TE KETE PAARAHA MO NGA PAPAKAINGA KI Waikato

Waikato Maori Housing Toolkit

Waikato Regional Council
Te Kaunihera ā Rohe o Waikato

Waikato District Council
Te Kaunihera aa Takiwaa o Waikato

Te Puni Kōkiri
REALISING MĀORI POTENTIAL

Future Proof
Knowing our future by planning today

Te Kooti Whenua Māori
Māori Land Court

Te Kopua
2B3 Incorporation

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Mihi

E nga tangata a utu, nga tangata a tai, nga tangata o nga whenua Maaori, tena koutou.

Nau mai, haere mai, ki te mahau matauranga, ki teenei pukapuka kua wharikihia e tatou. Tenei te kete paaraha mo nga Papakaainga o Waikato.

Ko koutou nga kaihanga hapori, e tarei ana te pae tawhiti a te iwi e. No reira e rau rangatira ma, kia mau ki te toki tumanako, kia pupuri ai ki nga taonga tuku iho o ou tupuna.

Tena koutou, tena tatou katoa.

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- Te Puni Kokiri
- Waikato District Council
- Waikato Maniapoto Maaori Land Court
- Waikato Regional Council
- Te Kopua 2B3 Incorporation

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1 *TE TIMATANGA* – INTRODUCTION

1.1 PURPOSE

The purpose of the Waikato Maaori Housing Toolkit is to assist Maaori land owners in the Waikato District to understand the processes for developing papakaainga upon their ancestral lands. The concept of papakaainga is not new and in fact marks a return to traditional social structures inherent in pre-European Maaori. The promotion of papakaainga also serves to utilise traditional Maaori land for the benefit of its owners and their uri.

Developing property is a specialised skill which can at times be difficult and especially so for Maaori land blocks due to the added legal layers of complexity and associated limitations. This may account for the reason that many Maaori land owners remain either unoccupied or under-utilised by comparison to general title land.

This resource is designed to help users to:

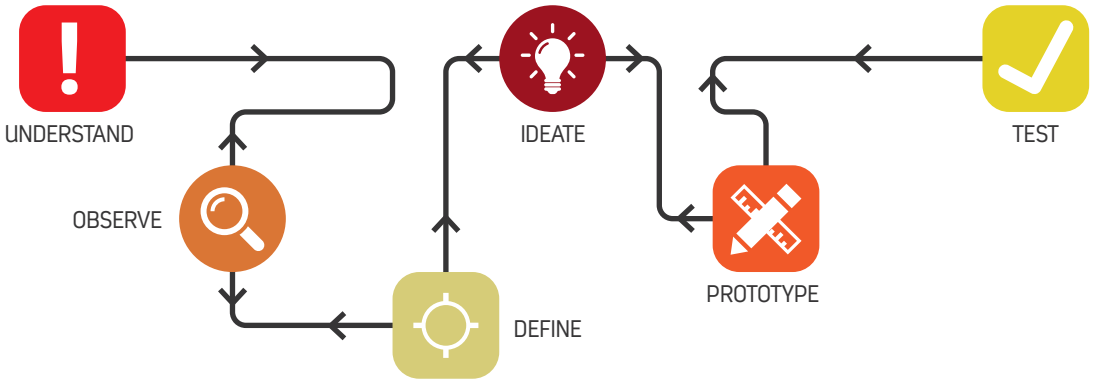
a. Understand the governance, legal and operational capacity required to undertake and efficiently operate a papakaainga development.
b. Procure sufficient technical information to develop master plans and conceptual plans for their land owners.
c. Understand property development and property management processes.
d. Develop demand information and financial feasibility assessments for their intended papakaainga projects.
e. Make land owners aware of relevant sources of finance that are available and what is required to access them.

1.2 CONCEPT DEVELOPMENT PROCESS

The majority of the content for this toolkit and the associated workshops is concerned with the design and planning phase of development. While there are general steps to follow, project managers and Trustees may find themselves moving back and forwards throughout the design process which is to be expected. We encourage participants of the workshops to consider using a design thinking model which tries to allow for the inevitable human impact on a project.

Design thinking assumes that all projects contain design flaws, mistakes or changes to design and execution that need to be made from start to finish. Design thinking therefore means the project manager will make provisions in how they run the project to allow themselves room to make adjustment and fix errors throughout the process.

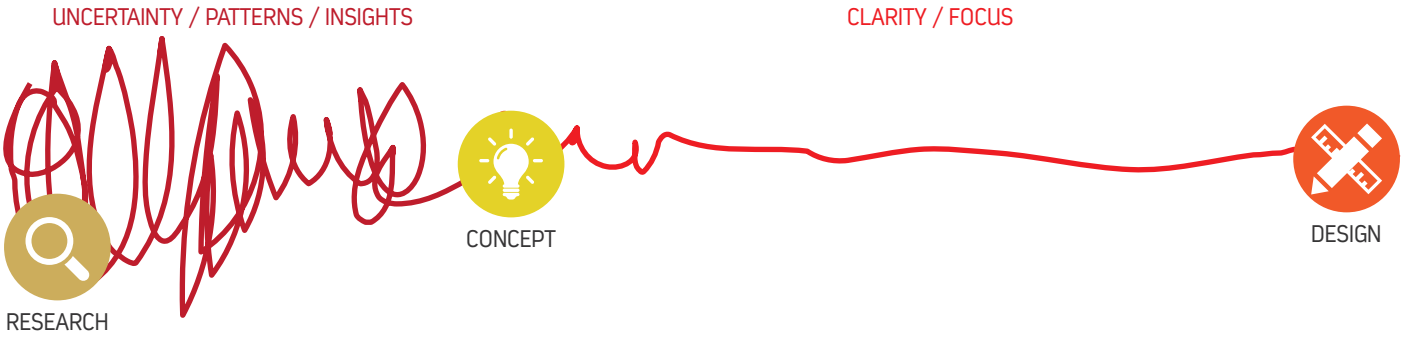
DESIGN THINKING PROCESS



There is no set format or design for a papakaainga, each may have their own characteristics, nor can it be said that there is one set process for how a papakaainga is to be developed. Given the variation of approaches, this toolkit cannot describe all pathways to completing a papakaainga development. Instead, this toolkit tries to promote best practices models and where possible describe alternative options for land owners to consider.

Many land owners may find the planning and design process does not always seem like a simple step by step journey. There may be setbacks, obstacles, and changes of direction required which results from having to deal with multiple processes at the same time each with their own variables and uncertainties. For a first time developer, any knowledge gaps will increase the number of variables and uncertainties to deal with.

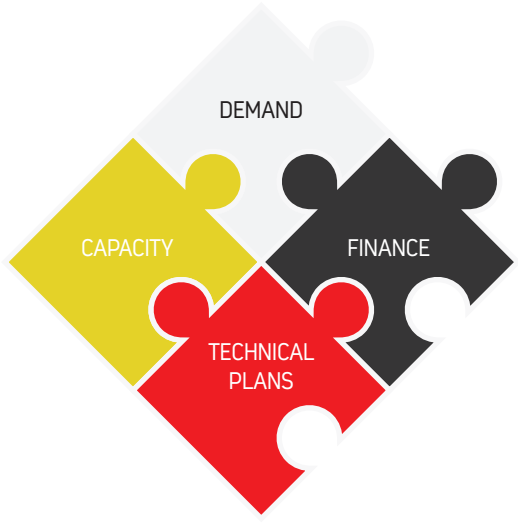
UNCERTAINTY



In this toolkit and workshops we aim to provide "how to" information to reduce this uncertainty. The toolkit is broken down into four overlapping work streams which are described below.

The work of a project manager is to align these work streams towards the middle. As each work stream is advanced, the preparedness of the project moves from the outside of the diagram towards the middle. When all work streams are aligned in the middle, a project is considered ready to commence.

DEVELOPMENT PREPAREDNESS



Failure to align even one of these work streams sufficiently can lead to delays, variations, additional cost, incompletion or failure of a project. The sections of this planning toolkit based on the above graphic are outlined.

1.2.1 *TE AHEITANGA* - ESTABLISHING CAPACITY

In this section of the toolkit we discuss the need to establish rationale for the project along with the governance, legal and operational capability before engaging in all of the other planning and preparation activities. This capability includes enabling constitutional frameworks, functional governance, and a person(s) in a position to drive a development forward, and a degree of project organisation and administration. Land owners also need to consider strategies for managing the papakaainga after it becomes operational which is critical to sustainability. This section of the toolkit is supplemented by three planning workshops.

1.2.2 *TE MAHERE* - TECHNICAL PLANNING & DESIGN

Technical planning and design is the process which starts with a vision and progresses through successive stages of investigation, conceptual design, redesign and refinement until the designs are detailed enough to be consented, quoted and commissioned for construction. The technical planning section of the toolkit outlines the process for civil infrastructure development, the consent environment specific to the district council(s) mentioned in this toolkit and the process for architectural design. In addition we will also discuss dealing with construction contracts. The technical planning and design section of the toolkit is supplemented by two workshops.

1.2.3 TE TONO - ESTABLISHING DEMAND

If a land block is serious about building a papakaainga, then it is highly recommended that the Trust first confirm there is sufficient demand to warrant the development. In this section of the toolkit and the associated workshops we discuss avenues for building a demand feasibility. This feasibility is essential to provide supporting evidence to the blocks Trustees, shareholders or funders of the merits of the papakaainga.

1.2.4 PUTEA - PROCURING FINANCE

There are basic financial management principles that all land entities big or small should be encouraged to incorporate into their operation, these are discussed in this section of the toolkit. We will demonstrate in the toolkit a sample financial feasibility model for a papakaainga development and the information that land owners would need to collect to build such a model. There are four potential sources of finance discussed in this section along with the criteria for accessing each type of finance. This section is supplemented by one workshop.

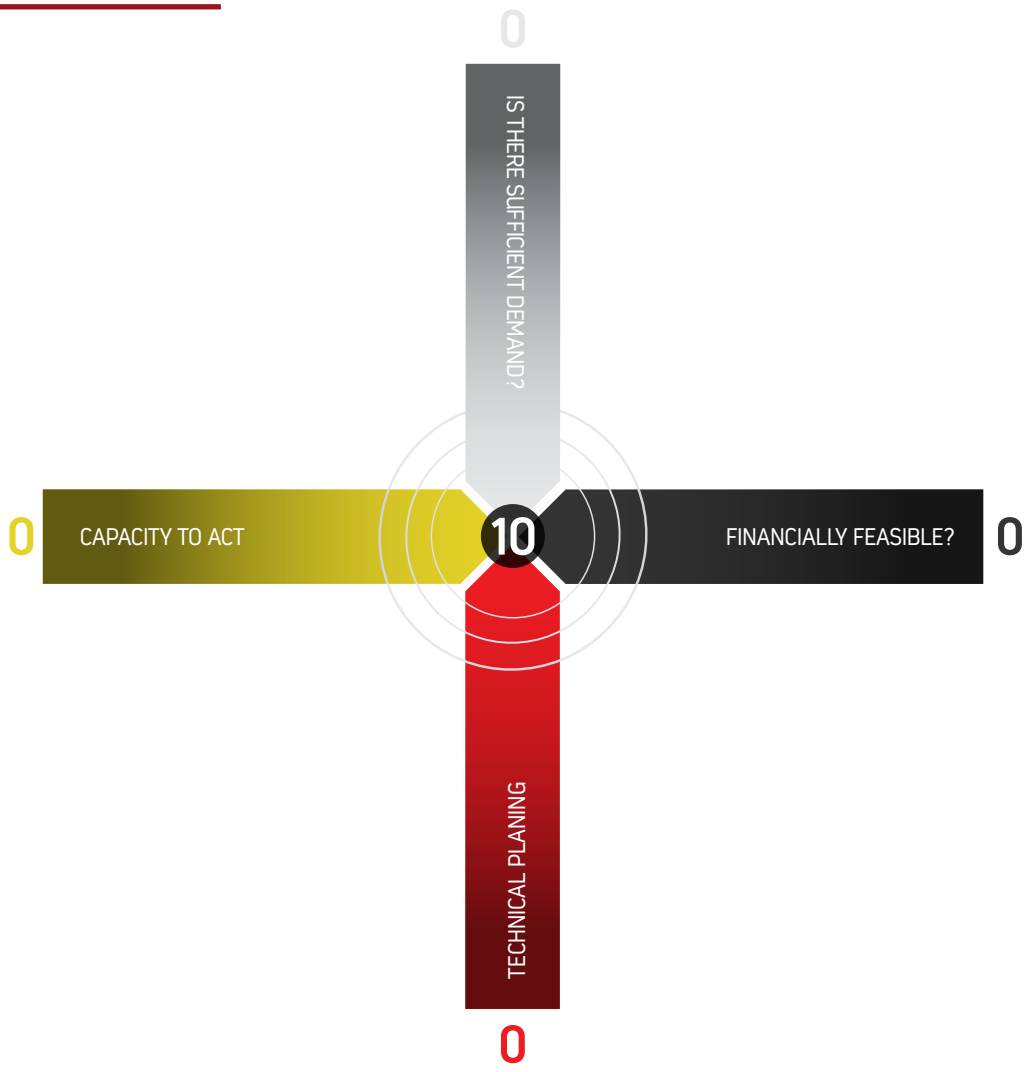
1.3 USING THIS TOOLKIT

Each section of the toolkit contains a number of exercises that are to be completed by the Trust or land incorporation in their own time. The exercises are designed to help Trusts better understand what they are doing and also the act of completing the exercises will help Trusts gather the information required to progress their papakaainga development.

While Trusts may make copies of the toolkit for their own purposes, it is recommended that a Trust should only use and update *one working copy* of their planning information to avoid confusion.

1.4 DEVELOPMENT READINESS ASSESSMENT

DEVELOPMENT READINESS MATRIX



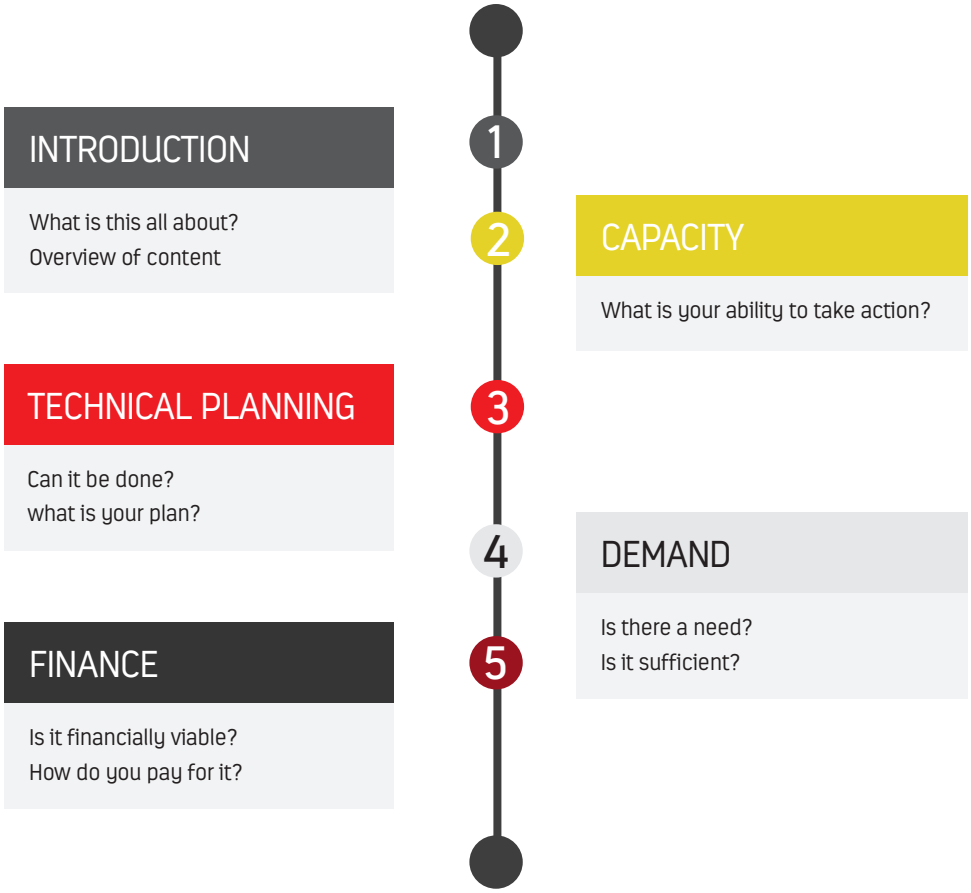
The assessment also doubles as a "things to do list" for land owners to help with the allocation of time, energy and financial resources. This self-assessment is a living document and Trusts are encouraged to continuously review and update this along the journey as an ongoing record of their progress.

TURN TO THE END OF THIS SECTION TO COMPLETE EXERCISE 1: DEVELOPMENT READINESS ASSESSMENT

1.5 WORKSHOPS

As stated earlier this toolkit is supplemented by a series of papakaainga planning workshops that provide added detail and context to the toolkit information. Each workshop is colour coded in this toolkit with each colour corresponding to one of the four work programmes outlined in the introduction. Workshop attendees will receive presentations from speakers from various backgrounds that have some involvement or expertise relevant to help.

PAPAKAAINGA PLANNING WORKSHOPS



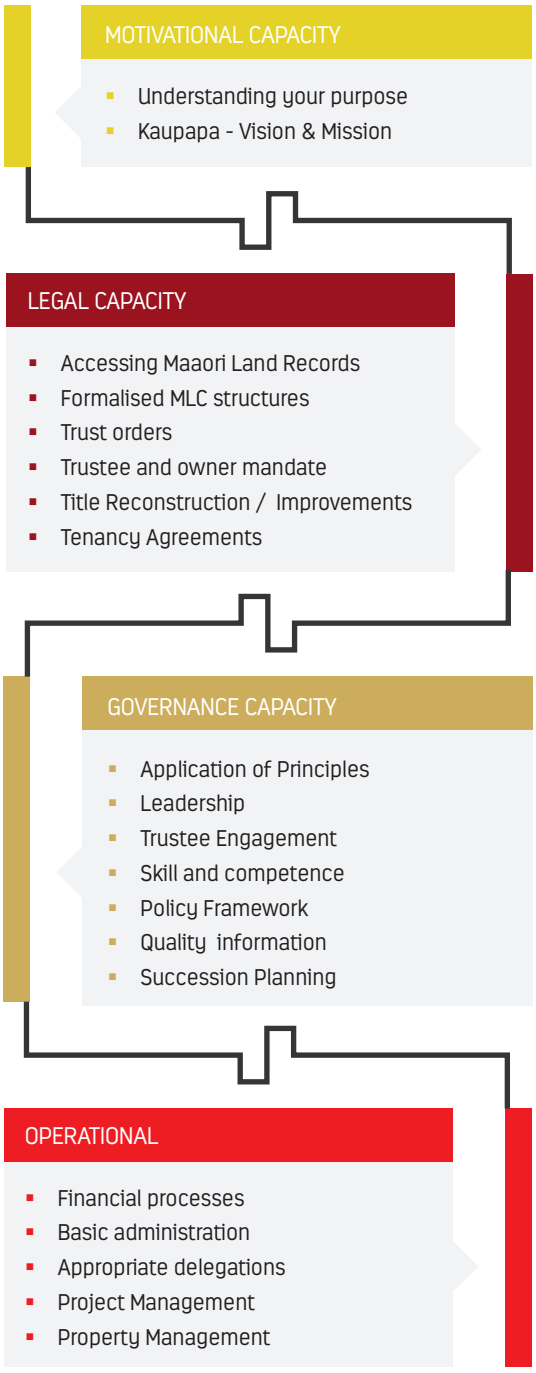
2 *TE AHEITANGA* – CAPACITY

Capacity is defined as the power or ability to do something. For the purposes of this toolkit, that ability is; to operate effectively as a Maaori land entity, to undertake a papakaainga development project, and to manage the papakaainga once it is built.

Capacity can be improved by incremental actions and if carried out consistently will compound and create momentum towards your intended goal. However capacity can be improved more effectively by focussing energy on certain areas in the right sequence. These areas are listed below:

> *"If I have the belief that I can do it,*
> *I shall surely acquire the capacity to do it,*
> *even if I may not have it at the beginning."*
>
> MAHATMA GANDHI

CAPACITY REQUIREMENTS

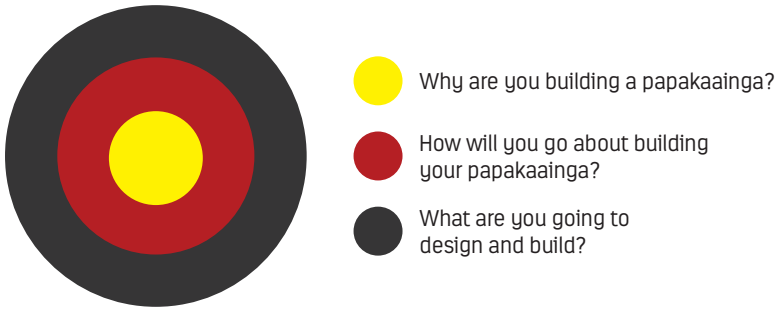


2.1 MOTIVATIONAL CAPACITY

2.1.1 THE GOLDEN CIRCLE: WHY, HOW, WHAT

In the process of developing a papakaainga, there are three questions that will need to be answered;

THE GOLDEN CIRCLE: WHY, HOW, WHAT



The answer to the "what" question will be individual to each land block, while this toolkit is dedicated to answering the "how" question. The first question "why" is one that we encourage all land owners to deeply consider before commencing their developments.

Property development is not easy and there are many challenges, risks and setbacks that will test the resolve of a project manager and Trustees. For this reason it is important that land owners have strong principled reasons for *why* the Trust exists in the first place and *why* they want to build a papakaainga.

2.1.2 VISION & MISSION STATEMENTS

> *"Cherish your visions and your dreams as they are the children of your soul; and the blueprints of your ultimate achievements."*
>
> NAPOLEAN HILL

The reasons why a land Trust or incorporation exists is explained in its vision and mission statement. This is usually a short statement that encompasses the principled beliefs of the Trust and acts as an anchor for decision making in times of uncertainty. This is why all Trusts should endeavour to have such a statement and to make sure that development of papakaainga is an activity that aligns with its vision statement. Some examples of mission and vision statements are given below:

"He taonga tuku iho, a business of the land and the sea"	Wakatu Inc
"We will act as a beacon of hope and prosperity for our people"	Tuaropaki Trust
"Kia pupuri ai I nga taonga tuku iho - Hold fast to the treasures of our ancestors"	Te Kopua 2B3 Inc

2.1.3 LISTING YOUR REASONS - *KAUPAPA*

In addition to having a guiding vision or mission statement for the Trust, the Trust and project manager should maintain a list of reasons why they wish to build a papakaainga. Maintaining this list acts as a powerful motivational tool that constantly reminds you of why you have started your journey and to help maintain a deep personal sense of motivation to deliver the project all throughout.

This list also acts as a powerful tool of persuasion when trying to gather the support of others stakeholder in the project. It stands to reason that if a project manager has many reasons convincing themselves of the merits of the project, they will also have the tools to convince other stakeholders to buy in to the project.

A list of reasons can be as long as you wish, but it is more beneficial to have just a few strong reasons that inspire you to action, rather than hundreds of weak reasons which do not have personal meaning to you. These reasons can be based on practical benefit, economic gain, or logic but the best motivating reasons are those that contain a strong sense of emotion.

2.2 LEGAL CAPACITY

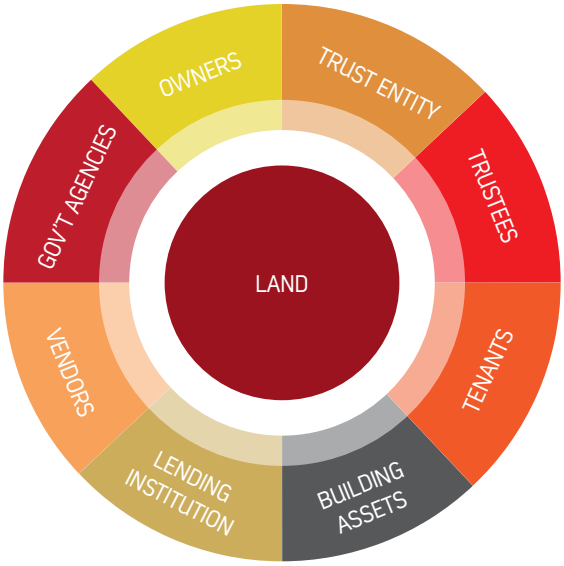
A Lands Trust or Incorporation should have the ability to conduct its legal affairs in a proper fashion by;

a. Having competent legal advice at their disposal;
b. Having appointed and effective Trustees with mandate to make legal decisions for the Trust;
c. Having legal documents that define the rights and responsibilities of all parties to each other and to the land.

