

## 6. BANKS PENINSULA REORGANISATION: LOCAL GOVERNMENT COMMISSION REQUEST

<b>General Manager responsible:</b>	General Manager Regulation and Democracy Services Group
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### PURPOSE OF REPORT

1. The purpose of this report is to recommend a response by the Christchurch City Council to a request by the Local Government Commission for the Council's position on some matters associated with a proposal to abolish Banks Peninsula District and include it with Christchurch City.

### STAFF RECOMMENDATIONS

It is recommended that the Council advise the Local Government Commission that the Council:

- (a) Supports Option 1 of the Commission's October 2004 Terms of Reference and **not** Option 2;
- (b) Supports two community boards on the Peninsula, with five elected members each and one appointed member, instead of one community board with seven elected members and one appointed Councillor;
- (c) Supports the introduction of the capital value rating system in the Order-in-Council giving effect to any reorganisation with Banks Peninsula District;
- (d) Sees substantive changes to service levels on the Peninsula (other than statutory compliance issues) being matters to be dealt with through the Long-Term Council Community Plan;
- (e) In addition to the delegations given to the City's community boards, at the time reorganisation takes place, will provide a delegation to the Peninsula community boards as follows:  
  
*"That the two Peninsula community boards recommend to the Council proposed expenditure from their respective reserve contributions accounts."*
- (f) Will provide discretionary funding of \$10,000 per annum for each of the Peninsula community boards;
- (g) Supports retention of the three service centres at Lyttelton, Akaroa and Little River for a period of five years commencing on the date of the Order in Council giving effect to the reorganisation proposal and based on the levels of service provided by Banks Peninsula District Council at those service centres at that date;
- (h) Will give priority upon reorganisation to the statutory compliance issues listed in (i) to (v) of 19(b) of this report, and any other statutory compliance issues that may arise.

## **BACKGROUND**

2. At its meeting on 22 April 2004, the Council passed the following resolutions relating to the proposal for reorganisation with Banks Peninsula District:
  - “1. *That the Christchurch City Council actively support the reorganisation proposal filed with the Local Government Commission for Banks Peninsula District Council to become part of Christchurch City.*
  2. *That the Christchurch City Council support this reorganisation proposal on the basis that it is for the abolition of Banks Peninsula District and its inclusion with Christchurch City recognising that this means that a binding poll will only be held in Banks Peninsula District on the reorganisation proposal.*
  3. *That there be one additional ward for the whole of the current Banks Peninsula District electing one Councillor to the Christchurch City Council.*
  4. *That there be one community board established for the Peninsula, comprising seven elected members and one appointed member (eight members in total).*
  5. *That the Local Government Commission be advised that the City Council would be willing to confer the same delegations on the Banks Peninsula Community Board as it confers on the city community boards.*
  6. *That the City Council enter into discussions with the Selwyn District Council and the Banks Peninsula District Council regarding the new boundaries between Banks Peninsula District, Selwyn District and Christchurch City.*
  7. *That the Council in practical terms support the “ring-fencing” of the levels of service for Banks Peninsula District for a period of up to five years commencing on the date of the Order in Council giving effect to any reorganisation proposal.”*

### **Local Government Commission’s Terms of Reference**

3. In October 2004 the Commission issued Terms of Reference for a consultancy study on operational and financial issues associated with the reorganisation proposal. A copy of the Commission’s Terms of Reference is attached as *Appendix 1*.
4. In considering the reorganisation proposal and formulating its decision set out in the Terms of Reference, the Commission is of the view that it would be beneficial for the City Council now to resolve its position on key matters relating to the Banks Peninsula area if the reorganisation proposal were to proceed. Such matters would include:
  - The rating system that would apply, and how it would be applied,
  - Delegations that would be made to community boards, including the level of financial delegations,
  - Whether the existing service centres at Lyttelton, Little River and Akaroa would be retained.
5. The Commission states that although the Commission has yet to make a decision on the proposal, it considers that if the proposal were to advance to a draft reorganisation scheme the affected public would be better able to understand its ramifications for them if the City Council’s intentions for the Banks Peninsula area were clearly articulated.

