



# **AGENDA**

## **Late Reports**

### **Ordinary Council Meeting**

### **Wednesday, 6 July 2022**

**Date: Wednesday, 6 July 2022**

**Time: 10.30 am**

**Location: Ngā Hau e Whā, William Fraser Building,  
1 Dunorling Street, Alexandra**

(Due to COVID-19 restrictions and limitations of the physical space, public access will be available through a live stream of the meeting.)

The link to the live stream will be available on the Central Otago District Council's website.)

**Sanchia Jacobs**  
**Chief Executive Officer**



## Order Of Business

<b>5</b>	<b>Reports</b> .....	<b>4</b>
	22.5.30 Water Services Entities Bill .....	4
	22.5.31 Three Waters Reform Better Off Funding (Tranche 1) .....	25

6 July 2022

## 5 REPORTS

### 22.5.30 WATER SERVICES ENTITIES BILL

Doc ID: 585275

#### 1. Purpose of Report

To consider preparing a submission on the Water Services Entities Bill and the implications of this on Council management of water services (water, wastewater and stormwater) during the reform transition period.

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#### Recommendations

That the Council

- A. Receives the report and accepts the level of significance.
  - B. Agrees that a submission to the Water Services Entities Bill be drafted and circulated to Councillors for feedback and finalising prior to 22 July.
  - C. Agrees that the submission will be ratified at the Council meeting on 24 August 2022.
- 

#### 2. Background

The Water Services Entities Bill (the Bill) was introduced on 2 June 2022 and had its first reading in Parliament on 9 June 2022. The Bill is now in Select Committee and submissions opened on 22 June, with a closing date of 22 July 2022.

The Bill will establish four publicly owned water services entities that will provide water services in place of local authorities. The Bill contains the ownership, governance, and accountability arrangements relating to those entities, and provides for transitional arrangements during an establishment period. The entities will commence delivery of services on 1 July 2024.

Each of the four Water Services Entities has been named after its geographical location, Northern, Western-Central, Eastern-Central, and Southern. Each Council has been placed in an entity, with Southern following the boundaries of the takiwā of Ngāi Tahu.

This Bill is just one component of a comprehensive package to reform water services that are currently provided by local authorities. The Bill will need to be followed by further legislation to provide for:

- additional, detailed implementation arrangements for the entities and service delivery, including provisions relating to the transfer of assets, liabilities, and other matters from local authorities to new water services entities;
- specific powers, functions, and responsibilities of the new water services entities, and pricing and charging arrangements;
- economic regulation and consumer protection regimes relating to the new water services system;
- any changes to Treaty settlement legislation that are required to ensure that settlement obligations are carried forward from territorial authorities to the new water services entities;

- detailed changes to the Local Government Act 2002, the Water Services Act 2021, and other legislation to transfer service delivery arrangements to the new water services entities.

The Bill is complex and requires a range of expertise to adequately review the proposed legislation and provide informed feedback. For the purposes of this report, Central Otago District staff analysis has been limited to providing an outline of the Bill, the implications of the transitional requirements on Council, and analysis of the Bill against the feedback provided by Central Otago District Council to Local Government New Zealand on the Government Three Waters Reform Proposal in August 2021.

### 3. Overview of Transitional Requirements

Schedule 1 of the Bill contains the transitional, savings and related provisions. This has been reviewed by council officers to understand the operational implications of this on Council.

#### Appointment of the Establishment Board and Chief Executive

The Minister has additional responsibilities during the establishment period to oversee the establishment of the entities. This role includes the function and power to appoint and remove members of the establishment board of each entity.

The Department of Internal Affairs are responsible for appointing an establishment chief executive to each entity. The establishment chief executive role can extend up to 1 July 2026.

#### Transfer of Assets, Functions, Liabilities, Staff and Other Matters to the Entity

The establishment chief executive is required to prepare an allocation schedule. This schedule is required to specify assets, liabilities, and other matters that relate wholly or partly to the provision of water services by council. Where these relate partly to water services, then the schedule needs to identify which other council services they relate to.

The Department of Internal Affairs may prepare an establishment plan for an entity. The plan must include:

- a) the processes, policies, and guidance for identifying the functions, staff, and assets, liabilities, and other matters to be transferred to the entity; and
- b) the proposed timing for the transfer of functions, staff, and assets, liabilities, and other matters to the entity; and
- c) the reporting requirements for the quarterly reports to be provided to the Department of Internal Affairs.

It may also include any other matters the Minister considers relevant.

#### Planning for Work beyond 1 July 2024

The entity is required to prepare an asset management plan and funding and pricing plan during the establishment period. The draft plans are required to be prepared by 1 July 2023.

The requirements of the Bill relating to engagement with consumers and stakeholders on the asset management plan and funding and pricing plan do not apply to the first plans prepared during the transition period. Subsequent asset management and funding and pricing plans are required to be prepared every three years and cover a 10-year period, and have requirements regarding engagement with councils, consumers and communities.

Council is required to co-operate with the Southern Water Services Entity to facilitate the water services reform. This includes complying with any reasonable request for:

- Council employees to be seconded to the entity, and
- Provision of information held by council that may be necessary or desirable for preparing the allocation schedule. This includes a requirement to collate information, provide information in a particular format, or disclose current pricing information or indicative water charges on invoices during the establishment period.

