

Supplementary agenda for a meeting of the Strategy & Finance Committee to be held in the Council Chambers, District Office, 15 Galileo Street, Ngaruawahia on **WEDNESDAY, 22 JUNE 2022** commencing at **9.30am**.

## REPORTS

6.9 Funding Review - Waikato District Community Trust 5

GJ Ion  
**CHIEF EXECUTIVE**

## TERMS OF REFERENCE AND DELEGATION

<b>Reports to:</b>	The Council
<b>Chairperson:</b>	Cr Janet Gibb
<b>Deputy Chairperson:</b>	Cr Aksel Bech
<b>Membership:</b>	The Mayor, all Councillors and Mrs Maxine Moana-Tuwangai (Maangai Maaori)
<b>Meeting frequency:</b>	Six-weekly
<b>Quorum:</b>	Majority of members (including vacancies)

---

### **Purpose:**

The Strategy & Finance Committee is responsible for:

1. Monitoring of Council's strategy, and performance (both financial and non-financial) against the Long Term Plan and Annual Plan.
2. Setting the broad vision and direction of the District, determine specific outcomes that need to be met to deliver on that vision, and develop and monitor strategies to achieve those goals.
3. Determining financial matters within its delegations and Terms of Reference and making recommendations to Council on financial matters outside its authority.
4. Guiding and monitoring Council's interests in Council Controlled Organisations (CCOs), Council Organisations (COs) and subsidiaries.

***In addition to the common delegations on page 10, the Strategy & Finance Committee is delegated the following Terms of Reference and powers:***

### **Terms of Reference - Strategy:**

1. Develop and agree strategy and plans for the purposes of consultation.
2. Recommend to Council strategy and plans for adoption, including community plans (e.g Blueprints).
3. Monitor and review adopted strategies and plans.
4. To monitor and provide advice on the development and implementation of growth and development strategies, land use, and spatial plans in line with national policy requirements.
5. To enhance the District's economic position by promoting it as a business-friendly and business-enabled location and providing direction on strategic initiatives, plans, projects and potential major developments relating to economic and business development.
6. To monitor and provide direction on engagement with the District's communities in relation to the Council's strategies and plans.
7. To monitor and make decisions on environmental management and sustainability within the District.

8. To receive and consider presentations and reports from stakeholders, government departments, organisations and interest groups on development and wellbeing issues and opportunities within the District.

**Terms of Reference – Finance:**

9. To monitor Council's financial strategy, and performance against that strategy.
10. To provide clear direction to Council's CCOs and COs on Council's expectations, including feedback on draft statements of intent.
11. To receive six-monthly reports of Council's CCOs and COs, including on board performance.
12. To undertake any reviews of CCOs and agree CCO-proposed changes to their governance arrangements, except where reserved for full Council's approval.
13. To monitor Council's investments and Local Government Funding requirements in accordance with Council policy and applicable legislation.

**The Committee is delegated the following powers to act:**

- Approval of:
  - a. appointments to, and removals from, CCO and CO boards; and
  - b. a mandate on Council's position in respect of remuneration proposals for CCO and CO board members to be presented at Annual General Meetings.
- Approval of letters of expectation for each CCO and CO.
- Approval of statements of intent for each CCO and CO.
- Approval of proposed major transactions of CCOs and COs.
- Approval or otherwise of any proposal to establish, wind-up or dispose of any holding in, a CCO or CO.
- Monitor work on Future Proof, Waikato Plan, Growth & Economic Development Strategy and cross-boundary issues.
- Approval of any process for making decisions where additional opex or capex funding, or deferred capex, is required.
- Review and make recommendations to Council in relation to Fees & Charges (after consultation with relevant community boards or committees).
- Review and recommend to Council the adoption of the Annual Report.
- Review and recommend to Council the approval of Development Agreements.
- Approval of transactions in relation to investments in accordance with Council policy.
- Approval of contractual and other arrangements for supply and services, and revenue generating contracts, which exceed the Chief Executive's delegations, but exclude contracts or arrangements that are reserved for the Council or another committee's approval.

- Approval of rating issues where these exceed the delegated authority of officers, or are an appeal against officer decisions. For clarity, this excludes decisions that are required, by law, to be made by the Council.
- Approval to write-off outstanding accounts that exceed officer delegations.
- Approval of funding applications for the Heritage Assistance Fund and Conservation Fund as recommended to the committee by officers or relevant assessment bodies.