2.2.1 LEGAL RELATIONSHIPS

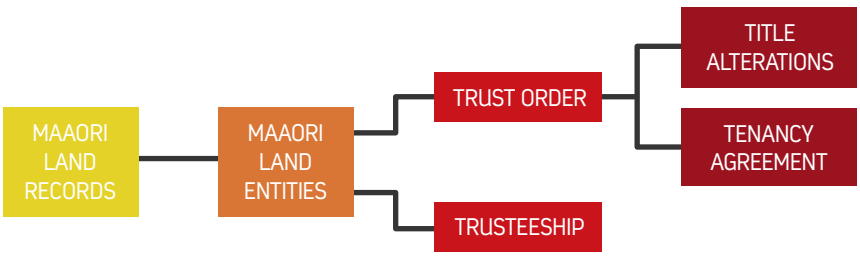
Legal documentation is essentially about defining the boundaries and nature of relationships. Legal documents create certainty about each party's rights and responsibilities to each other. Despite all efforts to avoid conflict, reality dictates that from time to time there may be disagreement, conflict or dispute and legal recourse may at times be necessary to deal to those issues. Therefore we recommend that robust legal agreements be established between the key parties involved. Some of these relationships are well defined by default through New Zealand legislation while others need to be created internal to the Trust.

MAAORI LAND RELATIONSHIPS MATRIX



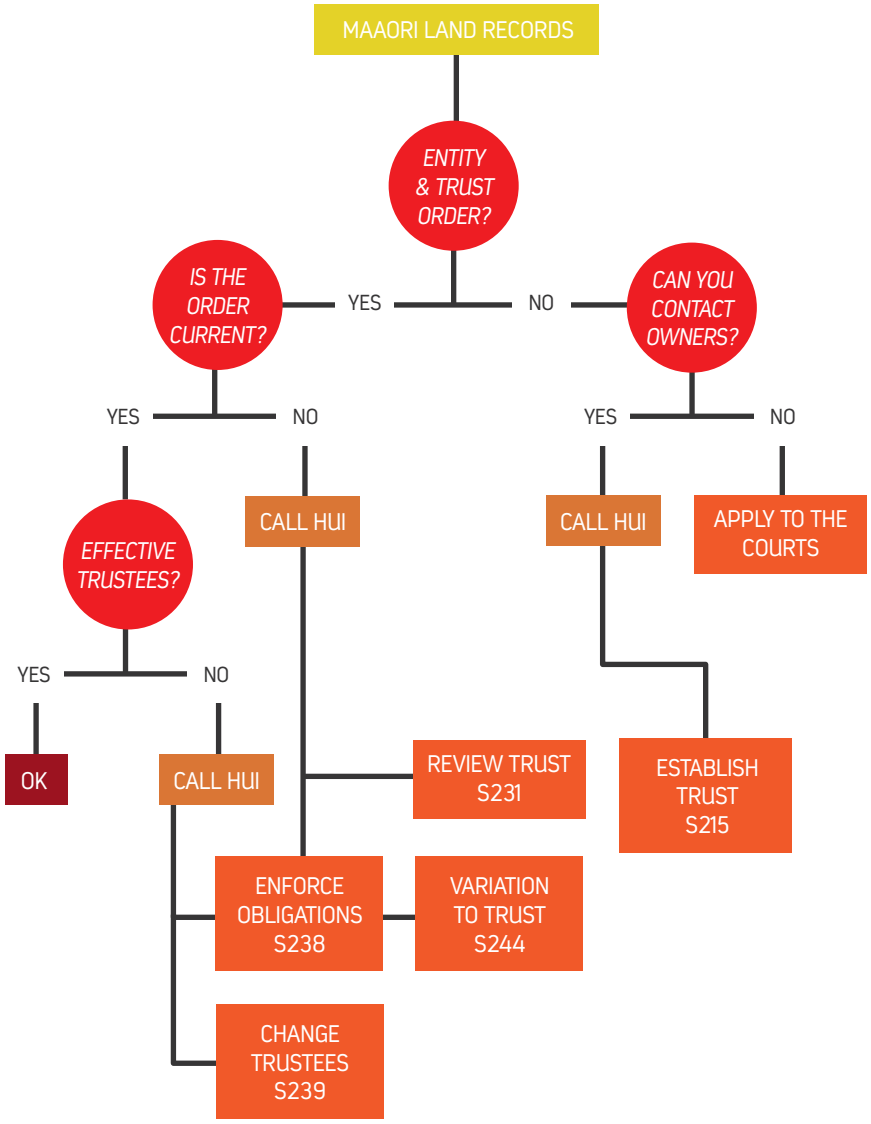
Some of the key legal issues that may arise in relation to Maaori land are described below.

KEY AREAS OF LEGAL CONSIDERATION



There may also be formal Maaori land court applications to be made. The decision tree described on the following page is designed to assist project managers and Trustees to identify the correct application processes in the event that they encounter problems that they cannot overcome outside the judicial system. You are advised to take proper legal advice before undertaking any legal processes.

APPLICATION DECISION TREE



2.2.2 MAAORI LAND RECORDS

The first step towards getting legal capacity sorted is to first conduct some basic background checks on the lands that you are looking to develop. This information can be found from the comfort of your home using the following links;

MAAORI LAND ONLINE (MLC) - www.Maaorilandonline.govt.nz

The following content can be downloaded from the website:

- Title Information – legal name, status & survey reference
- Management Structure Details Report
- Current Owners Report
- Memorial Schedule

You will need to visit the local office of the Maaori Land Court to procure additional information about the vesting orders and Trust orders if you do not have this already.

LAND INFORMATION NEW ZEALAND (LINZ) - www.linz.govt.nz

A range of land information can be downloaded or ordered from LINZ for a fee on a per record basis. The following records are available:

- Computer Register (Certificate of Title)
- Cadastral Survey Plan
- Instruments (Documents)
- Historic land records relating to ownership, title and survey.

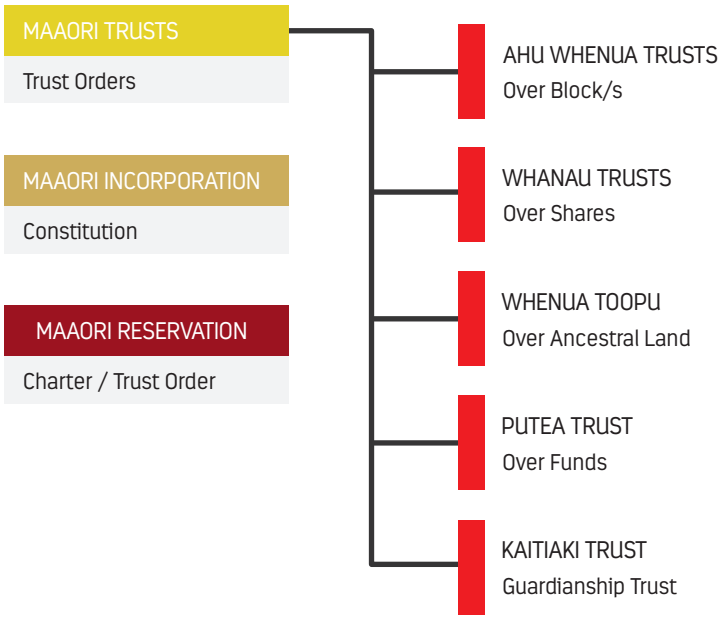
Procuring land information will answer the following questions and focus your attentions on any legal matters that need addressing;

- What are the specific land block details and identifiers?
- Is there a Trust order in place?
- Are there active Trustees in place?
- Are there any legal encumbrances over the land which may prevent development?
- What title alterations have been made to the land or need to be made to the land?

2.2.3 MAAORI ENTITY TYPES

There are a range of Maaori land entities you can select from, each with their own specific purpose. If you do not have an entity structure already or require a review of your existing Trust structure you will need to take appropriate advice from a suitable legal practitioner and/or the Maaori Land Court. It is important that the structure selected matches its intended purpose of land management. Generally speaking Ahu Whenua Trusts or Maaori land incorporations are the two most suitable vehicles for papakaainga development as they allow for a certain level of commercial venture to take place on the land. Other structures may not necessarily contain the required legal clauses to deal with land management.

MAAORI ENTITY TYPES



2.2.4 CONSTITUTIONAL DOCUMENT - TRUST ORDER

To give mandate to the selected legal vehicle and the governance group responsible for that vehicle, a constitutional document must be prepared and approved by the owners of the land and the Maaori Land Court. For Trust structures this document is called a Trust Order and in the case of a Maaori Incorporation this is referred to as a constitution. For the purposes of this toolkit we will refer to Trust Orders as Trusts are a very common form entity in the Waikato region.

PROCESS

Legal advice should be sought when dealing with the review or establishment of a Trust Order first and foremost. The process for preparing a Trust Order, whether it is new or being altered starts with looking at the purpose of the Trust. Your vision statement broadly encompasses your purpose and may be included in the Trust Order. However more specifically worded clauses should be inserted in the aims and objectives of the Trust. This is a matter that should be discussed amongst Trustees or Owners first.

There is no standardised list of aims and objectives for a Trust but the aims and objectives should be enabling enough to allow for the kinds of activities that the Trustees and Owners envisage the Trust undertaking as part of its day to day business. These clauses need to also comply with the provisions of Te Ture Whenua Act 1993.

DRAFTING

It is likely that a Trust order may take several drafts to refine into a form that is ready for owner approval, and will also be acceptable to the Maaori Land Court. Below are some summary tips for preparing the Trust Order.

- MUST COMPLY WITH ACT
  - Cannot conflict with the Act
  - Cannot extend powers beyond the Act
- MUST BE ENABLING FOR YOUR INTENDED ACTIVITIES
  - Land Management and Development
  - Sufficient Trustees rights & powers
- MUST BE CLEAR AND SPECIFIC
  - Use of powers and resources
  - Appropriate activities
- REFERENCE TO KEY DOCUMENTS
  - Code of Conduct
  - Key policies or other internal documents
- SPECIAL PROVISIONS
  - Aims & Objectives
  - Other customised provisions
- DRAFTING ROUNDS
  - Conduct multiple rounds of drafting
  - Seek legal advice
- RESEARCH
  - Research other Maaori Land Trust Orders
  - Use the best and most usable clauses

SEEKING APPROVAL – MEETING OF OWNERS

Once the Trust Order is prepared, then it is advised to first contact a critical mass of the owners to attend a meeting about the formation or review of the Trust prior to sending out formal notices. This increases your chances of meeting the legal quorum requirements before spending money on advertising. Use your Golden circle from Exercise 2 to explain to owners why a Trust may need to be formed or reviewed.

NOTICE REQUIREMENTS

A formal public notice calling a meeting of owners must be sent no less than 21 clear days prior to a meeting taking place. This is important for showing evidence that reasonable attempts have been made to contact the owners regarding the matter of the Trust Order.

The meeting must have formal minutes which clearly show specific motions approving of the draft Trust Order or conditionally approving the Trust Order subject to any amendments that were agreed at the meeting.

COURT APPLICATION

Assuming a Trust Order is new, you will need to gather the following documents to file with the Maaori Land Court;

- ☐ A filled out Form 37
- ☐ Copy of a notice of meeting;
- ☐ Cut out public newspaper advertisement issued in a widely circulated newspaper and;
- ☐ The notice sent to contactable owners
- ☐ Minutes of the meeting with a motion carried, specifically agreeing to establish an Ahu Whenua Trust.
- ☐ List of land owners present at the meeting
- ☐ Signed Trustee and owner consents to become Trustees
- ☐ CV for each proposed Trustee
- ☐ Owner Approved Trust Order

2.2.5 TRUSTEESHIP

We will discuss Trusteeship in the section on governance but there are several matters which have legal compliance implications.

OFFICE BEARERS

There are two officers that are required for the Trust. The third position of the Treasurer is required if the Trust is financial. These positions should ideally be filled by three different persons. The roles and their respective responsibilities are outlined below.

OFFICE BEARERS

CHAIRPERSON

- Run effective meetings
- Facilitate and set the board agendas
- Facilitate / lead the boards discussions
- Manages Executive Staff

SECRETARY

- Liaise with Maaori Land Court
- Compliance Obligations
- Maintain Minute Book
- Default Share Registrar
- Holds the Trusts Seal

TREASURER*

- Maintains Financial Records
- Reporting to Trustees
- Audited Accounts
- Normally Holds Cheque Book*

TRUSTEE APPOINTMENT

Trustees should be selected specifically for their abilities to carry out governance roles. It is ill advised to form a Trust for the sake of progressing a papakaainga project, only to fill the Trustee positions with anyone who says yes. While having a full complement of Trustees might enable a Trust structure to be formed, if those Trustees do not discharge their duties correctly they could potentially put the project in jeopardy in the long term.

ADDING, REPLACING, REMOVING TRUSTEES

There is a formal process for adding, replacing or removing Trustees outlined in the Act with specific application forms available from the Maaori Land Online website. This may be required from time to time in the event of governance issues involving inactive or ineffective Trustees. In the event of ineffective Trusteeship, there should be sufficient attempts to resolve Trustee performance issues internally before resorting to the legal route to remove or replace through the Maaori Land Court.

2.2.6 MAAORI LAND COURT APPLICATIONS

There are a large number of applications that can be made to the land court. Most of these applications have associated forms and information requirements before an application can be lodged. In the absence of a specific form for an application to the Courts, Form 1 is a generic form of application. We refer you to the following web address to find all of the related Maaori Land Court application forms:

www.justice.govt.nz/courts/Maaori-land-court/make-an-application/application-forms

Project managers, owners or Trustees are directed to the Maaori Land Court offices for further more specific advice on applications.

2.2.7 TITLE ALTERATIONS – RECONSTRUCTIONS OR IMPROVEMENTS

There may in some cases be reconstructions or improvements to the land title that need to be made to make the land commercially or legally usable for papakaainga developments. These requirements will emerge during the planning phase of the papakaainga

PROCESS GUIDELINES

- Any proposed title alterations need to be accompanied with a scheme plan that shows the physical dimensions and location of the title adjustments being made. This may start as a simple sketch drawing but the final plan must be surveyed and in sufficient detail that it can be registered with LINZ.
- Generally all title reconstructions on the land should be approved by owners where the use of the land is being altered in such a way to effectively alienate it from any other potential use for the beneficial owners.
- This title alteration and scheme plan then needs to be approved by the Maaori Land Court.
- The alternation will then require approval by District Council.
- Finally the title alteration needs to be registered with LINZ.

With all of these different title alterations possible, legal advice should again be sought bearing in mind there could be hold ups at each step in the process.

The types of title alterations available are highlighted below.

TYPES OF TITLE ALTERATIONS

EASEMENTS S315	ROADWAYS S316	PARTITIONS S289	EXCHANGE
▪ Services ▪ Right of Ways		▪ Hapu Partition ▪ Full Partition	▪ Land for Land ▪ Hapu Partition

EASEMENTS

All blocks planning multi dwelling developments will need to create legal access for the tenants and services such as water and wastewater, electricity and telecommunications. Some land owners may also be required to seek out a right of way from an adjacent property owner(s) land due to land-locking issues.

A legal easement is a non-possessory right to use and/or enter onto or over another property without actually owning it.

There are two parties to an easement:

- SERVIENT OWNER: This is the party who may be giving the right of access to another.
- DOMINANT OWNER: This is the party who enjoys the use of the right of access.

There are 3 types of easement that may be created:

- A right of way (this is a right to pass over another person's land, such as a driveway)
- A right to lay pipe e.g. the right of public utilities, such as power, gas, phone, water and sewerage, to use part of the land.
- A right of access to light and air which gives the dominant owner for example the right to have their views kept clear from obstruction.

CREATING AN EASEMENT

- Where a legal easement is created on the Trusts land for the papakaainga tenants, this can be created first by owner approval and then by completing an application to the Maaori Land Court under section 315 of the Act.
- Alternatively a legal easement can be created as part of a subdivision plan for which an easement Certificate is generated. This deals to easements required for multiple users all in one go. This method of creating easements does not apply to easements of access to light or air, nor to easements in gross.
- If the easement is being sought from another property external to the Trusts lands, that property owner must register a Memorandum of Easement with LINZ in favour of the Trust as the dominant tenement.
- Trusts need to be prepared to enter commercial negotiation for easements that run over a third parties land as an easement may negatively impact on the servient owners ability to use the nominated area for other uses. It therefore has a monetary value attached to it.
- A legal easement may also be created directly by a court order. This may be granted in certain situations of land-locked land or encroachment.

ROADWAYS

The formation of roadways for improved access to the block is created by order of the Maaori Land Court under section 316 and 318 following an approval of a sufficient number of owners. Roadways while not a complete alienation, allows for the created roadway to be used as if it were a public road.

PARTITIONS

Partitions may be required from time to time to define areas suitable for occupation. As discussed earlier legal documents help to define relationships and by having well defined internal property boundaries it allows the relationship of tenants to areas of land to be well defined. Legally defined partitions are also a key requirement to establish ground leases or occupation orders upon Maaori land if those types of tenancy structures are selected. Partitioning land does further fragment Maaori land and Trustees and owners need to consider carefully the long term implications of creating smaller and smaller parcels of land out of the main body of land they have to manage.

1. Full Partitions
    - The creation of a full partition is not a Maaori Land Court Process but rather comes under the provisions of the Resource Management Act 1991 (RMA 1991). Consent to subdivide is required from the Local Authority.
    - Under a full partition scenario no section 304 restrictions (TTWMA 1993) shall apply to the created title(s) which are considered separate land titles although they may still remain under the ownership of the Trust. This means there is no restrictions to how that partition may be tenanted.

- Where ownership of the partitioned parcel shifts away from the Trust and towards an individual owner(s), then certain thresholds of ownership agreement are likely to be required by the Land court as the partition is effectively for the purposes of alienation.

2. Hapu Partitions
   - The creation of a Hapu partition is a Maaori Land Court Process. The process still creates separate titles but Section 304 restrictions under TTWMA 1993 are imposed meaning that there is less flexibility on the use of the titles as the parcels must be held by members of the same hapu.

Forms for the creation of partitions are found on the Maaori Land Online website but given the potential for further alienation of Maaori land, the advice of a legal practitioner familiar with Maaori land is recommended.

LAND EXCHANGE

In the event that a land block may benefit from an exchange of land with a neighbouring property owner, a land exchange may in some cases be arranged. A land exchange should be approved by the owners first and thresholds of agreement will again apply as the land being exchanged is effectively a type of sale. In the case of a land exchange the price is not paid in cash but rather in the form of another piece of land. Land exchanges are a more rare type of title reconstructions and again we recommend taking further legal advice before considering a land exchange.

2.2.8 TENANCY AGREEMENTS

There a number of legal instruments that can be used to define the relationship between the tenant, the landlord and the assets they occupy. These can be broadly defined as Tenancy Agreements and some of these instruments are summarized below:

TENANCY AGREEMENT TYPES

RESIDENTIAL TENANCY | UNIT TITLES | GROUND LEASE | PREMISE LEASE | LICENCE TO OCCUPY | OCCUPATION ORDER

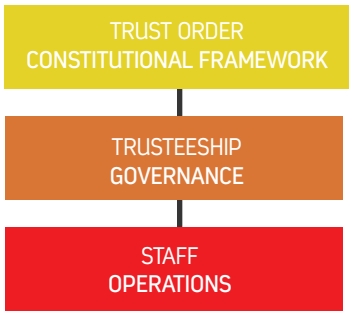
Each of the legal instruments described above have certain benefits and features that allow them to work in different circumstances for the Trust. However some legal instruments require the Trust to make title improvements or establish additional structures to manage tenancies. These are described in more detail in a later section of the toolkit.

TURN TO THE END OF THIS SECTION TO COMPLETE EXERCISE 3

2.3 GOVERNANCE CAPACITY

The performance of any organisation begins with its governance and leadership. The ability of Trustees to make effective decisions in a timely fashion has flow on effects to the capability and/or control of the organisation. Governance capacity certainly affects property development projects as Trustees are ultimately responsible for all matters relating to the block and have powers to enable or cancel a development project.

THE PLACE OF GOVERNANCE



a. In the beginning of your project, Trustees will need to approve of resources being committed to a papakaainga project, time or money.
b. Trustees will be responsible for signing legal documents or making financial commitments on behalf of the land block in relation to the development.
c. Trustees may also need to arrange engagement to secure owners approvals that may need to be sought in order to meet Maaori Land Court requirements.
d. Trustees must be able to provide a regular flow of approvals on different matters during development or alternatively establishing appropriate levels of delegated authority to others to make those decisions.
e. Post construction the importance of governance increases as the management of the papakaainga becomes another operational matter for the governance board to contend with.

2.3.1 GOVERNANCE EFFECTIVENESS

There are a number of elements that influence the effectiveness of your governance group. Below is a summary of several important factors which if enhanced will improve governance effectiveness.

GOVERNANCE EFFECTIVENESS INFLUENCES

2.3.2 LEADERSHIP

> *"Lead, follow or get out of the way."*
> ANONYMOUS

The leadership displayed by the chairperson of the Trust is a key success factor for a Trust. The following is a checklist for selecting a Chairperson;

- ✓ Must meets legal requirements outlined in the Act and your Trust Order
- ✓ Must have time and energy
- ✓ Ideally has some leadership skill and experience
- ✓ Ideally is a good strategic thinker
- ✓ Holds mana - is trustworthy and is respected amongst the owners
- ✓ Committed to change and ongoing improvement

> *"The speed of the leader determines the rate of the pack."*
>
> ANONYMOUS

There are a variety of models available to describe types of leadership and every Chairperson will be different in their leadership approach but a variety of approaches may be necessary for a property development project.

1. According to the leadership model below, thought and inspirational leaders use ideas and words to inspire people which might be appropriate when your project is in the conceptual and planning phase.
2. Courage and servant leaders are more action orientated and choose to lead by virtue of what they do. This form of leadership may be more applicable when your project is beginning to materialise and the governance group is called on more to provide timely decisions and actions to guide the project.

TYPES OF LEADERS

2.3.3 PRINCIPLES VS IDEALS

> *"Rules are not necessarily sacred, principles are."*
>
> FRANKLIN D. ROOSEVELT

Principles are self-evident truths or laws. They do not change with time and it does not matter if we believe it or not, they will always be true. Principles equate to the concept of Tikanga in Te Ao Maaori.

An example of a principle is the law of gravity. Even if we chose not to believe in gravity it will still be there and keep us all pinned to Papatuanuku! Another example of a principle is quality. If always aiming for good quality in both materials and labour for the construction of your papakaainga, the end result will hopefully be a quality house.

> *"There are three constants in life...change, choice and principles."*
>
> STEPHEN COVEY

An ideal on the other hand is an opinion of how the world should be or how things should be done. Every person may have their own ideas, life experiences, emotions and opinions and because these are different from person to person ideals are open to debate. Ideals mean the same as Kawa in Te Ao Maaori and an example of an ideal in practice is thriftiness.

It is ideal that a project manager aims to build their papakaainga as economically as possible. However there are risks with this approach if the project manager bases all decision making on the need to save money. It may lead to shortcuts in construction, lower quality materials, or poor workmanship which affects the quality of completed dwellings. Alternatively over time the savings in construction cost may be cancelled out by the need to do extra repair and maintenance work on the dwellings in the long run.

PRINCIPLES VS IDEALS

PRINCIPLES

Self Evident Truth - Always True

The impact of a principles become evident over time

e.g. *quality*

IDEALS

Desired Truth - true only in certain circumstances

Requires active effort to create and sustain an ideal

e.g. *thriftiness*

DECISION MAKING TIPS

- A good governance group should try to prioritise principles before ideals
- Think long term. A surprisingly large amount of money will be spent on the dwelling over the course of its lifetime to maintain it. The design and construction decisions made at the beginning can have a measurable impact on what those costs will be.
- Trustees and project managers should always test whether their decision can relate back to a set of principle.
- The ability to accurately interpret and apply principles to decision making is an important governance skill.

Examples of principles are highlighted below.

COMMITMENT

- Responsibility
- Courage

EXCELLENCE

- Quality
- Diligence
- Discipline

INTEGRITY

- Respect
- Honesty
- Trust

EQUILIBRIUM

- Fairness
- Justice
- Equality
- Compassion

2.3.4 TRUSTEE ENGAGEMENT

> *"No one's a leader if there are no followers."*
>
> MALCOM FORBES

In order for a papakaainga development project to work, the Trustees need to be active on their Trusts to ensure the project manager has opportunity to discuss issues with them and get a regular flow of decision to keep the project moving. If Trustees are not engaged or showing up to meetings then the timeframes for delivery of a project become uncertain which flows onto the engaged contractors and sub-contractors.

