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5 May 2004

Draft Our Community Plan 2004/14
Christchurch City Council
PO Box 237
CHRISTCHURCH

Dear Sir/Madam

Christchurch City Council

- **Draft Our Community Plan 1004/14**

Please find attached North Canterbury Federated Farmers submission to the above document.

Federated Farmers wishes to speak in support of its submission.

At this stage we are available to be heard on any day 1 – 8 June inclusive

Yours sincerely

Gavin Forrest
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SUBMISSION TO
Christchurch City Council

on

DRAFT
Our Community Plan
2004/14

By



North Canterbury Province
Federated Farmers of NZ (Inc)

May 2004

Contact: Gavin Forrest
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A. INTRODUCTION

North Canterbury Federated Farmers thanks the Christchurch Council for the opportunity to submit to its Draft Long Term Community Plan (*Our Community Plan 2004/14*).

This submission has been compiled on the basis of Federated Farmers' members residing within the City Boundary — that is the members of our "City" and "Yaldhurst/Waimairi" branches of North Canterbury Federated Farmers. A draft version of this submission was sent to all branch members before it was finalised.

Federated Farmers has put a significant amount of effort into analysing previous year's Draft Strategic Statement and Draft Financial Plan and Programme and made a number of important conclusions on the basis of this analysis.

Federated Farmers is appreciative that the Council has recognised that a lower rate in the dollar (capital value) is required for rural properties. However under the proposal in the Draft Community Plan the Christchurch City Council will continue to overcharge its rural ratepayers.

Federated Farmers does not accept that the Rural Rate needs to be increased from its current 73% of the Residential (Urban) rate to that proposed at 75% – this is an affective increase of 2.5% over and above the Council's proposed overall increases in the General Rate.

Federated Farmers contends that the Council should set the Rural Rate at 70% of the Residential (base) Rate and make a significant shift away from the current high reliance on capital value rating towards targeted rates based on a per property and per separate residence.

The majority of the Council's services are to people not property yet the Council, incorrectly, charges the majority of its rates based on the value of people's properties. If Council continues to charge for people-related services on the basis of the capital value of their properties then a further reduction in the rate in the \$Capital Value levied on rural properties is required.

The basic benefit allocation model adopted by the Council is fundamentally flawed in that it misallocates the costs of Council's Activities. We are disappointed that Council has failed to undertake a first principles review of its rating and funding policies as promised.

B. EXECUTIVE SUMMARY

1. Rural Rates

Federated Farmers is appreciative that the Council has recognised that a lower rate in the \$Capital value is required for rural properties.

However Council continues to overcharge its rural ratepayers

A significant shift away from the Council's high reliance on Capital value rating towards targeted rates based on per property and per separate residence charges is required.

If Council continues to charge for people-related services on the basis of the Capital value of their properties then a further reduction in the rate in the \$Capital Value levied on rural properties is required.

Federated Farmers submits:

- **That the Rural Sector differential be reduced from its current 73% to 70% (not increased to 75% as proposed) of the Residential and Base Rate and held at that percentage in the future**
- **That people-related service provided by the Council should rated on a per property and per residence basis via a system of Targeted rates.**

2. Targeted Rates on per property/residence basis for people-related council services

Council should introduce targeted rates based on per property/per residence for the following Council Activities:

- Art gallery, museum and "our city"
- City Development (part)
- Community Services
- Democracy and governance
- Library Services
- Parks and Open Spaces

Federated Farmers submits:

- **That, in the final Plan, the relative contributions from "Rates" and "Other Revenue" be shown for each Council Activity.**
- **That, for the 2004/2005 year onwards, the contribution made by each ratepayer towards each of the Council' Activities be shown on each individual rate demand.**

3. User Pays - Increased and consistent proportion

Federated Farmers concludes that the Council should review its User Charges policy with a view to obtaining a more consistent percentage of the Gross Costs involved via user charges.

If Council cannot achieve a targeted percentage return via user charges for a particular service then Council should question the need for the service and/or the scope for reducing the Gross Costs involved.

Federated Farmers submits that:

- **The Council should review its User Charges policy with a view to obtaining a more consistent percentage of the Gross Costs involved via user charges.**
- **If Council cannot achieve a targeted percentage return via user charges for a particular service then Council should question the need for the service and/or scope the potential for reducing the *Gross Costs* involved.**

4. Summary of community Outcomes

Proposed Outcome

- *Our people enjoy and value our natural environment and take responsibility for protecting and restoring it*

Change proposed Challenge and Opportunity

From

- *Reducing what we take from the earth.*

to

- *Making good use of the earths resources*

5. Schedule of Changes to Fees and Charges

Federated Farmers submits that:

- **The City should seek to reduce the costs involved with respect to limited notification and publicly notified resource consent applications so that these fees can be held at current levels**

C. COUNCIL RESPONSE TO FEDERATED FARMERS 2004 SUBMISSION

To the Council's credit Federated Farmers received a detailed written response to our 2003 submission (Letter dated 22 September - copy attached Appendix A). As with previous years, while we do not agree with many of the arguments put forward, we are appreciative of the effort made.

