

## **Christchurch City Council**

### **AGENDA**

---

#### **Notice of Meeting:**

An ordinary meeting of the Christchurch City Council will be held on:

**Date:** **Tuesday 25 August 2020**  
**Time:** **9.30am**  
**Venue:** **Council Chambers, Civic Offices,  
53 Hereford Street, Christchurch**

---

#### **Membership**

Chairperson	Mayor Lianne Dalziel
Members	Acting Mayor Andrew Turner
	Councillor Jimmy Chen
	Councillor Catherine Chu
	Councillor Melanie Coker
	Councillor Pauline Cotter
	Councillor James Daniels
	Councillor Mike Davidson
	Councillor Anne Galloway
	Councillor James Gough
	Councillor Yani Johanson
	Councillor Aaron Keown
	Councillor Sam MacDonald
	Councillor Phil Mauger
	Councillor Jake McLellan
	Councillor Tim Scandrett
	Councillor Sara Templeton

---

**20 August 2020**

#### **Principal Advisor**

Dawn Baxendale  
Chief Executive  
Tel: 941 6996

Jo Daly  
Council Secretary  
941 8581  
jo.daly@ccc.govt.nz  
[www.ccc.govt.nz](http://www.ccc.govt.nz)

Note: The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted. If you require further information relating to any reports, please contact the person named on the report.

Watch Council meetings live on the web:  
<http://councillive.ccc.govt.nz/live-stream>

## Developing Resilience in the 21st Century

Strategic Framework



Whiria ngā whenu o ngā papa,  
honoa ki te maurua tāuiki

Bind together the strands of each mat and join  
together with the seams of respect and reciprocity

### Ōtautahi-Christchurch is a city of opportunity for all

Open to new ideas, new people and new ways of doing things – a city where anything is possible

#### Principles

Being open,  
transparent and  
democratically  
accountable

Promoting  
equity, valuing  
diversity and  
fostering inclusion

Taking an inter-generational approach  
to sustainable development,  
prioritising the social, economic  
and cultural wellbeing of  
people and communities  
and the quality of the  
environment, now  
and into the  
future

Building on the  
relationship with  
Te Rūnanga o Ngāi Tahu  
and the Te Hononga-Council  
Papatipu Rūnanga partnership,  
reflecting mutual understanding  
and respect

Actively collaborating and  
co-operating with other  
local, regional  
and national  
organisations

Ensuring  
the diversity  
and interests of  
our communities  
across the city and the  
district are reflected in  
decision-making

#### Community Outcomes

##### Resilient communities

Strong sense of community  
Active participation in civic life  
Safe and healthy communities  
Celebration of our identity  
through arts, culture, heritage,  
sport and recreation  
Valuing the voices of all cultures  
and ages (including children)

##### Liveable city

Vibrant and thriving city centre  
Sustainable suburban and  
rural centres  
A well connected and accessible  
city promoting active and  
public transport  
Sufficient supply of, and  
access to, a range of housing  
21st century garden city  
we are proud to live in

##### Healthy environment

Healthy water bodies  
High quality drinking water  
Unique landscapes and  
indigenous biodiversity are  
valued and stewardship  
exercised  
Sustainable use of resources  
and minimising waste

##### Prosperous economy

Great place for people, business  
and investment  
An inclusive, equitable economy  
with broad-based prosperity  
for all  
A productive, adaptive and  
resilient economic base  
Modern and robust city  
infrastructure and community  
facilities

#### Strategic Priorities

Enabling active  
and connected  
communities  
to own their future

Meeting the challenge  
of climate change  
through every means  
available

Ensuring a high quality  
drinking water supply  
that is safe and  
sustainable

Accelerating the  
momentum  
the city needs

Ensuring rates are  
affordable and  
sustainable

#### Ensuring we get core business done while delivering on our Strategic Priorities and achieving our Community Outcomes

Engagement with  
the community and  
partners

Strategies, Plans and  
Partnerships

Long Term Plan  
and Annual Plan

Our service delivery  
approach

Monitoring and  
reporting on our  
progress

## TABLE OF CONTENTS

<b>Karakia Timatanga .....</b>	<b>4</b>
<b>1. Apologies / Ngā Whakapāha .....</b>	<b>4</b>
<b>2. Declarations of Interest / Ngā Whakapuaki Aronga .....</b>	<b>4</b>
<b>3. Public Participation / Te Huinga Tūmatanui.....</b>	<b>4</b>
3.1 Deputations by Appointment / Ngā Huinga Whakaritenga .....	4
<b>4. Presentation of Petitions / Ngā Pākikitanga.....</b>	<b>4</b>

## STAFF REPORTS

<b>5. Three Waters Section 17A Review .....</b>	<b>5</b>
<b>6. Central Government Reform of Water Services .....</b>	<b>17</b>
<b>7. Resolution to Exclude the Public.....</b>	<b>66</b>

**Karakia Whakamutunga**

## **Karakia Timatanga**

### **1. Apologies / Ngā Whakapāha**

Mayor Dalziel has a leave of absence.

### **2. Declarations of Interest / Ngā Whakapuaki Aronga**

Members are reminded of the need to be vigilant and to stand aside from decision making when a conflict arises between their role as an elected representative and any private or other external interest they might have.

### **3. Public Participation / Te Huinga Tūmatanui**

There will be no public forum at this meeting.

#### **3.1 Deputations by Appointment / Ngā Huinga Whakaritenga**

Deputations may be heard on a matter or matters covered by a report on this agenda and approved by the Chairperson.

There were no deputations by appointment at the time the agenda was prepared.

### **4. Presentation of Petitions / Ngā Pākikitanga**

There were no Presentation of Petitions at the time the agenda was prepared.

## 5. Three Waters Section 17A Review

Reference / Te Tohutoro: 20/358134

Report of / Te Pou  
Matua: Helen Beaumont, Head of Three Waters & Waste,  
helen.beaumont@ccc.govt.nz

General Manager /  
Pouwhakarae: David Adamson, General Manager City Services,  
david.adamson@ccc.govt.nz

### 1. Executive Summary / Te Whakarāpopoto Matua

- 1.1 The purpose of this report is to provide Council with the outcomes of the Three Waters Section 17A Review and updated recommendations that take into account the scope, expectations and timeline of Central Government's three waters reform programme (water reform programme) announced in July 2020<sup>1</sup>.
- 1.2 The decision in this report is of medium significance in relation to the Christchurch City Council's Significance and Engagement Policy.

### 2. Officer Recommendations / Ngā Tūtohu

That the Council:

1. Receive the information in this report, note the options available to Council and adopt the report as meeting its requirements for a section 17A review of three waters.
2. Note that Central Government's three waters reform programme (water reform programme) may result in drinking water and wastewater functions transferring to a new entity within the next 2 to 5 years.
3. Agree that in relation to drinking water and wastewater functions (two waters) responsibility for governance, funding and service delivery remain with Council at this time.
4. Agree that Council should continue to engage with Te Rūnanga o Ngāi Tahu, local Rūnanga and the community regarding the water reform programme.
5. Agree that an internal staff working group be created to:
  - a. Develop a clear understanding of the true cost of drinking water and wastewater service delivery, the balance sheet, dependencies and interactions with the rest of Council's operations.
  - b. Develop a funding options paper, including the option of volumetric charging, for water supply and wastewater services taking into account: equity and fairness, water conservation, cost recovery and guaranteed provision of water to all consumers.
  - c. Provide advice to support Council and management decisions on the requirements, impacts, response options and advocacy positions for this Council as the water reform programme progresses towards proposed water delivery agencies.
  - d. Develop and oversee our Council's contribution to the Canterbury Mayoral Forum initiative to explore aggregated service delivery within the South Island.
  - e. Prepare the business case, including understanding the costs and implications for the wider Council, to support decisions on aggregated service delivery options with other

<sup>1</sup> <https://www.dia.govt.nz/Three-Waters-Reform-Programme>

councils including combinations across Canterbury, the West Coast, the top of the South Island and the whole South Island.

- f. Provide progress reports to the Three Waters Infrastructure and Environment Committee as part of the bi-monthly 3 waters update.
6. Agree that responsibility for governance, funding and service delivery of stormwater will remain with the Council, noting that through the water reform programme, stormwater is not likely to be transferred to a separate entity in the initial stages.
7. Note the proposal to consult with the community on funding options as part of the Long Term Plan.

### 3. Reason for Report Recommendations / Ngā Take mō te Whakataua

- 3.1 The recommended option is the status quo plus a work programme to explore options for drinking water and wastewater to transition to a new entity. This recommendation is different to that from the review team and the External Governance Group.
- 3.2 The section 17A review was finalised in June 2020 prior to Central Government's reform programme announcement in July. It recommended a move to a stand-alone business unit (SABU) for drinking water and wastewater. The three year timeframe for establishing new entities means the cost of establishing the SABU along with a different governance structure is no longer warranted. It is however essential that Council is fully informed as it considers all options for delivering water services over the next 12 months.
- 3.3 Although the options analysis has shown that options 2, 3 and 4 may deliver greater long-term cost effectiveness, in the short term, an internal staff working group is able to determine the best way to prepare Council for the outcomes of the water reform programme. The approach, situational analysis and options analysis completed for this review can be leveraged as part of the Council's contribution to a multi-regional review.

### 4. Alternative Options Considered / Ētahi atu Kōwhiringa

- 4.1 Two options have been considered for this report:
  - 4.1.1 Retained status quo with an internal working group to support Council during the central government reform programme.
  - 4.1.2 Transition to a stand-alone business unit for drinking water and wastewater – original recommendation from the section 17A review.

#### **Option 1: Retain status quo for three waters service delivery with internal working group to provide advice on reform programme**

- 4.1 Advantages
  - 4.1.1 Council maintains control of operations, quality practices and outcomes – enables staff to continue to focus on the water supply security programme including preparation of revised water safety plans; continues focus across City Services
  - 4.1.2 Ongoing integration with related functions such as roading, parks and future services.
  - 4.1.3 Lower management costs as no duplication of management functions and no transition costs.
  - 4.1.4 Enables Council to focus on the central government reform programme, engage with other territorial authorities and work with Te Rūnanga o Ngāi Tahu, local Rūnanga.
  - 4.1.5 Minimised immediate impact on staff whilst the programme of work required to support central government reform and the impact to remaining council services is determined.

- 4.1.6 Costs of exploring aggregated delivery of water services and developing the business case(s) shared with other councils within the South Island and, potentially, central government
- 4.2 Disadvantages
  - 4.2.1 Council processes are less flexible and more bureaucratic than a focused entity.
  - 4.2.2 Does not formally ring fence the two waters delivery function from competing priorities in terms of funding and resources.
  - 4.2.3 True cost of delivering water services is harder to determine due to allocated overheads.
  - 4.2.4 Continued under-funding and impairment of assets – if Council does not engage with the central government reform programme.

**Option 2: Transition to a stand-alone business unit for drinking water and wastewater services**

- 4.3 Advantages
  - 4.3.1 Would position Council to start addressing the challenges outlined in the review whilst enabling Council to prepare for the outcomes of water reform.
  - 4.3.2 Semi-autonomous management of two waters delivery enables more transparency and a commercial focus to service delivery.
  - 4.3.3 Delegated governance with opportunity for independent/appointed member of subcommittee for two waters.
  - 4.3.4 Early identification of resources required for delivery of two waters, and the impact to remaining Council services, in preparation for reform programme and transition of two or three waters services to a new entity.
- 4.4 Disadvantages
  - 4.4.1 The benefits identified with a SABU are unlikely to be realised due to the timelines for reform.
  - 4.4.2 The additional costs associated with an Establishment Unit, transition plan and independent governance are estimated at \$150,000.
  - 4.4.3 Creates an additional and unusual (for Council) organisational hierarchy which could cause transition challenges
  - 4.4.4 Addressing longer term challenges identified by Council, such as climate change, may be harder to achieve.
  - 4.4.5 Likely to result in two significant re-structure exercises, within one to three years, for the staff involved with three waters service delivery.

## 5. Detail / Te Whakamahuki

### Establishment

- 5.1 The Finance and Performance Committee of the Whole resolved in June 2019 to deliver a service delivery review, as outlined in section 17A of the Local Government Act (LGA) 2002 by internal staff with an external peer reviewer and governance group. The committee set out two key objectives:



- The core objective of the review was to evaluate the cost-effectiveness of three waters services from a Christchurch City Council ratepayer perspective and consider the relative merits of alternative options including more integrated management of three waters services in supporting Christchurch City Council's Strategic framework and delivering the community outcomes
  - The section 17A review was also required to consider the cost-effectiveness of options to the Canterbury region
- 5.2 While objective 2 was outside of the legal scope of section 17A of the LGA, it was an opportunity to explore the options that were expected to be included in the water reform programme to ensure Council would be prepared to respond to any significant and/or structural changes that may occur.

#### Current state

- 5.3 The provision of three waters infrastructure and services is a substantial, costly and complex function of the Council. People rarely think about what is involved in:
- ensuring safe drinking water is available when they turn their kitchen tap on
  - how the waste from their shower and toilet is removed from their property and treated to ensure what is discharged into the environment will not be harmful
  - how the water is drained from their properties and roads to minimise the risk and costs of flooding.
- 5.4 Christchurch City Council has substantial infrastructure, staff and operations that allow these things to happen for the residents of Christchurch and Banks Peninsula. Key metrics include:
- Potable water and waste water services are provided to approximately 160,000 residential and business customers
  - Water is supplied via 1700 kilometres each of mains and sub-mains, 42 reservoirs, 127 pump stations, 155 wells, 7 stream intakes and 7 water treatment plants.
  - Wastewater services require 945 kilometres of laterals, 1,826 km of wastewater mains, 149 pump stations, 84 lift stations, and 34 odour control sites.
  - There are eight wastewater treatment plants with disposal via one outfall pump station, six ocean/harbour outfalls and two land irrigation schemes.
  - The water supply, wastewater reticulation and treatment infrastructure is monitored and controlled by an extensive communications system (SCADA).
  - The water supply, wastewater and storm water / waterways assets are currently valued at approximately \$2.6billion, \$3.9billion and \$1.4billion respectively.
  - The operational expenditure for the three waters business activities including depreciation and interest totals \$304million (draft 20/21 Annual Plan, February 2020).
- 5.5 Draft Asset Management Plans for the Long Term Plan 2021-31 were signed-off in May 2020, after the section 17A review had been completed. The information within them could not formally be used in the review. It is outlined below as it provides up to date information on the financial challenges for water services due to historical under-investment that has been exacerbated following the Canterbury Earthquake sequence. The Plans introduce a number of value for money performance measures:



**Water supply**

- The 10 year rolling ratio of renewals to depreciation is 39%
- The capital expenditure per property/connection is \$219 compared to a median of \$260 (WaterNZ National Performance Review 2018/19)
- The operational expenditure per property connection is \$93 for water supply compared to median of \$208 (WaterNZ National Performance Review 2018/19).

**Waste water**

- The 10 year rolling ratio of renewals to depreciation is 31%
- The capital expenditure per property/connection is \$331 compared to a median of \$387 (WaterNZ National Performance Review 2018/19)
- The operational expenditure per property connection is \$117 compared to median of \$279 (WaterNZ National Performance Review 2018/19).

**Stormwater**

- The 10 year rolling ratio of renewals to depreciation is 66%
- The capital expenditure per property/connection is \$113 compared to a median of \$113 (WaterNZ National Performance Review 2018/19)
- The operational expenditure per property connection is \$49 compared to median of \$82 (WaterNZ National Performance Review 2018/19).

**Assessment**

5.6 Key challenges that we face now and into the future include:

- Increasing community expectations of drinking-water quality and quantities available to them
- The removal of wastewater and stormwater from people's properties and the way we treat and dispose of these waters
- Increasing pressure on water resources due to environmental change, along with the predicted impacts of climate change, such as increased flooding events, changes to rainfall patterns, and sea level rise
- A lack of awareness of the value of our water in all its forms and a lack of understanding of what is required to look after it for current and future generations
- Competing uses for Council funding is causing increased underfunding of water asset renewals
- Central government expectations about water services amalgamation.

Each of these challenges impact on the Council's water services delivery. Some of these challenges are within the control of the Council, while others, such as climate change or central government policy, are external and expected to increase in the future.

5.7 This review focuses on ensuring the Council delivers ongoing cost-effectiveness for its services. It includes an opportunity to review the way in which water services are governed, funded and delivered, and how changes to these may help respond to challenges.

