



CHRISTCHURCH CITY COUNCIL AGENDA

**TUESDAY 4 MARCH 2008 AT 10.30AM
WEDNESDAY 5 MARCH 2008 AT 9AM
THURSDAY 6 MARCH 2008 AT 2PM (IF REQUIRED)**

COUNCIL CHAMBER, CIVIC OFFICES

AGENDA - OPEN



CHRISTCHURCH CITY COUNCIL

**Tuesday 4 March at 10.30am,
Wednesday 5 March at 9am and
Thursday 6 March 2008 at 2pm
in the Council Chamber, Civic Offices**

Council: The Mayor, Bob Parker (Chairperson).
Councillors Helen Broughton, Sally Buck, Ngaire Button, Barry Corbett, David Cox, Yani Johanson,
Claudia Reid, Bob Shearing, Gail Sheriff, Mike Wall, Sue Wells, Chrissie Williams and Norm Withers.

ITEM NO	DESCRIPTION
1.	APOLOGIES
2.	RESOLUTION TO EXCLUDE THE PUBLIC
5.	RESOLUTION TO READMIT THE PUBLIC
6.	DRAFT ANNUAL PLAN 2008/09
7.	VARIATION OF THE SPECIAL ORDER FOR THE CITY MALL (TRAM)
8.	NEW CIVIC BUILDING
9.	CANTERBURY REGIONAL GOVERNANCE GROUP

4, 5, 6. 3. 2008

1. **APOLOGIES**
2. **RESOLUTION TO EXCLUDE THE PUBLIC**
Attached.
5. **RESOLUTION TO READMIT THE PUBLIC**

6. DRAFT ANNUAL PLAN 2008/09

General Manager responsible:	General Manager Corporate Services, DDI 941-8528
Officer responsible:	Corporate Finance Manager
Author:	Ian Thomson, Solicitor

PURPOSE OF REPORT

1. The purpose of this report is to put before the Council the draft Annual Plan 2008/09.
2. Attached to the report are documents providing Councillors with information on the following matters:
 - (a) Appendix 1: Amendments to fees and charges.
 - (b) Appendix 2: The financial information supporting the draft plan, including the proposed rating levels, funding overview, capital programme, and planned revenue and expenditure by activity for 2008/09.
 - (c) Appendix 3: Statement of Proposal and Summary of Information in respect of the draft Annual Plan 2008/09.
3. Councillors will be asked to:
 - (a) Approve the amended fees and charges.
 - (b) Approve the rates requirement.
 - (c) Approve for distribution and consultation the Statement of Proposal and Summary of Information for the draft Annual Plan 2008/09.

EXECUTIVE SUMMARY

4. The draft Annual Plan for 2008/09 proposes a rate increase of 7.58%.
5. The total rates revenue budgeted for is \$243.4 million. The reasons for the increase have been discussed with Councillors and the increase is further referred to in the financial overview attached as Appendix 3. This is a lower rate increase than was predicted in the LTCCP for this financial year.
6. The attached documents are the result of work carried out by Councillors and staff over recent months.
7. It is recommended that the following process be adopted for public consultation in accordance with the special consultative procedure:
 - (a) Public notice in the "Star" on Thursday 14 March 2008, "The Press" on Saturday 15 March 2008 and on the Council's website on or before Monday 17 March 2008.
 - (b) The Statement of Proposal and Summary of Information be available for public inspection at the Civic Offices, Service Centres, Libraries and on the Council's website. The Summary of Information will be further distributed by way of publication in the March edition of "City Scene".
 - (c) Submissions to be received by Monday 21 April 2008.

FINANCIAL IMPLICATIONS

8. Financial issues are dealt with in the attached documentation.
9. Section 95 of the Local Government Act 2002 requires the Council to prepare and adopt an Annual Plan for each financial year. The Council must use the special consultation procedure and adopt its Annual Plan before 1 July 2008.
10. The Council is intending to consult with its ratepayers in respect of other decisions that it proposes to make at the same time that the Council adopts its Annual Plan 2008/09. Section 83A of the Act allows the Council to use the special consultative procedure at the same time as, or combined with, any other special consultative procedure that it is required to carry out.

