



# **SOUTH WAIRARAPA DISTRICT COUNCIL**

*Kia Reretahi Tātau*

## **Agenda**

**ORDER PAPER FOR AN EXTRAORDINARY MEETING  
TO BE HELD IN  
Supper Room, Waihinga Centre, Texas Street  
Martinborough  
ON  
19 August 2020**

**MEMBERSHIP OF COUNCIL  
HIS WORSHIP THE MAYOR  
Mr Alex Beijen**

Deputy Mayor Garrick Emms

Cr P Colenso  
Cr R Fox  
Cr L Hay  
Cr B Jephson

Cr P Maynard  
Cr A Plimmer  
Cr R Vickery  
Cr B West

**RECOMMENDATIONS IN REPORTS ARE NOT TO BE CONSTRUED AS  
COUNCIL POLICY UNTIL ADOPTED BY COUNCIL**





**SOUTH WAIRARAPA DISTRICT COUNCIL  
EXTRAORDINARY MEETING  
Agenda 19 August 2020**

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**NOTICE OF MEETING**

A meeting will be held in the Supper Room, Waihinga Centre, Texas Street, Martinborough and will commence at 3.30pm. The meeting will be held in public (except for any items specifically noted in the agenda as being for public exclusion).

**SWDC Affirmation**

**We pledge that we will faithfully and impartially use our skill, wisdom and judgement throughout discussions and deliberations ahead of us today in order to make responsible and appropriate decisions for the benefit of the South Wairarapa district at large.**

**We commit individually and as a Council to the principles of integrity and respect, and to upholding the vision and values we have adopted in our Long Term Plan strategic document in order to energise, unify and enrich our district.**

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**Open Section**

**A1.** Apologies

**A2.** Conflicts of interest

**A3.** Public participation

*As per standing order 14.17 no debate or decisions will be made at the meeting on issues raised during the forum unless related to items already on the agenda.*

**A4.** Actions from public participation

**B. Decision Reports from Chief Executive and Staff**

**B1.** Three Waters Services Reform, MoU with the Crown

Pages 1-76



AGENDA ITEM B1

**THREE WATERS SERVICE DELIVERY REFORM PROGRAMME  
REPORT**

**Purpose of Report**

For the Council to consider entering into a Memorandum of Understanding (MoU) and Funding Agreement with the Crown to participate in a review of three water service delivery.

**Recommendations**

Officers recommend that the Council:

1. **Receive** the *Three Waters Service Delivery Reform Programme Report*.
2. **Agree** to enter into the *MoU at Appendix A and Funding Agreement at Appendix B* and authorise the Mayor to sign these documents on behalf of Council.
3. **Agree** to nominate the Chief Executive as the primary point of communication for the purposes of the *MoU and reform programme – as referred to on page 6 of the MoU*.
4. **Notes** legal advice commissioned by the Society of Local Government Managers (SOLGM) confirms the *MoU does not contain any explicit triggers for consultation under the Local Government Act, that there are no further consultation requirements under Council's policies and plans in this initial stage and that a phase of Iwi/Maori engagement in the programme is planned*.
5. **Note** that the *MoU and Funding Agreement cannot be amended or modified by either party, and doing so would void these documents*.
6. **Note** that participation in this initial stage is to be undertaken in good faith, but this is a non-binding approach, and the Council can opt out of the reform process at the end of the term of the agreement.
7. **Note** that the Council has been allocated a total of \$2.84m of funding, which will be received 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 finalised and approved.

## **1. Executive Summary**

In July 2020, the Government announced a \$761 million funding package to provide post COVID-19 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 Waters Services Regulator.

A Joint Central/Local Government Three Waters Steering Committee has been established to provide oversight and guidance to support progress towards reform, and to assist in engaging with local government, iwi/Māori, and other water sector stakeholders on options and proposals.

The reform programme is designed to support economic recovery, 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.

Initial funding from the stimulus package will be made available to those councils that agree to participate in the first stage of the reform programme, through a Memorandum of Understanding (MoU), Funding Agreement, and approved Delivery Plan.

The MoU must be signed by the end of August 2020, with the Funding Agreement and Delivery Plan submitted and approved by the end of September 2020 for Council to receive funding.

## **2. Background**

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).

The Government Inquiry into Havelock North Drinking Water – set up following the serious campylobacter outbreak in 2016 – identified widespread, systemic failure of suppliers 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 these significant systemic and regulatory failures.

In addition, the Government's Three Waters Review highlighted that, in many parts of the country, communities cannot be confident that drinking water is safe, or that good environmental outcomes are being achieved. This work also raised concerns about the

regulation, sustainability, capacity and capability of a system with a large number of localised providers, many of which are funded by relatively small populations.

In October 2019, South Wairarapa District Council (SWDC) became a shareholder of Wellington Water (WWL), which now manages SWDC water assets and provide three waters services to our ratepayers. In making this decision, SWDC recognised the need (following e-coli outbreaks in Martinborough drinking water) and the opportunities presented by accessing the capacity and expert capabilities provided by WWL.

Since that point, SWDC has undertaken significant investment in water infrastructure, in conjunction with WWL, to improve the quality of, and confidence in, drinking water provision and the management of wastewater services in the district. This investment and regional approach has already brought SWDC more into line with this emerging three waters service delivery thinking and much further towards achieving regulatory compliance.

## **2.1 Three waters regulatory reforms**

Following its Three Waters Review, the Government is now implementing a new package of reforms to the three waters regulatory system, which are designed to:

- improve national-level leadership, oversight, and support relating to the three waters – through the creation of Taumata Arowai, a new, dedicated Water Services Regulator;
- significantly strengthen compliance, monitoring, and enforcement relating to drinking water regulation;
- manage risks to drinking water safety and ensure sources of drinking water are protected; and
- improve the environmental performance and transparency of wastewater and stormwater networks.

Legislation to create Taumata Arowai had its third reading on 22 July 2020 and received Royal Assent on 6 August 2020. This new Crown entity is currently being established and will become responsible for drinking water regulation once a separate Water Services Bill is passed (which is anticipated mid 2021).

However, Government has acknowledged that regulatory reforms alone will not be sufficient to address many of the persistent and widespread issues facing the three waters system. Reforms to service delivery and funding arrangements also need to be explored.

## 2.2 Reform process and indicative timetable

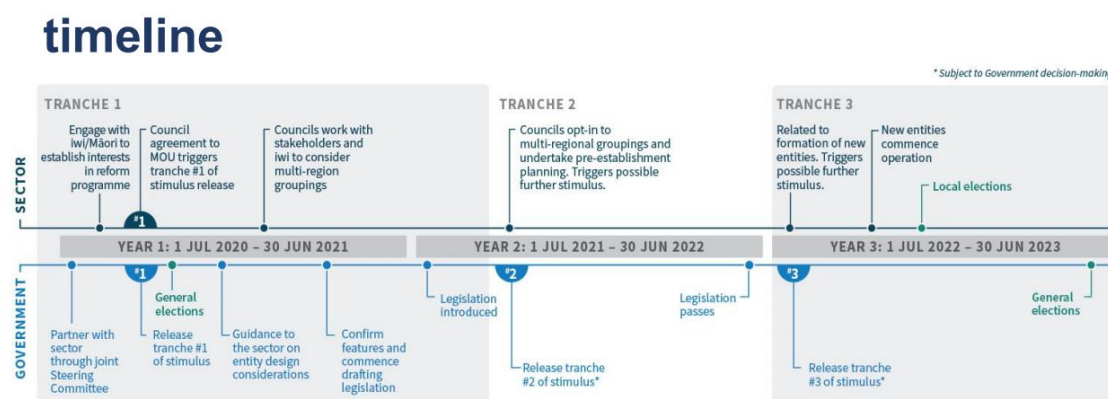
The reform programme is designed to support economic recovery, and address persistent systemic issues facing the three waters sector across the country, through a combination of:

- 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.

The reform programme will be undertaken in stages, with the initial stage being an opt in, non-binding approach, which involves councils signing the MoU and the Funding Agreement and providing a Delivery Plan. 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 at the discretion of the Government and may depend on progress against reform objectives.

While the Government’s starting intention is for publicly-owned, multi-regional models for water service delivery, 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.

An indicative timetable for the full reform programme is provided below. 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. Discussion

### 3.1 Allocation of the investment package

The Government has announced an initial funding package of \$761 million to provide post COVID-19 stimulus, support a three-year programme of reform of local government water service delivery arrangements, and support the establishment and operation of Taumata Arowai.



The Government has determined a notional allocation framework based on a nationally-consistent formula that combines and weights two main factors:

- The population in the relevant council area, as a proxy for the number of water connections serviced by a territorial authority (75 per cent weighting)
- 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 per cent weighting).

The investment package is structured into two components:

- A direct allocation to each territorial authority, comprising 50% of that territorial authority's notional allocation; and
- A regional allocation, comprising the sum of the remaining 50% of the notional allocations for each territorial authority in the relevant region

The relevant allocation for SWDC is a total of **\$2.84m** (ex GST), which is explained at Appendix D, comprises:

- \$1.42m (excluding GST) direct allocation for SWDC, and
- \$1.42m (excluding GST) regional allocation for SWDC from the Wellington Region portion

The purpose of the Government's regional allocation is to establish collective participation by councils in the reform programme. As such, WWL has been leading discussions of the regional allocation model, which has included both its shareholding councils and other councils in the region.

