

June 2020

INTRODUCTION

1. This is a submission from the Canterbury Employers' Chamber of Commerce (The Chamber) on the Christchurch City Council (Council) Draft Revised Annual Plan 2020-2021, which is Year 3 of the Christchurch City Council 2018-28 Long Term Plan (LTP), with the acknowledgement that Council is due to adopt a new LTP in 2021.
2. The Chamber is a not-for-profit membership-based service organisation that has been the home and voice of business in the Waitaha Canterbury region since 1859. Comprised of over 2,600 member organisations, The Chamber's purpose is to empower people in business by providing advisory and consultancy support in employment relations, human resources, health and safety, international trade, migrant support, manufacturing, research and development grants, training and development, and events to inspire, inform and educate our members.
3. In the COVID-19 environment, this has included providing support to all businesses in Te Wai Pounamu the South Island through our 0800 50 50 96 COVID-19 Business Helpline and our dedicated COVID-19 Response Team.
4. In this submission, we will provide commentary on the Council's revised Draft Annual Plan for 2020-21, as well as broader commentary on what we believe should be key areas of focus from a local business perspective. This includes insights on issues raised by The Chamber's member and wider business community as well as our observations and expectations as a result of our longstanding relationship with the Council. We have also encouraged Chamber members to make their own submissions.

OVERVIEW

5. At the start of the year, no-one could have predicted the immense impact that COVID-19 would have on our way of life and our ability to conduct business. We currently find ourselves in the middle of a 1-in-100-year pandemic with our lives turned upside down in the space of a few months, as we have all navigated a rapidly evolving environment without a blueprint, and often at very short notice. While the local business community has responded to this unprecedented situation with agility and speed, it is essential that the Council also acts in the same way – to respond quickly to what is a very different 'new normal' that we are all facing. It is also important to recognise that for many businesses there is still a very long road ahead of significant impact and disruption, which will require ongoing support and assistance to ensure these businesses survive, recover and reposition themselves as the future becomes clearer.
6. We are pleased that the Council has reviewed and reworked its original Draft Annual Plan released in February, given the vastly different operating environment, and believe that now, more than ever, the Council has a very real opportunity to show decisive leadership to help protect not only Christchurch businesses from failure, but also the livelihoods of our local community.

7. As we saw after the Canterbury earthquakes, how we act now will make a significant difference to our economic future – and it’s not just the financial livelihood of our community that this will help, it’s also the mental health of those around us. We know that regular employment also provides structure and routines, a sense of purpose and worth, networks and connections that play a key role in the overall wellbeing of our community, and role modelling for our future generations and workforce.

Recommendations

8. The Chamber would like to see the following reflected and considered in the Council’s final Annual Plan for 2020-21.
 - a. To keep the rates’ increase low for businesses, balanced with the need to fund essential maintenance and ensure appropriate level of services are maintained.
 - b. Greater focus given to business and people attraction to increase the rate base and raise capital, providing essential funding.
 - c. The Council to role model responsible water usage alongside the introduction of an excess water use targeted rate for residents who use more than 333,000 litres a year.
 - d. Ensure there is an effective use of the Strengthening Communities funding.
 - e. A commitment from Council that its focus on finding efficiencies and additional savings in the current budget becomes status quo and will be continued through the LTP.
 - f. Greater communication and engagement with the local business community, including a stronger weighting given to the business voice in decision-making.
 - g. A dedicated local procurement policy and stronger, more vocal leadership position of ‘Keeping it Local’.
 - h. Appropriate resourcing and increased support for activation and city promotion, to positively shape perceptions of our city, increase our national and global relevance and ultimately increase visitor revenue.
 - i. Prioritisation and greater support for businesses and developers in the central city, with increased engagement and greater encouragement for local Government employees to return to the CBD.
 - j. A commitment by Council to become an enabler for business and provide a more consistent customer-centric experience for businesses, with a greater focus on streamlining processes, minimising compliance costs and reducing the burden on business.