## Options analysis

5.8 This review focused on the following:

- **Governance:** The three waters, alongside other services, are currently governed by elected members through the Three Waters, Infrastructure and Environment Committee. Alternative options involve independent governors through to options such as a joint committee or the board of a Council-controlled organisation (CCO).
- **Funding allocation:** The allocation is currently determined as a part of the Council. Alternative options include formally ring-fencing and transitioning funding into a separate organisation.
- **Service delivery:** The delivery of infrastructure, services and regulatory functions is currently through a mixture of in-house delivery and contracts, with overall responsibility held by the Council. The responsibility could be moved to a CCO, although overall accountability would remain with the Council through a letter of expectation with the CCO.
- **Scale:** The three waters services are delivered at a Christchurch District level. This is under review as a separate, but related, activity to consider broader-scale opportunities for the Canterbury and West Coast regions.
- **Funding mechanism:** The source of funding for three waters is currently from targeted rates based on the capital value of the property, and development contributions for new properties. Alternative funding mechanisms are based on fees and charges. Evidence suggests that volumetric charging for water would provide more effective demand management.
- **Number of waters:** This review is focused on all three waters. However, some models recommend drinking water and wastewater to be considered separately from stormwater and water ways. The central government reforms have a preference for collaborative models that focus on two waters, with stormwater and waterways retained within councils. This is because stormwater functions are typically integral to other council functions including roading and other community amenities like parks.

5.9 Section 17A of the Local Government Act 2002 sets out a long list of alternative options that need to be considered as part of the review. From this long list, four options were considered as the most reasonably practicable other options for further analysis:

- Status Quo
- Stand-alone business unit (SABU)
- Service delivery Council Controlled Organisation (CCO)
- Asset-owning CCO

5.10 The four options were considered against the following criteria:

- Ease of transition to the option
- Alignment with short-term central government reform expectations
- Ability to respond to the challenges identified during this review
- Long-term qualitative and quantitative advantages and disadvantages
- Long-term cost-effectiveness.

### Option 1: Status Quo

- 1.2 The assessment phase has demonstrated that the current state and funding of water infrastructure has significant challenges that will increase in time. Analysis suggests that this option struggles to respond to the identified challenges. During the review process, it did not meet the expectations of increased collaboration as part of the Department of Internal Affairs' (DIA) ongoing Three Waters Review. The timeframes for the reform project mean that a formal transition from the status quo at this stage cannot be justified. Any different structure requires time to deliver benefits and there is no longer the time to realise them.

### Option 2: Stand-alone Business Unit (SABU)

- 1.3 A SABU was initially recommended as the best way forward. It is a viable and achievable option that is able to address a number of the short-term challenges identified in this review. This includes increased independence in the governance arrangements and formally ring-fenced funding. This option is able to meet the short-term objectives and critical success factors agreed for this review and, being focused specifically on two waters (i.e. water supply and wastewater), it aligns with the expectations of Central Government as a starting point for enabling increased collaboration and it is a viable transition option if needed. However, the extremely short timeframes set out by Central Government for the water reform programme have led to the development of updated recommendations to best deliver services, support the reform programme and minimise unnecessary disruption to the Council.

### Option 3: Service Delivery CCO

- 1.4 High-level options analysis has shown that there could be increased cost-effectiveness along with other non-financial benefits. These are expected to increase with consolidation through efficiencies of scale and increased resilience.

### Option 4: Asset Owning CCO

- 1.5 High-level options analysis (Figure 1) has shown that this option could provide the greatest ongoing savings and other non-financial benefits in the longer term, through economies of scale with a number of other councils.

	Status quo	SABU	Service delivery CCO	Asset-owning CCO
Ease of transition	Easy	Easy	Hard	Extremely hard
Impact on the Council	None	Minimal	Significant	Extremely significant
Central Government reform expectation	Low	High (initial step)	Medium (long term)	High (long term)
Response to challenges identified in this review	Low	Medium	Medium	High
Long-term qualitative and quantitative advantages and disadvantages	More disadvantages	Mixed	More advantages	Significant advantages
Long-term cost-effectiveness	Low	Medium	High	High

- Figure 1: Options analysis overview

### Original recommended way forward

- 5.11 The section 17A review recommended a transition from the status quo to Option 2, a two waters SABU for drinking water and wastewater.
- 5.12 Although the options analysis showed that options 3 and 4 may deliver greater long-term cost effectiveness, in the short term, a SABU is able to deliver a number of benefits that are harder to achieve with the status quo along with minimal transition costs and risk. A SABU can be an effective enabler for setting up independent processes and systems and can provide a springboard to other governance structures. It is the starting point for Christchurch to be prepared for future outcomes of both central government review and the multi-regional opportunities.
- 5.1 The key focus areas of this review – governance, funding, service delivery, scale, and funding mechanism – for each option are summarised in Figure 2. The recommended way forward from the section 17A review is highlighted in green.

	Governance	Funding Source and Allocation	Service Delivery	Scale
Status Quo	Elected	Part of Council	CCC / Contract	CCC
Stand Alone Business Unit (drinking water and wastewater)	Elected and Appointed	Ring-fenced	CCC / Contract	CCC *
Service Delivery Council Controlled Organisation	Appointed	Fully Independent	CCO / Contract	Region +
Asset Owning Council Controlled Organisation	Appointed	Fully Independent	CCO / Contract	Region +
Funding mechanism	Targeted Rate	Fees and Charges		* Potential to scale to Region +

Figure 2: Summary of the key review elements for each option

### External Peer Review and Governance

- 5.2 The external peer reviewer and external governance group have produced final reports which are attached to this report as reference.

## 6. Implications of maintaining the status quo

- 6.1 The status quo minimises the immediate impact on service delivery and staff as Council responds to the water reform programme alongside other authorities.

## 7. Policy Framework Implications

### Strategic Alignment / Te Rautaki Tīaroaro

- 7.1 This report supports the Council's Strategic Framework.
- 7.2 This report supports the Council's Long Term Plan (2018 - 2028):
  - 7.2.1 Activity: Strategic Planning and Policy
- 7.3 Level of Service: 17.0.1.1 Advice to Council on high priority policy and planning issues that affect the City. Advice is aligned with and delivers on the governance expectations as evidenced through the Council Strategic Framework.

### Policy Consistency/ Te Whai Kaupapa here

- 7.4 The decision is consistent with Council's Plans and Policies.

### Impact on Mana Whenua / Ngā Whai Take Mana Whenua

- 7.5 The decision does not involve a significant decision in relation to ancestral land or a body of water or other elements of intrinsic value, therefore this decision does not specifically impact Mana Whenua, their culture and traditions.

### Climate Change Impact Considerations / Ngā Whai Whakaaro mā te Āhuarangi

- 7.6 The problem statements identified in the review acknowledges and includes future challenges for water infrastructure due to climate change. The recommended way forward has no climate change impacts in regards to mitigation or adaptation.

### Accessibility Considerations/ Ngā Whai Whakaaro mā te Hunga Hauā

- 7.7 The decision has no accessibility impacts.

## 8. Resource Implications

### Capex/Opex/ Ngā Utu Whakahaere

- 8.1 Budgets for each of the three waters services will not be impacted by this recommendation.
- 8.2 Christchurch City Council is participating in a multi-regional service delivery review, as part of the Canterbury Mayoral Forum, which is not in scope of this review but is directly related to it. The estimate for Christchurch City Council's contribution is likely to be approximately \$100,000.

## 9. Legal Implications

### Statutory power to undertake proposals in the report / Te Manatū Whakahaere Kaupapa

- 9.1 The Council is required, under the Local Government Act 2002, to undertake a section 17A review under certain criteria, including 'within 2 years before the expiry of any contract or other binding agreement relating to the delivery of that infrastructure, service, or regulatory function'. Council's potable and wastewater contracts expire in June 2020, triggering the requirements for a review – a contract extension is in place to allow the time required to complete a review.
- 9.2 This report and its attachments, and past briefings to the Council on progress of the review since June 2019, meet the requirements of section 17A and provide a robust basis for Council to adopt the report as its section 17A review. There are not considered to be any legal implications arising from the proposal to maintain the status quo, as recommended in this

report, but if the internal staff working group identify any legal issues through their work, the legal services unit will be able to provide advice at that time.

### Other Legal Implications / Ētahi atu Hīraunga-ā-Ture

- 9.3 There are legal implications for the Council if it were to adopt one of the CCO options. Council is required to consult before it establishes a CCO, and there will be other issues to be resolved regarding contractual arrangements and funding. Local legislation may need to be pursued to support a new CCO, similar to the legislation put in place for Auckland's Watercare Service Limited. However, central government may be investigating whether any new legislation is required to support local authorities as part of its water reform programme.
- 9.4 This report has been reviewed and approved by the Legal Services Unit

## 10. Risk Management Implications / Ngā Hīraunga Tūraru

- 10.1 This is a low risk option that enables Council to respond to internal challenges whilst also preparing for central government reform.

## 11. Significance and engagement

- 11.1 The recommendation to retain the status quo has low significance and the transition to a stand-alone business unit is of medium significance. The review has been completed internally without community engagement. Given that there is no change to the way three waters services are delivered, the community views on this proposal are likely to be neutral. If, in the future, a further transition is recommended for drinking water and wastewater to a new entity the level of significance would be high and require community engagement and consultation.

## Attachments / Ngā Tāpirihanga

No.	Title	Page
A ➞	Section 17A Three Waters - Executive Summary ( <i>Under Separate Cover</i> )	
B ➞	Section 17A Three Waters - Detailed Summary ( <i>Under Separate Cover</i> )	
C ➞	Section 17A Three Waters - Full section 17A review ( <i>Under Separate Cover</i> )	
D ➞	Section 17A Three Waters - External Governance Group final report ( <i>Under Separate Cover</i> )	
E ➞	Malcolm Morrison Final External Peer Review report May 2020 ( <i>Under Separate Cover</i> )	

In addition to the attached documents, the following background information is available:

Document Name	Location / File Link
Not applicable	Not applicable

## Confirmation of Statutory Compliance / Te Whakatūtutanga ā-Ture

Compliance with Statutory Decision-making Requirements (ss 76 - 81 Local Government Act 2002).

(a) This report contains:

- (i) sufficient information about all reasonably practicable options identified and assessed in terms of their advantages and disadvantages; and

- (ii) adequate consideration of the views and preferences of affected and interested persons bearing in mind any proposed or previous community engagement.
- (b) The information reflects the level of significance of the matters covered by the report, as determined in accordance with the Council's significance and engagement policy.

### Signatories / Ngā Kaiwaitohu

<b>Authors</b>	Judith Cheyne - Associate General Counsel Teresa Wooding - Senior Project Programme Lead Sarah Hemmingsen - Senior Advisor
<b>Approved By</b>	Helen Beaumont - Head of Three Waters & Waste David Adamson - General Manager City Services Dawn Baxendale - Chief Executive





## 6. Central Government Reform of Water Services

Reference / Te Tohutoro: 20/975719

Report of / Te Pou Matua:	Helen Beaumont, Head of Three Waters and Waste, helen.beaumont@ccc.govt.nz
General Manager / Pouwhakarae:	David Adamson, General Manager City Services, david.adamson@ccc.govt.nz

*It is intended this report will be the first item of business considered at the meeting.*

### 1. Purpose of the Report / Te Pūtake Pūrongo

- 1.1 To enable the Council to consider and approve:
  - 1.1.1 entering into a Memorandum of Understanding with the Government (MOU) (Attachment A)
  - 1.1.2 working constructively with the Government, iwi and other parties related to three waters services reform to support the objectives of its three waters service delivery reform programme
  - 1.1.3 accepting a grant from the Government for operating and/or capital expenditure relating to three waters infrastructure and service delivery
  - 1.1.4 authorising the Chief Executive to enter into a Funding Agreement (Attachment B) and Delivery Plan (Attachment C) with the Government, recording the grant and the Council's expenditure programme.
- 1.2 The decisions in this report are of low significance in relation to the Christchurch City Council's Significance and Engagement Policy. The level of significance was determined as set out below.

### 2. Officer Recommendations / Ngā Tūtohu

That the Council

1. Notes that:
  - a. In July 2020 the Government announced an initial funding package of \$761 million to provide a post COVID-19 economic stimulus to maintain and improve water networks infrastructure, and to support a three-year programme of reform of local government water services delivery arrangements.
  - b. Initial funding will be available to those councils that agree to work constructively with the Government, and other parties related to three waters services reform, to support the objectives of the three waters service delivery reform programme and to enter into a Memorandum of Understanding (MOU), Funding Agreement and Delivery Plan.
  - c. The initial funding will be available in two parts: a direct allocation to individual territorial authorities and a regional allocation. The participating individual authorities in each region will need to agree on their approach to distributing the regional allocation.
  - d. Council have engaged with Ngāi Tahu, via the Canterbury Mayoral Forum, and papatipu rūnanga via the Te Honanga – Papatipu Rūnanga committee, to seek support to engage in stage one of the reform programme.

- e. The steering committee established jointly by central and local government, has recommended a preferred approach to the allocation of regional funding, which is the same formula used to determine the direct allocations to territorial authorities.
  - f. The Government has advised that the MOU and Funding Agreement cannot be amended or modified by either party, and that doing so would void these documents.
  - g. The Council's participation in this initial stage is to be undertaken in good faith, the MOU is non-binding and the Council can opt out of the reform process when the MOU expires on 30 June 2021.
  - h. The direct allocation of funding to the Council is \$20.26 million which will be paid as a grant, as soon as practicable, once the signed MOU and Funding Agreement are returned to the Department of Internal Affairs, and a Delivery Plan has been supplied and approved.
  - i. The Delivery Plan must show that the funding is to be applied to operating and/or capital expenditure relating to three waters infrastructure and service delivery, and which:
    - i. supports economic recovery through job creation; and
    - ii. maintains, increases, and/or accelerates investment in core water infrastructure renewal and maintenance.
  - j. A decision to enter into the MOU would comply with the provisions of section 80 of the Local Government Act 2002, for the reasons set out in this report.
2. Agrees to:
- a. Engage with Ngāi Tahu and papatipu rūnanga prior to any decision on whether or not to progress to the second stage of the Government's water reform programme.
  - b. Prioritise and continue to share expertise with regard to three waters infrastructure options particularly for isolated communities, both 'present and future'.
  - c. Work with Ngāi Tahu to ensure suitable engagement on the water reform process occurs at a national level.
  - d. Write immediately to the Minister of Internal Affairs expressing Council's concern with the lack of consultation with iwi partners at a national level during this programme of water reforms.
3. Agrees to enter into the MOU attached as Attachment A.
4. Agrees to enter into the Funding Agreement attached as Attachment B.
5. Nominates the Chief Executive to act as the primary point of communication for the purposes of the MOU and any other purpose related to the reform programme.
6. Delegates to the Mayor and the Chief Executive, the authority to sign the MOU.
7. Delegates to the Chief Executive, the authority to:
- a. sign the Funding Agreement
  - b. make decisions on behalf of the Council about the allocation of regional funding, with the understanding that the approximate level of funding to the Council be based upon the formula used to calculate the direct council allocations, and noting that participation by two-thirds of territorial authorities within the Canterbury region is required to access the regional allocation

- c. negotiate and finalise the Delivery Plan to be submitted to the Government for approval, in respect of the direct and regional allocation of funding.
- 8. Proposes to consult with the community on the Government's Three Waters Reform programme as part of the 2021-31 Long Term Plan process.

### 3. Reason for Report Recommendations / Ngā Take mō te Whakatau

#### Summary

- 3.1 In July 2020, the Government announced a \$761 million funding package to provide post COVID-19 economic stimulus to maintain and improve three waters infrastructure, support a three-year programme of reform of local government water service delivery arrangements (reform programme), and support the establishment of Taumata Arowai, the new Water Services Regulator.
- 3.2 A joint central/local government three waters steering committee provides oversight and guidance to support progress towards reform, and assists in engaging with local government, iwi/Māori, and other water sector stakeholders on options and proposals.
- 3.3 The Government's reform programme is designed to support economic recovery, and address what it sees as persistent systemic issues facing the three waters sector, through a combination of:
  - 3.3.1 stimulating investment, to assist economic recovery through job creation, and maintain investment in water infrastructure renewals and maintenance; and
  - 3.3.2 reforming current water service delivery, into larger scale providers, with the objective of realising significant economic, public health, environmental, and other benefits over the medium to long term.
- 3.4 Initial funding from the stimulus package will be available to those councils that agree to work constructively with the Government and other parties related to three waters services reform to support the objectives of the reform programme through the MOU, Funding Agreement and Delivery Plan.
- 3.5 The Government requires the MOU to be signed by the end of August 2020, with the Funding Agreement and the Delivery Plan submitted and approved by the end of September 2020.
- 3.6 If the Council enters into the MOU, it would receive a stimulus investment grant of \$20.26 million from the Government, to be applied to operating and/or capital expenditure relating to three waters infrastructure and service delivery.
- 3.7 If at least two thirds of Councils in the Canterbury region also enter into the MOU, the Council would receive a share of a further \$50 million available as a regional grant. The participating councils must agree by 30 September 2020 on how the grant is to be shared between them.
- 3.8 The steering committee's preferred approach is for the same formula to be used as for the direct allocation of funds, that is, Council would be eligible for an additional \$20.26 million.
- 3.9 The proposed projects for the Delivery Plan are largely drawn from those deferred in the revised Annual Plan.

