

INDEPENDENT REVIEW OF
WESTLAND DISTRICT COUNCIL'S
ECONOMIC DEVELOPMENT
LOAN PROCESSES

August 2003



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1 SCOPE OF THE REVIEW

101 The objective of this review was to assess the robustness and quality of the processes undertaken by Westland District Council, and Westland's Working in considering and making decisions on applications for business loans. The review was commissioned by the Council. The review encompassed, but was not limited to, the loan to FT Manufacturing (Westland) Limited. The review assessed the Council's processes in comparison to good practice in the public sector.

102 More specifically, the Audit New Zealand review included:

- ▲ a review of the criteria for assessing applications. This entailed a review of the comprehensiveness of the criteria.
- ▲ a review of the formal written procedures for assessing and considering applications.
- ▲ a review of the actual procedures used for assessing and considering applications. This encompassed the:
 - skills and experience of people assessing applications
 - time and effort afforded the applications
 - balance of in-house staff and external people used
 - robustness of due diligence procedures
 - quality of reports on applications
 -particular attention was given to the FT Manufacturing application.
- ▲ a review of the decision making process including:
 - balancing of transparency with commercial sensitivity
 - sufficiency of timeframes to decide on applications
 - the appropriateness of the roles of Council management, Councillors and the Mayor
 - sufficiency of understanding by the decision makers of risks and benefits of applications
- ▲ reviewing Council's monitoring of loans
- ▲ general observations on the Council approach to Economic Development initiatives.

2 REVIEW METHODOLOGY

201 In conducting this review we have

- ▲ Interviewed the Mayor (in his capacity a Chair of Westland's Working).
- ▲ Interviewed two Councillors who were members of Westland's Working, and one Councillor who, although not a member of Westland's Working, did attend a meeting in relation to the FT Manufacturing loan application.
- ▲ Interviewed the General Manager, Financial Accountant and Business Development Officer.
- ▲ Extensively reviewed loan files, agendas and minutes of Westland's Working and related correspondence and documentation.
- ▲ Researched good practice guidance related to local government involvement in economic development initiatives.

3 BACKGROUND

301 After the settlement of the adjustment package by the Crown to the West Coast local authorities, Westland District Council set aside \$3m for the express purpose of economic development.

302 Westland's Working was established in June 2000 as a committee of Council with the purpose of initiating economic development in the District by

- ▲ Providing an investment environment that makes ideas happen;
- ▲ Providing confidential assessments of projects;
- ▲ Providing business mentor assistance;
- ▲ Providing assistance with development of business plans;
- ▲ Providing an accurate database of information on, and for, the District;
- ▲ Promoting the District as a place to invest; and
- ▲ Initiating projects within Westland District.

303 Westland's Working was delegated all the powers of a Council standing committee. It comprised of 10 members including a number of community representatives (non Councillors). The Committee met regularly from its inception until June 2002. By that time, Westland Working had

- ▲ Advanced 8 business loans, to a total value of \$1.1 million;
- ▲ Funded free consents (\$191,000);
- ▲ Funded the biodiversity initiative (\$262,000); and
- ▲ Operated the Council's Economic development Unit (\$184,000).

There has been lesser activity in the 2002/03 financial year - the major expense has been Westland's Working allocation of the value of Council's investment portfolio write down (\$556,000). At 31 March 2003, Westland's Working balance available was \$546,762.

The emphasis in this review is on the loans advanced of \$1.1 million.

4 FINDINGS RELATED TO ECONOMIC DEVELOPMENT LOANS (OTHER THAN FT MANUFACTURING)

401 There were 7 loans advanced totalling approximately \$555,000.

Criteria for assessing applications

402 In September 2000 the Committee established some general guidelines for applications, as well as establishing the questions that would be asked of loan applicants. The Committee also made the distinction between full business loans, and funding assistance for feasibility studies.

403 An application form booklet was subsequently printed. The booklet contained:

- an introduction
- an administration section
- a business information section
- a financial information section
- a list of the terms and conditions
- an example of a profit and loss account
- a completion checklist

Applicants were required to complete all parts of the form, as well as sending a business plan or similar supporting information.

404 Overall, we consider that **the application form and the criteria** included in it **was of a good standard**. In preparing the criteria and application template, the Business Development Officer had done research and used ideas from other Councils. The form was easy to read, complete yet quite succinct.