Federated Farmers would like to respond to a number of Council statements made in this letter.

Council Statement

The basic benefit allocation model adopted by the Council is that which produces the most fair result for all ratepayers. It does not purport to be a perfect model but is on balance a fair and reasoned approach

Federated Farmers Response

Federated Farmers cannot agree. As outlined in Federated Farmers submissions to previous years' Draft Annual Plans, the Council's analysis is fundamentally flawed in that it incorrectly allocates the cost of people related benefits on basis of the capital value of properties.

This is inconsistent with the requirements of the Local Government Act 2002 and the manner in which other districts in the Canterbury region and throughout New Zealand allocate the costs of services.

Council's claim that the model is "a fair and reasoned approach" is grossly incorrect.

Council Statement

The alternative view put up by Federated Farmers assumes that property values are not connected to the underlying quality of city and quality of services provided by the Council (wider community). They content that the countryside lives in isolation from the nearby city and makes no (or little) call on amenities. However, it is considered that much of the value of rural land is dependent on its proximity to the city.

The contention that value is based on productivity alone is not true as there is productive land remote from the city but with far lower values and likewise there is unproductive land close to the city with high values. Intrinsic values play a part in the market.

Federated Farmers response

Council has significantly misinterpreted what Federated Farmers said last year and has been consistently saying in the past.

Federated Farmers agrees that proximately to the City has an affect on property values, especially if such land has potential use for subdivision. However much of the land, for example flood prone land next to the Waimakariri river, land in proximately to Christchurch International Airport and much of the land on the Port Hills has very limited or restricted subdivision potential. The value of these properties is largely influenced by its productive value.

Federated Farmers has not argued that the City's rural land does not benefit from services provided by the City. However we do argue that the weight given to this relationship is grossly exaggerated by the Council and therefore the Council's "basic benefit allocation model" is fundamentally flawed.

While proximity to the City has an affect on the value of a residence the affect it has on farm land is significantly less. The services provided by the private sector (shops, restaurants etc) and central government (schools and universities) also have a significant, and probably greater affect on the value of living close to a major city. Proximately to Council services do have an influence but are but one of those influences.

We reiterate that the benefit received from a significant proportion of council services (such as swimming pools, libraries, arts and leisure facilities) is much more closely related to population (per property charges) than capital values and therefore should be rated on that basis.

Council Statement

Capital Value equates to stakeholder interest

The predominant allocation basis within the Revenue Policy adopted by the Council is Capital Value. The presumption is that rates are taxes, not user charges. There is substantial case law to support this position.

Federated Farmers Comments

Council's Revenue Policy is based on a misinterpretation of outdated the case law.

Substantial changes to the legislation have occurred since the case law referred to was made. Firstly the Local Government Amendment (No 3) Act was introduced in 1996, then a full legislative review was undertaken that concluded with the introduction of the Local Government (Rating) Act 2002 and the Local Government Act 2002

Section 101(3) of the Local Government Act 2003 clearly requires the Council, when seeking to meet its funding needs, is required to go through a process of determining the appropriate funding means taking into **consideration** a number of factors including the **benefits** received by the community as a whole, by parts of the community and by individuals. **Council has clearly failed to carry out this process and its Revenue Policy is inconsistent with these legislative requirements.**

The Local Government (Rating) Act provides Councils with a range of tools for collecting funds from its residents. Rates on property values are but one of these tools. A number of other options are also open for the Council including per property Uniform Annual General Charges and Uniform Annual Charges on a per property or a per residential unit basis and Targeted Rates for specific purposes using any of these methods.

Federated Farmers strongly disagrees with the presumption that rates are taxes not user charges.

Council Statement

Benefits to people or to property

Much of what the Council does improves the quality of life in the city. Clearly the population does benefit. There are however predominant benefits to property, which in turn is reflected in capital values as reflected by proximity to the city

Federated Farmers Comment

Federated Farmers contents that the **predominant** benefit of the City Council's Services are to people. Council's conclusion (and therefore its rating policies) that the predominant benefits are to property is clearly incorrect.

Also, any benefit that might accrue to property values cannot be realised by owners unless they sell. Farmers' ability to earn money from farming the land is therefore negatively affected by the Council's rating policies as their properties are rated on the basis of a potential not an actual benefit received (the proposition that the Council's activities increase the resale value of their land).

