



23. 3. 2001

STRATEGY AND RESOURCES ANNUAL PLAN WORKING PARTY

**Meetings of the Strategy and Resources Annual Plan Working Party
were held on 26, 27, 28 February, 2, 7, 8, 9, 10, 12 and 15 March 2001**

PRESENT: Councillor David Close (Chairman),
The Mayor,
Councillors Carole Anderton, Graham Condon, Anna Crighton,
Carole Evans, Pat Harrow, Ian Howell, Alister James,
Denis O'Rourke, Gail Sheriff, Barbara Stewart and Ron Wright.

APOLOGIES: Apologies for absence were received and accepted from
Councillors Graham Condon (7.3.01) and Alister James (9.3.01).

DRAFT CHRISTCHURCH CITY COUNCIL FINANCIAL PLAN AND PROGRAMME : 2002 EDITION

1. INTRODUCTION

At a series of meetings held on 26, 27, 28 February, 2, 7, 8, 9, 10, 12 and 15 March 2001 the working party gave consideration to:

- Standing Committee bids for the unspecified capital and operating sums.
- The draft Corporate Plan Volumes.
- The draft pink pages.
- The draft budget tables.
- Long term operating projections.
- The reports of the Financial Plan meetings of the Council's Standing Committees and reports of the Metropolitan Funding Subcommittee and Central City Mayoral Forum.
- Staff reports on a range of issues including:
 - The First Draft of the 2002 Plan
 - E-Council Project
 - Sustainable Christchurch Resourcing
 - Proposed 3 Day Event - Westpac Centre
 - Canterbury Museum Revitalisation Project Funding
 - Civic Offices Accommodation
 - Riccarton Bush: Future Funding Support
 - Canterbury Development Corporation: Funding for New Initiatives
 - Lyttelton Marina
 - Christchurch and Canterbury Marketing - Funding for New Tourism Initiative
 - Clean Air Programme
 - Operational Costs of Bus Exchange
 - City Streets Unit - New Capital Initiatives
 - Waste Charges Impact on Forward Budgets
 - Lichfield Street Car Park: Additional Elevator
 - Central City Funding Requests for New Initiatives
 - Central City Rate
 - Central City Parking Initiative
 - Central City Security
 - Heavy Specialist Plant
 - Library, Service and Learning Centre in South Christchurch
 - New Brighton Pier Terminus Building
 - North New Brighton Community Hall
 - Redcliffs/Sumner Creche
 - Surplus Property Budget
 - Relocation of Christchurch Community House
 - Review of Security and Cleaning Staff Costs for New Christchurch Art Gallery

Aranui Renewal Project
Graffiti Funding QEII Pool Redevelopment
Fees for Council Operated Stadia and Pools
Recreation and Sports Organisations - Rating Ground Charges and Lease Costs
Waterways and Wetlands Capital Expenditure Indicative 10 Year Programme
Increase in Fees by Parks and Waterways Unit
QEII Capital Expenditure Programme
QEII Landscaping and Fencing
Pioneer Aerobics Room
Leisure Unit Fee Schedule
Charge for Valuation Roll Information

- Presentations by Anthony Wright, Canterbury Museum, Darryll Park, Christchurch and Canterbury Marketing, Chris Pickrill, Canterbury Development Corporation, Charles Deans, Riccarton Bush Trust.

2. PROPOSED AMENDMENTS TO THE DRAFT PLAN

A schedule of operating and capital changes recommended by the working party is attached as Appendix I. The changes and savings have been incorporated in the draft Plan which has been separately circulated to Councillors. The results of the work done by the working party and staff is to present a draft plan with an overall rate increase of 2.39%.

(Note: Councillor Condon abstained from the discussion and voting on the proposed funding allocation for the Wheelchair and Amputee Games - 2003.)

3. BRIEF OVERVIEW OF DRAFT PLAN

In summary, the draft Plan provides for:

- The delivery of services to the Christchurch community at least at the current level.
- The delivery of a number of additional services to cater for increased demand arising from city growth.
- The continuation of the major works programme.
- Net operating adjustments due to growth - \$1.37M.
- Net operating adjustments already committed to - \$4.12M.
- Additional capital expenditure approved by the Council subsequent to last year's Financial Plan - \$6.59M.

In addition, a number of significant new initiatives, capital works and service enhancements have been incorporated in the draft plan, including:

- Establishment of a Capital Endowment Fund to provide revenue streams for economic, business and civic development projects that will enhance the city or region
- Increased funding of \$125,000 per year for four years for the social initiatives programme
- Additional provision for the Sustainable Christchurch initiative
- Support for the proposed youth facility in Papanui
- Allocation of funding for the implementation of the "E-Council" project to expand the range of services for completing business transactions with the Council, electronically
- An additional \$85,000 for employment services initiatives
- Funding for the upgrading of the North New Brighton Community Centre
- Support for the Canterbury Regional Development Strategy
- Funding for a range of central city projects
- Additional funding of \$800,000 over the next four years for waterways and wetlands land purchase
- An additional \$450,000 over the next two years for the development of new reserves
- Provision of \$100,000 for the replacement of trees on reserves damaged in the October 2000 storm
- Establishment of a strategic land purchase reserve for solid waste
- An additional \$50,000 per year, inflation adjusted, for the Art Gallery's acquisitions programme
- Funding of \$900,000 for new housing partnerships
- Support for the Redcliffs/Sumner Community Creche

- Further funding of \$6M over the next 10 years (in addition to the funding approved in the current financial year) for a range of additional City Streets projects
- Financial assistance of \$8M over four years for the Canterbury Museum's upgrading and refurbishment project
- Funding of \$10M over years 1 and 2 for additional floor area at or near the Civic Offices

4. EFFICIENCY GAINS

The working party noted that, in the course of the 2000-01 year, efficiency savings of \$3.55M were achieved. The savings were, however, insufficient to offset the inflationary pressures and the additional expenditure approved by the Council during the current financial year. While the financial model allowed a 2% inflation rate for 2001/02 the projected rate is 3% - a 1% inflationary shortfall. Significant increases in oil, bitumen and diesel prices which are above the 3% level have had a major impact on 2001/02 costs in the City Streets Unit, Parks and Waterways Unit and City Water and Waste Unit in particular.

5. ESTABLISHMENT OF A CAPITAL ENDOWMENT FUND

The working party, after reviewing the proposed allocations to the Capital Endowment Fund (CEF), concluded that rather than allocate \$100M to the fund and \$75M to debt repayment, greater benefits would be produced in terms of reducing the Council's debt forecasts and containing rate increases by reversing the proposed allocations. The working party is therefore recommending that \$100M of Orion funds be allocated to the debt repayment reserve and \$75M to the capital endowment fund.

The following report by the Director of Finance has been prepared on the assumption that the Council will adopt the working party's recommendation. The report addresses the following issues:

- The amounts for allocation
- Split between fund purposes
- Length and significance of projects funded
- Who makes the decisions
- Implications on public consultation
- Proposals for 2001/02

The Amounts for Allocation

One of the key principles of the endowment fund is that the capital is preserved for future generations and to do this the first call on earnings must be to top up the reserve to provide for inflation. Currently this is being assessed at 2% per annum in future years.

It is also important not to fully allocate estimated income for other than the current year. This is not only to allow flexibility to have some funds to allocate each year but also to provide a buffer in case income fluctuates because of economic change. It is therefore proposed that a policy decision be made which requires that at no point should more than say 75% of the fund be allocated more than 12 months in advance.

The following table summarises the funds available for allocation in the next few years based on these assumptions:

Table 1

	2001/02 \$M	2002/03 \$M	2003/04 \$M	2004/05 \$M	2005/06 \$M
Total Interest earnings	3.93	5.33	5.43	5.54	5.65
Less reinvested Inflation factor	1.12	1.52	1.55	1.58	1.61
Less adjustment for delayed income	0.50	0	0	0	0
Full amount available per year	2.31	3.81	3.88	3.96	4.04
Less 25% retained for allocation in later years	0	0.95	0.97	0.99	1.01
Available for allocation this year	2.31	2.86	2.91	2.97	3.03

Split Between Fund Purposes

The Council decision relating to purposes of the fund identifies the purpose as “*providing for economic, business and civic development projects that will enhance the city or the region*”.

