



**ECT**

EASTLAND COMMUNITY TRUST  
**STATEMENT OF INTENT**

**2016/17**

creating a positive, prosperous  
& attractive community

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## INTRODUCTION

The Eastland Community Trust wishes to present its Statement of Intent for 2016 - 2017. This is our guiding document for the financial year. It sets out the Trust's direction and provides an overview of the activities we intend to carry out.

Trustees see this as a year of measured development.

For the most part it will be business as usual. We will:

- Remain focused on preserving capital and providing for our beneficiaries.
- Concentrate on completing existing major projects.
- Look for opportunities to further encourage economic development in the area.
- Continue to improve our relationships and communications.
- Continue to enhance the structure and targeting of our distributions programme.

It is also important we keep an eye on the horizon. We will:

- Advance our vision for regional economic development.
- Review the organisation's structure and collective capability to ensure we have a fit-for-purpose organisation that can deliver on the Trust's future aspirations.
- Further develop our thinking around investing directly in, or encouraging, businesses that grow our economy.
- Continue to explore ways the Trust might influence and positively impact our community.

### Background and Purpose of the Trust

The Eastland Energy Community Trust (the Trust) was created on May 7, 1993 and has as its governing document a Deed of Trust effective from this date. The Trust changed its name to Eastland Community Trust (ECT) on December 6, 2004.

Clause 16.7 of the trust deed requires the Trust to prepare and deliver to the Gisborne District Council a Statement of Intent and Budget no later than one month before the end of each financial year ending on March 31.

This Statement of Intent has been prepared to satisfy the requirements of that clause in respect of the income year ending 31 March 2017.

The Trust was established for the following purposes:

1. To preserve the value of the capital of the Trust fund, having regard to the effect of inflation and profits and losses from time to time earned or sustained by the trustees in the exercise of their powers and duties of this deed, or any other losses sustained by the trustees.
2. To provide for the beneficiaries in such a manner as the trustees shall, from time to time, decide including, without limiting the generality of the foregoing:
  - a. Paying for or subsidising the installation or maintenance of electricity reticulation or the supply of electricity in areas of the district where the trustees are of the opinion that the provision of those services by the company will not provide an acceptable commercial return. And that the cost to the consumer of that electricity is excessive in comparison with the majority of consumers with similar load profiles, connected to the company's electricity distribution system.

- b. Supporting business, community and other initiatives, which in the opinion of the trustees are likely to encourage or sustain economic growth within the district which may, directly or indirectly, benefit the beneficiaries.

**Our vision** is to assist in creating a more positive, prosperous and attractive community.

**Our mission** is to contribute towards increasing the quantity and quality of choices people and groups can make to build meaningful and fulfilled lives.

**Our focus** is on fostering the Gisborne district's economic prosperity through acquiring, owning and prudently governing investments, and utilising resources to support and encourage selected commercial and community initiatives.

### **Our Approach to Governance**

The Eastland Community Trust is managed by a board of 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. Board members actively participate in committee work to give feedback on management's execution of approved policies and strategies.

It is important to note that the Trust is not just a commercial operator with a focus on maximising wealth, nor are we a purely charitable organisation. We have a wide range of stakeholders and a variety of expectations to manage. That means that the assessment of our performance is more complex, with various stakeholders having differing perspectives on achievement. But, at the heart of it all, there is a commitment to keep the best interests of our beneficiaries at the centre of our decision-making.

## WHAT TO EXPECT IN THE COMING 12 MONTHS

### Distributions

#### Our Objectives

The objectives of our distributions are to:

1. Contribute towards projects that assist in the creation of a more positive, prosperous and attractive community.
2. Utilise our resources to support and encourage selected commercial and community initiatives.

Our distributions programme will comprise three distinct strands that will aid in delivering against those objectives.

1. Positive: Supporting community organisations and activities seeking up to \$100,000.
2. Prosperous: Facilitating regional economic growth opportunities.
3. Attractive: Supporting community assets and projects of significance.

#### Our Intentions

ECT intends to continue to embed the new distributions strategy introduced during the period covered by the previous Statement of Intent.

ECT will budget \$6.15million for distribution.

