ANNUAL PLAN SUBCOMMITTEE

Meetings of the Annual Plan Subcommittee were held on 24, 25, 26, 28 February, 3, 4 and 6 March 2003

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

APOLOGIES: Apologies for absence were received and accepted from the Mayor (25, 26, 27, 28 February), Councillor Condon (6 March) and Councillor Stewart (6 March).

Apologies for lateness were received and accepted from Councillors Stewart (24 February), Austin, Corbett, Harrow, Stewart (26 February), Wright (28 February), James and Condon (4 March).

DRAFT CHRISTCHURCH CITY COUNCIL FINANCIAL PLAN AND PROGRAMME : 2004 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 Metropolitan Funding Subcommittee meeting of 20 February 2003
- Community Board Planning Statements
- Funding Impact Statement
- Presentation by Director of Finance on Key Issues
- Presentation by the Director of the Arts Centre of Christchurch
- Staff reports on a range of issues including:
  - First draft of the 2004 Plan
  - New Residential Development - Resource Needs
  - Enhancing Civic Engagement - Pilot Projects
  - Older Persons' Wellbeing
  - Consultation - Funding Provision 2003/04
  - Canterbury Museum - Funding for Revitalisation Project
  - Riccarton Bush Trust - Additional Funding
  - Christchurch and Canterbury Marketing Ltd - Grant
  - Display of Ernest Shackleton's Rescue Boat - Underwriting
  - Christchurch Botanic Gardens - Additional Capital Funding
  - City Streets Capital programmes, Construction Cost and Bitumen Cost Increases
  - Holliss Avenue - Upgrading of Right of Way and Target Rate
  - City Housing Budget - Amendment to Capital Programme
  - Civic Offices - Basis for Rental Assessment
  - Public Accountability - Elected Members' Meeting Fees
  - CDC - New Operating Initiatives
  - Wainoni Park Area Development and Aranui Redevelopment Resource Needs
  - Solid Waste Hazardous Waste Management Plan
  - The Green Edge Capital Programme
  - Capital Endowment Fund
  - Waste Minimisation Fund
  - Triple Bottom Line
  - Local Government Act 2002 - Transitional Requirements for Annual Plans

- Publication of Capital Works Programme
- Waterways and Wetlands Capital Programme
- Leisure Unit Review - Savings and Revenue Generating Opportunities
- Wastewater Treatment Plant - Pond Modifications and Digesters
- Amendments to the Strategy Objectives
- Local Government Act 2002 - New Policies and Annual Plan Statement
- Christchurch Engine Centre - Investment by CCHL/CCFL
- Update on the Impact of the Funding Policy on the 2003/04 Rates

2. PROPOSED AMENDMENTS TO THE DRAFT PLAN

A schedule of operating and capital changes recommended by the Subcommittee is attached at Appendix 1. The changes have been incorporated in the draft Plan, which has been separately circulated to Councillors.

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 growth.
- The continuation of the major works programme.
- Net operating adjustments already committed to - $4.01M
- New operating initiatives - $1.52M
- New capital initiatives - $27.13M
- Contributions towards the $10M net rates savings target by 2005/06 - ($5.82M)

In addition the Subcommittee has been able to support a number of requests for funding a range of new initiatives and service enhancements, including:

- Funding for design and planning work for a Visitor Centre/Staff Facilities at the Botanic Gardens
- Redevelopment of Wainoni Park
- Continuation of funding for Aranui Renewal Project
- Remedial works Cunningham House, Botanic Gardens
- Additional funding Canterbury Museum Revitalisation Project
- Education/Security Staff at Our City
- Additional funding for planning resources for City Streets
- Additional City Development planning resources
- Additional grant for Arts Centre for fire protection work
- Contribution towards predator fence at Riccarton Bush
- Consultation Co-ordinator (to be funded from internal levy on capital projects)
- Continuation of grants to Art and Industrial Biennial Trust (for two years) and Clearwater Classic Golf Tournament (for three years)
- Increased funding for Economic Development initiatives
- Real Time information signs for car parks
- Pay stations for Lichfield and Farmers Car Parks (funded over two years)
- Four projects to enhance civic engagement using the 'e' channel
- Indicative funding of $10M in year 10 for a major new sports facility

4. COUNCIL POLICY ON RATES INCREASES

It is pleasing to report that the draft plan proposes an overall rate increase of 2.88% which is more than 1% below the increase forecast in the 2003 plan.

Accordingly, the draft plan complies with the resolution relating to the containment of rates passed by the Council in March 2001, namely *"that in the coming three years (ie 2002/03, 2003/04 and 2004/05) all capital and operating budgets be contained within the projections in the annual plan adjusted for inflation"*. The following table sets out the position for the remaining two years:

Year	2002 Plan	2003 Plan	2004 Draft Plan
2003/04	4.86%	3.89%	2.88%
2004/05	6.70%	3.84%	2.89%

A range of factors have contributed to this very satisfactory position including:

- Efficiency gains arising from the budget scrutiny significant activity reviews, internal business improvement reviews and the work of Standing Committees
- The 2% inflation provision being absorbed by most units in producing their budgets (except for wages and salaries)
- A number of reserve funds being wound up and used for funding in the 2003/04 financial year
- Deferring the operational costs for the sewerage outfall
- The decision to change to a "waster-pays" method of funding rubbish bags

It is also worth recording that this excellent result has been achieved despite the need to absorb some quite significant increases in electricity, insurance, roading construction and bitumen prices.

5. TRIPLE BOTTOM LINE REPORTING (TBL)

While the Council's TBL measures were adopted on 16 July 2002 it was always envisaged that the measures would with each report (Annual Plan) be critically reviewed and improved upon where necessary.

"A living report – we are committed to a living report – it will develop and evolve over time."

(Reporting Principles – Page 15, 2003 Annual Plan)

Rather than review all the measures the approach taken has been to review the corporate TBL measures this year and to review the 14 significant activity measures next year. This approach will enable the significant activity review (the area with the most measures) to be undertaken after the actual results are available.

The review was the work of a team made up of Jonathan Fletcher, Bob Lineham and Paul Melton.

At the recent World Summit in Johannesburg, South Africa, the Board of Directors of the Global Reporting Initiative (GRI) released the 2002 Sustainability Reporting Guidelines. These guidelines have provided some valuable guidance for developing and improving our corporate measures. The guidelines will also be consulted when reviewing the significant activity measures and when working on the LTCCP.

The team identified a number of measures, some of which are currently in the corporate TBL section and some of which are in the significant activity TBL section, as being 'corporate' or 'headline' measures. These are core measures which have been selected for their ability to track/demonstrate progress towards achieving the strategic goals.

Although not referred to in the Strategic Goals and Objectives there are some organisational measures which have also been included in the Corporate TBL section. It is quite common to find these in TBL reports and they are also referred to in the Global Reporting Initiative (GRI).

Recommendation: That the amended corporate TBL measures included in the draft plan be adopted.

6. AMENDMENTS TO THE STRATEGIC OBJECTIVES

The Subcommittee has made the following changes to the strategic objectives:

1. Amended the first bullet-point of strategic objective C2 to read 'enhance the unique qualities of the city, particularly the physical characteristics such as the parks, gardens, riverbanks, *historically important exotic trees*, and buildings.

2. Added a second bullet-point to C2: 'maintaining the garden city image'.

3. Included a footnote to the reference to other taonga in C3: 'In this *context* this refers to land or bodies of water of cultural importance to Māori'.