---

<b>To</b>	<b>Strategy &amp; Finance Committee</b>
<b>Report title</b>	<b>Funding Review – Waikato District Community Wellbeing Trust</b>
Date:	22 June 2022
Report Author:	Nick Johnston – Strategic Initiatives and Partnerships Advisor Alison Diaz – Chief Financial Officer
Authorised by:	Tony Whittaker Chief Operating Officer

## **1. Purpose of the report**

### **Te Take moo te puurongo**

---

To seek approval to transition the Waikato District Community Wellbeing Trust from a Council-Controlled Organisation (CCO) of Waikato District Council to a protected and enduring fund under the guardianship of Momentum Waikato Community Foundation (Momentum Waikato).

## **2. Executive summary**

### **Whakaraapopototanga matua**

---

The Funding Review Steering Group was established in 2020 to review all Long-Term Plan (LTP) funded discretionary funding and the Waikato District Community Wellbeing Trust (the Wellbeing Trust). Through the development of the 2021-31 LTP, Council adopted a series of funding principles to guide decision making on any changes to fund processes and outcomes.

Several workshops were held throughout 2021 to discuss the future of the Wellbeing Trust, including a discussion about the potential role of the Wellbeing Trust in attracting additional philanthropic donations. In March 2021, the Steering Group recommended to Council that the Trust operates independently of Council rather than operating as a CCO to ensure that the Wellbeing Trust becomes a protected and enduring fund.

---

A workshop was held on 28 October 2021 with a proposal for the Wellbeing Trust to transition from a CCO to a fund that is managed by Momentum Waikato. Four options are presented to the Committee for consideration – two variations on a transfer arrangement to Momentum Waikato, retaining the Wellbeing Trust as a CCO, and divesting Council's interests in the Wellbeing Trust to allow it to operate as an independent charitable trust.

Staff recommend Option 1 – Transition the Wellbeing Trust from a CCO to a protected and enduring fund under the guardianship of Momentum Waikato. It is the recommended option because it provides the best opportunity for encouraging philanthropy in addition to the fund's Return on Investment (ROI), and it ensures that the Wellbeing Trust funds are protected and enduring, to the benefit of all communities in Waikato District.

A proposed Memorandum of Understanding (MOU) between Waikato District Council and Momentum Waikato is attached, and if the Committee supports the recommended option, approval is required to wind up the Wellbeing Trust and transfer the Trust's assets to Momentum Waikato in accordance with Council's obligations in the MOU.

### **3. Staff recommendations**

#### **Tuutohu-aa-kaimahi**

---

**That the Strategy and Finance Committee:**

- a. **approves the proposed Memorandum of Understanding between Waikato District Council and Momentum Waikato Community Foundation, enabling the transition of the Waikato District Community Wellbeing Trust from a Council-controlled Organisation to a protected and enduring fund under the guardianship of Momentum Waikato Community Foundation,**
- b. **approves winding up the Waikato District Community Wellbeing Trust and transferring the Trust's assets to Momentum Waikato Community Foundation in accordance with Council's obligations in the Memorandum of Understanding.**
- c. **delegates authority to the Chief Operating Officer to finalise the legal arrangements.**

### **4. Background**

#### **Koorero whaimaarama**

---

#### **4.1 Waikato District Community Wellbeing Trust**

The Wellbeing Trust is a CCO of Waikato District Council under section 64(1) of the Local Government Act 2002, established in 2010 to receive funds from the former Waikato Foundation Trust.

---

The Waikato Foundation Trust proposed to distribute its capital fund to projects or trusts to fund projects of a community nature which will result in long term benefits to as many people as possible within the geographical area of the three constituent territorial authorities – Hamilton City Council, Waikato District Council, and Waipa District Council. As a result, \$2.56 million was transferred from the Waikato Foundation Trust to the Waikato District Community Wellbeing Trust, prior to the Waikato Foundation Trust being disestablished.

The Wellbeing Trust distributes funds that promote the social, environmental and cultural wellbeing of the Waikato District and its communities. The trustees of the Wellbeing Trust are Cr Church (Chairperson), Mayor Sanson, Cr McGuire, and Ms J Muru.

Vibrant Hamilton Trust, a CCO established by Hamilton City Council at a similar time as the Wellbeing Trust, also received funds from the Waikato Foundation Trust. The Vibrant Hamilton Trust was wound up by Hamilton City Council in 2018, with the Trust's funds being committed to the development of the Waikato Regional Theatre.

## **4.2 Funding Review**

The Funding Review Steering Group was established in 2020 to review all discretionary funding processes and outcomes. The Terms of Reference for the review covered all discretionary funding approved through the LTP and the Wellbeing Trust. The Steering Group members are Deputy Mayor Cr Bech, Cr Lynch, Cr Sedgwick and Cr Smith.