If a council fails to comply, then the Department of Internal Affairs may apply to the District Court for an order to compel the council to comply.

The Bill includes exceptions to the Local Government Act 2002 requirements relating to requirements for councils to consult on significant or material variations to its long-term plan, annual plan, and obligations to maintain water services.

#### Transitional Matters Relating to Employment

The Bill includes requirements on the Department of Internal Affairs, and the new entities relating to the employment of staff who are employed by council on water services.

This includes the entity being required to offer an employee of a council an employment position when the primary functions of the role will transfer to the new entity, provided the employee does not have a senior management role.

Where an employee transitions to a role in the new entity, the terms and conditions of the position offered must:

- Involve the same or similar duties and responsibilities.
- Core terms no less favourable than existed immediately before being identified as a staff member for transition by the entity. Core terms includes salary, leave entitlement, and redundancy compensation.
- Be in the same general locality or within reasonable commute of the current location of work.
- Involve similar hours and days of work.
- Recognise the transition to the entity as if it were continuous service.

Employment with the entity will commence on 1 July 2024.

Staff have no obligation to accept an offer from the new entity. Where staff do not accept an offer, then they will not be eligible for any compensation if council no longer has a role for them. The entity can also offer positions to others.

#### Transitional Arrangements relating to Oversight of Council Decisions

During the establishment period the Department of Internal Affairs must review Council's decisions and meeting agendas. The Department must be provided with information of an intended decision that relates to the provision or may affect the provision of water services. Council's chief executive must ensure that any decision of Council relating to water services is confirmed by the Department of Internal Affairs in writing before it is implemented.

This applies to a decision that may, directly or because of its consequences:

- a) significantly prejudice the water services reform; or
- b) significantly constrain the powers or capacity of the water services entities following reform; or
- c) have a significant negative impact on the assets, liabilities, or other matters that are transferred to the water services entities as a result of the water services reform.

This includes a decision to:

- To adopt or amend a Long-Term Plan or to adopt an Annual Plan.
- To adopt a policy required by the Local Government Act 2002.
- That is significantly inconsistent with any policy or plan adopted by council under the Local Government Act 2002.
- To purchase or dispose of assets other than in accordance with its Long-Term Plan.
- To purchase or dispose of an asset if the purchase or disposal will have a material impact on the capacity to provide water services or the financial well-being of the organisation.
- To enter any contract (other than employment) that imposes or will continue to impose any obligation on the council after a date, and for an amount to be set by the chief executive of the Department of Internal Affairs.
- To borrow money for a period that extends beyond a date set by the chief executive of the Department of Internal Affairs.

#### 4. Discussion

Local Government New Zealand, and Taituarā are preparing submissions on behalf of local government. The Otago and Southland councils have also agreed to share their draft submissions, and common themes from these will be collated and shared. All organisations are currently working on their review and submission outlines, and there is limited information available to share on 6 July.

Council provided feedback to Local Government New Zealand in 2021 as part of the Consultative process regarding the Governments Three Waters Reform Proposal at that time. This is attached in Appendix 1 and covers the following headings. How the Bill addresses these concerns (or not) is outlined below:

Privatisation – The entities will be a body corporate, and a separate entity that is co-owned by the local authorities within the entity area. Each local authority will have shares allocated, based on 1 share per 50,000 population, or part thereof. A proposal to divest the ownership is required to be supported by a majority of 75% of the Regional Representative Group, in order to then be referred to the local authority owners. The local authorities must then unanimously agree to refer the proposal to the Local Government Commission to poll electors in the entity area. There is required to be a majority of 75% votes in support of divestment. The provisions within the Bill are considered to cover the risk of privatisation. The remaining concern is that subsequent Governments could change this approach.

Meeting the Needs of Growth – this is covered through several mechanisms in the Bill. These include the requirement to partner and engage early and meaningfully with local authorities, and co-operating with and supporting local authorities, and other infrastructure providers.

The entities are also required to prepare an asset management plan, and a 30- year infrastructure strategy, as suggested in council's feedback. While there is no explicit mention of responding to growth in the Bill, consideration of growth is a core input into the development of asset management plans and infrastructure strategies.

The annual report is also specifically required to separate the actual and budgeted expenditure required to meet increased demand (growth), improve level of service performance, and replace assets. This would provide the basis for a funding mechanism like development contributions to be included in further legislation relating to pricing and charging.

Consumer Protections, Standardised Charging, and Local Procurement – these fall outside of the scope of this Bill, and would more appropriately sit in other proposed legislation that will follow relating to:

- Specific powers, functions, and responsibilities of the new water services entities, and pricing and charging arrangements.
- Economic regulation and consumer protection regimes relating to the new water services system.

Rating Legislation – The issues that council raised relating to the uniform annual charge 30% cap has not been addressed, and no reference to changes to Rating Legislation have been proposed. This should continue to be highlighted in Councils' submission to the Bill.

Governance - There will be a regional representative group for each entity which will be responsible for appointing and removing the entity board members (using a board appointment committee), participating in setting strategic direction and performance expectations of the entity, and reviewing performance.

Councils may only appoint people to the regional representative group who are elected members, chief executives, or senior managers of councils. Each regional representative group will have between 12 and 14 people, and an equal number of council and mana whenua representatives.

