

## Elected Member Briefing - Topic List – 10 August 2017

Topic	HCC Contact / Presenter(s)	Type
CDEM - Roles and responsibilities of Elected Members and Mayor in Civil Defence Emergency	Kelvin Powell/ Lee Hazlewood	Open
Community Assistance Funding Policy	Andy Mannering	Open
Draft Open Space Provision Policy	Renee Smith, Jamie Sirl, Helen Paki	Open
<b>LUNCH</b>		
Hamilton Properties Limited	Nicolas Wells. Two attendees from PWC – Andrew Ricketts and Wayne Tainui.	Open
KPI Report	Julie Clausen / Jolie Humphreys	Open
Draft Regional Funding Framework	Blair Bowcott/ Helen Paki	Open
<b>MEETING ENDS</b>		



# CDEM

## An Overview for Elected Members

Lee Hazlewood  
Waikato CDEM Group Controller



# Agenda

- What is a CDEM emergency
- Your function
- What is a declaration and what form can it take
- What is a transition to recovery
- Declaration Process
- Case studies
- Q and A



# What is a CDEM emergency

- Natural disaster
- Technology failure
- Lifelines failure
- Infestation (Bio security)
- Plague
- Epidemic
- Disruption of emergency service
- Warlike act

- Loss of life, injury or illness
- Endangers public safety
- Endangers property

AND

- Cannot be dealt with by emergency services

OR

- Requires significant and coordinated response.



# Form of emergency

- Response to Emergency in own area
- Support to an emergency within Group (Region)
- Support to an emergency in another Group area
- Support to National Crisis Management Centre
- Support overseas

- Non-Declared Emergency
- Declared State of Emergency



# In a nutshell

- CDEM is responsible for:
  - Coordination of large or complex emergencies
  - Protection of life, property and wellbeing
- Through provision of:
  - Centralised coordination
  - Engagement, planning and development of robust structures
  - Preparedness of a ready state in Council and the community to respond AND recover
  - Facilitation of reduction



# Your Function

- **Supporting strategic intent** of CDEM through informed decision making
- Acting as an **information conduit** to your respective communities during emergencies
- **Consideration of declaration** based on information provided
- To **support the Local Controller** in their actions and decisions during a State of Emergency

# Duties of Local Authority S.64

...Must plan for CDEM

...Ensure it is able to function to the fullest possible extent, even though this may be at a reduced level, during and after an emergency.

- Local delivery carried out for HCC by Group Emergency Management Office (GEMO)
- Integration across council is responsibility of HCC thereby meeting requirements of S.64



# Strategy and Legislation

- Ministry of Civil Defence Emergency Management (MCDEM)
  - CDEM Act 2002
    - Planning and preparation
    - Encourages coordination
    - Provides powers
- Waikato CDEM Group
  - Group Plan
    - Statutory instrument
    - Sets direction for five years
    - Identifies structures and arrangements
    - Follows National Strategy



# Key Roles

## Governance

- Joint Committee
  - Councillor Leo Tooman
- Coordinating Executive Group
  - Blair Bowcott

## Operational

- Mayor
  - Andrew King
- Local Controllers
  - Kelvin Powell
  - Andre Chatfield
- Recovery Manager
  - Blair Bowcott
- Group Controller
  - Lee Hazlewood
  - Julian Snowball



# Declared State of Emergency

## Why?

Primarily for the use of powers

## National Declaration

Minister of CDEM

## • Local Declaration:

- HCC Mayor
  - Hamilton
- Joint Committee Chair (Hugh Vercoe)
  - One, more than one or all districts in Group
  - ***Even non-impacted councils where resource support maybe required***
- Minister
  - One, more than one or all districts in Group

# Process



- CDEM Staff will identify issue of concern and notify Local Controller
- Local Controller will discuss need for declaration with Incident Management Team (IMT) - continuously
- Local Controller will collect available information and likely confer with Group Controller and Regional Emergency Management Advisor
- Local Controller will brief Mayor (and Chief Executive time permitting)
- Mayor will consider facts and make decision
- Notifications to Ministry and community
- Expires after 7 days.



