



**HOROWHENUA
DISTRICT
COUNCIL**

**FOXTON BEACH
FREEHOLDING ACCOUNT
(AKA FOXTON BEACH ENDOWMENT FUND)**

STRATEGY AND POLICY

**Adopted by the
Horowhenua District Council
on 7 October 2009**

FOXTON BEACH FREEHOLDING ACCOUNT (AKA FOXTON BEACH ENDOWMENT FUND) STRATEGY AND POLICY

Introduction

This strategy and policy document applies to the current and future use of the Foxtton Beach freeholding account (also known as the Foxtton Beach endowment fund), and referred to herein as the fund.

The Horowhenua District Council decided it would be wise to develop a strategy in consultation with the Foxtton Beach community to guide the use of the fund to ensure that the considerable sum of money available from the lease, freeholding and sale of the original land, additional land purchased and other investment return by the fund is used in a way that meets the legislative requirements of the endowment and provides for the wellbeing of the inhabitants of Foxtton Beach.

Background

Land for the Foxtton Harbour Board, initially 407 acres, was scheduled in 1876, but this was increased under pressure from Council and others and a new Harbour Board was established in 1908 with approximately 1000 acres of land endowed by the Minister of Marine.

What became the Freeholding account came from land (leasehold payments) endowed by the Crown under the Reserves and Other Lands Disposal Act 1956 to the Manawatu County Council as the Corporation administering and controlling the land after the Harbour Board's abolition in 1955. The Council paid a negotiated amount for the endowment, allowing for the need to upgrade roads, and was entitled to lease areas of land under 21 year perpetually renewable leases.

The lands were later increased by the freeholding of land after passage of the Reserves and Other Lands Disposal Act 1965 (acknowledging claims and making payment extinguishing Maori rights to certain parcels of land) and the Reserves and Other Lands Disposal Act 1968 (allowing the sale of freehold land to leaseholders and the sale of unleased land). The latter Act placed conditions on the use of funds:

"The Council shall from time to time spend the net proceeds from the sale or lease of any of the endowment land on the provision of services and public amenities for the benefit of the inhabitants of Foxtton Beach township, or on the improvement, maintenance, or repair of any existing services on public amenities. For the purpose of this subsection, the term "services" includes roads, road lighting, water supply, drainage, sewerage, and other public works."

Freehold sections at Foxtton Beach were sold by the Manawatu County and District Councils or subsequently the Horowhenua District Council to current owners under this legislation, and the proceeds of those sales have been added to the fund for use as provided for (offsetting reduced lease income after freeholding).

In November 1989 the Horowhenua District Council in line with the directions of the Local Government Commission on the vesting of property laid down in the Reorganisation Scheme for the Horowhenua District received property (and funds), located at Foxtton Beach commonly known as the Foxtton Beach Township Endowment Land.

Over the intervening years the Horowhenua District Council has with the support of the Foxton Community Board, utilised the Freeholding Fund to carry out both major and minor projects to the benefit of the beach community.

From its initial application towards the upgrading of Seabury Avenue, commenced during the later years of Manawatu District Council's control, the Freeholding Fund has been used for water and sewerage reticulation, stormwater drainage, development of the Pinewood Motor Camp, foreshore protection works and land acquisition (for future subdivision in conjunction with Council owned land).

Over more recent years the fund has been applied towards the subdivision of endowment land, creating new sections to meet the growing demand for property within the Beach settlement. This was undertaken as a means of generating more income for the fund as leaseholders purchased the Freeholding rights to their properties, reducing the annual revenue for the fund from this source.

Over the period 1989 to the present time the Foxton Community Board has during its various terms of office recommended to Council the use of the fund to offset funding shortfalls from Council to advance projects/works that might not have progressed without this fund. Council was also able to bring forward works listed on the various Council programmes identified for Foxton Beach using the fund.

Strategy

Vision

Foxtton Beach will continue to benefit indefinitely from the fund realised through the lease and sale of endowment land and investment of those funds.