4. Amended the reference in G2 to Tangata Whenua so that this objective reads 'maintaining mutually acceptable consultation procedures with *Māori in Christchurch*'.

This latter is a change in meaning but in the context more accurately reflects the new Local Government Act where reference is to 'Māori' rather than to 'Tangata Whenua'. The latter two amendments were made in consultation with the Māori Liaison Officer.

The Council's strategic objectives will need to be reviewed as part of the work for the Long Term Council Community Plan for the two years starting 1 July 2004. It is suggested that at that stage that the Council look at any changes it might wish to make to reflect the Berlin Declaration.

Recommendation:

1. That the changes to strategic goals and objectives C2, C3 and G2 as proposed above be approved.

2. That any further changes to reflect the Berlin Declaration be made at the time the Council reviews its strategic objectives in preparing its inaugural Long Term Council Community Plan.

7. CHRISTCHURCH ENGINE CENTRE – INVESTMENT BY CHRISTCHURCH CITY HOLDINGS (CCHL) / CHRISTCHURCH CITY FACILITIES LIMITED (CCFL)

At the Council meeting in February the Council approved an investment through its subsidiary companies to build a new test cell facility for leasing to the Christchurch Engine Centre (Pratt & Whitney/Air New Zealand Joint Venture).

Because of the Local Government Act restriction on significant changes to the Annual Plan without public consultation, the Council approval was subject to the Director of Finance and Legal Services Manager confirming appropriate ways of giving affect to the Council's intent.

It has been concluded that CCHL should initially establish a subsidiary company to make this investment since CCHL has the financial resources and authority to undertake such an investment.

It is preferred, however, that in due course, this subsidiary be transferred to the ownership of CCFL because it is more synergistic with the purposes of CCFL to own this facility. It is therefore proposed that CCFL should acquire the subsidiary company in due course from CCHL. However, this acquisition can only take place once the funding provision has been provided to CCFL through the Council.

In order for this to take place in 2003/04 it is necessary that the proposed $24m borrowing by the Council from CCHL and investment through the acquisition of shares and provision of loans to CCFL be reflected in the draft Annual Plan. This will meet the requirements of the Local Government Act and achieve the original intention.

Recommendation: That the proposal to borrow $24m and provide funding of the same amount to CCFL be incorporated in the draft Annual Plan.

8. SALE OF ASSETS

The forecasts in the 2003 Annual Plan provided for the sale of assets of $5 million in each of the four financial years commencing from 2008/09. As there were no specific sales in view when this provision was made the Subcommittee concluded that it was unwise to continue with this provision.

Recommendation: That the provision of $5M for sale of assets from 2008/09 to 2011/12 be deleted.

9. SALE OF SURPLUS COUNCIL PROPERTIES

In consultation with the Property Manager, the Subcommittee has increased the revenue provision for sale of surplus properties from $200,000 to $500,000. As lack of staff resources has been hindering the property disposal programme the Subcommittee is recommending that provision of $110,000 be made for the appointment of additional staff.

Recommendation: That the above changes to the Property sub-budget be approved.

10. SPECIAL FUNDS

In September 2002 the Council considered a report on the Review of Special Funds. The report, which was adopted by the Council, recommended that a number of funds be closed and the balance drawn-down to fund the 2003/04 capital programme. The details as to what projects the draw-downs should fund were referred to the Annual Plan Subcommittee and were subsequently the subject of a report to the Subcommittee by the Financial Services Manager. The relevant sections of the report are quoted below:

- Town Hall Education Fund. This fund was originally set up to fund children's activities/concerts that may use the Town Hall. The report recommended that the 2003/04 draw-down utilise the balance to help fund expenditure on the playground renewal category within the Parks budget. The playground renewal category has a total budget of $270,000. The Subcommittee did not support this recommendation. It was considered that other options should be explored for the use of these funds.

- Sports Stadium Fund and Norwest Stadium Fund. These funds are ex-Waimairi District Council funds and total $64,134. The report recommended that the 2003/04 draw-down utilise the balance to help fund the Jellie Park changing room upgrading of $460,000. The Subcommittee is recommending that these two funds be combined and renamed the 'Jellie Park Upgrade Special Fund' as the $460,000 mentioned had been reallocated to QEII at the December Council meeting. This fund will now be fully drawn down when the Jellie Park upgrade commences in 2005/06.

- Endowment Land Reserve. This fund represents both the proceeds and interest from the sale of two endowment farms at Methven. These farms were vested in the Council when the Sydenham Borough Council was amalgamated with Christchurch City Council in 1903. Any utilisation which is for other than the purchase of 'similar land' requires the consent of the Minister of Local Government. The Hon Chris Carter, the Minister of Local Government, has consented to the funds being utilised as follows:

  "to purchase land to be held for any of the following purposes:
  - reserve purposes;
  - roading;
  - community facilities;
  - the support of Council activities"

  The report recommended that the Endowment Land Reserve Fund balance be utilised to part fund the following land purchases which are in the 2003/04 capital programme:

- Strategic land purchase – (Solid Waste budget)	$500,000
- Additional strategic purchases – (Waterways & Wetlands Protection)	$200,000
- City Streets land purchases (various)	$1,046,826
	$1,746,826

  The estimated fund balance is $499,614 and the entire balance would be applied to the partial funding of these projects.

- History of the CBD Fund. This fund was set up to fund the publication and research costs for writing a detailed history of the Christchurch Drainage Board. The report recommended that the balance of this fund (currently $43,119) contribute to the funding of the 2003/04 city-wide sewer renewal.

- Road and Property Purchase Reserve. This fund was established to fund roading and property purchases within the Waimairi District Council. The balance of the fund is currently $100,473. The report recommended that the fund balance be utilised to help fund the 2003/04 road network improvements to Fendalton Road which total $906,155.

In addition, the Subcommittee reviewed the following two funds:

Capital Emergency Fund

The Subcommittee noted that the above fund was projected to increase to $5.55M whereas the Council policy was to maintain it at no less than $5M. Accordingly, the Subcommittee is recommending that the fund be reduced to $5M and the surplus capital be applied to funding the operating programme through the operating surplus.

City Care Contingency Fund

The Director of Finance outlined the purpose of this fund and advised that as the liability of the Council to apply this fund had now diminished it could be reduced from $2.1 million to $1 million, with the reduction being applied to fund the capital programme.

This advice was accepted by the Subcommittee.

Recommendation:

1. That staff report to a future meeting of the Strategy and Finance Committee on options for the use of the Town Hall Education Fund.

2. That the balances in the Sports Stadium Fund and Norwest Stadium Fund be transferred to a fund to be named the Jellie Park Upgrade Fund and be budgeted to fund the Jellie Park upgrade in 2005/06.

3. That the balance in the Endowment Land Reserve be drawn down to fund the strategic land purchase in the Solid Waste budget, land purchases in the City Streets budget, and for additional strategic purchases in the Waterways and Wetlands protection budget.

4. That the balance in the Road and Property Purchase Reserve be drawn down to fund road network improvements to Fendalton Road.

5. That the Emergency Capital Fund be reduced to $5 million and the surplus capital be applied to funding the operating programme through the operating surplus.

6. That the City Care contingency be reduced to $1M and the balance be applied to the capital programme.

11. CAPITAL ENDOWMENT FUND

The Director of Finance reported:

The current estimate of interest earnings from the Capital Endowment Fund for 2003/04 is $4,225,200. After providing for a top-up of the capital for inflation at the rate of 2% the amount available for allocation in the next year will be $2,577,400.