### **3.2 Actions required to access this funding**

The initial stage of the reform programme, and for Council to access the above funding, involves three core elements:

- Memorandum of Understanding (Appendix A);
- Funding Agreement (Appendix B);
- Delivery Plan (to be finalised)

Councils that do not opt in by the end August 2020 deadline by signing the MOU, will not receive a share of the stimulus funding. Councils will still be able to opt in to the reform programme at a later date, but will not have retrospective access to the initial funding package.

### **3.3 Memorandum of Understanding**

The MoU has been developed by the joint Central/Local Government Steering Committee, for each council to enter into with the Crown. This is a standardised document, which cannot be amended or modified by either party.

Signing the MoU commits Council to:

- engage in the first stage of the reform programme – including a willingness to accept the reform objectives and the core design features set out in the MoU;

- the principles of working together with central government and the Steering Committee;
- work with neighbouring councils to consider the creation of multi-regional entities;
- share information and analysis on their three waters assets and service delivery arrangements.

At this point, this is a voluntary, non-binding commitment. It **does not** require councils to commit to future phases of the reform programme, to transfer their assets and/or liabilities, or establish new water entities.

The MoU is effective from the date of agreement until 30 June 2021, unless terminated by agreement or by replacement with another document relating to the reform programme.

A legal opinion by Simpson Grierson (Appendix C), commissioned by SOLGM on behalf of the Steering Committee, advises that the MoU **does not** contain any explicit triggers for consultation under the Local Government Act 2002.

### ***Funding Agreement***

The Funding Agreement is one of the mechanisms for accessing the funding package. Like the MoU, it is a standardised document, for agreement between each council and the Crown. It cannot be amended.

The Funding Agreement guides the release and use of funding. It sets out:

- the funding amount allocated to the Council;
- funding conditions;
- public accountability requirements, including the Public Finance Act;
- reporting milestones.

While there is some local flexibility around how the funding can be applied, the Government has indicated that this investment is intended to support economic recovery, enable improvements in water service delivery, and progress the service delivery reform programme.

The Funding Agreement will be supplemented by a Delivery Plan, which is the document that sets out how the grant funding is to be applied by the Council.

### ***Delivery Plan***

The Delivery Plan outlines how the funding allocation is to be applied to operating and/or capital expenditure relating to three waters infrastructure and service delivery, and which:

- supports economic recovery through job creation; and
- maintains, increases, and/or accelerates investment in core water infrastructure renewal and maintenance.

The Delivery Plan will detail:

- the works to be funded, including location, estimated associated costs, and expected benefits/outcomes;
- the number of people to be employed in these works;
- an assessment of how the works support the reform objectives in the MoU;
- reporting obligations.

The Delivery Plan will be supplied to Crown Infrastructure Partners (and other organisations as agreed between the Council and Crown), for review and approval. Crown Infrastructure Partners will monitor progress against the Delivery Plan, to ensure spending has been undertaken with public sector financial management requirements.

Further background to the development of the stimulus package allocation process (Appendix D) and the basis for the Delivery Plan and approach, developed with WWL, (Appendix E) is also provided for information.

### **3.4 Consultation**

As outlined above, the legal advice commissioned by the SOLGM (see Appendix C) concludes that there are no explicit triggers under the Local Government Act for consultation before entering into the MOU. There are no additional requirements under Council's Significance and Engagement Policy, Long Term Plan or Annual Plan that would necessitate consultation with the community before entering into the MOU. A period of Iwi/Maori engagement is planned by DIA as part of its programme and Council will also look to engage through the Maori Standing Committee as the programme progresses. Further consideration should be given to the need to consult with the community on subsequent matters relating to the reforms.

### **3.5 Legal Implications**

The MOU and Funding Agreements are standard documents that cannot be amended or modified by either party.

### **3.6 Financial Considerations**

The additional funding received will allow work to be accelerated and brought forward in the Council three waters programme.

## **4. Appendices**

- Appendix A: Memorandum of Understanding
- Appendix B: Funding Agreement
- Appendix C: SOLGM Legal advice
- Appendix D: Funding Allocation process
- Appendix E: Wellington Water Delivery Plan proposal

Contact Officer: Euan Stitt, GM Partnerships and Operations

Reviewed By: Harry Wilson, CEO

# **Appendix A – Memorandum of Understanding**

MODEL

# Memorandum of Understanding Three Waters Services Reform

Between the [Sovereign in right of New Zealand acting by and through the Minister of Local Government] and

[Territorial Authority]

Date

## 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.

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<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 representative	Council
[As delegated]	[Chief Executive of the Council]

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 on behalf of the Crown

by [insert name - DELETE TEXT]

[Sovereign in right of New Zealand acting by and through the Minister of Local Government]:

.....

SIGNED by [insert name of the Mayor of the Territorial Authority signing - DELETE TEXT] on behalf of [Territorial Authority]

.....

SIGNED by [insert name of the Chief Executive of the Territorial Authority signing - DELETE TEXT] on behalf of [Territorial Authority]

.....

Witness signature

Witness name [insert name - DELETE TEXT]

Witness occupation [insert occupation - DELETE TEXT]

Witness address [insert address - DELETE TEXT]

.....

Witness signature

Witness name [insert name - DELETE TEXT]

Witness occupation [insert occupation - DELETE TEXT]

Witness address [insert address - DELETE TEXT]

# **Appendix B – Funding Agreement**

# **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 | <b>Expenditure Programme(s)</b>                              | The Recipient may only use the Funding to complete the expenditure programme(s) described in the Delivery Plan (each an <b>Expenditure Programme</b> ).  |
| 5 | <b>Expenditure Programme Milestones and Completion Dates</b> | 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 | <b>End Date</b>  | The End Date is 31 March 2022, or such later date determined by DIA in its discretion.   |
| 7 | <b>Funding</b>   | <p>The total Funding available under this Agreement is up to <b>NZ\$[INSERT HERE]</b> plus GST (if any). This is the Total Maximum Amount Payable.</p> <p>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.</p> <p>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.</p> <p>Each instalment of Funding under this Agreement, following payment of the first instalment, is subject to:</p> <ol style="list-style-type: none"><li>(a) Receipt of a duly completed Payment Request in accordance with clause 1 of Part 2.</li><li>(b) The Expenditure Programme(s) having commenced no later than 31 March 2021.</li><li>(c) DIA receiving and being satisfied with the quarterly reports specified in the Key Details, together with the other information required in this Agreement.</li><li>(d) No Termination Event, or event entitling DIA to suspend funding under this Agreement, subsisting.</li><li>(e) Any further conditions relating to that instalment of Funding as specified in the Delivery Plan.</li></ol> |

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: [threewaters@dia.govt.nz](mailto:threewaters@dia.govt.nz)

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: [threewaters@dia.govt.nz](mailto:threewaters@dia.govt.nz), with  
a copy to [legalnotices@dia.govt.nz](mailto:legalnotices@dia.govt.nz)  
To the Monitor:  
Attention: Anthony Wilson  
Email:  
[3waters@crowinfrastucture.govt.nz](mailto:3waters@crowinfrastucture.govt.nz)

To the Recipient:  
[address]  
Attention: [name]  
Email: [email]

**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:

**SIGNED** for and on behalf of **[RECIPIENT NAME]** 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:

\_\_\_\_\_  
Name:  
Position:  
Date:

*END OF PART 1*

## PART 2: GENERAL TERMS

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### 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 misspending 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

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### 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.

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END OF PART 3

**SCHEDULE: PAYMENT REQUEST**

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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

# **Appendix C – SOLGM Legal Advice**



## Our advice

**Prepared for** SOLGM  
**Prepared by** Jonathan Salter and Lizzy Wiessing  
**Date** 31 July 2020

PRIVILEGED AND CONFIDENTIAL

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### Three waters services reform MOU - no explicit triggers for consultation before territorial authorities sign

- 
- |                   |  |
|-------------------|--|
| <b>Background</b> | <ol style="list-style-type: none"><li>1. You have asked us to prepare advice to be circulated to territorial authorities with the draft memorandum of understanding for three water services reform (<b>MOU</b>).</li><li>2. Our advice proceeds on the presumption that councils will enter into the MOU after their annual plan for 2020/21 has been adopted.</li></ol>  |
| <b>Question</b>   | <ol style="list-style-type: none"><li>3. Do territorial authorities need to consult their community before entering into the MOU?</li></ol>  |
| <b>Answer</b>     | <ol style="list-style-type: none"><li>4. Generally, no. There are no explicit triggers for consultation before entering into the MOU. The decision to enter into it is of course subject to the general requirements relating to decision-making in Part 6 of the Local Government Act 2002 (<b>LGA 02</b>). If councils consider they do not have a reasonable understanding of community views in relation to the commitments arising from the MOU then they could choose to consult their communities about the decision. We expect this will be the exception not the norm.</li><li>5. Certain choices made subsequently as to what projects to advance or steps to take might trigger consultation requirements at that time.</li></ol> |