# Recovery - Transition

- New legislation – Small to medium sized events
- Updates shortly – Large events
- Introduction of ‘transition’
- Similar powers provided to Recovery Manager as held by Controller
- Declaration not required to invoke a transition
- Similar process as for declaration but with Recovery Manager engaging with the Mayor
- Again, ultimate approval rests with Mayor.



# Case Studies – Immediate Response

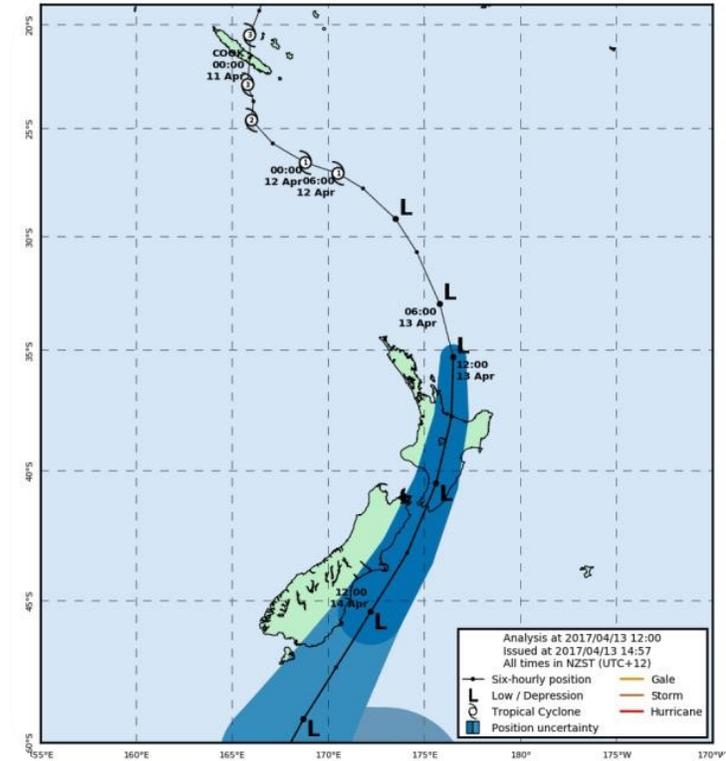
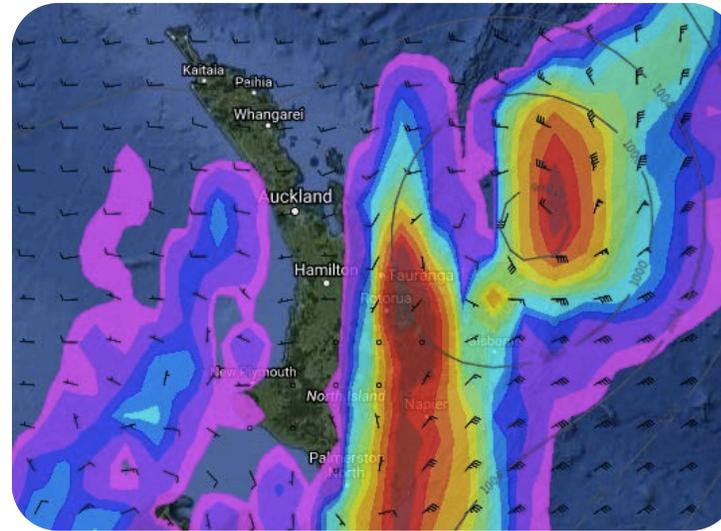
- HCC Emergency
- Intra-Group Emergency
  - Locally declared
  - Group declared
- Inter-Group Emergency





