

## 23. RATES FUNDED DISCRETIONARY GRANTS



<b>General Manager responsible:</b>	General Manager, Community Services Group DDI 941-8607
<b>Officer responsible:</b>	Community Support Manager
<b>Author:</b>	Ian Thomson, Solicitor, Legal Services Unit

**PURPOSE OF REPORT**

1. The purpose of this report is to recommend that the Council:
  - (a) Adopts the recommendations of the Grants Funding Working Party with regard to the allocation of funds for the Council's rates funded discretionary grants.
  - (b) Uses the Special Consultative Procedure contained in the Local Government Act 2002 before making a decision on the allocation of funds.
  - (c) Approves the Statement of Proposal attached to this report.
  - (d) Approves the proposed timetable for conducting the Special Consultative Procedure.
  - (e) Appoints a hearings panel to hear and consider submissions received in response to the proposal.

**EXECUTIVE SUMMARY**

2. In 2008 the Council established the LTCCP Working Party for the purpose of considering issues relevant to the preparation of the Council's draft 2009-19 Long Term Council Community Plan (LTCCP). As part of that process the Working Party asked Council staff to look at the Council's current rates funded discretionary grants. The Working Party suggested that because of budgetary constraints and competing demands for infrastructure and services provided by the Council it should consider the option of taking the costs of administering this funding out of the grants budget. At present this cost is included in general operating expenses.
3. The task was carried out by staff and it was recommended that an estimated administrative cost of \$1.5m could be deducted from the \$14.1m currently allocated to the rates funded discretionary grants. This would bring the total discretionary grants to be made by the Council down to \$12.6m
4. The recommendation was adopted by the Council at its meeting on 16-18 February 2009. The reduction of funds available for discretionary grants was included in the financial statements contained in the Draft 2009-19 LTCCP.
5. The Council's Grants Funding Working Party has since looked at the matter and has recommended that rates funded discretionary grants be reduced by \$1.5M over a two year period, not in a single year as originally proposed.
6. A number of groups and individuals were aware that rates funded discretionary grants were to be reduced. The proposal was given some publicity in the local media. Submitters in response to the draft 2009-19 LTCCP have been critical of the way the Council has dealt with grants funding in that document.
7. In order to make the Council's proposal more apparent and meet the concerns expressed by the submitters it is recommended that the Council undertake further consultation with its community by way of a Special Consultative Procedure before it makes a decision with regard to the proposed reduction of grants, as recommended by the Grants Funding Working Party.

**GRANTS FUNDING WORKING PARTY**

8. The Council established a Grants Funding Working Party in November 2008 following the Council's decision to reduce the rates funded discretionary grant allocation in the draft 2009-19 LTCCP. The Working Party was given the task of recommending a process for determining how the available funds would be managed.

9. Following the response to the Council's proposal and the problems arising from the way in which grants funding was dealt with in the draft 2009-19 LTCCP, the Grants Funding Working Party turned its attention to that issue.
10. The Working Party considered a number of options. These were:
  - (a) Not to reduce rates funded discretionary grants and to restore \$1.5m to the financial statements included in the draft 2009-19 LTCCP. This would have the effect of raising the proposed rate increase for the 2009-10 year by 0.6%. There would also be a flow on effect on rates increases in subsequent years.
  - (b) To reduce rates funded discretionary grants by \$1.5m by taking the cost of administering the grants out of the funds allocated in the financial statements and not from the general operating expenses of units in the Council. This would have the effect of keeping the proposed rate increase for the 2009-10 year at 3.94%.
  - (c) To limit the proposed reduction in grants funding to \$750,000 in the 2009-10 year. This could be achieved by using funds saved as a result of the Council borrowing less than it had provided for to fund the development of the AMI Stadium. The full extent of the proposed reduction of \$1.5m would be taken out of the grants budget in the 2010-11 year and for the balance of the term of the 2009-19 LTCCP.
11. The Working Party was advised by Council staff that there was no room in which to make up the \$1.5m reduction in grants funding from any other operating saving made by the Council in the course of running its business. The budget for capital expenditure has already been prioritised according to demand over a number of years.
12. The recommendation of the Grants Funding Working Party is that the council adopts option (c) above as its preferred option.

#### **FINANCIAL IMPLICATIONS**

13. The 2009-19 draft LTCCP includes the proposed \$1.5m reduction in community grants funding. If the Council decided to reinstate that amount, the effect on the proposed increase in rates for 2009-10 would be an additional 0.6%. The Grants Funding Working Party did not support this option.
14. The Special Consultative Procedure recommended in this report is in addition to the consultative process currently being undertaken by the Council before it adopts its 2009-19 LTCCP. Because of this, there will be additional costs incurred. However this needs to be balanced against the financial risk of a challenge to the Council's decision-making process should no steps be taken to address the concerns raised by submitters.