The Council did not specify the degree to which each sector should benefit and did not necessarily envisage that each sector would need funds each year. In particular the ‘business development’ purpose was included in the report by CCHL as a contingency to enable this fund to be utilised in the event that a commercial opportunity arises which would benefit the city or the region. It is unlikely that it would be a purpose called upon every year.

There could be merit in allocating a base level of funding on a percentage basis to each purpose while ensuring that the whole fund is not restricted in this way so that there can be increases in specific areas dependent upon the priority of demands in any year. There should also be an opportunity for funding to be carried over from one year to the next, or, if there is no demand for expenditure in a particular class in any year, then up to 10% of the total fund may be reallocated to another class.

I would propose that, as a matter of principle, the income available from the fund be allocated each year in the following way:

General Economic Development, including Business development	35%
Central City Economic Development	20%
Civic Projects	25%
Any of the above	20%

When applied to the amounts identified in Table 1 above this would mean that the maximum amounts that would be available to allocate this year relating to the next few years would be:

Table 2 Allocation by Category

	2001/02 \$000	2002/03 \$000	2003/04 \$000	2004/05 \$000	2005/06 \$000
Available for allocation this year	2,310	2,860	2,910	2,970	3,030
General Economic Development including Business Dev. (35%)	810	1,000	1020	1040	1060
Central City (20%)	460	570	580	595	605
Civic Projects (25%)	580	715	730	740	760
Any of the above categories (20%)	460	575	580	595	605

Length and Significance of Projects Funded

If the fund is to be used for projects which make an ongoing impact on the community and not merely to minimise the impact on ordinary budget of the Council, I am of the view that it should be used for projects with a finite period of demand on the fund. I am concerned that where it is used to fund projects that require continuing funding that the availability of the fund for new projects will become significantly reduced over a short period of time.

My suggestion is that projects which have a cost of less than \$100,000 in any one year should be funded from the Council’s ordinary budget and that no one project be funded from this source for more than five years.

Who Makes the Decisions?

As this is a Council fund it would be expected that allocations from the fund would be made by the Council. However, the CDC in their submissions to the APWP suggested that a separate fund of \$50 million be set up solely for the purpose of economic development and that this be administered by the CDC to ensure that applications are vetted by an independent body against agreed eligibility criteria and a transparent economic evaluation model. Informal feedback to myself from the Canterbury Employers’ Chamber of Commerce and the Canterbury Manufacturers Association indicated a similar concern but also wariness that CDC might be the sole recipient.

I do have some concerns that the term ‘economic development’ is open to wide interpretation and that the application of the funds should be critiqued in some way to ensure that the expenditure is being put to the most productive economic use.

To this end the development of eligibility criteria would be helpful. However, as the CDC is a body that can be expected to be promoting many projects for funding from this source, it does not seem that they would be any more independent than the Council.

As stated above this is a Council fund and it is proposed that the allocation from it each year should be reported in the draft Financial Plan and the Annual Report and this provides accountability for Council allocations. It is my view that the Council should make the decisions as to allocation of the resource but that it could be aided in future years by suitably developed eligibility criteria. The CDC, CECC and CMA should be requested to assist the Council in developing such criteria for the economic development projects portion only.

Implications on Public Consultation

The public consultation process to take place in conjunction with the draft Plan will have two aspects. The first relates to the concept of what is to be done with the Orion repatriation funds and the second relates to the allocation intended from the fund in any particular year. I consider that the any decision relating to principles of how the fund is to be split up or allocated relates to the first part, as it is guidance for the way the fund will operate. The specifics of individual projects are related to the second part and will normally be done each year as part of ordinary Financial Plan consultation.

In the first year, however, all allocation to projects must be recognised as being totally dependent on the outcome of the public consultation process as these projects are subject to the favourable outcome from the proposal submitted to public consultation on how the full Orion repatriation is dealt with. It is therefore important that none of the projects are committed before the consultation is complete.

In future years the annual allocation of the fund will be no different than any other Financial Plan decision apart from the undertaking to separately report on the CEF in the Financial Plan and Annual Report every year.

Proposals for 2001/02

During the Financial Plan process over the past two and a half weeks the APWP have identified the following projects which it wishes to be considered for funding from CEF.

Central City Initiatives

- 1.3 – Destination Central City 'New Business' Programme
Requested \$250,000 for 3 years. APWP recommended for year 1 \$100,000
- 2.4/2.5 Administration of new Initiatives. Recommended for 2 years \$100,000
- 4.1 Special Character Area Precinct - Requested \$250,000 per year
for 5 years. Recommended for 5 years \$200,000

Economic Development & Employment (CDC Bids)

- Central Plains Water Enhancement – Feasibility Studies \$200,000
- Central City Attraction Strategy \$100,000

Museum

- Bid for \$10 million over 5 years. APWP resolved that \$8M be provided over five years starting in year 2, of which not less than \$2.5M should be by way of acquisition of capital assets provided for in the Council's ordinary capital budget.

The Museum is a major project which (apart from the amount which can be capitalised by the Council) requires grant funding from the Council. Because of this it needs to be funded by the Council from operational expense. The CEF is therefore an ideal source of funds as it is going to be very hard for the Council to find resources of this magnitude any other way and this project will be a major one which will not only benefit a wide cross-section of the public but will also provide a greatly enhanced tourism activity. The full funding package provided on this basis would be:

Table 3 Recommended Museum Funding

	2002/03 \$M	2003/04 \$M	2004/05 \$M	2005/06 \$M	2006/07 \$M	Totals
CCC Capital Budget			2.500			2.500
CEF Civic Projects	0.715	0.730	0.740	0.760	0.770	3.715
CEF Un-allocated Fund	0.385	0.470	0.460	0.440	0.030	1.785
Totals	1.100	1.200	3.700	1.200	0.800	8.000

If the Central City, Economic Development and Museum funding recommendations as set out above are taken into account the funding allocation and amounts remaining from the CEF would then be as follows:

Table 4 Recommended Allocation Summary

	2001/02 \$000	2002/03 \$000	2003/04 \$000	2004/05 \$000	2005/06 \$000
Available for allocation this year	2,310	2,860	2,910	2,970	3,030
General Ec. Dev. Allocated projects	300	0	0	0	0
General Ec. Dev. - Unallocated	510	1000	1,020	1,040	1,060
Central City – allocated projects	400	300	200	200	200
Central City - Unallocated	60	270	380	395	405
Museum Project Allocated	0	1,100	1,200	1,200	1,200
Civic Projects Unallocated	580	0	0	0	0
Optional Categories Unallocated	460	190	110	135	165
Available in later years (25%)	0	950	970	990	1,010

- Recommendation:**
1. That \$100M of Orion funds be allocated to the debt repayment reserve and \$75M to the capital endowment fund and the rationale for this be explained to the public.
 2. That, as a matter of principle, no more than 75% of projected net income from the Capital Endowment Fund be allocated more than 12 months in advance.
 3. That the income available from the fund be generally allocated each year in the following way:

Economic Development Including Business Initiatives	35%
Central City Economic Development	20%
Civic Projects	25%
Any of the above categories	20%
 4. That the above general categories be reviewed on a five yearly cycle.
 5. That, if desired, funding for a particular category be carried forward to another year or up to 10% be reallocated to another category if there is no demand in that year for use in the primary category.
 6. That projects which have a cost of less than \$100,000 in any one year not be funded from the Capital Endowment Fund.
 7. That no single project be funded for more than five years, except in exceptional circumstances.
 8. That the Chairpersons of the Canterbury Development Corporation, Canterbury Employers' Chamber of Commerce and Canterbury Manufacturers' Association and other relevant persons be requested to assist the Council develop criteria for the Council to use in judging priorities for the general economic development projects.
 9. That the above points form part of the consultation process on how the fund could operate and it be made clear in the draft Financial Plan and City Scene that these projects are proposals being considered by the City Council.
 10. That, after the Financial Plan consultation process, consideration be given to any further projects which should be identified from the unallocated funding for 2001/02.
 11. That the provisional allocations set out in table 4 be approved.
 12. That at least 50% of all future unbudgeted special dividends received by the Council be paid into the Capital Endowment Fund.