ACTIVE TRUSTEESHIP

All Trusts considering property development need participating Trustees. If there are Trustees that are deceased, or not willing to act in the capacity of Trustee, then they should be reminded of their legal duties or encouraged to hand over the Trustee responsibility to someone else. If this is the case then a formal resignation notice needs to be signed and tendered to the remaining Trustees or accompany any applications to the courts. For deceased Trustees, a death certificate may be required to accompany application. The model on the following page is a way of assessing Trustee engagement and depending on where your Trust sits the recourse to improve engagement will be different.

LEVELS OF TRUSTEE ENGAGEMENT

DORMANT

- No Trust structure
- Absent or deceased Trustees
- Complete inactivity

LOW FUNCTION

- Low Trustee participation
- Seldom meet
- May not be aware of compliance obligations

DYSFUNCTIONAL

- Relational issues
- Non Compliance
- Political instability
- Ineffective meetings
- Poor discharge of duties

FUNCTIONAL

- Meets when required
- Meets basic compliance obligations
- Aware of their responsibilities
- Have basic Trustee training
- Discharge key duties

PROFESSIONAL

- Meet regularly
- Compliance framework
- Policy and procedural framework
- Trained professionals
- Competent discharge of duties

- If a Trust is dormant due to a lack of Trustees, then the only recourse is to appoint new Trustees.
- If a Trust is low functioning or dysfunctional due to Trustee engagement, then a diagnosis of why it is not working is required first and a strategy should be put into place to improve governance.
- If such a strategy does not work, only then should a Trust go down the legal path to replace, add, or remove Trustees through the Maaori Land Court.
- If a Trust is functional, it may not require any interventions but may choose to improve their governance capability by giving Trustees further governance training or by establishing succession plans for the Trusteeship.

2.3.5 SKILL & COMPETENCE

> *"When love and skill work together, expect a masterpiece."*
>
> JOHN RUSKIN

- Skills and competence on a governance group is self-explanatory and when combined with good Trustees working relationships should lead to far better decision making than less skilled and competent boards.
- Skill and experience level can be supplemented by ensuring that new Trustees are well inducted about the operation of the Trust and take opportunities to train and develop themselves into their roles as Trustees.
- Skill and experience can be supplemented by utilising external professionals in the roles of advisor or as independent Trustees. If appointing advisors or independent Trustees, you will need to ensure that your Trust Order allows for this type of appointment to occur.
- Some tips for improving governance skill and competence are outlined below.

ESTABLISH A SKILLS MATRIX	Identify shortfalls in skill and experience
TRUSTEE INDUCTION	Run induction to cover key information about the land and Trust
TRUSTEE TRAINING	Utilise Maaori Land Court training or professional programmes such as the institute of directors
CONSIDER INDEPENDENT TRUSTEES	Lawyers, Accountants, construction, property professionals, etc. External viewpoints sometimes helpful

2.3.6 POLICY & PROCEDURES

> *"The one who adapts his policy to the times prospers, and likewise that the one whose policy clashes with the demands of the times does not."*
>
> NICCOLO MACHIAVELLI

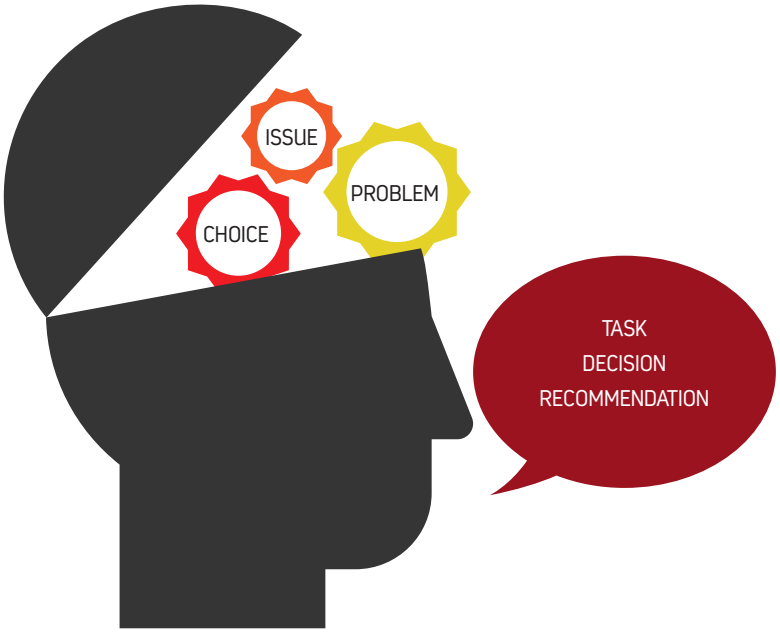
Policies and procedures are decision making tools that reduce the guess work from decision making. A good policy or procedure takes a problem, issue or choice and standardises the way a Trust considers and deals with it.

The purpose of setting up policies and procedures should always be to:

- Improve the efficiency of how a decision is made.
- Improve the consistency of decisions making.
- Align decision making with a set of principles by requiring key questions to be asked in the process.
- Reduce decision burden for Trustees by taking over part of the decision making process

Policies are generally very broad at a governance level and provide guidelines to narrow choices or decisions to be made. Procedures however are more specific and may narrow down to a single outcome. Policies and procedures need to stay relevant and generally should be reviewed regularly or as circumstances and change dictates.

POLICIES & PROCEDURES – DECISION MACHINES



Below is an example of the headings you might choose to have in a typical policy document

POLICY DETAILS

- Title
- Policy Champion - Who is likely to maintain the policy
- Date of adoption
- Date of review

CONTENT

- Policy statement
- Diagram (optional)
- Rationale - Why the policy is needed and what it aims to do
- Scope - Who will be affected by the policy?

ADMINISTRATION

- Definitions
- Related Documents (legislation or policies that might affect or be affected)
- How to measure usefulness (any identified ways to gauge if this policy is useful)
- Policy review procedures

2.3.7 QUALITY INFORMATION

Trustees need to be able to depend on the information they receive for decisions making. Usually information is received through the Trustee meeting packs that ideally should be received at least one week out from the date of the meeting. Each agenda item that requires a decision should be accompanied with enough information for Trustees to ask questions or form an opinion.

A meeting work paper for an agenda item being discussed might include the following:

- A clear description of the item being discussed and if there are related issues;
- Decision options for the Trustees to consider with a costs vs benefits analysis for each option. Sometimes placing a bad option before the Trustees (a red herring) is a useful strategy for putting the other decision options into context.
- Where there appears to be an optimal solution, suggest a recommendation for the Trustees and the rationale why you selected it. The Trustees may not necessarily agree with you but by giving a recommendation you can help narrow down the decision burden for the Trustees and therefore increase the time and efficiency to reach a decision or outcome.
- Research or evidence to support the proposed options and recommendation. Key decisions should always be backed with logic or evidence as opposed to opinions or emotional drivers.

Providing good information increases the chances of good decision making.

2.3.8 SUCCESSION PLANNING

As papakaainga development could be a multi-generational venture for some land owners, it is likely that the existing Trustees will need to hand over responsibility for the project to others to complete. While the purpose of this toolkit is not necessarily to address issues of succession planning, we do encourage all Trusts to think carefully about creating a succession strategy to encourage participation of future generations in Maaori land management.

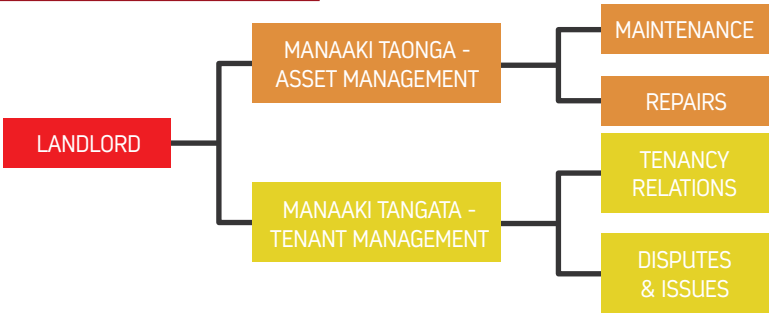
2.4 OPERATIONAL CAPACITY

2.4.1 PROPERTY MANAGEMENT

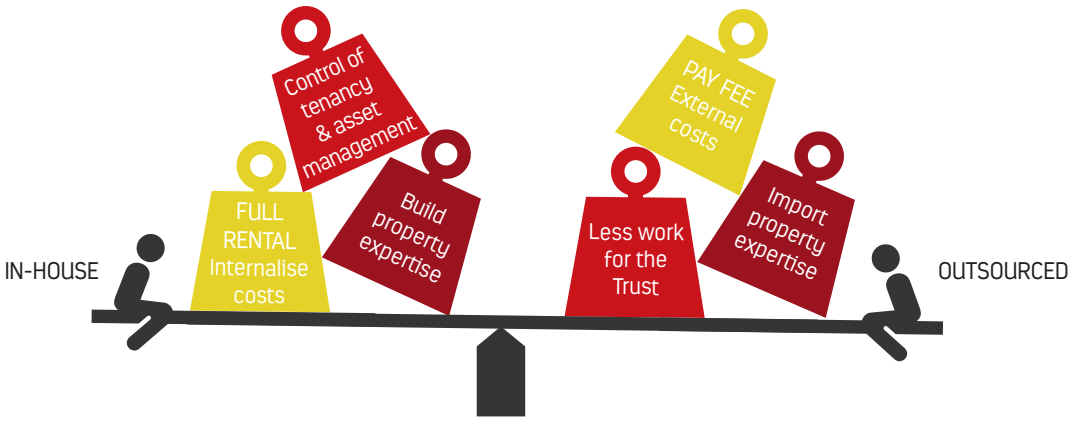
Assuming that your papakaainga project is completed, a new set of responsibilities will fall upon the Trust to manage. These responsibilities are to manage the 3 way relationships between the tenants of the papakaainga, the assets of the papakaainga, and the Trust as the landlord of the papakaainga.

The task of managing these relationships can be broken into two areas as shown below.

2.4.1.1 MANAGEMENT OPTIONS - OUTSOURCED VS IN-HOUSE



Options are available to Trusts to best management both the asset and the tenants. This can be done internally if the Trust has the capacity to hire staff or externally by engaging a professional property manager. There are costs and benefits to both approaches as shown below.



2.4.2 ASSET MANAGEMENT

In order to efficiently manage property assets, a Trust needs to have in place an asset management framework. This framework is made up of 5 parts. Each part plays a role in maintaining the life of assets.

2.4.2.1 ASSET INFORMATION

You must know your assets first and foremost. What the asset is, where the assets are, how old and in what condition. It is advisable to give names to large assets which require regular maintenance so that they can be referenced by the asset manager and vendors who may deal with the repair and maintenance of those assets.

This information is necessary to keep track of important assets and for planning maintenance and repairs which we will touch on later. It is also have price information about what the asset costs either to purchase or replace which is important for planning when to replace or upgrade assets.

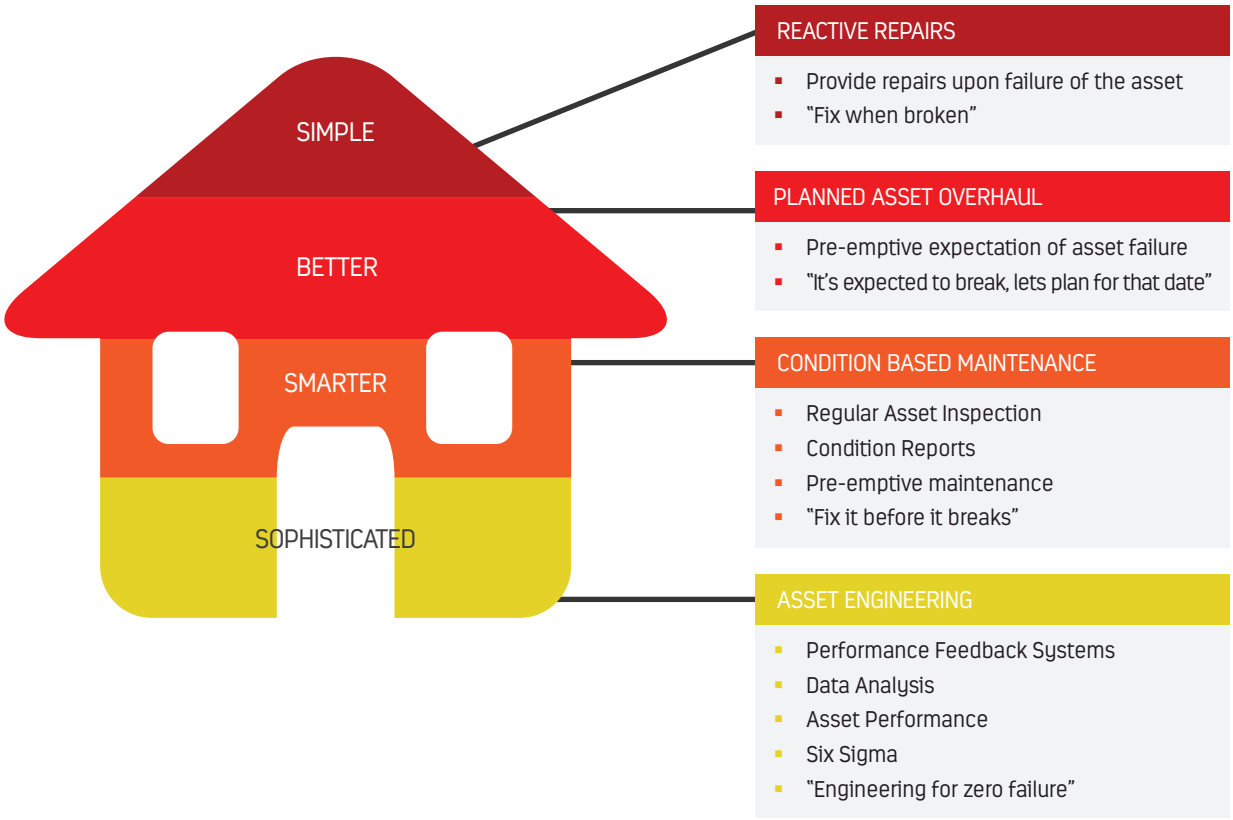
Asset information is kept in an asset register which is required for financial reporting and audit purposes. However it must be noted that the information requirements for financial reporting is different from the information requirements for asset management. Therefore you may need to tweak your asset register to include the information and assets that you wish to track.

EXAMPLES OF ASSET REGISTER FIELDS

- ASSET NAME / REFERENCE
- DESCRIPTION / LOCATION
- PURCHASE DATE
- PURCHASE PRICE
- DEPRECIATION METHOD
- PREDICTED ASSET LIFESPAN
- CURRENT VALUE ESTIMATE
- CONDITION RATING
- VENDOR / SUPPLIER NAME

2.4.2.2 Repairs & Maintenance

There are different approaches to repairing and maintaining assets. Each approach is appropriate for different occasions and needs of the asset.



REACTIVE REPAIRS

At one end of the spectrum of cost and sophistication for asset management are reactive repairs. Reactive repairs are necessary from time to time as assets break down, are damaged or simply are not functioning as they normally would. Reactive repairs are generally the most expensive type of repairs as the asset manager is generally not prepared for them, may not have budgeted for the costs of reactive repairs, or could be forced into urgency to have repairs completed if the asset is important. Unplanned or rushed repairs are generally more expensive than planned and quoted maintenance and if the asset has failed beyond the point of repair, then the replacement costs must be paid. For this reason it is the ultimate aim of the asset manager to minimise the amount of reactive repairs being carried out.

PLANNED ASSET OVERHAUL

From time to time assets need to be overhauled or replaced. An asset manager who has awareness of the condition of the assets will be able to plan ahead and budget for the replacement of an asset. This approach can also be expensive if the assets are not being maintained properly to reach their full asset life potential meaning assest are overhauled or replaced too early which can again become expensive.

CONDITION BASED MAINTENANCE

Preventative Maintenance is the mainstay of a good repairs and maintenance system. Preventative maintenance is the process of applying regular treatment to assets to keep them in good condition and extend asset life as far as possible. This approach reduces the probability and overall cost of reactive repairs and planned asset overhauls. To implement a preventative maintenance programme over the assets of the papakaainga, the asset manager needs to have planned inspections and maintenance dates pre-programmed with service vendors and a condition assessment that is continually updated so that time and financial resources can be allocated to the areas of highest need.

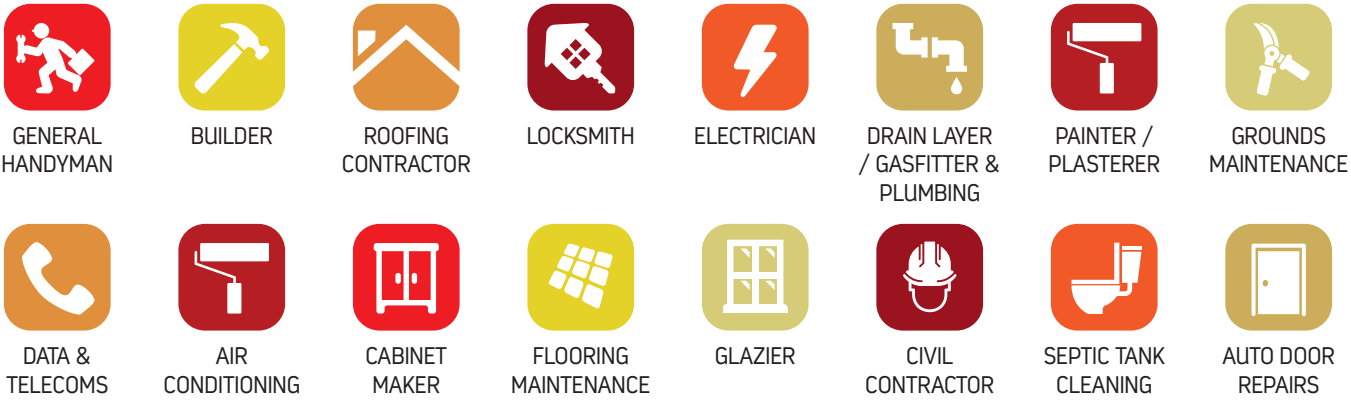
ASSET ENGINEERING

At the sophisticated end of the repairs and maintenance spectrum is asset engineering which is focussed on asset performance as opposed to asset condition or failure. This involves trying to engineer solutions that remove or reduce the need to do repairs or maintenance. This might be done at the design phase of the development where there is an opportunity to remove future issues through clever design or choice of materials. An example of this in practice is selecting brick instead of timber cladding which eliminates the need for regular painting or placing hard wearing floor finishes in areas of high foot traffic inside the house to reduce wear and tear on carpet.

Asset engineering also involves analysing information that may indicate an asset performance issue before it becomes a maintenance issue. For example, monitoring power usage may indicate that certain electrical appliances are not operating properly or the use of thermo-imaging to find where heat is escaping from the house during winter so that those issues may be addressed proactively through preventative maintenance.

2.4.2.3 VENDOR MANAGEMENT FRAMEWORK

It is possible that some repair and maintenance work can be done by the whanau living in the papakaainga, which will further reduce the repairs and maintenance bill to the Trust. However the Trust will still need vendors for certain jobs that require technical qualifications. A vendor management framework is simply a list of vendors that the Trust can call on in the event of planned maintenance or reactive repairs being required. This list can be drawn from sub-contractors commissioned during the construction phase as they will generally have a good knowledge of how the assets were installed or constructed. Good vendors will generally have an understanding of the maintenance requirements of an asset and can help advise on a maintenance plan for assets in their chosen discipline.



2.4.2.4 RISK AND COMPLIANCE

There is at the time of writing no ongoing compliance obligations for residential dwellings after a Certificate of Code Compliance is issued. However any structural alterations to the building will require a building consent.

If a building such as a central whare is being erected for use by the community then it may activate annual building warrant of fitness requirements as a commercial building. This will become apparent at the time of application for a building consent.

Risks to the assets can be addressed not only through the maintenance programme but also by ensuring that appropriate levels of insurance are taken out against the property.

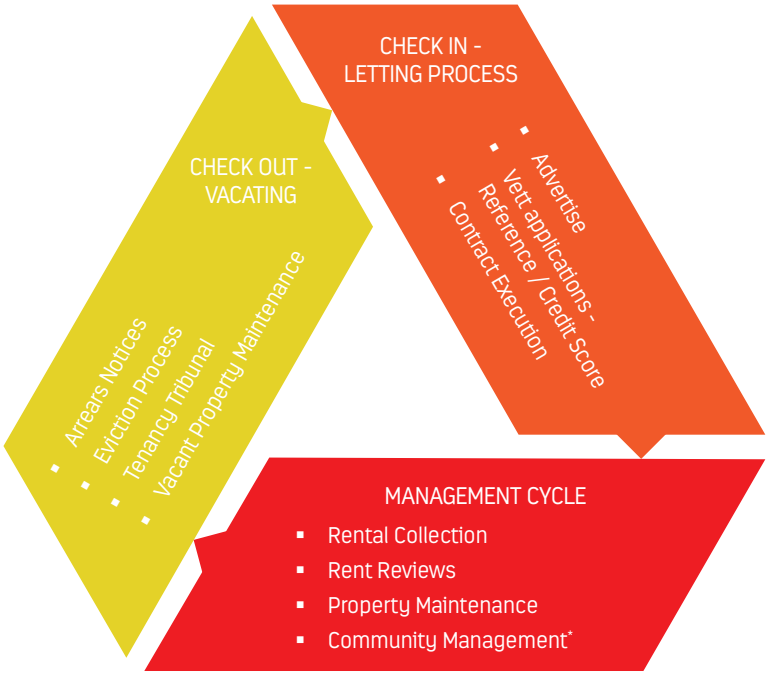
2.4.2.5 ASSET LIFECYCLE BUDGETING

In a world of finite resources, budgeting is important for allocating resources to the most important areas of need. Budgeting for asset lifecycles is looking forward to predict when assets are likely to need replacement and holding aside contingency amounts in the event that they do fail. For every year that an asset outlives its theoretical lifecycle, and is still operational, the Trust makes a financial gain because it did not have to replace that particular asset. However when the maintenance cost to keep the asset "alive" out-weights the costs and benefits of replacing or overhauling it, the asset should be retired. This type of forecasting can be done using the asset register in conjunction with condition assessments of assets.

2.4.3 TENANCY MANAGEMENT

"Whatu ngarongaro te tangata, toitu te whenua"
"People come and go, but the land remains"
ANONYMOUS

The land is a thing of permanence where as people will come and go from the papakaainga whether this occurs by virtue of changing circumstances, death, or the more unpleasant process of eviction. The relationship that tenants have with the landlord and the land itself by virtue of their physical presence is established, maintained and eventually severed. Tenancy management describes the list of processes involved in managing these relationships.



2.4.3.1 "CHECK IN" – LETTING PROCESSES

The type of tenants that are checked into the papakaainga will influence how much work will be involved in active tenancy management and how successful your papakaainga will be. The 3 processes below are suggested as minimum requirements for the letting process.

NOTIFICATION	SELECTION	SIGN UP
▪ Channel Selection	▪ Application Form	▪ Discuss special conditions
▪ Rental Amount	▪ References	▪ Sign Lease / Licence
▪ Number of bedrooms	▪ Credit & Police Checks	▪ Collect Bond
▪ Contact details	▪ Tenancy Mix	▪ Set up AP or DD

NOTIFICATION

The aim of notification is to attract appropriate interest for the vacant property. The notification should ideally use a communication method that gives all engaged owners an equal opportunity to lease or licence a property in the papakaainga. This might be through a waiting list process, electronic social media, postal notification, marae notices board etc. There are 2 key variables to include in any notification of a vacant property to let; the rental amount and the number of bedrooms. By declaring these 2 items upfront, only persons who can afford the listed rent and are interested in the size of house available will generally make contact with the property manager reducing the enquiries workload for them.

SELECTION

The aim for any property manager is to have tenants with the right characteristics and behaviours to be good tenants, look after their properties, be good neighbours and contribute to the social atmosphere within the papakaainga. Poorly selected tenants on the other hand may generate ongoing issues for the property manager to deal with in terms of neighbourly disputes, rent collection and issues with the care of the property asset. Selection begins with collecting information on the proposed tenants. The processes requires narrowing down the list of potential tenants using that information and ends with a final judgement call and an offer to a selected tenant. Consideration should also be given to tenancy mix when selecting tenants. Tenancy mix requires thinking about how a new tenant will interact with the other tenants, what they might contribute and also how they may benefit from the tenants around them.

SIGN UP

Once a decision has been made on a tenant there are some legal processes to be carried out to ensure that there is a legally binding agreement between the tenant and the landlord before they move in. In the event of the tenant signing a residential tenancy agreement, there will usually be a bond to be paid which is lodged with the Ministry of Business and Innovation who manages the bond payments as an impartial 3rd party between the landlord and the tenant. It is also wise to require tenants to establish automatic payments or direct debit forms for their rental payments on an agreed frequency with the tenant preferably on the days they receive income or benefits. In the event of a residential tenancy, there should also be a pre-tenancy inspection to record the state of the house before it was tenanted. This is then referenced to a post tenancy inspection and cost to repair any acute damage that happens in between may fall to the tenant and be reclaimed through the bond.