6.Cont'd

BACKGROUND

11. Section 95 of the Local Government Act 2002 sets out the purpose of an Annual Plan. So far as the Council's Annual Plan 2008/09 is concerned, its purpose is to:
 - (a) Contain the proposed annual budget and funding impacts statement for the 2008/09 year;
 - (b) Identify any variation from the financial statements and funding impacts statement included in the 2006-16 LTCCP in respect of the 2008/09 year;
 - (c) Support the LTCCP in providing integrated decision-making and co-ordination of the resources of the Council;
 - (d) Contribute to the accountability of the Council to its community; and
 - (e) Extend opportunities for participation by the public in decision-making processes relating to the costs and funding of activities to be undertaken by the Council.
12. The 2008/09 Annual Plan to be adopted by the Council:
 - (a) Has been prepared in accordance with the principles and procedures that apply to the preparation of the financial statements and funding impact statement included in the 2006-16 LTCCP (as amended);
 - (b) Contains appropriate references to the 2006-16 LTCCP in which the Council's activities for the 2008/09 year are set out; and
 - (c) Includes the information required by Part 2 of Schedule 10 of the Act (forecast financial statements and funding impact statement).
13. Section 96 of the Local Government Act 2002 states that the effect of an Annual Plan adopted by a local authority is to provide a formal and public statement of that authority's intention in relation to the matters covered by the Plan.

STAFF RECOMMENDATION

It is recommended that the Council resolve to:

- (a) Approve the rate requirement of \$243.4 million (net of GST) for the year 2008/09.
- (b) Approve the draft Annual Plan 2008/09.
- (c) Approve for distribution and consultation the Statement of Proposal and Summary of Information in respect of the Annual Plan 2008/09.
- (d) Adopt the following timetable for consultation:
 - Public notification ("The Star", "The Press" and the Council's website) by Monday 17 March 2008.
 - Closing date for submissions: Monday 21 April 2008.
 - Hearing of submissions: Monday 12 May to Wednesday 14 May 2008 (three days).
 - Council meeting to formally adopt the Annual Plan 2008/09: Wednesday 25 June 2008.
- (e) Authorise the General Manager Corporate Services to make any necessary amendments to the documents referred to in this resolution.

4, 5, 6. 3. 2008

7. VARIATION OF THE SPECIAL ORDER FOR THE CITY MALL (TRAM)

Separately circulated.

8. NEW CIVIC BUILDING

General Manager responsible:	General Manager Corporate Services, DDI 941-8528
Officer responsible:	Legal Services Manager
Author:	Ian Thomson, Solicitor

PURPOSE OF REPORT

1. To advise the Council of a recommended legal structure for the development of the new civic building.
2. To seek approval for the Statement of Proposal and Summary of Information (attached) outlining the new structure, that will be distributed for public consultation.

EXECUTIVE SUMMARY

3. At its meeting on 11 October 2007 the Council approved the purchase by Tuam 2 Limited of the site chosen for the new civic building. The Council also approved the issuing of 50% of the shares in Tuam 2 Limited to Ngai Tahu Property (CCC-JV) Limited or its nominated subsidiary. Tuam 2 Limited was to be responsible for the design and construction of the new building.
4. The Council also approved the use of Civic Building Limited as part of the funding structure.
5. Following the decisions made by the Council, Tuam 2 Limited has proceeded with the project. The necessary consents have been applied for in the name of Tuam 2 Limited. The purchase of the land and the existing building will be completed in May 2008 and it is likely that construction will begin shortly afterwards.
6. Tuam 2 Limited is a subsidiary of Civic Building Limited. The latter company was established so that the Council could borrow and lend to it the Council's half share of the project development costs. These funds are to be on-lent to Tuam 2 Limited. Its joint venture partner, Ngai Tahu Property (CCC-JV) Limited, will be contributing an equal amount.
7. The Council has been asked by the directors of Civic Building Limited and Tuam 2 Limited to restructure the joint venture from an incorporated to an unincorporated entity. The request is that all of the shares in Tuam 2 Limited should be owned by Civic Building Limited (not 50% as at present) and that Tuam 2 Limited and Ngai Tahu Property (CCC-JV) Limited become equal partners in an unincorporated entity that would continue with the development. According to the advice received by the parties, this structure would be more efficient for both partners so far as administrative costs and tax benefits are concerned.
8. This would require establishing a Council-controlled organisation. This means that a special consultative procedure will have to be undertaken before a decision can be made on the proposal.
9. Attached to this report is a Statement of Proposal and Summary of Information for approval. If these documents are approved consultation will be carried out in conjunction with the 2008-09 Annual Plan process.

