



# CHRISTCHURCH CITY COUNCIL AGENDA

THURSDAY 21 APRIL 2005

AT 9.30AM

IN THE COUNCIL CHAMBER, CIVIC OFFICES

**Council:** The Mayor, Garry Moore (Chairperson).  
Councillors Helen Broughton, Sally Buck, Graham Condon, Barry Corbett, David Cox,  
Anna Crighton, Carole Evans, Pat Harrow, Bob Shearing, Gail Sheriff, Sue Wells and Norm Withers.

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1. **APOLOGIES**
2. **CONFIRMATION OF MINUTES - COUNCIL MEETING OF 14.4.2005**  
Attached.
3. **DEPUTATIONS BY APPOINTMENT**
4. **PRESENTATION OF PETITIONS**
5. **CORRESPONDENCE**

**6. PURCHASE AND UPGRADE OF FORMER SUBURBS RUGBY CLUB CHANGING ROOMS - HOON HAY PARK**

<b>General Manager responsible:</b>	General Manager City Environment
<b>Officer responsible:</b>	Business Relations Team Manager
<b>Author:</b>	John Allen, Policy and Leasing Administrator, DDI 941-8699

**PURPOSE OF REPORT**

1. The purpose of this report is to recommend to the Council that it signs an agreement prepared by Council officers and the trustees of the Church of Christchurch enabling it to take ownership of the former Suburbs Rugby Club changing rooms at Hoon Hay Park for the sum of \$1.

**EXECUTIVE SUMMARY**

2. Suburbs Rugby Club did not protect its interest in its former changing rooms (four) that are located partially on Hoon Hay Park when it sold the premises a number of years ago.
3. There is a requirement for two larger changing rooms on the park to enable the Suburbs Rugby Club, which are now in the senior division, to host senior games at Hoon Hay Park, its home park.
4. An opportunity exists for the Council to provide the necessary changing rooms by buying the former Suburbs Rugby Club changing rooms from the Church of Christchurch for \$1, and spending \$56,000 refurbishing the building, thereby providing two additional large changing rooms for the park, enabling senior rugby games to be hosted at the park. This cost includes refurbishment of the toilets within the building. The cost of building two new large changing rooms onto the existing pavilion has been estimated at \$130,000 excluding GST.
5. The other two changing rooms in the complex will be leased to the Church of Christchurch for recreation purposes.
6. The Council will lease to the Church of Christchurch the land that two of the changing rooms, and associated passageway are situated on for 20 years at a non reviewable rent of \$1 per year, with the right of renewal of the lease for a further 13 years exercisable at the Council's option. If the Council exercises this option then the lease to the Church of Christchurch will be renewed for a similar period.
7. The former Suburbs Rugby Club changing rooms are built across the property boundary between the Church's land and Hoon Hay Park. Because there is no firewall in the building between the two properties, there is a caveat (no 177655.1) on the Church's title requiring the owner of that property to remove the changing rooms if they are no longer used for that purpose. The agreement provided that the Council will be responsible for paying the cost of removing the building once it has finished using it. It has been estimated that it will cost approximately \$19,000 (2005 quotation) to remove the changing rooms and passageway, and restore the site.
8. Officers have presented three options to address the changing room need at Hoon Hay Park, including maintaining the status quo. Officers are recommending that the Council agrees to sign a contract to take ownership of the former Suburbs Rugby Club Changing Rooms.

**FINANCIAL AND LEGAL CONSIDERATIONS**

9. Money is available in the 2004/05/06 budget to undertake the upgrading of the former Suburbs Rugby Club changing facility at Hoon Hay Park, estimated to cost \$56,000 thereby addressing the Suburbs Rugby Club's pressing need for further changing rooms at the park as soon as possible so that senior games can be played there.
10. There will be annual costs that the Council will need to budget for to keep the building in good order. The estimates set out below are approximate.

## 6 Cont'd

Depreciation (2% of the buildings value) estimated to be approximately	\$2,000
Routine maintenance, will be undertaken by sports clubs/lessee (toilets not public)	Nil
Annual inspection fee	\$90
Building Insurance	\$300
Electricity	\$800
Building maintenance (cleaning graffiti of building etc)	\$3,000
Total annual cost	\$6,190

This amount will need to be added to future maintenance budgets to maintain the building.

11. It has been estimated that it will cost approximately \$130,000 plus GST to add two large changing rooms of a similar size to the existing ones in the former Suburb Rugby Club's Changing Facility onto the existing Council owned changing rooms at Hoon Hay Park.
12. Hoon Hay Park is made up of two parcels of land, being Lot 572 DP 27578 CT 9K/1497 of 4.4014 hectares and Part RES 4704 DP 682 of 2.5925 hectares, both parcels being vested in the Council as recreation reserve under the Reserves Act 1977. The Council is able to lease land to sports clubs and other parties for recreation purposes, this being the main purpose for which the land is held. There is an understanding between Council and Church officers that the part of Hoon Hay Park on which the portion of the building to be leased to the Church is located will be used for recreation purposes. Informal discussions have been held with officers of the Department of Conservation who under delegated authority from the Minister of Conservation approve any lease granted on a recreation reserve. They have indicated that they are comfortable with what the Council is proposing.

### STAFF RECOMMENDATIONS

It is recommended that the Council:

- (a) Agree to enter into an agreement to purchase the former Suburbs Rugby Club Changing Rooms, passageway and toilets, as outlined in the report from the Church of Christchurch for the sum of \$1.
- (b) Endorses the spending of approximately \$56,000, this sum to include a contingency sum of \$3,000, and 7% professional fees, to bring the former changing room building up to standard so that it can be used.
- (c) Agrees to lease approximately 54 square metres of the building denoted as 'A' on the attached plan to the Church of Christchurch for recreation purposes for \$1 per year for an initial term of 20 years. This term may be extended for a further term of 13 years at the same rental at the Council's sole discretion.
- (d) In accordance with Section 54(1)(b) of the Reserves Act 1977 lease approximately 23 square metres of Lot 572 DP 27578 CT 9K/1497 a recreation reserve of 4.4014 hectares, which is part of Hoon Hay Park, held under the Reserves Act 1977, vested in the Christchurch City Council, on which the former clubrooms are located to the Church of Christchurch for recreation purposes (denoted as 'B' on the attached plan), for an initial term of 20 years, subject to the following conditions:
  - (i) public notification of the proposal;
  - (ii) approval of the Minister of Conservation to the granting of the lease;
  - (iii) the Church being responsible for obtaining any resource and building consents required before undertaking any alterations to the area leased to them;
  - (iv) that the Church be responsible for all costs associated with the internal fit-out, and maintenance of the interior of the leased section of the building;
  - (v) the Church is at all times to comply with all statutes and regulations affecting its occupancy;

## 6 Cont'd

- (vi) the Church is to be responsible for the cleaning of blocked drains, except where the blockage is caused by the usage of that part of the changing rooms occupied by the Council;
  - (vii) The Church is not to assign, sub-let or part with possession of the part of the changing rooms leased to it;
  - (viii) The Church will keep and maintain a public liability insurance policy during the term of its lease with a minimum cover of \$1,000,000;
  - (ix) The initial term being extended by the Council for a further 13 years at the Council's sole discretion.
- (e) Agree to accept a lease over approximately 73 square metres of the Church's land denoted as 'C' on the attached plan for an initial term of 20 years, for \$1 per year, this term may be extended at the same rental for a further 13 years at the Council's sole discretion.
- (f) Approve an increase in the future Hoon Hay Park maintenance budgets of approximately \$6,200 to allow for the future maintenance of the building.

## BACKGROUND

13. The Church of Christchurch now owns the former clubrooms of the Suburbs Rugby Club, which are situated at 99 Mathers Road. The land on which the former rugby clubrooms were built is described as Lots 458 to 461 on Deposit Plan 27578, all contained in Certificate of Titles CV 9F/1229, and 45A/1251, having a total area of 2,443 square metres, and part of Hoon Hay Park.
14. At the time of sale, unknown to the author of this report, the Suburbs Rugby Football Club did not protect the interest it had in the changing rooms which was part of its building on the site.
15. At the time the Suburbs Rugby Football Club built the changing rooms, the Council allowed them to be built across the common boundary of the above-mentioned lots and Hoon Hay Park. There is no fire wall along this boundary, because of which caveat no 177655.1 was registered against the title of the former Suburbs Rugby Club's land now owned by the Church. This caveat requires the owner of that land to demolish the changing rooms should they no longer be used by the Suburbs Rugby Football Club, or for the purpose for which they were built. The attached plan shows the land on which the changing rooms, toilet facility and associated passageway is built in relation to the common boundary between the Church's and Council land.
16. The Church decided that the changing rooms were surplus to its requirements and commenced discussions with the Council with the view to the changing rooms being demolished. Officers were concerned at the loss of these changing rooms from the park, and therefore commenced discussions with the church with a view to acquiring some of the changing rooms to better service the park's sports field needs.
17. The park has six rugby grounds located on it, there being three senior fields, one training field, and two of intermediate size. The Council has an older style changing pavilion situated approximately mid-way along the Mathers Road frontage of the park. This facility contains public toilets, three changing rooms with showers, and a storage room. There are not enough changing rooms in this building to properly service all the sports fields on the park, these changing rooms being smaller in size than required today. Senior rugby now requires changing rooms of a large enough size to accommodate team members, reserves, health professionals, and team officials. The changing rooms in the former Suburbs Rugby Club building are considerably larger in size than the ones located in the Council building and therefore are suitable for teams playing senior games.
18. An agreement has been reached between Council officers and the Church of Christchurch for the retention of the building to enable both parties to use it in the future. The Church has signed this agreement and it now requires the Council's approval, to enable it to be executed on the Council's behalf.

