

8. 4. 2002

STRATEGY AND FINANCE ANNUAL PLAN SUBCOMMITTEE

**Meetings of the Strategy and Finance Annual Plan Subcommittee
were held on 25, 26, 27 February, 1, 6, 14 and 19 March 2002**

PRESENT: Councillor Alister James (Chair),
The Mayor,
Councillors Carole Anderton, Paddy Austin, Erin Baker,
Graham Condon, Barry Corbett, Anna Crighton, Ishwar Ganda,
Pat Harrow, Denis O'Rourke, Barbara Stewart and Ron Wright.

IN ATTENDANCE: Councillor Gail Sheriff (25, 26, 27 February 2002) and
Councillor Norm Withers (25 February 2002).

APOLOGIES: Apologies for absence were received and accepted from the
Mayor for the meetings of 25.2.02, 14.3.04 and 19.3.02, and
Councillor Graham Condon for the meeting of 19.3.02.

Apologies for lateness were received and accepted from
Councillors Anna Crighton (26.2.02), Ishwar Ganda (19.3.02)
and Pat Harrow (26.2.02).

DRAFT CHRISTCHURCH CITY COUNCIL FINANCIAL PLAN AND PROGRAMME : 2003 EDITION

1. INTRODUCTION

At a series of meetings held on 25, 26, 27 February, 1, 6, 14 and 19 March 2002 the Subcommittee gave consideration to:

- Proposed New Operating Initiatives
- Proposed New Capital Initiatives
- Draft Corporate Plan Volumes
- Draft Pink Pages
- Long Term Operating Projections
- Draft Budget Tables
- Minutes of the Financial Plan meetings and reconvened meetings of the Standing Committees and the Metropolitan Funding Subcommittee
- Community Board Planning Statements
- Presentation by Director of Finance on Key Issues
- Presentation of a Scoping Study on new Garden Festival
- Presentation on Heathcote Valley Park - Funding for Council works
- Staff reports on a range of issues including:
 - First draft of the 2003 Financial Plan and Programme
 - Overview of Long Term Operating Projections
 - Corporate Overheads
 - Electricity Costs
 - Projected Insurance Premium Increases 2002/03
 - Pool Admission Charges
 - Commuter Parking Restraint - Funding for Research and Consultation
 - Canterbury Museum Board Levy
 - Capital Endowment Fund Allocation
 - QEII Park - Upgrading Project and other Capital Expenditure
 - QEII Park - Swim Accounting Revenue
 - Lyttelton Marina
 - Proposed Library in Upper Riccarton
 - Funding Needs for Commercial Strategy
 - Reduction to Solid Waste Operating Budget
 - Funding of Capital Programme
 - Use of Capital Endowment Fund Capital
 - Capital Restructuring of Council Companies
 - Special Dividend from CCHL
 - Review of One Hour Free Parking Initiatives: Possible Options/Initiatives for Cost Offsets

8. 4. 2002

Strategy and Resources 25.2.2002

- 2 -

- Review of Parking Building Operations
- Review of User Charges including Admission Charges to the Art Gallery and Museum for Non-Christchurch Residents
- Festivals and Events
- Toll Roads and Road Pricing
- Government Land Transport Package
- Asset Management Plan Driven Operational Spend
- Separate Rate Accounts for Environment Canterbury
- Triple Bottom Line Reporting and Formatting Changes
- Civic Offices Accommodation
- New Reserve Acquisition - Analysis of Impact on the Operational Budgets
- Implementation of Increase in Trade Waste Charges
- Rates Impact of Christchurch City Council Revaluation dated September 2001
- Update on the Impact of the Funding Policy on the 2002/03 Rates
- Separate Rates for the Retail Sector in the Central City
- Allocation of Funding for Civic and Community Projects

2. TRIPLE BOTTOM LINE REPORTING (TBL)

At its meeting on 24 August 2000 the Council resolved:

"That ... the 2002/03 Annual Report be on a 'triple bottom line' basis"

The Annual Report compares actual performance against what was planned for in the Annual Plan. To make a change to the Annual Report format, it is necessary to start by changing the Annual Plan and in this way changes can flow through to the Annual Report.

TBL reporting is a relatively new phenomenon and there is no established best way of doing it – we will learn more from every report published. Achieving a balance between detail and making the report interesting and readable is difficult. The aspirations behind our draft TBL measures can be summarised in the following principles:

- **Balanced** – we are prepared to report both positive and negative results on aspects of our performance.
- **A living report** – we are committed to a living report - it will develop and evolve over time.
- **Use of externally derived measures and benchmarks** – we have where appropriate used these and are prepared to be judged by our performance against these measures.
- **Holistic** – we endeavour to show the full picture of the relevant issues.
- **Accessible** – both web and print will be available.
- **Interactive** – the reader can engage the CCC via a number of channels such as electronic and paper feedback forms; contacting our customer centre or by making a submission on the Draft Plan.
- **Synergistic** – TBL reporting is a mechanism by which we can convey the organisation's values/principles and its performance in matching them.
- **Verifiable** – an independent third party will as part of the annual audit process verify that actual performance is supported by appropriate evidence.

There are high expectations in terms of TBL reporting and unfortunately there are no New Zealand local authority examples of best practice. We will be 'first off the rank' and will no doubt be criticised for being too detailed, for having a mixture of outcome and output measures, and for not covering certain aspects. This is the downside of being one of the "first". The important point, however, is that we have made a start and will in subsequent years improve and refine our measures.

While the draft Annual Plan measures will be formatted in black and white it is proposed to use colour in the final version of the Annual Plan.

Recommendation: That the Council adopt the triple bottom line reporting principles and draft measures.

3. **PROPOSED AMENDMENTS TO THE DRAFT PLAN**

A schedule of operating and capital changes recommended by the working party is attached at Appendix 1. The changes and savings have been incorporated in the draft Plan, which has been separately circulated to Councillors. The draft plan being recommended by the Subcommittee proposes an overall rate increase of 3.87%, which equates to the increase forecast in the 2002 Plan.

4. **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 growth.
- The continuation of the major works programme.
- Net operating adjustments due to growth - \$1.75m
- Net operating adjustments already committed to - \$1.92m
- Additional operating expenditure approved by the Council subsequent to last year's Financial Plan - \$85,000

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

- Funding of \$250,000 towards a new Garden Festival.
- Provision of \$2.135m in years 2 and 3 for the completion of the QEII Park upgrade.
- Allocation of \$550,000 for fire safety upgrades at Norman Kirk Courts and Brougham Village.
- Funding of \$450,000 for the replacement of the St Albans Crèche.
- Continuation of the one hour free parking initiative at four central city car parks.
- Advancement of the Upper Riccarton library.
- Funding of \$250,000 for further improvements to the Waste Water Treatment Plant.
- Provision for a capital contribution of \$1,000,000 per year for three years to facilitate the public good components of the Lyttelton Marina project.
- Provision of \$30,000 in year 1 for Avon River and central City feature lighting.
- Additional funding of \$75,000 per annum for main road amenity planting.
- Funding of \$20,000 in year 1 and \$40,000 per annum from year 2 onwards for OSCAR.
- \$100,000 per annum for two years for the preparation of a strategy for commercial developments in the city.
- A net allocation of \$170,000 for Heathcote Valley Park (Stream diversion – landfill rehabilitation).
- An additional \$50,000 per annum for three years for works of art in public places.

