

11. CANTERBURY HOCKEY ASSOCIATION

Officer responsible Leisure Manager	Author Peter Walls, DDI 941-8777
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The purpose of this report is to seek Council financial support to help maintain the operational viability of the Canterbury Hockey Association.

The Canterbury Hockey Association became aware in January 2003 that there were significant irregularities in its financial situation. As a result of this discovery the Board took the following steps:

- Asked its auditor to complete and audit the accounts for the year ended 30 September 2002.
- Formed a Finance Committee comprising two Board members and three others with accounting experience and background to oversee the financial affairs of the Association.
- Outsourced the majority of the accounting activities for the current year to Paul Duggan and Associates (Chartered Accountants).
- Sought assistance from Deloitte to build a comprehensive budgeting model that encompasses the activities of both the Hockey Association and the Canterbury Hockey Foundation.

The Association met with the Leisure Manager in late February to discuss its position and to look at options for a way forward. Various options were discussed, such as paying the \$80,000 that the Council grants to the Hockey Foundation early to Canterbury Hockey to help with cash flow but this would only delay the need for a cash injection until the Foundation needs the money to meet its commitments. The possibility of using Council buying power and giving rent holidays were also investigated but these options were not of the magnitude to provide a viable solutions.

In the final analysis Canterbury Hockey requires an injection of capital at little or no interest to meet its outstanding debts and to make the Association operationally viable.

This issue has been discussed with the Director of Finance who has advised that funds could be loaned as an investment from the Council's Investment General Reserve Funds provided a rate of interest is paid which meets the Council's investment portfolio earnings rate. The Council has in the past used this fund to make a limited number of specific community loans. The Council's Investment Policy provides for loans to be made to community organisations from this source provided they do not in aggregate exceed 10% of the Reserves Fund portfolio. Should the Council make a loan to Canterbury Hockey, and taking note of its inability to pay commercial interest rates at present, the Council could support the Association by funding the interest. This could be funded by making provision in the grants to community organisations output in the Annual Plan (as was done for the Jade Stadium lighting). If the Council were to loan \$80,000 to the Association then the grants to community organisations output would need to provide \$5,600 p.a. for five years based on a 7% interest rate. It is proposed that the Hockey Association be responsible for loan repayments over the term of the loan on a basis to be negotiated by the Director of Finance.

Details of the Association's financial position are contained in the public excluded section of this agenda.

Recommendation:

1. That the Christchurch City Council make a community loan to Canterbury Hockey Association Inc of \$80,000 as an investment of the Council' s Special Funds.
2. That the loan be for a maximum term of 10 (ten) years.
3. That the loan interest for the first five years be met by the Council from the grants budget.
4. That the Canterbury Hockey Association pay principal repayments only in the first five years and interest and capital thereafter.
5. That the Canterbury Hockey Association agree that if it receives any repatriation of funds the loan be reduced by that amount.
6. That the Council make provision in the 2003/04 Annual Plan - Grants to Community Organisations output - to meet the interest rate during the first five years.
7. That the Director of Finance be authorised to finalise the details of the loan arrangement.