## The Agreement

19. The provisions of the draft agreement are set out below:
  - (a) That the Church transfer ownership of the changing rooms (four) including the associated toilets and passageway to the Council for the price of one dollar. The Council agree to lease back to the Church that part of the changing rooms shown on the attached plan as 'A', this being approximately 54 sq ms in area. The parties understand that the church will use this leased area for recreation purposes.
  - (b) The term of the lease is to be for 20 years, the rent payable being \$1 per annum, which is non-reviewable.

## 6 Cont'd

- (c) The Council has the right to renew the agreement after this initial period for a further 13 years if it so wishes at the same rent. The rationale behind this option is that the other Council owned changing/toilet facility in Hoon Hay Park was built in the 1950's and therefore is approximately halfway through its depreciation cycle, at the end of which the Council will need to build new changing facilities on the park. At that time the Council will need to consider what are suitable changing pavilion requirements for the times before building a new facility on the park to cater for all changing room requirements.
- (d) The Church will not assign, sublet or part with possession of that part of the changing rooms leased to it.
- (e) The Church is to lease to the Council approximately 73 square metres of the Church's land on which part of the changing rooms are located for a period of 20 years at a rent of \$1 per annum, which is non-reviewable, the Council having the right after this period to renew the lease for a further 13 years at the same rental. This area is shown on the attached plan as 'C'.
- (f) The parties acknowledge that so long as any part of the changing rooms are located across the common boundary, it will be necessary for caveat no 177655.1 (as mentioned earlier) to remain registered against the title to the Church's land. The agreement states, however, that the Council will consent to the registration of any document that the Church may wish to have registered against the title except where that document may affect the Council's rights under the agreement.
- (g) The Council will forthwith, upon ratification of this agreement:
  - (i) Construct a wall between the part of the changing rooms to be leased by the Church and the remainder of the changing rooms;
  - (ii) Install a separate electricity meter to measure the electricity consumed in the part of the changing rooms used by the Council and to pay for that electricity;
  - (iii) Carry out such work on the flat roof area of the changing rooms as may be necessary to prevent ponding and leaking.
- (h) The agreement states that the parties have agreed not to install a water meter to measure the water use in the part of the changing rooms used by the Council, however, the Church will be entitled to invoice accounts for any excess water usage that it may be charged. The rationale behind this clause is that the changing rooms will use the majority of water in the building, the church not having paid an excess water charge since moving into the building.
- (i) The Council will be responsible for maintaining the exterior of the changing rooms and the interior of that part of the changing rooms that it occupies.
- (j) The Church will be entitled, at its own cost and subject to obtaining all relevant consents, to convert, alter and fit-out that part of the changing rooms to be leased by it to suit its requirements, including the installation of a hand-basin. The Church will notify the Council before carrying out any such work. The Church will be responsible for maintaining that part of the changing rooms to be occupied by it.
- (k) At the expiry of the lease period, or any renewal of the lease, the Council will be responsible at its own cost for the demolition of the changing rooms and the restoration of that part of the Church's land on which the changing room stood to match the adjacent Church land. Once this work has been undertaken, caveat no 177655.1 will be able to be removed from the Church's title. It has been estimated that at today's prices, this work would cost approximately \$19,000.
- (l) In the event of the changing rooms being destroyed or so damaged as to render re-instatement impractical the leases will terminate forthwith, the Council then being responsible for clearing, tidying, and restoring that part of the Church's land on which the changing rooms stood to match the adjacent church land.

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- (m) The Council consents to the Church, at its own cost, erecting a security fence on the common boundary between Hoon Hay Park and the Church's land.
- (n) The Council is to be responsible for the payment of the legal costs incurred by the Church in relation to the negotiation and preparation of this agreement.
- (o) The Church agrees that if it should wish to sell the Church's land during the term of the lease, it will bring the existence of this agreement to the notice of prospective purchasers and any buyer will be subject to the terms of this agreement.
- (p) The agreement is subject to ratification by the Council within six weeks of being executed by both parties or such extent of time as the parties may agree, and to the completion of the public notification programme of area 'B', an area of 23 square metres, being the area of Hoon Hay Park being leased to the Church as required by the Reserves Act 1997.

### **Work Required to Bring the Building up to Standard**

- 20. Although the building is sound, it has been neglected for a number of years, therefore there is a need to undertake the work as detailed below to bring the building up to a serviceable standard:
  - (a) Replace the roof over the passageway which ponds and leaks at an estimated cost of \$15,000 exclusive of GST.
  - (b) Remove the header tank from the roof of the building, because the framework holding the roof and the tank is not sturdy enough to support the weight, and make repairs at an estimated cost of \$2,000.
  - (c) Upgrade the existing showers, alter pipe work, new valves etc at an estimated cost of \$16,000.
  - (d) Undertake general repairs to roof framing, timber louvres, clean walls and fittings etc at an estimated cost of \$6,000.
  - (e) Relocate switchboard and meters, alter wiring, upgrade fittings, isolate electricity, etc at an estimated cost of \$4,000.
  - (f) Internal painting of passage, two changing rooms and toilet area, (not Church's area) at an estimated cost of \$4,200.
  - (g) External painting of walls and louvres etc at an estimated cost of \$2,200.
  - (h) \$3,000 has been allowed as a contingency fee, and an additional 7% for professional fees adding up to a total estimated cost to refurbish the building of approximately \$56,000.
- 21. It has been estimated that the cost to build two new changing rooms, of similar dimensions to the former Suburbs Rugby Club changing rooms (approximately 70 square metres in area) incorporating eight showers which would be attached to the existing Council owned changing room building fronting Mathers Road would be approximately \$130,000 excluding GST. Therefore the costs of upgrading the present changing rooms to a good standard is under half of the cost to provide a new facility by way of addition to the present Council owned changing sheds.



## OPTIONS

### **Option No 1: Preferred Option. To Buy the Former Suburbs Rugby Club Changing Rooms and Refurbish Them**

22. This option enables the Council to provide the required changing facilities relatively quickly at a cost of approximately \$800 per square metre, which also includes another set of toilets on the park for sports team use. This square metre rate is less than half the cost to build two new changing rooms onto the existing Council facility in the park, although if future demolition costs are included in the equation it equates to a little over half the cost to building new changing rooms. Money is available in the 2004/05/06 budgets to enable the refurbishment to be undertaken within a relatively short space of time thereby meeting the requirements necessary for Suburbs Rugby Club to host senior games on its home grounds. This option also allows the Council to re-appraise the changing room requirements when both the existing buildings are near the end of their economic life.

### **Option No 2: Maintain the Status Quo**

23. Officers are of the opinion that maintaining the status quo is not an option because the present needs of the local sporting community will not be met, there being a need now on the park for larger changing facilities to enable senior rugby to be played on the park. These additional changing rooms are also required to enable the winter sports fields on the park to be fully utilised, thereby ensuring that the return on the cost of preparing and maintaining them is maximised.

### **Option No 3: Add two new Changing Rooms to the Existing Council Owned Facility**

24. This option, if proceeded with, would require an upgrade of the existing changing pavilion on the park, especially the hot water system for the showers. On a square metre cost basis it would cost approximately \$1,860 per square metre to provide two additional changing rooms, each changing room being of the same area as the former Suburbs Rugby Club Changing Rooms. This is over twice the square metre rate of refurbishing the existing building. There is no money in the current or next financial year's budget to undertake the building of two new additional changing rooms. It is most likely to be a number of years before money could be appropriated in the budget to provide the additional changing rooms by addition to the Council's existing building. Suburbs Rugby Club are back in the top rugby competition for Christchurch, and as such need suitable changing facilities to enable senior games to be played at its home grounds as soon as possible.