# Case Study – Pre-emptive

## Cyclone Debbie and subsequent Cook



Q and A

# Community Assistance Funding Policy Review



# Today

- The purpose of today is to get direction for the reviewing of the Community Assistance Policy.
- Policy needs to be reviewed this financial year and before allocating the next round of Multi-Year Community Grants.
- Updated Policy presented at the 19 September 2017 Community and Services Committee

# Our Community

- Nationally, 12.5 new groups join the Not-for-Profit sector each week.
- An estimated 115,000 groups make up the NFP sector in NZ; of those 27,836 groups are registered with Charities Services (24%) of those 2,384 are located in the Waikato (8.6%).
- Waikato groups are represented by the following sectors:

Arts, Culture, Heritage	Sport	Education	Health	Social Service	Environment	Community Development	Religion	Other
8.5%	7.4%	20.6%	7.3%	18.7%	2.8%	9.6%	15.2%	9.9%

- In 2016 Trust Waikato funded 285 groups located in Hamilton

# Our Grants History

- Council grant programme has supported community groups since 1974.
- Allocation originated as contract for service or separate themed silos of contestable funding.
- In 2015, \$1,160,000 was amalgamated into one community fund, split into annual single-year grants and 3-yearly multi-year grants.
- Event Sponsorship Fund, Waste Minimisation Fund and Heritage Fund operate as separate contestable funds outside of this policy.

# ➔ Grant allocation in 2017

- 2017 allocation of \$1,160,000 has gone to the following sectors:

Arts, Culture, Heritage	Sport	Education	Health	Social Service	Environment	Community Development	Religion	Other
13.8%	1.2%	1.7%	5.1%	25.0%	2.2%	43.3%	7.7%	0%

- The Community Assistance Funding Policy is reviewed every 3 years.
- 1999 was the last significant increase to the funding pool.

# ➔ Stakeholder Feedback

- Past grant applicants, other funders and allocation committee members were surveyed (81 responses).
- Participants were asked to comment on current policy:
  - priorities and focus
  - eligibility and ineligibility criteria
  - funding levels and limits
  - decision making process
  - split of the funding pool between multiyear and single year grants.

hate it, needs radical change

love it, don't change



Do you have any specific changes or feedback you would like to give?

# Survey responses

- 74% of respondents confirmed grant priorities and focus should remain the same.
- 73% supported the current eligibility and ineligibility criteria.
- 54% thought the level of funding needed to improve.
- 65% were satisfied with current processes with a further 30% being neutral about them (5% were unsatisfied).
- 53% were satisfied with the split of funding between multiyear and single year grants with a further 35% being neutral with it (12% were unsatisfied).

# ➔ Emerging themes

- Clear guidelines, easy forms and process means groups do not spend more time applying than the grant is worth.
- Appreciate support from HCC as it is a validation of the work being done in the community.
- Highly value being able to apply for core operating costs.
- Funding pool needs to increase to keep pace with growth and increasing costs.
- Single year grant pool needs to increase in relation to the number of groups applying.



# Direction

1. Single-Year Community Grant
2. Multi-Year Community Grant
3. Re introduction of Community Events Fund
4. Re introduction of Capital Grant
5. Funding Envelope and split between grant programmes

Recommendations included in this briefing are based on consultation with the community and philanthropic sector, historical trend data and current community needs.



# Single-Year Community Grants

Operating costs are a key component of any organisations budget.

There is an increasing reduction in the number of funders who will fund operating costs.

Charities registration provides some certainty that a group is bone-fide and is capable of maintaining a level of reporting standards.

Our current funding policy provides support for small organisations. Having a ceiling on an applicants level of income helps to identify our target market.

## RECOMMENDATIONS

- Focus on operating expenses for grassroots organisations.
- Requirement for groups to be registered with Charities Services.
- Annual income limit of \$500,000 for applicants.
  - (decrease from current \$750,000)



# Single-Year Community Grants

Increased operating costs means groups are having to find higher level of grants to sustain costs.

