

15. AURORA CENTRE – CONTRIBUTION OF INTEREST

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Corporate Plan Output: Corporate Revenues and Expenses	

The purpose of this report is to place in front of the Committee a request from the Aurora Centre for the payment of interest on grants made to the Aurora Centre project.

BACKGROUND

The Council has contributed funding totalling \$735,580 to the Aurora Centre. This is made up of three components:

1. Metropolitan grants totalling \$500,000 provided in the budgets over three years from 1996/97 to 1998/99.
2. Community Board discretionary funding totalling \$60,000 provided over the three years from 1996/97 to 1998/99.
3. The proceeds of a special fund established by the Waimairi District Council totalling \$175,579.

While the Council and Community Board funding was spread over the three years up to 1998/99, there were delays in the project proceeding and these funds were carried forward to October 2000 when they were paid out to the Aurora Centre Trust. These delays related primarily to project planning and Government approval of other funding and the terms and conditions of using the centre. The Council's main grants were subject to completion of an agreement to ensure the facility being available for community use.

The fund established by the Waimairi District Council accumulated interest over a period of 10 years and the interest accumulation on that fund was included in the \$175,579 paid to the Aurora Centre.

INTEREST REQUEST

Following the payment of the funds to the Aurora Centre on the completion of the agreements for community use in October 2000, I received a request that the Council apply interest on the \$60,000 and the \$500,000 grants as well as the interest on the original Waimairi District Council fund. I dealt with this request administratively advising that it is not Council policy to pay interest on grants and in any case we do not have a budget for this.

Subsequently, strong representations have been made by the Chairperson of the Aurora Centre Trust seeking a review of this decision.

DISCUSSION

While the funds were allocated over several years they were not specifically deposited in a reserve fund but simply treated as carry forwards in the Council's budget until the amounts were paid out. This is normal practice and as a result any interest earned was treated as general interest income of the Council and absorbed into the end of year result for each of the years. As a result if any interest is to be paid on these accumulating funds, it would be necessary for the full amount to be paid out of current year's income.

Calculations based on the amounts provided in the Financial Plan and Programme and the earning rates on the Council's special funds over those years would indicate that the interest factor would be of the order of \$96,700 on the metropolitan grant of \$500,000 and \$12,600 on the community board grants of \$60,000. Clearly these are significant amounts and would be helpful to the Aurora Centre in completing its very large project.

The Council has not in the past paid interest on grants and I would caution against creating a precedent by commencing this practice. It is, however, an unusual circumstance where the grant was made over three years and then not paid out for a further one and a quarter years.

If the Aurora Centre Trust had received the money in the years it was provided then it would have been able to earn interest of this order by investing the funds itself. However, the Council considered it inappropriate to pay the funds over until there was certainty that the project would go ahead and the legal documentation was in place to secure community use of the facility. This was regarded as an important requirement by the Council.

In the current year, the Council's interest earnings against budget are tracking favourably. However, this was taken into account in the six monthly review and the forecast end of year result has been allocated. While there could well be significant variations by the end of the year I believe that it is inappropriate to introduce new items of expenditure in the current budget environment.

Recommendation: That the policy of not applying interest to delayed grant payments be confirmed.

Chairman's

Recommendation: That the above recommendation be adopted.