While this amount will be made available, experience shows us that we will likely distribute approximately two thirds via our distributions process. Any amounts are always at the discretion of trustees and subject to financial considerations. It is envisaged that uncommitted project funds will be carried over from year to year at the discretion of the trustees.

We expect approximately 50 community organisations and economic development projects will receive funding, producing a range of events, activities and initiatives that will benefit or engage our community at some level.

#### *Distributions Review*

A distributions review will be completed by September with changes implemented by the end of the financial year or in the 2017/18 year (depending on the scale of the findings). This review will look at:

1. The total amount available for distribution.
2. The effectiveness of the pools in achieving their intended outcomes.
3. The criteria and public access to the pools.

#### *Akina*

ECT intends to work directly with the Akina Foundation to launch its social enterprise development programme in Tairāwhiti. Akina provides tailored support to help local social enterprises grow. ECT's support will be in the form of funding via our distributions process and with the provision of internal capacity to support on-the-ground marketing.

### Expected Outcomes from Our Distributions

- The distribution of approximately \$4million (two thirds of the funding available) to projects that meet our criteria for the benefit of our local community.
- Contributing towards a wide range of social, cultural, sporting, environmental, philanthropic and economic activities that engage and benefit the wider community.
- Contributing towards significant community assets and projects.
- Clarity on the strategies required to enhance our distributions framework.
- The launch of social enterprise development programme Akina, with meaningful business and social sector engagement.
- Uncommitted project funds will be carried over to the following year for similar projects.

## Economic Development

### Our Objectives

A significant part of ECT's purpose is to support business, community and other initiatives likely to encourage or sustain economic growth within the district for the benefit of our beneficiaries.

Accordingly, the objectives of our economic development activity are to:

1. Support the development of a region that attracts more people to work and do business here.
2. Create a pool of contestable investment funding that is used to provide capital and/or loans to:
  - a. Retain and expand existing business.
  - b. Foster the establishment of new business.
  - c. Attract outside business and resources to our region.
  - d. Connect our region to markets and markets to our region.

In the term covered by the previous Statement of Intent we successfully developed a pool of contestable funding in the form of our Prosperous fund.

### Our Intentions

In the term covered by this Statement of Intent we intend to further develop our Direct Investments Strategy and the way in which we attract, select and support economic development initiatives. This will include a review of the existing Prosperous (Regional Economic Growth) contestable fund.

We will work with the Gisborne District Council regarding the development and delivery of the Regional Economic Action Plan. This will include the development of relationships with the Ministry of Business, Innovation and Employment (MBIE), Activate Tairāwhiti and possible partnership with Iwi. This project will be initiated in the term covered by the Statement of Intent, but will be focused on longer term, regionally significant issues.

### *Activate Tairāwhiti*

Activate Tairāwhiti has been set up to focus on economic development initiatives that will transform the region. ECT has taken a lead role, working in collaboration with the Gisborne District Council, to establish the economic development agency by funding 50% of its operations.

In the period covered by this Statement of Intent, we intend to embed our relationship with Activate Tairāwhiti and better establish the parameters of our individual mandates in the economic development space.

Where we can, we will also work strategically to support Activate Tairāwhiti in its delivery of selected regional economic growth initiatives. This will mainly be in the four key sectors laid out in their Economic Workplan - wood products, food products, quality of life (tourism) and digital.

### *Commerce Place*

Commerce Place is intended to be used to facilitate business growth and development in the region, with the Trust providing economically sustainable options to assist the establishment of new and emerging businesses in our region.

The purchase of this property positions us well to actively enable great ideas by diversifying what the Trust is able to offer – not just potential capital, but a land asset, a place to do business.

### Prime Sawmill

In the period covered by the previous Statement of Intent, ECT approved the \$7.4million purchase of the Prime Sawmill. This was with a view to developing a wood processing cluster that could create as many as 120 jobs and inject up to \$7.7million in to the local economy over the next three years.