5. **COUNCIL POLICY ON FUNDING OF NEW INITIATIVES**

Councillors will be aware that in March 2001 the previous Council put in place measures to suppress proposals for significant new expenditure in an effort to contain the rates rises in 2003/04 and 2004/05 when the costs of three major projects – the new art gallery, the upgrade of the waste treatment plant and the new landfill - start to impact on the Council's budget.

The resolution passed by the Council to give effect to these measures is quoted below:

8. 4. 2002

Strategy and Resources 25.2.2002

- 4 -

- “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.”

Meeting the budget containment provisions of the policy, as well as accommodating a number of requests from Standing Committees for additional funding for new initiatives, presented a real challenge. To assist it identify further savings or additional revenue, the Subcommittee requested four Standing Committees to reconvene to review their budgets. This exercise was most productive with sufficient savings being made to fund a range of new projects and not breach the policy provisions. However, despite this the Subcommittee was unable to support a number of new initiatives for which Standing Committees were seeking funding and for which no substitutions had been identified.

The Subcommittee is pleased to report that the draft plan before the present meeting conforms with the Council policy overall although there is some variation between years. Year one is the same as forecast, year two is marginally above the 2002 projection, while in year three a substantial reduction has been achieved in the projected rate increase. The measures being recommended by the Subcommittee for reducing the year three rate increase are outlined elsewhere in this report.

The following table sets out the position:

Year	2002 Plan	2003 Draft Plan
2002/03	3.87%	3.87%
2003/04	4.86%	4.93%
2004/05	6.70%	3.88%

6. SAVINGS AND EFFICIENCY GAINS

In the 2002/03 year efficiency gains and savings of \$2,070,000 will be achieved. Significant items include: Telecommunication contract (\$413,000), reduced Microsoft licensing fees (\$180,000), housing maintenance (\$240,000), reduction in the RMF grant (\$300,000) and the Parks and City Care contract (\$108,718).

7. SPECIAL DIVIDEND FROM CHRISTCHURCH CITY HOLDINGS LIMITED

The Director of Finance reported:

The Board of Christchurch City Holdings has identified the potential to pay a special dividend to the Council of approximately \$18 million in late June 2002. These funds have been accumulated by Christchurch City Holdings from surpluses over recent years and a sum received from Orion in excess of that expected following the sale of retail customers.

In March 2001 as part of the Council's decisions relating to the setting up of the endowment fund the Council resolved:

“That at least 50% of all future unbudgeted special dividends received by the Council be paid into the capital endowment fund.”

However, \$18 million has already effectively been budgeted by the Council and should not be regarded as an “unbudgeted” special dividend in terms of the above resolution.

It would be inappropriate to treat this special dividend as income in one year only. To overcome this I would propose that it be placed in a reserve to be called the Income Equalisation Reserve. This could then be used to reduce the demand on rates in appropriate years until the reserve is used up.

The Subcommittee concurred with the Director of Finance's views regarding the treatment of the above dividend.

8. 4. 2002

Strategy and Resources 25.2.2002

- 5 -

- Recommendation:**
1. That the Board of Christchurch City Holdings be advised that the Council would appreciate receiving a special dividend of \$18 million paid in late June 2002.
 2. That the special dividend be placed in an Income Equalisation Reserve for application in reduction of rates over the next few years.
 3. That the final decision regarding which years the reserve should be drawn down be made following all other decisions on the Draft Annual Plan to assist in smoothing and reducing rate increases.

8. CAPITAL ENDOWMENT FUND INCOME ALLOCATION

The Director of Finance reported:

The purpose of this report is to set out the funds available for allocation in the 2002/03 year together with the established rules for the use of the income from the fund so that the Council can consider options for allocation of these funds.

Allocation Rules

The rules established by the Council and agreed through the annual plan process after public consultation last year were:

- Up to 100% of the income from year 1 may be allocated in year 1
- Up to 75% of subsequent years income may be allocated in earlier years if desired.
- That the income be allocated each year in the following way:
 - Economic Development 70%
 - Civic and Community Projects 30%
- The allocation split may be reviewed on a three yearly cycle
- Funding for a particular category may be carried forward to another year
- Civic and community projects of less than \$100,000 in any one year not be funded from this source
- That no single project be funded for more than three years except in exceptional circumstances
- The allocation of the economic development stream of income shall be made by a committee established by the Canterbury Development Corporation, Canterbury Manufacturers' Association and Canterbury Employers' Chamber of Commerce according to an assessment which has as a prime evaluation criteria a direct increase in economic activity and job creation.

Commitments Made Previously

For the 2001/02 year there will be a significant reduction in the amount of funding available because of the late receipt of the capital funds. Several of the projects are temporarily on hold. This will be assessed in the next month and reported to Strategy and Finance Committee. Commitments already made in respect of future years are as follows:

Economic Development	02/03	03/04	04/05	05/06	06/07
	\$	\$	\$	\$	\$
Central City Project team	100,000				
Domestic Marketing Campaign	175,000				
Economic Development Total	275,000	0	0	0	0
Civic and Community					
Special Character Area Precinct	200,000	200,000			
Museum Building Development Grant	532,500	532,500	732,500	732,500	732,500
Unspecified Community Projects	100,500	100,500			
Civic and Community Total	833,000	833,000	732,500	732,500	732,500
Total allocated already	1,108,000	833,000	732,500	732,500	732,500

The Museum project was considered to be an exceptional case because of its size and has been funded over six years.

The Council noted in last year's Plan that the allocations to local community projects would follow the principle that all parts of the city will benefit over a period.

8. 4. 2002

Strategy and Resources 25.2.2002

- 6 -

It should be noted that some of the projects identified for 2001/02 may not be able to be funded and as a result could be considered for allocation from later years. These are:

- Central City New Business Initiatives \$100,000
- Central City Attraction Strategy \$100,000
- Unallocated Economic Development \$850,000
- Unspecified Community Projects \$242,500
- Museum Building and Development \$250,000

Funds Available for Allocation

The first call on income from the fund is to maintain the real value of the fund against inflation.

The following table shows the current estimate of income available over the next five years and the amounts available for allocation at this time:

	02/03	03/04	04/05	05/06	06/07
	\$	\$	\$	\$	\$
Total Income after inflation provision	2.915	2.975	3.036	3.100	3.163
Less hold for later years (25%)	0	0.744	0.759	0.775	0.790
Total For Allocation This year	2.915	2.231	2.277	2.325	2.373
Economic Development (70%)	2.040	1.562	1.593	1.627	1.661
Less already allocated	.275	0	0	0	0
Available for Economic Dev.	1.765	1.562	1.593	1.627	1.661
Civic and Community (30%)	0.875	0.669	0.684	0.698	0.712
Less already allocated **	.833	.833	.732	.733	.732
Available for Community and Civic	0.042	-0.164	-0.048	-0.035	-0.020

**It should be noted that in 02/03 and 03/04 \$100,500 each year of the amount treated as already allocated is for unspecified community projects and the sub committee may choose to specify these amounts. If it wishes to do so it can in effect add these amounts to what is available in the bottom line of the above table.

The amount available for allocation for Community and Civic Projects in 2003/04 and later years is currently showing as negative because the allocations made last year exceed the amount now available owing to lower interest rates. This can be accepted because there is still 25 % held in reserve as unallocated until the actual year. It does, however, illustrate how vulnerable the fund is to income fluctuations and there would be merit in building up some additional reserves in due course to provide for this.

