

Notice is given that an ordinary meeting of the Full Council will be held on:

Date: Thursday 18 March 2021
Time: 9.30 am
Meeting Room: Tasman Council Chamber
Venue: 189 Queen Street
Richmond

Full Council

AGENDA

MEMBERSHIP

Mayor	Mayor T King	
Deputy Mayor	Deputy Mayor S Bryant	
Councillors	Cr C Butler	Cr D McNamara
	Cr B Dowler	Cr D Ogilvie
	Cr M Greening	Cr T Tuffnell
	Cr C Hill	Cr A Turley
	Cr C Mackenzie	Cr T Walker
	Cr K Maling	Cr D Wensley

(Quorum 7 members)

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AGENDA

1 OPENING, WELCOME

2 APOLOGIES AND LEAVE OF ABSENCE

Recommendation

That apologies be accepted.

3 PUBLIC FORUM

4 DECLARATIONS OF INTEREST

5 LATE ITEMS

6 CONFIRMATION OF MINUTES

Nil

7 PRESENTATIONS

Nil

8 REPORTS

- 8.1 Tasman's 10-Year Plan 2021-2031 Consultation Document, Concurrent
Consultations and Supporting Information 5
- 8.2 Waimea Water Ltd 2020 Mid-Year Report 27

9 CONFIDENTIAL SESSION

Nil

8 REPORTS

8.1 TASMAN'S 10-YEAR PLAN 2021-2031 CONSULTATION DOCUMENT, CONCURRENT CONSULTATIONS AND SUPPORTING INFORMATION

Decision Required

Report To:	Full Council
Meeting Date:	18 March 2021
Report Author:	Susan Edwards, Community Development Manager; Alan Bywater, Senior Policy Advisor; Kelly Kivimaa-Schouten, Revenue Accountant; Matthew McGlinchey, Finance Manager; Josh Douglas, Senior Management Accountant; Brylee Wayman, Senior Policy Advisor; Dwayne Fletcher, Activity Planning Manager; Mike Drummond, Corporate and Governance Services Manager; Jenna Neame, Senior Activity Planning Advisor
Report Number:	RCN21-03-7

1 Summary

- 1.1 This report is being re-presented to the Council following its removal from the 25 February 2021 Full Council agenda due to needing to accommodate the Waimea Community Dam cost overruns into the draft Long Term Plan 2021-2031 (LTP) budgets and Consultation Document. Staff have made the changes to the draft LTP budgets decided by Council in response to the late report to the 25 February meeting. Consequential changes have been made to the Consultation Document, 11 of the concurrent consultation and supporting information documents and the Water Supply Activity Management Plan.
- 1.2 At the beginning of 2020, Councillors and staff started laying the groundwork for the LTP, which we are calling "Tasman's 10-Year Plan". We undertook early community engagement and sought public feedback between March and June 2020, which helped inform the development of the proposals and information contained in Tasman's 10 Year Plan Consultation Document and the supporting information.
- 1.3 In this LTP, we propose to increase our current rates revenue cap of 3% per annum to the annual caps set out in Table 1. The Net Debt cap will increase from the current \$200 million to \$282 million.

Table 1: Proposed Rates Revenue Increase Caps

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
4.54%	4.57%	4.5%	7.0%	7.0%	4.5%	4.5%	4.5%	4.5%	4.5%

- 1.4 The Consultation Document is themed around planting the seeds for Tasman's future and seeks submissions on four key choices for the District:
- Homes for our community;
 - Waimea Community Dam – allocation of additional irrigator capacity costs;

- A new company model for Nelson Airport and Port Nelson; and
 - Responding to climate change.
- 1.5 The Consultation Document also features some of our achievements since the LTP 2018-2028 was adopted, some of the major projects we are planning, other things that are on the horizon such as our planned digital innovation and the Government's three waters and Resource Management Act reforms.
- 1.6 The Consultation Document draws the readers' attention to the concurrent consultations taking place on the Revenue and Financing Policy, Rates Remission Policy, Development and Financial Contributions Policy and the Schedule of Fees and Charges.
- 1.7 At this meeting, Councillors are asked to adopt the Consultation Document and the Draft Revenue and Financing Policy, Draft Rates Remission Policy, Draft Development and Financial Contributions Policy (plus the associated consultation information in each case) for consultation.
- 1.8 In addition, the Council is asked to adopt a number of documents (supporting information) that are relied on by the content of the Consultation Document and/or are necessary for the Auditor-General to provide the audit report.
- 1.9 Adopting these documents will enable public consultation to take place with submissions being received between 24 March and 4.00 pm on 24 April 2021.

2 Draft Resolution

Part 1:**That the Full Council:**

1. **receives Tasman's 10-Year Plan 2021-2031 Consultation Document, Concurrent Consultations and Supporting Information Report 000; and**

Supporting Information

2. **adopts the following as supporting information for Tasman's 10-Year Plan Consultation Document as required by section 93G of the Local Government Act 2002:**
 - **Draft Financial Strategy (Attachment 1)**
 - **Draft Infrastructure Strategy (Attachment 2)**
 - **Draft Accounting Information (Attachment 3)**
 - **Draft Funding Impact Statement (Attachment 4)**
 - **Draft Council Activities Summaries (Attachment 5)**
 - **Draft Activity Management Plans (Attachment 6)**
 - **Draft Development of ngā iwi and Māori capacity to contribute to decision making processes statement (Attachment 7)**
 - **Tasman Growth Projections 2021-2051 (Attachment 8)**

- **A New Company Model for Nelson Airport and Port Nelson supporting information (Attachment 17)**
 - **Rates Example properties 2021/2022 to 2023/2024 (Attachment 18)**
3. **notes that the Council adopted a set of Forecasting Assumptions as supporting information for the Consultation Document at its meeting on 18 December 2020; and**
 4. **adopts the amendments to and the additional forecasting assumptions (Attachment 9) as supporting information for the Consultation Document; and**
 5. **agrees to the Mayor and the Chief Executive Officer approving any further minor editorial amendments to these documents prior to them being published and made available for public consultation; and**

Concurrent Consultations

6. **notes that both Tasman’s 10-Year Plan Consultation Document and the Revenue and Financing Policy Consultation Information include a proposed new land value based targeted rate on properties in the proposed Waimea Community Dam Extractive Use Rating Area which include properties that have access to water supplied by a water consent affiliated through a shareholding in WIL. This is proposed to fund the first \$14.6 million of the Council’s share of the irrigator capacity resulting from additional costs of the Waimea Community Dam; and**
7. **notes that the Council’s share of the irrigator capacity costs above the \$14.6 million, is proposed to be met from the general rate; and**
8. **notes that the Consultation Document also includes the following alternative options to fund the additional costs of the irrigator capacity for the Dam:**
 - **a District-wide rate**
 - **a targeted rate on all properties in the ‘zone of affiliation’ with a differential, and**
 - **a new targeted rate solely on irrigators; and**
9. **adopts the following as supporting information for concurrent consultations:**
 - **Draft Revenue and Financing Policy (Attachment 13)**
 - **Draft Rates Remission Policy (Attachment 14)**
 - **Draft Development and Financial Contributions Policy (Attachment 15); and**
10. **agrees that the most appropriate means of consulting on the documents in Resolution 9 is a similar process to that of a Special Consultative Procedure; and**
11. **adopts the Revenue and Financing Policy Consultation Information (Attachment 10) for concurrent consultation under the provisions of s82 of the Local Government Act 2002; and**
12. **adopts the Rates Remission Policy Consultation Information (Attachment 11) for concurrent consultation under the provisions of s82 of the Local Government Act 2002; and**
13. **adopts the Development and Financial Contributions Policy Consultation Information (Attachment 12) for concurrent consultation under the provisions of s82 of the Local Government Act 2002; and**

14. agrees that these documents will be made available to the public on or before 24 March 2021; and
15. agrees that the submission period for these document closes at 4.00pm on 24 April 2021; and
16. agrees to the Mayor and the Chief Executive Officer approving any further minor editorial amendments to these documents prior to them being published and made available for public consultation; and

Part 2:

That the Full Council:

Tasman's 10-Year Plan 2021-2031 Consultation Document

17. receives the Audit Opinion from Audit New Zealand for inclusion in the Consultation Document; and
18. agrees, that having considered the Council's Significance and Engagement Policy and the importance of other matters to the District and its communities, that the key issues and choices facing the Council and the District for the LTP 2021-2031 are:
 - Homes for our Community
 - Waimea Community Dam – allocation of additional irrigator capacity costs
 - A New Company Model for Nelson Airport and Port Nelson
 - Responding to Climate Change; and
19. agrees that the Consultation Document in Attachment 16 to this report provides a fair representation of the matters that are proposed in the LTP 2021-2031; and
20. adopts the Consultation Document in Attachment 16 to this report incorporating any minor amendments agreed at the meeting for release as the basis for community consultation in accordance with sections 83, 83A, 93A, 93B, 93C, 93F, and 93G of the Local Government Act 2002; and

Consultation Period

21. agrees that the Consultation Document, concurrent consultations and supporting information be made available through Council offices, libraries, other public offices and on the Council's dedicated Long Term Plan website; and
22. agrees these documents will be made available to the public on or before 24 March 2021; and
23. agrees that the submission period for these consultations closes at 4.00 pm on 24 April 2021; and
24. agrees to the Mayor and Chief Executive Officer approving any further editorial amendments in these documents prior to them being published and made available for public consultation.

3 Purpose of the Report

- 3.1 The purpose of this report is to seek the Council's adoption of the documents required for the consultation process for the LTP 2021-2031 and its concurrent consultations.
- 3.2 This report seeks the Council's adoption of:
- a) the LTP 2021-2031 Consultation Document (Tasman's 10-Year Plan) for consultation under sections 83, 83A, 93A, 93B, 93F and 93G of the Local Government Act 2002 (LGA);
 - b) the Draft Revenue and Financing Policy and associated consultation information, the Draft Rates Remission Policy and associated consultation information, and the Draft Development and Financial Contributions Policy and associated consultation information, for concurrent consultation in accordance with sections 82 and 83A of the LGA; and
 - c) the Draft Funding Impact Statement, Draft Accounting Information including the additions and amendments to the forecasting assumptions, Draft Financial Strategy, Draft Infrastructure Strategy, Draft Summary of Groups of Activities, Draft Activity Management Plans, Tasman Growth Projections, and Draft Development of ngā iwi and Māori capacity to contribute to decision making processes statement, information on a New Company Model for Nelson Airport and Port Nelson, Rates Example Properties 2021/2022 to 2023/2024, as supporting information to the Consultation Document in accordance with section 93G of the LGA.

4 Background and Discussion

- 4.1 This report is being re-presented to Council following its removal from the 25 February 2021 Full Council agenda due to needing to accommodate the Waimea Community Dam cost overruns into the draft Long Term Plan 2021-2031 (LTP) budgets and Consultation Document. Staff have made the changes to the draft LTP budgets decided by the Council in response to the late report to the 25 February 2021 meeting. Consequential changes have been made to the Consultation Document, 11 of the supporting information documents and the Water Supply Activity Management Plan.
- 4.2 All councils are legally required to adopt a LTP and review it every three years. The LTP sets out the Council's activities, plans, budgets and policies and must be adopted before the beginning of the first year it relates to, having used a special consultative procedure to consult with the community. This LTP must be adopted prior to 1 July 2021.
- 4.3 Over the past 12 months, Councillors and staff have held a number of workshops and meetings to formulate the budgets and key directions for each of the groups of activities that are proposed to be included in the final LTP 2021-2031. These workshops have also been used to identify the key issues included in our Consultation Document titled "Tasman's 10-Year Plan".
- 4.4 Tasman's 10-Year Plan outlines five strategic priorities for our District over the next 10 years:
- a) A healthy and sustainable natural environment;
 - b) Strong, resilient and inclusive communities;

- c) Enabling positive and sustainable development;
 - d) Contributing to a diverse society and celebrating our culture and heritage; and
 - e) A high standard of service.
- 4.5 Tasman's 10-Year Plan outlines four key topics or choices for which the Council is seeking feedback from the community. They are:
- a) Homes for our community;
 - b) Waimea Community Dam – allocation of additional irrigator capacity costs;
 - c) A new company model for Nelson Airport and Port Nelson; and
 - d) Responding to climate change.
- 4.6 It also includes the Council's preferred plan of action for each choice along with alternative options and their respective implications.
- 4.7 Overall, Tasman's 10-Year Plan aims to:
- a) ensure there is enough zoned and serviced land available to meet demand for new homes and businesses;
 - b) respond to climate change through projects, initiatives and adaptive planning;
 - c) focus on building, renewing and maintaining our infrastructure;
 - d) fund this by ensuring the Council applies for Government funding where it is available and increases its borrowing to a sensible level;
 - e) collect development and financial contributions to pay for the services associated with growth in the District; and
 - f) deliver on priority work programmes – roading, water, wastewater, stormwater, environmental improvements, climate change, recreation and important community spaces and facilities.
- 4.8 These aims are in addition to the wide and varied range of other services the Council provides to the community. Tasman District Council is one of six unitary councils in Aotearoa, meaning we do the work of both a regional council and a territorial authority.
- 4.9 Key projects or programmes of work proposed in Tasman's 10 Year Plan are:
- a) replace/renew water supply, wastewater, transportation and stormwater infrastructure;
 - b) provide growth-related infrastructure;
 - c) water safety and source improvements;
 - d) walking and cycling improvements;
 - e) make improvements to waste management and minimisation;
 - f) improve digital technology and information services;
 - g) river management and improvement work including Motueka stop banks; and
 - h) contribute to a new Nelson Museum archives and research facility, a Motueka community pool and a new multi-purpose community facility for Brightwater/Wakefield.
- 4.10 As indicated by the projects listed above, infrastructure is a core part of what the Council provides to its community. In the Draft Infrastructure Strategy, we plan to spend

\$993 million on infrastructure services over the next 10 years and a total of \$3.5 billion over the next 30 years.

- 4.11 In our Draft Financial Strategy, we are intending to increase our rates revenue cap from 3% (plus an allowance for growth) in the LTP 2018-2028 to the caps included in Table 2 below. Table 2 details the annual proposed rates revenue increase cap levels for the LTP 2021-2031.

Table 2: Proposed Average General Rate Increase Caps

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
4.54%	4.57%	4.5%	7.0%	7.0%	4.5%	4.5%	4.5%	4.5%	4.5%

- 4.12 The Council is also proposing to increase the Net Debt Cap from the current \$200 million to \$282 million. Net debt is forecast to be at \$235.1 million as at June 2022. Over the 10 years of the LTP, it is forecast to peak at \$281 million in year 2024/2025 before falling to \$260 million in year 2030/2031. The Waimea Community Dam cost overruns advised to shareholders on 22 February 2021 have been included in the proposed budgets, allowing for the new estimated total project cost to complete the dam of \$159 million.
- 4.13 Without these increases in the Council's financial caps, we would have to reduce existing levels of service and/or defer or remove some of the planned work projects and programmes.
- 4.14 The Draft Revenue and Financing Policy and its associated Consultation Information proposes several changes in how we fund various services and activities. These changes include the proposal for the allocation of additional costs for the Waimea Community Dam, which is also included in the LTP Consultation Document. At the Council meetings on 3 December 2020 and 25 February 2021, the Council agreed to a range of options for inclusion in the consultation material for the Revenue and Financing Policy and the Consultation Document.
- 4.15 At the Strategy and Policy Committee meeting on 20 August 2020, the Council adopted the Significance and Engagement Policy and the Vision, Strategic Priorities and Community Outcomes.
- 4.16 At the Strategy and Policy Committee meeting on 17 December, the Council adopted the draft Schedule of Fees and Charges for consultation and subsequently amended a few sections at the Full Council meeting on 25 February 2021.
- 4.17 At the Council meeting on 18 December 2020, the Council adopted the Financial Strategy caps (subsequently amended at the 25 February 2021 Full Council Meeting) for inclusion in the Consultation Document. At that meeting, the Council also adopted a set of Forecasting Assumptions for inclusion in the LTP 2021-2031.
- 4.17.1 At that time, discussions were underway on plans for future office accommodation and, as a result, the forecasting assumption on this topic had not been finalised. Therefore, an assumption on the office accommodation has been added to the forecasting assumptions the Council adopted at its December 2020 meeting. We have also added an assumption about dividend levels and equity as a result of the proposed Port Nelson and Nelson Airport holding company.

- 4.17.2 Changes have been made to the assumption on population growth to note that the Council’s planned growth is based on an assumption that Nelson City Council provides adequately for Nelson’s expected growth in line with recent growth trends.
 - 4.17.3 Changes have also been made to the assumption for the Waimea Community Dam. The amended assumption includes the revised completion date and description of the proposed budgetary provision. It also provides more robust discussion on the likelihood and risks associated with any further cost overruns on the project.
 - 4.17.4 The additional and amended forecasting assumptions are provided as Attachment 9 for adoption.
 - 4.17.5 The Financial Strategy caps represented in this report are consistent with the decision made on 25 February 2021 and allow for the estimate to complete the Waimea Community Dam.
- 4.18 Table 3 sets out the various documents, policies and information that will be consulted on concurrently to support the LTP Consultation Document.

Table 3: Summary of Consultation Material

Document	Legal requirement (either for consultation or information)	Section of LGA or Rating Act	Adoption/Notes
Consultation under section 83 of the Local Government Act 2002			
Consultation Document	Special Consultative Process (SCP)	Various - s93A-s93G	The Consultation Document is consulted on and following consideration of submissions, a final LTP is adopted before the end of June 2021. Attachment 1.
Draft Schedule of Fees and Charges	SCP	Various requirements under other legislation	The draft Schedule is consulted on and following consideration of submissions, a final Schedule is adopted before the end of June 2021. Approved at the December 2020 Strategy and Policy Committee meeting and amended by Full Council on 25 February 2021.
Consultation under section 82 of the Local Government Act 2002			
Draft Revenue and Financing Policy and its Consultation Information	Consultation (s82). SCP like process to be used.	LGA s103, 102 (2)(a) and Schedule 10, Clause 10.	Consultation information and draft policy to adopt at this meeting for concurrent consultation. Required to be adopted as part of the final LTP. Includes funding for the Waimea Community Dam. Attachments 10 and 13.

Document	Legal requirement (either for consultation or information)	Section of LGA or Rating Act	Adoption/Notes
Draft Development and Financial Contributions Policy and its Consultation Information	Consultation (s82). SCP like process to be used.	LGA s82, s106 and s102 (2)(d).	Consultation information and draft policy to adopt at this meeting for concurrent consultation. LTP financials for growth related projects are based on this policy. The final policy is due to be adopted at same time as the final LTP. Attachments 12 and 15.
Draft Rates Remissions Policies and its Consultation Information	Consultation (s82). SCP like process to be used.	LGA s102(3) and 109	Consultation information and draft policy to adopt at this meeting for concurrent consultation. Final Policy is due to be adopted at same time as the final LTP. Attachments 11 and 14.
Supporting Information Documents			
Draft Financial Strategy	Information	LGA s101A and Schedule 10, Clause 9.	Draft strategy to adopt at this meeting as supporting information. Must be adopted by the Council prior to Consultation Document. The final Financial Strategy is to be included in the final LTP. Attachment 1.
Draft Infrastructure Strategy	Information	LGA s101B and Schedule 10, Clause 9.	Draft strategy to adopt at this meeting as supporting information. The final Infrastructure Strategy is to be included in the final LTP. Attachment 2.
Development of ngā iwi and Māori capacity to contribute to decision making	Information	LGA s81 and Schedule 10, Clause 8.	Draft Statement to adopt at this meeting as supporting information. The Council is required to have processes to provide opportunities for Māori to contribute to its decision-making processes and may consider ways to foster Māori capacity to contribute to these processes. The Council must also provide relevant information on these to Māori. The final Statement is to be included in the final LTP. Attachment 7.