## PREFERRED OPTION

25. To buy the former Suburbs Rugby Club Changing Rooms, toilets and associated passageway from the Church of Christchurch for \$1. This option enables the Council to provide additional needed changing facilities on Hoon Hay Park at a less-than new built price for a period of up to 33 years at which time it is anticipated that the present changing facility located on the park will be nearing the end of its economic life and need replacing. At that time, changing room needs can be assessed, and a new facility built to accommodate all changing room needs at the park.
26. The number of changing rooms available to players on the park is limiting the full utilisation of the rugby fields on the park during the winter. There is pressure from Suburbs Rugby Club whose home ground is Hoon Hay Park for the provision of more changing rooms at the park to replace some of the ones that were lost. The addition of these two full-size changing rooms to accommodate the needs of senior competition players will go a long way towards addressing this need.

## 6 Cont'd

### ASSESSMENT OF OPTIONS

#### The Preferred Option

27. To purchase the former Suburbs Rugby Club changing pavilion for one dollar, and upgrading it at a cost of approximately \$56,000.

	Benefits (current and future)	Costs (current and future)
<b>Social</b>	Will enable a larger number of people from the community to formally recreate on the park at the same time, thereby strengthening social cohesion. Will enable the resident football club (Suburbs) to hold senior matches at its home grounds, thereby assisting to strengthen the club's presence in the community.	
<b>Cultural</b>	Nil.	
<b>Environmental</b>	Enables full utilisation to be made of the existing buildings on the park, and better use to be made of the existing sports-fields on the park, which have to be maintained in any case.	
<b>Economic</b>	<ul style="list-style-type: none"> <li>- Enables two additional changing rooms to be provided on the park at under half the cost of providing two new changing rooms attached to the Council's present changing facility.</li> <li>- Money is available in the 2004/05/06 budget with which to undertake the necessary work, thereby satisfying the identified community need in the short term.</li> </ul>	The upgrading cost has been estimated at approximately \$56,000, with ongoing annual costs of approximately \$6,190 (2005 estimate).

#### **Extent to which community outcomes are achieved:**

This allows Suburbs Rugby Club to play senior home games at Hoon hay Park, which is its home park, thereby strengthening its presence in the local community.

#### **Impact on Council's capacity and responsibilities:**

The addition of these two changing rooms coupled with the present Council owned changing rooms will enable better formal utilisation of the existing sports fields to take place.

#### **Effects on Maori:**

Nil.

#### **Consistency with existing Council policies:**

This option is consistent with present Council policies, of providing amenities on recreational areas to enable Christchurch residents to participate in healthy formal recreational pursuits.

#### **Views and preferences of persons affected or likely to have an interest:**

The views of residents living in the residential areas surrounding the park to the leasing of a small area of the park to the Church will be assessed during the public advertising process.

#### **Other relevant matters:**

## 6 Cont'd

### Maintain The Status Quo (If Not Preferred Option)

28. Not providing additional changing rooms at Hoon Hay Park.

	Benefits (current and future)	Costs (current and future)
<b>Social</b>		Will restrict the number of people from the community able to formally recreate on the park at the same time. Opportunities for strengthening social cohesion in the community will be missed. The resident football club (Suburbs) will not be able to hold senior matches at its home grounds, thereby reducing opportunities to strengthen the club's presence in the community.
<b>Cultural</b>		
<b>Environmental</b>		Will prevent full utilisation being made of the existing buildings and sports fields on the park, which are required to be maintained in any case.
<b>Economic</b>	No direct financial investment required.	This option will cost the Council more, because of the necessity to use sports fields elsewhere in the community for senior rugby, while the ones at Hoon Hay Park remain underutilised.
<p><b>Extent to which community outcomes are achieved:</b>  This option prevents Suburbs Rugby Club from playing senior home games at Hoon Hay Park, which is its home park, thereby reducing the Club's presence in the local community. This limiting of healthy recreational opportunities in the community is detrimental to community outcomes.</p> <p><b>Impact on Council's capacity and responsibilities:</b>  This option will not enable better formal utilisation of the existing sports fields to occur which will result in increased costs to the Council.</p> <p><b>Effects on Maori:</b>  Nil.</p> <p><b>Consistency with existing Council policies:</b>  This option is not consistent with present Council policies of providing amenities on recreational areas to enable Christchurch residents to participate in healthy formal recreational pursuits.</p> <p><b>Views and preferences of persons affected or likely to have an interest:</b>  The local sporting community have indicated that they require more larger changing rooms on the Hoon Hay Park, to be able to use the park for senior games as soon as possible.</p> <p><b>Other relevant matters:</b></p>		

**Build Two New Changing Rooms Attached to the Existing Council Owned Pavilion**

29. Not to proceed with the proposed purchase and upgrade of the existing changing rooms, but to build two new changing rooms of a similar size to the former Suburbs Rugby Club changing rooms attached to the existing Council owned facility.

	<b>Benefits (current and future)</b>	<b>Costs (current and future)</b>
<b>Social</b>	Will enable a larger number of people from the community to formally recreate on the park at the same time, thereby strengthening social cohesion. Will enable the resident football club (Suburbs) to hold senior matches at its home grounds, thereby assisting to strengthen the club's presence in the community.	
<b>Cultural</b>	Nil.	
<b>Environmental</b>	Enables full utilisation to be made of the existing buildings on the park, and better use to be made of the existing sports fields on the park, which have to be maintained in any case.	
<b>Economic</b>		<ul style="list-style-type: none"> <li>- Enables two additional changing rooms to be provided on the park, however, at over twice the cost of upgrading the existing facility, (\$130,000 excluding GST).</li> <li>- Annual maintenance budgets will need to be increased by an amount which is more than the preferred option because of higher depreciation costs.</li> <li>- Half of the resulting changing facility will be half way through it's life cycle, the balance being new.</li> <li>- It will be a number of years before budget appropriation can be made to undertake building the new changing rooms, therefore the identified community need will be unable to be satisfied in the short to medium term.</li> </ul>
<p><b>Extent to which community outcomes are achieved:</b> This allows Suburbs Rugby Club to play senior home games at Hoon Hay Park, which is its home park, thereby strengthening its presence in the local community, although not in the shorter term.</p> <p><b>Impact on Council's capacity and responsibilities:</b> The addition of these two changing rooms to the present Council owned changing rooms will enable better formal utilisation of the existing sports fields to take place.</p> <p><b>Effects on Maori:</b> Nil.</p> <p><b>Consistency with existing Council policies:</b> This option is consistent with present Council policies of providing amenities on recreational areas to enable Christchurch residents to participate in healthy formal recreational pursuits.</p> <p><b>Views and preferences of persons affected or likely to have an interest:</b> The Suburbs Rugby Club's aspirations of being able to play senior games on Hoon Hay Park, its home grounds will not be able to be realised as quickly as in the preferred option.</p> <p><b>Other relevant matters:</b></p>		

## 7. HOUSING PORTFOLIO- 2005 RENT REVIEW

<b>General Manager responsible:</b>	General Manager Community and Recreation
<b>Officer Responsible:</b>	Unit Manager Facility Assets
<b>Author:</b>	Tony Sharpe, Strategic Property Analyst, DDI 941-8505, and Kevin Bennett, Team Leader City Housing DDI 941 8576

### PURPOSE OF REPORT

1. The purpose of this report is to assess the required rentals for the housing portfolio for the 2005/06 financial year, and to seek Council approval for a proposed 3% rent increase in response to inflationary pressures.

### EXECUTIVE SUMMARY

2. The 2005 rent review has been undertaken in order to ensure that the funding requirements for the sustainability of the Housing Development Fund are achieved. This is required to ensure that all future maintenance, renewal and capital requirements are met in a sustainable way ie without rates subsidisation. Rents are set at cost of consumption levels (the rent level needed to meet future maintenance, renewal and capital costs). This is balanced by assessing the affordability for tenants.
3. In 2003 rents were increased for the first time for some years and in view of the significant increase required to achieve cost of consumption, rents for studio and bed-sit units were not increased to the full required level but instead were stepped for existing tenants, with a view to achieving a cost of consumption rental over three years. These rentals have now reached cost of consumption levels and accordingly no further stepped increases are required. Rental adjustments are accordingly now applied at a flat rate across the board in line with identified requirements.
4. A rent review mechanism and policy has been developed and was approved by the Council in 2003, whereby rents are to be reviewed annually and increased in accordance with cost of consumption methodology. Any Council approved changes to levels of service also affect rent levels through the cost of consumption methodology.
5. The recommendation of this report is to apply an across the board 3% increase to rentals based on the Council's previously resolved policy to annually adjust rentals in line with inflation.

### FINANCIAL AND LEGAL CONSIDERATIONS

6. The housing portfolio is a self funded standalone portfolio, which has no impact on rates set by council. The Housing Development Fund (HDF) is designed to assist replacement costs and maintain agreed upon levels of service. Ongoing renewal costs are predominately supported by rental charges, while replacement costs are funded through a combination of cash flows and drawdowns from the HDF.

