Overview

Our Community Plan - Overview

Rates are the main source of funds for the Christchurch City Council to carry out its activities (other funds come from fees and charges, government subsidies, interest and dividends). These activities maintain the day-to-day operations of essential infrastructure and community services in the city, as well as planning and constructing the major capital projects needed to accommodate the continuing growth of the city.

As Christchurch continues to grow, the Council must plan to ensure that adequate infrastructure is provided to support the quality of life that residents expect.

Many of the major infrastructure costs incurred by the Council are for essential "business as usual" projects which ensure the city keeps up with basic needs – like maintaining and renewing our roads, parks, water and sewerage networks, or developing the infrastructure for new subdivisions.

Business as usual also means absorbing increasing responsibilities resulting from the city growing. For example, since 2001 our roading network has increased by 51 km (averaging about 14 km per year) and our areas of parks and open space are increasing by 80 hectares per year for regional parks, and eight hectares per year for urban parks.

Additionally, over time, the community has called for investments in new projects, such as improvements and enhancements to city assets, environmental improvements or the development of new community facilities such as libraries or leisure centres.

Early last year the independent magazine *Consumer* undertook a major survey involving about 8,000 readers, examining 48 councils around New Zealand, including the Christchurch City Council. The results showed that the Christchurch City Council scored above average in all five categories surveyed: household services, community services, community facilities and staff and public relations. Of all the country's large cities, only Christchurch scored above average in every category. Consumer also made a rates comparison, based on comparing the same "basket" of services for each council. Christchurch rates were lower than those in all other major urban centres.

Rate levels for the next few years will be challenging. The average increases in rates for the next three years are projected to be:

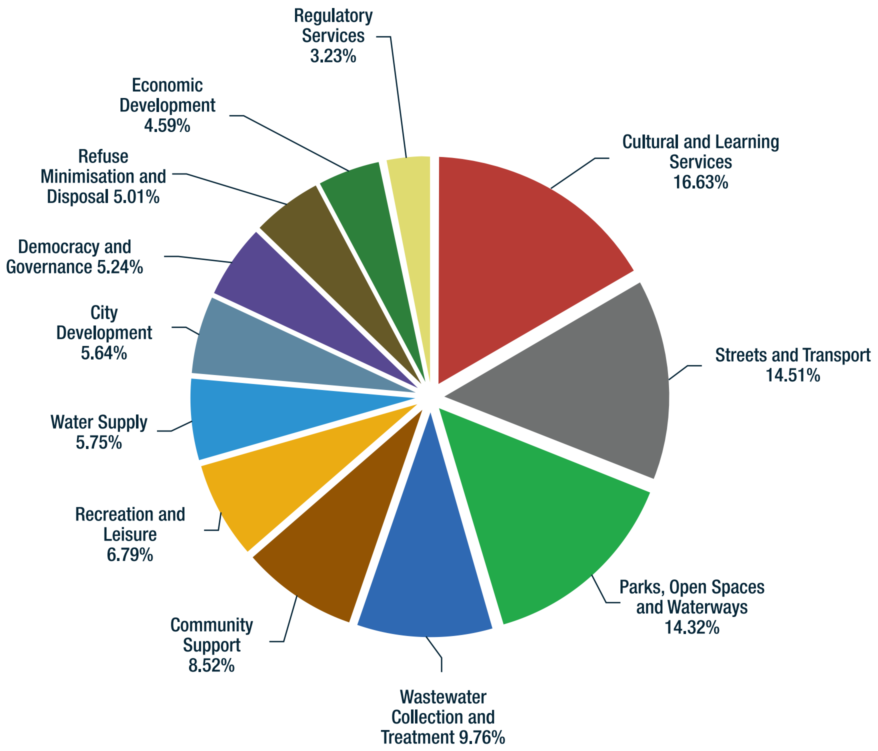
2006/07	2007/08	2008/09
8.20%	6.78%	8.77%

As with many other local authorities we are not able to maintain rates at the Consumer Price Index (CPI) without a significant drop in service levels. While 8.20% is the largest for many years for the "average" ratepayer, it represents an additional $1.85 a week. The recently-announced Government Rate Rebate Scheme, which sees the maximum rebate increased from $200 to $500 and income thresholds also increased, will significantly assist many ratepayers. It is estimated that up to 30,000 Christchurch ratepayers could be eligible for this rebate.