The criteria made a distinction between higher value loans (over \$20,000) and loans under \$20,000. The general conditions outlined were a nice balance of simplicity, fairness and being business-like.

405 The criteria stipulated that an applicant had to demonstrate that, for loans under \$20,000, they had attempted to access other sources of finance before applying to Westland's Working. This indicates that the Committee had, either consciously or unconsciously, accepted the risk that Council became the "banker of last resort". A mitigating factor is that this was for loans under \$20,000.

406 There appears to be one significant omission from the criteria. We would have expected an upper limit loan threshold to be part of the criteria, or alternatively in any guidelines the Committee was working to. At the outset this might have appeared unnecessary but, in the light of later applications, it would have provided clearer signals to the applicants and to the Committee.

Written Procedures for Assessing Applications

407 The loan application forms indicated, in a general way, how the applications would be reviewed. However there were no detailed laid-down procedures for assessing

and considering applications. Normally, a financial institution advancing loans would have precise rules on how applications are to be considered. Given the number of applications, size of the fund and background to Council's involvement in economic development, we did not expect there to be the same prescriptive rules that would apply to a financial institution.

408 One procedure we did expect was that Council's Business Development Officer would make a formal analysis to the Committee on whether a loan application met the criteria, complemented by a recommendation to advance, or not advance a loan, and the conditions which might apply. This procedure was not evident from our review of the agenda and minutes.

Actual Procedures Used in Assessing Loan Applications

409 In this aspect of the review we looked at the time and effort afforded the applications, the balance between external evaluations and Committee member/officer evaluators, and the robustness of due diligence procedures.

410 We were impressed with the care and attention given to each application by both the committee as a whole and Council staff. Because of the small number of applications, the full Committee reviewed applications. The Committee proceedings bear evidence of a considered approach to the applications.

411 Where necessary, external experts (mainly accountancy firms) performed due diligence on the loans. Again, we believe their advice was sought in appropriate circumstances and pertinent reports received before the application was decided upon.

Making Decisions on the Loans

412 The aspects we reviewed here were;

- had the Committee balanced transparency of decision making with commercial sensitivity of the applicants?
- was there sufficient time to decide on applications?
- were the roles of the committee members, Councillors and Chair appropriately observed?
- was there sufficient understanding of the risks and benefits in each loan application?

413 In June 2001 Council directed the Committee to report full details of decisions made on loans, grants or other financial assistance to the Council, but that this be received in the Public Excluded Section of meetings. It also required public disclosure of specific details (name, amount, type of assistance) of successful applications.

414 In the deliberations of Westland's Working, care was taken to discuss commercially sensitive matters "in committee". While it is always possible that – especially in a

small community – matters discussed in committee ‘leak’ into the public domain, the procedures put in place provided an appropriate balance between protecting private financial affairs and delivering public accountability.

- 415 We were satisfied that decision makers had sufficient time to properly consider applications.
- 416 In relation to the governance arrangements of Westland’s Working, there was the potential for difficult governance dynamics. The Westland’s Working Committee was relatively large, it was made up of both Councillors and community representatives. The former are usually well versed in Council and meeting procedures; the latter are not. The Mayor was the Chair of the committee. Moreover there was the potential for conflicts of interest, either through members’ personal and business dealings within a small community, or through promotion of a proposal by a Committee member.
- 417 Early in the process, Council sought legal advice regarding the status and anticipated workings of the Committee. Further legal advice was sought regarding conflicts of interest and the issue of bias when an economic development initiative was being promoted by a member. A protocol was suggested by the legal advisor. We believe it was appropriate that Council obtained legal guidance.
- 418 Notwithstanding the above “complications”, from our interviews and file reviews it appeared that, by and large, governance arrangements worked reasonably well for these loans.
- 419 Our review of the minutes and agendas also indicate that Committee members were well aware of the financial risks pertaining to each application. This was also evidenced in the conditions attached to the loans approved, and the fact that the Committee turned down a number of applications.

Monitoring of Loans

- 420 After the loans had been advanced, we also reviewed whether the intended loan security had been actioned and, if there were any arrears, whether follow-up action had been taken.
- 421 It was disappointing to note that obtaining security for several loans had not been attended to promptly. However these have now been actioned. There is one relatively substantial loan where Council’s security was not re-registered in October 2002, and it lost priority through another party’s security charges being registered in the meantime. Council is working to redress this problem.
- 422 It was also disappointing to note that, at the time of review, two loans were in arrears but there had been little follow-up action to chase payments. Central to the problem was the lack of clarity for the responsibility or monitoring loans. Moreover, there were aspects of loan documentation held both in Finance and Economic Development. Information on each loan needs to be consolidated and held in one place.

