

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

**Date:** Thursday 27 July 2017  
**Time:** 9.30am  
**Meeting Room:** Tasman Council Chamber  
**Venue:** 189 Queen Street  
Richmond

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## Full Council

### AGENDA

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#### MEMBERSHIP

<b>Mayor</b>	Mayor Kempthorne	
<b>Deputy Mayor</b>	Cr King	
<b>Councillors</b>	Cr Brown	Cr McNamara
	Cr Bryant	Cr Ogilvie
	Cr Canton	Cr Sangster
	Cr Greening	Cr Tuffnell
	Cr P Hawkes	Cr Turley
	Cr Maling	Cr 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**

**That the minutes of the Full Council meeting held on Thursday, 22 June 2017, be confirmed as a true and correct record of the meeting.**

### **7 PRESENTATIONS**

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## 8 REPORTS

### 8.1 GOLDEN BAY RECREATION PARK GRANDSTAND

Decision Required

<b>Report To:</b>	Full Council
<b>Meeting Date:</b>	27 July 2017
<b>Report Author:</b>	Lindsay McKenzie, Chief Executive
<b>Report Number:</b>	RCN17-07-01

#### 1 Summary

- 1.1 In 2016, as part of the development of the new recreational facility, Council decided to remove the grandstand at the Golden Bay Recreation Park. All necessary approvals were obtained including an archaeological authority from Heritage New Zealand Pouhere Taonga (Heritage NZ). The Golden Bay Grandstand Community Trust (the Trust) took three sets of court proceedings in December 2016 to try to prevent the Council removing the grandstand. The Trust was unsuccessful in all three proceedings. There is no legal impediment to removing the grandstand in accordance with the terms of the archaeological authority.
- 1.2 In early 2016 Council sought proposals from grandstand supporters (who later formed the Trust) to restore and/or remove the grandstand. The opportunity was repeated several times throughout 2016 and 2017 and on 4 July 2017, the Trust submitted a draft proposal to Council (Attachment 1). We met the Trust on 11 July 2017 to discuss it.
- 1.3 That proposal is not feasible, primarily because it does not set out how the Trust plans or intends to preserve and restore the grandstand. It may be that an amended proposal will be submitted to the Council for its consideration but one had not been received at the date of writing this report.
- 1.4 There is a bigger issue than a proposal per se. At the meeting on 11 July 2017 we asked about the Trust's resources and ability to take on the project to preserve and restore the grandstand. We did not get the information that the Council needs to give it confidence that the Trust could deliver a workable and affordable preservation and restoration plan.
- 1.5 It follows that if the grandstand is to be preserved and restored, onsite or elsewhere, it is more likely than not that Council will end up being responsible.
- 1.6 Based on what was known when this report was written it is recommended that Council re-confirm its June and December 2016 decisions to remove the grandstand. If there is a credible late proposal Council could give the Trust more time to consider its options and to 'resource' up for a project. In that case an alternative resolution would need to be drafted.
- 1.7 To that end we discussed the possibility with the Trust that one option they may like to consider is proposing is that the Council could remove the grandstand's appendages (other than the rugby club rooms which are holding it up) then allow the Trust three months to

assess what has been revealed of the remaining structure and propose a preservation and restoration plan. At the date of writing, we have not heard anything further from the Trust.

<b>2 Draft Resolution</b>
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**That the Full Council**