#### Issues facing the Three Waters System and Rationale for Reform

- 3.10 Over the past three years, central and local government have been considering the issues and opportunities facing the system for regulating and managing the three waters (drinking water, wastewater and stormwater).

- 3.11 The Government's Havelock North Drinking Water Inquiry – set up as a result of the campylobacter outbreak there in 2016 – identified widespread systemic failure to meet the standards required for the safe supply of drinking water to the public. It made a number of urgent and longer-term recommendations to address this.
- 3.12 The Government's Three Waters Review, a cross agency initiative led by the Minister of Local Government, highlighted that in many parts of the country, communities cannot be confident that drinking water is safe, or good environmental outcomes are achieved for wastewater and stormwater. This work also raised concerns about the regulation, financial sustainability, capacity and capability of a system with a large number of localised providers, many of which are funded by relatively small populations.
- 3.13 The challenges facing water services that the reform programme seeks to address are:
  - 3.13.1 Regulatory failure
  - 3.13.2 Underinvestment in three waters infrastructure in parts of the country
  - 3.13.3 Persistent affordability challenges
  - 3.13.4 Additional investment required to increase public confidence in the safety of drinking water and freshwater outcomes.
- 3.14 Investment in water services infrastructure is also a critical component of the collective response to climate change and to increasing the resilience of local communities.
- 3.15 COVID-19 has made the situation even more challenging. Prior to this crisis, territorial authorities were planning on spending \$8.3 billion in capital over the next five years on water infrastructure.
- 3.16 The impact of COVID-19 is likely to cause significant decreases in revenue for councils in the short term. As a result, borrowing will be constrained due to lower debt limits that flow from lower revenues, and opportunities to raise revenue through rates, fees, and charges will be limited.
- 3.17 These are challenges faced by the Christchurch City Council. Over the past decade, it has spent an average of 39% of depreciation on renewing water supply assets and 31% renewing wastewater assets, which is much lower than the recommended value of at least 80%. These values do not include the SCIRT investment between 2011 and 2016. This was significant for wastewater and very low for water supply, being less than the Council had historically spent on water supply renewals.
- 3.18 Due to affordability challenges, the Council has reduced budgets for renewals in successive Long Term Plans and Annual Plans. In response to the economic impacts of COVID-19, the Council reduced the planned Three Waters capital budget for FY21 by \$60 million (35 per cent) – \$34 million was for renewing poor condition infrastructure, almost entirely water supply and wastewater.

#### **Overview of the Government's Approach to Funding and Reform**

- 3.19 Central and local government are committed to working jointly on the reforms. The steering committee provides oversight and guidance to support this work (see the Three Waters Reform Programme website for further details).
- 3.20 The Government's initial funding package of \$761 million is to provide stimulus investment in targeted infrastructure, to enable improvements to water services delivery and ensure the period of economic activity following COVID-19 supports the transition to a productive, sustainable economy.

- 3.21 The funding will also support the establishment and operation of Taumata Arowai, the new dedicated Water Services Regulator. Legislation creating Taumata Arowai was passed on 6 August 2020.
- 3.22 The Crown has specifically acknowledged their requirement to engage with iwi/Māori across New Zealand to establish interest in the reform programme, and for local authorities to engage with mana whenua.
- 3.23 While the Government's starting intention is for publicly-owned multi-regional models for water services delivery (with a preference for local authority ownership), final decisions on a service delivery model will be informed by discussion with the local government sector and the work of the joint steering committee.

#### **Reform Process and Indicative Timetable**

- 3.24 The three year programme to reform three waters services delivery arrangements will be undertaken in stages. The initial stage is an opt-in, non-binding approach, which involves councils taking the actions and signing the documents described below (MOU, Funding Agreement and the Delivery Plan).
- 3.25 Councils that agree to opt-in by the end of August 2020 will receive a share of the initial funding package. Any further tranches of funding will be subject to Government decision-making and reliant on the parties to the MOU demonstrating substantive progress against the reform objectives.
- 3.26 An indicative timetable for the full reform programme is on the Department of Internal Affairs website. While this is subject to change as the reforms progress, and subject to future Government budget decisions, it provides an overview of the longer-term reform pathway.
- 3.27 The Government proposes to introduce legislation for the new entities in July 2021.
- 3.28 The timetable has Councils opting into the second stage, late 2021, with pre-establishment planning for the new delivery entities and the possible release of further stimulus funding. The new entities would commence operation in late 2022.

#### **Allocation of Government Funding**

- 3.29 The Government has prepared a funding allocation framework based on a nationally consistent formula. The general approach to determining each authority's notional allocation is based on a formula that gives weight to two main factors:
  - 3.29.1 the population in the relevant council area, as a proxy for the number of water connections serviced by a territorial authority (75% weighting)
  - 3.29.2 the land area covered by a local authority excluding national parks, as a proxy for the higher costs per connection of providing water services in areas with low population density (25% weighting).
- 3.30 The investment package is structured into two components:
  - 3.30.1 a direct allocation to each territorial authority, comprising 50% of that territorial authority's notional allocation; and
  - 3.30.2 a regional allocation, comprising the sum of the remaining 50% of the notional allocations for each territorial authority in the relevant region.
- 3.31 The relevant allocations for the Christchurch City Council are:
  - 3.31.1 \$20.26 million direct allocation for the Council; and
  - 3.31.2 \$50 million regional allocation for the Canterbury region.

- 3.32 The purpose of the Government's regional allocation is to establish collective participation by councils in the reform programme. Each regional group of councils has until 30 September 2020 to agree on how best to apportion the regional funds to the individual territorial authorities that make up the region. Participation by two-thirds of territorial authorities within the Canterbury region is required to access the regional allocation.
- 3.33 The joint central/local Government steering committee has recommended a preferred approach to the allocation of regional funding, being the same formula that is used to determine the direct allocations to territorial authorities.
- 3.34 If this was applied to the Canterbury region, the Council's share of the \$50 million regional allocation would be \$20.26 million, in addition to the direct allocation.
- 3.35 It is recommended that decisions about the allocation of regional funding be delegated to the Chief Executive, with the understanding that the approximate level of funding to the Council be based upon the formula used to calculate the direct council allocations. The Canterbury Mayoral Forum has indicated that it would follow this formula for Canterbury.
- 3.36 Councils that do not opt-in by entering into the MOU before 31 August 2020 will not receive a share of the stimulus funding. They will be still be able to opt-in to the reform programme at a later date, but would not have retrospective access to the initial funding package.

#### **Memorandum of Understanding (MOU)**

- 3.37 The Government is keen to develop a good relationship with local government and is seeking, through the MOU "mutual trust and respect, and non-adversarial dealings".
- 3.38 It is intended to be non-binding, which means obligations contained in the MOU cannot be legally enforced against either party to it. However, each participating council must agree to work constructively with the Government and other parties related to three waters services reform to support the objectives of the reform programme.
- 3.39 The MOU includes a number of objectives the Government believes underpin the programme. Some are generic in nature, such as "significantly improving the safety and quality of drinking water services, environmental performance, and the co-ordination of resources and planning".
- 3.40 Others are more targeted and reflect where the Government is heading with regard to water services delivery. The MOU requires councils to agree to work constructively with the Government and other parties related to three waters services reform to support all objectives, including moving the delivery of three waters services to a more financially sustainable footing, and addressing the affordability and capability challenges faced by small councils. By doing so, this Council, and other larger territorial authorities, can expect to be part of the solution sought by the Government.
- 3.41 The MOU also requires the Council to work with the Government to identify an approach to service delivery reform that considers a number of design features. These include the establishment of water services delivery entities that are of significant scale (most likely multi-regional), and which are expected to include at least one large urban centre.
- 3.42 Another design feature is that entities are to be asset owners. The implications of this are still to be worked through, but will be of particular interest to the Council, given the value of its water services delivery infrastructure.
- 3.43 The MOU states that the delivery arrangements must include mechanisms that provide for continued public ownership of water services delivery infrastructure, and for the exercise of ownership rights in water services entities that consider the interests and wellbeing of local communities.



- 3.44 Agreement to the MOU and associated Funding Agreement and Delivery Plan are required prior to the release of Government funding. The MOU will be effective from the date of agreement (expected to be at the end of August 2020) until 30 June 2021, unless terminated by agreement or by replacement with another agreement related to the reform programme.
- 3.45 On termination of the MOU, the Council would have the right to choose whether or not it wishes to continue to participate in the reform programme. If it doesn't, the Government has indicated that any funding received will not need to be repaid, provided the Council meets the terms of the Funding Agreement and Delivery Plan entered into in respect of the initial stimulus investment package.

### **Funding Agreement**

- 3.46 The Funding Agreement is one of the mechanisms for accessing the funding package and like the MOU, it is a standardised document for agreement. The Government has advised it cannot be amended or modified by either party, and that doing so would void the documents.
- 3.47 The Agreement says that the investment objectives are to:
  - 3.47.1 improve the safety and quality of drinking water services, and the environmental performance of drinking water and wastewater systems, by maintaining, increasing or accelerating investment in core water infrastructure renewals and maintenance; and
  - 3.47.2 support New Zealand's economic recovery from the COVID-19 pandemic through job creation, by enabling investment to continue at a time when council revenues are uncertain and they face immediate cashflow challenges.
- 3.48 The Agreement sets out the Government's terms and conditions for the release and use of funding, including:
  - 3.48.1 the amount allocated to the Council
  - 3.48.2 funding conditions
  - 3.48.3 public accountability requirements, including the Public Finance Act
  - 3.48.4 reporting milestones
  - 3.48.5 a requirement that the Council uses reasonable endeavours to commence its expenditure programme by 31 March 2021 and to complete it by 31 March 2022.

### **Delivery Plan**

- 3.49 The Delivery Plan is the other mechanism for accessing the funding package. It must show that the funding allocation is to be applied to operating and/or capital expenditure relating to three waters infrastructure and service delivery and which:
  - 3.49.1 supports economic recovery through job creation; and
  - 3.49.2 maintains, increases, and/or accelerates investment in core water infrastructure renewal and maintenance.
- 3.50 The Delivery Plan must also set out:
  - 3.50.1 a summary of the works to be funded, including location, estimated associated costs, and expected benefits/outcomes
  - 3.50.2 the number of people employed in these works
  - 3.50.3 an assessment of how the works support the reform objectives in the MOU
  - 3.50.4 reporting obligations.

- 3.51 The proposed programme of work that meets Government's funding guidelines is included as Attachment D. The long list of projects is included as Attachment E.
- 3.52 The Government will pass the Delivery Plans to Crown Infrastructure Partners Limited (and other organisations as agreed between the Council and the Government) for review and approval.

#### 4. Alternative Options Considered / Ētahi atu Kōwhiringa

##### Do not sign the MOU

- 4.1 Under this option, the Council would not sign the MOU and would not be eligible for the Government grant for three waters' services.

##### Advantages

- 4.2 There would be no need for staff or elected members to work constructively with the Government and other South Island councils to explore forming a regional water entity for water services.

##### Disadvantages

- 4.3 The Council would miss out on receiving a grant from the Government of at least \$20.26 million to spend on 3 Waters infrastructure and service delivery, and potentially \$40.52 million if at least two thirds of Canterbury councils sign the MOU.
- 4.4 The Council would miss out on the opportunity to influence the formation of a Canterbury, northern South Island or South Island regional water authority.
- 4.5 There would be no Government contribution to the economic recovery of Christchurch from COVID-19 through increased expenditure on three waters infrastructure.
- 4.6 Water supply and wastewater renewals and maintenance would continue to be funded at a level insufficient to maintain the condition of the assets, resulting in their continued deterioration.
- 4.7 Lack of investment in water supply services may make it more difficult to obtain an exemption from mandatory chlorination of the Christchurch/Lyttelton water supply if the Water Services Bill is enacted as per the draft.
- 4.8 Inflow and infiltration into the wastewater network would continue in the areas proposed for wastewater main renewals, which contributes to wet weather overflows to the environment.
- 4.9 May result in less government funding for water services for other districts in Canterbury if less than two thirds of Canterbury councils sign the MOU.

#### 5. Consultation/Significance

- 5.1 When making decisions the Council must consider the views and preferences of the community, in particular those who may have an interest in, or be affected by, the decision. The extent to which this is necessary depends largely on the significance of the matter.
- 5.2 By entering into the MOU the Council is agreeing to work constructively with the Government and other parties related to three waters services reform to support the objectives of the three waters service delivery reform programme. The MOU states that it is non-binding, and it does not give rise to legally enforceable obligations between the Council and the Government.
- 5.3 Despite that, the MOU makes it clear that the initial stimulus investment will not be available to the Council unless it agrees to the provisions contained in the document. Any additional

funding will be subject to Government decision-making and reliant on the parties demonstrating substantive progress against the reform objectives.

- 5.4 On the face of it, agreeing to such a commitment could be regarded as significant, and that the views of the community should be sought. However, there are a number of matters that need to be considered.
- 5.5 Firstly, as noted above, the MOU is non-binding and will expire on 30 June 2021. The Council's commitment is for a relatively short time, and could be reversed without penalty before expiry. The Council will have the right to choose whether or not it wishes to continue to participate in the reform programme beyond the term of the MOU.
- 5.6 Secondly, the Council will be embarking on an extensive consultation process before it adopts the 2021-31 Long Term Plan. This will provide an opportunity to obtain and consider the community's views and preferences with regard to the reform programme in the medium to long term.
- 5.7 Thirdly, the Local Government Act 2002 allows the Council to have regard to the circumstances in which a decision is made, and whether there is the opportunity to consider a range of views and preferences. For the reasons set out above, the Council is justified in not undertaking community consultation at this stage of the decision making process.
- 5.8 The advice from the legal services unit, therefore, is that the Council would not be in breach of the obligations under the Act, nor its own significance and engagement policy, if it was to make its decision without consulting. The Council should ensure, however, that the community is kept informed of the matter and that the three waters reform programme is the subject of consultation in the 2021-31 Long Term Plan process.
- 5.9 After this advice was prepared, the steering committee released a legal opinion from Simpson Grierson that came to the same conclusion. This is available on the Three Waters Reform Programme website.

## 6. Policy Framework Implications / Ngā Hīraunga ā- Kaupapa here

### Strategic Alignment / Te Rautaki Tīaroaro

- 6.1 The Council's strategic priorities include ensuring a high quality drinking water supply that is safe and sustainable, meeting the challenge of climate change through every means available and ensuring rates are affordable and sustainable.
- 6.2 The objectives in the MOU are consistent with these priorities.
- 6.3 The Council's Infrastructure Strategy 2018-2048 identified asset renewals, climate change, post-earthquake recovery and regeneration, and affordability as the four overarching significant issues affecting the Council's infrastructure. The challenges identified in the MOU are consistent with these issues.

### Policy Consistency / Te Whai Kaupapa here

- 6.4 The Council's Te Wai Ora o Tāne Integrated Water Strategy highlights water quality protection and enhancement, sea level rise, long term sustainable wastewater treatment and disposal, and infrastructure efficiency and resilience as key strategic issues. The objectives for addressing these issues include efficient and resilient infrastructure, water quality improvement, sustainable wastewater systems, groundwater protection, and a safe and sustainable water supply. These are consistent with the challenges and objectives identified in the MOU.
- 6.5 However, Te Wai Ora o Tāne Integrated Water Strategy also states:

- 6.5.1 “To avoid misunderstanding, our integrated water strategy means not only that our water services are integrated but that safe sustainable water is embodied in everything the Council does. Because we consider water to be so precious and highly significant to the people of Christchurch, we want it to be controlled by the people of Christchurch so water services can also integrate with parks, roads and other community functions.
- 6.5.2 We will accordingly be strongly opposed to any moves to try to create a special function water authority that separates any water functions from the City Council”.
- 6.6 The MOU requires the Council to agree to working constructively with the Government and other parties related to three waters services reform to support the objectives of the three waters service delivery reform programme. One of the objectives is the establishment of water service delivery entities that are of significant scale (most likely multi-regional), asset owning, and structured as statutory entities.
- 6.7 This is inconsistent with the objective of the Council set out in Te Wai Ora o Tāne Integrated Water Strategy.
- 6.8 If a Council decision is significantly inconsistent with any policy adopted by the Council, it must, when making the decision, clearly identify the inconsistency, the reasons for it, and any intention of the Council to amend the policy to accommodate the decision (Section 80 of the Local Government Act).
- 6.9 The Council will consult on the Council’s medium to long term approach to the delivery of water services during the 2021-31 Long Term Plan process, and one of the outcomes of that might be amending Te Wai Ora o Tāne Integrated Water Strategy to better reflect that approach.
- 6.10 The advice of the Legal Services Unit is that a decision made on these grounds would comply with the provisions of section 80.