6. **2001/02 MAJOR GRANTS PROGRAMME**

The schedule of 2001/02 grants is listed on pages 57 and 58 of the draft Financial Plan.

It will be noted from the schedule that the working party has made a number of minor amendments to the grants recommended by the Metropolitan Funding Subcommittee and is recommending that two modest additional grants of \$8,000 and \$15,000 be made to the Nga Hau E Wha National Marae for landscaping and the High Street project respectively. The High Street project is an initiative to assist fledgling artists. The grant will be used to cover the rental costs of the High Street premises the group will operate from.

Recommendation: That the schedule of grants for 2001/02 be adopted.

7. **SOCIAL INITIATIVES**

The working party is recommending that the funding for the Council's social initiatives programme be raised to \$1.6M, an increase of \$500,000 over a four year period.

The current social initiatives programme has resulted in:

- Leverage of significant outside funding to the city (Central Government/philanthropic trusts)
- Strengthening and development of community organisations
- Measurable impacts and changes in people's lives, particularly children and young people
- Better funding practices
- Improved co-ordination and collaboration amongst groups and improved collaboration amongst funders

The programme has also been instrumental in securing the Council's role as a major influence in the social arena locally, nationally and internationally and its recognition as a progressive, innovative and responsible council.

In view of the excellent outcomes which have been achieved to date, the working party believes an increase in funding is justified to enable the programme to be expanded and to counter the effects of inflation.

Recommendation: That the above funding be approved for inclusion in the draft plan.

(Note: Councillor Condon abstained from the voting and discussion on this clause.)

8. **NEW YOUTH FACILITY - PAPANUI**

It will be noted from the attached schedule that the working party is recommending that \$45,000 per annum be provided for a youth facility in Papanui. It is proposed that in year 1 the grant be made available to cover rental charges and for underwriting in years 2 and 3.

Recommendation: That a grant of \$45,000 be provided for the Papanui youth facility for three years for the above purposes, subject to a business plan being prepared detailing fitout and operating costs together with proposed sources of funding.

9. **LIBRARY, SERVICE CENTRE AND LEARNING CENTRE IN SOUTH CHRISTCHURCH**

The Libraries Manager sought additional capital funding of \$600,658 to cover the shortfall in the above project. The projected cost of the centre is \$4.5M and the \$3.9M currently budgeted for the Spreydon and St Martin Library projects will be allocated to the new project. Funding of \$350,000 required for stock purchase was funded from surpluses identified at the six monthly review.

Recommendation:

1. That an additional \$600,658 be provided for this project.
2. That the Property Manager be requested to programme the expenditure appropriately over two financial years.
3. That the project budget be capped at \$4.5M.

4. That the facility be designed within the allocated budget and the budget include an adequate contingency sum.
5. That it be noted that it is the Council's intention to transfer the children's library at St Martins to the new library and to discontinue support for the children's library at Cashmere and the Beckenham Voluntary Library.

10. CANTERBURY MUSEUM REVITALISATION PROJECT

Councillors will recall that the Canterbury Museum Trust Board's proposals for upgrading the interior of the museum and providing a linkage to the Robert McDougall Art Gallery building were the subject of a presentation to a Council seminar towards the end of last year. It was noted that the use of the Robert McDougall building is still subject to a public consultation process and any Council commitment of funds to the Museum project is subject to the outcome of the consultation process.

The Trust Board is preparing a detailed case to the Government for substantial funding assistance. The Board will not be in a position to progress this application until it has received a firm commitment of financial support from its contributing authorities, including this Council. The museum is seeking funding totalling \$10M over four years from the Council.

The working party considered two reports from the Director of Finance on possible options for providing this assistance. It was advised that the following options were available:

- Commit a stream of future grants sufficient to service loans raised by the museum.
- Provide for part of the capital expenditure in the Council's budget where the asset created can be retained on the Council's books (i.e. Robert McDougall Art Gallery and associated Council land).
- Make grants to meet the capital needs of the project.

The working party supported the principle of the Council contributing to the redevelopment of the museum and recommends that this assistance be funded partly from the Council's capital budget and partly through grants from the Capital Endowment Fund.

- Recommendation:**
1. That \$8M be allocated to the project over five years from year 2 as follows:

2002/03	\$1.1M
2003/04	\$1.2M
2004/05	\$3.7M
2005/06	\$1.2M
2006/07	\$0.8M
 2. That, as part of the above allocation, a minimum of \$2.5M be funded from the Council's capital budget for the work related to the Robert McDougall Art Gallery and associated Council land.
 3. That the balance be provided from the Capital Endowment Fund income.
 4. That discussions be held with all other contributing authorities on an appropriate contribution to the project.

11. CITY STREETS

Underground Conversion

The City Services Outputs and Standards Special Committee, at its meeting on 26 September 2000, agreed to seek a further \$600,000 per annum through the Financial Plan process for additional undergrounding to be carried out in conjunction with kerb and channel projects. Of this sum, \$483,000 would be operational expenditure and the balance of \$117,000 would be capital expenditure for the associated street lighting.

In view of the budgetary implications of this proposed expenditure, the working party has not included this additional funding in the draft Plan and instead is recommending that the proposal be canvassed in the Financial Plan consultation process this year.

Funding for Roothing

Councillors will recall that the previous government proposed a major reform in the way in which the country's road network was funded. While the present Government does not intend to implement the previous funding model it has acknowledged the need for reform.

Accordingly, in the expectation that the Government will increase its contribution to roading or allow local authorities access to other funds, the working party is recommending that provision of \$3M per annum be made over a nine year period from year 2 for revenue from other sources. The implication of this is that scheduled capital works totalling this amount will not be able to be implemented until this funding becomes available.

- Recommendation:**
1. That the proposal by the City Services Outputs and Standards Special Committee to increase the allocation for underground conversions by \$600,000 per be canvassed in this year's Financial Plan process.
 2. That provision of \$3M per annum be made over a nine year period starting from year 2 for revenue from alternative sources for road network improvements.

12. CHRISTCHURCH AND CANTERBURY MARKETING LIMITED

Christchurch and Canterbury Marketing Limited sought additional funding of \$220,000 to introduce a domestic tourism campaign along the lines of the "Send Yourself to Wellington" campaign. In considering this request, the working party noted that two similar campaigns in the 1990s to promote domestic tourism had not been successful and concluded that before the Council committed itself to a new campaign, more research should be undertaken to justify this expenditure.

In considering the CCML budget as a whole, it was noted that no provision had been made for inflation when the Council grant was last adjusted. For this reason, the working party is recommending that this year's grant be increased by \$25,000.

Provision has been made in year 2 for a \$100,000 increase in Council funding.

- Recommendation:**
1. That the request for additional funding for a domestic tourism campaign be deferred for one year.
 2. That the Council grant to CCML be increased by \$25,000.

13. CLEAN AIR PROGRAMME - LOW INCOME ASSISTANCE

At its meeting on 26 October 2000 the Council requested the Annual Plan Working Party to consider allocating additional funds in 2001/02 for the implementation of a plan to assist low income households participate in the Council's clean air and energy efficiency programme.

The working party is recommending that additional funding of \$180,000 be allocated in years 1 and 2 to fund this part of the programme.

In view of the uncertainty surrounding the future use of solid fuel burners in the city, the working party is also proposing a modification to the present programme to exclude this type of heating from the incentive scheme.

- Recommendation:**
1. That the current clean air and energy efficiency programme be modified so that a subsidy is not provided for the installation of solid fuel burners.
 2. That the Council allocate an additional \$180,000 in years 1 and 2 for the implementation of the plan to assist low income households.

14. **WATERWAYS AND WETLANDS NATURAL ASSET MANAGEMENT STRATEGY**

The Parks and Waterways Unit sought additional funding of \$2.05M in 2002 and 2003 for the land acquisition programme to provide for:

- The avoidance, mitigation and remedy of existing and future adverse effects resulting from urban growth
- Measures necessary to satisfy floodplain management requirements
- Improved habitat for bird and instream life
- Protection of heritage features and sites of significance to Tangata Whenua

The funding requests were referred back to the Parks and Waterways Manager with a request that the programme be reduced and spread over a longer timeframe. It will be noted from the attached schedule that the working party is recommending that funding of \$800,000 be provided over the next four years for additional land purchases. The working party considered that allocation of further funding for land purchases should be deferred until staff have investigated the extent to which waterway purchases can be used to satisfy recreational needs.

