



Christchurch City Council

STRATEGY AND RESOURCES COMMITTEE AGENDA

SPECIAL MEETING

MONDAY 20 APRIL 1998

AT 4.00 PM

IN THE NO 2 COMMITTEE ROOM, CIVIC OFFICES

Committee: Councillor David Close (Chairman), The Mayor, Ms Vicki Buck, Councillors Oscar Alpers, Carole Evans, Gordon Freeman, Pat Harrow, Ian Howell, Alistair James, Garry Moore, Margaret Murray, Denis O'Rourke and Ron Wright

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- PART A - MATTERS REQUIRING A COUNCIL DECISION
- PART B - REPORTS FOR INFORMATION
- PART C - DELEGATED DECISIONS

INDEX

PART C 1. APOLOGIES

PART A 2. CHRISTCHURCH CITY COUNCIL: BANKS PENINSULA DISTRICT COUNCIL
PROPOSED AMALGAMATION FINANCIAL ANALYSIS

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1. APOLOGIES

2. CHRISTCHURCH CITY COUNCIL: BANKS PENINSULA DISTRICT COUNCIL
PROPOSED AMALGAMATION FINANCIAL ANALYSIS

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Officer responsible City Manager	Author Alan Dunlop
Corporate Plan Output: Various	

The purpose of this report is to give the Committee the findings of the likely financial implications of an amalgamation of the Christchurch City and Banks Peninsula District Councils.

Background

The Local Government Commission has received a petition from Banks Peninsula constituents requesting an amalgamation of the Christchurch City and Banks Peninsula Councils.

The petition is worded as follows:

“The proposal is to abolish the Banks Peninsula District Council and have its complete region amalgamated with the Christchurch City Council. All the functions, duties and powers presently exercised by the Banks Peninsula District Council will be transferred to the Christchurch City Council.

Representation

The proposers request that consideration be given to Banks Peninsula becoming a separate ward with a similar elected member representation to Christchurch City Council. The proposers additionally request two community boards be established in Banks Peninsula.

Service Centres

Continued at Lyttelton, Akaroa and Little River.

Rating

The city presently has a particular rating system. The proposers requests that this same rating system and sector differentials be applied uniformly over Banks Peninsula.

Proposers

The Lyttelton Harbour Residents Association Inc and a number of individual proposers:

2 Cont'd

*Stewart Bould of Governors Bay
David Bundy of Allandale
Murray Thacker of Okains Bay
Valentine McClimont, Beth Kempen, Stanley Hemsley, Susan Stewart, John
Cleaver and Graeme Young, all of Lyttelton.”*

The City Manager presented a report to the October 1997 meeting of the Council outlining how the Local Government Commission intended to carry out the review in terms of the Section 37ZZTb of the Local Government Act.

In deciding to carry out the review the Commission also resolved to ask the Banks Peninsula District Council and the Christchurch City Council to jointly undertake an analysis of the likely financial impact of an amalgamation of the district and the city.

To undertake this task staff of the combined Councils have been working to ascertain the difference in each Councils standards and levels of service currently provide.

Because of the timeframe it has not been possible to undertake an in-depth study of all the infrastructure assets. This report is intended to give some indications of the likely impact on individual activities of one single authority.

The following are summaries of our findings and where appropriate cost implications.

Water. There are some fundamental differences between the administration of the Christchurch City water supply and the Banks Peninsula District Council supply. None of these differences are insurmountable and in some cases integration of supplies would be beneficial and relatively easy. In the event of amalgamation of the two authorities, there is no reason why the status quo could not continue at least in the short term. It is suggested that one of the early changes in operational matters would be to integrate the Lyttelton Harbour Basin supplies incorporating Lyttelton, Governors Bay, and Diamond Harbour with the Christchurch City Council supply. The reasoning for this is that the sources are essentially the same and it would be an easy matter to supplement water from one supply to the other. This has the potential to strengthen the security of both supplies in the event of water shortage.

Telemetry has progressively been introduced throughout the Lyttelton Harbour Basin via Fleetlink RT to the Lyttelton sewage treatment station. This new facility makes it possible (with modifications) to monitor and control basic supply functions from the City Council's facility in Colombo Street. This would enhance the harbour basin 24 hr monitoring of its water supply functions with the potential to respond to changes and malfunctions immediately.

Banks Peninsula District presently undertakes all capital works design using consultants. Fees associated with this work are in the region of \$200,000 annually. The opportunity exists to rationalise the combined authorities' consultant requirement, and for some of this work to be carried out in-house. Savings would be reflected in lower hourly rates charged and familiarity of schemes and systems allowing jobs to be completed for fewer chargeable hours. Savings resulting from this are of a minor nature in terms of overall combined budgets and would probably represent no more than \$50,000 per annum.

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- 4 -

There are significant differences in the charging regimes between the City Council and Banks Peninsula. It would be necessary to work through those differences with consumers of both authorities through appropriate public consultation with a view to applying a consistent charging philosophy. At the end of this process there may be good reasons to retain some differences. However it is important that an effort is made to achieve an equitable system for the benefit of all consumers.

The Banks Peninsula District's move to introduce two water supply districts based on the Lyttelton harbour Basin (untreated ground water sources) and other supplies (treated surface water sources) would assist this process. The proposed uniform annual charges for the two Banks Peninsula water supply districts do not, however, include depreciation, and as such these charges may need to be adjusted up by 20-40% in the future. The comparisons between areas as far as charging goes would be as follows.

