

### 39. REDUCTION OF RATES DISCRETIONARY GRANTS BY \$750,000

<b>General Manager responsible:</b>	General Manager Community Services, DDI 941 8607
<b>Officer responsible:</b>	Community Support Unit Manager
<b>Author:</b>	Matthew Pratt – Grants Team Leader

#### PURPOSE OF REPORT

1. The purpose of this report is to recommend how major organisations in the city that are currently funded annually via the Strengthening Communities fund be funded in future years, and to recommend options for Council to reduce rates funded discretionary grants by \$750,000 in the 2010-11 year, as required by the 2009-19 Long Term Council Community Plan (LTCCP).

#### Funding of Major Organisations

2. The Grants Funding Working Party has considered a number of options with regard to funding major organisations at a metropolitan level and believe that grants made to these organisations, listed below, should be for multiple years (in line with the LTCCP).
3. It is envisaged that grants made to these major organisations will come from within existing funds, as set out in the current LTCCP, not from new monies. Currently, these grants are from the Metropolitan Strengthening Communities Fund, and it is anticipated that this will continue.
4. Below is a list of the organisations that received over \$100,000 in 2008/09 and 2009/10.

Name of Group	2008/09		2009/10	
	Amount requested	Amount allocated	Amount requested	Amount allocated
Christchurch Symphony Trust	\$400,000	\$300,000	\$397,000	\$300,000
Orana Park Wildlife Trust	\$250,000	\$250,000	\$250,000	\$225,000
Christ Church Cathedral	\$350,000	\$240,000	\$300,000	\$240,000
Christchurch Community House	\$214,225	\$214,000	\$214,000	\$214,000
Ferrymead Park Ltd	\$160,000	\$160,000	\$200,000	\$160,000
The Court Theatre	\$135,000	\$135,000	\$140,000	\$135,000
Science Alive	\$157,500	\$125,000	\$125,000	\$110,000
Showbiz	\$110,000	\$110,000	\$165,500	\$100,000
Mayor's Welfare Fund	\$160,000	\$160,000	\$220,000	\$160,000
Surf Life Saving Canterbury Inc	\$148,157	\$148,000	\$202,918	\$173,000
Total	\$2,084,882	\$1,842,000	\$2,214,418	\$1,817,000

#### Major Organisation Options

5. The Grants Funding Working Party has considered three options, detailed in Appendix A, for funding for these groups over the next two years:

**Option A** - Continue to fund the groups at the same level as the 2009-10 funding round in 2010-11 and 2011-12;

**Option B** - Reduce the grants that the groups received in the 2009-10 funding round by the relevant pro-rata amount and grant the reduced amount in 2010-11 and 2011-12;

**Option C** - Inflation adjust the grants that the groups received in the 2009-10 funding round and grant the increased amount in 2010-11 and 2011-12. (Inflation adjusted by 3.08% for 2010-11 year and 2.88% for 2011-12 year (inflation figures as per LTCCP pg 34)).

**Note:** Grants are not inflation adjusted in the LTCCP, therefore any increase through inflation adjusting grants to major organisations would reduce the remaining amount available in the Metropolitan Strengthening Communities Fund.

6. The Grants Funding Working Party notes that grants made to groups in the 2010-11 funding round would be for two years and not three. This is to allow funding for multiple years in future rounds to be aligned with the LTCCP cycle.
7. The Grants Funding Working Party also asked that Council consider the grants to the Arts Centre of Christchurch from the Heritage grant funds in the same way. The Arts Centre of Christchurch currently receive a grant of \$800,000 per annum for structural maintenance.
8. The Grants Funding Working Party notes that this grant was approved by Council in the LTCCP for ten years.
9. Staff recommend **Option A**.