COMMENTARY

Rates’ increases

9. We appreciate that there is a delicate balance between the investment needed for the city in terms of capital projects and infrastructure and reducing costs to ratepayers. We also acknowledge that the Council has been impacted just as other organisations have, and there is a demonstrable need to continue investing in the city.
10. While we – like many ratepayers in the city – would have welcomed a zero percent rates’ increase, based on the analysis presented, we agree with the Council that it appears a zero percent rates’ increase would impact on the services and key capital projects the Council would be able to deliver. In particular we appreciate the Council’s acknowledgement of their

obligation to local businesses around the delivery of the Metro Sports Facility and Multi-Use Arena, which will make a significant difference to many central city businesses that were already struggling pre-COVID-19.

11. The Chamber has been a proponent of ensuring these projects maintain momentum, so it is heartening to hear that these projects will continue to go ahead, although with spending capped at \$118 million. We are pleased to see the Council's determination on delivering these projects, which will make a significant difference to the economic recovery of our city.
12. We also agree that a zero percent rates' increase is not pragmatic in the long-term, as incremental increases in the next few years is preferable and more manageable than zero now and a large jump next year or in the years following. It would also not align with central Government's key focus on ramping up infrastructure projects to support jobs and future employment.
13. Therefore our preference is to keep the rates' increase low and we support the Council's recommendation of **Option 1** – an overall average rates' increase of 3.5 percent – which is below the proposed overall increase of 4.65 percent in the February version of the Draft Annual Plan. The new proposed level includes a 3.11 percent rates' increase for an average business, and a 1.81 percent rates' increase for an average house. This brings the average 20/21 annual rate for a business property to \$13,264.32, which is significantly higher than the average annual rate for a standard property of \$2,834.62.
14. While the fixed charges for households and commercial are level, and the rates' increases from last year for residential and commercial are not disproportionate, the business sector pays a higher value-based general rate than households, which is often disproportionate to the level of services received.
15. While rates will likely be the cornerstone of local Government funding for some time, it is likely they will need to be complemented and possibly eventually displaced by other revenue sources in the future.
16. While the Option 1 rates' increase is low, it is worth noting that in the current economic environment and with many businesses already struggling, any increase in the general rates will hit businesses hard where it matters most – their cash flow. We would expect Council to take a generous supportive approach with businesses, particularly those in sectors that continue to be significantly impacted while the borders remain closed.

Increased rates' base

17. We would also like to see a greater emphasis on attracting more people to live here and more business revenue to increase the rate base and economic contribution to the city. Without a forward focus on increasing the rates base, the current plan risks limiting or constraining the delivery of acceptable outcomes for the city's regeneration and a population plateau. We would like to see how the Council is actively attracting people to move here, while retaining the current population.

Alternative funding options

18. As rates are the main source of funding (48 percent) for the Council's activities, with the Council proposing to collect \$556.4 million in the 2020/21 financial year, the question needs to be asked whether all alternative funding options have been explored.

19. In previous submissions, The Chamber has strongly advocated for the Council to consider a review of the Council's current asset base with a view to exploring opportunities to release more capital in order to prioritise and deliver on the Council's vision and keep rates and debt at a manageable level. (This recommendation is backed up by a recent Productivity Commission recommendation that councils consider selling or part-selling existing non-essential assets to build new, essential assets, which would be a major help in financing new local infrastructure.)
20. While in the past there has been reluctance on the Council's part to progress asset sales, the COVID-19 environment is very different to previously, and may or may not provide opportunities for the Council to raise capital – but it is important that the Council stance has been reviewed and revisited with partial or full sales considered as an option.
21. We would also welcome an acknowledgement from Council that when the time is right to do so, taking into account the current economic climate, then a review of options in terms of leveraging the balance sheet will remain on the table for periodic consideration moving forward.
22. We reiterate that our stance is about recycling capital whilst encouraging greater efficiencies and potentially driving improved dividend returns. There are many options available, including bringing in strategic partners for appropriate assets, or a mixed-ownership model. An example of this is the Hawke's Bay Regional Council who in 2017/2018 undertook a capital structure review to look at how to better utilise its limited resources and fund interdependent objectives.
23. It might also be possible to provide for more Government-to-Government joint funding initiatives, where assets are transferred between Government agencies to boost balance sheets, such as ACC and the New Zealand Superfund purchasing a stake in KiwiBank, where it is possible some local Government assets would be commercially acceptable to private sector investors. For infrastructure needs, the public-private partnership model could be an option, whereby private partners can cover a project's upfront costs while recovering them over time from those who use the outcome. Consideration should be given to greater private sector participation in infrastructure development, operation and service provision.