### Relevant Current Policy

7. The asset management policy requires the Council to ensure that the housing fund is financially self supporting, (allowing for all costs including depreciation, loan servicing, administration and maintenance).

The Housing Tenancy Services Policy states:

- "1. That the Council, in fulfilling its role as housing provider, seek to offer security of tenure to tenants, as appropriate.
2. That, from July 1991, equivalent properties attract the same level of rent for the same level of occupancy.
3. That differential rents between single and double occupancy remain.
4. That the annual rent review date for all tenancies be the first rental period in July."

## 7 Cont'd

9. The Council resolved on 24 April 2003:

*That all housing rentals be annually reviewed, increased and reported to the Council prior to implementation in accordance with the 'Future Rent Review Mechanism' as follows:*

$$\frac{N = R \times CPI(t)}{CPI(t-1)}$$

*N = new annual rent*

*R = previous annual rent*

*CPI (t) = Consumers' Price Index (All Groups) for the nearest date, either preceding or following the date of review.*

*CPI (t - 1) = Consumers' Price Index (All Groups) for the nearest date, either preceding or following the Commencement Date*

10. An inflationary increase of 3% has been included in the 2005/06 budget process, which would generate an extra \$460,000 of revenue for the portfolio. An inflationary adjustment is in line with the above Council resolution to keep rentals tagged to the Consumers Price Index movements.
11. There has been significant pressure on expenditure on the housing portfolio in the current financial year. This has partly come about through identification of a greater amount of maintenance requirements than was anticipated. A report has been prepared identifying expenditure requirements and has outlined the process required in order to meet agreed upon levels of service without impacting on the sustainability of the Housing portfolio.
12. It is an implicit assumption for the long term viability of the Housing Development Fund that inflation adjustments occur annually in order to protect the housing portfolio from the need to apply large lump sum rental increases. Such an annual adjustment buffers the Housing Development Fund from unexpected dramatic increases.
13. The Council as a landlord is required to supply tenants with a 60 day notification of rent increases under the Residential Tenancies Act 1986. Therefore it is necessary for written confirmation of any rental increase to be received by tenants by the end of April 2005 in order for it to be effective for the first rental period in July 2005. The effective date of the first rental period in July is specified in the Councils' residential tenancy agreements.
14. The majority of City Housing tenants are entitled to the Accommodation Supplement through WINZ. This supplement may be increased depending on the tenants' individual circumstances and consequently it is understood an increase in rental may trigger an increase in the accommodation supplement paid to these tenants.

### STAFF RECOMMENDATIONS

It is recommended that the Council:

1. Adopt an across the board rental increase of 3% for the housing portfolio from 1 July 2005, with rents increased to the levels set out in Table 1 below.

Table 1:

Type of Unit	2004/ 2005 Rental	Proposed 2005/06 Rental
Bedsit	\$59-\$68	\$61-\$70
Studio	\$72.00	\$74.00
1 Bedroom	\$81.00	\$83.50
2 Bedroom	\$110.00	\$113.50
3 Bedroom	\$137.00	\$141.00
4 bedroom	\$180.00	\$185.50

Note: That these rents are the weighted average rent for each unit type so actual rents will vary depending on their quality and attributes.

## 7 Cont'd

2. Increase future rents automatically in accordance with the following formula, with a report to Council only being required in the event that a rent increase is proposed at a level other than that of the Rent Review mechanism.

The 'Future Rent Review Mechanism' is described as follows:

$$\frac{N = R \times \text{CPI (t)}}{\text{CPI (t - 1)}}$$

N = new annual rent

R = previous annual rent

CPI (t) = Consumers' Price Index (All Groups) for the nearest date, either preceding or following the date of review.

CPI (t - 1) = Consumers' Price Index (All Groups) for the nearest date, either preceding or following the Commencement Date

**BACKGROUND**

15. The Housing Portfolio is a self-funding asset, which relies on annual surpluses generated by the net outcomes of rental revenue, operational expenditure and capital expenditure. Surpluses are applied to the growth of the Housing Development Fund, which is required in order to maintain the long term sustainability of the housing portfolio.
16. The purpose of the HDF is to ensure the sustainability of the portfolio at the current agreed upon levels of service. The HDF will be utilised in order to ensure sufficient funds are available to operate the service and to meet the current and future needs of maintaining and replacing the ageing housing stock. This involves optimisation of limited resources to realise the greatest level of desired outputs achievable. The viability of the fund has been evaluated over a lifecycle of 90 years (which is identified in the Housing Asset Management Plan as the average life of a dwelling in New Zealand), with all assets being replaced at the end of their economic life.
17. The HDF is constructed taking into account provision for the long-term costs of consumption. There are several assumptions implicit in this theory, which is designed to ensure that the Housing portfolio is managed on a sustainable basis over a 90-year life cycle of the average dwelling. The key assumptions are as follows:
  - Annual inflationary adjustment of rentals to allow for increased costs.
  - Annual surpluses accrue to grow the HDF to levels required to sustain the housing stock at current agreed upon levels of service.
  - Improvements to levels of service are to be investigated through specific projects to optimise existing stock.
  - Expansion of the housing stock implies sourcing alternative funding, such as that currently available upon application to central government. The Christchurch City Council is currently progressing two such applications, namely the Gowerton Place new development, and assistance for funding to reconfigure bedsit units in the existing stock.
  - A focus of improvement plans currently being developed is to provide opportunities to spread the effect of the forthcoming cyclical maintenance related to the 51% of the stock that was built in the 1970's and early 1980's.
  - Improvement plans may also provide the opportunity to expand the stock in correlation with the HDF should it reach a 'supernormal' growth phase. The Asset Management Plan states that some limited expansion of the stock is possible under this scenario.
  - Renewal of existing stock is important. Currently poorly performing sites are being analysed in order to ascertain what the best approach is to improve performance. Possible resultant action includes upgrading, reconfiguration or replacement of these sites.
18. The following table outlines the rentals that were agreed upon in the 2004 rent review process. This included a stepped increase for studio and bedsit units, which has now been applied to its full extent. Stepped increases in the future are not identified as being required.

**Table 2: 2005/05 Rentals**

<b>Bedsit</b>	<b>\$59-\$68</b>
<b>Studio</b>	<b>\$72.00</b>
<b>1 Bedroom</b>	<b>A Category \$97</b>
	<b>B Category \$81</b>
	<b>C Category \$66</b>
<b>2 Bedroom</b>	<b>A Category \$123</b>
	<b>B Category \$111</b>
	<b>C Category \$97</b>



## 7 Cont'd

<b>3 Bedroom</b>	<i>A Category \$163</i>
	<i>B Category \$135</i>
	<i>C Category \$114</i>
<b>4 Bedroom</b>	<i>A Category \$180</i>

### Significance

19. Section 90 of the Local Government Act 2002 requires the Council to identify and list the assets it considers to be strategic.
20. The Christchurch City Council's policy on significance, lists land and buildings as a whole owned by the Council for its public housing provision, as a strategic asset.
21. Clearly this rent review does not affect the assets. However, the rent review needs to be assessed as to whether it qualifies as a significant matter. Specifically this matter needs to be assessed as to whether it:
  - (a) Affects all or a large portion of the community in a way that is consequential
  - (b) Has a potential impact or consequence on the affected persons (being a number of persons that is substantial
  - (c) Has financial implications on the Council's resources that would be substantial
  - (d) Is likely to generate a high degree of controversy
22. On face value the answer to points 2 and 4 could be yes. However, the degree of controversy and impact on affected persons is likely to depend on the size of the rent increase. For example an increase in rents equivalent to inflation is likely to have little impact or controversy especially if income benefit rates are reviewed upwards by inflation. By comparison, an increase in rents to full market is likely to have a substantial impact and high degree of controversy.
23. The accommodation supplement will also adjust to cover a percentage of the increase for those tenants who are eligible. The level of subsidy provided by Work and Income for the accommodation supplement varies according to individual tenant circumstances. The rates vary from \$45 - \$160 per week, depending on individual circumstances.
24. Regardless of whether this matter is significant or not, sections 76-82 of the Local Government Act must be followed. The following sections deal with assessing all practical options.

### OPTIONS

25. Given that the cost of consumption methodology assumes that rents and expenses keep pace with inflation and that at this level of rent the Housing Development Fund is sustainable, then as a minimum rents should be increased at the rate of inflation. This is entrenched in the rent review mechanism described above.
26. There are effectively three options available to the Council:

## 7 Cont'd

### Option 1

#### To apply the previously resolved annual inflationary adjustment as at 1 July 2005

27. The Department of Statistics announced December Quarter Consumer Price Index figures on 19 January 2005, with the following accompanying statement:

*"Over the 12 months to the December 2004 quarter, the CPI rose 2.7 percent. Significant upward contributions to the annual change came from purchase and construction of new dwellings (up 7.3 percent) and petrol (up 13.5 percent). Significant downward contributions were made by used cars (down 4.3 percent), and household appliances and equipment (down 5.9 percent)."*

28. In its draft 2005/06 budget the Council has allowed for a 3% increase in rents in order to ensure sufficient revenue is raised to cover costs of maintenance work required across the portfolio. While this is slightly higher than the confirmed December CPI figures, a rounding to 3% is recommended in order to assist the completion of required maintenance programmes. The 2005/06 draft budget also more accurately reflects actual operational charges including rates and insurance, which in the current financial year have been under-budgeted for.