#### **Reduction of Rates Discretionary Grants**

10. The 2009-19 LTCCP included a reduction of \$750,000 from the total rates funded discretionary grants in the 2009-10 year and a further reduction of \$750,000 in the 2010-11 year, and for the balance of the term of the 2009-19 LTCCP.
11. The Grants Funding Working Party was tasked with identifying and reporting back on where a saving of \$750,000 could be made in year one of the 2009-19 LTCCP (2009-10) and a further \$750,000 saving in year two (2010-11). A saving of \$750,000 was made in 2009-10.
12. Attached as Appendix B is a table outlining the various grants that are subject to the proposed reduction in funding. A number of the funds are not able to be reduced due to pre-existing contractual commitments or agreed level of service arrangements. These funds are shown with a grey background.
13. Furthermore, staff recommend that the Council-run events be removed from the contestable events fund and become operational expenditure, to be funded through line items via the Annual Plan process. This will reduce the contestable events fund by \$895,000, from \$1,354,962 to \$419,301.

#### **Reduction Options**

14. The Grants Funding Working Party has considered two options:
15. **Option One** - That Council reduce rates funded discretionary grants funding by \$750,000 by making a pro-rata reduction to each of the funds that are able to be reduced in 2010-11. See Appendix B for the full list of funds that are able to be reduced.
16. **Option Two** - That Council reduce Community Grants Funding by \$750,000 by:
  - reducing the Small Grants Fund Metropolitan by 76,640, from \$376,640 to \$300,000;
  - reducing the Character Housing Maintenance Fund by \$50,000, from \$50,000 to \$0; and
  - making a pro-rata reduction to each of the remaining funds that are able to be reduced in 2010-11.

17. Staff recommend **Option One**.
18. Staff note that depending on Council's decision with regard to of the Major Organisation Options, and their decision with regard to the Reduction Options, the level of the pro-rata reduction that is required will change. These variables are shown as **Option One A, One B , One C, Two A, Two B and Two C** in Appendix B.
19. **Option One A** - That Council continue to fund the groups, identified in the table above, at the same level as the 2009-10 funding round in 2010-11 and 2011-12 and reduce rates funded discretionary grants funding by \$750,000 by making a pro-rata reduction to each of the funds that are able to reduced in 2010-11.
20. **Option One B** - That Council reduce grants to the groups identified in the table above by the relevant pro-rata amount and grant the reduced amount in 2010-11 and 2011-12 and that Council reduce rates funded discretionary grants funding by \$750,000 by making a pro-rata reduction to each of the funds that are able to reduced in 2010-11.
21. **Option One C** - That Council inflation adjust the grants that the groups identified in the table above received in the 2009-10 funding round and grant the increased amount in 2010-11 and 2011-12. (Inflation adjusted by 3.08% for 2010-11 year and 2.88% for 2011-12 year (as per LTCCP pg 34)) and that Council reduce rates funded discretionary grants funding by \$750,000 by making a pro-rata reduction to each of the funds that are able to reduced in 2010-11.
22. **Option Two A** - That Council continue to fund the groups, identified in the table above, at the same level as the 2009-10 funding round in 2010-11 and 2011-12 and that Council reduce Community Grants Funding by \$750,000 by:
  - o reducing the Small Grants Fund Metropolitan by 76,640, from \$376,640 to \$300,000;
  - o reducing the Character Housing Maintenance Fund by \$50,000, from \$50,000 to \$0; and
  - o making a pro-rata reduction to each of the remaining funds that are able to reduced in 2010-11.
23. **Option Two B** - That Council reduce grants to the groups identified in the table above by the relevant pro-rata amount and grant the reduced amount in 2010-11 and 2011-12 and that Council reduce Community Grants Funding by \$750,000 by:
  - o reducing the Small Grants Fund Metropolitan by 76,640, from \$376,640 to \$300,000;
  - o reducing the Character Housing Maintenance Fund by \$50,000, from \$50,000 to \$0; and
  - o making a pro-rata reduction to each of the remaining funds that are able to reduced in 2010-11.
24. **Option Two C** - That Council inflation adjust the grants that the groups identified in the table above received in the 2009-10 funding round and grant the increased amount in 2010-11 and 2011-12. (Inflation adjusted by 3.08% for 2010-11 year and 2.88% for 2011-12 year (as per LTCCP pg 34)) and that Council reduce Community Grants Funding by \$750,000 by:
  - o reducing the Small Grants Fund Metropolitan by 76,640, from \$376,640 to \$300,000;
  - o reducing the Character Housing Maintenance Fund by \$50,000, from \$50,000 to \$0; and
  - o making a pro-rata reduction to each of the remaining funds that are able to reduced in 2010-11.

