change. Highlights have included:

- **Festivals and Grants** - The Council has significantly increased the number of Festivals and Events which are available for the enjoyment of the public.
- **Economic Development and Employment** - The Council recognises the importance of a vibrant economy to the long-term well-being of its citizens. It now provides \$6 million a year for economic development, employment services and visitor promotions.
- **Libraries** - The establishment of a new library at Linwood, the building of replacement libraries at Shirley, Papanui, New Brighton and Fendalton and the extension of the Halswell Library. Growth in library use has been very significant with circulation volume increasing 40% to over 5.5 million items in 1999/2000. The libraries have also developed to keep up to date with new technology. This has included access to the world wide web, a service that resulted in over 1.6 million pages being down loaded for viewing in 1999/2000. Web access has also enabled customers to review the catalogue and reserve items from home.
- **Roading** - Significant improvements have been made to many arterial roads including Fendalton, Lincoln, Yaldhurst and Ferry Roads. In addition 210 kilometres of modern kerb and flat channel has been installed to replace old-fashioned dish channel. In many residential streets this work has triggered a modernising and upgrading of the road reserve with improved pedestrian areas and a narrower carriageway.
- **Public Transport** - A new bus exchange has been built to improve the facilities available for the public transport users and to promote public transport use.
- **Parks** - The area of parks has increased 77% to a total of over 5,300 hectares. Travis Wetland and the development of Sister City Gardens at Halswell Quarry have been particularly major developments. This has been achieved at only a 25% increase in the cost of parks maintenance.
- **Swimming Pools** - New leisure pools have been built at Pioneer and Centennial and in addition a major upgrade of the QEII swimming facilities has started.
- **Central City** - Improvements have included the establishment of Worcester Boulevard and its trams; the upgrading of pedestrian facilities in High Street, Cashel Street, Oxford Terrace and Colombo Street; and the redevelopment of Cathedral Square.
- **Heritage Preservation** - The Council has supported the conservation of numerous historic buildings including the old Government Buildings, the Music Centre, Dame Ngaio Marsh House, and St Mary's chapel.
- **Car Parking** - New off-street car parking facilities have been built at Farmers, the Christchurch Public Hospital, and the Crossing.
- **Social Initiatives** - The Council supplies significant support to communities and not for profit groups working to address social and unemployment issues. The support the Council gives often serves as a catalyst to enable such groups to obtain additional funding from Central Government, philanthropic trusts and other supporters.
- **Waste Minimisation and Recycling** - The Council has established a composting operation that serves to keep garden waste out of the landfill and produces 25-30,000 cubic metres of compost and mulch per annum. It also provides a weekly kerbside collection of household recyclable materials and has supported the development of local industries based on the reuse of these.
- **New Civic Facilities** - These include the Westpac Trust Centre, an indoor stadium, and the Convention Centre built to operate in conjunction with the Town Hall and provide a facility capable of hosting large conferences. Both serve to bring visitors to Christchurch thereby creating employment opportunities.

The future has also been well planned for with detailed asset management plans to guide the renewal, maintenance and growth needs of the key infrastructural assets of roads, water supply, sewerage, parks, waterways and public buildings. A comprehensive 10 year capital plan provides for all these future needs including a new landfill and an upgraded wastewater treatment plant to very high environmental standards.

In addition to these new initiatives, the Council produces about 280 different outputs or services for the benefit of the community.

The Council has clearly played and continues to play an important role in making the City a great place in which to live.

CONSOLIDATING THE PROGRESS

Consolidation for the Future

This plan seeks to consolidate and make strong the efforts of the past and the plans for the future by providing a reduction in the levels of debt, investing capital to provide future income streams, and limiting the growth in capital expenditure in view of the extensive investments of the last decade and the comprehensive provisions already made in the ten year plan.

The dependence on borrowing will be reduced through the building of operating surpluses to fund capital expenditure and by applying the greater proportion (\$100 million) of capital due from Orion to the repayment of debt or avoidance of borrowing.

The balance of the capital repayment due from Orion (\$75M) is proposed to be placed in an endowment fund with a portion of the income reinvested every year to protect the real value of the capital and to provide an income stream which can benefit all future generations through application to projects which will enhance economic growth in the city and region and also provide for specific civic projects which would otherwise have to be provided from rates or could not be afforded at all. Due to the reinvestment of some of the income each year there will be a steadily growing stream of income from this source. It is intended that at least 50% of future unbudgeted special dividends will also be added to the fund.

While there has been a need to provide for some new operating and capital expenditures in this plan, the Council has determined to limit future growth in expenditure and is of the view that there is need for restraint over the next three years in particular by limiting expenditures within the constraints of the forecasts in the long term financial plan. This signals the need for a moratorium on new programmes and projects with a concentration on the successful implementation of the projects and programmes that are already planned and committed. New programmes or projects will not be entertained unless they can be funded by substitutions.

Trading Company Success

This Council has followed a policy in the last decade of building a strong income base through its major trading enterprises to reduce the dependence on rates. Not only has this ensured that these providers of services to our community remain in public ownership but it has given Council an income stream which has enabled it to make Christchurch a city with an enviably low level of rates when compared to the other cities in this country.

| | Average Capital Value | Average Draft Residential Rate for 2001/02 * ₁ |
|---------------------------|-----------------------|---|
| Wellington City Council | \$280,000 | \$1,218 |
| Dunedin City Council | \$110,000 | \$1,191 |
| Hamilton City Council | \$163,000 | \$1,180 |
| Auckland City Council | \$320,900 | \$1,079 * ₂ |
| Christchurch City Council | \$163,000 | \$869 |

*₁ Includes GST but excludes Regional Council rates

*₂ Excludes water and waste water charges

These companies are all successfully trading under commercial conditions and several of them have been able to significantly build the value of those companies. From time to time they have been able to distribute, not only regular income, but also capital which is excess to their immediate needs.