- Recommendation:**
1. That an additional \$800,000 be provided for land purchase over the next four years.
 2. That the request for additional funds for land purchase be deferred pending a report to the Parks and Recreation Committee on the extent to which waterways and wetlands land purchases can satisfy recreation needs.

15. **WASTE CHARGES - IMPACT ON FORWARD BUDGETS**

The Director of Finance reports:

Waste Charges - Impact on Forward Budgets

In late 2000 the City Services Committee recommended to the Council that, in view of the need to substantially increase refuse charges to meet Transwaste charges when the new landfill is commissioned in 2004/05, these increases be phased in by three incremental steps over the next three years. In this way by the time the new landfill is commissioned the new level of charges would be in place. The proposal was that the additional revenue raised would be set aside for new waste minimisation initiatives in the meantime. Part of this cost would be paid by the Council from rates to meet the cost of black bag charges which need to be charged on a consistent basis to other users.

The Amount Generated by the Increased Charges and Existing Levies

The proposal ramps up charges over three years from \$52.44 to \$90.40 per tonne. Within that fee is included an existing CCC waste minimisation levy. It is currently at \$18/tonne although it was originally intended that it should rise to only \$15 over five years.

The Amount Currently Being Spent on Waste Minimisation Proposals

Currently the solid waste budget provides for a range of waste minimisation initiatives and as a means of funding those the waste minimisation levy for Council initiatives has been progressively introduced over recent years. These initiatives currently exceed the revenue raised by the waste minimisation levy.

The specific initiatives and their forecast cost is set out in the following table:

Table 1: Waste Minimisation Activities and Costs

Projects	2000/01 \$000	2001/02 \$000	2002/03 \$000	2003/04 \$000	2004/05 \$000
Commercial waste reduction	411.4	531.8	514.8	514.8	514.8
Recycling centres	171.9	169.2	143.2	117.2	117.2
Kerbside recycling	2490.9	2924.6	2964.6	3004.6	3044.6
RMF funding (Net)	1113.3	1164.3	864.3	564.3	264.3
Recycling information and publicity	40.5	41.9	41.9	41.9	41.9
Compost production/promotion	655.9	574.6	574.6	974.6	974.6
Advance Planning	104.4	94.7	94.7	94.7	94.7
Totals	4988.3	5501.1	5198.1	5312.1	5052.1
Less revenue from waste minimisation levy	4666.5	4642.5	4558.8	4473.9	3274.1
Shortfall in levy	321.8	858.6	639.3	838.2	1778.0

Since the ramped up charges are being levied for the purpose of meeting waste minimisation initiatives it seems sensible to use part of these charges to fund the shortfall in these existing schemes until the new landfill costs arrive in 2004/05. However, from 2004/05 the extra costs above the \$15 per tonne levy will need to be provided from rates unless the levy amount is increased at that time.

Options for Applying Increased Waste Charges

It is important that the initiatives selected are of short term duration (i.e. completed before 2004/05) as the funding is essential as an ordinary income stream to meet the new landfill costs from that time.

The Council has incurred, or is planning to incur, a number of costs related to the solid waste budget which are already having an impact on the Council's budget. Several of these were identified in November 2000 report to the City Services Committee as justification for the early ramping up of tipping charges. It is reasonable that these costs are a first call on any surplus funds.

In addition there are some capital costs already in the budget which are waste minimisation related. These should also be funded from the proceeds.

The working party therefore considers that the following issues should be funded from the residual funding generated from the ramped up charges:

- Debt Servicing Costs on Equity Funding in Transwaste
- Depreciation and Interest on Waste Minimisation Capital Expenditure
- Regional Waste Initiatives
- Rag & Grit Remover (Bromley)
- Plastics Sorter/Glass Crusher
- Start up In vessel Compost Plant
- Refuse Station Improvements to facilitate new handling requirements
- Strategic land purchase for Transfer Stations
- Sustainable Christchurch Initiatives

Funding of Investment in New Landfill

The working party considered advice from the Director of Finance regarding the most appropriate source of finance for the equity funding required for Transwaste. He advised that the Council's investment has been funded by way of loan because it is financially efficient to do so and for this reason strongly recommended that this continues to be the source of finance and also because there are so many other existing uses of the additional tipping fees.

Table 2: Commitment of Residual Revenue

	2001/02 \$	2002/03 \$	2003/04 \$
Funds Available from Ramped Charges	2,784,573	5,672,359	8,439,231
Allocated Operating Costs			
Excess on Existing Waste Min. Projects	858,700	639,500	839,400
Debt servicing on Equity from Transwaste	643,009	737,620	813,775
Depreciation and Interest on RMF Projects and recycling bins in Forecasts	14,264	46,839	59,631
Regional Waste Initiatives	50,000	50,000	50,000
Sustainable Christchurch – Triple Bottom Line Accounting	30,000	30,000	30,000
Other Sustainable Christchurch Initiatives	60,000	60,000	60,000
Total Operating Commitments	1,655,973	1,563,959	1,852,806
Capital Costs			
Start up In vessel Compost Plant	100,000	2,600,000	2,600,000
Rag & Grit Remover - Bromley	150,000		
Plastic Sorter/Glass Crusher	248,000	98,000	
Refuse Station Modifications		800,000	3,257,400
Resource Recovery Centre Upgrade	30,600	10,400	10,400
Strategic Land Purchase	500,000	500,000	500,000
Other Minor Capital	100,000	100,000	218,625
Total Capital Commitments	1,128,600	4,108,400	6,586,425
Total Commitments from Ramped Charges	2,784,573	5,672,359	8,439,231

Future Dividend Stream

Transwaste is expected to commence paying dividends to shareholders at an early stage since it will be charging on a commercial basis.

It is not likely that a full dividend could be expected in the first year of operation because only an interim dividend will be received and accounted for. It is also too early to be able to be precise about the amounts. However, it is proposed to make conservative provision for revenue of \$180,000 in 2004/05 and \$365,000 in succeeding years.

General Comments

The proposal to progressively lift the transfer station charges in three large steps in advance of the new charges from Transwaste has a benefit in that it helps to fund existing waste minimisation costs in the meantime, including costs arising from commitments to the new landfill project and various capital cost commitments which would otherwise increase debt. However, to the extent that this is used on operating costs the impact will be felt in 2004/05 when the new charges from Transwaste come into effect.

- Recommendation:**
1. That current waste minimisation initiatives in excess of the amount currently levied for the CCC Waste Minimisation levy be funded from the ramped up charges until 2003/04.
 2. That provision be made from the increased charges to meet debt servicing of equity contributions to Transwaste and interest and depreciation charges on new solid waste capital expenditures as identified in this report.
 3. That an appropriation be made to fund capital projects associated with waste minimisation or establishing the necessary waste processing facilities of \$1,128,600 in 2001/02, \$4,108,400 in 2002/03 and \$6,586,425 in 2003/04 as detailed in the table above.
 4. That provision be made in the budget for dividend revenues from Transwaste of \$180,000 in 2004/05 and \$365,000 in subsequent years.

16. **CENTRAL CITY ISSUES**

Separate Rate

The working party gave consideration to a proposal to have a central city business promotion output with an estimated gross cost of \$600,000 per annum. The objectives of the output are to promote, research and market the central city business area. The proposal presented to the working party included marking a grant of this expenditure, under contract, to a central city business association (yet to be formed). The sole beneficiaries of this expenditure have been identified as the commercial /industrial ratepayers in a selected area of the Central Business District.

A map of the proposed rating area is contained in the draft plan, together with further details of the proposal.

Funding

The working party considered that, as the beneficiaries were solely the commercial/industrial ratepayers within the proposed area, it would be appropriate that a separate rate be levied on those ratepayers to fund the expenditure; the rate to be levied on the basis of capital valuation.

Survey

During the consultation period of the draft Financial Plan a survey form will be sent to all affected ratepayers seeking their opinion on the proposal. The survey form will indicate the impact of the new rate on each property.

Whilst the survey will be important and useful information the decision to implement the rates lies solely with the Council.

