

*Submission to Christchurch City
Council for inclusion and alteration to
the Long Term Council Community
Plan.*

*Christchurch Rural Ratepayers
Association Inc (CRRA), 5th May
2006.*

Preamble.

The CRRA is an independent group of rural ratepayers residing in the Christchurch rating area. We have previously presented information and views to the Christchurch City Council both directly and to the Long Term Community Plan.

At this time there has been no change to the LTCCP in terms of the meaning of rural with relation to rating despite our submissions. Furthermore the rates cost to our members has become sufficiently high as to cause concern. With further significant rate rises projected we are anxious as to the affect this will have on us, as to the fairness of the system, and the necessity for the increases in the first instance.

Given the number of times that we and others have submitted on these matters and due to comments by council staff over the past months, we are perturbed that the draft LTCCP, as presented, is in fact 'set in stone', rather than a fluid document, with all submissions treated as possible until otherwise proven. We seek council assurance that in fact they are freely able to set policy and direction, and are of a mind to do so where adequate reason is given.

This document presents some of these concerns with suggestions as to mitigation and improvement that may be made.

Rates – History.

The history of Canterbury through the years shows us the formation of the Canterbury Provincial Council, various roads and drainage boards and other specialist groups formed to deal with specific situations. Later the provincial council was disbanded and various borough and county councils came into existence, charged with the duty of providing services to residents within their area. Residents were assessed for these services and had reasonable immediate access, input and influence into the running of their council.

In later reforms these councils transformed into what is presently the Christchurch City Council. Research by the CRRA has shown that in a number of cases the rise in rates burden increased significantly (eg Heathcote 30%) yet any presupposed benefit was tenuous in the least. Furthermore the responsiveness of council to its groups of ratepayers appeared to reduce in proportion to the irrelevancies introduced over the years. In other words the core reasons for the existence of the original councils were subsumed as costs for non-core activities began to significantly increase. Non-core activities are typically those not directly related to property servicing and which do not have universal benefit.

While the latter is perhaps arguable (it is clearly opinion) the former is not. Facts repeatedly show us the funding of non-core activities has increased enormously and that these activities do not directly – or even indirectly – benefit many ratepayers. It is as if council has turned from providing a service for which payment is required, to requiring a payment for which it then decides how to spend. There is a subtle and important difference here, particularly for definable groups of ratepayers such as the rural sector. In this instance one may more clearly define exactly what council does for this group and what value it may obtain from council.

Where rate costs are relatively low, and a person may see what their money is spent on, and that that money benefits their property or that of their direct neighbourhood there is, generally, little contention. However as these costs increase and there appears to be little or no benefit as a result people become angry and disillusioned with Council. This increases more as the apparent lack of representation - and more importantly responsiveness – stifles their opportunity to change this. Furthermore in some cases the rates burden increases to a level that is close to untenable by some individuals. As the present system is applied the charge to people bears no relation to their individual income, let alone services to their property, thus belying council contention that 'rates are a tax'. After all in this country at least taxes have an obligation to be fair and bear some relation to individual or business income, or the output resulting from the application of the tax.

This submission by the CRRA intends to cover a number of areas:

- The need for better rural representation. Specifically the need for a rural community board.
- The need for council costs to reduce, re-focus on the core reasons for a council existence (within the present framework of the 2002 Act) and introduce direct fiscal responsibility.
- The need for council income to be derived fairly and any rates levied to be in greater proportion to what it provides to a property. In other words an increased reliance on targeted rates, and a reduction in indirect rates where no specific benefit may be demonstrated.

The CRRA believes that this would address a number of the problems it has identified that have occurred over the past few years and which lead to great disgruntlement by its ratepayers. Better and more direct representation, reduced rates and fairer imposition of cost related to benefit.

Representation.

It has become evident to the CRRA that there is no one councillor, nor community board that represents Rural interests. Councillors have specific areas they generally represent, as do community boards, but for rural ratepayers, perhaps the most clearly definable group of ratepayers within the council, it is more than a little confusing and distressing when it comes to attempting to make a difference. It might be said at this stage that the CRRA recognises and thanks the efforts of those councillors and community boards that have assisted us in the past. For that we are very grateful.

Nevertheless there is precedent for this request by the CRRA for a rural community board and rural councillor. In recent statements the Local Government Commission (LGC) has stated that community boards may well represent a particular group rather than just a proportional number of ratepayers. Likewise with Councillors constituencies. Furthermore there is very recent precedent that has been set by the CCC itself. We note the formation of community boards of interest representing areas of Banks Peninsula that bear no relationship to numbers of ratepayers (in comparison to other community boards.) Likewise Banks Peninsula has its own councillor, once more a 'special interest' councillor rather than simply a proportional representation.