## Our reasons

	<b>Page</b>
<b>Summary</b>	
<ul style="list-style-type: none"> <li>• The obligations assumed on upon entry into the MOU do not trigger any explicit requirements to consult in the LGA 02.</li> </ul>	2
<ul style="list-style-type: none"> <li>• The decision is subject to the general requirements relating to decision-making in Part 6 of the LGA 02, meaning local authorities may choose to consult.</li> </ul>	3
<ul style="list-style-type: none"> <li>• Subsequent decisions relating to either the reform or projects/funding aspects may trigger consultation requirements at that time.</li> </ul>	3-4
<b>The obligations assumed upon entry into the MOU have no explicit consultation triggers</b>	
6.	<p>The key commitment in the MOU is to working constructively together to support the objectives of the the three waters service delivery reform programme (page 3). The MOU contains objectives that will underpin the reform programme and inform the development of reform options/proposals and core reform design features (pages 3 and 4). We refer to this as the reform commitment.</p>
7.	<p>It is fundamental to the reform commitment that there is acknowledgement by both parties to the MOU that there are challenges facing the delivery of water services and infrastructure and the communities that fund and rely on those services, that are in need of solutions. These challenges are set out in summary form in the Background section. This section also makes it clear that 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:</p> <ul style="list-style-type: none"> <li>• Stimulation investment, to assist economic recovery through job creation and maintain investment in water infrastructure renewals and maintenance; and</li> <li>• 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.</li> </ul>
8.	<p>The Background refers to 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 partnership approach is set out more fully in the section “Principles for Working Together” as a relationship based on mutual trust and respect, openness, non-adversarial dealings and constructive problem-solving, co-operation and information sharing. As principles to underpin dealings between local authorities and the Crown, these are uncontroversial.</p>

- 
9. The reform objectives which “inform the development of reform options/proposals” are similarly self-evident with the possible exception of the objective of:

“Improving the co-ordination of resources, planning, and unlocking strategic opportunities to consider New Zealand’s infrastructure and environmental needs at a larger scale.”

10. This is offset to some extent by the objective of “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.”
11. The parties to the MOU agree to consider minimum design features which include water service delivery entities of significant scale (most likely multi-regional) to enable benefits from aggregation to be achieved over the medium to long-term, structured as statutory entities.
12. Funding from central government to councils is available in three tranches. Tranche one funding will be provided following entry into the MOU and agreement to an associated funding agreement and delivery plan. The delivery plan will need to show that the funding is to be applied to opex or capex that supports economic recovery through job creation and maintains, increases or accelerates investment in core water infrastructure renewals and maintenance (page 5). The funding cannot be applied to projects already in a council’s annual plan. We refer to this as the projects commitment.
13. The MOU is effective from the date of signing until 30 June 2021, unless terminated earlier or extended.
14. Neither the reform commitment nor projects commitments bind councils to specific three waters projects. Rather, councils are committing to participate in a reform process looking at changes to three waters delivery and identify possible projects that are eligible for funding. The obligations are exploratory/investigative in nature.
15. The MOU cannot, and does not, supplant the planning, accountability and associated consultation obligations of local authorities in the LGA 02. These continue to apply when there is a relevant trigger.
16. Decisions on three waters projects are the likely outcome of the reform process and funding provided, after participation in the process, after entry into the MOU. The consultation can be undertaken at that time.

**The decision to enter the MOU is subject to the Part 6 LGA 02 decision-making obligations –**

- 
17. Whether or not to enter into the MOU will be at councils’ discretion. As a decision, the decision will be subject to the general decision-making obligations in Part 6 of the LGA 02.
18. The Part 6 LGA 02 obligations include the section 78 obligation to consider the views and preferences of interested and affected
-

**these do not strongly indicate that consultation is required**

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persons when making this decision, and determine whether consultation is needed or appropriate in order to identify those views and preferences.

19. This determination as to extent of compliance with section 78 will be a judgement for each council to make under section 79, and will depend in part on the particular council's significance and engagement policy (**SEP**), and its 2020/21 annual plan and current LTP.
20. The availability of Crown funding for core water infrastructure (at an amount disclosed before the MOU is entered into) is a unique opportunity to relieve local funding pressures that councils might reasonably expect their communities to support. The associated commitment to cooperate in a consideration of structural water reform is a subject on which councils may have limited understanding of community views. However, the exploratory/investigative nature of the reform commitment and the express provision in the MOU that it does not give rise to legally enforceable obligations, suggest the ready application of section 79(2) as a justification for not undertaking specific community engagement at this time.
21. Councils should check out of an abundance of caution that their SEP does not indicate a need to consult before entering the MOU. We expect it to be very unlikely that many policies will indicate consultation is required, including because of the nature of the obligations assumed upon entry into the MOU and that the decision is not irrevocable. Also potentially relevant is that the timeframes imposed by central government do not permit sufficient time to consult.
22. If councils enter into the MOU, they may want to consult subsequently on whether to continue their support of reform. LTP consultation in 2021 would be the obvious opportunity, and would provide timely information about whether to participate in tranche two.

**Consultation triggers for decisions on three waters reform (post entry into the MOU)**

- 
23. Some specific LGA 02 consultation triggers that may be relevant to decisions on three waters reform (after participation in the reform process in the MOU) are:
    - 23.1 **Section 56** – councils must consult before becoming a shareholder in a council controlled organisation (**CCO**). If the reformed service delivery approach leads to councils being shareholders in new multi-regional providers (which seem likely to be CCOs), then section 56 may be triggered.
    - 23.2 **Section 97(1)(b)** – if the reformed delivery approach amounts to a “decision to transfer the ownership or control of a strategic asset to or from the local authority”, then it would be necessary to amend the council's LTP to explicitly provide for this decision, which requires consultation under section 93E. Water network assets are almost always listed as a strategic asset in SEPs.

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23.3 **Section 137(3)(a)** – councils must consult before entering into a “joint arrangement”, which is an arrangement between a council and another party “for the purpose of providing water services or any aspect of a water service”. This trigger may be remote, particularly if central government in providing funding is not also seeking to provide any aspect of a water service.<sup>1</sup>

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**Consultation triggers for decisions on three waters projects (post entry into the MOU)**

24. One specific consultation trigger that needs to be considered is section 97(1)(a) of the LGA 02. If the projects being funded would significantly alter levels of service for three waters activities, then it would be necessary to amend the council’s LTP to explicitly provide for this decision, which requires consultation under section 93E.
25. It will depend on particular councils’ LTPs, but this trigger can likely be avoided by councils selecting appropriate projects. (This was generally achieved by councils as they responded to the impacts of COVID-19 during the annual plan process for 2020/21).
26. Leaving aside section 97(1)(a), section 78 will still be relevant. It should be reasonably safe for councils to not consult to address section 78 where projects are brought forward from future work programmes and the combined effect of these projects is not a significant or material variation from the 2020/21 annual plan or LTP.
27. As to whether the combined effect of projects brought forward is a significant or material variation from the 2020/21 annual plan or LTP will depend on the degree to which the projects are already provided for in the annual plan or LTP and what, if any, financial impact there may be on the particular council. If projects are already provided for in the infrastructure strategy (in the LTP) and they can be entirely funded from central government (meaning no negative financial impact on the council), it seems very unlikely that there will be a significant or material variation from the annual plan or LTP of any consequence to the community. On this basis, consultation is unlikely to be indicated.
28. Strictly, the provision of central government funding could create a material change to revenue commitments (even if it is downward rather than upward) that reflect in a change to financial statements included in an annual plan, that, given the degree of change, could be expected to be consulted on before being adopted. Councils encountered similar issues in preparing their annual plans to respond to COVID-19 where different funding sources (for example borrowing or reserve funds) have had to be employed from what was anticipated. These decisions tended to be made without further consultation if the council assessed that it did not affect levels of service with reference to section 97 or was within the scope of rate change consulted on. In the current circumstances, we consider that the fact that the change is not detrimental lessens the risk of not consulting and (having occurred after the annual plan has been

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<sup>1</sup> Section 17A requires periodic reviews of service delivery, but this section in itself does not contain a trigger for consultation.

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adopted) makes it something that is duly reported on in the annual report and treated as an operating surplus.

29. We note that councils are not absolutely bound by their plans or policies (under sections 96 and 80), but this does not remove the need to assess whether consultation is appropriate when departing from them. Consistency with plans and policies is often a criterion for significance in SEPs. Where consultation does not occur, relevant statutory compliance will likely include disclosure in the annual report, and perhaps resolving in accordance with section 80 (where the departure from the annual plan is significant).

**Please call or  
email to discuss  
any aspect of this  
advice**

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# **Appendix D – Funding Allocation process**



# Water Reform Stage 1 Stimulus

Proposed Funding  
Allocation Approach



DRAFT FOR CONSIDERATION

Our water, our future.



# Reform Phase 1 Stimulus Package



## Context

- The table below summarises the total funding allocations for councils in the Wellington region, determined by DIA.
- The total region funding amount of \$59.8m is split 50/50 into a direct TA allocation, and a Regional Allocation.
- DIA has stated that the Regional Allocation will be available if 2/3rds of councils in the region sign the MoU.
- Councils must agree among themselves how to allocate the regional amount.
- An agreement has been made among councils in the Wellington Region that the regional funding should be allocated based on the same TA funding proportions (75% population, 25% area), following DIA’s recommendation.
- The difficulty is determining the amount that GWRC should be allocated, given it has not been allocated a direct TA Allocation.