2.4.3.2 TENANCY MANAGEMENT

The role of the property manager is minimal in the daily lives of the tenant. Most of the interaction with the tenant occurs around the treatment of assets, rental collection and dealing with breaches of lease.

Asset maintenance was discussed at an earlier part of this chapter but the property manager has certain rights to conduct inspections of properties to ensure the tenant is looking after the property and to identify any repair and maintenance requirements. These inspections can only be conducted upon prior notice to the tenant.

Rent reviews are necessary from time to time to ensure that the rents charged remain reasonable and are not adversely affected by inflation. The process for a rent review and how frequent the rent review will occur is normally outline in the lease or licence agreement.

Lease enforcement may be required from time to time where a tenant acts in a way that is not consistent with what they have agreed to in the lease. The property manager is required to deal to these issues which usually involve discussion with tenants first and sending of written notices to tenants second outlining the issues and exploring how to remedy them.

MAINTENANCE
- Regular Inspections
- Property repairs & upgrades

RENT REVIEW
- Must be outlined in lease
- CPI Adjustment
- Market adjustment
- Fixed % adjustment
- Soft vs Hard Ratchet

LEASE ENFORCEMENT
- Issue notices to remedy if tenant non compliant

RENTAL COLLECTION
- Recuring Invoice
- Recurring Statement
- AP or DD Forms
- Accounts Receivable

2.4.3.3 "CHECK OUT" – VACATED PREMISES PROCESS

From time to time a property will need to be vacated due to tenants moving on or being evicted for what could be a number of reasons.

BREACH NOTICES
- If clauses of lease are being breached
- Notice to remedy

RENTAL ARREARS
- LETTER 1: "Friendly" late payment reminder
- LETTER 2: 14 Day notice to remedy
- LETTER 3: Debt collection proceedings

EVICTION NOTICE
- Notice to vacate - timeframes and conditions required
- Notice not to renew lease
- Eviction Notice
- Seek legal advice

TENANCY TRIBUNAL
- Bond Claim
- Tribunal Hearing

POST TENANCY WORK
- Inspection
- Cleaning
- Property Upgrades
- Lock Changes

In the event that a tenant is moving on there are processes on behalf of the landlord to make sure that the property is handed back in a clean and tidy state. It should be acknowledged that at the end of a long tenancy, there will be "fair wear and tear" within the building vs "acute damage". Fair wear and tear is the responsibility of the landlord to resolve and is generally planned into repairs and maintenance budgets. Acute damage such as holes punched in walls or graffiti is a cost the tenant bares. This can be reclaimed through the bond that is initially lodged.

In the event of an eviction, the Trust needs to be on its toes to follow the correct legal processes as eviction can be a legally and emotionally charged process. Evictions cannot occur arbitrarily simply because of relationship issues. There must be a clear breach of the tenancy agreement or special conditions within the agreement to warrant eviction. If there is a clear legal reason for eviction, the correct notices to the tenant must be issued within the correct timeframes. These timeframes and notice types are outlined in the property laws act 2007, the residential tenancy act 1986. There are templates for residential tenancy agreement notices available through the department of building and housing website www.dbh.govt.nz/pub-tenancy-notice-letters. If uncertain about these processes, refer to a legal professional for advice.

In both cases after a property is vacated the landlord should inspect the property and take the opportunity to carry out any repairs or planned upgrades to the property while it is empty. The property should always have its locks changed completely during the transition period between tenants to ensure that the property is safe and secure for the next tenant.

2.5 CHAPTER SUMMARY

In this chapter we have introduced the idea that Trusts and whanau need to get their house in order before considering a papakaainga development. We have looked at different types of capacity such as motivational, legal, and governance capacity as being amongst the first things to put into order. Without these things in place to an adequate level, all of the other workstreams associated with papakaainga development will become difficult. We have also discussed the need to understand property management processes so that in the event the Trust is successful in building a papakaainga, it has the necessary tools and processes in place to manage the responsibility of being a successful landlord.

3 *TE MAHERE* – TECHNICAL DESIGN & PLANNING

If Pareto's law was to apply to property development, then approximately 80%-90% of all time spent on the development may be spent doing all of the planning activities leading up to construction. This leaves a meagre 20-10% of the remainder actually building the papakaainga!

Property development is a complex process in a developed country such as New Zealand as we have in place legislation designed to protect health and safety and ensure that a minimum standard of housing and infrastructure quality is common place. There are also risks associated with construction that have financial and legal consequences if not addressed properly at the early stages.

> *"Failure to plan is planning to fail."*
> BENJAMIN FRANKLIN

A thorough planning and design process can help knock out or at least minimise some of those risks before they occur. As a rule of thumb good planning and design will mean the project is better informed, the plans and designs will have more thought put into them, and the project will be better placed to progress into construction. It is therefore in the interests of Trusts to take as much time as needed in this planning and design phase.

This section of the toolkit will step out a general process for planning and design that will help Trusts prepare for construction. However we need to point out that as every papakaainga development is different; there may be variations to this process required.

PLANNING & TECHNICAL DESIGN PROCESS

3.1 RESEARCH - HANGARAU

"There is no research without development;
There is no development without research."
SIR ROBERT MAHUTA

In the research phase the property manager is required to find or prepare all necessary information that may have an impact on the way the property development happens. In particular the research should draw out any development constraints that need to be overcome. This includes but is not exclusive to the list below;

3.1.1 LEGAL INFORMATION

This information is required to identify if there are any legal issues related to the property that will need to be resolved or taken into account when developing your papakaainga.

- ☐ CERTIFICATE OF TITLE – Required so that you are sure that you are working with the correct portion of land and will also be utilised for consent applications. This is available through LINZ for a small fee.
- ☐ LIST OF PROPERTY OWNERS – This will be required for consultation purposes. Any legal changes to the land many require the consent of the owners. If you do not currently hold a database of the property owners you will need to seek records from the Maaori Land Court and begin the search for contact details.
- ☐ LIST OF ENCUMBRANCES / EASEMENTS, ETC (IF ANY EXIST) – Any number of legal encumbrances may be held over or in association to the land. You will need to understand what these might be as they could potentially alter where a papakaainga is established or even become a development barrier.

3.1.2 MAPPING INFORMATION

- ☐ AMENITY & SERVICE ACCESS – You will need to find out the locations of any building services that are provided to your land block such as storm-water, wastewater, water reticulation, power, telephone etc. In addition the access to other amenities such as schools, shops, bus routes, rubbish collection will also affect life in the papakaainga.
- ☐ HISTORIC MAPS – There are many sources of mapping information available online, through the local district council, or other government agencies that might be useful for better understanding your land and identifying where a papakaainga might be established.
- ☐ BOUNDARY MAP – Of the types of maps available at least one map needs to clearly identify where the legal boundaries of the property are. This is needed for architects or civil draftsman so that they can plan the site layout without encroaching over the borders of neighbouring properties. These are typically available through the local council or LINZ.
- ☐ RECENT AERIAL PHOTOS – These are useful for planning purposes and should be available through Google earth or from the local council for a small fee.
- ☐ SITES OF SIGNIFICANCE – There maybe historical cultural sites of significance on the land in which case it would be wise to identify these before planning your development. This information may come from a kaumatua who is knowledgeable about the land and in some cases where the site is registered with the historic places Trust there may be information available from the national Archsite NZ database.

3.1.3 ZONING AND CONSENT INFORMATION

- ☐ BUILDING CODE - This is not essential if you are using a builder but downloading a copy of the building code from the Department of Building and Housing is useful reading for any would-be property developer.
- ☐ APPLICABLE ZONING AND CONSENT RULES - There are a number of zoning rules which will apply to your development. These rules could come from either the Regional Council responsible for environmental protection or the District Council who may have more specific bylaws around the development of roads, building services, or the buildings themselves that are applicable in your specified zone.
- ☐ ZONING MAPS - The district plan will contain zoning maps for the entire district. Your land will fall into one of these zoning maps and be colour coded according to the type of zone your land falls into. These maps can be procured from the district council offices or from their website.

3.1.4 TECHNICAL REPORTS

Up until this point most of the planning and research work can be done for very little cost. However there are a series of technical reports which may be needed to progress the planning and consent process. These reports generally require technical experts to complete and it is advisable that a master plan be approved, an early feasibility study drafted, and perhaps a pre-consent meeting with council be sought before investing in these technical reports. Some of the common reports required are listed as follows;

TOPOGRAPHICAL SURVEY
- Land Contours
- Levels

GEOTECHNICAL REPORT
- Soil composition
- Compaction
- Foundation suitability

ARCHEOLOGY SURVEY
- Past uses
- Historical Value

CULTURAL HERITAGE REPORT
- Cultural value of the land to iwi

ENVIRONMENTAL IMPACT ASSESSMENT
- Potential harm to the environment

- ☐ TOPOGRAPHICAL SURVEY – A topographical survey is generally required to give the contours of the land. This is useful for planning the best positions to place dwellings and infrastructure. It is also useful for calculating earthworks, pipe dimensions and lengths, and other materials required for constructing civil infrastructure. This technical can be procured from a surveying company.
- ☐ GEOTECHNICAL REPORT – This is an important report to have completed as it will tell the developer if the soil on the land is capable of supporting dwellings upon it and if so what type of foundation is appropriate for the dwellings. It may also influence the location of the papakaainga on the land. This report can be procured from a geotechnical expert.
- ☐ ARCHAEOLOGY SURVEY - Ironically, the construction of a new development may destroy evidence of the past. If the land has had historical uses and there are sites of significance on the land, an archaeological survey may be needed alongside a cultural heritage report.

  These reports may influence the location of a papakaainga or require certain archaeological practices observed during the earthworks portion of construction. A qualified archaeologist is generally required to prepare this type of report.
- ☐ CULTURAL HERITAGE REPORT – This type of report outlines the cultural value of the land. This requires a kaumatua or someone equally knowledgeable about the historical and cultural uses of the land.
- ☐ ENVIRONMENTAL IMPACT ASSESSMENT – There will always be environmental impacts from development. If it is suspected that these impacts could be cause for concern the developer may be required to have an environmental report on what these are and how these impacts may be dealt with in an environmentally conscious manner.
- ☐ HOUSING DEMAND RESEARCH – Housing research is touched on in the demand section of this toolkit.

3.2 DESIGN PROCESS

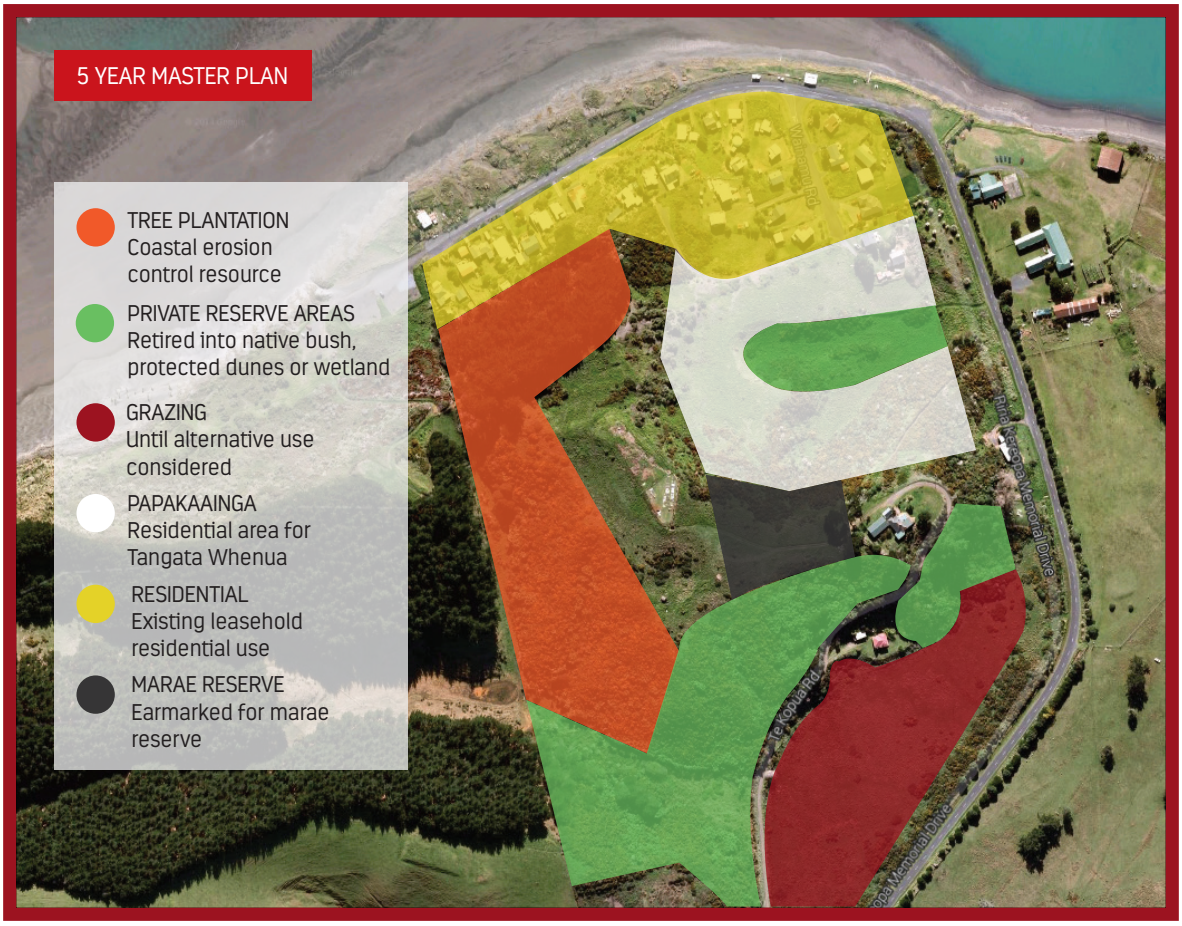
The design process begins with master planning and continues through a refinement process until a set of working drawings are produced. These working drawings are to a level of detail that they can be used by contractors and/or sub-contractors to build off.

3.2.1 MASTER PLANNING

A master plan is a concept for all of the foreseeable uses for the land over time. By placing the planned papakaainga alongside the future uses on one single map, the project manager and the Trust can make decisions about the placement of buildings and infrastructure so as not to cut off the possibility of future developments. Master planning is not compulsory but is an important process to carry out if the Trust wants to maximise the use of the land for future generations.

A master plan can take several forms and be at different levels of detail from a simple colour coded sketch drawing to a commissioned artist's impression of what the land will look like if fully developed to the master plan.

Example of a master planned land blocks



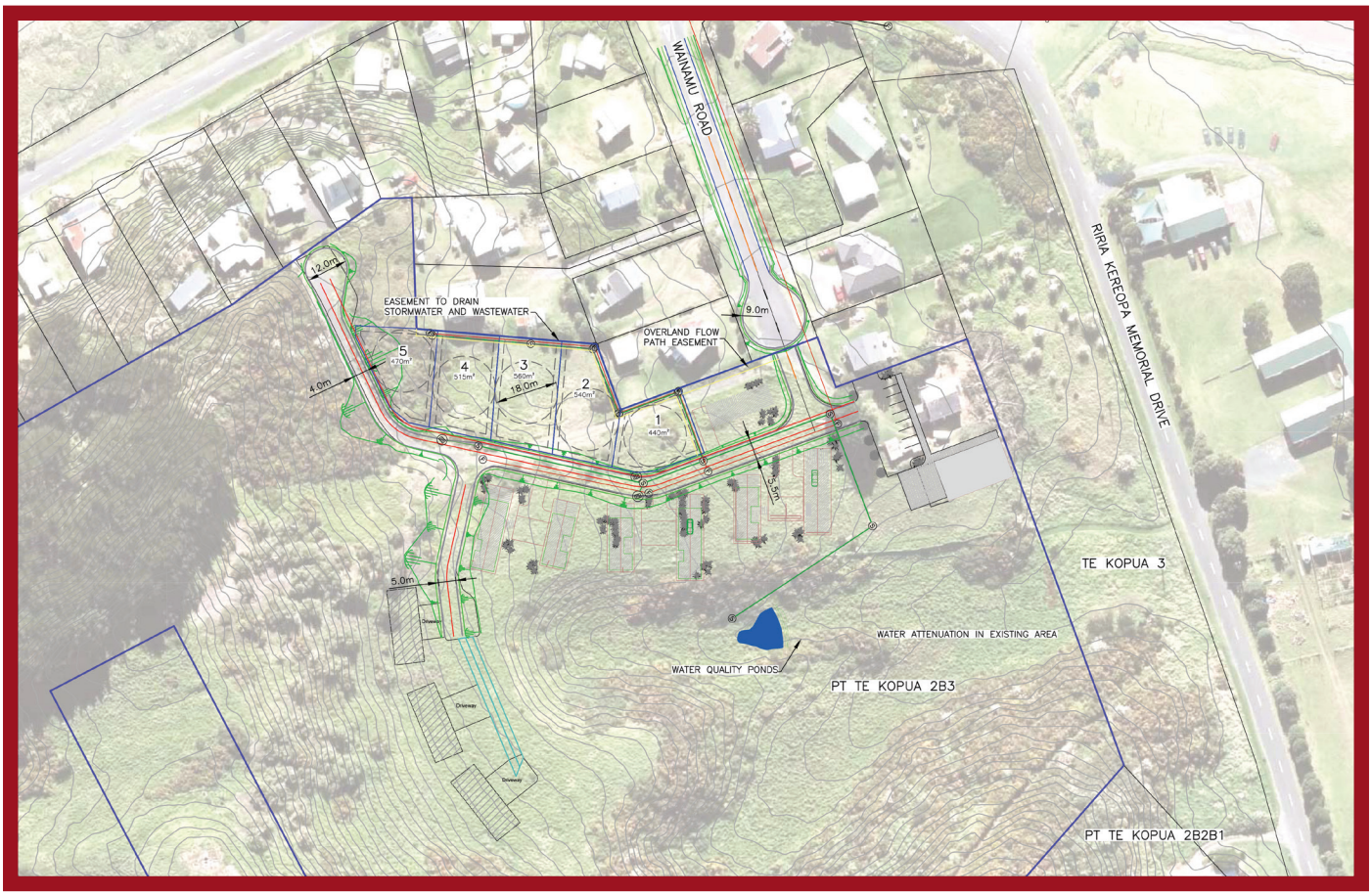
A master plan is not set in concrete. Times and the desires of the people may change and the fun challenge and opportunity of master planning is to do it in such a way that it allows for different futures to happen. This is otherwise known as future proofing or structure planning.

A master plan is a living plan that should be referenced and if needed altered every time decisions are being made about the use of the land.

REQUIREMENTS FOR MASTER PLANNING

- ☐ Research information is used to inform the master plan.
- ☐ A map of the site. This can be a computerised map that can be altered using CAD software or simply a laminated map of the site that can be drawn on repeatedly with white board markers.
- ☐ You will need to understand of all the desired uses for the land now and into the future to be able to draw everything onto the master plan. This might require meeting with the land owners or conducting surveys of the owners about their desired uses.
- ☐ You will need to approach the exercise with an open mind and not be bogged down by what the land is used for or looks like at present. The past does not equal the future!
- ☐ You will then need to set aside onto the map the items in the diagram overleaf making sure to either colour code, number or otherwise provide reference to what the master plan shows.

Example of a refined master plan for a papakaainga



MASTER PLANNING

DWELLING AREAS

- Highlight the general areas for where houses might go

MAIN ROAD ACCESS

- Show the main road into the site which can carry infrastructure like wastewater, power and telephone services into the property

NON DWELLING USES

- Gardening Areas
- Social / Play Areas
- Industrial / Commercial Activity
- Nature Reserve Areas
- Urupa
- etc

STAGING

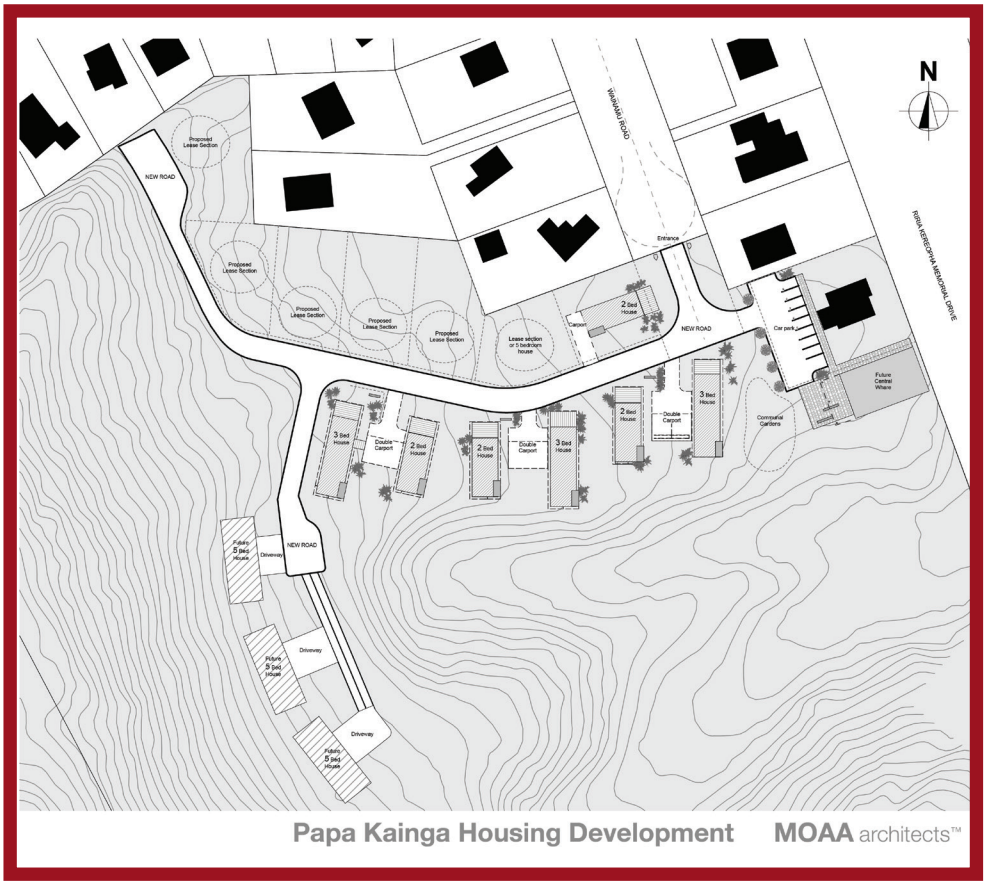
- Show the order of stages of development if required

3.2.2 CONCEPT DESIGN

The concept design takes the master plan and adds additional layers of detail. A concept design can be done by the Trust internally but will eventually reach a point where technical expertise is required to formally draft the concepts into scaled designs.

There will generally be 2 parts to the design required for papakaainga if there are multiple dwellings. The first is the civil infrastructure that provides access and services to the dwellings. The second design is for the dwellings themselves. Civil and Architectural designs are slightly different disciplines and while it may be possible to have the same designer for both, it is probable that the contractor for the civil infrastructure will be different from the building contractor(s).

Example of a Concept Design



The concept designs should help to establish the following

TITLE IMPROVEMENTS

- Likely Boundary Adjustments
- Title Creations
- Easements / Right of Ways that might be required

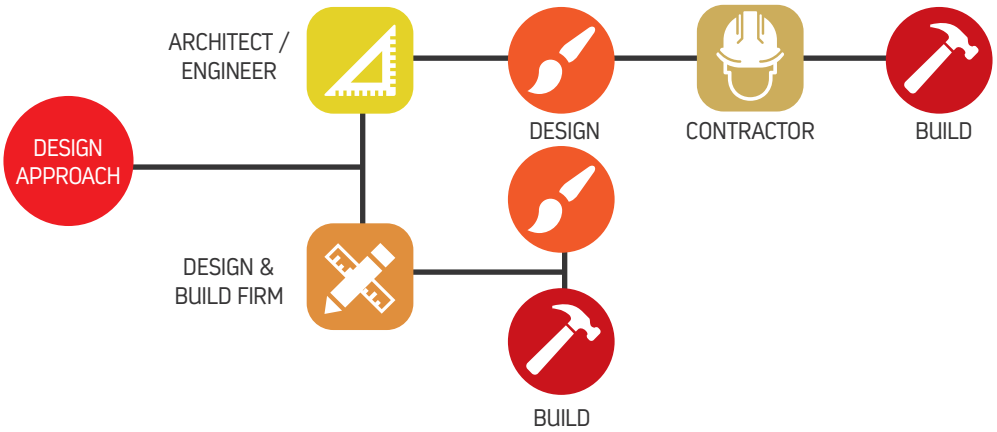
INFRASTRUCTURE / UTILITIES

- Roads
- Water lines / Tanks
- Electricity cables
- Telephone cables
- Wastewater lines or fields
- Stormwater Pipes, drains, & catchment ponds

DWELLINGS

- Basic building floor plans
- Number of bedrooms
- Plan orientation of dwellings to maximise the sun, views, etc

There are several ways to approach design depending on your budget, and what your objectives are. We look at 2 such approaches:



The first approach in the diagram on the previous page sees a separation between the designer and the construction vendor. This approach allows;

- Independence between the designer and the builder meaning each provides independent opinion over the work of the other. On the other hand this means, you will need to manage working relationships with the designer and the construction vendor.
- The Trust will have the freedom to design dwellings as you see fit and may be appropriate where your concept design or research reveal constraints to the site or if there are special design elements that your Trust requires.
- It will be possible to separately tender out the construction contract to a wide range of building contractors. This may not always be available if you approach a design and build firm as they may sometimes insist upon signing a contract specifying them as the head contractor thereby removing the choice to tender for a building contractor.