### Option 2

#### Do not increase rentals

29. Option Two is for the Council to rescind its previous resolution and apply no increase in rentals for the 2005/06 financial year. While this course of action would likely be preferable to tenants, it would impact in the ability of the Council to attain its agreed upon levels of service for the portfolio, and put pressure on the viability of the Housing Development Fund. This would have a negative impact on the living standards of some tenants as sufficient funding would not be available to meet maintenance requests.
30. By not applying an annual inflationary adjustment there will be greater pressure for increases in the future of a more significant nature. This would be more damaging in terms of tenants' ability to pay.
31. Option two is not identified by staff as the recommended course of action.

### Option 3

#### Increase rentals by greater than the Consumer Price Index increase

32. Although annual inflation has been recorded as 2.7% as at December 2004, there is anecdotal evidence that building materials and labour are facing much higher pricing pressure. While no formal figures can be provided it is estimated that construction costs are running at approximately 10-15% higher than last year. Should this trend be confirmed, and indeed continue to rise at such a rate then inflationary pressures in the future are likely to be much higher than those outlined in option 1.
33. However, in the absence of formal data or indeed a long-term trend, it is recommended that the situation be monitored and reviewed in the 2006 rent review process. It may be necessary to review costs of consumption analysis that underscores the Housing Development Fund growth and apply a greater long term inflation component. Further research is required in this area when more information is available and at this time it is not deemed necessary to step outside the recommendations of Option 1.

### Preferred Option

34. It is recommended that Option 1 be adopted by the Council, with tenants advised of an across the board rental increase of 3% effective 1 July 2005, as required by current Council policy.
35. Furthermore it is recommended that the Council agree to an automatic annual rental increase based on the formal Consumer Price Index movement each year.

## 7 Cont'd

### ASSESSMENT OF OPTIONS

#### The Preferred Option

36. To apply the previously resolved annual inflationary adjustment as at 1 July 2005

	Benefits (current and future)	Costs (current and future)
<b>Social</b>	<ul style="list-style-type: none"> <li>An adequate standard of housing is met.</li> <li>Allows agreed upon levels of service for the housing portfolio to be met.</li> <li>Maintenance requirements are met and units are looked after to an acceptable standard.</li> </ul>	None identified in this option
<b>Cultural</b>	As above.	As above.
<b>Environmental</b>	There are no identified environmental impacts.	There are no identified environmental impacts.
<b>Economic</b>	Ensures the long term viability of the Housing Development fund is protected.	<ul style="list-style-type: none"> <li>An inflationary adjusted rental is set, with a 3% increase for tenants.</li> <li>The cost of the rental increase will be offset to some degree by adjustment to the accommodation supplement for those tenants who are eligible.</li> </ul>
<p><b>Extent to which community outcomes are achieved:</b>            Primary alignment with community outcome Healthy and Active People. Also contributes to a liveable city and a safe city.</p> <p><b>Impact on Council's capacity and responsibilities:</b>            As the Housing Portfolio is a self funding activity there is no impact on rates. This option recommends an inflationary adjusted rent increase, which ensures the long term viability of the Housing Development Fund, This fund ensures the housing stock is maintained in a sustainable manner.</p> <p><b>Effects on Maori:</b>            There are no specific impacts on Maori that are different to those to be experienced by other ethnic groups.</p> <p><b>Consistency with existing Council policies:</b>            The Council has resolved to apply an annual inflation related increase for City Housing rental effective 1 July each year. This option is consistent with Council policy.</p> <p><b>Views and preferences of persons affected or likely to have an interest:</b>            This report has been prepared based on Council Policy, along with information from previous rent reviews, and detail provided by City Housing.</p> <p><b>Other relevant matters:</b>            There are no other relevant matters identified.</p>		

## 7 Cont'd

### Maintain The Status Quo (If Not Preferred Option)

37. Do not increase rentals

	Benefits (current and future)	Costs (current and future)
<b>Social</b>	There is no increased rental delivered to tenants.	Agreed upon Levels of Service may not be delivered. This may compromise the ability of the Council to provide an adequate standard of housing to all of it's tenants.
<b>Cultural</b>	As above.	As above.
<b>Environmental</b>	There are no identified environmental impacts.	There are no identified environmental impacts.
<b>Economic</b>	There is no economic benefit identified.	The self sufficiency of the Housing Portfolio and the viability of the Housing Development fund is compromised.
<p><b>Extent to which community outcomes are achieved:</b>            Primary alignment with community outcome Healthy and Active People. Also contributes to a liveable city and a safe city.</p> <p><b>Impact on Council's capacity and responsibilities:</b>            As the Housing Portfolio is a self funding activity there is no impact on rates. This option recommends no inflationary adjusted rent increase, which puts pressure on the long term viability of the Housing Development Fund. Accordingly the agreed upon levels of service for housing may not be attainable within budget constraints should insufficient income be realised through rentals.</p> <p><b>Effects on Maori:</b>            There are no specific impacts on Maori that are different to those to be experienced by other ethnic groups.</p> <p><b>Consistency with existing Council policies:</b>            The Council has resolved to apply an annual inflation related increase for City Housing rental effective 1 July each year. This option is consistent with Council policy.</p> <p><b>Views and preferences of persons affected or likely to have an interest:</b>            This report has been prepared based on Council Policy, along with information from previous rent reviews, and detail provided by City Housing.</p> <p><b>Other relevant matters:</b>            There are no other relevant matters identified.</p>		

## 7 Cont'd

### Option 3

38. Increase rentals by greater than the Consumer Price Index increase

	Benefits (current and future)	Costs (current and future)
<b>Social</b>	<ul style="list-style-type: none"> <li>An adequate standard of housing is met.</li> <li>Allows agreed upon levels of service for the housing portfolio to be met.</li> <li>Maintenance requirements are met and units are looked after to an acceptable standard.</li> </ul>	It would be harder for tenants to absorb a higher than inflation rental increase.
<b>Cultural</b>	As above.	As above.
<b>Environmental</b>	There are no identified environmental impacts.	There are no identified environmental impacts.
<b>Economic</b>	The long term viability of the Housing Development Fund may be better protected should inflationary pressures in the construction industry continue to grow.	<ul style="list-style-type: none"> <li>Increased rental will be chargeable to tenants.</li> <li>The cost of the rental increase will be offset to some degree by adjustment to the accommodation supplement for those tenants who are eligible.</li> </ul>
<p><b>Extent to which community outcomes are achieved:</b>            Primary alignment with community outcome Healthy and Active People. Also contributes to a liveable city and a safe city.</p> <p><b>Impact on Council's capacity and responsibilities:</b>            As the Housing Portfolio is a self funding activity there is no impact on rates. This option recommends a cautionary approach be taken in the event that annual inflation adjustments in line with the Consumer Price Index are not sufficient owing to construction industry costs rising at a greater rate, thus protecting the long term viability of the Housing Development Fund. This fund ensures the housing stock is maintained in a sustainable manner.</p> <p><b>Effects on Maori:</b>            There are no specific impacts on Maori that are different to those to be experienced by other ethnic groups.</p> <p><b>Consistency with existing Council policies:</b>            The Council has resolved to apply an annual inflation related increase for City Housing rental effective 1 July each year. This option is outside the parameters of current Council policy.</p> <p><b>Views and preferences of persons affected or likely to have an interest:</b>            This report has been prepared based on Council Policy, along with information from previous rent reviews, and detail provided by City Housing.</p> <p><b>Other relevant matters:</b>            There are no other relevant matters identified.</p>		

## 8. DRAFT STRATEGIC DIRECTIONS

<b>General Manager responsible:</b>	General Manager Strategic Development
<b>Officer responsible:</b>	Acting Research and Policy Manager
<b>Author:</b>	Alan Bywater, Acting Unit Manager Research and Policy, DDI 941-6430

### PURPOSE OF REPORT

1. To seek Council approval for the Draft Strategic Directions for public consultation.

### EXECUTIVE SUMMARY

2. The Council has been going through the process of developing a set of Draft Strategic Directions - peak level statements of strategic intent. Consultation on the Draft Strategic Directions will take place alongside the consultation on the Draft Community Outcomes.