Summary

423 In relation to the 7 loans totalling \$555,000 (ie putting to one side FT Manufacturing), there were many positive features in the management of the loan processes;

- ▲ The development of the loan criteria was sound.
- ▲ The criteria was clearly articulated in the application form.
- ▲ Due diligence was undertaken at appropriate times by qualified people.
- ▲ Due consideration has been given to loan applicants with knowledge of the risks involved and the balancing of private information with public transparency.

There were, however, weaknesses in the processes:

- ▲ Not stipulating a maximum loan amount.
- ▲ Delays in registering security for loans
- ▲ Delays in following up loan repayments in arrears.

5 FINDINGS RELATED TO THE LOAN TO FT MANUFACTURING (WESTLAND) LIMITED

501 In this section we deal solely with the application and granting by Westland Working of a loan of \$520,000 to FT Manufacturing Westland Limited (“FT Manufacturing”).

502 Added to the loan advances totalling \$520,000 are costs associated with due diligence of \$25,171 making the total loan principal \$545,171.

503 It is important to note that our observations relate to **Council processes** over the decision to advance this loan, and are not directed at the efficacy of the loan itself or the loan applicant, FT Manufacturing.

Application and Assessment Criteria

504 The formal application for a loan from FT Manufacturing was dated 15 February 2002. The amount applied for was \$1.5 million. While this was the first written application, there had been considerable discussion between the Company and Council (through the Chair of Westland’s Working, a Councillor, and Council’s General Manager) dating back to the previous November.

505 During this “discussion” period the initial indication was that the quantum of loan funds applied for would be \$6.5 million, the same amount that had been applied from (and declined by) the West Coast Development Trust.

506 The formal application of 15 February 2002 was by way of letter. The application was not in the format required of other loans (the ‘yellow booklet’). However FT Manufacturing did provide a considerable amount of detail to support their application.

507 The loan criteria that we commented on in the previous section of our report appeared to be predicated on the basis of small to medium scale loans. FT Manufacturing application of \$1.5 million represented half of the original Westland’s Working allocation of \$3 million. As previously noted, a weakness of the criteria was not establishing an upper limit on loan applications.

508 In their first due diligence report of 6 March 2002 Deloitte’s noted that “in the absence of a funding criteria we have reviewed the proposal in relation to general business benchmarks ..”. While there was a criteria it was pitched towards smaller funding proposals, rather than large, sophisticated proposals.

509 We noted there was some apprehension among Westland Working’s members that, until a production plant was established in the District, any loan would fall outside Clause 9 of the loan criteria which states the “the business must be located in the Westland District”. Furthermore, the option of the Council taking an equity interest in FT Manufacturing does not appear to be covered in the criteria, which is couched on the basis of loans. However this option was not pursued by the Committee.

Procedures for Assessing the Application

510 On the same day of the formal loan application from FT Manufacturing (15 February 2002) Council replied with an offer of financial assistance subject to a number of terms and conditions. This included a four fold due diligence process

- (i) Analysis of market forecasts
- (ii) Technical analysis of the product
- (iii) Representatives of Westland's Working scoping the applicants Company; and
- (iv) Credit checks of applicants and associated companies

FT Manufacturing agreed to the due diligence procedures.

511 With the approval of the Committee, the Chair of Westland's Working and Council's Accountant visited the Company's base in Australia in mid February 2002. This was a familiarisation visit to learn more of the Company's operations and personnel. Two separate reports were prepared on the visit. Both assessments were positive, but noted there were conditions to be satisfied and further information to be provided.

512 Technical analysis of the product was carried out by an Australian company which was recommended by an associate of FT Manufacturing. Earlier the Council had unsuccessfully sought the assistance of Industry NZ to undertake a technical analysis.

513 The financial and market analysis due diligence was undertaken by Deloitte, who wrote three reports – 6 March, 11 March and 20 March 2002. This analysis was required in a very short time frame. The review raised a number of risk issues for Westland's Working.

