

CHRISTCHURCH CITY COUNCIL AGENDA

**THURSDAY 25 FEBRUARY 2010
AT THE CONCLUSION OF THE ORDINARY COUNCIL MEETING**

AND

**FRIDAY 26 FEBRUARY 2010
9.30AM**

COUNCIL CHAMBER, CIVIC OFFICES

CHRISTCHURCH CITY COUNCIL

**Thursday 25 February 2010
at the conclusion of the ordinary Council Meeting
Friday 26 February 2010 at 9.30am
in the Council Chamber, Civic Offices**

Council: The Mayor, Bob Parker (Chairperson).
Councillors Helen Broughton, Sally Buck, Ngaire Button, Barry Corbett, David Cox, Yani Johanson,
Claudia Reid, Bob Shearing, Gail Sheriff, Mike Wall, Sue Wells, Chrissie Williams and Norm Withers.

ITEM NO	DESCRIPTION
1.	APOLOGIES
2.	ESTABLISHMENT OF COUNCIL CONTROLLED ORGANISATIONS
3.	CITY HOUSING RENT REVIEW 2010
4.	OMNIBUS INFORMATION REPORT
5.	DRAFT ANNUAL PLAN
6.	RESOLUTION TO EXCLUDE THE PUBLIC

1. APOLOGIES

2. ESTABLISHMENT OF COUNCIL CONTROLLED ORGANISATIONS

General Manager responsible:	General Manager, Corporate Services, DDI 941-8528
Officer responsible:	Manager Planning & Performance
Author:	Ian Thomson, Solicitor

PURPOSE OF REPORT

1. The purpose of this report is to recommend the establishment of three new Council-controlled organisations (CCOs) - two shelf companies and one charitable trust.

EXECUTIVE SUMMARY

2. In 2007 the Council resolved to establish three CCOs. They were to be shelf companies, activated when the opportunity arose.
3. As outlined in the background section of this report, two of them have been used and one has been registered but not yet used for any particular activity.
4. Staff are now recommending that two new companies and a charitable trust be established as CCOs. This requires the use of the special consultative procedure. Establishing them now rather than when a specific opportunity arises is to ensure that the Council is able to respond in a timely manner to any new initiative. The alternative is to undertake a special consultative procedure each time there is a need for the creation of a CCO.

FINANCIAL IMPLICATIONS

5. From a financial perspective, the establishment of these CCOs will not have any financial impact on the Council. Existing staff time will be used to administer the CCOs. There will be some minor costs associated with the creation of the legal structures and some minor administrative expenses, but nothing of significance.

LEGAL CONSIDERATIONS

6. The charitable trust would be established with broad objectives that could be amended if necessary at some future time. It is proposed that two trustees be appointed initially, the Chief Executive and the GM Corporate Services.
7. Section 56 of the Local Government Act 2002 requires that a proposal to establish a CCO must be adopted in accordance with the special consultative procedure (SCP) before the Council can establish or become a shareholder in that organisation.
8. Section 56(2) allows the consultation to be undertaken as part of another proposal.
9. It is suggested that the proposal to establish the CCOs be included as part of the consultation process for the 2010/11 Annual Plan.
10. Having a number of non-trading CCOs available for use, does not remove any control from the Council. Each individual opportunity would be put to the Council for approval and each activated CCO would be subject to the requirements of the Local Government Act 2002. Any financial support (capital injection or debt) would need to be separately considered and approved by the Council. If the commencement of a particular activity triggered the Council's significant policy, then a SCP may still be required.

STAFF RECOMMENDATION

It is recommended that the Council resolves to:

- (a) Approve in principle the establishment of three Council-controlled organisations to be activated when appropriate opportunities arise with further Council resolution.
- (b) Undertake consultation in respect of the proposal as part of the special consultative procedure required for the draft Annual Plan 2010/11.