The proposals in the Bill do not extend to specifying that the members must reflect both the rural and urban communities they represent, and Council may wish to submit again on this. The other suggestions that council provided regarding the eligibility for appointment have been included.

#### Local Government New Zealand Submission

An outline of the Local Government New Zealand proposed submission has been circulated to councils and is attached in Appendix 2. One of the suggestions from Local Government New Zealand is that the transition of councils into the new entity be staged, along with stormwater functions. Council officers suggest that this approach could be detrimental to staff wellbeing and morale and would impact on the retention and recruitment of staff due to an increased period of uncertainty. The new entities would also require resourcing at the same time, which would put increased demand on an already resource constrained industry.

Council has negotiated an interim maintenance contract arrangements in place to cover the transition period. Extending the transition period would place further uncertainty on the duration of this contract which will impact on contractor investment into the contract resourcing.

There are onerous reporting and approval processes placed on council during the transition period which will increase timeframes to implement decisions. Staging the transition of councils into the new entities would increase the period that council would be working under the oversight of the Department of Internal Affairs.

## **5. Financial Considerations**

It is anticipated that there will be funding provided to councils to cover the costs of extra staff to provide the required information and to be seconded to the establishment entities. We are unsure as to the amount to be provided, but this may not meet the costs of engaging



consultants and contractors to backfill existing staff roles in business as usual while they do this work.

This additional work could potentially be funded as an operational overspend against the water services budgets. Depending on the significance of this amount, it may require the written approval of the Department of Internal Affairs.

## 6. Options

### Option 1 – (Recommended)

Council prepares a submission to the Water Services Entities, using the submissions prepared by Local Government New Zealand, Taituarā, Central Otago District Council Mayor, and other Otago/Southland councils as a starting point. This submission would be circulated to councillors for agreement prior to 15 July.

Advantages:

- Enables council to utilise the specialist expertise that is available in these organisations to help formulate its submission.
- Where there are different viewpoints then these will.

Disadvantages:

- There will be a short timeframe of one week for councillors to provide comment on the submission and have the submission amended.

### Option 2

Council does not submit on the Water Services Bill

Advantages:

- Nil

Disadvantages:

- The issues that are important to the Central Otago District Council and communities may not be raised by others.
- Less weight will be given to the submissions by other Local Government organisations if councils do not submit in support of these, where appropriate.

## 7. Compliance

<b>Local Government Act 2002 Purpose Provisions</b>	This decision enables democratic local decision making and action by, and on behalf of communities by ensuring the views of councillors elected by the community are included in a submission on the Water Services Entities Bill.
<b>Decision consistent with other Council plans and policies? Such</b>	Yes

<b>as the District Plan, Economic Development Strategy etc.</b>	
<b>Considerations as to sustainability, the environment and climate change impacts</b>	The water reform is being implemented by government to support increased investment to respond to sustainability, the environment, and climate change impacts.
<b>Risks Analysis</b>	<p>The Governments Water Reform proposals are controversial and may not be widely supported within the community. There are members of the community who may not accept that submitting in order to try and improve community outcomes from the Bill is acceptable, and may believe that submitting to not proceed with the reform is the only appropriate response.</p> <p>Aside from reputational risk, there is minimal risks in submitting on behalf of the Central Otago community on the Water Services Bill.</p>
<b>Significance, Consultation and Engagement (internal and external)</b>	Submitting on the Water Services Bill does not trigger Council's significance and engagement threshold.

## 8. Next Steps

Council staff will prepare a draft submission for circulating to elected members by 15 July. Councillors will provide feedback by 20 July. The Final Submission will be drafted incorporating feedback and submitted by 22 July.

## 9. Attachments

**Appendix 1 - Council August 2021 feedback to Local Government New Zealand regarding the Governments Three Waters Reform Community Consultation Proposal** [↓](#)

**Appendix 2 - Local Government New Zealand Submission Outline** [↓](#)

Report author:



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Lead  
30/06/2022

Reviewed and authorised by:



Sanchia Jacobs  
Chief Executive Officer

1/07/2022



## Appendix 1 – August 2021

### Central Otago District Council feedback to the Governments Three Waters Reform Proposal For Consultation with the Community - further clarification and/or suggestions sought on the following:

#### Privatisation

Central Otago District Council is supportive of the current proposed mechanisms to protect against future privatisation of the entities. However, as we understand it the provisions setting out these protections will not themselves be protected. Without this additional layer of protection in the legislation these provisions could be overturned by a simple majority of parliament which would go against the intent of what has been proposed. We propose that consideration be given to entrenching the provision in legislation that sets out these protections.

#### Meeting the Needs of Growth

The entities need to provide adequate support to meet local planning needs for growth. This expertise needs to be able to be located throughout the entity area, where developers and councils have ready access to it, particularly in those parts of the entity which are experiencing strong growth, such as Queenstown and Central Otago. This will enable strong relationships to be developed with the local councils and provide greater insight into local growth issues and demands.

The Council growth projections and spatial plans should be required to be used as a basis for hydraulic modelling of infrastructure upgrades and renewals and be incorporated into all forward work planning. This requirement should be written in the legislation. This would ensure that the cumulative effects of growth are effectively planned for, and that infrastructure capacity does not negatively impact on the availability of land for development and housing affordability. This would also enable cost effective capacity upgrades to be undertaken as part of routine renewal and improvement programs instead of this needing to be retrofitted, at greater cost.