Average CCC domestic water charge. (Capital rating base)	\$73	
Average CCC commercial water charge (Capital rating base)	\$300	
CCC cost /m ³ for commercial water	\$0.28	
Banks Peninsula water charge (Uniform Annual Charge)	\$207.80 \$174.80	Lyttelton Harbour Basin Other supplies
BPDC cost/m ³ for commercial water	\$0.65 \$0.58	Lyttelton Harbour Basin Other supplies (UAC/300)

For the purposes of comparisons, the average operating cost per CCC connection including commercial and domestic connections is \$83.80.

In the event that a decision is made to introduce a uniform charging system across a combined authority area, an approximate average annual cost per connection including commercial and domestic connections would be in the order of \$86.35.

If the commercial component is removed from the calculation, with the intention that some form of differential rating apply to ensure that commercial properties continue to maintain their existing level of funding, domestic connections across a combined district would pay on average approximately \$75.99. In fact this figure would be marginally less than this as the commercial component of the BPDC has been included with the domestic connections because at the time of writing, the number of commercial connections throughout the BPDC had not been charged. It is expected that for the perceived numbers, and capital value of peninsula commercial connections involved, a large discrepancy from the figures shown would not be expected.

Both authorities operate maintenance contracts for their supplies. It would be appropriate to continue these contracts to their full term. A roll-over of one contract to match the timing of the other may be possible at which time a new contract or contracts for a combined area could be tendered.

Conclusion:

Operations: Initially system operations can continue as at present until a full analysis of the combined requirements has been undertaken. Essentially operational functions are the same for both authorities at present. On the surface it appears that although there may be some economies of scale, or system improvements achieved through amalgamation on operational matters, these are generally of a minor nature.

Design costs could result in savings probably no more than \$50,000 per annum.

Levels of Service: The City Council essentially operates one level of service being an untreated unrestricted supply with firefighting capacity city-wide. The Banks Peninsula District Council has 10 separate supplies with differing levels of service appropriate to the size of community being served and the availability of water. At present the issue of levels of service within each separate supply system has not been highly contentious. A new combined authority may come under pressure to address these differences, particularly if communities with lower levels of service believe they are disadvantaged by comparison to the vast majority of the authority's population. This is an issue which would need to be closely related to costs charged for water and methods used to recover those costs.

Costs and Rating Methods: At present the City Council operates a uniform capital rate over the whole water supply area. Banks Peninsula generally operates a uniform annual charge for each supply, with differing charges for each supply. It is expected that it will be necessary to provide a consistent approach to water charging. Although existing methods of charging can remain in place after an amalgamation in the short term, this discrepancy would need to be addressed early.

It is estimated there will be an initial saving in the design fees area of \$50,000.

Land Drainage and Stormwater Operations: The Christchurch City Council takes full responsibility for land drainage and river control within the land drainage district of the former Christchurch Drainage Board. Funding for this work is via a capital value rate over the land drainage district. Some minor works outside this area, but within the City Council boundary are undertaken by the Council in areas such as Templeton. The Regional Council also undertakes work funded by the Council within the city boundary to maintain the Halswell Drainage District.

The Banks Peninsula District Council maintains stormwater systems in its urban areas and some drains in rural areas on behalf of property owners. Funding is generally cost recovery through uniform annual charges. The Council is also responsible for the opening of Lake Forsyth. All other land drainage and river control is undertaken by the Regional Council.

Conclusion

There are significant differences between the responsibilities of the Christchurch City Council and the Banks Peninsula District Council. Although there is no reason why the operations of the separate authorities could not continue as they are in the event of amalgamation, it would be appropriate to review the functions of each authority within the area, including those of the Regional Council. In the event of the City Council and Banks Peninsula District Council amalgamating, there would still be two authorities undertaking similar functions. This may still be appropriate. However, how these functions are split with the Regional Council, and where physical boundaries and rating

areas are established could be modified to provide a more logical split between the rural and urban communities and remove anomalies of cross subsidisation of existing districts. There appears to be little or no economies of scale resulting from amalgamation.

A comparison of charges between the two existing authorities shows that the average drainage rate for a residential property in the Christchurch City is \$82.65.

If all drainage schemes in the Banks Peninsula area are combined the average charge across the District where uniform annual charges are made for drainage would be \$42.55.

This does not reflect that those properties in Banks Peninsula would also be paying a drainage rate to the Regional Council as well. A combining of consumers of Banks Peninsula and Christchurch City would result in an average charge of approximately \$81.60.

There appears to be little or no economies of scale resulting from amalgamation.

Solid Waste: The services offered by the two Councils are similar in the area of weekly collection of domestic refuse and Central Business District refuse collection and there appears no reason to change current practices. Both Councils have an annual delivery of refuse bags with 52 per property delivered in the city area but only 26 per property delivered to the Banks Peninsula area. To adopt the city's standard the increased cost of supplying 52 per property to the amalgamated area is estimated at \$84,000.

The city currently has three transfer stations and Banks Peninsula has four, with three skip sites for outlying areas. It is expected that there will be no change in this service.

The city diverts greenwaste from the waste stream and produces "Envy" compost while Banks Peninsula shreds green waste material at the transfer stations and landfill for public reuse. It is not cost effective (or practical) to transport the additional greenwaste to the city's Compost Plant.

At present kerbside recycling is offered only in Akaroa and Little River. The city's kerbside recycling programme would need to be extended to the Lyttelton area (including Cass and Corsair Bays) at an additional cost of \$31,000. The increased need for promotion and information materials would mean an increase of \$3,000.