### FINANCIAL AND LEGAL CONSIDERATIONS

3. The Draft Strategic Directions provide high level goals and objectives for the Council's activity. They have been developed to be sufficiently broad to encompass the activities the Council is required to undertake under statute.
4. There are no direct financial implications from adopting the Draft Strategic Directions for consultation.

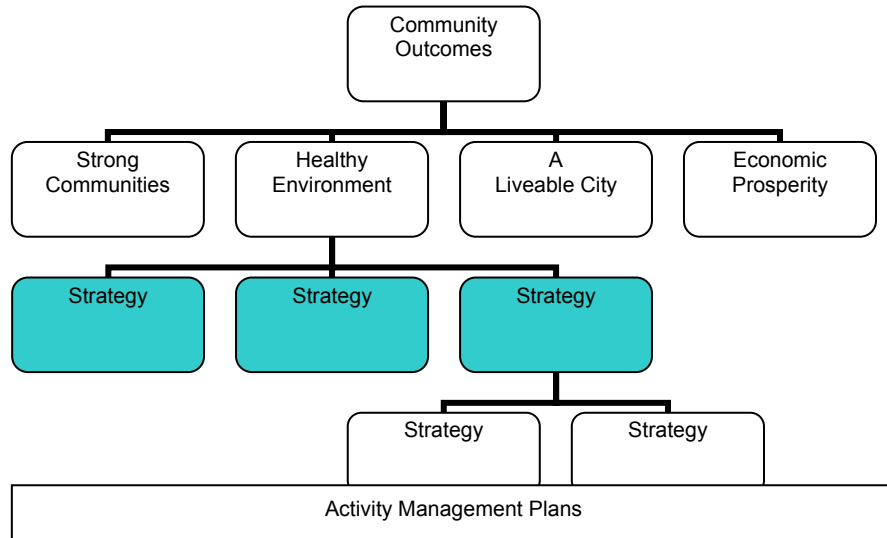
### STAFF RECOMMENDATIONS

It is recommended that the Council approves the Draft Strategic Directions (attachment) for public consultation.

## 8 Cont'd

### BACKGROUND

5. As part of the LTCCP requirements under the Local Government Act 2002 the Council is required to identify how it will contribute to furthering the Community Outcomes. This will be achieved through the development of Strategic Directions and a series of more specific strategies with narrower focus beneath them, ultimately informing the Activity Management Plans.



6. The Strategic Directions are the over-arching statements of strategic intent providing the overall goals and objectives for the Council. They indicate in broad terms how the Council intends to contribute to the Community Outcomes. The Strategic Directions will be used for the Council to communicate both with the community and internally.

### Process

7. The Draft Strategic Directions have been developed by staff on the Council's behalf with input from both community board members and councillors.
- Initial draft of goals based on developed understanding of the 2004/05 Community Outcomes, the issues and challenges facing the city and the roles of other major contributors.
  - Seminar held with community board members to gain input into the goals.
  - Seminars held with councillors to gain direction of the goals.
  - Sustainable development workshop provided by Landcare Research.
  - Further drafting carried out by staff.
  - Second seminar on goals and objectives with community board members.
  - Second seminar on goals and objectives with councillors.
  - Further re-drafting to make the language simpler for publication as requested by councillors.
  - Further work on leadership/governance goal with Councillors Buck and Wells.

## 8 Cont'd

8. Once approved for consultation the Draft Strategic Directions will be the subject of public consultation alongside the Draft Community Outcomes. The consultation will be seeking the public's views on the draft of its picture of how it would like Christchurch to be in the future (Community Outcomes) and the Council's goals in contributing (Strategic Directions). This consultation process will be taking place in May 2005 and it is anticipated that a final version of Strategic Directions will be prepared for consideration by the Council in June 2005.
9. The Draft Strategic Directions are the Council's overall statements of goals and objectives. They need to be 'owned' by Councillors as a draft for consultation.



## 9. 2006/16 LONG-TERM COUNCIL COMMUNITY PLAN - ACTIVITY MANAGEMENT PLANS

<b>General Manager responsible:</b>	General Manager Strategic Development and General Manager Corporate Services
<b>Officer responsible:</b>	Planning Strategy Manager
<b>Author:</b>	Carolyn Ingles, Planning Strategy Manager, DDI 941-8902

### PURPOSE OF REPORT

1. The purpose of this report is to inform and align the expectations of the Council regarding the information required for the 2006/16 Long-Term Council Community Plan (LTCCP) and the process proposed for reporting and approving that information.

### EXECUTIVE SUMMARY

2. The Local Government Act 2002 requires the Council to have a LTCCP at all times and by 30 June 2006 the LTCCP must meet all requirements of the legislation.
3. Development of the 2006/16 LTCCP will be a complex and time-consuming task. There are many strands of work that need to come together and form a cohesive Community Plan.
4. For the first time our LTCCP will be audited (both the draft and final). It is not possible for Audit to review the draft in the time available between pulling it all together (around January/February) and having the Council adopt the draft (mid-March). Audit will take a progressive approach and audit our processes and economic assumptions, and review our Activity Management Plans (AMPs) from June to December.
5. To ensure we produce a compliant LTCCP that reflects community needs and the Council's fiscal aspirations will require a disciplined approach from both the executive and elected members.
6. Part of this is recognising that we cannot leave decisions on major changes in direction etc. until the end of the process.
7. The challenge is also to produce a LTCCP that people can read and follow. The current LTCCP has over 400 identified performance measures – far too many for any reader to absorb. It starts with ensuring that we have succinct outcomes, we clearly describe how we are going to contribute to these, and then defines some SMART performance measures.
8. Key components of the LTCCP are the community outcomes, how the Council will contribute to the community outcomes (for Christchurch City Council these are the strategic directions and strategies), the AMP and the policies which need to be included in the LTCCP.
9. While these policies were developed for the 2004-2014 LTCCP, it may not be possible to review all policies for the 2006-2016 LTCCP. In particular the development contributions policy will be reviewed and provisions to enable contributions relating to the downstream effects of development on transport and community facilities will be presented to the Council for consideration. There will be other funding and financial contributions which will also need to be reconsidered.
10. In the timeframe available, not all strategies will have been developed and aligned with community outcomes. While a number of strategies have been developed in recent years, they are not consistent in content or structure. It is intended that strategies will be reviewed and developed during the next three years to achieve tighter alignment between strategies and AMPs for the 2009-2019 LTCCP.

### Timeframe for draft and final LTCCP and audit requirements

11. The draft LTCCP must include a statement from Audit on:
  - The extent to which the Christchurch City Council has complied with the requirements of the Act;
  - The quality of the information and assumptions underlying forecast information; and

## 9 Cont'd

- The extent to which forecast information and performance measures provide an appropriate framework for the meaningful assessment of the actual levels of service provision.
12. The draft LTCCP needs to be signed off by the Council in March 2006 to enable audit to review the document prior to release. Public consultation is programmed for April-May 2006. The familiar process of submissions, hearings and consideration of submissions occurs and the final LTCCP is adopted by 30 June 2006.

### Community Outcomes

13. Community outcomes identify the outcomes the community desires and belong to the community, not the Council. The Council must, however, be satisfied that the process has encouraged the public to contribute to the identification of community outcomes. Draft community outcomes have been developed during the past months with community and sector groups. These draft community outcomes will be released for wider public consultation in early May.

### Strategic Directions and Strategies

14. The strategic directions and strategies describe how the Council will contribute to furthering community outcomes. Effectively this becomes the link between community outcomes and strategic directions and strategies, and they become a tool for aligning the AMPs. The strategic directions have been developed over the past six months and have been presented in draft for comment to community boards and the Council. The draft strategic directions will be released for public consultation along with the community outcomes in early May.

### Activity Management Plans

15. AMPs are key building blocks in preparing a LTCCP but they do not appear in the LTCCP. They set out what the Christchurch City Council intends to do and why. Review of AMPs will occur in two parts:
- **Phase 1:** A stocktake of current activity, including service levels, the drivers for the service and existing policy decisions (if any) leading to that service. Information will also be presented on issues relating to the level of service which the Council will need to consider. This phase is for Councillors to note and understand the activity information and issues. **It is not for decision.** The likely template which will be used to present this information is shown in Appendix 1 along with an example of a service, in this case relating to libraries. The catalogue of activities and services will be programmed for discussion at the appropriate Portfolio Group followed by discussion at a Council seminar (if needed). This phase will commence soon and continue until June 2005.
  - **Phase 2:** The 10-year programme review for each activity, including looking at issues identified in Phase 1, which may change level of service or mode of delivery or creation/replacement/abandonment of a strategic asset. In preparing the 10-year programme, the first three years are presented in detail with the following seven years in outline to reflect the decreasing certainty. These programmes will be discussed at a Council seminar and presented to the Council for adoption. This phase will commence in July 2005 and will be completed by the end of October 2005. This phase will include aligning the AMPs to the Community Outcomes, Strategic Directions and, where available, the strategies.