The City Manager and Director of Finance reported jointly as follows on mechanisms for the allocation of the Civic and Community Project funding:

There are probably two main options available: to set up a process which would involve a Funding Allocation Subcommittee or to use the Annual Plan Subcommittee.

The Council has previously resolved to use a subcommittee process (albeit a subcommittee of the CDC) for allocation decisions on the economic development portion of the fund. There would be some symmetry if something similar were put in place for civic and community projects although there would be little logic in involving parties other than elected councillors. Such a process is currently in place for the allocation of grants where the Metropolitan Funding Subcommittee brings forward the schedule of grant allocations into the Annual Plan process. Given that it was the Council's intention, in establishing the Endowment Fund, that in some sense this money would be kept separate from the main stream of rates and other traditional Council funding sources then there would be merit in a separate subcommittee-type process. There is, however, a significant disadvantage, namely such separate processes generally operate by way of seeking proposals and then evaluating them to come up with a list of preferred projects for funding. The reality is that there are almost certainly insufficient funds available over the next two or three years to justify such an approach.

The second option would be to allocate funds from the Civic and Community Projects Fund as a part of the Annual Plan process, that is, for the Annual Plan Working Party to recommend such decisions to the Council. A downside of this approach would be that it would be difficult to maintain the separation of this fund from "mainstream" Council funding mechanisms. There would not be the visibility attached to the funding decisions which would result from a clearly separate process.

Practical Considerations

As stated in the report from the Director of Finance currently there is a total of \$142,000 available in year 2002/03 for allocation, and there may be \$100,500 available in year 2003/04. (It should be noted that if the allocation provided for unspecified community projects is funded in that year the fund may be overdrawn. At this stage there are no funds shown as available for allocation in 2004/05 and the two subsequent years).

The point needs to be made that the five year projection of available funds may well prove conservative. As yet we have no experience as to what earnings level to expect from the fund. It should also be noted that the Council resolved last year to review the division of the fund: 70:30 between Economic Development: Civic and Community Projects every three years; such a review could also generate more funds for civic and community projects.

Nonetheless the funds currently available for allocation are extremely slim. It would be unfortunate to raise expectations by undertaking a formal process of allocation such as through a subcommittee; indeed the administrative costs of such could scarcely be justified at the current time.

Rather, we would see merit in accumulating the unallocated civic and community fund moneys for the next two years until such time as the first triennial review (referred to above) is undertaken.

The changes being recommended by the Subcommittee are attached at Appendix 2.

- Recommendation:**
1. That the sum of \$1.765 million available for Economic Development be referred to the Canterbury Development Corporation evaluation process.
 2. That no further allocations from the Civic and Community Fund be provided for during the next two years.
 3. That the allocation process be formulated prior to the 2004/05 Annual Plan process in the light of the forecasts then available of revenues from the Fund and the review which will be undertaken at that time of the division of funds between Economic Development and Civic and Community Projects.
 4. That the estimated amounts for years one and two be carried forward to year three.

9. CORPORATE OVERHEAD ALLOCATION

The Subcommittee considered a report on the corporate overhead allocation from the Financial Services Manager. While there were numerous improvements made to the current allocation methodology in the early 1990's the changes since then have been minimal. This is despite the significant organisational changes that have taken place in recent years. The allocation methodology has in the meantime become rather outdated and a large number of inconsistencies have developed.

The new allocation methodology recognised the organisational changes and separates out the overhead into a non-labour component and a labour component. The allocation is made to service delivery outputs rather than "service delivery units" and this eliminates the inconsistencies that had developed. The resulting allocation base is now much wider and more equitable than the previous base.

Recommendation: That the new corporate overhead allocation methodology be adopted.

10. FINANCIAL MANAGEMENT PRINCIPLES AND POLICY

Nearly 10 years ago the Council adopted a financial management principles and policy. The main objective of the policy is to ensure that major projects, resulting operating costs and debt are maintained at manageable levels. At the heart of this policy are four ratios, within the parameters of which the Council has committed itself to operating. These ratios set maximum limits in relation to the key financial drivers. The four key ratio and the maximum limits are:

	Policy Limit
Term Debt as a percentage of Total Assets	- Maximum 12%
Term Debt as a percentage of Realisable Assets	- Maximum 33%
Net Interest as a percentage of Operating Revenue	- Maximum 8%
Net Debt in relation to funds flow	- Maximum 5 times

8. 4. 2002

Strategy and Resources 25.2.2002

- 8 -

Given that the policy was put in place almost 10 years ago the Subcommittee felt that it would be appropriate to review the policy at the time the first long term Council community plan is prepared.

Recommendation: That an independent assessment of the financial ratios be undertaken once they have been in place for 10 years and at the time of the first long term Council community plan.

11. 2002/03 MAJOR GRANTS PROGRAMME

The schedule of 2002/03 grants is listed on pages 89 and 90 of the draft plan.

The Subcommittee has made one minor change to the grants recommended by the Metropolitan Funding Subcommittee. The grant of \$15,000 to the Home and Family Society has been reallocated to the Restorative Justice Service.

The Subcommittee is also recommending that the grant to the Nga Hau E Wha National Marae be conditional upon the current manager retaining his position.

In reviewing the proposed grants, the Subcommittee noted that many organisations enjoy substantial ongoing funding support from the Council and considered that it would be appropriate for this support to be appropriately acknowledged. The Subcommittee is therefore recommending that, where practical, the grants to these organisations be conditional upon the recipients displaying a plaque acknowledging the Council's support.

The Arts, Culture and Heritage Committee sought the allocation of funding of \$200,000 spread over four years from 2003/04 towards the restoration of the Cathedral of the Blessed Sacrament.

The Subcommittee considered that this request should be the subject of a report to the Arts, Culture and Heritage Committee prior to being formally addressed by the Subcommittee and the Council.

- Recommendation:**
1. That the schedule of grants for 2002/03, as amended, be adopted.
 2. That the funding in the grants budget for Nga Hau E Wha National Marae manager's salary be confirmed, subject to the retention of the current manager.
 3. That, where practical, all community organisations that receive ongoing funds from the Christchurch City Council be required to display a standard plaque (to be supplied by the Council) acknowledging the Council's support.
 4. That a full report be brought to the Arts, Culture and Heritage Committee on the proposed grant to the Cathedral of the Blessed Sacrament.

(Note: Councillors abstained from the discussion and voting on the Metropolitan Funding Subcommittee's report as follows:

Councillor Condon – Parafed Canterbury
Councillor Corbett – Christchurch City Mission
Councillor Austin – The Champion Centre (Christchurch Early Intervention Trust)

Councillor Crighton requested that her vote against the decision to decline the application from the Quail Island Ecological Restoration Trust be recorded.)

12. CANTERBURY MUSEUM – LEVY

The following provision has been made in the draft plan for this Council's share of the Canterbury Museum levy and the ex-gratia grant:

1. Statutory levy	\$2,796,159
2. Ex-gratia loan funding	159,675
3. Ex-gratia additional funding	<u>515,887</u>
	<u>\$3,471,721</u>

All contributing authorities fund the first two components. The third is funded by this Council only. It was agreed to several years ago to assist with loan servicing costs for projects supported by the Council at that time.

Recommendation: That the above funding be confirmed.

13. **LYTTELTON MARINA**

At its December 2001 meeting, the Strategy and Finance Committee appointed a Subcommittee to consider options and make a recommendation on issues relating to any Council involvement in the provision of marina, public boat launching and associated facilities.