Principles

- Sustainability:** The fund shall be applied to enhance the current and future wellbeing of the inhabitants of Foxtton Beach
- Beneficial:** The fund shall be applied to services and amenities in ways that consider the social, environmental, cultural and economic wellbeing of the inhabitants of Foxtton Beach
- Complementary:** The fund is not the sole resource for funding infrastructure and other development, and should be used in a way complementary to other sources to maintain a sense of community responsibility, ownership and fairness
- Responsiveness:** The fund shall be applied for infrastructure, but also retain some flexibility to meet needs that are currently unforeseen
- Managed Risk:** The fund monies excess to current requirements shall be invested as per Council's Investment Policy, with all investment returns being retained in the Foxtton Beach Freeholding Account

Goal

Application of the fund shall enhance the wellbeing of inhabitants of Foxtton Beach. The fund shall be managed in such a way as to assist the inhabitants of Foxtton Beach in accessing or benefiting from services and amenities in the present, and to maintain the ability to continue to do so in the future.

Sustainability

To sustain the fund indefinitely Council will sell Endowment land and other land purchased by the fund. The proceeds through the sale of subdivided land, funded through the fund, will be retained in the fund.

Council will access expertise in order to maximise profits from the sale of Freeholding Account land or subdivided land funded through the fund.

Over the next 10 years the fund will be built up to \$5m worth of current assets, at which time this amount will become the minimum balance. Funds in excess of \$5m will be available for expenditure on services and amenities as per the policy.

Until the balance reaches \$5m Council will progressively increase the current balance (\$495k at 30 June 2008) whilst still applying the fund to priority expenditure identified in Council's LTCCP.

An indicative budget will be prepared on an annual basis to show the management of the fund over the next 10 years.

The fund balance will be prudently managed as per Council's Investment Policy ensuring an acceptable return on investment.

Revenue and expenditure from the Pinewood Motor Camp will be included in the Free-holding Account balances.

Policy

Objectives of policy

The policy will ensure that the Foxton Beach inhabitants' wellbeing is enhanced by the application of the fund to providing services and amenities, *and that the fund retains the capability to benefit both current and future inhabitants of the area.*

Purpose of policy

This policy has been developed to support the Foxton Beach Freeholding Account Strategy, and to assist with decision-making on the application of funds and prioritisation of the use of the fund.

Purpose of the Freeholding Account

The Reserves and Other Lands Disposal Act 1968 specified conditions on the use of funds, which still apply:

*The council shall from time to time spend the net proceeds from the sale or lease of any of the endowment land on the provision of **services and public amenities for the benefit of the inhabitants** of Foxton Beach Township, **or on the improvement, maintenance, or repair of any such services and amenities, or on the improvement, maintenance, or repair of any existing services or public amenities.** For the purposes of this subsection, the term "services" includes roads, road lighting, water supply, drainage, sewerage, and other public works.*

Council has added to this purpose of the Freeholding Account as:

- Providing an alternative source of funding
- Advancing capital works
- Reducing rates for water and sewerage
- Facilitating amenities and services of Foxton Beach that may not be provided by Council

Custodian of account

The Horowhenua District Council is the appointed 'Corporation' controlling the fund, and the Foxton Community Board will perform an advocacy or advisory role.

Beneficiaries of the Freeholding Account fund

The beneficiaries of the Foxton Beach Freeholding Account funds are the residents of Foxton Beach.

Investment Policy

The fund monies excess to current requirements shall be invested as per Council's Investment Policy with all investment returns being retained in the Foxton Beach Freeholding Account.

The key clauses from the Investment policy relevant to the fund include:

1. Legislation Provisions

The Local Government Act 2002 requires:

- investments to be managed prudently and in a manner that promotes the current and future interests of the community (s.101 (1))
- an Investment Policy to be adopted by Council (s.102 (4)(c))
- specific content of such a policy (s.105)

The Council must also make its investments in accordance with the provisions of the Trustees Act 1956 as they apply to the investment of trust funds. In exercising its powers of investment Council is required to exercise the care, diligence and skill that a prudent person of business would exercise in managing the affairs of others.

