

SUBMISSION TO

Christchurch City Council

On

DRAFT ANNUAL PLAN 2006

By



**North Canterbury Province
Federated Farmers of New Zealand (Inc)**

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1. INTRODUCTION

- 1.1 North Canterbury Federated Farmers thanks the Christchurch City Council for the opportunity to submit to its Draft Annual Plan 2006.
- 1.2 This submission has been prepared in consultation with Federated Farmers' members residing within Christchurch City – that is, members of the 'City' and 'Yaldhurst/Waimairi' branches of North Canterbury Federated Farmers. A draft version of this submission was discussed with branch members before it was finalised.
- 1.3 Federated Farmers has been a regular submitter to previous years' draft annual plans and most recently to documents such as the Council's Long-Term Council Community Plan (LTCCP) for 2004-2014. Although we have not always agreed with the Council's positions on the issues submitted upon, we have appreciated the effort it makes with written responses to submissions.
- 1.4 The Federation appreciates that this year's Draft Annual Plan falls 'in between' the adoption of the LTCCP and its review next year and as such does not signal any radical change from what was set out in the LTCCP for 2004-2014. We therefore understand that the Council has limited ability to respond positively to submissions that would significantly change the scope of activities, priorities, expenditure, or the sale of assets and levels of service where this would make the adopted annual plan inconsistent with the adopted LTCCP.
- 1.5 However, we note that councils do have the ability to seek and make significant variations to their LTCCP during 'in between years' (Hurunui being a recent example) and we also consider this submission is a useful opportunity to provide early input for when the Council reviews its LTCCP next year.
- 1.6 This submission will comment on rates and rating systems and variances from LTCCP. It will also make some specific comments, for example on rural fire and the proposed new administration building.

2. RATES AND RATING SYSTEMS

Overall Rates Rise

- 2.1 Federated Farmers notes that Christchurch's proposed overall rates increase of 3.49% is considerably lower than those proposed by many other local authorities, particularly other city councils. It compares particularly favourably with Auckland (9.70% increase) and Wellington (7.68%).
- 2.2 The Federation recognises Christchurch City's efforts to contain rates increases to close to the rate of inflation despite significant increases in costs that are being imposed on it by central government (e.g., the new Building Act's requirements) and the strong property market which has driven up contract prices for infrastructure projects.
- 2.3 However, the Federation would be concerned if this good performance was to be compromised by a sense of complacency or an increase in low quality expenditure – and therefore rates.
- 2.4 Recommendation: North Canterbury Federation Farmers recommends that Christchurch City Council should contain expenditure growth and limit rate increases to the rate of inflation.**

Rating System

- 2.5 Federated Farmers has long been concerned that the property value-based rating system is unfair. Local government services are largely used by people, not by properties, and they should be funded accordingly. There is little or no link between property values and the use of a service or the benefit derived from the service. Nor is there as strong a link between the property values and disposable incomes (i.e., the notion of 'ability to pay') as some contend.
- 2.6 The situation becomes even less fair for rural ratepayers. The average Christchurch rural property has a capital value of around \$708,000 compared to the average residential capital value of \$256,000. As a result, even with the existing differential, in 2005/06 the average rural ratepayer will pay \$1,337 in general rates compared to the average residential ratepayer's \$647 in general rates¹. This means the average rural resident will pay more than twice the amount of an average urban resident for council services funded by the general rates, despite it being less likely that these services are being used by the rural resident.
- 2.7 In many local authorities, even those using the capital value system, rural areas form the bulk of the rateable value. For example, in Ashburton, 75% of the

¹ The average value for each type of property (residential, business, and rural) is the total capital value for each type, divided by the number of properties of each type. These were calculated from the information contained in the table on page 24 of the Draft Annual Plan.

district's capital value is in rural areas (despite the fact that only around 30% of the population is rural). As a result, farmers often find themselves paying large amounts to pay for urban services they never use.

- 2.8 Ashburton partially ameliorates this anomaly by setting its district wide capital value rates (General Rate and Roding Rate) to contribute around 39% of total rates revenue and uses a district-wide Uniform Annual General Charge (UAGC) and various targeted rates (both fixed per property charges and location-specific capital value rates).
- 2.9 In contrast, over 63% of Christchurch City rates will be collected through the General Rate based on the capital value of properties². In our view, this proportion is far too high and we continue to submit that the Council should make greater use of the Uniform Annual General Charge (UAGC) and other fixed per-property targeted rates to ensure that there is a better balance between those who benefit from a service and those who pay for it³. Better still would be to make greater use of direct user-charges rather than rates for funding council services (refer to Section 3 of this submission).
- 2.10 Recommendation: North Canterbury Federated Farmers recommends that Christchurch City Council reduces the proportion of rates that are collected through the General Rate and makes greater use of the Uniform Annual General Charge and targeted rates.**

Rural Rate Increase

- 2.11 North Canterbury Federated Farmers is appreciative that Christchurch City recognises that a lower rate in the dollar of capital value is justified for rural properties and we note that the Draft Annual Plan does not propose a change in the rural rate from the existing 75% of the urban residential rate.
- 2.12 However, the Federation is concerned that the latest property revaluations appear to have increased the capital values for rural properties by more than the average and that this has been the main driver behind the 4.46% rate rise for rural ratepayers, compared to 3.49% overall.
- 2.13 It seems likely that the increased property values for rural ratepayers have been driven by subdivision activity in peri-urban areas. The problem is that the impact of these property revaluations will apply even on land with limited or restricted potential for sub-division (e.g., flood prone land next to the Waimakariri River, land in proximity to Christchurch International Airport, and much of the land on the Port Hills).

