

Notice is hereby given that an ordinary meeting of the Horowhenua District Council Strategy Committee will be held on:

Date: Wednesday 8 November 2017
Time: 4.00 pm
Meeting Room: Council Chambers
Venue: 126-148 Oxford St
Levin

Strategy Committee

OPEN AGENDA

MEMBERSHIP

Mayor	Mayor Michael Feyen	
Deputy Chairperson	Cr Victoria Kaye-Simmons	
Councillors	Deputy Mayor W E R Bishop	
	Cr Ross Campbell	
	Cr Neville Gimblett	
	Cr Barry Judd	
	Cr Jo Mason	
	Cr Christine Mitchell	
	Cr Piri-Hira Tukapua	
	Cr Bernie Wanden	
Reporting Officer	Mr David Clapperton	(Chief Executive)
Meeting Secretary	Mrs Karen Corkill	

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Full Agendas are available on Council's website
www.horowhenua.govt.nz

Full Agendas are also available to be collected from:
Horowhenua District Council Service Centre, 126 Oxford Street, Levin
Foxton Service Centre/Library, Clyde Street, Foxton,
Shannon Service Centre/Library, Plimmer Terrace, Shannon
and Te Takeretanga o Kura-hau-pō, Bath Street, Levin

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1 Apologies

2 Public Participation

Notification to speak is required by 12 noon on the day of the meeting. Further information is available on www.horowhenua.govt.nz or by phoning 06 366 0999.

For further information on Public Participation, please see over the page.

3 Late Items

To consider, and if thought fit, to pass a resolution to permit the Council to consider any further items which do not appear on the Agenda of this meeting and/or the meeting to be held with the public excluded.

Such resolution is required to be made pursuant to Section 46A(7) of the Local Government Official Information and Meetings Act 1987, and the Chairperson must advise:

- (i) The reason why the item was not on the Agenda, and
- (ii) The reason why the discussion of this item cannot be delayed until a subsequent meeting.

4 Declaration of Interest

Members are reminded of their obligation to declare any conflicts of interest they might have in respect of the items on this Agenda.

5 Confirmation of Minutes

5.1 Meeting minutes Strategy Committee, 27 September 2017

6 Announcements

Public Participation (further information):

The ability to speak at Council and Community Board meetings provides the opportunity for members of the public to express their opinions/views to Elected Members as they relate to the agenda item to be considered by the meeting.

Speakers may (within the time allotted and through the Chairperson) ask Elected Members questions as they relate to the agenda item to be considered by the meeting, however that right does not naturally extend to question Council Officers. Council Officers are available to offer advice too and answer questions from Elected Members when the meeting is formally considering the agenda item i.e. on completion of Public Participation.

Meeting protocols

1. All speakers shall address the Chair and Elected Members, not other members of the public.
2. A meeting is not a forum for complaints about Council staff or Council contractors. Those issues should be addressed direct to the CEO and not at a Council, Community Board or Committee meeting.
3. Elected members may address the speaker with questions or for clarification on an item, but when the topic is discussed Members shall address the Chair.
4. All persons present must show respect and courtesy to those who are speaking and not interrupt nor speak out of turn.
5. Any person asked more than once to be quiet will be asked to leave the meeting.

Local Government Leaders' Water Declaration

File No.: 17/552

1. Purpose

To bring to the Strategy Committee, for consideration, the Local Government Leaders' Water Declaration, prepared by Local Government New Zealand.

2. Recommendation

- 2.1 That Report 17/552 Local Government Leaders' Water Declaration be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.
- 2.3 That the Strategy Committee recommends/does not recommend to the Horowhenua District Council that it becomes a signatory to the Local Government Leaders' Water Declaration.

3. Background/Previous Council Decisions

- 3.1 Local Government New Zealand's (LGNZ's) National Council has endorsed a declaration affirming the sector's commitment to effectively managing fresh water, and calling on central government to work with local government to quantify and meet the costs of improving water quality. A copy of the declaration is **attached** as Attachment A.
- 3.2 The declaration makes reference to LGNZ's Water 2050 project. This comprises several workstreams traversing allocation, water quality, infrastructure, costs and funding, and governance. The project is to be completed by December 2018. An overview is **attached** at Attachment B.

4. Issues for Consideration

- 4.1 Horowhenua District Council has an opportunity to become a signatory to the declaration. LGNZ intends to release the declaration now that the incoming Government has been confirmed. It is hoped this will provide meaningful engagement with responsible ministers.
- 4.2 There is likely to be local interest in the implications of increased standards for this district's waste and stormwater infrastructure, and the quantum of any cost needed to renew or upgrade services which Elected Members may need to consider.

Attachments

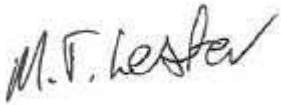
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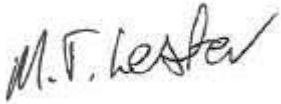
Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

Author(s)	Mark Lester Group Manager - Corporate Services	
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Approved by	Mark Lester Group Manager - Corporate Services	
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Who's
putting local
issues on
the national
agenda?

**We are.
LGNZ.**

Local Government Leaders' Water Declaration

As the leaders of their communities the Mayors and Chairs of New Zealand declare their continuing and absolute commitment to valuing and managing water as a precious resource. We want New Zealand to be world leaders in sustainable water management and will work with our communities and partners towards that goal.

Our water resource is precious and must not be taken for granted. The quality of our water and its abundance is fundamental to the social, cultural, economic, and environmental wellbeing of New Zealand. Water is a taonga and our lifeblood. Iwi have a special relationship with freshwater and this is reflected in the statutes and in the National Policy Statement for Freshwater Management (NPSFM). Specifically, the NPSFM requires that freshwater is managed to give effect to Te Mana o te Wai, an integrated approach to fresh-water management that recognises the association of the wider community with the rivers, lakes and streams but also the relationship of iwi and hapū and their values with freshwater bodies.

Protecting our freshwater - lakes, rivers, streams and groundwater - is important because it ensures there is enough clean and safe water for all of our uses, now and into the future, and to ensure the health of freshwater ecosystems. Achieving this will require a collaborative effort from many parties – councils, communities, central government, Māori/Iwi, business and the primary sector.

Local government plays a central role in the management of our water resources, and because of this is uniquely placed to play a leading role in this long-term effort:

- Regional and unitary councils are responsible for managing water quality and quantity. They may permit some activities and require consents for others, such as taking water and the discharge of contaminants, and prevent certain activities.
- Territorial authorities are typically responsible for providing and managing infrastructure for drinking water, stormwater and sewage (although arrangements differ in some regions), and manage land use through district plans.

Councils work every day to deliver better water outcomes – it is core business and makes up a significant proportion of council work and expenditure. We engage with communities and by working together we have seen some good successes, but there is much more work to do. As well as our ongoing clean-up work, demand for water from businesses, the primary sector and growing urban communities are bringing greater challenges for us all and these are exacerbated by climate change.

As a result, in 2017 and 2018, local government will scope the costs of maintaining and/or improving water quality and its continued supply through its Water 2050 project. Water 2050 will underpin the need to think about water in a holistic way, raising the cost implications of investment in drinking, waste and stormwater assets and services to meet increased standards for water quality, and outlining the need for a national conversation on costs and new funding tools.

