

Announcement of Mayor Lianne Dalziel's 2015 - 2025 LTP proposal

This morning I am announcing the key elements of the proposal I will be bringing to Council for consideration when we meet to adopt the 2015-25 Long Term Plan (LTP) on 23 June.

When we commenced the Long Term Planning process last year, it was at the end of more than 6 months seeking to establish the true state of our finances and what our options might be if we were to get our city back on its feet.

Today's announcement is about ensuring that whoever steps up to serve the city in 2016 will inherit a credible and sustainable financial strategy that will stand the city in good stead for tackling all the challenges that still lie ahead.

Having a favourable audit opinion is critical to achieving that. This means we cannot budget for income we might hope to receive - be that from our insurer or from the government – what we budget for has to be credible.

And we have been advised not to assume any further financial contribution from the Crown.

That doesn't mean we won't be seeking additional support for particular earthquake related damage, but it does mean we cannot budget for it.

Our decision to focus this LTP on a base case, which we can adjust over the next year or two, has meant we have been able to satisfy the requirements of the audit office, recognising that there are some unknowns that we cannot yet bank.

Unfortunately, many of the submissions we heard asked us to do just that, but we cannot. The previous council did not have any audit discipline applied to its three year plan and were able, for example, to describe the expected additional spend on the Horizontal Infrastructure as 'savings to be found' when they were not anticipating any such savings and in fact were expecting to need to spend more.

Next year the Canterbury Earthquake Recovery Act expires, and I want the city to be positioned to take full responsibility for leading the next phase of the recovery - including driving the regeneration of the Central City and all the suburbs that have been so badly hit by the earthquakes, not least in the east of the city.

Listening to those who submitted on the LTP, I know that this is what people want.

Coming to terms with what has been lost has been very hard, but just as hard has been the sense of having no control over decisions that are being made for us. The number of submissions that focused on projects the Council wasn't responsible for was pretty overwhelming.

But it highlighted the desire to have a real say about the city we are to become. We need to be in a position to step up and take that leadership role once more.

The community outcomes that have guided long term planning for many years capture the essence of our values as a city:

- A safe city
- A city of inclusive and diverse communities
- A city of people who value and protect the natural environment
- A well-governed city
- A prosperous city
- A healthy city
- A city for recreation, fun and creativity
- A city of lifelong learning
- An attractive and well-designed city

The earthquakes have not only reinforced the importance of these values, they have also reinforced the need for resilience in our infrastructure and our communities. This is the goal we have set for this Long Term Plan '*building resilience — from recovery to regeneration*'.

But there is even more than that happening as a result of the earthquakes. From disaster there can always come opportunity.

The transitional movement that has enlivened spaces on a temporary basis throughout the city has captured the attention of the world. Lonely Planet and New York Times say Christchurch is a great place to visit because of what is going on in these spaces.

Christchurch is also becoming a place where anything is possible; a place that is open to new ideas, new people and new ways of doing things.

This was reflected in the submissions on the Long Term Plan. Community after community came forward and said – don't do things for us, partner with us and we will do things for ourselves with your support.

The Arts Community said let's co-create a strategy and work together on making this a vibrant city.

Representatives of communities of disabled people said let's work together to ensure this is an accessible city.

Business communities said let's make this a business-friendly city.

Residential communities from New Brighton, Lyttelton, Akaroa and Governors Bay, to name a few, said let's do it differently – our communities are rich with ideas, talent and energy. Let's plan together and make it happen.

Community leaders said we have networks that we can put at the city's disposal – together we can tackle the wicked problems that challenge cities throughout the world – from homelessness and affordable housing to the impacts of climate change. People from all walks of life said we can help the city make good decisions today that will stand us in good stead for the future.

Of course we heard submissions from those who opposed asset sales, but that wasn't a message we disagreed with.

We all oppose selling community assets built up over years of public investment to bidders who are prepared to contribute nothing but cash to the community that invested in developing those assets. It's cold comfort when the benefit of the cash has disappeared.

But freeing up capital from an asset base that has grown in value in order to facilitate investment in other assets – even if they don't generate revenue – like waterways, footpaths and streets is a different story.

And I don't accept that this applies to everything we own. I simply cannot see how car park buildings, a facilities management company, which does catering, a bus company and a construction and infrastructure company, all of which operate in competitive markets, can possibly be regarded in the same light as natural monopoly infrastructure companies such as our lines company, airport and seaport.

I believe my proposal strikes the right balance between the two resounding messages we have heard from residents: getting the proposed rates increases down and retaining public ownership and control of our core infrastructure assets - the Port, the Airport and Orion.

Under my proposal they remain strategic assets and any sell down of their shares to strategic partners that directly benefit the city will trigger a special consultative procedure. I would much rather have that debate at the time.

My proposal however directly challenges the view that the way to address the Council's financial challenges is to slow down progress and stop investing in the city's rebuild.

Of course we must ensure every dollar we spend is spent wisely, but the last thing Christchurch needs now are more delays.

Listening to those who live in the east, and to those investors directly affected by the loss in momentum in the Central City, has left me without any doubt about that.

Crucially, this budget is about taking back control - and providing a platform towards self-determination for the City.

But of course this is still a proposal - it is not set in stone. I have asked Councillors to table their amendments by 12 June so that the parameters are clearly spelt out ahead of the debate on 23 June.

Our city's robust democratic process, which unlike government Cabinet meetings are open to the public and live-streamed for all to see, is what offers the transparency and accountability we all stood for and why it is right that the city's interests in the recovery are best served by the Council with the support of government.

The government will be releasing a Transition Recovery Plan in early July and I call upon everyone who submitted on the LTP to also submit to the government – as a city

we have our own views of what the transition should look like and we would like our communities to back us in the way the submissions have indicated they will.

