

Strategic Capability Committee SUPPLEMENTARY AGENDA

Notice of Meeting:

An ordinary meeting of the Strategic Capability Committee will be held on:

Date: Thursday 14 September 2017
Time: 3pm
Venue: Committee Room 1, Level 2, Civic Offices,
53 Hereford Street, Christchurch

Membership

Chairperson	Mayor Lianne Dalziel
Deputy Chairperson	Deputy Mayor Andrew Turner
Members	Councillor Vicki Buck
	Councillor Phil Clearwater
	Councillor Pauline Cotter
	Councillor David East
	Councillor Raf Manji

12 September 2017

Principal Advisor

Brendan Anstiss
General Manager Strategy &
Transformation
Tel: 941 8472

Christopher Turner-Bullock
Committee Advisor
941 8233
Christopher.Turner@ccc.govt.nz
www.ccc.govt.nz

Note: The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted.
If you require further information relating to any reports, please contact the person named on the report.

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Part A	Matters Requiring a Council Decision
Part B	Reports for Information
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7. Resolution to Include Supplementary Reports

1. Background

- 1.1 Approval is sought to submit the following report to the Strategic Capability Committee meeting on 14 September 2017:
 - 8. Mayor's Report: Long Term Plan 2018/2028 Elected Member Expectations
- 1.2 The reason, in terms of section 46A(7) of the Local Government Official Information and Meetings Act 1987, why the report was not included on the main agenda is that it was not available at the time the agenda was prepared.
- 1.3 It is appropriate that the Strategic Capability Committee receive the report at the current meeting.

2. Recommendation

- 2.1 That the report be received and considered at the Strategic Capability Committee meeting on 14 September 2017.
 - 8. Mayor's Report: Long Term Plan 2018/2028 Elected Member Expectations

8. Mayor's Report: Long Term Plan 2018/2028 Elected Member Expectations

Reference: 17/882858

Contact: Jodie Shaw

jodie.shaw@ccc.govt.nz

941 8999

1. Purpose and Origin of Report

Purpose of Report

- 1.1 The purpose of this report is to provide via the Strategic Capability Committee overarching direction and guidance for the development of the Long Term Plan 2018-28, including clear expectations for the advice that is to be provided by the organisation to support elected member decision making. This report also provides a mechanism for helping to ensure consistency across Council Committees during Service Plan reviews.

Origin of Report

- 1.2 The Mayor plays a leadership role in the development of the Long Term Plan. This report is provided to the Strategic Capability Committee in support of the Mayor's role to lead the development of the Long Term Plan 2018-28.

2. Significance

- 2.1 The decision(s) in this report low significance in relation to the Christchurch City Council's Significance and Engagement Policy.

3. Staff Recommendations

That the Strategic Capability Committee:

1. Note that the decision making associated with the Long Term Plan 2018-28 will require comprehensive advice from the organisation in order to balance the desirability of re-investing in the city post-earthquake with the need to reduce costs for ratepayers;
2. Agree to provide to the Chief Executive the strategic guidance and set of expectations outlined at paragraphs 5.18 to 5.21 to support the development of comprehensive advice for Elected Members' decision making on the Long Term Plan 2018-28;
3. Note the importance of having consistency in the way that each Council Committee interrogates the Service Plans that fall within each Committee's remit; and
4. Agree the minimum considerations and questions, as outlined at paragraph 5.22, that each Committee should attend to during Service Plan reviews.

4. Key Points

- 4.1 The Long Term Plan 2018-28 is a critical document, the decision making for which will need to balance the desirability of re-investing in the city post-earthquake with the need to reduce costs for ratepayers. The development of the LTP 2018-2028 is the opportunity to take a 30 year view and bring together a Plan where the payoffs are spelt out and the benefits are clear to all citizens.
- 4.2 Several factors impact decision making in relation to the Long Term Plan. In the earthquake space this includes the fact that: total earthquake repair costs in some sectors – horizontal infrastructure for example – is still unknown; the full impact on people is yet to be fully understood; and the land movement – subsidence and uplift – has consequences for major storm events and coastal issues such as rising sea levels. Furthermore, recovery costs associated with the Port Hills fires will be significant.