Through the development of the 2021-31 LTP, Council adopted the following principles for community funding:

- Wider community benefit needing to be demonstrated for funding eligibility
- Supportive of seed funding and co-funding initiatives
- Achieving maximum productivity with minimum waste and administrative expense
- Needing to balance risk and opportunity carefully when considering accountability requirements for funding recipients vs efficiency and trust in our community partners
- Supportive of match funding initiatives, where Council can leverage its funding commitment to attract additional investment
- Stronger demonstrated links to the Council vision for Liveable, Thriving and Connected Communities.

At a March 2021 LTP workshop, the Steering Group recommendations were presented for discussion with elected members, including recommendations on the future of the Wellbeing Trust. The workshops included a discussion about the potential role of the Wellbeing Trust in attracting additional philanthropic donations, in addition to current return on investment, to support significant community projects. In order to achieve this, two issues needed to be addressed:

- prospective donors need assurance that there is no risk of the Wellbeing Trust winding up in a similar manner to the Vibrant Hamilton Trust, and that the Wellbeing Trust funds are protected for future generations with an investment strategy that balances fund growth group alongside distribution to significant community projects.
-

- prospective donors need assurance that the Wellbeing Trust will continue to serve all communities currently within Waikato District, so there is no risk that some communities could be excluded due to any future local government boundary changes.

The Steering Group recommended in the LTP workshop that the Trust operates independently of Council rather than operating as a CCO of Council – ensuring that the Wellbeing Trust becomes an enduring legacy entity.

Council sought feedback from the community in the LTP consultation document on Supporting Blueprints and Community Projects. Consultation was focused on the proposal to re-align funding towards community aspirations and Blueprint-identified projects and initiatives.

At the 18 October 2021 Strategy and Finance Committee, a series of Funding Review recommendations were adopted, focusing on the re-alignment of discretionary funds to a new Community Aspirations and Blueprints budget.

### **4.3 Momentum Waikato Community Foundation**

A workshop was held on 28 October 2021 with a proposal from Momentum Waikato to act as a guardian for the Wellbeing Trust, enabling many of the outcomes that had been sought in the funding principles, specifically the principle on achieving maximum productivity with minimum waste or administrative expense.

Momentum Waikato is an independently established community foundation operating across the Waikato Region. The Trustees of Momentum Waikato are Neil Richardson (Chairperson), Joan Forret, Alan Livingston, Maxine Moana-Tuwahangai, Simon Rickman, Pam Roa and Holly Snape.

The place-based philanthropy model for Community Foundations like Momentum Waikato differs from other forms of philanthropy which may focus on specific issues or causes. While Community Foundations are relatively new in New Zealand, the place-based philanthropy model under which Momentum Waikato operates is over 100 years old. The first Community Foundation following this model is The Cleveland Foundation, which was established in 1914. There are now over 1800 Community Foundations worldwide, including 17 in New Zealand. Some other Community Foundations include Auckland Foundation, Acorn Foundation (covering western Bay of Plenty), Nikau Foundation (covering Wellington Region), and the Christchurch Foundation.

Community Foundations differ from the New Zealand Community Trusts such as Trust Waikato, which was established by statute to hold and manage the shares of Trust Bank Waikato and has been operating as a community funder following the sale of Trust Bank to Westpac in 1996. Community Foundations operate completely independently and have a focus on supporting and nurturing philanthropy within their respective regions. Community Foundations also do not have a connection to the Waikato Foundation Trust, the predecessor trust that transferred a portion of its funds to establish the Wellbeing Trust.

In April 2022, following the introduction of the Community Aspirations and Blueprint work programme, staff have worked with Momentum Waikato to develop a draft MOU for an arrangement that would enable the Wellbeing Trust to transfer from a CCO to a protected and enduring fund for the communities of Waikato District.

---

## 5. Discussion and analysis

### Taataritanga me ngaa tohutohu

---

#### 5.1 Options

##### Ngaa koowhiringa

Staff have assessed that there are three reasonable and viable options for the Strategy and Finance Committee to consider. This assessment reflects the level of significance and the funding principles adopted by Council in 2021. The options are set out below.

#### **Option 1 – Transition the Wellbeing Trust from a CCO to a protected and enduring fund under the guardianship of Momentum Waikato**

Under the proposed MOU (Attachment 1), the Wellbeing Trust assets would be distributed to Momentum Waikato and the current Wellbeing Trust would be wound up. To enable the transfer, the Wellbeing Trust will need to hold a meeting to vary the Trust Deed to allow for the transactions in the MOU. It is recommended that the Trust Deed is updated to reflect the strategic objectives of Council, as the Trust Deed of 18 May 2010 does not include Council's subsequent vision for Liveable, Thriving and Connected Communities, or the funding review principles adopted by Council in 2021.