It has become clear to the CRRA that rural ratepayers interests have been considerably under-represented in the past when we consider the increase in council costs to us. In other words the level has been reached where council rates have raised themselves to a level that makes us angry, see no improvements or return for these large payments, and feel powerless to affect how our money is spent. If history is not to be ignored, and recent information is to be heeded the implications are that this feeling is not likely to be assuaged in the near future if things are not changed.

Accordingly the CRRA requests:

- *A community board specifically to represent the rural area.*
- *An additional councillor whose responsibility is for people in the rural area.*

Council Costs.

Council costs have burgeoned to the point where double-digit rate increases are contemplated and these increases are at a level of three times the increase in the wage and salaries index! (Which is a good measure of an individual's ability to pay.) Perusal of the draft LTCCP and other information provided by council demonstrates that a considerable amount of these costs are for non-core activities. Some of these are:

- Housing
- Shows
- Gallery
- Other events and festivals
- Community grants
- Early Learning Centres

Council in the draft LTCCP have indicated that they cannot maintain rates (and therefore presumably costs) at CPI if *services* are to be maintained at present levels. We have put the emphasis on services because we consider that if it were simply services the council were dealing with, then any potential increase in rates, and the base level of rates, would be considerably less.

Council have over the years become somewhat vague in its service deliveries to the point where we consider the meaning of 'service' has been lost. The introduction of such things as conferences, (Garden) parties, housing, and community grants can hardly be described as a 'service' per se. In most households it is normal that when costs escalate to a point beyond that which may be considered sustainable or reasonable, cuts are made, and generally those cuts would be made to things that are not needed for the sustenance of life – ie. those items that may be considered as fripperies or extras. In this matter we consider the council has not reasonably addressed those items that are non-core services from a point of view that is critical in relation to their absolute need for the normal continuation of the city.

- *Accordingly we request that the council examine and reduce these non-core activities from a perspective of necessity and equity. If these activities are being funded by people who are not benefiting then they are in fact exercising philanthropy on behalf of people who may not choose to be philanthropists. This is not only morally reprehensible and insulting but is not a reasonable function of a council.*
- *Specifically council reduce its direct financial involvement in shows, festivals, conferences, galleries, grants, early learning centres and other similar non-core activities (leaving the way open for those who choose to promote and organise such things the opportunity to do so).*
- *That council introduce a charging mechanism, based initially on simple cost recovery for functions such as the Art Gallery (presently costing the ratepayer \$23/visitor) and which are not a requirement of the Local Govt Act (as libraries are).*
- *That specific operational areas where there is a clear individual benefit requiring significant capital cost fund that capital cost directly from operational charges or targeted rates – for example Waste water, a bus exchange, and that this capital cost not be paid for from the general rate.*

The CRRA is specifically concerned that the capital cost of such schemes as waste water is to be funded from the general rate. For those of us who have our own water and waste schemes, and have paid for these, this is clearly inequitable. There is no benefit to these properties and should this be continued council should also fund us similarly in recognition of our capital expenditure.

Rates – cost to individual – increases unsustainable – need to peg back and treat ratepayers as customers.

Recent moves by Council staff have seen a large number of submissions to council and public calls for fairness and proper direction in the setting of rates to rural properties within the district. Ratepayers within the rural area have seen significant rises in payment to Council over the past few years, particularly compared to other groups of ratepayers. There has been little or no commensurate improvement in services, or any other definable change to the benefit they have received for these payments. Council staff have proposed that many of them should pay a residential rate (adding a further 25% to the cost of their general rate) simply because – it would seem on the face of council 'evidence' – they live in larger or more expensive houses. In practice this move has seen a large number of 'ordinary' rural ratepayers being put into this category, people who are already finding their rates bill quite a burden, already question what they get for this payment, and are wondering just what benefit they or their property receives from it?

Whilst recognising that there is a need to pay for some collective benefits most ratepayers (across the spectrum) consider that rates are generally a payment for services provided. Indeed the various Acts under which Council operates would tend to encourage this view – they speak of costs, benefits and outcomes. We consider the reason for this is, quite simply, that the Act recognises costs should be distributed fairly to those that receive the benefit – it is not the function of Council to 'tax' people according to perceived wealth since it does *not* have the capacity to do this fairly. Fairness and equity in the case of rates are related to what services a property receives, either directly or as a general

benefit, and is particularly important in this case since ratepayers are unable to seek service from a different provider should they feel they're being poorly treated. Thus it is beholden upon Council to act reasonably and consider its ratepayers as individual customers to a certain extent. People coming to them for water supply, footpaths, street lighting, beautification of their area and so forth.