514 Information was also obtained on licence valuations, Company registration and the status of patents.

Comment

515 Council acted appropriately in requiring further information before proceeding with the loan application for \$1.5 million. They endeavoured to obtain independent, expert advice across a swathe of issues – technical, market and financial. However our major concern is that due diligence was conducted in a 'time pressure-cooker'. While that is not unusual for due diligence processes, it appears that the deadline of 20 March 2003 was unmovable, even in the light of the risk issues that were being reported. In addition, it is not clear whether the technical evaluator had the degree of "arms length" that would normally be associated with due diligence reviews.

Thus, in our opinion, the effectiveness of the due diligence process was compromised.

Process of Decision Marking

Timelines

- 516 On 14 February 2002 the Chair of Westland's Working tabled a paper to the Committee members outlining the nature of discussions held to date with FT Manufacturing. It outlined the proposal, the project, the security, the personnel involved, and also a conclusion and recommendation. The paper was marked "highly confidential".
- 517 At Westland's Working meeting of 14 February 2002 it was resolved that Mr Kierkegaard be invited to submit an application for funding of \$1.5 million subject to a number of terms and conditions. As previously noted, the formal application from FT Manufacturing was dated 15 February 2002. Due diligence procedures were then set in motion.
- 518 On 8 March 2002 a written update to Westland's Working members was sent by the Chair. This update included the due diligence reports prepared by that date.
- 519 The Committee met again on 13 March 2002. Principals of FT Manufacturing were at the meeting and a 'question and answer' session was held with the members.
- 520 On 20 March 2002 the Committee met again, and resolved to approve a loan of \$500,000 to FT Manufacturing subject to Council securing suitable premises and other terms and conditions attached to the loan.

Sufficiency of Time to Decide on the Application

- 521 We have already observed that the due diligence process was compressed into a short timeframe. The final Deloitte's letter was dated 20 March 2002, the same date as the Committee's decision to advance \$520,000.
- 522 From our review of the file there appears to be no compelling reason why the decision on the loan had to be taken mid-March. The Chair's paper to the Committee on 14 February 2002 hints that the Company has other "possible" offshore investors that would mean establishment of the facility overseas. Further, the same paper notes "he (Soren Kiekegaard) has stated that unless he can secure sufficient funding by mid March he will be unable to meet targets and the whole enterprise is at risk". We did not sight any documentary evidence to substantiate this view. Indeed, from an impartial observer's hindsight view, it appears that the Committee was being persuaded into making a rushed decision.
- 523 The due diligence process, because of the limited time available, was unable to conclude on the efficacy of the loan. It raised as many questions as answers. An example is the uncertainty of the methodology in valuing the Company's licences and the independence of the valuer. This was important for the Committee to know as the licences might form significant part of the security for the loan.
- 524 It may have therefore been beneficial if the Committee had more 'breathing space' to reflect on the issues raised by due diligence, and then make a decision.

Appropriateness of Roles of Council Management and the Committee.

- 525 Throughout the loan application process, Council management acted in a liaison role. Apart from the Accountant's familiarisation visit to Australia, most activities were arranging due diligence, obtaining information from FT Manufacturing and generally pulling together the various threads of activities.
- 526 It was appropriate that due diligence work was largely carried out by external parties, rather than Council management. We believe that the familiarisation visit to Australia would have benefited had Deloitte also been part of the team. This would then have given them a much better platform for their due diligence work. Moreover, it would have provided an external party counterbalance to Council's two-person team on the familiarisation visit.
- 527 We expected Council management to prepare, at the conclusion of due diligence, a formal report to the Committee. This would have distilled and marshalled all the issues from inquiries and due diligence, outlined the risks and benefits of the application in a neutral way and confirmed to the Committee whether the application met the criteria and other conditions. This did not occur.
- 528 The Chair of the Committee undertook a significant role in the evolution and consideration of the loan application. The Chair was involved in discussions with the Company for several months prior to the formal application. He also went on the familiarisation visit. Additionally the Chair prepared papers for the Committee about the Company, its personnel and the application.

Having reviewed these papers there is a sense that the Chair had, consciously or unconsciously, become a proponent on the merits of the proposal underpinning the loan application. In circumstances such as these, it is often difficult not to divorce support for a proposal from support for financial assistance associated with a proposal.