Document	Legal requirement (either for consultation or information)	Section of LGA or Rating Act	Adoption/Notes
Vison and Community Outcomes	Information	Various, including LGA 93(6)(b) and 101(3)(a)(i), and Schedule 10, clause 1.	Adopted for consultation at 20 August 2020 Policy and Strategy Committee meeting with descriptors adopted at 18 December 2020 Full Council meeting. The final Community Outcomes are to be included in the final LTP.
Accounting Information – Part 4 of LTP (including Inflation Adjusted Accounts, Reserve Funds and Financial Benchmarks)	Information	Schedule 10, clause 12.	Draft information to adopt at this meeting as supporting information. Provides additional information for those members of the public who are interested in more detail. Due to be adopted as part of the final LTP. Attachment 3.
Assumptions – Part 4 of LTP	Information	LGA Schedule 10, clause 17.	Draft information to adopt at this meeting as supporting information. Provides additional information for those members of the public who are interested in more detail. The bulk of the Forecasting Assumptions were adopted at the 18 December 2020 Full Council meeting. Additional and amended assumptions for adoption are provided in Attachment 9. Due to be adopted as part of the final LTP.
Treasury Risk Management Policy including Liability Management and Investment Policies	Information	LGA s102(b) and (c), 104 and 105.	The Council is required to have a liability management policy and an investment policy. These were adopted by the Council as its Treasury Risk Management Policy in June 2019. Aspects of this Policy must be included in the Financial Strategy.
Draft Funding Impact Statement – rates (FIS) (including Rating Maps)	Information	LGA Schedule 10, clause 15. Rating Act Section 23	Draft FIS rates to be adopted at this meeting as supporting information. The final FIS must be included in the final LTP. Attachment 4.

Document	Legal requirement (either for consultation or information)	Section of LGA or Rating Act	Adoption/Notes
Rates Example Properties 2021/2022-2023/2024	Information	LGA Schedule 10 requires rates impact on example properties for Year 1.	Rates examples for Year 1 are included in the FIS. These include rates information for three years. Attachment 18
Draft Council Activities Summaries	Information	LGA Schedule 10, clauses 2, 3, 4 and 5.	Draft summaries of groups of Council activities to adopt at this meeting as supporting information. Provides additional information for those members of the public who are interested in more detail. Due to be adopted as part of the final LTP. Attachment 5.
Draft Activity Management Plans (AMPs)	Information	Various. Including s100 LGA (maintaining service capacity of assets)	Draft plans to adopt at this meeting as supporting information. AMPs are not required to be consulted on, however their adoption directly links the Council's decisions on budgets to the management of assets and activities. They also provide detailed information for those members of the public who are interested in specific projects. Attachment 6.
Tasman Growth Projections 2021-2051	Information	N/A	Draft summary to adopt at this meeting as supporting information. Additional information on where the Council expects growth to occur in the District. Attachment 8.

Item 8.1

Document	Legal requirement (either for consultation or information)	Section of LGA or Rating Act	Adoption/Notes
A New Company Model for Nelson Airport and Port Nelson supporting information	Information (consultation is via the LTP Consultation Document)	LGA s.56 requires consultation on a proposal to form a council-controlled organisation. Provides information that assists in meeting sections 82 of the LGA.	Further information on the Holding Company proposal and options to supplement the information in the LTP Consultation Document. Attachment 17
Policy on Remission and Postponement of Rates on Māori Freehold land	Information	LGA, sections 102 and 108.	Adopted by the Council in June 2018 as part of the LTP 2018-2028. Not reviewed as part of the LTP 2021-2031. To be provided for information.

- 4.19 Any material changes to the LTP Consultation Document or any of the supporting information as a result of Audit New Zealand's review, will be identified and tabled at this Council meeting.
- 4.20 To help the public engage on the LTP, the Council will develop a dedicated website **LTP.tasman.govt.nz**, which will include summary reports and webmaps of LTP plans and projects for most communities across the District.
- 4.21 The timeline to complete the LTP 2021-2031 is listed in Table 4.

Table 4: LTP Timeline

24 March – 24 April 2021	Public Consultation
4 – 7 May 2021	Hearings
17 – 21 May 2021	Deliberations
4 June 2021	Council workshop – review financial implications of any changes
30 June 2021	Council meeting – adopt LTP

Waimea Community Dam Funding

- 4.22 On 22 February 2021, WWL presented the Council with a revised cost estimate range of \$148 million to \$164 million to complete the Waimea Community Dam, with an expected cost of \$158.4 million (excluding provision for future hydro power). The new estimate exceeded the proposed budgetary provision of \$137.4 million in the draft LTP 2021-2031 at

that time. The estimated range takes account of the cost uncertainty associated with project risks, with key risks being the costs associated with any further Covid-19 related delays, and the scale of work required on unexposed geological features. A budget of \$159 million has been included in the proposed 10-Year Plan that will provide for a total project cost of \$159 million for the Waimea Community Dam. This amount covers the expected cost of \$158.4 million and allows for necessary work to provide for a future hydro option.

- 4.23 The Council considered the implications of the cost overruns through a late report to the 25 February 2021 meeting. For public transparency and to ensure the Council has the funding required to pay for the cost overruns, the Council decided to amend the Consultation Document and various supporting information documents, prior to adopting them and initiating the public consultation process. The resolutions from the meeting are copied below:

That the Full Council receives:

1. *The Late Item – Waimea Community Dam Cost Overruns Funding for Inclusion in Long Term Plan Consultation Document Report RCN21-02-13; and*
2. *amends the rates limit for inclusion in the draft Long Term Plan budgets and Consultation Document, in Year 1 of the Plan, from 4.5% (plus growth) to 4.54% (plus growth) and in Year 2 of the Plan, from 4.5% (plus growth) to 4.57% (plus growth); and*
3. *amends the net debt limit for inclusion the draft Long Term Plan budgets, Financial Strategy and Consultation Document, from \$260 million to \$282m; and*
4. *agrees that a revised Option D is the preferred option, for inclusion the draft Long Term Plan budgets and Consultation Document (Choice 2), for the allocation of additional irrigator capacity costs for the Waimea Dam. Where the revised Option D is a targeted rate on affiliated irrigators for the amount proposed in the current Option A in the draft Consultation Document (as previously agreed by the Council), and the irrigators portion of interest on the latest cost overrun of \$11m is funded from the general rate; and*
5. *agrees to approach Nelson City Council for an increase in its contribution to the Waimea Community Dam proportional to the increase in the Dam's estimated costs since their \$5m grant was originally set; and*
6. *notes that the Mayor has approached Government for additional funding to help cover the increased costs to complete the Dam; and*
7. *agrees to an interest only pass through loan for the \$22 million additional funding to cover the cost increases to complete the Dam project; and*
8. *acknowledges, under section 80 of the Local Government Act 2002, that the decision to:*
 - a. *recover interest only on the additional \$22 million debt associated with the increase in the cost to complete the Dam; and*
 - b. *charge interest on the debt at the cost rather than as an internal loan with funding across the Council's balance sheet as a whole*

was not contemplated in Council's Treasury Risk Management Policy which assumes a portfolio approach to Council funding and, therefore, such an approach would be considered to be inconsistent with the Policy; and

9. *notes that the Council has made the inconsistent decision in 8 above so that the Council can moderate the impact on ratepayers while it is investigating alternative arrangements; and*
10. *notes that the Council is not intending to amend the Treasury Risk Management Policy to provide for future transactions of the nature outlined in 8 above.*

Homes for our Community

- 4.24 At the Council workshop on 4 March 2021, staff presented a revised alternative option for the Homes for our Community choice in the Consultation Document. The previous Alternative Option B was to **not** meet the forecast growth across the whole of our District and provide for growth demand in Richmond only. This alternative option would not enable the Council to meet its obligations under the National Policy Statement – Urban Development (NPS-UD) and is therefore not a viable option. At the workshop, the Council requested that staff include, for consultation, a revised alternative that allowed for advancing infrastructure for the Lower Moutere Hills future development area in the 10-Year Plan and continuing to meet growth demands across the District. This change does not have an effect on the financials in the Consultation Document as only the preferred options are included within the proposed 10-Year Plan budgets.
- 4.25 The preferred Option A, meet growth demand across the whole District for the next 10 years, remains unchanged.
- 4.26 Both the preferred Option A and the amended Alternative Option B in the Consultation Document enable the Council to meet its obligations under the NPS-UD.

Timing for adopting the LTP

- 4.27 The Council needs to meet the requirement in the Local Government Act 2002 to adopt a LTP before the commencement of the first year to which it relates and to be able to strike the rates for the 2021/2022 year. It will not be possible to revise the Consultation Document and supporting information further at this stage if we are to complete the necessary consultation and adopt the LTP by 30 June 2021.

5 Options

- 5.1 The options for the Council's consideration are:

Option 1 – Recommended Option

- adopt the LTP 2021-2031 Consultation Document for consultation pursuant to sections 83 and 93 of the LGA; and
- adopt the Revenue and Financing Policy and associated consultation information, the Draft Rates Remission Policy and associated consultation information, and the Draft Development and Financial Contributions Policy and associated consultation information, for concurrent consultation in accordance with sections 82 and 83A of the LGA; and
- adopt the Draft Funding Impact Statement, Draft Accounting Information including the additions and amendments to the forecasting assumptions, Draft Financial Strategy, Draft Infrastructure Strategy, Draft Summary of Groups of Activities, Draft Activity Management Plans, Draft Tasman Growth Projections, Development of Ngā iwi and Māori capacity to contribute to decision making statement, and A New Company

Model for Nelson Airport and Port Nelson supporting information, Rates Example Properties 2021/2022 to 2023/2024, as supporting information to the LTP Consultation Document pursuant to section 93G of the LGA.

- 5.2 This option is recommended as it will enable the Council to meet its statutory requirements and the deadlines under the LGA. The Council has considered the content of all the above documents at various meetings and workshops, and they should reflect the views of the Council.

Option 2 – Alternative Option

- Request amendments to the LTP Consultation Document, and/or any of the concurrent consultation policies and supporting information.
- 5.3 This option is not recommended. We have already had to amend the timeline through to the adoption of the final LTP and there is no ability to push the timeline out further and still meet the 30 June deadline. Depending on the extent of the amendments requested, it may mean we would need to refer back to Audit New Zealand that could cause substantial delays. This, in turn, would threaten our ability to carry out the required consultation, hearings and deliberations over the next few months. The Council would not be in a position to adopt the LTP 2021-2031 and the rates resolution by the end of June 2021 as required under the LGA. This would mean that the Council would not be able to strike its rates for the 2021/2022 financial year.

6 Strategy and Risks

- 6.1 The Council's strategy for the development of the LTP has been to ensure that the document aligns with our key strategic priorities.
- 6.2 There is a risk that the Council's consultation processes might be challenged. This is mitigated through:
- providing a consultation period that meets the one month minimum. This ensures the community has sufficient time to review the documents and make their submissions;
 - having a communications plan and monitoring this throughout the consultation process; and
 - providing communications technology that enables people to present their submissions to hearings remotely.
- 6.3 The risks associated with not adopting the LTP by 1 July 2021 are discussed above in Option 2.

7 Policy / Legal Requirements / Plan

- 7.1 The relevant sections of the LGA and Local Government Rating Act 2002 are noted in Section 4 above. Running concurrent consultation processes is provided for by section 83A of the LGA.
- 7.2 Concurrent consultation, which is considered to be more efficient for both the Council and our community, is in line with the principles included in the Council's Significance and Engagement Policy.

- 7.3 For the concurrent consultations, the Council is expected to apply the principles in section 82 of the Local Government Act 2002 and to meet the information requirements detailed in section 82A. To help achieve this consultation, information has been prepared on the Draft Revenue and Financing Policy, the Draft Rates Remission Policy and the Draft Development and Financial Contributions Policy.
- 7.4 Before adopting the LTP Consultation Document, section 93G requires that the Council must prepare and adopt the information that was relied upon to develop the content of the Consultation Document. This is necessary to enable the Auditor-General to provide their audit report and provides the basis for the preparation of the LTP 2021-2031.
- 7.5 A consultation document is a legal obligation under section 93A of the LGA.
- 7.6 The purpose of a consultation document is to provide an effective basis for public participation in local authority decision-making processes relating to the content of a LTP by:
- a) *providing a fair representation of the matters that are proposed for inclusion in the long-term plan, and presenting these in a way that –*
 - (i) *explains the overall objectives of the proposals, and how rates, debt, and levels of service might be affected; and*
 - (ii) *can be readily understood by interested or affected people; and*
 - b) *identifying and explaining to the people of the district or region, significant and other important issues and choices facing the local authority and district or region, and the consequences of those choices; and*
 - c) *informing discussions between the local authority and its communities about the matters in paragraphs (a) and (b) (Section 93B).*
- 7.7 Section 93C(1) of the LGA sets out the content required for a consultation document. The LGA states that the content must be such as a local authority considers, on reasonable grounds, will achieve the purpose in section 93B. It will include a mixture of discretionary and mandatory requirements.
- 7.8 The consultation document must describe each issue the local authority determines should be included having regard to:
- a) the Significance and Engagement Policy; and
 - b) the importance of other matters to the District and its communities.
- 7.9 For **each of the issues or key choices identified** (through the reasonable process):
- a) the main options for addressing the issue and implications (including financial) of each option;
 - b) the Council's proposal, if any, for addressing the issue; and
 - c) the likely consequences of proceeding with the proposal on rates, debt and levels of service.
- 7.10 Content must also include other matters of **public interest** relating to:
- a) the proposed content of the Financial Strategy including the quantified limits rates increases, and borrowing;
 - b) the proposed content of the Infrastructure Strategy;

- c) and other financial information:
 - (i) any significant changes proposed to funding operating and capital expenditure requirements, including changes to the rating system i.e. large funding changes;
 - (ii) using graphs or charts for the direction and scale of changes to rates, debt levels, and levels of service that will result from proposed content of the LTP; and the direction and nature of any changes to levels of service; and
 - (iii) rating impact – the impact of the proposals on rates assessed on different categories of rateable land, with examples.

7.11 Section 93F covers the form and manner of presentation of a consultation document. In particular, it seeks to ensure that the contents of the consultation document are presented in a form and manner that enables the consultation document to achieve its purpose.

8 Consideration of Financial or Budgetary Implications

- 8.1 The financial implications of the proposed budgets for inclusion in the LTP 2021-2031 have been considered by the Council at Council meetings and workshops throughout 2020 and at the 25 February 2021 Full Council meeting. The Consultation Document reflects the Council's direction from these meetings and workshops, the decisions made at the Council meetings on 18 December 2020 and 25 February 2021, and includes the proposed options and allocated funding.
- 8.2 The Draft Revenue and Financing Policy and Draft Development and Financial Contributions Policy presented for concurrent consultation, have been used in developing the financial forecasts in the Consultation Document and supporting information. These have both been discussed with the Council.
- 8.3 Carrying out consultation on several LTP related policies concurrently with the Consultation Document is more transparent for the public, provides cost efficiencies and helps keep consultation costs at a reasonable level.
- 8.4 The costs of carrying out the LTP consultation are budgeted for in the 2020/2021 financial year.

9 Significance and Engagement

- 9.1 The LTP Consultation Document sets out the key issues and choices facing the District and the Council as it plans its budgets, levels of services and work programme for inclusion in the LTP 2021–2031.
- 9.2 There are several proposals within the LTP Consultation Document that are of high public interest to specific communities and others that are of high public interest to the wider community. These proposals can have major financial implications for the Council and ratepayers. The decision to adopt the LTP Consultation Document has a high level of significance.
- 9.3 The LGA recognises the importance of the LTP Consultation Document and therefore, requires that the Special Consultative Procedure, as set out in section 83, must be used prior to adopting the final LTP.

- 9.4 The Council plans to hold meetings throughout the District as part of its community consultation process on the LTP. The schedule for these meetings is included in the Consultation Document and will be available in our Newsline document and on the dedicated LTP website. There will be promotion and advertising of these meetings.
- 9.5 The availability of the Consultation Document and how people can make a submission and present their submissions, including in New Zealand sign language or te reo Māori, will be advertised in Newsline and local newspapers.
- 9.6 Staff note that if submitters would like to be heard but are unable to attend the hearings, that audio-links through Zoom or other means will be made available.
- 9.7 As noted in section 4 of this report, there are several policies and documents associated with, but separate from the LTP that will be consulted on concurrently. These will be consulted on using a process of submissions and hearings under section 82 of the LGA.
- 9.8 The consultation process described above and attached documents will meet the legislative requirements.
- 9.9 Table 5 below provides further detail on staff's assessment of significance.

Table 5: Significance Assessment

	Issue	Level of Significance	Explanation of Assessment
1.	Is there a high level of public interest, or is decision likely to be controversial?	Low to High	<p>There are a number of decisions in the Consultation Document, the concurrent consultation documents and the related policies and documents that are likely to be of high public interest.</p> <p>The Waimea Community Dam funding choice is likely to be of high public interest, especially for those subject to the targeted rate.</p> <p>The proposed company model for the Nelson Airport and Port Nelson is likely to be of low public interest.</p>
2.	Are there impacts on the social, economic, environmental or cultural aspects of well-being of the community in the present or future?	High	The LTP sets out the Council's planned actions and budgets to enable social, economic, environmental and cultural well-being over the next ten years.

	Issue	Level of Significance	Explanation of Assessment
3.	Is there a significant impact arising from duration of the effects from the decision?	Medium	<p>The LTP has a 10-year time horizon, except for the Infrastructure Strategy that has a 30-year plus time horizon. The Annual Plan can be used to notify and consult with the community on any changes from the budgets and work programme in the LTP for 2022/2023 and 2023/2024. However there are some decisions (specified in the LGA02) that can only be made through a LTP or by amending a LTP.</p> <p>The Revenue and Financing Policy can be revisited before the next LTP review but it may trigger a LTP Amendment.</p> <p>The Development and Financial Contributions Policy can be amended prior to the next LTP review following appropriate consultation.</p>
4.	Does this activity contribute or detract from one of the goals in the Tasman Climate Action Plan 2019 ?	Medium/High	The proposed LTP includes actions and associated budgets to implement the Tasman Climate Action Plan over the next decade. Responding to Climate Change is one of the key choices in the consultation document.
5.	Does the decision relate to a strategic asset? (refer Significance and Engagement Policy for list of strategic assets)	High	The Consultation Document includes a proposal for a new company model for Nelson Airport and Port Nelson; both are defined as strategic assets in the Council's Significance and Engagement Policy.
6.	Does the decision create a substantial change in the level of service provided by Council?	Moderate	A number of minor changes to levels of service are proposed.
7.	Does the proposal, activity or decision substantially affect debt, rates or Council finances in any one year or more of the LTP?	High	The documents set out the Council's Financial Strategy, budgets and funding sources for the next 10 years.
8.	Does the decision involve the sale of a substantial proportion or controlling interest in a CCO or CCTO?	N/A	N/A

	Issue	Level of Significance	Explanation of Assessment
9.	Does the proposal or decision involve entry into a private sector partnership or contract to carry out the deliver on any Council group of activities?	N/A	N/A
1	Does the proposal or decision involve Council exiting from or entering into a group of activities?	N/A	N/A
1	Does the proposal require inclusion of Māori in the decision making process (consistent with s81 of the LGA)?	High	The supporting information includes the Council's statement on Development of ngā Iwi and Māori Capacity to Contribute to Decision Making Processes.