The estimated capital of the fund is estimated at 1 July 2003 to be $78,782,406 made up of inflation adjusted capital of $78,640,406 plus unallocated civic and community funds from earlier years.

The agreed basis for allocation of the funds is 70% for economic development projects and 30% for civic and community projects.

There are no specific projects identified by the Council for the use of the economic development funds in 2003/04. Unless new items are identified it is appropriate that the $1,804,180 available be allocated to the Canterbury Economic Development Fund (CEDF) administered by the CDC for allocation by the approved process for that fund.

In previous years the Council has identified that the civic and community portion of the fund should provide $200,000 for special character area precinct upgrade work and $532,500 for the Museum development project in 2003/04. After providing for these two amounts only $40,724 remains unspecified.

Last year, it was decided that the unspecified portion of the Civic and Community division be accumulated in 2002/03 and 2003/04 and not specified until at least 2004/05 to allow a reasonable sized project to be funded. After 2003/04 the only project identified for funding is the Museum project where there is a commitment to provide $732,500 in each of 2004/05, 2005/06 and 2006/07. A further and final amount from this source of $250,000 is provided in 2007/08. The rules of the fund do not allow more than 75% of the fund to be committed more than one year ahead and these Museum commitments more than use up that amount in the following three years. In the 2004/05 Plan it will, however, be possible to allocate approximately $57,000 together with the funds accumulated in the previous two years. The amount should be of the order of $240,000.

A schedule showing the allocations from the fund is attached at Appendix 2.

Recommendation:

1. That the 20003/04 interest allocation for economic development be allocated to the Canterbury Economic Development Fund administered by the Canterbury Development Corporation.

2. That the unspecified interest for civic and community be held over for allocation in 2004/05.

4. That staff report to the appropriate committee as to the adequacy of funding for the special character area upgrade.

(Note: Councillor O'Rourke requested that his vote against the above recommendation be recorded.)

12. WASTE MINIMISATION FUND - PHASE-IN OF FUNDING RECYCLABLE COLLECTION FROM RATES

In November 2002 the Council resolved that, from 2004/05, a dedicated Waste Minimisation Fund be established for the purpose of funding waste minimisation operations and the funding be from the waste levies (incentive and disincentive charges) and the Transwaste dividends.

Currently, a significant portion of the cost of kerbside recycling collection is funded from waste minimisation levies which will be earmarked for the Waste Minimisation Fund. The Council resolution provided that this be phased out within five years from and including 2004/05.

The estimated cost of the kerbside recycling collection for the five years from 2004/05 is as follows:

2004/05	2005/06	2006/07	2007/08	2008/09
3,225,460	3,255,460	3,285,460	3,315,460	3,345,460

After providing for waste minimisation expenditures which were already provided for in the annual plan for 2004/05, there is $1,574,000 which, without the fund, would have been used to fund the recyclables collection. This is 48% of the recyclables cost. The issue the Subcommittee had to consider was the rate at which this funding from waste minimisation levies should be phased out.

The Subcommittee recommends that this funding be phased out at the following rate:

		2004/05	2005/06	2006/07	2007/08	2008/09
Percentage from WMF	%	40	10	5	0	0
Recycling Collection from WMF	$000	1,289	325	164	0	0
Unallocated funds available from WMF	$000	284	820	1381	1604	1812
Impact on Rate Increase	%	.19	.34	.34	.12	.09

Recommendation: That the funding of the recyclables collection from the waste minimisation levy be phased out at the rate shown in the above table.

13. SOLID AND HAZARDOUS WASTE MANAGEMENT PLAN (SHWMP)

The City Water and Waste Manager briefed the Subcommittee on the possible introduction of a kerbside collection service for green waste and putrescibles.

While the Subcommittee is not recommending that any funding be provided in the forward programme for this expenditure it considered that this possibility should be foreshadowed in this year's draft plan.

It will be noted that the draft plan contains the following statement:

> "The Council plans to adopt its Solid and Hazardous Waste Management Plan (Part 1) in April 2003. This addresses high level goals, targets and policies for achieving the Council's vision for waste management. The City Water and Waste Unit is working on Part 2 of the SHWMP which will propose strategies, an action plan and steps to achieve the requirements of Part 1. This action plan will foreshadow considerable investment (for example on materials sorting and recycling facilities) and will include a vision for an enhanced kerbside refuse and recyclables collection service (for example by provision of wheeliebins for recyclables and organics). Part 2 of the SHWMP will be put out for consultation later in 2003 and potentially form part of the council's Long Term Community Plan. The costs of these new initiatives have not yet been factored into this annual plan or its forecasts."

14. TRANSPORT FUNDING

It will be noted from the attached schedule that funding of $180,000 pa has been provided in years 1 and 2 for additional planning staff for the City Streets Unit. This will enable work to proceed on several important planning documents so that the Council will have some certainty on transport needs for the next Annual Plan. The additional resources will also enable the planning and consultation on a number of roading projects to be progressed.

The report also signalled that initial planning work had indicated that the Council had inadequate level of funding for transport improvements. This had been estimated at $3M pa in the previous Annual Plan and was to be funded from alternative external funding. It is now unlikely that any additional funding for this purpose will be made available by central government to meet this shortfall.

Recommendation:

1. That the Annual Plan contain a note in relation to transport improvements that provision will be made in future budgets for funding the shortfall in transport previously shown as funded from alternative sources. The funding to commence in the 2004/05 year with the actual amount and distribution between activities to be determined in next year's Long Tem Council Community Plan.

2. That the provision of $3M pa for transport improvements and the matching $3M pa external revenue from alternative sources be deleted.

15. HOLLISS AVENUE – REPAIR/POSSIBLE ROAD LEGALISATION/TARGETED RATE

The City Streets Manager reported on the various options available to the Council in relation to land at the end of Holliss Avenue, and sought direction as to the preferred option. This report was before the Spreydon/Heathcote Community Board at its meeting on 4 March 2003.

EXECUTIVE SUMMARY

The Heathcote County Council approved a 14-lot subdivision of land at the end of Holliss Avenue in the 1980s. A copy of the relevant plan is tabled. The Council owns Lot 14. Lots 1 to 13 are in private ownership. The subdivision was approved on the basis that:

(a) lots 1 to 13 would be serviced by a right of way over Lot 14; and

(b) a covenant would be registered against the titles to Lots 1 to 13 preventing subdivision until such time as Lot 14 is formed and sealed to the appropriate standard for it to be accepted as road.

The right of way easement and covenant were registered on the certificates of title for Lots 1 to 14 at the time of subdivision, so that all purchasers of Lots 1 to 13 should have been aware of the terms of the easement and covenant at the time of purchase.

A number of residents have complained that Lot 14 is in a state of disrepair and have requested that Lot 14 be upgraded to legal road.

The cost of upgrading Lot 14 to legal road is likely to be $250,000 inclusive of GST. This sum is presently unbudgeted.

This particular subdivision is very unusual, as the Council owns the land which is subject to the right of way, there is a covenant preventing subdivision prior to the legalisation of Lot 14 as road and there is a public reserve at the end of Lot 14 (which is accessed via Lot 14 from time to time).

There are a number of options available to Council. Officers have met with a large number of Holliss Avenue residents and have written to all of the residents seeking their feedback on various options. Of the options presented to residents, most residents have said that they would like Lot 14 to be upgraded to legal road and that they would be prepared to pay for that upgrade through a targeted rate.

