

2022-23

Annual Plan



'Here for the Community'

Welcome | Nau mai, haere mai

Tiro atu ki te pae, mauria atu tō korowai Look forward into the horizon and prepare

WEL Energy Trust (the Trust) is pleased to present this Annual Plan and budget, outlining our intentions, expected outcomes and measures for the 12 months from 1 April 2022 to 31 March 2023.

The Trust is the 100% shareholder of WEL Networks Ltd (the Company that owns and operates the electricity distribution network within our region).

The Trust has up to seven Trustees who are elected every three years. (The Trust has operated with six Trustees since the resignation of Trustee Rob Hamill in July 2021.) The Trust holds/owns the shares in WEL Networks Ltd on behalf of the community. The next election is in June 2023.

The Trust intends to be an active and responsible asset owner, adopting investment strategies to sustain and grow assets for our community today and into the future.

This coming year will see the results of the review of our Community Investment Strategy (which includes the Trust's Community Granting Programme), along with a 33% increase in the reinstated electricity discount from \$9 million/pa to \$12 million/pa, and a continued commitment to collective impact through the Waikato Wellbeing Project. These are just some of the ways the Trust adds value to our Community. We're also ready to, again, support organisations providing front line response to the impacts of COVID-19 if required.

Thank you for continuing to support our collective endeavours, and for your willingness to engage in the development of our strategies and plans.



Annual Plan Contents

This Annual Plan highlights the **key areas** to be addressed and **proposed actions** for:

1. The Trust Strategic Direction
2. Investments and Finance
3. Working with WEL Networks Ltd and benefitting electricity consumers
4. Working with Capital and Income Beneficiaries
5. Grants and Community Investment



About the Trust

Trust Structure

WEL Energy Trust Trustees
(supported by the Operational Team)

Operational Team

Chief Executive Officer

Grants
Manager

Financial
Officer

Grants &
Partnerships
Advisor

Trust
Secretary

Values

OUR VALUES

1

PURPOSE DRIVEN

Our actions deliver a clear, positive outcome.

2

RESPECTFUL

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

3

EMBRACE POSITIVE CHANGE AND SEEK CONSTANT IMPROVEMENT

We are willing to challenge the status quo and strive to achieve improved outcomes.

4

INTEGRITY AND HONESTY

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

5

CLEAR, CONSTRUCTIVE COMMUNICATION

We create understanding through open and informative engagement.

OUR VISION

A forward thinking, vibrant, connected community

OUR CORE PURPOSE

Growing investment for our Community

OUR STAKEHOLDERS

The people and communities of the WEL Energy Region in the Waikato



Intentions

Our intentions are:

1. To be responsive to our Community
2. To maximise long-term impact by being strategic
3. To leverage grants through partnerships and collaboration, expanding support beyond grantmaking
4. To minimise the cost to electricity consumers through the continuation and growth of the Discount



1. Strategic Direction

Informed by our stakeholders, community and electorate the Trust will review and refresh the Community Investment Strategy for implementation by June 2022

We'll review:

- The balance of benefit for the Trust's income beneficiaries, including electricity consumers
- How we can ensure income streams are sufficient to meet strategic intent
- What the Trust's focus areas will be over the next three to five years and how we can work with other funders to deliver the greatest benefit to our community.

2. Investments and Finance – Key Questions

1

What are the Trust's return needs, and what can realistically be expected from each investment?

2

What is the best mechanism to achieve this?

3

How can we apply best practice to the implementation of blended finance, including Impact Investment?

Outcome Area**Investments and Finance – Action Priorities**

Objective: A portfolio of investments, including the investment in WEL Networks Ltd, that aligns with the Trust’s purpose and strategic intent and that performs well against specified targets - both financial and socially-oriented goals

Key Actions	Resources	Key Performance Measures
Identify the best mechanism(s) to ensure income meets strategic intent (e.g. dividend, equity returns, interest).	Advisors/Investment Committee.	<ul style="list-style-type: none">Guided by the Trust’s Statement of Investment Policies and Objectives (SIPO), generates a return on financial investment portfolio that matches or better the market returns
Ensure growth, income and performance expectations are clear and are being met.	Independent members of Investment Committee/ Staff/Trustees/WEL Networks Ltd.	<ul style="list-style-type: none">Investments (including concessionary and non-concessionary investments) are evaluated on a risk/return/impact basis and investments are made in line with the Trust SIPO
Seek investment opportunities where the Trust can work with others to impact regional priority areas, returning a balance of measured social & financial returns to the Trust.	Impact Investment – as appropriate opportunities are identified and undergo due diligence and advice.	<ul style="list-style-type: none">Impact measurement tools are used with all social/impact investments

3. Working with WEL Networks to benefit electricity consumers and the wider community – Key Questions

- While ensuring WEL Networks is a successful business, what is the best way to help reduce energy hardship in the region?
- How can we support energy efficiency initiatives?
- What are the Trust's expectations in relation to:
 - Inter-generational benefit?
 - Returns to the Trust?