2 Cont'd

BACKGROUND

11. In 2007 the Council resolved to establish three CCOs. They were to be shelf companies, used only when an appropriate activity was identified.
12. One of the companies was registered as Ellerslie International Flower Show Limited, principally for the purpose of protecting the intellectual property in that name.
13. Another, CCC Two Ltd, was used to purchase assets and liabilities from Meta last year and now operates the businesses that were acquired from Meta as a CCTO (a CCO that operates a trading undertaking for the purpose of making a profit).
14. The third CCO has been registered but is not trading at present.
15. Each time it was proposed that a shelf company be activated, there was a report to Councillors setting out the reasons for the proposal. In the case of CCC Two Ltd, it was so that the Council could take immediate steps to protect its interest in the waste collection and processing facilities owned and/or operated by Meta.
16. Establishing a new CCO requires an SCP. Because this can take several months to complete, it may not be possible for the Council to act quickly if necessary on an individual opportunity when it arises. It could add time and complexity to an issue that needs to be dealt with quickly, such as the Meta transaction.
17. The reason for establishing a trust as one of the CCOs is that often a trust structure is preferred over a company. This has been the case with the World Buskers Festival and the two charitable trusts consulted on as part of the 2009/19 LTCCP.
18. The suggested approach is that we establish a number of CCOs (non trading) through the 2010/11 Annual Plan process. Any proposal to activate these would come back to the Council for a decision.

LEGAL CONSIDERATIONS

19. As indicated earlier in this report, the Council is required to adopt the special consultative procedure before it can establish or become a shareholder in a CCO. That consultation may be undertaken as part of another proposal.
20. The Council will be shortly using the SCP before making a decision on the adoption of the 2010/11 Annual Plan.
21. Section 83A of the Act allows the Council to combine one SCP in relation to any decision with another SCP that it is required to carry out. It is recommended that the SCP in respect of the new CCOs be carried out as part of the SCP in respect of the Annual Plan.
22. Section 60 of the Act requires all decisions relating to the operation of a CCO to be made in accordance with its statement of intent and constitution. It is intended that each new CCO will have an initial statement of intent and constitution that can be amended once the organisation is activated. Any new statement of intent and/or constitution required will be brought back to the Council for approval. The provisions in the Act requiring performance monitoring, half-yearly and annual reports, and financial statements will apply to each CCO that is established.
23. If the Council approves in principle the establishment of the new CCOs and the result of the SCP is that a decision to establish them is recommended, a further report will be submitted seeking approval for the appropriate resolutions.

3. CITY HOUSING RENT REVIEW 2010

General Manager responsible:	General Manager, Community Services, DDI 941-8607
Officer responsible:	Acting Community Support Manager
Author:	Kevin Bennett, City Housing Manager

PURPOSE OF REPORT

1. The purpose of this report is to seek a Council decision on a proposed reduction in the planned 2010 increase in City Housing rentals.

EXECUTIVE SUMMARY

2. At its meeting on Thursday 23 April 2009, the Council considered the Report of the Hearings Panel appointed to hear submissions on the future funding of social housing. An outcome of this consideration was that the Council resolved:
 - (a) If there are no alternative sources of funding the future replacement of the Council's housing units available and in place before 31 March 2010, increase rents for all existing housing tenants (except Whakahoa Village) by:
 - (i) 5.7 per cent from the beginning of the first rental period in July 2010 and for all new tenancies (except Whakahoa Village tenancies) beginning on or after 1 May 2010.
 - (ii) 2.8 per cent plus CGPI from the beginning of the first rental period in July 2011 and for all new tenancies (except Whakahoa Village tenancies) beginning on or after 1 May 2011.
 - (iii) 2.8 per cent plus CGPI from the beginning of the first rental period in July 2012 and for all new tenancies (except Whakahoa Village tenancies) beginning on or after 1 May 2012.
 - (iv) 2.8 per cent plus CGPI from the beginning of the first rental period in July 2013 and for all new tenancies (except Whakahoa Village tenancies) beginning on or after 1 May 2013.
 - (v) 2.8 per cent plus CGPI from the beginning of the first rental period in July 2014 and for all new tenancies (except Whakahoa Village tenancies) beginning on or after 1 May 2014.
 - (b) Increase rents for Whakahoa Village tenants by an amount equal to the 2009 increase in the Capital Goods Price Index (CGPI) from the beginning of the first rental period in July 2010 and for all new tenancies beginning on or after 1 May 2010.
 - (c) Apply any alternative funding received to reducing the rental increases (except to Whakahoa Village) referred to above.
 - (d) Where tenants choose to rent garages or carports at any of the Council's social housing complexes, increase rents for these facilities at the same levels referred to above.
3. As a result of the Facilities Maintenance Management (FMM) contract negotiations in late 2009 a net saving to City Housing in excess of \$200,000 was achieved. This contract, which is held by City Care Ltd, is the vehicle through which maintenance at City Housing complexes is achieved.
4. In accordance with the Council resolution detailed in paragraph 2(c) above, it is now proposed that this net saving be applied to the 2010 rental increase to the benefit of all tenants with the exception of the Whakahoa Village tenancies.