BACKGROUND

The Subdivision and Usual Practice

The Heathcote County Council approved a 14-lot subdivision of land at Holliss Avenue in the 1980s, on the basis that Lots 1 to 13 would be serviced by right of way over Lot 14 and a covenant would be registered against the titles to Lots 1 to 13, preventing subdivision until such time as Lot 14 is formed and sealed as road.

The covenant, and the terms of the right of way, made clear on the face of the certificates of title to Lots 1 to 13 that not only was Lot 14 not legal road, but also that the owners of Lots 1 to 13 were responsible for repairs and maintenance and/or the costs of legalisation.

The Council must allow the owners of Lots 1 to 13 access over Lot 14 in accordance with the rights of way registered against the land. Such rights are, however, *"in common"* with the Council, ie the Council can for itself and its invitees have rights of access over Lot 14. Accordingly, the Council may authorise public access over Lot 14. That access may be authorised by vehicle or by foot and might be limited to particular hours of the night or day. Any such rights of public access as are permitted by the Council must not hinder use of the right of way by the owners of Lots 1 to 13.

Subdivisions are often approved on the basis that sections will be serviced by a right of way. However, this usually leaves lot owners with ownership of the right of way and the obligation to maintain their right of way access at their expense. The Council does not normally contribute to private rights of way. The reasons for this were set out in a report to the October 2002 Council meeting (via the Sustainable Transport and Utilities Committee) headed "Responsibility for Maintenance and Renewal of Services located in Private Rights of Way".

The Holliss Avenue situation is, however, very unusual as the Council owns the land which is subject to the right of way, there is a covenant preventing subdivision prior to the legalisation of Lot 14 as legal road, and there is a public reserve at the end of Lot 14 which is accessed via Lot 14 from time to time.

Residents' Concerns

A number of residents have complained that Lot 14 is in a state of disrepair and have requested that Lot 14 be upgraded to legal road. It appears that residents have been unable to successfully reach agreement among themselves as to the level of works required and how the cost of those works should be shared between them, despite the cost sharing mechanism being set out in the easement certificate. The easement certificate records that the costs of installation, maintenance and repair of the right of way shall be apportioned on the basis of percentage of road frontage. A number of residents have therefore requested the Council's assistance (both financially and as a facilitator).

A number of residents argue that the Council should assist in resolving this matter (legalising Lot 14 as legal road) as:

(a) The Council owns Lot 14;

(b) Lot 14, from a physical perspective, looks like legal road and is therefore used by the public from time to time to access the Port Hills;

(c) Although the right of way and covenant were clearly registered on their certificates of title at the time of the purchase, they were not fully advised by their solicitors regarding the implications of the right of way and covenant; and

(d) The covenant is presently preventing the further subdivision of Lots 1 to 13, which would then create the potential for subdivision of at least some of Lots 1 to 13 (subject to the usual subdivision consent process).

Officers do not see the first and third arguments as being good reasons for the Council to become involved in what (essentially) is a private right of way matter, but officers do acknowledge that the public does from time to time use Lot 14 and that there may be an increase in rates revenue if there is any future subdivision of Lots 1 to 13 (although such subdivisions would still be subject to the usual subdivision consent process).

A subdivision consent has already been given in respect of Lot 6. The subdivision cannot, however, be completed prior to the legalisation of Lot 14 as road.

Legal Position

The Council is not legally obliged to vest Lot 14 as road, nor is it legally obliged to carry out any repairs on the right of way. It may do these things, but it is not required to do so.

The covenant and right of way are clearly recorded on the certificates of title for Lots 1 to 14 (inclusive). Landowners should therefore have been aware of their terms prior to purchase. If they were not, then this is a matter which the landowners should address with their professional advisers. It is not a matter for which the Council is responsible.

The Cost and Design

The Council's City Streets Unit has prepared a draft plan showing the works that it believes are appropriate for the upgrade of Lot 14 to legal road. These works are likely to cost approximately $250,000 inclusive of GST. This includes the provision of a footpath.

The cost of simply repairing Lot 14 (but leaving it as a right of way) is likely to be $50,000 inclusive of GST.

ISSUES

The issues for the Council are:

(a) Whether it wants to do any works on Lot 14;

(b) If it does want to do works on Lot 14, whether the work should be simply maintaining the right of way or upgrading it to legal road; and

(c) If it wants to upgrade Lot 14 to legal road, how those upgrade works would be funded and whether the Council should make a contribution to the upgrade works/costs.

OPTIONS

Five key options have been identified:

Option 1 – Do nothing (except for enforcing the covenant)

As mentioned above, the Council is not obliged legally to do anything in respect of the right of way. It has no obligation under the terms of the right of way, nor the covenant, to make any contribution towards repair, maintenance or legalisation. The Council often gets asked to assist in maintaining and repairing rights of way. The Council's policy, consistently applied, is that it will not do so since general principles of administrative law discourage the expenditure of public money on projects for which there is no public benefit, only private benefit. Here, though, there arguably is some public benefit in having Lot 14 vest as legal road.

If the Council chooses this option, Council officers strongly recommend that the Council enforce the covenant against further subdivision so long as Lot 14 is not vested as road. The covenant arose as a condition of subdivision consent. Ratepayers are entitled to expect that the Council will enforce its district plan, and resource consents granted under the district plan.

Advantages	Disadvantages
The Council does not incur any costs, except enforcement costs if a landowner attempts to breach the terms of the covenant. The Council does not become involved in what is (essentially) a private right of way where landowners were given notice on their certificates of title of the terms of the easement certificate and covenant.	Lot 14 is left as a right of way. Most landowners do not want this option. One landowner already has a subdivision consent. Will be costly for Council to enforce the covenant if the landowner pursues subdivision. Does not recognise that the public uses Lot 14 from time to time. Subdivisions of Lots 1 to 13 are prohibited, even if a subdivision consent under the City Plan can be obtained.

Option 2 – Co-ordinate right of way repairs

An alternative is for Council to do nothing but to accept responsibility for co-ordinating repairs and maintenance to the existing right of way and the collection and payment of costs by the various owners. The residents, however, could achieve the same outcome by employing their own project manager for that purpose. This option also would not achieve a long term solution as there are landowners who will want to subdivide their property (which they cannot do until Lot 14 becomes legal road) and the right of way will require further maintenance in the future. Officers do not favour this option.

Advantages	Disadvantages
Comparatively little cost to the Council.	Lot 14 is left as a right of way. Most landowners do not want this option. One landowner already has a subdivision consent. Will be costly for Council to enforce the covenant if the landowner pursues subdivision. Does not recognise that the public uses Lot 14 from time to time. Subdivisions of Lots 1 to 13 are prohibited, even if a subdivision consent under the City Plan can be obtained. Administrative costs of Council to co-ordinate the repairs and recover the costs.

Option 3 – Some residents act

Under this option some, but not all, of the residents of Holliss Avenue may agree to meet the costs of upgrading Lot 14 and then inviting the Council to vest Lot 14 as road. In such circumstances:

(a) the Council could make a contribution in recognition of the fact that there is some public benefit in having Lot 14 vest as legal road (through enabling public access to the Council reserve at the end of Lot 14 and removing the impediment to any potential for subdivision, which would be a benefit in terms of future rates revenue);

(b) targeted rating (discussed below) would not be available; and

(c) residents' contributions would be required to be paid in cash, up front.

The benefit of this option is relative simplicity. It would allow those residents participating to determine the basis upon which they would share the costs amongst themselves. The easement certificate contemplates the Council vesting Lot 14 once upgrading work is done.