The Banks Peninsula operates three non-hazardous landfills. One has closed (Birdlings Flat), the second will close in December 1998 (Onuku), and there is little capacity left in the third (Gollans Bay). Initially there would be increased cost of \$13,000 in transport costs to the Burwood Landfill, but in time both Councils will be using the new Regional Landfill. Neither Council accept untreated hazardous wastes (the city does accept hazardous waste after treatment), and both already monitor old landfills for leachate/landfill gas. There will be increased costs associated with future landfill sites (\$7,000) and extending the city's waste analysis bi-annual survey to cover the Banks Peninsula area (\$5,000).

The estimated total cost increase is \$143,000

Liquid Waste: The city has 1,300km of sewer mains (predominantly flat area) compared to 58km of mains (predominantly hill area) in Banks Peninsula. While most

of the current practices would not need to change the ongoing CCTV inspection carried out in the city would need to be extended to Banks Peninsula. This would mean increased cost of \$5,000. Any remedial work to have equal standard of pipe condition in both areas can not be estimated until this work is undertaken.

There is a large difference between authorities in the standards of the provision of full plans for both public and private sewer/stormwater systems. The city has high accuracy and full information while Banks Peninsula has a much lower accuracy and no as built information for installations between 1920s and 1950s. The estimated increased cost for adopting the city's standards are \$35,000

Other services provided by both authorities include full primary and secondary treatment of all wastewater (possible reduction on cost per connection but unable to quantify at this stage), wastewater solids disposal and reuse, Trade Wastes service, laboratory service (for monitoring wastewater, water supply, environment), processing resource consents, By-Law enforcement, PIMS/LIMS processing. No changes are expected for these services.

The estimated total cost increase is \$40,000

Parks: There is a vast difference in both the number and type of reserves in the two authorities. There is also a major difference in the management of the reserves.

A comparison of the types and numbers of parks and reserves show that there are very few Regional Parks and Sports Parks owned and administered by Banks Peninsula District Council, while standards of most reserves are not too dissimilar to the Christchurch City Council standards, there are very few 'high profile' Parks anyway!

An additional \$20,000 has been included for landscape and management plans, \$20,000 for increasing additional tree and shrub planting and \$20,000 for increasing level of sports turf maintenance. This would bring the standard up to that of the Christchurch City Council Parks Unit.

The management of reserves in Banks Peninsula District Council is currently undertaken by a number of policy units part time, and by Domain Boards (this currently equates to 0.5 FTE). There would be no requirement to increase support services within Christchurch City Council Parks Unit should amalgamation occur. (Many domains have a high level of community involvement in the Banks Peninsula District Council area, and we would support this continuing). There is also a difference in the area of capital spending. Additional funding is required as indicated to bring facilities up to Christchurch City Council standards. The main areas are toilet/changing facilities (that currently do not cater for disabilities) and playground/youth facility upgrades.

While this adds up to an additional \$215,000 increased costs for the Banks Peninsula District Council area, the overall effect on the cost per head of the combined population is minimal (while the effect is a huge reduction per head of population in Banks Peninsula District Council).

There is a vast difference in the number of reserves in the two authorities. From an operational point of view an additional \$40,000pa is required to upgrade the BDC reserves to city standards. Additional capital input of \$175,000pa would be required to

provide for increased signage, pathways, toilet/changing upgrades, playgrounds/youth and tree and shrub planting.

The estimated total operational cost increase is \$40,000.

The estimated total capital cost increase is \$175,000.

Housing & Property: The issue is one of how Property Assets of an amalgamated authority could be managed. The four sections of the city's Property Unit, being Housing, Commercial, Property Services and Projects would, with appropriate additional resources, be able to undertake the BPDC property work based on the following information.

Housing:

	CCC	BPDC
Pensioner Housing Units	2176	26
Public Rental Units	387	6
Net Surplus per Unit	\$643	\$679

The pensioner housing at Lyttelton and Akaroa are of a high standard but the public rentals in the Lyttelton area are below standard and should be disposed of.

Commercial:

	CCC	BPDC
Commercial (Eg shops, hotels, historical bldgs etc)	13	14
Yards, Transfer Stations etc	46	3
Rural Holdings	2	6
Halls, Libraries	92	26
Capital Value	\$106m	\$11m

The halls/libraries of the BPDC can be equated to the lower end of the Council's portfolio on quality and size.

Asset management plans are required for the management of the 49 BPDC properties to comply with the requirements of the Local Government Amendment Act and building warrants of fitness to comply with the Building Act.

Property Services: The BPDC acquisition and disposal programme is undertaken in-house with the assistance of private consultants like solicitors, valuers, surveyors and engineers. The Christchurch City Council also has an in-house consultancy service with the backup from professionals in other Units of the Council.

Projects

The BPDC does not have in-house advisory project and management service. The Christchurch City Council employs two staff to carry out project management.

Conclusion: Given the geographic spread and the similar (but lesser) nature and scope of property related activities undertaken by the Banks Peninsula District Council, these

additional activities could be undertaken by the Christchurch City Council's Property Unit with the inclusion of existing BPDC resources.

It is however, likely that the BPDC acquisition/leasing/disposal programme could be undertaken by the Christchurch City Council in a more cost effective manner given the depth of in-house support services (including legal support) available: we estimate savings of perhaps \$25,000 pa in this area.

Given the other property related requirements of asset management plans and the likelihood of a balance of deferred maintenance work to be dealt with, the \$25,000 saving noted above is likely to be quickly absorbed.

There appears to be little or no resulting savings from an amalgamation

Leisure and Community Services: The only activities that were investigated are Lyttelton Swimming Pool, Recreation Centre, Community Development and leased facilities.

Lyttelton Swimming Pool: Charges are currently below those for CCC pools. Service level is similar to CCC. However, provision may need to be made for greater staffing cost to meet CCC pool standards. Provisional additional operating sum \$10,000 pa.

No capital provision is made in the five year plan for upgrading this facility.