## Reform Phase 1: Stimulus Funding Allocations

\$m	TA Allocation	Regional Allocation
Wellington City	\$10.9	\$29.9 (including GWRC)
Upper Hutt City	\$2.6	
Lower Hutt City	\$5.7	
Porirua City	\$3.1	
South Wairarapa District	\$1.4	
<b>Total Wellington Water Owners</b>	<b>\$23.7</b>	
Masterton District	\$2.2	
Carterton District	\$0.9	
Kapiti Coast District	\$3.1	
<b>Total (\$59.8m)</b>	<b>\$29.9</b>	

# Regional Allocation Approach

## Principles for GWRC's Regional Allocation

- Given GWRC owns the assets involved in the supply of bulk water to Wellington City, Upper Hutt City, Lower Hutt City and Porirua City, we consider the fairest approach is for the GWRC allocation to come from the Regional Allocation to these four councils.
- Under this approach, non-Wellington Water owners (Masterton, Carterton and Kapiti) will receive the same amount as their TA allocation from the Regional Allocation, totalling \$6.3m out of the \$29.9m. This leaves **\$23.7m** for WW owners.
- Given GWRC does not supply any water services for Wairarapa, SWDC should also receive a straight allocation of its regional share, amounting to \$1.4m out of the \$23.7m.
- The remaining **\$22.3m** should be allocated between GWRC, WCC, UHCC, HCC and PCC.

\$m	TA Allocation	Regional Allocation	Regional Allocation by TA	
Wellington City	\$10.9	\$29.9 (including GWRC)	→ \$22.3 (including GWRC)	Remaining amount to be allocated among GWRC and other WW owners
Upper Hutt City	\$2.6			
Lower Hutt City	\$5.7			
Porirua City	\$3.1			
South Wairarapa District	\$1.4		→ \$1.4	Regional proportion same as TA allocation
<b>Total Wellington Water Owners</b>	<b>\$23.7</b>		<b>\$23.7</b>	
Masterton District	\$2.2		→ \$2.2	
Carterton District	\$0.9		→ \$0.9	
Kapiti Coast District	\$3.1		→ \$3.1	
<b>Total (\$59.8m)</b>	<b>\$29.9</b>		<b>\$29.9</b>	<b>\$29.9</b>

# Regional Allocation Approach



## Determining GWRC's Regional Allocation

We propose the remaining \$22.3m is split among the five councils (WCC, UHCC, HCC, PCC and GWRC) using the following approach:

- GWRC's allocation is determined first, based on its share of the proposed regional project cost estimates. This is estimated at \$3.3m.
  - The estimate is based on the location of proposed physical works on GWRC assets, or apportioned using each council's share of FY20 opex and capex spend on water services. Further detail is provided overleaf.
  - This \$3.3m of the \$22.3m funding (~15%) broadly aligns with both GWRC's share of FY20 Wellington Water total opex and capex spend, and GWRC's ownership percentage in Wellington Water (both ~16%).
- The remaining \$19.0m is allocated between WCC, HCC, UHCC and PCC based on their relative share of the direct TA allocation.

\$m	TA Allocation	Total Regional Allocation	GWRC Allocation	TA Regional Allocation	Total Allocation	%
Wellington City	\$10.9	\$22.3 (including GWRC)	→ \$19.0	→ \$9.3	\$20.2	43%
Upper Hutt City	\$2.6			→ \$2.2	\$4.7	10%
Lower Hutt City	\$5.7			→ \$4.9	\$10.6	22%
Porirua City	\$3.1			→ \$2.6	\$5.7	12%
GWRC	-			→ \$3.3	→ \$3.3	\$3.3
<b>Subtotal</b>	<b>\$22.3</b>	<b>\$22.3</b>	<b>\$22.3</b>	<b>\$22.3</b>	<b>\$44.5</b>	<b>94%</b>
South Wairarapa District	\$1.4	\$1.4	\$1.4	\$1.4	\$2.8	6%
<b>Total WW Owners</b>	<b>\$23.7</b>	<b>\$23.7</b>	<b>\$23.7</b>	<b>\$23.7</b>	<b>\$47.3</b>	<b>100%</b>

Allocated based on TA % of \$22.3m

Bottom-up approach, refer to GWRC on next page

# Project Cost Allocation Approach



## Indicative

We propose the following indicative cost allocations for each proposed project and council below. Note will establish a range around each project

Project (\$m)	HCC	PCC	SWDC	UHCC	WCC	GWRC	Total	Allocation methodology
Reducing known backlog of renewals	4.2	2.0	1.0	1.0	7.8	-	<b>16.0</b>	Based on remaining share of funding with consideration of minimum viable spend of \$1m (washup)
Expansion of condition assessments	2.1	1.0	0.8	0.9	4.4	1.5	<b>10.6</b>	Based on location of Very High Critical Assets
Maintenance and service improvement	2.0	1.3	0.1	0.9	3.3	0.4	<b>8.0</b>	- Planned maintenance location of identified works; - Reactive maint opex (RO) : % of RO FY20 actual spend; - Reactive maint capex (RC): % of RC FY21 budget
Maturing Asset Management System and Business Processes	0.2	0.1	0.0	0.1	0.7	0.2	<b>1.4</b>	Proportion of total water FY20 opex and capex spend
Complete, accurate, accessible and transparent data	0.7	0.4	0.1	0.3	1.9	0.6	<b>4.0</b>	Proportion of total water FY20 opex and capex spend
Reducing operational leakage (2 targeted pilot programmes)	-	-	0.5	0.5	-	-	<b>1.0</b>	Split between UHCC and SWDC, based on locations of pilots and proposed spend
Investment in drinking water safety	1.1	0.8	0.1	0.8	1.6	0.3	<b>4.6</b>	Various: Location of works; WW FY20 opex and capex spend; shareholder ownership for capital purchases
Capital projects	-	-	0.1	-	-	0.2	<b>0.3</b>	Allocation of remaining expenditure (Te Marua WTP and Boar Bush)
<b>Total (excl Programme Delivery)</b>	<b>10.2</b>	<b>5.5</b>	<b>2.7</b>	<b>4.6</b>	<b>19.6</b>	<b>3.2</b>	<b>45.9</b>	
Programme delivery and support	0.3	0.2	0.1	0.1	0.6	0.1	<b>1.4</b>	Based on each council's share of the above projects
<b>Total</b>	<b>10.6</b>	<b>5.7</b>	<b>2.8</b>	<b>4.7</b>	<b>20.2</b>	<b>3.3</b>	<b>47.3</b>	
<i>Funding allocation</i>	<i>10.6</i>	<i>5.7</i>	<i>2.8</i>	<i>4.7</i>	<i>20.2</i>	<i>3.3</i>	<i>47.3</i>	

Note the above allocations and cost estimates are still draft and subject to change

# Regional Allocation – Range

## Maintaining flexibility through a range

- Wellington Water is focused on ensuring we make the most of the opportunity the reform stimulus package provides.
- Given the uplift in annual spend created by this funding on top of BAU (c. 10% p.a.), and the known capacity constraints of skilled labour in the market, there is a risk that the full amount is not spent in the required timeframe (by 31 March 2022).
- The flexibility provided by the Regional Allocation – through the ability for councils to agree how they share the regional funding between them – creates the opportunity to re-allocate regional funds between projects if any unforeseen issues arise in delivery.
- To achieve this, we propose putting a range around the regional allocations, with any underspend in one area able to be re-allocated to different projects in different areas.
- This proposed approach will need to be tested with CIP to confirm it is acceptable; given the job-creation objective of the stimulus, and this approach is about ensuring the full funding package is spent in the required timeframes, we expect them to be supportive.
- We propose using the capital projects – Te Marua WTP Capacity Upgrade (GWRC) and Boar Bush Reservoir refurbishment in SWDC – as ‘wash-up’ projects to capture any underspend in other projects.
- The Te Marua upgrade is a strategically regional priority project that would otherwise be funded through bulk water levies.

Council (\$m)	Estimated Regional Allocation	Proposed Regional Range (+/- 30%) <sup>1</sup>		Total Range (incl. direct TA Allocation)	
		Lower	Upper	Lower	Upper
Wellington City	→ \$9.3	\$6.5	\$12.1	\$17.4	\$23.0
Upper Hutt City	→ \$2.2	\$1.5	\$2.8	\$4.1	\$5.4
Lower Hutt City	→ \$4.9	\$3.4	\$6.3	\$9.1	\$12.0
Porirua City	→ \$2.6	\$1.8	\$3.4	\$4.9	\$6.5
GWRC	→ \$3.3	\$2.3	\$9.0	\$2.3	\$9.0
<b>Subtotal</b>	<b>\$22.3</b>	<b>\$22.3 (remains the same)</b>		<b>\$44.5 (remains the same)</b>	
South Wairarapa District	\$1.4	\$1.4		\$2.8	
<b>Total WW Owners</b>	<b>\$23.7</b>	<b>\$23.7</b>		<b>\$47.3</b>	

High upper range to capture any underspend in other projects and re-allocate to Te Marua. Estimated by re-allocating the value between the lower range and mid-point of each council's allocation to GWRC

<sup>1</sup> The proposed range is +/- 30% of the Regional Allocation, using Rough Order of Magnitude cost estimate methodologies.

# **Appendix E – Wellington Water Delivery Plan proposal**



# Delivery Plan proposal

Confirming direction

Three waters service reform

stage 1 stimulus funding

12 August 2020



Our water, our future.

# Three waters fiscal stimulus (“shovel ready”) delivery plan

This fiscal stimulus delivery plan proposal uses Government criteria to deliver Council and regional priorities for three waters infrastructure in a way that maximises the use of available funds\*

It has been developed and refined in consultation with council officers and through the regional Mayoral Forum

Next steps are to gain Council approval of the delivery plan, and for councils to sign the Memorandum of Understanding with the Crown

Once finalised, the delivery plan will be submitted to Crown Infrastructure Partners. Once approved, we are hopeful we’ll be able to begin work on the plan in September.