Sufficiency of Understanding by the Decision Makers of the Risks and Benefits of the Application

- 529 The Chair is, of course, only one member of a sizable Committee. From our review of the agenda and minutes there was evidence of spirited and robust discussion of the merits of the loan application.
- 530 At the Committee's meeting of 13 March 2002, there was a question and answer session with representatives from FT Manufacturing. Having reviewed the record of this session, we were impressed with the breadth and depth of the questions. It is evident that members were generally aware of the risks and benefits of the application. In addition, three committee members recorded their views in writing and, again, the views indicate an appreciation of the issues.
- 531 A week later, on 20 March 2002, the Committee made the decision to advance a loan of \$520,000. What is not apparent to us is whether the queries from only a week

before were all satisfactorily answered – with evidence to back up the answers. Again the ‘imposed’ deadline seems to be the overriding consideration.

532 In our view best practice should have been

- a longer due diligence period that provided more definitive information.
- a Council management report to the Committee that neutrally set out all the issues, and provided guidance
- sufficient time for all members to reflect on this report, and make an unhurried decision.

Balancing of Transparency with Commercial Sensitivity

533 In the preceding section of the report, where we looked at other economic development loans, we concluded that Council had struck an appropriate balance between public transparency for its actions and the need to protect private business affairs. That balance was always going to be harder to achieve with the FT Manufacturing loan application because of its quantum, the urgency it was accorded, and the uniqueness of the proposal.

534 Our review of the minutes and agenda indicate that commercially sensitive matters were appropriately dealt with “in committee” in relation to FT Manufacturing. Most of the papers to Westland’s Working were marked “highly confidential”. Again, this was the correct procedure. From a laypersons perspective, however, these procedures may leave an impression that a significant proposal was being secretly rushed through for an applicant remote from the District and for an untested product.

535 Late last year the new Local Government Act was passed. As one of the many new requirements, Councils have to transparently arrive at a policy on ‘significance’. If a proposal is significant, decision making and consultation principles in the new Act are particularly relevant. If a loan application for the same amount was received today, the transparency of decision making would, by necessity, have to be at a higher level.

536 In the final section of the report, where we reflect on Council activity in the economic development area, we observe that the clash between transparency and privacy is much more likely when a Council takes on a “direct” involvement in economic development.

Loan Agreement

537 A loan agreement was signed between the parties promptly on 22 March 2002. Council’s security for the loan was also promptly registered on 8 April 2002. An amendment was made to the loan agreement on 30 May 2002.

538 An unusual feature of the loan agreement is that it was drafted by FT Manufacturing’s legal advisor. While the draft was reviewed by Council’s solicitor

(and changes made from this review), normal practice for financial institutions is that lenders draft the loan agreements, not the borrowers.

- 539 The provisions in the loan agreement relating to interest contained a wording anomaly, which made the first interest payment date uncertain. The date was subsequently agreed as 1 May 2003.

Council Monitoring of the Loan

- 540 Subsequent to the loan being advanced Council has monitored its investment through:

- visit of Council's Economic Development officer to Australia to observe progress (August 2002)
- a technical report by a plastics engineer
- checks on personnel associated with the Company
- checks on the status of patents applied for by the Company.

- 541 The FT Manufacturing has periodically sent to Council updates on its manufacturing process. These include:

- in mid July 2002 photographs of the P.Tec machine being assembled
- in mid-August 2002 photographs of the "first forming" of the P.Tec machine.
- cash flow statements and financial information.

At the date of the review the Council was awaiting receipt of more up to date financial information from the Company.

- 542 The Company also advised Council, in a letter dated 31 October 2002, that doubts about the patentability of the P.Tec process should be resolved before July 2003.

- 543 In terms of the loan agreement, the first interest payment on the loan was due on 1 May 2003, and is then payable on a monthly basis. Payments have been received for May and June 2003, but only a partial payment for July 2003.

- 544 In our view Council monitoring of their advance to FT Manufacturing has been reasonable particularly the timely action in relation to the default of full payment of the July 2003 interest. However, more needs to be done to ensure that the Company's financial results and cashflow forecasts are received on time. Council needs to analyse these promptly and raise any queries they have.

Summary

545 We believe the process to consider the loan application of FT Manufacturing had significant weaknesses. Our first concern is that the degree of urgency given to the loan application compromised both the effectiveness of due diligence and the ability of Committee members to take stock before they made a decision. Another significant concern was the heavy degree of involvement of the Chair of the Committee in discussions with the Company in the lead-up to the loan application, and in the analysis phase. The Chair of a Committee advancing loans should, we believe, retain an objective and dispassionate overview of process, and not become an integral part of the process.