- 1. receives the Golden Bay Recreation Park Grandstand report, RCN17-07-01; and**
- 2. notes the Environment Court Decision 2017 NZEnvC92 on the Golden Bay Recreation Park Grandstand; and**
- 3. notes that unbudgeted expenditure of approximately \$150,000 has been incurred on legal and consultant fees to defend the proceedings and provide related support in response to the action taken by the Golden Bay Grandstand Community Trust in the Environment Court; and**
- 4. confirms, as previously resolved by the Full Council on 9 June and 15 December 2016, the decision to remove the grandstand including the associated structures;**
- 5. notes that the removal of the structures will be in accordance with the conditions of the Heritage NZ Archaeological Authority dated 21 November 2016; and**
- 6. agrees to the option of the grandstand roof being removed intact for potential future restoration and/or reuse subject to the removal being practical, feasible and within the budget provided in resolution 8 below; and**
- 7. agrees that other grandstand materials may be made available to interested parties who may wish to salvage or use them, subject to those parties meeting the cost and removing them from the reserve within a reasonable timeframe; and**
- 8. authorises staff to arrange and complete the work to remove the grandstand and to set aside the roof within a budget limit of \$100,000; and**
- 9. requests a report back for further decision of Council in the event that the outcomes these resolutions seek cannot be achieved**

**3 Purpose of the Report**

3.1 The purpose of this report is to:

3.1.1 provide an overview of the Environment Court decision on the Golden Bay Grandstand Community Trust's (the Trust's) three sets of proceedings against the Council and Heritage New Zealand Pouhere Taonga (Heritage NZ) to try to stop Council removing the grandstand; and

3.1.2 ask Council to re-confirm its previous decisions to remove the grandstand.

**4 Background and Discussion**

4.1 The background to and context for the decisions that Council needs to consider are in the sections of the report that follow. The decision that you are being asked to make is whether or not to confirm your previous decisions to remove the grandstand or to accept a proposal from the Trust to preserve and restore it.

4.2 On 7 April 2017 I wrote to the Trust's solicitor to reiterate the Council's standing offer to consider any workable proposals from the Trust regarding options for the future of the grandstand. That offer was made regardless of the outcome of the Environment Court proceedings. The Trust submitted a draft proposal dated 4 July 2017 (Attachment 1). Several of us met with the Trust in Takaka on 11 July to discuss it.

4.3 The Trust's draft proposal is not feasible or one that can be adopted or implemented. The main issue with it is that it focuses on the matters that the Council raised in the Court in defence of its processes and previous decisions (such as car-parking) rather than focusing on how the Trust plans to meet its objectives – which are to preserve and restore the grandstand.

4.4 The parts of the proposal that do address the building are not logical and rely heavily on Council support, for example, there is a proposal to paint the squash courts then subsequently demolish them and to the request for Council support with a Demolition and Health and Safety Plan.

4.5 At the meeting in Takaka on 11 July 2017, we set out what the Council would be looking for in a proposal. This included the Council being satisfied that –

4.5.1 the Trust was properly constituted and operating in accordance with its constitution and/or deed;

4.5.2 the Trust was solvent, was able to meet any award of costs against it, was able to fund the obligations it would take on under an agreement with Council and had a fundraising plan;

4.5.3 the Trust had the necessary advisers, legal and professional and fund raising assistance to support it;

4.5.4 the Trust had the quality relationships that would enable it to work effectively with Council and Heritage NZ among others to enable it to meet its objectives;

4.5.5 consideration had been given to the costs of preparing and resourcing a Conservation Plan for the grandstand;