The purchase of the Prime Sawmill site saw ECT take a clear step from a passive funder to an active participant in growing our regional economy. There were some compelling reasons why the Trust saw this as a sound investment:

1. Forestry related industries are the top sectors driving our local economy. Currently 9.7% of Gisborne employment can be attributed to these industries. They are also amongst the highest revenue multipliers – in 2013 alone forestry had a \$466million impact on our local economy – both directly and through its support businesses.
2. Wood product manufacturing is a sector with high and fast growing employment, high multipliers and export potential.
3. We have a substantial volume of uncommitted, good quality, quick-grow logs close to the Prime processing site. We have been waiting for the right raw product to grow. That stock is now coming on stream. Our export log volumes have grown from 350,000 tonne in 2005 to 2,200,000 tonne in 2015.

ECT sees itself invested in the medium to long-term to achieve the outcomes we are looking for.

### Expected Outcomes from Our Economic Development Activity

- ECT has enhanced its approach to economic development and added value to the way it contributes to the economic outcomes of this community.
- We will be in a position to better support the growth of new and innovative businesses, and lines of business, through active investment.
- Activate Tairāwhiti will be adequately resourced and empowered to deliver against its strategy and the intended outcomes of its workplan.
- Commerce Place is made available for the right project.
- There is a working plan to reactivate the Prime site and that plan has been partially implemented.



## Investments and Finance

### Our Objectives

The objectives of the investment portfolio are to:

- Preserve the Trust's capital by generating a sufficient risk-weighted return on existing investments.
- Acquire, own and prudently govern the Trust's investments.
- Grow the net income of the Trust (to benefit the Trust's beneficiaries), so that we have sufficient income to meet our deed obligations.
- Ensure resilience to financial highs and lows, and be able to ride out financial downturns by ensuring a diversity of investments.
- Have sufficient available funds to make meaningful investments that create a positive, prosperous and attractive community.

### Our Intentions

In the year covered by this Statement of Intent, the Trust will endeavour to grow the capital base by greater than the rate of inflation.

We will seek to generate a pre-tax return between 5.5% and 6.5%, including capital growth, from all investments.

We intend to generate a net profit before income tax within 5% of budget.

We will manage and monitor our investments to ensure:

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

We also intend to review our structure to ensure that we have a fit-for-purpose organisation that sustainably manages the Trust's capital base.

The Trust will continue to grow its investments in equities, property and fixed interest.

ECT will review its investment portfolio performance and investment policy.

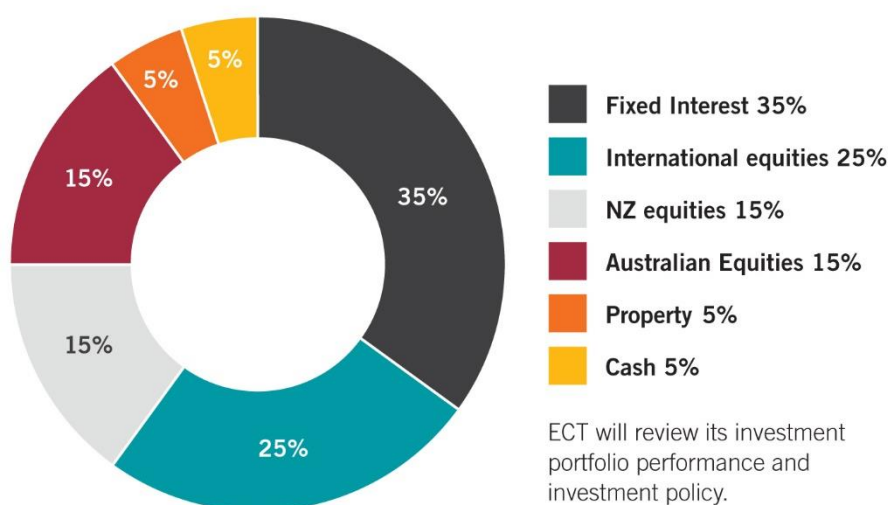
At the writing of this Statement of Intent ECT has not planned any significant acquisitions, investments or divestments.

### Expected Outcomes from our Investments and Finance

- Sufficient income to meet our deed obligations.
- A financially resilient organisation.
- Meaningful investments made in economic and strategic community assets.
- We will be in a position to better support new and innovative businesses, and lines of business, to grow and develop through active investment.
- The funding of a wide range of social, cultural, sporting, environmental, philanthropic and economic activities that engage and benefit the wider community.
- The funding of significant community assets and projects.

