

6. **LOCAL GOVERNMENT ACT 2002 EFFECT ON CHARITABLE TRUSTS OF CANTERBURY DEVELOPMENT CORPORATION (CDC) AND CHRISTCHURCH AND CANTERBURY MARKETING LIMITED (CCM)**

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The purpose of this report is to recommend to the Council that it reduce the number of Council members appointed to CDC Charitable Trust and Destination Christchurch Charitable Trust.

BACKGROUND

In 1995 Council initiated the formation of a charitable trust, the Canterbury Development Corporation Trust, with the objective of promoting and supporting the community into work, continuing with education and supporting local businesses to develop and grow. The charitable trust was set up to ensure a level of independence for CDC when working with the private sector, government agencies and accessing funds to support the delivery of their activities.

Following extensive consultation with the Council and the private sector the same model was used in 1998 when the Destination Christchurch Trust was set up as the parent organisation for Christchurch and Canterbury Marketing Limited. Again a key objective was to give CCM a level of independence to work with the private sector and to access funds to support their core activities.

In both cases the organisations are managed on a day-to-day basis by a CEO who reports to a board of directors. The board of directors is appointed by the trustees who have responsibility for board appointments and overview under the trust document.

Both trusts currently have four trustees of which two are appointed by the Council. Because the Council had the legal right to appoint 50% of the trustees before the Local Government Act 2002 the new Act deems the organisations to be Council controlled organisations (CCOs). This change will detrimentally change the status of the charitable trusts and make them liable for a variety of unintended regulatory processes and costs and also make them subject to additional reporting processes and timeframes.

DISCUSSION

Both CDC and CCM Limited were set up under a charitable trust to give them independence to broaden their support base to leverage the funds contributed by the Council. This has worked well with CDC currently accessing 40% of its funding from other agencies and CCM Limited approximately 30%.

Both organisations still have a close relationship with the Council and report to the Strategy and Finance Committee on a regular basis on the achievement of outcomes. Because of the process and number of trustees appointed by the Council they are now subject to additional reporting procedures and compliance costs which will obviously add costs to their operation and reduce the funds available to achieve agreed outcomes. Following intensive consultation and discussion with the trustees of both CDC and CCM Limited it has been concluded that the original intent of some independence is paramount to the successful operation of both organisations and that every effort shall be made to retain the status quo.

The key reason why the trusts are captured by the new Act is the Council's right to appoint of 50% of the trustees. This issue can be resolved by the Council agreeing to support only one trustee with the private sector appointing two. Both sets of trustees agree with this approach, as they believe the original objectives of the structure are still valid and should be retained.

With the Council appointing only one trustee both organisations would then become Council organisations. Appointment of the one trustee by the Council would be subject to the Council's Appointment Policy.

SUMMARY

Both CDC and CCM report to the Council on a regular basis on achievement of outcomes relating to expenditure of Council grant monies. The current structure works well with an independent Board of Directors also reporting to the trustees on a six monthly basis. The new Local Government Act has the potential to add considerable cost to the operation of both entities and has the potential for the private sector to assume enhanced Council financial support as a CCO and to reduce their financial responsibilities and support.

The change of status can be resolved by the Council agreeing to a reduction in the number of trustees it appoints from two to one.

- Recommendation:**
1. That the Council resolve to reduce its number of appointees to the CDC Charitable Trust from two to one effective immediately.
 2. That the Council resolve to reduce its number of appointees to the Destination Christchurch Charitable Trust from two to one effective immediately.
 3. That Councillor James be appointed as the Council's representative on the CDC Charitable Trust and the Destination Christchurch Charitable Trust.