Excess water use

24. Given how valuable the resource is for the city, in general we support the concept of the introduction of an excess water use targeted rate for residents who use more than 333,000 litres a year – the top 20 per cent of residential users. While this will create approximately \$2 million of additional revenue and negate an additional 0.3 per cent increase in rates, it is also hoped that water as a resource will be more greatly valued if high users have to pay for it. It is also worth considering whether in future all households should be metred and subject to both an infrastructure (capital change) and volumetric charges.
25. We would also like to see Council take greater responsibility for their water usage and role model best use as well, such as more effective timing and more efficient watering of Council-owned properties and the maintenance of leaking water pipes and wells.

Strengthening Communities Fund

26. While in theory an additional boost to the Strengthening Communities Fund to acknowledge the challenges faced by community organisations as a result of the COVID-19 crisis is

commendable, it will be important to ensure that the additional funding is used in the most efficient way for return on investment. There is a concern that spreading the funds over a large number of recipients may not make a tangible difference to the organisations or our community.

27. It may be more effective in the long-term to focus on providing a small number of organisations greater funding (with the proviso of tangible results and outcomes), or look to focus on using this funding for initiatives that would directly aid in employment opportunities, thus investing in a stronger economic outcome in the long run.

Increased efficiencies

28. We would like to acknowledge the Council's reduction in operational spending by \$23 million, which we understand has been achieved through organisational efficiencies, a recruitment and wage freeze, reduced use of consultants and contractors, and reducing spending on travel and training. This will be welcomed by the business community, given that many organisations in the region are also undertaking similar measures.
29. While we would very much like to see this focus on reducing operational costs to continue, it is important that this is balanced to ensure long-term costs don't outweigh savings – such as the reduction in maintenance to essential work only (which will provide a \$2.6 million saving), as it is not just the next year we need to plan for, but to position our city for a longer-term future instead.
30. We would like to see a stronger commitment to ensuring our city's core services are at the level we would expect from Aotearoa New Zealand's second largest city and would like to see funding for water supply and stormwater infrastructure, as well as other key essential services and critical infrastructure maintenance take precedence over some of the potentially non-essential initiatives at this very early point in our COVID-19 economic recovery.
31. There is an opportunity for the Council to increase efficiencies even further by fully reviewing Council personnel, processes and work-streams to become leaner and more streamlined.
32. We would also like to see a commitment from Council that this focus on finding efficiencies and additional savings in the current budget becomes status quo and will be continued through the LTP and future planning.

Local procurement

33. With the curve flattened, now is the time to look at what we can all do to promote the good health of our local businesses and the livelihoods of our community. There is the potential for the Council to play a significant role in getting behind ChristchurchNZ's recent 'Keeping it Local' campaign through a commitment to prioritised procurement of Canterbury-made products and services where the funds go back into our local economy, not offshore.
34. While Council is currently providing an important pipeline of work for construction and contracting companies with the key capital projects, it is worth asking if there is more that can be done by Council to support and encourage buying local through adjusting their procurement practices. This is a real opportunity for the Council to take a very vocal national leadership position on this, challenging other councils to also prioritise local procurement.

OTHER CONSIDERATIONS

35. At The Chamber, we are pleased to continue to be involved in the Council's consultation process around their Annual Plan and Long Term Plan, providing a voice for the local business community and advocating for policies that will help shape and enable a local business environment that promotes innovation, productivity and economic growth as critical success factors underpinning a thriving economy, and providing a strong quality of life and community outcomes for all. That's why we would like to reiterate key considerations for the Council in their planning and operational focus in the year ahead.