### Capex

16. Flowing from the AMP are the resulting capital programmes that will help deliver the agreed levels of service to support the strategies.

## 9 Cont'd

17. As the Council will be well aware, the Capex programme is under pressure from significant cost increases. We are working on updating the current LTCCP capital programme to 2005/06 dollars and known cost increases etc. We aim to have this available for the Council to consider in July. It is clear that the Capex programme levels for existing projects will be significantly higher than the existing LTCCP.
18. This revised programme will support the LOS identified in Phase 1 of the AMP work.
19. The Council will need to give management guidance as to the Capital fiscal envelope they want for the next ten years, when we present the above-mentioned review in July.

### Timetable to Achieve

20. Attached is:
  - (a) Appendix 2(a): A high level process flow showing the times and steps necessary to sign off the Council's draft 2006/16 LTCCP.
  - (b) Appendix 2(b): A timetable setting out the times for the Phase 1 review of AMPs. Please note that as some activities impact on more than one portfolio, we will table at the meeting a finalised timeline.

### STAFF RECOMMENDATIONS

It is recommended that the Council:

- (a) Receives the report.
- (b) Agrees to the process as outlined.
- (c) Agrees on a 'no surprises' approach.

## 10. RETENTION OF CASS BAY LAND FOR INCLUSION IN PORT HILLS RESERVE

<b>General Manager responsible:</b>	General Manager Strategic Development
<b>Officer responsible:</b>	General Manager Strategic Development
<b>Author:</b>	Ian Hay, General Manager Strategic Development, 941 8474

### PURPOSE OF REPORT

1. The purpose of this report is to recommend a way for the Christchurch City Council to assist the Banks Peninsula District Council in retaining a 23.37 hectare parcel of land in Cass Bay for future incorporation of a large portion into the Port Hills Reserve.

### EXECUTIVE SUMMARY

2. The Banks Peninsula District Council has requested the Christchurch City Council to look at ways of assisting it to retain an area of Cass Bay as reserve.
3. The Banks Peninsula District Council is under pressure with current budgets and needs the projected revenue from the sale of this land to fund urgent reserve works and repay debt on the land.
4. The Christchurch City Council has no funds currently available in the budget to purchase the land.
5. With the proposed abolition of the Banks Peninsula District Council the land will potentially vest in the Christchurch City Council.
6. The proposed solution enables the Banks Peninsula District Council to meet its capital commitments, protects the land for future incorporation into the Port Hills Reserve and provides security for the Christchurch City Council until clarity is provided on future direction and ownership.

### FINANCIAL AND LEGAL CONSIDERATIONS

7. The amount requested by the Banks Peninsula District Council is \$720,000 to repay debt on the land and fund capital work on other reserves. The Christchurch City Council has no budget available for purchase but could lend Banks Peninsula District Council the money from General Reserve funds, charge interest and treat the transaction as an investment.
8. The land is already owned by the Banks Peninsula District Council but may have to be sold to fund other urgent commitments. The loan advance would be secured against the land and prevent the sale of the land while enabling the Banks Peninsula District Council to meet its other commitments. The land would vest in the Christchurch City Council if the proposed merger eventuates.
9. It is within the Council's power of general competence to advance money as a loan to the Banks Peninsula District Council for the retention of the land for public recreation purposes. If and when a merger of the City and the Peninsula eventuates the act of merger would release the mortgage as the mortgagor and mortgagee would be the same.
10. Section 10 of the Local Government Act 2002 provides;  
*"The purpose of local government is*  
*(a) to promote the social, economic, environmental, and cultural well-being of communities, in the present and for the future."*
11. Section 12(2) of the Act provides;  
*"Status and powers*  
*(b) For the purposes of performing its role, a local authority has-*

## 10 Cont'd

- (i) *full capacity to carry on or undertake any activity or business, do any act, or enter into any transaction;*

12. Section 14 of the Act provides;

*"Principles relating to local authorities*

- (c) *In performing its role, a local authority must act in accordance with the following principles:*

- (i) *a local authority should collaborate and co-operate with other local authorities and bodies as it considers appropriate to promote or achieve its priorities and desired outcomes, and make efficient use of resources; and*
- (ii) *a local authority should undertake any commercial transactions in accordance with sound business practices; and"*

13. It will be prudent for the Council, if it approves this advance to:

- Request the Banks Peninsula District Council to provide security by way of a registered first mortgage over the land and
- Require the District Council to initiate steps (as and when requested by the Christchurch City Council) either for the land to be held for conservation purposes under the Reserves Act 1977 or make the land subject to a conservation covenant under section 77 of the Reserves Act.

14. Provided this loan is approved by the Council it fits with the general provisions of the Council's Investment Policy which authorises the Director of Strategic Investment to determine the specific term and conditions of the loan.

15. At the time of preparation of this advice the Legal Services Unit had not had the opportunity to search and report on the status of the land title. Any approval to the loan should therefore be subject to a satisfactory report on the legal title. This will examine any restrictions on title, survey issues, Public Works Act issues, possible contamination sites and any other adverse claims and Resource Management Act issues that could inhibit the future planned use of the land.

### STAFF RECOMMENDATIONS

It is recommended that:

1. The Council:

- (a) Lends the Banks Peninsula District Council \$720,000 to repay debt and fund urgent reserve works.
- (b) Capitalises interest at a rate to be agreed with the Director of Strategic Investment, accrued on the loan for a period of two years, at which time it be reviewed.
- (c) Takes a registered first mortgage security over the land at Cass Bay (recent valuation \$880,000).
- (d) Requires the Banks Peninsula District Council to initiate steps (as and when requested by Christchurch City) for the land to be held for conservation purposes under the Reserves Act 1977, or alternatively make the land subject to a conservation covenant under section 77 of the Reserves Act.

2. That such advance be conditional on the Legal Services Manager being satisfied as to land title and security to ensure that the advance can be secured in the manner specified.

**BACKGROUND**

16. Recently I was requested to look at options for assisting the Banks Peninsula District Council to meet some urgent capital requirements with a view to stopping the sale of land at Cass Bay and retaining the land for future incorporation into the Port Hills Reserve. One of the key constraints was that the Christchurch City Council had no available budgeted funds to purchase the land outright in the short term. The ownership issue is further complicated by the current Local Government Commission proposal for the abolition of Banks Peninsula District and, dependent on the outcome of this process, the potential vesting of the land in the Christchurch City Council at the time of abolition. There is also a need to ensure that should the abolition not take place the Christchurch City Council has adequate security and is able to exit the investment by repayment of the principal and interest or taking ownership of the land.

17. **TIMING**

The Banks Peninsula District Council has delayed a decision on sale until its meeting on 27 April 2005, to ascertain if a solution can be found.

**OPTIONS**

18. Options include:

- (a) The Christchurch City Council grants a loan to the Banks Peninsula District Council and takes security over the land in question.
- (b) The Christchurch City Council declines a loan and the Banks Peninsula District Council sells a portion of the land to raise funds.

**PREFERRED OPTION**

19. That the Christchurch City Council makes a loan of \$720,000 to the Banks Peninsula District Council and takes a security over the Cass Bay land.

## 10 Cont'd

### ASSESSMENT OF OPTIONS

#### Option 1: The Preferred Option

20. The preferred option.

	Benefits (current and future)	Costs (current and future)
<b>Social</b>	Adds to current recreation reserve.	
<b>Cultural</b>		
<b>Environmental</b>	Protects additional Port Hills land. Protects the green belt.	\$720,000
<b>Economic</b>		
<b>Extent to which community outcomes are achieved:</b> Primary alignment with community outcome. A city with a sustainable and natural environment. Also contributes to a city with healthy and active people, a cultural and fun city and a liveable city.		
<b>Impact on Council's capacity and responsibilities:</b> Marginal.		
<b>Effects on Maori:</b> No adverse effects.		
<b>Consistency with existing Council policies:</b> Consistent with current Port Hills Policies and Strategy.		
<b>Views and preferences of persons affected or likely to have an interest:</b>		
<b>Other relevant matters:</b>		

## 10 Cont'd

### Option 2

21. The Christchurch City Council does not assist the Banks Peninsula District Council.

	Benefits (current and future)	Costs (current and future)
<b>Social</b>	None	Opportunity lost.
<b>Cultural</b>	None	Opportunity lost.
<b>Environmental</b>	None	Opportunity lost.
<b>Economic</b>		
<b>Extent to which community outcomes are achieved:</b> Primary alignment with community outcome. Contrary to outcomes listed in (20) above.		
<b>Impact on Council's capacity and responsibilities:</b>		
<b>Effects on Maori:</b>		
<b>Consistency with existing Council policies:</b> Contrary to Port Hill Strategy and policies.		
<b>Views and preferences of persons affected or likely to have an interest:</b>		
<b>Other relevant matters:</b>		



## 11. APPOINTMENT OF MAYOR'S REPRESENTATIVE ON PEGASUS HEALTH COMMUNITY ADVISORY BOARD

<b>General Manager responsible:</b>	General Manager Regulation and Democracy Services
<b>Officer responsible:</b>	Secretariat Manager
<b>Author:</b>	Max Robertson, Council Secretary, DDI 941-8533

### PURPOSE OF REPORT

1. The purpose of this report is to seek the appointment of a Mayoral representative on the Pegasus Health Community Advisory Board.