As the predominant benefit from Council services is to the quality of life – that is to people — the predominance of Council rates should be struck on a population not a property value basis. Yet the Council, incorrectly charges 88% of its general rates on the basis of property values and only 12% on the basis of per property charges (UAGC).

REVENUE AND FINANCING POLICY

D. RURAL RATES INCREASED IN DRAFT PLAN

Introduction

As stated above, Federated Farmers thanks the Council for proposing to hold the proportion of rates paid by the Rural Sector at a set proportion of the residential (base) rate.

However we oppose the proposed increase in proportion paid from the current 73% to 75%. **The proportion should be held at 70% which was the relationship established when the current rural land amalgamated with the City in 1998/99.**

The net affect of Federated Farmers proposal on the incoming year's (2004/05) rating proposal would only be a drop in contribution by rural ratepayers of \$130,000. This would result in a very small increase (less than a fifth of one percent - 0.16%) in residential rates but a significant benefit to the productive farming land of the district. Also as subdivision continues the amount of rural land is declining. The total value of Rural land declined by \$43,896,136 (from \$787,592,390 to \$743,696,254), whereas the total value Residential properties increased by \$937,623,332.

Council's Development Contributions Policy

Council has a comprehensive development contributions policy with the stated objective of *requiring those whose developments place new demands on the City's Reserves and infrastructure services to make a fair contribution towards the expansion of those services*".

Federated Farmers supports the Council's Development Contributions Policy as it recovers costs from property owners at the time at which such properties are placing, or are about to place, higher demands on Council services. However the Council's Revenue and Financing Policy completely contradicts its Development Contributions Policy and makes the Council's Development Contributions Policy vulnerable to successful legal challenge.

Council has stated that rates are a tax on property not a charge for the use of services (a claim Federated Farmers disputes), yet Council's Development Contributions Policy is a charge for anticipated use of services. Council would have difficulty telling the Courts that it charges rates on Rural land on the basis of their property value as a tax (not a charge for services) then charges for the conversion of rural land to residential property on the basis of the anticipated use of services and then rates the new residential property as a tax again.

To be consistent both the Council's *Revenue and Funding Policy* and the Council's *Development Contributions Policy* should be based on the demands those properties make on the Council's services.

Reasons for lower rate in the \$Capital Value for rural land (page 40 – Volume 3)

Federated Farmers agrees with the reasons given by the Council for having a lower rate in the \$ Capital Value for rural properties. However the reasons given are just some of the factors involved.

We agree with the Council (*Revenue and Financing Policy - page 40*) that, with respect to the Rural Sector:

- *A lower standard of services generally is provided to outlying rural properties*
- *The greater distance from Council provided services and therefore reduced use of those amenities by ratepayers (no footpaths, lack of adjacent parks etc,)*
- *The value and impact of services provided by the Council to the property values (is less) – (farm land may not be enhanced by community services)*

However there is a further, significant, factor that the Council has not appropriately taken into account when establishing its revenue and financing policy.

Council has still not taken into account the fact that a significant proportion of services provided by the Council provide benefits predominantly to individuals (to the city's "residents" – including rural residents) and to the Christchurch Community - not to the value of property.

Federated Farmers does not necessarily disagree with the provision of such services – just the manner in which the Council strikes its rate to cover their *Net cost of Service*.

As we have stated in previous year's submissions **services to people and services that are common services to properties should be charged on per residence/property basis rather than on a Capital Value basis as currently the case.**

If there is an issue of people questioning paying for the "Net Cost" of people-related services then Council should question the need for service and quantum of the costs involved. That is, Council should investigate cost reductions rather than cost transfers if the community questions the affordability of such services.

Also some of the services in the Rural part of the City, for example the Yaldhurst swimming pool, were largely funded by voluntary contributions not via local body rates.

Conclusion

Federated Farmers submits:

- **That the Rural Sector differential should be reduced from its current 73% to 70% (not increased to 75% as proposed) of the Residential and Base Rate and held at that percentage in the future**
- **That people-related service provided by the Council should rated on a per property and per residence basis via a system of Targeted rates.**

E. COUNCIL'S ACTIVITIES - TARGETED RATES SHOULD BE USED

Council should introduce targeted rates for each of the "Council Activities":

The following services to people should be rated on a per property or per residence (not a Capital Value) basis:

- Art gallery, museum and "our city"
- City Development (part)
- Community Services
- Democracy and governance
- Library Services
- Parks and Open Spaces

If all these services were based on a per property/per residence basis Council could then dispense with the Uniform Annual General Charge

Net Cost of Services

Federated Farmers has been unable to establish the rating component of each of the Council's Activities as it appears that the details have not been provided in the draft Community Plan.