\*A separate presentation (Water Reform Stage 1 Stimulus Proposed Funding Allocation Approach) sets out the funding allocation for the Wellington region’s councils



# This is a unique opportunity to improve network performance and reduce risk



## Government's stimulus funding aims to:

- Assist economic recovery through job creation
- Increase and accelerate investment in water infrastructure renewals and maintenance
- Support reform of water service delivery to realise economic, health, environmental and other gains

## It gives us the opportunity to address increasing standards and expectations

- Higher standards for environmental water quality and drinking water extraction
- Three waters regulation and compliance – Taumata Arowai Act, Water Services Bill
- Reducing our contribution to carbon emissions

## We can make headway against the growing risk to our networks

- Service requests are growing 10% annually
- The risk of failure of aging assets increases day by day
- Increased customer expectations of service, performance and responsiveness
- A supply network that is nearing capacity for current levels of service
- A growing population (which only three years ago was static)

# The proposed plan aligns with council's long term plan priorities, is targeted, flexible and deliverable in the timeframe



## Our methodology

- Balances regional and council-specific needs based on LTP discussions
- Design a total package, apportioned to individual councils
- Flexible to allow for final funding decisions, criteria and application

## Balances operational expenditure and capital maintenance

- Drinking water safety and compliance is our top priority
- Asset renewals by programme, targeted to address short and longer term risk
- Clearing a deferred maintenance backlog to lift condition
- Improving asset understanding and data management capability, to make smarter decisions

## Considers deliverability and a total cost approach

- Finite funding and delivery windows require fast response
- Ensuring we keep those we employ
- Ensuring we get lasting value from what we do

## LTP strategic priorities

Looking after existing three waters assets

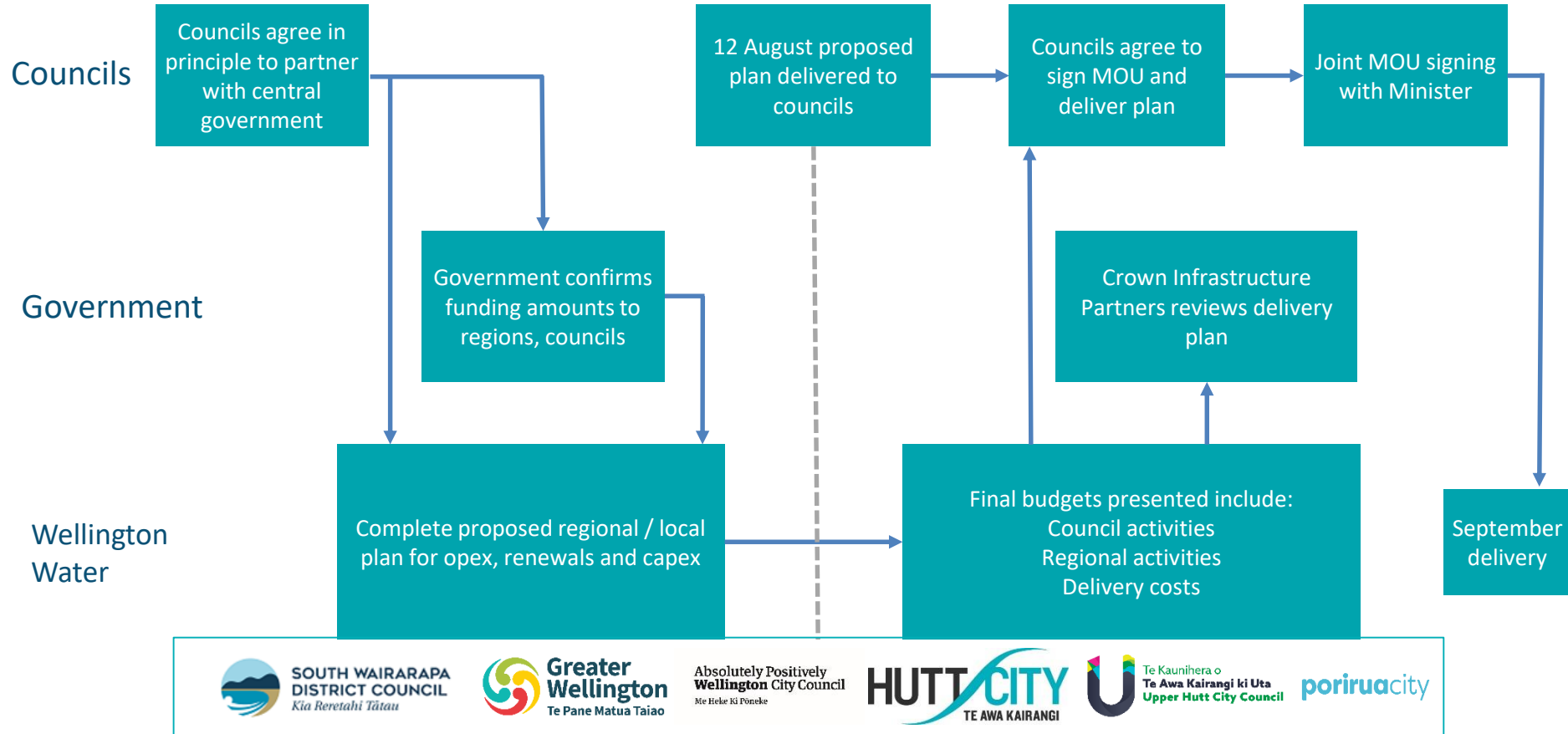
Supporting growth so there are no adverse environmental impacts

Improving water quality

Reducing water consumption

Reducing carbon emissions

# Delivery Plan process and timeframe



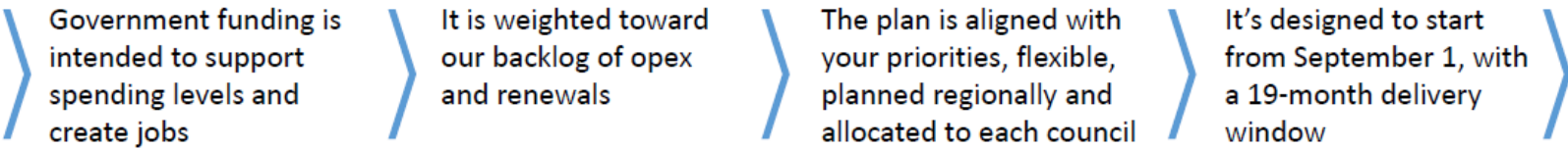
# The proposed plan is well-considered, robust and ready-to-go



- Creates jobs and puts money into the region fast
- Advances projects from 2021-23
- Reduces risks while focusing on long-run value; not just fixing what fails
- Gets us into the space that we've been talking about, of building asset management capability and getting ahead of age-based renewals
- Works with partners to ensure the programme is smart, realistic and deliverable and builds up long term regional capability
- Developed to be approved by Crown Infrastructure Partners first-time
- Anticipates 1 September start – though there are signals this may be delayed to 1 October

# Delivery Plan proposal – overview of approach and project areas

# Delivery plan proposal - overview



- We will fold this funding into your long term plans.
- It creates value at both the local and regional levels, and leverages scale and relationships to ensure delivery

## Preparing for the next stage of reform

\$0.7m (funded separately by DIA)

### Delivery Plan

#### Looking after our existing infrastructure

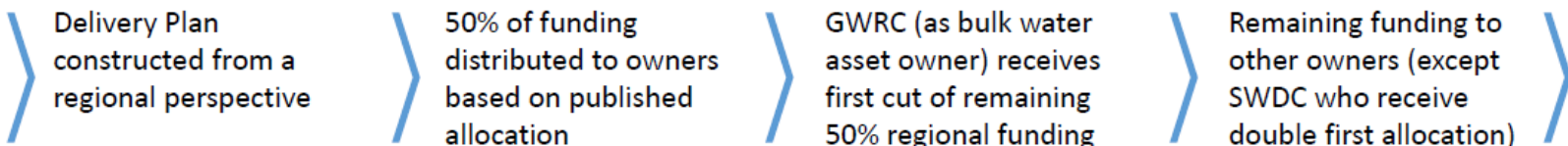
➢ Reduce the known renewals backlog	\$16m	
➢ Asset condition assessment, data and decision-making	\$16m	
➢ Maintenance – planned and reactive	\$ 8m	
➢ Water leakage management trial	\$ 1m	
➢ Programme delivery and support	\$ 1.4m	\$42.4m
<small>(including embedding Te Ao Maori into our strategic priorities through Mana Whenua Resourcing)</small>		

#### Continue to improve the safety of our water supplies

➢ Water safety plan initiatives	\$4.6m	\$47m
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#### Prioritised capital projects used to absorb any surpluses (to ensure all money utilised)

➢ Te Marua water treatment plant upgrade (value \$30m)	\$0.2m	
➢ Boar Bush Reservoir (South Wairarapa) (value \$2m)	\$0.1m	\$47.3m