Upon receiving the Wellbeing Trust's assets, Momentum Waikato would establish a new fund for the Trust's assets and would continue to administer the assets in accordance with the objectives and outcomes set in the Trust Deed. Trust assets would be invested in accordance with Momentum's Statement of Investment Policy (Attachment 2). Momentum Waikato has independent investment fund managers Craigs Investment Partners and Forsyth Barr providing strategic investment fund management, and an investment committee oversees the recommendations of these portfolio managers.

A distributions committee for the Fund would be established. The MOU states that the committee will comprise:

- two representatives appointed by the Waikato District Council, including one staff representative being appointed by the Executive Leadership Team,
- two representatives from Momentum Waikato Community Foundation,
- one representative from the community appointed by majority resolution of the representatives referred to above. The membership of the distributions committee will be reviewed every two years.

The MOU does not state the method of distribution and allows for flexibility for the distributions committee to determine the most effective way at the time to distribute funds and support community organisations.

---

However, the distribution methods should be aligned with the funding principles adopted by Council, ensuring wide community benefit for any funding allocations.

Momentum would be entitled to a fee from the fund of 0.5% per annum towards fund management and distribution expenses. This fee is capped at \$50,000 per annum, regardless of the size of the fund as it grows in the long-term.

In the unlikely event that Momentum Waikato winds up, the funds will be redirected back to Council or the Council's nominee for fund management. If Waikato District Council ceases to exist at that time, the funds will be redirected to the local government entity / entities covering the land area of Waikato District as of May 2022. If the funds were redirected to multiple entities, the MOU states a formula for equitable distribution to all of the communities currently within Waikato District. This is to ensure that no current communities are excluded with funds being redirected in the future, in the unlikely event of this scenario.

### **Option 2 – Transition the Wellbeing Trust from a CCO to a protected and enduring charitable trust under the guardianship of Momentum Waikato**

This option is similar to Option 1 except that the Wellbeing Trust is not wound up, and ownership of the Wellbeing Trust is transferred to Momentum Waikato.

This option requires additional administrative expenses to Momentum Waikato and as a result, a higher fund management fee would be required for this option. While this higher management fee would not be an additional expense for Council, it would mean that the higher administrative fee would have a minor impact on fund growth (as this fee is subtracted from the investment balance). This may not be significant in the short-term, but it does have a compounding effect in the long-term.

There are no notable benefits for retaining the charitable trust under the ownership of Momentum Waikato, compared to the establishment of a fund that Momentum Waikato manages (Option 1), especially as Momentum Waikato would be obliged to continue administering the fund in accordance with the objectives and outcomes stated in the Trust Deed.

### **Option 3 – Retain the Wellbeing Trust as a CCO (status quo)**

The status quo remains an option for Council to consider. Some of the funding review principles can be applied to the operation of the Wellbeing Trust, in particular a focus on distributions of funding to significant community projects where this is wide community benefit. However, many of the disadvantages of this approach still stand while the Trust remains a CCO.

By retaining the status quo, staff would be unable to address the funding review principle for 'maximum productivity with minimum waste and administrative expense' due to audit requirements and standard fund management fees that will remain higher than Option 1, especially in the long-term as Option 1 has a fund management cap of \$50,000 per annum, regardless of the size of the fund in the future.

---

Another disadvantage of the status quo are the limitations in attracting philanthropic contributions from donors. While it is possible to promote the opportunity for donors to contribute to the Wellbeing Trust fund, its status as a CCO of Waikato District Council will be a major impediment for many prospective donors. Because the Wellbeing Trust in its current form does not have sufficient safeguards to prevent a future Council from committing all Trust funds towards a specific capital project, it would be a risky vehicle for philanthropy (from the perspective of a prospective donor) in comparison to donating to a community foundation.

#### **Option 4 - Wellbeing Trust to operate as an independent charitable trust**

This option would involve Council divesting of its interests in the Wellbeing Trust and allowing the Trust to operate as an independent charitable trust.

This option could address some of the funding review principles, but the disadvantages outweigh the advantages. Operating as an independent charitable trust, not as a CCO of Council, would achieve the independence that could help to encourage additional philanthropic donations. However, there would not be any Trust staff members to promote the opportunity to contribute to the Trust fund, which is one of the advantages of a fund managed by a Community Foundation with dedicated staff to promote opportunities for philanthropic donations.

This option would have similar fund management fees to the status quo, but with standard charitable trust audit requirements rather than audit requirements operating as a CCO.

Further work would need to be undertaken if the Council was to choose this option. This has not been explored in detail as the initial assessment suggests this model achieves few of Council's funding principles compared to Option 1 and Option 2.