We, the Mayors and Chairs commit to:

1. Continue to make water a key priority

- Improve the water in our regions with, and for, our people and their descendants, asking our communities and stakeholders for their priorities for water and reflecting these in key planning documents.
- Respect the cultural values and special connections held by Māori to our water, honour our obligations to Māori and work with Māori to implement Treaty of Waitangi Settlements. This includes recognising Te Mana o te Wai in freshwater management which includes the relationship that iwi and hapū have with, and values for, water bodies. This will be expressed in our plans, and in the engagement processes with Māori used to develop these plans. It may also be reflected in our governance structures.
- Ensure that those people who have the privilege of using our water do so responsibly, by requiring and enforcing conditions of resource consent. We will lead work to change how people value water and consider their individual and collective impact. Provide clean, safe and reliable drinking water for our communities as a priority.

2. Work with our communities to improve our freshwater

- Work with our communities to foster a sense of pride in the freshwater of New Zealand and maintain or improve water quality across our region and manage water use and consumption. This will include working to improve the quality of our stormwater by deterring the use of certain products, and initiatives to manage demand for domestic consumption.
- To lead, champion and support communities to take action to restore and protect water. For example, this might include setting nutrient limits across a catchment, riparian planting and fencing of waterways.

3. Provide information on the state of our freshwater

- Provide information about the state of our freshwater, and make access to information about water easy for everyone by hosting information on the national website, LAWA (Land, Air, Water Aotearoa), and on our own websites.
- Issue a national report annually on the state of freshwater across our jurisdictions. This will provide New Zealanders with a “national state of water,” and a region-by-region summary, of key water quality measures.

4. Be clear about the costs of improving our water

- Work with our communities so that the costs and priorities for investment in infrastructure to provide a secure supply of water and maintain and improve water quality are clearly understood. We will do this through our long term planning processes and as we change our resource management plans to give effect to the National Policy Statement for Freshwater Management. Water 2050 will also be critical work in creating the case for new funding and financing tools for water infrastructure.

We, the Mayors and Chairs call on the government of the day to:

1. Take an integrated approach to water

- Recognise the interlinked nature of all water, whether natural rivers, lakes, streams or groundwater and drinking water, stormwater or wastewater, and reflect this in coherent, integrated water policy.
- Recognise the impacts of climate change on our water resources and work with us to develop options to address these.

2. Quantify the costs of meeting increased standards

- Quantify, with local government, the costs and trade-offs required to meet freshwater quality standards and limits for water quality. This includes understanding the cost implications for our infrastructure and the costs to meet water quality standards and limits such as restoration and mitigation.
- Identify, with local government, additional funding required to meet any increase in standards and targets, and provide local government with additional tools to fund maintenance and upgrading of infrastructure to meet both existing and new standards.

3. Work with us to meet the costs to improve water quality

- Work with local government on a plan to meet these costs and develop new tools for funding and financing infrastructure.
- Increase funding where necessary to fund improvements in freshwater quality.

4. Work with us to be world leaders in water management

- Give long-term cross-party commitment to improve water quality, manage water quantity and provide stability, to enable us to work toward New Zealand being a world leader in water management.
- Explore the role of economic instruments in water policy and in pricing for water services. Options include pricing water, taxing water consumption and setting a royalty for consumption.

The current state of our water is the result of impacts over many years. We believe there is now a consensus that as a nation we want better for New Zealand. This Declaration is local government's commitment to achieving the goals we all want – plentiful clean and safe water for generations to come.

New Zealand Local Government Leaders' Water Declaration 9 October 2017

UNDERSIGNED BY THE NATIONAL COUNCIL OF LOCAL GOVERNMENT NEW ZEALAND:

Dave Cull
President, Local Government New Zealand
Mayor, Dunedin City Council

Stuart Crosby
Vice President, Local Government New Zealand
Councillor, Bay of Plenty Regional Council

Hon Phil Goff
Mayor, Auckland Council

Justin Lester
Mayor, Wellington City Council

Lianne Dalziel
Mayor, Christchurch City Council

Doug Leeder
Chair, Bay of Plenty Regional Council

Rachel Reese
Mayor, Nelson City Council

Jan Barnes
Mayor, Matamata-Piako District Council

Brian Hanna
Mayor, Waitomo District Council

Hon John Carter
Mayor, Far North District Council

Penny Hulse
Councillor, Auckland Council

Don Cameron
Mayor, Ruapehu District Council

Wayne Guppy
Mayor, Upper Hutt City Council

Richard Kempthorne
Mayor, Tasman District Council

Tracy Hicks
Mayor, Gore District Council

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DRAFT

Water 2050

LGNZ has recognised it is well placed to lead Water 2050. Local government is in a unique position as the managers of water quality/quantity and the owners/managers of infrastructure for the purposes of drinking water, wastewater and stormwater. Advocacy outcomes sought - a coherent policy and institutional framework that:

- recognises the interlinked nature of all water, whether natural rivers, lakes or streams and drinking water, stormwater or wastewater;
- leads to greater integration of policy, in particular reconciling the setting of outcome and asset standards with communities' ability to fund investments of all types to achieve those standards; and
- identifies a suitable institutional framework to govern water.

	Reference Group 1	Reference Group 2			Reference Group 3
Workstream	Allocation A	Water quality B	Infrastructure C	Cost/Funding D	Governance framework E
Outcomes sought	A coherent regulatory framework for water allocation that delivers communities' expectations, meets national standards and allows for an efficient allocation of water between competing uses.	A coherent regulatory framework for water quality (health and environmental) that delivers communities' expectations and meets national standards.	Three waters infrastructure that is fit-for-purpose, resilient and that affordably meets communities' expectations and national standards.	A comprehensive toolbox for funding and financing three waters infrastructure and meets national standards including for water quality.	A coherent governance and policy framework to manage water for central and local government.
Deliverables and timing	<p>Stocktake and gap analysis (approaches to water allocation) December 2017</p> <p>A stocktake of current approaches to water allocation across regional and unitary councils (within the current legislative framework).</p> <p>A stocktake of international approaches to allocation.</p> <p>Position statement (allocation) December 2017</p> <p>Present and recommend the different approaches and tools for allocation of our water resource that are likely to be most suited to New Zealand in preparation for responding to the TAG on allocation.</p> <p>Response to TAG's Government's recommendations TBC</p> <p>Examine the implications for local government, as regulators and as delivery agents of water, for Government's recommendations</p> <p>Examine the implications of different approaches for all users.</p>	<p>Stocktake and gap analysis (regulatory, non regulatory and institutional framework for water quality) December 2017</p> <p>A stocktake of the regulatory and institutional framework for water quality (health and environmental)</p> <p>A stocktake of non regulatory interventions to improve environmental water quality and information held regarding their efficacy</p> <p>Identify issues, gaps and overlaps in regulatory framework</p> <p>Identify whether any costings for implementation of regulatory changes have been done</p> <p>Report – (regulatory and institutional framework for water quality) June 2018</p> <p>Identify implications for local government and its communities of the current regulatory and institutional framework for water quality.</p>	<p>Stocktake (stormwater infrastructure) March 2018</p> <p>A comprehensive stocktake for stormwater.</p>	<p>Stocktake and gap analysis (funding and financing infrastructure) Dec 2017</p> <p>Present and evaluate the current options for funding and financing the maintenance and renewal of infrastructure including stormwater, increased capacity for resilience and costs to implement.</p> <p>Report (funding and financing infrastructure) June 2018</p> <p>Identify alternative options for local government and its communities</p> <p>Present and evaluate the recommended options for funding and financing infrastructure. Deliver with *</p>	<p>Stocktake (governance) December 2017</p> <p>A stocktake of the current governance framework for central government and local government</p> <p>Thinkpiece and position statement (governance) December 2018</p> <p>A thinkpiece and position statement that explores and recommends options for governance that delivers coherent policy and regulatory settings, infrastructure, funding and the institutional design to govern water.</p> <p>This will involve progressing design of a regulatory model, as recommended by LGNZ's 3Waters project.</p>
	<p>Water quantity/quality</p> <p>Stocktake and gap analysis (regulatory framework for water storage infrastructure (production) December 2017)</p> <p>A stocktake of the proposals currently before the CIAL for water storage infrastructure.</p> <p>Scope issues/problems</p>	<p>Water quality/infrastructure</p> <p>Report (regulatory framework for infrastructure and water quality) June 2018</p> <p>Explore the implications of the findings of the Inquiry into the contamination of Havelock North's drinking water supply for regulating three waters infrastructure and water quality.</p>	<p>Infrastructure/cost/funding</p> <p>Report (infrastructure costs) June 2018</p> <p>Estimate the costs of upgrading and renewing infrastructure across NZ's TAs under various scenarios, including increased capacity for resilience. This will require developing a methodology for this deliverable. Deliver with *</p>		