Grant levels have not been increased in the last 5 years.

Multi-Year recipients already receive a 3 year grant from HCC to support operational costs. Removing them from the pool of potential applicants leaves a bigger pool of funding for smaller group applicants.

## RECOMMENDATIONS

- Maximum grant amount of \$8,000.
  - (increase from current \$5,000)
- Multi-Year recipients unable to apply.
  - (currently can apply)

# Multi-Year Community Grants

A key indicator in successful cities is having thriving local communities who can access services and facilities at a local level.

Community centres and facilities provide space for collaboration and interaction to occur.

## RECOMMENDATIONS

- Focus on Community infrastructure – Community gathering spaces – Community Centre's and Theatres
  - (maintains current intent and focus)



# Re-introduction of Community Events Fund

Events are the 2<sup>nd</sup> highest request type, after operating costs, for Single-Year Grants.

One grant round per year in March can be difficult for groups organising small events in December/ January. An funding round in August would respond to community needs and provide groups with greater flexibility.

## RECOMMENDATIONS

- A reintroduction of a \$50,000 grant available in August each year for small scale community events
  - (currently included in Single-Year Community Grant)
- Maximum grant amount of \$5,000
  - (in line with previous levels, and current Single-Year Grant)
- Multi-Year recipients can apply

# Re-introduction of Capital Grants

Unprecedented number of groups seeking capital funding

Long-term capital grants support a groups sustainability by reducing operating costs eg: not having to pay commercial rents

Limited number of funders who will consider funding capital projects

## RECOMMENDATIONS

- A reintroduction of a \$200,000 capital grant allocated annually

# ➤ Funding envelope and split

- 2017/18 = \$1,160,000
  - Multi-Year Community Grant up to \$900,000 (\$868,000)
  - Single-Year Community Grant at least \$260,000 (\$292,000)
  - + Academy of Performing Arts (\$165,000)
- 2018/19 proposed = \$1,650,000
  - Multi-Year Community Grant up to (\$1,000,000)
  - Single-Year Community Grant at least (\$400,000)
  - Community Events Grant (\$50,000)
  - Community Capital Grant (\$200,000)
  - + Academy of Performing Arts (\$165,000)

# Proposed Open Space Provision Policy

Council Briefing  
10 August 2017



# Purpose of Today

- Provide an overview of the issue
- Obtain Council feedback on approach and draft principles (to guide development of draft policy)
- Confirm process and next steps

# Why Provide Parks?

## Parks are a Core Service

- The Local Government Act 2002 specifies reserves, recreational and community amenities as a **core service** that Council should have particular regard to in performing its role
- Provides our communities access to recreation, social and environmental experiences

# Current Situation

## What is the issue?

- Meeting need for parks and open spaces generated by growth
- No clear policy guidance
- No funding
  - 2015-25 10-Year Plan – no funding for acquisition, development and maintenance of open space in greenfield areas (Peacocke, Rototuna, Rotokauri)
- Uncertainty within developer community

# Risks

## What is the risk?

Without improved policy guidance and funding there is a risk of:

- Poor provision and quality of parks and open spaces (resulting in poor access to recreation, social and environmental experiences)
- Missing opportunities at subdivision to acquire undeveloped land for parks and open spaces (retrofitting is cost prohibitive)
- Poor configuration of parks and open spaces in relation to other land uses
- Continued uncertainty for the development community regarding parks and open space requirements at subdivision

# Benchmarking

## **What are other Council's doing?**

- Benchmarking shows that growth Council's (Auckland, Tauranga and Queenstown) have or are developing a policy

## **Why a policy?**

- Open Spaces Plan 2014 identifies the need for an Acquisition Plan
- A policy is considered the best tool to ensure the open space outcomes of the Hamilton Plan, Partly Operative District Plan and Open Spaces Plan are achieved

