

Agenda for an extraordinary meeting of the Waikato District Council to be held in the Council Chambers, District Office, 15 Galileo Street, Ngaruawahia on **TUESDAY 21 MARCH 2017** commencing at **3.15pm**.

Information and recommendations are included in the reports to assist the Board in the decision making process and may not constitute Council's decision or policy until considered by the Board.

- 1. APOLOGIES AND LEAVE OF ABSENCE**
- 2. CONFIRMATION OF STATUS OF AGENDA**
- 3. DISCLOSURES OF INTEREST**
- 4. REPORTS**
 - 4.1 WEL Energy Trust Draft Statement of Intent 2
- 5. EXCLUSION OF THE PUBLIC 30**

GJ Ion
CHIEF EXECUTIVE
Agenda2017\CCL\170032\CCL Extra OP.dot

Open Meeting

To	Waikato District Council
From	Gavin Ion Chief Executive
Date	14 March 2017
Chief Executive Approved	Y
Reference #	1694124
Report Title	WEL Energy Trust Draft Statement of Intent

1. EXECUTIVE SUMMARY

To agree on the wording of a proposed submission on the WEL Energy Trust draft Statement of Intent 2017/18.

2. RECOMMENDATION

THAT the report from the Chief Executive be received.

3. BACKGROUND

The WEL Energy Trust has historically produced an annual plan that details its proposed work programme for the forthcoming year. This year the Trust has decided to produce a draft Statement of Intent instead. The Trust will be meeting on 28 March to consider feedback on the draft Statement of Intent.

4. DISCUSSION AND ANALYSIS OF OPTIONS

4.1 DISCUSSION

The draft Statement of Intent is now a streamlined document, and clearly spells out the strategic direction as consulted on with the community.

The draft Statement of Intent provides a good summary of the Trust's review of its strategy over the past 18 months.

The draft Statement of Intent provides feedback on the strategic direction for the Trust in terms of engaging with the community, building strong partnerships and delivering added value to stakeholders.

The strategy for 2017-2021 is based around:

1. Maximising long term impact by being strategic and transformative.
2. Expanding support into other areas that aid the community as an addition to the existing grants process.
3. Governing the Trust effectively and efficiently to be responsive to our community.

WEL Energy Trust's draft Statement of Intent 2017/2018 signals a planned level of community grants of \$2,900,000 (compared to \$2,500,000 in the previous year) and a continuation of the power discount programme (based on company performance). \$1,179,000 (compared to \$1,147,000 in the previous year) is available to support community projects through community loans.

Subject to Trust approved and availability of funds, \$377,000 (out of a prior year Special Dividend) is budgeted for social investment projects.

The Trust is budgeting for a deficit for the year of \$421,570 which is to be funded out of accumulated reserves. At present this is not transparent as no budgeted Statement of Financial Position has been provided.

A separate meeting of the Capital Beneficiaries (Waikato District, Hamilton City and Waipa District Councils) was held in early March to discuss the draft Statement of Intent.

An informative discussion was held which highlighted:

- The Trust is well-informed and thinking about the future of its investment in WEL Networks.
- The Trust may consider other investment options in the future.
- The Inland Revenue Department are reviewing the use of consumer discount schemes such as that operated by WEL Networks and this may impact on the Trust in the future.
- To add context to the budget submitted as part of the draft Statement of Intent, a budgeted Statement of Financial Position should also be provided.

The Trust are also in the process of producing a pre-election report prior to the Trust election in June.

4.2 OPTIONS

Historically, Council has always taken an interest in the affairs of the Trust and supported the direction the Trust has taken.

Council needs to decide whether to support the draft Statement of Intent or not.

5. CONSIDERATION

5.1 FINANCIAL

There are no direct financial consequences at this stage.

5.2 LEGAL

Nil.

5.3 STRATEGY, PLANS, POLICY AND PARTNERSHIP ALIGNMENT

As a capital beneficiary of the WEL Energy Trust, Council is representing the views of the Waikato district community in making any submission on this draft Statement of Intent.

5.4 ASSESSMENT OF SIGNIFICANCE AND ENGAGEMENT POLICY AND OF EXTERNAL STAKEHOLDERS

(Ascertain if the Significance & Engagement Policy is triggered or not and specify the level/s of engagement that will be required as per the table below (refer to the Policy for more detail and an explanation of each level of engagement):

Highest levels of engagement	Inform	Consult	Involve	Collaborate	Empower
	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Councillors are being asked to consider a proposed submission. Changes, additions or deletions will be actioned based on feedback.					

State below which external stakeholders have been or will be engaged with:

Planned	In Progress	Complete	
		✓	Internal
			Community Boards/Community Committees
			Waikato-Tainui/Local iwi
			Households
			Business
			Other Please Specify

A meeting of the Capital beneficiaries of the Trust provided valuable insights into the strategic thinking underlying changes in the approach being adopted by the Trust.

6. CONCLUSION

Council is being asked to approve a submission on the WEL Energy Trust's draft Statement of Intent for 2017/2018. The main thrust of the submission is to support the direction being taken by the WEL Energy Trust in relation to community grants, community engagement and investment, and encouraging the Trust to take a wider perspective in supporting the community. There are several points of clarification which are being sought.

7. ATTACHMENTS

Draft Statement of Intent 2017/2018
 Draft submission
 Five Year Strategic Plan 2017-2021

14 March 2017

Mark Ingle
Chairman
WEL Energy Trust
PO Box 1336
HAMILTON 3240

Dear Mark

Thank you for the opportunity to make this submission in relation to the WEL Energy Trust's draft Statement of Intent for 2017/2018. The Council welcomes the opportunity to be able to input into the process and also appreciates the early engagement and discussion that the Mayor and Chief Executive were involved in.