## Passive Investments

The breakdown of our investments is as follows.



## ECT 2016/17 Budget

For the year ended 31 March 2017.

2017 SOI Budget \$'000

REVENUE	
EGL - Capital Notes	2,130
EGL - Dividends	5,815
Craig's Growth Portfolio	1,340
Forsyth Barr Portfolio	452
Investment Funds	23
Other income	-
<b>Total Income</b>	<b>9,760</b>
CORE OPERATING COSTS	
Communications	(35)
Compliance	(40)
Investment monitoring and activities	(160)
Office and operational	(170)
Sponsorship	(100)
Staffing	(535)
Strategic review and business development investigation	(250)
Trustee costs	(260)
<b>Total core operating costs</b>	<b>(1,550)</b>
<b>Profit before income tax</b>	<b>8,210</b>
<b>TOTAL AVAILABLE FOR DISTRIBUTION</b>	<b>6,150</b>

## Communications and Relationships

### Our Objectives

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.

### Our Intentions

In 2014, ECT engaged Key Research to ascertain community satisfaction with our programmes. This revealed high levels of trust and engagement with the organisation. We want to continue 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.

ECT will provide information in a number of ways:

1. We will keep the website [www.ect.org.nz](http://www.ect.org.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 at the ECT office.
3. The 2018 Statement of Intent will be provided to the Gisborne District Council 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 on August 17, 2016 (within five months of the Trust's balance date of March 31, 2016). The AGM will disclose financials, auditor's report and summary of activities.
6. The Trust will maintain a formal communications strategy and plan, which will include distributing communications during the year to keep beneficiaries informed.

### Expected Outcomes from Our Communications

It is expected that our community will:

- Be well informed and be kept abreast of ECT's 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 positive, prosperous and attractive community.

## Working with Gisborne District Council

### Our Objectives

The Trust acknowledges the relationship it has with the Gisborne District Council (as mandated by the Trust Deed) and is committed to working with Council in managing that relationship.

### Our Intentions

Our support of community projects in collaboration with Council will continue in 2016/2017 with the following projects:

- Navigation Traditions – considering funding toward the project.
- Activate Tairāwhiti – providing joint funding totalling \$360,000.
- Regional digital strategy.
- Regional community facilities review.

ECT will continue to meet two-monthly with council representatives and present to full Council every six months.

We will carry out our obligations in accordance with our Trust Deed as they relate to Council. These include:

- Notifying Council of all trustees who have given notice of retirement or who have been disqualified from acting as trustees or who are due to retire by rotation.
- Consulting on, and delivering, the Statement of Intent and Budget estimates.

We will work with Council to ensure the trustees appointed have the skills and experience necessary to contribute to our strategic direction, and the goals and aspirations of our community.

Trust management will maintain a working relationship with the GDC chief executive and management team.

### Expected Outcomes from Our Work with Council

- ECT and GDC enjoy a culture of mutual trust, respect and understanding. This includes working strategically together to create a more positive prosperous and attractive community.

## Working with Eastland Group

### Our Objectives

The Trust is proud of its ownership of Eastland Group and supports its aspiration to become New Zealand's best regional infrastructure company, delivering consistent growth and excellent returns to ECT and our beneficiaries.

### Our Intentions

Eastland Group specialises in regional infrastructure: ports, electricity networks, generation and retail.

The Trust will continue to support Eastland Group's interest in looking at opportunities within the broader energy supply chain, in particular where an investment provides some element of control or competitive advantage. In that regard, we support the scoping of opportunities consistent with their strategy and our shared aspirations - such as the recent Te Ahi O Maui purchase and cornerstone investment in energy retailer Flick Electric.

We will actively advocate the scoping of opportunities within Tairāwhiti. This is driven from the purpose of the Trust and from our strategic view that a strong local economy is critical to the well-being of our region. We will continue to send strong signals of support, as appropriate, to the Company around the capital development of the Port and other local investments. To that end, in the year relating to this Statement of Intent, trustees plan a joint strategy session with the directors to discuss:

- Eastland Group's strategy for local growth.
- Eastland Group's strategy for growth overall.
- Forming a collaborative view on the role of Eastland Group in meeting the Trust's future aspirations.