- 4.3 There is an opportunity to reset the trajectory of rate increases but in order to do this, we must prioritise our capital investment, and be prudent with our day-to-day operational expenditure. There will be demand for more projects and funding than the Council can afford. Therefore Elected Member decision making will seek to ensure spending is wise and prudent and in accordance with an understanding of:
 - 4.3.1 what the wider benefits to the people of Christchurch of all of our spending is; and
 - 4.3.2 how we intend on managing and delivering those benefits.
- 4.4 It is also important that there is consistency in the way that Council Committees conduct their Service Plan reviews. A set of considerations and questions is provided in this report as a mechanism for developing consistency across these reviews.

5. Context/Background

The 2018/2028 Long Term Plan in context

- 5.1 The 2018-28 Long Term Plan will be a critical document; it comes at a time when Christchurch city is transitioning out of a rebuild period into one of regeneration and opportunity; a time when the Council has a greater understanding of the financial and infrastructure consequences from the earthquakes; and finally, it comes when – as a city – we step forward with a compelling vision as to our role within New Zealand and the world.
- 5.2 We are continually needing to balance the desirability of re-investing in our city post-earthquake, with the need to reduce costs for our ratepayers. The development of the LTP 2018-2028 is the opportunity to take a 30 year view and bring together a Plan where the payoffs are spelt out and the benefits are clear to all citizens.
- 5.3 This is a challenging task. What is emerging from this effort to balance reinvestment with reducing costs is the need for a broader conversation with the Government over how for example infrastructure is funded. We need a clearer understanding of what ratepayers should and should not have to fund. As part of that conversation we should seek to clearly define what is the local vs the national interest.
- 5.4 While Auckland is an important case in point, because the Government needs to lift its game in Auckland, Canterbury's growth, diversity, and international linkages drive distinct policy challenges and opportunities. Policy designed to address the challenges confronting Auckland, may have a detrimental impact in our city and region. The recent example of proposed changes to immigration policy is a case in point.
- 5.5 Christchurch is New Zealand's Garden City, but what that means in the 21st century is quite different from what it meant a generation ago. Today it is about sustainability, food resilience, environmental protection and clear rivers and streams. Through our experience of disaster we have become a city of opportunity – for all. We are a city open to new ideas, new people and new ways of doing things – a city where anything is possible. As such there is an opportunity to explore how we can to work together in partnership with citizens, and with the Government, to innovate, incubate and deliver better more people-centred public services and a vibrant, dynamic and sustainable 21st-century city.

Factors impacting Long Term Plan decision making

- 5.6 In the period since the devastating earthquakes of 2010-2011, the Christchurch City Council has spent approximately \$8b in capital and operating costs to continue running the city, as well as repair and improve the city. Our debt levels have risen exponentially in this period as well. Although the Council has a greater understanding today of the consequences of the earthquakes, the physical damage caused by the earthquakes is still being uncovered – and therefore is impossible to exactly quantify.