The Council supports the strategic direction outlined in the document. It is clear that the Trust sees that its value lies in being forward-thinking, establishing good partnerships and close collaboration with the community. We support the intention of the Trust to be recognised as a key part of the community and to extend the role it plays.

It is clear from the meeting attended by the Mayor and Chief Executive that the Trust has thought carefully about the investment in WEL Networks and the future of the electricity industry. The discussion around the Trust being flexible and responsive to market conditions or changes in technology highlighted the need to be nimble.

The action focus in being strategic and transformative, expanding support beyond grants and governing effectively will help our communities to benefit from the operation of the Trust.

We note that the grants programme is budgeted at a higher level than last year and this will enhance the added flexibility and greater frequency in the way in which grants are now administered.

We look forward to working with you towards developing even stronger partnerships between the Council, WEL Energy Trust and the community.

It is important that, for the Trust to succeed, there is a high level of engagement and discussion so that stakeholders are fully involved. We have appreciated the opportunities we have had during the year to meet with and engage with the Trust.

We support the intention of the Trust to be accepted as part of the community and as a trusted voice in the community.

The emphasis on communication is essential to ensure that stakeholders are clear on direction, strategy and purpose.

It would be interesting to know the success of the community loans, multi-year grants and the quick response rounds and whether these initiatives have been positively received by the community.

We support the continuous improvement ethos that is apparent in this draft Statement of Intent. Pursuing best practice, efficiency and community impact are all reflective of where the Trust is positioning itself.

The long-term support of WEL Networks through shareholding has been a sound investment for the Trust that has stood the test of time. However, it is encouraging to note that the Trust is flexible should other investment opportunities prove to be more appropriate.

We would like to be kept informed of the Inland Revenue Department's review of electricity consumer discounts.

Whilst we have been assured about the financial solidity of the Trust, this would be enhanced if we could see a budgeted Statement of Financial Position. We note that the draft Statement of Intent is strong on expected outcomes but does not provide a readily identifiable set of performance measures that would help to explain whether the outcomes have been delivered.

Thank you for the opportunity to make this submission. The Council appreciates the support that the Trust gives to our community and we look forward to working with you towards the vision of a forward thinking, vibrant, connected community.

Council would like to be heard in relation to its submission.

Yours sincerely

Allan Sanson
MAYOR



'Working together, working smarter, to grow investment and to unlock the powerful possibilities of our Community, now and into the future.'

OUR VISION

'A FORWARD THINKING, VIBRANT, CONNECTED COMMUNITY.'

→ The Trust's Vision is to support "A forward thinking, vibrant, connected Community" and it does this by being diligent shareholders and investors, and by using its income as effectively as possible to benefit the Community.

OUR MISSION

'WORKING TOGETHER, WORKING SMARTER, TO GROW INVESTMENT AND TO UNLOCK THE POWERFUL POSSIBILITIES OF OUR COMMUNITY, NOW AND INTO THE FUTURE.'

→ Trustees have listened carefully to the community voice on what is important to the region in terms of regional values, as well as priority areas for action, and has adopted a bold new Mission to guide the Trust into the future.

To meet our responsibilities and resource our strategies and communities long term, an important focus of the Trust is that of investor and asset owner. This strategic plan reflects the Trust's intention to be an active and responsible asset owner, adopting investment strategies to sustain and grow its assets for people today and for future generations. It is clear that lasting change requires long term commitment and a well-researched, collaborative approach. As an organisation we remain focussed on our commitment to back the people who are leading positive change, and to proactively work with others to realise the powerful possibilities of the region.

OUR VALUES

1

PURPOSE DRIVEN
Our actions deliver a clear, positive outcome.

2

RESPECTFUL
We openly and fairly listen to and consider the opinions of each other and stakeholders.

3

EMBRACE POSITIVE CHANGE AND SEEK CONSTANT IMPROVEMENT
We are willing to challenge the status quo and strive to achieve improved outcomes.

4

INTEGRITY AND HONESTY
We act in good faith and are prepared to be held accountable.

5

CLEAR, CONSTRUCTIVE COMMUNICATION
We create understanding through open and informative engagement.

GOVERN THE TRUST EFFECTIVELY AND EFFICIENTLY AND BE RESPONSIVE TO OUR COMMUNITY

1. We recognise the need to align our resources with our strategic intent, and to regularly monitor and review our investments and practices.
2. The Trust believes that retaining a controlling interest in WEL Networks is beneficial in ensuring the Company retains a strong sense of social responsibility, and in growing investment for our community.
3. We'll continue to review investments and business structures to ensure they are the best fit for purpose, including providing the level of liquidity the Trust requires to action its strategic intent.
4. Through a clear Statement of Intent, we'll strive to balance commercial outcomes and growth with the social and cultural aspirations of the Community. This will involve taking a holistic or 'multiple bottom line' approach to investment, with consideration of both profit-related and socially oriented goals.

MAXIMISE LONG TERM IMPACT BY BEING STRATEGIC AND TRANSFORMATIVE

1. We are a Community Trust with a regional focus and roles to play in terms of both regional leadership and the guardianship of community assets/value.
2. The Trust wishes to understand the social and cultural aspirations of the Community, and to work collaboratively to make a transformational difference in identified regional priority areas, including economic development.
3. The Trust focuses on making a long term sustainable difference by giving priority to initiatives and organisations that can demonstrate collaboration and that are impacting or enhancing:
 - Individuals' lives – providing high and/or broad impact
 - Organisations – capacity building and encouraging collaboration
 - The Community – preventing issues from occurring
 - People's views – delivering strong community pride
4. We will take a balanced view of intergenerational benefit which relates to investment in the Community in the present, over the life of the Trust, as well as the capital value of the Trust's assets at the termination of the Trust.
5. We aim to leverage grants through partnership and collaboration with community groups, other funders, business, and Local and Central Government to have a greater impact in the region.