#### **Impact on Mana Whenua / Ngā Whai Take Mana Whenua**

- 6.11 The Crown has specifically acknowledged their requirement to engage with iwi across New Zealand and for local authorities to engage with mana whenua.
- 6.12 Ngāi Tahu have indicated support for the Canterbury councils to engage with this first stage of the Government’s three waters reform programme.
- 6.13 Thereafter Ngāi Tahu envisions a co-governing/partnership agreement across a South Island specific solution and wishes to engage further with the Council and the Canterbury Mayoral Forum.
- 6.14 Before the Council makes any decision on whether or not to progress to the second stage of the Government’s water reforms, we will continue engagement with Ngāi Tahu and papatipu rūnanga to ensure we maintain our commitment to a Treaty-based relationship with iwi and mana whenua.

#### **Climate Change Impact Considerations / Ngā Whai Whakaaro mā te Āhuarangi**

- 6.15 The impacts of climate change will be considered in the design of the projects, as required by the Council’s Infrastructure Design Standards.
- 6.16 Some of the proposed projects are within an area impacted by climate change. Project 56175 (WW Mains Renewal - Nalder, Ruru, McLean, Wyon, Rudds, Griffiths, Digby, Rasen and Tilford) will be impacted by sea level rise, with 21% of the pipes predicted to be below sea level by 2065 and 78% of the pipes by 2120.

## Accessibility Considerations / Ngā Whai Whakaaro mā te Hunga Hauā

6.17 Not applicable.

## 7. Resource Implications / Ngā Hīraunga Rauemi

### Capex/Opex / Ngā Utu Whakahaere

- 7.1 Cost to implement – the cost to implement will be covered by the Government grant. The size of the grant will depend on whether two thirds of Canterbury councils sign the MOU. The draft delivery plan will be amended so that the value is the allocated grant.
- 7.2 Maintenance/ongoing costs – most of the proposed projects will result in a decrease in operational expenditure through improved infrastructure and efficiency.
- 7.3 Funding Source – Government grant.

### Other / He mea anō

7.4 Not applicable.

## 8. Legal Implications / Ngā Hīraunga ā-Ture

### Statutory power to undertake proposals in the report / Te Manatū Whakahaere Kaupapa

- 8.1 The Council has the statutory power to make the decisions recommended in this report.

### Other Legal Implications / Ētahi atu Hīraunga-ā-Ture

- 8.1 Any legal issues arising in relation to the recommended decisions are dealt with where appropriate in the information provided in this report.
- 8.2 This report has been reviewed and approved by the Legal Services Unit.

## 9. Risk Management Implications / Ngā Hīraunga Tūraru

- 9.1 There is a risk that the cost of the programme is more or less than the Government grant. If the programme in the delivery plan costs less than the grant, the Council may be required to return the balance to the Government. If the programme costs more than the grant, the Council would be required to fund the balance. This would be done by reprioritising the budget in the Long Term Plan. This risk is reduced by robust cost estimates for many projects in the programme, a dedicated Programme Manager to oversee the delivery and reporting of the programme, and rigorous project management and cost control by the individual project managers.
- 9.2 There is a risk that the programme is not delivered within the required timeframe in the Funding Agreement. This risk has been reduced by taking deliverability into account in the projects proposed to be included in the programme. Many of the projects were deferred from the annual plan and are ready to go out for tender. This risk will also be reduced by appointing a Programme Manager to oversee and report on the programme, and rigorous project management by the individual project managers.

## Attachments / Ngā Tāpirihanga

No.	Title	Page
A <a href="#">↓</a>	Memorandum of Understanding - 3 Waters Reform	29
B <a href="#">↓</a>	Funding Agreement - 3 Waters Stimulus Funding	37
C <a href="#">↓</a>	Delivery Plan - 3 Waters Stimulus Funding	56
D <a href="#">↓</a>	Proposed Projects to be Delivered	61
E <a href="#">↓</a>	Long List of Project Candidates for Government Funding	63

In addition to the attached documents, the following background information is available:

Document Name	Location / File Link
Three Waters Reform Programme	<a href="https://www.dia.govt.nz/Three-Waters-Reform-Programme">https://www.dia.govt.nz/Three-Waters-Reform-Programme</a>

## Confirmation of Statutory Compliance / Te Whakatūtutanga ā-Ture

Compliance with Statutory Decision-making Requirements (ss 76 - 81 Local Government Act 2002).

(a) This report contains:

- (i) sufficient information about all reasonably practicable options identified and assessed in terms of their advantages and disadvantages; and
- (ii) adequate consideration of the views and preferences of affected and interested persons bearing in mind any proposed or previous community engagement.

(b) The information reflects the level of significance of the matters covered by the report, as determined in accordance with the Council's significance and engagement policy.

## Signatories / Ngā Kaiwaitohu

<b>Authors</b>	Bridget O'Brien - Programme Manager Shayne Te Aika - Principal Advisor Ngāi Tahu Relationship Ian Thomson - Special Counsel Governance
<b>Approved By</b>	Helen Beaumont - Head of Three Waters & Waste David Adamson - General Manager City Services

# Memorandum of Understanding Three Waters Services Reform

Between the Sovereign in right of New Zealand acting by and through the Department of Internal Affairs and

Christchurch City Council, a territorial authority named in part 2 scheduling of the Local Government Act 2020.



## PURPOSE

This Memorandum of Understanding (Memorandum) sets out the principles and objectives that the Parties agree will underpin their ongoing relationship to support the improvement in three waters service delivery for communities with the aim of realising significant public health, environmental, economic, and other benefits over the medium to long term. It describes, in general terms, the key features of the proposed reform programme and the Government funding arrangements that will support investment in three waters infrastructure as part of the COVID 19 economic recovery.

## BACKGROUND

Over the past three years central and local government have been considering solutions to challenges facing the regulation and delivery of three water services. This has seen the development of new legislation to create Taumata Arowai, the new Water Services Regulator, to oversee and enforce a new drinking water regulatory framework, with an additional oversight role for wastewater and stormwater networks.

While addressing the regulatory issues, both central and local government acknowledge that there are broader challenges facing the delivery of water services and infrastructure, and the communities that fund and rely on these services. There has been regulatory failure, underinvestment in three waters infrastructure in parts of the country, and persistent affordability challenges, and additional investment is required to increase public confidence in the safety of drinking water and to improve freshwater outcomes. Furthermore, investment in water service delivery infrastructure is a critical component of a collective response to climate change and increasing resilience of local communities.

The Parties to this Memorandum consider it is timely to apply targeted infrastructure stimulus investment to enable improvements to water service delivery, progress reform in partnership, and ensure the period of economic recovery following COVID-19 supports a transition to a productive, sustainable economy. Additional funding will be subject to Government decision-making and reliant on the Parties demonstrating substantive progress against the reform objectives. The quantum, timing, conditions, and any other information relating to future funding will be advised at the appropriate time but will likely comprise additional tranches of funding and more specific agreement to key reform milestones.

The reform process and stimulus funding, proposed by Government, is designed to support economic recovery post COVID-19 and address persistent systemic issues facing the three waters sector, through a combination of:

- stimulating investment, to assist economic recovery through job creation, and maintain investment in water infrastructure renewals and maintenance; and
- reforming current water service delivery, into larger scale providers, to realise significant economic, public health, environmental, and other benefits over the medium to long term.

There is a shared understanding that a partnership approach will best support the wider community and ensure that the transition to any eventual new arrangements is well managed and as smooth as possible. This requires undertaking the reform in a manner that enables local government to continue and, where possible, enhance delivery of its broad “wellbeing mandates” under the Local Government Act 2002, while recognising the potential impacts that changes to three waters service delivery may have on the role and functions of territorial authorities.

## PRINCIPLES FOR WORKING TOGETHER

The Parties shall promote a relationship in their dealings with each other, and other Parties related to the three waters services reform, based on:

- mutual trust and respect; and
- openness, promptness, consistency and fairness in all dealings and communication including through adopting a no-surprises approach to any matters or dealings related to the reform programme; and
- non-adversarial dealings and constructive problem-solving approaches; and
- working co-operatively and helpfully to facilitate the other Parties perform their roles; and
- openly sharing information and analysis undertaken to date on the state of the system for delivering three waters services and the quality of the asset base.

This Memorandum is intended to be non-binding in so far as it does not give rise to legally enforceable obligations between the Parties.

## REFORM OBJECTIVES AND CORE DESIGN FEATURES

By agreeing to this Memorandum, the Parties agree to work constructively together to support the objectives of the three waters service delivery reform programme.

The Parties agree that the following objectives will underpin the reform programme and inform the development of reform options/proposals:

- significantly improving the safety and quality of drinking water services, and the environmental performance of drinking water and wastewater systems (which are crucial to good public health and wellbeing, and achieving good environmental outcomes);
- ensuring all New Zealanders have equitable access to affordable three waters services;
- improving the coordination of resources, planning, and unlocking strategic opportunities to consider New Zealand's infrastructure and environmental needs at a larger scale;
- increasing the resilience of three waters service provision to both short- and long-term risks and events, particularly climate change and natural hazards;
- moving the supply of three waters services to a more financially sustainable footing, and addressing the affordability and capability challenges faced by small suppliers and councils;
- improving transparency about, and accountability for, the delivery and costs of three waters services, including the ability to benchmark the performance of service providers; and
- undertaking the reform in a manner that enables local government to further enhance the way in which it can deliver on its broader "wellbeing mandates" as set out in the Local Government Act 2002.

In addition to these objectives, the Parties recognise that any consideration of changes to, or new models for, water service delivery arrangements must include the following fundamental requirements and safeguards:

- mechanisms that provide for continued public ownership of water service delivery infrastructure, and protect against privatisation; and
- mechanisms that provide for the exercise of ownership rights in water services entities that consider the interests and wellbeing of local communities, and which provide for local service delivery.

The Parties also recognise the reform programme will give rise to rights and interests under the Treaty of Waitangi and both Parties acknowledge the role of the Treaty partner. This includes maintaining Treaty settlement obligations and other statutory rights including under the Resource Management Act 1991 and the Local Government Act 2002. The outcome of discussions with iwi/Māori will inform design of appropriate mechanisms to reflect Treaty interests. This will include clarity of roles and responsibilities.

The Parties agree to work together to identify an approach to service delivery reform that incorporates the objectives and safeguards noted above, and considers the following design features as a minimum:

- water service delivery entities, that are:
  - of significant scale (most likely multi-regional) to enable benefits from aggregation to be achieved over the medium to long-term;
  - asset owning entities, with balance sheet separation to support improved access to capital, alternative funding instruments and improved balance sheet strength; and
  - structured as statutory entities with appropriate and relevant commercial disciplines and competency-based boards;
- delivery of drinking water and wastewater services as a priority, with the ability to extend to stormwater service provision only where effective and efficient to do so; and
- publicly owned entities, with a preference for collective council ownership;
- mechanisms for enabling communities to provide input in relation to the new entities.

The Parties acknowledge that work will also be undertaken to develop a regulatory framework, including mechanisms to protect the interests of consumers.

## FUNDING ARRANGEMENTS

The Government has indicated its intention to provide funding to stimulate investment to enable improvements in water service delivery, support economic recovery and progress Three Waters Services Reform. The quantum of funding available for the Council (and each participating Council) will be notified by Government prior to signing this Memorandum.

Funding will be provided as soon as practicable following agreement to this Memorandum and the associated Funding Agreement and Delivery Plan. The Delivery Plan will need to show that the funding is to be applied to operating or capital expenditure on three waters service delivery (with the mix to be determined by the Council) that:

- supports economic recovery through job creation; and
- maintains, increases and/or accelerates investment in core water infrastructure renewals and maintenance.<sup>1</sup>

The Delivery Plan will be based on a simple template and will include a summary of projects, relevant milestones, costs, location of physical works, number of people employed in works, reporting milestones and an assessment of how it supports the reform objectives set out in this Memorandum.

The Delivery Plan will be supplied to Crown Infrastructure Partners, and other organisations as agreed between the Parties, who will monitor progress of application of funding against the Delivery Plan to ensure spending has been undertaken consistent with public sector financial management requirements.

Agreement to this Memorandum and associated Funding Agreement and Delivery Plan are required prior to the release of Government funding. The Council will have the right to choose whether or not they wish to continue to participate in the reform programme beyond the term of the Memorandum.

## FUTURE AGREEMENTS

The Parties may choose to enter other agreements that support the reform programme. These agreements will be expected to set out the terms on which the Council will partner with other councils to deliver on the reform objectives and core design features, and will include key reform milestones and detailed plans for transition to and establishment of new three waters service delivery entities.

## PROGRAMME MANAGEMENT

The Government will establish a programme management office and the Council will be able to access funding support to participate in the reform process.

The Government will provide further guidance on the approach to programme support, central and regional support functions and activities and criteria for determining eligibility for funding support. This guidance will also include the specifics of any information required to progress the reform that may be related to asset quality, asset value, costs, and funding arrangements.

## TERM

This Memorandum is effective from the date of agreement until 30 June 2021 unless terminated by agreement or by replacement with another agreement related to the reform programme.

---

<sup>1</sup> Maintains previously planned investment that may have otherwise deferred as a result of COVID-19.

## INTERACTIONS, MONITORING, INFORMATION AND RECORDS

The Parties nominate the following representatives to act as the primary point of communication for the purposes of this Memorandum and any other purpose related to the reform programme.

Government's representation	Territorial Authority's representative
Allan Pragnell <a href="mailto:treewaters@dia.govt.nz">treewaters@dia.govt.nz</a> CC. Chief Legal Advisor <a href="mailto:Legal.notices@dia.govt.nz">Legal.notices@dia.govt.nz</a>	Dawn Baxendale Chief Executive Christchurch City Council <a href="mailto:Dawn.baxendale@ccc.govt.nz">Dawn.baxendale@ccc.govt.nz</a>

It is the responsibility of these representatives to:

- work collaboratively to support the reform objectives;
- keep both Parties fully informed;
- act as a first point of reference between Parties and as liaison persons for external contacts; and
- communicate between Parties on matters that arise that may be of interest to either party.

If the contact person changes in either organisation, the other party's contact person must be informed of the new contact person immediately and there should be an efficient transition to ensure the momentum of the reform process is not undermined.

### CONFIDENTIALITY

Neither of the Parties is to disclose, directly or indirectly, any confidential information received from the other party to any third party without written consent from the other party, unless required by processes under the Official Information Act 1982 or the Local Government Official Information and Meetings Act 1987 (whichever applies), or under a Parliamentary process- such as following a Parliamentary question, in which case the relevant party is to inform the other party prior to disclosure. Protocols will be established to enable exchange information between Councils where that is consistent with progressing reform objectives.

### DISPUTE RESOLUTION

Any dispute concerning the subject matter of this document is to be settled by full and frank discussion and negotiation between the Parties.

.....  
SIGNED by The Sovereign in right of New Zealand  
acting by and through the Chief Executive of the  
Department of Internal Affairs  
Date

.....  
SIGNED by  
  
on behalf of  
  
Date

.....  
SIGNED by Dawn Baxendale  
Chief Executive  
on behalf of Christchurch City Council

Date  
  
Witness signature

.....  
Witness name

Witness occupation

Witness address

Date





Te Tari Taiwhenua  
Internal Affairs

# **FUNDING AGREEMENT**

**BETWEEN**

**DEPARTMENT OF INTERNAL AFFAIRS**

**AND**

**[NAME OF RECIPIENT]**

**FOR**

**THREE WATERS SERVICES REFORMS**

## AGREEMENT

The parties (identified below in Part 1) agree to be bound by the terms and conditions of this Agreement, as set out below in Part 1 (Key Details), Part 2 (General Terms), Part 3 (Definitions and Construction) and the Schedule (Payment Request).

### PART 1: KEY DETAILS

- 1 Parties**

The Sovereign in right of New Zealand, acting by and through the Chief Executive of the Department of Internal Affairs (**DIA**)

[NAME OF RECIPIENT] (**Recipient**)
- 2 Background**

The New Zealand Government is undertaking a reform programme for “Three Waters” (drinking water, wastewater and stormwater) service delivery for communities (**Three Waters Reform Programme**). In conjunction with the Three Waters Reform Programme, the New Zealand Government is investing in water service delivery. The investment’s objectives are to:

  1. improve the safety and quality of drinking water services, and the environmental performance of drinking water and wastewater systems, by maintaining, increasing or accelerating investment in core water infrastructure renewals and maintenance; and
  2. support New Zealand’s economic recovery from the COVID-19 pandemic through job creation, by enabling investment to continue at a time when council revenues are uncertain and they face immediate cashflow challenges.