3 Cont'd

OPTIONS

5. Options identified include:

- (i) Reduce the 2010 rental increase from 5.7 per cent to 4.3 per cent and thereafter continue with an annual rental increase of 2.8 per cent plus CGPI for the years 2011,2012,2013 and 2014.
- (ii) Spread the reduction in rental increase over three years :
- 2010 : 4.9 per cent
 - 2011 : 2.3 per cent plus CGPI
 - 2012 : 2.6 per cent plus CGPI
 - 2013 : 2.8 per cent plus CGPI
 - 2014 : 2.8 per cent plus CGPI.
- (iii) Maintain rents at the levels specified in 2 above and invest the FMM contract saving in the Housing Fund for future development, accelerated maintenance or earlier replacement.

6. Comment: Options (i) and (ii) deliver the same savings to tenants over a ten year span.

7. The following table charts the three scenarios based on the current rent for a bedsit unit.

Options	Current Bedsit Weekly Rent \$	2010 / 11	2011 / 12	2012 / 13	2013 / 14	2014 / 15
1. Year 1 Reduction	88	91.78	97.01	102.54	108.38	114.56
2. Reduction Spread Over Three Years	88	92.31	97.11	102.45	108.29	114.46
3. Do Nothing	88	93.02	98.32	103.92	109.84	116.10

Note: The above calculations assume CGPI being constant at annual adjustment upwards of 2.9 per cent.

PREFERRED OPTION

8. The option detailed at 5(i) above is the preferred option as it provides tenants with a more significant immediate impact.

FINANCIAL IMPLICATIONS

9. The financial implications are limited to an affect on the potential annual contribution to the Housing Fund.

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

10. No as the LTCCP assumes City Housing rentals will increase in accordance with the formula detailed in paragraph 2 above.

LEGAL CONSIDERATIONS

11. Nil

3 Cont'd

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

12. Yes but there are no implications identified.

ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS

13. The proposal is consistent with the LTCCP in particular the operation of a housing portfolio that is financially sustainable for the Council and affordable for tenants.

ALIGNMENT WITH STRATEGIES

14. This proposal aligns with the Council's Social Housing Strategy Sustainability Goal.

CONSULTATION FULFILMENT

15. There has not been public consultation specifically on this proposal. However it is a reasonable assumption that as there is a benefit to the Council's social housing tenants without any impact on rates or substantial impact on the sustainability of the portfolio there would be minimal, if any, adverse comment.

STAFF RECOMMENDATION

It is recommended that the Council resolves to :

Reduce the planned 2010 rental increase for City Housing tenants from 5.7 per cent to 4.3 per cent and thereafter continue with an annual increase of 2.8 per cent plus CGPI for the years 2011, 2012, 2013 and 2014.