Council management should have prepared a formal position paper outlining – in a neutral fashion - the risks, the outstanding issues and the options for the Committee.

Other concerns we have were that the criteria for economic development loans were pitched at smaller scale applications; there needed to be a more sophisticated criteria if loan applications the size of FT Manufacturing were to be contemplated. Monitoring of the conditions of the loans, particular examination of financial returns from the borrower, also needs to be tightened.

6 WIDER OBSERVATIONS ON COUNCIL'S ECONOMIC DEVELOPMENT ACTIVITIES

Introduction

601 The previous two sections of the Report have dealt with firstly, 7 economic development loans totalling \$555,000 and, secondly, the loan to FT Manufacturing of \$545,000.

In this section we comment on wider issues regarding Council's involvement in economic development. Our intent is not to question Council policy but to point out some of the risks of taking a particular approach to economic development.

Auditor General's Report on Economic Development Initiatives

602 In August 2002 the Auditor General published a report *Local Authority Involvement in Economic Development Initiatives*.

603 The study was prompted by concerns about potential liabilities and risks associated with Councils' endorsement and tangible support for economic development initiatives. The study involved a review of 11 Councils and talking to economic development agencies. The report outlines key questions a Council should ask in establishing an economic development strategy, guidance for managing risks, and a number of case studies.

604 The study drew a comparison between two major forms of Council economic development initiatives. The first form is **direct** financial support by a Council which can include funding individual businesses, giving guarantees and subsidising businesses. The second form is **indirect** support which can include facilitation (eg information sharing, mentoring) and providing agency services.

605 A chief finding in the report is "risks tend to decline as local authorities switch from making direct investments ... to a less costly facilitation approach".

The report also states, inter alia:

- ▲ local authorities with experience tend to focus on facilitation rather than direct investment
- ▲ maintaining skills and experience can be difficult for small rural local authorities.

Westland District Council's Approach to Economic Development

606 A large proportion of the economic development funds applied by Council (through Westland's Working) has been by way of direct investment.

This does, as indicated in Auditor General's report, raise the issue whether Council's risks have increased through the 8 loans advanced totalling \$1.1 million.

607 The following are some general questions that we pose for Council in their consideration of the future direction of economic development initiatives. They centre around Council's direct role in economic development and also emanate from our specific review of loan processes.

Are transaction costs for loans too high?

Council has (rightly) sought outside help in evaluating loan applications but this comes at a cost. While some of these costs can be added to loans, other (often in-house administrative costs) are not recognised. Even if costs can be added to loans, this can significantly add to the loan burden and applicants are not likely to be aware, when they apply for the loan, that these costs could be added to the loan.

Does the direct investment approach take up too much management time?

The General Manager had a very significant time input to the FT Manufacturing loan application. Did other work suffer?

Does Council have the experience and expertise to manage loans?

Council are not financial institutions; advancing loans is not core business. Banks and finance houses have detailed evaluation processes, recording and control procedures and sophisticated monitoring systems. Councils are not likely to have these skills.

Should Council be seen as a lender of last resort?

A ratepayer may well ask: if private financiers perceive a loan as too risky, why should Council take that same risk?

Will Council be able to satisfy demand?

Council will likely have a limited supply of loan funds, but there may be a large demand for funds. It will raise expectations that can't be fulfilled.

Will direct loan involvement run up against conflicts of interest?

In a small community, there will inevitably be close personal and business ties between Council management, Council decision makers, loan applicants and others (eg external accountants) who are evaluating applications.

How does the Council balance public accountability with commercial sensitivity?

A Council is a public body and therefore transparently accountable for its actions. However advancing loans, seeking security and inquiries that are associated with loan applications cut to the core of applicants personal finances. They are laid bare for examination, and thus want their privacy protected. Inevitably there will be private information which 'leaks' or inadvertently finds its way into the public domain.

Does direct economic development involvement create friction within the governing body?

A Council committee dealing with loans could appear to be 'Father Christmas' or the answer to the District's economic problems; the committees dealing with Council's bread and butter issues could feel they are the poor relation.

- 608 The above questions may be of help for Council when they formulate future policies on economic development. We would also recommend that the full report of the Auditor-General be read when policies are being established.