- Recommendation:**
1. That the Council encourage the formation of a Central City Business Association to adequately market central city business activity in line with the Council's strategic objectives for the central city.
 2. That \$600,000 be identified in the draft Financial Plan, and collected from a new central city business separate rate for commercial/ industrial businesses contingent upon support from the central city businesses in the identified area.
 3. That a more thorough exercise be conducted to clearly define the central city business area and the contractual arrangements for service delivery.
 4. That the Council conduct a survey of businesses within the area identified to seek response on support for a separate rate, in line with an appropriate programme and budget.

Parking Initiative

Of proposals for the revitalisation of the central city, the Executive of the Mayoral Forum ranked an hour's free parking as the highest priority.

The City Services Committee recommended (inter alia) to the working party that free parking for the first hour of every day of the week be provided in the following Council off street car parking buildings:

Lichfield Street
Farmers
Oxford Terrace
Manchester Street
The Crossing

The net cost of implementing the proposal was estimated to be \$560,000 in year 1 and \$500,000 in year 2. In view of this, the working party requested the Parking Operations Manager to report back with more cost-effective options for providing free parking in the Council parking buildings. Three options were submitted for the working party's consideration.

Option 2, which included The Crossing, Lichfield Street and the Farmers' Car Parks, was the working party's preferred option for the following two reasons:

1. It provided free parking both north and south of Cathedral Square.
2. It was cost effective.

- Recommendation:**
1. That option 2 be introduced for a period of 11 months from 1 August and be reviewed at the completion of the trial.
 2. That provision of \$180,000 be made in 2001/02 for this initiative.

Revitalisation Initiatives

A vibrant central city has for some years been seen by the Council as essential for the growth and wellbeing of Christchurch as a whole and was one of the principal reasons for establishing the Central City Mayoral Forum. Over the past year the Forum has devoted considerable time to identifying and prioritising a range of initiatives aimed at progressing this vision and assisting in the vitalisation process.

It will be noted from the Director of Finance's report in clause 5 of this agenda, that the working party is recommending that three of these projects, Destination Central City Business Programme, administration of new initiatives and the Special Character Precinct upgrade, be funded from the Capital Endowment Fund income. In addition a CDC project for attracting business to the central city is being considered for funding from the capital endowment income.

The formation of a Central City Business Association was also supported by the working party. It is considered that this association is necessary to ensure that proposed expenditure is well targeted.

The working party makes the following recommendations in respect of the remaining projects identified by the Mayoral Forum as having high priority.

- Recommendation:**
1. That the \$2M allocated for 2000-01 be rolled over to 2001-02 to form the basis of a Joint Venture development Fund.
 2. That \$60,000 be allocated for the development of the Urban Development Strategy and the costs associated with rezoning in the eastern sector of the central city.
 3. That the conversion of commercial buildings to residential use be funded from the joint venture fund, heritage fund, or housing development fund, as appropriate.
 4. That youth activities, social needs and housing be dealt with by normal processes and budgets.
 5. That the Director of Business Projects and Relationships, in consultation with the Director of Finance, report on a method by which an annual grant, equivalent to the increased rating income from a redeveloped heritage building, could be made to eligible owners for a specified period of, say, five years.
 6. That the Verandah Cleanup/Streetscape Enhancement project be the subject of consultation with the retail association with a view to bylaw enforcement and that \$20,000 be provided for one year for the associated enforcement costs.
 7. That no further work be carried out on the Avon River corridor until higher priority projects have been completed.
 8. That the Green Streets programme be implemented as part of already programmed work, with the first project to be part of the Lichfield/Tuam Streets swap.

9. That, in addition to the upgrade of Latimer Square and the use of \$300,000 already budgeted for park purchase, the Parks and Recreation Committee be asked to allocate \$300,000 from existing land purchase funds within the next three years for new parks in central city east.
10. (a) That \$70,000 be allocated for the appointment of an additional traffic engineer on an ongoing basis to develop the Central City and other transport strategies.
(b) That the terms of reference for the study require projects to be limited to low cost interventions for pedestrians, cyclists and drivers.
(c) That the projects be funded through the Financial Plan process in future years by way of substitution.
11. That further extensions to the shuttle bus not be considered at this stage.
12. That footpath upgrades for Victoria Street not be considered at this stage.
13. That all non-budgetary matters in the central city recommendations be referred to the relevant staff and Standing Committees.

Security

Inspector David Lawrey of the Christchurch Police addressed the working party and sought the Council's participation in a joint venture partnership with the Police to improve security in the central city, particularly in Oxford Terrace and the City Mall. Inspector Lawrey indicated that while the central city was comparatively safe there was still a need to mitigate certain risks in this area of the city. It was suggested that this could best be achieved by providing a low level security presence in the area during critical times.

After considering the Police representations, the majority of the working party concluded that the partnership approach advocated by the Police should be supported and trialed for a 12 month period.

- Recommendation:**
1. That \$30,000 be allocated for a joint venture with the Police and hospitality industry to establish security patrols in the central city.
 2. That a report be brought to the Environment Committee on this proposal and associated issues.

17. THREE DAY EVENT - WESTPAC CENTRE

The Leisure Manager submitted a draft concept for a three day event to be held in the WestpacTrust Centre later in the year. The concept had been put together at the request of the Chairpersons Committee.

In brief, the aim of the proposal was to provide three consecutive days of exciting free events, accessible to the entire Christchurch community to celebrate the city's extensive cultural diversity and to showcase local talent.

While the working party was generally supportive of the concept, the majority of the members considered that the proposal should be deferred until next year, to enable it to be assessed by the newly established Festivals and Events Interim Advisory Board.

- Recommendation:**
- That the above proposal be referred to the Festivals and Events Interim Advisory Board for consideration for possible funding in 2002/03, preferably by way of substitution.

18. **CIVIC OFFICES ACCOMMODATION**

At its meeting on 22 February 2001 the Council passed the following resolution relating to the provision of funding for improving Civic Offices accommodation:

1. That the Annual Plan Working Party be asked to budget \$7M in years 5-7 (in addition to the \$3.2M already budgeted) for refurbishment of the Civic Offices and that staff be asked to report on a revised asset management plan.
2. That the Annual Plan Working Party be asked to budget an indicative sum of \$12M for the provision of 5,500 square metres of additional gross floor area and that staff be asked to advise on the approximate programming of the expenditure.

Having considered a staff recommendation on the scheduling of this expenditure the Working Party makes the recommendation which follows:

- Recommendation:**
1. That priority be given to providing additional space to reduce overcrowding in the Civic Offices and that \$10M be allocated in years 1 and 2.
 2. That expenditure on the Civic Offices building itself be limited to essential maintenance from the \$3.2M currently budgeted.

19. **E-COUNCIL PROJECT**

The Director of Information reported, updating the working party on the issues raised at the recent Council seminar on the above project. The report proposed a revised staging for the project. Stage 1 will now focus on producing a website which will enable information to be subscribed for and delivered electronically. It will still be necessary to invest in software to manage the growing content of the site and hardware to support this and further secure the network.

Left over to phase 2 are the payments and personalised information service as well as the introduction of an electronic service centre.

The report proposed the implementation of the phase 1 work in years 1 and 2 with this work being reviewed through the 2003/04 Financial Plan process prior to provision being made for the phase 2 work. This approach was supported by the working party which is recommending that the following operating and capital provision be made in years 1 and 2 for the project:

	Year 1	Year 2
Operating expenditure	\$203,241	\$736,401
Capital expenditure	\$574,500	\$734,629

- Recommendation:**
1. That the above expenditure be approved for inclusion in the 2002 draft Plan.
 2. That the phase 1 work be reviewed in the course of the 2003/04 Financial Plan process.

20. **RECOVERED MATERIALS FOUNDATION**

It will be noted from the attached schedule that the working party is proposing a reduction of \$100,000 per annum in the Council's funding support for the Recovered Materials Foundation. The Recovered Materials Foundation has performed exceptionally well in the past two years, generating surpluses well above budget projections. In view of this, the working party considered that it would be appropriate to reduce the Council's grant by \$100,000 per annum.