EXPAND SUPPORT BEYOND GRANT MAKING

1. To assist communities in developing their full potential, and to find answers to complex issues and encourage better ways for working together, the Trust will look for new ways to support the economic, social and physical wellbeing of the community.
2. Our aspiration is to prevent problems from occurring in the first place, and to work together to back the people who are leading positive change, building on existing strengths to move the needle on identified regional priority areas.
3. We'll ensure the Trust contributes to the dialogue, vision and leadership in the Community, particularly as it relates to the Trust's strategic vision and wider regional priorities.

DRAFT STATEMENT OF INTENT 2017/18

This report presents an overview of the Trust's objectives, intentions and expected outcomes over the next 12 months within the framework of the 2017-21 Strategic Plan.

WEL Energy Trust

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Introduction

WEL Energy Trust wishes to present its Statement of Intent for 2017/18. This is our guiding document for the financial year. It sets out the Trust's direction for this, the first year within the 2017-2021 Strategic Plan, and provides an overview of the objectives, intentions and expected outcomes for key areas over the next 12 months.

Trustees see this year as a time of change in the life of the Trust.

2017-2021 Strategic Plan: Trustees recognise that this is a time of both uncertainty and opportunity, with change in the political, economic, legal (regulatory) social and technological landscape in which the Trust and the WEL Group operates.

Over the past 12 months the Trust has worked with the Company, external advisors and other stakeholders to conduct a thorough strategic review to inform the direction of the Trust over the next five years.

A framework has been developed to look at possible options for the future and to evaluate them using a clear set of decision-making criteria. These were derived with reference to the Trust's history, current and strategic context, as well as the Strengths, Weaknesses, Opportunities and Threats (SWOT Analysis) facing the Trust from an investor's perspective.

This review is ongoing and is reflected in this Statement of Intent and the Trust's Five Year Strategic Plan (which is summarised on page 21).

As part of the five year strategic planning process, Trustees also examined the role of the Trust in a regional context by referring to identified regional priorities that have been articulated recently through a number of major initiatives. These include the Waikato Story, Waikato Vital Signs, Waikato Means Business and the Waikato Plan.

The Trust has listened carefully to this community voice, and has identified regional priorities and values that are now reflected in the Trust Mission, as well as in the tactical goals outlined in this document.

This **Statement of Intent** focusses sharply on the intended beneficiaries and the intended benefit of the Trust in terms of clear outcomes and milestones to be achieved over the 2017/18 financial year.

This is done with reference to the Trust's Vision and Mission, as well as to the Trust's three key strategic objectives in the Five Year Strategic Plan:

1. *To Govern the Trust effectively and efficiently and be responsive to our Community*
2. *To Maximise long term impact by being strategic and transformative*
3. *To expand support beyond Grantmaking*

Background, History and Purpose of the Trust

WEL Energy Trust (the Trust) was formed in 1993 for the purpose of holding shares in the newly created WEL Energy Group, and has a governing document effective from this time; the Trust Deed.

The Trust was originally the 1/3 owner of the Group, and the purpose of this shareholding under the Trust Deed is to ensure the Company, now known as WEL Networks Ltd (the Company), operates as a 'successful company'.

Under the Trust Deed, the definition of a 'successful company' includes not only profitability but the need to exhibit a sense of social responsibility by having regard to the interests of the community and by endeavouring to accommodate or encourage those interests when able to do so.

In 2000, the Trust became the 100% shareholder of WEL Networks Ltd after buying the shares of overseas interests, and of all individual WEL Networks Ltd customers.

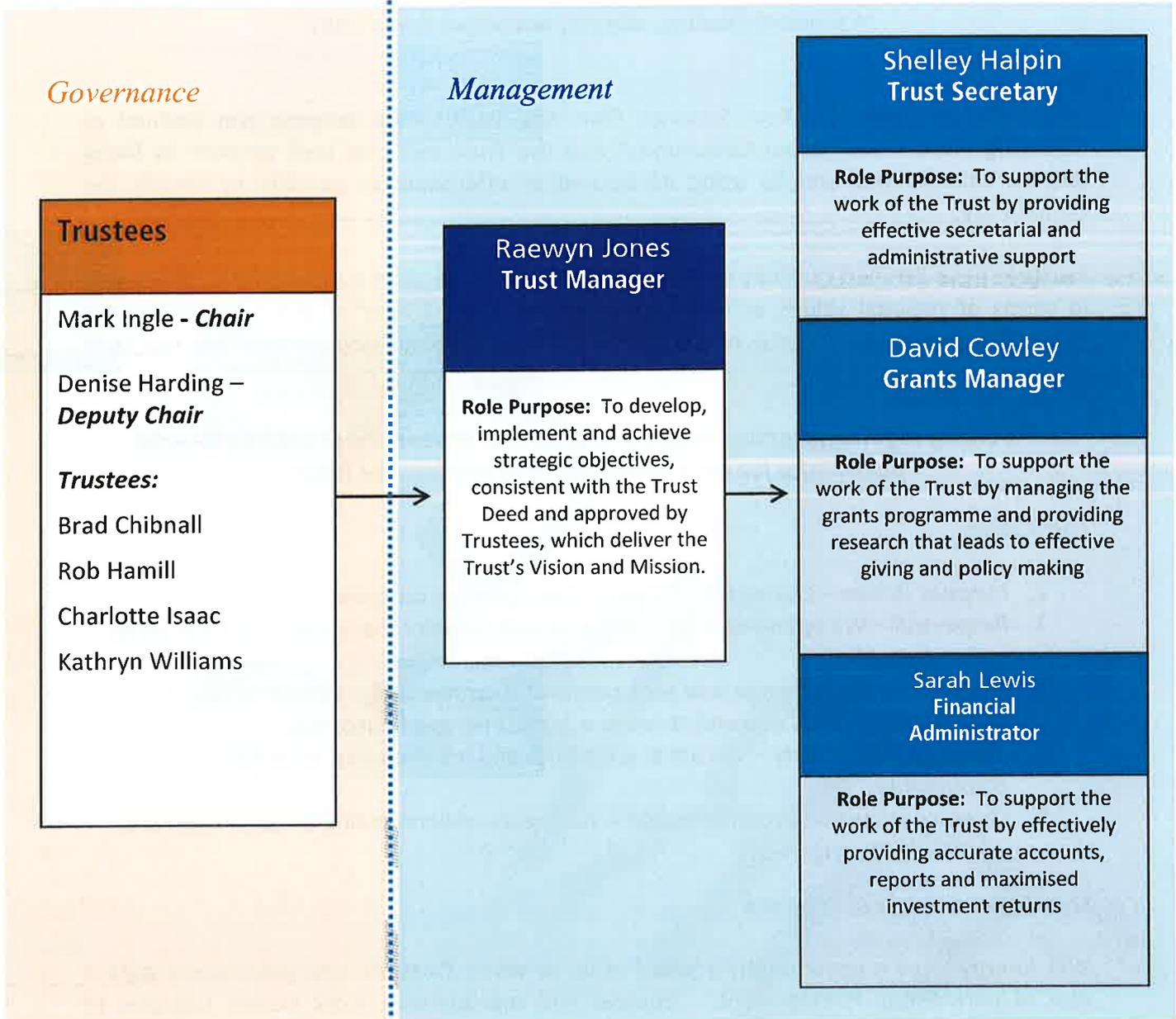
Ultrafast Fibre Limited was established by the Company in 2010 in order to fulfil a New Zealand Government initiative to rollout Ultrafast Broadband (UFB) across eight centres in the Central North Island. Interests in fibre are held through Waikato Networks Ltd (WNL), of which WEL Networks Ltd is an 85% shareholder (Waipa Networks owns 15%).