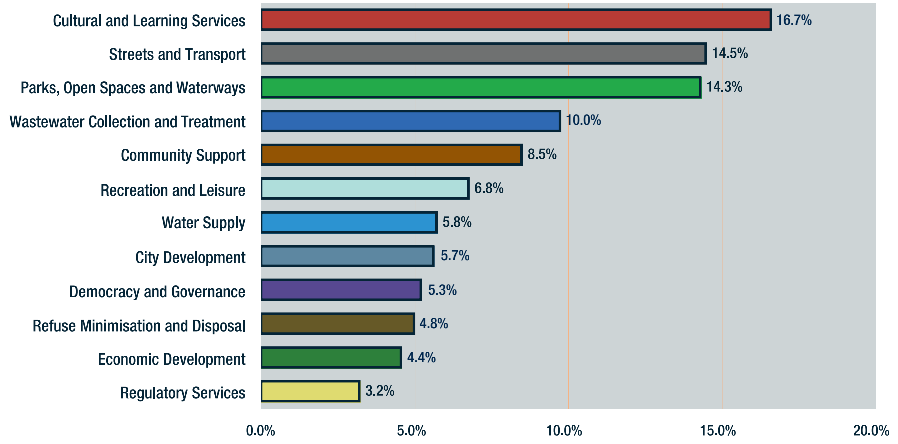
Overview

The following graphs show how the proposed rates revenue for 2006/07 will be allocated to fund the range of Council activities.

The Proposed 2006/07 Rates Contribution for each Group of Activities



Where Your Rate Dollars Go



How your rates will be spent 2006/07

	GROUP OF ACTIVITY	Net Cost (million)	Percentage	Rates per Dollar	Ave Resdn Rates/week
1	Cultural and Learning Services	$38,802	15.4%	15.43c	$3.47
2	Streets and Transport	$42,310	16.8%	16.83c	$3.79
3	Parks, Open Spaces and Waterways	$36,572	14.5%	14.55c	$3.28
4	Wastewater Collection and Treatment	$26,034	10.4%	10.35c	$2.34
5	Community Support	$19,645	7.8%	7.81c	$1.76
6	Recreation and Leisure	$18,011	7.2%	7.16c	$1.62
7	Water Supply	$13,568	5.4%	5.40c	$1.22
8	City Development	$15,186	6.0%	6.04c	$1.36
9	Democracy and Governance	$9,814	3.9%	3.90c	$0.88
10	Refuse Minimisation and Disposal	$14,893	5.9%	5.92c	$1.34
11	Economic Development	$10,550	4.2%	4.20c	$0.95
12	Regulatory Services	$6,044	2.4%	2.40c	$0.54
		$251,430	100.00%	100.00c	$22.55

Overview

Underpinning this LTCCP is a comprehensive set of activity management plans, which describe the levels of all services that ratepayers and residents of Christchurch receive from the Council. The activity management plans are summarised in the "Groups of Activities" section of this document beginning on page 91. All business-as-usual activities undertaken by the Council must be clearly stated, with targets for the next 10 years, and measures to assess our performance against those targets. Examples of activities include the provision of clean water, a sewerage system and the collection and transfer of solid waste to landfill. For each activity in the activity management plans, the Council must also provide detailed financial information for the next three years, and longer term financial forecasts for the following seven years.

Business as usual also includes retaining three service centres on Banks Peninsula – at Akaroa, Little River and Lyttelton – for a minimum of five years. They will provide the same over-the-counter services that were available from Banks Peninsula District Council at the time of amalgamation. For services apart from those delivered from service centres, the City Council has agreed to the levels of service being ring-fenced for five years from the date of reorganisation. In the interests of consistency and efficiency, the City Council's intention is, over time, to align services with those it provides for city residents. The City Council appreciates that situations will arise where exact mirroring of existing city services may be impractical or inefficient and in such cases it intends to work with Peninsula communities to develop mutually acceptable and practical outcomes.

The levels of service described in our activity management plans determine the Council's cost structure. There is currently tremendous pressure on costs, particularly in those areas of Council business that relate to the construction industry, or that require the consumption of non-renewable resources. These escalating costs are far beyond cost increases reflected in the Consumer Price Index (CPI) and affect about 40% of the Council's operating expenditure. For example, street cleaning costs have increased by nearly $2 million per year, which alone equates to a 1% increase in rates.

In this Community Plan, the Council is treating inflation in our financial forecasting differently from previous years. The standard allowance of 2% for capital inflation and less for operating expenditure, has clearly proven to be insufficient in recent years when compared to what has actually happened in the market place. For example, Council has experienced increases of up to 50% for water and sewerage pipes alone. The Local Government Act 2002 and generally accepted accounting practice requires financial forecasts that reflect forecast price increases. Business and Economic Research Limited (BERL) has developed a range of inflation factors for New Zealand councils to use as guidelines/benchmarks, and Christchurch City Council is using the BERL figures (for a long-run trend in the average) to shape the decision on where to set the rate of inflation for our forecasts. The actual inflation figures used are set out on page 209.