- 4.5.6 consideration had been given to the level of investment needed to restore the grandstand and make it operational again especially having regard for Amanda Coates' evidence to the Environment Court;
- 4.5.7 the Trust had the 'where with all' to take ownership of the grandstand and a lease interest in the ground if that was the path Council went down.
- 4.6 The Trust advised that it was operating in compliance with its constitution/deed. Beyond that, I was unable get the assurances I sought. Unless something dramatic happens between now and the Council meeting on 27 July 2017 I have a duty to advise Council that the Trust does not have the resources to partner with the Council and community in preserving and restoring the grandstand. It is inevitable that the Council will be left to pick up the pieces.
- 4.7 That is not to say that the Trust has not been effective – far from it. The strength of their advocacy and passion for the building was evident at the meeting. It was also evident in their approach to the legal proceedings, ability to garner support and supporters and to their use of social media.
- 4.8 All of that noted, the Trust faces some practical difficulties. Until the squash courts and rear lean-to are removed, it does not know what it is up against if it plans to restore and preserve the building.
- 4.9 At the meeting on 11 July 2017 we discussed the option of the Council removing the 'appendages', making the building weather-tight and giving the Trust three months to decide if it still wanted to proceed. We invited the Trust to present that option to the Council to consider. That presentation is likely at the Council meeting.
- 4.10 The Trust will still have its challenges. It is not open to any option other than leaving the grandstand in situ. They also consider the challenge of making the grandstand operational is limited to some cladding, paint and replacing the stairs. They do not accept Amanda Coates' evidence about the work and the cost of making the grandstand operational again despite her evidence going unchallenged by the Trust's experts in the Environment Court.
- 4.11 There are uncertainties for the Council as well. There will be implications for the existing Gibbon's contract which includes the demolition of the grandstand. The cost is likely to increase if demolition is further delayed or phased. Without a firm proposal it is hard to estimate what the likely cost to demolish the squash courts and toilet/kitchen lean-to will be or what the cost will be of closing in and making safe the parts of the grandstand which will be affected by the removal of the squash courts and lean-to.
- 4.12 We do not yet know what the building consent requirements will be if the remaining grandstand/rugby clubrooms are to be made fully operational and brought up to building code. This includes car parking, toilets and so on.
- 4.13 Those matters should be part of the Trust proposal in any event; unless the Council decides to undertake the work itself.

### **Background to previous decisions**

- 4.14 Throughout the last 18 months, Council has received numerous reports on the issue of the grandstand at the Golden Bay Recreation Park. The reports containing the most relevant background information to the decisions sought in this report are: RCN16-06-03, RCN16-09-19, RCN16-12-01 and RCN16-12-17.

- 4.15 Active planning for a community recreation facility on the Golden Bay Recreation Park began in 2010. A user group called the Golden Bay Shared Recreation Facility (GBSRFC) Inc. took the lead in planning and local fundraising, with the Council and Community Board taking a role in a working group. The new facility is 80/20 Council/direct community funded. The building is a Council asset. The plans showed that the grandstand would need to be removed from the Recreation Park from the initial stages of the project onwards. The reasons for the grandstand being identified for removal were discussed in previous reports to the Council and in the Environment Court's decision.
- 4.16 Consultation has occurred at various stages in the project since before active planning for the project started in 2010, through until the Council's Tenders Panel let the contract for the new facility to Gibbons Construction on 13 October 2015. For details of the consultation undertaken, please refer to report RCN16-06-03 considered by the Full Council at its meeting on 9 June 2016.
- 4.17 Early in 2016, concerns from some members of the Golden Bay Community arose about the proposal to remove the grandstand to make way for the new building and a carpark. Despite the clear understanding of the majority of those close to the project and what the consultation plans showed, it came as a surprise to some that the grandstand was to go. Efforts from a sector of the Golden Bay community to retain the grandstand were made and continue.
- 4.18 In March 2016 the Golden Bay Community Board asked the Council to call for proposals from the community to retain but relocate the grandstand. The Council was to consider any proposals before the end of August. Council advertised the opportunity to remove the grandstand in April 2016. No proposals were received. Advocates for retaining the grandstand then began e-mailing, letter writing and threatened legal action.
- 4.19 In June 2016 Council considered a report discussing the future of the grandstand. The report recommended that Council confirm that the grandstand be removed at the end of the local rugby season. The report noted that "this is not a case of saying that the arguments put forward for retaining the grandstand have no merit. Rather it's a case of making a choice when resources are limited. While it appears that the grandstand may have been constructed in 1899 and therefore qualifies as an archaeological site under the Heritage New Zealand Pouhere Taonga Act 2014, building the new facility and restoring the former Golden Bay County building should be the priority. Their combined cost is over \$5 million and that will give the community best value in terms of its recreational needs and respect for its built heritage".
- 4.20 At that meeting, a number of reasons were put forward as to why the grandstand should be removed including:
- the ongoing costs associated with retaining the grandstand on site (e.g. ongoing maintenance, pan charges, electricity charges);
  - the potential costs of seismic upgrade of the grandstand, including what impact the possible removal of the squash courts, toilets and rugby clubroom would have – estimated cost in excess of \$580,000 (consultant's estimate);
  - provision of carparking occupied by the grandstand and required for the grandstand if it stays;
  - stormwater drainage issues;

