

**TO**  
**Christchurch City Council**  
**Submission on LTCCP**

**From**  
**Christchurch 2021**  
**Chair: Megan Woods**

## **1 Introduction**

1.1 Christchurch 2021 is pleased to have the opportunity to make a submission on the draft Long Term Council Community Plan. Our representatives would appreciate the opportunity to speak in support of our submission at the hearings. Please would you send officers responses to our submission to us at least three days before our hearing appointment,

1.2 The range of Council activities is so wide that we have limited the number of issues on which we have made submissions. In some cases a submission on a particular matter may be more generally applicable

## **2 General Comments**

2.1 We would like to commend the Council on their proactive approach in publicising the rates rebates scheme to residents. This scheme is welcome relief for low income and super-annuitant households. We are particularly impressed by the publicity on the outside of the rates demand envelope.

2.2 The plan is attractive in its presentation. We are pleased to note that there are fewer photos in the 2009 plan as compared to the 2006 plan and more space is devoted to the inclusion of more detailed information.

2.3 Christchurch 2021, however, still considers that there are serious deficiencies in the information provided in the plan. In many cases, it is not possible to make an intelligent submission on an issue because insufficient information is provided. It is our view that detailed information is required. Unless the Council discloses information freely, it is paying only lip service to the principle of accountability to residents and ratepayers.

2.4 The draft Plan states that the percentage of residents satisfied that the Council makes decisions in the best interests of Christchurch is 48% (Vol.1, p.160). The Plan calls for the 48% level to be maintained over the next ten years. The Council should not be comfortable with less than half of residents being satisfied that the Council makes decisions in the best interests of Christchurch. It should aim to be

increasing this proportion. Instead in the latest Quality of Life survey this has dropped to 40%. The Council needs a plan to increase residents' trust.

- 2.5 It is our belief that central to increasing residents' trust in .it is an increased level of transparency in the way the Council operates. There is too much important information being discussed in public-excluded sections of meetings and in workshops that are not open to the public. It is our belief that these are issues that should be debated in public.
- 2.6 Furthermore, we believe that there needs to be fuller records of the proceedings of Council. Currently the proceedings of the council are accessible through the published minutes of the Council. This record does not show how individual Councillors voted except in the rare cases where a division is called for, or if one specifically requests that their vote in particular be recorded either as an abstention or as opposed. The minutes are the sole record of our elected council's decision making. This is in contrast to Parliament, where a record of the entire debate is recorded, in text, audio, and video. Central to a healthy democracy is an easily accessed voting record to ensure that elected representatives are democratically accountable.

#### 2.4 **Submission:**

- (i) **That the Council accept the need to provide in the Plan sufficient information to enable residents and ratepayers to understand the financing of Council activities and to assess Council performance.**
- (ii) **That information deficiencies, such as those identified above, be remedied in the final LTCCP.**
- (iii) **That council make its decision making more transparent and accessible to the public by:**
  - I. Publish the voting record of councillors and community board members online (both by person and by issue) in an easily accessible format.**
  - II. Record the proceedings of council (initially in an audio format) and make these freely available for the media and the public via the council's website.**
  - III. Publish all research and consultation findings on the Council's website to demonstrate how consultation has influenced decision making and service delivery**

### 3 **Strategic Issues**

- 3.1 We commend Council staff for the presentation of social, economic and demographic information in the section.

- 3.2 We are pleased to note the reference to socio-economic disadvantage in the City (p.21). We would, however, have welcomed the inclusion of the social-deprivation index for the city. This data was included in the 2006-2016 Plan and we regard this as useful information when considering the detail contained in the Plan. We note the Introduction from the Mayor and the Chief Executive make note that this is a plan being produced in the context of a global recession. We consider poverty to be of upmost importance in this context.
- 3.3 Likewise, we would welcome the inclusion of data on employment rates in the City. We note that the Plan recognises employment as an important indicator of whether or not we are achieving our Community Outcome goals (p.56) and would consider useful more information being provided on trends in employment, and the relative incidence of unemployment in different age and ethnic groups.
- 3.4 **Submission: That an endeavour be made to remedy information gaps, such as those suggested above, in the Final LTCCP.**