The directors have prudently established a number of reserve funds which will total approximately \$2.6M by the end of the current financial year. The working party discussed the possibility of using capital reserves to meet some of the coming year's capital expenditure but following consultation with the Foundation's Chairperson and Chief Executive agreed that a better course of action would be to ask the Director of Finance to report on adequacy of the current levels of reserve funds.

- Recommendation:**
1. That a report be brought to the City Services Committee and the Strategy and Resources Committee on the Recovered Materials budget for 2001/02 together with forward projections.
 2. That the Director of Finance be requested to advise on the provision of future levels of reserves.

21. **SUMNER REDCLIFFS CRECHE**

It will be noted from the attached schedule that the working party is recommending that funding of \$300,000 be provided in years 1 and 2 for the Redcliffs/Sumner Community Creche.

- Recommendation:** That the above funding be confirmed subject to an appropriate needs analysis being completed and the feasibility of alternative locations being investigated.

22. **RECREATION AND SPORT ORGANISATIONS - RATING, GROUND CHARGES AND LEASE COSTS**

At their Financial Plan meetings, the Strategy and Resources Committee and the Parks and Recreation Committee gave consideration to a staff report which reviewed the rating provisions, ground rentals and lease charges for recreation and sports organisations.

The report was produced in response to two requests. Firstly, the Strategy and Resources Committee requested that the Financial Services, Leisure, Property and Parks units set up a team to work through the issues relating to the rating of sports and recreation organisations and to prepare a policy for Council consideration.

Secondly, the Financial Policies Review Subcommittee noted that about five years ago rental charges for junior sports had been abolished and recommended to the Parks and Recreation Committee that consideration be given to abolishing sports ground rental charges and lease rentals for sports clubs which are not engaged in profit-making activities.

The key issues addressed in the report are detailed below.

Background

The leasing conditions and charges for sports clubs and community groups occupying the Council's land vary widely. This is primarily a result of the various policies adopted by the Christchurch City Council's predecessor councils. A draft policy aimed at removing some of the inequities of the present charging regime was developed in 1998.

In summary, the proposed policy:

- Made a distinction for charging purposes between the building footprint leased and the green space leased.
- Proposed a minimum rental charge for small areas equivalent to 80% of the administration costs associated with leasing a property.
- Proposed charging full rates on the parts of a property subject to a liquor licence with a 50% remission applied to the other areas (ie. the same rating policy as for similar groups on freehold land).
- Used the following formula to calculate the level of rent for the building footprint:

$$(A \times B \times 5\%) \times 80\%$$

Where

- A is a per square metre value of reserve land (the average government valuation for a sample of reserves).
- B is the area of land in square metres
- 5% is the percentage financial return on the land value.
- 80% is applied to reflect the private benefit enjoyed by the club (20% being the general benefit provided to the public by the club).

- Used the following formula to calculate the level of rent for green space:

$$(A \times B \times 5\%) \times 20\%$$

Where: As above with 20% applied to reflect the private benefit enjoyed by the club (80% being the general benefit to the public provided by the club).

To gauge the financial effects of the proposed policy 18 properties (or 18% of the total) were sampled. This resulted in 94% of groups having to pay more in total charges (ie. combined rental and rates) and a 133% increase in total charges. This increase was not acceptable to many clubs.

Rating

Under section 179(2) of the Rating Powers Act (1988) a mandatory 50% remission of rates is applicable on land 'owned or occupied by or in trust for any society or association of persons, whether incorporated or not, and principally used for games or sports other than horse racing, trotting, or dog racing, but not including land in respect of which a club licence under the Sale of Liquor Act 1962 is for the time being in force'. The Act also enables the Council to grant a greater remission of rates over and above the mandatory 50% should it think fit.

The Council's practice in this area is to levy full rates for those parts of the relevant recreation and sports organisations premises that are licensed, with the 50% mandatory rates remission being given on the remainder of the property used for sporting purposes.

Options to reduce the level of rates levied on recreation and sport organisations include:

- Applying the current rates policy to sports clubs and community groups leasing Council land
- Increasing the level of rates remission to anything between the current 50% to 100%
- Rating only for water, storm water and sewerage.
- Providing rates remission for the licensed areas of recreation and sport organisations' premises.

The financial implications of these options are outlined in the following table.

	Rec & Sports Organisations on CCC Land \$	Rec & Sports Organisations not on CCC Land \$	Total Rates Collected \$
Current Position			
Rates from sports areas	14 549	169 204	183 798
Rates from licensed areas	0	35 032	35 032
Total	14 594	204 236	218 830
Current Rates Policy Applied to all Rec & Sports Organisations			
Rates from sports areas	67 249	169 204	236 453
Rates from licensed areas	41 294	35 032	76 326
Total	108 543	204 236	312 779
Provide 50% Rates Remission on Licensed Areas			
Rates from sports areas	67 249	169 204	236 453
Rates from licensed areas	23 272	18 671	41 943
Total	90 521	187 875	278 396
Separate Rates (Water, Storm Water & Sewerage) only for All Areas with 50% Remission			
Rates from Sports Areas	29 319*	80 232*	109 551*
Rates from Licensed Areas	4 472*	7 407*	11 879*
Total	33 791*	87 639*	121 430*

* Estimated.

N.B. All figures are inclusive of GST and Environment Canterbury component of rates.

When the Rating Powers Act was enacted in 1988 the sale of alcohol was for many recreation and sport organisations a lucrative mechanism for raising funds. With the subsequent changes in attitude towards drink driving, rising consumer expectations of levels of comfort and changing socialising patterns, bars are at best marginal fundraisers for most recreation and sport organisations that have one.

This report only refers to City Council rates and not Environment Canterbury rates. Environment Canterbury would need to be advised of this Council's decision, as it affects clubs on privately owned land, and it would be required to resolve whether or not to remit their share of rates in respect of those clubs.

Ground Charges

Ground charges are made for the sports codes that make use of the Council's sports fields during the relevant sports season. The charges are normally made to the relevant sports association, which allocates grounds to individual clubs and then passes on the relevant ground charges on to the clubs.

Where ground charges are made, the sports organisations concerned make use of the area exclusively for relatively short periods during the week, i.e. match and training times, with the area being available to the general public at other times.

Ground charges are currently recovered on the basis of 20% of the additional cost of providing the sports area (ie. over and above the costs of providing a piece of open park land). Consequently the costs are already significantly subsidised and the costs charged have a relationship to the level of additional maintenance required (so the charge for a cricket wicket is higher than for a rugby pitch).

The current scale of charges is as follows:

Sports Code	Current Charge Per Ground Per Season
Rugby and Rugby League	\$512
Soccer, Hockey (Grass)	\$512
Cricket	\$1335

In total the Council has budgeted to receive \$92 800 through grounds charges in 2000/1. In general grounds charges make up a small proportion of the costs faced by sports and recreation organisations.

There are a total of 102 cricket wickets located on parks under the control of the Council, 15 of which are artificial. Presently the Council charges the associations a base rental of \$402 per wicket, plus a charge of a further \$933 to maintain the wicket if it is not maintained by a club. This charge is offset against the actual cost of maintaining the wicket, the current average cost being \$2500. The Council currently prepares 32 wickets with clubs preparing the remaining 55 wickets.

The proposed abolition of grounds charges will result in a drop in the Council's revenue budgeted at \$92 800 to just under \$24 000 (revenue from charging for the preparation of cricket wickets).

Consultation

It is important that consultation on the policies proposed in this report is carried out:

- Through the Financial Plan process as reducing the rates and rental revenues from recreation and sport organisations means that other rates payers will be required to pay more
- With the groups directly affected, including details of how it will affect each of them
- Without creating unnecessary administration or cost

It is proposed that details of the proposed policies be included in the draft Financial Plan and submissions invited on them through that mechanism.

Recommendation: 1. That charges to the Regional Sports Associations for sports grounds be abolished, except for the maintenance component for Council-prepared cricket wickets.