Business voice weighting in decision-making

36. The Chamber believes that the local business voice needs a stronger weighting in Council decision-making. The LTP raised the theme "(w)e're in this together", which we welcomed in our subsequent submission as a signal of a collaborative approach – both in terms of planning and delivery of the community's goals – but believe there is ongoing room for improvement.

37. Too often, our business community is seen as just one vote in the mix, alongside small-scale interest and community groups. Stronger consideration needs to be given to business interests, which are absolutely crucial in the regeneration of our city, our economy and our overall community wellbeing – ensuring that people have jobs and money to spend, and are able to contribute to a productive, thriving economy.

38. It is also imperative that the Council understands that business and community interests can and do co-exist – and they are not mutually exclusive. However, businesses are only able to give back if they are in the financial position to do so.

Domestic visitor revenue

39. We would like to see a greater emphasis on attracting domestic business and leisure visitors that will contribute much-needed revenue alongside major events and will be absolutely vital for the economic future of the city.

40. To support this, it will be important that Council Controlled Organisations responsible such as ChristchurchNZ are appropriately resourced to promote our city on a national and international stage and positively supported to attract events that deliver economic returns for the city and position our city as a key pillar in our national events programme.

41. We look forward to seeing a greater emphasis on ensuring they have strategies with clearly articulated KPIs around attracting visitors and revenue to the region in the post-COVID-19 environment. While this will initially need to focus on the local and domestic market due to border restrictions, it should also be aligned with a trans-Tasman and wider global strategy to maintain relevance during this time and be front-of-mind when the restrictions are relaxed.

42. A key part of this is to review what we are doing to reposition Ōtautahi Christchurch to both a domestic and future international market in a concise, consistent way to achieve cut-through in a cluttered, competitive and quickly changing landscape. The narrative needs to be relevant and distinctly Christchurch, appropriate to our city of today and the city we aspire to become.

43. While promoting Christchurch as a city of exploration and opportunity may be appropriate, we are concerned that it doesn't go far enough in terms of individuality; there needs to be

greater emphasis placed on carving our own niche. We need to define who we are, and what we stand for – and own it. Christchurch is a new city, so let's leverage that in a positive way that aligns with future economic opportunities.

44. In addition, we need to place greater emphasis on the importance of communication of progress to the wider community, to assure our local community that Christchurch will again be on the calendar for significant sports and cultural events.

Support for central city

45. We would like to reiterate our call in previous submissions to see greater support and consideration for businesses and developers in the central city, particularly given the significant investment they have made in leading the regeneration of the CBD. Businesses pay a significantly higher proportion of rates than residents, often for not a great deal more, so we have to be mindful of increased pressure, particularly in the central city.
46. We welcome the Council's reprioritisation of a "(v)ibrant and thriving city centre" as a stand-alone Community Outcome, "emphasising the Council's commitment to the central city" as stated in the consultation document. However, we also believe more can be done at a tangible level to ensure that those businesses that have taken the very real risk of returning to a still-recovering central city are given every opportunity to succeed, and are not penalised with unnecessary costs and compliance for their strong leadership and support for our city.
47. This is especially relevant given the significant impact on the city's hospitality, tourism and retail sectors that, as well as being unable to operate during lockdown, were also unable to operate at full capacity – if at all – even in Alert Levels 3 and 2. For many, that pressure has still not eased in Alert Level 1, especially with a large number of organisations in the CBD continuing to allow staff to work remotely. Combined with the seasonal winter downturn and the continued closure of our international border, many local businesses and organisations will continue to struggle financially for the foreseeable future.
48. Given this we would like to see Council take a leadership position on the 'return', with greater encouragement for individuals – especially within local Government – to return to central city offices where possible.
49. We would also like to see more evidence of how to amend the planning and regulatory frameworks – and how Council manages them – to incentivise people and businesses to want to stay or move here (as well as reducing internal costs). Creating a more supportive business environment for central city businesses will be crucial in new job creation in the central city.
50. We would also like to see greater communication and collaboration with central city businesses on key developments that will impact them, such as road layout changes and speed restrictions, so they can take this into account in their forward planning, such as expansion or re-location.