- aesthetics;
- access and public safety;
- impact of the grandstand on function room use;
- fire rating of the grandstand; and
- financial implications for the new facility if the clubroom underneath the grandstand is to be retained.

4.21 The Council passed the following resolution at the meeting:

**CN16-06-8**

**That the Full Council**

1. receives the Grandstand Removal report RCN16-06-03; and
2. confirms that the grandstand building at the Golden Bay Recreational Park will be removed at the end of the 2016 rugby season to enable the clubroom and toilet facilities to be used until the end of the season; and
3. notes that part 2 of this resolution is subject to the granting of an authority to modify or destroy the grandstand under the Heritage New Zealand Pouhere Taonga Act 2014; and
4. declines the request to reinstate the southern stairs at the grandstand.

4.22 The grandstand was also discussed by Council at its meeting on 22 September 2016 through the Chief Executive's report. This discussion followed a resolution from the Golden Bay Community Board, which was:

**GBCB16-08-4**

**That the Golden Bay Community Board**

1. receives the Takaka Grandstand Report to Golden Bay Community Board: Report RGB16-08-07; and
2. recommends to Council that no demolition order, in respect of the grandstand, will be given until Full Council have had the opportunity to receive the grandstand decision from Heritage New Zealand; and
3. recommends that the Grandstand Group and any other significant stakeholders be given the opportunity to make a full presentation to Full Council as part of the meeting at which the Heritage decision regarding the grandstand is received.

4.23 At the Council meeting on 22 September 2016, I recommended that the Council advise the Board that the course of action they recommend is likely to be the course of action followed. The Council passed the following resolution:

**CN16-09-32**

**That the Full Council advises the Golden Bay Community Board that the course of action the Board seeks in relation to the demolition of the Takaka grandstand is likely to be the course of action Council takes.**

## Heritage New Zealand Decision

4.24 In November 2016, Council received Heritage New Zealand's decision on our request for an archeological authority to remove the grandstand. The decision was to grant Council authority to remove the grandstand subject to certain conditions.

4.25 Council agreed not to appeal the conditions at its meeting on 1 December 2016, as follows:

### **CN16-12-3**

#### **That the Full Council**

1. **receives the A&P Association's Request for the Takaka Grandstand Stairs to be Re-Instated report RCN16-12-01;**
  2. **notes that the grandstand building has received an initial engineering assessment of “potentially earthquake prone” with a “provisional rating of 31% of new building standard”; and**
  3. **notes that the decision of Heritage New Zealand that the grandstand can be removed is still subject to an appeal period of 15 days from Monday 21 November 2016; and**
  4. **declines the request dated 28 October 2016 from the Golden Bay A&P Association to reinstate the stairs to the grandstand at the Golden Bay Recreation Park, whether or not the decision of Heritage New Zealand is that the grandstand can be removed once the appeal period has elapsed; and**
  5. **agrees not to appeal the conditions contained in the Heritage New Zealand authority number 2017/389: N26/308 for Council to remove the grandstand.**
- 4.26 The Council considered a further report at its meeting on 15 December 2016. The primary purposes of that report were for Council to provide an opportunity for key stakeholders to present their views to Council; and to seek a decision from Council on whether to act on the authority received from Heritage New Zealand to remove the grandstand. At that meeting, I also advised Council that the Golden Bay Grandstand Community Trust had appealed the decision to the Environment Court. Council resolved as follows:

#### **That the Full Council**

1. **receives the Golden Bay Recreation Park Grandstand decision from Heritage New Zealand report RCN16-12-17; and**
2. **receives the Heritage New Zealand Pouhere Taonga (HNZPT) decision authority number 2017/389: N26/308 for Council to remove the grandstand; and**
3. **notes that the Golden Bay Grandstand Community Trust Inc has appealed HNZPT's decision to grant an archaeological authority to Council to demolish the grandstand (the Archaeological Appeal); and**
4. **agrees, as previously resolved by the full Council on 9 June 2016, to demolish the grandstand:**
  - (a) **in accordance with the conditions of the HNZ Archaeological authority dated 21 November 2016; and**
  - (b) **subject to the resolution, strike-out or withdrawal of the Archaeological Appeal;**
5. **notes that the removal of the grandstand may occur in a manner that enables the materials to be made available to interested parties who may wish to salvage or rebuild the grandstand elsewhere, subject to external funding.**

## Environment Court Proceedings and Decision

4.27 The Trust took three sets of proceedings against Council in the Environment Court:

4.27.1 **Declaration application:** an application for a declaration that Council failed in its consultation obligations under the Local Government Act 2002 (LGA). This application was struck out by the Court as consultation obligations under the LGA were not within the Environment Court's jurisdiction; and

4.27.2 **Archeological appeal:** an appeal against the decision by Heritage New Zealand Pouhere Taonga to grant Council an archaeological authority to remove the grandstand; and

4.27.3 **Enforcement order application:** an application for an enforcement order under the Resource Management Act 1991 (RMA) constraining the Council from removing (among other things) the grandstand.

4.28 Council was the respondent to the proceedings, along with Heritage New Zealand for the archaeological appeal. It has cost Council approximately \$150,000 (incl GST) on legal and consultants fees as a consequence of the proceedings. This was unbudgeted expenditure. I am asking Council to note this expenditure.

4.29 The Environment Court heard the proceedings on 10-11 March 2017. Judge Dwyer presided, along with Commissioners Kernohan and Mills. The Court issued its decision on 29 July 2017.

4.30 The decision is attached for Councillors' information (Attachment 2).

4.31 The Court found in favour of Council and Heritage NZ and dismissed the archeological appeal (with costs reserved) and declined the application for enforcement orders (with no reservation of costs). There is a 15 day appeal period on the decision to decline the enforcement order application, which ends on 20 July 2017. At the time of writing this report, the appeal period for the decision had not expired. I have outlined further details on the decision below.

### Appeal against Heritage New Zealand Pouhere Taonga decision to grant Council approval to remove the grandstand

4.32 The Environment Court dismissed the appeal on the ground that the Trust had no status to bring the appeal, and in the alternative, that the appeal fails on its merits. Accordingly the decision of Heritage NZ stands. Amongst other things, the Court noted::

*"We do not propose to discuss the merits of the Trust's appeal against the HNZ determination in any detail. The Trust has failed to present any case at all on the archaeological basis of HNZ's decision and formally conceded that it did not challenge the archaeological evidence advanced in support of the application. We simply record that we accept the evidence on the merits of the application advanced on behalf of HNZ..."* (para 23)

*"We conclude that the Trust has failed to establish that it is a person directly affected by the application for an archaeological authority and accordingly had no status to appeal against the grant of the authority."* (para 33)

4.33 In commenting on the consultation undertaken by the Council, the Court noted that they were satisfied from the evidence that "a wide ranging and comprehensive programme of consultation was undertaken as to the Facility proposal which clearly required removal of the grandstand..." (para 36).



**Enforcement Order application**

4.34 Through the enforcement order application, the Trust sought to prevent the removal of the grandstand and the reinstatement of the external stairs previously removed by Council. The Trust contended that removal of the grandstand would be offensive and objectionable to such an extent that it would be likely to have an adverse effect on the environment in accordance with s 314(1)(a)(ii) of the RMA.