Lyttelton Recreation Centre: The Council financially supports recreation programmes run out of this facility. The Recreation Centre is reasonably well designed, but by redeveloping the interior it could be much better. The type of building and its overall structure lends itself more to development as a Community Facility gym/ library/ service centre/ meeting place - a "one stop shop". This would be a political decision if use of the facility were to alter and no financial provision has been included in the costings.

The Youth Council runs the only after school programmes in Lyttelton. The Community Activities Officer has undertaken a needs analysis of the area, which has concluded that Community needs are currently being met. No additional funding is required.

No capital provision is made in the five year plan for upgrading this facility.

Community Development: An assessment of the Community Activities Officer time allocation is - 45% of time pa on Community Development, 45% on the Recreation Centre and 10% at the swimming pool every year. Some of this work could be absorbed into the existing Community Development Unit e.g. policy and delivery Strategies. This part of the position is more aligned with the Councils Service centre Activities than the Community Development Section of the Leisure and Community Services Unit.

This may require a full service level review.

Leased Facilities: The BPDC has many reserves and community buildings on reserves, which are currently managed by separate Reserve Management Committees. The income derived from the hire or lease is used for the benefit of the committees which are

also responsible for building maintenance, etc. These would most likely fall under the responsibility of the CCC Property Unit.

Conclusion: Other than providing additional funding for operating the swimming pool \$10,000 pa - (provisional) the identified levels and standard of service are appropriate to meet those of the Christchurch City Council based on current policy.

There may be unknown underlying issues that have future budgetary implications to budgeting.

A Draft Recreation Policy is currently under discussion, the impacts of which have not been considered as part of this exercise

The estimated total cost increase is \$10,000.

Service Centres: Banks Peninsula operates three customer service outlets that fall within the Category of being similar function to Christchurch Service Centres.

These are within the main office at Lyttelton, at Little River and Akaroa.

Lyttelton: Given that the main offices of the council in Lyttelton would be likely to close and the close proximity of the Linwood Service Centre to the port all that would seem necessary would be for the provision of an information desk staffed by persons with a good knowledge of the local infrastructure and of council services.

In keeping with the adopted Suburban Service Delivery report this facility could be integrated with the Lyttelton Library primarily for the provision of information and initially for cash receipting.

Counter transactions = 46 per day average

Little River : The Little River office is housed in the former Post Office building and services a small widely spread population. The bulk of the transactions are for postal services. However this office does provide a council presence, acts as a base for visiting council officers, provides office space for representatives of the Canterbury Regional Council, services the community board members and provides a venue for meetings of the boards.

A library is soon to be established in this building that will utilize most of the currently unused space and it should be possible to integrate both of these council functions, again in keeping with the Suburban Service Delivery Report.

With the community board being based in the area and the isolation of the community from both Lyttelton and Akaroa it would seem appropriate from a political and a presence point of view to retain this office at least in the short term. Staffing requirements are minimal and whilst the recently deregulated postal service could lead to future changes of this agency, in the interim the income from this activity (\$29,000approx) is worthwhile.

Counter transactions = 43 per day average

Akaroa: Sited in the former Post Office building this facility serves Akaroa township and the majority of the outer bays. As with Little River the majority of public transactions are associated with the postal agency. The building provides meeting facilities for the Community Boards and office space for resident technical officers. The staff employed at the office provide secretarial services for both community boards and undertake some work on behalf of the main council office.

Again a council presence and the facilities to service the needs of elected members in the area is seen as an important function of council. In addition, the current infrastructure of Akaroa including its local water and sewerage services indicate the need for a technical presence on a daily basis. To adequately service this need office space and communication is essential.

As the furthest outpost of council in a major tourist location the retention of the Akaroa office would seem important.

Counter transactions = 96 per day average

Summary: In general the present service provided by the council through the Service Centres recognises the needs of a sparsely populated area and one where some form of access to council services is important. As has been stated the majority of walk in customers to the service outlets relate to postal services. However this does not diminish the need of ratepayers to have reasonable access to council officers. All service delivery points have cash receipting facilities.

Currently there is no council office in Diamond Harbour or the adjacent bays. However should a demand become evident integration with existing library services would be the obvious option.

Until Policy on Service Delivery in the BPDC area is decided, there appears to be little or no resulting saving from amalgamation

Financial Services: The financial implications are assessed under the broad financial services banner as follows.

Rating System. If the BPDC rating system was absorbed within the existing CCC system there would be cost savings through economies of scale.

Water Debtors: Like the rate assessments the number of debtors and debtor transactions are very small in comparison with the CCC equivalents.

To transfer the BPDC over to the CCC system would almost certainly result in savings.

Accounts Receivable: If the BPDC system were transferred to the CCC system there will almost certainly be savings in terms of overheads and processing costs.

Investments: To merge the investment function with the CCC system would result in cost savings of \$14,000. The CCC investment function is carried out in-house.

Loan Management: Like the investment function the loan management function could be absorbed within the CCC with no additional costs.

The quantum of these savings is difficult to assess at this stage and probably not significant given the size of BPDC but would include processing costs, postage costs, stationery costs. If both Councils' existing systems were to operate in parallel the costs would remain the same.

The estimated total cost saving is \$14,000.

Management Information Systems:

Computing Environments: BPDC operates a network consisting of two Compaq Pentium-200 servers, one running Unix to support specialised packages for local government and roading, and one running Microsoft NT 4 and Microsoft Exchange 5.0 for general office applications.