Enabler of business

51. We would like to see a commitment by Council to become an enabler for business and provide a more consistent customer-centric experience for businesses, with a greater focus on streamlining processes, minimising compliance costs and reducing the burden on business.
52. If we continue to promote Christchurch as a city of opportunity, it is essential that the Council plays a stronger, more proactive role in being an enabler and reducing barriers

(financial and operational) to ensure businesses can actually make the most of those opportunities.

53. There are two key areas that need to be addressed – the Council’s internal culture and its regulatory approach.

Culture

54. There is concern among members of the local business community about a disconnect between the high-level aspirational vision messaging from Councillors and senior Council staff and the operational experience at the frontline. Where some business initiatives have been met with agreement and support at the ‘tier one’ level of the Council, too often this doesn’t filter through to the tier two and three staff who seem to be overly risk adverse and process-focused, without the freedom to show initiative and be solutions-focused.
55. Another concern from business is a lack of consistency in the way that Council issues are managed, depending largely on the skills and expertise of the Council representative. Much like organisations within the private sector, the Council needs to look at how to provide a more customer-focused experience at every single interaction, at every level of the organisation.
56. This will require a significant cultural shift within the Council, and greater engagement and input on initiatives and messaging from all levels of the organisation. In much the same way that the banking industry has reinvented itself from a purely transactional approach towards a customer-centric model, there is the opportunity for the Council to do the same and become an exemplar for other city councils. Initiatives such as nominating an account manager for each business could be a good first step – similar to the structure utilised when dealing with building consents. Transparency and accountability across Council staff and their delivery should be measured and reported on.
57. There is an opportunity for the Council to position itself as an organisation that champions local business as the engine room of our economy and vital to a healthy community, but it needs to first look at what more it can do to enable business – and the best place to start is at the frontline.

Regulatory approach

58. To truly become a city of opportunity, we need to ensure that we do everything we can to shape a business environment that enables and doesn’t inhibit opportunity for enterprise. This requires a review of the key legislation that shapes our current regulatory environment from a business perspective.
59. By supporting and promoting Canterbury as a business-friendly region – and walking that talk – the public and private sector will both be better positioned to support local health and wellbeing initiatives in our region.
60. While it is commendable that in the Council’s Strategic Framework there is a ‘Prosperous economy’ pillar that details: “great place for people, business and investment; an inclusive, equitable economy with broad-based prosperity for all; a productive, adaptive and resilient economic base; modern and robust city infrastructure and community facilities”; we would like to see this go further with direct recognition of the Council’s potential role as an enabler of business that is committed to doing everything within its means to support local businesses and reduce barriers and red-tape.

61. We would also like to see a review of fees, with the view to minimise the financial burden of doing business in the city in every way possible, as rates are only one of the many costs that businesses face from Council.

Increased transparency

62. In past submissions we have advocated strongly for increased transparency so are encouraged to see “Being open, transparent and democratically accountable” is among the overarching principles in the Council’s Strategic Framework – and look forward to seeing evidence of this in all areas of operation, including spending. Providing certainty that their taxes and rates are being spent wisely and well and demonstrating clear outcomes will help to promote greater business confidence and engagement from the business community.

CONCLUSION

63. We are aware of the challenges we are all facing in responding to the post-Covid-19 environment, especially as the city was already in the process of rebuilding and regenerating after the Canterbury earthquakes. We are also aware that globally we are very much in the early days of a severe economic recession, which will continue to impact our city’s future. To mitigate the impact, we believe local Government needs to continue to work closely with and support the local business community to ensure our team of half a million is able to not just survive but thrive in the future.
64. At The Chamber, we have a proud history of working closely with the Council on key issues that will impact the local business community. We look forward to continuing this tradition and would be pleased to work directly with the Council on amendments to the 2020-2021 Annual Plan and to provide commentary on other suggestions prior to finalisation of the document.
65. As the home and voice of Canterbury business, The Chamber appreciates the opportunity to work with the Mayor, the Chief Executive and the Council to ensure that together we can deliver the city that our residents and businesses deserve.

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