The second approach uses a build and design firm who undertake all works on your behalf. There are many firms in New Zealand who have access to a full complement of architects, project managers, builders and sub-contractors to do this efficiently. This approach means that:

- There is only 1 contract for the Trust to deal with making the process manageable with the vendor acting as a one stop shop.
- These firms will generally have standard plans relating to fixed price contracts meaning greater financial certainty about the cost to construct.
- You may be limited to choosing from those pre-drawn house plans but have the ability to carry out minor alterations. However large customisations to the standard plans may incur extra costs.

Either approach has its benefits and costs. Trusts should consider which approach will suit their circumstances such as internal capacity, special design requirements, and budget.

3.2.3 DETAILED DESIGNS

DESIGN DEVELOPMENT

Once a set of concept designs have been formally accepted by the Trust, the architect or engineer will enter into a design development phase. During this time the designs are fleshed out with more technical detail such as the location and trunking of building services, specifications of building materials, fixtures and fittings.

QUANTITY SURVEY

At any stage of the design development it will be possible to estimate the cost of building. However, the accuracy of the costing will depend on how much detail is available. A quantity surveyors role is to evaluate the designs provided by the civil engineer or architect and provide a price estimate for all of the components. Quantity surveys are especially useful in the tendering process as a reference to check the tender prices against.

3.2.4 WORKING DRAWINGS

The working drawings (sometimes termed construction documents) are the version of the drawings that the builders will follow in the construction of the papakaainga. These drawings will be those drawings consented by the local territorial authority.

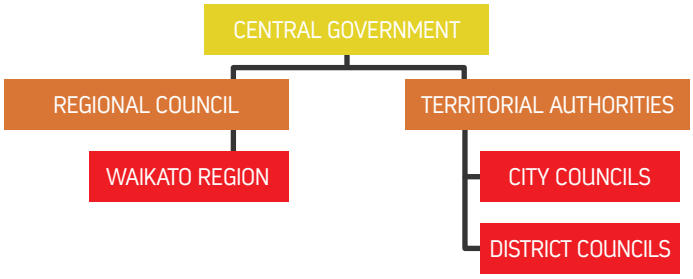
TURN TO EXERCISE 6 – DESIGN EXERCISE

3.3 CONSENT

Papakaainga developments like any other type of property developments are affected by legislation and will require some form of consent from a regional or territorial authority. The 2 broad consent types being a resource or building consent are dealt with under the 2 pieces of legislation below:

- The Resource Management Act 1991 – Resource Consent
- The Building Act 2004 – Building Consent

The Waikato Regional Council and the various territorial councils in the wider Waikato area are granted legislative power to ensure that all property developers remain compliant with the intents of both Acts.



3.3.1 RESOURCE CONSENT

There are 5 different types of resource consent available. An application to the appropriate council will be required if your papakaainga project falls outside the consented rules. In the Waikato District Council Catchment area, there are specific rules created for papakaainga on Maaori freehold title. These are clearly outlined in the district plan under PA ZONE.

SUMMARY OF RESOURCE CONSENTS	AUTHORITY	REQUIRED UNLESS EXPRESSLY ALLOWED BY RULE	REQUIRED ONLY IF CONTRAVENES A RULE
1. Land Use Consent	District Council		✓
2. Subdivision Consent	District Council	✓	
3. Coastal Permit	Regional Council	✓ (in most circumstances)	✓
4. Water Permit	Regional Council	✓ (in most circumstances)	
5.(a) Discharge permit into water or from industrial / trade premises	Regional Council	✓	
5.(b) Discharge permit into air and land and not from industrial / trade premises	Regional Council		✓

A typical multi-dwelling papakaainga may require resource consents for the temporary impacts that occur during construction from earthworks and storm water discharge as soils are exposed but also for the long term impacts that will occur as a result of infrastructure such as wastewater, storm water, water supply, and roads etc.

3.3.2 BUILDING CONSENT

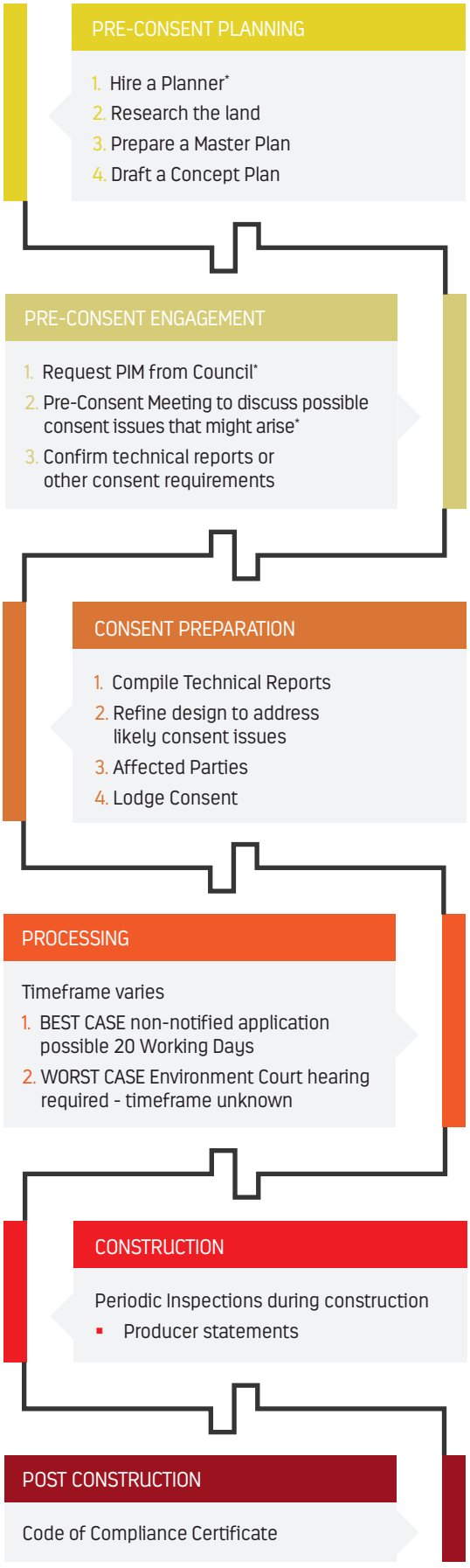
A building consent is a formal approval granted by the territorial council that allows a private property developer to carry out building works such as construction, alteration, demolition or removal of buildings. A building consent is issued when the territorial authority is satisfied that the proposed building work is compliant with the building code. To attain a building consent, detailed plans of the dwelling needs to be furnished to the Territorial Council.

In general building works cannot be carried out without a building consent but there are some exceptions to this rule where the building works have low risk of failure or serious harm to people such as decks under 1 metre in height, most non-structural repairs, and retaining walls below 1.5 metres which do not have significant surcharge of soil and weight behind them. However building works must still meet minimum requirements outlined in the building code even if no building consent is required.

THE CONSENT PROCESS

The resource consent process can be complex, potentially expensive or drawn out depending on the circumstances of the development. On the assumption that resource consent is required, it is advised that land Trusts seek professional advice.

A simplified representation of the process is outlined below.



*Optional

3.3.2.1 PRE-CONSENT PLANNING

Investigations and analysis needs to be done prior to approaching council about your respective papakaainga project. Ideally you will have completed your master plans and if possible have drawn a concept design for the papakaainga.

3.3.2.2 PRE-CONSENT ENGAGEMENT

It is a good idea to engage with the territorial council prior to lodging a resource or building consent application. This can be done in a number of ways including a pre-consent meeting or applying for a project information memorandum.

PIM REPORT

The PIM report can help in the drafting of any consent applications required. This report is not to be confused with an authorisation to commence work.

- A PIM contains information known to the Council which is relevant to your papakaainga project proposal. For example the location of service connections, known environmental issues or potential construction hazards on the property etc.
- A PIM can help you find out if your proposed project is achievable and may prevent delays, reduce costs in the design before you get to the building consent stage.
- Under the Building Act a PIM is not mandatory. You will need to request one.
- It should also indicates likely authorisations you will need, fees and development contributions to be paid or other issues that you will need to consider or deal to achieve your building consent application.

PRE-CONSENT MEETING

A pre-consent meeting with the relevant authority is not a requirement in the consent process but serves a number of purposes:

- The first purpose is to pre-emptively notify the relevant territorial and regional authorities of a potential consent application for your papakaainga.
- Provides opportunity for the project manager to familiarise themselves with council staff and vice versa.
- It also allows the developer to become familiar with consent rules that might apply to their development.
- Allows any potential consent related issues not covered in the PIM to be drawn out at an early stage. The more advanced the master plan or concept design is, the easier it will be for council planners to identify consent issues.
- There may also be design changes suggested at the pre-consent meeting. For this reason it is better to have only a master or concept designs at this point to reduce redesign expenses.
- Make sure to take notes of the meeting and ask for a copy of the minutes to be forwarded to the Trust and your nominated project manager.

3.3.2.3 CONSENT PREPARATION

After receiving a PIM or a having a pre-consent meeting with the relevant authority, there could be a list of issues to resolve, design alterations and/or technical information required to accompany the consent application.

- We strongly suggest that Trusts seek professional planning advice if they not familiar with the consent application process.
- There may also be affected parties to the development that may need to provide letters of support for the application.
- Application forms are available upon request at the information counters of the respective territorial councils in the Waikato region. There are useful links found on the websites of each organisation where electronic copes of consent application forms can be found.

3.3.2.4 PROCESSING

Once the application is lodged, the processing lies in the hands of the relevant authority. There is a standard processing time to which the authority must respond to the application.

- However if the authority identifies issues then further information may be required, or consent conditions may be imposed on your development.
- You will need to look through the consent conditions if any are applied to understand how it will impact on design and cost of the development.
- Resource consent applications may also be required to go through the environment court if the consenting authority is not satisfied with the nature of the development impacts and the risks associated.

3.3.2.5 CONSTRUCTION

Assuming that consent is granted, during the construction there will be a number of inspections required at different stages to evidence that the building project is being built in accordance with the building code and the specifications in the working drawings. These are generally organised by the head contractor, project engineer or project manager.

3.3.2.6 POST CONSTRUCTION

After the completion of the project a Code of Compliance Certificate needs to be issued over each dwelling as a final sign off of that the buildings are compliant with the building code. These certificates are required for insurance purposes. There may in addition be ongoing compliance checks required for common buildings which although might only be utilised by the papakaainga community are effectively designed for public use.

3.4 PROJECT ORGANISATION AND COMMISSIONING

3.4.1 INTRODUCTION

Unless you strike the rare fortune of having a project manager who is capable of doing everything, your project will need a number of people and vendors involved throughout. We have discussed *what* needs to be done in the technical planning and design phase but the purpose of this section is to look at *how* the project is organised with the view that there are 4 principled outcomes that a trust and its project manager should aim to deliver;

3.4.2 ROLES AND RESPONSIBILITIES

There are an infinite number of ways to organise people on a project but for construction projects there are some key roles of responsibility that need to be defined. In addition to appointing these roles there also needs to be clear lines of delegated authority set up so that everyone knows the extent of their role and when decisions should be elevated for higher authority approval.

3.4.2.1 THE TRUSTEES

Whilst the trustees should generally remain in a governance role they hold the ultimate responsibility for the finances of the trust. Therefore they should be in a position where they can monitor the use of funds on the project and to manage the performance of the nominated project manager. The trustees need to make sure that they are engaged in regular (preferably monthly or more frequent if necessary) meetings so as to receive ongoing updates and also provide a steady stream of instruction and approvals to the project manager.

3.4.2.2 PROJECT MANAGER (PM)

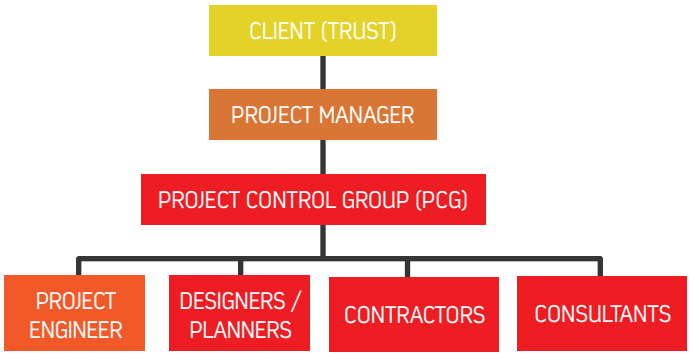
There needs to be a nominated project manager who is ultimately responsible for the running of the project. The PM should hold a reasonable amount of delegation from the trustees in order to give instructions and authorise payments to the various professional advisors, designers, and contractor(s) on behalf of the client (Trust) without needing to continually go back to the trustees for approval. The project manager also needs to report back to the trustees on the performance of the project and highlight any problems or risks that may arise and what is being done about it.

3.4.2.3 PROJECT ENGINEER

The role of the project engineer is to oversee the technical disciplines involved in the construction project. The project engineer is essentially a project manager with qualifications in engineering or construction. This person is important where the appointed project manager does not have engineering or construction qualifications or experience. The project engineer can also free up the project manager to attend to the other matters important to the project that may not necessarily be construction related.

3.4.2.4 PROJECT CONTROL GROUPS (PCG)

A project control group or a steering committee is sometimes formed to allow better coordination between all of the different disciplines involved in the project. It is not necessary to have a PCG in place but as a project gets larger and more complex in scale, a PCG offers advantages by allowing collaboration between vendors, jointly addressing risks and reducing workload for the project manager. An example of how a PCG may be structured is outlined below.

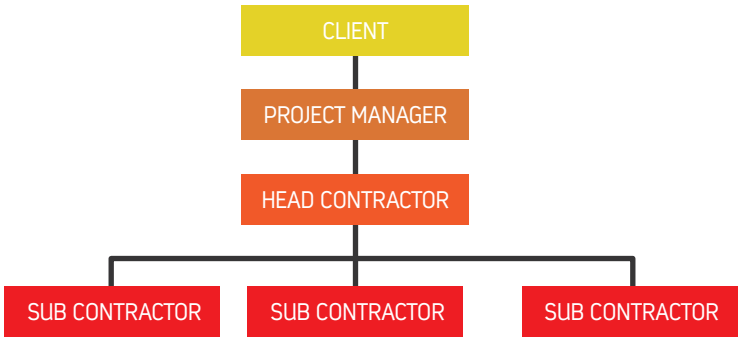


There will usually be terms of reference for the members to agree to. These terms of reference should be appropriate to the scale and complexity of the project. Allowances should also be made for the members of the PCG to naturally rotate in and out during the course of the project as their particular role and skills become relevant. For example, once civil infrastructure is completed, there will not be any need to have a civil planner present when discussing colour schemes for the interiors. The PCG should have a set of minutes recording any decisions and or tasks assigned to persons in the group.

The types of people who may rotate in and out of the PCG are designers such as civil draughtsmen or architects, planners, the head contractor(s) for civil or building and from time to time consultants in a particular area of expertise relevant to the project.

3.4.3 VENDOR MANAGEMENT STRUCTURE

During the project an organisational structure needs to be formed to clarify the lines of authority and the contractual relationships. 3 variations are discussed here.



HEAD CONTRACTOR

- The first variation on structure is to have a head construction contractor who is responsible for the entire build project.
- This means that the Trust has effectively only 1 contract relationship to manage and all issues can be directed back to the head contractor to deal with.
- However, this limits the Trust's ability to pick and choose sub-contractors which may be advantageous for managing costs.

SELF-MANAGED

- The second approach is for the Trust to directly manage all sub contracts themselves.
- This approach allows flexibility to tender and select vendors as the Trust sees fit. However the Trust will be responsible for dealing with each vendor separately to resolve issues.
- This approach should only be used where there is sufficient project management experience and capacity within the Trust.

MIXED MODEL

- A mixture of self-management of vendors and the use of a head contractor can be applied from time to time depending on the appetite of the head contractor.
- However this approach can be problematic when dealing with issues that arise with workmanship and trying to determine where to assign responsibility for fixing problems.
- A mixed approach requires very strong project and vendor management, clear scopes of work, and well defined liabilities clauses in the construction contracts.

3.4.4 TENDERING

Regardless of whether you use a head contract or self-managed approach, you will need to satisfy yourself that you are getting the best value for money and using a vendor who can deliver your papakaainga vision. Tendering is one way of achieving this. A tender process may be as simple as ringing 3 or 4 vendors to get prices or as complex as a full scale request for proposal (RFP) where the works are a major component of the papakaainga. This section is concerned with how to approach larger tenders and why you should do it.

3.4.4.1 OPEN VS CLOSED TENDER

An open tender occurs when the contract is publicly advertised or mass invitations to vendors are sent out. This approach may net the highest possibility of getting a good value contractor but may also require time to screen potential tenders. A closed tender on the other hand involves approaching only a few reputable vendors to put in tenders. There will be less choice but is easier to coordinate.

3.4.4.2 REASONS TO TENDER

COMPARE SERVICES

- You can compare vendors on an apples for apples basis
- Make a determination on the value you get per dollar spent

CHECK PRICES

- Reference check prices against other like vendors
- You'll never know if you got a good deal unless you compare

COMPETITION

- In a tender situation each vendor has to compete and put their best foot forward

PROOF OF DUE DILIGENCE

- Having run tenders you can demonstrate to your Trustees, Owners, and funders that you have done due diligence on your vendors

PRODUCT & SERVICE AWARENESS

- Through the tenders you sometimes learn about services or products on offer in the market that you were not aware of

3.4.5 REQUEST FOR PROPOSAL

A request for proposal may be publicly available in the event of an open tender or sent to a select few in the event of a closed tender. A request for proposal is a document inviting vendors to put in a proposal to undertake a set of work for you. A tender is not necessarily just about finding prices, it is about finding vendors who are interested in your project and have the right fit with your Trust as the client. A request for proposal requires a minimum amount of technical information to allow for the vendor to give a reasonable tender price.

Included in the RFP will be:

3.4.5.1 BACKGROUND INFORMATION

- Information that will allow the vendor to determine if they wish to do work for the Trust including a short background about the land and the Trust, its Trustees and who the point of contact will be.
- A short background to the project, the purpose of the project and why it is important to the Trust.
- Technical information such as concept, or detailed designs depending on the nature of works.

- Where it is known, an indicative start date may also be given, so that vendors can plan ahead for staffing and other resource requirements.
- In some cases it may be important to provide an upfront estimate of the total project cost. This will give the vendor an idea of whether they will be providing high spec or low budget work and can influence whether they will be prepared to tender or not.

3.4.5.2 SCOPE OF WORKS

The RFP should provide a scope of works to the vendor in as much detail as is necessary. The better the detail is, the more likely that the tender prices will be comparable and accurate. If there is less detail, vendors will generally need to add in contingencies to cover uncertainty around the scope of works.

3.4.5.3 TENDER GUIDELINES

The RFP document can be interpreted differently by vendors and the resulting proposals may vary including the method for quoting making it hard to fairly compare the tenders. To address this issue, vendors need to be given a set of guidelines on the structure of their tender proposal going as far as to ask for specific headings and content in a specific order. This means that each tender will have roughly the same layout making comparison easier.

Tender guidelines may go as far as asking for copies of the tender in a specific format and by a specific delivery method. This will test out the ability of the vendor to follow instructions and how effective their back office administration is which will be important once the project is under way.

3.4.5.4 COVER LETTER

The cover letter for an RFP should be written with some care as in most cases, tendering for work will involve some time cost on behalf of the vendor and a vendor may at times confuse the process of providing a tender proposal as meaning that they have already been awarded the work or that the Trust is committing to doing the work and either may not be the case. The cover letter should clarify what you are asking of the vendor and indemnify the Trust against having to make any formal commitments to a vendor relationship as part of the tender process.

3.4.5.5 TENDER EVALUATION

As far as possible, tenders should be compared in accordance with a set of objective criteria. These criteria should be in line with what is asked for in your tender guidelines. Below is a list of items to consider for comparison.

TOTAL SERVICES BEING OFFERED

- Extra Services
- After Service Care

RISK COVER

- Warranties
- Insurance

EXPERIENCE

- Qualifications
- Past Relevant Work
- References
- Who would be the Site Manager?

FIT TO THE JOB

- Understand the project and fit well with the client
- Ability to deliver what you want
- What size is the firm (organisational structure)?

PRICE

- Tender Price
- Casual Rates

3.4.6 CONTRACTS

3.4.6.1 FORM OF CONTRACT

Once construction vendors have been selected, contracts should ideally be put in place to cover the legal rights and responsibilities of both parties. As a starting point it is advised that Trusts seek independent legal advice from a lawyer familiar with construction contracts.

There are standardised forms of construction contract available in New Zealand written in plain language for small residential construction projects. The two common forms of contract commonly used in the building industry for residential dwellings are;

- NZS 3910: 2013 - Conditions of contract for building and civil engineering
- NZS 3916: 2013 - Conditions of contract for building and civil engineering (Design & Build)

Professional association in the construction industry such as the New Zealand Institute of Architects (NZIA), and the Institute of Professional Engineers of New Zealand (IPENZ) will also have their own forms of contract that can be used for those related disciplines.

Any specialised construction contracts should be discussed with your legal professional.

3.4.6.2 CONTRACT PRICING

Below are three methods of forming a contract price with a construction vendor.

FIXED PRICE

A fixed price contract or a "turnkey" price is utilised where the vendor has some certainty around what is to be constructed, where the Trust wants certainty about the cost of the development, and where the Trust may not have the internal capacity to manage the project. A fixed price approach places the risk and incentive on the head contractor to deliver the work in the least amount of time possible. The vendor maximises profit through mark up of materials and reduction in the time to complete which leaves a profit margin. However their profit margin reduces if they go over time.

COST PLUS PERCENTAGE

A cost plus contract is utilised where the Trust believes that they are in a position to make savings somewhere in the construction through efficient design, materials procurement, economies of scale and labour costs. The Trust may also elect to use this approach where there are likely to be variations during the construction. A cost plus strategy places the risk and incentive on the Trust to manage procurement costs, and the timeframe to completion. The vendor bares no risk in materials and their profit percentage is guaranteed.

NOT TO EXCEED

A not to exceed contract is a mixture of the two approaches above. Here the price for the contract is nominated and should the work be completed under budget then the savings between the final cost and the nominated price are shared by agreement with the vendor. Alternatively, if the cost exceeds budget, then equally the cost of the overrun is shared by agreement with the vendor. This approach looks to balance out the placement of risk between vendor and client.

3.4.7 CONSTRUCTION PROGRAMME

Once the vendors are confirmed, then the construction process and all vendors involved needs to be programmed into a construction schedule to get the maximum time efficiency possible. A construction schedule can be generated once the civil and building plans are finalised and is generally represented on a GANTT chart. The role of the project manager is to ensure that this project is adhered to and find ways of bringing to project back onto schedule if it gets behind.

BASIC PROGRAMME EXAMPLE

WORK DESCRIPTION	SCHEDULED DATES			
	JUNE	JULY	AUGUST	SEPTEMBER
Clearing and layout				
Excavate				
Formwork and rebar				
Concrete foundations				
Structural Steel				
Masonry				
Plumbing				
Electrical				
HVAC				
Roofing				
Carpentry				
Lath and plaster				
Doors and windows				
Terrazzo				
Glazing				
Hardware and millwork				
Painting				
Exterior concrete				

3.4.8 RISK MANAGEMENT

Once construction commences the project falls into the hands of the contracted vendors to manage. During this time it is important that the Trust has sufficient clauses in the construction contract to minimise any impact on the Trust from risks associated with construction.

3.4.8.1 EXPERT ADVICE

It is usual for there to be some amount of minor defects in the construction. Generally there is a 12 month period after completion of the project where a contractor has the right to return to site to repair any defects that have been noted during defects inspections. During this period it is up to the project manager and or designers to inspect the property to identify where these defects might be and note them to the contractor to fix.