BPDC has approximately 45 PCs, 6 laptops, and 10 printers. Most of the PCs and all the laptops are virtually new Compaq Pentium machines running Windows 95 and Microsoft Office or Office Professional, and are connected to the network. Almost all PCs are running Office 97 and Outlook though a few older models are still using Office 4.3 and Exchange. Most of the printers are HP printers. PCs use Déjà vu terminal emulation to access the Unix server.

Some older PCs are used by libraries at Lyttelton, Akaroa, Diamond Harbour, and Little River to support a DOS-based library application called CATALYST. These PCs use dial-up connections to exchange information with each other but are not connected to the network. In addition, the Akaroa library has 2 Macintoshes that are for use by children and are maintained by the local school.

The main data communications link in use at BPDC is an ISDN link between the Lyttelton offices and the Akaroa service centre. Other centres use dial-up connections for the limited connectivity required.

Impact of amalgamation: All of BPDC's equipment could continue to be used unchanged since their environment is virtually identical to CCC. Combining common functions might result in up to 15 of the 51 PCs not being required. The data communications link between Lyttelton and Akaroa would be retained as is. To allow interconnection to the CCC network, a high-capacity data communications link would be required between Tuam Street and the Lyttelton office.

Specialised applications: BPDC runs a number of specialised applications to support their operations. Their core financial and local government system is the NCS package from Napier Computer Systems, which runs on the Unix server. The Unix server also supports the Informix-based RAMS roading package and the MITS/Hansen plant maintenance system. The libraries use specialised software (CATALYST) from local software house, CONTEC, and the sewage plant also use a locally-sourced product from QTech. BPDC uses ARCVIEW as its GIS platform and has so far implemented layers covering basic cadastral data, roading, new sub-divisions, ward boundaries, meshblocks, land resource inventory (LRI) data, scanned topographical views, district planning information, recreation plans, estate data, and DOC data.

Impact of amalgamation: Although BPDC and CCC operate systems in the same areas there is very little commonality of software. Initially, it would be necessary to continue to operate separate systems. Therefore there are unlikely to be any direct savings from combining these activities to begin with. Subsequently it would be desirable to combine

all operations into a single set of systems. This would then eliminate on-going licence and support costs for a redundant collection of software, however there would probably be quite significant conversion costs involved which are impossible to estimate at this time.

Voice communications: BPDC has a relatively simple Ericsson phone system with no significant voice mail facilities or tie lines to other offices. BPDC operates an 0800 number service so that ratepayers can contact the Council toll free. BPDC has a small number of cellphones and radiotelephones.

Impact of amalgamation: It is likely that a new telephone system would be required at the Lyttelton offices in order to provide easy communications with the rest of the amalgamated body.

Policy, staffing, funding: BPDC's IT and communications facilities are the overall responsibility of the Corporate Services manager. The IT facilities are managed by an independent contractor on the basis of 25 hours per week. In addition there is one staff member who specialises in the GIS area.

Most equipment is purchased from Computerland, and 19 of the PCs have been acquired through a leasing arrangement with Rentworks.

For acquisition of Microsoft software, BPDC is "piggy-backed" onto Dunedin City Council's Select agreement with Software Spectrum.

Impact of amalgamation: Some reductions could be achieved in the variable costs component through a reduction in the number of PCs due to combining functions (perhaps up to 30%). Apart from transferring to CCC's Select agreement the costs of Microsoft software would be unchanged.

Fixed computer costs would stay the same initially because of the need to keep operating BPDC's systems. Subsequently part of these costs could be eliminated as systems were combined. GIS costs are unlikely to change in the immediate short term.

Staff costs are unlikely to change since it would be necessary either to retain the BPDC's existing support contractor or to provide an extra person in MIS to support the additional users and, more significantly, the additional and in cases somewhat remote sites.

Conclusion: Banks Peninsula District Council (BPDC) has recently invested heavily in (leased) computer equipment to support its operations at Lyttelton and Akaroa and, in a very minor way, at Little River and Diamond Harbour.

BPDC's computing environment is virtually identical to that of Christchurch City Council (CCC), being based on a network of PCs running Microsoft operating systems and applications software. Specialised systems such as local government operations (financials, rates, dogs, etc.), libraries, and geographic information systems (GIS), are different from their CCC counterparts.

Assuming that, initially, the two organisations would continue to use their own systems, amalgamation is a reasonably straightforward process. BPDC's current IT expenditure would simply transfer into the amalgamated body's budget. Reductions would only

occur if the number of PCs were reduced, and then only in the direct hardware and software costs of the eliminated PCs.

Subsequent integration measures such as standardising specialised systems (financials, GIS) could involve significant one-off costs for conversion of data, with a possible saving of approximately \$31,000 annually in software licence costs.

It is considered that a new phone system would be required to network with the CCC system. This would incur a one off cost of \$35,000 with ongoing operation costs of \$3,500. Datacommunications link from Tuam St to Lyttelton would incur annual cost somewhere between \$18,000 - \$30,000 dependent on the requirements.

The estimated total operating cost increase is \$21,500-\$33,500.

The estimated total capital cost increase is \$35,000.

Environmental Services: Comparisons are somewhat difficult, but the workload in the regulatory area shows that Banks Peninsula has from between 3 and 5% of the number of applications or licences as is the case in Christchurch City. Comparisons of staff numbers are somewhat difficult, partly because Banks Peninsula use contractors for most environmental health work and dog control (indeed the CCC provides some of that contract service for dog control).

However for the area which are not contracted (building and resource management), Banks Peninsula has approximately five FTE, whereas the city has about 125. This equates to 4% of the city figure. My feeling from the analysis of the figures that I have carried out and discussions with John Christiansen at Banks Peninsula, is that Banks Peninsula staff numbers for the levels of work are marginally lower than those of the City Council. However, I would be confident that with the addition of the five Banks Peninsula staff, the combined council would be able to cater for the combined workload without any increased costs.