The Trust has also signalled that it expects the Company will:

- Ensure that the activity of the Company is carried out with the primary purpose of adding value to the shareholder.
- Deliver returns that, over time, meet or exceed the Company's cost of capital.
- Report annually each business segment's returns compared with the segment's cost of capital.
- 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 the range set historically by the Board and as defined in the Owner's Expectation Manual.
- Be available to meet with the shareholder monthly or otherwise as required by the shareholder.
- Present to the Trust on a quarterly basis against these expectations.

At the time of writing, the Trust is unaware of any major transactions by Eastland Group and there is no planned change in the shareholding of the company.





### Expected Outcomes with Eastland Group

- An open, transparent and professional relationship with the Company.
- Eastland Group is delivering competitive returns to ECT, thereby adding value to the community.

## REVIEW OF EASTLAND COMMUNITY TRUST'S 2017 PERFORMANCE INDICATORS

Measure	Current Status	End of Year Target
<b>DISTRIBUTIONS</b>		
Continue to embed the new distributions strategy.	⬆	⬆
Distribute at least two thirds of the \$6.15million available via our distributions process.	⬆	⬇
Involvement with approximately 50 community organisations and economic development projects.	⬆	⬇
Distributions review complete.	○	⬆
Akina underway.	○	⬆
<b>ECONOMIC DEVELOPMENT</b>		
Direct Investments Strategy reviewed and developed.	⬇	⬆
Work with the Gisborne District Council on the Regional Economic Action Plan.	○	⬆
Prosperous fund being used effectively.	⬇	⬆
Relationship and mandate better established with Activate Tairāwhiti.	⬇	⬆
Commerce Place is available to support economic development initiatives.	⬇	⬇
A working plan for Prime has been developed and partially actioned.	⬆	⬆
<b>INVESTMENT AND FINANCE</b>		
Grow the capital base by greater than the rate of inflation.	⬆	⬆
Generate a pre-tax return between 5.5% and 6.5% from all investments.	⬇	⬇
Generate a net profit before income tax no more than -5% of budget.	⬇	⬇
Manage and monitor our investments to ensure growth and income expectations.	⬆	⬆
Continue to grow investments in equities, property and fixed interest.	⬆	⬆
Structure review complete.	○	⬆
Review of investment portfolio performance and investment policy.	○	⬆
<b>COMMUNICATIONS AND RELATIONSHIPS</b>		
Website is maintained.	⬆	⬆
The Annual Report, Statement of Intent and Budget delivered as per the Trust Deed.	⬇	⬇
Trustee meetings advertised and open to the public.	⬇	⬇
Annual General Meeting held August 17, 2016.	⬇	⬇
Formal communications plan maintained.	⬇	⬇
<b>WORKING WITH GISBORNE DISTRICT COUNCIL</b>		
Continue collaboration with Council on the projects identified.	⬇	⬆
Continue regular meeting schedule as identified.	⬇	⬆
Carry out obligations under the Trust Deed as they relate to Council.	⬇	⬇
Ensure that trustees appointed have with the skills and experience necessary.	⬆	⬆
Maintain a working relationship with the GDC chief executive.	⬇	⬆
<b>WORKING WITH EASTLAND GROUP</b>		
Support Eastland Group scoping opportunities within the broader energy supply chain.	⬇	⬇
Actively advocate the scoping of opportunities within Tairāwhiti.	⬇	⬆
Monitor expectations of Eastland Group as outlined.	⬇	⬆

## Key

-  Performance Improving Progress towards the outcome is positive, overall conditions are improving; numbers are increasing; targets are being met or exceeded.
-  Performance Maintained The state of the outcome is stable; overall conditions are neither improving more declining; if targets are being met, then the outcome is being achieved.
-  Performance Declining Progress towards the outcome described is negative. Overall conditions are degrading, numbers are decreasing, and targets are not being met.
-  New Project.