

SUBMISSION TO

Christchurch City Council

On

OUR COMMUNITY PLAN 2006-16

By



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

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1. INTRODUCTION

- 1.1 North Canterbury Federated Farmers welcomes the opportunity to submit to Christchurch City Council's *Our Community Plan 2006-16*.
- 1.2 This submission has been prepared in consultation with Federated Farmers' members residing within the expanded Christchurch City – i.e., members of the City, Yaldhurst/Waimairi, Banks Peninsula, and Motukarara branches of North Canterbury Federated Farmers. A draft of this submission was discussed with branch members before it was finalised. We acknowledge and support other submissions made by individual members of Federated Farmers.
- 1.3 Earlier this year the Banks Peninsula District Council was abolished and its area incorporated into Christchurch City Council. Federated Farmers has appreciated the efforts that have been made to ease the transition and the willingness of the City to get to grips with the important issues facing the residents and businesses in the Banks Peninsula area.
- 1.4 In particular, Federated Farmers appreciates the time and effort of the five city councillors and a number of senior council staff who joined Banks Peninsula members on 31 March for a familiarisation tour of the district. During the tour we discussed the key issues facing our members and from our perspective it was a most positive and worthwhile day.
- 1.5 As a general comment Federated Farmers considers that the LTCCP needs to reflect the rural attributes Banks Peninsula brings to the City. As those who participated in the familiarisation tour will appreciate, the Peninsula's rural businesses contribute a great deal to the local, regional and national economy. The rural environment is also very different from urban Christchurch, Lyttelton and Akaroa. These differences mean that there are different issues of importance and different levels of and access to services, most of which are taken for granted in urban areas – e.g., metalled rather than sealed roads, considerable distances to access shopping, businesses, schools, recreation, etc, and the need to provide own water supply and sewage systems.
- 1.6 An important issue for Federated Farmers is how this new combined LTCCP was put together from the two separate plans from Christchurch City and Banks Peninsula District. To what extent was the community involved in bringing this new document together?
- 1.7 Federated Farmers agrees with and supports the broad objectives of the City's Community Outcomes. However, we note that they are still largely urban-oriented and they will need to be further developed over time to ensure that the rural perspective is incorporated and that rural services are 'future-proofed'.

1.8 With regard to Economic Development, we would not disagree with the methods listed to achieving a 'sound and evenly growing economy' but it is important for the City to explicitly recognise the importance of agriculture to both the City and Canterbury economy. We suggest that the City can best contribute to the success of the agricultural sector by ensuring that its:

- Roading infrastructure facilitates the safe and efficient movement of people and freight.
- Regulatory environment is of a high quality, is supportive of business success and economic development, and does not impose significant administration and compliance costs.
- Rating system does not impose a significant financial burden on businesses, particularly those such as farms that due to their nature have a very high proportion of their capital tied up in land.

2. GROWTH IN RATES AND EXPENDITURE

2.1 Federated Farmers is very concerned about the large increases in rates that are signalled in the draft LTCCP. Table 1 shows the rates revenue increases by type of rate. We note that because most farms do not receive the services funded by targeted rates, they only pay the General Rate and UAGC.