#### **4 Capital expenditure programme and borrowing**

- 4.1 One of the main features of the LTCCP is the aggressive programme of capital expenditure and the proposal to fund a much larger proportion of capital expenditure from borrowing than in the past.
- 4.2 The Council's motive is to spread the cost over successive generations of ratepayers. The Council believes that this will be more equitable for existing ratepayers as it will shift part of the burden on to future ratepayers to allow "intergenerational equity."
- 4.3 Borrowing to finance capital expenditure has an obvious appeal in that it will reduce the funding required from rates in the immediate future. However, the recent article in The Press (March 26th), which compares Council borrowing with a householder mortgage, is misleading. The capital expenditure plan of the City Council has little in common with a household mortgage, because the Council has a continuous stream of capital projects. In ten years' time the Council will still have capital projects waiting for approval; the Council will never run out of such projects. By contrast, a householder, in most cases, will have only one major capital project in their lifetime – their home – even if the particular dwelling is changed.
- 4.4 We accept that borrowing to fund a big bulge in capital expenditure is appropriate, that is, if the annual rate of capital expenditure is going to decrease after a few years. However, as noted above, this is not the case. Borrowing to fund capital

projects to the extent proposed by the Council will burden future ratepayers with payments of interest and repayment of the loans. We consider this to be not intergenerational equity but intergenerational theft.

- 4.5 The Council's capital programme is very large. It averages about \$223m a year in the first five years of the plan and \$254m a year in the second five years. (See page 226.)
- 4.6 Over the next ten years debt rises much more quickly than rating income and total income in the Council's plan. In the 2008-09 to 2018-19 period, rates revenue increases by 63%, total revenue by 54%, but debt by 175% from \$263m to \$820m. (See pages 222 and 224.)
- 4.7 Servicing the debt consumes an increasing proportion of income.

**Table 1 Debt Servicing**

Source: LTCCP, Financial forecasts, pages 222-229

	<b>First five years</b>	<b>Second five years</b>
Average capital expenditure per year	\$223m	\$254m
Average borrowing per year	\$82m	\$72.9m
Average interest per year (gross)	\$26m	\$47m
Average interest per year (net)	\$5.2m	\$24.6m
Average repayment of loans	\$4.7m	\$20.8m
Average revenue from rates	\$284.2m	\$362.7m
Net interest and repayment of loans as a percentage of rates revenue	3.48%	12.51%

In 2018-19 the net interest will be \$31.3m and the loan repayments \$26.9m. Together these are equal to 14.8% of rates revenue.

- 4.8 The Council's borrowing limits (page 104) state that debt will be managed so that net interest is kept under 15% of rates revenue. We accept that net interest will be within this parameter throughout the period of the LTCCP. However, we consider that a more appropriate measure is net interest plus loan repayments. As is noted above, this is at almost 15% by 2018-19
- 4.9 What is of greater concern is the upward trend of debt (graph, p. 39). If the trend were to continue, debt could rise from \$820m in 2019 to \$2 billion by the end of the next decade. Thus, whilst the Council may provide assurances that the borrowing in the LTCCP does not breach its ratios and remains prudent and affordable, it is clear that the ratios will be breached in the next decade unless a future Council curtails borrowing. There is something close to an admission of this when it is stated: "Building, maintaining and managing the major infrastructural assets needed for Christchurch will place the Council under considerable pressure beyond the ten years of this LTCCP (emphasis added, page 38, Financial Policies).
- 4.10 The greater dependence on borrowing in the LTCCP results from the proposal not to fully fund depreciation. The Annual Plan for 2000-2001 set a policy of providing 55% (rising to 60%) of average annual capital expenditure to be funded from depreciation and operating surpluses. This figure is reduced to 42% in the proposed LTCCP (Graph, p.10, Summary.) It is stated that not fully funding depreciation could result in an "accounting deficit." Assuming that depreciation rates are accurate, it means also that current ratepayers are not meeting the full cost of the assets they are using. This is contrary to the principle of intergenerational equity which the Council is espousing.
- 4.11 We are most concerned that the public is being assured that the Council's borrowing plan will result in ratepayers paying less ("Borrowing keeps the lid on rates", The Press, 26 March, published under the Mayor's name). This is misleading. Ratepayers will pay a great deal more under the borrowing policy. When the Council borrows \$100m, it will pay about \$56m in interest charges alone in the first ten years, and a great deal more over the course of the 30 year loan. It is only in the short term that borrowing reduces the rates.