3.4.8.2 PAYMENT & RETENTIONS

If using a head contractor then it is standard practice for them to lodge periodic cost claims during construction to which the project manager will release to the head contractor provided the work is being completed. Small pieces of construction work is paid for after it has been completed but it is equally likely that some parts of the construction will have a long duration and it is impractical for a vendor to receive all of the payment at the end. They may receive instead progress payments as the construction reaches certain stages of completion.

A portion of the total cost of a particular contract may be held aside until the work is completed and has been signed off to the satisfaction of the project manager and/or is signed off by an engineer. This is known as a **retention**. Retentions are a form of insurance against vendors not completing their work to the required standard and should where practical be built into vendor contracts. However both the project manager and head contractor should be careful in how they set the levels of retentions in each contract and should not unreasonably withhold payment to vendors for fair work completed.

3.4.8.3 DEFECTS LIABILITY PERIOD

It is usual for there to be some amount of minor defects in the construction. Generally there is a 12 month period after completion of the project where a contractor has the right to return to site to repair any defects that have been noted during defects inspections. During this period it is up to the project manager and or designers to inspect the property to identify where these defects might be and note them to the contractor to fix.

3.4.8.4 VARIATION

As far as practical, avoid unnecessary project variations! Variation is the slayer of budgets. Variations can be in the form of design changes, materials or unforeseen circumstances that force changes upon the project. Variations will generally increase the cost of the development and or cause delays. It is therefore wise to spend more time in design and planning and to make variations on paper. It is easier to redraw a wall on paper than to knock it down once it is built.

3.4.9 KEY PROJECT DOCUMENTS

There are key documents that need to be kept and updated as part of good project administration. These documents should be readily available to the project manager during the project. Post construction while most of the information may be archived, certain pieces of information will remain relevant for asset management and insurance purposes including technical drawings, and Code of Compliance Certificates.

A summary list of such documents is shown below:

RESEARCH
- Land Information
- Maps
- Technical Reports

TECHNICAL PLANS
- Civil Plans
- Working Drawings
- Asset Specifications

CONSENT
- Consent Applications

COSTING
- Quantity Survey
- Budgets
- Budget vs Actuals Reports

PROGRAMME
- Timelines for completion

CONTRACTS
- Planning & Design
- Civil Contractor(s)
- Building Contract(s)
- Sub Contractors

MEETING RECORDS
- Minutes
- Record of approvals

COMPLIANCE RECORDS
- Inspection Reports
- Code of Compliance Certificates

3.5 CHAPTER SUMMARY

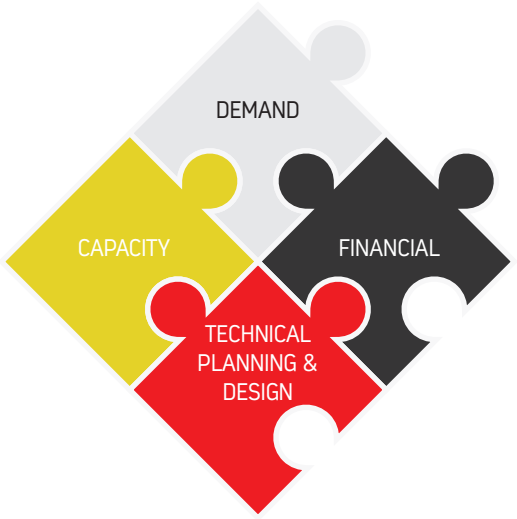
The technical planning and design part of your project is an exciting but also technically challenging phase of your project. It is the part of the project that delivers tangible plans and outcomes towards your papakaainga. There are several key lessons.

1. Do your research. Knowing all the variables that may impact on your development will improve your plans and hopefully your chances of success.
2. Plan, plan, and plan some more. It is better to plan and revise plans than it is to regret the results of not enough planning.
3. Knowing how to organise your project is as important as knowing what to do. Spend sufficient time thinking about how your project will be managed, by whom, and be clear on roles and responsibilities within the project.

4 DEMAND

"Demand will always outstrip supply, for the demands of man are infinite. It is the invisible hand that creates a price for our demands and forces man to accept the natural limits of supply."

ANONYMOUS

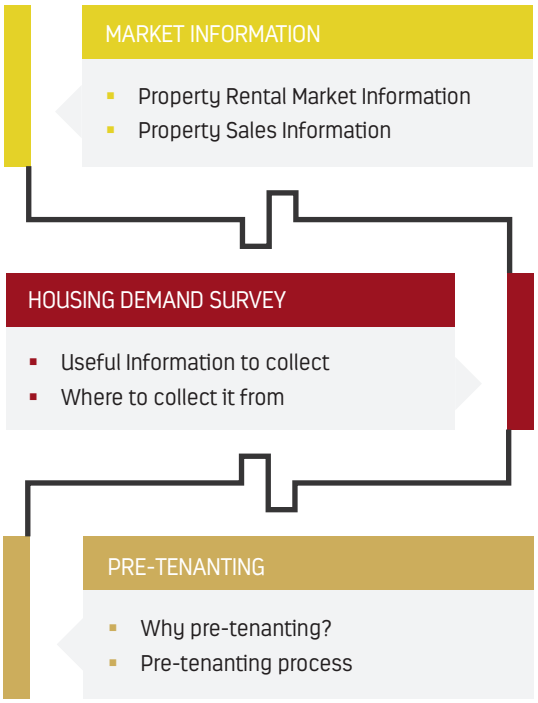


4.1 INTRODUCTION

A simple question must be asked at the outset of your papakaainga journey. "Does anyone want to live in a papakaainga on the land?" If the answer is no, then there is no point continuing to plan to build one at this point in time. This chapter of the toolkit is dedicated to finding out the answer to the above question.

Assuming the answer is yes, then housing demand information is also required to inform the design of the papakaainga, the types and number of dwellings, and should hopefully lead to being able to identify future tenants for the papakaainga.

There are several methods for collecting this information, below are three such methods.



4.2 MARKET INFORMATION

Early on in the planning process it will be possible to collect information freely available to the public about the property market in the area that you intend to build. This information can give a preliminary indication of whether a papakaainga will be viable before dedicating time and financial resources to the project. This information can be useful also for developing a business case for your Trustees, Owners and potential funders of the project. It is advisable to keep longitudinal (ongoing) statistics of the property rental and sales market in the area throughout the planning process.

4.2.1 USEFUL STATISTICAL INFORMATION

RENTAL MARKET INFO

- Rentals for a 2-5 bedroom house
- Available rental tenures
- Rental housing conditions
- Total number of advertised rentals per month

SALES DATA

- Number of properties for sale per month
- Average sale price for 2-5 bedroom dwelling
- Maximum and minimum price ranges

HOUSING SUPPLY

- Total number of dwellings in township or area
- Total numbers of available rental units vs owner occupied houses

MISC STATISTICS

- Employment Data
- Population statistics
- Demographics

4.2.1.1 RENTAL STOCK INFORMATION

1. At the time of writing, TradeMe property has developed into one of the best places to gather real time rental property information with most major property management companies now using TradeMe as an extra advertising channel for their managed properties. It is also highly utilised by private landlords as well.
2. Taking average rental price information is useful if the Trust is looking to build its own rental properties. Average, minimum and maximum rentals can be used for doing sensitivity analysis which is touched on in a later part of this toolkit as an essential element of a financial model. You can also total the number of online listings in your area on a month to month basis to work out if there are any demand or supply issues in the local rental market or any seasonal trends.
3. It is also worthwhile to survey the general condition of available rentals if possible to give an idea of the quality of rental stock available.
4. Statistics New Zealand also holds some housing statistics information gathered through the periodic census which can also indicate trends in housing affordability and availability.

4.2.1.2 PROPERTY SALES DATA

- A key due diligence question to ask early in the papakaainga planning process is; "What is the opportunity cost of investing in a papakaainga?" One of the opportunities you may forgo is to buy existing property elsewhere as the next best investment option. Therefore you should also be mindful of property prices in your area.
- Property sales information might also be important where the Trust intends to structure the tenure arrangements around licences to occupy or ground leases as not everyone will necessarily want to rent. If surrounding property prices are high, then it may improve the attractiveness of a licence to occupy or ground lease arrangement on Maaori land as an alternative to buying elsewhere.
- This data can again be collected in real time on a month to month basis from websites such as TradeMe, real estate company websites and the weekly property section of the local newspaper.

4.2.1.3 HOUSING STOCK INFORMATION

You should also try to procure statistical information from real estate agents where it is available or public information sources such as the local territorial council, property magazines, the New Zealand Property Council, or Statistics New Zealand. Some of the key pieces of information to find out are:

- The total number of houses in the area you intend to build your papakaainga
- The numbers or proportion of owner occupied, rental, and vacant dwellings.

4.2.1.4 MISCELLANEOUS INFORMATION

Where practical you should also look beyond housing market statistics as other factors play a role in determining whether your papakaainga development will be an attractive proposition to potential tenants. Access to healthcare, education facilities, shops and other amenities are all important. However *access* to employment or tangible economic development opportunities will have one of the biggest impacts on the financial viability of life in a papakaainga. Access is the key word, as proximity to a major city or other economic centre with employment opportunities will improve the feasibility of your development.

4.3 HOUSING DEMAND SURVEYS

While market statistics can be useful for identifying the general demand and supply for housing in your area, it will not confirm the housing needs of the land owners and their uri who as potential tenants will probably have a range of whanau demographics, current living arrangements, and preferences for how they would like to be housed. They may also have differences of opinion on the type of tenure and occupancy arrangements that would suit them as well.

4.3.1 METHOD OF COLLECTION

Holding waananga to discuss housing demands is one way of collecting this information in a collaborative way. Another method is to conduct housing surveys with the owners or your wider stakeholder group. The general types of information that you should try to collect from such methods are as follows.

INDIVIDUAL DEMOGRAPHIC INFORMATION

- Contact Details
- Names
- Ages
- Sex
- Marital Status
- Income Levels & Sources

WHANAU STRUCTURE INFORMATION

- Numbers per household
- Age demographic per household

CURRENT LIVING SITUATION

- Type of dwelling
- Condition of housing
- Suitability to whanau structure
- Location
- Current occupation costs

PREFERRED LIVING SITUATION

- A question to ask if they are interested in living in a papakaainga
- Preferred dwelling layout - number of bedrooms
- Sustainable rental level
- Special requirements e.g. disability access

A copy of an example housing survey is found at the back of this section and can be adapted to suit the needs of your Trust.

4.3.2 TIPS FOR SURVEYS

- It is important that the sample size of the survey (N) or the number of surveys completed is as large as possible to get a good representation of what your owners think. If the sample size is too small, the accuracy of the data comes into question. However, if your survey results show serious interest and reasonable expectations for rents, and the N value exceeds the number of dwellings you could possibly build, then this may be sufficient enough evidence to proceed with planning.
- Use clear simple questions to avoid confusion or false results. The respondents may misunderstand a question and alternatively the surveyor may interpret results the wrong way.
- You should avoid leading or loaded questions which can sometimes guide respondents to giving pre-determined answers.
- Co-relation does not equal causation! This means that a strong relationship between two pieces of information may become evident but be very careful not to mistake a relationship to as being evidence of cause and effect.
- Be careful of making too many inferences on the basis of survey results, surveys are useful to confirm existing housing demand remembering that your papakaainga development may fulfil needs that haven't been thought about yet. This idea is summed up by the famous quote below.

> *"If I had asked people what they wanted, they would have said faster horses."*
>
> HENRY FORD

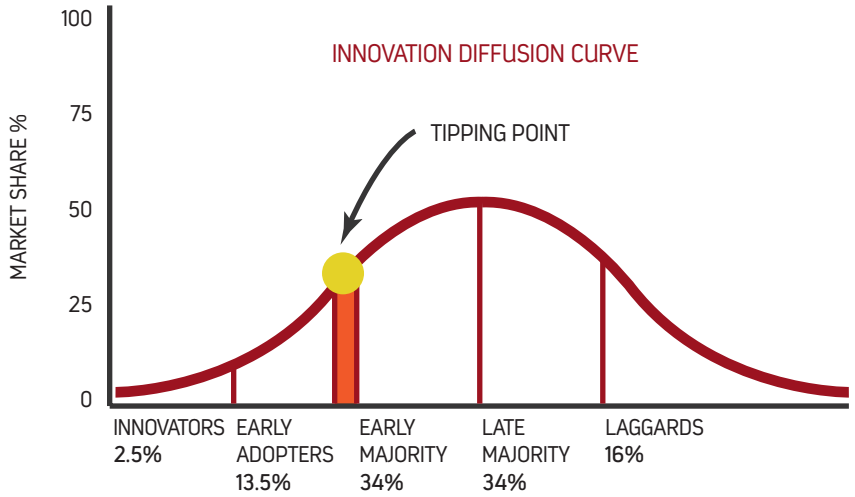
4.4 PRE-TENANTING

Pre-tenanting is a method of confirming demand before construction begins and minimises the risk that the papakaainga will be without tenants upon completion. The basic concept is to have tenants signed up to move into the papakaainga before it is built. Having a legal agreement between landlord and tenant for each dwelling is the most compelling, concrete form of evidence that a Trust can have of the demand for a papakaainga.

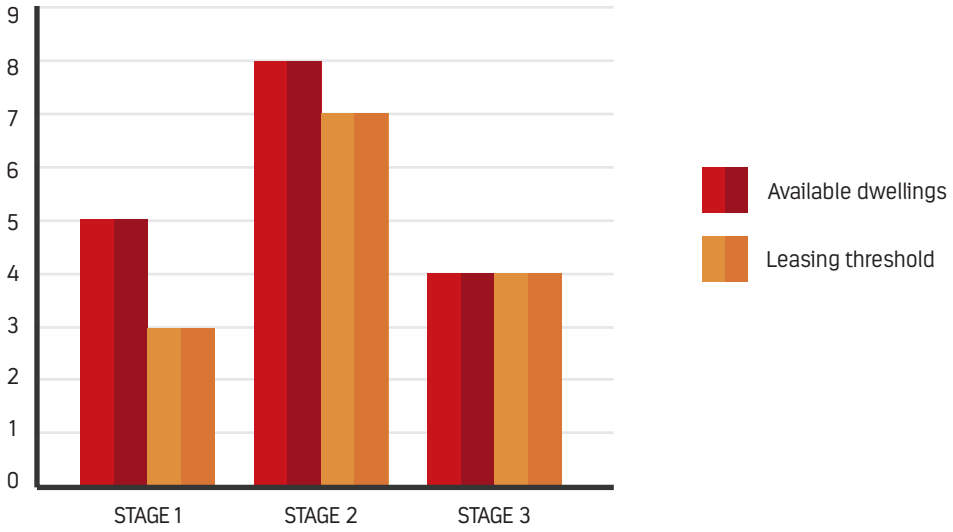
This is simple in principle but in practice requires work to overcome uncertainty in the minds of potential papakaainga residents. Pre-tenanting is best attempted once the project has sufficient design detail and there is a tenancy management framework in place to properly lease or licence the building sites or dwellings.

4.4.1 LAW OF DIFFUSION CURVE

The law of diffusion of innovation may loosely apply to finding tenants for your papakaainga but depends on the attractiveness of the papakaainga offer. The law of diffusion states that the first people to sign up to live in the papakaainga will be innovators and risk takers and will sign up for the sake of being first. The percentage of such people is generally very small at about 2.5% of any population. The majority of the effort is in getting the next 15-20% of available dwelling pre-leased after which, according to the model there will be a tipping point where the rate of uptake and interest gathers its own momentum. This phenomenon can be influenced through the use of clever marketing to generate interest to get beyond the tipping point.



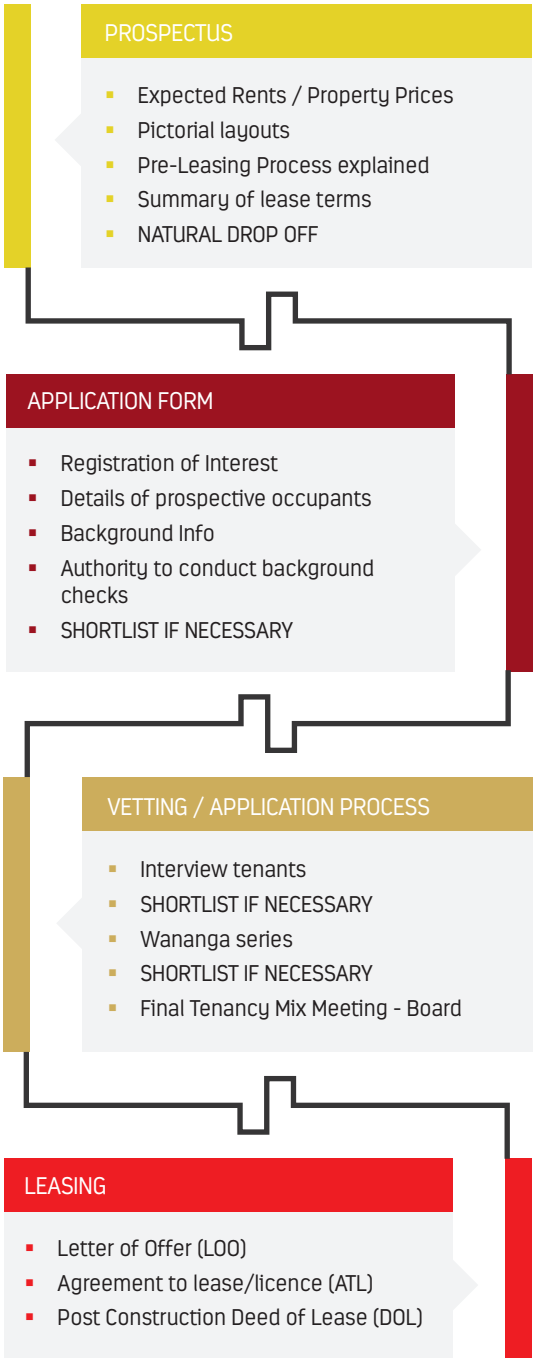
In practice this law of diffusion can be used as a basis for establishing milestones or leasing thresholds for commencing each stage of construction. An example of leasing thresholds is shown over the page.



The above diagram shows a simplified pre-leasing threshold for a development broken into three stages. This development requires three out of five dwellings to be pre-leased before starting the first stage. It is assumed that the remaining 2 dwellings can be pre-leased during the construction period. Stage 2 requires seven out of eight dwelling to be pre-leased before stage two can commence and stage 3 cannot commence until all the prior stages are fully tenanted and all stage 3 dwellings are pre-leased. This approach acknowledges that it is more difficult at the start to pre-lease than it will be after a few dwellings are built and people can see that the development is going ahead.

4.4.2 PRE-TENANTING PROCESS

The process of pre tenanting has no set format and your circumstances will dictate how simple or complex you choose to be in selecting your future tenants. For the purposes of this toolkit we provide an example of a formal pre-tenanting process below.



4.4.2.1 PROSPECTUS

A prospectus is not compulsory but is a good way of providing broad spectrum information for future tenants to see what they would be signing up to. The prospectus should show the following as a bare minimum:

- Concept layouts of the site and/or floor plans of the dwellings;
- List of benefits to living in the papakaainga;
- What the financial cost will be in rents or other occupancy costs;
- What the legal commitments are such as the key terms of the lease, commitments to any specific papakaainga rules and an outline of the tenure arrangements;
- What the entry criteria is;
- What the process is for securing a tenancy; and
- Disclosures that there are limited spaces and that application does not guarantee that they will be tenanted.

4.4.2.2 APPLICATION FORM

An application form serves several clever purposes;

- It will enable you to collect contact details to be able to keep interested parties up to date with any important information.
- You may need the information to set up the tenants in your property management system if they are successful.
- You will be able to conduct a preliminary checks on the suitability of the tenants based on their paper responses.
- You will be able to gather permissions to run background checks on credit worthiness, criminal records, whakapapa connections etc.

4.4.2.3 VETTING AND HOUSING ALLOCATION

The Trust may need to identify tenant selection criteria and a fair and equitable process for selection.

- Trustees can protect themselves against unfair criticisms of their selections if they are based on pre-determined criteria and not personal opinion. This helps to make the process somewhat impartial.
- The Trust should be clear about what it wants and what it does not want to have in the papakaainga. The criteria should be based on principles before ideals.

CRITERIA

1. Personal attributes the Trust wants in the papakaainga
2. Negative attributes the Trust doesn't want in the papakaainga
3. Principles vs Ideals

PROCESS

1. Prospectus
2. Paper Application
3. Interview - Selection Panel
4. Waananga observations
5. Tenancy mixing
6. Lottery

- In the above list are five methods that may be employed to reduce the number of applicants down to a final tenancy list.
  - The prospectus is the first opportunity to vet prospective tenants. Only those persons interested by the prospectus are likely to register their interest by filling an application form.
  - The paper application is the second opportunity to reduce the list as tenants will be required to reveal information about themselves. You should aim to seek their written permission at this stage to perform background checks which may again eliminate some applicants from further consideration.
  - A third method of vetting is to interview the applicants in person. This allows the Trust to become familiar with the prospective tenants in person.
  - A fourth process is to run waananga and invite the prospective tenants along to discuss issues relating to the papakaainga prior to it being completed. This provides an opportunity to see how your prospective tenants think and interact with each other.
  - Tenancy mixing is mentioned in an earlier section of the toolkit but is the consideration by the Trustees of the importance of relationships and acknowledges that it is the quality of the relationships between the people living together that will enable a true papakaainga community to flourish.
  - Should the final selection process prove too hard, then a lottery process should be seen as a last resort. There is an element of fairness in this process however the downside is that the tenancy mix is being left to chance.

4.4.2.4 LEASING / LICENSING

The above process is a commercially disciplined way of introducing new tenants to a property ensuring that at each step there is a paper trail. It is advised that you establish appropriate templates for each of the above documents in consultation with a legal professional.

STAGE 1: LETTER OF OFFER (LOO)

A letter of offer is a short one page notification to the applicant that they have been accepted into the papakaainga. This LOO contains a summary of the terms of the lease such as the commencement date, rent, review dates and may also hold certain conditions to be satisfied before occupation, for example; pre-payment of bond, agreement to accept papakaainga rules etc.

STAGE 2: AGREEMENT TO LEASE / LICENCE (ATL)

Once the tenant has accepted the offer, then an agreement to lease is executed. This document commits the tenant to signing and landlord to signing an actual lease on the condition that the landlord delivers a dwelling that is fit for purpose and the tenant meets any conditions that are required of them before moving in. Pre-tenancy conditions can also be a way of vetting tenants, for example if bond payments are not made by the required deadlines the agreement to lease may be cancelled and you may need to select an alternative tenant.

STAGE 3: DEED OF LEASE / LICENCE (DOL)

A lease or licence document is executed just prior to the tenant moving into the dwelling. Any conditions to satisfy by either the tenant or the Trust must be fulfilled before moving in. The lease or licence document then replaces the ATL as the formal legal agreement between Landlord and Tenant.

4.5 CHAPTER SUMMARY

- Gathering statistical information gives an early indication about whether it will be viable to build a papakaainga. This should be one of the first tasks completed in the planning process.
- The process of surveying potential tenants informs designs and gives a more in depth picture about housing demand.
- Pre-tenanting provides concrete demand evidence and gives certainty to a Trust that the transition from construction to living in the papakaainga will be as quick as possible.
- A responsible, prudent property developer will look to prove as far as practical that demand exists for the reasons outlined above.

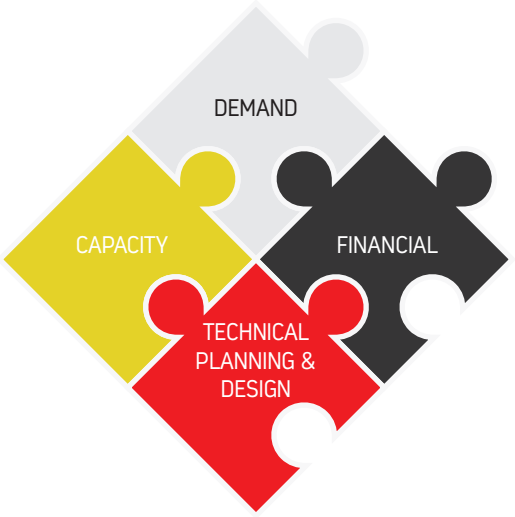
5 FINANCE

DISCLAIMER: This section of the toolkit provides unqualified suggestions on how to approach finances in relation to a papakaainga project. The information provided within should not be used as the only source of reference and Trustees or project managers should seek the advice of a certified financial practitioner or chartered accountant for qualified advice before making financial arrangements on the basis of this toolkit material.

Organising finance is one of the key work streams which will determine if a papakaainga project is feasible. This work stream requires certain tasks to be completed in all of the other work streams.

