



SUBMISSION TO
Christchurch City Council
on the

Draft Annual Plan 2007/2008

by

NORTH CANTEBURY FEDERATED FARMERS

MAY 2007

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1.0 Introduction

- 1.1 North Canterbury Federated Farmers appreciates the opportunity to submit on Christchurch City Council's Draft Annual Plan 2007-2008.
- 1.2 Federated Farmers is focused on the transparency of rate setting and the overall cost of local government to agriculture.
- 1.4 North Canterbury Federated Farmers acknowledge any submissions from individual members of Federated Farmers.
- 1.5 North Canterbury Federated Farmers wish to be heard in support of this submission.

2.0 Increases in Rates

- 2.1 The financial overview (page 14) states that there will be an increase of 7.35% in the rate income for the year 2007/2008 (compared with 6.78% budgeted for in the LTCCP). Federated Farmers appreciates that the predicted rate take for 2007/08 is close to that budgeted in the LTCCP. However, a 7.35% increase is large, and well beyond the rate of inflation.
- 2.2 Included below is a quote from Palmerston North District Council's Draft Annual Plan for 2007/2008 outlining their goals for absorbing the rising costs that the Council faces and ways of limiting the immediate impacts on ratepayers:

Absorbing Inflation

Cost inflation is a major problem for all local bodies. The real cost of inflation is above the normal Consumer Price Index, as Councils are subject to market pressures for construction and infrastructure costs, plus the impact of skilled staff shortages. In normal circumstances these pressures would have added 3.6% to rates to maintain budgets. Council has made a bold move to absorb all inflation pressures in year two by not increasing year two budgets beyond their pre-inflation figures. This move equates to a budget cut in real terms of 3.6%.

This is an ambitious goal. Achievement of that goal will require strict adherence to work schedules and budgets. Productivity in all aspects of Council's operations, including Governance, will have to be improved. Staff believe that the target can be met if there is adherence to strict disciplines. Non scheduled work not provided for in budgets will not be possible. The community at large will need to accept that there simply is no money for additional projects. If new projects are mooted, Council will have to either publicly approve additional budgets or, alternatively, accept that other services or projects will have to be cancelled to compensate in order that expenditure stays within budgets. Public acceptance of these caveats is crucial to the success of this initiative.

- 2.2 Recommendation: That the Council make every effort to ensure that rate increases do not exceed the rate of inflation.**

3.0 Uniform Annual General Charge

- 3.1 This year Christchurch City's UAGC has been set at \$115 and will raise 7.6% of total rates revenue. Federated Farmers believes this figure is far too low. In fact we note that the UAGC has been set at \$115 for some years now and as total rates revenue grows the proportion collected from the UAGC has been falling. We recommend that the Council raise the amount of the UAGC until it more closely reaches the 30% cap of the total rates revenue raised as stated in the Local Government Act.
- 3.2 Within the current property-based rating system, Federated Farmers supports the use of uniform annual charges to meet the costs of people-based services where everyone gets the same level of benefit. Federated Farmers believes that Christchurch City should be making more use of the uniform annual general charge.
- 3.3 Although we understand the concerns some have about fairness of the UAGC for the less well-off. However, the Government's expanded rates rebates scheme should help to address this issue.
- 3.4 Recommendation: Federated Farmer recommends that the Council continues to increase the percentage of rates revenue raised by uniform annual charges until it reaches the 30% cap imposed by the Local Government Act.**

4.0 Targeted Rates

- 4.1 This year Christchurch City has targeted rates for water supply, sewage, land drainage, water fire connection and excess water supply which together raise 26.4% of the total rates revenue.
- 4.2 Federated Farmers believes that Christchurch City needs to further utilise targeted rates. For example other councils have district wide uniform per-property rates for governance, library services and waste management, as well as a number of targeted uniform per-property rates such as district library, ward amenities, medical buildings, waste management, etc.
- 4.3 Recommendation: Federated Farmers submit that an even greater use should be made of targeted rates, particularly for those services that are unavailable to groups of ratepayers.**

5.0 Rural Differential

- 5.1 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)
- 5.2 However, due to the current rating system based on capital values of property valuations farmers, particularly those in outlying and remote areas of Banks Peninsula, still face a large rates burden completely disproportionate to the level of service provided. In the absence of any increase in the UAGC or greater use of targeted rates, we consider there are reasonable grounds for an even lower rural differential.
- 5.3 **Recommendation: Federated Farmers submits that the Council should consider reducing the rural differential further.**