## **5 Capital Expenditure in the LTCCP – specific programmes and projects**

- 5.1 We commend the Council for continuing to prioritise projects and fund projects on a city-wide basis. (Rural councils would do well to follow the city's example instead of creating special rating areas for projects such as water supply.)
- 5.2 The Council claims that it has maintained tight control over expenditure (Summary, page 8). We see little evidence of this. Rather we see extravagant allocation of funds to some capital projects, and penny-pinching in related areas of capital or operational expenditure. We provide some examples below.

- 5.3 **Town Hall** Over \$20m is allocated to improvements and refurbishment of the Town Hall over the next two years. In our view the Council should budget a sum (\$5m ? \$10m?) within which necessary work would be prioritised instead of funding a wish list. We do not support the transfer of the Town Hall to V-base, and find it extraordinary that the Council would contemplate funding \$20m of work following such handover. The justification for transferring facilities to company ownership is usually to achieve cost savings because the company makes only commercially justified decisions. If the Directors of V base are insisting on the Council spending \$20m before they will accept the Town Hall, that is a good reason for the Council to retain it. We note also that that the Council has to borrow money to lend to V Base to enable V Base to buy the Town Hall.
- 5.4 **Convention Centre** The sum of \$44m is budgeted by Council for expansion of the Convention Centre over Years 2 to 5, with the expectation that Government will contribute a similar amount. This sum of \$88m should be challenged. The current centre, which is less than a decade old, cost about \$19m. Even allowing for escalation of land and building costs, the \$88m budgeted suggests a lack of discipline. What is the rate of return on capital? In view of the world economic crisis and the likely downturn in conference travel for five years or more, the project should be deleted or deferred. If the project is retained, the design team should be required to work within a budget of perhaps 50% or less of the current sum.
- 5.5 **Bus priority routes** We note that \$25.5m has been budgeted over seven years for physical changes to the roads to provide priority for buses. We strongly support the principle of giving buses priority. However, we believe that consideration must be given to promoting changes to the traffic laws to achieve the same effect. This might provide a much better cost-benefit, be implemented more quickly and allow funds to be diverted to enable an earlier completion of the new bus exchange.
- 5.6 **Extension of tram route** We consider that this project should be deleted. The tram is an attraction to tourists on its current route; it is unlikely that extending the route will encourage more patronage, but it will add greatly to the ratepayer subsidy of the tram. We estimate that the expenditure of \$11m of capital will result in a hidden ratepayer subsidy of \$10 for every person who rides on the tram, in addition to the current hidden subsidy. The capital would be better reallocated to the bus exchange to advance that project.
- 5.7 **Sewerage** We note that \$50m is allocated to the Western Interceptor sewer over the next five years. We support this as an essential work, but have reservations over the staging. It is unlikely, in our view, that the physical work can be completed as scheduled; it would be more realistic to spread the work over seven or eight years. This would have the added benefit of easing the capital spending.
- 5.8 **Roads and road safety** Ferrymead Bridge should be constructed without delay. The project is several years behind schedule and the current bridge is at risk in an

earthquake. We note that major roads are funded generously but that safety works and neighbourhood improvement have only modest funding. This will inhibit the ability of Community Boards to respond to reasonable requests from their residents.

- 5.9 Urgent, necessary or desirable? The capital programme contains many projects that, in our view, are in the desirable category. Such projects should be spread over a longer period to reduce the need for borrowing. Paradoxically, that will enable more desirable projects to be built in the long term because the costs of debt will be reduced.

## **6 Operational expenditure**

- 6.1 We have noted some contradictions in operational expenditure. We provide examples below.
- 6.2 Waste minimisation We strongly support the principle of waste minimisation but question the council's priorities for expenditure. The annual expenditure on waste minimisation has reached \$29m. We understand that this is mainly for the domestic waste stream, which comprises only about 15% of the waste stream. By contrast, only \$729,000 is allocated to reduce commercial and industrial waste, which comprises about 60% of the waste stream.
- 6.3 We again oppose the use of a uniform targeted rate for waste minimisation. Such a targeted rate should be applied to the Capital Value of each ratepayer. The increase of the uniform charge in 2009-10 imposes an additional burden on lower value properties. Quoting an average rates increase of 3.9% understates the disparity of this increase in uniform charges.
- 6.3 Organic collection and composting. The operating cost at \$13.9m appears to be almost half the total waste minimisation budget. We understand that the maximum throughput of the plant is about 20,000 tonnes per year, in which case the cost per tonne is \$695. Even if we are mistaken and the throughput is 30,000 tonnes, a cost of \$463 per tonne is excessive.
- 6.4 Reduction of waste at source The Council appears to have a preference for waste minimisation of the sort that requires expensive plant and machinery and has high operating costs. We urge, in the interests of the ratepayer and of genuine sustainability, that the Council should redirect its efforts to preventing material from entering the waste stream.
- 6.5 Water supply. The annual operational cost is \$22.6m. We note, with astonishment, that the Council has allocated only \$151,000 to conservation at a time when it has published a draft water policy that aims to reduce consumption.