2. That not-for-profit organisations occupying Council land for the purposes of games and sports (other than horse racing, trotting or dog racing) be subject to a 100% remission from rates and be charged only for water consumption.
3. That not-for-profit organisations occupying private land for the purposes of games and sports (other than horse racing, trotting or dog racing) be rated only for water, sewerage and storm water, subject to a 50% remission, and that the standard charges for excess water be payable.
4. That lease charges for not-for-profit recreation and sports organisations leasing approximately 1 hectare or less, be based on the formulae set out in this report subject to a minimum charge of \$112.50, subject to three yearly review.
5. That consultation on the proposed policies for lease charges, rates and grounds charges be carried out through the 2001/02 Financial Plan process and directly with recreation and sports organisations in the manner outlined in this report.
6. That implementation of the proposed policies be linked with recreation and sports organisations aligning with the directions indicated in the Recreation and Sport Strategy.
7. That officers report further on the mechanisms to encourage alignment to the Recreation and Sport Strategy through implementation of the proposed policy.
8. That policies on lease charges and rating for early childhood and community groups on Council land be considered separately.

23. LEISURE UNIT FEE SCHEDULE

The Parks and Recreation Committee recommended to the working party that admission charges for children at the new indoor leisure facilities be increased from \$1.50 to \$2. This proposal was not supported by the working party and staff were asked to report on other options for generating additional revenue.

The revised proposal submitted to the working party provided for a small increase in the admission charges for adults and beneficiaries/students/senior citizens at the three new leisure centres as follows:

	Adults		Beneficiaries/Students/ Senior Citizens	
	Present Charges	Proposed Charges	Present Charges	Proposed Charges
One admission	\$4.00	\$4.50	\$3.00	\$3.50
10 swim concessional	\$36.00	\$40.50	\$27.00	\$31.50
20 swim concessional	\$64.00	\$72.00	\$48.00	\$56.00

The report also proposed a small change to the charges for swim squads and school groups as detailed in the recommendation below.

- Recommendation:**
1. That the proposed increases for adult and beneficiary/student/senior citizen admission charges and concession card rates at Centennial Leisure Centre and Pioneer Leisure Centre, and at QEII from the opening of the new leisure pool ie April 2002 detailed in the above table, be approved.
 2. That hire charges for NZ Federation Swim Squads be only applicable outside their normal hours of training ie 6am-8am and 4pm-7pm Monday to Sunday.

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3. That the concession card rates for NZ Swimming Federation Affiliated Members as part of the squad training, be increased as follows:

20 swim concession card - from \$14.00 to \$20.00

50 swim concession card - from \$35.00 to \$50.00 ie from 70 cents to \$1.00 per swim

4. That school use of the new indoor pools be based on a \$1.50 admission charge, (current charge) and a \$1.00 charge at the outdoor pools.

24. PARKS AND WATERWAYS UNIT - PROPOSED INCREASE IN FEES

The Parks and Waterways Manager reported to the working party, recommending an increase in the fees charged for staff time spent on the investigation of proposals from commercial operators wanting to locate a business on land managed by the unit.

By way of background to the request, the Parks and Waterways Manager advised that during February Council staff spent a total of 34 hours investigating the feasibility of a proposal to develop a hot pools complex at the Groynes. The total cost of these investigations amounted to \$2,790. The report, which was to have been submitted to the Parks and Recreation Committee, is now on hold at the developer's request while he investigates other sites.

The report proposed a three-tiered approach:

1. No infrastructure involved on Council land: \$200 plus an hourly fee above that.
The \$200 is paid up front and the final account is paid before the operator has access to the site.
2. Construction has to take place on Council land: \$500 plus an hourly fee above that.
The \$500 is paid up front and the final account is paid before the operator has access to the site.
3. The Council decides to tender the operation: \$500 plus an hourly fee above that.
The successful tenderer is charged as in 2.

Projected Earnings

Current fees: \$1,000 per annum

Proposed fees: \$7,000 per annum

- Recommendation:**
1. That the proposed increase in flat fees be approved.
 2. That the applicant be provided with an estimate of the number of hours of staff time likely to be involved in investigating the proposal.
 3. That authority be delegated to the City Manager and the Director of Finance to set an appropriate hourly fee.

25. CHARGE FOR VALUATION ROLL DETAILS

The Financial Services Manager reported, seeking approval to introduce a small charge for supplying copies of information from the Council's valuation roll. The roll will continue to be made available for inspection during ordinary office hours free of charge.

It is proposed to charge \$6 for this information to cover the cost of paper, the printer costs and the costs associated with developing the computer programme. Discounts will be negotiated in the case of any bulk orders. Additional revenue of \$1,000 has been factored into the Financial Services Unit's budget.

- Recommendation:**
- That a fee of \$6 per A4 sheet be charged for the above service, with discounts to be negotiated on the bulk requests.

26. **COMMUNITY PLANS**

The Community Relations Manager reported, advising that rather than producing a limited number of separate Community Plans, the information will be produced by way of inserts into City Scene, tailored for each community. The clear benefit of this proposal is that the plans will be distributed to each household throughout each community rather than to a limited number of groups and individuals. This benefit is seen to outweigh the disadvantage in not having a booklet which may have a longer shelf life. The intention is also to provide for community feedback on this method of presentation and distribution. The cost to implement this proposal is within the existing budget provision.

The working party noted the information relating to the new arrangements for producing and circulating the 2001 Community Plans.

Recommendation: That the information be received.

27. **RATING OF INFRASTRUCTURAL ASSETS**

On a nationwide basis all infrastructural assets (both Council and private sector) will have been valued and included on the rating roll with effect from 1 July 2001. The impact of adding infrastructural assets to the roll is estimated to be an increase in capital value of \$777.85M. The CCC share of this is \$628.86M and the private sector share \$148.98M. The private sector assessment is not yet known but has been assessed on the Auckland experience and the advice we have received to date. Quotable Value NZ Ltd is still working on the valuations and have advised that these should be available by 30 June 2001.

Rating of these assets affects two sides of the Council's budget:

1. Increased Rating Income.
2. Increased Costs of Council Utility Services (Water, Sewerage, Land Drainage)

The impact of this in rating income terms can be summarised as follows:

	Capital Value	Estimated Rates Income (Net)
- CCC Infrastructural Assets	\$628M	\$4.56M
- Private Sector Infrastructural Assets	\$148M	\$0.95M
	-----	-----
	\$777M	\$5.51M
	=====	=====

Of the \$4.56M payable by the Christchurch City Council on its own infrastructural assets an amount of \$540,000 will be payable to Environment Canterbury. The estimated net benefit to the CCC is therefore:

- Private Sector Infrastructural Rates	\$0.95M*
- Less share of CCC rates paid to Environment Canterbury	(\$0.54M)

- Net Benefit	\$0.41M
	=====

* Does not include Environment Canterbury rates

Recommendation: That the information be received.

28. **NEW BRIGHTON MALL REDEVELOPMENT - SEPARATE RATE**

Provision of \$1.2M has been made in the City Streets capital works budget over two years for the redevelopment of the New Brighton Mall.

The New Brighton Business Association is supportive of the redevelopment proposal and in December 2000 assisted in a survey of commercial ratepayers within the mall to assess the acceptance of a new separate rate to partially fund the redevelopment based on approximately one third of the cost (\$610,000) over 15 years under a table loan instalment process.

The survey resulted in an 80% acceptance of the separate rate proposal.

Since then the plans for the redevelopment have changed. The New Brighton Mall Road Subcommittee proposes to re-survey the commercial/industrial ratepayers in the mall area once the plans have been finalised to gauge acceptance of the separate rate. The Subcommittee will be reporting to the City Services Committee on the proposal when the new survey has been completed and the views of the affected ratepayers on the amended proposal are known.

The start of the new separate rate would be 1 July 2002 assuming works were commenced in the year 2001/02.

Recommendation: That the information be received.