2. Objectives

- In making investments, Council may consider:
 - the desirability of diversifying investments
 - the nature of existing investments
 - the risk of capital loss or depreciation
 - the potential for capital appreciation
 - likely income returns
 - the length of term of proposed investments
 - the marketability of proposed investments, both during their term and upon maturity
 - the effect of proposed investments in relation to tax liability
 - the likelihood of inflation affecting the value of a proposed investment

The objectives of the Investment Policy are, in a hierarchy of priority:

- firstly, to minimise the risk of loss of capital
- secondly, to ensure that planned expenditures are not hindered by a lack of available funds, and
- thirdly, to maximise the returns from investment

3. TREASURY INVESTMENTS

3.1 Investment Limits and Management of Credit Risks

Financial instrument investments will be limited to the following issuers, instruments and limits:

Issuers	Minimum Long Credit Rating	Instruments	Limit Overall	Limit Per Credit
NZ Govt	A1	Treasury Bills Government Stock	100%	Unlimited
Local Authorities	A (if rated)	Local authority stock Local authority debentures (Pledged from rates)	100%	\$1m
Major Registered Banks	A-	Money market call deposits Money market term deposits Transferable certificates of deposit Negotiable certificates of deposit Bank bills Promissory notes	100%	\$2.5m
State Owned Enterprises (with prior approval of Council)	A-		10%	\$0.5m

These are considered to be low risk investments. There will be no exposure to medium to high-risk investments.

3.2 Management of Interest Rate Risks

The mix of financial instrument investments shall be limited as follows:

- Fixed rate investments as a percentage of total financial instrument investments: 50%-90%
- Floating rate investments as a percentage of total financial instrument investments: 10%-50%
- Call investments will not be less than \$250,000
- Fixed rate investments with a duration of:
 - Less than 1 year: 50%-90%
 - 1-2 year: 10%-30%
 - 2-5 years: 10%-30%
 - 5+ years: 0%-10%

The potential use of interest rate instruments will be monitored, but their use will require a specific approval by Council and be backed by prior independent advice as to an assessment of risks and revenues.

3.3 Management of Liquidity Risks

The duration and liquidity of investments will be managed to provide sufficient funds for planned expenditure and to otherwise allow the payment of obligations as they fall due.

3.4 Disposition of Income and Proceeds

Returns from investments will be applied in proportion to any special designated funds, and otherwise to form part of general operating revenues.

3.5 Accountabilities

The management of treasury investments will be carried out by the Accountant under delegation from the District Treasurer.

To measure the performance of investment management the weighted average rate of interest will be compared to prevailing 90-day bill rates and shall not be more than 0.5% less than those rates.

The District Treasurer will report quarterly to Finance & Strategic Planning Committee meetings on investment portfolio status, comparison of interest rates to benchmarks and any instances where the policy has not been able to be complied with.

3.6 Internal borrowing

Council may, from time to time, instead of raising loans or borrowing on overdraft, internally borrow from any Special Fund accounts on such terms and conditions as it thinks appropriate in any instance, but without interrupting the normal cash flow requirements of any such fund. Such terms and conditions may include, amongst other matters, a nil rate of interest and deferral or future waiving of repayments.

Repayments may be made directly to the source fund or through an internal Loan Repayment Fund.

Internal borrowing arrangements will not be subject to clauses 3.2 or 4 of the Investment Policy.

4 Community Group Advances

As at 30 June 2005 Council held secured advances to community groups to the value of \$0.03m.

Interest from these advances is used to offset general rates.

Advances may only be made pursuant to a specific resolution of Council.

Such advances will only be made in the future where such advances will strategically fit Council's core activities. There is no such provision in the LTCCP.

5 Foxtan Beach Endowment Property

As at 30 June 2007 Council owned \$6.3m in Foxtan Beach endowment property. Rental income from these properties is credited to the Foxtan Beach Freeholding Fund.

Use of this fund is governed by Section 21 of the Reserves And Other Lands Disposals Act 1956 and subsequent amendments, and is made only pursuant to a specific resolution of Council or by incorporation in the annual budgets.

Council has a general preparedness to dispose of endowment property by way of sale to lessees at market valuation or subdivision and sale at market valuations. Any proceeds from sale will be credited to the Foxtan Beach Freeholding Fund.