Outcome Area

Working with WEL Networks Ltd – Action Priorities

Objective: WEL Networks Ltd operates as a reliable, safe, economic and efficient Electricity Distribution Business (EDB) and delivers competitive returns to the Trust, thereby adding value to consumers and the wider community

Key Actions	Resources	Key Performance Measures
Ensure WEL Networks is a successful business, delivering reliable, affordable, sustainable energy and monitor this with relevant reporting.	Staff/Trustees/WEL Networks	<ul style="list-style-type: none"> Electricity prices (taking account of any discount) in the region are monitored Company initiatives to deliver affordable sustainable energy are monitored and supported.
Reduce energy hardship and improve energy efficiency initiatives, including OurPower, while supporting a return of value to all electricity consumers through the discount programme.	Discount Programme. Affordable Energy For All (AEFA) support grants/Navigators/Staff/Waikato Wellbeing Project	<ul style="list-style-type: none"> AEFA programme implemented, outputs and outcomes measured and reported. The discount programme grows in-line with the increase in customer connections. SDG 7 Waikato Wellbeing Project activities supported OurPower continues to grow.
Ensure expectations are established and agreed in relation to: <ul style="list-style-type: none"> ➤ Inter-generational benefit ➤ Returns to the Trust 	Staff/Trustees/WEL Networks/Independent Advisors	<ul style="list-style-type: none"> The dividend/discount policy is continually monitored to ensure it is fit for purpose and providing the expected returns

4. Working with our Capital Beneficiaries – Key Questions



How can the Trust optimise long-term capital growth of the core investment in WEL Networks in terms of inter-generational benefit?

How can the Trust better contribute to Capital Beneficiary priority areas?



How can the Trust ensure we are engaging in inter-generational 'impactful' investing/granting that aligns with Capital Beneficiary strategy?



Outcome Area

Working with our Capital Beneficiaries – Action Priorities

Objective: WEL Energy Trust and its respective Capital Beneficiary Councils (HCC 63%, Waikato DC 35%, and Waipa DC 2%) operate in a culture of mutual trust, respect and understanding

Key Actions	Resources	Key Performance Measures
Conduct reviews of investment, capital growth and other performance measures through the Annual Report and other appropriate opportunities.	Advisors/Finance Audit and Risk and Investment Committees	<ul style="list-style-type: none"> Trust’s Annual Report discloses the Trust’s capital growth Annual Review of the Trust’s investment in the Company Other, as required, analysis of the balance between Capital and Income Beneficiaries
Consult on the development of the Trust’s draft Annual Plan and budget and engage on Community Support grants rounds.	Staff/Grants/Impact Investments	<ul style="list-style-type: none"> Capital Beneficiaries are engaged early in the annual planning process Capital Beneficiary councils are supported in their application to Trust grants rounds Opportunities to invest to achieve shared goals are investigated
Engage with Capital Beneficiaries, at least annually, to understand their strategic intentions.	Staff/Trustees	<ul style="list-style-type: none"> Trustees and staff engage with Capital Beneficiary planning processes where appropriate

5. Community Benefit – Key Questions

Are the Trust's SDG focus areas relevant?

Is the grants budget appropriate?

Can we partner with other entities to deliver better/quicker benefits to our community?

Does the Trust's Māori Strategy align with Central Government guidance?



Outcome Area

Effective Community Investment – Action Priorities

Objective: Community Investment processes ensure the most effective use of resources and maximise the benefit to the community with a good balance between short and long-term outcomes

Key Actions	Resources	Key Performance Measures
Maintain core granting activities in Quick Response, Community Support and Vital Impact grants, as well as the ability to respond to COVID-19 if required.	\$4.3M (Including \$1.5M for Quick Response grants, \$2M for Community Support, \$0.4M for Vital Impact Housing Grants, \$0.4M if required for COVID-19 response)	<ul style="list-style-type: none"> • 5 Quick Response rounds are held (\$1.5M) • 3 Community Support Rounds are held (\$2M) • Vital Impact Housing grants (\$0.4M) • COVID-19 Response grants (\$0.4M – as required only)
Partner to achieve global, national and regional priorities through the Sustainable Development Goals (SDGs).	\$0.5M Waikato Wellbeing Project (WWP) - as per funding and partnership agreement with WRC, conditional grant.	<ul style="list-style-type: none"> • Purpose and functions of the WWP supported • Manu taki engaged across the Project targets, collective impact models established with terms of reference and clear action plans
Provide Convening and Organisational Development support.	\$0.25M Convening and Organisational Development Grants	<ul style="list-style-type: none"> • Research and engagement across sectors supported, including with potential funders/investors • Initiatives identified as being important to catalyse systems change supported
Further develop the Affordable Energy For All (AEFA) Support Programme, and monitor results.	\$0.52M AEFA Programme support	<ul style="list-style-type: none"> • AEFA partnerships supported, and outcomes monitored
Total distributions through grants for 2022-23	\$5.57M	
Total electricity discounts for 2022-23	\$12M (The amount of a discount is at the WEL Networks Ltd Board's discretion after accounting for the financial position and performance of WEL Networks Ltd)	<ul style="list-style-type: none"> • The cost of electricity distribution is reduced by a discount • The discount for the 31 March 2022 Financial Year will be returned to consumers April/May 2022.