Rural ratepayers have demonstrably less requirements from a local authority and in our experience demand somewhat less from Council. They tend to be more self-contained and place little general burden upon service providers, other than perhaps the reasonable maintenance of roads.

We note, however, in the case of rural properties within the present Christchurch district the major use of many of these roads may in fact not be by residents but by transient vehicles – people getting from one place to another (eg, Kaiapoi to ChCh city, Belfast to Rakaia). Furthermore a number of the roads are maintained – or at least receive considerable funding, from Transit NZ (eg Summit Rd). Neither do rural properties gain benefit from 'living streets' that are constructed in the City area for example.

From the perspective of general services arguably rural people will use a library, or perhaps a swimming pool from time to time but the nature of the distance from their property to this amenity is such that the usage will tend to be somewhat less. Any value from the service in terms of benefit/effect on the property is greatly diminished, if not non-existent. Council tends not to provide swimming pools, parks, playgrounds or other such services within similar distances to rural properties as it does within the urban area. Certainly they cannot walk to such amenities on a footpath! In any event these are not direct benefits.

Commonly in the rural area there are no footpaths, no or greatly reduced street lighting, no traffic calming measures, no cobbled streets and often no water, sewerage or drainage supplied by Council. It should be noted that although the use of targeted rates ensures that those without water or waste water disposal services do not pay for the City schemes, the actual cost of personally maintaining their own systems exceeds that of the city scheme by a considerable margin. To add insult to injury, the rural ratepayer then has to pay general rates on the increased property value caused by the private water supply and sewage treatment system. We now note (as far as is possible to decipher the City accounts) that rural ratepayers may be paying through the general rate for servicing capital expenditure on the city waste/water system. This is a double jeopardy situation and patently unfair. If this case is to be maintained then the Council should be paying its rural ratepayers money to maintain their water and waste systems.

One may think that rural property owners are desirous of all these things, but in fact that is usually not the case. Although there may be a few individual owners who would like to have such niceties all of the people we speak to simply accept this as part of living where they do. In terms of asking Council for money, increased services and the like we are ourselves unaware of any large-scale requests. It is noticeable that many people have said that if Council chooses to rate them residentially they will be asking for, and expecting, similar services to those in residential areas immediately they are required to pay for them.

Council has previously recognised the lower burden on service provision, the greater need for individuals to supply their own services, and the reduced value and/or spend on rural properties through the rural rating differential. This differential also assists with the unfairness of Capital Value rating which is hitting many of us particularly hard. We concur with this general reasoning although our opinion on the amount of differential differs from that presently in place, and we consider – strongly – that greater use must be made of targeting rates more clearly on areas of benefit.

From this point on our research and perspectives diverge from that of Council Staff.

Rural Rates – the need to be fair and equitable.

It is a general requirement of the Local Govt Act(s) that areas of benefit are charged accordingly. In simple words if you have a rubbish collection, water supply or waste disposal service you should pay for it – if not then there should be no payment.

Clearly in the case of most rural properties, as we have shown and are in agreement with the broad thrust of council policy, the service levels from other more nebulous items such as footpaths, cobbles, lighting are significantly less - if non-existent – to rural properties. In the case of libraries, pools and the like the usage and value is also considerably reduced.

To a certain extent this is recognised by the general rating differential, presently at 75% of the 'standard' rate and as such Council could argue that they are adhering to the requirements of the act as a result of this. While the CRRA considers, along with other groups such as Federated Farmers, that Council rates should be more directly targeted – and not predominantly based on a general capital value as it present is - we will set aside that issue for the present in the interests of clarity on the current problem.

Which leads to what the problem actually is.

Some time ago council inserted into its policy the ability to alter the rating level according to property *use*. This policy has been aggressively pursued by Council staff against rural properties, particularly it would seem in the past couple of years. Of course once any change to residential rating occurs in the landowner is forced to pay more in rates. Council staff appear to have used this latter fact in some cases as a reason for justifying their move – suggesting that of course people will simply object to paying more, human nature etc and so dismissing any genuine response out of hand. Unfortunately this perception may have clouded the actual issue that many rural people have – that of simple fairness, services, benefits and expectations.

This issue is that there has been no commensurate change in the level or type of services that is provided to these properties, nor the value of any central city services to the properties or their inhabitants. In other words they may still receive small or no benefit yet are required to pay an increased amount as if they did – clearly in contravention of the Act, and, in terms of natural justice, quite unfair.