Table 1: Increases in Rates Revenue 2005/06 – 2008/09

Type of Rate	2005/06 (CCC & BPDC) (\$m)	2006/07 (\$m)	% Inc 05/06- 06/07	2007/08 (\$m)	% Inc 06/07- 07/08	2008/09 (\$m)	% Inc 07/08- 08/09
General Rate	132,456	151,684	+14.5%	167,053	+10.1%	190,964	+14.3%
UAGC	17,786	18,870	+6.1%	18,870	+0.0%	18,870	+0.0%
<i>Total, City Wide Rates</i>	<i>150,242</i>	<i>170,554</i>	<i>+13.5%</i>	<i>185,923</i>	<i>+9.0%</i>	<i>209,834</i>	<i>+12.9%</i>
Water Supply	17,462	18,128	+3.8%	18,976	+4.7%	20,293	+6.9%
Land Drainage	13,621	7,664	-43.7%	7,990	+4.3%	8,507	+6.5%
Sewerage	25,320	31,690	+25.2%	34,638	+9.3%	38,676	+11.7%
Water Fire Connection	70	78	+11.4%	78	+0.0%	78	+0.0%
Central City Mall	--	--	--	260	--	975	+275.0%
Others	90	109	+21.1%	109	+0.0%	109	+0.0%
<i>Total, Targeted Rates</i>	<i>56,653</i>	<i>57,669</i>	<i>+1.8%</i>	<i>62,051</i>	<i>+7.6%</i>	<i>68,638</i>	<i>+10.6%</i>
Rates Penalties	1,350	1,510	+11.9%	1,510	+0.0%	1,510	+0.0%
Excess Water Supply	2,081	2,452	+17.8%	2,531	+3.2%	2,607	+3.0%
Total Rates Income	210,236	232,185	+10.4%	252,015	+8.5%	282,589	+12.1%

See Draft LTCCP Funding Impact Statement pp 238-239.

- 2.2 The rates revenue requirement is driven by growth in expenditure by council activities. Increases in operating expenditure are an important factor but there are also large increases in capital expenditure forecast over the next few years, mainly in the areas of roading and waste water. While an increasing operating surplus (generated by rates growing faster than operating spending) will help fund the increased capital expenditure, the draft LTCCP also proposes to increase the city's debt levels, with term debt to increase from \$56.5 million in 2006/07 to \$217.8 million in 2008/09 before being forecast to flatten and fall back in later years¹.
- 2.3 While we understand that many of the cost drivers are beyond the council's control (particularly inflation in the construction sector and the imposition of new roles and responsibilities by central government), the Federation urges the council to **contain costs wherever possible and seek to extract maximum value for money from all expenditure**. Programmes should be regularly reviewed to ensure that they are continuing to deliver value for money and are contributing to community outcomes.
- 2.4 We generally support the proposals made in the draft LTCCP to save money on council services (i.e., those set out on page 8 of the Summary Document). While the amounts involved are modest compared to overall council expenditure of \$360 million, from a ratepayer perspective the commitment to make such savings is welcomed and a good start.

3. RURAL DIFFERENTIAL

- 3.1 Federated Farmers welcomes the ongoing commitment of the City Council to retain its 75% rural differential. The differential addresses the reality that (compared to urban residents) rural ratepayers:
- Receive a lower standard of service (e.g., no footpaths, street lighting, or rubbish collection, etc).
 - Are located further from council services and will therefore use these services less (e.g., lack of adjacent parks, museums, libraries, etc).
 - Will see less of an influence of council services on property values (e.g., farm land may not be enhanced by community services)
- 3.2 These factors are particularly true for 'economic farms' and the inclusion of Banks Peninsula has underlined these points with many farms in the area extremely remote from almost all council services (apart from roads where even then the quality of service is less than what an urban resident would expect). The councillors and staff who joined us on 31 March will recall the example presented for a farm at Barry's Bay (see Appendix One for its description).

¹ For more detail see Draft LTCCP Financial Overview pp 65-69.

- 3.3 Federated Farmers acknowledges that the change from the Banks Peninsula District to the Christchurch City rates system should result in a significant rates reduction for many Banks Peninsula farms. However, the recent property revaluations recently been undertaken to bring Banks Peninsula's 2003 rating valuations into line with those in the City (2004) meant the reductions will not be as large as initially thought. For example, the Barry's Bay example saw its property valuation rise 51% from \$5.6 million to \$8.5 million.
- 3.4 The result is that recent even with the 75% rural differential the farm at Barry's Bay will pay in the coming year \$18,655 in City rates compared to \$873 for the 'average' urban residential property valued at \$260,000 and \$3,032 for an urban residential property valued at \$1 million. The result is that the farm will pay large amounts to fund services that the farm does not use or at most gets equal utility to urban residents.
- 3.5 To illustrate, Table 2 is our estimate of the general rate contribution by city council activity group for the average urban residential property, a \$1 million residential property, and the farm at Barry's Bay described above. The total rates paid each property are accurate to the best of our knowledge but the breakdowns by group of activity are only best guesses. This is calculated by applying the percentage of net cost for each group of activity (less water supply and waste water collection and treatment which are each funded by their own targeted rates) to the general rate decimal and UAGC.
- 3.6 We would appreciate the Council confirming whether our estimates are correct and if not advise us of the correct figures. In future we consider that the council should publish in its plans **the rates breakdowns for a series of benchmark properties**, not just the average urban property.