The entity should be required to produce infrastructure strategies with a planning period for 30+ years. These strategies should be audited to ensure that they have incorporated robust growth projections and are consistent with local spatial plans and growth projections.

We suggest that the entities be required to implement a funding mechanism similar to development contributions to enable cumulative effects of growth to be funded in an equitable manner across the entity area. This will ensure that individual developments are not unfairly burdened with costly capacity upgrades of existing infrastructure that benefit previous and future development.



### Consumer Protections

Central Otago District Council supports the establishment of a consumer body and believe that consumers need to continue to have a strong voice in the provision of water. It will be important that the rights of consumers are protected under this model. We suggest the government considers the establishment of a water ombudsman, as well as further legislative mechanisms that ensure consumer rights.

### Standardised Charging

Central Otago District Council is particularly concerned about the lack of certainty on pricing mechanisms in the model. While all councils have received modelling on their 30-year outlook under reform or if they opt out, there has been little comment on what the approach to charging will be. The model should have standardised pricing for baseline services that is a level of service that meets minimum compliance requirements irrespective of location. The Council proposes that service levels higher than baseline could be paid for by the specific community who receives that benefit. We recommend that this requirement is written into legislation to protect the consumers.

### Rating legislation

Many councils rating mechanism for three waters is not an annual charge, and so falls outside of the rating cap. Once this revenue is removed the uniform annual charges collectively exceed the 30% cap. This will be a challenge to meet, and we suggest this issue is considered under the 'no councils worse off' aspect of this proposed reform. It is proposed that Central Government review the rating legislation around the 30% uniform annual charges cap. This will need to be reviewed with consideration given to increasing the cap to possibly 40%. Alternatively, Central Government may need to consider funding rating reviews for all councils that will breach the 30% cap under the current regime.

### Local Procurement

Under Central Otago District Council's procurement policy there is an expectation that the council support local businesses and a weighting is applied to this measure when tenders are considered (alongside other relevant factors such as cost and experience). Local delivery supports our community wellbeing, and assists us in delivering on the wellbeings required of us under the Local Government Act 2002. The Council would like to see the model provide some certainty to local providers to ensure there is no negative financial or economic impact on our local economy.

### Governance



We note the need to separate out the balance sheet and governance, and note the governance model is quite complex. We would like to make suggestions in particular around the non-iwi appointments to the governance board for each entity. We believe they should all be competency-based appointments and should reflect the community in which they deliver services to (such as rural and urban representatives). We believe individuals who have local government experience (such as former mayors and local government staff) should be eligible for appointment. This will ensure the best outcomes in appointments for the job ahead.

# WSE Bill: LGNZ submission outline

This is an outline of LGNZ's proposed submission for sector feedback. The outline provides our commentary on the Bill and initial thinking on the points we propose to make. The points in the outline will be fleshed out in more detail in our draft submission, which will be shared with the sector on 13 July.

Please provide feedback on the draft outline below, especially in response to the questions listed in **appendix 1**. You can provide your feedback to [submission@lgnz.co.nz](mailto:submission@lgnz.co.nz) with the subject "WSE Bill feedback" by Friday 8 July.

We know this is a tight turnaround – we are driven by the Select Committee timetable.

## Executive Summary:

- *This section will summarise the submission's recommendations*

## Introduction:

- LGNZ's role and function.
- Sector involvement with Government's policy development process to date, including background on LGNZ's previous engagement with sector and our feedback to the Government.
- Diversity of views across the sector on Government policy choices and bottom lines – including the fact a number of our members are opposed to the four entity model in its entirety.
- Common concerns across the sector on some key themes – the focus of this submission.
- This submission addresses the workability of the model currently on the table.

## Context/Background:

- Sector as a whole acknowledges the need for reform – broader system failure has created longstanding water issues affecting many communities and their wellbeing, and these issues have worsened with time.
- Sector is unified in seeking reform and better outcomes for communities (including better outcomes for health, climate change mitigation and adaptation, the Treaty partnership, and community wellbeing).
- Acknowledge that major reform is challenging but the current system settings combined with inaction over many years have created the current situation.
- The interactions and inter-dependencies relevant to 3W are many and complex – this complexity is unavoidable and a feature of the current system as well as any new model.
- The Heads of Agreement acknowledged that councils are leaders in community wellbeing and placemaking. Any new system must recognise and uphold this, and the legislation must reflect this.
- Any major institutional reform will draw support and criticism from a sector as diverse as ours – this is to be expected.
- Major institutional reform quite naturally engages ideological and political interests about the best way to deliver on outcomes/objectives.

























## 22.5.31 THREE WATERS REFORM BETTER OFF FUNDING (TRANCHE 1)

Doc ID: 582846

### 1. Purpose of Report

To consider projects to be included in the Funding Proposal for the Three Waters Reform Better Off Funding (Tranche 1).