# Purpose of Policy

1. Inform 10-Year Plan
2. Guide provision sought by Council in greenfield and infill areas
3. Inform planning (master planning, structure plan development, and SHA assessments)
4. Provide greater certainty for developers

# Draft Principles

Council will provide an open spaces network that:

- Is well-distributed to service communities and catchments
- Is functional and designed to connect communities and support sport and recreational outcomes
- Responds to the local context
- Enhances, protects and conserves significant landscape features, ecosystems, biodiversity, culture and heritage
- The development community contributes fairly and equitably towards

# Funding

- Policy will clarify that Council will seek to recover majority of the cost of providing open space in greenfield areas through development contributions
- The extent of development contributions required from developers is determined by what open space provision is funded in the 10-Year Plan
- Council's ability to acquire open space as development occurs and opportunities arise, is dependent on available budget and cost of land at the time

# Next Steps

Step	Date
Draft Policy to Elected Member Briefing for feedback	7 September 2017
Draft Policy to Growth and Infrastructure Committee for approval	24 October 2017
Targeted Consultation (development community)	November 2017
Proposed Policy to Growth and Infrastructure Committee for recommendation to Council	5 December 2017
Policy to Council for adoption	February 2017

# Endowment Funds & Hamilton Properties Limited



# Endowment Funds

- What are they?
- History
- Current State

# Endowment – What is it?

- Restricted Reserves (Cash Backed)
  - Municipal Endowment Fund (MEF)
  - Domain Endowment Fund (DEF)
- MEF = Crown grant of lands (1870s)
  - “Municipal Purposes” – undefined
  - “Glasgow” Leases (21 years with permanent renewals = perpetual)
  - Capital used to offset debt and income used to offset operating costs
- DEF = Hamilton Domain Board (1911)
  - Improvement or development of recreation reserves
  - Purchase of land for use as recreation reserve
  - Capital used to offset debt and income used to offset Parks and Open Spaces operating cost

# Endowment – Legal basis

- Principles of Endowment
  - Preserve the capital of the endowment property so that it is available in perpetuity as an assured source of income
  - Ensure the capital and income are utilised for the purpose for which it was endowed
- Endowment Funds managed in accordance with statute and policy
  - Local Government Act 2002 s.140 and s.141
  - Hamilton Domain Endowment Act 1979
- Municipal and Domain Endowment Funds Policy
  - Minimum return (average cost of debt)
  - Support, advance and implement Council's strategic plans
- Freeholding of Council Endowment Land Policy
  - Encourages low-yielding ground leases to be sold

# Endowment Funds - Assets

- **Municipal Endowment Fund (MEF)**
  - 7 Land (Ground Leases) = \$3.6M (8% of MEF)
  - 3 Investment Property = \$12.6M (28% of MEF)
  - Cash = \$28.6M (64% of MEF)
- **Domain Endowment Fund (DEF)**
  - 7 Land (Ground Leases) = \$2.9M (27% of DEF)
  - Cash = \$7.4M (73% of DEF)

Fund	Value (\$)	Income (\$)	Yield (%)
MEF	44,883,293	2,567,797	5.7
DEF	10,467,755	491,854	4.7
<b>TOTAL</b>	<b>55,351,048</b>	<b>3,059,652</b>	<b>5.53</b>

# Hamilton Properties Limited

- What is it?
- History
- Current State

# HPL – What is it?

- Hamilton Properties Limited (HPL)
  - Council-Controlled Trading Organisation (CCTO)
  - Traded 1991-1998
  - Separate Board and Management
  - Managed MEF and DEF
  - Strategic and commercial property development
  - Average 12.1% return
  - Dormant company with tax losses available

# HPL - Reactivation

- 2014– 2016 Business and Investment Subcommittee (B&I) consider options for management of endowment funds
- PwC engaged to report on historical performance of MEF and options
  - *“to utilise the assets to achieve both a financial return and for the development of assets for a wider public benefit”*.
- 2 August 2016 B&I recommended reactivation of HPL