Running alongside Water 2050 is a **communications/advocacy strategy**. LGNZ will position local government as leaders in the water policy debate. Specifically we aim to:

1. Show leadership on the key issues for NZ Inc and its communities, and the role local government plays in water policy and water management;
2. Raise awareness of the complexity we are dealing with and the urgent need to have a clear and common way forward; and
3. Advocate for an approach to water policy which brings together a coherent framework around health and environmental quality standards, rights to access and use water, and infrastructure and funding, recognising the implications of climate change and the need for resilience.

6 September 2017

Consideration to Sponsor the Establishment of a Charitable Community Trust for Horowhenua

File No.: 17/559

1. Purpose

To consider the recommendation that Council sponsor the establishment of the proposed charitable community trust for the people of Horowhenua.

2. Recommendation

- 2.1 That Report 17/559 Consideration to Sponsor the Establishment of a Charitable Community Trust for Horowhenua be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.
- 2.3 That the Strategy Committee recommends to the Horowhenua District Council that it sponsors the establishment of a charitable community trust with the Chief Executive mandated to provide appropriate advice and assistance as the Trust is established.

3. Background/Previous Council Decisions

Please see supporting information attached.

Attachments



No.	Title	Page
A	Supporting Information: A Community Trust for Horowhenua	18

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

Author(s)	Shanon Grainger Economic Development Manager	
Approved by	David Clapperton Chief Executive	

A COMMUNITY TRUST FOR HOROWHENUA
Supporting Information for the Council Strategy Committee

8 October 2017

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Report to July 2017 Strategy Committee

1. Introduction

- 1.1 As the Council's Strategy Committee convenes for this term it is reasonable, if obvious, to ask "what might the Committee set out to achieve, what are reasonable and practical ways in which it might set about its work and how should it get the tasks started?"
- 1.2 This paper raises some issues which might be considered in answering these questions. The Committee should look to see the Council in a position which is:
 - (a) appropriate (i.e. within its scope and role);
 - (b) feasible (i.e. things the Council can and should do); and,
 - (c) beneficial (i.e. things which actually help all of the community).
- 1.3 That task, it should be noted, is simple enough – but it is not easy.

2. Background and the Need for Economic Development

- 2.1 HDC has been concerned for many years with the need to improve economic performance in the district. The object has been to ensure that gaps in job generation, and new business starts are filled, and that investment in physical, economic and social infrastructure is strong.
- 2.2 These objectives have not changed. Thus, the Committee should be committed to increasing job opportunities, improving productivity and making sure the resulting wealth is spread throughout the community.
- 2.3 Population growth over the next decade is expected to be strong. With that comes additional demand for housing, social services in health and education along with supporting recreational opportunity and opportunity to invest in growing existing social and economic infrastructure.

3. The Role of Local Government and HDC

- 3.1 The overriding role of local government is that of establishing, maintaining and managing the playing field. It is not "being a player on that field". Why?
 - (a) Best results will be achieved by doing the things HDC is best at, and the worst results will be avoided by not doing things it has no expertise in;

- (b) The non-Council world, the private and community sector has the expertise the HDC does not have. Expertise, skill and resource exist in abundance. It should be used; and,
 - (c) HDC should not be crowding out the jobs, enterprises and businesses of its own private sector community.
- 3.2 In all decision making the final question for the Committee advising HDC should ask “does the advice comply with the criteria above?” Is it appropriate? Is it feasible? Is it beneficial?
- 3.3 A “fail” on any of these means the job is not yet finished.
4. **The Approach: Opportunities versus Liabilities**
- 4.1 There is often a tendency to see the activity of local government and its assets as being a liability and a burden because of inefficiency, the frequency with which projects are delivered late, the common cost over-runs and a failure to produce good returns for everyone in the community.
- 4.2 It has historically been the case in NZ that performance has been sub-par and less than satisfactory. At the same time, local government has long been “sitting on” significant valuable resources and has had significant human resources at its disposal.
- 4.3 A positive approach which sees the asset base of the HDC and its people as providing an opportunity to improve community wealth offers considerable opportunity to ensure that:
- (a) The Council focuses on activities where it has strengths not weaknesses;
 - (b) Makes use of its expertise in delivering on its core functions.
5. **Internal Opportunities**
- 5.1 Over the years HDC has acquired a large portfolio of property for a variety of reasons – some helpful; some less so. The result is that, at present, HDC has approximately 40% more property than is required to deliver its core functions. The capital is thus needlessly “frozen” and not available to the community.
- 5.2 In addition, a variety of property is leased or rented on a sub-optimal basis and thus represents a risky and inefficient investment. This is largely because Councils are not expert professional commercial property developers or managers. All too often returns on assets fall below required rates of return again short-changing the community.
- 5.3 Resolving both of these issues is a matter of determination and momentum. Potential returns are high. The released resource would be plentiful.