Furthermore we note that neither has there been any concurrent change in the zoning of these properties that council staff have changed the rating of. This presents a twofold problem to owners – in the first instance many are confused by this, believing that rates and zoning are so closely related as to be one and the same thing.

We concur.

Secondly, given the nature of the capital value rating system in use by council, they are being forced to pay high rates on larger parcels of land that they are unable to use in the same way as others in a concurrent zone enjoy. In other words a person faced with higher rates on a larger block of land in a residential zone has certain rights in terms of perhaps being able to sell a portion of that land in order to (1) reduce the rates impact on their living block (2) gain some funds to offset the increased rates demand. Where the rating is residential, but the zoning is rural, landowners are unable to do this.

At this point we feel it necessary to counter any suggestion that rural landowners are 'in it for the money' and all wish to sub-divide their properties. In fact almost all the property owners we speak with express a clear desire to maintain their properties as they are – after all that is why they live where they do. However it is clear that as rates costs are increased well above the CPI, and/or any general income index, the pressure is increased considerably upon us to the point where we will be demanding the ability to sell portions of our properties in order pay these rates. We consider this is not desirable for either ourselves nor the city as a rule, given the paucity in rural land close by.

We note that council staff have previously expressed the view to a number of rural property owners that they are demonstrably wealthy and so can afford to pay more. We are not aware of any section in the Act(s) under which local authorities operate that allow such authorities to become a wealth distributor. As the income details of individuals are not known by council this statement – and general thrust – is not supportable in fact and (rightly) of course is highly contentious. Quite a number of our members in fact are either retired, hold 'normal' jobs (teachers, sales people, engineers, nurses, cleaners) and/or glean an income from their property. In many cases they will have been on their property for a number of years and have simply found that encroachment of the city into the area has raised the value of their property significantly – even if there is nothing they may do with it in terms of normal residential activities. A few will have a higher income but Central government is the assessor of that and how they choose to tax that person. The role of Local Govt in this case is to provide services to a property for people and charge fairly for those services.

This latter point cannot be stressed enough – a person *may* have a largish house, they *may* even have a high income and do nothing more than mow their lawns but what council *provides that property*, and spends on it, is considerably less than those properties in many residential and business areas.

It has also been variously suggested by council staff that rates are a property ‘tax’, and as such the intimation is that there is no requirement to demonstrate a link to ‘user pays’. We disagree with this view – strongly – and believe that not only does the Act disagree but also that the average person in the street does so as well. In terms of some things such as general roading, cost of democracy and the like there is little or no ability to differentiate between the public and private benefit. We agree that it is reasonable to rate properties similarly for this type of activity – but not where there is a demonstrable service – or lack of it – to a property. Asked in the street people say their rates are for roads, footpaths, lights, parks etc – but what if you don’t get some of them? Well you shouldn’t have to pay, they say (residential, rural and business ratepayers alike).

So to sum up the issue at this point:

- Rates are not a wealth tax – there is no provision, nor mechanism, for this to fairly occur.
- Rates are to be levied according to benefit or areas of benefit, or location, or what is permitted on the place, so says the Act, so say average people.
- Benefits to rural properties are less, both directly and in general (ie. area of [un]benefit]. Accordingly rates should be levied to a lesser degree.
- Council recognises this and has a mechanism for it but in some quite random cases appears to attempt to levy on a basis apparently related to wealth. Ostensibly this is a use-based rate but the link to benefit, and concurrent zoning to that use, is missing.
- This latter move is highly contentious and has led to significant stress for a number of people. Rural landowners feel the council is actively pitting itself against them and feelings are running high. Perhaps more importantly this move may in fact not be acceptable under the Act.

Accordingly we advise that in the interests of fairness, equitability and legality, council should adopt a policy that more clearly recognises areas of benefit, cost and service level, and levies rates to each property accordingly. Furthermore if council considers that areas of land are being used solely for residential purposes, and feels that this is somehow unreasonable and desires to charge residential rates on that property it should alter the zoning at the same time as rates so that there is no confusion and no inequity.

There is clear provision in the Act to allow this. Broadly speaking ability to define land for rating purposes includes – amongst others - (1) permitted activities for that area of land (2) the provision of services to the land (3) where the land is situated. Clearly these provisions equate with zoning, and where not then the zone could and should be changed to be in keeping with – and allow all benefits of - the activities council claims to be occurring on that land through its rates policy application.

Finally, were the Council to levy a rate based on the *use* of a property in order to be fair and equitable it would need to consider properties across the entire spectrum. For instance the thousands of residential homes that have businesses run from them should perhaps be paying a business rate if this model were to be adopted.