### **Preliminary Points Regarding Commission’s Terms of Reference**

6. As a preliminary point, it will be noted that at page 4 of the attached Terms of Reference the Commission states that under Option 1 (abolition of Banks Peninsula District and its inclusion with Christchurch City), there would be two community boards elected, each comprising five members with one appointed member, with the same level of delegations as the Christchurch City community boards.

7. This proposed establishment of two community boards is at the present time inconsistent with the Council's 22 April 2004 Resolution No. 4 (which provided for one community board with seven elected members and one appointed member). The Council could take this opportunity to advise the Commission that it also supports the establishment of two community boards as proposed by the Commission for Option 1 and one of the staff recommendations in this report provides for this.
8. It should also be noted that, as advised at the April 2004 Council meeting, Lakes Ellesmere would fall entirely within Selwyn District under Option 1. At the present time Lake Ellesmere is divided between Banks Peninsula District Council and Selwyn District Council. The Commission's Map A for Option 1 in the attached Terms of Reference shows that the boundary between an enlarged City Council with Selwyn District would be along State Highway 75 from its intersection with the Halswell River and then the boundary line runs down to the coast. This proposed boundary means that Kaitorete Spit would fall within Selwyn District, although Birdlings Flat would be within the enlarged Christchurch City.

### Rating System and How it Would be Applied

9. Regarding the rating system and how it would be applied, in the 22 April 2004 report this Council was advised:

*"At the present time Banks Peninsula residential rates are much higher than the Christchurch City rates for a property of the same valuation. The table below gives some indication of the difference.*

<i>Residential</i>	<i>Lyttelton</i>	<i>Akaroa</i>	<i>Governors Bay</i>	<i>Christchurch</i>
<i>Average CV</i>	<i>\$158,000</i>	<i>\$195,000</i>	<i>\$245,000</i>	<i>\$164,170</i>
<i>Average BPDC Rates</i>	<i>\$1,476</i>	<i>\$1,725</i>	<i>\$1,544</i>	<i>\$954</i>
<i>Christchurch Rates at these values</i>	<i>\$922</i>	<i>\$1,114</i>	<i>\$1,372</i>	<i>\$954</i>

*At the present time it is not possible for this Council to give any binding commitments regarding increasing levels of service in Banks Peninsula District as the reorganisation process will not be completed before the elections in 2004. Any determination of this reorganisation proposal will occur in 2005 or later and so any decisions as to increasing levels of service would be a matter for the next Council.*

*If reorganisation goes ahead, then the rating policy to be applied would need detailed study and would require the development of a new funding policy for the enlarged district.*

*One potential scenario is that the residential and commercial rates of the current Banks Peninsula District could be on the same basis as Christchurch City presently, but the rural area of Banks Peninsula District would need a detailed review as the current cost structure of Banks Peninsula District could be quite different from the cost structure of the Christchurch City Council...*

*With regards to the comments above about the development of a new funding policy to enable the Council to assess priorities between Banks Peninsula District and the rest of Christchurch City, the seminar held on 15 April 2004 considered that it was appropriate for the Council to indicate at this point in time that it would recommend to the next Council that that Council (except for statutory compliance issues) "ring-fence" Banks Peninsula District to current levels of service as provided by the Banks Peninsula District Council for a period of five years to enable the next Council to fully understand the issues involved in the district and to enable the Council to develop a new funding policy through public consultation processes. This would enable any additional expenditure (other than statutory compliance expenditure) to be addressed through the Council's Long-Term Council Community Plan for the 2006/07 year, assuming that the reorganisation proposal is given effect to in time for work to be incorporated into that Long-Term Council Community Plan. An issue to be considered regarding capital expenditure is whether items already in the BPDC 10-year forecast should be considered within the "ring-fence". This would seem to be a reasonable approach."*