4. **OMNIBUS REPORT IN SUPPORT OF DRAFT ANNUAL PLAN 2010/11**

General Manager responsible:	General Manager, Corporate Services, DDI 941-8528
Officer responsible:	Manager Planning and Performance
Author:	Ian Thomson, Solicitor

PURPOSE OF REPORT

1. The purpose of this report is to provide information in respect of proposals made by councillors for possible inclusion in the draft Annual Plan 2010-11. The information has been prepared by staff to provide councillors with background for their draft Annual Plan deliberations on 25 & 26 February 2010.

Appendix 1 - City Mission
Appendix 2 - Central City Business Association
Appendix 3 - Purau Eastern headland Road Purchase
Appendix 4 - Liability Management Policy

3. Councillors will be asked to:
 - (a) note the responses as part of their deliberations.

FINANCIAL IMPLICATIONS

4. The financial implications of the proposals are outlined in the attached appendices. None of the proposals presented has budget provided as part of the 2009-19 LTCCP.

STAFF RECOMMENDATION

It is recommended that Council receive the report.

5. DRAFT ANNUAL PLAN 2010/11

General Manager responsible:	General Manager, Corporate Services, DDI 941-8528
Officer responsible:	Corporate Finance Manager
Author:	Ian Thomson, Solicitor

PURPOSE OF REPORT

1. The purpose of this report is to put the following information in front of Councillors:
 - (a) For the Draft Annual Plan 2010/11:
 - (i) Financial overview
 - (ii) Appendix 1: the proposed changes to operational budgets
 - (iii) Appendix 2: the proposed changes to the capital works programme
 - (iv) Appendix 3: errors and internal changes
 - (v) Appendix 4: changes to fees and charges
 - (vi) Appendix 5: changes to revenue and financing policy funding sources
 - (vii) Appendix 6: financial information and supporting the draft plan, including the proposed rating levels, funding overview, capital programme, and planned revenue and expenditure by activity for 2010/11
 - (viii) Statement of proposal in respect of the draft Annual Plan 2010/11
 - (b) For the proposal that the Council establishes three Council controlled organisations:
 - (i) Statement of proposal
 - (c) For the proposal that the Council approves a possible change in ownership and control of a Council controlled organisation, Christchurch City Networks Ltd:
 - (i) Statement of proposal.
2. Councillors will be asked to:
 - (a) Approve the amended fees and charges
 - (b) Approve the rates requirement
 - (c) Approve for distribution and consultation the statements of proposal.

EXECUTIVE SUMMARY

4. The draft Annual Plan for 2010/11 proposes a rate increase of 3.93 per cent.
5. The increase set out for 2010/11 in the LTCCP 2009-19 is 3.84 per cent. The reasons for the increase are included in the information attached to this report.
6. The special consultative procedure is being used in respect of the statements of proposal for the draft Annual Plan 2010/11, the establishment of Council controlled organisations and the Council's approval of a possible change in the ownership and control of Christchurch City Networks Ltd.

5 Cont'd

FINANCIAL IMPLICATIONS

7. The purpose of the Council's Annual Plan 2010/11 is to:
 - (a) contain the proposed annual budget and funding impact statement for the 2010/11 year;
 - (b) identify any variation from the financial statements and funding impact statement included in the LTCCP 2009-19 and for the 2010/11 year.
8. The draft Annual Plan 2010/11 to be adopted by the Council:
 - (a) has been prepared in accordance with the principles and procedures that apply to the preparation of the financial statements and funding impact statement included in the LTCCP 2009-19 (as amended);
 - (b) contains appropriate references to the LTCCP 2009-19 in which the Council's activities for the 2010/11 year are set out; and
 - (c) includes the information required by part 2 of schedule 10 of the Act (forecast financial statements and funding impact statement).