## **7 Submission (relating to sections 4-6 above)**

- 7.1 That the Council note that its proposed borrowing programme will result in escalating costs for loan servicing, greatly increased costs for ratepayers over time, and serious funding problems for Councils post 2019.**
- 7.2 That, in the long-term interests of ratepayers and of financial sustainability, the Council reduce its proposed borrowing to sustainable levels by:**
- (i) deleting unnecessary projects from its capital expenditure programme**
  - (ii) giving priority to urgent projects**
  - (iii) spreading “desirable” projects over a longer period**
  - (iv) imposing budgetary discipline on the planning of capital projects.**
- 7.3 That the Council subject all new projects to rigorous examination and reject options that are not cost-effective in meeting the Council’s objectives.**

## **8 Community Outcomes**

- 8.1** We commend the Council for the excellent performance measures which have been proposed for the community outcomes. It is pleasing that most of these are “hard” statistical measures (life expectancy, tonnes of waste to landfill, road casualties, etc) rather than “soft” measures of perceptions.
- 8.2** It will be important that these measures are reported in a manner which enables Christchurch to track progress and trends from year to year. (Tonnes of waste in any one year means nothing except by reference to past years.) The Council is being courageous in adopting hard performance measures on community outcomes. It is recognised, of course, that many of the factors that influence the trends are beyond the Council’s control, but the measures, whether they indicate favourable or unfavourable trends, can act as a spur to other sectors.

## **9 Community Organisation Funding**

- 9.1** It is our view that Community Organisations are vital to the successful operation of our city. The work of these organisations adds value to the wider community and city through contributing to the overall well being of Christchurch and its residents. A recession is precisely the time when community organisations are needed the most and precisely when their opportunities of alternative funding are at their weakest.
- 9.2** The document “2009 LTCCP Overview and Capital Programmes Appendix 2” which was part of Council papers for the 16 – 18 Council meeting on the Plan states that \$1.5m will be taken from the pool to be allocated to community type organisations and instead be used to pay overheads. In effect this amounts to an 11% decrease in funding.

- 9.3 Additionally there are no inflation adjustments planned for the 10 years of the Plan. The cumulative effect of these measures is to take some \$30m out of community organisation funding over the life of the Plan. This is not signaled in the draft Plan and it is impossible to reconcile the document mentioned with figures in the draft Plan.
- 9.4 **Submission: That community organisation funding be reinstated and that it be inflation adjusted over the term of the Plan**

## 10 Early Childhood Education

- 10.1 We commend the Council for its Community Outcome of “A city of Lifelong Learning”. We view early childhood education as crucial to achieving good community outcomes. Additionally we applaud the Council for one of its hard measure of this outcomes being the “numbers of children who have attended early childhood education”.
- 10.2 Historically Christchurch City Council has been directly involved in achieving this outcome. It has been providing ECE services to the community since 1932 and the quality and public satisfaction with these services has always been of a high standard. The three yearly reports of the Educational Review Office substantiate this view.
- 10.3 We are concerned with the proposal contained in the plan to outsource the “Early Learning Centre Provision” at Pioneer and QEII and to sell the Tuam St Early Learning Centre. This proposal represents a major change in the Council’s position in its 2001 Early Childhood Strategy where the need to continue its role as provider of early learning centres was affirmed. The view presented as rationale for the shift of Christchurch being the only council in New Zealand to provide Early Learning Centres is not, for us, good reason to change. Leading the nation is something we as a city can be proud of. We should not strive to be only as good as the rest.
- 10.4 There seems to be no clear justification for this change to the status quo. Education Review Office reports indicate good educational outcomes, users of the services record high levels of satisfaction with the service and there is no financial pressure on Council to close these centres as the services are rates-neutral.
- 10.5 We are aware that community childcare centres which the Council has supported in the past have been advised that the grant to cover their rentals is under review. This has understandably resulted in unease for many operators. The unease is that Council will re-interpret the third eligibility criteria (p11) in the Early Childhood Education Strategy (2001) regarding the ability of not-for-profit centres to gain funding from higher user charges. Council staff and the Mayor stated at a public meeting on 6 April that there will be no change to policy in this area. The fear is that the Council will unreasonably reinterpret the application of the policy on how much not-for-profit centres can charge users.