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### Recommendations

That the Council

- A. Receives the report and accepts the level of significance.
  - B. Notes that the Better Off Funding will be split into two tranches, with Tranche 1, \$3.21M, being available from 1 October 2022, and Tranche 2, \$9.63M, expected to be available from 1 July 2024.
  - C. Notes that to receive this funding, Council needs to supply a list of projects/initiatives to the Department of Internal Affairs for approval.
  - D. Authorises the Chief Executive to sign the Funding Agreement in Appendix 1.
  - E. Approves projects to the value of \$3.21M to be put forward in the Funding Proposal.
  - F. Approves a list of contingency projects to be included in the Funding Proposal.
- 

### 2. Background

Central Government is undertaking a reform process for Three Waters (water, wastewater, and stormwater) services which seeks to address significant challenges facing the delivery of these services. In July 2021, the Government announced the Three Waters Better Off Support Package, which includes a total of \$2 billion of funding. The \$2 billion of funding consists of \$1 billion of Crown funding and \$1 billion to be funded from the new Water Services Entities.

The funding allocation from the Better Off Support Package for Central Otago District Council is \$12.84M with \$3.21M of this being available in Tranche 1 from the 1 October 2022, and the remaining \$9.63M to be made available in Tranche 2, from the 1 July 2024.

Information was released about the Better Off funding in April 2022, including how local authorities can access the funding.

Council does not have to apply for the full Tranche 1 funding amount. Any funds not applied for in Tranche 1 will be made available in Tranche 2. However, all the Better Off funding needs to be spent within five years by the 30 June 2027. This is regardless of which Tranche the funding is allocated under.

There is a greater risk of not being able to spend all the money within the 5-year timeframe if the maximum amount of funding available is not applied for in Tranche 1. Tranche 2 will require a separate application, although it is expected to follow a similar process.

### 3. Discussion

To apply for this funding, council needs to sign the Funding Agreement (Appendix 1) and complete a Funding Proposal.

#### Funding Agreement

The Funding Agreement sets out the terms and conditions of the funding (Appendix 1).

Under the section General Terms Clause 2.10, the Funding Proposal states that: *“The Recipient must not at any time do anything that could reasonably be expected to have an adverse effect on the reputation, good standing or goodwill of DIA or the New Zealand Government. The Recipient must keep DIA informed of any matter known to the Recipient which could reasonably be expected to have such an effect.”*

The Department of Internal Affairs has further clarified that: *“DIA acknowledges the importance of councils independently expressing their views of the reform programme. The Funding Agreement for the better off package does not prevent or prohibit councils from doing this. For the avoidance of doubt, publicly criticising or expressing opinions on reform cannot reasonably be expected to have an adverse effect on the reputation, good standing or goodwill of the Department or the New Zealand Government, and would not represent a breach of the funding agreement.”*

Under Schedule 2, in signing the funding agreement council would be agreeing to collaborate and cooperate with the Department of Internal Affairs, including its National Transition Unit, to provide for the implementation and carrying out of certain parts of the Three Waters Reform Programme. In making any requests under this agreement the Department of Internal Affairs will have regard to available resources and competing demands on those resources.

#### Funding Proposal

The Funding Proposal needs to include a range of details including:

- A programme overview (including work to be undertaken, summary of costs, relevant milestones, and dates).
- Demonstration that engagement was undertaken with Iwi/Māori on the use of funding.
- How the Programme meets one or more of the better off package funding criteria and conditions.
- A brief wellbeing assessment setting out the expected benefits of the Programme.

The programme overview will need to include projects up to the value of \$3.21M to be completed before 30 June 2027. It is recommended that Council also puts forward a list of contingency projects which can be substituted should any projects come in under budget or become unlikely to be completed within the required timeframe for any reason.

#### Funding Criteria

The Programme must support one or more of the following Better Off Support Package criteria. These are:

1. Supporting communities to transition to a sustainable and low-emissions economy, including by building resilience to climate change and natural hazards.

2. Delivery of infrastructure and/or services that enable housing development and growth, with a focus on brownfield and infill development opportunities where those are available.
3. Delivery of infrastructure and/or services that support local place-making and improvements in community well-being.

It must be used for new initiatives/projects; and/or to accelerate, scale up and/or enhance the quality of planned investment. The duration of the Programme Expenditure must be 5 years or less (completion date on or before 30 June 2027). Funding will only be provided equal to or less than the total funding allocation to Council. This means that if projects cost more than the difference will need to be funded by Council.

### Iwi/Māori Engagement

Local authorities are expected to engage with iwi/Māori in deciding how to use its funding allocation. For Tranche 1 of the funding, it is expected that genuine engagement is demonstrated and any issues or concerns arising are identified and what steps are being taken in response to these.

The requirements for Tranche 2 are much more extensive. The expectation is that Council will have built a relationship based on trust and mutual respect and the Funding Proposals will be co-designed and co-implemented from inception. Iwi/Māori will also need to be involved in decision-making on initiatives to fund and prioritisation.

Given the requirements of the Tranche 2 program of work regarding engagement with iwi/Māori, significant engagement will need to be undertaken to access this funding. This work will need to commence in advance of any future Funding Proposal to allow plenty of time for relationship building and working together.

		1 Current State			2 Future State
		Inform	Consult	Collaborate	Partner
Principles of Effective Engagement	Engage early	▶ Advise iwi/Māori of what is happening			
	Be inclusive	▶ Provide information to iwi/Māori	▶ Keep iwi/Māori informed ▶ Seek feedback from iwi/Māori	▶ Work together with iwi/Māori	▶ Pre-existing relationship with iwi/Māori
	Think broadly		▶ Listen to iwi/Māori ▶ Acknowledge iwi/Māori concerns & aspirations	▶ Determine issues/problems together	▶ Determine issues/problems together
Principles of Partnership	Plan and co-design together			▶ Develop solutions together	▶ Develop the solution together
	Share decision-making			▶ Involve iwi/Māori in the decision-making process	▶ Co-design the process
	Relationship built on trust and respect				
		Weak			Strong

**Tranche 1 Minimum Expectations (Current State):**

- Identify Māori impacted by the kaupapa (purpose) of the work, with a focus on hapū, iwi, post-settlement government entities, other mana whenua
- Evidence of genuine engagement, extending beyond standing committees
- Identify issues/concerns arising from the engagement, and steps taken to accommodate and support these interests.