The New Zealand Government has mandated DIA to manage the provision of Government funding to local authorities to support investment in water infrastructure that supports its public health and environmental management objectives. Provision of such funding supports the objectives of the reform programme, by creating positive momentum toward reform of delivery arrangements for drinking water and wastewater services and infrastructure (with stormwater as a secondary priority).

The New Zealand Government has also mandated Crown Infrastructure Partners Limited (**CIP**) to assist in managing such funding by undertaking a monitoring role.

The Recipient is a territorial authority with statutory responsibility for delivering Three Waters services within its own district or city. The Recipient will work collaboratively with the New Zealand Government in connection with the Three Waters Reform Programme.

DIA has agreed to contribute funding to the Recipient on the terms and conditions of this Agreement (**Agreement**).

Key details of this Agreement are set out in this **Part 1**. The full terms and conditions are set out in **Part 2**. Defined terms and rules of interpretation are set out in **Part 3**.
- 3 Conditions Precedent**

No Funding is payable under this Agreement until DIA has confirmed to the Recipient in writing that it has received, and found, in its sole discretion, to be satisfactory to it in form and substance, the following documents and evidence:

  1. This Agreement, duly executed by the Recipient by 30 September 2020.
  2. The Memorandum of Understanding, duly executed by the Recipient by 31 August 2020.

3. The final Delivery Plan prepared by the Recipient, in a form approved by DIA and duly executed by the Recipient by 31 October 2020.

A draft of the Delivery Plan must be submitted by no later than 30 September 2020 to [threewaters@dia.govt.nz](mailto:threewaters@dia.govt.nz) (copied to the Monitor) for review and comment by DIA (and/or the Monitor as its nominee).

Once DIA (or the Monitor) responds to the draft Delivery Plan, the Recipient must promptly engage with DIA (or the Monitor), seek to resolve such comments, and submit a final Delivery Plan for DIA's approval.

The Recipient is responsible for the content of the Delivery Plan and approval by DIA for the purposes of this Agreement shall not impose any obligations on DIA in respect of the Delivery Plan other than as expressly set out in this Agreement.

These conditions precedent must either be satisfied (in the opinion of DIA) or waived by DIA (at its sole discretion) by 31 October 2020, unless a later date is agreed otherwise in writing with DIA. In the event that they are not satisfied or waived within that time, DIA may notify the Recipient that this Agreement has not come into effect and is null and void.

4 **Expenditure Programme(s)**

The Recipient may only use the Funding to complete the expenditure programme(s) described in the Delivery Plan (each an **Expenditure Programme**).

5 **Expenditure Programme Milestones and Completion Dates**

The Recipient is to complete the Expenditure Programme Milestones set out in the Delivery Plan to the satisfaction of DIA by the Completion Dates dates set out therein.

6 **End Date**

The End Date is 31 March 2022, or such later date determined by DIA in its discretion.

7 **Funding**

The total Funding available under this Agreement is up to **NZ\$[INSERT HERE]** plus GST (if any). This is the Total Maximum Amount Payable.

The first instalment of Funding under this Agreement is subject to satisfaction of the Conditions Precedent set out in Item 3 above and receipt of a duly completed Payment Request in accordance with clause 1 of Part 2.

The balance of the Funding under this Agreement will be paid in instalments as specified in the Delivery Plan, subject to satisfaction of the conditions set out below and the other terms and conditions of this Agreement.

Each instalment of Funding under this Agreement, following payment of the first instalment, is subject to:

- (a) Receipt of a duly completed Payment Request in accordance with clause 1 of Part 2.
- (b) The Expenditure Programme(s) having commenced no later than 31 March 2021.
- (c) DIA receiving and being satisfied with the quarterly reports specified in the Key Details, together with the other information required in this Agreement.
- (d) No Termination Event, or event entitling DIA to suspend funding under this Agreement, subsisting.
- (e) Any further conditions relating to that instalment of Funding as specified in the Delivery Plan.

The first Payment Request may be submitted upon the Commencement Date

occurring. Each subsequent Payment Request may only be submitted at the same time as submission of a quarterly report in accordance with item 8 (Reporting) of the Key Details, and no more than one such Payment Request may be submitted in any Quarter, except (in each case) to the extent agreed by DIA in its sole discretion.

8 Reporting

The Recipient will provide DIA (copied to the Monitor) with quarterly reports by the 10<sup>th</sup> Business Day following the end of each Quarter, with effect from the Commencement Date. Each quarterly report must include the information set out below, in the standard reporting form specified by DIA.

The Recipient will also provide DIA (copied to the Monitor) with a final report by the 10<sup>th</sup> Business Day following the date on which the Expenditure Programme(s) are completed. The final report must include the information set out below, in the standard reporting form specified by DIA.

Each report is to be in form and substance satisfactory to DIA in its sole discretion.

**Each quarterly report** must include the following information:

- (a) Description and analysis of actual progress of the Expenditure Programme(s) against planned progress for the relevant Quarter;
- (b) A summary of expenditure, actual against budgeted (including underspend and cash float), for the relevant Quarter;
- (c) Plans for the next Quarter;
- (d) Forecast cashflows and forecast of the costs to complete the Expenditure Programme(s);
- (e) Any major risks arising or expected to arise with the Expenditure Programme(s), costs or performance of this Agreement, together with actual or proposed mitigations for those risks (including, where the actual Expenditure Programme(s) costs are forecast to exceed budgeted costs, how the shortfall is to be funded);
- (f) A summary of the number of jobs created, actual against expected, through people employed in the Expenditure Programme(s);
- (g) Any specific reporting requirements set out in the Delivery Plan; and
- (h) Any other information that is notified by DIA in writing to the Recipient.

**The final report** must include the following information:

- (a) Description and analysis of completion of the Expenditure Programme(s) against the original programme;
- (b) A summary of expenditure, actual against budgeted (including underspend), for the full Expenditure Programme(s);
- (c) Detail of the Recipient's proposed next steps;
- (d) An update on media, marketing and communication activities for the Expenditure Programme(s);
- (e) A summary of the number of jobs created, actual against expected, through people employed in the Expenditure Programme(s);
- (f) Any specific reporting requirements set out in the Delivery Plan; and
- (g) Any other information that is notified by DIA in writing to the Recipient.

9 Special Terms

[None] / [*Special terms to be added*]

10 Recipient's Bank Account	[xx-xxxx-xxxxxxxx-xxx]	
11 Representative	DIA's Representative: Name: Allan Prangnell Email: <a href="mailto:threewaters@dia.govt.nz">threewaters@dia.govt.nz</a>	Recipient's Representative: Name: [name] Email: [email]
12 Address for Notices	To DIA: Three Waters Reform Level 7, 45 Pipitea Street Wellington 6011 Attention: Allan Prangnell Email: <a href="mailto:threewaters@dia.govt.nz">threewaters@dia.govt.nz</a> , with a copy to <a href="mailto:legalnotices@dia.govt.nz">legalnotices@dia.govt.nz</a> To the Monitor: Attention: Anthony Wilson Email: <a href="mailto:3waters@crowinfrastucture.govt.nz">3waters@crowinfrastucture.govt.nz</a>	To the Recipient: [address] Attention: [name] Email: [email]
SIGNATURES	<b>SIGNED</b> by the <b>SOVEREIGN IN RIGHT OF NEW ZEALAND</b> acting by and through the Chief Executive of the Department of Internal Affairs or his or her authorised delegate:  _____ Name: Position: Date:	<b>SIGNED</b> for and on behalf of <b>[RECIPIENT NAME]</b> by the person(s) named below, being a person(s) duly authorised to enter into obligations on behalf of the Recipient:  _____ Name: Position: Date:   _____ Name: Position: Date:

END OF PART 1

## PART 2: GENERAL TERMS

### 1 FUNDING

- 1.1 DIA must pay the Funding (up to the "Total Maximum Amount Payable" specified in the Key Details) to the Recipient, subject to the terms of this Agreement. Unless stated otherwise in this Agreement, the Recipient may only claim the Funding to the extent necessary to cover Eligible Costs that have been or will be incurred by the Recipient, and the Recipient must use the Funding solely on Eligible Costs.
- 1.2 The Recipient must submit a Payment Request to [threewaters@dia.govt.nz](mailto:threewaters@dia.govt.nz) and copying in DIA's Representative and the Monitor on completion of one or more Expenditure Programme Milestones specified in the Delivery Plan. Such Payment Request must be submitted at the time specified in, and otherwise in accordance with, item 7 (Funding) in the Key Details.
- 1.3 Each Payment Request is to be signed by the Chief Executive and an authorised signatory of the Recipient and must be in the form set out in the Schedule and include the confirmations set out therein, and must include:
  - (a) the amount of Funding requested, which must not exceed the aggregate maximum Funding instalment amounts set out in the Delivery Plan for the Expenditure Programme Milestone(s) to which that Payment Request relates; and
  - (b) contain any other information required by DIA.
- 1.4 Once DIA has reviewed the Payment Request and the information enclosed with it, it will request the Recipient to provide (and the Recipient will provide) a valid GST invoice complying with the Goods and Services Tax Act 1985.
- 1.5 DIA is not required to pay any Funding in respect of a Payment Request:
  - (a) if any Expenditure Programme Milestone(s) have not been completed by the relevant "Completion Date" specified in the Delivery Plan;
  - (b) if any reports specified in the Key Details have not been provided or are not in form and substance satisfactory to DIA in its sole discretion;
  - (c) if the Conditions specified in Item 7 of the Key Details relating to that instalment have not been satisfied;
  - (d) if payment will result in the Funding exceeding the "Total Maximum Amount Payable" specified in the Key Details;
  - (e) if this Agreement has expired or been terminated; and/or
  - (f) while the Recipient is in breach of this Agreement.

For the avoidance of doubt, DIA's obligation to make Funding available under this Agreement is strictly subject to clause 6.2.
- 1.6 Subject to the terms of this Agreement, DIA must pay each valid Payment Request by the 20th day of the month after the month the GST invoice referred to in clause 1.4 is dated, and if such day is not a Business Day, on the next Business Day. DIA will pay the Funding to the Bank Account of the Recipient specified in Item 10 of the Key Details.

- 1.7 The Funding made available under this Agreement comprises grant funding and does not comprise an equity investment or loan. It is only repayable in the specific circumstances set out in this Agreement.
- 1.8 DIA may, at its discretion, notify the Recipient in writing that it wishes to enter into a GST Offset Agreement in connection with the payment of GST on any Funding. The Recipient must, where applicable, take all such steps as are reasonably required to achieve that GST offset in accordance with the Goods and Services Tax Act 1985.

**2 RECIPIENT'S RESPONSIBILITIES**

**Standards and compliance with laws**

- 2.1 The Recipient must comply with all applicable laws, regulations, rules and professional codes of conduct or practice.

**Expenditure Programme(s) and Contractors**

- 2.2 The Recipient must not, without DIA's prior written consent, make any Material Variation to the Expenditure Programme(s) (including its description and scope) as set out in the Delivery Plan.
- 2.3 The Recipient must ensure that the Expenditure Programme(s) are carried out:
- (a) promptly with due diligence, care and skill, and in a manner that meets or exceeds Best Industry Practice;
  - (b) by appropriately trained, qualified, experienced and supervised persons; and
  - (c) in accordance with any directions of DIA, notified by DIA in writing from time to time.
- 2.4 The Recipient must use reasonable endeavours to ensure that the Expenditure Programme Milestones are completed by the relevant "Completion Date" specified in the Delivery Plan.
- 2.5 The Recipient is responsible for the acts and omissions of any contractors and subcontractors.
- 2.6 The Recipient must ensure (and will procure that the head contractor when engaging with any other contractor ensures) that all agreements it enters into with any contractors or any other party in connection with the Expenditure Programme(s) are on an "arm's length" basis, provide value-for-money and do not give rise to any Conflict of Interest. The Recipient must provide DIA with reasonable evidence of compliance with this clause 2.6 in response to any request by DIA from time to time.

**Information Undertakings**

- 2.7 The Recipient must provide DIA with the reports specified in the Key Details, in accordance with the timeframes and reporting requirements set out in the Key Details.
- 2.8 The Recipient must provide DIA with any other information about the Expenditure Programme(s) requested by DIA within the timeframe set out in the request.
- 2.9 The Recipient must promptly notify DIA if:

- (a) the Recipient (or any of its personnel or contractors) becomes aware of, or subject to, a Conflict of Interest; or
- (b) the Recipient becomes aware of any matter that could reasonably be expected to have an adverse effect on an Expenditure Programme and any related programme, or result in a Termination Event or a breach of any term of this Agreement by the Recipient,

and if requested by DIA must promptly provide DIA with its plan to mitigate and manage such Conflict of Interest or such matter.

- 2.10 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.
- 2.11 The parties acknowledge and agree that CIP (or any other Monitor) may, to the extent directed by DIA, undertake a reviewing and monitoring role under this Agreement, including by:
- (a) reviewing and confirming satisfaction with the Delivery Plan and with the reports specified in the Key Details;
  - (b) seeking, reviewing and confirming satisfaction with further information from the Recipient; and
  - (c) making recommendations to DIA and the New Zealand Government in respect of the Funding and the Agreement.

The Recipient agrees that all its communications and correspondence under this Agreement may be made with DIA or, to the extent directed by DIA, the Monitor.

#### **Funding, records and auditors**

- 2.12 The Recipient must receive and manage all Funding in accordance with good financial management and accounting practices and to a high standard that demonstrates appropriate use of public funds.
- 2.13 The Recipient must keep full and accurate records (including accounting records) of the Expenditure Programme(s) and retain them for at least 7 years after the last payment of Funding under this Agreement. The Recipient must permit DIA (or any auditor nominated by DIA) to inspect all records relating to the Expenditure Programme(s) and must allow DIA and/or the auditor access to the Recipient's premises, systems and personnel for the purposes of this inspection. DIA shall bear any third party costs arising from such inspection, unless the inspection reveals a breach of this Agreement, in which case the Recipient shall bear such costs.

#### **Reform**

- 2.14 The Recipient agrees to work constructively together with DIA and the New Zealand Government to support the objectives of the Three Waters Reform Programme pursuant to the Memorandum of Understanding. The parties acknowledge that the undertaking set out in this clause 2.14 is intended to be non-binding.



3 **INTELLECTUAL PROPERTY**

- 3.1 DIA acknowledges that the Recipient and its licensors own all pre-existing intellectual property which they contribute to the Expenditure Programme(s), and all new intellectual property which they create in the course of the Expenditure Programme(s).
- 3.2 The Recipient grants an irrevocable, perpetual, royalty-free, sub-licensable licence to DIA and the Monitor to use all reports, documents, information and other materials created or provided by the Recipient to DIA or the Monitor under or in connection with the Expenditure Programme(s) and this Agreement.
- 3.3 The Recipient warrants that it has obtained (or will obtain, prior to creation of each relevant work) all rights and permissions necessary to enable the grant and exercise of the licence in clause 3.2 without infringing the intellectual property rights of any third party.