If a Community Foundation was not established in Waikato Region, as was the case when the Wellbeing Trust was initially established, Option 4 would likely be considered favourably in comparison to the status quo. However, the reduced administrative and fund management expenses and ongoing promotion of the fund for philanthropic donations are significant advantages that makes the Community Foundation approach (Option 1 and 2) more favourable in the short-term and in the long-term.

Staff recommend Option 1 as it is the option that best addresses Council's funding principles, it provides the best opportunity for encouraging philanthropy for future fund growth on top of the fund's ROI, and it ensures that the Wellbeing Trust funds are protected and enduring, to the benefit of all communities in Waikato District.

---

## **5.2 Financial considerations**

### **Whaiwhakaaro puutea**

The Wellbeing Trust's total equity as of 30 June 2021 was \$4,848,152. Staff will seek to minimise transaction costs for both the winding up process and the transfer of funds between the Wellbeing Trust and Momentum Waikato. The gift to Momentum Waikato would be exempt from duties.

## **5.3 Legal considerations**

### **Whaiwhakaaro-aa-ture**

Staff confirm that the preferred option complies with the Council's legal and policy requirements. The required Deed of Gift would be prepared by Momentum Waikato's lawyers.

## **5.4 Strategy and policy considerations**

### **Whaiwhakaaro whakamaaherehere kaupapa here**

The report and recommendations are consistent with the Council's policies, plans and prior decisions.

## **5.5 Maaori and cultural considerations**

### **Whaiwhakaaro Maaori me oona tikanga**

There are no specific cultural issues or impact on Maaori as a result of the options presented in this report.

The proposed MOU has an appointment process for the deliberations panel that is detailed in section 4.1, and this process does not require tangata whenua representation in its current form. The committee may wish to consider this appointment process, as variations to the MOU can be made with support from both Council and Momentum Waikato.

The current Wellbeing Trust Deed consists of three elected members of Council, and two other persons appointed by the Council by virtue of their community position, skills and qualifications.

## **5.6 Climate response and resilience considerations**

### **Whaiwhakaaro-aa-taiao**

The matters in this report have no known impact on climate change or resilience for the Council.

## **5.7 Risks**

### **Tuuraru**

Option 1 and 2 introduce additional revenue streams by allowing for contributions from philanthropic donors.

---

The inherent risks of stock market investment remain comparable for all of the options, however the additional revenue stream opportunities for Option 1 and 2 decreases the residual risks that could impact fund growth and the distribution of funding to communities in Waikato District.

A clear communications plan will be developed by Council and Momentum Waikato if Option 1 or 2 are approved. There are perception risks associated with Option 1 and 2 if it is perceived by community members that Momentum Waikato will be making funding decisions. The MOU provides a framework for appointees to the distributions panel to ensure that representatives of the communities of Waikato District continue to determine how all funding decisions are allocated. The communications plan will help to decrease residual risks regarding reputation and perception.

There are no additional risks to consider from a compliance or regulatory perspective.

## **6. Significance and engagement assessment** **Aromatawai paahekoheko**

---

### **6.1 Significance** **Te Hiranga**

The decisions and matters of this report are assessed as of low significance, in accordance with the Council's [Significance and Engagement Policy](#).

### **6.2 Engagement** **Te Whakatuutakitaki**

The assessment of low significance will not require further consultation from that conducted via way of the 2021-2031 LTP consultation document feedback.

## **7. Next steps** **Ahu whakamua**

---

If Option 1 or 2 are approved by the Committee and the requested delegations are granted, the MOU between Council and Momentum Waikato will be finalised and signed by all parties.

---

## 8. Confirmation of statutory compliance Te Whakatuuturutanga aa-ture

---

As required by the Local Government Act 2002, staff confirm the following:

The report fits with Council's role and Committee's Terms of Reference and Delegations.	Confirmed
The report contains sufficient information about all reasonably practicable options identified and assessed in terms of their advantages and disadvantages ( <i>Section 5.1</i> ).	Confirmed
Staff assessment of the level of significance of the issues in the report after consideration of the Council's Significance and Engagement Policy ( <i>Section 6.1</i> ).	Low
The report contains adequate consideration of the views and preferences of affected and interested persons taking account of any proposed or previous community engagement and assessed level of significance ( <i>Section 6.2</i> ).	Confirmed
The report considers impact on Maaori ( <i>Section 5.5</i> )	Confirmed
The report and recommendations are consistent with Council's plans and policies ( <i>Section 5.4</i> ).	Confirmed
The report and recommendations comply with Council's legal duties and responsibilities ( <i>Section 5.3</i> ).	Confirmed

---

## 9. Attachments Ngaa taapirihanga

---

Attachment 1 – Proposed Memorandum of Understanding – Waikato District Council and Momentum Waikato

Attachment 2 – Momentum Waikato – Statement of Investment Policy and Objectives

---

## Waikato District Community Wellbeing Trust Memorandum of Understanding (MOU)

### PARTIES:

Waikato District Council (the “Council”)

Momentum Waikato Community Foundation (“Momentum”)

Waikato District Community Wellbeing Trust (the “Trust”).