**Tranche 2 Minimum Expectations (Target State):**

- Relationships built on trust and mutual respect
- Funding Proposals have been co-designed and co-implemented from inception
- Decision-making on initiatives to fund and prioritise have been made jointly.

### Monitoring and Reporting Requirements

Reporting is required half-yearly (periods ending 30 June and 31 December). Crown Infrastructure Partners will monitor progress against the Funding Proposal to provide assurance that the funding is being spent as intended and that projects are progressing within a reasonable timeframe. The half-yearly reporting will also include monitoring of the achievement of outcomes as specified in the Funding Proposal.

It is important that the information in the Funding Proposal is robust as council will be reporting against it throughout the process. It will also be advisable to use a common project management system for management and regular reporting against projects to streamline preparation of reports for the Department of Internal Affairs.

Staff across council have looked at existing work programmes and proposals that have come to Council and identified a list of projects that meet one or more of the funding criteria. Council's Long-Term Plan either partially or fully funds a number of these projects. Some new projects have also been identified. If any project is partially funded by the Long-Term Plan, and delivered within the same timing as in the Long Term Plan, then only the additional cost can receive funding.

If projects are being accelerated, they are eligible for the full funding amount. Accelerating projects and completely funding them with the Better Off Funding, frees up the capital budget for other initiatives and/or could lead to future cost savings for Council.

Tranche 1 of the funding can also be used to help support investigation and preparation of funding proposals for Tranche 2. This allows for early investigation and design for projects where it is more effective to target Tranche 2 funding due to the time required before the project will be able to commence. The information from this preliminary work will improve the quality of the information included in the Tranche 2 Funding Proposal, and will ensure they are ready to commence, and can be delivered within the 3-year Tranche 2 delivery period.

If projects investigated or designed during Tranche 1 are not progressed as Tranche 2 projects, then this information will still be useful for development of the 2024 Long Term Plan or for applications for other funding sources.

Following experience in delivering the Water Stimulus work programme, staff have included the following additional factors in the analysis:

- Readiness to proceed (consent requirements, status of investigation and design work.
- Risks to delivery (risk of material delays, resources to deliver, procurement risks and timelines, robustness of estimates, cost estimate optimism, contingency provisions).
- Future operational or capital cost savings (through improved efficiency, or accelerating work required in future Long-Term Plan).
- No other potential funding sources available (e.g. Waka Kotahi, Ministry for Environment).

Failure to meet any of the above criteria is likely to place increased risks on delivery of the program.

#### **4. Financial Considerations**

Following approval of the Funding Proposal and an executed Funding Agreement, 10% of the amount will be released. Following this council can submit a progress payment request, along with a progress report, up to once a month. Further funding will be released upon approval of this request.

While the water stimulus funding was largely funded in advance, the Better-Off funding will largely be retrospectively funded in a similar manner to the way Waka Kotahi fund roading.

The Department of Internal Affairs will not increase the funding allocation if projects exceed the total agreed allocation.

#### **5. Projects Put Forward but Not Ready to Proceed**

Council staff provided projects for consideration with a total estimated value of \$14,506,466. These have been reviewed for their readiness to proceed as Tranche 1 projects, robustness of estimates, ability to be completed by 30 June 2024, the ability to access other government funding for the project, and future savings.

A large amount of the work requires further planning, investigation, and cost estimating to have confidence that it can be undertaken for the costs presented, and within two years.

Investigations to enable projects to be progressed in Tranche 2 or through the 2024 Long-term Plan have been included for consideration in Tranche 1.

The following list of projects were put forward by staff and are recommended for consideration in the Tranche 2 application process. Staff will be encouraged to provide further analysis and detail on these, including a review of the cost estimates and contingency amounts.