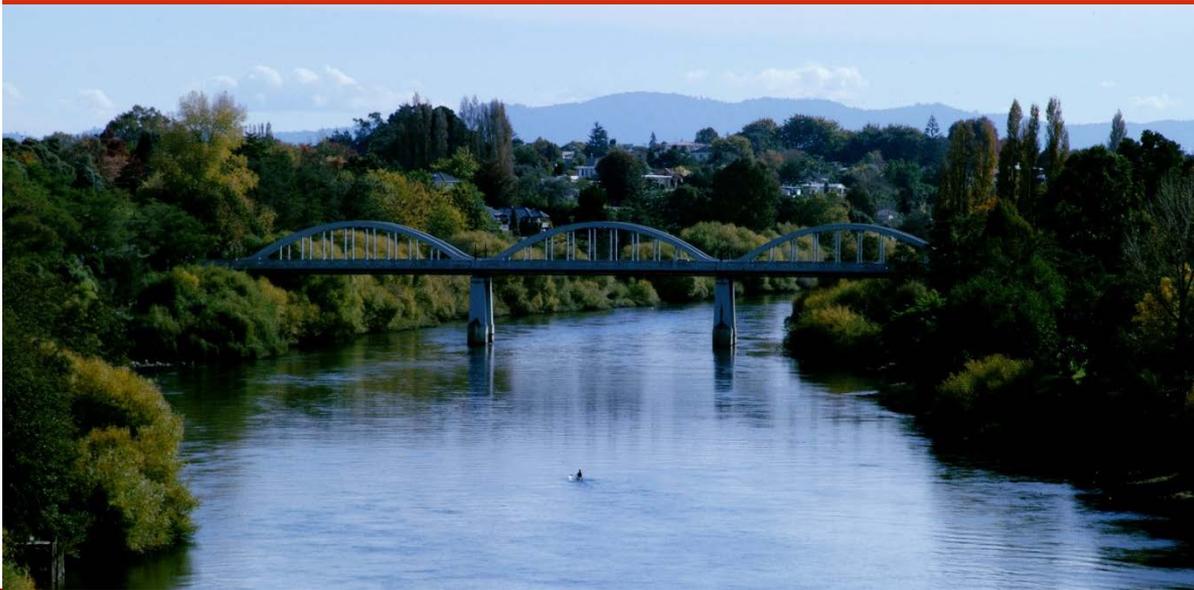
# HPL - Reactivation

- 29 September 2016 Council approves:
  - Transfer of cash and management of the MEF and DEF to HPL (excluding current property assets)
  - Municipal and Domain Endowment Funds Policy, HPL Constitution and PwC Business Case
  - Timeline for activation of HPL by 1 July 2017
  - Staff report back in March 2017 on implementation and risk
- 9 March 2017 Council approves amended timeline for activation of HPL by 1 July 2018
- Implementation is in progress