10 Conclusion

- 10.1 The preparation of the LTP Consultation Document, the concurrent consultations and supporting information, is the culmination of many months of work by Councillors and staff. The Consultation Document sets out the key choices and the Council's preferred options, while the supporting policies and documents provide important additional information on the strategic issues included in the Consultation Document.
- 10.2 The four key choices for our District are:
- Homes for our community;
 - Waimea Community Dam – allocation of additional irrigator capacity costs;
 - A new company model for Nelson Airport and Port Nelson; and
 - Responding to climate change.
- 10.3 Through the LTP Consultation Document, the Council proposes to increase rates and debt caps to enable the Council to deliver on the projects, services and work programmes set out in the Consultation Document and supporting information. The Draft Financial Strategy proposes to increase the cap for rates revenue increases (plus an allowance for growth) from 3% in the LTP 2018-2028 to the annual rates revenue increase caps set out in Table 1. The net debt cap is proposed to increase from \$200 million to \$282 million.
- 10.4 Staff recommend that the LTP Consultation Document, supporting information and the documents for concurrent consultation be adopted and approved for public consultation. These will be made publicly available from 24 March 2021 to 24 April 2021 for consultation with our community.

11 Next Steps / Timeline

- 11.1 We propose to make the Consultation Document, concurrent consultation documents, supporting and further information, available to the public on or before 24 March 2021 with submissions closing on 24 April 2021. We have scheduled a number of community meetings around the District over the consultation period to discuss the LTP 2021-2031. Hearing of submissions will occur between 4–7 May 2021, after which the Council will consider and make a decision in late May/early June 2021, for adoption of the final LTP by 30 June 2021.
- 11.2 A summary of the Consultation Document, information about the concurrent consultations and information on how to make a submission will be published in Newsline on 26 March 2021. Printed copies of the Consultation Document and supporting information will be made available in our Council offices and libraries and on our dedicated LTP website – **LTP.tasman.govt.nz**.
- 11.3 Any minor editorial amendments made to the documents are to be signed off by the Mayor, Deputy Mayor and the Chief Executive Officer.

Attachments

1. Draft Infrastructure Strategy 2021-2051 (*Under Separate Cover*)
2. Draft Financial Strategy 2021-2031 (*Under Separate Cover*)
3. Draft Accounting Information (*Under Separate Cover*)
4. Draft Funding Impact Statement (*Under Separate Cover*)
5. Draft Summary of Groups of Activities (*Under Separate Cover*)
6. Draft Aquatic Centre Activity Management Plan (*Under Separate Cover*)
7. Draft Coastal Assets Activity Management Plan (*Under Separate Cover*)
8. Draft Council Enterprises Activity Management Plan (*Under Separate Cover*)
9. Draft Environmental Management Activity Management Plan (*Under Separate Cover*)
10. Draft Libraries Activity Management Plan (*Under Separate Cover*)
11. Draft Property Activity Management Plan (*Under Separate Cover*)
12. Draft Public Health and Safety Activity Management Plan (*Under Separate Cover*)
13. Draft Reserves and Facilities Activity Management Plan (*Under Separate Cover*)
14. Draft Rivers Activity Management Plan (*Under Separate Cover*)
15. Draft Stormwater Activity Management Plan (*Under Separate Cover*)
16. Draft Transportation Activity Management Plan (*Under Separate Cover*)
17. Draft Waste Management and Minimisation Activity Management Plan (*Under Separate Cover*)
18. Draft Wastewater Activity Management Plan (*Under Separate Cover*)
19. Draft Water Supply Activity Management Plan (*Under Separate Cover*)

Item 8.1

20. Development of Ngā Iwi and Māori Capacity to Contribute to Council Decision-Making Processes.
21. Tasman Growth Projections 2021-2051 (*Under Separate Cover*)
22. Draft Additional and Amended Forecasting Assumptions (*Under Separate Cover*)
23. Revenue and Financing Policy consultation information (*Under Separate Cover*)
24. Rates Remission Policy consultation information (*Under Separate Cover*)
25. Development and Financial Contributions Policy consultation information (*Under Separate Cover*)
26. Draft Revenue and Financing Policy (*Under Separate Cover*)
27. Draft Rates Remission Policy (*Under Separate Cover*)
28. Draft Development and Financial Contributions Policy (*Under Separate Cover*)
29. Draft Consultation Document (*Under Separate Cover*)
30. A New Company Ownership Model for Nelson Airport and Port Nelson Consultation Information (*Under Separate Cover*)
31. Draft Rates Example Properties 2021-2022 to 2023-2024 (*Under Separate Cover*)

8.2 WAIMEA WATER LTD 2020 MID-YEAR REPORT**Decision Required**

Report To:	Full Council
Meeting Date:	18 March 2021
Report Author:	Mike Drummond, Corporate and Governance Services Manager
Report Number:	RCN20-02-19

Item 8.2**1 Summary**

- 1.1 The Waimea Water Ltd (WWL) Mid-Year Report (1 July 2020 to 31 December 2020) to shareholders has been received and is attached to this report (**Attachment 1**). The report covers the key matters affecting the Company for the half-year, including milestones and emerging issues. The report also advises that the current anticipated cost (including probable risks and opportunities for cost savings) to complete the Waimea Community Dam project has risen to \$158.4m. This is an increase on the original estimate of \$104.416m at financial close in December 2018.
- 1.2 Councillors were provided with a confidential project update on 25 February 2021. Many of the matters discussed have been covered in the Mid-Year Report.
- 1.3 The Mid-Year Report on Page 35 provides a table of SOI objectives and progress towards these. These tables also indicate that one Statement of Intent (SOI) objective to deliver the project to schedule, as adjusted for encountered conditions, is unlikely to be met. The total recordable injury rate at 7.6 (minor) is also above the target of <5 injuries per 1m hours at 31 December 2020.
- 1.4 The original estimates were based on well-informed advice and the information available at the time. As the project has progressed, additional information regarding on-site conditions, the impact of Covid-19 and other matters have come to light. This has resulted in the re-estimate of the cost to complete the project. The project is now circa 50% complete.
- 1.5 The projected cost overrun from the December 2018 estimate is \$54.5m (including provision for hydropower). The Council is contractually bound to meet \$53m of those cost overruns. The Council continues to endeavour to find alternative funding sources for the projected cost overruns. That has included approaching central government for financial assistance. We have also approached Nelson City Council to increase their funding to circa \$10.475m. This increase is in line with project cost increases since the original \$5m contribution was set. Nelson City Council has previously rejected requests to increase their contribution.
- 1.6 As advised in the past, a decision not to provide the Council funding would not be financially prudent. Apart from the resulting reputational damage, it would expose the Council to significant litigation and large damages claims, along with the write-off of its investment to date and immediate repayment of grants and concessionary loans.

- 1.7 The Council has provided a modified approach to funding cost overruns (irrigator capacity) in its draft 'Revenue and Financing Policy' that will go out for consultation in conjunction with the Long Term Plan. The Policy provides that the overall project will be funded from: properties supplied from affiliated consents, properties in the Zone of Benefit, the Urban Water Club rates, the District-wide fixed rate for the Dam and from general rates.
- 1.8 The key drivers of the increase in costs are :
- Unforeseen geological costs comprising the varying quality of rockfill and associated zoning costs; and additional stabilisation due to the colluvium nature of the rock.
 - Improved Dam resilience including Crown Irrigation Investment Limited Independent Technical Expert recommendations to improve the spillway drainage and grout curtain.
 - Under budgeted items including M&E (Mechanical and Electrical) costs, professional services, WWL mobilisation and WWL Project office costs.
 - Remaining contingency.
 - Savings have included the removal of top spillway bridge and fibre optic cable.
- 1.9 More details on the changes to project costs are set out in the Mid-Yearly report in Section 8 (pages 22-32).
- 1.10 The consequential changes to the construction contracts require formal shareholder approval under the companies Constitution and also the Shareholders' Agreement. The Mayor on behalf of the Council executes the shareholders' resolution once it has been prepared.

2 Draft Resolution

That the Full Council

- 1. receives the Waimea Water Ltd Mid –Year Report 1 July 2020 – 31 December 2020 report and;**
- 2. notes:**
 - a. the update from Waimea Water Ltd on the revised scope and estimated cost to complete the project of \$158.4m; and**
 - b. that the draft Long Term Plan 2021-2031 consultation document provides for the additional costs and funding; and**
 - c. that under the Waimea Community Dam – Project Deed, the Council is bound to fund \$1.5m of the first \$3m in cost overruns and all cost overruns above the first \$3m; and**
 - d. that this funding of project cost overruns is a contractual obligation and failure to provide the funding would involve the Council in litigation and large damages claims and put the overall project at risk; and**
 - e. that the Council has provided a revised approach to the allocation of the (irrigator capacity) costs of project overruns in its draft Revenue and Financing Policy which is being consulted on in conjunction with the Long Term Plan 2021-2031; and**

- f. **notes the Mayor (or his delegate) will vote the Council’s shares in Waimea Water Ltd in favour of the necessary variations to the Waimea Dam Ltd construction contracts arising from the revised project costs in order to meet the Council’s contract obligations to allow the project to continue and to enable Crown Irrigation Investments Ltd (CIIL) funding to continue; and**
3. **approves an additional Council contribution to project costs of up to \$400,000 to provide for outlet works and bifurcation for a future Hydropower option; and**
4. **requests staff make available the Waimea Water Ltd Mid-Year Report, 1 July 2020 – 31 December 2021 on the Council’s website within seven (7) days of this decision.**

3 Purpose of the Report

- 3.1 To receive the Waimea Water Ltd Mid-Year Report 2020-21 and to authorise the execution of any shareholder resolution as a result of the increased costs.

4 Background and Discussion – Mid-Year Report

- 4.1 The Mid-Year Report for the period ended 31 December 2020 is attached as part of this report (Attachment 1). The report was received within the timeframe set in the Local Government Act 2002 and the Company’s Statement of Intent (SOI). The report meets the requirements set out in the SOI. The report is required to be delivered to shareholders and this was completed on 26 February 2021.
- 4.2 The following are the performance highlights for the half-year to 31 December 2020:
 - Diversion Culvert completed, with blessing in August 2020.
 - Starter dam and cofferdams completed.
 - Reinforced rockfill and embankment fill commenced.
 - Spillway commenced.
 - Mechanical and power design substantially complete.
 - Design optimised for geological conditions, improved resilience and cost and schedule benefits.
 - One public meeting held. Display and video at the A&P show. Continuous updates online.
 - 100 per cent compliance with resource consent conditions.
 - Eleven thousand (11,000) trees planted on Rough Island.
 - Emergency Action Plan (EAP) consultation in Lee Valley commenced.
- 4.3 The report includes achievements and progress against the performance measures set out in the Statement of Intent 2020-21. These are set out on page 35. This table indicates that one Statement of Intent (SOI) objective to deliver the project to schedule, as adjusted for

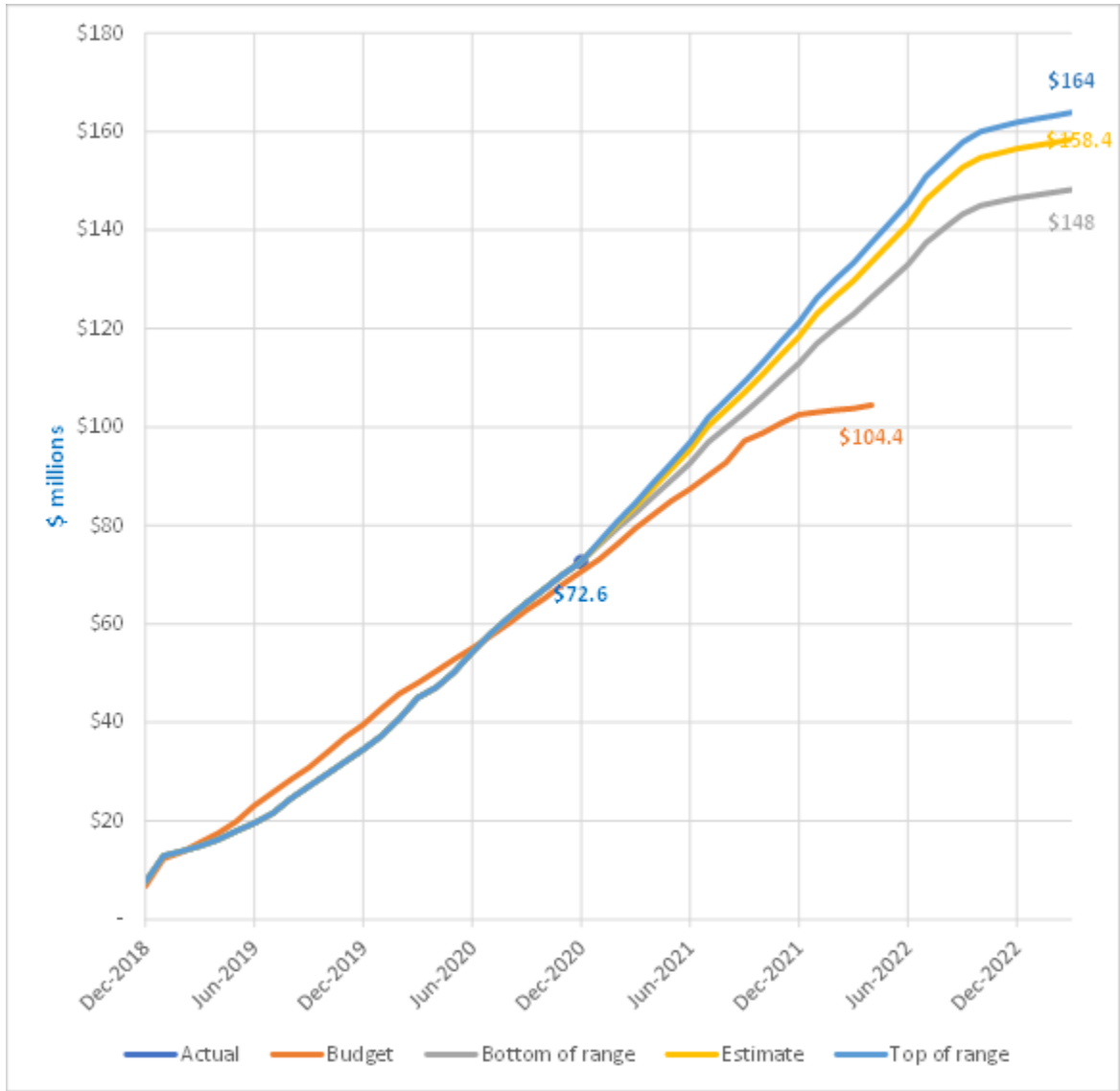
encountered conditions is unlikely to be met. The total recordable injury rate at 7.6 (minor) is also above the target of <5 injuries per 1m hours as at 31 December 2020.

- 4.4 The Mid-Year Report has been made available to the public by being published on the WWL website (15 March 2021). Once it has been formally received by the Council and Waimea Irrigators Ltd (WIL) it will be made available on the Council's Website.

5 Background and Discussion – Revised Project Budget & Shareholders resolution

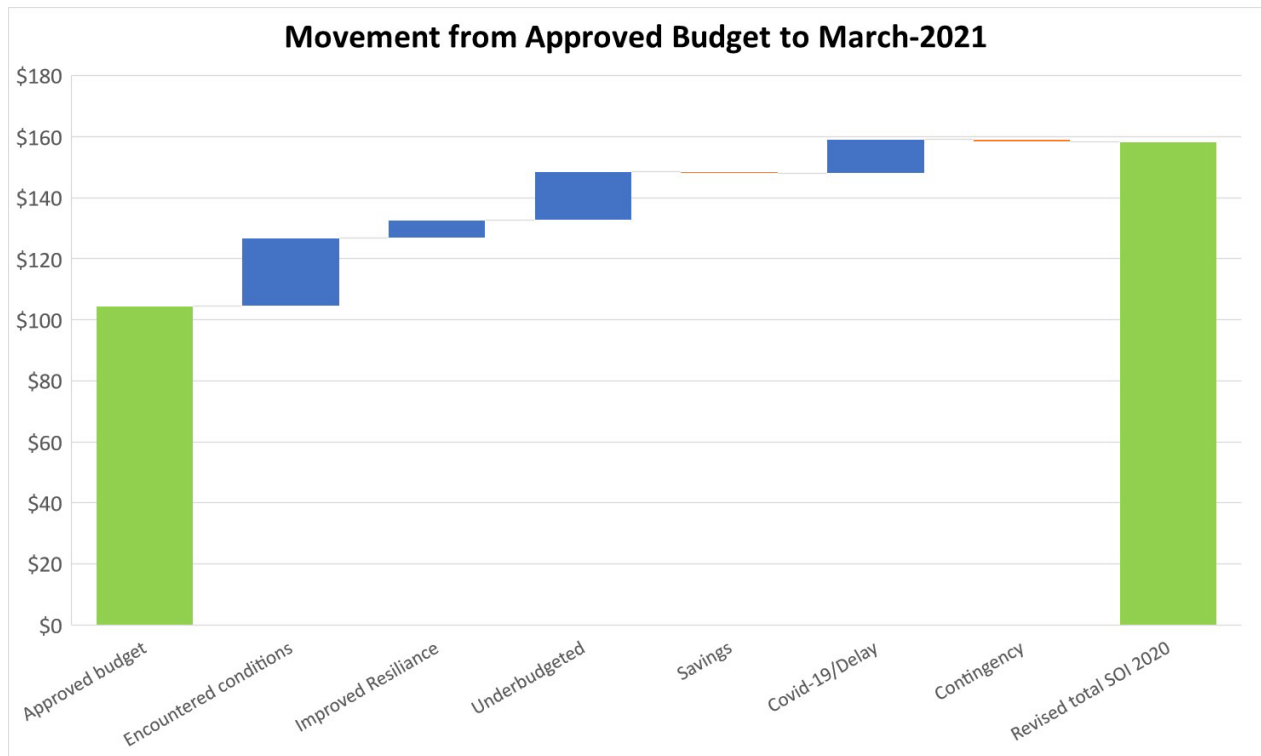
- 5.1 Due to the circumstances encountered, under budgeting, improved resilience and opportunities for design improvements Waimea Water Ltd (WWL) now proposes a number of changes to the Initial Design, the Construction Contract and Project Management costs. These changes were not envisaged and therefore not included in the construction contingency. The changes are necessary to facilitate the ongoing construction of the Waimea Community Dam. These changes increase the project cost from \$104.416m to \$158.4m. The details of these drivers are set out in the companies Mid-Year Report.
- 5.2 The original estimates were based on well-informed advice and the information available at the time. As the project has progressed additional information on site conditions and other matters have come to light. This has resulted in the re-estimate of the cost to complete the project.
- 5.3 The following chart shows the projected revised expenditure profile for the project. Including the risk range (\$148 – \$164m)

Chart 5.3 showing projected expenditure profile



Any material changes to the construction contracts require the prior approval of the Company's Shareholders under both the Company's Constitution and the Shareholder Agreement. The need for these shareholder resolutions flows from the same drivers as the project cost overruns and the liability for cost overruns that the Council has. The passing of the resolutions is largely a mechanical consequence of the proposed changes to the contracts in light of the changed circumstances.