Cost comparisons are even more difficult, because the Banks Peninsula budget does not include overhead and administrative costs in the individual outputs. It is not possible, from the analysis I have so far done, to determine a comparison of the costs. It would be my feeling that the Banks Peninsula costs are marginally higher than those for Christchurch City.

One of the biggest issues that would face us would be the completion of the Banks Peninsula District Plan, which is at a stage where cross-submissions closed in December 1997. There are 1,100 submissions lodged to the Plan, with several contentious issues relating to the rural area. There has been a challenge to the BPDC Section 32 process. By the time any amalgamation occurred, both the Christchurch City and Banks Peninsula Plans should be well down the track towards completion (subject to any legal challenges). At some stage in the future we would be faced with bringing the two Plans together, but that is likely to occur after the two Plans become operative, and possibly some years down the track.

Another significant issue would be integrating the GIS and information systems. This could be a reasonably large task, but achievable over a period of time.

Conclusion: It is considered that with the combined staff these activities would be able to be catered for without any cost increases.

Initially there appears to be little or no savings resulting from amalgamation.

Library Services:

The calculation of costs for operating a combined service has been based on the following assumption:

That all residents are entitled to the same access to library and information services irrespective of which part of the total city and district they live in.

This would mean that current BPDC residents would be able to borrow materials from libraries currently run by the city under the same terms and conditions as city residents currently enjoy. At the moment adult residents of BPDC, between the ages of 19 and 59, must pay a per item charge for every item borrowed (currently \$2.00 per item) or a subscription of \$100 per annum to borrow materials. When free access is applied across the combined district and city this would result in a loss of revenue to the CCC library operation of approximately \$6500 to \$7000 per annum from current BPDC members.

Opening the 'borders' between the two library systems will be an improvement for Banks Peninsula residents and ratepayers in that they will have access to a much wider range of materials and resources at no additional cost. There are currently 1683 BPDC residents registered as members of the library of which 855 are required to pay non-city fees. Whether other residents of BPDC would utilise the services if the non-city charges were removed is unknown but we would expect an increase in numbers and certainly an increase in use by those currently registered.

Opening the access does provide improvements for residents of BPDC but only to those who are in a position to travel to Christchurch on a regular basis. For those people for whom transport is an issue, a local library presence will still be a requirement. Experience in the Christchurch City network of libraries has shown that locating a library in a locality brings in customers who would otherwise not use a library which is located further afield. There is, therefore, an ongoing requirement to continue a library presence in the locations already identified on the following basis:

Lyttelton Library would be fully integrated into the CPL network on the same basis as the Sumner Library. It has a sufficient population base in a distinct location to justify this. Full integration means linking the library to the Data Research Associates (DRA) library system, by dedicated phone line and treating it as a full community library. The Catalyst system would be discontinued for Lyttelton. Improvements will need to be made to the existing building - or a new location found. Capital costs have not been researched and are dependant on which option is chosen, but they could be expected to be somewhere in the vicinity of \$100-250,000.

Akaroa Library would not be integrated into the CPL network. The small population base and its unique situation located in a school would create problems in administering the system within the parameters of the total network and would increase costs considerably. A better way would be to contract with the School to provide facilities for adults on much the same basis as is currently occurring. Improvements could be achieved relatively cheaply by providing dial up access to the CPL network via the

Internet. The library could reserve material on customers behalf for the normal reserve fee and these could be posted to the library on a regular basis.

Diamond Harbour and Little River Libraries. These two libraries are run by volunteers, although in the case of the Little River Library the Service Centre staff are providing some support. This has only happened recently and no assessment has been possible as to whether this is meeting customer needs. Two options are possible:

Autonomous Voluntary Libraries. These libraries could be treated in the same way as the volunteer libraries which are located within the existing city boundaries. They would be located in Council owned buildings and the Council would be responsible for repairs and maintenance to the infrastructure which is funded from the rental paid for the building out of the Library budget. They would receive a grant to cover routine operational costs and also for the purchase of stock. They would make up their own policies and run their business. CPL is about to enter into management agreements with the Volunteer Committee which will provide some monitoring of the grants they are given but this option is very much a “hands off” approach. The advantages of this approach is that it is cheap to administer, would not incur any additional costs and is a consistent approach to voluntary libraries across the combined District and City Councils. The disadvantages are a probable drop in the standard of service and no ability to monitor the quality of the service. Whilst this is not a problem in the city where local residents have alternative professional services close by, this would not be the case in the communities concerned. It is therefore our view that more involvement and support is needed in both these libraries, whilst still working largely within the volunteer framework.

Supported Voluntary Libraries. This option would continue to see the libraries largely run on a volunteer basis with a part-time paid member of staff who would be a link with the CPL network and who could provide some professional services to customers in information literacy, readers advice and work with children. A more thorough assessment of need would be required than has been undertaken in this study but this option would allow for 12-15 hours worth of paid staffing per library. These libraries would not be fully linked into the CPL library system but would operate stand alone circulation and catalogue. They would have dial up access on the same basis as the Akaroa Library to access information resources and databases of the parent organisation. Exchanges of books could be arranged so that their smaller stocks can be refreshed from time to time.

Governors Bay. Although there is currently no library at Governors Bay there has been interest expressed by residents for a facility. Discussion with the Community Services Manager at BPDC confirm that they have been considering options for this area. Population in the area is increasing. Under a combined district and city residents could either use the Lyttelton Library or come over the hill and use the Spreydon or Central Libraries. An alternative would be to provide a local service on the same basis as that being proposed for Diamond Harbour and Little River but further work would need to be done to ascertain the need and benefits of doing this. Costs for this additional service have not been included in this proposal.