The Subcommittee met with representatives of Banks Peninsula District Council and the receiver on 20 February and a cooperative solution is a likely outcome of these discussions.

At the Marina Subcommittee's request, the Funds and Finance Policy Manager reported to the Subcommittee on the objectives of the project from the Council's point of view and the level of funding likely to be required to meet those objectives.

The report noted that the Marina is still under receivership, which means:

- The receiver has received tender responses for the business.
- The City Council may offer to assist with funding the public good components of the project and hence make a grant, or
- The City Council may take over some aspects of the development, say the public facilities.
- Banks Peninsula District Council and the receiver will have to approve any development.

The objectives for the Christchurch City Council were summarised as being the provision of:

- A public ramp suitable for trailer boats (motorised and sail)
- Toilets and boat wash-down facilities
- Parking for vehicles and trailers
- Public safety both for pedestrians and the boating public
- Dinghy launch ramp
- Windsurfer beach
- Car parks for windsurfers
- Suitable public car parking
- Landscape treatment of the foreshore and site generally
- Improved site access
- Contribution towards the Marina breakwater

It will be difficult for any solution to meet all the objectives within the budget provided and given the constraints of the site. In view of this some degree of compromise will be required.

The Marina Subcommittee has not yet had the opportunity to discuss with the receiver how these funds can best be applied to achieve an outcome acceptable to all parties and therefore the provision proposed is to enable those discussions to proceed. The final conditions of the Marina Subcommittee will be the subject of specific recommendations to the Council in due course.

- Recommendation:**
1. That the Council make capital provision of \$1,000,000 per annum over the next three years towards the provision of public access facilities in association with a breakwater for the Marina project.
 2. That the Council ensure that the design and management of the public facilities are such as to provide a return on the City Council's investment; the target to be at least 5% per annum.

14. **REFUSE BAGS**

The Subcommittee referred to the Sustainable Transport and Utilities Committee a report from the City Waste and Water Manager on options for replacing the present rates-funded refuse bag system with a "waster pays" system.

8. 4. 2002

Strategy and Resources 25.2.2002

- 10 -

The report detailed a number of options for reducing the refuse bags to each household, as well as the impact of each option on forecast rate increases.

The Sustainable Transport and Utilities Committee recommended to the Subcommittee:

"1. That the Council move from the current 52 "free" rates-funded refuse bags system to:

- (a) Either a resident-funded (waster pays) official bag system (last "free" bag delivery in April 2003, 2.85% lower rates increase); or
- (b) A resident-funded (waster pays) official sticker on bag of choice system (last "free" bag delivery in April 2003, 3.23% lower rates increase).

The estimated saving from the 2004/05 year onwards would be \$4,836,000 based on (a) above, this being the more conservative option).

2. That the sum of \$100,000 be provided in the 2003/04 financial year for publicity associated with the change to direct charging for refuse bags."

While acknowledging that any change from the present rates-funded system would be most unpopular with many Christchurch residents, it was the belief of the majority of the Subcommittee that the Council should move to a resident-funded scheme in 2003/04 to coincide with the opening of the new landfill because such a scheme would:

- Increase revenue from the sale of bags and hence reduce rates.
- Shift refuse collection cost to "waster pays" which aligns with the Council's Solid and Hazardous Waste Management Plan principles and Ministry for Environment waste guidelines.
- Result in more tonnage in green recycle bins and less in black refuse bags i.e. less in landfill.
- Reduce certain management difficulties associated with current bag delivery process such as landlord issues, fraud etc.

In addition to adverse public reaction, other disadvantages of the proposal were identified as being:

- Could drive people to mixed refuse wheelie bins which usually results in an increase in waste tonnages – but this can be mitigated by:
 - Education about availability of second green recycling crate and commercial green waste wheelie bin collection.
 - Proposed introduction of disincentive charges at the refuse stations for mixed waste.
- May result in more pollution (refuse) in recyclable crates, but this will be manageable with a good education programme.
- May result in 'competitor' offering slightly cheaper alternative to the Council 'official' bag – this can probably be prevented by a Bylaw under existing legislation.
- Could increase the illegal dumping of refuse.

The Subcommittee suggests that if the Council supports the proposal then it asks the Sustainable Transport and Utilities Committee to investigate and report back on two options:

- Resident-funded refuse bags
- Resident-purchased stickers

The recommendation when put to the meeting was declared **carried**, the voting being as follows:

For (8): Councillors Ganda, Condon, Corbett, Austin, Crighton, Anderton, James and O'Rourke.

Against (4): Councillors Wright, Stewart, Harrow and Baker.

Recommendation: That the forward budget be prepared on the basis of cessation of the delivery of rates-funded black bags in 2003/04 and that the Sustainable Transport and Utilities Committee investigate and recommend to the Council the preferred methodology for future household collection of refuse.

15. **LICENSING HARDFILL SITES**

The City Waste and Water Manager reported to the 12 March 2002 meeting of the Sustainable Transport and Utilities Committee on a proposal to license hardfill waste carriers/sites in the City.

The report detailed two options, i.e. Option 1 – waste carriers provide a monthly return, and Option 2 – waste minimisation contribution be collected by the hardfill site operator.

Members noted that the Local Government Act allowed the Council to license commercial collectors and transporters of waste and to impose a waste minimisation levy on privately-owned disposal sites such as hardfill sites. The report suggested an additional charge of \$2.00 per tonne on the approximately 363,000 tonnes per annum of construction and demolition materials estimated to go into hardfill pits in the City.

The Sustainable Transport and Utilities Committee resolved *“that a more detailed report be provided to the Sustainable Transport and Utilities Committee later in the year, and that it be recommended to the Annual Plan Subcommittee that budget provision of \$1,000,000 per year revenue be provided for the 2003/04 financial year onwards”*

The Subcommittee supported the Sustainable Transport and Utilities Committee's recommendation and is recommending that indicative provision be made in year two for revenue from this source. It will be noted that the draft plan, in addition to signalling that full consultation will take place with the affected parties, outside the annual plan process, also demonstrates the effect the proposed new revenue stream will have on the 2003/04 rates.

Recommendation: That revenue provision of \$1,000,000 per annum be made from 2003/04 onwards for income from the above source.

16. **TREATED HAZARDOUS WASTE INCENTIVE/DISINCENTIVE FEE**

At its reconvened Financial Plan meeting on 12 March 2002 the Sustainable Transport and Utilities Committee gave consideration to a proposal to introduce an additional fee for depositing treated hazardous and special waste at the Burwood Landfill.

The charge, which would generate approximately \$120,000 of additional income per annum, would be in accordance with the Council's current waste management strategies.

The Sustainable Transport and Utilities Committee recommended to the Subcommittee:

“That a hazardous waste fee at the rate of \$20 (excludes GST) per tonne be applied from the 2002/03 financial year, to generate additional estimated revenue of \$120,000 per annum”

The Subcommittee endorsed the proposal to introduce a hazardous waste fee in 2002/03.

Recommendation: That the recommendation of the Sustainable Transport and Utilities Committee be adopted.

17. **TRADE WASTE CHARGES**

The City Waste and Water Manager reported, advising that serious concerns had been expressed by industry representatives about the proposed increases in trade waste charges being recommended by the Sustainable Transport and Utilities Committee.

