

Meeting the Challenge of Growth

Growth in the city, a determination to continue the proud tradition of quality public facilities and programmes and the need to manage the cost of delivering these are the focus of the Christchurch City Council's Annual Plan.

This plan builds on the undertaking given last year to consolidate the efforts of the past and the plans for the future.

The last decade has been characterized by strong Council investment across the city. The many projects have included three major new pool complexes, new libraries in Linwood, Shirley, Fendalton and Halswell, an increase of 80 per cent in the area of parks throughout the city, the Convention Centre and the WestpacTrust entertainment centre.

The flow of enhancement projects continues in this Annual Plan, and includes:

- The new South of the City Library (\$4.3M from 2002 to 2004)
- The Upper Riccarton Library (\$2.5M from 2005 to 2006)
- The Christchurch Art Gallery (\$42.9M, due to open in April 2003)
- The new landfill and transport (\$12.3M)
- A major upgrade and expansion of the Wastewater Treatment Plant (\$70.6M, due for completion in 2005/06)
- A compost plant (\$5.9M from 2002 to 2006)
- The purchase of strategic, neighbourhood and district sports parks and reserves (\$9M from 2003 to 2007)
- The Blenheim Road deviation (\$6M in 2003/04)
- The Ferry Road/Humphreys Drive/Ferrymead bridge (\$5.16M from 2003 to 2006)
- Additional office accommodation (\$10.7M from 2005 to 2006)

These new assets are critical to the city's wellbeing and future prospects, especially in the context of increasing global competition between cities for private investment.

Inevitably, however, the higher standard of service adds to operational costs and this is having an impact on Council budgets. This is especially true of the new landfill which is

required to be built to much higher standards than the current landfill at Burwood. This and the new City Art Gallery will add \$12 million over three years to Council operational costs.

Our long-term financial forecasts have consistently foreshadowed this cost pressure. Because of this, the Council decided last year that growth in its future spending should be limited and that there should be restraint over the following three years in particular.

The Council has followed last year's resolve to keep spending increases to a minimum and has dealt with most of the changes to this year's plan largely by substitution and reprogramming.

The Council proposed a draft Annual Plan with forecast rate increases generally in line with forecasts in the previous year's plan. However, after consideration of submissions a proposal to introduce charging for domestic rubbish collection has now been incorporated and this has the effect of reducing the forecast rate increase in 2004/05 by 2.94 per cent. New proposals in this plan include:

Public Boating Facilities at Lyttelton

The Council has made a \$3 million provision spread over two years to support the development in Lyttelton of safe public boating facilities to meet the demand by the people of Christchurch. Research by the Council shows that as many as 40,000 Christchurch residents need access to the harbour for their recreational pursuits and the Council considers that it should provide some facilities for this, as it does for most of the other recreational and sporting activities of its citizens. The way the money may be used has yet to be worked out in detail, but it is likely to be for complementary developments alongside a private marina.

First-Hour-Free Parking

After a nine month trial the Council decided to continue and extend its first-hour-free parking scheme for inner-city shoppers. The trial showed the scheme is successful in

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attracting more shoppers to the central city and is worthwhile for that reason. There is a cost, however, in the lost revenue and some parking charges have been reviewed to compensate for this. These include:

- An increase to \$2 per hour for 60-minute parking meters.
- An increase in the early bird day rate by 50 cents (except for the hospital car park).
- Stopping free Sunday parking at Lichfield Street and the Crossing carparks.
- Adding 20 cents an hour to casual parking charges in car parking buildings.

Research has shown that Council's car parking charges are well below those charged in other metropolitan cities in New Zealand.

Swimming Pool Charges

Swimming charges at the Council's indoor pools have been reviewed by the Council after several years with no change. The increase of 50 cents in the cost of a child's casual swim will take the charge to \$2 at the main pools.

The Council has recently invested large sums in providing sophisticated swimming facilities at its Pioneer, Centennial and QEII pools and this new level of fees is considered modest for what can be a whole day's entertainment in wonderful facilities. No change has been proposed for outdoor pools for those under 15 years.

New Garden Festival

This plan includes provision for a new garden festival. This is the result of significant research for an event which will build on Christchurch's garden image and attract more visitors to the city. In providing for this new festival the Council has resolved to cap its expenditure on festivals at \$2.5 million for the next three years.

Rubbish Bag Collection Costs

This year the Council has incorporated into its forecasts an initiative which will make a significant cut in the rate increase proposed for 2004/05. The major contributing factor

to that increase is the new costs of disposing of solid waste which will occur in that year.

The Council's current landfill at Burwood will by then be at the end of its useful life and the Council is supporting the development of a new environmentally sound landfill in North Canterbury. Its introduction, however, will mean a significant rise in the cost of disposing of rubbish.

The initiative is to charge directly for the black bag household collection service. This will reduce the forecast rate rise for 2004/05 by 2.94 per cent and give residents a real incentive to recycle more and reduce the amount of rubbish they send to the landfill.

As this initiative will not commence until mid 2004, there will be opportunity for public consultation on this proposal in the 2003/04 Annual Plan process.