### BACKGROUND

The parties intend for:

- (a) the assets of the Trust to be distributed to Momentum; and
- (b) for the Trust to be wound up,

(the “Transactions”).

The parties have agreed to enter into this MOU to record the terms of the agreement in respect of the Transactions.

This MOU shall be binding on the parties.

### AGREEMENT

#### 1. Trust Obligations

1.1 The Trust has agreed to distribute its assets to Momentum. In order to complete the Transactions, the Trust shall:

- (a) hold a meeting to vary the Deed of Trust dated 18 May 2010 (the “Trust Deed”) to allow for the Transactions;
- (b) following variation of the Trust Deed in accordance with clause 1.1(a) of this MOU, the Trust shall complete required resolutions to complete the Transactions; and
- (c) do all things necessary to give effect to the Transactions.

#### 2. Council Obligations

2.1 The Council agrees to do all things necessary to give effect to the Transactions and assist the Trust with complying with clause 1.1 of this MOU.

#### 3. Momentum Obligations

3.1 Momentum has agreed to accept the distribution of the Trust’s assets. In order to complete the Transactions, Momentum shall do all things necessary to give effect to the Transactions.

3.2 Momentum shall, upon receiving the Trust's assets, establish a new fund for the Trust's assets (the "Fund") and shall continue to administer those assets in accordance with the objectives and outcomes set out in the Trust Deed, being:

- (a) to promote the social, environmental, and cultural wellbeing of the Waikato District and its communities;
- (b) to deliver on the aspirations and community outcomes of the Waikato District as identified and promoted by the community from time to time and endorsed by the Council; and
- (c) support activities that are identified as unfunded in the Council's Annual Plan or Long Term Council Community Plan or are included in the Council's list of Projects for External Funding.

#### 4. Deed of Gift

4.1 The parties will, as soon as reasonably practicable following the date of this MOU, and following completion of the matters referred to in clauses 1.1 (a) and (b), enter into a deed of gift recording the process and timing of the Transactions. The deed of gift shall be prepared by Momentum's lawyers.

#### 5. Continuing Obligations

5.1 On completion of the Transactions, Momentum shall control the Fund and be responsible for the management of it in accordance with clause 3.2.

5.2 The Council agrees to encourage its partners to contribute to the Fund through promotion in newsletters, brochures, in-person, website, and in any other way considered appropriate.

5.3 Momentum will promote the Fund, to attract new partners and donations to the Fund, and to raise awareness of the Fund through storytelling of the outcomes achieved.

5.4 Momentum shall be entitled to be paid a fee from the Fund of 0.5% per annum of the investment balance of the Fund payable one year following settlement of the Fund (the "Fee") and annually thereafter. The Fee is paid as consideration for Momentum administering the Fund management and distribution of the Fund. The Fee is capped at \$50,000 per annum.

5.5 The Fund will be invested by Momentum in accordance with its Statement of Investment Policy. Momentum will cause and procure the establishment of a distributions committee for the Fund comprising:

- (a) two representatives appointed by the Waikato District Council, including one staff representative being appointed by the Executive Leadership Team;
- (b) two representatives from Momentum Waikato Community Foundation; and
- (c) one representative from the community appointed by majority resolution of the representatives referred to above. The membership of the distributions committee will be reviewed every two years.

Momentum Waikato Community Foundation will keep a separate accounting record of the Fund and will report to the distributions committee annually. Distributions from the Fund (other than the Fee) will be approved by majority resolution of the distributions committee.

5.6 All philanthropic gifts into the Fund will be issued with a donation receipt by Momentum.

5.7 Momentum will make annual distributions from the Fund

6. **Winding Up**

6.1 In the unlikely event that Momentum winds up, the Fund will be redirected back to the Council or its nominee for management.

6.2 If the Council ceases to exist, the Fund will be redirected back to the local government entity or entities covering the land area of Waikato District as of May 2022, with distributions made in line with the objectives and outcomes of the Trust.

6.3 In the event of the Fund being redirected back to multiple local government entities, the percentage of shares are to be determined by each entities' current resident population within the land area of Waikato District as of May 2022.

7. **General**

7.1 This MOU may only be varied when both parties sign a written variation.

7.2 All parties agree to act in good faith and use their best efforts to meet their respective obligations set out in this MoU, in the spirit in which the MoU is entered.