To meet these concerns the report recommended a change to the basis of calculating these charges to lessen the impact of sharp fluctuations in trade waste costs. It was advised that a change from the use of a three-year rolling average to a six-year rolling average for the calculation of trade waste charges would provide better certainty of costs for industry over a longer period. The change can be implemented without affecting the currently budgeted revenue of \$1,800,000 in 2002/03. A review of the basis of the trade waste charges is needed to ensure correct pricing signals are embodied in the charging structure and to ensure continuing industry focus on reducing wastewater discharged. The new structure would further reward industry for reducing discharges in the long term rather than penalising industry as flows are reduced. The review would carefully consider all factors, in consultation with industry, and could be completed before the preparation of the 2003/04 budget.

Strategy and Resources 25.2.2002

- 12 -

- Recommendation:**
1. That a six-year rolling average be adopted for the calculation of trade waste charges for the 2002/03 year.
 2. That the Sustainable Transport and Utilities Committee be asked to review the trade waste charging policy before the preparation of the 2003/04 budget.

18. **REVIEW OF ONE HOUR FREE CAR PARKING INITIATIVE: POSSIBLE OPTIONS/INITIATIVES FOR COST OFFSETS**

In the course of the Subcommittee meetings, a provisional sum of \$505,000 was included in the draft plan to fund a continuation of the one hour's free parking initiative at the Lichfield Street, Farmers, Crossing and Manchester Street car parks. Staff reported to the 6 March meeting of the Subcommittee on options for funding the cost of this initiative. Information was also provided on comparative charges between Christchurch and other centres.

In summary, the Parking Manager reported as follows:

Options/Initiatives Examined

- 'Gold coin' meter charges at 60 minute meters within high use areas of the CBD, the effect being to increase the charge from \$1.60 per hour to \$2.00 per hour.
- 20c and 30c per hour increases to casual parking charges (i.e. \$1.20 per hour to either \$1.40 or \$1.50 per hour) at all CCC car parks, with the exception of the Hospital car park.
- 50 cent increase on early-bird (predominantly casual commuter parking) rates.
- No free parking at the Lichfield Street and Crossing car parks on Sundays (This option has the added benefit of removing the current anomaly that exists between the car parks North of the Square and those South of the Square).

Comparative Charges

Parking meter charges (per hour)

<u>CCC</u>	<u>Wellington</u>	<u>Auckland</u>	<u>Dunedin</u>
\$1.60	\$3.00	\$3.00	\$2.00

Casual parking charges at parking buildings

<u>CCC</u>	<u>WCC</u>	<u>ACC</u>	<u>DCC</u>
\$1.20hr	\$1.80 *	\$3.00	\$1.00

<u>Wilson's</u>	<u>Wilson's</u>	<u>Wilson's</u>
\$2.40	\$5.00	\$5.00
(Cashel St C/P)	<u>Condrons</u>	
	\$2.00	

* WCC advised they intend increasing their hourly rate to \$2.00 per hour with effect 1 July 2002.

Early-bird parking day rates

<u>CCC</u>	<u>WCC</u>	<u>ACC</u>	<u>DCC</u>
\$5.50-\$6.50	\$8.00-\$12.00	Varies up to \$26.00	\$8.00

<u>Wilson's</u>	<u>Wilson's</u>	<u>Wilson's</u>
\$7.00	\$17.00-\$22.00	Varies up to \$34.00
(Cashel St C/P)		

Financial Summary

Analysis of the options examined demonstrated that by adopting all, or a mix, of these the \$505,000 provisional cost included within the draft Annual Plan for funding one hour's free parking at four parking buildings could be funded in whole, or in part, depending upon the mix adopted. The following financial summary outlines the combined effect of the options:

Option	Scenario 1.	
	Estimated Net Revenue 02/03	Estimated Net Revenue 03/04
1. 'Gold coin'	(\$190,000)	(\$210,000)
2. 20c increase (car parks)	(\$250,000)	(\$258,000)
3. 50c early-bird increase	(\$41,000)	(\$45,000)
4. Terminate free Sundays	(\$40,000)	(\$40,000)
	(\$521,000)	(\$553,000)
	Scenario 2.	
1,3 and 4 above	(\$271,000)	(\$295,000)
2. 30c increase (car parks)	(\$325,000)	(\$333,000)
	(\$596,000)	(\$628,000)

The Parking Manager was requested to apply the 'gold coin' option to all 60 minute meters and to include the recalculated figure for this within the financial model.

It is estimated that additional revenue of approximately \$50,000 per annum will be generated by extending the 'gold coin' option to all 60 minute meters. The additional revenue has been factored in to the financial model.

- Recommendation:**
1. That the "first hour free" parking initiative be continued at the Lichfield Street, Crossing and Farmers car parks and be extended to the Manchester Street car park, subject to it being cost-neutral to be achieved by:
 - (i) The introduction of a 'gold coin' meter charge of \$2.00 per hour at all 60 minute time limit parking meters.
 - (ii) A 50c increase to early-bird parking charges at all Council car parks, with the exception of the Hospital car park.
 - (iii) Discontinuation of free parking on Sundays at the Lichfield Street and Crossing car parks.
 - (iv) Either a 20c per hour increase in casual parking charges at Council car parks, excluding the Hospital car park; or a contribution from central city businesses.
 2. That a final decision on the Option iv funding be made following consultation with the central business community.

19. QEII PARK – UPGRADE

The Manager, QEII Park, reported in response to a request from the Community and Leisure Committee that the Annual Plan Subcommittee be provided with details of the further renewals and developments required at QEII Park following the completion of the pools redevelopment project in May this year.

The key components of the programme submitted by the Parks Manager are listed below in order of priority:

8. 4. 2002

Strategy and Resources 25.2.2002

- 14 -

Travis Road Entrance		\$175,000
Top pond/main entrance		\$ 80,000
Village Green Sports Pavilion	\$250,000	
Landscape and car parking	\$ 75,000	
Village Green Toilets, Part One	\$ 80,000	
Relocate Civil Defence Building, Part One	<u>\$ 75,000</u>	
	\$480,000	
less Village Green Budget	\$380,000	
Public Toilets Budget	<u>\$100,000</u>	\$0
Public toilets competition pool		\$125,000
Entrance Façade, fitness centre roof and trusses		\$350,000
Fun Park Redevelopment		
Clearance		
Top Dressing		
Irrigation		\$90,000
Relocate Civil Defence Building, Part Two	\$100,000	
Village Green Toilets, Part Two	<u>\$100,000</u>	
	\$200,000	
less Village Green Budget, Part Two	\$100,000	
Public Toilets Budget, Part Two	<u>\$100,000</u>	\$0
Internal roundabout and bus drop off		
Fill bottom pond, additional line of car parks		\$235,000
Dive/Training Pool Hvac replacement, Part One		\$325,000
Dive/Training Pools Replacement Hvac System, Part Two		\$325,000
Car parking – Bower Avenue, Part One		\$100,000
Car parking – Bower Avenue, Part Two		\$100,000
Main Stadium, Grandstand Ceiling Replacement		<u>\$230,000</u>
		<u>\$2,135,000</u>

The Subcommittee, in deliberating on this issue, took three factors into consideration. Firstly, the completion of the redevelopment of QEII Park should take priority over the development of a new leisure pool elsewhere in the city. Secondly, the Council will not be in a position to make an informed decision on the need for a new leisure pool until the new QEII leisure complex due to be completed shortly has been in operation for at least a year. Thirdly, it may be more appropriate to upgrade the Jellie Park complex rather than build a new leisure pool. This option will be investigated by the Pools and Stadia Subcommittee and the outcome reported to the Community and Leisure Committee and the Council in due course.