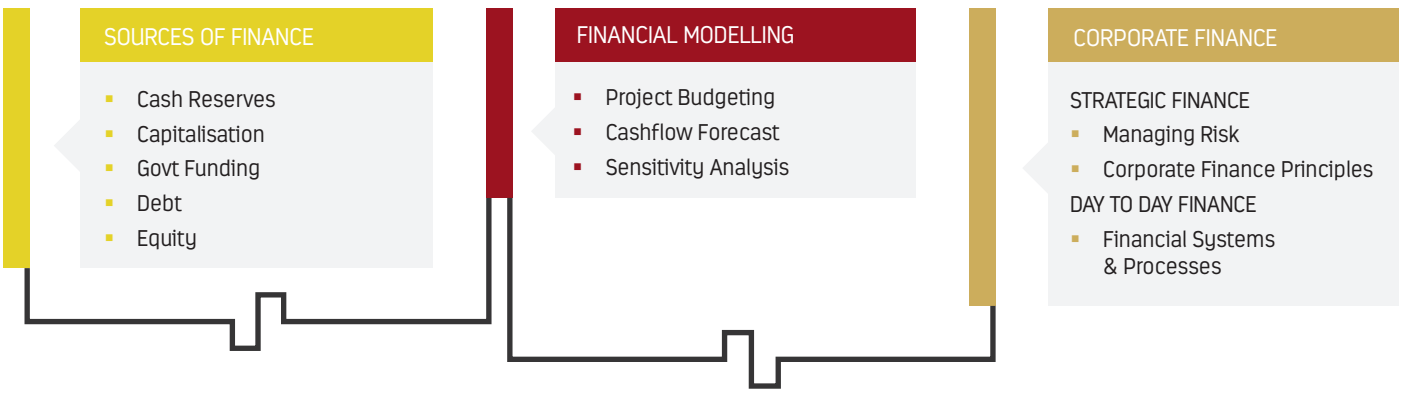
- In the **Demand** work stream it is best practice to establish if there is enough interest in papakaainga housing. It is also important that you get reasonably accurate information on market rents in the area if you are intending to charge papakaainga tenants for leases or licences. With this information it will be possible to forecast the income streams from the papakaainga to justify the cost.
- In the **Capacity** work stream, there needs to be an ability to procure legal authorisations from Trustees to source and use finance in the Trusts name. The Trust also needs to have capacity to sign off financial documents such as grant agreements, debt agreements or any other legal undertaking.
- In the **Technical Planning** work stream there needs to be sufficient design information to procure quantity surveys or quotes for the full costs of the development.

All of these pieces of information are combined to form a view about the financial viability of the project.



This section of the toolkit looks at the following;

- Potential sources of finance, their costs and benefits
- How the financial viability of the project can be presented in the form of a financial model.
- A framework for making governance level financial decisions and the day to day financial processes that should be in place for any Trust.



5.1 SOURCES OF FINANCE (CAPITAL)

Trusts need to think carefully about how they will fund both the planning phase and the construction phase of development. There are principally 4 sources of capital that a Trust can access depending on circumstances. However the ways in which those sources of finance can be raised is limited only by your imagination and knowledge of how finance works. There is also a 5th *potential* source of capital available from government agencies where the objectives of the development are in line with government housing priorities.

5.1.1 CASH RESERVES

Cash reserves built up through savings are the cheapest form of capital available to a Trust. The catch is that saving enough to build a papakaainga may take a very long time if there is no substantial business activity providing income for the Trust. Cash reserves enhance the financial viability of the project by making it less dependent on external finance and placing more financial control in the hands of the Trust. The strategic finance priority for the Trust is to identify a way of increasing its cash reserves. This requires a conversation with the Trustees and/or owners of the land to determine if there is any economic potential with the land, or with the owners to start building a pool of capital.

BENEFITS

- Cheapest form of capital available
- Capital completely within the control of the Trust

COSTS

- May take a long time to build up
- Hard work if fund raising

5.1.2 ASSET CAPITALISATION

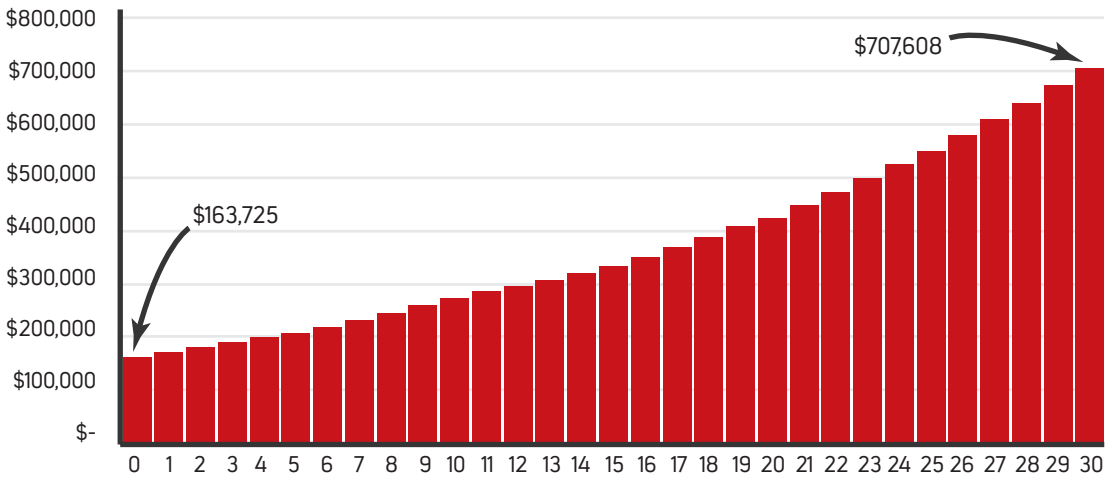
Asset capitalisation involves realising the cash value of non-land assets owned by the Trust by way of sale. This cash can then be redeployed for planning and/or the eventual construction of the papakaainga. The types of asset may include buildings, vehicles, equipment, and inventory.

In the event that a Trust has no physical assets other than the land, there is a procedure known as lease capitalisation which creates capital value over a leasable portion of the land. This is done by establishing a lease that requires all future rental payments to be paid up front through a discounted cashflow formula.

This method means that the Trust can create value out of otherwise unutilised land but gives up the right to receive future income from that portion of land for the term of the lease. The cash generated can then be added to your cash reserves and later put to use to develop the papakaainga.

The example below shows the present value of a 30 year lease with the tenant paying $10,000 per annum. In the example below, if you were to place every rent payment into the bank and earn interest you would have an amount which in this example is $707,000 at the end of 30 years. This amount is then worked backwards to a present day value of $164,000 which represents the value of the lease. The final amount may be negotiated up or down between tenant and landlord but the example is essentially a prepaid lease.

TIME VALUE OF A LEASE INCOME



Lease capitalisation may appear simple in theory but the devil is in the detail. It requires;

1. The setting aside of parts of the land which may mean legal title adjustments;
2. Owner permission if the lease is beyond 21 years in length as required in The Act, and;
3. A lease document.
4. A lessee willing to purchase the lease in a capitalised form, instead of annual payments.

Capitalising a lease relinquishes control over a part of the land possibly for a lengthy period of time and it is recommended that Trusts deeply consider other options for raising capital before resorting to this method.

BENEFITS

- Converts asset into cash value
- Cash received upfront
- 2nd cheapest form of capital

COSTS

- Forego using the land asset
- Miss out on future income
- May have to give up good parts of the land

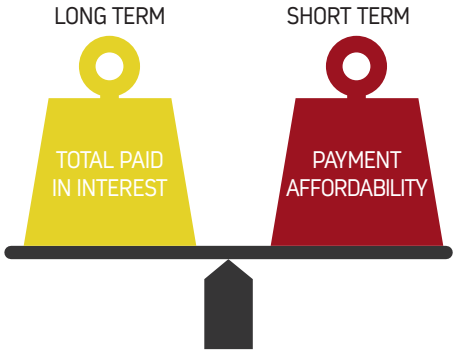
5.1.3 DEBT

Lending is one of the more common forms of capital employed because it is well understood by the general population and lending institutions in New Zealand are fairly well regulated and transparent. The basic premise is that the Trust would borrow an amount of money sufficient to cover the shortfall in costs to build the papakaainga. The fee paid to the bank is the interest over the loan.

5.1.3.1 SERVICING

The key consideration for taking on debt is whether the Trust or the whanau has the ability to pay it back. There are ways of calculating the maximum debt possible by working backwards from the residual income that the Trust or individual whanau earns. This is discussed later in this chapter.

There is a trade-off between the total cost of the debt and the cost of payments.



The total borrowed amount, the interest rate and the term of the loan are 3 key variables which affect the total cost of a loan. Interest rates are set by the market and can only be negotiated by a small margin or by choosing a fixed interest loan which has different rates for different periods. However you can change the amount borrowed or change the term of the loan which will affect either to total loan cost or the short term loan payments.

Trusts and whanau taking loans must decide for themselves what is appropriate as shorter loans have higher payments but are cheaper in the long term. Longer term loans of the same amount may have cheaper payments but will cost more in interest in the long term.

As a safety precaution, it is recommended that Trusts base their serviceability calculations on the highest debt rates available plus an additional buffer to test if a development project can still stack up in the face of higher than expected interest rates. Safe levels of debt are discussed at a later part of this chapter.

5.1.3.2 SECURITY

A loan is not given as a matter of right. In order to give over a loan the lending institution requires some security that if the loan was to "go bad" it could reclaim the money it has lent out. The security takes the form of an asset or security lien which is a document allowing the bank to take an asset from the borrower as compensation for the remaining debt. As multiply owned Maaori land can be difficult to sell, banks cannot usually use the land as security and therefore may require the security to come in other forms.

The lending policies may vary between banks and it is up to you to investigate what these will be. Most banks will accept a term deposit as a security for a loan and some institutions have special policy which allows only the building to be put up as security on the condition that the bank can get access to the property to remove the building in the event of a loan default.

It is recommended that Trusts should not take on debt without first determining an appropriate debt ceiling policy for the Trust. The appropriate levels to set for a debt ceiling are discussed in a later part of this chapter.

BENEFITS

- Keep ownership of land
- Use of some elses money
- Frees up your own capital

COSTS

- Interest Repayments
- Bank Lien Holds
- 2nd most expensive form of capital

5.1.4 EQUITY

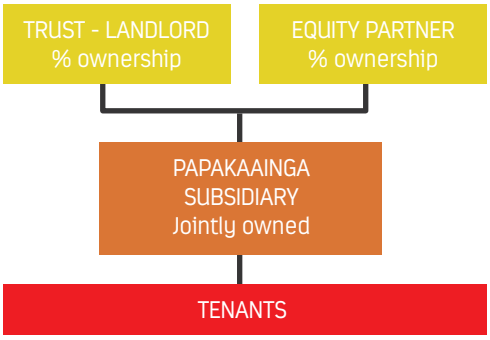
Equity is a form capital that is provided from parties external to the Trust. Two parties that might consider providing capital are existing owners who might provide capital from fundraising or donations. Alternatively this equity may come from other external entities providing capital in partnership with the Trust.

5.1.4.1 OWNER CONTRIBUTIONS

It is possible that owners may want to assist in funding for the proposed development through personal or collective contributions by fund raising, donating or through the provision of "sweat equity" for the project. This form of contribution can potentially alter the financial cost enough to make the project viable. Professional advice from your accountant should be sought on how to appropriately account for these contributions.

5.1.4.2 EQUITY PARTNERSHIPS

Maaori land has a set of preferred class of alienee to whom shares may be issued. This reduces the likelihood of getting private equity into an Ahu Whenua Trust itself. However, it is possible for the papakaainga to be established as a subsidiary company jointly owned by the Trust and an equity partner who is willing to contribute capital in return for a share of profits from the papakaainga. This arrangement sounds simple in theory but requires some thought, legal work and owner approval to set up the various arrangements required.



The greatest benefit of this approach is being able to draw on capital that the Trust does not have. The major downside is in sharing both governance control and financial return from the papakaainga. As long as an equity partner holds a share of the papakaainga, it holds permanent rights to an equitable portion of profits. This is the fundamental reason why 3rd party equity is one of the most expensive forms of capital available.

Another downside to this approach would be finding such an equity investor that is prepared to invest in housing on Maaori land. If the trust is providing true social housing, it is unlikely that the returns will be attractive to external commercial investors. One of the main hurdles to investment is that any perceived capital gains on Maaori land may be irrelevant if the land cannot be sold. This removes one of the major avenues of profit generation from property that would normally be available to a property investor on general title land.

BENEFITS

- This can be a quick method of procuring funds

COSTS

- You may lose some ownership control
- Logistically tough on Maaori land
- Equity partnerships a very expensive form of capital

5.1.5 GOVERNMENT FUNDING

From time to time government priorities will shift towards housing availability and affordability. Government funding for such housing initiatives is always subject to budgetary priorities, political ideologies and will likely have a politically geared timeframe determined by the election cycle.

The key to accessing whatever funds are available is to;

1. To be ready to move on your development quickly by making sure that their organisation has strong governance and operational capacity and having detailed development plans that can be executed within a short period of time.
2. Being able to fit your project comfortably within the funding criteria provided. This is not guaranteed to be easy as the use of government funds generally is targeted and you can expect high levels of compliance and accountability (red tape) to meet.

BENEFITS

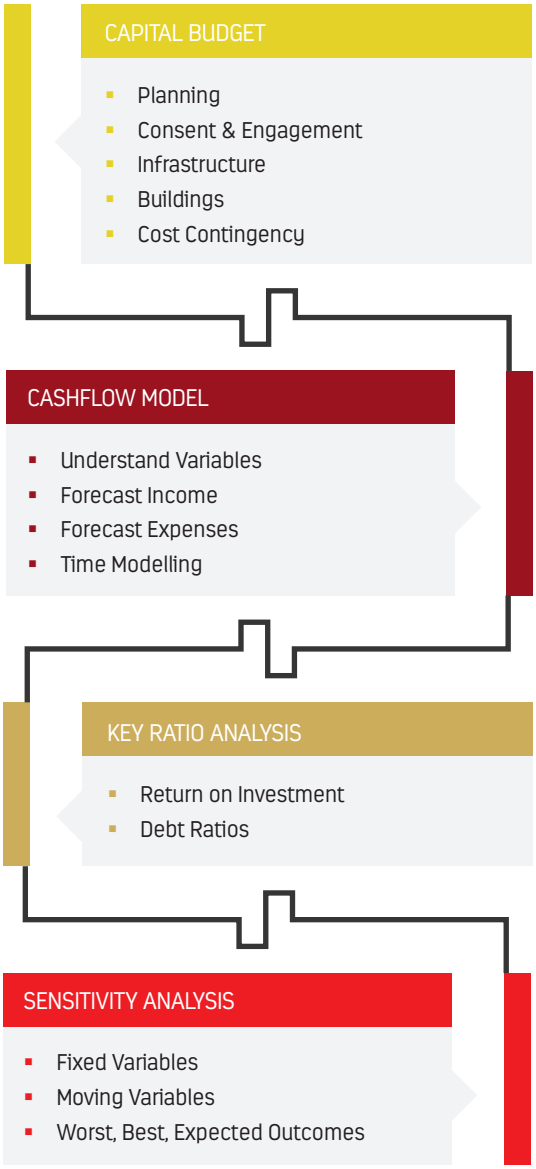
- Grant - no cost of capital

COSTS

- Red Tape
- Compliance Costs
- Social Housing Provider Status
- Funds are not guaranteed
- Moving target

5.2 FINANCIAL MODELLING

A financial model is a picture painted in numbers that is necessary to inform the final investment decision for a papakaainga development. A financial model should at least consist of the following;



5.2.1 CAPITAL BUDGET

There are several principles to developing a thorough capital budget.

5.2.1.1 FACTOR IN ALL COSTS

A capital budget is a tally of *all* the costs required to develop your papakaainga. The Trust needs to understand the total cost so that they can make informed financial decisions about the project. This means making allowances for owner engagements, research, technical reports, plans, and consents in the lead up to construction as well as the construction costs themselves.

5.2.1.2 INFORMED FIGURES

Quantity surveys (QS) are useful for providing estimates for the cost of development once there is enough design information available. They can also be used as a price check for tenders received, however the finalised capital budget should be based on firm tendered quotes.

5.2.1.3 THE DEVIL IS IN THE DETAIL

For the purposes of presenting high level information to Trustees or Owners a summary of the capital budget may be appropriate. However, there should also be a highly detailed version of the capital budget if requested. Detail in a capital budget is important for several reasons;

1. The greater the detail, the easier it is to identify if there are errors, omissions or cost anomalies that need explaining.
2. Once construction starts, having detailed budgets makes it easier to identify variances to budget if they occur and ask the appropriate questions of vendors.
3. "Value management" is a term which equates to cost cutting. A well detailed budget gives more options for the project manager to explore if value management is necessary. Without detail there may be wholesale pieces of the development value managed out when it might be possible to make many small cost reductions or deferments in non-essential areas to achieve the same cost reduction.

5.2.1.4 EXAMPLE - SUMMARY CAPITAL BUDGET

SUMMARY OF CIVIL WORKS COSTS		
1. Technical Reports	56,200	
2. Wastewater	50,000	
3. Water supply	70,000	
4. Storm water	43,000	
5. Electricity supply	30,000	
6. Roading	35,000	
7. Telecoms	10,000	
8. Community Facilities	-	
9. Environmental Impact Assessment	10,000	
10. Legal Processes	35,000	
11. Council Fees	63,000	
12. Contingency	60,000	
		462,200
SUMMARY OF BUILDING COSTS		
2 Bedroom Houses	364,000	
3 Bedroom Houses	877,500	
5 Bedroom Houses	780,000	
		2,021,500
Less cost offsets from owner contributions and sweat equity		-400,000
TOTAL		2,083,700

5.2.1.5 COST CONTINGENCY

A capital budget can be estimated early on in the planning process but should contain a large contingency allowance due to the number of unknown variables. As planning progresses, the picture of costs becomes more defined therefore reducing the level of cost contingency needed. However even with the finalised budget there will be a need to plan for cost overruns. Be wary of vendors putting in their own cost contingencies which can be picked up if their quotes are detailed as this will generally overinflate the capital budget if you are also planning for the same.

5.2.2 CASHFLOW MODELLING

5.2.2.1 PROFIT & LOSS

Cashflow modelling is simply an estimate of the income and expenses generated by the papakaainga. This may not be necessary for every papakaainga scenario but for those Trusts or whanau wanting to build dwellings and charge rentals to make their papakaainga financial sustainable, some form of cashflow analysis will be necessary.

EXAMPLE - SUMMARY OF CASH FLOW	UNITS	WEEKLY RENT	ANNUAL RENT
CASHFLOW			
2 Bedroom Units	4	220.00	45,760
3 Bedroom Houses	5	330.00	85,800
5 Bedroom Houses	3	450.00	70,200
TOTAL			201,760
TOTAL PROPERTY EXPENSES			
Rates	12	2,000	24,000
Repairs & Maintenance Contingency	12	750	9,000
Tenancy Administration	12	300	3,600
TOTAL			36,000
TOTAL			165,160

5.2.2.2 DEBT CALCULATIONS

In addition to modelling cashflow, those Trusts taking on debt to fund their developments also need to do some calculations around debt servicing which will affect cashflow for the papakaainga. The loan repayments can be broken down into interest and principal with the interest component of a loan repayment being a tax deductable expense, while the principal component is a simple conversion of a debt liability into asset ownership in the dwellings every time a payment is made.

The key ratio's to keep in mind are;

- The loan to valuation ratio (LVR) which is the total debt expressed as a percentage of the total cost.
- The loan repayment ratio (LRR) which is repayment cost expressed as a percentage of income being soaked up in repaying the debt.

The lower these 2 ratios are the safer and easier it will be to service the loan. Each lending institution has its own guidelines on what an appropriate LVR and LRR is but Trusts should also have their own internal policy on appropriate levels of debt as well.

EXAMPLE - DEBT CALCULATION		
Total Debt		450,000
Less Loan Repayments 15yrs	7.5%	50.979
Less Interest Component		33,750
Principal Remaining		17,229
Valuation of Completed Assets		2,021,500
INTERNALISED LVR		22.26%
INTERNALISED LRR		30.87%

5.2.2.3 PROFITABILITY CALCULATION

Some basic analysis of the profitability should be included in your financial model. One of the key ratio's for understanding whether the project is financially viable is the return on investment (ROI). This calculation is the profit generated by the papakaainga expressed as a percentage of the cost to develop.

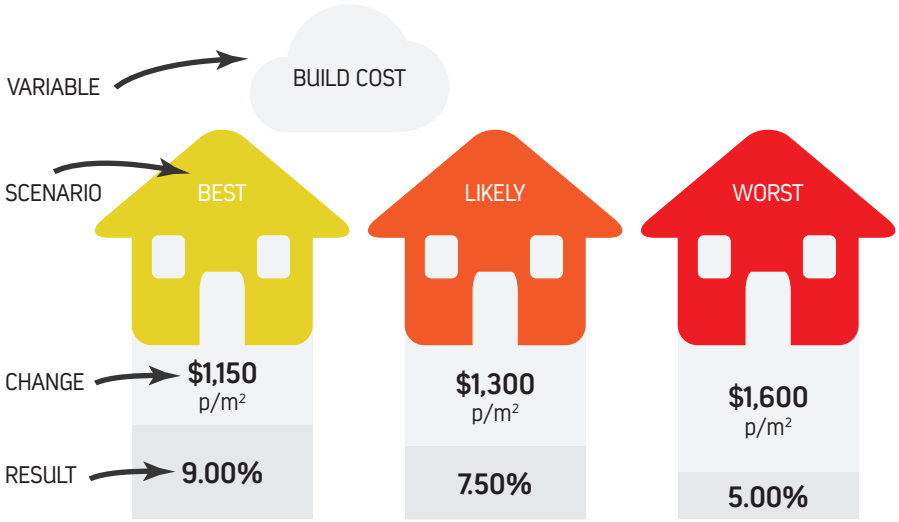
EXAMPLE - PROFIT CALCULATION	
Investment Required	2,083,700
Earnings Before Tax (EBT)	131,410
Net Operating Cashflow (cashflow less total debt payments)	114,181
RETURN ON INVESTMENT (ROI)	6.31%
Tax	22,997
Net Profit After Tax (NPAT)	108,413

5.2.3 SENSITIVITY ANALYSIS

Sensitivity analysis is a way of testing the financial robustness of an investment project. A project may stack up in financial terms but if certain circumstances change, the financial viability could change with it. Sensitivity analysis involves changing one or more variables up or down and looking at how it affects the financial picture. In the example below, we look at the effect of changing the build costs per square metre and the effect it has on the ROI. While there might be an expected build cost per square metre as outlined in a fixed price contract, there is also a worst case scenario and a best case scenario that equally could occur.

Sensitivity analysis may be repeated many times changing one or more variables to see what happens to the viability of the development.

5.2.3.1 EXAMPLE SENSITIVITY ANALYSIS



5.3 CORPORATE FINANCE PRINCIPLES

5.3.1 FINANCIAL OBJECTIVES

Corporate finance is very simple. A business has amongst its aims and objectives the desire to earn a return. This return always has an associated level of risk and the objective of financial management is to maximise the return and minimise the risk. This can be achieved through a set of strategic finance policies and operational financial processes. These principles, policies, and processes should be understood by the Trust undertaking a papakaainga development because it will directly inform the financial decisions that the Trustees will need to make in relation to the papakaainga.

FINANCIAL OBJECTIVES	STRATEGIC FINANCE	OPERATIONAL FINANCE

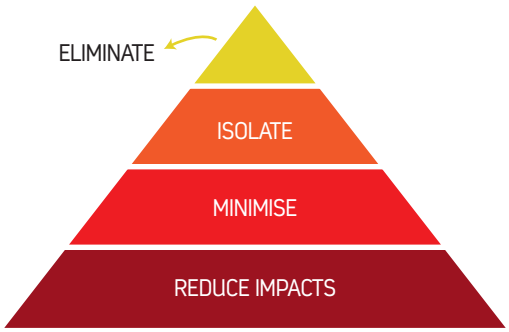
▪ Maximise Return
▪ Minimise Risk
	▪ Risk Management
	▪ Strategic Finance Policies
	  ▪ Financial Structure
	  ▪ Investment Policies
	  ▪ Dividend Policy
		▪ Banking
		▪ Tax
		▪ Financial Reporting
		▪ Delegation
		▪ Policies & Procedures

5.3.2 STRATEGIC FINANCE

5.3.2.1 RISK MANAGEMENT

> *"Risk comes from not knowing what you're doing."*
>
> WARREN BUFFETT

Risk affects not just financial management but every aspect of the day to day running of a business. In simple financial terms risk is the probability that events will turn out worse than you expect. Managing risk therefore is a standard business process at governance and operational level of trying to manage variables that will lead to events turning out worse than expected. There are 4 principled approaches to dealing with risk as outlined below.