#### **FINANCIAL IMPLICATIONS**

25. The reduction of \$1,500,000 is consistent with the LTCCP, however the reductions to specific Funds will mean less money available to grant from each fund.

**Do the Recommendations of this Report Align with 2009-19 LTCCP budgets?**

26. Yes, the 2009-19 LTCCP budgets include a \$1,500,000 reduction, however budgets of individual lines will change due to savings made.

**LEGAL CONSIDERATIONS**

27. The Council has resolved in its 2009-19 LTCCP to reduce Council's Grants Funding by \$1.5m with the reduction to be phased in over a two year period. A reduction of \$750,000 was required to be identified and implemented in year one (2009/10) and an additional \$750,000 is to be found and implemented in year two (2010/11) with the total reduction of \$1.5m per annum being applied to the balance of the 2009-19 LTCCP term.
28. The Council has resolved that the identification of the areas and the associated amounts to implement its resolution to reduce Council's Grants Funding is to be a task of the Grants Funding Working Party with its recommendations to be reported back to the Council for its consideration and resolution.
29. The Council's Grants Working Party in its deliberations has been advised of those areas where statutory and contractual obligations exist with respect to Council's Grants Funding.

**Have you considered the legal implications of the issue under consideration?**

30. Yes.

**ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS**

31. Yes.

**Do the recommendations of this report support a level of service or project in the 2009-19 LTCCP?**

32. Yes, achieves levels of service in grants as agreed in the LTCCP.

**ALIGNMENT WITH STRATEGIES**

33. The reduction in grants aligns with Council's strategies and with the LTCCP.

**Do the recommendations align with the Council's strategies?**

34. Yes, Strengthening Communities Strategy.

**CONSULTATION FULFILMENT**

35. Consultation was initially undertaken through the LTCCP public submission process.
36. Following concerns raised by a number of submitters on the lack of clarity in the initial public submission process of the proposed \$1.5m reduction in Council Grant Funding. The Council undertook a Special Consultative Process (SCP) with a Statement of Proposal clarifying the proposed reduction of the \$1.5m in Council Grants Funding in the 2009-19 draft LTCCP. The Statement of Proposal also proposed that the \$1.5m reduction be staged over a two year period, with \$750,000 being reduced in year one (2009/10) of the draft 2009-19 LTCCP and the remaining \$750,000 reduction being made in year two (2010/11) with the total reduction of \$1.5m per annum then being effected for each financial year thereafter for the life of the 2009-19 draft LTCCP.
37. The SCP for the reduction of \$1.5m in Council Grant Funding was open for public response for the period 16 May 2009 through to 17 June 2009, with oral submissions being held on Friday 19 June 2009 by Council.

38. At the close of the SCP, sixty-four written submissions were received with two being in favour of reducing the grants, fifty-nine not agreeing to the reduction, one submission was neutral and two did not deal directly with the issue. At the day set aside for the hearing of oral submissions (Friday 19<sup>th</sup> June, 2009), fifteen oral submissions were heard by the Council.
39. With regard to the Council's Grant Funding Statement of Proposal, the Council resolved to:
- Limit the proposed reduction in grants funding to \$750,000 in the 2009/10 year.
  - Reduce grants funding by a further \$750,000 in the 2010/11 year and the \$1.5m reduction being applied for the balance of the term of the 2009-19 LTCCP.
40. The Council ratified the 2009-19 LTCCP on June 30, 2009.

#### **STAFF RECOMMENDATION**

##### **Major Organisation Options**

It is recommended that the Council adopt Option A – to continue to fund the major organisations as per the 2009-10 funding round.

##### **Reduction Options**

It is recommended that the Council adopt Option One - that the Council reduce Community Grants Funding by \$750,000 by making a pro-rata reduction to each of the funds that are able to reduced in 2010/11.