- 5.4 Councils tend to end up being involved in a vast array of activities which are better done by others, are not part of their core role, and in which they have little expertise. Property management is one. Investment in non-core business such as land development or speculation is another.
- 5.5 There are, therefore, opportunities to improve HDC productivity by shedding such activities and freeing up capital tied up in non-core assets. The wealth released can be deployed better in the wider community.
- 5.6 There are also opportunities through continuing on with existing initiatives in areas such as delivering regulatory functions so that private sector and community initiatives can be started, maintained and grown at low cost, with minimal barriers to entry and in an easily understood manner. Initiatives to streamline these processes involve:
- (a) Outsourcing wherever it is more efficient, i.e. where the same or better results can be achieved without the risk of owning assets and freezing the capital which ownership requires;
 - (b) Speeding up processing times through simplified paperwork (where it is even needed) using plain English and simple procedures to comply;
 - (c) Having “can do” as the default approach to regulation rather than “no, not if you haven’t got the right paper-work”.
- 5.7 Steps have already been made here. The Committee might press on with stressing the importance of this “making business and community activity easy” approach.
6. **External Opportunities**
- 6.1 There are a number of projects which are not part of the internal workings of the HDC which offer significant opportunities. Two examples are:
- (a) The Otaki to North of Levin Expressway project – which will see the expenditure of large sums constructing the new state highway link through Levin as part of the national highway network improvement. Ensuring that local businesses and community initiatives benefit from the additional activity this spurs can be significant; and,
 - (b) Local projects such as the Levin Town Centre, the provision of better water infrastructure and resources, the freeing up of land for residential, commercial and industrial construction.
- 6.2 There are also a number of local projects which with improved infrastructure would see significant growth and provide jobs, expansion and investment opportunity.

7. **Partnership Opportunities**

7.1 Several opportunities exist to partner with central government agencies. For the most part these involve partnerships to improve the efficiency of delivery in health and education. Such initiatives offer the ability to match demand for work and services with individuals and groups.

7.2 Examples of various programmes focus on:

- (a) Skills and employment-focused training;
- (b) New start programmes and grants for business;
- (c) Social programmes in the areas of education, recreation, and the like.

7.3 In each case the opportunity is for HDC to partner with management of central government agencies to improve the level of productivity in the labour force as well as providing new job opportunities. The object is to avoid duplicating one another's work, to share joint requirements and to focus hard on what each agency does best.

8. **Alternative Approaches based on Opportunities (and needs)**

8.1 HDC has long wished to promote economic development in various forms through a public / private sector collaboration. Various council controlled assets may quite rightly be gainfully employed in such efforts.

8.2 The objective would be to combine selected and appropriate assets of the Council with the capital and skills drawn from the private sector to maintain and grow the economic base of the district in terms of job creation, improved investment attraction to the district, and the broadening of opportunities which will enhance the social and economic well-being of the district.

8.3 Many models have been tried in many parts of the world. Results have tended to be indifferent – especially where Councils have not entrusted and empowered their own communities (which own the assets) to be lead partners. Reviewing the structures and performances of many such models, one attractive option is to use a trust to exploit the opportunities.

9. **Trust Model**

9.1 The trust model as proposed overcomes the great majority of the issues identified while offering considerable advantages. Its structure sees:

- (a) A trust with charitable status having the community as “beneficiary”. That trust then owns in part or wholly, or in any other arrangement, a series of limited liability investment companies (or activities).
- (b) Those companies operate on standard commercial terms governed by a commercial board of directors using a mix of private equity, bank-sourced debt and possibly Council assets or equity.
- (c) The Trust operates through a Trust Deed in standard fashion. That Deed holds trustees to account, trustees operate under the standard legislation and case law applying to trustees. This is a high level of accountability with sanctions and remedies.
- (d) The Trust is a charity by virtue of the facts that:
 - (i) There is no distribution to any individuals;
 - (ii) Distributions are to end user / beneficiary community charitable causes and activities as defined by the Charities legislation; and
 - (iii) When the Trust invests in commercial companies to undertake particular activities; any profits come back as dividends to the Trust and thus for the charitable purposes for which the Trust operates.
- (e) Individuals or others investing in the commercial company may receive profits in accordance with their investment thus providing a reason for investing and a source of private sector funds. The trust, however, remains a charity, and any share of profits it gets is returned to the (charitable) trust to use for charitable purposes (which includes retaining earnings in the charitable trust).

10. Next Steps

10.1 Various relatively obvious steps include:

- (a) An assessment of what assets are actually needed to deliver core functions;
- (b) Identifying priorities in freeing up assets not best held by the Council;
- (c) Investigating and sponsoring the creation of an appropriate vehicle to deliver the identified tasks;
- (d) Developing a road map to achieve these tasks with progress reported regularly;
- (e) Maintain accountability for completion through using the

- (i) “What” – is the task to be completed;
- (ii) “Who” – exactly, is responsible for completing it; and,
- (iii) “When” – is it to be completed.

10.2 In summary:

- (a) The focus is clear – appropriate roles, feasible tasks, beneficial to the entire community;
- (b) The focus is – on things HDC does well and leaving things it doesn’t to others who are experts;
- (c) The opportunity focus is directed at:
 - (i) External opportunities;
 - (ii) Internal matters; and,
 - (iii) Partnerships.

10.3 A useful mechanism to achieve much of this is HDC sitting alongside a Charitable Community Trust

10.4 The accountability to execute properly and on time is the “three W model” of what, who and when.

11. **Recommendation**

11.1 That Officers bring a report and roadmap to the next Strategy Committee Meeting that applies the principles set out above and provides direction for future actions.

Summary report from September 2017 Council Briefing

1. Reason for Report

- 1.1 At the July Strategy Committee meeting it was decided that a report / briefing should be prepared showing next steps in the establishment process for furthering economic development through a community trust. In particular:
 - (a) To outline the steps required to establish the Economic Development Trust (EDT) be set out for the HDC; and,
 - (b) That a series of relatively common questions be addressed so that Councillors and others can articulate the benefits of the Trust and what it does for the community.
- 1.2 The purpose of this report is to provide that and related information. It forms part of the ongoing updating for HDC as the process proceeds. An appendix containing ten pages of FAQ's regarding trusts, their costs, benefits and risks as well as other issues is provided along with this report.
- 1.3 To achieve success with this innovative policy the key is a systematic, relentless path which is well thought out as it proceeds, clear in its goals and supported by a committed determination to perform strongly for the long-term benefit of the community.

2. Council Information – Mechanics and Agreement

- 2.1 This report forms the guide for Establishment and Framework for actions over the next half year then, 2018/19:
 - (a) Trust deed – a trust deed is to be prepared based on other similar such instruments. The draft will be placed before HDC for comment;
 - (b) Settlor (to be determined); and,
 - (c) There will be discussions about the best way to align HDC work (and management arrangements) with that of the Trust. Where relevant that too will be reported to HDC.

3. Relationship – Trust & Council

- 3.1 The relationship is one of independent autonomy but mutual support. Each entity is committed to adhering to its role with the community as the benefactor. To clarify in respect of the Trust:

- (a) Trust
 - (i) Long-term Purpose – As frequently noted in the past, the community would benefit from long-term resilience, robust economic performance and an ability to perform well despite the sometimes buffeting environment it finds itself operating in. The Trust’s longer-term aim is to provide that stability and sustained resilience; resilience and independence; and,
 - (ii) Short-term Purpose – In the short term there are, however, a number of issues which must be addressed and place the community in the best possible position to benefit while ensuring that undue costs and risks are avoided. Issues include reactive needs (e.g. Earthquake-Prone Buildings). The issues are, in many cases, challenging but far from impossible.
- (b) Reporting and monitoring
 - (i) The HDC needs to be aware of progress both in achieving short-term objectives and, as milestones are met, evidencing relentless movement toward long-term benefit;
 - (ii) Reporting and monitoring will be via a series of short, dash board style metrics which demonstrate progress. More in-depth reports will be provided six monthly or annually, as well as reports as required for apprising the HDC of progress;
 - a.
 - (iii) Reporting on project progress, rationale for programmes, issues to be addressed and projects will be reported via digital media (website, newsletters, social media) so that monitoring by the community is made possible and at close to zero cost; and,
 - b.
 - (iv) Each of these measures will provide communication and accountability.