Costs of the combined service. There are no savings to the existing Christchurch City Council in providing services for a combined city and district. There is, in fact, a small loss of existing revenue of an estimated \$6500-\$7000.

There are no projected operational savings resulting from the combining of the two services unless existing libraries are closed, as it is my view BPDC are already running a very lean operation. It is not proposed to close the libraries for the reasons outlined above.

There would be a projected increase in the operational costs arising from the following areas:

Building rental and maintenance. Because the CCC charges rental for its buildings which is a charge on the library vote it is assumed that the same scenario would apply for the library buildings currently in the BPDC. The estimated increased costs for rent for 3 buildings is \$50,000.

Management overhead. The addition of 1 full community library and 4 part-time libraries is not anticipated to require any additional management resource. The four libraries would be absorbed within the existing management structure. However, some overheads in terms of stationery, printing, coaching, staff development and training would accrue. The estimated increased cost for these services is \$6,500.

Information Technology and systems overhead. The cost of providing and servicing one full library and providing technical support to dial up libraries would require additional resources. The estimated increased cost is \$11,000.

Collection Management overhead. This charge covers the cost of ordering, receiving, cataloguing, processing and/or binding new materials and includes staff time. The estimated increased cost is \$7,000.

Books and other resources purchase. The amount of money available for resources for the four libraries falls far short of the recommended standard of adding 350 items per annum per 1000 of population. The estimated increased cost is \$10,000.

Staff costs for Diamond Harbour and Little River based on a maximum of 15 hours per week per library (includes ACC, holiday & sick pay, superannuation). The estimated increased cost is \$30,000.

The total estimated increased Library Operational cost including the loss of existing CCC revenue(\$7,000) is \$121,500

One off capital costs for year one:

Capital costs for building improvements to Lyttelton Library is \$250,000

Capital costs for improvements to technology is \$25,000

The total estimated increased Library Capital Cost is \$275,000

Roading: There are marked differences between the Banks Peninsula District Council's roading system and that of the Christchurch City Council. Differences in the natural environment ie topography, soils, and climate, as well as traffic loadings (Christchurch roads have approximately 1000 times more vehicle kilometres per km/per annum than Banks Peninsula roads), service levels, and ratepayer expectations have all led to differing standards between the two networks. It is unrealistic for "city" standards to be

adopted for the Peninsula area in any new amalgamated authority. However an increase in service levels is attainable.

Where Christchurch City has a roading network of 1520 km which is 98.7% sealed, Banks Peninsula has 44.5% of its 650 km network sealed. Because of differences in the rural/urban balance between the two authorities there is a major disparity regarding the percentages of kerb and channel in each authority's area. The roading focus is, therefore, completely different for each Council.

The topographical differences between the two authorities lead to marked differences in the expenditure required to maintain and improve the asset. The cost of construction at hillside locations is approximately twice the cost of those on the "plains", and figures supplied by BPDC staff indicate that three times the maintenance expenditure is required for sealed roads. These factors are used to provide an indication of the likely costs of improving service levels, and are discussed later in this document.

The roading network, and its associated structures are discussed below. Assumptions made are also detailed.

Bridges and retaining walls- BPDC have commissioned reports (bridges in-house and retaining walls external) on the Council's bridges and retaining walls. These are to be completed shortly and will provide asset-related information regarding age and condition which will enable future funding requirements to be assessed. Any future expenditure is independent of any amalgamation requirements.

Pavement condition. A recent brief inspection of Banks Peninsula roads has allowed maintenance needs to be compared with the city's network. The urban network standards are slightly below our own, although this is probably related to topographical factors, and public expectations related to these factors. Bearing in mind that 7% of our network is located on the hills, compared with my estimate of 90% of the BP network, then it is understandable that asset conditions as well as expenditure differ. It is our opinion that maintenance costs will need to rise to accommodate a rise in standards in BP roads. BPDC is currently spending 3 times as much as the city on sealed road maintenance, and I would expect this expenditure to rise slightly in response to a rise in standards to meet our higher performance indicators. I have endeavoured to quantify this in the financial analysis below. Any change would result in an increase of \$68,150 per year for general maintenance, plus \$25,000 per year for surfacing works. (Operational expenditure).

Road widths. Depending on the differences between Christchurch's City Plan and the Peninsula's District Plan requirements I suspect there would be a need for either Resource Consent applications, or for special zoning for areas with narrow road reserves, eg Akaroa, where required. Subsidised seal widening must be based on Transfund criteria to allow road width criteria to be met. BP's low traffic volumes may preclude subsidy in many cases. In order to meet a higher standard \$50,000 per year extra would be required. (Capital expenditure).

Delineation standards. Are similar between the two authorities.

Streetlighting standards are the same for new work. The city currently spends proportionally more on upgrading, and costs are likely to increase slightly to

accommodate an increase in the length of the network, and increased service levels. Cost increase \$1,200 per year. (Capital expenditure).

Kerb and channel. 85% of the city's roading network is flanked by kerb and channel compared with 9% of the BP network. The BPDC urban road network is 54km, with an associated kerb and channel length of 75.5km, therefore it could be assumed that 32.5km of new kerb and channel ($54 * 2 - 75.5$) would be required to bring the BP network to city standards. Kerb and channel is probably unrealistic in some locations, therefore the assumed backlog is 20km ie 10 km of roadway with kerb and channel on both sides. Renewal of dished channel, etc - assumed to be 40% of the network (or about 30 km)- is required at 1.5 km per annum to match the city's present requirements. Note that kerb and channel work is costed at \$100,000 per kilometre for one side. A marked increase of \$200,000 per year for new kerb and channel, plus \$150,000 per year for renewals. (Capital Expenditure).