10. Regarding the reference in this extract to additional expenditure being addressed through the 2006/07 LTCCP, it is now probable that this reorganisation proposal will not be in place in time for issues of service level change to be addressed through this Council's 2006/16 Long-Term Council Community Plan.
11. Regarding rating systems, at the present time the Banks Peninsula District Council rates its district on the annual value rating system, and not the capital value rating system (which is the City Council's rating system) nor the land value rating system. The Banks Peninsula District Council also uses a system of numerous targeted rates for parts of its district.
12. It has been understood by City Council officers to be the City Council's position that if Banks Peninsula District was to become part of Christchurch City, then the enlarged area would be rated on the capital value rating system of Christchurch City, and that annual rating system and the numerous targeted rates currently utilised by Banks Peninsula District Council would be discontinued. One of the staff recommendations in this report seeks to confirm this understanding.
13. It would not be practical, if reorganisation was to occur, for the City Council to administer two rating systems nor for it to continue with the numerous Peninsula targeted rates currently used by Banks Peninsula District Council for cost efficiency reasons.
14. The implementation of the capital value rating system on the Peninsula could be achieved by the Commission through the Order in Council implementing the reorganisation. The probability is that the reorganisation will not be given effect to before 1 July 2006 and the enlarged City Council would need to work with two LTCCPs (as well as a Banks Peninsula Transitional District Plan and an operative Christchurch City Plan) until the two LTCCPs are combined.
15. The attached Terms of Reference refer to a yet to be published study on operational and financial issues associated with the reorganisation proposal to be released by the Commission. This study will probably identify infrastructure work to be carried out on the Peninsula. It is anticipated that a further report will be made to the Council following the public release of this operational and financial report.

#### **Service Centres**

16. Regarding whether the existing service centres at Lyttelton, Little River and Akaroa would be retained, in the 22 April 2004 report to this Council the following comment was made:

*"At the present time the Banks Peninsula District Council has three service centres situated at Lyttelton, Akaroa and Little River. In its 1999 final reorganisation scheme the Commission, as tends to be its standard practice, provided that on reorganisation the Council was to maintain those service centres for a period of five years. The services to be provided by these service centres were to be not less than those provided by the Banks Peninsula District Council at the beginning of that five-year period."*

17. The 2004 Council seminar considered the same situation should apply in regard to this reorganisation proposal for those three service centres for a five-year period. One of the staff recommendations in this report is that the Council advise the Commission it is willing to retain the three service centres for a five-year period at the same levels of service.

#### **Local Government Commission 2004 Public Hearings**

18. Following the public hearings in 2004 on the reorganisation proposal, the Local Government Commission has (in addition to the matters referred to above) requested that the Council provide it with relevant information on two matters that would be associated with an implementation of the reorganisation proposal and for the Council to provide the Commission with relevant information.

19. The two matters were:

- (a) What tailoring of the City Council's delegations to community boards (including financial delegations) would be appropriate for any community board constituted in the Banks Peninsula area?

Regarding the question of financial delegations to the two Peninsula community boards, this Council at the present time has the practice of providing its six community boards with \$390,000 each of project Board discretionary funding per financial year. This sum is to be allocated as each community board wishes on either operational or capital projects in its communities. These funds provide the Boards with flexibility to meet local community needs that might not receive support through the Council's Annual Plan or the Long-Term Community Plan processes.

The Council's 22 April 2004 Resolution No. 5 stated that the Council would be willing to confer on the Peninsula community boards the same delegations as it confers on the City's community boards at the time the reorganisation takes place.

The existing Banks Peninsula District Council delegations to its two community boards contain a delegation to recommend expenditure as follows:

- “• *That community boards process submissions concerning proposed expenditure from their respective reserve contributions accounts*
- *Community boards then prioritise any proposed expenditure for submission to and approval by Council in the Annual Plan process or Long-Term Council Community Plan.”*

The current two Peninsula community boards make recommendations to the Banks Peninsula District Council on expenditure from those reserves accounts. The Council then makes decisions on the expenditure of those funds. This system does not operate with the City's community boards. Making these recommendations enables the two community boards (with a population of 4,000 each) to stay involved in the works and assures the high level of Peninsula volunteers in maintaining reserves. In discussions with BPDC it has been requested that the ability of the two community boards to review the expenditure (with the enlarged City Council having the power to make decisions) continue as this will ensure that the spending reflects the community from where the funds come from.

Given the geographical nature of the Peninsula and the historical nature of the volunteer's role, it is considered this Council could advise the Commission that this Council is prepared to continue this power of recommendation to the two Peninsula community boards.