There has been discussion with residents of the extent to which, if at all, the Council might contribute to the costs of upgrading and vesting of Holliss Avenue. Again, the starting point for this discussion is the right of way created by the easement certificate which is registered against the certificates of titles for Lots 1-14 (inclusive). That document does not provide for any Council contribution towards costs of *"installation, maintenance and repair"*. This is to be contrasted with the normal circumstances for repair and maintenance, as set out in the Ninth Schedule of the Property Law Act 1952, where all persons entitled to use land subject to a right of way (which includes the Council) are expected to make a reasonable contribution to its repair and maintenance. The terms of the easement certificate make clear that irrespective of any use of the right of way by the Council the costs of maintenance fall entirely on the owners of Lots 1 to 13.

As mentioned above, it is recognised that the circumstances of Council ownership of Lot 14 (the land over which the right of way is established) are very unusual. There is public benefit arising from pedestrian access over Lot 14 to the Council reserve at the top of Lot 14 and a potential future benefit arising from the removal of any impediment to the subdivision of Lots 1 to 13 (being a potential benefit in terms of future rates revenue).

If the Council wants to make a contribution under this option, officers would recommend that it contribute towards the cost of forming and vesting Lot 14 by:

(a) making a cash contribution of 15% of the cost up to $250,000;

(b) meeting payment of any cost over-runs in excess of $250,000; and

(c) providing project management services.

Advantages	Disadvantages
Lot 14 vests as legal road. The cost of having Lot 14 vest as legal road is met by those receiving the benefit of the road. Avoids potential enforcement costs in relation to the covenant. Recognises public use of Lot 14. Means Lots 1 to 13 will be subject to the usual City Plan provisions, rather than also being subject to the blanket prohibition on subdivision contained in the covenant.	This is not the preferred option of most residents and is unlikely to be co-ordinated by them.

Option 4 – All residents contribute (targeted rate)

Under this option the owners of all of the lots would participate in the funding of the cost of upgrading and vesting Lot 14 as road. In those circumstances:

(a) the Council could make a cash contribution in recognition of the public benefit in having Lot 14 vest as legal road (in the same way as outlined under Option 3);

(b) Council could use targeted rating as a means to fund the cost of the work; and

(c) those owners wishing to make a lump sum contribution, in whole or in part, could do so.

There has been some discussion with residents on the basis upon which a targeted rate might be used to assist the funding of the work on Holliss Avenue. Attached to this report (Appendix 3) is a spreadsheet showing details of a proposed targeted rate based on an overall cost of $250,000 inclusive of GST. The calculation assumes a repayment basis of either 10 or 15 years with interest at 7%, fixed for the first 10 or 15 years (as applicable). The amount of the targeted rate, however, could be adjusted up or down depending on the level of capital contribution made by owners towards final costs. If a targeted rate is chosen as a funding option, then officers would recommend to Council that a specific entry be made in the file for each of the Holliss Avenue properties recording that there is a targeted rate for roading applying to that property. This note would then result in an entry on a Land Information Memorandum issued to any prospective purchaser of the property. Officers would also request that residents enter into a deed recording their agreement that the balance of the contribution due for that property and not yet repaid through the targeted rate will be repaid in full on the sale of the whole or any part of the property (although this is not something that the Council can insist upon). The reason for this recommendation is that buyers of property in Christchurch do not expect to be assuming a liability for a targeted rate in respect of road access. Officers believe that this liability should fall first upon the current owners. While it is acknowledged that some of the current owners may have purchased in ignorance of the circumstances relating to liability to repair and maintain the existing right of way, that is not something for which the Council is responsible. If residents have been let down by their professional advisers, then that is a matter they should address to those advisers directly.

Advantages	Disadvantages
Lot 14 vests as legal road. The cost of having Lot 14 vest as legal road is met by those receiving the benefit of the road. Avoids potential enforcement costs in relation to the covenant. Recognises public use of Lot 14. Means Lots 1 to 13 will be subject to the usual City Plan provisions, rather than also being subject to the blanket prohibition on subdivision contained in the covenant. Most landowners want the Council to impose the targeted rate.	Do not want to set a precedent which would require the Council to enter into targeted rates on other matters (although the risk of this is extremely low due to the unusual circumstances of this particular subdivision). The Council has the administrative responsibility of managing and levying the targeted rate. There are three landowners in Holliss Avenue who do not want the targeted rate. They bought their properties expecting to pay their share of costs based solely on the easement certificate and covenant. They argue that the landowners with the potential for subdivision are the parties getting the benefit, and not them.

Option 5 – Council vests land as road

The Council could simply vest Lot 14 as legal road now, and either pay for the upgrade in the 2003/04 financial year or in future years as budget allows. There may be potential to recover some costs upon any subdivision of Lots 1 to 13, although this is likely to be very limited. In reality, if the Council vests the land as road then it would need to do the upgrade works in the short term and could not practically wait in the hope of trying to shift the upgrade costs to the subdivider.

Although Council could pay the full cost of upgrading the road, it should be noted that:

(a) the Council has no legal obligation to do so;

(b) residents should have been aware of their obligations in regard to Lot 14 at the time they purchased (as the easement certificate and covenant were registered on the certificates of title for Lots 1 to 13 at the time of subdivision);

(c) officers are keen to avoid setting any precedent which would require the Council to expend money in the future;

(d) there is no budget allocation for the upgrade works (estimated to cost $250,000 inclusive of GST); and

(e) there is relatively little public benefit in having Lot 14 vest as legal road; the benefit falls mainly to the owners of Lots 1 to 13 (and any other neighbouring land that gains access to the legal road via any of Lots 1 to 13).

Advantages	Disadvantages
Would please residents.	Will cost the Council approximately $250,000 inclusive of GST. There is relatively little public benefit in having Lot 14 vest as legal road.

POTENTIAL CONTRIBUTION FROM YULLUNDRI

In March 2002, an owner of land on the western side of Bowenvale Valley (Yullundri Pastoral and Land Development Co Limited) filed proceedings in the High Court at Christchurch under the Property Law Act seeking relief under the landlocked land provisions of the Property Law Act for access to its land from Bowenvale Avenue across adjoining land owned by Smith Developments Limited and F N and A M C Curtis. The basis of the claim is that Yullundri's land is landlocked and access across the Smith Developments Limited land is necessary.

The Court has scheduled a telephone conference for 10 March 2003 to further consider the issue. There has been a suggestion that it would be logical for the road access through the Yullundri property to ultimately connect to Holliss Avenue through land owned by Netheravon Holdings Limited at a point somewhere near the common boundary of Lots 4 and 5. The proposals are in a very embryonic form. There has not as yet been any geotechnical investigation to ascertain whether a road constructed in the suggested position is either physically or financially viable.

The Council believes that it does not have any legal obligation to provide access to Yullundri's land. As the local authority, the Council is always served with Property Law Act applications and so is a party to the proceedings.

Access to the Yullundri land has been an ongoing matter of friction between Yullundri and the Council for a number of years.

If this route off Holliss Avenue was technically feasible and providing legal access could be obtained, this would have the benefit of resolving the High Court proceedings and resolving the friction between the Council and Yullundri. However, the Council should not take Yullundri's application into account when deciding whether or not to set a targeted rate. This is because the Council has no legal liability to Yullundri. The Council should only take Yullundri's application into account if it is considering Option 5.

RESIDENTS' RESPONSES

The first four options detailed above were put to the residents for their feedback. Option 5 was not presented to residents as it was not favoured by officers, but we anticipate that residents would strongly support that option.