Footpaths. The BP footpath network consists of 32.5km of sealed paths. Assuming that a footpath is only required on one side of roads with kerb and channel, then at least 21.5km ($54-32.5$) (probably nearer to 30km) of new footpaths would be required to meet city urban standards. Assumed backlog - 30km at a cost of \$75,000. (Capital expenditure).

Seal extension criteria. Current City Streets Unit (CSU) policy is to seal all unsealed roads regardless of traffic volume - we only have 20km still unsealed. This would probably not be appropriate for BP's network. A policy would be needed to determine service levels or a rate per year for seal extension. Increased annual expenditure of \$20,000 has been assumed. (Capital expenditure).

Minor traffic related projects, cycleway provision, and additional traffic services are estimated to result in total increases of \$11,250 per year. (Capital expenditure).

Total increased costs for Roading Operational activities are \$93,150

Total increased costs for Roading Capital activities are \$507,450

The total of \$600,600 per year includes \$350,00 for kerb and channel and related works - including both maintenance and new work. This amount is realistic so long as community expectations/service levels rise. While kerb and channel is required for technical reasons ie. drainage control, there are also locations where kerb and channel is desirable but not essential. There are few reasons for "city" standards to be imposed for kerb and channel and footpath projects in the BPDC area outside the main urban areas, and future decision-making would be influenced by which rating regime was chosen, and whether differential rating might allow differing standards throughout any new amalgamated body.

Public Accountability: The BPDC currently has a Mayor and 9 Councillors, and two Community Boards. There is a total of 10 elected Community Board members.

The CCC currently has a Mayor and 24 Councillors, and six Community Boards. There is a total of 36 elected Community Board members.

While the petitioners have requested that the Banks Peninsula District be a separate ward with two Community Boards this Council has expressed some concerns with

regard to the ratio of elected members to citizens. The Local Government Act allows for factors other than population to be taken into account, and such factors are likely to be pertinent in this context, the extent of such disparity in representation is a concern. As proposed it would leave the city with a Council of a Mayor plus 26 Councillors, plus 8 Community Boards.

For the purposes of costing we have adopted the petitioners' proposal. It is estimated there would be a minimal cost saving of \$50,000 on current rates of payment to elected members.

The estimated total cost saving is \$50,000

Other Council Activities: There are a number of other activities that the city is involved in that have not been addressed in this report. These in the main are activities that the BPDC are not involved or little involvement in. Examples are Summertimes, Major Events/Festivals, Grants(Orchestra, Ferrymead, Science Alive etc), Canterbury Development Corporation, Museum etc.

THE TOTAL INCREASE IN OPERATIONAL COSTS IS \$395,150.

THE TOTAL INCREASE IN CAPITAL COSTS IS \$992,450.(FIRST YEAR)

FUNDING POLICY:

No comparisons have been undertaken on either authorities Funding Policy. This is because both Funding Policy documents have not been completed. This of course will have a bearing on the rating structure.

FINANCIAL STATEMENTS OF BOTH AUTHORITIES.

The Financial Statements below are from the Annual Reports of both authorities as at 30 June 1997.

Statement of Financial Performance:

The Statement of Financial Performance is Appendix 1.

The bottom line Net surplus for the year is

	CCC	BPDC	Consolidated
Consolidated account	\$45.2m	\$6.6m	\$51.8m
Parent account	\$26.5m	\$6.6m	\$33.1m

Statement of Financial Position:

The Statement of Financial Position is Appendix 2.

The bottom line Net result for the year is

	CCC	BPDC	Consolidated
Consolidated account	\$2,731.0m	\$95.8m	\$2,826.8m
Parent account	\$2533.4m	\$95.8m	\$2,629.2M

Accounting Ratios:

The Statement of Financial Position is Appendix 3.

The Term debt to total assets (simple) is

	CCC	BPDC	Consolidated
Consolidated account	13.6%	2.5%	13.3%
Parent account	3.3%	2.5%	3.3%

Activity Income and Costs:

The statement of activities of both councils as at 30 June 1997 are detailed on Appendix A.

REPORT CONCLUSION

The purpose of this report was to ascertain the likely financial impact of an amalgamation between the Banks Peninsula District Council and the Christchurch City Council.

Operating and Capital Costs

Officers of both Councils have worked together and made some judgements on the likely Service delivery/Standards that could apply to each of the key activities. Obviously if the amalgamation proceeded then the new Council would establish policy in this regard. What the final expectations of the ratepayers of a new authority are could be the matter of much debate. The service delivery/standards adopted in this report are in the main those of the present CCC, but implemented over a number of years in many cases.

The findings have shown an increase in operating expenditure of \$395,150 and capital costs \$992,450 (First Year).

Funding.

As mention in the body of the report no consideration has been taken of either authority's Funding Policy documents.

Public Consultation

The Terms of Reference previously approved by Council made provision to undertake public consultation on the proposal. The committee needs to decide how it wishes to consult with the public. There are a number of possible scenarios and could include:

- Publication such as City Scene to each household
- Article in "Press and/or the Star"
- Community Newspapers
- Public meetings
- or a combination of the above.

I would recommend that an article in the "Press and Star" be prepared and that three public meetings also take place. The timeframe for completion of this part of the exercise is 31 May 1998.

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- 22 -

Subject to outcomes of today's meeting I would recommend that a small sub-committee be established to work through these issues.

Recommendation: That the information be received.

**Chairman's
Recommendation:** +

+. **RESOLUTION TO EXCLUDE THE PUBLIC**

Attached.