In light of the above, the Subcommittee has:

1. Made provision of \$2,135,000 in years two and three for the QEII Park upgrading work which will be funded partly from the funding provided for the Village Green Enhancement and partly by way of substitution using part of capital provision of \$7,583,000 provided in year three for a new leisure pool.
2. Reallocated the balance of the capital provision for a new leisure pool to the upgrading of existing pools.
3. Deleted the forward provision for operating costs for the new leisure pool.

Recommendation: That the foregoing changes be approved.

20. LEISURE UNIT – CHARGES

The sub-budget presented to the Community and Leisure Committee by the Leisure Unit recommended a number of increases in pool charges, including a 50c increase in the child admission charge. The Community and Leisure Committee supported the proposed increases apart from the child admission. The Committee recommended that this charge be held at the present level of \$1.50 for the 12 and under age group. This recommendation was not supported by the Subcommittee, which is recommending that the child admission charge be increased to \$2.00. In arriving at this decision the Subcommittee noted that the school pool admission charges were not being increased from the present rate of \$1.00 per child.

8. 4. 2002

Strategy and Resources 25.2.2002

- 15 -

Councillor Anderton moved, by way of amendment, that pool admission charges for children of 12 years of age and under be retained at the current level of \$1.50. The amendment was seconded by Councillor Wright and when put to the meeting was declared **lost** by two votes to seven, the voting being as follows:

For (2): Councillors Anderton and Wright.

Against (7): Councillors Austin, Baker, Condon, Corbett, Ganda, Stewart, and James

At its reconvened meeting on 11 March 2002 the Community and Leisure Committee reviewed pool and fitness membership charges and made the following recommendations to the Subcommittee.

1. That the pool and fitness memberships for leisure facilities be increased to provide an estimated income of \$70,660 in 2002/03 and an additional \$23,553 in 2003/04.
2. That the student discount at leisure facilities be removed, to generate an estimated income of \$35,000 in 2002/03 and an additional \$13,000 in 2003/04.
3. That the Council's Policy on sunbeds be reconsidered in order to extend sunbed usage for a further two years, to provide an estimated income of \$60,000 in 2002/03 and 2003/04.

The above recommendations were supported by the Subcommittee.

- Recommendation:**
1. That the above recommendations be adopted.
 2. That children's pool admission charges be increased from \$1.50 to \$2.00 per child.

21. 198 YOUTH HEALTH CENTRE

In 1999/00 the Council provided \$45,000 per annum for three years to support the above service. At that time the centre was receiving funding of \$350,000 from central government sources which left it with a budget shortfall of \$70,000.

As funding this service is clearly a central government responsibility, the Subcommittee believes that the Council should provide funding for one more year to give the centre time to find an alternative funding source and then discontinue its funding support.

- Recommendation:**
1. That funding of \$45,000 be provided in year one to support the above service.
 2. That Canterbury District Health Board be advised that the Council will not fund this service beyond 2002/03.

22. ELDERLY PERSONS' HOUSING COMPLEXES – PROVISION OF RESIDENTS' LOUNGES

In reviewing the housing outputs, the Subcommittee noted that the present Council policy requires that a minimum of one residents' lounge be provided annually within EPH complexes as they are remodelled.

The residents' lounges provide a valuable amenity for the Council's elderly tenants. They are used for a host of activities and encourage social interaction among tenants. The Subcommittee felt that in view of this, an effort should be made to accelerate the building programme.

It has therefore requested the Housing Subcommittee to report to the Subcommittee's June round of meetings on the budgetary implications providing three residents' lounges per year.

- Recommendation:** That the information be received.

23. **SPORTVILLE CONCEPT**

At its reconvened meeting on 11 March 2002 the Community and Leisure Committee received a deputation from Mike Godber (New Zealand Metropolitan Trotting Club), Mark Stewart (Canterbury Rugby League), Lyn Miles (Canterbury and Christchurch Netball), David Shackleton (Canterbury Cricket), Michael Branthwaite (Connell Wagner and Graham Copp (Graham Copp Communications)). The deputation presented further plans for the Sportville complex with capital costs in the order of \$18,000,000. While the Council was not being asked to provide the capital to fund the complex, seed finance of \$350,000 was requested to undertake a feasibility study for the proposal.

The Community and Leisure Committee considered that the Sportville concept was worthy of further consideration and referred the request for funding of \$350,000 for the feasibility study to the Annual Plan Subcommittee for consideration.

The request for funding was not supported by the majority of the Subcommittee. Likewise, a suggestion that the funding request be reviewed next year did not find majority support.

The recommendation when put to the meeting was declared **carried** by eight votes to two, the voting being as follows:

For (8): Councillors Austin, Baker, Condon, Corbett, Crichton, Ganda, Wright and James.

Against (2): Councillors Anderton and Stewart.

A further motion that the consortium be advised that their request will be reviewed next year was **lost** by 3 votes to seven, the voting being as follows:

For (3): Councillors Anderton, Corbett, and Stewart.

Against (7): Councillors Austin, Baker, Condon, Crichton, Ganda, Wright and James.

Recommendation: That the consortium be thanked for their presentation and be advised that the Council regrets that it is unable to fund the feasibility study.

24. **FESTIVALS AND EVENTS**

The net cost of Festivals and Events in the current year is \$2.37m and the draft plan shows this cost varying only slightly over the next three years.

The Festivals and Events Subcommittee has recently completed an in-depth review of the festivals and events programme with the outcome of the review being reported at the 28 February Council meeting. The revised programme adopted by the Council incorporates some significant rationalisation of the current festival and events programme.

A draft scoping study commissioned by the Festivals and Events Subcommittee on a New Zealand Garden Festival in Christchurch was presented to the Subcommittee on 27 February 2002.

The objectives of the event are:

- To establish a premier New Zealand garden festival to reinforce Christchurch's image as the Garden City
- To raise the City's profile
- To attract significant numbers of visitors
- To showcase Christchurch and the South Island.

The core event of the festival would be a large, high-quality garden show with paid entrance featuring high-quality displays, competition exhibits, workshops, trade displays, music and entertainment. A range of associated community events would be held to support the core event. The inaugural festival would be staged in either October 2003 or March 2004.

The Subcommittee supported the concept of a major garden festival to enhance the "garden city" image and is recommending that the festival and events output be increased by \$250,000 to partly fund this event. It is further recommending that the funding for this output be capped at the new level of \$2.62m for three years.

The Subcommittee also considered that authority should be delegated to the Festival and Events Subcommittee to allocate this budget.

In the course of discussion on the level at which the budget should be capped it was moved that the Festivals and Events output be capped at \$2,500,000. When put to the meeting this motion was declared **lost**, the voting being as follows:

For (3): Councillors Wright, Corbett and O'Rourke.

Against (7): Councillors Ganda, Stewart, Condon, Crighton, Austin, Anderton and James.

- Recommendation:**
1. That the Festivals and Events output be capped at \$2.62m for three years, including \$250,000 for the new Garden Festival.
 2. That, subject to a report to the Arts, Culture and Heritage Committee, there be a full delegation of responsibility to the Events and Festivals Subcommittee to allocate the festivals and events budget.

25. LIBRARY IN UPPER RICCARTON

The Libraries Manager briefed the Committee on the proposal to build a new library in Upper Riccarton as a joint venture with Riccarton High School, and also on the impact of bringing forward the capital provision.