29. **FUTURE RATE INCREASES**

Contrary to general expectations, this year's draft Financial Plan process has presented some very real challenges. Contributing factors were:

- The inflationary increases during the current financial year
- The significant level of additional expenditure committed by the Council in the current financial year
- The many in-house requests for new project funding and service enhancements generated by the "pink pages" bid process
- The known general public expectation for a low rate increase

In light of this year's experience the working party believes that it would be prudent to remind the Council that the 2003 and 2004 Financial Plan processes are going to present even greater challenges in terms of containing rates rises. Councillors will have noted that this year's draft Plan is forecasting increases of 4.80% and 8.66% in 2003/04 and 2004/05 respectively. This is not new information. Councillors have been aware for some years of the budgetary impact of three major projects - the new Christchurch Art Gallery, the upgrade of the waste treatment plant and the new landfill. As these projects start coming on stream from 2003, the working party considers it would be timely for the Council to put in place measures to suppress proposals for significant new expenditure if rate rises are to be avoided that are out of proportion to the level the community has become accustomed to. The working party proposes that the following action be taken:

- For the next three years all draft budgets to be within the forecasts of financial model with new initiatives being funded from efficiency gains or substitutions
- The "pink pages" bid process to be suspended
- The unspecified capital fund to be converted into a capital contingency sum

- Recommendation:**
1. That in the coming three years all capital and operating budgets be contained within the projections in the Financial Plan, adjusted for inflation.
 2. That the provision for unspecified capital projects be deleted and the funding be held in a capital contingency fund to meet unforeseen costs.
 3. That the unspecified operating sums in years 2, 3 and 4 be deleted.

30. **RATES IMPACT AND FUNDING POLICY - 2001/02 (STRATEGIC STATEMENT POLICIES)
LONG TERM FINANCIAL STRATEGY**

The Strategic Statement, which includes the draft Long Term Financial Strategy, the draft Funding Policy, the draft Borrowing Management Policy and the draft Investment Policy together with the Vision, Mission Statement and Strategic Objectives, has been separately circulated to Councillors.

The Financial Policies Subcommittee has spent many weeks reviewing the Funding Policy formulae at an output level with reference to 2000/01 costs and revenues. Once decisions were complete on the 2001/02 budget it then became possible to review the implications of that review in the context of the new budget.

The Financial Plan draft results are now at a stage where the impact of the Funding Policy and its effect on the 2001/02 rates impact can be identified.

- The total rates requirement is \$139,537,176
- GST inclusive rates are \$156,979,339
- The UAGC is set at \$105 (GST incl)
- The UAGC requirement emerging from the Funding Policy is \$91.21 (GST incl)

Funding Policy

The Funding Policy statement is included in the Strategic Statement with the function tables for the 17 functions. The summary result for all sectors is shown on page 49.

Rates Impact

The consolidated result is in the Strategic Statement (page 67).

The following table shows the effect on the sectors of the Funding Policy Review with and without the 2001/02 budget changes:

	Effect of Funding Policy Changes Only	Effect of Funding Policy Changes with 2001/02 Budget
Commercial/Industrial	-3.62%	-6.12%
Residential	0.53%	4.84%
Rural	39.62%	41.36%
Non Rateable	18.14%	31.19%

This table raises two issues of concern:

1. The rural increase as a result of Funding Policy decisions was 39.62% and combined with the 2001/02 budget decisions was 41.36%; a rate increase of \$837,000.
2. The impact of the actual costs combined with new funding policy would see a significant increase in residential rates by 4.84%; an increase for the sector of \$5.1M.

The principal causes of the change within the Funding Policy now include:

City Streets

Under the new Funding Policy for City Streets there is a shift towards residential by 8.42%, mostly from Commercial/Industrial. The 9% reduction in the Commercial/Industrial share amounts to \$3.15M. Rural increased by 0.63%. This has arisen from the greater use of Capital Values allocation than in the past and a review of the allocations.

Rating of Utilities for the First Time

The rate base of the commercial sector has grown by \$4.7M rates p.a. by the introduction of the rating of utilities. This new group of ratepayers in the sector has had the effect of diluting the impact of rate increases on other properties in the sector.

A significant proportion of the extra utility rates are payable by the Council as extra operating costs in the outputs of Water (\$992,129), Sewerage (\$2,192,375) and Land Drainage (\$1,200,000). These extra costs are allocated by capital value in accordance with the normal formulae applying to these outputs.

While each sector bears the extra costs in proportion to capital value the commercial sector has the advantage of the diluted rating base and therefore experiences a net gain in contrast to the residential and rural sectors.

The Annual Plan Working Party has considered these issues and is recommending that two global modifiers be introduced to provide for the transition from the previous Funding Policy to the new policy:

1. The Uniform Annual General Charge to remain at \$105.
2. A reallocation of rates requirement of \$3M (GST incl) made up of:
 - \$2.4M from Residential to Commercial/Industrial
 - \$0.6M from Rural to Commercial/Industrial

The transitional modifier to be phased out over three years.

The result of applying these global modifiers produces the following percentage charges on a sector basis:

Commercial/Industrial	0.71%
Residential	2.56%
Rural	11.70%
Non Rateable	31.19%

Impact on Individual Properties

This is disclosed in Appendix 2 page 68 of the Strategic Statement. The increases and decreases for each sector are listed.

In addition are the possible rates payable by those who would be liable to pay the proposed Inner City Separate Rate. This must be added to the ordinary increases for the Commercial/Industrial sector for the relevant properties. It must be recognised that this is tentative as the properties and boundaries have not yet been determined. All affected ratepayers will be advised of the possible increase for this proposed rate.

Long Term Financial Strategy

The Long Term Financial Strategy is contained on page 23 of the Strategic Statement.

- Recommendation:**
1. That the Long Term Financial Strategy be approved.
 2. That the draft Funding Policy, the draft Borrowing Management Policy and the draft Investment Policy be approved.
 3. That the transitional modifier as recommended be adopted.
 4. That the transitional modifier be phased out within a maximum of three years, subject to review in light of the 2001 property revaluations.
 5. That the Uniform Annual General Charge be set at \$105 per annum.
 6. That the Capital Development Reserve be renamed the Emergency Capital Fund.

31. APPRECIATION

The working party passed by acclamation a vote of thanks to the Chairman, moved by Councillor Wright. On behalf of Councillors and staff, Councillor Wright thanked the Chairman for his patience and tolerance, and for the significant contribution he had made to the working party's deliberations in the course of considering this year's draft plan.

32. 2001/02 RATES INCREASE

The draft plan being recommended for approval provides for an overall rates increase of 2.39% which is slightly below the increase of 2.47% foreshadowed in this year's Financial Plan and Programme.

The plan continues the approach taken by the present Council of maintaining services at least at existing levels and funding additional initiatives to improve the quality of life of city residents. The working party considers this year's draft plan represents a good balance between maintaining fiscal responsibility and providing for city progress.

23. 3. 2001

Strategy and Resources 26.2.2001

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- Recommendation:**
1. That the Council adopt the adjustments listed in Appendix I and the recommendations contained in the foregoing report.
 2. That the Council approve an overall rate increase of 2.39% in 2001/02.
 3. That the draft Financial Plan and Programme : 2002 Edition be approved in terms of section 223D of the Local Government Act 1974.
 4. That the Director of Finance be authorised to make any amendments to the draft Plan for correction purposes.
 5. That the City Manager publish the draft Financial Plan and Programme : 2002 Edition and the draft Strategic Statement including the draft Long Term Financial Strategy, the draft Funding Policy, the draft Borrowing Management Policy and the draft Investment Policy together with the Vision, Mission Statement and Strategic Objectives and that, pursuant to section 716A(1)(b) of the Local Government Act 1974 he give public notice on Wednesday 18 April 2001 calling for submissions from interested persons in accordance with section 716A; such submissions to close on at 5pm on Monday 21 May 2001.
 6. That the members of the Strategy and Resources Committee be appointed to hear public submissions on the draft Financial Plan and Programme : 2002 Edition on Tuesday 19, Wednesday 20, Thursday 21 and Friday 22 June (and Monday 25 and Tuesday 26 June 2001 if necessary) and to report thereon to the Council at its meeting on Thursday 12 July 2001.
 7. That pursuant to section 716A(1)(a) of the Local Government Act 1974 notice be given that the Financial Plan and Programme : 2002 Edition will be considered by the Council at its meeting to be held on Thursday 12 July 2001.
 8. That in terms of section 223D of the Local Government Act the draft Financial Plan and Programme : 2002 Edition and draft Strategic Statement be available to the public free of charge. Copies to be available at the Civic Offices, Service Centres, the Central Library and community libraries.
 9. That the draft Corporate Plan : 2002 Edition as amended which provides the detail of Business Unit plans be approved by the Council and be made available for public inspection at the Civic Offices and Service Centres in the week ending 27 April 2001.

CONSIDERED THIS 23RD DAY OF MARCH 2001

MAYOR