# *HPL Business Case & Risk Analysis*

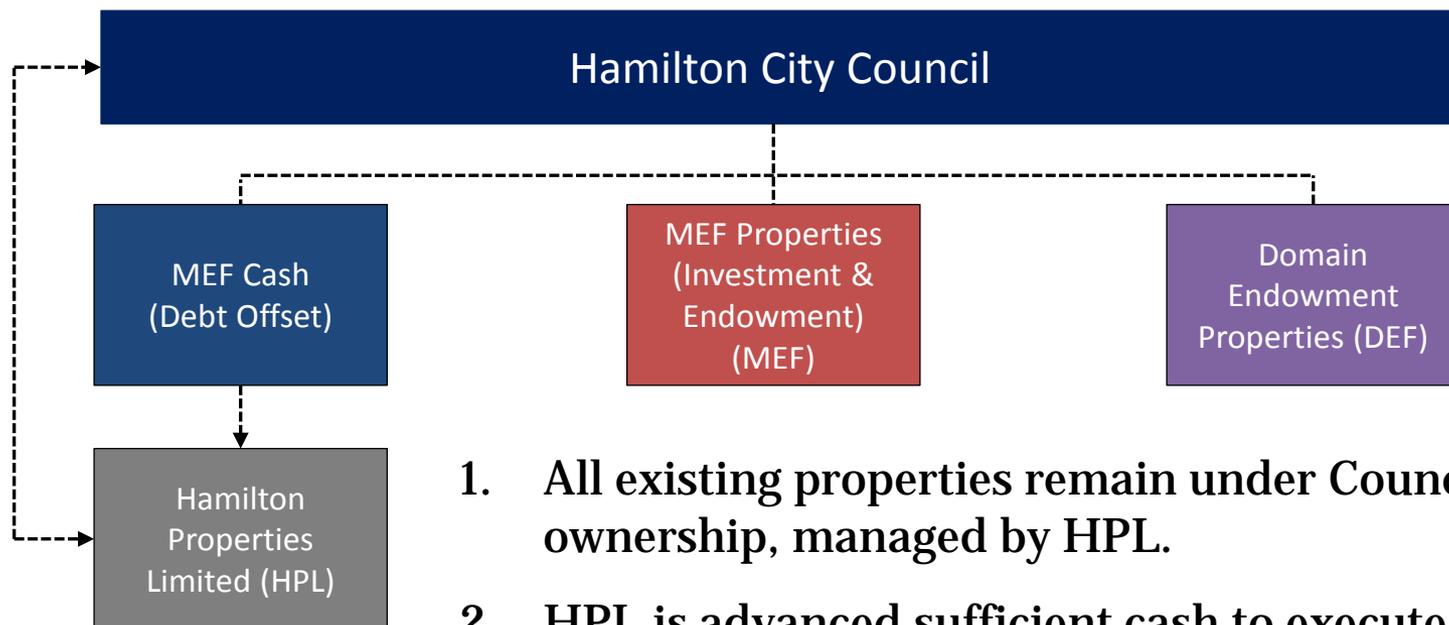
## Member Briefing Presentation

*Strictly private  
and confidential  
10 August 2017  
Draft*



## Assumed Structure

HPL is a CCTO, it is assumed that only funds required for development will be advanced and held by HPL.



1. All existing properties remain under Council ownership, managed by HPL.
2. HPL is advanced sufficient cash to execute the property development strategy set by Council.
3. All undrawn cash is offset against Council debt earning a notional return of 5.5%.

## Illustrative HPL Business Case

The business case illustrates that Council's minimum annual return of 5.5% is achieved with an average of 20% of MEF capital applied to development.

- Council set the investment objectives or mandate by which HPL will operate.
- The business case is illustrative with the requirement of providing Council with a **minimum return of 5.5%** per annum, equivalent to the debt offset return.
- The key assumptions made in the illustrative business case include:
  - An average of **20% of MEF capital** (\$10.5m) is risked annually;
  - A **gross return**, before overheads and tax, of **20%** is achieved on property development undertaken; and
  - The remaining 80% of MEF funds are applied to the debt offset and earn a notional return of 5.5% per annum.

## Illustrative Financial Return

The contribution to Council's strategic objectives is the underlying purpose for the activation of HPL and should be considered along with financial returns.

- After paying an annual dividend of \$2.3m the remaining profits are retained and reinvested. The total value of the funds is projected to increase from \$49m to \$62m across the 10 year period (CAGR 2.4%).
- The HPL investment in property development over the 10 year period is \$105m, producing a gross return of \$21m (20%).
- The illustrative average annual financial return, after overheads and tax, is 6.8%, from the combination of property development and the debt offset.
- The non-financial returns include the outcomes resulting from the \$105m development expenditure and the contribution these developments make towards Council's strategic objectives and the catalyst effect of the HPL development on private sector activity.