6 General Property

As at 30 June 2005 Council owned \$17.5m in land and buildings other than those referred to above or used for infrastructural assets, parks or reserves.

Rental income from these properties is used to offset general rates.

The properties are only purchased, sold or leased pursuant to a specific resolution of Council.

Such properties will only be purchased in the future where such acquisitions will strategically fit Council's activities. The LTCCP identifies the need to purchase property for possible roading, sporting, civic and cemetery needs.

Council has an ongoing policy to rationalise its ownership of property. The LTCCP identifies the possible disposal of rental housing other than pensioner flats, surplus recreational and rural hall land. Any proceeds from sale will be set aside for major renewal or capital expenditure projects.

7 Foreign Exchange

Council has occasional exposure to foreign exchange in purchasing goods and services in the normal course of business, but any other foreign exchange dealings are prohibited.

Spending Policy

The fund has the potential to continue for an extended period, if managed appropriately. Proceeds from the ongoing sale/freehold of properties and remaining leases can be used to provide for current and future services and amenities, including infrastructure upgrades and other services.

An inflation-adjusted proportion of income from the fund will be retained with the base principal to ensure that future generations are also able to benefit from the endowment.

Expenditure shall be governed by the following principles:

Sustainability: The fund shall be applied to enhance the current and future wellbeing of the inhabitants of Foxtton Beach

Beneficial: The fund shall be applied to services and amenities in ways that consider the social, environmental, cultural and economic wellbeing of the inhabitants of Foxtton Beach

Complementary: The fund is not the sole resource for funding infrastructure and other development, and should be used in a way complementary to other sources to maintain a sense of community responsibility, ownership and fairness

Responsiveness: The fund shall be applied for infrastructure, but also retain some flexibility to meet needs that are currently unforeseen

The fund will be used for Capital Works only, on existing and future infrastructure. The fund will not be used for operating or maintenance costs of existing infrastructure, which will be funded from rates or other revenue sources

The fund will only be used on items included in the Council's LTCCP (10 year plan) or Annual Plan.

Expenditure items identified in the LTCCP or Annual Plan will be derived from the Horowhenua Development Plan (refer Appendix A for Development Plan infrastructure capital items) or relevant Asset Management Plan (refer to Appendix B for Asset management expenditure items for Foxtton Beach that are not included in the Horowhenua Development Plan)

Any works related to growth should be funded from Development Contributions and not the Free-holding a/c.

Generally the fund will be used on capital projects within the Foxtton Beach boundary. However, the fund can be used where a service or amenity is not provided within the Foxtton

Beach boundary but will benefit the residents of Foxtan Beach. The service or amenity must be located within the Kere Kere Ward.

Maximum level of contribution

The maximum contribution from the fund will be 50% of any total project cost.

Prioritisation

The following will be used by Council as a guide to the prioritisation of funds and how/where the funds will be used.;

- Whether expenditure has been identified in the LTCCP
- Priority items identified by the Foxtan Community Board in the Annual Plan/ LTCCP process
- Community consultation during the Annual Plan / LTCCP process
- The Principles of the Foxtan Beach Freeholding Account Policy have been met
- Whether the minimum account balance level will be breached during the proceeding 12 months

APPENDIX A

Horowhenua Development Plan

In 2008 Council adopted the Horowhenua Development Plan which provided the strategy to direct future growth in the Horowhenua District. The Development Plan establishes a future form and function for the district's urban and rural areas.

The following are the components for the Foxton Beach development plan:

Town Centre

Foxton Beach currently does not have an identifiable town centre or focal point of commercial/social activity. The existing commercial and community facilities are dispersed along the main roads. It is proposed to recognise two locations, one near the beach and Holben Reserve at the Signal Street/ Bond Street intersection, and the other on Seabury Avenue. The Signal Street/Bond Street centre would have a recreational/ tourism focus and the Seabury Avenue centre would provide for the commercial needs for the local community.

No provision has been made for industrial land in Foxton Beach, as it is considered more appropriate to locate this type of activity in Foxton to service the local community needs.