Perhaps the biggest factor in any rates increase is the Council's capital programme, which is the construction and development of major infrastructure projects. In developing Our Community Plan, the Council has reviewed and prioritised a range of community and infrastructure projects. The result totals $1.9 billion worth of projects over the next 10 years (please see page 84 for more detail).

It is important to note that the impact on rates from these projects is *on top of* any other rates increases arising from normal pressures such as inflation, city growth and increased day-to-day operating costs. Because of this the Council has redefined how it views capital expenditure.

Our proposed capital programme include projects which focus on maintaining public assets at the agreed standard; they are reviewed by the Council each year. These are primarily renewal and replacement programmes, and are described in the "Groups of activities" section of this document. There are also capital projects which improve existing or create additional assets. Please see the "Capital works programme" on page 84.

The capital works programme supports our Community Outcomes. With the city continuing to grow, demand for our base capital programme likewise increases. The impact of this is that for any level of capital expenditure set by the Council, the amount available for any other capital projects is somewhat limited.

As part of formulating this LTCCP, the Council reviewed all activity management plans and the service levels provided, searching for areas where cost savings could be made and rates increases moderated. The proposed savings were consulted upon and as a result net operating costs have been reduced by $13.9 million.

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The Council has requested a review of a number of key strategies to determine where it can deliver more, or differently for the same cost, in the future. Some of the strategy areas for review include parks, open spaces and waterways, major festivals and events, community grants and water conservation.

It is important to signal in this LTCCP that other reviews may take place to consider how best to deliver housing, water and waste. Any proposals for change relating to how the Council will deliver these services will be presented to the public as an amendment to this LTCCP or in the 2009 to 2019 LTCCP to be prepared in three years.

While water and waste services are critical for all ratepayers, the capital requirement for them is $499 million over the next 10 years. It is worthwhile investigating these services to identify if any improvements can be made. For example, other major cities have separated their water supply activity into a Council Controlled Trading Organisation - CCTO.

This LTCCP sees us make changes to four major policies:

Policy on Determining Significance

The guidance level for budget decisions for allocating expenditure has been increased from $0.5 to $1 million, to better reflect an operation of our size with a turnover in excess of $380 million.

Development Contributions Policy

This has undergone a complete review. The changes are significant, and the Council's new policy is published as Volume 2 of this plan. The policy adopts the principle that "growth should fund growth". The Council believes that where growth is a contributing factor, developers must pay their share towards financing the capital costs incurred through this growth (for example new roads, water and sewerage infrastructure), rather than the general ratepayer meeting all the costs. However Council has determined that the 2006/07 year will operate with a transitional arrangement in place with regards to the level of development contributions charged. Please refer to Volume 2 for more detail.

Revenue and Financing Policy

The inclusion of Banks Peninsula into the city has seen us make a slight change to our rating policy relating to Maori land (where the Banks Peninsula District Council had numerous Maori land units, the city only had one).

The Council has also established that when determining its capital-expenditure financing, it will move away from its 20-year average capital expenditure approach. Fully rating for depreciation has been reinforced. The average approach worked well with a one-year focus, but is restrictive (and tended to underestimate the size of the capital programme) when used for the 10-year approach required under the Local Government Act 2002.

Liability Management Policy

We have also reviewed our Liability Management Policy and determined that it is more prudent to have the ability to repay loans on assets that have a long life such as streets, water and sewer pipes, and leisure facilities, over a longer term of up to 30 years (previously 20 years). This spreads the cost of an asset over the several generations of people who will benefit from it.

Conclusion

The Council is confident that in putting this plan together staff and elected members have worked hard to find efficiencies and, where possible, offset the effects of increased costs. The elected members were encouraged by the feedback from ratepayers during the consultation period. While some suggestions have directly impacted this final version, many suggestions have been passed to staff to address and will shape the Council's thinking in the years ahead.

However, while we have been able to provide rate levels over the first three years of this plan below those in the draft, the factors mentioned already in this section, coupled with lower than average rate increase since the early 2000s, still culminated in a significant rate increase for 2006/07 and projections for increases for the next few years above those experienced in the past. Rates increases from 2010 to 2016 are forecast to return to more usual levels.

This LTCCP shows the Council adopting a very much back-to-basics approach to ensure that it can deliver the challenging capital programme that is proposed. Despite cost pressures, the Council will continue to provide an agreed level of service to the community. It is well placed to deliver an ambitious program for the future while remaining in a strong financial position.