We note that under each *Net Cost of Service* (ie for *art gallery, museum and "our city"* on page 40 of Volume 1) the following statement is made "The Net Cost of Services is funded from rates and other revenue."

Federated Farmers requests that, in the final Plan, the relative contributions for "Rates" and "Other Revenue" be shown for each Council Activity.

Itemised Rate Demand

An excellent method by which the City Council could thoroughly inform the Christchurch community and its ratepayers of Council's Activities and Funding and Rating Policies is by separately showing the cost of each Council Activity on individual rate demands

For Example for an Urban House

Council Activity	Factor	Rate	Amount
Art gallery, museum and "our city"	1	\$??	\$??
City Development	1	\$??	\$??
Community Services	1	\$??	\$??
Democracy and governance	1	\$??	\$??
Library Services	1	\$??	\$??
Parks and Open Spaces	1	\$??	\$??
Economic Development	(Capital Value)	0.0?????	\$??
Streets and Transport	(Capital Value)	0.0?????	\$??
Regulatory Services	(Capital Value)	0.0?????	\$??
Refuse minimisation & disposal	???	????	\$??
Water Connected			
Land & Stormwater			
Sewage			
<i>Sub Total for Christchurch City Council</i>			<i>\$????</i>

Federated Farmers submits that, for the 2004/2005 year onwards, the contribution made by each ratepayer towards each of the Council's Activities be shown on each individual rate demand.

F. INCREASED AND CONSISTENT PROPORTION OF USER CHARGES

Council should work towards more consistent cost recovery percentages (via user charges) for a wide range of its services.

We note (Volume 2 – page 59) that the percentage of revenue, as a proportion of *Gross Costs*, achieved by the Council for its recreation facilities varies significantly (from 0% to 105%).

We also note that the cost recovery achieved from Council services provided via its subsidiary companies also varies significantly. For example, the cost recovery percentage for the (part) Council owned Orion Group Limited, the Lyttelton Port Company and Christchurch International Airport have been traditionally all been well in excess of 100%. While we appreciate that the “profits” from these monopolies, or near monopolies, is used to subsidise the General Rate, Federated Farmers questions the equity and fairness of users of some of the Council services being subsidised by users of other Council services. On what basis is Council determining that electricity users, and users of the port and airport can afford to the full cost of services (plus a significant profit margin) when users of other services, such as the Queen Elizabeth II Park should only meet (on average) 8% of the gross cost of the service?

Federated Farmers submits that

- **The Council should review its User Charges policy with a view to obtaining a more consistent percentage of the Gross Costs involved via user charges.**
- **If Council cannot achieve a targeted percentage return via user charges for a particular service then Council should question the need for the service and/or scope the potential for reducing the *Gross Costs* involved.**

G. SUMMARY OF COMMUNITY OUTCOMES

Federated Farmers supports the proposed community outcomes **except** for one of the proposed “Challenges and Opportunities” proposed

Outcome

- *Our people enjoy and value our natural environment and take responsibility for protecting and restoring it* *Page 24 – Volume 1*

Challenge and Opportunity

- *Reducing what we take from the earth.*

Federated Farmers opposes this Challenge and Opportunity statement. What this statement proposes is an inaccurate and inappropriate generalisation.

While some of the earth’s resources should be used (taken) carefully there are others where it is logical to use them up and others that we should seek to maximise their

use. The majority of New Zealand's economy is based on using the earth's resources. It has been New Zealand's farmers ability to increase production in a sustainable manner that has been a key component in New Zealand's, Canterbury's and the Christchurch City's prosperity in recent years (The total agricultural sector's contribution to the New Zealand economy has risen from 14.2 percent of GDP in 1986-87 to around 17 percent in 2002/03 (including downstream processing).

If the proposed Council *Challenge and Opportunity - Reducing what we take from the earth* was put in place it would result in a significant reduction in the economic wealth in the Canterbury region,

A more appropriate Challenges and Opportunities statement would be:

- *Making good use of the earth's resources*

H. SCHEDULE OF CHANGES TO FEES AND CHARGES

Federated Farmers notes that the Council proposes to increase its resource consent fees for limited notification and publicly notified applications by 87% and 150% respectively.

Federated Farmers strongly opposes these increases. The City should seek to reduce the costs involved so that these fees can be held. Such huge increases will have a detrimental affect on the City's development – especially on small business ventures (the very people the city is aiming to assist).

Federated Farmers submits that:

- **The City seek to reduce the costs involved with respect to limited notification and publicly notified resource consent applications so that these fees can be held at current levels**

END