Waikato Wellbeing Project

To support the Waikato Wellbeing Project (WWP) targets, in 2020 WEL Energy Trust committed \$3M over five years to establish a collective impact support function, with its third-year commitment of \$0.5M in FY2023 and the remaining 0.7M over the following two years.

The purpose is to leverage investment and to facilitate collective leadership and ensure the right players come together to comprehensively address issues that no one can resolve on their own.



This systems approach is particularly relevant in the context of COVID-19 and the global disruption it has caused. The WWP is supported in various ways through this Annual Plan. We invite you to join us as it will take the individual and collective efforts of us all to ensure we really do build back better towards a more environmentally sustainable, prosperous and inclusive Waikato by 2030.

For more information: www.waikatowellbeingproject.co.nz

He waka eke noa!

We are all in this together!



Summary

	Previous Budget	Forecast	Budget
Details	2021/22	2021/22	2022/23
Income			
Interest earned	\$218,529	\$149,742	\$290,000
Investment Portfolio Return	\$1,728,750	\$4,300,000	\$2,004,000
Impact Investment Funds	\$0	-\$132,678	\$0
Dividend Received	\$5,000,000	\$5,000,000	\$4,200,000
Dividend* (distributed as a consumer discount)		\$9,000,000	
Other income	\$0	\$17,500	\$0
Total income	\$6,947,279	\$18,334,564	\$6,494,000
Expenditure			
Staff Costs	\$475,000	\$409,679	\$411,000
Management & Administration	\$148,000	\$189,531	\$199,500
Governance /representation	\$392,707	\$300,468	\$354,744
Communications	\$125,250	\$108,626	\$117,250
WEL Networks shareholding	\$192,000	\$87,895	\$200,000
Distribution related costs	\$25,000	\$20,170	\$25,500
Special Projects	\$40,000	\$25,926	\$55,000
Depreciation	\$17,000	\$7,294	\$12,000
Loss/(Gain) on loan revaluation, interest & credit loss adjustments	\$2,000	-\$44,222	-\$40,000
Total Expenditure	\$1,416,957	\$1,105,367	\$1,334,994
Net surplus / (deficit) before distributions	\$5,530,322	\$17,229,197	\$5,159,006
Distributions	\$6,100,000	\$5,547,327	\$5,570,000
Distributions - Consumer Discount*	\$0	\$9,000,000	\$0
Tax Expense	\$0	\$0	\$0
Total net surplus / (deficit) after tax	-\$569,678	\$2,681,870	-\$410,994
Capital expenditure	\$10,000	\$5,975	\$10,000

* The dividend & consumer discount distribution of \$9m is reported in the Trust's Financial Statements in FY2021/22 only, with a \$12m discount to be paid in FY2022/23 by WEL Networks Ltd.

Balance Sheet

	Previous Budget	Forecast	Budget
Details	2021/22	2021/22	2022/23
Income Fund			
Retained Earnings	\$91,474,382	\$97,658,426	\$97,247,432
Total Income Fund	\$91,474,382	\$97,658,426	\$97,247,432
Capital Fund			
Vested Capital	\$52,066,788	\$52,066,788	\$52,066,788
Total Capital Fund	\$52,066,788	\$52,066,788	\$52,066,788
Total Trust Funds	\$143,541,170	\$149,725,214	\$149,314,220
Represented by			
Current Assets	\$8,041,562	\$11,311,801	\$3,817,635
Investment Portfolio	\$41,228,750	\$49,511,114	\$51,515,114
Fixed Assets & Intangibles	\$20,000	\$16,741	\$15,247
Long-Term Loan Momentum			
Foundation	\$308,560	\$308,560	\$330,144
Community Loans	\$935,300	\$830,000	\$629,082
Impact Investment Funds - Committed	\$10,200,000	\$10,200,000	\$10,200,000
Impact Investment Funds - Uncalled	-\$2,990,000	-\$8,250,000	-\$2,990,000
WEL Networks Convertible Notes			
Balance	\$0	\$0	\$0
Shares in Wel Networks	\$85,796,998	\$85,796,998	\$85,796,998
Deferred Tax Asset	\$0	\$0	\$0
Accounts Payable & Accruals	\$0	\$0	\$0
Conditional/Committed Grants	\$0	\$0	\$0
Total	\$143,541,170	\$149,725,214	\$149,314,220