At the date of writing this report, responses have been received as follows:

	Option 1	Option 2	Option 3	Option 4
First Choice	2	1		10
Second Choice*			6	

* Most residents only specified their first choice. The six residents that specified a second choice all had Option 4 as their first choice and Option 3 as their second choice.

CONCLUSION

This is an unusual and complex situation and whatever option is adopted, some landowners will feel disadvantaged.

Options 1 and 2 leave Lot 14 as a right of way and will preclude any further subdivision. There may be costs to the Council in enforcing the covenant and there is no recognition of the public use of Lot 14 for access to the reserve.

Option 3 provides for those landowners who want to see the road upgraded to agree to a cost sharing method and to proceed on their own. It allows for a Council contribution but will require the owners to meet the costs in a lump sum before any work is done. Officers believe this would be a considerable challenge to the landowners and is unlikely to proceed.

Option 4 represents a reasonable compromise with the residents meeting the majority of the costs of the work needed to upgrade the right of way to legal road. Council would provide some of the costs and act as banker for the project by funding the work and then recovering the residents' share through a targeted rate.

A clear majority of the landowners have indicated a preference for Option 4.

Staff Recommendation: That the Spreydon/Heathcote Community Board recommend to the Annual Plan Subcommittee that:

1. The Council set a targeted rate to cover the costs of upgrading Lot 14 to legal road.
2. The amount to be recovered through the targeted rate be capped at $212,500 (inclusive of GST), plus the interest cost referred to below over a term of 15 years.
3. The Council make a cash contribution of 15% of the cost up to $250,000 (inclusive of GST).
4. The Council meet payment of any cost over-runs in excess of $250,000 (inclusive of GST).
5. The Council provide project management services at no cost to the project.
6. The Council hold the interest rate on any targeted rate at a fixed amount of 7% for up to 15 years.
7. Provision be made in the 2003/04 annual plan for the $250,000 capital cost (City Streets – new construction).

The Board decided to recommend to the Annual Plan Subcommittee that it support the inclusion, on a pro forma basis, of option 4 or 5 in the draft Annual Plan.

Recommendation:

1. That the staff recommendation be adopted.
2. That all affected residents be advised of the Council's decision.

(Note: Councillor Corbett took no part in the discussion or voting on this item.)

16. CHRISTCHURCH AND CANTERBURY MARKETING LTD

Consideration was given to a request from Christchurch and Canterbury Marketing Ltd (CCM) for the Council grant to be inflation-adjusted from the current financial year.

Funds are provided to CCM by way of a grant to core fund the business. The grant has remained reasonably constant since establishment with a one-off increase of $100,000 last year. In addition, the Council agreed to fund the fit-out of the Visitor Centre in Cathedral Square and to absorb the cost of depreciation and interest on borrowing for a two year period. CCM commenced paying these costs ($42,000 pa) from the 2002/03 financial year.

Salaries are significant costs to the organisation. With annual review and increases in salaries this puts real pressure on each year with the Council grant at a fixed level. The Council budget process provides for an inflation-adjustment to projections each year and the Subcommittee considers that the CCM grant should also be adjusted for inflation each year.

The additional cost for the 2003/04 year would be $25,934.

Recommendation: That the grant to Christchurch and Canterbury Marketing Ltd be inflation-adjusted by 2% from the 2003/04 financial year.

17. PUBLIC ACCOUNTABILITY

At the request of the Subcommittee, the Community Relations Manager reviewed the Councillor remuneration and Community Board cost centres to quantify the savings arising from the revised Committee structure approved by the Council in December 2002. As the draft budget had been prepared prior to December 2002 it reflected the cost of the previous Committee structure.

As a result of this work, savings of $249,283 and $31,811 respectively were identified in these two cost centres.

In order to reduce costs further the Subcommittee has requested staff to report on the possibility of placing a cap on the number of elected member meetings. Staff were also requested to obtain information on the number of personal elected member mailouts.

The Subcommittee also suggests that the co-operation of Community Boards be enlisted in identifying further savings and Boards be asked to explore opportunities for streamlining their current meeting arrangements, with the outcome being reported back to the Strategy and Finance Committee by June.

Recommendation: That the Community Boards review their current meeting arrangements with a view to achieving further savings.

18. COMMUNITY BOARD PLANNING STATEMENTS - KEY ISSUES

At the request of the Community Relations Manager, the Subcommittee reviewed the process for identifying the Community Boards' key issues in respect of the draft Annual Plan. The 2003/04 process was as follows:

1. The Community Boards prepared planning statements identifying key issues, project substitutions and proposals.

2. The key issues were sorted having regard to Standing Committee terms of reference and were placed before the respective Standing Committees during the September 2002 round of meetings.

3. The statements were then referred to the relevant business units for the inclusion of Unit comments prior to be submitted to the Annual Plan Subcommittee for consideration.

As each year staff seek to refine and improve the Annual Plan process, the Community Relations Manager sought feedback from the Committee as to whether the process adopted this year for identifying the Community Board key issues added value or whether a better approach would be to ask Community Boards to identify the five to 10 key issues facing their community. The Subcommittee considered that this approach would be more helpful as it would provide a more strategic focus.

Recommendation: That next year the Community Boards be asked to identify (and prioritise) the key issues facing their community, with the aim being to focus on five to 10 key issues.

19. RESTRUCTURING OF CAPITAL BUDGETS FOR LIGHT VEHICLES

Consideration was given to a report by the Corporate Services Manager seeking authority to restructure the forward capital budgets for light vehicles to achieve a three year replacement of the Council's white vehicle fleet. The age profile of the fleet has become significantly older than this and operating costs have grown considerably. The advantages of the proposal were summarised as being:

- Moving to a three year capital renewal programme for light vehicles would enable the Council to take advantage of newer, more environmentally-sustainable vehicles more quickly.
- There would be an increased capital requirement for plant replacement in the next two financial years. In subsequent years the net capital requirement would be lower.
- This would be offset by an ongoing reduction in operating costs for future years arising from operating a newer fleet.
- There are a number of options available in the current year for funding this increase from anticipated operating surpluses in the plant account for 2002/03 and the use of any uncommitted surpluses from the Plant Renewal Fund.

The financial impacts of the proposal are set out in the following tables:

	2003/2004	**2004/2005**	**2005/2006**	**2006/2007**	**2007/2008**
Current Capital Budget Plant	1,146,967	1,334,080	1,255,105	1,298,358	1,232,723
Sale of Assets	-226,430	-238,944	-258,704	-260,206	-246,071
Present Plant Capital Budget Net of Sales	**920,536**	**1,095,136**	**996,401**	**1,038,152**	**986,652**
Proposed Capital Budget Plant	2,207,490	2,479,700	2,194,070	2,315,400	2,283,000
Proposed Sale of Assets	-560,449	-582,670	-1,361,707	-1,373,840	-1,370,600
Proposed Plant Capital Budget Net of Sales	**1,647,041**	**1,897,030**	**832,363**	**941,560**	**912,400**
Plant Hire Services - Operational Costs	**2003/2004**	**2004/2005**	**2005/2006**	**2006/2007**	**2007/2008**
Current Budgeted Costs	**2,141,926**	**2,141,926**	**2,141,926**	**2,141,926**	**2,141,926**
Proposed Budgeted Costs	**2,141,926**	**1,873,928**	**1,682,392**	**1,677,392**	**1,672,392**
Net Effect of Capital and Operating Changes					
Additional Capital	726,505	801,894	(164,038)	(96,592)	(74,252)
Reduced Operating	-	(267,998)	(459,534)	(464,534)	(469,534)
Net Change	**726,505**	**533,896**	**(623,572)**	**(561,126)**	**(543,786)**

The above proposal was supported by Subcommittee.

