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**REPORT 1**  
*(1215/11/IM)*

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## **EXEMPTION OF TWO COUNCIL CONTROLLED ORGANISATIONS FROM THE STATUTORY MONITORING REGIME**

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### **1. Purpose of Report**

To seek Council approval to extend the exemption of two council controlled organisations from the statutory monitoring regime set out in the Local Government Act 2002.

### **2. Recommendations**

It is recommended that the Council:

1. *Receive the information.*
2. *Agree in accordance with the provisions of Section 7 of the Local Government Act 2002 to treat the Hutt Minoh House Friendship Trust and the Joe Aspell Trust as exempted organisations for the purpose of compliance with Section 6(4)(i) of the same Act.*

### **3. Background**

A council controlled organisation (CCO) is one in respect of which the City Council, either on its own or jointly with other local authorities, has the right directly or indirectly to appoint 50% or more of the trustees, directors or managers of the organisation.

Under this definition, the Hutt Minoh House Friendship Trust and the Joe Aspell Trust are deemed CCOs and would be subject to the prescribed monitoring regime set out in the Local Government Act 2002 (the Act).

However, Section 6(4)(i) of the Act provides that an organisation is not a CCO if it is exempted under Section 7. Section 7 allows the Council to exempt a small organisation for the purposes of Section 6(4)(i), after having taken account of:

- a) the nature and scope of the activities provided by the organisation, and
- b) the costs and benefits, if an exemption is granted, to the Council, the CCO and the community.

An exemption is required to be granted by resolution of the Council and must be reviewed every three years.

The benefits of exemption are:

*For the entity*

There will be no requirement:

- to produce an annual statement of corporate intent, incorporating measures by which the Council can assess the achievement of its objectives
- to submit to the Council a half yearly report on its operations
- to submit to the Council, and make available to the public, an annual report on its operations
- to submit its annual report for audit by an auditor appointed by the Auditor-General.

Being exempted from these requirements will relieve the Hutt Minoh House Friendship Trust and the Joe Aspell Trust of a significant additional administrative and cost burden.

*For the Council*

There will be no requirement to monitor the performance of the entities to evaluate their contribution to the achievement of the Council's desired aims and outcomes (which even if relevant is small); the Council's objectives for the entities (which have not been considered); and the desired results as set out in their statements of corporate intent (which have not been prepared). Under the Council's current arrangements, the entities would otherwise be required to report quarterly to the CCO Performance subcommittee.

On 16 June 2004, Council approved this exemption for a three year period. This has now expired. This paper seeks to extend this for a further three years to 30 June 2010.

The two organisations will still be included in the annual report to Council completed for council organisations.

## **4. Discussion**

### **4.1 Hutt Minoh House Friendship Trust**

This charitable trust is responsible for the promotion of and raising awareness in Japanese culture. The Trust administers a large residential property in Normandale, Lower Hutt that is owned by Hutt City Council and operated as a venue for local organisations and short stay accommodation for visitors, domestic and international, who wish to enjoy a Japanese cultural experience

(Minoh is Hutt City's sister city in Japan). It is a CCO by virtue of Hutt City, Porirua City and Wellington City each having the right to appoint a representative to the six person Board.

The operation is low scale. Hutt City Council looks after the upkeep of the property and provides administrative support services while the Trust looks to raise revenue from a lease it has given over part of the property and from casual lettings. It raised revenue of \$27,000 in the year to June 2006 which enables it to provide funding for community based initiatives.

It is exempt by Hutt City Council under Section 7 of the Act.

#### **4.2 Joe Aspell Trust**

This charitable trust administers funds settled on Wellington City Council in 1990 from the estate of the late Joe Aspell (a former City Councillor) for the purpose of providing for "the care, benefit, maintenance, upbringing, education, advancement in life and general welfare of young people who reside in Wellington and who are socially disadvantaged". It is considered a CCO by virtue of the trust deed naming the Mayor for the time being as Chairperson of the Board of Trustees and requiring three of the remaining five trustees to be Wellington City Councillors, appointed by the Mayor.

The nature and scope of the Trust's activities are neither material nor significant in terms of contribution to the Council's strategic objectives or from a public profile viewpoint. The Trust's funds on deposit are \$568,000 (the original settlement was \$447,000) and its annual report for 31 December 2005 shows interest income of \$44,000 against expenditure, principally donations, of \$50,000.

It was previously reported that the Auditor-General has indicated that he does not believe the Trust falls within the ambit of the audit regime he administers under the Public Finance Act 2001.

### **5. Conclusion**

On the basis of the criteria set out in Section 7 of the Act, the Hutt Minoh House Friendship Trust and the Joe Aspell Trust continue to be ideal candidates for exemption from the provisions of the CCO monitoring regime. It is appropriate that the Council resolves to treat them as exempted organisations in compliance with Section 6(4)(i) of the Act.

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<b>Supporting Information</b>
<p><b>1) Strategic Fit / Strategic Outcome</b>  <i>Even as Council Controlled Organisations, neither the Hutt Minoh House Friendship Trust nor the Joe Aspell Trust contribute significantly to the City Council's strategic objectives.</i></p>
<p><b>2) LTCCP/Annual Plan reference and long term financial impact</b>  N/A</p>
<p><b>3) Treaty of Waitangi considerations</b>  N/A</p>
<p><b>4) Decision-Making</b>  <i>This is not a significant decision.</i></p>
<p><b>5) Consultation</b></p> <p><b>a) General Consultation</b>  <i>There has been consultation with Hutt City Council (as the "lead" authority represented on the Trust) in regard to its view of the status of the Hutt Minoh House Friendship Trust from a monitoring perspective. This consultation has confirmed that Hutt City Council has already resolved under Section 7 of the Local Government Act 2002 to treat the Trust as an exempted organisation for the purposes of compliance with Section 6(4)(i).</i></p> <p><b>b) Consultation with Maori</b>  N/A</p>
<p><b>6) Legal Implications</b>  N/A</p>
<p><b>7) Consistency with existing policy</b></p> <p><i>This report is consistent with existing WCC policy on the monitoring of CCOs.</i></p>