# Water Reform Stage 1 Stimulus Funding – Further Detail

## Shareholders of Wellington Water

### Delivery Plan – Further detail

Activity	Description	Proposed funding
<b>1. Preparing for the next stage of reform</b>		\$0.7m (Funded by DIA)
<i>i. Funding for councils to prepare for Stage 2 and 3</i>	<i>Professional advice to support preparation for Reform, such as legal and financial advice.</i>	
<b>2. Delivery Plan</b>		
<b>2.1 Looking after our existing infrastructure</b>		
<b>1. Reduce the known renewals backlog</b>	<i>Packages of renewal work, focused on known issues within each council area:</i>	
<i>i. Asset renewal programmes grouped by work type for efficiency</i>	- HCC: Wainuiomata WW and Water network - UHCC: Water network (pipes with previous failures) - PCC: Titahi Bay Wastewater and Water Network	\$16m (Capex)
	- WCC: Karori WW network - SWDC: Featherston, Martinborough, Greytown - GWRC: Prioritise Te Marua (not renewals)	
<b>2. Asset condition assessment, data and decision-making</b>		
<i>i. Expansion of condition assessments for very high criticality assets</i>	- Detailed testing and investigation work on very high critical assets across the region	\$16m (Capex / Opex)
<i>ii. Accelerate progress towards certified asset management systems</i>	- Enduring investment in asset management capability and business processes (ISO55001)	
<i>iii. Complete, accurate, accessible and transparent data</i>	- Discrete, scalable and transferrable technology projects, reducing risk and improving asset management systems. Projects include data quality improvements, open data platform etc. - Specific technology project for strategic priorities. Leak tracking and water quality monitoring.	
<b>3. Maintenance – planned and reactive</b>		
<i>i. Planned maintenance activities not able to fit in available budgets</i>	- Targeted maintenance activities to reduce the risk of asset failures and increase asset life	\$8m (Capex / Opex)
<i>ii. Further funding for reactive maintenance</i>	- Reactive maintenance volumes have significantly increased over recent years (10% p.a.) due to the region's ageing network.	
<b>4. Water leakage management trial</b>		
<i>i. Further develop approach to operational leakage management</i>	- Establishing a trial programme in Upper Hutt and South Wairarapa to develop, test and refine our approach to water leakage before embedding across the region. Includes repair work on identified leaks.	\$1m (Opex)
<b>5. Programme delivery and support</b>		
<i>i. Resourcing to deliver the proposed activities</i>	- Project management, financial & reporting resources to support delivery & meet expectations of DIA & CIP	\$1.4m (Opex)
<i>ii. Mana Whenua moving into Strategic Priorities</i>	- Bring Māori world view values and principles into our work on reducing demand and improving water quality, and strengthening links to Māori communities.	
<b>2.2 Continue to improve the safety of our water supplies</b>		
<b>1. Water safety plan initiatives</b>	- Investments to improve water safety; steps towards meeting anticipated water regulation. - Projects include establishing dedicated fill points for commercial vehicles to safely access the network without compromising water safety, new reservoir coatings to address water storage security risks, and improving water quality auditing functions.	\$4.6m (Capex/Opex)
<b>2.3 Prioritised capital projects used to absorb any surpluses (to ensure all money utilised)</b>		
<b>1. Te Marua water treatment plant upgrade</b>	- Increase the capacity of the strategically significant treatment plant to increase drought resilience.	\$0.2m
<b>2. Boar Bush Reservoir (South Wairarapa)</b>	- Refurbish the ageing pipework and tank that carries drinking water quality and resilient supply risk.	\$0.1m (Capex)
<b>Total Funding</b>		<b>\$47.3m</b>

# Delivery Plan proposal – detail of proposed regional activity areas



# 1. Reducing the known renewals backlog to improve service reliability



Project 1	Accelerating renewals of core water infrastructure
High level delivery plan	<b>Steps</b>
	1. Confirm the focus of all renewals buckets with Service Planning, Network Engineering and Chief Advisers along with the outcomes and performance measures for each bundle
	2. Establish Governance / steering group requirements to ensure consistency of delivery and provide oversight
	2. Refine scope of work using data and operational knowledge through engagement across Wellington Water, focussing on operational pain points and customer experience.
	3. Modelling team to confirm pipes needing straight renewal and those needing upsizing.
	4. Develop principal requirements and standards to ensure consistency across delivery teams.
	5. Delivery teams overlay additional selection screening criteria including complexity, efficiency (repeatable and scalable), consenting and landowner constraints, methodology with a high trenchless weighting and risk.
	6. Delivery teams carry out preliminary investigation work to select work that will achieve the highest value for money return on outcomes and submit to Wellington Water a project plan for approval.
	7. Delivery teams procure materials, scale up resource (as required) and carry out renewals activity on approved areas.
8. Review and assess activity against i) performance measures of success and desired outcomes, and ii) objectives of Wellington Water's changed approach towards outcome-based development model.	

# 1. Reducing the known renewals backlog to improve service reliability

Project 1	Accelerating renewals of core water infrastructure
<b>What we're doing</b>	<ul style="list-style-type: none"> <li>• Undertaking capital renewals activity on aging drinking water and wastewater pipes across the region</li> <li>• Transitioning from a project development model to an outcome development model with a fast-tracked prioritisation process</li> <li>• Selecting and developing packages of work with a high level problem statement, clear outcomes and performance measures of success focused on known issues within each council area.</li> <li>• Proposed focus areas by council:               <ul style="list-style-type: none"> <li>○ HCC – Wainuiomata WW and Water network (Corridor approach)</li> <li>○ WCC – Karori WW Network</li> <li>○ UHCC – Water Network (pipes with previous failures)</li> <li>○ SWDC – 1. Featherston WW Network 2. Martinborough Water Network 3. Greytown Water Network</li> <li>○ PCC – Titahi Bay Wastewater and Water Network (Corridor approach)</li> <li>○ GWRC – proposed to prioritise Te Marua WTP upgrade (not renewals)</li> </ul> </li> </ul>
<b>Why?</b> <b>Problems &amp; Benefits</b>	<ul style="list-style-type: none"> <li>• To reduce service interruptions by fixing the region's aging network quickly and sustainably</li> <li>• Targeted packages of work, aligned with regional priorities and each council's particular needs.</li> <li>• Fast tracked renewals programme for efficiency and create momentum towards the changing delivery model.</li> </ul>
<b>Who is doing the work?</b>	<ul style="list-style-type: none"> <li>• Contractor and Consultants Panels</li> <li>• 5-8 person crew required to complete each 'renewal bucket'</li> <li>• Assessing requirements of additional internal resource to deliver</li> </ul>
<b>Project costs</b>	<b>\$11.2m to \$20.8m</b>
<b>Project risks</b>	<ul style="list-style-type: none"> <li>• Panel capacity</li> <li>• Embedding changed approach into business culture</li> </ul>
<b>Stimulus Objectives</b>	<ul style="list-style-type: none"> <li>✓ <b>Job creation:</b> Estimate 25 - 30 employees will be employed by our Panels to deliver, plus internal staff for project management</li> <li>✓ <b>Accelerates maintenance / renewals activity:</b> funding will be spent directly on renewing existing core water infrastructure</li> </ul>

## 2. Asset condition assessment to help prioritise renewals based on need

Project 2	Improving our understanding of asset health
High level delivery plan	<b>Steps</b>
	1. Confirm very high critical assets
	2. Confirm project plan, timing and resourcing
	3. Procure resources and acquire condition assessment technologies
	4. Undertake testing and assessment through variety of techniques
	5. Develop asset condition register for use in renewal programme, maintenance, risk assessments, urgent repairs etc
	6. Ensure process is well documented for future assessments

## 2. Asset condition assessment to help prioritise renewals based on need

Project 2	Improving our understanding of asset health
What we're doing	<ul style="list-style-type: none"> <li>• Undertaking detailed testing and investigation work on very high critical assets across the region</li> <li>• Project is underway, however scope is expected to be limited by current funding constraints</li> <li>• Additional funding would enable programme expansion to physically assess more very high critical assets, compared to desktop assessments where funding runs out.</li> </ul>
Why? (Problems & Benefits)	<ul style="list-style-type: none"> <li>• Reliable information on the condition of assets is critical to carrying out maintenance and renewal activity effectively</li> <li>• Existing asset condition information is:               <ul style="list-style-type: none"> <li>○ of poor quality across the network,</li> <li>○ out of date, and</li> <li>○ incomplete.</li> </ul> </li> </ul>
Who is doing the work?	<ul style="list-style-type: none"> <li>• 1 new FTE to Wellington Water's internal project delivery team</li> <li>• Existing Panel of contractors</li> <li>• New staff employed by contractors</li> <li>• Further consultants and specialists will also be required</li> </ul>
Project costs	<b>\$7.4m to \$13.8m</b>
Project risks	<ul style="list-style-type: none"> <li>• Panel capacity</li> <li>• Data collection and systems</li> <li>• Cost estimate may exceed budget</li> </ul>
Stimulus Objectives	<ul style="list-style-type: none"> <li>✓ <b>Job creation:</b> an estimated total of 15 - 20 staff will be employed in delivering this project</li> <li>✓ <b>Accelerates maintenance / renewals activity:</b> Improved asset condition data is critical to planning and prioritising maintenance and renewal activity</li> </ul>

