



# *City of Canterbury*

*City of Cultural Diversity*

## Memo

**TO:** Mayor and All Councillors

**DATE:** 15 November 2013

**FILE NO:** C-117-4

**SUBJECT:** Update on 2013 Rates and Services Review Engagement Program

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A briefing to inform councillors of the Community Working Group's preferred option, and the process by which it has been developed was held on 13 November 2013. Members of the Community Working Group attended this briefing to present the preferred option to councillors, and were available to answer questions.

This memo provides a brief outline of the content of this briefing, including the process undertaken by the group, their preferred option, and the next steps.

Over a period of four months the Community Working Group has met six times, each time for several hours, working through series of structured conversations to gain a better understanding about what council does and how much it costs, what the challenge is and how it might be solved, and to work together towards a solution that the whole group could support.

- **Meeting 1 – 1 August 2013:** The group was introduced to each other, to the rates and services review program, and to the issue. They developed a list of questions about council rates and services. Council staff prepared answers to these questions for discussion at the second meeting.
- **Meeting 2 – 20 August 2013:** The answers to the questions from the first meeting were reviewed and discussed. There was then a discussion around three scenarios for service reductions and rate increases. A number of things emerged as common values when considering the impact of reducing the services council provides. This then led to a discussion and development of a shared definition of the challenge facing council. The group expressed the challenge facing council as:

*How can council maintain the services needed to improve the high quality of life in Canterbury, keep costs down and find alternative sources of income so that rates can be kept as low as possible, and clearly demonstrate the need for any increase in rates?*

- **Meeting 3 – 11 September 2013:** The group were provided with profiles for sixteen different service areas and asked to consider how important each service area was. They brainstormed possible strategies to solve the challenge, thinking specifically about the service areas and their income, service levels, and costs, coming up with over 50 different ideas. Between meeting 3 and meeting 5, Council staff reviewed these to see which ones had already been implemented, which ones were feasible, and how much benefit they might provide.
- **Meeting 4 – 9 October 2013:** The group discussed the future they wanted for the City of Canterbury, and the services needed to achieve this desired future. They developed a list of key features of a good solution to the challenge, which formed evaluation criteria.
- **Meeting 5 – 23 October 2013:** The group discussed the feasibility of the ideas that were generated at the third meeting. They then generated and evaluated options. The initial evaluation resulted in considerable discussion about the application of the criteria, and it was agreed that no clear preferred option(s) had emerged. It was also agreed that the evaluation needed to be repeated at the next meeting in a way that included a way of interpreting the criteria, and weightings for the criteria.
- **Meeting 6 – 7 November 2013:** The group refined the criteria, generated new options, and evaluated them. Again no clear preferred option emerged. The group then discussed the features common to all options, and came up with a new option that they all could support.

Outputs from meetings 1 to 4 have previously been provided to councillors. Outputs from Meeting 5 and 6, and the Feasibility of Ideas from Meeting 3 are attached.

### **The preferred option**

In 2014-15 our forecast annual deficit is \$12.5 million. The Community Working Group created an option to meet this deficit that combined increases in user fees, ways to generate additional income, reductions in services and standards of infrastructure, efficiencies in council operations, borrowing, and rate increases, that they could all support. The ideas for these different components were generated by the Community Working Group, and assessed for feasibility and potential benefit by council staff.

The characteristics of this option that meant it could be supported were:

- Maintain as many services as possible, especially libraries and pools, and considering the projected future population increases;
- Combine a bit of all the components, including additional income, fee increases, service reductions, borrowing, and rate increases;
- Accept as little infrastructure deterioration as possible;
- Find as much efficiency in council operations as possible;
- Have a rate increase that was 'middle of the road'
- Accept borrowing because the current generation should not have to pay for the consequences of inadequate infrastructure maintenance in the past – this should be shared with future generations.



The option preferred by the Community Working Group is as follows:

<b>OPTION PREFERRED BY COMMUNITY WORKING GROUP</b>	
<b>Initiative</b>	<b>Benefit</b>
<b>Increase income through commercial activities or user fees</b> <ul style="list-style-type: none"> <li>- Increase charges to users of sporting fields and community facilities.</li> <li>- Lease areas of aquatic centres and parks for income generating activities.</li> <li>- Undertake commercial operations eg. garage that earn income.</li> </ul>	\$0.2 million
<b>Service reductions</b> <ul style="list-style-type: none"> <li>- Close outdoor pools alternately during winter, but leave indoor pools open.</li> <li>- Reduce the frequency of street cleaning and focus on most important areas.</li> <li>- Have just one large festival per year.</li> <li>- Reduce free nature strip mowing.</li> </ul>	\$0.5 million
<b>Achieve further efficiencies in council operations</b> <ul style="list-style-type: none"> <li>- Review excess for public liability insurance.</li> <li>- Outsource management of the aquatic centres.</li> <li>- Discontinue more expensive payment channels, encourage more direct debit payments and charge for credit card payments, and issue rates notices by email to reduce postage costs.</li> <li>- Pay staff fortnightly, use electronic payslips.</li> <li>- In partnership with community groups provide more legal walls for graffiti to reduce cost of removal in other areas.</li> <li>- Achieve savings through implementing the dumped rubbish minimisation strategy, changes to structure of regulatory services, and outsourcing Information Technology where appropriate.</li> <li>- Provide Women's Rest Centres services through partnership with community organisations.</li> </ul>	\$1 million
<b>Infrastructure deterioration</b> <ul style="list-style-type: none"> <li>- Accept some deterioration in roads, footpaths, parks and buildings</li> </ul>	\$1.5 million
<b>Borrowing</b> <ul style="list-style-type: none"> <li>- Borrow \$36.5 million for infrastructure backlog rather than spend \$3.65 million per year for 10 years, and repay over 30 years. This spreads the burden of backlog over a longer period, and reduces the impact on current ratepayers.</li> <li>- Repayments are \$2.65 million per year, so the net benefit per year in the first ten years is \$1 million.</li> <li>- Over the thirty year period total interest paid is \$43 million, an extra \$1.43 million per year, and the debt service ratio would increase from 1.6% to 4.3%.</li> </ul>	\$1 million
<b>Rate increase</b> <ul style="list-style-type: none"> <li>- 4.6% per year for 3 years above the rate cap</li> <li>- Average residential rate in 2016 \$1,297</li> <li>- Increase above the rate cap by 2016 \$157</li> </ul>	\$8.3 million
<b>Total</b>	<b>\$12.5 million</b>

### Alternative options

Whilst the group discussed many different options as they worked towards a preferred one, there are two that provide a useful comparison in understanding implications of the challenge facing council. These are no rate increase, or no service reductions, and are detailed below.

NO RATE INCREASE	
Initiative	Benefit
<b>Increase income through commercial activities or user fees</b> As for the preferred option plus: - Introduce pay for parking in car parks and town centres	\$0.5 million
<b>Service reductions</b> - As for the preferred option plus: - Close branch libraries - Close one aquatic centre, either at Canterbury or Roselands	\$4 million
<b>Achieve further efficiencies in council operations</b> As for the preferred option.	\$1 million
<b>Infrastructure deterioration (\$7 million)</b> - Accept serious deterioration in roads, footpaths, parks and buildings, resulting in major failures and extreme repair costs at some future time.	\$7 million
<b>No borrowing</b>	nil
<b>No rate increase</b>	nil
<b>Total</b>	<b>\$12.5 million</b>

NO SERVICE REDUCTIONS	
Initiative	Benefit
<b>No increases in user fees</b>	nil
<b>No service reductions</b>	nil
<b>Achieve further efficiencies in council operations</b> As for the preferred option.	\$1 million
<b>No infrastructure deterioration</b>	nil
<b>No borrowing</b>	nil
<b>Rate increase</b> - 6.3% per year for 3 years above the rate cap - Average residential rate in 2016 <b>\$1,351</b> - Increase above the rate cap by 2016 <b>\$221</b>	\$11.5 million
<b>Total</b>	<b>\$12.5 million</b>

It is important to note that the Community Working Group, representative of the Canterbury community, were not able to support the following aspects of these options:

- A rate increase of more than 4.6%.
- Pay for parking in either car parks or town centres.
- Serious deterioration in infrastructure.
- Closure of libraries or aquatic centres.




### Next Steps

The date for submission of applications for Special Rate Variations has now been set by the Independent Pricing and Regulatory Tribunal (IPART) as 24 February 2014. IPART requires the proposed rate increase be included in the Community Strategic Plan, Council Delivery Program, Strategic Asset Management Plan and Long Term Financial Plan, and that these documents be adopted prior to the submission of the application. IPART also requires evidence that the wider community is aware of any proposed rate increase.

A position on the mix of rate increases and service reductions to be included in these documents for the purpose of further engagement with the wider Canterbury community must now be determined in order to provide sufficient time to generate community awareness.

A report will be provided to Council at the meeting on 28 November 2013 recommending that a position on the mix of rate increases and service reductions be adopted for the purpose of further engagement with the wider Canterbury community, and for the purpose of providing advice to IPART on 13 December 2013 of the nature of the intended application for a Special Rate Variation.

If you require further details, please contact me on 9789 9447.

A handwritten signature in black ink, appearing to read 'Jim Montague', with a long horizontal stroke extending to the right.

Jim Montague PSM  
**GENERAL MANAGER**