WEL Networks Ltd also has a smart box programme. The Top Energy project is delivered through Smart Co Ltd, of which WEL is a 15% shareholder.

As per the Trust Deed, on winding up of the Trust in 2073, the fund will be distributed to Territorial Authorities (Capital Beneficiaries) in specific proportions (Hamilton City Council – 63%, Waikato District Council – 35%, Waipa District Council – 2%).



Structure of the Trust



Our Vision The Trust's Vision remains unchanged:

'A forward thinking, vibrant, connected Community.'

Our Mission

Under the previous Five Year Strategic Plan, the Trust's core purpose was defined as "Growing Investment for our Community" and the Trust met that core purpose by being diligent shareholders and by using its income as effectively as possible to benefit the Community.

Trustees have listened carefully to the community voice on what is important to the region in terms of regional values as well as priority areas for action¹ in order to release the "powerful possibilities"² of the region, and that voice has been incorporated into the Trust Mission.

"Working together, working smarter, to grow investment and to unlock powerful possibilities for our Community, now and into the future."

Our Values

1. **Purpose Driven** – Our actions deliver a clear, positive outcome.
2. **Respectful** – We openly and fairly listen to and consider the opinions of each other and stakeholders.
3. **Embrace Positive change and seek constant improvement** – We are willing to challenge the status quo and strive to achieve improved outcomes.
4. **Integrity and honesty** – We act in good faith and are prepared to be held accountable.
5. **Clear, constructive communication** – We create understanding through open and informative engagement.

Our Approach to Governance

WEL Energy Trust is governed by a board of up to seven Trustees. Our governance style is one of partnership management. Trustees and management work closely together to develop the Trust's strategies, mission and operational policies.

The Trust is not just a commercial operator focussing on maximising returns from commercial interests, nor is it a purely charitable organisation. Trustees recognise we have a wide range of stakeholders and a variety of expectations to manage. That means the assessment of performance is more complex, but at the heart of it there is a commitment to keeping the best interests of our stakeholders at the centre of decision making.

WEL Energy Trust works to achieve its Mission by being prudent investors as well as diligent shareholders. Trustees continue to challenge the status quo in order to ensure the Trust is governed effectively and efficiently, and is responsive to our Community.

¹ Waikato Vital Signs / Waikato Means Business

² The Waikato Story

Investments and Finance

Background and Strategy

In 2015/16 the Trust developed a Statement of Investment Policies and Objectives (SIPO). The SIPO is the governance document that outlines the Trust's strategic intent in relation to its investments.

The Trust's Investments can broadly be divided into three areas:

1. The **Core infrastructure holding** in WEL Networks Ltd (as 100% shareholder)
2. **Investment Portfolio** – approximately \$12,000,000 (that has traditionally been held as cash in term deposits)
3. **Mission Related Investments** – currently up to \$2,000,000 of the above investment portfolio is available to be invested through Community Loans

'Mission Related Investments' have a focus on creating positive social or environmental impacts in the Trust's community. They may not individually and/or collectively reflect the Trustees' other investment beliefs, for example, with regard to risk and diversification. This is acceptable provided that any Mission Related Investments represent a small portion of the total portfolio of the Trust.

Mission Related Investments are sometimes referred to as 'Social Investments' (which provide a less-than-market rate of return) or 'Impact Investments' (which achieve a market return whilst also achieving social good, such as the Trust's Community loans).

The Trust's **Five Year Strategic Plan** includes the following objectives/beliefs in relation to investments and finance:

1. We are a Community Trust with a regional focus and roles to play in terms of both regional leadership and the guardianship of community assets/value.
2. We will take a balanced view of intergenerational benefit which relates to investment in the community in the present, over the life of the Trust, as well as the capital value of the Trust's assets at the termination of the Trust.
3. The Trust believes that retaining a controlling interest in WEL Networks is beneficial in ensuring the Company retains a strong sense of social responsibility, and to grow investment for our community.
4. Through a clear Statement of Intent, we'll strive to balance commercial outcomes and growth with the social and cultural aspirations of the community. This will involve taking a holistic or 'multiple bottom line' approach to investment, with consideration of both profit-related and socially-oriented goals.