### 3. Maintenance and service improvements to help fix issues before they become problems



Project 3	Maintaining our core water infrastructure and delivering a better service					
High level delivery plan	<table border="1"><thead><tr><th data-bbox="343 391 1769 434">Steps</th></tr></thead><tbody><tr><td data-bbox="343 434 1769 482">1. Confirm management and delivery resources required (internal vs external), and scope and priority of activities</td></tr><tr><td data-bbox="343 482 1769 531">2. Procure additional resources, particularly skilled servicepeople to respond to reactive maintenance requirements</td></tr><tr><td data-bbox="343 531 1769 579">3. Undertake planned maintenance activities and respond to reactive maintenance requests</td></tr><tr><td data-bbox="343 579 1769 628">4. Establish internship programme, hire interns and run programme</td></tr></tbody></table>	Steps	1. Confirm management and delivery resources required (internal vs external), and scope and priority of activities	2. Procure additional resources, particularly skilled servicepeople to respond to reactive maintenance requirements	3. Undertake planned maintenance activities and respond to reactive maintenance requests	4. Establish internship programme, hire interns and run programme
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4. Establish internship programme, hire interns and run programme						

### 3. Maintenance and service improvements to help fix issues before they become problems



Project 3	Maintaining our core water infrastructure and delivering a better service
What we're doing	<ul style="list-style-type: none"> <li>• Undertake planned maintenance activities that were identified as necessary in FY21 but not able to fit in available budgets</li> <li>• Expand resource for reactive maintenance to manage increasing maintenance volumes, including increased customer support</li> <li>• Funding for an additional wastewater roving crew</li> <li>• Reinstate the internship programme to foster talent and build capability in the sector</li> </ul>
Why? (Problems & Benefits)	<ul style="list-style-type: none"> <li>• Reactive maintenance service request volumes have increased 10-12% p.a. over recent years</li> <li>• \$5.9 million of planned asset maintenance being deferred in FY21, resulting in a backlog of work to be completed</li> <li>• Customer expectations of service levels are increasing</li> <li>• Reduce risk of asset failures, improving customer satisfaction and saving money on reactive maintenance</li> <li>• Increased resource to solve complex customer issues, leading to better stakeholder management</li> </ul>
Who is doing the work?	<ul style="list-style-type: none"> <li>• 35-40 additional staff, made up of               <ul style="list-style-type: none"> <li>○ Servicepeople, Team Leaders, Operational Delivery Manager – planned maintenance</li> <li>○ Water roving crew staff</li> <li>○ Resolution Officers and a Weekend Hub Operator</li> </ul> </li> <li>• Hiring of 10 interns and 0.25 FTE to coordinate the intern programme</li> </ul>
Project costs	<b>\$5.6m to \$10.4m</b>
Project risks	<ul style="list-style-type: none"> <li>• Ongoing funding to sustain resource beyond March 2022</li> <li>• Capability and capacity in the sector to hire skilled staff</li> <li>• Uncontrollable external factors that disrupt delivery</li> </ul>
Stimulus Objectives	<ul style="list-style-type: none"> <li>✓ <b>Job creation:</b> an estimated total of 25 - 35 staff will be employed, plus 10 interns</li> <li>✓ <b>Accelerates maintenance / renewals activity:</b> funding will be spent directly on maintaining existing core water infrastructure</li> </ul>

# 4. Asset management systems and business process improvement



Project 4	Maturing our Asset Management System and business processes
High level delivery plan	<b>Steps</b>
	1. Refine scope and confirm interdependencies and ordering of projects
	2. Resource and stand up PMO
	3. Confirm resources, timing and develop programme plan
	4. Identify potential suppliers and complete vendor mapping
	5. Procure suppliers through expedited procurement process (e.g. procurement exemptions or closed tenders)
	6. Deliver projects
	7. Review, co-ordinate, reporting and monitor benefits
	8. Project handover, review and learnings

# 4. Asset management systems and business process improvement



Project 4	Maturing our Asset Management System and business processes
What we're doing	<ul style="list-style-type: none"> <li>• Accelerating progress towards ISO55001 certification to improve our asset management capability and processes. Involves:               <ul style="list-style-type: none"> <li>○ Capturing, documenting and improving Wellington Water's internal business processes across its 7 key business areas</li> <li>○ 6 Asset Intervention Studies; understand and document agreed maintenance procedures, confirm performance metrics etc</li> </ul> </li> </ul>
Why? (Problems & Benefits)	<ul style="list-style-type: none"> <li>• Inability to consistently demonstrate the efficient and effective delivery of outcomes to customers</li> <li>• Lack of resources to sufficiently invest in organisation people, processes and systems</li> <li>• Ensure best practice is consistently followed when looking after our assets</li> <li>• Implemented business change to drive performance, increase efficiency, improve stakeholder confidence and reduce risk</li> </ul>
Who is doing the work?	<ul style="list-style-type: none"> <li>• New fixed-term internal roles of 11 staff:               <ul style="list-style-type: none"> <li>○ 4 x fixed-term Business Analysts</li> <li>○ 4 x fixed-term secondments from Consultancy Panel to cover SME demands</li> <li>○ 1 x Change Management Practitioner, 1x Project Manager, 1x Communications Support</li> </ul> </li> <li>• Consultancy Panel (to complete 6 x Asset Intervention Studies)</li> </ul>
Project costs	<b>\$1.0m to \$1.8m</b>
Project risks	<ul style="list-style-type: none"> <li>• Moving too quickly; implementing too much change in a short time</li> <li>• Capability and capacity in the sector to hire skilled staff</li> <li>• Stakeholder engagement</li> <li>• Capacity to expand WW internal resources</li> </ul>
Stimulus Objectives	<ul style="list-style-type: none"> <li>✓ <b>Job creation:</b> an estimated total of 10 to 13 staff will be employed by Wellington Water, plus consultancy resource to complete the studies</li> <li>✓ <b>Accelerates maintenance / renewals activity:</b> Improved asset management systems and business processes will accelerate investment, and improve effectiveness and efficiency of renewals and maintenance programmes.</li> </ul>



# 5. Complete, accurate, accessible, transparent data to inform planning and action



Project 5	Digital Products and Services improvement to enhance asset management capability and reduce risk [get feedback from Andrea]
High level delivery plan	<b>Steps</b>
	1. Refine scope and confirm interdependencies and ordering of projects
	2. Resource and stand up PMO
	3. Confirm resources, timing and develop programme plan
	4. Identify potential suppliers and complete vendor mapping
	5. Procure suppliers through expedited procurement process (e.g. procurement exemptions or closed tenders)
	6. Deliver projects
	7. Review, co-ordinate, reporting and monitor benefits
	8. Project handover, review and learnings

## 5. Complete, accurate, accessible, transparent data to inform planning and action

Project 5	Digital Products and Services improvement to enhance asset management capability and reduce risk [get feedback from Andrea]
What we're doing	<ul style="list-style-type: none"> <li>We have identified a programme of discrete technology projects that can be brought forward with the reform funding, which focus on:               <ul style="list-style-type: none"> <li>Reducing risk in technology systems</li> <li>Improving asset management systems and capability</li> <li>Enabling other activities across the organisation (e.g. databases and software improvement for leakage management)</li> </ul> </li> </ul>
Why? (Problems & Benefits)	<ul style="list-style-type: none"> <li>Known completeness issues with water asset data across the entire asset register</li> <li>Underlying technology systems need investment to enable and realise the benefits in other areas (e.g. smart water meters, asset condition assessments)</li> <li>Reduce risk in technology systems and improve how we use information to manage our water assets</li> <li>Improve health and safety in field, supporting robust planning, and ensure sustainable data quality practices.</li> </ul>
Who is doing the work?	<ul style="list-style-type: none"> <li>Estimated 37 staff (27 FTE) required to carry out projects, including 5 for programme management and co-ordination               <ul style="list-style-type: none"> <li>Insourced additional contract resource (10 staff, estimated 8 FTE)</li> <li>Outsourced contracts and accessing specialist expertise (27 staff, estimated 18 FTE)</li> </ul> </li> <li>These resources will be onboarded and offboarded as required throughout the programme of work.</li> </ul>
Project costs	\$2.8m to \$5.2m
Project risks	<ul style="list-style-type: none"> <li>Internal SME resource capacity</li> <li>Scale</li> <li>Project interdependencies</li> </ul>
Stimulus Objectives	<ul style="list-style-type: none"> <li>✓ <b>Job creation:</b> an estimated total of 30 – 35 staff will be employed over the course of 18 months to deliver these projects</li> <li>✓ <b>Accelerates maintenance / renewals activity:</b> relate directly to improving asset management, data and planning, enabling accelerated investment in renewals and maintenance through improved decision making</li> </ul>

# 6. Operational leakage management



Project 6	Reducing water leakage – [get feedback from Fraser]
Stimulus Objectives	<ul style="list-style-type: none"> <li>✓ <b>Job creation:</b> an estimated total of 3 – 5 staff will be involved in delivering this project</li> <li>✓ <b>Accelerates maintenance / renewals activity:</b> this project will help identify where leaks are occurring, improve use of existing and new meter technology, and enable more targeted repair and renewal work</li> </ul>
High level delivery plan	<p><b>Steps (Pilot A)</b></p>
	1. Confirm scope, project structure and resourcing requirements through discussions with relevant business units
	2. Hire resources required to deliver project and set-up cross-functional team, including Customer Operations, Digital Products and Services, and Network Management Group.
	3. Confirm project plan, approach and timeframes
	4. Develop user requirements for systems and begin defining and documenting operational processes
	5. Test processes in the field on live (potential) leaks, and measure and report outcomes
	6. Assess effectiveness of leakage management and refine processes through iterative trials (and then expand into other areas if time and budget permits)
	<p><b>Steps (Pilot B)</b></p>
	1. Confirm scope, project structure and resourcing requirements through discussions with relevant business units
	2. Engage resources required to deliver project and set-up cross-functional team
3. Develop and confirm project plan, approach and timeframes. Purchase required technologies.	
4. Complete field technology installations	
5. Test processes in the field on live (potential) leaks, and measure and report outcomes	