5.4 The main reasons for the increased cost are outlined in the chart below;



- 5.5 WWL expects a corresponding delay to the project of six months, although options continue to be explored to recover time.
- 5.6 To enable the dam construction to be able to provide for future hydropower, additional expenditure will be necessary. This has not been included in the current WWL \$158.4m estimate. Much of the design work for this has already been completed. The Council's draft LTP budget of \$159m includes an allowance for this additional work. Approval to proceed will be required prior to the finalisation of the LTP. The estimate for the remaining work on this option is \$350-\$400k. Provision for hydropower was a key component leading up to the 2018 decision to proceed with the project.
- 5.7 The hydro provision was included within the original project budget and ostensibly could have been included in the revised cost. However, WWL has chosen to remove it as a cost reduction measure so, either way, the Council would have contributed to the cost.

6 Options

- 6.1 There are no options in regard to the Mid-Year Report. The Council is simply required to note receipt of the report in accordance with the SOI and the Local Government Act 2002.
- 6.2 The Council has limited options regarding the funding of cost overruns. Either it funds the cost overruns it is contractually bound to, or it does not provide that additional funding. There are, however, opportunities to shape how those costs are allocated and met across the District. That is being undertaken as part of the draft Long Term Plan 2021-31 consultation.
- 6.3 In addition, the Council has engaged with stakeholders and the Crown in an attempt to obtain additional funding that would lessen the impact on ratepayers.
- 6.4 If the Council chose not to meet its contractual obligations then it would suffer reputational damage and face litigation and large damages claims. In addition, it would not have a solution to the water augmentation requirements for the Waimea/Richmond area.

- 6.5 Due to the timing of construction, the Council will need, at this meeting, to authorise the work required to provide for a future hydropower option (outlet works and bifurcation). Approving the works will provide a level of future-proofing at a very modest cost. If the work is not done during construction, then doing this work in the future will be more expensive and disruptive to the dam's operations. That may lead to approval difficulties with our Joint Venture partners.
- 6.6 The Ngāti Koata Land and Water Use Partnering Deed assumes that there will be a future hydropower option. While not requiring the Council to build a hydropower option the decision to not provide for one may be a cause of some concern for Ngāti Koata.

7 Strategy and Risks

- 7.1 There are no strategy or risk matters in receiving the Mid-Year report.
- 7.2 If the Council does not meet its contractual obligations then it is open to litigation for breach of contract. That would cause a default event and the \$29m guarantee the Council provided to support the CIIL lending to WWL would be called. In addition, WIL and their shareholders are almost certain to pursue the Council for additional damages if the project does not proceed due to the Council not meeting its contractual obligations.
- 7.3 The Council needs to manage the reputational risks arising from this event. Given the increasing size of the shortfall in funding, we have approached the Crown and Nelson City Council for additional funding.

8 Climate Change Impact Assessment

- 8.1 The Waimea Community Dam is to provide improved water supply security. This is a response in part to climate change.

9 Policy / Legal Requirements / Plan

Mid-Year Report 2020

- 9.1 In accordance with the Waimea Water Ltd, Statement of Intent, the Directors are to deliver a Mid-Year Report to the Shareholders, within two months of the period end.
- 9.2 The Local Government Act 2002 section 66 also requires:
- A Council Controlled Organisation (CCO) is required to deliver a Mid-Year Report to shareholders within two months of the end of the first half of each financial year.
 - The report must include the information required to be included by the SOI.
 - The Council to publish the report on an internet site maintained by or on behalf of the Council within one month of receiving it and must maintain the report on that site for a period of no less than seven years.

Project Deed – December 2018

- 9.3 Project Cost Overruns are provided for in section 6.4 of the Project Deed. Under the Project Deed, the Council is solely responsible to fund cost overruns over the first \$3m. This is by

way of subscribing to additional shares in Waimea Water Ltd. The Council will be issued a mix of voting and non-voting shares as set out in the [share] subscription agreement.

Revenue and Financing Policy

- 9.4 The allocation of the costs in relation to the Waimea Community Dam including cost overruns is set out in the Revenue and Financing Policy (Long Term Plan 2018-2028 Volume 2 page 220). This policy is being updated and the draft will be consulted on in conjunction with the 2021-2031 Long Term Plan. The proposed changes cover funding of the increased costs of the Irrigator capacity.

Waimea Water Ltd Shareholders Resolutions

- 9.5 As a result of the drivers for the additional project costs, Waimea Water Ltd will require a number of changes to the Initial Design and Construction Contracts. There are cost and time implications of changes that are still being finalised between WWL and the suppliers.
- 9.6 Because of section 129(2A) of the Companies Act, the related transaction is not a "major transaction" (as that term is defined in section 129 of the Companies Act). However, because of clause 12.12(a) of the Company's Constitution (Shareholder Reserved Matters) and clause 7.27(a) of the Shareholder Agreement (Shareholder Reserved matters), the changes to Construction Contract require the prior approval of the Company's Shareholders. The provisions in the constitution and the shareholders' agreement mirror each other in regards to the construction contract.
- 9.7 The WWL Board will be preparing the necessary resolutions and the Mayor on behalf of the Council will be requested to vote the Council's shares in Waimea Dam Ltd in favour of the resolutions.

10 Consideration of Financial or Budgetary Implications

- 10.1 There are no financial or budgetary considerations in receiving the Waimea Water Ltd Mid-Year Report.
- 10.2 The execution of the Shareholders resolution when it is delivered has no financial or budgetary considerations as it gives effect to existing contractual obligations. The impact of those contractual obligations is included in the Long Term Plan 2021-2031 consultation document.
- 10.3 The authorisation of the additional funding to WWL for the outlet works and bifurcation to provide for future hydropower will be an unbudgeted expense. This will be loan funded and has been included in the draft Long Term Plan 2021-2031 financials.

11 Significance and Engagement

- 11.1 The Council is not being asked to make a major funding decision today. The decision to accept the obligation to meet cost overruns has previously been made when the Waimea Community Dam agreements were entered into a financial close in December 2018.
- 11.2 The Revenue and Financing Policy, including the provisions for funding Irrigator and other rural use capacity cost overruns, is being consulted on in conjunction with the Long Term Plan 2021-2031.

11.3 A decision by the Council not to meet its contractual obligations and accept the litigation risk would be of high significance and would require further engagement with the community.

Issue	Level of Significance	Explanation of Assessment
Is there a high level of public interest, or is decision likely to be controversial?	Moderate	The project was an essential but controversial one that divided the community. However, the decisions sought from you today are to note the Council's contractual obligations under its current agreements and to providing funding to enable future hydropower. This decision is likely to be of a moderate public interest.
Is there a significant impact arising from duration of the effects from the decision?	Moderate	The additional the Council contribution to cost overruns will result in a moderate rates increase across the District but a larger increase in the Zone of Benefit and a new targeted rate on irrigators.
Does the decision relate to a strategic asset? (refer Significance and Engagement Policy for list of strategic assets)	Yes	The Waimea Community Dam is included in the list of strategic assets in the Significance and Engagement Policy
Does the decision create a substantial change in the level of service provided by Council?	No	The decision is necessary to improve water security in the area of benefit. That was a planned improvement in LOS.
Does the proposal, activity or decision substantially affect debt, rates or Council finances in any one year or more of the LTP?	Moderate	The Council is already contractually committed to funding the cost overruns. The impact of that commitment could be reduced if alternative sources of funding become available. A decision to fund the provision for future hydro would not have a substantial impact on the Council's finances.
Does the decision involve the sale of a substantial proportion or controlling interest in a CCO or CCTO?	No	
Does the proposal or decision involve entry into a private sector partnership or contract to carry out the deliver on any Council group of activities?	No	
Does the proposal or decision involve Council exiting from or	No	

Issue	Level of Significance	Explanation of Assessment
entering into a group of activities?		
Does the proposal require inclusion of Māori in the decision making process (consistent with s81 of the LGA)?	No	

12 Conclusion

- 12.1 The Mid-Year Report has been received by the Council as a shareholder and will be made available to the public in due course.
- 12.2 The Company has provided an updated cost to complete the Waimea Community Dam project estimate of \$159.4m. They have also identified the cost drivers behind the cost increases. The Council is contractually required to meet its share of the cost overruns. There are, however, opportunities to engage with the Crown and other stakeholders to gain additional funding.
- 12.3 A decision in favour of approving the expenditure on outlet works and bifurcation to enable a future hydropower option is a pragmatic one given that hydropower was a key matter considered in 2018 when the project was approved.

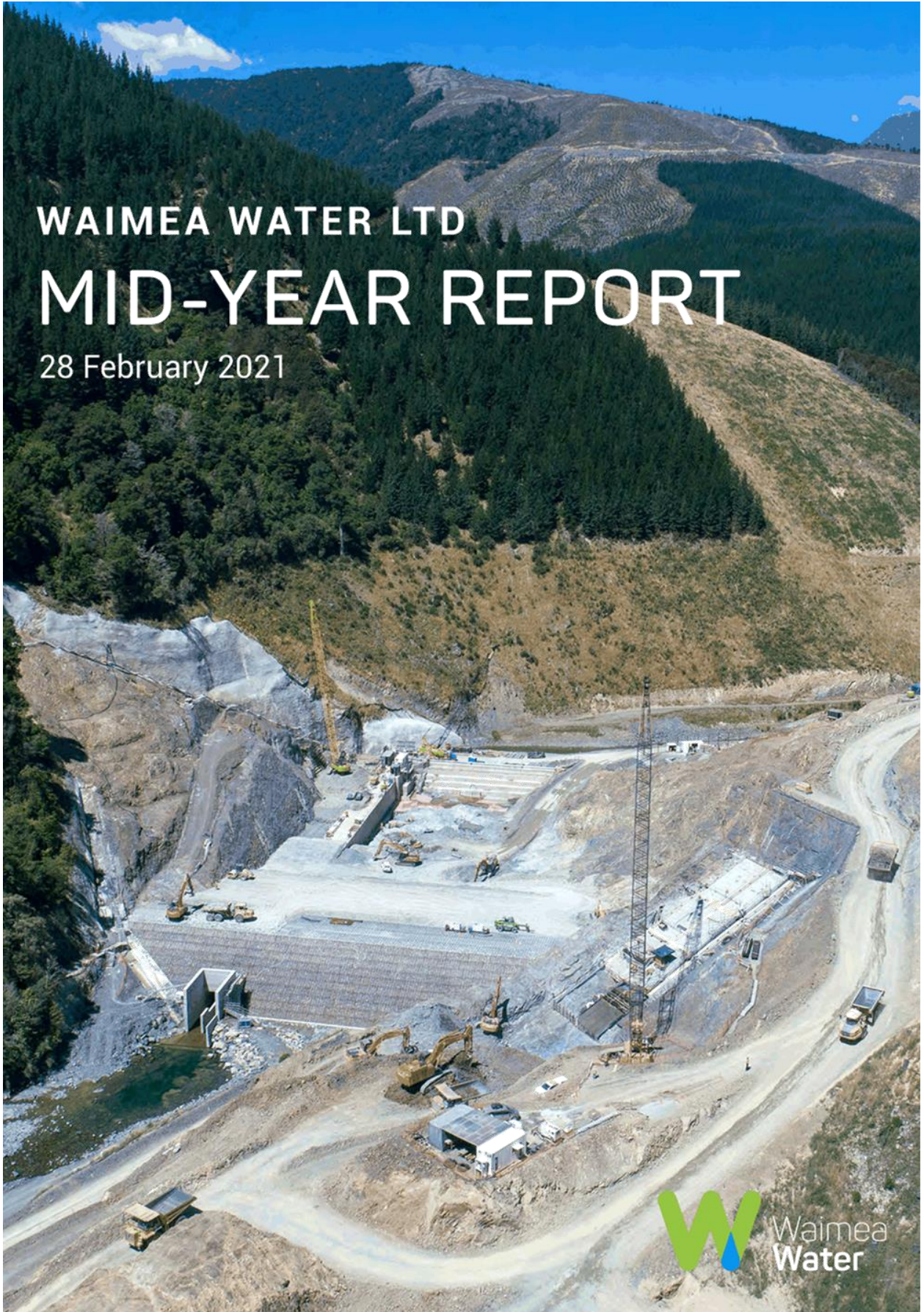
13 Next Steps / Timeline

- 13.1 The Mid-Year Report from WWL will be published on the Council's website within seven days.
- 13.2 The Mayor (or delegate) will vote the Council's share in WWL in favour of the shareholders' resolutions to amend the construction contracts.
- 13.3 Waimea Water Ltd will be advised of the Council's decision on funding the outlet works and bifurcation to enable a future hydropower option.

14 Attachments

1. [↓](#) Waimea Water Limited - Mid-Year Report 2020

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2. CEO's Summary

Waimea Water Ltd (WWL) made good progress with the Waimea Community Dam ('the dam') during the first half of the 2020 / 2021 financial year. Most design elements are now completed, and construction of the dam is now approximately half complete and coming out of the ground.

The three overarching aspects of the past six months have been construction progress of the major elements of the dam, adapting and completing the design for the geological conditions, and costing of elements. The progress of these workstreams have enabled us to update the predicted costs and construction timelines.

As we have exposed more of the foundations late and subsequent to the reporting period, we have, however, encountered further geological conditions that require additional capital to remedy. Excluding the costs resulting from COVID-19 and associated delays, we now expect and forecast the cost to completing construction of the dam to be \$147.2M. This forecast is based on commitments, a prudent assessment of expected remedies, known risks and an unallocated contingency.

The cost of the COVID-19 restrictions and impacts, associated delays and a provisional allowance for future and further cost impacts is expected to cost an additional \$6.3M to \$11.2M, such that the expected cost is \$158.4M. Recognising residual uncertainty in COVID-19 costs and geology, we expect the cost to complete the dam to be between \$148M to \$164M.

While issues with encountered ground conditions and associated design challenges have been a significant element in cost increases, construction is now far enough advanced that the conditions and associated costs going forward can be more accurately assessed. Additionally, the redesign of elements of the dam to improve resilience has also advanced to a stage where costs can be more accurately determined. Active efforts continue to save costs and introduce construction efficiencies where-ever possible. All these forward assessments have been incorporated into estimates.

The project is now expected to complete six months behind the original plan, due predominantly to COVID-19. WWL currently expects to commence filling the reservoir in the 2nd quarter of 2022, soon after the 2021/2022 summer, so that the reservoir fills over the winter of 2022 to allow commissioning to be completed in time for the following summer.

WWL has also revised its estimate of annual operating costs and now expects the cost to be approximately \$2.5M pa, from a previous estimate of \$1.5M pa, with approximately 43% of this operating cost being insurance and rates payable to Tasman District Council (TDC).

Meanwhile, during the reporting period, the construction team has continued to achieve a high level of Health, Safety and Wellbeing performance and the project continues to progress in compliance with its resource consents and ETS obligations. All planting planned for the Biodiversity Management Plan in this period has been completed. As noted in section 10, Waimea Water is progressing well against the 2020/21 Statement of Intent Objectives.

Finally, I thank and wish to call out the great effort of WWL, our constructor Fulton Hogan and Taylors, our dam engineers Damwatch Engineering Ltd and the rest of the wider Waimea Community Dam organisation. Working six 12-hour days each week, and rising, no one can doubt the effort going into building this legacy, game-changing asset for the region. We are already the envy of many regions staring at water deficits, and our region is already seeing some economic benefits from the dam's construction, with wider benefits to come when it is commissioned in just two summers.

3. Performance Highlights

The following are the performance highlights for this reporting period:

- Diversion Culvert completed, with blessing in August 2020.
- Starter dam and coffer dams completed.
- Reinforced rockfill and embankment fill commenced.
- Spillway commenced.
- Mechanical and power design substantially complete.
- Design optimised for geological conditions, improved resilience and cost and schedule benefits.
- One public meeting held. Display and video at the A&P show. Continuous updates online.
- 100 percent Consent Compliance.
- 11,000 trees planted on Rough Island.
- Emergency Action Plan (EAP) consultation in Lee Valley commenced.



Figure 1: Diversion Culvert Blessing, August 2020

4. Introduction

This Mid-Year Report is presented by the Directors of Waimea Water Limited (WWL), in accordance with Section 66 of the Local Government Act 2002. Established in December 2018, WWL is a Council Controlled Organisation under Section 6 of the Local Government Act 2002.

The purpose of this document is to provide Shareholders with an un-audited report containing the following information relating to the six-month financial period ending 31 December 2020. It includes:

- Statement of Comprehensive Revenue and Expense disclosing actual and comparative figures.
- Statement of Financial Position at the end of the period.
- Statement of Cash Flows.
- A commentary on the results for the period.
- Health & Safety performance.
- Compliance and audit status.
- Risk updates.
- Progress against SOI objectives.
- An outlook for the second half-year.

5. Background

WWL was established to manage the construction, operation and maintenance of the Waimea Community Dam. A joint venture between the Tasman District Council and Waimea Irrigators Ltd (WIL), the dam will secure the Nelson Tasman region's water supply for the next 100+ years.

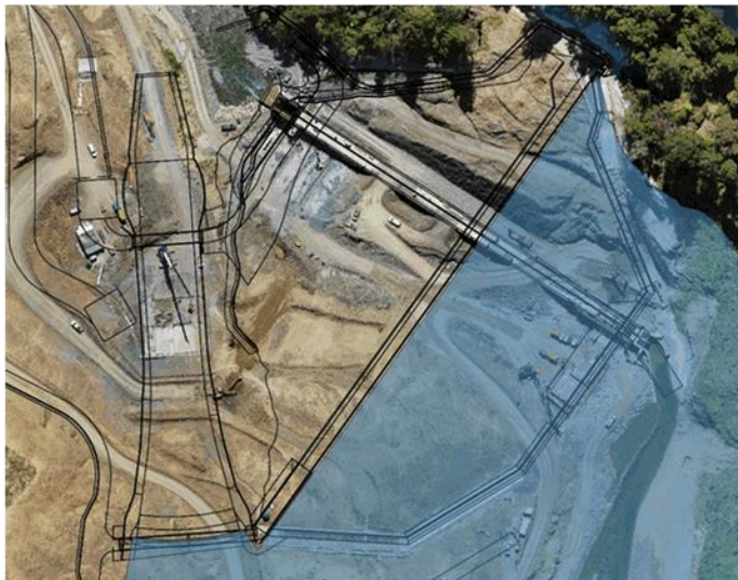


Figure 2: Illustration of the future Waimea Community Dam filled with water



Mid-Year Report: 1 July – 31 December 2020

WWL is committed to building and operating a safe, reliable, sustainable and efficient dam for the benefit of the region. WWL's vision is to build and operate the Waimea Community Dam to the highest affordable standards.