² See page 24 of the Draft Annual Plan, General Rate of \$124.8 million out of Total Rates of \$196.0 million equals 63.7%.

³ The Local Government (Rating) Act 2002 allows councils to set uniform annual charges to collect up to a maximum 30% of total rates revenue. The proportion for Christchurch City is only around 9%.

2.14 The Federation does not argue that the city's rural land derives no benefit from the services provided by the council, but as we have stated in previous submissions we do argue that the weight given to this relationship appears to have been overstated. The benefit received from a significant portion of council services (e.g., swimming pools, cemeteries, libraries, arts and leisure facilities, etc) are far more closely related to population (or per property charges) than capital values.

2.15 Recommendation: North Canterbury Federated Farmers recommends that Christchurch City Council should undertake a proper review of its rating and funding policies when it next reviews its LTCCP to ensure that rural ratepayers are paying their fair share and no more.

Itemised Rates Assessment

2.16 The Federation once again submits that the Council should provide itemised rates assessments to its ratepayers so they may see how much of their rates will be spent on each area of service (i.e., the activity headings listed on page 26 of the Draft Annual Plan). Itemised rates assessments are an important, easily understood accountability tool that is simple and cost effective to implement. A number of other local authorities already do so and there is no credible reason why Christchurch could not or should not.

2.17 Recommendation: North Canterbury Federated Farmers recommends that Christchurch City Council should provide itemised rates assessments to its ratepayers.

3. VARIANCES FROM LTCCP

3.1 The Draft Annual Plan identifies variances between what was forecast in the LTCCP for 2005/06 and what is proposed in the Draft Annual Plan for 2005/06.

Operating Budget

3.2 Operating expenditure will be 4.5% lower in 2005/06 than anticipated in the LTCCP. Most of the variances for operating expenditure across the council's activity groups are relatively small. The exceptions are City Development (+17.0%), Refuse Minimisation and Disposal (-60.9%), Water Supply (+7.4%), and Waterways and Land Drainage (+5.4%).

3.3 Operating revenue from council activities will be 12.2% lower in 2005/06 than anticipated in the LTCCP. This is mainly due to large reductions for Art Gallery, Museum and 'Our City' (-15.4%) and Refuse Minimisation and Disposal (-93.6%). The reduced revenue from council activities is partially offset by higher than expected revenue from rates, dividends and other income, the net effect being a fall of total revenue of 2.1%.

3.4 The large drops of both expenditure and revenue for Refuse Minimisation and Disposal were largely explained by the cessation of contract costs for operating refuse transfer stations and the transfer of this activity to the Recovered Materials Foundation.

3.5 Of particular interest to ratepayers will be the variances in the net cost of service – i.e., the amount ratepayers will subsidise council activities once user charges and sales of goods and services are taken account of. Overall, the proportion of costs recovered from user charges and sales of goods and services will be 30.3% in 2005/06, compared to 32.7% forecast in the LTCCP. Much of this difference is due to the changes to Refuse Minimisation and Disposal, which as a result will see its proportion of costs recovered fall from 71.4% to 11.7%⁴.

3.6 Federated Farmers considers that the proportion of costs recovered through user charges and sales of goods and services should be increased where practicable. This would help ensure that there is a better relationship between those who benefit from a service and those who fund it.

3.7 Recommendation: North Canterbury Federated Farmers recommends that Christchurch City Council should increase the proportion of costs recovered through user charges and sales of goods and services.

⁴ Refer to Operating Budget Summary on page 26 of the Draft Annual Plan. Revenue for each activity area is divided by expenditure to find the proportion recovered through sales and charges.

Capital Expenditure

- 3.8 North Canterbury Federated Farmers notes that capital expenditure will be 17.4% higher than the amount forecast in the LTCCP, with particularly large increases for Wastewater Collection, Treatment and Disposal (+79.2%), Economic Development (+54.8%), Refuse Minimisation and Disposal (+14.4%) and Streets and Transport (+11.3%).
- 3.9 We note with concern that many of the increases have been driven by adjustments to reflect higher contract prices, which is a reflection of well-reported resource pressures in the building and construction industry. The Federation considers it critical that the council has robust competitive tendering policies and procedures in place to ensure that there is good value for money from construction projects.
- 3.10 Recommendation: North Canterbury Federated Farmers recommends that Christchurch City Council reviews its competitive tendering policies and procedures to ensure that there is good value for money from construction projects.**

4. SPECIFIC COMMENTS

Rural Fire

- 4.1 In 2003 North Canterbury Federated Farmers submitted with its members' concerns about the capacity of Christchurch City fire appliances to respond to rural fires. Whereas surrounding councils' rural fire authorities have fire appliances that fill their pumps from water races and ponds, Christchurch City appliances must be filled from fire hydrants, which are usually some distance from rural fires.
- 4.2 In a letter dated 22 August 2003 the Council wrote to the Federation that the submissions on rural fire would be "referred to the Parks and Waterways Manager for a report to the Parks, Gardens and Waterways Committee and the relevant Community Boards".
- 4.3 North Canterbury Federated Farmers would appreciate receiving an update on this issue.

Proposed New Administration Building

- 4.4 North Canterbury Federated Farmers is deeply concerned about the recently publicised cost blow-outs for the proposed new administration building. We simply cannot agree with the reported comments of the Mayor that the building must have a 'wow factor'. The building should be fit for purpose and delivered with a view to managing the burden on the ratepayer. An extravagant building would not provide the impression of a council that cares about its costs or the burden on its ratepayers.