<b>Programme</b>	<b>Project</b>	<b>Amount</b>
Community Facility Upgrades.	Alexandra Community Centre. Earthquake Strengthening & Stage Upgrade.	\$3,215,166
	Clyde Hall Kitchen and Accessible Bathroom.	
	Tarras Community Hall. Earthquake strengthening, Accessibility upgrades.	
	Roxburgh Entertainment Centre. Maintenance and upgrades including fire system, earthquake strengthening, LED lighting.	
	Water Treatment Plants for Mānīatoto Rural Halls – Waipiata and Wedderburn.	
	Mānīatoto Park Stadium. Upgrade Stadium Lights to LED, Earthquake strengthening work and new ramp, Clubrooms Double Glazing and Code Locks.	
	Ranfurly Service Centre. Earthquake strengthening, Double glazing, New door back ramp, Replace Diesel Boiler, Upgrade KVA Capacity.	
	Mānīatoto Art Centre. Encapsulate or remove asbestos ceiling panels in meeting room.	
Public Toilets.	Naseby Public Toilets. New Triple Unisex Block.	\$1,038,800
	Cromwell Bike Park Toilets.	
	Molyneux Park New Public Toilets.	
	Ranfurly Public Toilets New Public Toilets.	
Eden Hore Central Otago.	Mobile pop-up visitor experience.	\$750,000
Omakau Community Hub.	New kitchen and dining area for camping and recreational use at the Omakau Recreational Reserve.	\$450,000
Development of Reserves.	Half Mile Reserve. Source of wildling conifers removed. Site is redeveloped as an open friendly space.	\$1,150,000
	Boothill Reserve. Source of wildling conifers removed. Site is redeveloped as an open and friendly space.	
	Grovers Hill Redevelopment. Grovers Hill Forest Park accessible to the community for a wide range of recreational activities.	
	River Track Planting in Teviot. The track in many places is overgrown with weed species. Planting in natives will provide a native corridor along the river's edge.	
Support to fibre installation projects.	Installation of fibre to Millers Flat or Etrick community. The Etrick and Millers Flat communities lack fibre connectivity and have been working with Yrless to deliver a fibre solution. Funding would be used to mee the funding gap between the total cost and the contribution from Yrless and households and businesses in one of these communities.	\$925,000

	Alexandra/Clyde – Cromwell Fibre link. The current Clyde-Cromwell fibre link is aging and at capacity. The addition of a new fibre link would increase resilience to natural events, deliver faster speeds, provide capacity for future growth, and enable new opportunities for council, community, and business.	
Secondary school's pathways to work – pilot.	Support a 2-year pilot programme aimed at raising awareness and connecting youth with local employers and employment options.	\$100,000
Purchase and rollout of new kerbside bins.	Reducing the size of the rubbish bins, repurposing of large rubbish bin to organics bin with change of lid, installation of latches on kerbside recycling bins to reduce litter.	\$750,000
	New Emergency Management Operations Centre/CODC Archive/Museum Storage Facility Building.	\$1,000,000
	New Central Otago District Council Dog Pound.	\$320,000

## 6. Projects for Consideration

The following projects have been reviewed and identified as being able to be delivered by 30 June 2024, will support the larger Tranche 2 application, and have no other government funding opportunities.

### Community Wellbeing Framework and Dataset - \$90,000

Council is required to identify wellbeing metrics for measuring each programme of work. Department of Internal Affairs and Crown Infrastructure Partners recommend that Councils community wellbeing framework and dataset used in its annual reports is used for this.

Central Otago District does not have a wellbeing framework or indicator dataset that is used for annual reporting. Staff have recommended that this be developed as a project in Tranche 1. This can then be used to support projects for funding approval for Tranche 2, and for the 2024 Long Term Plan.

### Iwi/Māori Engagement for Tranche 2 - \$90,000

Council is required to demonstrate that it has consulted with iwi for the Tranche 1 funding application, and how any issues that have been raised will be addressed. Iwi is required to actively participate in the development of the Tranche 2 programme of work. The recently approved partnership agreement will form the basis for this. Iwi will need to provide greater resources to support council's Tranche 2 application than was anticipated when setting up the partnership agreement. Additional funding is proposed in Tranche 1 to support this resource requirement.

### Supplementary Funding to Progress 2021 – 24 Long Term Plan Projects - \$800,000

There have been significant increases in costs as a result of Covid-19 impacting on the ability to complete work programmes during lock-downs and staff absences, inflation, material supply, and resourcing cost increases. Several projects that were in the 2021 Long Term Plan to be delivered in 2022/23 and 2023/24 will require additional funding to enable

these to progress. These projects are ready to proceed and can be completed before Tranche 2 becomes available in July 2024. These are:

- Alexandra Library Upgrade
- Digitisation of property records

#### Emergency Management and Building Seismic Resilience Assessments - \$650,000

There is currently a mobile generator located in the Teviot area to provide back-up power for emergency management in this area. A further three generators could be purchased for the Mānīatoto, Vincent, and Cromwell wards. This would include wiring of emergency management centres in these areas for generator use. It is proposed that four Starlink communication systems also be installed at these centres.

Further work to complete seismic assessments of community facilities and prepare design and tender document is also proposed. This would provide robust information on which to prepare an application in Tranche 2 for undertaking this work, or alternatively to feed into the 2024 Long Term Plan. There are several associated upgrades on these facilities that could be more effectively undertaken at the same time as the seismic upgrades on these buildings in Tranche 2. This includes energy efficiency improvements, accessibility improvements, water supply upgrades, and replacement of dated fixtures and fittings.

#### Strategies and Investigation Work

Several strategies and investigation projects were proposed by staff. These are not currently funded in the Long-term Plan.

- Housing Needs Assessment - \$200,000.
- Feasibility Study into high-speed internet connectivity - \$65,000.
- Destination Management Plan Project Scoping & Business Case Development - \$200,000.
- Molyneux Stadium Renewals Assessment - \$50,000.
- Video employers can use to attract people into the district for work – \$20,000.

#### Libraries

There are two projects put forward for libraries, these are to install Radio Frequency Identification (RFID) which provides automated scanning of books and is aligned with the systems used in other neighbouring councils. This would improve the health and safety of staff, improve operational efficiency, and free up staff time. The estimated cost of this is \$400,000.