The dam is being constructed for WWL through a joint venture between local companies Fulton Hogan Ltd and Taylors Contracting Ltd ('FHTJV', 'Main Contractor'). Damwatch Engineering Ltd independently reviews the construction and provides design guidance. GHD Engineering peer reviews design changes and designs temporary works.

WWL is focused on ensuring that it has the people, the policies and positive relationships it needs to deliver a world-class water infrastructure project to support the Nelson Tasman region and its growth.

The dam will be a significant infrastructure asset for the region, supporting the community and economy to thrive.



Figure 3: Downstream overview of layer-12 of the reinforced rockfill being placed, 3 Feb 2021

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6. Areas of Activity

This section outlines progress over the reporting period, any emerging issues and opportunities, and the outlook for the second half of the year for each of the key areas of operational activity:

1. Health, Safety and Wellbeing.
2. Design.
3. Construction.
4. Environment.
5. Biodiversity Management Plan.

6.1 Health, Safety and Wellbeing

Progress

WWL has a statutory (Health and Safety at Work Act 2015) and moral duty of care for people we influence or direct while delivering the Waimea Community Dam project. WWL's Health, Safety and Wellbeing obligations are discharged across three responsibility areas:

1. Operating a Health and Safety (H & S) Management System for the safety and wellbeing of WWL's employees.
2. Ongoing due diligence of the Main Contractor's Construction H & S Management for the main dam site.
3. Activity-specific due diligence for Minor Contractors, to check the appropriateness of and adherence to their own H & S Management Systems.

During this reporting period, independent workplace health and safety consultancy IMPAC carried out independent reviews of parts of WWL's H & S system and the Contractor's H & S system, and found them both to be fit for purpose and functioning well.

Another key area of focus has been progressing the Waimea Community Dam Emergency Action Plan, which identifies a range of potential scenarios and provides pre-planned actions in the very unlikely event of flooding resulting from a dam breach. Lee Valley residents who could be impacted in the event of a dam breach have been provided with an Emergency Action Plan specific to their property. Liaison with the NZ Police and Nelson-Tasman Emergency Management has been undertaken and responsibilities and reporting lines during an emergency agreed. The construction site team have carried out a tabletop drill of the Construction Emergency Action Plan.

Key health, safety and wellbeing metrics for this reporting period are:

- No lost time injuries and no high potential incidents.
- Four recordable injuries requiring either medical treatment or first aid. These injuries were all of lower consequence, such as strains. The Total Recordable Injury Rate is 7.6 /M hours.
- The Main Contractor logged a small number of opportunities and lower rated observations.
- The Main Contractor logged 158 "lead indicators" during the period. These are pro-active reports or audits carried out with a view to prevention. These lead indicators include actions from WWL audits.
- There have been no incidents related to the environmental offset and enhancement work on the Rough Island site.



Mid-Year Report: 1 July – 31 December 2020

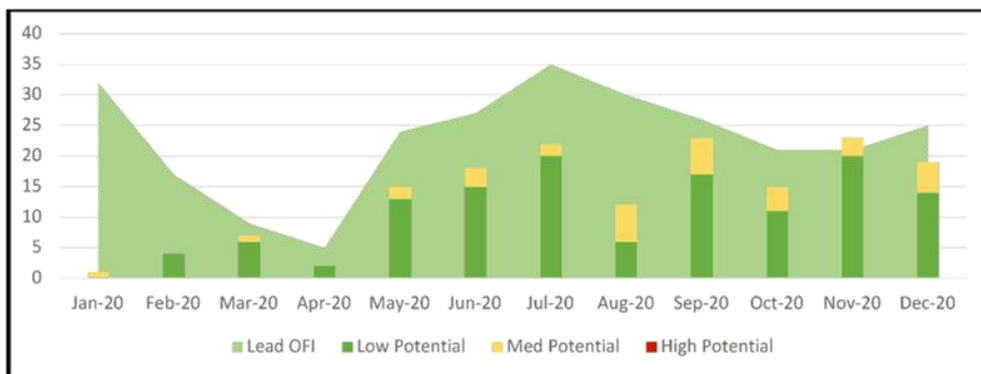


Figure 4: Main Dam Site rolling 12- month lead and lag indicators

Emerging Issues and Opportunities

The Main Contractor has continued to implement thorough reviews and investigations of accidents that have occurred, and near miss incidents, to maintain continual improvement in Health, Safety and Wellbeing practices.

With no lost time injuries or significant harm to date on the project, WWL is pleased and thanks the Contractor for its safety performance, focus and continuous improvement.



Figure 5: Main site Health and Safety breakfast, September 2020



Mid-Year Report: 1 July – 31 December 2020

6.2 Design

Progress

WWL's design team continues to respond to encountered ground conditions and design challenges as they arise. This has been informed by learnings from recent dam incidents around the world, which WWL has applied to this asset. Elements of the design have now been updated to meet the financier's requirements and to satisfy recommendations made by their Independent Technical Expert.

Work was carried out to respond to rock and topography encountered on the Right-Hand Side (RHS) abutment forming the foundation of the plinth. The embankment internal zoning has now been redesigned to provide drainage zones, given the unexpected extent of on-site argillite unsuitable for embankment drainage. Adaptations were undertaken for the design of the concrete face to allow for encountered foundation conditions and geometry and the spillway design was modified to allow for the encountered topography and geology.

Pricing of mechanical and electrical equipment and works commenced during this period and design of environmental and dam safety instrumentation was completed. Planning for a self-generating micro hydro-power system, to replace a high voltage cable, and bifurcation commenced. A design and peer review of the internal platforms and stairs within the culvert was completed, along with a hydraulic analysis and drawings for a turbine and fish pass offtake. The concept design for the diversion closure was undertaken in November and further design is being undertaken.

Ancillary elements progressed include the Control Systems Functional Description, SCADA, winch room, intake screens and control room.

Emerging Issues and Opportunities

The design team continues to respond to encountered ground conditions.

WWL proposes more adequate buildings to protect valves, to ensure they are fit-for-purpose and meet regulatory requirements.

Continuing work with the Contractor is being carried out to identify and investigate programme and cost saving opportunities, such as modified precast parapet wall units and changes to waterstop details.

Now that the reservoir has been cleared of vegetation, its size will be updated later in 2021 after a detailed LIDAR survey.

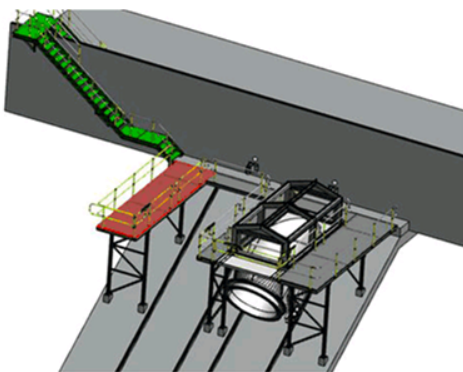


Figure 6: Crest design

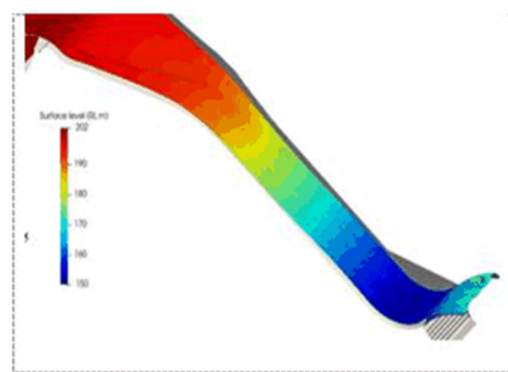


Figure 7: Hydraulic modelling of the spillway

6.3 Construction

Progress

The key construction highlights for July to December 2020 were the completion of diversion culvert, the coffer dam, starter dam, and commencement of reinforced rockfill and embankment fill.

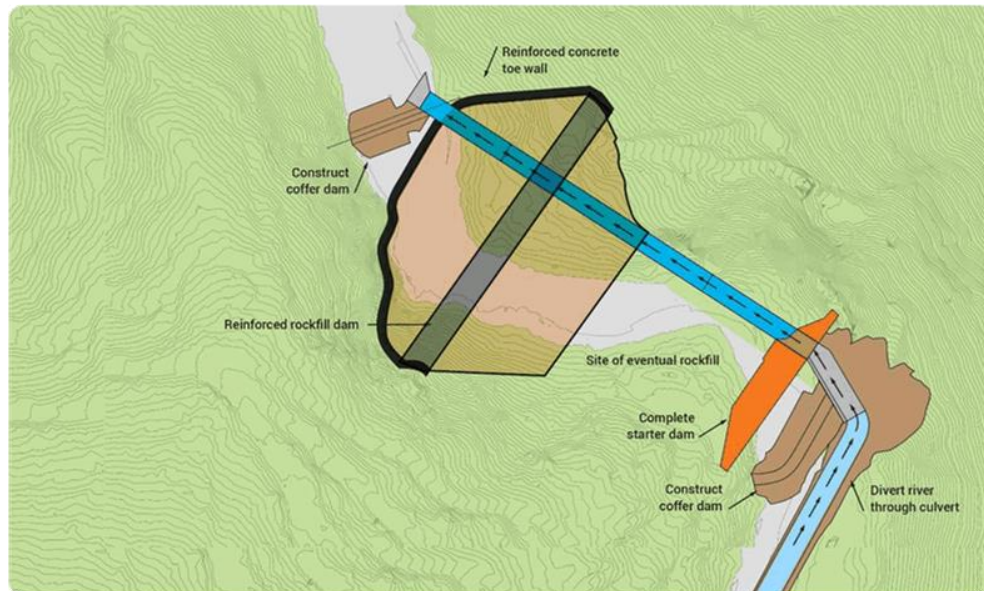


Figure 8: Current construction phase

There were floods across the site on the 6th – 8th of November and then again on the 24th of December. The later small flood of approximately 75 m³/s through the dam site was the first flood for the reinforced rockfill diversion stage. The construction performed well with most of the water flowing through the culvert and the remainder passing safely over the coffer dams as expected. There was a small amount of normal post-flood clean-up needed, with filling re-started when the site reopened at the start of 2021.

Summary of construction progress to date:

- Completed diversion culvert, coffer dams, and starter dam.
- Left-Hand Side (LHS) plinth 82% complete. Part of steepest incline section remains.
- Right-Hand Side (RHS) plinth excavation and slope stabilisation work completed. Approximately 40% of foundation concrete completed. A large void was found at the RHS plinth and the remediation design was adopted. Completed approximately 60% of the remedial work.
- Spillway excavation is well progressed, with 40m of spillway foundation exposed and 30m of site concrete placed. Inline and transverse drains were cut and then infilled with drainage material and no-fine concrete.
- Grouting work recommenced on the starter dam and LHS plinth. Grouting completed in all the tertiary holes on the starter dam, but grout closure was not achieved with tertiary holes and quaternary holes to be drilled in early 2021 to achieve grout closure beneath the dam foundation. LHS plinth grouting is well underway concurrently with starter dam grouting on the flat section and the first incline section of the plinth. Overall, about 15% of grouting works completed to date.



Mid-Year Report: 1 July – 31 December 2020

- Reinforced rockfill is now well underway and completed up to layer 5 (RL 152.4m).
- Downstream anchor slab well progressed to the current rock fill layer.
- Embankment foundation cleaning and filling commenced. Foundation inspection, defect treatment and filling of drainage material is progressing concurrently.

All other construction activities progressed as scheduled. The graph below shows in orange the status of activities at the beginning of the period, and the blue indicates progress during this period.

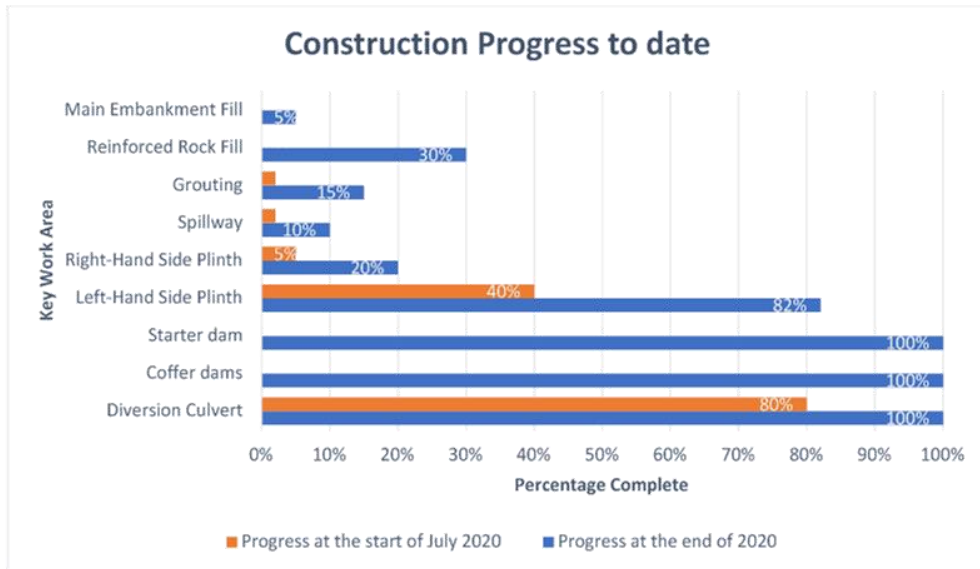


Figure 9: Construction progress to date



Figure 10: Reinforced rockfill, 2 February 2021

Construction progress in images



Figure 11: Overview of reinforced rockfill placement, Dec 2020



Figure 12: Pouring concrete in steep LH plinth section, Dec 2020



Figure 13: Pouring concrete in starter dam, Nov 2020



Figure 14: RHS plinth void buttress support concrete pour, Nov 2020



Figure 15: Overview of RHS plinth foundation and void, Dec 2020



Figure 16: LHS plinth progress looking downstream, Dec 2020

Emerging Issues and Opportunities

The construction team is continuing efforts to recover time.

Late in the period, and subsequent to the period, a survey indicated that more overburden has been removed and more fill to the embankment is required. The embankment is now expected to be circa 487,000m³, rather than the design basis of 430,000m³.

Also, late in the period, further stabilisation work was identified on the RHS plinth and on the LHS of the reservoir.

Subsequent to the period, the foundation to the embankment was exposed and a substantial amount of defect treatment identified.



Figure 17: Overview of the dam footprint, looking downstream, Feb 2021

6.4 Environment

Progress

During the period, WWL worked to ensure compliance with its resource consents. Construction has to date not compromised the Construction Environmental Management Plan.

All Environmental Management Plans and SCEmps required for the construction phase of works are in place. WWL has also met its 2019 and 2020 Emissions Trading Scheme (ETS) obligations. Water quality monitoring was carried out on a regular basis and all results were compliant with our Resource Consent.

In preparation for commissioning and operating, the Reservoir Release Water Management Plan and the River and Reservoir Water Quality Monitoring Programmes were progressed. A fish passage assessment for the diversion culvert was also undertaken. The Contractor and RMA Ecology completed a fish salvage following diversion and when flood waters receded from the dam site following heavy rain. Design work and the seeking of approval from DOC for the Fish Pass is proceeding.



Figure 18: Clean water flowing through the diversion culvert as site works continue