- 5.7 Much of the physical damage is hidden in below-ground infrastructure, or in shortened lifespans of existing assets. We know more now than we ever have about our underground assets. And although a significant repair and replacement programme has been undertaken by SCIRT, we still have a long journey ahead to replace the many assets that have suffered partial damage, or assets for which lifespan has been compromised.
- 5.8 The additional investment by the Council in recent years - through necessity – has in part been funded through deferring otherwise planned renewals. Compounding this situation, we are approaching the end-of-life for many infrastructure assets that were built in Christchurch during earlier building booms such as in the 1950s.
- 5.9 The impact of the earthquakes on people has been equally significant. The earthquakes have affected almost all people in Christchurch – but the impact has been different on different communities, and some of the impact has been delayed. Children have faced upheaval through Government changes to the education system – compounding stress they were already experiencing. Patients of the District Health Board are facing delays or reductions in their service due to the failure of the national health system to recognise the acute and chronic emotional impacts of the earthquakes – and thus fund the CDHB to the level that is necessary.
- 5.10 It is not only the direct consequences of the 2010-11 earthquakes that we are dealing with. The earthquakes caused land movement – subsidence and uplift – that has made some areas more prone to flooding. In addition, the holding capacity of river systems has been reduced through a combination of uplift in river floor levels, lateral spreading of river banks, and subsidence of surrounding land. Likewise, the estuary has changed with two thirds being raised in the quakes, and one third lowered. The impact of these changes is exacerbated and acutely felt with every major storm event that the city experiences. Unfortunately, these major storm events, combined with rising sea levels, will mean many low lying coastal and river areas have an increased vulnerability to flooding and inundation.
- 5.11 In early 2017 the city also experienced the Port Hills fires – which caused widespread damage to more than 2,000 hectares of land, and caused widespread deforestation of the Port Hills. Recovery from this event will take many years and the cost will be significant. In the short-to-medium term, significant sediment control activities will be required so that soil from the Port Hills does not enter the river systems. Over the medium-to-long term, we have an opportunity to re-plant the Port Hills with native plantings to enhance the city and make a natural playground for recreation with enhanced ecological value.
- 5.12 On the positive side, particular communities have emerged post-earthquake with a genuine commitment to using these experiences to build resilience, the importance which has been highlighted through subsequent events, flood or fire. These pillars of community strength have been led by local leaders, some who were already in a leadership role before the earthquakes, others who emerged in the post-quake environment.
- 5.13 At the same time, local institutions are re-emerging and new public functions that better reflect our aspirations are being put in place. The Government is slowly winding down in Christchurch and is focused on a transition away from central control, towards a partnership in which it plays a supporting role. Jointly with the Crown, the Council has established Regenerate Christchurch to lead regeneration planning for the central city, New Brighton and the residential red zone. The Council has also established Development Christchurch Ltd to accelerate development activities in Christchurch's built environment through the provision of commercial advice to the Council, attracting and supporting new business and capital into Christchurch, and also delivering projects. The Council has also made a significant investment in establishing Christchurch New Zealand. This will lead our visitor and international education attraction, economic development, and major events functions for the city.
- 5.14 As part of transitioning Government out of Christchurch, the Crown and Council have also been jointly working to finalise and implement the remaining elements of the 2013 Crown/Council Cost

Sharing Agreement. This process will give rise to both potential opportunities and obligations. For example, the future use and ownership of the Residential Red Zone or the need to consider the timing of the Council's contribution to the proposed Multi-Use Arena.

- 5.15 The Council has also developed a set of strategic priorities that will help guide our decision making to enable our vision of "a city of opportunity for all; a place that is open to new ideas, new people and new ways of doing things – a city where anything is possible."
- 5.16 Within this context the Council has had to increase rates to service our city - above the rate of inflation - in each year since the earthquakes. Rate increases of this magnitude are not sustainable and we must explore all avenues to keep rate increases at the minimum possible. In addition, we must ensure fees and charges cover the appropriate cost of discrete services; we must maximise the financial dividends from Council assets; and we must make the most of these assets – both through leveraging prudent borrowing, but also through ensuring that the mix of Council owned assets is appropriate.
- 5.17 Our opportunity to reset the trajectory of rate increases is through the 2018/2028 LTP. To do this we must prioritise our capital investment (both in new assets and replacement of assets) and we must be prudent with our day-to-day operational expenditure. To this end, it is appropriate that Councillors provide clear and unambiguous direction and guidance to the Chief Executive and through her to the organisation. This direction should also serve as a touch stone for Councillors and the community as we commence the LTP process – there will undoubtedly be demand for more projects and funding than the Council can afford. We must, therefore, always keep in mind:
- what the wider benefits to the people of Christchurch of all of our spending is; and
 - how we intend on managing and delivering those benefits.

And spend wisely and prudently in accordance with this understanding.