6.0 Funding of Roads

- 6.1 Without doubt the most important council service for rural residents is roading and the funding of rural roads is an important issue for farmers. Federated Farmers believes that roads should be funded by road users not property owners. The Government's Transport Costs and Charges Study have stated that land values based rates bear no relationship on the use of the road network. Using rates based on land value to fund roads is unfair.
- 6.2 The revenue already raised from petrol tax, which is diverted into the Crown Account, could be reallocated to the National Land Transport Fund to enable an increase in the financial assistance rate. Federated Farmers' policy is to advocate for a flat 90% financial assistance rate for all local authorities. The remaining 10% would be funded by local authorities using uniform per property charges. Local authorities would continue to own and manage their own roads. We would appreciate the Council's support in advocating this policy to central government as it reviews the financial assistance rate and considers road funding policy.
- 6.3 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.
- 6.4 **Recommendations: That Council continue to move away from funding roads using rates levied on a land value basis and that Council advocates to central government for a 90% financial assistance rate for local roads.**

7.0 Uniform Annual Charges for land held in multiple titles

- 7.1 Many of our members farm multiple titles as one economic unit 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.

8.0 Itemised Rates Accounts

- 8.1 Federated Farmers submits that the Christchurch City should provide itemised rates assessments to its ratepayers so they may see how much of their rates will be spent on each area of service. Itemised rates accounts are an important, easily understood accountability tool that is simple and cost effective to implement. A number of other local authorities already do so and there is no credible reason why Christchurch could not or should not. Attached is an example of an itemised rates account from Waitaki District Council.

- 8.2 Recommendation: North Canterbury Federated Farmers recommends that Christchurch City Council should provide itemised rates accounts to its ratepayers.**

9.0 Amendments to the LTCCP 2006 – 2016

- 9.1 North Canterbury Federated Farmers has no specific comment on the proposed amendments to the LTCCP. We are relatively relaxed about them on the basis that they would not have an adverse impact on rates.

10.0 Rates Inquiry

- 10.1 Every year Federated Farmers and other ratepayers submit on annual plans complaining about rates levels and increases. This adversarial set piece is not an ideal way for the community to engage on important local issues, yet it is an inevitable result of the flawed system we operate under.
- 10.2 Federated Farmers wants to have a constructive relationship with Christchurch City Council and we believe that a great way to achieve this would be to 'lance the boil' that is the property-value rates system.
- 10.3 Meaningful reform of the local government funding system is long overdue and there are plenty of ways for the system to be improved. One obvious example would be for local roads to be largely if not wholly funded by road

users through petrol tax and road user charges (just as is the case for state highways). A revenue share of GST revenue could also be investigated to fund services and activities covered by the 'general rate'.

- 10.4 The Rates Inquiry is a great opportunity to get some real change to put the funding of local government on a fairer and more sustainable footing. It is in your interest and the interests of your community to achieve meaningful change. We urge Christchurch City Council not to let this golden opportunity slip away and we hope that you engage with the Rates Inquiry and put the heat on central government to act.
- 10.5 We would be very keen to work with Christchurch City Council for a positive outcome.
- 10.6 Recommendation: Federated Farmers recommends that Christchurch City Council makes representations to the Rates Inquiry on the problems with the current local government funding system and advocating the consideration of alternatives to property value-based rates.**

Example of Itemised Rates Account Waitaki District Council

Description	Actual 2002/03	Proposed 2003/04
Civic Activities	58.35	72.81 <i>6.5%</i>
Economic Development	11.78	15.67 <i>1.4%</i>
Museum and Gallery	69.58	72.12
Libraries	72.62	81.93
Swimming Pools	60.32	70.80
Parks, Camps, Public Toilets	77.46	101.88
Sports Grounds	.77	19.17
Public Halls	.00	.12
Cemeteries	9.59	8.93
Airports	.25	.25
Camaru Harbour	14.73	22.98
Property	8.75	8.54
Emergency Management	17.93	18.86
Regulatory	42.37	37.71
Roading	173.03	183.01
Storm Water	22.56	20.44
Refuse Disposal and Landfills	96.06	87.76
Sewerage	128.00	135.00
Water	166.00	161.00
Total	1035.15	1118.74