Mid-Year Report: 1 July – 31 December 2020

Lee River deposited fine sediments

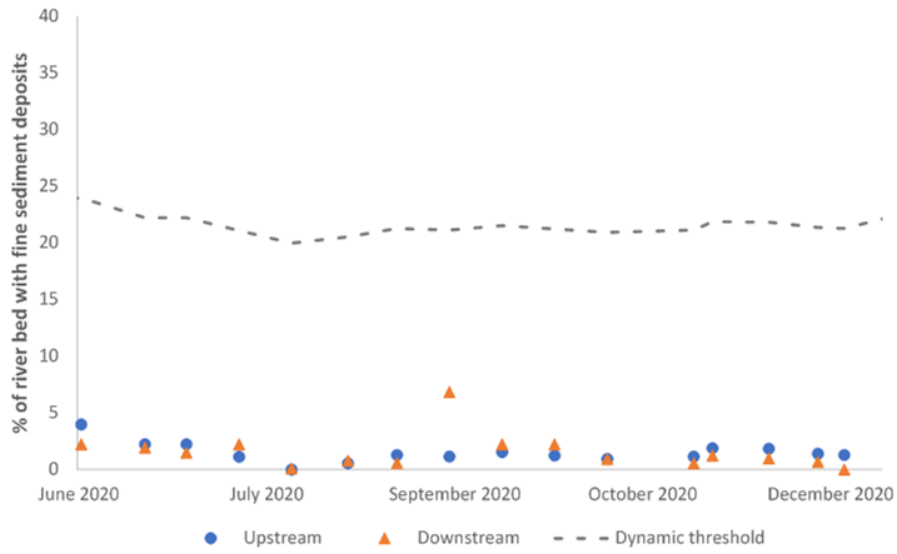


Figure 19: Lee River sediment

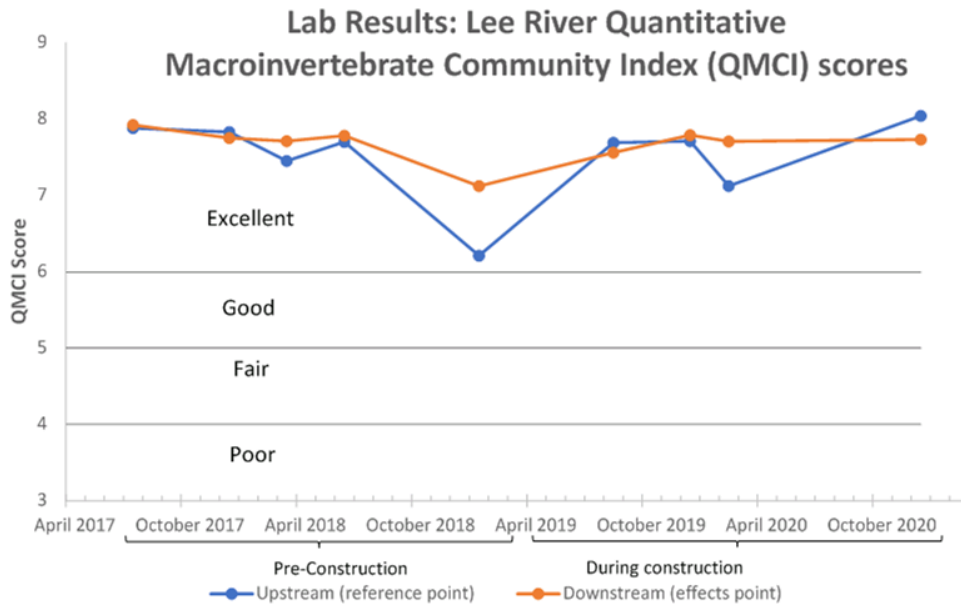


Figure 20: QMCI scores



Mid-Year Report: 1 July – 31 December 2020

Site Inspections

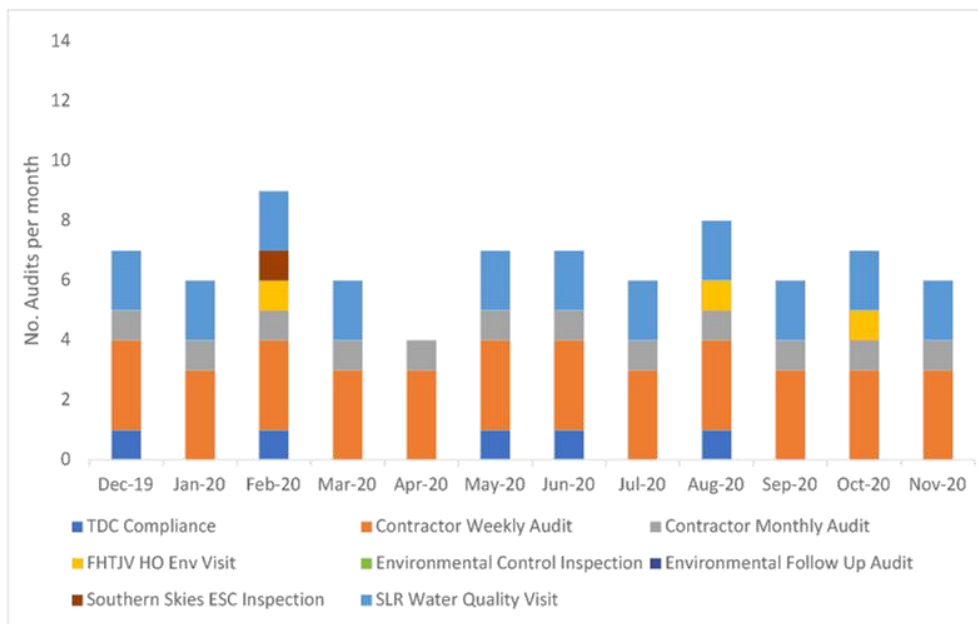


Figure 21: Inspections completed



Figure 22: Independent ecologists check the water quality at the main dam site



Mid-Year Report: 1 July – 31 December 2020

Environment Plan Certification Timeline updates

	2019/2019	July 2020-Dec 2020
Management Plans Certified	<ol style="list-style-type: none"> 1. Construction Traffic Management Plan. 2. Hazardous Substances Emergency Spill Response Plan. 3. Construction Environmental Management Plan. 4. Biodiversity Management Plan. 5. Vegetation Clearance Plan. 	<ol style="list-style-type: none"> 1. Construction Emergency Action Plan. 2. Hazardous Substances. Emergency Spill Response Plan updates approved.
SCEMPs Certified	<p>Certifications for the period:</p> <ol style="list-style-type: none"> 1. SCEMP 1. Access Road to Dam Site – Roading improvements. 2. SCEMP 2. Site Compounds, Disposal Area and Concrete batching plant. 3. SCEMP 3. Access to eastern and western dam abutments. 4. SCEMP 4. Vegetation Clearance 5. SCEMP 5. Eastern abutment earthworks. 6. SCEMP 6. Western abutment earthworks 7. SCEMP 7. Dam footprint/embankment 8. SCEMP 8. Lower and upper borrow and processing area. 9. SCEMP 9. Reservoir access and disposal areas. 	<p>The following SCEMPs were updated and re-certified during the period:</p> <ol style="list-style-type: none"> 1. July: SCEMP 4, SCEMP 9. 2. September: SCEMP 4, SCEMP 9 and SCEMP 5. 3. October: SCEMP 6. 4. December: SCEMP 5.

Emerging Issues and Opportunities

WWL and the Contractor are developing and testing solutions for the transfer of fish upstream past the diversion culvert during the construction phase of the dam.



Figure 23: Eels salvaged following the culvert cut over



6.5 Biodiversity Management Plan

Progress

WWL continues to implement the Biodiversity Management Plan (BMP), with all planting planned for 2020 (~11,000 natives at Rough Island) now completed and 26,000 trees ordered for 2021. A further 250 rare plants now augment the wetland at the heart of the Rough Island project.

WWL has completed the salvage of rare plants (shovel mint, rock coprosma and scented broom) from the reservoir footprint and new populations have been planted out.

The BMP Annual Report was presented to stakeholders and the annual BTAG meeting held in September. Gorge turf monitoring sites have been established as specified in the BMP. WWL is also developing a Memorandum of Understanding with TDC to provide funded staff to perform weed management at Rough Island in return for tree donation (the outcome being to reduce costs for BMP delivery).

BIODIVERSITY MANAGEMENT PLAN PROGRESS HIGHLIGHTS

	Year 1	Year 2: July to Dec 2020	Year 3	Year 4	Year 5+
1. Downstream eel trap and transfer					
2. Rare and threatened plants	Salvage trips completed. Propagation of 3 plant species underway. 1 species planted at 4 sites.	3 rare plant species now planted out in long term plots. River cloak Daisy confirmed as absent from reservoir area.			
3. Alluvial and riparian forest downstream of the dam		Pest Flora and Fauna survey commissioned			
4. Rough Island wetland	11,000 natives planted. 26,000 plants for 2021 ordered.	Additional 250 rare plants planted. TDC MOU for weed management drafted.			
5. Waimea River Park berm land					
6. Old Man's Beard control in Wairoa catchment					
7. Protect existing alluvial podocarp forest	Programme being reviewed				
8. Downstream gorge turf plant communities	Reviewed 4 monitoring sites.	Monitoring sites established.			
9. Biodiversity Compensation Fund					Discussion underway.

■ BMP projects underway

■ BMP projects vet to commence

Figure 24: BMP Progress Highlights



Mid-Year Report: 1 July – 31 December 2020

Emerging Issues and Opportunities

WWL is establishing a statistical monitoring regime to gauge the success of the 2020 restoration planting at Rough Island. Once the first round of monitoring is complete, the planting mix can be adjusted to improve plant survival for future planting seasons.



Figure 25: 11,000 trees were planted on Rough Island, July 2020



7. Project Performance

7.1 Programme Schedule

WWL expects completion to be delayed by six months, with the previous delay of two to four months compounded by the COVID-19 restrictions.

WWL currently expects to commence filling the reservoir in the 2nd calendar quarter of 2022, soon after the 2021/2022 summer, rather than WWL restricting flow and impounding water during the summer season. The reservoir will therefore be filled over the winter of 2022 to allow commissioning to be completed in time for the following summer.

Prior to the suspension of works due to COVID-19 restrictions, WWL expected works to be two to four months behind schedule, due predominantly to drought and fire restrictions delaying the commencement of works, and schedule impacts due to encountered geological conditions. WWL had anticipated an opportunity to recover part of this delay during the extended fine weather in early 2020, but this opportunity dissipated with the enforced COVID-19 shut down and restrictions.

Commissioning, testing and mechanical works concurrent with filling the reservoir, not designed at project funding, is expected to delay operations by a further two months.

The costs of these project delays are included in the current cost forecast and are additional to the original budget. Section 8 outlines the construction elements that are attributed to the delays.

7.2 Dates

	Plan at Funding	Current Expectation
Complete Dam	28 October 2021	May 2022
Reservoir filled		
Dam commissioned	23 January 2022	September 2022

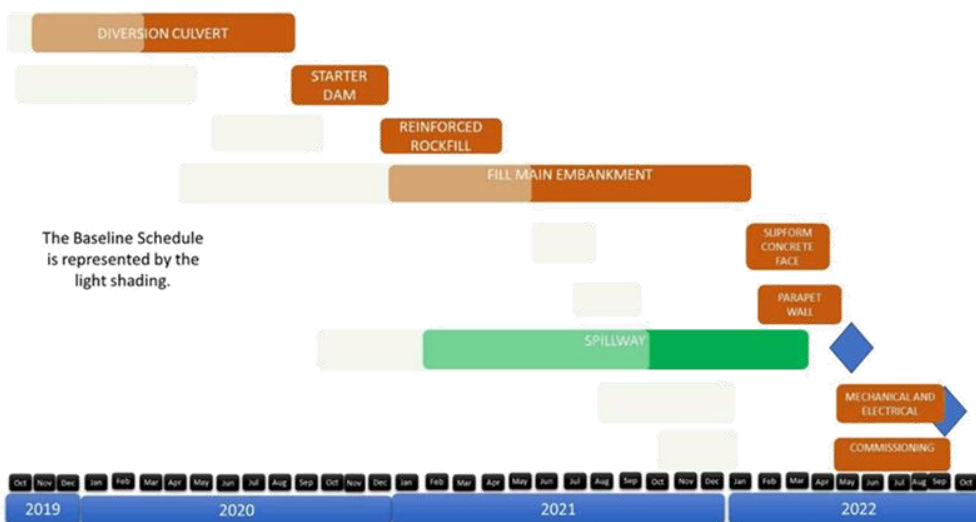


Figure 26: Progress GANTT Chart



8. Project Costs

8.1 2020 Revised budget

In early 2020, the construction costs of the dam were revised to \$129.4M based on estimated costs due to encountered geological conditions. Approximately two thirds of the expected \$25M cost increase was associated with the geology, including the embankment rockfill, filling voids in the plinth and culvert foundation, and additional slope stabilisation.

Other estimated costs at the time included design changes to improve dam resilience, such as the spillway, and underbudgeted items not known at the time of pre-construction budgeting, such as mechanical and electrical costs.

8.2 Revised budget to complete the project

Late and subsequent to the reporting period, more of the foundations have been exposed and further challenges with the geological conditions encountered that require further capital to remedy. Excluding the costs, impacts and associated delays resulting from COVID-19, WWL has, therefore, revised the current probable construction budget to \$147.2M based on commitments, a prudent assessment of expected remedies, risk and an unallocated contingency. Recognising the remaining uncertainty in the geology, WWL forecasts a risk range of \$141.7M to \$152.7M (see Section 9).

Below is a breakdown of elements contributing to the additional \$42.8M cost to the original 2018 budget at financial close of \$104.4M. These include:

1. The encountered geology (See 8.4)
2. Improved resilience (See 8.5)
3. Underbudgeted elements prior to construction (See 8.6)
4. Remaining contingency (See 8.7)

8.3 COVID-19 costs

WWL experienced significant direct costs and delay resulting from COVID-19 restrictions. WWL believes it is, furthermore, prudent to make further provisional allowance for further costs resulting from COVID-19 restrictions, relating to supply chain and procurement cost escalation, procuring specialist technical support and risks associated with ongoing or future restrictions. In addition to the costs forecast above in Section 8.2, WWL forecasts the additional costs of COVID-19 and associated delays to be between \$6.3M and \$11.2M.

The forecast cost and provisional allowance for COVID-19 means the dam is expected to cost between \$148M and \$164M, with an expected cost to complete of \$158.4M.



8.4 Encountered Geology

WWL has encountered geological conditions that were not expected or funded. To date, the following geological issues are expected to cost an additional \$22M to the 2018 budget.



Figure 27: Embankment foundation

8.4.1 Rockfill and Embankment Zoning

As described in early 2020 and included in the previous cost forecast, the indigenous rock is unsuitable drainage material. Rather than being the expected predominantly hard greywacke sandstone, the indigenous rock has been found to be predominantly incipient foliated mud or siltstone argillite that breaks up on mechanical handling and leads to excessive fines or dirty fill.

In response to the lower quality rock on site than anticipated, the design of the embankment has been modified to include drainage zones (~25% of the embankment) that uses imported rock from nearby quarries to allow the indigenous rockfill to be used in the remaining bulk of the embankment.



Figure 28: Unsuitable indigenous rock breaking down Figure 29: Imported suitable drainage material

8.4.2 Overburden and Size of Embankment

An estimated additional 57,000 m³ of rock fill is required within the embankment. Rather than being 430,000 m³ in size, the embankment will now be approximately 487,000 m³, 13% larger, in size. This increase in size has resulted from the following:

- More overburden (soil and soft rock) being removed for the embankment than expected. This overburden has been removed from both the abutments and the old riverbed, where large 'holes' of soft material from old river paths needed to be removed.
- Inaccurate LIDAR survey in the original design due to vegetation and steep forested grade.



Figure 30: Embankment foundations



Figure 31: Removal of unsuitable material

8.4.3 Rockfill Material Qualities

Aside from the indigenous rock degrading and being unsuitable for drainage material, described above, some of the material (fines) extracted from the river gravels has recently been found to have insufficient impermeability for the flow-preventing layers that provide secondary containment behind the concrete face. Extraction of indigenous gravels has been found to be highly variable, with some extraction meeting design specification and other areas not. To remedy this deficiency and meet dam safety requirements, WWL has and will need to import sand to blend into some of the 2B river fines material.



Figure 32: Stock pile of blended 2B material



Figure 33: Importing and blending material

8.4.4 Stabilisation and Colluvium

As described in previous reports and estimates, colluvial material encountered above the RHS plinth has required additional stabilisation. Further stabilisation, particularly on the left-hand side permanent slopes between the spillway and abutment will be required, which is critical to ensuring the stability of the spillway.



Figure 34: Colluvium stabilisation



Figure 35: Stabilisation beneath the spillway

8.4.5 Voids and foundation defect treatment

As previously reported, more than 1000m³ of concrete has been poured to treat voids found beneath the culvert and LHS plinth.



Figure 36: Concrete to voids on the LHS plinth



Figure 37: Voids to be treated beneath the culvert

More voids and foundation defects have since been exposed beneath the embankment and spillway that require treatment.



Figure 38: Pouring mass concrete at embankment foundation defect area immediate downstream of starter dam, Feb 2021

8.4.6 RHS Plinth Buttress and Plinth Stabilisation

In addition to the requirement to fill voids, as previously described, WWL has needed to support part of the RHS plinth. A lower section of the RHS plinth, approximately 12m above embankment foundation, was found to have deficient rock to found the plinth. This deficiency required rectification by both:

- Forming a concrete beam to, in effect, replace the missing rock.
- Constructing a concrete ‘staircase’ to mitigate differential settlement of the rock fill against the plinth that would otherwise occur with a vertical edge.



Figure 39: Deficient foundation rock



Figure 40: Buttress wall and beam

8.4.7 Solifluction Deposit

A 45,000 m³ solifluction deposit (highly weathered soil that has moved downslope), not identified during exploration and design, was encountered beneath the proposed spillway access road and reservoir access roads, immediately upstream of the spillway.

The material was assessed and determined that, if left untreated, once saturated by reservoir filling it would be unstable and erode into the reservoir, causing water quality problems and a loss of access for reservoir operations and maintenance. A new design was developed following site clearance and further testing to protect the reservoir water quality, roads and access ramp. During excavations to remove the deposit, a layer of alluvial gravels that would form a suitable foundation was encountered. Instead of excavating down to rock, this layer was taken advantage of to limit further excavations and control costs. Re-filling is now in progress using similar methodology and fill as for the main embankment (re-using processes and equipment already on site as a cost control measure). A high-capacity sub-soil drainage system has been installed to target hill seepage and stabilise the slope during reservoir drawdowns.

8.4.8 Grout

In December 2021, WWL identified a need for greater drilling and grout in the grout curtain to seal the sub-strata beneath the dam. To strengthen the waterproofing and prevent seepage beneath the dam, greater quantities of drilling and grout are expected to be required to achieve closure of the subsurface. Whereas the original plan had been to drill ~300 bores and ~5,000m of drilling, WWL now expects to need to drill in excess of 750 bores and more than 11,000m of drilling. WWL is now drilling quaternary bores in addition to the planned primary to tertiary bores.



Figure 41: Overview of solifluction, December 2020



Figure 42: Grouting activities



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8.5 Improved Resilience

WWL has implemented a number of design modifications to enhance the reliability of the dam and provide greater alignment with current international practice. These are expected to cost an additional \$6M to the original 2018 budget.

8.5.1 Spillway

As previously reported, the revised spillway design improves both dam resilience and manages the encountered topography and geology. The spillway now includes free standing cantilevered walls, rather than a concrete liner, reliant on the founding rock that does not exist in sections of the spillway.

The amended design includes changes to the approach channel, flip bucket and spillway chute. A hydraulic analysis resulted in different specifications for the spillway.

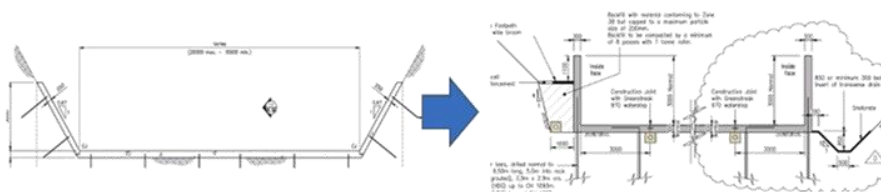


Figure 43: Spillway design amendments

8.5.2 Plunge Pool and Apron

Analysis of the spillway lining and plunge pool design highlighted greater erosion of the plunge pool than expected due to the geology and a short life of the sacrificial apron slab beneath the flip bucket. Investment of a more permanent and safer concept that involves a larger plunge pool and more resilient apron has been required to mitigate the operating risk of erosion beneath the embankment, spillway and surrounding roads, and to avoid periodically replacing the apron slab at inopportune times.

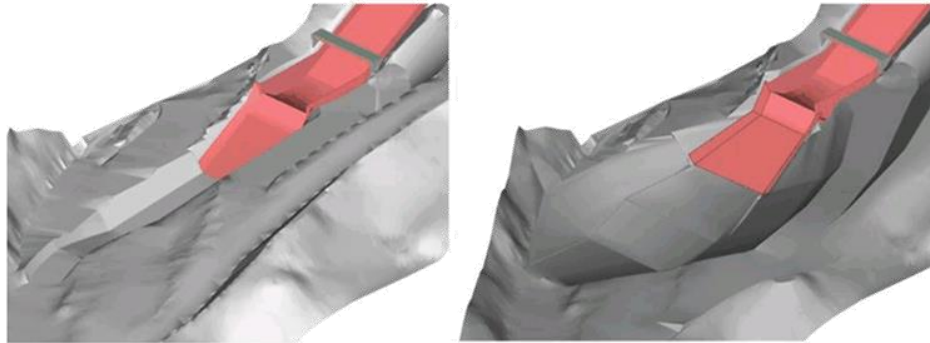


Figure 44: Comparison of previous sacrificial (left) to new more permanent (right) designs

8.5.3 Concrete face

The concrete face has been strengthened with additional reinforcing steel and supports for the pipes to meet current code requirements.

Investigations into a PVC Geosynthetic membrane have ceased in light of supply chain risks and the erosion of potential schedule and cost benefits following COVID-19 restrictions.

8.5.4 Surveillance/Instrumentation

WWL has adjusted and increased instrumentation in the dam to provide more contemporary, more accurate and earlier warning of any leakage. The addition of thermistors behind the plinth will quickly detect and locate any leak.

8.6 Underbudgeted

The following elements were either underbudgeted or not budgeted prior to construction. These are expected to cost an additional \$16M to the original 2018 budget.

8.6.1 Mechanical and Electrical components

The mechanical and electrical components were not designed in detail at time of financial close in 2018. WWL is now concluding the design and ensuring such design meets standards and consent requirements.

WWL has designed a single 1.4m diameter stainless steel pipe, rather than two cement or epoxy-lined pipes, to reduce the pipework by 30%, reduce pipe supports and reduce the cost and time of installation. At the TDC's request and expense, WWL is designing a bifurcation to the outlet to allow the TDC to install hydro-power generation without disrupting the operation of the dam.