4. **Establishment Objectives and Potential Projects – to YE 2017/18 (June 2018)**

4.1 For the purposes of this establishment report, work to be carried out has been divided into two time segments:

- (a) Work from the present point up until 30 June 2018. That work covers:
 - (i) Establishment of the Trust (legal and administrative) and its operating procedures; and,
 - (ii) Initiation of the most vital projects which require immediate attention. In some cases this will involve immediate hands on projects; in others, preparatory research and organisation.

(b) Work from beyond 1 July 2018 for at least 12 months, and likely beyond (depending in some cases on interim outcomes and decisions).

4.2 All of the short term work will be able to be achieved without altering the LTP since it falls within already decided policy (for instance in economic development and HDC efficiency improvement objectives) and settled funding arrangements.

4.3 Beyond the 2017/18 year end there may be a need, in the case of specific projects (certain property holdings for example), for consultation under the LTP process. Overall there is unlikely to be any inconsistency between the LTP and Trust (or HDC) ambitions but methods of work (optimising capital for instance) may require an LTP process to be run.

5. Potential Projects

5.1 Likely projects are described below. The emphasis has been placed on the short term (now until YE 2017/18 since these are of greatest urgency (for one reason or another). Some projects depend upon sequential execution (some projects are only possible upon completion of earlier work etc.).

6. Social and Economic

6.1 Reassess Town Centre Brief and advance to Commitment.

(a) Since the time of developing the original brief for this work there have been significant alterations in the outlook for likely development. These include:

- (i) Demographic change, notably in internal and external migration. This has seen a relatively steep rise in community population(s) with consequent increase in household formation in Levin and surrounds;
- (ii) This is leading to increased demand for residential accommodation, growth in demand for certain types of basic infrastructure (water, wastewater treatment, transport, parking, alternatives to conventional modes);
- (iii) Likely demand for land use types, sizes and patterns of site development, different mixes of use demand, mixes of subdivision and the legislative frameworks both for consenting and funding such works;
- (iv) A wide variety of technology-based alterations in sectoral activity such as retailing (clicks and bricks servicing), logistics (differing modes, journey types and lengths), communications and service delivery models; and,

- (v) Considerably more advanced information about the Otaki to North of Levin Expressway project (see below) and its potential impacts vis-a-vis the Levin Town Centre.
- (b) All of these changes create a quite differing milieu in which the town centre of tomorrow is likely to adapt and evolve to those parameters which dictated the original brief and work for this project.
- (c) A re-work of the brief, development of proposal, mandating and commitment to the project is required. This requirement arises not because of inadequacies of the last brief but because of the speed and extent of the change which has taken place recently. That change (i – v above) requires an approach which stresses the uncertainties and numerous options which need to be facilitated and the demand for flexibility from a fundamental level.
- (d) Tangible execution needs to commence as soon as possible subject to Otaki to North of Levin Expressway negotiations and other key influences.

6.2 Otaki to North of Levin Expressway Work and Arrangements

- (a) As major roading infrastructure projects are rolled out across the country, and in particular through the lower half of the North Island, the issue of SH 1 traffic and its passage around / through Levin sits squarely before HDC and the social and economic future of the community. At this point:
 - (i) It seems likely that some form of bypass, or, more significantly regardless of what form it takes, there is likely to be a drop in “through traffic trade” and activity supported by that;
 - (ii) Consequently the need for offsetting, appropriate investment and development to retain the commercial value generated by current arrangements arises with the objective of there being no net reduction for the community; and,
 - (iii) Any increase in activity occasioned by any Expressway arrangement, including construction (the benefit of which is likely to be temporary) will be hard won and easily over-estimated (see Cromwell and similar, and more latterly Kāpiti).
- (b) Thus careful negotiation based on the principle of any loss to the community being offset by equal degree through the provision of opportunity needs to be undertaken. Both public and private consultation will need to:
 - (i) Reflect this principle in such a way that both national and regional / local objectives can be met at lowest cost and on a realistic basis;

- (ii) Be linked to existing initiatives such as the town centre remodelling (see above) and the property rationalisation (see below); and,
 - (iii) Will apply to a greater or lesser degree (within broadly the same principles) to the smaller settlements within the district with the implications in those cases involving settlement networks and connectivity.
- (c) In both cases, there are likely to be funding interdependencies. The principles involved are relatively simple (and it is critical that they are kept simple). The details, however, are quite demanding and the potential for bureaucratic road-blocks considerable.

7. Environmental

- 7.1 Lake Horowhenua and its restoration to the high-quality natural resource it should be, form a natural objective for the Trust's environmental objectives (improvement of community wellbeing which includes promotion of sustainable physical environments).
- 7.2 A useful starting point is with the much-discussed Lake Horowhenua Walkway. The Trust sees this project as an ideal project for:
- (a) Establishing the means by which such projects might usefully be undertaken (in terms of one viable process); and,
 - (b) Establishing an 'on the ground' tangible demonstration of the process in action and the benefits it can yield.
- 7.3 Partnership with the Lake Trust– as the private owners, the Lake Trust will most likely lead this project.
- (a) To that end, the initial objective is to enter a partnership with the Lake Trust in which they lead the design, timing and execution for the project.
 - (b) The reasons as to why this approach makes sense are well known, and the various principles of how such partnerships should be operated have been discussed for some time.
 - (c) Details of the Project mandate, leadership, timeline, milestones and resourcing are to be announced by July 2018.

8. Community & Social

- 8.1 A key social issue for the Horowhenua (as for NZ as a whole) is the development of appropriate lifestyles and quality care for a growing ageing population.
- 8.2 The Trust is not a provider of lifestyle or healthcare services for the elderly. It does have, however, as part of its objective, improving community wellbeing across several dimensions (not just economic) supporting and promoting initiatives in this area.
- 8.3 A comprehensive framework to develop improved care and quality of life through a series of modern process-designed projects is Project Lift – as described in the “Master Plan: Quality Care and Lifestyle for Older People”.
- 8.4 The Project is the result of cumulative efforts over some years, stimulated by MBIE as a prototype model (being a series of projects and related activity), designed as a means for supporting the wellbeing of older people.
- 8.5 The next phase of Project Lift involves:
- (a) Central Government approval of the proposals set out in the Masterplan;
 - (b) Recruitment of appropriate experts to deliver the co-design approach; and,
 - (c) Contract a provider to deliver the co-design approach.
- 8.6 The Trust’s role up to July 2018 is to deliver steps a – c.
9. **Property**
- 9.1 Property – especially property currently held in the public domain lies at the heart of two immediate problems of significance for the community:
- (a) The rationalisation of HDC holdings so that only such property is held as is tangibly required to deliver core services. That exercise needs to proceed by identifying core services as the very first step (not by asking what property has the HDC ‘got’) and ensuring that only such property as is vital to delivering core services is held; and,
 - (b) Meeting the requirements of the legislation and consequent obligations (public and private) arising from national Earthquake Prone Building policy. Varying actions or proposals are required over the next seven years, all of which involve potentially large sums of money and considerable economic opportunity.
- 9.2 The Trust may look to entering a JV arrangement with the HDC to:

- (a) Identify property required for delivery of core services (to remain on the HDC balance sheet);
 - (b) Mark to market valuation exercise on the remaining property to enable a write-down to market on the HDC balance sheet (one-off single hit to establish a clean and realistic entry for 'residual property' held by the HDC); and,
 - (c) Development of a disposal programme executed using expertise retained by the Trust through:
 - (i) Transfer to the Trust at agreed rates; and / or,
 - (ii) Sold into the open market by value maximising means (auction, private treaty, etc.).
- 9.3 These actions, initiated in the period now until July 2018 would see a reduction in the number of non-core property assets held by HDC, commence rationalisation to HDC holdings being aligned to delivery of core services, commence the development of the Trust's investment portfolio and produce efficiencies in both the private and the public realm.
- 9.4 Earthquake Prone Buildings and responses to these requirements represent a major difficulty. Given the unknowns at this point, a realistic objective for the Trust up until July 2018 is:
- (a) Problem scoping to the level of developing an agreed programme in respect of demolition (and compensation), replacement and upgrade projects capable of delivering on obligations;
 - (b) Identification and analysis of other countrywide responses deemed acceptable and reasonable to draw lessons and learn from those;
 - (c) Identification of funding arrangements from national agencies (such as NZTA funding) and clarifying criteria, procedures and prerequisites for implementation, sources of any other funding or response support (insurance arrangements, etc.).
10. **Objectives Year July 2018 - June 2019**
- 10.1 Much of the work to July 2018 concerns the scoping of programmes which require work over a significant period of time, involve significant resource over periods of time, are long dated in their delivery of benefits (and the costs incurred in achieving them) and are of significant scale.
- 10.2 Steps from July 2019 therefore involve:

- (a) Devising, coordinating and ensuring that there is close alignment between the LTP and the work of the Trust where that work involves HDC in any material form (asset transfer, out sourcing, policy supplementation, etc.);
 - (b) As part of this process, various of the projects to be undertaken (most noticeably larger scale property rationalisation, reinvestment, adaptive reuse) involve considerable levels of consultation and design / modification; and,
 - (c) Gearing up to execute projects.
- 10.3 It is expected that over the time leading up to this phase, programme detail will be developed in the areas noted above. An example would be the identification of demand and supply options for industrial land. Another area is in the matching of human resources to demand given the variety of imbalances which exist at present and the initiatives (and potential initiatives) in the areas of education and training.
- 10.4 One objective would be the establishment of at least one privately (or at least non-government / council) funded investment.
11. **Costs, Budgeting and Risk Management**
- 11.1 In general terms, resourcing of the above has been based on the notion of incurring as little risk for the community as is feasible and consistent with achieving the outcomes.
- 11.2 The establishment and projects are covered for funding by:
- (a) Savings from 2017/18 budget (Establishment and projects to July 2018); and,
 - (b) HDC commitment (as per the LTP) for 2018/19.
- 11.3 Fixed costs and risk to be minimised through task-specific contracting as required. The objective is for projects to carry their own costs in time and for minimal overhead to be involved in the operation of the Trust itself.

Meeting notes from October 2017 joint workshop with the Horowhenua Economic Development Board

12. Introduction

12.1 The HDC, joined by the Economic Development Board, recently held a workshop to explain the intended operation of the property asset elements of the Trust's operation. This note records the summarised outcome of the workshop.

13. Prior Work and Context

13.1 The concept of a Community Trust for Horowhenua, charged with:

- (a) Managing certain property assets; and,
- (b) Investing, consolidating and maximising the community value from such assets, as discussed previously by the HDC Strategy Committee.

13.2 At Officer level and at Sub Committee level several papers and presentations have been provided and there has been general agreement at a high level as to how such a Trust might operate

14. Workshop

14.1 At the Workshop the concept was briefly reiterated, Economic Development Board members were able to add to Officers in input, and the idea was examined in terms of specific details of the HDC property portfolio.

14.2 The attendees thus considered:

- (a) The reasons that strong management for the overall community value should be extracted from property assets had become critical
- (b) Examples of the resource being lost to other valuable opportunities at present and thus the need to curtail such losses;
- (c) Examples of such trust operations elsewhere in NZ and the way they had improved matters significantly;

- (d) The costs of transition, establishment and how the Trust would operate;
- (e) Various practical details accompanied by examples in Levin; and,
- (f) The possibilities for significant growth in community assets through rationalisation and management better matched to community needs.

15. **Questions and Answers**

- 15.1 A wide-ranging series of questions were posed, and advice from both the HDC, the Board members and Trust / HDC advisors were provided and subsequently discussed.
- 15.2 A paper covering some 23 question areas, specific questions and answers with explanations, prepared in respect of the concept was used to address these issues.
- 15.3 That paper was made available for Councillors (see attached).

16. **Views and Decisions**

- 16.1 The view of the Workshop was that the concept was sound, offered prospects for improving significantly on matters as they stand and should thus proceed was endorsed.
- 16.2 It was noted that considerable detail was to be worked through to ensure that the object of improving value for the community was met without imposing needless risk or unintended liabilities.

17. **Next Step**

- 17.1 The desirability of having advice and assistance from the HDC CE or his delegate in initial stages was noted. Given that the trust represents in a significant sense a partnership between the community and its Council this was seen as appropriate.
- 17.2 In the spirit of the Trust being a community charitable trust and quite separate endeavour from the HDC and its statutory obligations and mandate, it was suggested that an appropriate means for the Council to support the Trust was for the HDC to formally sponsor the establishment of the Trust.
- 17.3 It is therefore recommended (and given their interest in the matter) that a report be presented to the next meeting of that Sub Committee as an update with the request that they consider resolving:

That the HDC sponsors the establishment of the charitable community trust with the Chief Executive mandated to provide appropriate advice and assistance as the trust is established.

Councilor FAQ's

Prepared by Brent Wheeler Group Limited

Below is a comprehensive set of relevant and reasonable questions which deserve to be answered squarely.

Answers to questions are as follows:

1. Will the Trust funds be used for the "wish list" or basic needs?

The Trust's funds are likely to be used:

- a. In the first place to ensure financial security and prudent management of the Trust so that it can manage its investments. It has to be financially viable and independent and maintained as such through competent commercial management.
- b. The Trust Deed would set out the criteria and guidelines for Trust investment in line with the Council's aspiration for broad-based sustainable economic development. This would generally mean:
 - i. Not investing in areas which are core Council activity areas (such as core infrastructure provision and maintenance)
 - ii. Not investing in areas which the Local Government Act and other statutory bodies dictate requires that the Council undertake
 - iii. Investing in areas where the Trust has some competitive advantage and is able to bring resource and expertise where others in the private sector cannot

The object then is to promote and become involved where:

- Others cannot
- Others cannot as effectively as the Trust might
- The Council is not involved
- There are "gaps" which would be valuable to fill.

So as to generate economic development which creates sustainable dollar outputs, sustainable employment and employment paths; which would otherwise be lost to the district and its economy.