4 **TERM AND TERMINATION**

- 4.1 This Agreement will be effective on and from the Commencement Date, which will be the latest to occur of:
- (a) the date this Agreement has been signed by both parties; and
  - (b) the date on which DIA has provided written notice to the Recipient that the Conditions Precedent specified in the Key Details have either been satisfied (in the opinion of DIA) or waived by DIA (at its sole discretion).
- 4.2 This Agreement will remain in force until the End Date, unless terminated in accordance with this Agreement.
- 4.3 DIA can terminate this Agreement with immediate effect, by giving notice to the Recipient, at any time:
- (a) while DIA reasonably considers that the Recipient has become or is likely to become insolvent;
  - (b) while the Recipient is subject to the appointment of a liquidator, receiver, manager or similar person in respect of any of its assets or a Crown Manager or Commission is appointed in respect of the Recipient under Part 10 of the Local Government Act 2002;
  - (c) if the Expenditure Programme(s) have not commenced by 31 March 2021; or
  - (d) while any one or more of the follow events or circumstances remains unremedied:
    - (i) the Recipient is materially in breach of any obligation, or a condition or warranty, under this Agreement;
    - (ii) the Recipient has provided DIA with information in connection with or under this Agreement that (whether intentionally or not) is materially incorrect or misleading, and/or omits material information;
    - (iii) DIA reasonably considers that this Agreement or an Expenditure Programme has caused, or may cause, DIA and/or the New Zealand Government to breach any legal obligations (including its international trade obligations);
    - (iv) the Recipient abandons an Expenditure Programme;

- (v) the Recipient is involved in any intentional or reckless conduct which, in the opinion of DIA, has damaged or could damage the reputation, good standing or goodwill of DIA or the New Zealand Government, or is involved in any material misrepresentation or any fraud;
  - (vi) the Recipient (or any of its personnel or contractors) is subject to a Conflict of Interest which cannot be managed to DIA's satisfaction; or
  - (vii) any change in law, regulations or other circumstances materially affects DIA's ability to perform its obligations under this Agreement.
- 4.4 However, where DIA considers that a Termination Event set out in clause 4.3(d) can be remedied, DIA must give notice to the Recipient requesting a remedy, and must not exercise its right of termination unless the relevant event remains unremedied for at least 14 days (or any longer period agreed with the Recipient) after that notice has been provided by DIA.
- 4.5 On expiry or termination of this Agreement, where the aggregate of (a) the total Funding paid under this Agreement and (b) any other money received or allocated by the Recipient, in each case to carry out an Expenditure Programme, exceeds the amount required to perform the Expenditure Programme, the Recipient must upon request refund to DIA the excess amount.
- 4.6 At any time DIA may recover the amount of any Funding that has been spent or used other than in accordance with this Agreement, or not applied to Eligible Costs by the End Date, together with interest on all such amounts calculated at 10% per annum from the date of the mispending to the date the money is repaid.
- 4.7 Clauses 1.5, 2.1, 2.12, 2.13, 3, 4, 5, 6, 7, 8, 9, 10 and 11 survive expiry or termination of this Agreement, along with any other parts of this Agreement necessary to give effect to those provisions. Expiry or termination of this Agreement does not affect any accrued rights, including any rights in respect of a breach of this Agreement or Termination Event that occurred before expiry or termination.
- 5 **WARRANTIES AND UNDERTAKINGS**
- 5.1 The Recipient warrants that, in the course of its activities in connection with the Expenditure Programme(s), it will not infringe any intellectual property or other rights of any contractor or any other third party.
- 5.2 The Recipient warrants that, as at the date of this Agreement:
  - (a) It has full power and authority to enter into and perform its obligations under this Agreement which, when executed, will constitute binding obligations on it in accordance with this Agreement's terms, and it has complied with the Local Government Act 2002 in entering into this Agreement;
  - (b) the Recipient is solvent and is not subject to the appointment of a liquidator, receiver, manager or similar person in respect of any of its assets or to the appointment of a Crown Manager or Commission under Part 10 of the Local Government Act 2002;
  - (c) all information and representations disclosed or made to DIA by the Recipient in connection with this Agreement are true and correct, do not omit any material matter, and are not likely to mislead or deceive DIA as to any material matter;

- (d) it has disclosed to DIA all matters known to the Recipient (relating to the Expenditure Programme(s), the Recipient or its personnel) that could reasonably be expected to have an adverse effect on the reputation, good standing or goodwill of DIA or the New Zealand Government; and
- (e) it is not aware of any material information that has not been disclosed to DIA which may, if disclosed, materially adversely affect the decision of DIA whether to provide the Funding.

5.3 The Recipient warrants that:

- (a) the Funding has been or will be applied solely to Eligible Costs; and
- (b) the Expenditure Programme(s) will take into account the parties' shared intention to:
  - (i) support economic recovery through job creation; and
  - (ii) maintain, increase and/or accelerate investment in core water infrastructure renewals and maintenance,

and such warranty will be deemed to be repeated continuously so long as this Agreement remains in effect by reference to the facts and circumstances then existing.

- 5.4 DIA warrants that, as at the date of this Agreement, it has full power and authority to enter into and perform its obligations under this Agreement which, when executed, will constitute binding obligations on it in accordance with this Agreement's terms.
- 5.5 The Recipient acknowledges that DIA has entered into this Agreement in reliance on these warranties and undertakings.
- 5.6 The Recipient acknowledges and agrees that DIA has made no warranty or representation that any funding or financial support is or will be available to the Recipient in respect of the Expenditure Programme(s), other than the Funding.

**6 LIABILITY**

- 6.1 The maximum liability of DIA under or in connection with this Agreement, whether arising in contract, tort (including negligence) or otherwise, is limited to the total amount of Funding paid or payable under this Agreement.
- 6.2 The Recipient undertakes to pay any and all cost overruns of the Expenditure Programme(s) and any funding shortfall, and DIA and the New Zealand Government have no obligations or responsibility whatsoever in respect of such cost overruns and funding shortfall and accept no financial risk in the Expenditure Programme(s).
- 6.3 DIA is not liable for any claim under or in connection with this Agreement or the Expenditure Programme(s), whether arising in contract, tort (including negligence) or otherwise, where such claim is or relates to any loss of profit, loss of revenue, loss of use, loss of reputation, loss of goodwill, loss of opportunity (in each case whether direct, indirect or consequential) or any other indirect, consequential or incidental loss or damages of any kind whatsoever.

7 **CONFIDENTIALITY**

- 7.1 Subject to clause 7.2 and 7.3, each party must keep the other party's Confidential Information in confidence, and must use or disclose that Confidential Information only to the extent necessary to perform its obligations, and/or take the intended benefit of its rights, under this Agreement. However, this will not prohibit:
- (a) either party from using or disclosing any information with the written prior consent of the other party;
  - (b) use or disclosure of information that has become generally known to the public other than through a breach of this Agreement;
  - (c) either party from disclosing information to its personnel, contractors or advisors with a need to know, so long as the relevant personnel, contractors and advisors use the information solely to enable that party to perform its obligations and/or take the intended benefit of its rights under this Agreement, and so long as they are informed of the confidential nature of the information and, in the case of the Recipient, the Recipient receives an acknowledgement from its personnel, contractors or advisors that they acknowledge, and must comply with, the confidentiality obligations in this Agreement as if they were party to it;
  - (d) disclosure required by any law, or any compulsory order or requirement issued pursuant to any law; or
  - (e) DIA from using or disclosing to any party any documents, reports or information received in relation to this Agreement, provided that prior to any such disclosure DIA removes all information that is commercially sensitive to the Recipient from the relevant work.
- 7.2 The Recipient acknowledges and agrees that nothing in this Agreement restricts DIA's ability to:
- (a) discuss, and provide all information in respect of, any matters concerning the Recipient, the Expenditure Programme(s) or this Agreement with any Minister of the Crown, the Monitor, any other government agency or any of their respective advisors;
  - (b) meet its obligations under any constitutional or parliamentary convention (or other obligation at law) of or in relation to the New Zealand Parliament, the New Zealand House of Representatives or any of its Committees, any Minister of the Crown, or the New Zealand Auditor-General, including any obligations under the Cabinet Manual including the "no surprises" principle; and
  - (c) publicise and report on the awarding of the Funding, including the Recipient's and any of its contractor's names, the amount and duration of the Funding and a brief description of the Expenditure Programme(s), on websites; in media releases; general announcements and annual reports.
- 7.3 The Recipient acknowledges that:
- (a) the contents of this Agreement (including the Delivery Plan); and
  - (b) information provided to DIA and the Monitor (including the reports specified in the Key Details),

may be official information in terms of the Official Information Act 1982 and, in line with the purpose and principles of the Official Information Act 1982, this Agreement and such information may be released to the public unless there is good reason under the Official Information Act 1982 to withhold it.

- 7.4 DIA acknowledges that the Recipient is subject to the Local Government Official Information and Meetings Act 1987 and that its confidentiality obligations under this clause 7 are subject to its compliance with that Act.

## 8 MEDIA AND COMMUNICATIONS

- 8.1 Before making any media statements or press releases (including social media posts) regarding this Agreement and/or DIA's involvement with the Expenditure Programme(s), the Recipient will consult with DIA, and will obtain DIA's prior approval to any such statements or releases.
- 8.2 The Recipient will refer any enquiries from the media or any other person about the terms or performance of this Agreement to DIA's Representative.
- 8.3 The Recipient will acknowledge the New Zealand Government as a source of funding in all publications (including any digital presence) and publicity regarding the Expenditure Programme(s) in accordance with funding acknowledgement guidelines agreed with DIA. The Recipient must obtain DIA's approval of the form and wording of the acknowledgement prior to including the acknowledgement in the publication or publicity (as the case may be).
- 8.4 The Recipient does not have the right to enter into any commitment, contract or agreement on behalf of DIA or any associated body, or to make any public statement or comment on behalf of DIA or the New Zealand Government.
- 8.5 All correspondence with DIA under this clause 8 must be directed to DIA's Representative and copied to [threewaters@dia.govt.nz](mailto:threewaters@dia.govt.nz) and the Monitor.

## 9 DISPUTES

- 9.1 In the event of any dispute, controversy or claim arising out of or in connection with this Agreement, or in relation to any question regarding its existence, breach, termination or invalidity (in each case, a **Dispute**), either party may give written notice to the other specifying the nature of the Dispute and requesting discussions under this clause 9 (**Dispute Notice**). As soon as reasonably practicable following receipt of a Dispute Notice, the parties must meet (in person, or by audio or video conference) and endeavour to resolve the Dispute by discussion, negotiation and agreement.
- 9.2 If the matter cannot be amicably settled within 20 Business Days after the date of the Dispute Notice then, at the request in writing of either party, the matter in respect of which the Dispute has arisen must be submitted, together with a report describing the nature of such matter, to the Representatives (or, if no such Representatives have been appointed, the respective Chief Executives of the parties) (together the **Dispute Representatives**).
- 9.3 Within 20 Business Days after the receipt of a request under clause 9.2, one individual (who does not act in his or her professional capacity as legal counsel for either party) selected by each of the Dispute Representatives, must make a presentation of no longer than 30 minutes to each of the Dispute Representatives (which may be by telephone or remotely), who will then attempt in good faith to reach a common decision within a half-day. The decision of the Dispute Representatives is binding on the parties.

- 9.4 In the case of a Dispute, if the Dispute Representatives have not met within 20 Business Days of receiving a request in accordance with clause 9.2, or if they fail to reach a common decision within the stated time period, either party may by notice in writing to the other party refer the Dispute to be referred to mediation before a single mediator appointed by the parties. Each party will bear its own costs of mediation and the costs of the mediator will be divided evenly between the parties.
- 9.5 If the parties are unable to agree on the appointment of a mediator within 5 Business Days of the notice requiring the Dispute to be referred to mediation, a mediator may be appointed at the request of any party by the Arbitrators' and Mediators' Institute of New Zealand Inc.
- 9.6 If the Dispute is not resolved within 20 Business Days of referral to mediation, the parties may commence court proceedings without further participation in any mediation.
- 9.7 Nothing in this clause 9 will prevent either party from seeking urgent interim relief from a court (or other tribunal) of competent jurisdiction.
- 10 **REPRESENTATIVES**
- 10.1 All matters or enquiries regarding this Agreement must be directed to each party's Representative (set out in the Key Details).
- 10.2 Each party may from time to time change the person designated as its Representative on 10 Business Days' written notice to the other Party. Any such change will also take effect as a change of the relevant Representative for the purposes of the Memorandum of Understanding.
- 11 **GENERAL**
- 11.1 Each notice or other communication given under this Agreement (each a **notice**) must be in writing and delivered personally or sent by post or email to the address of the relevant party set out in the Key Details or to any other address from time to time designated for that purpose by at least 10 Business Days' prior written notice to the other party. A notice under this Agreement is deemed to be received if:
- (a) **Delivery:** delivered personally, when delivered;
  - (b) **Post:** posted, 5 Business Days after posting or, in the case of international post, 7 Business Days after posting; and
  - (c) **Email:** sent by email:
    - (i) If sent between the hours of 9am and 5pm (local time) on a Business Day, at the time of transmission; or
    - (ii) If subclause (i) does not apply, at 9am (local time) on the Business Day most immediately after the time of sending,provided that an email is not deemed received unless (if receipt is disputed) the party giving notice produces a printed copy of the email which evidences that the email was sent to the email address of the party given notice.
- 11.2 The Recipient agrees to execute and deliver any documents and to do all things as may be required by DIA to obtain the full benefit of this Agreement according to its true intent.

- 11.3 No legal partnership, employer-employee, principal-agent or joint venture relationship is created or evidenced by this Agreement.
- 11.4 This Agreement constitutes the sole and entire understanding with respect to the subject matter hereof and supersedes all prior discussions, representations and understandings, written or oral.
- 11.5 No amendment to this Agreement will be effective unless agreed in writing and signed by both parties.
- 11.6 The Recipient may not assign or transfer any of its contractual rights or obligations under this Agreement, except with DIA's prior written approval.
- 11.7 DIA may assign or transfer any of its contractual rights or obligations under this Agreement without the Recipient's prior approval. DIA may at any time disclose to a proposed assignee or transferee any information which relates to, or was provided in connection with, the Recipient, the Expenditure Programme(s) or this Agreement.
- 11.8 No failure, delay or indulgence by any party in exercising any power or right conferred on that party by this Agreement shall operate as a waiver. A single exercise of any of those powers or rights does not preclude further exercises of those powers or rights or the exercise of any other powers or rights.
- 11.9 The exercise by a party of any express right set out in this Agreement is without prejudice to any other rights, powers or remedies available to a party in contract, at law or in equity, including any rights, powers or remedies which would be available if the express rights were not set out in this Agreement.
- 11.10 This Agreement is not intended to confer any benefit on or create any obligation enforceable at the suit of any person not a party to this Agreement.
- 11.11 Any provision of this Agreement that is invalid or unenforceable will be deemed deleted, and will not affect the other provisions of this Agreement, all of which remain in force to the extent permitted by law, subject to any modifications made necessary by the deletion of the invalid or unenforceable provision.
- 11.12 This Agreement is to be governed by the laws of New Zealand, and the parties submit to the non-exclusive jurisdiction of the courts of New Zealand.
- 11.13 This Agreement may be executed in any number of counterparts (including duly electronically signed, scanned and emailed copies). So long as each party has received a counterpart signed by each of the other parties, the counterparts together shall constitute a binding and enforceable agreement. This Agreement is intended to constitute a binding and enforceable agreement in accordance with its terms.

*END OF PART 2*

### PART 3: DEFINITIONS AND CONSTRUCTION

#### Defined terms

In this Agreement, unless the context requires otherwise, terms defined in the Agreement have the meaning set out therein and:

*Authorisation* means:

- (a) any consent, authorisation, registration, filing, lodgement, agreement, notarisation, certificate, permission, licence, approval, authority or exemption from, by or with a governmental agency or required by any law (including any consent under the Resource Management Act 1991); or
- (b) in relation to anything which will be fully or partly prohibited or restricted by law if a governmental agency intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.

*Best Industry Practice* means that degree of skill, care and foresight and operating practice that would reasonably and ordinarily be expected of a skilled and competent supplier of services engaged in the same type of undertaking as that of the Recipient or any contractors (as applicable) under the same or similar circumstances as those contemplated by this Agreement.

*Business Day* means any day other than a Saturday, Sunday or public holiday within the meaning of section 44 of the Holidays Act 2003.

*Commencement Date* has the meaning given in clause 4.1 of Part 2.

*Completion Date* is the date that the relevant Expenditure Programme Milestone is to be completed by the Recipient, described in the Delivery Plan, and includes any amendment to the date which may be agreed in writing (including by email but only when DIA's Representative expressly confirms in writing

that they have received approval of the change from the correct DIA delegation holder) between the parties from time to time.

*Conditions* means the conditions to the payment of a Funding instalment as specified in Item 7 of the Key Details.

*Confidential Information* of a party (Owner), means any information in the possession or control of another party (Holder) that:

- (a) was originally acquired by the Holder in connection with this Agreement through disclosures made by or at the request of the Owner; and/or
- (b) was originally acquired by the Holder in connection with this Agreement through any access to, or viewing, inspection or evaluation of, the premises, facilities, documents, systems or other assets owned or controlled by the Owner; and/or
- (c) is derived from information of a kind described in paragraph (a) or (b) above; but excludes any information which the Holder can show:
  - (d) was lawfully acquired by the Holder, entirely independently of its activities in connection with this Agreement, and is free of any other obligation of confidence owed to the Owner; and/or
  - (e) has been independently developed by the Holder without reference to the Owner's Confidential Information, and without breaching any other obligation of confidence owed to the Owner.

Notwithstanding the foregoing, the terms of this Agreement (excluding the Delivery Plan) are not Confidential Information.