Initial pricing of components suggest that the budgeted unspecified savings will not materialise, and that components not fully considered or specified, such as platforms, screens and winches, will cost more than budgeted.

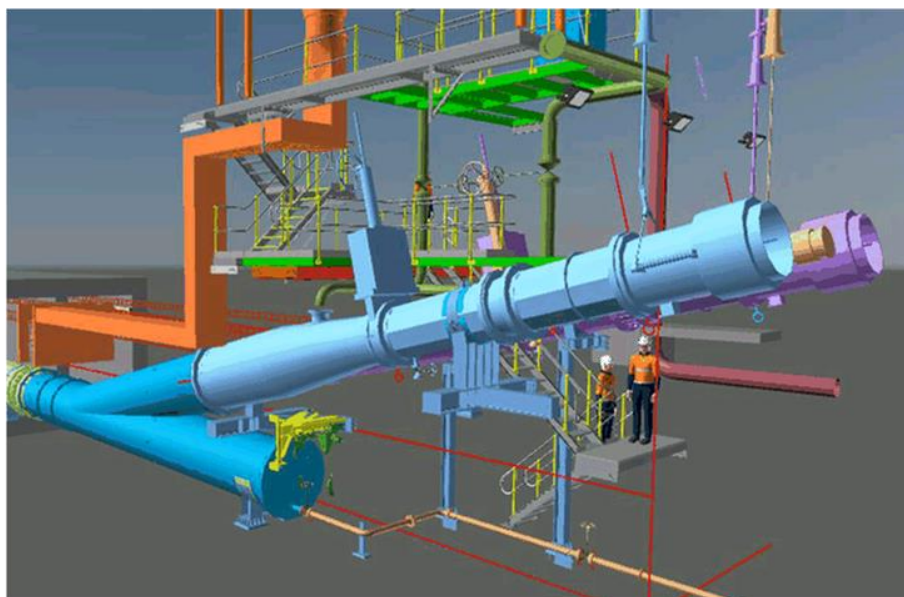


Figure 45:3D model of outlet works and bifurcation for future hydropower



8.6.2 Buildings

The original budget made a de minimus allowance of an iron shed to house the equipment (including the switchboard, small control room with dam controls and safety instrumentation) and provide for operations. Dam safety and workplace requirements suggest more substantive buildings are required to meet higher seismic loads and provide amenities for staff. WWL plans to construct, therefore, a small building with amenities.

Furthermore, WWL proposes to construct a roof above the valve chamber to keep water and debris away from the valves, to reduce wear on valves and the need to regularly clean out the valve chamber.

8.6.3 Reservoir closure

As the mechanical components had not been designed and planned at funding in 2018, temporary facilities to maintain river flow and reservoir filling have subsequently been designed. WWL intends to use a temporary HDPE pipe through the closed culvert to both continue river flow and control the filling of the reservoir while the permanent pipework and valves are installed. This procedure and cost was not fully contemplated in the 2018 funding, and remains an outstanding deliverable to the Crown Financier.

8.6.4 Engineering services

The amount of design work, changes, and challenges faced from the encountered conditions has led to a need for significantly greater engineering, construction supervision and professional services.

8.6.5 Company Overhead

Since the original 2018 budget, WWL has had a need to employ more dam engineering, construction and project management staff and for a longer period to ensure management of construction, commissioning, defect treatments and the contract, and to ensure a transition to operations. Similarly, board and office costs are extended.

WWL has also needed to engage legal and other professional support services that were not budgeted.

8.6.6 Other

WWL has or is incurring greater costs than expected associated with land and environmental obligations.

8.7 **Remaining Contingency**

Some of the issues and costs identified above have been addressed from the previously unallocated contingency, effectively consuming all of the previous allowance for unforeseen risks and issues.

The costs identified above include estimates and an allocation for probable risk, but continue to include some uncertainty until priced and built.

WWL prudently includes in the cost forecast an unallocated contingency equivalent to 5% of the remaining spend.

8.8 Project Savings

WWL has not been able to realise the budgeted savings of -\$1.8m.

WWL has identified and is implementing the following savings equating to ~\$0.7M.

- Replace upper spillway bridge, pier and ramp with shorter bridge at bottom of spillway.
- Replace high voltage cable with self-generating micro-hydro power generation (included in M&E budget).
- Replace fibre optic cable from Brightwater with radio and satellite communications (included in M&E budget).

8.9 Further Risks

Project risk is dissipating with progress and as structures come up out of the ground. Subsurface work to the plinth and embankment is now largely complete. Residual risk remains with the project that may impact costs over the remaining 20 months of construction, including, but not limited to:

- Geology: Grouting of the sub-surface grout curtain is currently ~10% complete and is not due to complete until late 2021.
- Geology: Exposing of the spillway foundation is currently ~20% complete and is not due to complete later in 2021.
- Geology: Exposing of the plunge pool has not yet commenced and is scheduled for late 2021.
- Flood and abnormal weather risk: The risk of flooding gradually dissipates with dam height.
- COVID-19: WWL does not expect another enforced shut down for the project and is taking steps with MBIE to be considered as an important infrastructure project to protect against further shutdowns. COVID-19 is, however, clearly having emerging and uncertain impacts on procurement. WWL is starting to see costs and delays associated with logistics and increasing commodity (steel) prices. There is further risk that purchase and delivery of mechanical and electrical components escalate with a worsening supply chain.

Given the delay and increasing cost of the project, WWL has included increased insurance for the contract work in this cost forecast.



Figure 46: Flood risk: Flood of 5 November 2020



Figure 47: Flood of 8 November 2020



9. Cost and Risk Curve

WWL expects the Waimea Community Dam to cost \$158.4M, inclusive of costs and a provisional allowance of \$11.2M for COVID-19 and associated delays, an increase of \$54M over the initial 2018 budget and \$29M more than expected in early 2020.

Of the \$29M increase in forecast since early 2020:

- \$11.2M resulted from COVID-19 and associated delays and provides a provisional allowance for further costs resulting from COVID-19.
- \$17.7M resulting from further encountered geology, further improved resilience and completing the design and pricing for elements of the mechanical and electrical facilities.

As described in previous sections, this is made up of the following components shown in figure 48 below.

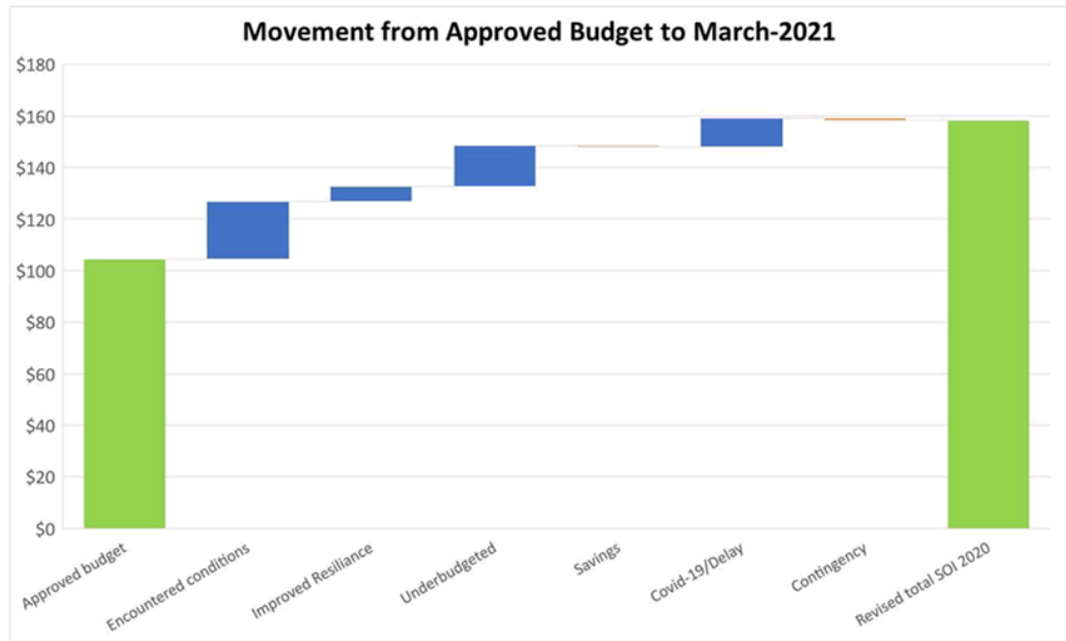


Figure 48: Cost Bridge



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Recognising an expected cost of \$158.4M, inclusive of an unallocated contingency, WWL currently sees a cost range between \$148M and \$164M as follows:

- \$148M should the allocated contingency not all be consumed or other estimates and risks be less than anticipated (particularly the grout curtain and foundation defect treatment) and further costs not incurred from COVID-19 impacts.
- \$164M when possible, not expected, further risks are considered.

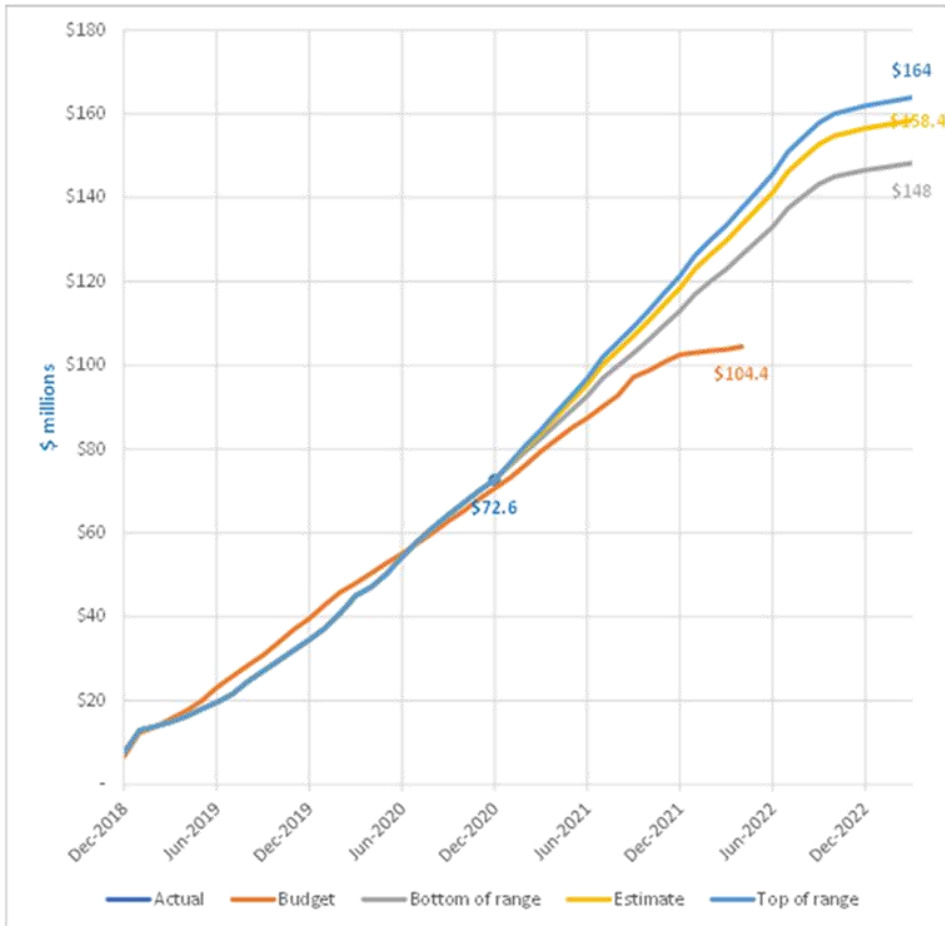


Figure 49: Risk Curves



10. Statement of Intent Progress

The table below shows progress against the SOI objectives.

Progress Against SOI Objectives		
Objective	Measures	Progress
Health, Safety and Wellbeing		
To meet the requirements of health and safety in the workplace legislation	WWL system peer reviewed by industry qualified expert	Achieved
Review and verify contractors H, S and W systems	FHTJV system peer reviewed by industry qualified expert	Achieved
No fatalities or serious injuries	0	Achieved to date
Total Recordable Injury rate.	≤5 injuries per 1m hours	Not Achieved to date Contractor: 7.6 (minor) WWL: 0
Environment		
To meet resource consents conditions	100% compliance	Achieved to date
Approve and validate SCEMPs	100% compliance	Achieved
Implement the Biodiversity Management Plan	100% compliance	Achieved
Design		
Modify and optimise design for all encountered conditions to meet NZSOLD guidelines	PS-1 and PS-2	Achieved
Complete mechanical and electrical design	PS-1 and PS-2	Achieved
Revise dam break analysis and prepare Emergency Action Plan (EAP)	EAP complete	Achieved In Progress
Complete surveillance strategy and Dam Safety Management Plan (DSMP)	DSMP complete	In Progress
Implement design enhancements identified pre financial close by CIIL's Independent Technical Expert (ITE)	ITE verification	Achieved
Implement opportunities to improve design and reduce cost and programme	\$ value savings	In Progress
Construction		
Construct dam in accordance with specification	Interim independent statement for construction compliance	Achieved to date
Deliver project to schedule, as adjusted for encountered conditions	Track variance to schedule	Unlikely to be met
Report COVID-19 impacts	Track variance to scheduled	In Progress
Utilise appropriate risk-based management system	Risk register follows NZTA Z44 guideline	Achieved to date



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Sustainability and Community Relationships		
Transparent engagement with stakeholders and community	Quarterly update to shareholders and public	In Progress Different Approach
Consultation with Ngāti Koata	Annual Update	To be commenced
Recognise key cultural milestones	Culvert Diversion Blessing	Achieved
Develop Sustainability Plan	Plan Approved	In Progress
Financial Management		
Deliver project to budget, as adjusted for encountered conditions and risks	Track variance to budget Independent verification of material changes	Achieved to date
Agreed quarterly reporting deadlines	100% compliance	Achieved to date
Compliance with financier expectations	100% of expectations met	Achieved to date
Report COVID-19 impacts	Track variance to budget	In Progress
An unqualified audit opinion on annual financial statements	Unqualified opinion on FY21 financial statements	Achieved
Operational Readiness		
Prepare Reservoir Management Plan	Completed	In Progress
Prepare Operational Management Plan	Completed	In Progress
Prepare Reservoir Management Release Plan	Completed	In Progress
Prepare River Quality Monitoring and Reservoir Quality Monitoring programmes	Completed	In Progress
Prepare operating model and budgets for shareholders consideration	Completed	In Progress



Mid-Year Report: 1 July – 31 December 2020



Site Visit with Ministers and MPs: January 2021

Waimea Water Limited

Financial Statements
For the half year ended 31 December 2020



UNAUDITED

Waimea Water Limited

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UNAUDITED

Statement of Comprehensive Revenue and Expense

For the half year ended 31 December 2020

	Note	half year Dec 2020 \$000	half year Dec 2019 \$000	Audited FY2020 \$000
Project costs	1	-	-	-
Employee costs		331	344	628
Depreciation and impairment	2	9	11	110
Other administrative expenses	3	137	109	317
Operating expenses		477	464	1,055
Finance income	4	309	312	646
Finance costs	4	-	-	(1)
Surplus/ (Deficit) for the year		(168)	(152)	(410)

Statement of Changes in Net Assets

For the half year ended 31 December 2020

	Note	half year Dec 2020 \$000	half year Dec 2019 \$000	Audited FY2020 \$000
Opening retained earnings		(728)	(318)	(318)
Total surplus (deficit) for the period		(168)	(152)	(410)
Retained earnings as at period end		(896)	(470)	(728)
Opening share capital		55,147	35,096	35,096
Movement for the period		15,370	11,789	20,051
Share capital as at period end	19	70,517	46,885	55,147
Closing equity at period end		69,621	46,415	54,419

Statement of Financial Position

As at 31 December 2020

	Note	half year Dec 2020 \$000	half year Dec 2019 \$000	Audited FY2020 \$000
Assets				
<i>Current</i>				
Cash And Cash Equivalents	6	7,577	7,766	4,268
Receivables From Non-Exchange Transactions	7	339	334	1,584
Other Current Financial Assets	8	12,750	-	16,345
Total Current Assets		20,666	8,100	22,197
<i>Non-Current</i>				
Property, Plant And Equipment	9	70,327	33,331	51,436
Deferred Tax Asset	10	-	-	-
Other Non-Current Financial Assets	8	-	17,582	-
Total Non-Current Assets		70,327	50,913	51,436
Total Assets		90,993	59,013	73,633
Liabilities				
<i>Current</i>				
Payables Under Exchange Transactions	11	2,693	2,640	4,531
Employee Entitlements	12	109	51	86
Total Current Liabilities		2,802	2,691	4,617
<i>Non-Current</i>				
Loans And Borrowings	13	18,570	9,907	14,597
Total Non-Current Liabilities		18,570	9,907	14,597
Total Liabilities		21,372	12,598	19,214
Net Assets		69,621	46,415	54,419
Equity				
Equity Contributions	19	70,517	46,885	55,147
Accumulated Funds		(896)	(470)	(728)
Other Equity Reserves		-	-	-
Total Equity		69,621	46,415	54,419

Statement of Cash Flows

For the half year ended 31 December 2020

Note	half year Dec 2020 \$000	half year Dec 2019 \$000	Audited FY2020 \$000
<i>Cash flow from operating activities</i>			
Payments to suppliers	(171)	(204)	(445)
Payments to employees	(298)	(328)	(577)
Net cash from/(used in) operating activities	(469)	(532)	(1,022)
<i>Cash flow from investing activities</i>			
Purchase of property, plant and equipment	(19,394)	(13,883)	(31,332)
Purchase of financial assets	3,725	(2,287)	(919)
Net cash from/(used in) investing activities	(15,669)	(16,170)	(32,251)
<i>Cash flow from financing activities</i>			
Proceeds from equity	15,774	11,789	20,052
Proceeds from borrowings	3,493	7,658	12,266
Interest received	180	299	501
Interest paid on borrowings	-	-	-
Net cash from/(used in) financing activities	19,447	19,746	32,819
Net increase/(decrease) in cash and cash equivalents	3,309	3,044	(454)
Cash and cash equivalents, beginning of the year	4,268	4,722	4,722
Effect of exchange differences on foreign cash held	-	-	-
Cash and cash equivalents at end of the period	7,577	7,766	4,268

Notes to the financial statements

A Reporting entity

Waimea Water Limited ("WWL") is a Council Controlled Organisation under Section 6 of the Local Government Act 2002. WWL is registered under the Companies Act 1993. WWL has been established to manage the construction, operation and maintenance of the Waimea Community Dam.

The unaudited financial statements were authorised for issue by the Board of Directors on 22 February 2021.

B Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002 which include the requirement to comply with Generally Accepted Accounting Practice in New Zealand as required by the Companies Act 1993. WWL has a balance date of 30th June.

The financial statements have been prepared in recognition of WWL being a public benefit entity, in accordance and to comply with PBE Standards RDR. Disclosure concessions have been applied. WWL is eligible to report in accordance with PBE Standards RDR because it does not have public accountability and is not large.

(b) Basis of measurement

The financial statements are prepared on the basis of historical cost, and on the going concern basis.