FINANCIAL IMPLICATIONS

10. The Council's share of the cost of construction of the new civic building remains unaltered at \$52.5 million.
11. This amount will be borrowed by the Council and on lent to Civic Building Limited which in turn will advance the funds to Tuam 2 Limited. That company will introduce the funds to the project through the new unincorporated entity as and when required. Ultimately Civic Building Limited may be amalgamated with Tuam 2 Limited.
12. The structure recommended by Deloitte will simplify the Council's investment in the new building in terms of funding and the Council's tax group transactions. Civic Building Limited and Tuam 2 Limited advise that the new structure will also simplify the administration of the new civic building project.
13. Ngai Tahu Property (CCC-JV) Limited will match the funds contributed by Tuam 2 Limited.

8 Cont'd

Do the Recommendations of this Report Align with 2006-16 LTCCP budgets?

14. There is no change to the amount budgeted for construction of the new civic building.

LEGAL CONSIDERATIONS

15. The proposed joint venture arrangement is to operate on the basis that each party will share equally in all aspects of the development. This will include all legal and beneficial interest in the new civic building, obligations, liabilities and entitlements.
16. Tuam 2 Limited and Ngai Tahu Property (CCC-JV) Limited will form a board comprising three representatives each. Because the Council will have the right, indirectly, to appoint 50% of the board and control 50% of the votes at any meeting, the new entity will be a Council-controlled organisation, as that term is defined in Section 6 of the Local Government Act 2002.
17. Section 56 of the Act states that before the Council can establish or acquire shares in a Council-controlled organisation, the proposal to do so must be adopted following completion of a special consultative procedure.
18. Section 83A of the Act allows the Council to carry out consultation in respect of the new entity at the same time as the special consultative procedure for adopting the 2008-09 Annual Plan is completed.
19. Section 83 requires the Statement of Proposal and Summary of Information to be included on the agenda for a meeting of the Council.
20. The Council has a policy on partnerships with the private sector. This is to ensure that the Council acts wisely when it enters into business partnerships with the private sector and that the Council's interests are protected and the desired outcomes are consistent with its strategic objectives.
21. The policy does not apply to commercial arrangements made by Council-controlled trading organisations and their subsidiaries. The proposed unincorporated joint venture between Tuam 2 Limited (a CCTO) and Ngai Tahu Property (CCC-JV) Limited is such an arrangement.
22. If it had been an arrangement to which the policy applied, it is the view of the Legal Services Unit that the proposed entity would meet the conditions of the policy.

ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS

23. The only difference between the financial structure referred to in the LTCCP and the recommended structure is that Civic Building Limited will own all of the shares in Tuam 2 Limited, not 50% of them as is the case at present.
24. Tuam 2 Limited will have a 50% legal and beneficial interest in the new unincorporated joint venture entity.
25. The 2009-19 LTCCP will include reference to the new entity.

CONSULTATION FULFILMENT

26. If the Council approves the Statement of Proposal and Summary of Information attached to this report, public consultation will be undertaken in accordance with the special consultative procedure.

STAFF RECOMMENDATION

It is recommended that the Council resolves to:

- (a) Approve the Statement of Proposal and Summary of Information in respect of the establishment of a new Council-controlled organisation to hold the Council's interest in the new civic building project;
- (b) Include the proposal in the special consultative procedure to be adopted for the 2008-09 Annual Plan.