Growth is another pressure

Growth is another element which, although positive for the city's future, puts pressure on Council costs. Growth creates a need to extend services to maintain standards on a city wide basis. The Council does not shrink from providing what is necessary to maintain the quality of life desired by the people of this city but it does look very carefully at the need before commitments are made.

The Council began this year's budget process knowing it had made savings and efficiency gains worth more than \$2 million. Offsetting these gains, however, was the need to provide funding for increases in the cost of insurance and electricity, which alone would consume at least half of these savings.

All forecast costs have been provided for and will have an impact on expected rate increases over the medium term. The table below compares those increases with the forecasts in last year's plan after including a provision for inflation of 2 per cent a year:

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Year	Forecast increase in this Plan	Forecast increase 2001/02 Plan
2002/03	3.70%	3.87%
2003/04	3.89%	4.86%
2004/05	3.84%	6.70%
2005/06	4.37%	3.39%
2006/07	4.41%	3.50%

Sewage Disposal Outfall

The Council has provided for a significant upgrade on its sewage disposal facilities which involves discharge of the highly treated effluent to the estuary. However, at the time of finalising this plan a full resource consent has been declined by Environment Canterbury. The Council has appealed this decision as it believes its proposal to be very sound. However, if the appeal is unsuccessful the only realistic alternative is an ocean outfall which will add significant additional capital costs of \$30 to \$50 million which are currently not included in the forecasts.

Low Rating Base

Christchurch has an enviable low level of rates when compared to the other New Zealand cities. This is largely the result of the income it receives from its major trading companies. The following table provides a comparison of the average residential rates in other major cities in New Zealand.

	Average Capital Value	Average Residential Rate for 2002/03 ¹
Wellington City Council	\$284,200	\$1,265 ²
Hamilton City Council	\$164,300	\$1,187
Dunedin City Council	\$107,000	\$1,177
Auckland City Council	\$330,600	\$1,148 ³
Christchurch City Council	\$164,170	\$919

¹ Includes GST but excludes Regional Council rates.
² Based on current estimates only. Final 2002/03 Plan not yet adopted.
³ Excludes water and waste water charges.

The amount of rates paid in Christchurch is clearly lower than these other large cities. Percentage rate increases often attract negative publicity, but this needs to be viewed in context with the actual level of rates.

Another way of viewing this is to compare a household's actual level of rates with its annual electricity or telephone bill. Rates can be seen to be giving value for money because of the wide range of services and facilities they fund.

The proposed average household rate of \$919 a year is \$17.62 a week, and the annual increase of \$38 represents an increase of 73 cents a week.

Expenditure Review and Constraint

The Council understands that comparisons with other cities are no comfort to those on fixed and low incomes in particular. Christchurch has a proportionately high number of residents on low incomes and the Council understands it needs to improve and maintain its financial discipline, identify poor-quality spending and where savings can be made. It must also continue to carefully check new capital and operating initiatives.

In adopting this plan the Council has now resolved to set in place processes to identify opportunities to achieve cost reductions and revenue increases in its operational budget to ensure that by 2005/06 the projected budget is reduced by \$10 million.

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Last November, the Council set up a Budget Scrutiny and Audit Special Committee. It is chaired by the Mayor, Garry Moore, and includes a strong cross section of elected members, skills and experience.

A programme of reviewing Council operations including solid waste, wastewater, leisure activities, city streets, parks and waterways as well as the cost of public accountability is planned for the committee. This is an ongoing review which is important in identifying further cost savings.

Triple Bottom Line Reporting

This Plan is the first to be published by the Council in a triple bottom line format. This may well be a first for a local authority in New Zealand.

Triple Bottom Line reporting recognises that there is more to measuring the results of effective management of any organisation than dollar costs. It takes account not only of monetary cost but also the social and environmental effect decisions have. The combined impact is intended to positively contribute to a sustainable Christchurch.

Each of the Council's significant activities reported on in this document include performance indicators for environmental, social and economic/financial results. Annual reports in the future will report against these performance indicators. Development of this reporting practice will evolve over time and the Council believes that it has made a good start to a more comprehensive reporting regime.

Financial Prudence

The finances of this Council are being carefully managed and this is evidenced by the detailed effort which goes into forecasting the impact of its plans in the financial summaries for the next 10 years.

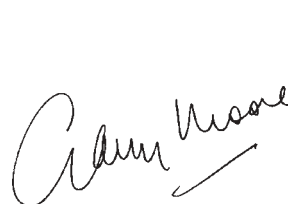
Debt levels are well under control with the key benchmark ratios all forecast to be well below the outer limits self-imposed by the Council on itself eight years ago.

Conclusion

The Council remains committed to providing for the city an efficient provision of a wide range of services with an emphasis on those activities which need to be provided collectively for the enhancement of the community as a whole and which add to the wellbeing of its citizens.

The Financial Plan and Programme 2003 demonstrates a commitment to maintain and renew the city's assets and facilities and to provide a high standard of services. It is recognised, however, that continuing effort needs to be made to review costs in view of forecast increases arising from new levels of service being provided on several fronts.

Christchurch remains one of the better cities in the world in which to live and the partnership between the Council and the community as a whole must remain the basis for retaining this place in the sun.



Garry Moore
Mayor



Alister James
Chairman, Strategy &
Finance Committee



Mike Richardson
City Manager