Supporting rent for not-for profit community based early childcare education ensures that these centres are able to continue providing affordable and high quality care.

Such a move would constitute a major change to a long-term Council policy. Any such policy change must be done in an open and consultative way. Supporting rent for not-for profit community based early childcare education ensures that these centres are able to continue providing affordable and high quality care.

#### 10.5 **Submission:**

- (i) **That Council continue to provide Early Learning Centre services at Pioneer and QEII**
- (ii) **That Council not proceed with its proposal to sell the Tuam St Early Learning Centre as a going concern.**
- (ii) **That any review of the support provided to community childcare centres is undertaken in an open and consultative way**

### 11 **Infrastructure Charitable Trust**

11.1 We have concerns around the establishment of an Infrastructure Charitable Trust in order to benefit from recent changes in the tax laws. Our concerns are founded in the belief that:

- a) It would be inappropriate to support while still not approved by the IRD
- b) Even if that approval were sought and granted, we would still have concerns about using the legislative change in this manner. It is our belief that this was not the intent of the legislation and the Council would be exposing itself to the risk of a law change if and when the government decided to close the tax loophole.

11.2 **Submission: That the Council do not establish an Infrastructure Charitable Trust**

### 12 **Policy on Determining Significance**

12.1 The Policy on Determining Significance is one of the most important parts of the Council's LTCCP. This policy is the ratepayer's assurance that important city assets and activities will not be altered, changed or sold without the public being given an opportunity to be consulted about the change proposed. This policy should enable satisfying local democratic decision-making. It is our view that the higher the level of significance of the decision the greater the need is for consultation. It is therefore critical to a continuing partnership of trust between Council and its community that all relevant matters that are captured by the Significance Policy are clearly set out in its new LTCCP.

- 12.2 We note that the Policy on Determining Significance has been revised since the 2006/16 LTCCP ostensibly to simplify and strengthen the policy and to remove duplication with the Council's obligations under the Local Government Act 2002. Criteria defining whether a decision is significant have been removed.

Specifically criteria relating to:

- Magnitude of the Decision
- the reversibility of the decision
- how controversial a decision is likely
- guideline of \$5 million in capital expenditure.

Under the new policy matters will not be deemed to fall under the Significance Policy where the matter is:

- Approved in the LTCCP or an Annual Plan
- Any other process involving a public hearing
- The matter is urgent
- The matter is commercially sensitive

### **Our Response to the Changes**

- 12.3 To be effective the Policy on Determining Significance needs to offer guidance to both Councillors and residents. We consider the new policy is vague and lacks clarity on what is significant and what is not.
- 12.4 We are concerned that the revisions to the policy will result in significant matters being decided with no public input.
- 12.5 In particular we are concerned with urgency and commercial sensitivity being grounds for by-passing the need for the consultation necessary when a matter is deemed as such.
- 12.6 While we acknowledge there are specific commercial elements of some decisions that necessitate Councillors utilising Public Exclusion and by-passing consultation, we are concerned that this argument will be used to further exclude Christchurch residents from decisions of vital importance to their city. It is our contention that the broad principle of many decisions can be debated in an open and transparent manner. Arguments of commercial sensitivity should not preclude Council engaging with the public over issues such as whether to purchase assets or events.

### **Submission:**

- 12.7 **That specific criteria be considered in determining the significance of a decision**
- (i) **The level of controversy the matter will raise in the community**
  - (ii) **The reversibility of a decision. The more difficult it is to reverse a decision, in general, the greater its significance.**

- (iii) **The magnitude of the decision. We are in favour of there being a monetary guideline in determining the significance of the decision.**
- (iv) **The precautionary principle. When there is ambiguity as to whether a decision should be deemed significant then Council shall err on the side of treating the issue as of more, rather than less, significance.**

**12.8 That urgency and commercial sensitivity be removed as grounds for deeming a decision as not falling under the Policy of Significance.**