The second project is to install new book shelving and furniture in the libraries. The estimated cost of this is \$560,000.

#### Recreational Facilities and Public Spaces – up to \$2,100,000

There are a number of projects that could collectively form a programme of work. The total estimated value for the projects submitted is \$2,100,000. This includes work on swimming



pools, playgrounds, parks, tennis courts and public spaces. Some of this work is in later years of the 2021 Long Term Plan but could be accelerated.

Council could provide a sum of money which balances the programme to \$3.21 million for this programme of work. Further information on the individual projects within this programme can be provided and prioritised by Council between July and November.

Any projects that do not meet the \$3.21million funding line limit, may be able to be funded as contingency projects.

## 7. Options

### Option 1 – (Recommended)

Agree to sign the Funding Agreement and approve a programme of work using the priorities suggested in the table below, to the value of \$3.21M, to include in the Funding Proposal.

<b>Programme of Work</b>	<b>Value</b>
Community Wellbeing Framework and Dataset	\$90,000
Iwi/Māori Engagement for Tranche 2	\$90,000
Supplementary Funding to Progress 2021 – 24 Long Term Plan Projects	\$900,000
Emergency Management and Building Seismic Resilience Assessments	\$650,000
Libraries RFID	\$400,000
<b>Total</b>	<b>\$2,130,000</b> <b>(\$1,080,000 remaining)</b>
Strategies	Up to \$535,000
Library bookshelves and furniture	\$560,000
Recreational Facilities and Public Spaces	Remaining amount & contingency projects from \$2,100,000 of projects presented

#### Advantages:

- Council receives additional funding to spend on projects that benefit the community.
- Projects that are ready to proceed can be completed by 30 June 2024, prior to Tranche 2 funding becoming available.
- Work to enable projects to be ready to proceed for Tranche 2 will be completed, reducing the risk of non-delivery and over expenditure on Tranche 2 projects.
- Less work will need to be undertaken within the 3 year Tranche 2 period.
- Tranche 1 funding application can be submitted and approved by Department of Internal Affairs by the 30 September 2022 deadline.
- The proposed structuring of the Tranche 1 projects into programmes will streamline reporting requirements.
- Opportunities to improve project management across the broader organisation and understanding of reporting requirements for these types of funding allocations.

#### Disadvantages:

- There may be work which is of higher importance to the community.

Option 2

Agree to sign the Funding Agreement and approve a different list of individual projects to the value of \$3.21M, to include in the Funding Proposal.

Advantages:

- Council receives additional funding to spend on projects that benefit the community.
- Opportunities to improve project management across the broader organisation and understanding of reporting requirements for these types of funding allocations.

Disadvantages:

- Projects may not be completed by 30 June 2024, and will carry into the Tranche 2 delivery period.
- Work to enable Tranche 2 projects to be shovel ready may not be undertaken.
- More work may need to be undertaken within the 3 year Tranche 2 period.
- The Tranche 1 funding application may not be submitted and approved by Department of Internal Affairs by the 30 September 2022 deadline.
- The reporting requirements will be onerous, difficult to meet and will have a high administrative work requirement.
- If individual specific projects are included in the funding agreement, then there will be no flexibility in adjusting the work that is undertake if costs increase, or the ability to deliver changes. An application to change the scope of the project will be required to be submitted and approved by Department of Internal Affairs.

Option 3

Do not sign the Funding Agreement and receive any funding from Tranche 1. Any funding available to Council would transfer to Tranche 2.

Advantages:

- Less work to do during the water reform transition period.

Disadvantages:

- Council receives no additional funding to spend on projects that benefit the community There may be a change in Government policy before Tranche 2 is implemented, and the funding could be lost, or have different requirement placed on it.
- Tranche 2 will require a larger amount of money to be spent in a shorter time.
- Increased risk of not delivering the programme of work within the time required.
- Work to enable Tranche 2 projects to be shovel ready will not be undertaken, increasing the risk of non-delivery and cost over-runs.
- Opportunities to improve project management across the broader organisation and understanding of reporting requirements for these types of funding allocations will be lost.

**8. Compliance**

<p><b>Local Government Act 2002 Purpose Provisions</b></p>	<p>This decision enables democratic local decision making and action by, and on behalf of communities by allowing Council to spend additional funds on work that directly benefits the community.</p>
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	<p><b>AND</b></p> <p>This decision promotes the social/cultural/economic/environmental wellbeing of communities, in the present and for the future by committing to projects that benefit one or more of the wellbeings.</p>
<b>Decision consistent with other Council plans and policies? Such as the District Plan, Economic Development Strategy etc.</b>	Yes.
<b>Considerations as to sustainability, the environment and climate change impacts</b>	Some of the projects listed will have a positive impact on these as sustainability is one of the key criteria for this funding.
<b>Risks Analysis</b>	There is a risk to Council of not receiving the funding if the Funding Agreement and Funding Proposal are not signed and accepted by the DIA prior to 30 September 2022.
<b>Significance, Consultation and Engagement (internal and external)</b>	Engagement with Iwi/Māori is required to access both Tranches of funding, particularly Tranche 2 of the funding.

## 9. Next Steps

Funding Proposal will be prepared.

## 10. Attachments

**Appendix 1 - Better Off Package Funding Agreement April 2022.pdf** [↓](#)

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30/06/2022

Reviewed and authorised by:



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30/06/2022























