Recommendation:

1. That the restructuring of the capital programme for light vehicle replacement be supported.

2. That the Director of Finance be authorised to transfer any operating surpluses for the 2002/03 year from the vehicle management output to the capital programme for an accelerated replacement programme for light vehicles and carry the amount forward to the 2003/04 year.

3. That the Director of Finance be authorised to allocate any uncommitted surplus in the Plant Renewal Fund to the capital programme for an accelerated replacement programme for light vehicles.

4. That the purchasing authority for implementation of the plant replacement policy currently delegated to the City Manager be extended to cover the entering into of lease agreements for plant where it is cost-effective to do so.

20. ENVIRONMENTALLY-SUSTAINABLE VEHICLES

The Corporate Services Manager reported to the Annual Plan meeting of the Strategy and Finance Committee seeking the allocation of funding from 2004/05 onwards for the purchase of hybrid and/or fuel cell vehicles as they become available.

The Council considered a report in September 2002 that looked at the options available for increasing the number of environmentally-sustainable vehicles in the Council's own white car fleet. At the time it was considered that hybrid vehicles were not yet commercially available in New Zealand and although second-hand vehicles were able to be purchased no support network existed to ensure that they operated in a reliable manner. The report noted that it was expected that fuel cell cars would "begin rolling off the assembly line in 2004".

The comparative costs of purchasing and operating a Toyota Prius and a Holden Barina (the current standard fleet vehicle) are detailed below:

	Toyota Prius	Holden Barina
Capital Cost	$50,000	$15,000
Operating Cost	$11,233	$3,000

Given the additional costs that would need to be recovered and the budget constraints within which units are expected to operate it could be expected that there would be resistance from units to use a significantly more expensive vehicle. This would not, however, preclude the Council from owning such vehicles providing that a charging mechanism could be arrived at that would make the cost of vehicle use to the units cost-neutral. It was proposed that the Council purchase five vehicles in 2004/05 year, a further five vehicles in 2005/06 year and a further five vehicles in the 2006/07 year. At the end of 2006/07 year the Council would have a fleet of 15 environmentally-sustainable vehicles and would then be in a replacement cycle for additional vehicles.

The budget request is set out in the table below is provisional but based on current information is the best estimate of additional costs for the purchase of these vehicles and their ongoing operation. The actual prices at the time will depend primarily on the volumes manufactured and the level of demand for these vehicles. It is unlikely in the early years that any discounts would be available but this could change in subsequent years as the technology and cars become more mainstream. As better information becomes available it is intended that the amounts would be adjusted to reflect this.

Hybrid Vehicles	**2003/2004**	**2004/2005**	**2005/2006**	**2006/2007**	**2007/2008**
	$	$	$	$	$
Additional capital budget required	0	175,000	175,000	175,000	175,000
Additional operating costs	0	41,165	82,330	123,495	123,495

The Strategy and Finance Committee supported the proposal to provide additional funding for the purchase of environmentally-sustainable vehicles from 2004/05 and referred the report to the Annual Plan Subcommittee.

Given the substantial additional costs of purchasing and operating environmentally-sustainable vehicles the Subcommittee was unable to support this proposal.

Recommendation: That the request for funding provision to be made in the draft plan for the purchase of environmentally-sustainable vehicles from 2004/05 be declined.

21. OLDER PERSONS' WELLBEING

At its meeting on 21 February 2003, the Community Plans Special Committee gave consideration to a staff report recommending that provision be made in the 2003/04 Annual Plan for funding to begin its strategic planning and collaboration, to ensure the city is in the best position to respond to the increasing number of older people in Christchurch.

The report identified two reasons for the Council to take initiative now. The first is the changing demographics. The Canterbury District Health Board region currently has the highest number of people aged 65 and over (approximately 56,000) of any District Health Board. This group is projected to grow by 70% in the next 20 years. The over 85 age group will have an even more dramatic rise of 161% by 2021. As members of this group are the highest users of health resources and have a high degree of dependency and vulnerability in all areas of their lives, clearly there are major implications for the Council agencies and community.

Areas and issues which will need to be strategically and collaboratively addressed include housing; transport; health; taxation and Government funding; employment; social and recreational needs; accessibility to spaces, places and services; social cohesion and isolation; intergenerational support; urban planning.

The second reason for proposing that the Council begin to address this matter now is the new Local Government Act, which says that the role of the local authority is to give effect to the purpose of local government defined as:

"The purpose of local government is to:

(a) to enable democratic local decision-making and action by, and on behalf of communities; and

(b) to promote the social, economic, environmental and cultural wellbeing of communities in the present and for the future."

Given this purpose, the Council would be remiss in not being in a position to provide leadership in facilitating consideration of the implications of demographic change to the nature and shape of the Christchurch community. There appears to be considerable potential for effective collaboration and partnerships.

The work that the Council is doing to mesh in with the Government's work on positive ageing is a step in the right direction. The one thing that we can be certain about, is that there will be much more work to be done. While it is not clear what the nature and scope of this work would be, it is prudent for the Council to make budget provision for additional work to be undertaken in the 2003/04 year. The work would to be undertaken in co-operation with other Christchurch groups and agencies with an interest in the area. This money is to be spent only after the work programme has been approved by the Community Plans Special Committee in the 2003/2004 financial year.

The Community Plans Special Committee referred the report to the Subcommittee with the request that consideration be given including an annual provision of $75,000 in the draft plan for undertaking work associated with identifying priorities and planning for the increase in the number of elderly in Christchurch.

Given the lack of certainty about the nature and scope of the work, the above request was not supported by the Subcommittee.

Recommendation: That the request for funding provision for the above purpose be declined.

22. GRANTS TO COMMUNITY ORGANISATIONS

The schedule of grants for 2003/04 is listed in pages 98 and 99 of the draft plan.

This year, grants totalling $3,208,470 (excluding internal overheads) are being recommended for allocation to community organisations.

In April last year the Council resolved to hold the major grants programme at the 2002/03 level for the ensuing three years, ie at $3,134,925 (excluding internal overheads). The Subcommittee, while acknowledging the need for constraint in this area, suggests that it would be reasonable to revert to the previous practice of adjusting the grants budget for inflation each year.

Recommendation: 1. That the schedule of grants for 2003/04 be adopted.

2. That grants budget be inflation-adjusted by 2% from the 2003/04 financial year.

(Note: Councillors abstained from the discussion and voting on the Metropolitan Funding Subcommittee's report as follows:
Councillor Corbett - Christchurch City Mission
Councillor James - Home Made Partnerships Trust - Super Grans)

23. THE ARTS CENTRE OF CHRISTCHURCH

The Arts, Culture and Heritage Committee reported to the Subcommittee, recommending an increase in the Council's annual grant for building conservation at the Arts Centre. This increase is required to:

- return the grant to the 1999/2000 level - the grant has steadily declined over the last three years
- complete required building work in a timely and cost-effective manner
- commence a programme of seismic strengthening

The Arts Centre sought an increase of $70,000 per annum from the 2003/04 financial year and a further increase of $70,000 from the 2008/09 financial year. Given the significant economic and cultural contribution the Arts Centre makes to the life of the city and ratepayers, and the international significance of the buildings, the Subcommittee considered that an increase of $70,000 from the current year to the Council grant was appropriate. The Subcommittee suggests that the request for further funding of $70,000 for the seismic strengthening programme be considered in 2007/08.