*Conflict of Interest* means any matter, circumstance, interest or activity of the Recipient, its personnel or contractors, or any other person with whom the Recipient has a relationship that:



- (a) conflicts with:
  - (i) the obligations of the Recipient (or its personnel or contractors) to DIA under this Agreement; or
  - (ii) the interests of the Recipient in relation to this Agreement and/or the procuring of the Expenditure Programme(s); or
- (b) otherwise impairs or might appear to impair the ability of the Recipient (or any of its personnel or contractors) to diligently and independently carry out the Expenditure Programme(s) in accordance with this Agreement.

*Delivery Plan* means the delivery plan setting out the scope of the Expenditure Programme(s) to which Funding is to be applied, based on the template provided by and in the form approved by DIA and executed by DIA and the Recipient.

*Eligible Costs* means the actual costs that have been or will be reasonably incurred by the Recipient on or after the Commencement Date and no later than the End Date to deliver an Expenditure Programme in accordance with the Delivery Plan.

*Expenditure Programme Milestone* means, in respect of an Expenditure Programme, a milestone for that Expenditure Programme, as set out in the Delivery Plan.

*Funding* means the funding or any part of the funding (as the context requires) payable by DIA to the Recipient in accordance with the terms of this Agreement, as described in the Key Details.

*GST Offset Agreement* means a deed of assignment between DIA as Assignor and the Recipient as Assignee providing for the offset of the amount of GST in accordance with the Goods and Services Tax Act 1985.

*Key Details* means Part 1 of this Agreement.

*Memorandum of Understanding* means the memorandum of understanding relating to Three Waters Services Reform between DIA

and the Recipient, in the form provided by DIA.

*Material Variation* means, in respect of an Expenditure Programme, any variation which on its own or together with any other variation or variations results in, or is likely to result in the budgeted expenditure (taking into account all variations) being exceeded or an Expenditure Programme being materially delayed, or any variation that materially amends the scope, specifications or function of an Expenditure Programme.

*Monitor* means CIP, or any other entity appointed by DIA in its sole discretion to assist in managing the Funding by undertaking a monitoring role.

*Payment Request* means a request submitted to DIA by the Recipient seeking payment of Funding substantially in the form set out in the Schedule to this Agreement.

*Quarter* means a financial quarter, being a three monthly period ending on 30 June, 30 September, 31 December or 31 March.

*Termination Event* means any one or more of the events or circumstances set out in clause 4.3.

#### **Construction**

In the construction of this Agreement, unless the context requires otherwise:

*Currency*: a reference to any monetary amount is to New Zealand currency;

*Defined Terms*: words or phrases appearing in this Agreement with capitalised initial letters are defined terms and have the meanings given to them in this Agreement;

*Documents*: a reference to any document, including this Agreement, includes a reference to that document as amended or replaced from time to time;

*Inclusions*: a reference to "includes" is a reference to "includes without limitation", and "include", "included" and "including" have corresponding meanings;

*Joint and Several Liability:* any provision of this Agreement to be performed or observed by two or more persons binds those persons jointly and severally;

*Parties:* a reference to a party to this Agreement or any other document includes that party's personal representatives/successors and permitted assigns;

*Person:* a reference to a person includes a corporation sole and also a body of persons, whether corporate or unincorporate;

*Precedence :* if there is any conflict between the different parts of this Agreement, then unless specifically stated otherwise, the Key Details will prevail over Part 2, and Part 2 will prevail over the Delivery Plan;

*Precedence with Memorandum of Understanding:* if there is any conflict

between this Agreement and the Memorandum of Understanding, then unless specifically stated otherwise, this Agreement will prevail;

*Related Terms:* where a word or expression is defined in this Agreement, other parts of speech and grammatical forms of that word or expression have corresponding meanings;

*Statutes and Regulations:* a reference to an enactment or any regulations is a reference to that enactment or those regulations as amended, or to any enactment or regulations substituted for that enactment or those regulations;

*Writing:* a reference to "written" or "in writing" includes email and any commonly used electronic document format such as .DOC or .PDF.

END OF PART 3

**SCHEDULE: PAYMENT REQUEST**

---

To: DEPARTMENT OF INTERNAL AFFAIRS

Dated: [•]

**PAYMENT REQUEST**

1. We refer to the Funding Agreement dated [•] 2020 between [•] as recipient (**Recipient**) and the Department of Internal Affairs (**DIA**) (the **Agreement**). Terms defined in the Agreement have the same meaning in this Payment Request.
2. This is a Payment Request for the purpose of clauses 1.2 and 1.3 of the Agreement.
3. Each of the Expenditure Programme Milestones that have been completed are:  
  
*[insert description of each of Expenditure Programme Milestones completed, including the date of completion]*
4. The amount of Funding requested is \$[•] plus GST if any.
5. The Funding requested in this Payment Request has been or will be required to meet the Eligible Costs.
6. We enclose with this Payment Request:
  - (a) a breakdown / total transaction listing of total Eligible Costs that have been or will be incurred to deliver the completed Expenditure Programme Milestone(s);
  - (b) the conditions to the applicable Expenditure Programme Milestone(s) as set out in the Funding Agreement and the Delivery Plan;
  - (c) a quarterly report; and *\*Note: (c) is not applicable for the first Payment Request, or where DIA has agreed under item 7 of the Key Terms that a Payment Request does not need to be provided alongside a quarterly report*
  - (d) any other reasonable information or evidence requested by DIA or the Monitor in relation to Eligible Costs that have been incurred or will be incurred.
7. We confirm that:
  - (a) no Termination Event is subsisting; and
  - (b) each of the warranties set out in the Agreement are correct as at the date of this Payment Request.

By and on behalf of the Recipient by

NAME OF RECIPIENT

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Authorised Officer



Te Tari Taiwhenua  
Internal Affairs

### THREE WATERS STIMULUS GRANT DELIVERY PLAN

**Instructions for completion:** A single Delivery Plan is to be completed for the full Expenditure Programme. Territorial Authorities may elect to provide appendices providing further detail of specific elements of the proposed expenditure programme.

The draft Delivery Plan must be submitted by the Territorial Authority as soon as possible and in any event by no later than 30 September 2020 to [threewaters@dia.govt.nz](mailto:threewaters@dia.govt.nz), with a copy to [3waters@crowinfrastructure.govt.nz](mailto:3waters@crowinfrastructure.govt.nz). The Delivery Plan will be assessed by the Department of Internal Affairs and Crown Infrastructure Partners Limited, who may elect to provide feedback and require further detail, additions or alterations. A revised version of the Delivery Plan, incorporating all agreed changes, must be submitted for approval thereafter, with the final Delivery Plan to be in an approved form by 31 October 2020.

Where the Department of Internal Affairs requires additional reporting or other assurance based on a specific Delivery Plan, this will be included in section 17 below following the Department of Internal Affairs/Crown Infrastructure Partners Limited review. Section 17 will form part of the Delivery Plan. All figures in this Delivery Plan should be GST exclusive.

Capitalised terms in this Delivery Plan have the meaning given to them in the Funding Agreement, where applicable.

#### Territorial Authority information

1. Programme Title:	Water supply and wastewater Covid-19 stimulus programme
2. Territorial Authority:	Christchurch City Council
3. Total Maximum Amount Payable (NZ\$M):	\$
4. Organisation Lead Contact:	
Name:	Dawn Baxendale
Position:	Chief Executive
Email:	dawn.baxendale@ccc.govt.nz

#### Expenditure Programme overview

5. Please provide a brief description of the expenditure programme to be undertaken:

Renewal of water supply and wastewater pipes that were deferred from the annual plan as a result of Covid-19, backlog of water supply and wastewater renewals and maintenance, backlog of condition inspections of wastewater pipes and water supply storage tanks, smart water monitoring system and sensors, optimised maintenance system, sanitary survey of private water and wastewater

COMMERCIAL IN-CONFIDENCE

Page 1 of 5

schemes, contribution to a business case for a regional or multi-regional water services entity.

6. Location/address of the programme:  
(if this is a series of investments, please identify each location where relevant)

Various locations across the Christchurch district

7. What is the **total** estimated cost of the programme (NZ\$M)?

\$

8. If the total estimated cost exceeds the Total Maximum Amount Payable, please specify the funding source(s) and amount(s):

Funding Source	Amount (NZ\$M)
	\$
	\$
<b>Total</b>	<b>\$</b>

9. Please provide a high-level breakdown of the expenditure programme including a cost schedule identifying estimated costs for each major component:

10. What is the expected number of people employed, and net jobs created through the expenditure programme? How has this been estimated?

#### Expenditure Programme commencement

11. Please describe the initial activity to be undertaken on expenditure programme commencement:

#### Expenditure Programme completion

12. Please outline below the high-level plan that will ensure the expenditure programme is completed by 31 March 2022 (these should largely mirror the milestones below):

#### Expenditure Programme funding status

13. Please indicate below the expenditure programme funding status:

Included in LTP	Y/N	Amounts NZ\$	Year
-----------------	-----	--------------	------

Included in Annual Plan 2020/21	Y/N	Amounts NZ\$	N/A
Not funded in any plan	Y/N	Amounts NZ\$	Year
Was funded but COVID-19 deferred	Y/N	Amounts NZ\$	Year
Is any Territorial Authority co-funding being contributed?	Y/N	Amounts NZ\$	Year

14. Please set out the key milestones of the expenditure programme to be undertaken, and for each milestone the planned completion date and budget:<sup>1</sup>

	Expenditure Programme Milestone (including a description of how the milestone is identified)	Completion Date	Maximum Funding instalment amount (NZ\$) <sup>2</sup>	Budgeted costs to complete the expenditure programme (NZ\$)	[DIA USE ONLY] Funding Conditions
1.	Commencement Date occurring under the Funding Agreement	31 October 2020 (or such date agreed otherwise in writing with DIA under the Funding Agreement)	NZ\$[INSERT HERE] [Note: this is to be 50% of the Total Maximum Amount Payable]	Nil	
2.	[Commencement of expenditure programme]	[date] [To be no later than 31 March 2021]	NZ\$[INSERT HERE]	NZ\$[INSERT HERE]	
3.	[milestone]	[date]	NZ\$[INSERT HERE]	NZ\$[INSERT HERE]	
4.	[milestone]	[date]	NZ\$[INSERT HERE]	NZ\$[INSERT HERE]	
5.	[milestone]	[date]	NZ\$[INSERT HERE]	NZ\$[INSERT HERE]	
6.	[milestone]	[date]	NZ\$[INSERT HERE]	NZ\$[INSERT HERE]	
7.	[Completion of expenditure programme]	[date] [To be no later than 31 March 2022]	NZ\$[INSERT HERE]] <sup>3</sup>	NZ\$[INSERT HERE]	

<sup>1</sup> All figures should be GST exclusive.

<sup>2</sup> You may choose to determine each maximum Funding instalment amount for a milestone on the basis of seeking funds either for application towards costs incurred for that milestone, or for application towards costs to be incurred for the following milestone.

<sup>3</sup> The final Payment Request needs to be submitted with the quarterly report for the period ending 31 December 2021.

	<b>TOTAL</b>		<i>[Must be less or equal to Total Maximum Amount Payable]</i>	<i>[Must be equal to the total estimated cost of the expenditure programme]</i>	
--	--------------	--	--	---	--

15. Briefly outline the final expected outcomes/objectives of the expenditure programme:

16. Briefly outline an assessment of how the expenditure programme supports the reform objectives set out in the Memorandum of Understanding relating to Three Waters Services Reform between you and the Sovereign in Right of New Zealand acting by and through the Minister of Local Government:

**DIA USE ONLY**

17. Additional requirements in respect of the Funding Agreement (such as specific reporting requirements):

The parties acknowledge and agree that this is the agreed Delivery Plan.

**SIGNATURES**

**SIGNED** by the **SOVEREIGN IN RIGHT OF NEW ZEALAND** acting by and through the Chief Executive of the Department of Internal Affairs or his or her authorised delegate:

\_\_\_\_\_  
Name:

Position:

Date:

**SIGNED** for and on behalf of

\_\_\_\_\_  
by the person(s) named below, being a person(s) duly authorised to enter into obligations on behalf of that territorial authority:

\_\_\_\_\_  
Name:

Position:

Date:

\_\_\_\_\_  
Name:

COMMERCIAL IN-CONFIDENCE

Page 4 of 5

Position:

Date:

COMMERCIAL IN-CONFIDENCE

Page 5 of 5



### The proposed projects to be delivered

Staff prepared a long list of projects that meet the criteria for government funding. These were prioritised using the criteria in Table 1. Each project candidate was scored against each criterion and the scores multiplied together to give an overall score.

**Table 1 – Scoring framework for project candidates for government funding**

Score	Water type	Deliverability	Category	Impact
1	Water supply	Ready for tender by September	Renewals deferred in FY21 annual plan	Highly important (e.g. significant contribution to strategic priorities, water safety, health and safety)
2	Wastewater	Ready for tender by November	Deferred maintenance	Important (e.g. some contribution to strategic priorities, operational improvements)
3	3 Waters	Ready for tender after November	Renewals backlog	Less important
4		Will not be complete by March 2022	Other	

The recommended project candidates for the available funding are shown in Table 2, listed in order of priority. The value of the regional grant is not yet known, so the project list will be amended to match the actual funding. The full list of candidates that were considered is included as Attachment E.

**Table 2 – Recommended project candidates for government funding**

ID	Name	Estimate (\$)
55782	WS Mains Renewal - Riccarton Rd - Hansons Ln to Matipo	5,332,559
56164	WW Mains Renewal - Trafalgar, Dover, Cornwall, Lindsay, Caledonian and Ranfurly	3,971,153
56167	WW Mains Renewal - Philomel, Inverell, Pegasus, Endeavour, Royalist, Effingham, Monowai, Nile	4,237,839
55781	WS Mains Renewal - Libeau Ln and Chemin Du Nache	388,799
	WS reservoirs and suction tanks - condition assessments of high priority tanks	200,000
	Smart Water Meters	1,560,703
	Duvauchelle wastewater treatment plant - deferred maintenance	200,000
	WW lift station SCADA renewals (convert RTUs)	500,000
	Sanitary survey of small private community water and wastewater schemes	300,000
	WW Akaroa wastewater - renewals/repairs to reduce inflow and infiltration	3,100,000
	<b>SUBTOTAL</b>	<b>19,751,053</b>
55783	WS Mains Renewal - Scruttons PS to Lyttelton Road Tunnel and St Andrews Hill Rd	3,868,947
56175	WW Mains Renewal - Nalder, Ruru, McLean, Wyon, Rudds, Griffiths, Digby, Rasen and Tilford	3,969,345
	WS pump station deferred maintenance	1,560,000
	WW pump station deferred maintenance	1,250,000
	WS Smart water monitoring system	3,500,000
	Asset lifecycle maintenance optimisation	200,000
	WW CCTV inspections	2,000,000
	Business case for regional water services entity (CCC contribution)	100,000
56176	WW Mains Renewal - Sails, Langdons, Hoani, Wilmot, Cone, Perry, Gambia, Frank, Sturrocks, Grassmere	5,961,031
	<b>TOTAL</b>	<b>42,100,376</b>