### EXECUTIVE SUMMARY

2. During the past four years, the former Deputy Mayor (Lesley Keast) has served as the Mayor's representative on the Pegasus Health Community Advisory Board.
3. The General Manager of Pegasus Health (Mr Baden Ewart) advises that the Board's current terms of reference provide for the appointment of a Mayoral representative. Mr Ewart further advises that Mrs Lesley Keast has done an outstanding job as a member of the board.
4. Mr Ewart requests that the Council either confirms Mrs Lesley Keast as the Mayor's representative, or nominates a new representative with the relevant skills and capacity to assist in the deliberations of the Advisory Board.
5. Mr Ewart advises that the person appointed would need to have the following skills:
  - Understand a wide range of community views;
  - Access to and contact with a wide range of community networks;
  - Interest in health and disability;
  - A non political approach to community, health and disability issues;
  - A sense of social justice; and
  - Ability to make difficult choices in the face of limited budgets

### PRESENT COUNCIL POLICY

6. The present Council policy governing the appointment of representatives on outside organisations is as follows:

*"That the Council appoint formal representatives on outside organisations only where the proposed appointment will be of clear public benefit or benefit to the Council, or where the appointment is required for statutory reasons, or under the provisions of the relevant Trust Deed or Constitution etc of the organisation concerned."*

### FINANCIAL IMPLICATIONS

7. Where Councillors and Community Board members are appointed to outside organisations, their attendance at meetings is covered by their elected members' salary, and meeting fees do not apply. Thus, there are no substantial financial implications, apart from the payment of mileage incurred in attending such meetings.

### RECOMMENDATIONS

It is recommended that the Council either:

- (a) Reappoints Mrs Lesley Keast as the Mayor's representative on the Pegasus Health Community Advisory Board; or
- (b) Appoints a new representative with the required skills and capacity, as set out in this report.

## 12. CANTERBURY MUSEUM - DRAFT ANNUAL PLAN

<b>General Manager responsible:</b>	Director of Strategic Investment
<b>Officer responsible:</b>	Director of Strategic Investment
<b>Author:</b>	Bob Lineham, Director of Strategic Investment, DDI 941-8411

### PURPOSE OF REPORT

1. The purpose of this report is to submit the Draft Annual Plan of the Canterbury Museum for the year ending 30 June 2006 to the Council for review and approval.

### EXECUTIVE SUMMARY

2. The levies proposed to be made on this Council are the same as those forecast in last year's plan.
3. The nett operating costs are less than in previous years' forecasts primarily due to increased revenue forecasts.
4. As a result of reduced nett operating costs being lower, the forecast operating deficits are lower (and surpluses higher) than in previous forecasts.
5. The capital expenditure budgets have now been re-forecast into different years reflecting currently anticipated timing of the revitalisation project but the quantum remains in line with previous budgets.

### FINANCIAL AND LEGAL CONSIDERATIONS

6. The Canterbury Museum Trust Board Act 1993 requires the Board to prepare and adopt an annual plan in each year.
7. The draft annual plan is referred to contributing local authorities for a period of consultation which this year concludes on 29 April 2005.
8. The levies may be objected to by the Christchurch City Council or two or more of the remaining contributing authorities and if an objection is received the Board must convene a meeting and the Christchurch City Council or not less than three other contributing authorities may resolve to reduce the levy to an amount which is not less than the total levy made in respect of the previous year.

### STAFF RECOMMENDATIONS

It is recommended that the Council approves the Canterbury Museum Annual Plan for the year ending 30 June 2006.

**BACKGROUND**

9. The draft Annual Plan (attached) sets out in broad outline the mission, vision and core values of the museum together with detail on the organisation structure, performance objectives, financial summaries and an outline of the proposed operating, capital and revitalisation budgets.

**Operating Budget**

10. The plan is available for consideration by the contributing local authorities for a period of six weeks which concludes on 29 April 2005. While there are rights of objection if the levies have increased, it would be inappropriate to object as the increases are in line with previous forecasts. These forecasts were approved by this Council several years ago when it agreed to a series of increases to enable the Museum to fund its depreciation on a sound footing.
11. The following table compares the current plan operating forecasts with those included in last year's plan (shown in *italics*):

	<b>2004/05 Forecast</b>	<b>2005/06 Budget</b>	<b>2006/07 Budget</b>	<b>2007/08 Budget</b>
	\$000	\$000	\$000	\$000
Self generated Revenue	<b>973</b> <i>970</i>	<b>972</b> <i>756</i>	<b>1076</b> <i>902</i>	<b>1117</b> <i>1109</i>
Operating Costs	<b>4559</b> <i>4556</i>	<b>4884</b> <i>4789</i>	<b>5096</b> <i>5017</i>	<b>5379</b> <i>5342</i>
Net cost before depreciation	<b>3586</b> <i>3586</i>	<b>3912</b> <i>4033</i>	<b>4020</b> <i>4115</i>	<b>4262</b> <i>4234</i>
Depreciation	<b>978</b> <i>978</i>	<b>1027</b> <i>1027</i>	<b>1078</b> <i>1078</i>	<b>1132</b> <i>1294</i>
Net Cost including depreciation	<b>4564</b> <i>4564</i>	<b>4939</b> <i>5060</i>	<b>5098</b> <i>5193</i>	<b>5394</b> <i>5528</i>
LA Levies	<b>4663</b> <i>4663</i>	<b>4886</b> <i>4886</i>	<b>5115</b> <i>5114</i>	<b>5354</b> <i>5354</i>
Operating Deficit (surplus)	<b>(98)</b> <i>(98)</i>	<b>53</b> <i>174</i>	<b>(16)</b> <i>78</i>	<b>41</b> <i>174</i>

12. The following observations are worthy of note:
- The levies remain as forecast in previous years and are consistent with provision made in the Council's annual plan
  - Operating costs excluding depreciation are marginally above last year's forecasts by less than the forecast inflation rate in all years but this is more than compensated for by improved revenue forecasts.
  - Operating deficits (surplus) are below previous years' forecasts primarily due to increased revenue forecasts.
  - Increased revenue is forecast from interest, grants, donations admission and trading activities.

**Capital Budget**

13. The total eight year capital expenditure budget has been reprogrammed compared to the 2004/05 Plan largely to reflect delays in commencing the revitalisation project. This includes ordinary capital works. The charges are reflected in the following table:

## 12 Cont'd

Year	04/05 Plan \$M	04/05 Plan \$M
2003/04	4.303	2.634
2004/05	8.294	1.544
2005/06	14.760	2.274
2006/07	6.366	18.062
2007/08	2.797	11.401
2008/09	2.945	3.784
2009/10	1.447	1.497
2010/11	1.675	1.535
2011/12	-	1.573
<b>Totals</b>	<b>42.587</b>	<b>44.304</b>

14. While the capital expenditure has been reallocated into different years to reflect the changed timing of the revitalisation project the overall quantum (allowing for the extra year included in the forecasts for the first time) is close to the forecasts in last year's plan.

### Annual Levy and Grants

15. The annual levy on local authorities is distributed according to an agreed formula based primarily on population. The share of the total operating levy for this Council is estimated at \$4,438,820. Part of that includes a special ex gratia payment from this Council of \$515,887 agreed some years ago when the Council agreed to fund loan servicing for internal restoration/strengthening work. This full amount of the levy has been provided in Council's draft annual plan. When the final valuations are determined at the end of June there could be some redistribution of the levy amongst the various contributing local authorities. However, any change is likely to be quite small.
16. In addition, a special capital levy of \$337,000 was agreed to by this Council in 2003 for a finite period to 2007/08 to meet a residual part of this Council's contribution to the revitalisation project.
17. A grant of \$732,500 is due to be paid in 2005/06 from the Capital Endowment Fund income.

**13. BURWOOD/PEGASUS COMMUNITY BOARD REPORT**

Attached.

**14. HAGLEY/FERRYMEAD COMMUNITY BOARD REPORT**

Attached.

**15. RICCARTON/WIGRAM COMMUNITY BOARD REPORT**

Attached.

**16. SHIRLEY/PAPANUI COMMUNITY BOARD REPORT**

Attached.

**17. NOTICES OF MOTION**

**18. QUESTIONS**

**19. RESOLUTION TO EXCLUDE THE PUBLIC**

Attached.