(c) Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ("000s"). The functional currency of WWL is New Zealand dollars (NZ\$).

(d) Comparatives

Comparative financial periods are the matching period of operations of the prior financial year and the last financial year end. Comparatives may have been reclassified from that reported in the 30 June 2019 financial statements where appropriate to ensure consistency with the presentation of the current year's position and performance.

(e) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year. Any impact of new and amended standards and interpretations applied in the year is limited to additional note disclosures.

C Summary of significant accounting policies

The preparation of financial statements requires WWL to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Future outcomes could differ from those estimates. The principal areas of judgement in preparing financial statements are set out below. These are assessed by Management as part of the reporting process and included within the accounts.

(f) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

Notes to the financial statements

(g) Trade and Other Receivables

Trade and other receivables are initially stated at fair value and subsequently stated at their amortised cost using the effective interest method less impairment losses. A provision for impairment of receivables is established when there is objective evidence that WWL will not be able to collect all the amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying value and the present value of the expected future cash flows discounted using the effective interest method.

(h) Trade and Other Payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

(i) Property, plant and equipment

Property, Plant & Equipment (PPE) is recognised in accordance with PBE IPSAS 17, at historical cost less accumulated depreciation and any accumulated impairment losses. Historical Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. 'Directly attributable' includes; all costs directly associated with the dam build including professional fees, all staff costs where a majority of the person's time is directly associated with the dam build, and a reasonable allocation of other costs incurred for staff identified above. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Uncompleted capital works are not depreciated until ready for service.

Subsequent expenditure is capitalised and added to the carrying amount of an item of Property, Plant and Equipment when the cost is incurred if it is probable that the future economic benefits embodied in the specific asset will flow to WWL and the cost of the item can be measured reliably. The costs of day-to-day servicing of Property, Plant and Equipment are recognised in the surplus or deficit as incurred.

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to WWL and the cost of the item can be measured reliably. Individual or groups of assets are capitalised if their cost is greater than \$500. Where an asset is acquired at no or for a nominal cost it is recognised at fair value as at the date of acquisition.

The majority of capital expenditure will remain as work in progress for the duration of the project and is not depreciated until ready for service.

Disposals

Gains and losses are determined by comparing the proceeds with the carrying amount and are recognised in the surplus or deficit. Net gains and losses are only recognised when the significant risks and rewards or ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, and there is no continuing involvement.

Depreciation

The depreciable amount of an asset is determined based on its useful life. Rates and methods of depreciation reflect the pattern in which the assets' future economic benefits are expected to be consumed by WWL.

Buildings	not applicable
Leasehold improvements	10%
Furniture and equipment	16% - 50%
Vehicles	20% - 30%
Dam (Capital WIP)	not applicable

Notes to the financial statements

(j) Intangible assets

Software Acquisition and Development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred.

(k) Impairment of non-current assets

The carrying amounts of WWL's assets are reviewed at each annual balance date to determine whether there is any indication of impairment. If any such impairment exists, the asset's recoverable amount is estimated.

If the estimated recoverable value amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount, and an impairment loss is recognised in the surplus or deficit.

The recoverable amount of an asset is the higher of the fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and discounting these to their present value using a pre-tax discount rate that reflects the current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised to the extent that an impairment loss for that asset was previously recognised in the surplus or deficit immediately.

(l) Other Financial Assets

Term investments over 90 days are classified as "other financial assets". They are initially measured at fair value, net of transaction costs. After initial recognition, financial assets in this category are measured at amortised cost using the effective investment method, less impairment. Gains and losses when the asset is impaired are recognised in the profit or loss.

(m) Share Capital

Ordinary shares are classified as equity. Direct costs of issuing shares are shown as a deduction from the proceeds of issue. At balance date some shares may have been issued but not called up.

(n) Interest Bearing Borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost using the effective interest method. Borrowing costs directly attributable to the acquisition or construction of a qualifying asset which is determined to be an asset that takes a period of greater than one year to get ready for its intended use are capitalised as part of the cost of the asset.

(o) Employee Entitlements

A liability for annual leave is accrued and recognised in the Statement of Financial Position. The liability is calculated on an actual entitlements basis at current rates of pay. These include salaries and wages accrued up to balance date, alternate days earned but not yet taken, and annual leave earned but not yet taken up to balance date.

Notes to the financial statements

(p) Revenue

Revenue comprises the fair value of the consideration received or receivable in the ordinary course of WWL's activities, net of discounts, rebates and taxes. Revenue is recognised to the extent it is probable that the economic benefits will flow to WWL and the revenue can be reliably measured.

Interest income is recognised on an accrual basis using the effective interest method.

(q) Expenses

Financing Costs

Financing costs comprise interest payable on borrowings calculated using the effective interest rate method. They exclude qualifying costs that are capitalised.

Dividends

WWL operates on a cost recovery basis. Therefore no dividends are payable.

(r) Income Tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to the income tax payable in respect to prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the surplus or deficit, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity and other comprehensive revenue and expenses.

(s) Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from or payable to Inland Revenue is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to or received from Inland Revenue, including the GST relating to investing and financing activities, is classified within operating cash flow in the Statement of Cash Flows.

1 Project construction costs

	half year Dec 2020 \$000	half year Dec 2019 \$000	Audited FY2020 to \$000	Project to date \$000
<i>The following amounts attributable to the build were passed through operational accounts:</i>				
Pre-incorporation costs	(2)	8	6,253	6,251
Dam construction costs	14,699	11,518	35,748	50,447
Project services	2,991	2,027	5,665	8,656
Borrowing costs capitalised	76	88	456	532
WWL operations	1,162	861	3,016	4,178
Transfer costs attributable to build to Capital WiP	(18,926)	(14,502)	(51,138)	(70,064)
Total	-	-	-	-

2 Depreciation, amortisation and impairment expenses

	Note	half year Dec 2020 \$000	half year Dec 2019 \$000	Audited FY2020 \$000
Depreciation of property, plant and equipment	9	9	11	24
Impairment loss - Capital WiP *		-	-	86
Total		9	11	110

* Some pre-incorporation costs reimbursed to TDC in FY19 were impaired in FY20.

3 Other overhead and administrative expenses

	half year Dec 2020 \$000	half year Dec 2019 \$000	Audited FY2020 \$000
Office costs	59	50	81
Insurance	1	5	58
Auditor remuneration	-	-	33
Accounting fees	16	8	17
Legal fees *	7	(17)	5
Other professional fees *	54	63	123
Total	137	109	317

* Some fees incurred in FY19 were recoded in FY20, moving them between Project services (Note 1) and Legal fees and Other professional fees (Note 3).

4 Finance income and costs

	half year Dec 2020 \$000	half year Dec 2019 \$000	Audited FY2020 \$000
Interest income on bank deposits	309	312	646
Bank fees	-	-	(1)
Net	309	312	645

5 Share Capital

	half year Dec 2020	half year Dec 2019	Audited FY2020
9,999 shares were issued on 21 Dec 2018.			
Ordinary shares - TDC	5,110	5,110	5,110
Ordinary shares - WIL	2,978	2,978	2,978
Non-voting shares - WIL	1,911	1,911	1,911
Shares at the end of the year	9,999	9,999	9,999

Ordinary shares have an average value of \$8,718.68, and rights to vote, receive dividends, and participate in distribution on liquidation. Non-voting shares have no equivalent rights. Share Capital contributions in Note 19 represent the total dollar value of shares paid up. TDC contributions are primarily made to provide working capital to WWL. WIL contributions are made on agreed instalments.

TDC ordinary shares contribution.	\$44,550k	\$29,270k	\$33,356k
TDC contribution per ordinary share.	\$8,718.20	\$5,727.98	\$6,527.59
WIL ordinary shares contribution.	\$25,967k	\$17,615k	\$21,791k
WIL contribution per ordinary share.	\$8,719.61	\$5,915.04	\$7,317.33

TDC has committed to fund additional project costs. Shareholders have agreed this will be way of subscription for further shares. TDC will not be issued ordinary shares if it results in WIL holding less than 25% of total ordinary shares.

6 Cash and cash equivalents

	half year Dec 2020 \$000	half year Dec 2019 \$000	Audited FY2020 \$000
Cash at bank and in hand	7,577	7,766	4,268
Total	7,577	7,766	4,268

7 Receivables from non-exchange transactions

	Note	half year Dec 2020 \$000	half year Dec 2019 \$000	Audited FY2020 \$000
GST receivable		338	333	583
Other prepayments / receivables	17	1	1	1,001
Total		339	334	1,584

8 Other financial assets

	Note	half year Dec 2020 \$000	half year Dec 2019 \$000	Audited FY2020 \$000
<i>Held-to-maturity investments</i>				
Term deposits - current		12,750	-	16,345
Term deposits - non-current		-	17,582	-
Total	15	12,750	17,582	16,345

9 Property, plant and equipment

	Capital WiP	Leasehold improvements	Furniture and office equip	Vehicles and site equip	Total
Note	\$000	\$000	\$000	\$000	\$000

Movements for each class of property, plant and equipment are as follows:

half year	<u>Gross carrying amount</u>					
Dec 2020	Opening	51,138	28	76	278	51,520
	Additions	18,926	-	-	-	18,926
	Impairment	-	-	-	-	-
	Disposals	-	-	-	-	-
	Gross carrying amount	70,064	28	76	278	70,446
	<u>Accumulated depreciation and impairment</u>					
	Opening	-	(3)	(27)	(54)	(84)
	Depreciation - assets attributable to the build	-	-	-	(26)	(26)
	Depreciation - administration assets	2	(1)	(8)	-	(9)
	Disposals	-	-	-	-	-
	Accumulated depreciation and impairment	-	(4)	(35)	(80)	(119)
	Carrying amount 31 December 2020	70,064	24	41	198	70,327
Audited	<u>Gross carrying amount</u>	51,138	28	76	278	51,520
FY2020	<u>Accumulated depreciation and impairment</u>					
	Opening	-	-	(6)	(12)	(18)
	Depreciation - assets attributable to the build	-	-	-	(35)	(35)
	Depreciation - administration assets	2	(3)	(21)	-	(24)
	Disposals	-	-	-	(7)	(7)
	Carrying amount 31 December 2019	51,138	25	49	224	51,436

10 Deferred tax

	half year Dec 2020 \$000	half year Dec 2019 \$000	Audited FY2020 \$000
<i>Deferred tax assets are only recognised when management consider it probable that future tax profits will be available against which these assets will be utilised.</i>			
Recognised deferred tax assets:	-	-	-
<i>Unrecognised deferred tax assets are based on:</i>			
Statement of Comprehensive Revenue and Expense	(168)	(152)	(410)
Temporary differences *	111	-	86
Permanent differences **	(76)	-	(170)
Temporary differences prior year *	-	-	16
<u>Permanent differences prior year **</u>	-	-	(286)
Taxable income (deficit)	(133)	(152)	(764)
<i>Unrecognised deferred tax assets consist of:</i>			
Opening balance	303	89	89
Tax on taxable position above, at 28%	37	43	214
Total unrecognised deferred tax asset	340	132	303
* Primarily related to the deductibility of annual leave			
** Primarily related to the deductibility of capitalised finance costs			

11 Payables under exchange transactions

Note	half year Dec 2020 \$000	half year Dec 2019 \$000	Audited FY2020 \$000
Trade creditors	2,658	2,609	4,446
Related party payables	19	25	71
Non trade payables and accrued expenses	23	6	14
Total	2,693	2,640	4,531

12 Employee entitlements

	half year Dec 2020 \$000	half year Dec 2019 \$000	Audited FY2020 \$000
Annual leave entitlements	109	51	86
Total	109	51	86

13 Loans and borrowings

	half year Dec 2020 \$000	half year Dec 2019 \$000	Audited FY2020 \$000
Non-current - Secured loans - CIIL	18,166	9,907	14,597
Non-current - Secured loans - TDC	404	-	-
Total	18,570	9,907	14,597

WWL has financing arrangements with Crown Irrigation Investments Limited up to \$25,000,000. Facilities can be drawn down monthly to fund project costs, and are secured by a general security over present and future assets. Facilities are provided subject to credit support from Tasman District Council plus guarantees from Waimea Irrigators Limited, and are repayable by 2034.

WWL has financing arrangements with Tasman District Council up to \$8,750,000. Facilities can be drawn down monthly to fund project costs, and are secured by a second ranking general security over present and future assets. Facilities will be repaid in instalments after project completion, with final maturity no later than 2058.

14 Commitments

	half year Dec 2020 \$000	half year Dec 2019 \$000	Audited FY2020 \$000
<i>Expenditure contracted for at the end of the reporting period but not yet incurred is:</i>			
Property, plant and equipment	46,229	62,685	50,414
Total	46,229	62,685	50,414

15 Financial instruments

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and liabilities.

	Held-to-maturity investments	Loans and receivables	Financial Liabilities at amortised cost	Total
	\$000	\$000	\$000	\$000
half year Dec 2020				
<u>Financial assets</u>				
Cash and cash equivalents	-	7,577	-	7,577
Trade debtors and other receivables	-	1	-	1
Other financial assets *	12,750	-	-	12,750
Total Financial assets	12,750	7,578	-	20,328
<u>Financial liabilities</u>				
Trade creditors and other payables	-	-	2,580	2,580
Loans and borrowings **	-	-	18,570	18,570
Total Financial liabilities	-	-	21,150	21,150
Audited FY2020				
<u>Financial assets</u>				
Cash and cash equivalents	-	4,268	-	4,268
Trade debtors and other receivables	-	1,001	-	1,001
Other financial assets *	16,345	-	-	16,345
Total Financial assets	16,345	5,269	-	21,614
<u>Financial liabilities</u>				
Trade creditors and other payables	-	-	4,476	4,476
Loans and borrowings **	-	-	14,597	14,597
Total Financial liabilities	-	-	19,073	19,073
* Other financial assets				
	<u>half year Dec 2020</u>	<u>Audited FY2020</u>		
ANZ term deposit maturing Aug 2020 at 2.58%	-	511		
ANZ term deposit maturing Jan 2021 at .55%	1,502	-		
ANZ term deposit maturing Jan 2021 at .55%	501	-		
ANZ term deposit maturing Dec 2020 at 3.55%	-	5,277		
ANZ term deposit maturing Apr 2021 at 3.55%	5,372	5,277		
ANZ term deposit maturing Jun 2021 at 3.58%	5,375	5,280		
Total term deposits	12,750	16,345		
** Loans and borrowings				
		<u>half year Dec 2020</u>	<u>Audited FY2020</u>	
Crown Irrigation Investments Limited		18,166	14,597	
Tasman District Council		404	-	
		18,570	14,597	

16 Contingent assets and contingent liabilities

In Jun 2020 of last financial year the Engineer To Contract ("ETC") confirmed a 33 day suspension of works for the government mandated Covid-19 Level 4 lockdown. In Nov 2020 the ETC confirmed a further 5 days payable for Levels 3 and 2. The obligation is not recognised because the final amount cannot be reliably measured. The contractual process to value the suspension is underway. A valuation is likely to be determined before the end of financial year 2021.

The Covid-19 lockdown will have future flow-on effects and further costs may be incurred in future periods, refer Note 17.

17 Covid-19

Impacts

On 26 Mar 2020 of last financial year the country entered a government mandated Covid-19 lockdown. WWL staff operations were not significantly impacted. Site works were suspended until 28 Apr 2020 when they resumed under Level 3. During Levels 3 and 2, appropriate restrictions and precautions impeded productivity. At 30 Jun 2020 normal works had resumed. The lockdown will extend the programme past the scheduled completion date in FY22.

Financial performance

The ETC issued a Notice To Contractor confirming a 33 day suspension for lockdown Level 4, however, the value of the suspension has not been agreed, refer Note 16. Last financial year the Contractor was advanced \$1,000,000 against future costs, without prejudice, to support employee retention during Level 4 and facilitate re-mobilisation at Level 3. The advance - since repaid - was treated as a prepayment, refer Note 7.

Non-financial performance

The schedule was delayed for impacts from lockdown Levels 4, 3 and 2. The lockdown did not affect the ability to report against performance indicators.

Future assumptions

The final schedule will be affected and future costs will be higher than earlier contemplated. Costs for the 33 day suspension, and for productivity losses during Levels 3 and 2, remain unresolved or unknown, and the resolution of those matters may result in a future adjustment for carrying amounts incurred in May and Jun 2020. Further costs will be incurred in future periods from any flow-on impacts, however, those costs are unknown.

18 Events after the reporting period

There were no significant events after the balance date that would require amounts recognised in these financial statements to be adjusted, or separate disclosure. (WWL continues to receive claims for extension of time from the Contractor that if agreed may result in future costs.)

19 Related party transactions

WWL is jointly owned by Tasman District Council (51% of issued shares) and Waimea Irrigators Limited (49%). The entity also has a related party relationship with its Directors and other key management personnel. Key management personnel include the Board of Directors and members of the Executive / Senior Management.

	half year Dec 2020 \$000	half year Dec 2019 \$000	Audited FY2020 \$000
<u>Purchase of goods and services</u>			
<i>Purchase / reimbursement of services</i>			
Directors *	16	-	-
Pre-incorporation costs	(3)	-	3
Shareholder services	3	3	123
Total	16	3	126

* Directors with engineering qualifications may perform independent peer review services in a normal supplier relationship on terms and conditions no more or less favourable than those it is reasonable to expect the entity would have adopted in dealing with the party at arm's length in the same circumstances.

Note	half year Dec 2020 \$000	half year Dec 2019 \$000	Audited FY2020 \$000	Total \$000
<u>Share Capital contributions from Joint Operators</u>				
Tasman District Council Share Capital	11,194	29,270	33,356	44,550
Waimea Irrigators Limited Share Capital	4,176	17,615	21,791	25,967
Total Share Capital	15,370	46,885	55,147	70,517

	half year Dec 2020 \$000	half year Dec 2019 \$000	Audited FY2020 \$000
<u>Loans and borrowings</u>			
Non-current - Secured loans - TDC	404	-	-
<u>Year end receivable/ payable with related parties</u>			
<i>Payable to related parties:</i>			
Directors	11	25	32
Shareholders	1	-	39
Other key management personnel	-	-	-
Total	12	25	71

	half year Dec 2020 \$000	half year Dec 2019 \$000	Audited FY2020 \$000
<u>Key management compensation</u>			
<i>Key management personnel compensation includes the following expenses:</i>			
Salaries and other short-term employee benefits	427	554	945
Directors fees	126	126	236
Total	553	680	1,181
Persons recognised as key management personnel	11	11	11

Company Directory

Directors

David Wright (Chair)
 Bruno Simpson (Deputy Chair)
 Doug Hattersley
 Julian Raine
 Ken Smales
 Andrew Spittal
 Margaret Devlin

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20 Oxford Street
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Chief Executive

Mike Scott

Management

Chief Financial Officer:	Dave Ashcroft
Commercial Manager and Company Secretary:	Richard Timpany
Engineering and Design Manager:	Iain Lonie
Environmental and Sustainability General Manager:	Alasdair Mawdsley
Construction Manager:	Daniel Murtagh

Auditor

Audit New Zealand on behalf of the Auditor-General

Accountant

Findex Ltd

Banker

ANZ Corporation

Lawyer

Anderson Lloyd