LEGAL CONSIDERATIONS

9. Section 95 of the Local Government Act 2002 requires the Council to prepare and adopt an Annual Plan for each financial year. The Council must use the special consultative procedure and adopt its Annual Plan before 1 July 2010.
10. In addition to the financial information referred to earlier, the Annual Plan is to:
 - (a) support the LTCCP 2009-19 in providing integrated decision-making and co-ordination of the resources of the Council;
 - (b) contribute to the accountability of the Council to its community; and
 - (c) extend opportunities for participation by the public in decision-making processes relating the costs and funding of activities to be undertaken by the Council.
11. The Council is intending to consult with its community in respect of other decisions it proposes to make at the same time that it adopts the Council's Annual Plan 2010/11. Section 83(A) of the Act allows the Council to use the special consultative procedure combined with any other special consultative procedure that it is required to carry out.
12. Section 56 of the Act requires the Council to use the special consultative procedure before it can establish a Council controlled organisation. Section 56(2) confirms that consultation may be undertaken as part of another proposal in this case the draft Annual Plan 2010/11.
13. The third statement of proposal to be considered by the Council is in respect of the possible change in the ownership and control of Christchurch City Networks Ltd, a Council controlled organisation. The Council's shareholding in that company is listed in the Council's significance policy as a strategic asset.
14. Section 97(1)(b) of the Local Government Act 2002 states that a decision to transfer the ownership or control of a strategic asset to or from the Council must not be made unless that decision is explicitly provided for in the Council's LTCCP 2009-19 and a special consultative procedure is followed in accordance with section 84 of the Act.
15. A decision with regard to that matter will require an amendment to the Council's LTCCP 2009-19. The statement must also include and auditor's report.
16. The information attached to this report complies with the Council's obligations under the Local Government Act 2002.

5 Cont'd

STAFF RECOMMENDATION

It is recommended that the Council resolves to:

- (a) Approve the rate requirement of \$269,253,956 (net of GST) for the year 2010/11.
- (b) Approve the draft Annual Plan 2010/11.
- (c) Approve in principle the amendment of the LTCCP 2009-19 to include the proposed change in the ownership and control of Christchurch City Networks Ltd.
- (d) Approve for distribution and consultation the statements of proposal for:
 - (i) the draft Annual Plan 2010/11
 - (ii) the establishment of three Council controlled organisations
 - (iii) the Council's approval of a proposed change in the ownership and control of Christchurch City Networks Ltd.
- (e) Receive the auditor's report in respect of the proposed amendment of the LTCCP 2009-19.
- (f) Adopt the following timetable for consultation:
 - public notification ("The Star", "The Press" and the Council's website) by 10 March 2010.
 - closing date for submissions is 5.00pm on Thursday 15 April 2010.
 - hearing of submissions will be held between Monday 10 May 2010 and Wednesday 12 May 2010.
 - council meeting to formally adopt the Annual Plan 2010/11 and other proposals being consulted on will be held on Monday 21 June and Tuesday 22 June 2010.
- (g) Authorise the General Manager Corporate Services to make any necessary amendments to the documents referred to in this resolution.

6. RESOLUTION TO EXCLUDE THE PUBLIC

Attached.

THURSDAY 25-26 FEBRUARY 2010

COUNCIL

RESOLUTION TO EXCLUDE THE PUBLIC

Section 48, Local Government Official Information and Meetings Act 1987.

I move that the public be excluded from the following parts of the proceedings of this meeting, namely item +.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED	REASON FOR PASSING THIS RESOLUTION IN RELATION TO EACH MATTER	GROUND(S) UNDER SECTION 48(1) FOR THE PASSING OF THIS RESOLUTION
7. CONSTRUCTION CONTRACT REPORT) GOOD REASON TO) WITHHOLD EXISTS) UNDER SECTION 7	SECTION 48(1)(a)

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public are as follows:

Item 7 Commercial Activities (Section 7(2)(h))

Chairman's Recommendation: That the foregoing motion be adopted.

Note

Section 48(4) of the Local Government Official Information and Meetings Act 1987 provides as follows:

- “(4) Every resolution to exclude the public shall be put at a time when the meeting is open to the public, and the text of that resolution (or copies thereof):
 - (a) Shall be available to any member of the public who is present; and
 - (b) Shall form part of the minutes of the local authority.”