Our Objectives

A major objective for 2017/18 will be to define the expected outcomes, parameters and expectations for the Trust's investment portfolio, including the core infrastructure holding in WEL Networks Ltd.

The SIPO will be used this year along with external advisors and consultation with our stakeholders to make prudent decisions around diversification of investment, risk management, and expectations around income and longer term capital growth.

This will include considerations of intergenerational benefit, and will take into account social as well as financial returns. 'Intergenerational benefit' refers to the Trust's objective to ensure that the benefit of the Trust's investments have impact now, as well as over the life of the Trust. The Review of Investments and Business Structures will continue into 2017/18 with the objective of identifying the best fit-for-purpose structure to achieve this strategic intent.

We intend to generate both income and expenditure within 5% of budget before tax.

Overall Allocation

Asset Type	Target allocation
Core Infrastructure Holding	80-99%
Investment Portfolio	1-20%
Mission Related Investments	1-5%

Our Intentions

Overall we will manage our investments to ensure:

- Growth and income expectations are being met;
- We have a sufficiently diverse investment portfolio that manages risk and income volatility.

Core infrastructure holding

- Define a long-term capital growth return;
- Keep the risk of a reduction in the value of the investment by more than 20% to a minimum. This level of risk is reviewed annually in concert with the Review of Investment in the Company.

In the year covered by this Statement of Intent, we intend to continue to review our investments and business structures to ensure we have a fit-for-purpose organisation that sustainably manages the Trust's capital base.

We will continue work with the Company, external advisors and stakeholders to clarify intentions regarding:

- Intergenerational considerations
- liquidity
- Dividend levels required to achieve strategic goals
- Enterprise value – long term expectations
- Risk/Gearing (and the Trust's risk appetite)
- The Trust's role of kaitiakitanga (guardianship), with consideration of both profit and socially oriented goals

Investment Portfolio

In 2017 the Trust's cash reserves will be invested through Russell Investments into a portfolio of Global Equities and Global Bonds. In line with the SIPO, a Moderate Balanced portfolio (50/50) will be adopted.

The investment objective of the Investment Portfolio is to:

- Generate a pre-tax return of between 3.5% to 4.5% including capital growth;
- Carry out the above while keeping the risk of a reduction in the value of the investment by more than 20% to a minimum.

Mission Related Investments

The Trust will investigate opportunities to engage in 'Impact investment' or 'Social Investment' opportunities, other than the current Community Loans. We will look to identify opportunities for the Trust to work with others and use its investments to impact on regional priority areas.

Expected Outcomes

- Clarity about the best fit-for-purpose business structure and expected returns to meet the Trust's long term strategic intent.
- Sufficient income to meet our deed obligations and current strategic intentions.
- A financially resilient organisation.
- The ability to make meaningful investments into the community through distributions and investments with a view to unlocking the 'powerful possibilities' of the region.

The Budget for 2017/18 can be found on page 20.



Working with WEL Networks Ltd

Background and Strategy

WEL Energy Trust is proud of its ownership of WEL Networks Ltd and supports its aspiration to provide high quality, reliable utility services valued by their customers, whilst protecting and enabling the community. WEL Networks has maintained strong delivery of its core service that delivers electricity to over 84,000 homes, farms and businesses.

The WEL Group is also focussed on making strategic investments in new technologies to take the business into the future.

Its vision is to not only ensure that the network remains sustainable, but to enable WEL to continue to enhance the region's economic and social growth. It is a diversified utility and strategic holder of Ultrafast Fibre (UFF). It has accomplished the delivery of its smart box project and is installing five electric vehicle fast chargers around the Waikato.

The Trust's **Five Year Strategic Plan** reaffirms that:

1. The Trust believes that retaining a controlling interest in WEL Networks is beneficial in ensuring the Company retains a strong sense of social responsibility, and to grow investment for our community; and
2. We will take a balanced view of intergenerational benefit which relates to investment in the community in the present, over the life of the Trust, as well as the capital value of the Trust's assets at the termination of the Trust.

Our Objectives

WEL Energy Trust, like WEL Networks, aims to support a connected and resilient community. To that end, we will continue to support WEL Networks Ltd in the diversification of its investments into areas that will enhance the region's economic and social growth.

One of the key objectives of the Trust is to ensure intergenerational equity.

We aim to identify the best model to ensure the Trust can meet this strategic intent and to ensure value flows through for the benefit of the community today and into the future.

We aim to work with WEL Networks to ensure that there is greater clarity around the strategic goals of the Trust and what the expectations of the Trust are as shareholder.

Our Intentions

The Trust intends to work with the Company and other advisors to determine the preferred option/scenario for business structures based on outcomes from the current strategic review process, and in light of the Trust SIPO. The implications of the preferred scenario will be investigated, stakeholders consulted, and a plan for implementation developed during 2017/18.



The Trust intends to work with WEL Networks Ltd to agree an Owners' Expectation Manual (OEM). The OEM will outline the expectations that the Trust as shareholder has of the Board, including a dividend policy, and specify the procedures and processes required to achieve this. **The Trust will also signal that it expects the Company will:**

- Ensure that it operates in a prudent way, and within the regulatory price framework;
- Ensure that the activity of the Company is carried out with the primary purpose of adding value to the shareholder (social returns will also be considered in this);
- Deliver returns that, over time, meet or exceed the Company's cost of capital and meet the dividend expectations of the shareholder;
- Provide capital growth over time, at least equivalent to the rate of inflation;
- Report annually each business segment's return compared with the segment's cost of capital;
- Report of the social and/or community focussed goals and outcomes (such as assistance with uneconomic undergrounding, or loss leading energy efficiency initiatives)
- Meet all legislative requirements and Auditor General obligations, and carry out business as a good corporate citizen;
- Manage the debt levels of the Company within a range agreed with the Board, and with consideration to the risk appetite of the Trust as 100% shareholder with reference to the Trust SIPO;
- Be available to meet with the shareholder quarterly or as otherwise required by the shareholder;
- Present to the Trust on a quarterly basis against these expectations, and those agreed in the Statement of Corporate Intent, the content of which will be agreed with the Company.