# 6. Operational leakage management

Project 6	Reducing water leakage – [get feedback from Fraser]
What we're doing	<ul style="list-style-type: none"> <li>• Establishing two trial programmes to develop, test and refine our approach to water leakage, including repairs work on identified leaks.               <ul style="list-style-type: none"> <li>○ Pilot A: Using information from (existing) District Area Meters and (new) Small Area Monitors to identify areas of the network where leaks appear to be occurring, and pursuing these through targeted identification and repair. This is proposed for Upper Hutt due to high leakage issues in this area.</li> <li>○ Pilot B: Proof-of-concept for the use of smart household water meters to identify network or private leaks. This is proposed for one of the town centres in South Wairarapa, where water meters are already installed.</li> </ul> </li> <li>• Designing and documenting a best practice approach to:               <ul style="list-style-type: none"> <li>○ Determining whether a leak has occurred / where further investigation is required (or not)</li> <li>○ What steps to take when investigating potential leaks in the field</li> <li>○ How to assess whether any physical works have been effective (e.g. what metrics to consider)</li> </ul> </li> <li>• Defining what changes or investment is required in underlying technology and data systems</li> </ul>
Why? (Problems & Benefits)	<ul style="list-style-type: none"> <li>• Leakage in the network accounts for 20% of total water demand, and is in our control</li> <li>• Improve way information is gathered and used by meters and sensors</li> <li>• Improve cost-effectiveness and efficiency of leakage management</li> <li>• Reduces time to locate and repair bursts or leaks</li> <li>• Establish baseline data to monitor the success of our leakage initiatives and for benchmarking</li> </ul>
Who is doing the work?	<ul style="list-style-type: none"> <li>• 1 x Business Process Analyst</li> <li>• 1 x Product Developer (captured in #4)</li> <li>• Dedicated resource in Customer Operations Group</li> <li>• Resource in Network Management Group</li> </ul>
Project costs	<b>\$0.7m to 1.3m</b>
Project risks	<ul style="list-style-type: none"> <li>• Project operating model – ensuring linkage between the business process development and technology required to support</li> <li>• Funding constraint</li> <li>• Interdependency with digital / data project</li> </ul>

# 7. Water Safety Plan projects

Project 7	Meeting new drinking water regulatory requirements
High level delivery plan	<b>Steps</b>
	1. Engage with external suppliers and Panels to better understand capacity and capability, confirm scope
	2. Procure additional internal resources and establish PMO
	3. Confirm programme plan, resources required, improve cost estimates and timing
	4. Contract external suppliers and contractors, including fast tracking design/build approaches with suppliers and contractors, as necessary.
	5. Undertake work required to complete various projects.
	6. Co-ordinate and monitor progress.
	7. Report against agreed milestones.

# 7. Water Safety Plan projects

Project 7	Meeting new drinking water regulatory requirements
What we're doing	<ul style="list-style-type: none"> <li>Wellington Water has identified seven potential projects from its Water Safety Plan that could be brought forward with additional funding. We highlight that these projects are at an early stage of development and need to be tested against both supplier capacity to deliver and with individual councils. These include both asset improvement and technical works to improve processes.</li> </ul>
Why? (Problems & Benefits)	<ul style="list-style-type: none"> <li>Accelerate activity we know will be required under new regulation</li> <li>Mitigate risks of reservoir contamination and minimise risk of contamination through unauthorised/uncontrolled hydrant use</li> <li>Identify potential risk areas where treated and untreated drinking water could come into contact</li> <li>Build emergency response capability and provide dedicated equipment to clean treatment plants and reservoirs</li> <li>Enable rapid response and repair to water quality issues</li> </ul>
Who is doing the work?	<ul style="list-style-type: none"> <li>2 x additional fixed-term FTE for audit procedures</li> <li>Contractor Panel and Consultancy Panel</li> <li>Suppliers (e.g purchase of capital items)</li> <li>Project Manager (internal)</li> <li>Internal resource (Smart Services)</li> </ul>
Project costs	<b>\$3.2m to \$6.0m</b>
Project risks	<ul style="list-style-type: none"> <li>Panel and supplier capacity</li> <li>Deliverability within FY21 and ongoing funding</li> <li>Cost estimate may exceed budget</li> </ul>
Stimulus Objectives	<ul style="list-style-type: none"> <li>✓ <b>Job creation:</b> an estimated 10 - 15 external staff will be employed to deliver these projects</li> <li>✓ <b>Accelerates maintenance / renewals activity:</b> the majority of this spend is directly on maintaining our existing assets (reservoir roof coatings) or on design and build of the network tanker fill points, with the remaining spend improving our data and processes to enable improved asset management practices</li> </ul>

# 8. Capital projects

Project 8	Te Marua Water Treatment Plant Capacity Upgrade and Boar Bush reservoir refurbishment								
Project risks	<ul style="list-style-type: none"> <li>• Te Marua:             <ul style="list-style-type: none"> <li>○ Accuracy of cost estimate</li> <li>○ Existing plant limitations</li> <li>○ Project delivery programme schedule</li> <li>○ Insufficient existing WTP information received</li> </ul> </li> <li>• Boar Bush:             <ul style="list-style-type: none"> <li>○ Accuracy of cost estimate</li> </ul> </li> </ul>								
Stimulus Objectives	<ul style="list-style-type: none"> <li>✓ <b>Job creation:</b> An estimate of around 3 to 5 additional staff will be involved to deliver the activities with the funding allocated to capital projects. Significantly more staffing resource will also be required over course of the wider delivery, for example in the construction phases.</li> <li>✓ <b>Accelerates maintenance / renewals activity:</b> Both capital projects support the resilience and reliability of the region’s water network</li> </ul>								
High level delivery plan	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #00728f; color: white;">Steps</th> </tr> </thead> <tbody> <tr><td>Phase 1: Define (Project initiation and Project Management Plan development)</td></tr> <tr><td>Phase 2: Develop (Concept Design and Procurement Strategy development)</td></tr> <tr><td>Phase 3: Consent (Note phase 3 – 7 are subject to outcome of Phase 2)</td></tr> <tr><td>Phase 4: Detailed Design</td></tr> <tr><td>Phase 5: Procurement</td></tr> <tr><td>Phase 6: Construction</td></tr> <tr><td>Defects period</td></tr> </tbody> </table> <ul style="list-style-type: none"> <li>• Note: The delivery plan above reflects the full design and build phases of the projects. Stimulus funding will be used to support the above activities although further funding is required from Councils for project completion.</li> </ul>	Steps	Phase 1: Define (Project initiation and Project Management Plan development)	Phase 2: Develop (Concept Design and Procurement Strategy development)	Phase 3: Consent (Note phase 3 – 7 are subject to outcome of Phase 2)	Phase 4: Detailed Design	Phase 5: Procurement	Phase 6: Construction	Defects period
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Defects period									

# 8. Capital projects

Project 8	Te Marua Water Treatment Plant Capacity Upgrade and Boar Bush reservoir refurbishment
What we're doing	<ul style="list-style-type: none"> <li>• Undertake works to upgrade the Te Marua Water Treatment Plant (WTP) to increase its capacity:               <ul style="list-style-type: none"> <li>○ Project is currently funded for the Develop phase, which includes the Concept Design and Procurement Strategy development</li> <li>○ Funding is being sought to support and accelerate the following phases towards completion</li> </ul> </li> <li>• Boar Bush has been proposed as a capital project for the South Wairarapa District Council</li> </ul>
Why? (Problems & Benefits)	<ul style="list-style-type: none"> <li>• Te Marua:               <ul style="list-style-type: none"> <li>○ An assessment has identified that Wellington Water is unable to meet a 2% AEP drought (i.e. 1 in 50 years) with the existing plant during poor raw water conditions</li> <li>○ Te Marua WTP is a strategically significant regional WTP, and regional water demand cannot be met without it</li> <li>○ Improve resilience, prepare for future growth and manage demand</li> <li>○ improve the reliability of the network by providing additional capacity, and maintain redundancy in the event of a loss of supply from another plant</li> </ul> </li> <li>• The current infrastructure at Boar Bush is ageing and carries drinking water quality and resilient supply risk</li> </ul>
Who is doing the work?	<ul style="list-style-type: none"> <li>• Te Marua:               <ul style="list-style-type: none"> <li>○ GHD is currently contracted to perform Concept Design and Procurement Strategy, due March 2021.</li> <li>○ WW will go to market for the subsequent Phases of work, depending on outcome of Procurement Strategy</li> </ul> </li> <li>• Boar Bush:               <ul style="list-style-type: none"> <li>○ Contractor Panel and Consultancy Panel</li> </ul> </li> </ul>
Project costs	<p><b>\$0.3m-\$9.9m</b></p> <ul style="list-style-type: none"> <li>• We propose to use these capital projects as a 'wash up' for any underspend in other projects. This will help ensure that any Stage 1 Reform funding that is unspent in the required timeframe will be committed by 31 March 2022, maximising value to the Wellington Region water network.</li> </ul>