Residential Land Use

Residential development in Foxton Beach is anticipated to cater to two house types, being the permanent resident and the holiday home. These two forms of residential occupation present some challenges and opportunities in managing residential development. To cater for both forms of residential development, a range of densities have been provided for.

As discussed above, it is proposed to create a focal point for commercial and community activities around the Signal Street/Bond Street intersection. To support the concentration of commercial/community activity in this location, it is proposed to provide for more intensive residential development than currently permitted in Foxton Beach. This form of residential development is termed "medium density", which could be a mix of town houses or terraced residential units. Three areas have been identified for this form of development which have similar qualities. For efficient development patterns and to minimise amenity conflicts between standard residential development and medium residential development, whole street blocks have been proposed for medium density development. Developments may consist of three residential units on a single property through to 20 residential units on a group of existing properties. It would be expected that this greater density would happen incrementally over time depending on demand and landowner aspirations. The release of "new" residential land will be required to be planned in advance to recognise market indications, infrastructure planning and community/landowner aspirations. It is proposed that Council in consultation with landowners will prepare an overall structure plan for the main greenfield areas in advance of rezoning. This structure plan will

establish the spatial arrangement of key streets and linkages, open spaces, densities, and infrastructure. It will also enable financial contributions to be determined such that the costs of development are appropriately equated between developers and existing ratepayers.

The Development Plan has identified the following growth areas for Foxtton Beach;

AREA 1 – Bond Street/Nash Parade/Dewe Terrace/Signal Street/Nelson Street/Holben Parade: Town Centre & Medium Density-9ha

This area is located in the western part of Foxtton Beach around the western periphery of Holben Reserve. For efficient development patterns and to minimise amenity conflicts between standard residential development and medium residential development, whole street blocks have been proposed for medium density development. Developments may consist of three residential units on a single property through to 20 residential units on a group of existing properties. Development in the medium density areas would be connected to the existing reticulated infrastructure networks and established local roading patterns. There is a mix of size in existing landholdings.

AREA 2 – Seabury Avenue/Dawick Street: Town Centre-0.5 ha

This area is located on the corner of Seabury Avenue and Dawick Street in a central location for Foxtton Beach settlement. A small area for growth of local retail and community amenities for the permanent community in Foxtton Beach is provided in this location. Development in the town centre area would be connected to the existing reticulated infrastructure networks and established local roading patterns. There is a mix of size in existing landholdings.

AREA 3 – Thomas Place/Warren Place: Standard Residential-20ha

This area is located on the northern side of Foxtton Beach and has a total area of approximately 20 hectares. It is bordered by rural land to the north and east and existing residential development to the west and south. It is proposed that this area be developed as “Standard Residential”. Development in the growth area would be connected to the existing reticulated infrastructure networks and established local roading patterns.

AREA 4 – Cousins Avenue/Marine Parade North - Standard Residential-6.1ha

This area is located in the northwest part of Foxtton Beach. This area is subject to the Foxtton Beach Coastal Reserve Management Plan and future development in this area would be need to be subject to any provisions within that Plan.

AREA 5 – Mack Street/ Barber Street- Standard Residential-3.4ha

This area is located in the southwest part of Foxtton Beach. This area is subject to the Foxtton Beach Coastal Reserve Management Plan and future development in this area would be need to be subject to any provisions within that Plan.

AREA 6 – Palmer Road/Edinburgh Terrace: Standard Residential-10.2ha

This option is located in the north-east corner of Foxtton Beach and has a total area of approximately 10 hectares. It is bordered by rural land to the west, north and east, and residential land to the south. It is proposed that this area be developed as “Standard Residential”. Development in the growth area would be connected to the existing reticulated infrastructure networks and established local roading patterns.

This area is located on the northern side of Foxtton Beach and has a total area of approximately 22 hectares. It is bordered by rural land to the east, north

and west, and existing residential development to the south. It is proposed that this area be developed as "Low Density Residential". Development in the growth area would be connected to the existing reticulated infrastructure networks and established local roading patterns.

