

13. CAPITAL ENDOWMENT FUND INCOME ALLOCATION

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The purpose of this report is to advise the Committee on the amount of interest available for allocation from the fund in the current financial year.

BACKGROUND

When the budget for the current year was prepared it was assumed that the capital of \$75 million would be received from Orion by the end of September 2001 and would therefore be invested for a period of nine months. As the Council has been previously advised there were significant delays in finalising the transfer of funds due to the need to obtain a binding ruling from the Inland Revenue Department on the process of transfer. The funds were received by the Council on 15 March 2002.

In December 2001 a report to the Committee outlined a likely shortfall in income from the fund this year and recommended that several of the projects identified in the budget be put on hold until there is more certainty about the level of income likely to be available.

INTEREST INCOME

The interest income which the fund is likely to have available by 30 June 2002 is now estimated to be \$1.24 million. The first call on this income is an inflation protection factor and based on NZIER forecasts of CPI movements to 30 June there will need to be set aside, to add to the capital, a sum of \$420,000. This leaves available for use in the current year an amount of \$820,000.

BUDGETED EXPENDITURE

The Annual Plan provided for a number of specific items and a remaining allocation was unspecified for both the Economic Development and Community and Civic projects. Of the specific items some were identified in the December 2001 report as being committed and the balance were put on hold pending more certainty about the level of income available.

The full allocation according to the Annual Plan was:

Economic Development Projects (70%)	\$	\$
Domestic Marketing Campaign *	175,000	
Irrigation Feasibility Study *	295,000	
Central City Project Team *	100,000	
Central City New Business Initiatives	100,000	
Central City Attraction Strategy	100,000	
Economic Development Unallocated	850,000	1,620,000
Community and Civic Projects (30%)		
Special Character Area Precinct upgrade *	200,000	
Museum Building and Development	250,000	
Unspecified Community Projects	242,500	692,500
Total		2,312,500

The items marked with an * represent projects which were committed for expenditure in the year and total \$770,000. This leaves only \$50,000 which is currently unallocated.

The committed items in economic development represent almost exactly 70% of the estimated income for the year and the remaining \$50,000 should therefore be treated as earmarked for Community and Civic projects.

MUSEUM BUILDING AND DEVELOPMENT GRANT

In 2001/02 the Council made a commitment to provide \$8 million of funding for the Museum development project. Of this amount \$3,512,500 was to be allocated over six years from the Civic and Community portion of this fund. It is clear that the full \$250,000 scheduled for the Museum project is unable to be made available this year but I believe that the remaining \$50,000 should be paid as part of the grant to the Museum. Some commitment is needed to ensure that balance of this years grant (\$200,000) is rescheduled so that the full commitment can be met in due course. My recommendation is that it be paid from the fund income at the end of the six year cycle which would be in 2007/08. It may be possible in due course to reschedule it as part of the Council's promised capital works funding for this project once the project is more advanced but in the meantime the simplest solution is to provide it as suggested.

- Recommendation:**
1. That the budget be amended to reduce the allocable income for the Capital Endowment Fund from \$2,312,500 to \$820,000.
 2. That the budget be amended by deleting the provision for the following items from the budget:

Central City New Business Initiatives	100,000
Central City Attraction Strategy	100,000
Economic Development Unallocated	850,000
Museum Building and Development	200,000
Unspecified Community Projects	242,500

3. That a grant of \$50,000 be paid to the Museum and the remaining \$200,000 be scheduled for funding in 2007/08.

Chair's

Recommendation: That the above recommendation be adopted.