Table 2: General Rate Contributions to Activity Groups by Type of Property

Group of Activity	Examples of Activities	'Average' Urban Property (CV \$260K)	High Value Urban Property (CV \$1m)	Farm at Barry's Bay (CV \$8.5m)
Cultural & Learning Services	Art gallery, libraries, museums, Our City O-Tautahi.	\$173	\$600	\$3,690
Streets & Transport	Streets-road corridors, cycle & pedestrian linkages, public pedestrian malls, off-street parking, public transport.	\$151	\$523	\$3,219
Parks, Open Spaces & Waterways	Urban parks, regional parks, Botanic Gardens, cemeteries, waterways and land drainage.	\$149	\$517	\$3,178
Community Support	Halls & conveniences, early learning centres, community support, community grants, housing, civil defence and rural fire.	\$89	\$307	\$1,890
Recreation & Leisure	Pools, leisure centres, stadia & sports facilities, sports support & promotion, events & festivals.	\$71	\$245	\$1,507
City Development	Urban renewal, central city revitalisation, heritage protection (includes conservation covenants)	\$59	\$204	\$1,252
Democracy & Governance	Democracy & governance, elected member representation.	\$54	\$189	\$1,164
Refuse Minimisation &	Waste minimisation (including kerbside	\$49	\$171	\$1,054

Disposal	recycling), refuse transfer & disposal, black bag collection & disposal.			
Economic Development	City promotions, international relations, business support, regional economic development, employment support, visitor marketing.	\$46	\$160	\$984
Regulatory Services	Enforcement & inspection activities, regulatory approvals, maintaining & reviewing the city plan.	\$34	\$117	\$717
Waste Water Collection, Treatment & Disposal	Not applicable – targeted rate	na	na	na
Water Supply	Not applicable – targeted rate	na	na	na
TOTAL, 'GENERAL RATE'		\$875	\$3,033	\$18,655

- 3.7 Federated Farmers considers it most unfair that the rating system (even with the 75% differential) requires the farm at Barry's Bay to pay 21 times the rates of an average residential property and six times the rates of a high value urban residential property for council activities such as the art gallery, libraries, museums, public transport, street-lighting and footpaths, urban parks, Botanic Gardens, events and festivals, cemeteries, early learning centres, pools, leisure centres, stadia and sports facilities, sports promotion, democracy and governance, kerbside recycling, black bag collection and disposal, visitor marketing, etc.
- 3.8 We have also been informed that even those who do not have access to the Council's water and sewage infrastructure help fund capital expenditure on such projects through the general rate. **In our view this is totally inappropriate.**
- 3.9 Many of the services referred to in paragraphs 3.7 and 3.8 are either unavailable to most farms (e.g., public transport, cycling and pedestrian linkages, black bag collection and disposal, kerbside recycling, water and sewage), are used less frequently than urban residents due to the distances involved (most of the services listed above), or are of equal benefit to all residents regardless of location or property value (e.g., democracy and governance).
- 3.10 While we accept that there are some services where rural residents benefit more than their urban counterparts (e.g., rural fire and roading) our judgement is that they are overwhelmingly outweighed by those activities listed in paragraph 3.7.

4. WAYS TO EASE THE BURDEN

- 4.1 Federated Farmers considers that there are four ways to ease this rates burden on our members:
- A. Increase the proportion of revenue collected from the Uniform Annual General Charge (UAGC).**

4.2 Christchurch City's UAGC has been set at \$115 for the past few years and it raises around 9% of total rates revenue. We understand that \$380 would be the maximum UAGC the city could charge without breaching the statutory cap of 30% of rates revenue collected. It is a concern to Federated Farmers that the UAGC is forecast to raise a constant level of revenue across the forecast period meaning that the percentage of rates revenue raised by the UAGC will **fall** as the capital value general rate rises (to 7% of total rates revenue by 2008/09).