Assets that will be required to service growth areas for Foxton Beach in the Horowhenua Development Plan include:

Roading.

The roading network within the Soo block will need to be upgraded from 6 metre to 11 metres with a foot path on one side and kerb and channel both sides. There is 1200 metres within the Soo block plus 150 metres of Taylor Street that needs this treatment. **\$890,000.**

A road link (150 metres) across the lake reserve lot 58 within the Soo block will be required to connect two cul-de sacs. These will be serving too many properties to be left with a single access point. This road will need partial reclamation of the western edge of the lake. **\$245,000.**

900 metres of road within the block east of the council land will require council contribution for building to full standard since each subdivider will need to build only for his own small subdivision. Allow 50% of full new road cost **\$410,000.**

Palmer Road will need to be widened from 5.8 to 8 metres sealed over a distance of 2,500 metres. Palmer Road will need a separate cycle path of 3 metres width. **\$1,035,000**

An upgrade of Nash, Bond, Signal, Mack and Holben will be required to service the medium density area. This will include widening from an average of 5.5 to 11 metres over a distance of 1,920 metres plus the provision of kerb and channel and footpath on two sides. **\$1,470,000**

	width	length
Nash	5.6	227
Bond	5.8	550
Signal	4.8	237
Signal	5.7	263
Mack	4.9	363
Holben	6	280
	5.5	1920

Recreational Walkways

In addition to the Palmer Road cycleway which is provided as a commuter route, there is a need for existing footpaths to be upgraded, linked and extended into the development areas to pass alongside the lakes. Upgrade 1 kilometre of existing path, provide 2 kilometres of new paths through reserve areas. **\$230,000**

Water Supply:

The development of the areas east of the Council's block is likely to be piecemeal and HDC will need to take easements to ensure that the whole block can be serviced. This will be HDC cost rather than the subdividers' and also we will need to contribute to some reticulation where the size required for the full development is greater than what is needed in any particular subdivision. Allow a further **\$100,000.**

Storm water.

A new pump station has recently been commissioned servicing a catchment of 116 hectares (1160 lots) including part of the already developed area and an area north of Palmer road. It will discharge through a 500mm main to the river. Total cost is \$600,000. This pump is operated from a stand-by generator. As the area develops and better provision for mains power is provided there will be an opportunity to link this pump into the mains. Allow **\$50,000**

Sewerage.

A new pump station has recently been commissioned servicing 40% of the existing town and the development area. It will pump direct to the existing treatment plant. Total cost is \$500,000

As the town develops the treatment plant will need to be relocated and a new plant, possibly combined with Foxton will be established. This treatment plant will cost \$6,235,186 shared between the two towns. The growth part of this cost is \$3,399,514 and over the life of the asset 1360 new lots are projected - \$2,500 per lot. At Foxton Beach an additional pump station on the site of the existing treatment plant will be needed. The total cost will be 881,763, of which \$817,015 is attributable to growth and is spread over 960 new lots at \$739 per lot.

As for water supply, the development of the areas east of the council's block is likely to be piecemeal and HDC will need to take easements to ensure that the whole block can be serviced. This will be HDC cost rather than the subdividers' and also we will need to contribute to some reticulation where the size required for the full development is greater than what is needed in any particular subdivision. Allow a further **\$100,000**.

Growth will be by way of infill, the rezoning of the Soo block (area 2) and the northern part of the Council block and land east of that block (areas 3 and 4). to residential and creating medium density residential development in the Holben area (area 1). These developments will bring housing within 300 metres of the sewage treatment plant requiring its relocation to establish an 800 metres buffer, possibly combining it with Foxton's.

A percentage of the funding could come from the Foxton Beach Freeholding Account.

APPENDIX B**Commitments in LTCCP 2006-2016**

Stage 3 of subdivision and the proposed development of the Andrews Street subdivision and other proposed works will see a substantial drawdown of the Freeholding Account over the period 2006/07 to 2013/14. offset by sales revenue (not shown in LTCCP)

works in current LTCCP

Holben reserve	\$163,800
Water supply capacity	\$597,500
Treatment plant relocation	\$4,885,700