Finally, before taking questions on the plan - which is set out in the hand-out - I would like to make some additional points around our situation.

Operational Savings

Many submitters on the LTP suggested that the council organisation look at its level of expenditure, and in fact, the Council had already tasked Karleen Edwards to do the same.

In response, she has established a comprehensive programme of improvement for the organisation called 'Great for Christchurch' that will not only improve the services the council delivers, but will release \$40 million of savings over the next three years. It will do this through scrutinising contracts and commercial arrangements, investing in modern technology to streamline customer processes (such as online payments), and examining and improving the way that services are organised and delivered.

This \$40 million in savings makes a very real and positive improvement to our short term financial situation and there is more to come.

On Insurance

Council continues to engage with its insurer and reinsurers to get the best results for the city. Unfortunately until a mutually acceptable position is reached or is determined by litigation no clarity can be given on quantum or timing. I am surprised that submitters found comments made by our insurer with whom we are in dispute even slightly credible. For the record we continue to:

- Lodge claims on a timely basis;
- Seek payments on assets where the quantum of loss is agreed;
- Refine our damage testing and continue providing reports to insurers;
- Critique the insurers' repair methodology;
- Continue negotiations; and
- Prepare clarifying legal proceedings to allow for the possibility that negotiations are unsuccessful.

On capital programme

The original resolution asked the Chief Executive to look at ways to address the carry forwards, which in this year was amounting to \$700 million. This received a lot of comment in submissions.

The Chief Executive has addressed this by reducing the overall amount and spreading it across the 10 years of the LTP. So the starting position is better than expected with an overall reduction of between \$200-300 million over the 10 years. From 1 July we will have in place an expert external group to assist with a complete optimisation of our capital programme.

Capital Release

An expert team is developing advice on capital release options, which will ensure that the Council is in the best position to make whatever decisions it needs to make. The advisers have no role in the decision-making.

Spreading the capital release over three years creates considerably more flexibility and satisfies the concerns of submitters on both sides of the asset sales debate that all options are canvassed before capital is released.

Conclusion

In conclusion, I have given careful thought to the balance that is required in terms of rates increases, capital release and expenditure, while at the same time ensuring that we have time to address the underlying assumptions around the capital programme and operational spend. It is, I believe, a pragmatic and reasonable budget, given the many constraints we are under and the demands of the many communities we represent.

We still have a lot of work to do in what remains of our current term. This budget will provide the foundation for us to take back control of our city's destiny and to set a new direction, one which will bring the community back to the fore and allow us to determine how our city is rebuilt and repositioned for the opportunities and challenges ahead.

Mayor's LTP Proposal

Summary of proposal based on feedback from submitters

- **Getting proposed rates increases lower:** Keeping rates affordable was identified as important by many submitters. The city has a large number of residents likely to be on fixed incomes. 14.7% of Christchurch residents are aged 65+, with almost half of these over 75. The Council also has to bear in mind the very substantial number of households in suburbs such as Riccarton, Waltham and Linwood, where on average 70% of residents are renting and will feel the knock-on effects of higher rates quicker than anyone else.
- **Less aggressive capital release:** A re-profiling of capital expenditure and operational savings to be delivered through the Great for Christchurch programme have allowed for both a lower rates' profile and a less aggressive capital release programme. This allows Council to have a much better understanding of its actual financial position (e.g. insurance recoveries) before additional capital release options need to be considered. This was a theme throughout submissions whether for or against asset sales.
- **Defining the strategic component of assets by status:** There were a number of submitters, who were opposed to any asset sales, but when asked to describe what was strategic about particular assets, there was a clear difference between those that were natural monopolies and those trading in a competitive environment (Red Bus and City Care).
- **Capital programme optimisation:** A group of independent advisers is being commissioned with the task of working alongside the organisation to provide advice to optimise the capital programme, which will include a review of the relevant Activity Management Plans. This work will be completed by December 2015 which will allow a flow through to the 2016/17 annual plan.

Summary of Mayor's recommendations:

1. Proposed increases in average rates revenue

Proposed rates increases were 8.75%, which included the 1.93% EQ levy, (15/16), followed by 8.5% (16/17), 8.5% (17/18). We will start next year's rates increase at 7.93% (including the levy) and then trending down from that point over the following years (details still being finalised).

2. Capital release

Proposing a phased programme of capital release over the first three years of the LTP

- \$200m (2015/16)
- \$200M (2016/17)
- up to \$350 m (2017/18) if required

This is consistent with the position the Council adopted in February 2015.

3. Capital Programme

Some initial reductions to the capital programme have allowed some limited re-prioritisation of capital expenditure over the next two years. It is proposed that this be reallocated to:

- catalyse the New Brighton regeneration plan which will be led by Development Christchurch
- support the Council's transition plan (provisional)
- a Flood Defence Fund (provisional)

4. Retaining Core Infrastructure Assets

The Mayor is recommending that the Council's shareholdings in its core monopoly strategic assets - Orion New Zealand Ltd, Lyttelton Port Company Ltd and Christchurch International Airport Ltd - remain on the current list of Strategic Assets.

She is also recommending that EcoCentral Limited remain on the current list of strategic assets.

5. Amending current list of Strategic Assets

Following the public consultation on strategic assets, the Mayors is recommending that the Council amend its Significance and Engagement Policy by removing the following assets from the current list of Strategic Assets on the basis that continued Council ownership is not necessary for strategic reasons and/or the wellbeing of the community (section 5(1) LGA) or because continued Council ownership is inconsistent with other Council objectives:

- City Care Limited
- Red Bus Limited
- Addington Arena (currently called Horncastle Arena)
- Lancaster Park
- the Council's shareholding in Vbase Ltd
- all off-street parking facilities owned and operated by the Council