4.3 Although we understand the concerns some have about fairness of the UAGC for the less well-off, we note that the Government's expanded rates rebates scheme should help to address this issue. We therefore submit that **the Council should gradually increase the proportion of rates revenue collected from the UAGC.**

B. Make greater use of Targeted Rates

4.4 At present Christchurch City has targeted rates for water supply, sewage, land drainage, water fire connection, and water and sewer loans which together raise around 27% of rates revenue. We submit that an even **greater use should be made of targeted rates**, particularly for those services that are unavailable to groups of ratepayers. For example, a targeted rate could be introduced for black bag collection/kerbside recycling (targeted to the mainly urban residents who receive this service). Other councils have targeted rates for museums, libraries, roading, ward amenities, etc.

C. Increase the proportion of revenue collected through the sale of goods and services, fees and charges, and other external sources.

4.5 Overall, across all activity groups the council's revenue from these sources amounts to around 33% of expenditure – a proportion that is not forecast to change significantly over the coming decade. We submit that the council should gradually increase the proportion of revenue collected from the sale of goods and services, fees and charges, and other external sources.

D. Reduce the rural differential further.

4.7 The retention of Christchurch City's 75% rural rates differential is much appreciated but the inclusion of Banks Peninsula into the City has if anything strengthened the case for a lower differential.

4.8 The impact of property revaluations has been significant (for example, the Barry's Bay farm appreciating by 51% over one year). While this may make farmers seem wealthy the reality is that this 'wealth' is only on paper. Farm income as a percentage of farm capital has been falling over recent years thanks to mainly to rapidly increasing land values. For the vast majority of farms there is no intention for the owner to cease farming and sell – the only way to realise any supposed capital gains from ever-escalating property revaluations.

- 4.9 Considering the large rates burden faced by farms, completely disproportionate to the level of service provided (see Table 2 and paragraphs 3.8 and 3.9), Federated Farmers considers that they should receive a **differential of no greater than 50%**. We would appreciate the Council's consideration of this recommendation and we would be happy to discuss this further with the Council.

5 ROADS

Services

- 5.1 Without doubt the most important council service for rural residents is roading. This is particularly so for the isolated rural communities located on Banks Peninsula. Federated Farmers members on the Peninsula will be anxious to ensure that the area's rural roads and bridges are adequately maintained. For example, there must not be a repeat of the debacle earlier this year where (because of a lack of maintenance) unreasonable restrictions were imposed on some bridge loadings that would, if they had remained in place, have severely compromised the viability of affected farms.
- 5.2 Another issue related to rural roads is the response to snow falls. The current contractors (employed by the Banks Peninsula District Council) have by and large done an excellent job clearing rural roads after snow storms. There is concern among members over whether the City's in-house contracting business would be able to perform to such a level of service and they would prefer the status quo to be maintained.

Funding

- 5.3 Finally, the funding of rural roads remains an important issue for farmers. Federated Farmers considers that roads should be funded by road users not property owners. The Government's own Surface Transport Costs and Charges Study recognises that property value-based rates bear no relationship to the use of the road network and using rates to contribute to the cost of roads creates equity issues.
- 5.4 There is enough revenue already raised from petrol tax which is diverted into the Crown Account that could be reallocated to the National Land Transport Fund to enable an increase in the financial assistance rate to 80% or even 100%. Federated Farmers' policy is to advocate for a flat **90% financial assistance rate for all local authorities**. The remaining 10% would be funded directly by local authorities through uniform per-property charges akin to a fixed line charge. Local authorities would continue to own and manage their local roads.

5.5 A 90% financial assistance rate for local roads would save Christchurch City ratepayers around millions of dollars per annum and we would appreciate the Council's support in advocating such a policy to central government as it reviews the financial assistance rate and considers road funding policy.

5.6 North Canterbury Federated Farmers also supports Christchurch City Council's efforts to ensure that Canterbury receives a fair share of state highway road funds and an increase in the national priority for important projects in the region..