The most recent success in this regard has been Orion, which has successfully managed the acquisition and disposal of Enerco, a North Island gas network company. Orion applied its management skills to significantly improve the value of that business and then was able to sell the assets at a significant profit. It is from this that the Council is today able to budget to reduce its debt levels and provide income from an ongoing capital fund for future projects. More detail on this issue is provided on pages 27 to 30 of this booklet.

Expenditure Pressure

The Council commenced this year's budget process in the knowledge that it had made efficiency gains totalling almost \$4 million and that it had the prospect of the Orion capital funds to invest or use to reduce debt. By themselves these items had potential to significantly reduce the rate increase. However, offsetting these savings has been an increase in the rate of inflation, the need to fund increased operating costs for many of the new projects included in the plan and increased standards of service provided in response to community pressure.

The consumer price index rose by 3.9% in the December 2000 quarter and this has significantly exceeded the amount provided in our earlier forecasts. These increased costs have flowed through into a lot of the Council's costs. Of particular impact has been the cost of diesel and bitumen, both consumed in large quantities by Council activities, which has risen by many times the rate of ordinary inflation, increasing the cost of roading, street-cleaning, refuse and recycling collections, building and parks maintenance contracts.

A number of major capital projects are currently under development or recently completed. They include:

- the new Christchurch Art Gallery (total cost \$42.9M) - includes the land purchase and the Art Gallery Carpark
- the Bus Interchange (\$19.4M)

- the new landfill (\$12.3M) - includes equity contributions to Transwaste Canterbury Ltd and modifications to the Transfer Stations
- the Wastewater Treatment Plant (\$70.6M) - capacity upgrade including pond modification
- the New South of the City Library (\$4.05M)

These projects, collectively, will increase operating costs by several million dollars a year both to service the capital and to meet annual operating expenses.

All these costs have been provided for but have an impact on forecast rate increases over the medium term. The impact can be seen in the forecast rate increases of 4.97% in 2003/04 and 8.60% in 2004/05.

Increased costs due to improved standards of service have been provided on the recommendation of the standing committees and the output and standards review, which involved not only Councillors but also invited members of the public. Some examples are:

- increased spending on employment initiatives
- road safety projects for schools
- abolition of sports ground charges, reduced lease costs and reduced rates for sports clubs
- additional funding to extend the “warmer homes” project to assist low income households to convert to cleaner heating
- Increased spending on social initiatives to support children and young people at risk

The city is continuing to grow and this puts pressure on the need to extend services to maintain standards on a city wide basis. The Council has not shrunk from providing what is necessary to maintain the quality of life desired by the people of this city. However, it does look very carefully at the need before commitments are made.

Review of Long Term Financial Strategy and Funding Policy

The Council has reviewed its long term financial strategy, funding policy, borrowing and investment policies during the past eight months in accordance with the statutory requirements for a triennial review. These have been published in a companion volume as the Council’s Strategic Statement and are now open for public consultation in parallel with the Financial Plan.

The Long Term Strategic Statement is kept under annual review and updated each year to reflect current plans. The Funding Policy on the other hand has been reviewed in detail through an examination of the 280 outputs which the Council provides for the community each year.

As a result of the funding policy review there is some redistribution of rates. Overall a 2.20% rate increase is forecast. The residential sector rates will increase by 2.27% ; the commercial/industrial sector will increase by 0.81% (excluding the proposed central city separate rate) and the rural sector by 11.14%. While the rural sector percentage increase may appear large the quantum generally is not. This sector benefited from a rates reduction last year.

Financial Prudence

The finances of this Council are being carefully managed and this is evidenced by the detailed effort which goes into forecasting the impact of its plans in the financial summaries for the next ten years.

Debt levels are well under control with the key benchmark ratios all forecast to be well below the outer limits self imposed by the Council on itself seven years ago.

The Council remains concerned about the “blip” in the rate increases in 2003/04 and 2004/05. While there are a range of contributing factors, two of the largest are the provision of the new landfill and the expansion of the Wastewater Treatment plant to meet growth demands. Both of these items are significant in cost but the Council is obliged to deal with these major issues in a sensitive and environmentally sound way.

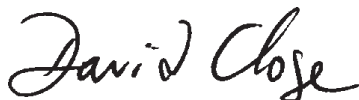
The Council is mindful of pressures on ratepayers and endeavours to keep rate increases to a minimum. The proposed increase for the coming year, which is well under the rate of inflation, will be less than 50c a week for the great majority of residential ratepayers. As noted above, the base rate to which the increase is added is low compared with other cities.

Conclusion

The partnership between the Council and the community has made Christchurch a great place to live and to work. The Financial Plan and Programme 2002 demonstrates a commitment to maintain and renew the city’s assets and facilities and to provide a high standard of services. The long-term financial plan is based on low future debt and continuing revenue streams from dividends and the capital endowment fund. Council and the community can consolidate the gains of the past and face the challenges of the new century with confidence.



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