2. How can we ensure that there is sufficient separation between a Trust and Council?

The beneficiary of the Trust is the community – not the Council. The trustees are drawn from the community, not the Council. There is, should you wish, scope to have:

- A Councillor or Council nominee as a trustee (which might be desirable in early days)
- During establishment, it might be useful to have a trustee advisor such as the CE.

The Trust Deed can establish whatever rules it wishes to.

A primary protection is that any link between the Council and the Trust would be by way of contract – not statute or quasi-political means but instead by enforceable contract – commercial or non-commercial.

3. Is this core business?

The policy of promoting, nurturing and encouraging economic development in the District is core Council business. The “doing” or execution is not, unless there is a clear Council advantage (e.g. Council expertise in water service provision).

The Trust is in a sense a policy instrument which would undertake investment and execution through its own or its contracted providers.

4. No doubt after the pensioner housing debate there will be some who will disagree.

It is critical to separate the policy of provision with the actual implementation and delivery. The Council again may “take responsibility for” with delivery through vehicles such as the Trust.

5. No doubt many will say this is where that asset should be placed.

See above. The principle is that the asset should be with the entity best able to manage it in accord with the Council’s objectives. Often that is not the Council for a variety of reasons we know and have experienced in the past.

6. I assume we can show that the benefits will be shared by the community?

Yes. Again the Trust Deed would set out the terms of the distribution of any surplus or profit. Typically, a distribution policy would state “\$xxx (%) to be retained in the Trust for future investment and \$yyy (%) to be distributed to beneficiaries.

The Trust Deed could specify the form of distribution (dollars, grants, scholarships, loans, etc.) being whatever Trustees envisage as best for the community in a given year.

The Deed would state that Trustees “must have regard to “x,y,z” in making distribution decisions.

7. How long before the benefits are realised?

This depends on the type of benefit and the type of asset.

Immediate benefits might be:

- Better management focus on the asset (say a building) through direct focus by the Trust or its employees or contracted providers
- Freeing up of time and resource within the Council without distraction
- Shift of commercial risk from the Council to the Trust with immediate effect

Longer term benefits would depend upon:

- The type of asset, the form of its yield and the state of the asset. A run down building will clearly take longer than something more pristine with tenants in situ
- With investments, the form of investment will dictate how soon returns are earned. In some cases there may be immediate new jobs. In some other areas investment (say in R&D) might take some years to come to fruition.

It would be the job of the Trustees to:

- Form a portfolio of different assets and investments
- Ensure that differing “time to maturation” profiles were maintained
- A balance of short and long-term was maintained.

Importantly it would be the character and performance of the business, not an election cycle, which would dictate these issues.

8. Will we be able to be realistic about the benefits?

This is always a challenge for a Council – less so for a Trust. It is a matter of setting expectations which can be realised and since the “measure” will be financial success with investors holding the Trust to account. This is easier to achieve than for a Council.

There will also be personal business and professional reputation at stake and thus good incentives not to “over promise and under deliver”. A prudent Trustee is likely to be conservative in making “promises”.

9. I have often found that these sorts of proposals over promise and under deliver.

Agree – see above. Typically though, it is initiatives in which Councils remain involved, cannot “let go” or which do not involve non-Council investment of real dollars at risk for real monetary returns which fail most often.

10. Will we be competing with the private sector?

No. Not to any extent which should cause concern because:

- a. It is competition where the Council is directly or indirectly providing subsidy or “soft money” which should be avoided. That is not healthy. The Trust would be completely separate from the Council (see above) and would have to compete (once established) in its own right. In fact, at present, the Council is competing with the private sector (as a

commercial landlord; for example, with losses supported by ratepayers (in the form of opportunity cost if not rates); and,

- b. The Trust would seek the majority of its investment in areas where, to date, the market has not produced investors. An example might be the potential for a “truck park” style facility. The Trust might accept a slightly lower rate of return initially because of the employment creation in establishing such a facility – assuming the community (beneficiaries) were prepared to accept that.
- c.
- c. A principle set out in the Trust Deed could require that in undertaking any investment the Trust not compete on any form of subsidised basis and that any proposal complies with Commerce Act requirements regarding any abuse of market power.

11. Can we present non-risk reasons as to why we are doing this?

The key “non-risk” reasons are:

- The promotion of economic development is a core Council policy
- It is not, however, an area of great Council expertise in the “execution” area
- Council has other constraints on its activity (e.g. regulatory roles such as with the RMA) which create conflicts of interest
- The “distraction” to Council and the use of its resource create difficulties for a Council (like all others) already involved in a complex business
- There may well be community demands (for instance grants, scholarships, support) which are highly relevant to economic development but are nowhere near Council expertise or business.

12. There has to be some perception of risk, how do we mitigate this?

Undoubtedly there will be a perception of risk. The issues are:

- a. There is already a significant risk faced by Council and the ratepayers’ assets through the limitations Council faces in managing those assets. That will need to be:
 - I. Explained where necessary or appropriate
 - II. Illustrated with examples which are honest and open.
- b. Careful explanation of the way risk is shifted to the Trust so that the Trust can:
 - i. Use commercial tools and expertise not available in the Council to manage risk (e.g. evicting tenants, enforcing debt payments and like “realities” of commercial life which are difficult for Councils or not their role)
 - ii. Simple availability of commercial expertise which the Council does not have
 - iii. The way the presence of privately invested funds in projects will produce much heavier and sharper monitoring and accountability than the Council can since Council investment involves “other people’s money” rather than personal investment and is thus not monitored as harshly.

- c. Critical here is the idea that “will there be failures?” Yes of course – all businesses public and private have losses from time to time, BUT there is much less chance of loss for the Trust than the Council because of the factors noted.

13. Is there sufficient skill within the community to manage a trust competently?

A serious challenge. Indeed at present and at first the Trust may struggle or move more slowly than would be desirable. There is, however, good scope to attract the right people particularly as projects are developed in and as their private money is being invested.

Care will be needed in this area, and an interim arrangement with the Council is almost certain to be required over the establishment period (12 – 18 months).

14. How do we get around perceptions of conflicts of interest?

Two means for responding to this are:

- a. The Trust is to be a public, open entity. Therefore, it would operate:
 - i. Through open competitive tendering of all and any investment opportunities and work
 - ii. An aggressive disclosure process in all its work and most notably in the management of all its assets
 - iii. The proceedings of the Trust Board would be public (save for commercially confidential information and process where internal COI policies, enforced on companies and investors would apply)
- b. The Trust would operate (as a requirement of the Deed) that a standard (set out in detail by schedule to the Deed) COI policy. Such policies can be made to be very demanding (see for instance the NZX or ASX codes of practice).

It should be noted that the existing scope for COI found in the Council would be reduced since conflicts between regulating, managing and policy formulation would not arise at all in some cases and only at a reduced level in others.

15. There must be risks that other areas of economic development are not given the attention they deserve.

It is true that if the Trust and its work do not perform as well, some other feasible, practical and demonstrably superior approach might, then this might be a danger. It is of course always possible that some alternative could be better – and that will always be so.

The issue at present is that significant opportunities are likely being lost, significant risks are being taken where this is not necessary and produces few if any returns and there are few if any demonstrably superior alternatives.

The Trust proposal offers a low-risk low-cost means for pursuing economic development.

16. Property development is cyclical, so there will be good times and bad, how do we show that the Trust can be sustainable?