6. UNIFORM CHARGES FOR LAND HELD IN MULTIPLE TITLES

6.1 Many of our members farm multiple titles as one economic unit (the Barry's Bay farm we refer to comprises 14 titles) and often these titles are held in different names (e.g., husband and wife, brothers, trusts, etc). Federated Farmers understands that Christchurch City's policy is that land held as one economic unit but in multiple titles will be charged only one UAGC if the land is contiguous (i.e., the titles touch). Furthermore, if a title is non-contiguous (e.g., separated by a neighbour's land) but still forming part of the economic unit we understand that the council has discretion to not charge a separate UAGC. This is an important issue for our members and we welcome Christchurch's approach as fair and reasonable.

7. DOG CONTROL

7.1 From 1 July 2006 all newly registered dogs will be required to be micro-chipped. Micro-chipping will not stop dog attacks. Instead it will add costs to law-abiding dog owners and discourage others from registering their dogs. The Federation's position is that the law should not apply to any dogs but at the very least there should be an exemption for 'working dogs', a category which includes farm dogs.

7.2 We have estimated that the cost of micro-chipping all farm pups will be in the order of \$3-7 million per year nationwide, excluding the cost of transporting them to the vet and back. Meanwhile, the benefits of micro-chipping farm dogs simply do not stack up. Even if the new requirement stopped all dog bites by farm dogs, and clearly it will not stop any, the savings would only be about \$10,000 a year (the cost to ACC of farm dog bites). Treasury also makes the point that "targeting people who already comply with the law would be unlikely to reduce the risk of dog attack"².

7.3 We are also concerned about increased local authority administration and enforcement costs resulting from the micro-chipping requirements and the impact on our members through higher rates and higher dog registration fees. We are concerned that higher registration fees would discourage people from registering their dogs and defeat the purpose of registration.

² T2003/1708: Briefing for Cabinet Policy Committee 8 October 2003.

- 7.4 There are three courses of action we would like the council to consider:
- A. Firstly, we would appreciate the assistance and support of your councils in **seeking a change to the law to at least get an exemption for working dogs**. We are hoping that common sense will prevail before July but we can't take this for granted.
 - B. Secondly, Federated Farmers requests that in the meantime your council does **not actively enforce the microchipping of working dogs**.
 - C. Thirdly, because the general public is the intended beneficiary of microchipping then we submit that any associated **administration and enforcement costs should be spread across the wider community through funding from district-wide uniform annual charge**.

8. CONSERVATION INITIATIVES

- 8.1 Most farmers have a strong conservation ethic and a number, particularly on Banks Peninsula, have set aside parts of their land for conservation purposes by fencing off wetlands, native bush and other significant natural areas and placing covenants on them under either the Queen Elizabeth II Trust or the Banks Peninsula Conservation Trust.
- 8.2 Federated Farmers is aware that Christchurch City provides rates remission for covenanted land under the QEII Trust but we would appreciate confirmation that similar treatment will continue for land held in covenant with the Banks Peninsula Conservation Trust. Banks Peninsula District Council also provided the Trust with funding, which has been used mainly to carry out land surveys.
- 8.3 We request confirmation that Christchurch City Council will **provide rates remissions for land held under covenant with the Banks Peninsula Conservation Trust and that Council funding will continue for the Trust**.

**APPENDIX ONE
PRESPECTIVE ON RATES FROM A BANKS PENINSULA FARMER**

**BANKS PENINSULA 'OUR PLACE'
CHRISTCHURCH CITY COUNCIL VISIT
RATES AND RATING ISSUES March 2006**

1 A PERSONAL PERSPECTIVE Mark Shadbolt

BARRYS BAY ESTATE 812 Ha (730 Ha EFFECTIVE) APPROX 6800 STOCK UNITS (Su)

- Mix of freehold and leasehold land including approx. 15ha QE2 Trust reserve established 1989.
- Farming sheep cattle deer.
- Approximately 39 neighbours - 2 dairy farmers , 3 sheep/beef farmers, balance lifestyle blocks and 1/4acre sections.
- Runs from Duvauchelle hotel to hilltop hotel to Wainui - very reliant on shifting stock on roads.
- Approximately 8 privately run water schemes mainly gentlemen's agreements - for housing and stock water.
- Family farm - lived here for five generations - not about to leave or cease farming
- We have a real passion for the area and what we do. Proud of our stock and land.
- Live with free market forces, climate and politics (local , regional and national).