7.3 Each party will pay its own legal costs and disbursements that are incidental to the preparation and completion of the Transactions.

**Signed for the Waikato District Council**

Signature \_\_\_\_\_ Date \_\_\_\_\_  
Name \_\_\_\_\_  
Position \_\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_\_  
Name \_\_\_\_\_  
Position \_\_\_\_\_

**Signed for the Waikato District Community Wellbeing Trust**

Signature \_\_\_\_\_ Date \_\_\_\_\_  
Name \_\_\_\_\_  
Position \_\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_\_  
Name \_\_\_\_\_  
Position \_\_\_\_\_

**Signed for the Momentum Waikato Community Foundation**

Signature \_\_\_\_\_ Date \_\_\_\_\_  
Name \_\_\_\_\_  
Position \_\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_\_  
Name \_\_\_\_\_  
Position \_\_\_\_\_

# Momentum Waikato

## Statement of Investment Policies and Objectives

### Background

1. Donations and legacies form the capital base or “General Corpus”.
2. The primary principles underlying investment decision-making by the Foundation are:
  - 2.1. to ensure that the Foundations’ General Corpus funds are invested prudently to ensure real capital preservation over the longer term and in a manner consistent with the Foundation’s Purpose and values;
  - 2.2. to maintain and grow the Foundation’s General Corpus at above the rate of inflation, investing the General Corpus in accordance with the investment strategy and targets adopted by the Trustees and informed by independent investment professionals (Investment Managers);
  - 2.3. to ensure that sufficient cash and/or liquidity is available to make distributions and meet the granting policies and commitments of the Foundation; and
  - 2.4. to maximise the funds available for distribution over the long-term.
3. The Trustees recognise their investment responsibilities will at times extend beyond pure financial considerations reflecting the Foundation’s community purpose and underlying values.
4. Of the General Corpus \$10 million of value is based on the WEL Energy Trust loan which was utilised as the initiator of the endowment, with the investment proceeds contributing to the growth of the fund and covering the operating and grant making of Momentum Waikato.
  - 4.1. The loan is interest free and is to be repaid on 28 August 2073 (a 60 year term).
  - 4.2. The loan is invested (in whole) with prudent investment practises and the Foundation must not otherwise expend or deal in any portion of the Fund and must apply the proceeds from investing in the fund as set out in the purpose and in compliance with Momentum’s Trust Deed.
5. Each year the General Corpus is adjusted by the general inflation rate to ensure that the capital base is maintained and preserved in real terms.
6. The Foundation expects to receive donations and legacies with specific management and distribution instructions. Specially “tagged” donations and bequests will be managed according to the specific wishes of the donor, where practicable managing these funds closely in accordance with the Foundation’s investment principles. This policy will not apply to pass through or today funds as they are not held for investment purposes.

### Portfolio Risk and Investment Return Expectations for the General Corpus

7. *Over the Long term (20+ years)*

7.1. a real return after investment and operating expenses, on average, of at least 5.0% per annum, and

8. *Over the Short term (rolling 2-3 years)*

8.1. a cash yield (i.e. cash flow income return) of 5.0% of the General Corpus per annum (noting that the Foundation is a non-taxpayer).

## Investment Strategy

9. The General Corpus will be invested based on the following long-term strategic asset allocation and will generally be maintained within the allowable ranges indicated:

<b>Asset class</b>	<b>Benchmark allocation</b>	<b>Allowable range</b>
<b>Liquidity:</b> Cash	5.0%	0% - 20%
<b>Income:</b> Bonds	50.0%	30% - 65%
<b>Growth:</b> Property/shares/other	45.0%	30% - 60%

10. External Investment Managers have been appointed to oversee and undertake the day-to-day investment management of the Foundation's investments.

11. Grants approved but not paid, and other distribution commitments pending within 12 months will be held in highly liquid cash/fixed interest, as appropriate.

12. Investments will be managed on a predominately "buy and hold" basis, and the investment portfolio diversified across a minimum of 25 investments, without undue concentration in any one company, sector or asset class.

13. The Foundation has NZ dollar distribution objectives and commitments. As such, the majority of liquidity and income assets should be NZ dollar assets. Where overseas investments are made, the currency risks of overseas investments may be hedged, if recommended by the Investment Managers and approved by the Trustees.

14. The Foundation and its Investment Managers will have a period of 6 months to integrate newly received bequests (whether cash, financial assets or other) into the Investment Strategy.

15. The investment guidelines and restrictions summarised in this Investment Policy are in place for prudential reasons and departures from these require the written approval of the Investment Committee, and approval must not be inconsistent with the overall strategic intent of this Investment Policy.