#### **LEGAL CONSIDERATIONS**

15. It is the view of the Legal Services Unit, and the Council's external advisor Simpson Grierson, that the way in which information about grants funding is set out in the draft 2009-19 LTCCP could be seen as misleading. It is likely that despite recent publicity with regard to the proposed reduction in funding, people and organisations affected by, or with an interest in, the rates funded discretionary grants could have been denied the opportunity to have their views considered.
16. Given that the prospect of a reduction in the funds available for grants may be significant for those groups and individuals applying for assistance it is recommended that the Council take appropriate steps to correct the lack of information in its draft 2009-19 LTCCP. The best way of doing this is to use the special consultative procedure set out in the Local Government Act 2002. Section 87 of the Act allows the Council to choose to use this procedure when it considers that it is appropriate to do so.
17. The Local Government Act also enables the Council to use a special consultative procedure at the same time as, or combined with, any other special consultative procedure that it is required to carry out. In this case, it is proposed that consultation with regard to the proposed level of rates funded discretionary grants be carried out as soon as possible so that any decision on that issue can be made at the same meeting at which the Council adopts its 2009-19 LTCCP.

**ALIGNMENT WITH STRATEGIES**

18. There is no intention to change the Council's commitment to supporting its communities as set out in the various strategies adopted in recent years. It is the proposed reduction of grants made under those strategies that will be the subject of the special consultative procedure.

**CONSULTATION FULFILMENT**

19. The amount budgeted for rates funded discretionary grants was contained in the draft 2009-19 LTCCP distributed for consultation in March of this year. A review of the submissions received to date on this issue indicates that the Council should have done more to make the Community aware of the proposal to reduce funding.
20. The best way to deal with this situation is to carry out a consultative process that reflects the Council's statutory obligation to conduct its business in an open and transparent manner. The special consultative procedure recommended in this report will achieve that, as well as ensuring that the consultation and decision making process is appropriate to the significance of the grants funding to people and organisations who hope to receive financial support from the Council.

**STAFF RECOMMENDATION**

21. It is recommended that the Council resolves to:
- (a) Adopt as its preferred option the recommendation of the Grants Funding Working Party that rates funded discretionary grants be reduced by \$1.5m over a period of two years.
  - (b) Use the special consultative procedure before making a decision with regard to the budget for rates funded discretionary grants included in the Council's 2009-19 LTCCP.
  - (c) Approve the Statement of Proposal attached to the staff report.
  - (d) Appoint a hearings panel comprising all Councillors to hear oral submissions in response to the proposal.
  - (e) Adopt the following timetable for the Council's consultation and decision making process:
    - (i) public notices published (newspapers and the Council website): by Saturday 16 May 2009.
    - (ii) consultation period expires: 5.00pm 17 June 2009.
    - (iii) oral submissions heard: 19 June 2009.
    - (iv) submissions considered and a decision made: by 30 June 2009.

**BACKGROUND (THE ISSUES)**

22. As part of its process for developing the draft 2009-19 LTCCP a working party comprising elected members was established to consider a wide range of issues. One of these was the level of funding to be distributed as rates funded discretionary grants.
23. Because of budgetary constraints and the Council's objective of keeping any rate rise for the 2009-10 year to 4% or below, the working party asked staff to look at ways in which the level of grants funding could be reduced. It was subsequently reported back to Councillors that this could be achieved by taking the cost of administering the grants out of the available funds rather than the cost being met by the general operating expenses incurred by the units of the Council involved in this activity.
24. This recommendation was adopted by the Council and the proposed reduction of \$1.5m in the community grants funding was included in the draft 2009-19 LTCCP distributed for consultation.

25. The response of a number of individuals and groups was that the Council had misled the public because it had failed to identify clearly that a reduction was proposed, or include any explanation in the draft LTCCP that drew attention to the matter. These concerns were expressed publicly through the local media and in written submissions made during the LTCCP consultative process.
26. Councillors have acknowledged these concerns. Its Grants Funding Working Party has worked on the matter and as a result it is recommended that more appropriate steps be taken to ensure that the Council obtains and considers the views of people affected by or with an interest in grants funding before a decision is made. To achieve that the Council should:
  - (a) adopt as its preferred option the Grants Funding Working Party's recommended approach to reducing rates funded discretionary grants.
  - (b) use the special consultative procedure provided for in the Local Government Act 2002.
  - (c) distribute a Statement of Proposal that sets out clearly the proposed level of funding, the reasons for that proposal and the Council's preferred option.
  - (d) take such steps as are necessary to provide all ratepayers and residents of the Councils district with reasonable access to the Statement of Proposal.
  - (e) invite submissions on the proposal and ensure that a reasonable opportunity is given to people and organisations to be heard.
27. Taking these recommended steps provides the Council with the best opportunity to rectify the flaw in the process adopted in respect of the draft 2009-19 LTCCP and to make a decision that reflects the Council's desire and obligation to consult.

#### **OPTIONS**

28. The first option open to the Council is for it to do nothing. The result of this would be the possibility that a person or group will apply to the High Court for a review of the Council's decision making process. A successful challenge could have serious repercussions for the Council.
29. The second option is to allow late submissions on the matter of rates funded discretionary grants as part of the current consultative process being undertaken by the Council in respect of its draft 2009-19 LTCCP. The risk with this option is that the process would not be as effective as the special consultative procedure in providing the opportunity for obtaining and considering the views and preferences of people and organisations with an interest in the matter.
30. The third option is for the Council to choose to use the special consultative procedure before making any decision on providing for rates funded discretionary grants in its LTCCP. This process would provide the best opportunity for the Council to address the concerns raised by a number of people and organisations and to correct the mistakes made in the current consultative process.

#### **PREFERRED OPTION**

31. The preferred option is option three.