Rates vs. Income

2005 \$430,000 Gross Income (approx. 55% running costs). After Capital replacements, Debt servicing / reduction Tax etc we Draw approx. \$35,000 to live.

2005 rate \$22,804 = 5% gross income or \$28/ha or \$3.35/Su

2006 \$ 413,000 GI **Rates \$25,200** = 6.1% of gross or \$31/ha or \$3.70/Su

2007 Estimated \$410,000 GI **Rates \$27468** (includes approx. increase of 9%) = 6.7% of GI or \$33/ha or \$4.03 /Su

Examples of other farm operating costs

Animal health \$21,000

Wages \$21,000

Shearing \$22,000

Vehicles \$18,000

Weed and pest \$16,000

To rent land it costs approx \$12 - 20 / SU or \$90 - 150 / ha depending on size , location.

2 Comparisons of Rates paid elsewhere in rural areas.

- Springvale - Little River - 860 ha 2005 rates \$13287.40 or \$15.45/ha
- Wairarapa Farm - 1040 ha - 11600 Su - Rates/ins - \$19456 or \$18.70 /ha or \$1.66/Su
- Wairarapa Farm: 780 ha - 9300 Su - Rates/Ins - \$16984 or \$21.77 /ha or \$1.81/Su

3 What do we get in comparison to our city friends

Rural	City
Great place to live	
Great people	
Library - 20 minutes away	Several libraries Universities CPIT etc
Refuse Centre - 10 minutes away	Rubbish collection
Supply and Maintain our own water	Water supplied
Supply and maintain our own sewage	Mains sewer and storm water
Shingle road - average maintenance	Tarseal roads, footpaths, lighting
Limited acces to sports facilities	Many Theatres, clubs, sports facilities, taxis, restaurants

4 Concerns

- Potential Rate increases annually in the order of 9% annually or 06/07 - 8.55%; 07/08 - 7.03% ; 08/09 - 10.75 % and that by 2015/16 rates revenue will be 62% higher than 2006/07. Our rates will then be something like \$44498 .
- What is wrong with living within your income like the private sector has to??
- What is wrong with increases which relate to the rate of inflation e.g. 2-3 %.
- Even if you do get the rate take can you maintain the basic infrastructure e.g. roads, bridges water sewage etc. To date only an average job has been achieved and in some case failed e.g. the recent bridge debacle.

5 The good news

- We appreciate the effort of the combined group of Fed Farmer and City Councillors which debated and retained the issue of the differential rating for rural rate payers which is set at 75% of the general rate. Thank you for that. Please see that it is maintained for a number of good reasons
- Future rate payment to CCC - With the help of Nick Clark from Fed Farmers we have assessed the likely Rate payment for the 06 and 07 years now that we are with CCC. Based on \$5,594,900 CV and 14 rate demands we will possibly pay 2005/06 (if we were with CCC) Uniform Annual Charge \$115 x 14 and 0.00190377

Capital value general rate = **Total rate \$12261.4**

2006/07 0.00218784 Capital value general rate plus the Uniform annual charge = **Total rate of \$13850.75.**

This is exciting news and I only hope that the calculation is correct and that it continues on through the coming years.

Finally I was pleased to read in the Press 28 /3/06 and it quotes Chief Executive of CCC Lesley McTurk "My mandate from the council was to move the organisation away from its bureaucratic, non accountable roots to a savvy, business-focused organisation that delivers a value - for - money service to the rate payers." Thanks to Lesley McTurk, we hope this philosophy can be followed through.

Please note: this note was prepared by Mark Shadbolt prior to the property revaluations to bring Banks Peninsula 2003 property valuations into line with those of the City (2004). This resulted in Mark's rating valuation increasing by 51% to \$8,474,500.