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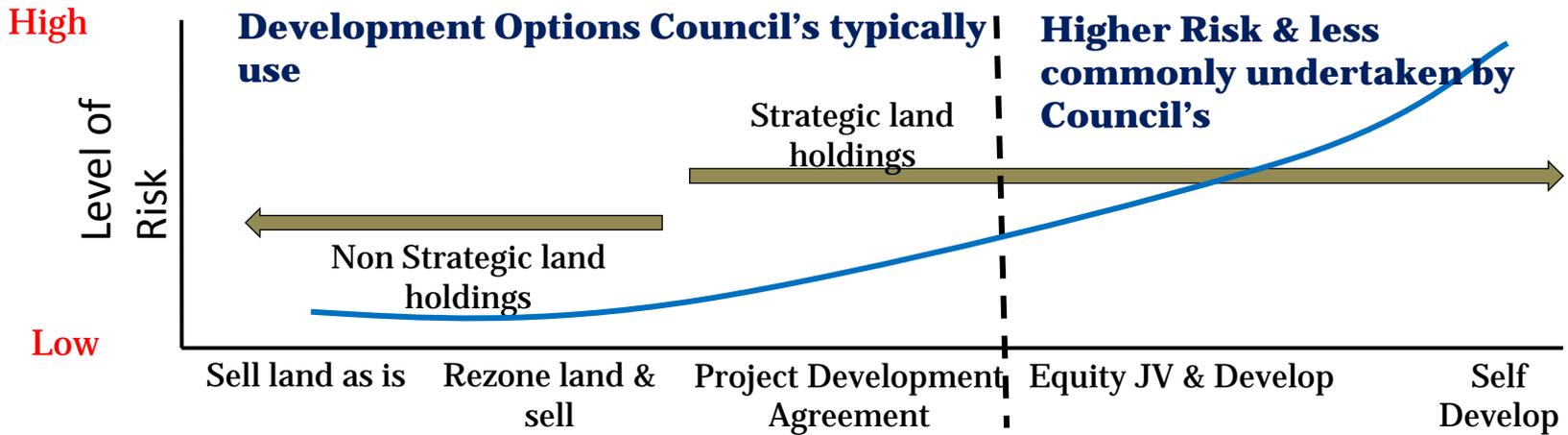
## Risk

Property development is high risk. This risk can be managed or mitigated but not eliminated.

- Property Development presents a significantly greater risk profile than the current debt offset.
- The key factors influencing risk include:
  - The level of Capital applied to development relative to the total fund value, assumed at 20% in the illustrative business case.
  - The type of property development undertaken and the level of contractual commitments (tenant or purchasers) mitigating risk; and
  - The quality or strength of counter-parties, including development partners, tenants and purchasers.
- *It is our view that Council should only undertake developments which contribute to strategic objectives and act as a catalyst for the private sector to act.*

# Risk Relativity

The level of risk and capital required increases significantly as development moves from land sales through to self development.



## Risk Assessment of Actual Projects

Given the significant variation in risk between developments, Council should identify actual opportunities through engagement with the private sector.

- Council will have to accept a higher level of risk than the current debt offset presents for HPL to operate, and if accepted, we recommend that Council identify actual projects by engaging with the private sector.
- Once identified, the **actual risk profile** of each development can be assessed through a 'detailed business case', this may include the:
  - risk profile of counter-parties;
  - likelihood of securing pre-construction commitments from tenants or purchasers;
  - contribution to Council's strategic objectives; and
  - estimated financial returns.
- This approach will enable Council to validate that sufficient volume of opportunities exist before Council commit to the overhead structure and cost, including the recruitment of an experienced and capable Development Manager and Board of Directors which are seen as critical to successful execution.

# Conclusion – Next Steps

- 24 August 2017 Council to consider:
  - PwC risk analysis and consequences
  - Dissolution of the Endowment Funds