First, this is true whoever owns and operates or simply owns or simply operates in the property sector.

The key therefore is:

- a. Who is best placed to operate a portfolio – to create the diversification which is essential to managing cyclical business activity
- b. Which entity is likely to bring the direct and undistracted focus to the task of managing the portfolio, over time to a consistent and systematic set of commercial principles.

A number of factors (election cycles, government career paths and turnover, skill sets, experience, etc.) mitigate against Councils doing this well. The evidence is simply the New Zealand-wide phenomenon of Council owned non-performing property portfolios.

Private sector trusts, especially property trusts, by contrast, have a strong record in New Zealand and Australia.

17. Is there any example of this being done either in New Zealand or Australian local government?

There are several examples in New Zealand and Australia. They differ from one another quite extensively because the great advantage of the trust mechanism is its flexibility. The extremes would be the Auckland Community Trust (now Foundation North) which evolved from a “local government-like entity” the Auckland Savings Bank (a community-owned mutual with legislation not dissimilar in its day to local government). A trust was created and that trust’s job has been primarily distribution of invested monies. Thus, money once invested in a bank is now used to distribute to community projects etc.

The opposite extreme would be what has become the limited liability Trustpower which emerged from an electric power board through a trust structure and into a limited liability company.

In between and most closely aligned to what is proposed is Trust House in the Wairarapa. This organisation initially dealt purely with social housing with ownership through a trust sponsored originally by various local governments and local government interests. Today Trust House is involved in numerous businesses promoting employment, new starts, contribution to community projects and the like.

In Australia, the use of community enterprise based around trusts is so large that there is a national organisation which assists in providing infrastructure and support for numerous trust-

based organisations which have emerged from the desire of local government to promote economic development in their areas.

The trust structure is, of course, to be found underlying numerous individual and collective efforts in numerous spheres.

18. What value will be added compared to how we currently do things?

There are two major ways in which the proposal would create differences relative to what is currently done.

- a. A significant level of resource is maintained and managed by HDC at present, not necessarily because the Council wishes to manage such resource or even claims to be the best manager of that resource but because historical circumstance has meant the HDC has become its manager. Some assets are not part of the core mission of HDC nor does HDC have resource, time or expertise to manage these well. The result is at times a burden on the Council (ultimately the ratepayer) as well as a need to cover areas in which it has no expertise or particular objective in mind. Examples include various pieces of land which have been acquired in the past or have been foisted on HDC for various reasons and for which it now bears the cost of maintaining. For a variety of reasons these assets are often not managed efficiently, and the result is both compromise of other HDC activity and unnecessary cost.

The proposed trust would assist in taking up such assets and deploying them more efficiently, managing them more appropriately or otherwise relieving the Council of the burden of ownership and management.

- b. The development of the district's economy is dependent upon investment and promotion of existing and new businesses. This is not core HDC business nor does HDC have (on its own) the resources either in terms of people or funding to become involved in the operating of this. There are numerous reasons, which are well known, that make it undesirable for HDC to be involved in the direct promotion of economic development. At the same time, the Council has a longstanding interest in developing the social and economic fabric and performance of its community. A trust would allow these objectives to be delivered in a more effective fashion than is currently the case.

Finally, HDC has at present no means of adequately executing or delivering its policies in respect of social and economic development because of its other commitments, its lack of funding, its lack of expertise and the "full time" nature of HDC delivering well on its core role. The proposal, therefore, offers a double-edged means for improvement – cost savings through more efficient HDC performance and opportunity through trust performance.

19. What would be the worst-case scenario?

At a general level, the worst-case scenario has been in fact the last 15 – 20 years of local government promising economic development in respect of jobs and a variety of social objectives

with this descending into nothing other than very generalised PR which delivers nothing. The reason is simple enough – local government has neither the knowledge nor the capability generally to deliver economic development. The reason for that is not necessarily the fault of local government in that it is not designed to deliver economic development in these forms. It lies instead with an inappropriate structure to deliver on objectives.

In terms of “worst-case scenarios”, the many attempts by local government to “deliver” in this area are both illuminating and numerous. These have occurred in all of the major cities and have ranged from “campaigns” such as the Dunedin city campaign “Its all right here” which consumed resource, gave off a message of dubious value, and did not necessarily result in any change on the ground in spite of the consumption of a budget for the campaign.

At the other extreme Wellington City has undertaken various attempts in the past to resurrect disused buildings, consolidate land, unlock supposed “value” in various ways. In each case, individuals have devoted time, money, expense and a variety of other resources in an attempt to promote economic development. There is no questioning the good will or efforts of the individuals involved, but the results have been mediocre at best and extremely costly at worst largely because the entities have been:

- a. Tied to local government and therefore subject to political whim; and,
- b. Have involved individuals using the money of others (rates) rather their own money or that of investors. The result has been a lack of accountability without great delivery.

The point of paragraph four is to note that these fundamental design difficulties make it almost impossible right from the start for any entity to be successful unless:

- a. It is explicitly detached from local government so that local government politicians are not compromised, and investors are not compromised, and thus development has a chance to succeed; and,
- b. There is some form of genuine risk involving the funds and investments of those guiding and managing the initiatives. Where only “other people’s money” is involved, success is likely to be elusive.

The trust as proposed offers a means for overcoming these difficulties.

20. What are the risks? Known, potential or otherwise?

In posing the question, the author points out that the answers may be much the same as for the previous question. That is largely true, the key risks around local government having the necessary courage to:

- a. “Let go” and allow the trustees of any trust to manage the assets in such a way as to deliver; and,
- b. Inability to draw in private funds so that genuine commercial risk exists.

- c. These risks arise where there are “fears of interference” through not providing comfort to Councils that their politician councilors will not be compromised and; through not providing accountability mechanisms through to the investors.

The trust structure helps overcome these problems by being based on private investment and secondly by creating separation from local government.

21. Has this been legally advised on? Or does this happen going forward?

Legal advice has been sought in the design of these trusts in the past. The intention would be to develop all of the necessary arrangements (trust deed, etc.) and have legal advice particularly in respect of HDC and any role it has before implementation. The area is reasonably well known (in respect of trusts) and thus does not involve complex or unusual legal questions.

22. What if any are the cost benefits or savings, etc.?

These are elaborated in answers to the questions above.

23. Is there anything the trust would never consider investing in?

Answers to this question come in two areas:

- a. In the commercial area, the question is readily answered by the usual risk and return criteria. Clearly, the trust would seek to invest only in activities which could produce a return having regard for the risks undertaken. This form of discipline is “self-policing” because of the risk of loss of funds.
- b. Activities in which a trust would invest tend to be dictated by the value set in the brand it wishes to have. Typically, its beneficiaries would require (through the trust deed) that various standards or values be adhered to. It might be for example that particular activities are not favoured as areas for investment by the community – an example might include investments in the gambling industry, the production of tobacco or other like activities. It could also be that various “bad look” activities from a community might be eschewed.

The point is that the Trust Deed (and the mechanism for altering some of its content) provides a means by which the community can alter the values it wishes to see reflected in its trust over time.

Exclusion of the Public : Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following part(s) of the proceedings of this meeting.

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 follows.

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, as follows:

C1 Electricity and Natural Gas Request for Proposal Evaluations

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.