To re-iterate, as unlike most other areas of life, a person may not go to a competitive council to obtain satisfaction, it is significantly more important than usual to address the fair, equitable and reasonable nature of what council does and what it charges for.

It is beholden on us to note the increase in projected rates rise following the amalgamation of Banks Peninsula into Christchurch City. Regardless of expectations in Banks Peninsula, or whatever public statements by various people and organisations, there has been no mandate from Christchurch people to subsidise any costs incurred by this move. It would not be fair, nor equitable, to do so in terms of anything more than administration costs and the like. Nor is it really allowable in the Act. Therefore we suggest:

Banks Peninsula requires a Banks Peninsula Zone, with Rural, Residential and Business subzone and rating structures. Costs and income should be clearly attributable to definable areas of interest (as they should to the various Christchurch zones).

Already since Banks Peninsula has been made part of the City our projected rate increases have gone from a little over three percentum to around ten. This is strangely at odds with statements made by both the LGC and CCC in preceding months.

Concurrent with our policy and research findings, and as we have previously stated, zoning and rating should be one and the same, and as far as practicable different but relatively homogenous groups of properties should pay according to their costs and benefits. The far-flung and sparse nature of Banks Peninsula will mean that in order to be fair targeted rates will be necessary since these costs and benefits are vastly different and more definable than say those of urban Christchurch. Clearly a rural property in Le Bons Bay for example should not be paying any contribution towards the capital cost of a Christchurch properties waste water, nor will they benefit from any inner city redevelopment.

To summarise this section our recommendations and requests for inclusion into the LTCCP are:

- *Council recognise and establish policy that ratepayers are consumers and contractors of a service, that they (ratepayers) have an expectation of certain service levels for which they pay and that council has an obligation to provide these services at an affordable and reasonable level.*
- *That properties that do not receive a service will not be charged for that service, either via targeted rates or in the general rate.*
- *That the definition of a rural property be 'properties that are situated in the rural zone'.*
- *That the rural property general rate differential be set at 60% in recognition of the lower benefit to rural properties of council activities, the lack of direct council enhancements, the double-jeopardy costs in rural property water/waste systems.*
- *That rating policy be amended to change to a flat structure over the next 5 years. Specifically that greater use be made of targeted rates where clear benefits to specific properties are identifiable and that the threshold for this be set far lower than at present. That in the case of services such as waste water the charge be based proportional to the recovery costs per property, that is to say the total cost (including capital expenditure costs) simply divided by the properties that benefit.*
- *That Banks Peninsula be zoned and rated separately from the city as befits a definable group, recognising (as per the LGC statements) that it is situated in an area of special interest, and that rates levied be applied solely to recover the total cost of maintaining that area.*

It should also be clear from our policy that should ratepayers from a specific area request specific and large-scale improvements then the benefits of that be paid for by those that benefit. Thus in terms of any development to the central city area we recommend that this be wholly charged to those properties that will obtain the direct benefit from this.

Summary.

- Widespread concern from rural ratepayers over cost increases.
- Rates as payment for services and/or benefits
- Ratepayers are customers of Council
- Rural people use, and receive less benefits and services from council
- Differential is to account for this in part
- Reduced service and benefit regardless of property use.
- Confusion, unfairness and resentment over rating when not in zone
- Zoning can, and should, equate to rating, definitions that may be used include:
 - Permitted activities (eg zone)
 - Provision of service(s)
 - Where the land is situated
- Rate increases to rural properties have been high and extensive already
- Increases, in part due to re-valuation in addition to rate increases, are unsustainable – note that general increase of small percentage may equate to large actual dollar amount for rural owner.
- Flat-rate targeted rates, direct charges and greater fairness/transparency in setting rates will alleviate this burden and problem of unsustainable cost increases.

Local Govt Act, some relevant portions

Funding considerations in relation to each activity:

- Community outcomes (public good)
- How outcomes distributed – individuals, definable area or across the board (private good?)
- Period of benefit
- Extent to which a definable individual or group contribute to need for activity
- Costs and benefits of funding an activity
- Overall impact of allocation of liability for revenue needs.

Rural people are:

- asking for fair treatment
- in a definable area with definable benefits and costs
- ordinary people too, with ordinary families and incomes
- finding actual rates charges and increases becoming unsustainable due to nature of charging
- asking for change in policy to reflect and deal with the concerns presented
- requesting significant re-evaluation of *services* and reduction of costs
- requesting a representational community board and councillor for the rural area.

Bibliography.

This information is provided for those interested in the history of Christchurch and the origins of the present-day Christchurch City Council. It does not represent in any way the complete list of publications we have consulted during our research.

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