- Eliminating risk is the ideal outcome if possible but it is not always economically a viable solution.
- Isolating risk does not address the risk but is seen as a temporary solution to prevent risks from occurring until a risk management strategy is implemented.
- Minimising risk involves taking reasonable steps to reduce the probability of negative events occurring.
- Some risks cannot be eliminated, isolated or reduced beyond a certain point. The risk treatment might involve having strategies to cope with impacts of risks if they happen. For example shifting the financial consequences of risks to an insurance company by taking out an insurance policy or diversifying the Trusts investments so that one goes bad, it does not affect the entire business.

> *"Expect the best. Prepare for the worst. Capitalize on what comes."*
>
> ZIG ZIGLAR

In practice risk management strategies may take many forms. Below is a list of several strategies for managing risk.

INFORMATION
- Do your due diligence on your papakaainga project

KNOW YOUR BUSINESS
- Master your business OR
- Hire Specialists

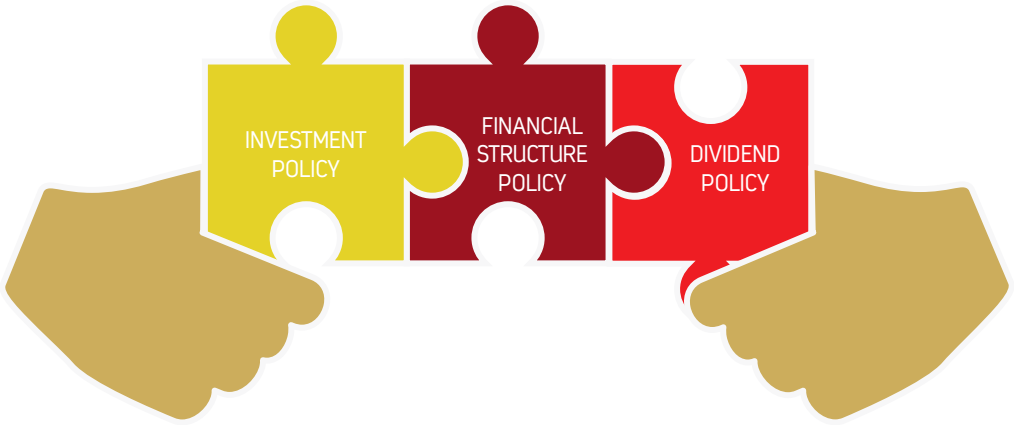
CONTROL VARIABLES
- Have plans and contingency plans
- Try to maintain ownership control where required
- Implement clearly defined contracts

DIVERSIFY
- Spread your investment eggs across multiple baskets

INSURANCE
- Paying a fee to have someone else accept the cost and impact of your risks

5.3.3 STRATEGIC FINANCE POLICIES

In the same way that the Marae has tikanga and kawa which rule how things are to be done, so too does the treatment of finance. The tikanga and kawa of corporate finance is explained through financial policies that give guidelines to the Trustees on how finance should be treated. The diagram below describes a trio of key financial policy sets. These 3 sets of policies all affect each other so changes to one policy area will activate the need to review the other 2 policy areas.



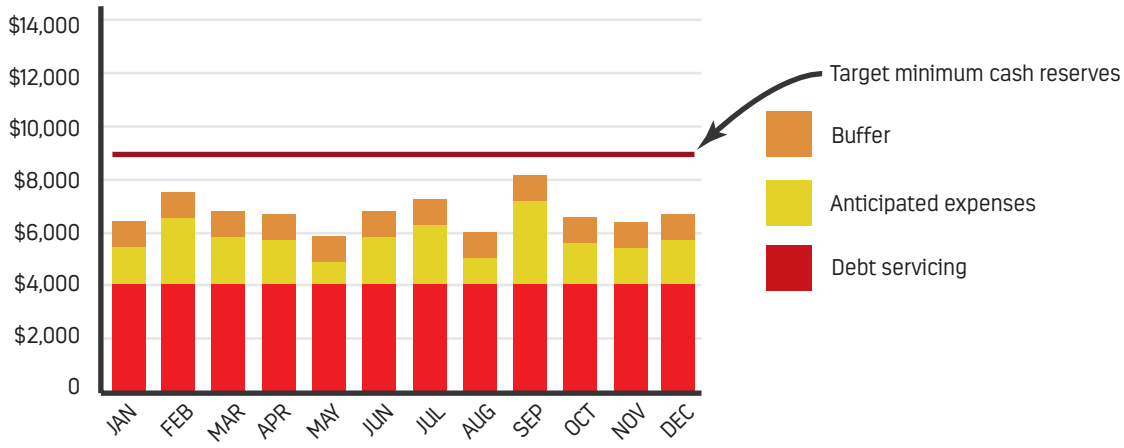
5.3.4 FINANCIAL STRUCTURE POLICY

Financial structure policy describes self-imposed limits for the business to use cash, debt or outside equity as sources of finance. It also outlines appropriate levels of cash that the business must maintain so it can always be in a position to pay its bills.

5.3.4.1 CASH RESERVES (LIQUIDITY)

A minimum cash reserve limit is set so that the business always has enough funds in its main accounts to pay the bills including debt repayments, anticipated bills, and a buffer amount. The appropriate amount to hold is determined during the budgeting process. If cash reserves drop below the set amount then it is prudent that the Trust does not engage in any unnecessary spending until more income is received to increase reserves above the minimum level.

EXAMPLE CASH RESERVE LIMIT



5.3.4.2 DEBT TOLERANCE

Debt tolerance or Debt Ceiling policies should have at least 2 components.

DEBT COVERAGE RATIO / LOAN REPAYMENT RATIO

Serviceability limits are a commitment by the Trust that it will not soak up all of its income in paying off debt leaving nothing behind for the day to day business. To set such a policy the Trust first determines what it will earn each year and what it will need to spend for the day to day running of the Trust through the budgeting process. This will include what it must set aside for future capital projects. The amount left over is the cash available to service debt.

This leftover amount is then divided by the annual debt repayments which forms a number known as a "debt coverage ratio". The higher the number the better placed the Trust is to service its debts. If the ratio drops below 1, it means the Trust pays more in debt than it has money to cover the debt. Banks may sometimes express this in another way by dividing the loan repayment amount by the total income to arrive at a percentage. This percentage is called loan repayment ratio (LRR) and in this case, the lower the loan repayment ratio, the easier it will be to service the loan.

DEBT TO EQUITY RATIO / LOAN TO VALUATION RATIO (LVR)

A debt to equity ratio complements a debt coverage ratio and is a commitment by the Trust that it will limit the percentage of business assets paid for out of debt. As Maaori land is generally not alienable it is wise to quarantine the land from consideration in the debt to equity ratio as its value as an asset is usually difficult to borrowed against.

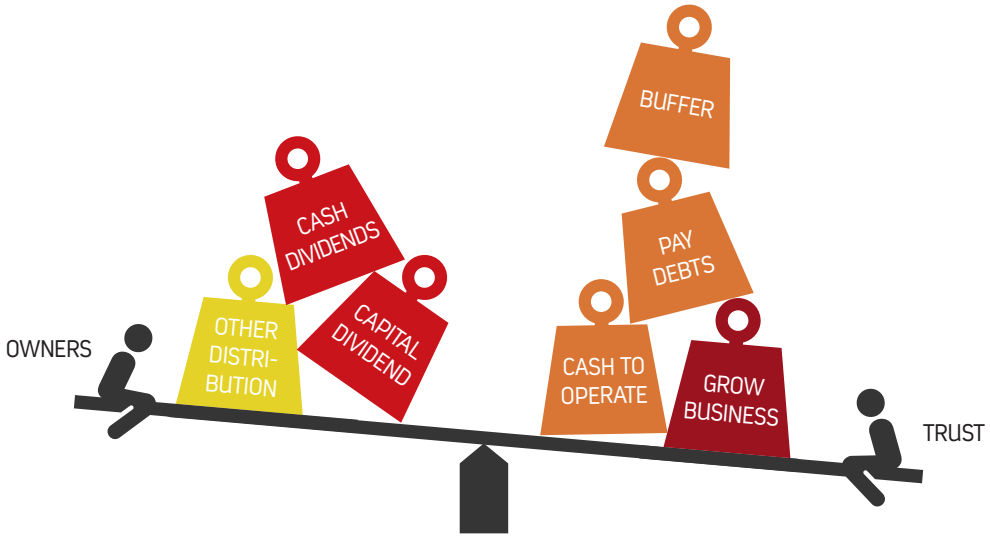
For example an Ahu Whenua Trust that sets a debt ceiling of 30% of total assets, and currently has $70,000 of cash in the bank and also holds a Maaori land asset with an estimated value of $930,000 should not consider that they have $1 million worth of assets to borrow against. This would give a false impression that $300,000 can be borrowed whilst staying within the 30% debt limit.

On closer inspection there is only $70,000 of security if you quarantine the value of the land. The debt that the Trust can take out at a 30% debt to equity policy is only $30,000 which 30% of $100,000 being the combined amount of $70,000 (70%) cash and $30,000 (30%) debt.

EXAMPLE - DEBT CEILING AS % OF TOTAL ASSETS

5.3.5 DIVIDEND POLICY

Dividend or distribution policy gives guidelines to how much of the Trust's net profit after tax should be distributed to owners and how much should be retained within the business. A good dividend policy is balanced and takes into account the financial capacity of the Trust to pay dividends and the needs of the Trust to financially sustain itself and grow. Dividend policy should always favour the needs of the Trust to continue operation first and the desired returns of the owner second.



5.3.5.1 THE TRUST – RETAINED EARNING

The Trust requires a certain amount of profit each year to be retained so that it can carry out its operations, meet any compulsory debt obligations, and maintain a financial buffer for any unforeseen circumstances. After this has been accounted for, then the remainder can be applied to funding growth strategies or can be considered for dividends and distributions to shareholders.

5.3.5.2 THE OWNERS – DIVIDENDS & DISTRIBUTIONS

Dividends can take 3 forms;

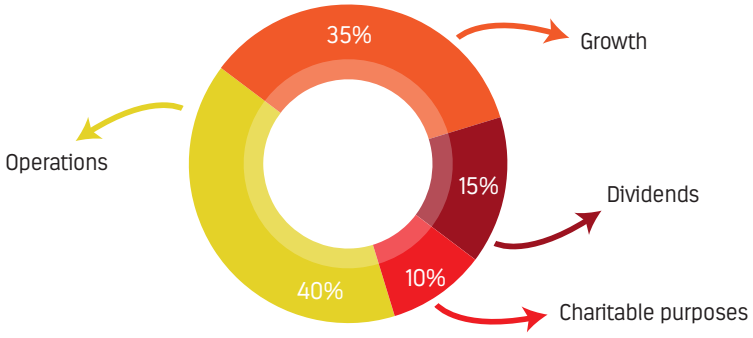
- Cash dividend which is generally paid out annually based on the financial results for the year.
- Capital dividend which isn't paid out but represents the growth in the value of the business generated by adding more assets the business or by improvements in the ability of the business to generate income. Capital dividends are difficult to ethically reconcile in a Maaori world view as capital dividends are only valuable if owners can sell their shares. However the sale of shares may later lead to issues of alienation and identity loss if later generations have no remaining legal interest in the land.
- Charitable distributions are sometimes distributed in lieu of or addition to dividends. These distributions may have no direct benefit to the owners but has other intrinsic benefits to owners because they are paid out. One prominent example of this for Maaori land entities and Iwi organisations is education grants which may have intergenerational returns that are immeasurable.

5.3.5.3 ZERO DIVIDEND POLICY

If a Trust is just getting started or is non-profit generating presently, the starting point for that Trust will be a zero dividend policy. In this case all money earned under are put back into the business to help it get onto its feet. As a Trust grows commercially it may still remain prudent to stay at a zero dividend policy until such a time as Trust is confident that it can afford a dividend without hurting its ability to operate and grow.

5.3.5.4 SETTING DIVIDEND POLICY

The pie graph overleaf demonstrates an example only of how net profit after tax might be allocated each year to ensure that the Trust has sufficient funds to operate and grow with the remainder being allocated for dividends and distributions. Trustees need to first consider what financial resources are required to operate the business, grow the business and work backwards to what an appropriate level of dividend and distribution will be.



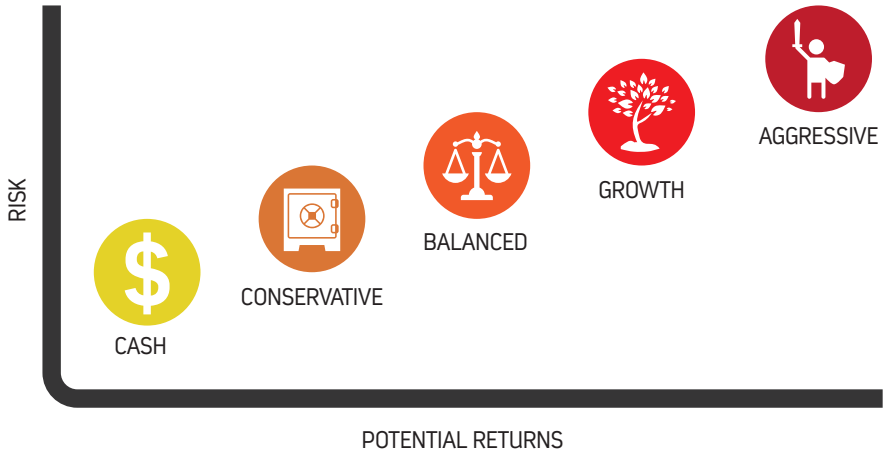
5.3.6 INVESTMENT POLICY

Investment policy describes what type of investor the Trust is, how long it prefers to invest for and what proportion of the businesses assets can be invested where. In other words "where to play". Investment policy is sometimes known as a statement of investment parameters and objectives (SIPO).

When Trustees are considering the final decision on whether or not to invest in a papakaainga development, a SIPO can help by giving guidelines on how to assess the investment. We encourage all Trusts to consider developing investment policy prior to making that final decision so that when that decision comes the Trustees are prepared to approach it in a structured and objective manner.

5.3.6.1 INVESTMENT PROFILE

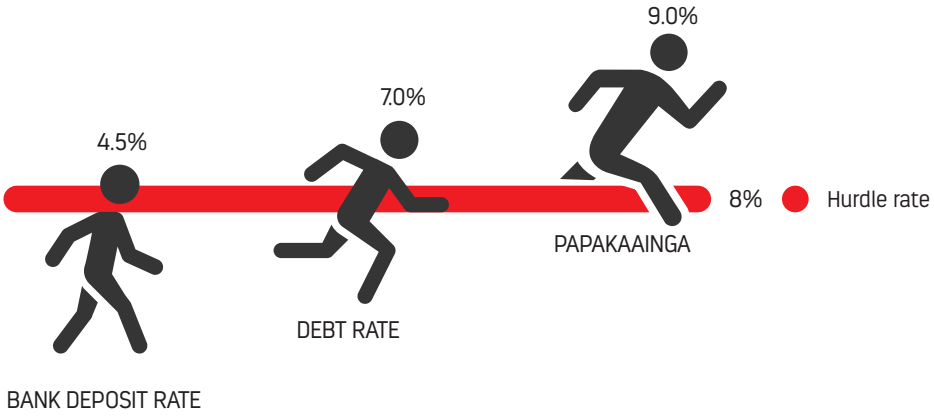
There are a range of standardised profiles used in the finance industry to categorise investors by the type of returns they want and the risks they are willing to accept. The investment profile can be heavily influenced by the types of returns that its shareholder seeks which is touched on in the dividend policy section. It is up to each Trust under the advice of financial professionals to identify its core values and beliefs around investment and to determine an appropriate investor profile for the Trust. The challenge for the Trust is making sure that they can fit their papakaainga project within their chosen investment profile.



5.3.6.2 INVESTMENT HURDLE RATES

An investment hurdle rate is a minimum rate of return that is expected by the Trust from any investment that it undertakes. Some general rules of thumb apply when setting an investment hurdle rate.

- The return on investment should be better than bank deposit rates. Bank deposits are regarded as one of the safest forms of investment available. If a risky investment gives the same or lower return than a bank deposit, the money is better off sitting in the bank.
- If using debt to fund an investment opportunity, the cost of debt (interest rate) is a natural hurdle rate as the return generated has the additional burden of covering the interest repayments as well as providing a return. However the return required is proportionate to how much debt is used as the higher the amount of debt the higher the hurdle rate becomes.
- The hurdle rate should reflect risk involved in an investment. For example if the investment is a high risk project, a high rate of return should be expected.
- Because of the relationship between risk and return, several hurdle rates may be required for each type of investment.



5.3.7 KEY FINANCIAL DECISION POINTS

In comparison to other types of investment which can be analysed from publicly available information prior to making the investment decision, property developments will generally require planning work, technical reports, consents, and building plans to be drafted. All of these cost money before the final decision to start construction has even been made. This can be problematic for Trusts with limited resources wanting to be prudent with the funds that they have.

	PRELIMINARY RESEARCH	PROPOSAL DEVELOPMENT	START PLANNING	CONSTRUCTION
ACTIVITY	Basic Research ▪ Master Plan ▪ Housing Research ▪ Statistics gathering ▪ Low to no cost	Investigate vital Information ▪ Technical - PIM Report ▪ Finance - Basic finance model ▪ Demand - Housing Survey ▪ Costs for key information	Full planning ▪ Technical Reports ▪ Plans ▪ Finance Arranged ▪ Prepare Consents ▪ Pre-tenanting ▪ Time & Consultation Costs	Construction Management ▪ Sign off Key Contractual Agreements ▪ Progress Payments ▪ Project Variations ▪ Construction Costs
MILESTONES	▪ Housing supply and demand statistics	▪ Preliminary Feasibility Study	▪ Full Business Case ▪ Consented Project ▪ Finance Approved ▪ Tenants arranged	▪ Progress Reports ▪ Key construction stages
DECISION	▪ Approved investigation budget	▪ Approval to start full planning	▪ Final Trustee approval to commence building	OUTCOME ▪ Certificate of Code Compliance ▪ Completed Papakaainga

5.3.7.1 SCHEDULE OF FINANCIAL DECISION POINTS

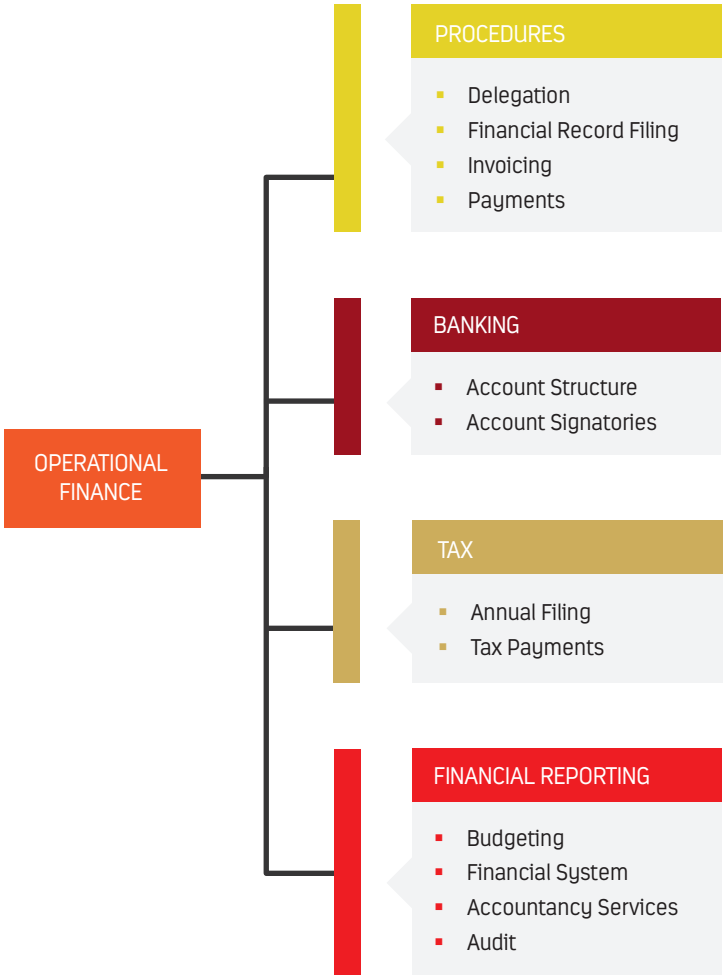
For the above reason, the Trust should structure the way it provides financial approvals so that it can manage the extent of the Trusts financial commitments towards its papakaainga development at any given point. There are 3 logical points during the planning process at which the Trust can choose to proceed, pause, or back out of the project altogether and at each stage the decision to proceed has increasing financial consequences.

Once construction commences, the only practical way to create additional decision points to proceed, pause, or back out is to stage the development, allowing progress to continue until at least some of the papakaainga houses are completed and leaving open the option for the remainder to also be completed at a later date.

It is not recommended to have financial decisions sitting pending part way through the construction of the building shell. In this particular period of construction is vital to getting the houses to a state where they are watertight and securable.

5.3.8 OPERATIONAL FINANCE

This toolkit is not designed to give advice on the financial operation of the Trust. However it is important that a Trust has basic financial processes in place so that it can be accountable for the use of funds during the project. Trustees, owners, and funders all require scrutiny over the use of funds through financial reporting and through the audit process. Below is a list of the types of structures and processes that need to be taken care of at an operational level.



5.3.8.1 PROCEDURES

- Trusts should have in place policies and procedures to delegate financial decision making down to sub ordinates so that they are capable of getting work done within a reasonable financial boundary. Without such delegations, payment of bills is always reliant on a meeting of Trustees. This may not be an issue provided that there are regular meetings with full Trustee attendance.
- There should also be a standardised way of filing financial records including bills, invoices, bank statements so that at the end of the financial year, the financial records are already in order and ready to present to the accountant and auditor.

5.3.8.2 BANKING

It is important, especially with Trusts that there be an efficient account structure in place that provides both financial safeguards over who can access funds but also be efficient enough to allow the business to operate.

- The main account from which money is received and paid should generally be at least a 2 to sign account with at least 3 signatories to the account so that it is possible for at least 3 people to view account transactions.
- Where possible a second petty cash account with only a small cash holding might be appropriate for small purchases.
- Cash funds will need to be pooled in the lead up to building the papakaainga. A term deposit account(s) is an appropriate vehicle for holding these funds in the interim and depending on the term of such deposits could be periodically added to over time.

5.3.8.3 TAX

Tax payments and filings to the Inland Revenue Department need to be filed on a regular basis. Trusts should consult with their accountant to assist with this.

5.3.8.4 FINANCIAL REPORTING

Financial reporting is one of the most important operational finance functions.

- A financial system is the cornerstone of financial reporting. A financial system principally takes all income, expenditure, assets, and liabilities and places them into the right accounting buckets. Modern financial systems allow for tracking of transactions, budgeting, and the preparations of preliminary financial reports which can speed up the process of getting annual accounts produced and also improve the audit process.
- Budgets are required to ensure that the Trust has logically set limits on expenditure. These are then compared to actual spending which helps keep spending on track.
- It is important that the Trust has access to accounting expertise when preparing its set of annual financial reports whether internally or as an outsourced service. These reports cannot be generated by an auditor as there is a requirement for the auditor to remain impartial from the preparation of the accounts. A good accountant fulfils this function and also provides financial advice to the Trust where required.
- An audit of the Trust accounts is an activity undertaken to provide peace of mind to Trustees, owners and funders that money is being properly handled and accounted for within the organisation in accordance with the law. Periodic audit is a requirement for Trusts that are income generating although the frequency of audit may vary depending on the appetite of the Trustees and owners. The auditor does not necessarily make comment on matters of strategic finance or financial performance. That is a matter better suited for financial advisors or accountants to take up with the Trust and its owners.

5.4 CHAPTER SUMMARY

This chapter has introduced the idea of prudent financial management to workshop participants.

- We have stressed the need to do homework and planning on the financial viability which is presented in the form of a financial model. The model must show the full costs, the likely cashflow and should provide analysis on the commercial sensitivity of the project.
- This section also demonstrates that while Trusts may not have the finances initially, there is a range of avenues to generate finance, all of which have associated benefits and costs. Trusts are limited only by their imagination in how they go about raising finance.
- We have introduced the notion of corporate finance tikanga which if understood by Trustees makes financial decision making more robust and better informed. At the operational end we have shown that there is a range of financial processes that a Trust should have in place to optimise the day to day running of the Trust and ensure it meets its financial reporting and compliance obligations.

We strongly recommend that Trusts seek assistance from a Chartered Accountant or Certified Financial Practioner to help with the set up of day to day financial management, developing a financial model for the project or in the creation of financial policies if the Trust does not have the capacity to do so itself.