As the Arts, Culture and Heritage Committee has reported separately to the Council on the wider issue of entering into a joint venture development, the working party confined its deliberations to the financial impact of bringing the project forward.

The total capital funding provided in the current financial plan will still be required if the project proceeds, but will need to be redistributed across two financial years as shown in the attached schedule. Operationally, a saving of at least \$30,000 per annum is expected through the school's contribution to the project. The impact on rates of bringing the project forward is as follows:

2004/05	0.01%
2005/06	0.25%
2006/07	0.07%
2007/08	-0.26%
2008/09	-0.08%

Recommendation: That the changes to the capital programme as set out in the attached schedule be approved.

26. FUNDING FOR COMMERCIAL STRATEGY

It will be noted from the attached schedule that provision of \$100,000 per annum has been made in years 1 and 2 for the development of a commercial strategy to address a number of factors associated with commercial developments in the city.

The Urban Planning and Growth Special Committee supports the provision of funding for this purpose.

Recommendation: That funding of \$100,000 per annum be provided in 2002/03 and 2003/04 for the above purpose.

27. HEATHCOTE VALLEY PARK

Provision has been made in the draft plan to ensure the successful implementation of two major projects in the Heathcote Valley:

- Tamaki Maori Village
- 9 hole golf course and driving range

Funding has already been provided in the plan for parks and waterways development in the Valley and it is proposed to time these projects to suit the programming of these two private developments.

8. 4. 2002

Strategy and Resources 25.2.2002

- 18 -

In addition, it will be necessary to divert a stream to accommodate the golf course and an appropriate cost share arrangement has been agreed with the developer to reflect the public good component of this work. It will be necessary to provide an additional \$139,000 in the Parks and Waterways budget for the Council's share of this work.

The other cost associated with the development relates to the provision of car parking and land fill rehabilitation for the Maori Village. The landfill rehabilitation component of the work is the Council's responsibility. An appropriate cost share arrangement is being discussed with the developers for car park improvements. Accordingly, net provision of \$170,000, (i.e. \$270,000 less a revenue contribution of \$100,000) will need to be made towards both items.

- Recommendation:**
1. That the Council implement the necessary work to enable the Heathcote Valley plans to proceed without delay to enable the Tamaki Maori Village and the golf course projects to commence.
 2. That provision be made in year 1 for the additional sum of \$409,000 and a revenue contribution of \$100,000 towards the cost of upgrading the car park (i.e. a net \$309,000).

28. SUSTAINABLE TRANSPORT AND UTILITIES COMMITTEE

At its reconvened Financial Plan meeting on 12 March the Sustainable Transport and Utilities Committee identified a number of cost savings in the City Water and Waste sub-budget. These savings were accepted by the Subcommittee and have been incorporated in the draft plan before the present meeting.

Three other issues addressed by the Committee, namely, the funding of refuse bags, the licensing of hard fill sites, the introduction of treated hazardous waste incentive/disincentive fees are reported on separately elsewhere in this report.

29. ARTS CULTURE AND HERITAGE COMMITTEE

This Committee reviewed its budget at a special meeting on 12 March 2002.

The Arts, Culture and Heritage Committee recommended to the Subcommittee that no changes be made to the draft budget, the schedule of new initiatives or the long term operating projections.

In the course of reviewing the new initiatives recommended by the Arts, Culture and Heritage Committee the following motion was moved:

That the additional provision of \$50,000 per annum for Art in Public Places be deleted.

The motion when put to the meeting was declared **lost**, by five votes to seven, the voting being as follows:

For (5): Councillors Anderton, Baker, Corbett, O'Rourke and Wright

Against (7): Councillors Austin, Condon, Crighton, Ganda, Harrow, Stewart and James.

It will be noted from the attached schedule that the Subcommittee is recommending that additional provision of \$50,000 per annum be made in years 1, 2 and 3 for Art in Public Places.

30. PARKS, GARDENS AND WATERWAYS COMMITTEE

As requested by the Subcommittee, the Parks, Gardens and Waterways Committee reviewed the Parks and Waterways operating and capital budgets at its reconvened Financial Plan meeting on 13 March 2002.

The Parks, Gardens and Waterways Committee reported back recommending that, as the Parks Units sub-budget had already been carefully scrutinised and restraint had been exercised by staff in preparing the 2002/03 budget, no further cuts be made in the 2002/03 financial year.

The Subcommittee again reviewed the Parks and Waterways sub-budget at its 14 March 2002 meeting. While acknowledging that both the Parks, Gardens and Waterways Committee and the Parks and Waterways staff had taken a restrained approach in preparing the 2002/03 budget, it was considered that a modest reduction in this budget should still be made to assist in the effort to contain rates.

The Subcommittee is therefore recommending that the funding for a pocket park in Papanui be deleted.

Recommendation: That provision of \$250,000 in 2002/03 for a pocket park in Papanui be deleted.

(Councillor Condon requested that his vote against the above recommendation be recorded)

31. **REVIEW OF USER CHARGES**

The City Manager reported in response to a request from the Subcommittee for staff to report on the above topic.

The report identified the services where there is a significant rate contribution to the direct benefit component of the expenditure. In respect of the possibility of introducing admission charges at the Canterbury Museum and the Art Gallery, the City Manager advised as follows:

There are many examples of art galleries and museums overseas for which a charge is made. Equally it is true to say that public art galleries and museums in New Zealand and Australia are free; the Dunedin City Council experimented with an entrance charge a few years ago following the opening of its new Art Gallery in a refurbished building on the Octagon; the Art Gallery later reverted to free entry.

There are practical problems associated with identifying visitors and Christchurch residents, including the complication of the Canterbury Museum's wider funding area. If Council considered that the introduction of charges at these facilities would be acceptable then I would advise that the two facilities should be treated on a similar basis and that external advice be sought as to realistic assumptions with regard to visitation and charges and a business model developed.

My own view would be that Council would need to consider carefully the practical difficulties around such a charging regime but that if these could be overcome it would be attractive in principle to introduce a charge for non-local visitors. There is no inherent logic in City ratepayers subsidising overseas visitors in particular unless the introduction of charges was to reduce the number of visitors or their length of stay and thereby reduce their impact on the Christchurch economy. A similar argument could be made of visitors from the rest of New Zealand with the proviso that Christchurch residents generally enjoy free entry to galleries and museums when they visit say Dunedin or Auckland.

Also before the Subcommittee was a copy of a report the Council considered several years ago when the issue of introducing charges at the Museum was last addressed.

Recommendation:

1. That no further action be taken at this time.
2. That a report on a possible charging regime be prepared in December 2003, with advice from an independent consultant.

32. **ASSET MANAGEMENT PLAN DRIVEN OPERATIONAL SPEND**

The Business Improvement Manager reported in response to a request from the Subcommittee on the extent of operational spending that is related to/driven by asset management plans and also on opportunities to reduce overall spending levels.

The report identified the key issues for consideration and the opportunities for reducing spending.

The Subcommittee decided to refer the report to the appropriate Committees for consideration.

Recommendation: That the information be received.