Discount

The IRD review of the tax deductibility of electricity lines company consumer discounts may require the discount as a means of providing benefit to the Community to be evaluated. In 2017/18 we will conduct a strategic review to ensure maximum benefit continues to flow back to the community.

Expected Outcomes

- An open, transparent and professional relationship with the Company;
- WEL Networks Group is delivering competitive returns to WEL Energy Trust, thereby adding value to the community.

Working with our Capital Beneficiaries

Our Objectives

The Trust acknowledges the relationship it has with its Capital Beneficiaries; Hamilton City Council, Waikato District Council, and Waipa District Council (as mandated by the Trust Deed). The Trust is committed to working with Capital Beneficiaries in managing those relationships.

Our Intentions

- To engage with Capital Beneficiaries around suitable priority projects for application to the Trust's Community Support grants rounds (March, June and September);
- To consult on the development of the Draft Trust Statement of Intent / Annual Plan, and to take submissions on this as well as the Draft Annual Budget;
- Trust management will maintain a working relationship with appropriate members of the Council management team;
- We will work to ensure that the Trust understands community priorities (including through Capital Beneficiary Long Term Plans) to contribute effectively to the strategic direction, goals and aspirations of the community.

Expected Outcomes

- WEL Energy Trust and our respective Capital Beneficiary Councils enjoy a culture of mutual trust, respect and understanding.
- We will have established a shared understanding of the Capital Growth value expectations for the Group over time.
- This includes working strategically together to create a forward thinking, vibrant and connected community.

Communications and Relationships

Background and Strategy

Engagement with our community is a critical component in our ability to deliver outcomes that exceed the expectations of our beneficiaries. Communication enables us to build partnerships and to be clear about the Trust's intentions – what we are doing, and how we are adding value to our purpose and mission.

In 2015, WEL Energy Trust engaged Key Research to ascertain community satisfaction with our programmes, and to measure overall awareness and perceptions of the Trust. This revealed strong agreement that “WEL Energy Trust is operating sustainably and managing assets for the long term benefit of the community”. We want to build on this success and will work to achieve it.

For that reason, our Trustees are committed to ongoing, quality communications with our beneficiaries and other stakeholders.

In the Trust's **Five Year Strategic Plan**, the Trust expresses the intention *to be responsive to our Community*:

1. The Trust wishes to understand the social and cultural aspirations of the community, and to work collaboratively to make a transformational difference in identified regional priority areas, including economic development.
2. We'll ensure the Trust contributes to the dialogue, vision and leadership in the community, particularly as it relates to the Trust's strategic vision and wider regional priorities.

Our Objectives

The Trust aims to openly and fairly listen to and consider the opinions of each other, and our stakeholders in the community.

We aim to engage in clear, constructive communication where we create understanding through open and informative engagement, and to provide relevant information.

We will listen well, and develop a range of partnerships and collaborations with our stakeholders as appropriate. By working together more we believe we can have greater impact.

Our Intentions

WEL Energy Trust will **provide information** in a number of ways:

1. We will keep the new website www.welenergytrust.co.nz up to date with relevant content, and ensure the Trust Deed, Annual Report, Statement of Intent and other pertinent information is kept publically accessible.
2. The Annual Report, Statement of Intent and Budget will be available for inspection by the general public in accordance with our obligations under the Trust Deed. These documents will be made available digitally via the Trust website or in print form on request.
3. The Statement of Intent will be made available for consultation no later than the end of February 2017.
4. All meetings of the Trustees are advertised in the local newspaper and are open for the public to attend. Trustees retain the right to discuss matters of a private or sensitive nature with the public excluded.
5. The Trust will hold an Annual General Meeting towards the end of July 2017 (within five months of the Trust's balance date of 31 March, 2017). The AGM will disclose financials, auditors' report and a summary of activities.
6. The Trust will maintain a formal communications strategy and plan, which will include distributing communications during the year to keep the beneficiaries informed.

Partnership and Collaboration will be encouraged in a number of ways:

1. Increasing use of 'round table' reporting for grantees in related areas;
2. Consultation with sector groups and regional research to inform granting decisions;
3. Active participation in the Community Funders Group (Chair, Deputy Chair and Trust Manager), Manager's groups, and Community Funder's Forums;
4. Community engagement by staff and Trustees with community groups and support organisations;
5. Engagement with Capital Beneficiaries on their Annual and Long Term Strategic goals as appropriate, as well as the strategic intentions of the Trust;
6. Participation by staff and Trustees in relevant sector conferences and training, such as Electricity Trusts of New Zealand, and Philanthropy New Zealand.

7. Participation on working or steering groups where we can add value, particularly with multi-year or 'partnership' organisations;
8. Financial and practical support of Vital Signs community collaborative research;
9. Looking for new ways to work with funders, local government, community groups and other stakeholders to make an impact in agreed regional priority areas.
10. Work more closely with WEL Networks Ltd on areas where we can together enhance the connectedness and resilience of the community, and where outcomes affect the Group as a whole, such as the Review of Investment in the Company.

Perceptions Benchmarking: WEL Energy Trust will engage an external provider to conduct a review of community perceptions of the Trust in 2018 that can be compared to the benchmark data taken in 2015, with a view to informing communications planning and practices.

The 2017 Triennial Trust election will be held on the 30 June 2017. There will be a programme of public notification around this as per the legislative requirements, as well as a Pre-Election Report to the Public, to be provided no later than three months prior to the election.