3 Waters prioritised candidates for government funding - long list

CPMS ID	Title	Description	Estimated budget FY21	Cumulative total FY21	Total budget/estimate	Cumulative total budget	Water type	Water type score	Deliverability score	Category	Category score	Impact score	Total score	Capex/opex	Estimated completion date
55782	WS Mains Renewal - Riccarton Rd - Hansons Ln to Matipo St	Replace the very poor condition asbestos cement water main and galvanised submains on Riccarton Road between Hansons Lane and Matipo Street with PE (polyethylene) pipe. To reduce disruption to the public, this will be done at the same time as replacing the wastewater main, and in co-ordination with cycleway and intersection safety improvements. This project also facilitates the re-zoning project, which will increase the resilience of the water supply in this area.	5,210,000	5,210,000	5,332,559	5,332,559	WS	1	2	Deferred AP renewals	1	1	2	Capex	Mar-22
56164	WW Mains Renewal - Trafalgar, Dover, Cornwall, Lindsay, Caledonian and Ranfurly	Replace poor and very poor condition wastewater mains (condition grade 4 and 5, mostly earthenware pipe over 100 years old) with PVC pipe, replace non-PVC laterals and renew manholes in the following street sections: 1) Trafalgar St - Edgeware Rd to Dover St; 2) Dover St - Edgeware Rd to Radnor St; 3) Cornwall St - Edgeware Rd to Lindsay St; 4) Lindsay St - 1/11 Lindsay St to Cornwall St; 5) Caledonian Rd - Edgeware Rd to 115 Caledonian Rd; and 6) Ranfurly St - Bristol St to Caledonian Rd. Some of these wastewater pipes are within 400 m of the wells at the Trafalgar pump station and renewing them will reduce the risk of contaminating the water supply in accordance with the recommendation in the well head security report. These renewals will also reduce stormwater inflow and groundwater infiltration into the wastewater network.	3,486,000	8,696,000	3,971,153	9,303,712	WW	2	1	Deferred AP renewals	1	1	2	Capex	Mar-21
56167	WW Mains Renewal - Philomel, Inverell, Pegasus, Endeavour, Royalist, Effingham, Monowai, Nile	Replace poor and very poor condition wastewater mains with PVC pipe, replace non-PVC laterals and renew manholes within the following street sections: 1) Philomel St - Pegasus Ave to 3 Philomel St; 2) Inverell Pl - Pegasus Ave to End; 3) Pegasus Ave - Endeavour St to Effingham St; 4) Endeavour St - Effingham St to End; 5) Royalist Ave - Pegasus Ave to Endeavour St; 6) Effingham St - Pegasus Ave to Pacific Rd; 7) Monowai Cres - Entire crescent; 8) Nile Pl - Monowai Cres to End. Some of these wastewater pipes are within 400 m of the wells at the Effingham pump station and renewing them will reduce the risk of contaminating the water supply in accordance with the recommendation in the well head security report. These renewals will also reduce inflow and infiltration (I&I) in the PS38 catchment which has high levels of I&I.	3,498,000	12,194,000	4,237,839	13,541,551	WW	2	1	Deferred AP renewals	1	1	2	Capex	Apr-21
55781	WS Mains Renewal - Libeau Ln and Chemin Du Nache	Replace poor condition main from Rue Grehan to L'Aube Hill Reservoir in Akaroa with PVC pipe. Pipes to be laid along Libeau Ln and Chemin Du Nache. This pipe is critical for security of supply in Akaroa.	390,000	12,584,000	388,799	13,930,350	WS	1	3	Deferred AP renewals	1	1	3	Capex	Oct-21
	WS reservoirs and suction tanks - condition assessments of 13 tanks	Comprehensive condition assessments of the 12 highest priority reservoirs and suction tanks, to assess vulnerability to contamination and structural integrity. The tanks to be assessed are Estuary suction tank, Gardiners suction tank, Grampian suction tank, Huntsbury reservoir 3, Huntsbury reservoir 4, Halswell reservoir 2, Main Pumps suction tank, Major Aitken 2 reservoir, Mt Pleasant reservoir 2 (Tanks 1 and 2), Mt Pleasant reservoir 3 (Tanks 1 and 2) and Mt Pleasant reservoir 4.	200,000	12,784,000	200,000	14,130,350	WS	1	1	Renewals backlog	3	1	3	Opex	Jun-21
	Smart Water Meters	Replacing old customer water meters with smart water meters. This will allow improved leak detection, more accurate charging for commercial customers and avoid the need to read the meters manually.	1,560,703	14,344,703	1,560,703	15,691,053	WS	1	1	Renewals backlog	3	1	3	Capex	Jun-21
	Duvauchelle wastewater treatment plant - deferred maintenance	Condition assessment of tanks and UV system, overhaul rotating biological contactors, health and safety improvements	200,000	14,544,703	200,000	15,891,053	WW	2	1	Deferred maintenance	2	1	4	Opex	Jun-21
	WW lift station SCADA renewals (convert RTUs)	Replacement of the monitoring and alarm system for all wastewater lift stations. The current system is failing which means we don't know when pumps have stopped working and is causing the wastewater network to back up, leading to odour problems and customer complaints. Replacement parts are no longer available and the existing communication system is a cybersecurity risk.	500,000	15,044,703	500,000	16,391,053	WW	2	1	Renewals backlog	3	1	6	Capex	Jun-21
	Needs assessment for water and wastewater supplies - small communities	An assessment of private water and wastewater supplies to determine whether they meet public health requirements, as required by section 125 of the Local Government Act 2002. Also in anticipation of the enactment of the Water Services Bill, which would require all water supplies (other than domestic self-supplies) to comply with the Drinking-water Standards for New Zealand and be operated by a registered water supplier. Identification of options for addressing needs.	300,000	15,344,703	300,000	16,691,053	WS	1	1	Other	4	1	4	Opex	Mar-22
	Akaroa wastewater - renewals/repairs to reduce inflow and infiltration	Targeted repairs and pipe replacements to the Akaroa wastewater network to reduce inflow and infiltration (currently about 60% of the wastewater flow). This will reduce the size and cost of the planned Akaroa wastewater scheme and reduce wastewater overflows to the environment.	3,100,000	18,444,703	3,100,000	19,791,053	WW	2	1	Renewals backlog	3	1	6	Capex	Jun-21
56175	WW Mains Renewal - Nalder, Ruru, McLean, Wyon, Rudds, Griffiths, Digby, Rasen and Tilford	Replace poor and very poor condition wastewater mains (condition grade 4 and 5) to Jollie St; 2) Ruru Rd - McGregors Rd to Cypress St; 3) McLean St - Worcester St to Buckleys Rd; 4) Wyon St - Hulbert St to Buckleys Rd; 5) Rudds Rd - McGregors Rd to 21 Rudds Rd; 6) Griffiths Ave - 14 Griffiths Ave to 26 Griffiths Ave; 7) Digby Pl - Hay St to End; 8) Ransen Pl - 9 Rasen Pl to End; 9) Tilford St Pressure Main - Ferry Rd to 36 Tilford St (Pump Station 13). Some of these wastewater pipes are within 400 m of the wells at the Kerrs pump station and renewing them will reduce the risk of contaminating the water supply in accordance with the recommendation in the well head security report. These renewals will also reduce inflow and infiltration (I&I) in the PS9 and PS13 catchments which have high levels of I&I.	3,347,001	21,791,704	3,969,345	23,760,398	WW	2	2	Deferred AP renewals	1	1	4	Capex	Aug-21
55783	WS Mains Renewal - Scruttons PS to Lyttelton Road Tunnel and St. Andrews Hill Rd	1) Replace and upsize critical water supply main from Scruttons Pump Station to the Lyttelton Road Tunnel. This pipe is in poor condition and is essential for supplying water to Lyttelton, Governors Bay and Diamond Harbour. Upsizing is needed for resilience and to accommodate growth. 2) Replace main from 45 St. Andrews Hill Rd to 57 St. Andrews Hill Rd which is vulnerable as a result of a poor condition road retaining	2,594,361	24,386,065	3,868,947	27,629,345	WS	1	3	Deferred AP renewals	1	1	3	Capex	Mar-22
	WS pump station deferred maintenance	Backlog of painting, tiling and repairs at water supply pump stations. Install backflow prevention on unprotected connections as recommended in the site specific risk management plans for pump stations. Install sample points to improve pump station water quality monitoring and management.	1,560,000	25,946,065	1,560,000	29,189,345	WS	1	2	Deferred maintenance	2	1	4	Opex	Jun-21
	WW pump station deferred maintenance	Backlog of painting, tiling and repairs at wastewater pump station.	1,250,000	27,196,065	1,250,000	30,439,345	WW	2	1	Deferred maintenance	2	1	4	Opex	Jun-21
	Smart water monitoring system	Software to analyse and report on data from flow, pressure, acoustic and water quality sensors and customer water meters on the water supply network. This will be used to identify and reduce leaks and damaging pressure fluctuations, and for early warning of possible contamination in the water supply. This is one of the improvement actions in the revised draft Christchurch/Lyttelton water safety plan.	3,500,000	30,696,065	3,500,000	33,939,345	WS	1	1	Other	4	1	4	Opex	Mar-22

	Asset maintenance system	System to allow the real-time reproting or maintenance activities to Council by the maintenance contractor. This will enable staff to optimise maintenance activities, maximise the operational efficiency of pump stations and will improve asset management. Improved maintenance records was one of the recommendations in the Drinking Water Assessor's adequacy report on the Christchurch/Lyttelton water safety plan.	200,000	30,896,065	200,000	34,139,345	WS	1	1	Other	4	1	4	Capex	Mar-22
	WW CCTV inspections	Closed circuit TV (CCTV) inspections of wastewater mains to determine their condition. This provides valuable information to inform the renewals programme, addresses the backlog from past three years and will enable the level of service to be met (11.0.1.19 Percentage of wastewater gravity network pipework identified as condition grade 5 through physical inspection rather than theoretical modelling: ≥ 95%)	2,000,000	32,896,065	2,000,000	36,139,345	WW	2	1	Renewals backlog	3	1	6	Opex	Jun-21
	Regional water entity business case	CCC contribution to work with the local authorities to develop a business case for a Canterbury region or northern South Island water services entity	100,000	32,996,065	100,000	36,239,345	3W	3	1	Other	4	2	24	Opex	Jun-21
56176	WW Mains Renewal - Sails, Langdons, Hoani, Wilmot, Cone, Perry, Gambia, Frank, Sturrocks, Grassmere	PVC laterals and renew manholes in the following street sections: 1) Sails St - Harewood Rd to Langdons St; 2) Landons Rd - Sails St to 129 Langdons Rd; 3) Hoani St - 109 Hoani St to 18 Hoani St; 4) Wilmot St - Hoani St to End; 5) Cone Pl - Hoani St to End; 6) Perry St - Papanui Rd to 85 Perry St; 7) Gambia St / Frank St - Papanui Rd to 10 Gambia St; 8) Sturrocks Rd - Main North Rd to 39 Sturrocks Rd; and 9) Grassmere St - 6 Grassmere St to 38 Grassmere St. Some of these wastewater pipes are within 400 m of the wells at the Grassmere pump station and renewing them will reduce the risk of contaminating the water supply in accordance with the recommendation in the well head security report. These renewals will also reduce stormwater inflow and groundwater infiltration into the wastewater network.	5,072,000	38,068,065	5,961,031	42,200,376	WW	2	3	Deferred AP renewals	1	1	6	Capex	Sep-21
56165	WW Mains Renewal - Totara, Puriri, Balgay, Milnebank, Karamu, Field, Wharenui, Weka, Tui, Leinster, Bristol		4,309,000	42,377,065	7,202,390	49,402,766	WW	2	3	Deferred AP renewals	1	1	6	Capex	Dec-21
	WS renewal designs for FY22 (additional budget for accelerated renewals programme)		910,000	43,287,065	910,000	50,312,766	WS	1	2	Renewals backlog	3	1	6	Capex	Jun-21
17885	WS Eastern Tce Trunk Main Renewal		1,119,000	44,406,065	8,778,027	59,090,793	WS	1	4	Deferred AP renewals	1	2	8	Capex	May-23
	WS reservoirs and suction tanks - repairs following condition assessments		3,300,000	47,706,065	3,300,000	62,390,793	WS	1	3	Renewals backlog	3	1	9	Capex	Mar-22
	H&S improvements at pump stations (including arc flash protection rating)		2,140,000	49,846,065	2,140,000	64,530,793	3W	3	1	Renewals backlog	3	1	9	Capex	Mar-22
	Variable Speed Drive Replacements		2,000,000	51,846,065	2,000,000	66,530,793	3W	3	1	Renewals backlog	3	1	9	Capex	Jun-21
60152	WS PS1022 Kerrs Station Replacement (design)		125,000	51,971,065	125,000	66,655,793	WS	1	3	Renewals backlog	3	1	9	Capex	Jun-21
17924	WS PS1005 Averill Pump Station Replacement (design only)		125,000	52,096,065	125,000	66,780,793	WS	1	3	Renewals backlog	3	1	9	Capex	Jun-21
	WS replace MOSCAD RTUs (design only)		450,000	52,546,065	4,500,000	71,280,793	WS	1	4	Renewals backlog	3	1	12	Capex	Jun-24
	Sludge dryer renewal (design only)		450,000	52,996,065	4,500,000	75,780,793	WW	2	1	Renewals backlog	3	2	12	Capex	Jun-21
	WS replace direct online pumps with VSDs		6,500,000	59,496,065	6,500,000	82,280,793	WS	1	3	Other	4	1	12	Capex	Mar-22
	Pressure management, water supply rezoning (mostly design and planning, some implementation)		250,000	59,746,065	250,000	82,530,793	WS	1	3	Other	4	1	12	Capex	Jun-21
	WS pump station security improvements		2,500,000	62,246,065	2,500,000	85,030,793	WS	1	2	Other	4	2	16	Capex	Mar-22
	Renew temporary chlorination equipment		500,000	62,746,065	500,000	85,530,793	WS	1	2	Other	4	2	16	Capex	Jun-21
	Customer meters for unmetered properties		2,000,000	64,746,065	2,000,000	87,530,793	WS	1	2	Other	4	2	16	Capex	Jun-21
	Pressure and vacuum investigations		500,000	65,246,065	500,000	88,030,793	WW	2	1	Other	4	2	16	Opex	Jun-21
50449	Sydenham suction tank replacement (additional budget)		1,142,000	66,388,065	1,142,000	89,172,793	WS	1	3	Renewals backlog	3	2	18	Capex	Mar-22
	RTU RFP, Template Development for roll out (MOSCAD Reservoir Sites, DATRAN Waste Sites)		100,000	66,488,065	100,000	89,272,793	3W	3	2	Renewals backlog	3	1	18	Capex	
	Duvauchelle wastewater - renewals/repairs to reduce inflow and infiltration		2,000,000	68,488,065	2,000,000	91,272,793	WW	2	3	Renewals backlog	3	1	18	Capex	Mar-22
	Trickling filter No. 2 renewal (bearing, tie arms, safety access way grating, irrigator, top 2m of media)		750,000	69,238,065	750,000	92,022,793	WW	2	1	Renewals backlog	3	3	18	Capex	Jun-21
	CWTP PLC Hardware only. (First part of multi year rollout)		1,200,000	70,438,065	6,000,000	98,022,793	WW	2	4	Renewals backlog	3	1	24	Capex	Jun-23
	Critical spares		450,000	70,888,065	450,000	98,472,793	3W	3	1	Other	4	2	24	Capex	Jun-21
	Solar energy generation at CWTP		6,600,000	77,488,065	6,600,000	105,072,793	WW	2	3	Other	4	1	24	Capex	Mar-22
888	WS Lyttelton R&R Rail Tunnel Pipeline		100,000	77,588,065	20,000,000	125,072,793	WS	1	4	Deferred renewals	4	2	32	Capex	Jun-25
	SCADA Communications Upgrade (First part of multi year roll out)		400,000	77,988,065		125,072,793	3W	3	4	Renewals backlog	3	1	36	Capex	Jun-22
	Building information modelling (BIM) for pump stations		920,000	78,908,065	920,000	125,992,793	WS	1	3	Other	4	3	36	Opex	Mar-22
	WW renewal designs for FY22 (additional budget for accelerated renewals programme)		652,000	79,560,065	652,000	126,644,793	WW	2	3	Renewals backlog	3	2	36	Capex	Jun-21
	Network SCADA renewal (software improvments and design only)		120,000	79,680,065	120,000	126,764,793	3W	3	3	Renewals backlog	3	2	54	Capex	Jun-21
	CWTP duplicate pipe to ponds		2,000,000	81,680,065	2,000,000	128,764,793	WW	2	3	Other	4	3	72	Capex	Mar-22



## 7. Resolution to Exclude the Public

*Section 48, Local Government Official Information and Meetings Act 1987.*

I move that the public be excluded from the following parts of the proceedings of this meeting, namely items listed overleaf.

Reason for passing this resolution: good reason to withhold exists under section 7.

Specific grounds under section 48(1) for the passing of this resolution: Section 48(1)(a)

### Note

Section 48(4) of the Local Government Official Information and Meetings Act 1987 provides as follows:

“(4) Every resolution to exclude the public shall be put at a time when the meeting is open to the public, and the text of that resolution (or copies thereof):

- (a) Shall be available to any member of the public who is present; and
- (b) Shall form part of the minutes of the local authority.”

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public are as follows:

ITEM NO.	GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED	SECTION	SUBCLAUSE AND REASON UNDER THE ACT	PLAIN ENGLISH REASON	WHEN REPORTS CAN BE RELEASED
8.	CMUA GOVERNANCE	S7(2)(A), S7(2)(H)	PROTECTION OF PRIVACY OF NATURAL PERSONS, COMMERCIAL ACTIVITIES	REPORT CONTAINS SENSITIVE INFORMATION	AT THE DISCRETION OF THE CHIEF EXECUTIVE
9.	PROJECT FINANCIAL DETAILS	S7(2)(B)(II), S7(2)(H), S7(2)(I)	PREJUDICE COMMERCIAL POSITION, COMMERCIAL ACTIVITIES, CONDUCT NEGOTIATIONS	REPORT AND ASSOCIATED INFORMATION CONTAINS INFORMATION CURRENTLY UNDER NEGOTIATION WITH ANOTHER PARTY	WITH CHIEF EXECUTIVE APPROVAL