## Investment Guidelines and Restrictions (General Corpus)

### **Governance**

16. The responsibility for the oversight of the Foundation's investments and adherence with this Investment Policy rests with the Investment Committee. The Trustees have determined that the

Investment Committee will be a committee of all Trustees, given that investment decisions are fundamental to the achievement of the Foundation's purpose and as such any investment policy should be mission aligned. Decisions to depart from this Investment Policy require the unanimous approval of the Trustees. Trustees will meet under an Investment Committee agenda at least once per year.

17. If the Investment Managers make investment recommendations (eg Share Purchase Plans) seeking Trustee approval, so long as the recommendation is aligned to this Investment Policy and all other investment criteria, the recommendation can be approved via the CEO (as authorised person) and two Trustees one being the Treasurer where possible.

### ***Role of Investment Committee***

18. The Investment Committee will meet at least annually to review the Foundation's financial position and performance of the Investment Managers.

19. If the return on capital is below the level targeted by the Trustees, specific advice will be taken from the Investment Managers regarding the investment outlook to determine if any action needs to be taken.

20. If the assets comfortably exceed the return on capital targeted by the Trustees, such surplus shall be taken into account by the Trustees in setting the Foundation's distribution policy.

### ***Investment Management***

21. Detailed investment mandates provide a clear delegated authority to invest funds, in a manner consistent with this Investment Policy, and include operating guidelines as well as the Investment Managers' reporting requirements.

22. The overall performance of the Foundation's investments and of its Investment Managers will be evaluated on a regular basis, against the objectives set out in this Investment Policy and by reference to the returns available from cash assets and achieved in investment markets over the relevant evaluation period.

### ***General***

23. Borrowing to invest is prohibited, except in relation to property assets with written consent of the Trustees.

24. Total holdings (bonds and shares) in any one organisation, other than government bonds, shall not exceed 7.5% of the value of the Foundation endowment excluding new funds awaiting investment.

25. Other than hedging foreign currency risk on overseas investment, no financial derivatives may be used.

26. Investments in companies in the liquor, gambling, tobacco, pornography, arms and ammunition sectors are considered incongruent with the purpose and values of the Foundation and are precluded.

## **Shares**

27. Investments must generally be confined to publicly listed, widely-held securities trading in recognised markets. Investments in NZ or Australian private equity funds may be permitted with the prior written consent of the Investment Committee.

28. The Foundation should not hold more than 2.0% of the equity of any one company and no individual holding should be over 5.0% of the value of the Foundation endowment.

29. No more than 20% of the Foundation's endowment may be invested in securities that are non-investment grade or perpetual.

## **Property**

30. Property assets will be confined to listed securities. Direct property investments may only be made with the unanimous consent of the Trustees.

## **Bonds**

31. The average credit quality of the portfolio should be equivalent to at least a Standard & Poors investment grade (BBB) credit rating.

32. With the exception of New Zealand government stock, no holding of an investment grade bond should exceed 5.0% of the value of the Foundation endowment and no holding of a non-investment grade or perpetual bond should exceed 3.0% of the value of the Foundation endowment.

## **Cash**

33. Cash includes bank deposits and bank bills up to 365 days from a registered New Zealand bank (or equivalent financial institution) and shall have a level of security equal to, or better than, a Standard and Poors A1 rating.

## **Distribution and Grants Policy**

1. The focus of the Foundation will be to build the General Corpus such that the Foundation has sufficient scale to commence the making of distributions out of investment income on an enduring basis. It will not in the ordinary course make distributions for grants out of the corpus itself.

2. Once sufficient scale has been achieved, the Foundation envisages being able to make distributions each year equal to a minimum of 5% of the respective funds' capital base per annum.

3. There will be return to the value of the annual rate of CPI back to the Fund to protect the value of the fund against inflation.

4. The Trustees recognise that investment markets are prone to short-term volatility, which in turn can result in fluctuations in the General Corpus. To help ensure the capacity of the Foundation to consistently make annual distributions to deliver on its Purpose, the Trustees will seek to build a reserve fund and in the ordinary course will target making grants up to a maximum level equivalent to two-thirds of investment income.

5. The remainder of the proceeds (ie the return on capital, less the five percent distribution to beneficiaries, less the rate of CPI that year) will be directed to the Reserve Fund.

6. In years where there is less than a 5% return on capital base, there may be a transfer to beneficiaries from the reserve fund to make up the difference.

7. The targeted level of distributions may be reviewed reflecting the growth of the General Corpus, the nature and extent of opportunities to deliver on the Foundation's purpose, and changes in investment market conditions (e.g. should expected investment income increase or decrease markedly).