Expected Outcomes

It is expected that our community will:

- Be well informed and be kept abreast of WEL Energy Trust activities;
- Understand how our activities relate to our purpose and how we add value to the community;
- Continue to have faith in the work we are doing in preserving capital, and supporting a forward thinking, vibrant, connected community.

It is expected the Trust will:

- Ensure robust relationships are in place with key funders and stakeholders, and the Trust is seen as an active partner and as being engaged strategically in regional matters where it can add value.

Distributions

Background and Strategy

In 2015 the Trust adopted a 2015 to 2019 Community Investment Strategy that describes the strategies and processes the Trust uses to achieve strategic goals in relation to distributions, and this can be found on the Trust website.

The high level strategic goals are also outlined in the Five Year Strategic Plan for the Trust on Page 21.

Our Objectives

The objective of our grants and investment in the community is to maximise long term impact by being strategic and transformative.

The Trust does this a number of ways:

- A. Grants (or distributions)
- B. Though a “toolbox” of other support, such as through the Convening and Organisational Development Fund
- C. Investment – Social or Impact such as Community Loans

The details of these can be found on the Trust Website.

Broadly speaking there are four main strategic focus areas for the Trust for distributions, which have the following objectives:

	Energy Efficiency and Healthier Homes	Business / Economic Impact and Workability	Flourishing Families and Liveability	Enhancing Image and Building Community Pride
Objectives	<i>To promote energy efficiency and healthier homes.</i>	<i>To promote employability, attract skilled staff, or improve the business and economic opportunities in the region.</i>	<i>To transform the region into the most family friendly city in New Zealand, with high levels of participation and cohesion.</i>	<i>To enhance the image of the region and instil pride in the Waikato as a place to invest, work, live, play and study. This includes events, arts or projects that showcase the strengths of the Waikato.</i>

Our Intentions

A. Grants (Distributions)

Quick Response

The Quick Response fund has proven to be very effective and valued by the community. WEL Energy Trust will continue to support grassroots organisations and requests for up to \$5,000 through regular Quick Response rounds.

Community Support

Multiyear Funding: WEL Energy Trust recognises that a ‘steady friend’ is important in a competitive environment where there are increasing demands on community organisations. The Trust is committed to providing the surety that multi-year funding provides and will continue to grow this practice, using selection based on many factors including good governance and leadership, and proven success.

Research continues to highlight the value of diversity in decision making, and in empowering communities to address their issues and opportunities themselves. The Trust will explore ways to encourage greater diversity and participation in decision making, for example by investigating participatory funding models.

Grant Size: Rather than spreading available funding increasingly thinly, we will leverage the passion and expertise in the community by providing larger average grants to organisations that demonstrate impact and/or reach in the Trust focus areas, increasing the average grant size (but not quantity) during 2017/18.

This will mean tough decisions, with larger grants to fewer organisations. The Trust will refer to regional research such as the Vital Signs report as a tool to support effective Grantmaking in application of the Trust’s Community Investment strategy and focus areas.

Collaboration and Economic Development: Collaboration is an underpinning principle in the Trust’s Community Investment Strategy, along with a commitment to economic and social outcomes in our region. We will continue to work with other agencies to support projects that create or attract sustainable business activity and provide clear ongoing economic and social benefits to the region.

Energy Efficiency is an important focus area for WEL Energy Trust, and part of our Trust Deed. We will look for new opportunities to impact in this area, particularly in collaboration with WEL Networks Ltd.

Major Transformational Funding (“Vital Signs” fund)

Distributions Review: The Trust was not able to offer Major Transformational grants in 2016/17 due to funding constraints faced by the Trust. A distributions review will be conducted in September 2017 alongside the outcomes of the review of investments and business structures to determine future funding for this important strategic intention of the Trust.

The tag line “Vital Signs Fund” indicates an intention by the Trust that this would be used for major projects where we can work in collaboration with others to make an impact on agreed regional priority areas.

B. “Toolbox” of other support

Convening and Organizational Development: We will continue to look for opportunities to support collective efforts and increase leadership in the region through the convening and organizational development fund. This may for example include supporting research that will benefit a number of organisations, or supporting organisations and their staff to undertake development opportunities outside of their normal operations.

C. Investment

Community Loans (also known as social or impact loans) provide a flexible option for organisations, particularly when undertaking larger capital projects. At present \$2,000,000 is notionally available for Community Loans at any one time, representing approximately 16% of investments (outside of the core investment in WEL Networks Ltd). We will actively look for investment opportunities that will provide a social as well as financial return with this allocation.

Social and Impact Investment: These are new areas for the Trust, and will be explored during 2017/18.

Social Investment is any investment activity which has an expectation of both a social outcome and a commercial return, which is generally below market rate.

Impact Investments refer to investments made into companies, organisations, and funds with the intention to generate a measurable, beneficial social or environmental impact alongside commercial return. It is similar, albeit a slightly wider definition, to social investments (which generally mean a below market return).

In particular, we are looking for investment opportunities where we can work with others to impact on regional priority areas – returning a balance of social and financial dividends to the Trust.

Expected Outcomes

- The distribution of approximately \$2,900,000 to organisations and projects that meet Trust criteria and benefit the Community in the Trust Region;
- Clarity on other options that are available to the Trust in respect of investment into the community such as social or impact investment, in addition to the existing Community Loan programme.
- Contribution to greater cohesion and cooperation by working together more with other funders, umbrella groups, and other stakeholders;
- Development of new ways to support community groups outside of Grantmaking.
- Delivery of an effective sustainable investment model for our community.