Regarding the allocation of funds to community boards in the Banks Peninsula area, one approach could be on the basis of population. In Christchurch each community board has around 50,000 people within each community so the funding allocation of \$390,000 therefore equates to around \$7.80 per person. Based on two Banks Peninsula community boards with an average of 4,000 people in each community, then the funding allocation would be approximately \$31,200 per community board. However, given the approach above that the Peninsula community boards have a power to recommend regarding reserve contributions which is not given to the City's community boards, it could be considered appropriate that the Peninsula Boards be provided a smaller sum of discretionary spending, say \$10,000 per community board per annum.

- (b) What matters (eg service levels and rating arrangements) would the City Council wish to “ring fence” in Banks Peninsula for a period of up to five years, and which matters will it wish to change in an earlier timeframe.

The reference in this question to “ring fence” is to Resolution No. 7 of the Council meeting of 22 April 2004 which stated:

*“That the Council in practical terms supports the ‘ring fencing’ of the levels of service of Banks Peninsula District for a period of up to five years commencing on the date of the Order in Council giving effect to any reorganisation proposal.”*

The report to the Council at that 22 April 2004 meeting with regard to this issue stated in part:

*“...the seminar held on 15 April 2004 considered that it was appropriate for the Council to indicate at this point in time that it would recommend to the next Council that that Council (except for statutory compliance issues) “ring fence” Banks Peninsula District to current levels of service as provided by the Banks Peninsula District Council for a period of five years to enable the next Council to fully understand the issues involved in the district and to enable the Council to develop a new funding policy through public consultation processes. This would enable any additional expenditure (other than statutory compliance expenditure) to be addressed through the Council’s Long-Term Council Community Plan for the 2006/07 year, assuming that the reorganisation proposal is given effect to in time for work to be incorporated into that Long-Term Council Community Plan. An issue to be considered regarding capital expenditure is whether items already in the BPDC 10-year forecast should be considered within the “ring-fence”. This would seem to be a reasonable approach.”*

It appears that some individuals have interpreted the Council’s resolution regarding ring fencing as in effect meaning that service levels (other than statutory compliance matters) would not change for at least five years and change would only be considered after that time. This interpretation seems to be adopted notwithstanding that the 22 April 2004 resolution referred to ring fencing levels of service “...for a period of up to five years...”

The Council’s resolution regarding ring fencing for a period of up to five years could be seen to reflect three considerations:

- (i) The need to give confidence to Christchurch ratepayers that they are not likely to face increasing rates to meet a desire to increase service levels on Banks Peninsula;
- (ii) The need to manage Banks Peninsula ratepayers’ expectations for major investment by the City Council;
- (iii) The need for Council officers to become operationally knowledgeable about services before recommending to the Council any future capital expenditure on the Peninsula.

As indicated in the April 2004 report to the Council, it is likely that the current Banks Peninsula District Council service levels would be amended gradually as issues were identified, scoped and then funded. Changes to the levels of service on the Peninsula would need to be managed through the Long-Term Council Community Plan.

With the request by the Commission for this Council to identify now the types of issues (other than statutory compliance matters) that would be likely to be increased in service levels during that five-year period, City Council officers have given consideration to this issue, but as in the 22 April 2004 report, are not in a position at this time to factually advise this Council what these changes may be beyond those statutory compliance matters. City Council officers would still need to become operationally knowledgeable regarding Banks Peninsula District’s activities before robust options for service level improvements could be advised by Council officers.

It also needs to be borne in mind that in any event capital works projects on the Peninsula would be incorporated by the Banks Peninsula District Council into its Long-Term Council Community Plan for the period commencing 1 July 2006.

There are a number of statutory compliance issues which the new Council would need to address immediately upon a reorganisation taking effect. These include:

- (i) Establishing a programme of inspection for the fencing of approximately 60 swimming pools in the district;
- (ii) Auditing premises for building warrants of fitness under the Building Act 2004;
- (iii) Establishing a system of ongoing monitoring of resource consent conditions and the implementation of enforcement mechanisms such as abatement notices or enforcement orders where breaches of the District Plan or resource consents are established.
- (iv) Establishing a system for the carrying out of post lining inspections in new buildings.
- (v) The clearance of a backlog of outstanding code compliance certificates under the Building Act.