Recommendation: That the Arts Centre's grant be increased from $330,000 to $400,000 from 2003/04 and be reviewed in 2007/08.

24. ANTARCTIC LINK CANTERBURY - UNDERWRITING

The Arts, Culture and Heritage Committee reported to the Subcommittee seeking support for a proposal to bring the "James Caird", Shackleton's rescue boat, to Christchurch in May 2003.

The boat is currently in Sydney, Australia, but there is a unique 'once only' opportunity to bring it to Christchurch for display, before it returns to the United Kingdom for good. The plan is to bring the "James Caird" over from the Sydney Museum in 2003, display it in the Canterbury Museum together with artefacts relating to the voyage and return it to the United Kingdom in October 2003.

The visit complements the opening of the Antarctic Room, at the new Christchurch Art Gallery and the centenary of Shackleton's first visit to Antarctica from Lyttelton with Scott in the "Discovery". The Canterbury Museum itself has long had the desire to have the boat on display and sees tremendous educational benefit as well as tourism and promotional spinoffs.

The cost of bringing the "James Caird" to Christchurch is $80,000. Antarctic Link Canterbury has raised $30,000 towards the project cost and is continuing an active programme of fund raising to reduce the balance required.

The possibility of charging for admission to the display will be raised with the Museum.

Recommendation: That the Council agree to underwrite the project to a maximum of $20,000 from the 2003/04 contingency fund.

25. LEISURE REVIEW

The Subcommittee was briefed on the savings and new revenue-generating opportunities identified during the recently-completed review of the Leisure Unit. The results of the review will be presented to a joint seminar of the relevant Standing Committees in late March.

On the assumption that the recommendations relating to the year 1 savings will be adopted by the Council in due course, the Subcommittee recommends that the draft budget be adjusted to reflect the anticipated year 1 savings of $280,000.

Recommendation: That the above adjustment be made to the Leisure Unit budget.

26. 2004/05 ANNUAL PLAN ROUND

In the course of its deliberations the Subcommittee requested staff to report on the following matters in time for the 2004/05 Annual Plan round:

(a) The total expenditure on publicity pamphlets.

(b) The effect of extending the Wetland and Waterways capital programme by five years ie from 40 to 45 years.

27. LOCAL GOVERNMENT ACT 2002 - TRANSITIONAL ANNUAL PLANS

In terms of the new Local Government Act, local authorities are required to prepare the following policy statements:

Funding Impact Statement
Revenue and Financing Policy
Policy on Partnerships between the Council and the Private Sector
Policy on Determining Significance
Liability Management Policy
Investment Policy

The draft Funding Impact Statement and Revenue and Financing Policy were reviewed by the Subcommittee prior to inclusion in the draft plan.

The Policy on Partnerships with the Private Sector was reviewed by the Strategy and Finance Committee at its 17 March meeting and is the subject of a separate report to the present meeting.

The Policy on Determining Significance was reviewed by the Strategy and Finance Committee and the Consultation and Communication Special Committee at a special meeting on 17 March. This is also the subject of a separate report to the present meeting.

The current Liability Management and Investment Policies, with some minor changes, have been included in the draft plan.

In addition, the Rates Remission and Rates Postponement Policies adopted at the December 2002 Council meeting have also been included in the plan.

28. IMPACT OF RATES ON RATING SECTORS

It will be noted from the draft plan that the Subcommittee is proposing that the Council fund its services for the 2003/04 financial year as follows (the figures for 2002/03 are included for comparison purposes):

	2003/04	**2002/03**
User charges	34.55%	33.50%
Grants and Subsidies	5.29%	4.11%
Net Corporate Revenues	14.78%	17.32%
Capital Value Rating	41.67%	41.24%
Uniform Annual General Charge	3.71%	3.83%

In adopting the 2003 Funding Impact Statement, the Council resolved to avoid significant difficulties for the residential and rural sectors by making the following modifications:

- Transferring $841,667 of costs to the commercial sector
- Transferring $196,667 of costs from the residential sector
- Transferring $645,000 of costs from the rural sector

The Annual Plan Subcommittee recommends in 2003/04 the following modifications be made:

- That the rural sector modifier remain unchanged ie retain the subsidy provided to the rural sector at the present level of $645,000.

- That the residential sector modifier be removed.
- That the Uniform Annual General Charge be maintained at $105.

The rationale for maintaining the status quo for rural sector rates is that a full review of the Revenue Financing and Funding Impact Statement will be undertaken later in the year as part of the development of the Council's first Long Term Council Community Plan.

If the Subcommittee's recommendation is adopted:

(a) The revised transitional modifiers will be:

Commercial/Industrial	+ $645,000
Residential	0
Rural	- $645,000
Institutions	$0
	$0

(b) Rates for 2003/04 will be shared among the rate paying sectors as follows (2002/03 figures in brackets):

Residential	72.02%	(71.48%)	Overall rating contribution by each sector
Commercial/Industrial	25.43%	(26.11%)	
Rural	1.52%	(1.52%)	
Institutions	1.03%	(0.89%)	
	100.00%		

(c) While the overall rate increase will be 2.88% the different sectors will experience changes to their rates from 2003/04 as follows:

Residential	**+ 3.60%**
Commercial/Industrial	**+ 0.41%**
Rural	**+ 2.95%**
Institutions	**+ 17.55%**

Recommendation:

1. That the Funding Impact Statement be amended to reflect the changed expenditure and revenue mix in the draft Annual Plan.

2. That these changes be reflected in the Funding Impact Statement.

3. That the modifier for the residential sector be removed and the other modifiers remain unchanged.

4. That the Uniform Annual General Charge remain unchanged at $105 per annum.

29. 2003/04 RATE INCREASE

The draft Annual Plan being recommended for approval provides for an overall rates increase of 2.88% which is more than 1% below the increase forecast in the current year's Annual Plan.

The rates reduction has been achieved without compromising the level of service delivery or unduly restraining the Council's ability to fund a modest number of new initiatives and ensure the work of previous Councils in improving the quality of life in Christchurch is continued.

The Subcommittee would like to record its appreciation to elected members and staff for their efforts in achieving many efficiency gains which have collectively produced this very pleasing result.

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 2.88% in 2003/04.

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 : 2004 Edition be approved in terms of section 223D of the Local Government Act 1974, and section 281 of the Local Government Act 2002.

5. That the Director of Finance be authorised to make any amendments and editing changes to the draft Plan for correction purposes.

6. That the City Manager publish the draft Financial Plan and Programme : 2004 Edition and the plan be available on the Council's website at www.ccc.govt.nz from 16 April 2003 and physical copies be available from 23 April 2003.

7. That, pursuant to section 83 of the Local Government Act 2002, the City Manager give public notice on 16 April 2003 calling for submissions from interested persons in accordance with section 83; such submissions to close at 5pm on Wednesday 28 May 2003.

8. That pursuant to section 83 of the Local Government Act 2002 notice be given that the Financial Plan and Programme : 2004 Edition will be considered by the Council at its meeting to be held on Tuesday 15 July 2003.

9. That in terms of section 223D of the Local Government Act physical copies of the draft Financial Plan and Programme : 2004 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.

10. That the draft Corporate Plan : 2004 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 2 May 2003.

CONSIDERED THIS 25TH DAY OF MARCH 2003

MAYOR