8 Cont'd

BACKGROUND (THE ISSUES)

27. In September 2006 the Council appointed Vbase Limited to manage the process of selecting a site for a new civic building. This included managing Tuam 2 Limited which was intended to be the eventual owner of the building.
28. At its meeting on 11 October 2007 the Council passed a number of resolutions in respect of the purchase of a site for and construction of the new civic building.
29. These included approving the purchase by Tuam 2 Limited of the site for the building and the issue of 50% of the shares in Tuam 2 Limited to Ngai Tahu Property (CCC-JV) Limited or its nominated subsidiary. The subsidiary nominated by Ngai Tahu was Ngai Tahu Property (CCC-JV) Limited.
30. The Council also approved Civic Building Limited being part of the funding structure. Vbase Limited manages this company as well.
31. Since that time the directors and staff of Vbase and Tuam 2 Limited have proceeded with the development. Consents have been applied for, plans prepared and contracts entered into.
32. The purchase of the site and existing building will be completed in May 2008. Construction will commence shortly thereafter.
33. The Boards of Vbase Limited, Civic Building Limited and Ngai Tahu Property (CCC-JV) Limited have received advice that a more simple legal structure could be implemented that would make the commercial arrangements more efficient to manage. Over time this would give rise to commercial and tax benefits that the current structure makes more difficult to achieve. They have proposed an alternative structure, based on advice received from Deloitte.
34. The proposal is for the new civic building to be owned by two companies in equal shares in an unincorporated joint venture. One company will be owned indirectly by the Council and the other by Ngai Tahu Property (CCC-JV) Limited.
35. The Council is advised that there are no adverse income tax implications for the transfer of responsibility for the development to the new entity. It is proposed that Tuam 2 Limited sells a 50% share in the development to Ngai Tahu Property (CCC-JV) Limited. The consideration for the sale would be settlement of the debt owed by Tuam 2 Limited to Ngai Tahu Property (CCC-JV) Limited in return for the transfer to Civic Building Limited of the shares in Tuam 2 Limited previously owned by Ngai Tahu Property (CCC-JV) Limited.
36. The result will be that Tuam 2 Limited is wholly owned by Civic Building Limited. To complete the process at some point in the future the two companies may be amalgamated into one.
37. Deloitte has advised the directors of the companies that an unincorporated joint venture arrangement is more tax efficient.
38. As indicated earlier, the proposed joint venture arrangement is to operate on the basis that each party to it will share equally in all aspects of the development of the new civic building. This will include all legal and beneficial interest in the building, obligations, liabilities and entitlements.
39. Tuam 2 Limited and Ngai Tahu Property (CCC-JV) Limited will form a board comprising three representatives each. Because the Council will have the right, indirectly, to appoint 50% of the Board and control 50% of the votes at any meeting, the new entity will be a Council-controlled organisation.
40. Because of this, the Local Government Act 2002 requires the Council to use the special consultative procedure before it can make a decision adopting the proposal.
41. A Statement of Proposal and a Summary of Information in respect of that proposal is attached to this report. If the Council approves the proposal, consultation will be undertaken as part of the special consultation procedure to be adopted for the 2008-09 Annual Plan.

8 Cont'd

THE OBJECTIVES

42. To put into effect up to date tax advice given to Tuam 2 Limited and Ngai Tahu Property (CCC-JV) Limited with regard to the development of the new civic building.

THE OPTIONS

Option 1

43. The first option is to do nothing. The development of the new civic building would proceed, but the joint venture parties would not be able to benefit from a simplified business structure and tax efficiency identified by their financial advisors.

Option 2

44. The second option is to establish an unincorporated joint venture entity with Ngai Tahu Property (CCC-JV) Limited as referred to in this report. Council staff are advised that this is the most administratively sound and tax efficient structure for development of the new civic building.

THE PREFERRED OPTION

Option 2

45. The second option is preferred.

4, 5, 6. 3. 2008

9. CANTERBURY REGIONAL GOVERNANCE GROUP

Separately circulated.