Councillor expectations for the development of the Long Term Plan 2018/2028

- 5.18 The following high level expectations are provided to support the development of the LTP:
- Council is expecting a reduction in the proposed rates increases – from approximately 5.5% currently, to track downwards below 5% and settle over the medium term to a rate that is commensurate with the inflationary pressures faced by the Council.
 - Given the intergenerational benefits that the current rebuild is delivering, Council expects that as much of the capital rebuild as is prudent is funded through borrowing. The Council has a very strong asset base against which to leverage borrowing. Borrowing should be kept within statutory and financially prudent limits.
 - To achieve the above reduction in rate increases the Council acknowledges that there must be a reduction in operating and capital expenditure; and /or increases in revenue through other mechanisms.
 - The Council expects to be provided with options for managing a reduction in operating expenditure – with clear identification of the risks and potential consequences – including reductions in service if that is necessary.
 - Operating expenditure reductions should focus on the largest levers for change – we would generally expect these to be across the water and transport areas, plus also parks, and recreation and sport functions – but the organisation also needs to ensure that we are investing in our Garden City that achieves our sustainability and environmental protection goals and priorities. We also expect prudent management of corporate functions.
 - The Council expects to be provided with innovative best advice from staff on how the Council might develop its capital programme. The Council expects to be provided with capital scenarios that are below, within, and may exceed the current LTP financial envelope. These scenarios

should be provided at both an asset level (e.g. at least three scenarios for water assets; at least three scenarios for community facilities); and also an overall capital programme level (e.g. a reduced and prioritised capital programme; a prioritised, but same fiscal envelop capital programme; and a prioritised capital programme that exceeds current fiscal forecasts). Again, transparency on the risks, consequences and recommendations from staff will be vital.

- We will expect that the Council can “sweat” a range of assets to maximise their lifespan and reduce earlier investment that may otherwise be required. A high quality asset management programme should enable optimisation in this space and we will require organisational advice on this.

- 5.19 In terms of process we expect that the Council organisation will fully utilise the Mayor’s External Advisory Group, and that feedback from this group on proposed priorities is reflected in any recommendations.
- 5.20 We appreciate that this LTP will be financially challenging given the volume of capital work that we have in front of us, and the savings that the organisation has already made in operating expenditure. However, the right thing for rate payers must be a reduction in the percentage rates increase.
- 5.21 Council has recently endorsed the proposed Strategic Framework, including confirmation of the strategic priorities and community outcomes that we expect to achieve over the period of the next LTP. Any plans by the organisation must give effect to the priorities, while at the same time ensuring those day to day activities that are crucial to citizens of Christchurch are provided.

Suggested questions for Committees

- 5.22 It is important that there is consistency in the way that each Council Committee interrogates the Service Plans that fall within that Committee’s remit. The following questions are the suggested minimum that Committees should consider during their Service Plans reviews.

External citizen focus

- Why is this service important for the public? What benefit does this public receive from this service?
- What is the impact if this activity didn't exist or wasn't funded?

Alignment to our vision and strategic direction

- How have you, or how will you, change the service to reflect the Council's Strategic Priorities?

Affordability – for all

- What savings and efficiencies have you made to this service?
- What further efficiencies can we expect?

Affordability – where additional funding is being requested

- How do you propose that any additional cost is funded?
- What are the options for Council to consider? What does the on-budget option look like?
- How scalable / what are the scalable options for us to consider?
- Why is there such a large increase in cost compared to the last LTP and last year's Annual Plan?

Asset Management focussed

- What is the status of the relevant Asset Management Plan?
- What assets data/information is available and how reliable is it?
- What is the condition and performance of your assets?

- How have you defined Levels of Service against the assets necessary to deliver/support them?
- How have you forecast for future demand for services?
- Is there a backlog of repairs, maintenance and renewals and how is it being addressed?
- How have you prioritised your capital programme spending?

Attachments

There are no attachments to this report.

Confirmation of Statutory Compliance

Compliance with Statutory Decision-making Requirements (ss 76 - 81 Local Government Act 2002).

(a) This report contains:

- (i) sufficient information about all reasonably practicable options identified and assessed in terms of their advantages and disadvantages; and
- (ii) adequate consideration of the views and preferences of affected and interested persons bearing in mind any proposed or previous community engagement.

(b) The information reflects the level of significance of the matters covered by the report, as determined in accordance with the Council's significance and engagement policy.

Signatories

Author	Ariana Smith - Chief of Staff
Approved By	Brendan Anstiss - General Manager Strategy and Transformation