33. **RATES IMPACT OF CHRISTCHURCH CITY 2001 REVALUATION**

The Financial Services Manager reported:

Revaluation Results

The results of the recent revaluation which are due to be applied for rating purposes from 1 July 2002 can be summarised as follows:

	Capital Value	Land Value
Overall	-0.8%	+0.6%
Residential	-1.3%	+0.8%
Rural	+2.8%	+3.4%
Lifestyle	+1.2%	+2.3%
Comm / Ind	+0.1%	-0.6%
Institutions ⁽¹⁾	+0.2%	+0.1%

⁽¹⁾ Schools, churches, hospitals, universities etc.

(i) Residential Sector

The total capital value for the City has been reduced by 0.8%.

The residential component is down 1.3% overall. Fendalton, Cashmere, Westmorland and Mount Pleasant being the only areas with an increase in value. The rest of the city has a small decrease in value.

Residential flats are down 4% on average. This is the sector of the residential market to show the biggest decrease in value. The increased development and popularity of rest homes, and the difficult rental market has impacted on the value of these properties.

Vacant residential sites are mainly unchanged. Values of residential block land increased by an average of 11.9%. The overall increase is a result of the rezoned residential land now being included at the higher residential level rather than the previous rural values. Those blocks not affected by the rezoning have generally declined in value. This is mainly due to the oversupply of residential block land, the increased risks of their development, and reduction in the sell down period of proposed subdivisions.

(ii) Commercial/Industrial Sector

Commercial/Industrial is up 0.1% overall. Capital Value movements are varied with the majority of properties unchanged from 1998 values. The CBD is down 0.6% overall, with reductions to values in New Brighton commercial area down around 20% on average, Riccarton commercial increased 1.5%, Sydenham/ Waltham/ Addington commercial and industrial area decreased 3.7%.

(iii) Rural Sector

The rural area of Christchurch is dominated by lifestyle blocks. There are 1906 rural assessments of which 1541 are categorised lifestyle. Rural properties on average increased by 2.8%. Lifestyle properties which are a subset of the rural sector increased on average by 1.2%.

The downturn in the residential property market has not affected the market for lifestyle properties to the same degree. Even though the sales volumes are down from the same period last year, and the properties with more dated 1960's and 1970's houses are more difficult to sell, capital values have on average increased by 1.2%.

(iv) Non-Rateable Sector

This sector includes churches, hospitals, schools, the University, Polytechnic and College of Education. The sector has changed little since the last revaluation with land value increasing an average of 0.1% and capital value by an average of 0.2%.

(v) Utilities (Part of the Commercial/Industrial Sector)

There was a slight increase in value of the 11 utilities networks valuations.

8. 4. 2002

Strategy and Resources 25.2.2002

- 21 -

The impact on the rating system is detailed below:

	Revaluation Effect
Commercial/Industrial	1.42%
Residential/Base	-0.61%
Rural	4.43%
Non-rateable	-0.11%

Recommendation: That the information be received.

34. **IMPACT OF FUNDING POLICY ON RATES**

The Council plans to fund its services for the 2002/03 financial year as follows (2001/02 is included for comparison purposes):

	2001/02	2002/03
User charges	33.39%	33.85%
Grants and Subsidies	4.20%	4.32%
Net Corporate Revenues	17.56%	16.28%
Capital Value Rating	40.88%	41.71%
Uniform Annual General Charge	3.97%	3.84%

In adopting the 2002 Funding Policy last year, the Council resolved to avoid significant difficulties for the residential and rural sectors by making the following modifications:

- Transferring \$1.89m of costs to the commercial sector
- Transferring \$1.15m of costs from the residential sector
- Transferring \$640,000 of costs from the rural sector
- Transferring \$100,000 of costs from institutions

The above modifications were to be phased out over three years subject to the impact of the next revaluation.

The impact of the revaluation (which will apply for rates from 1 July 2002) coupled with a first year phase out of the modifier would have resulted in:

Residential sector rates increasing by +4.43%,
Commercial sector rates increasing by +1.59%,
Rural sector rates increasing by +21.89%,
Institutions sector rates reducing by -1.34%.

The Annual Plan Subcommittee recommends that this impact be lessened by:

- Leaving the rural sector modifier at the 2002 Plan level due to the impact of the revaluation
- Completely removing the institutions sector modifier
- The revised transitional modifiers can be summarised as:

Commercial/Industrial	+ \$1,236,667
Residential	- \$596,667
Rural	- \$640,000
Institutions	<u>\$0</u>
	<u><u>\$0</u></u>

- Maintaining the Uniform Annual General Charge at \$105.

The rationale for these adjustments are as follows:

- To achieve a greater degree of fairness and equity (s122G(b) Local Government Act 1974)
- To respect the obligations to act in the interest of all residents (s122G(a) Local Government Act 1974)
- To avoid significant adjustment difficulties (s111G(d) Local Government Act 1974)

8. 4. 2002

Strategy and Resources 25.2.2002

- 22 -

As a result of the Council's adjustments rates for 2002/03 will be shared among the rate paying sectors as follows:

Residential	71.62%
Commercial/Industrial	25.97%
Rural	1.52%
Institutions	0.89%

While the overall rate increase will be 3.87% the different sectors will experience changes to their rates from 2001/02 as follows:

Residential	+ 4.58%
Commercial/Industrial	+ 1.54%
Rural	+ 12.29%
Institutions	+ 3.37%

The various modifier change scenarios reviewed by the Subcommittee are attached at Appendix 3.

- Recommendation:**
1. That the partial phase out of the transitional modifiers as recommended be adopted.
 2. That the Uniform Annual General Charge remain unchanged at \$105 per annum.

35. 2002/03 RATES INCREASE

The draft Plan being recommended for approval provides for an overall rates increase of 3.87% which is exactly the increase forecast in this year's Financial Plan and Programme.

The draft Plan carries on the progressive approach of previous Councils (albeit at a more modest level) of funding a range of new initiatives to ensure the Council continues to play a pivotal role in making Christchurch a great place to live.

The draft Plan also provides for services in year 1 to be delivered at least at their present level.

However, the Subcommittee is recommending a change to service levels in one area, the method of funding refuse bags, in the 2003/04 year. The proposal is being signalled in the draft Plan to allow ample time for the community's views to be canvassed and to publicise the change in the event of the Council adopting the Subcommittee's recommendation.

- Recommendation:**
1. That the Council adopt the adjustments listed in Appendix 1 and the recommendations contained in the foregoing report.
 2. That the Council approve an overall rate increase of 3.87% in 2002/03.
 3. That the funding policy amendments and the consequential impacts on the rating sectors and ratepayers be approved.
 4. That the draft Financial Plan and Programme : 2003 Edition be approved in terms of section 223D of the Local Government Act 1974.
 5. That the Director of Finance be authorised to make any amendments to the draft Plan for correction purposes.
 6. That the City Manager publish the draft Financial Plan and Programme : 2003 Edition and that, pursuant to section 716A(1)(b) of the Local Government Act 1974 he give public notice on Saturday 27 April 2002 calling for submissions from interested persons in accordance with section 716A; such submissions to close at 5.00 pm on Thursday 30 May 2002.

8. 4. 2002

Strategy and Resources 25.2.2002

- 23 -

7. That pursuant to section 716A(1)(a) of the Local Government Act 1974 notice be given that the Financial Plan and Programme : 2003 Edition will be considered by the Council at its meeting to be held on Tuesday 16 July 2002.
8. That in terms of section 223D of the Local Government Act the draft Financial Plan and Programme : 2003 Edition 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 : 2003 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 3 May 2002.

CONSIDERED THIS 8TH DAY OF APRIL 2002

MAYOR