DRAFT

Annual Distribution Plan 2017/18

Grants and Other Support

Distribution Area	Allocation
Quick Response Grants	\$400,000
Energy Efficiency and Healthier Homes	\$250,000
Flourishing Families/Liveability	\$1,000,000
Enhancing Image/Community Pride	\$500,000
Business/Economic Development	\$300,000
Convening and Organisational Development	\$50,000
Major Transformational Projects	\$400,000
Total Distributions	\$2,900,000

Investments

Community Loans Fund

Subject to the Trust's Community Loans Policy

Total available for Community Loans 2017/18

\$1,179,000

Social and Impact Investment

Subject to Trust approval and availability of funds \$377,000 budgeted from 2016/17 special dividend.

Total available for Social Investment Projects 2017/18

\$377,000



2017/18 Draft Budget

	<i>previous budget</i>	<i>actual/ projected</i>	<i>draft</i>	<i>Variance</i>
Details	2016/17	2016/17	2017/18	
Income				
Interest earned	\$2,974,984	\$2,863,561	\$2,504,407	-\$359,154
Portfolio Return	\$0	\$37,710	\$443,475	\$405,765
Dividend Received	\$350,000	\$1,127,064	\$350,000	-\$777,064
Other income	\$0	32,349	\$0	-\$32,349
Total income	\$3,324,984	\$4,060,683	\$3,297,882	-\$762,802
Expenditure				
Staff Costs	\$254,538	\$259,728	\$298,986	\$39,258
Management & Administration	\$96,194	\$76,524	\$97,238	\$20,713
Governance /representation	\$265,359	\$244,748	\$289,674	\$44,926
Election	\$0	\$1,610	\$181,500	\$179,890
Communications	\$24,480	\$20,371	\$25,000	\$4,629
WEL Networks shareholding	\$82,770	\$113,700	\$121,500	\$7,800
Distribution related costs	\$32,000	\$22,183	\$20,300	-\$1,883
Special Projects	\$18,000	\$0	\$0	\$0
Audit Fees	\$25,300	\$25,296	—\$26,000	\$704
Depreciation	\$11,828	\$9,287	\$9,691	\$404
Loss/(Gain) on revaluation of loan	-\$14,384	-\$14,383	-\$15,390	-\$1,007
Total Expenditure	\$796,085	\$759,064	\$1,054,499	\$295,435
Net surplus / deficit	\$2,528,898	\$3,301,619	\$2,243,383	-\$1,058,237
Distributions	\$2,500,000	\$2,500,000	\$2,900,000	\$400,000
Net Surplus / deficit after distributions	\$28,898	\$801,619	-\$656,617	-\$1,458,237
Tax expense	\$0	\$24,508	-\$235,047	-\$259,555
Total net surplus / deficit after tax	\$28,898	\$777,111	-\$421,570	-\$1,198,681
Capital expenditure	\$9,500	\$7,763	\$5,100	-\$2,663

WEL Energy Trust Draft 5 Year Strategic Plan 2017-21

“Working together, working smarter, to grow investment and to unlock the powerful possibilities of our Community, now and into the future”

A Govern the Trust effectively and efficiently and be responsive to our Community

1. We recognise the need to align our resources with our strategic intent, and to regularly monitor and review our investments and practices.
2. The Trust believes that retaining a controlling interest in WEL Networks is beneficial in ensuring the Company retains a strong sense of social responsibility, and to grow investment for our community.
3. We’ll continue to review investments and business structures to ensure they are the best fit for purpose, including providing the level of liquidity the Trust requires to action its strategic intent.
4. Through a clear Statement of Intent, we’ll strive to balance commercial outcomes and growth with the social and cultural aspirations of the community. This will involve taking a holistic or ‘multiple bottom line’ approach to investment, with consideration of both profit-related and socially oriented goals.

B Maximise long term impact by being strategic and transformative

1. We are a Community Trust with a regional focus and roles to play in terms of both regional leadership and the guardianship of community assets/value.
2. The Trust wishes to understand the social and cultural aspirations of the Community, and to work collaboratively to make a transformational difference in identified regional priority areas, including economic development.
3. The Trust focuses on making a long term sustainable difference by giving priority to initiatives and organisations that can demonstrate collaboration and that are impacting or enhancing:
 - Individuals’ lives – providing high and/or broad impact
 - Organisations – capacity building and encouraging collaboration
 - The Community – preventing issues from occurring
 - People’s views – delivering strong community pride
4. We will take a balanced view of intergenerational benefit which relates to investment in the community in the present, over the life of the Trust, as well as the capital value of the Trust’s assets at the termination of the Trust.
5. We aim to leverage grants through partnership and collaboration with community groups, other funders, business, and Local and Central Government to have a greater impact in the region.

C Expand support beyond grant making

1. To assist communities in developing their full potential, and to find answers to complex issues and encourage better ways for working together, the Trust will look for new ways to support the economic, social and physical wellbeing of the community.
2. Our aspiration is to prevent problems from occurring in the first place, and to work together to back the people who are leading positive change - to build on existing strengths to move the needle on identified regional priority areas.
3. We’ll ensure the Trust contributes to the dialogue, vision and leadership in the community, particularly as it relates to the Trust’s strategic vision and wider regional priorities.

Open Meeting

To	Waikato District Council
From	Gavin Ion Chief Executive
Date	13 March 2017
Prepared by	Rose Gray Council Support Manager
Chief Executive Approved	Y
Reference	GOV1301
Report Title	Exclusion of the Public

I. EXECUTIVE SUMMARY

To exclude the public from the whole or part of the proceedings of the meeting to enable Council to deliberate and make decisions in private on public excluded items.

2. RECOMMENDATION

THAT the report of the Chief Executive be received;

AND THAT the public be excluded from the meeting to enable Council to deliberate and make decisions on the following items of business:

REPORTS

a. Waters CCO Study

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:

Reason for passing this resolution to withhold exists under: **Ground(s) under section 48(1) for the passing of this resolution is:**

Section 7(2)(h)(i)(j)

Section 48(1)(3)(d)

3. ATTACHMENTS

Nil