4.35 The Environment Court concluded that it would be inappropriate to grant the application notwithstanding the national importance aspect of the historic heritage issue. The Court noted, amongst other things:

*“We consider that because it possesses these amenity and historic heritage values the Grandstand is a building whose demolition could potentially be found to be offensive and objectionable to the extent that it might cause anger or annoyance and/or be repugnant... However whether or not it is in fact offensive or objectionable or alternatively whether the Court should exercise its discretion to grant the Trust’s application require the Court to ‘weigh all the relevant competing consideration and ultimately make a value judgment on behalf of the community as a whole’. That weighing requires us to have regard to a number of factors as well as the amenity and historic heritage values that we have identified.”* (para 86)

*“In reaching our decision it is appropriate that we have at least some regard to the consultation process undertaken in determining to proceed with the Facility in the form and position that it is. We are hesitant to interfere with the outcome of that process solely on the basis of the loss of amenity arising from demolition of the Grandstand when that loss is counter balanced (and arguably outweighed) by the amenity value of the Facility.”* (para 87)

*‘Insofar as historic heritage factors are concerned, we find that the historic heritage values of the Grandstand have been substantially diminished by the various unsympathetic additions which have been made to it over the years...’* (para 88)

*“Her [Amanda Coates] conclusion ‘that significant parts of the Grandstand would need to be reconstructed if it was going to continue to be used’ was not challenged in cross examination, nor was it directly contradicted by any other expert witness. We accept that conclusion.”* (para 92)

**Proposal by Golden Bay Grandstand Community Trust – 4 July 2017**

4.36 Since about April 2016, Council had been saying to the grandstand supporters and latterly the Golden Bay Grandstand Community Trust, that if they wish to retain the grandstand then they should submit a proposal for its retention and restoration, including its potential relocation. In an email to the Grandstand Trust on 2 September 2016, Mayor Kempthorne concluded by stating “I hope that this sets out my thinking and provides you with a steer i.e. the Save the Grandstand team needs to develop its thinking and planning in the event that the grandstand is authorised to go, just as we are doing if it has to stay”. The Mayor, Councillors, Community Board members and executive staff also met with the Grandstand Trust and supporters on numerous occasions and requested a proposal from them.

4.37 No proposal was received by Council prior to the release of the Environment Court decision in late June.

4.38 In early July, the Trust submitted a draft proposal, contained in Attachment 1. The proposal has the grandstand remaining in its current location. It attempts to address some ancillary matters like carparking in order to enable the new facility to be opened. It provides for

unsealed carparking at both ends of the playing fields and down on the lower level by the tennis courts, both of which are not practical for a variety of reasons.

- 4.39 The proposal requests Council support to:
- 4.39.1 create a demolition and health and safety plan to demolish the add-on structures around the grandstand, using construction experts in this field;
  - 4.39.2 “spruce up” the grandstand;
  - 4.39.3 prepare a comprehensive report into the grandstand’s structural integrity.
- 4.40 The proposal doesn’t address the key matter of who will ultimately upgrade and pay for the work on the grandstand and who will pay the ongoing operational and maintenance costs.
- 4.41 As discussed earlier in this report, Council representatives and two members of the Golden Bay Shared Recreation Facility Inc. met with members of the Trust and their supporters on 11 July 2017 to discuss their proposal.
- 4.42 If Council decides to accept that proposal or a similar proposal to retain the grandstand in situ, you may have an obligation to further consult the community. That is because it is well established now, including by the Court, that the consultation undertaken to date has been based on the grandstand being removed. Also, if the Council wishes to enter into a lease to the Trust for the land occupied by the grandstand, the Council would need to go through a public notification process under the Reserves Act 1977.

## 5 Options

- 5.1 Council has the following options to consider:
- 5.1.1 Option 1: Remove the grandstand in accordance with the conditions of the Heritage New Zealand authority, subject to there being no appeal on the Environment Court’s decision; and
  - 5.1.2 Option 2: Remove the grandstand in a manner that enables the building to be re-built on an alternative site elsewhere, subject to an alternative funding source being available; and
  - 5.1.3 Option 3: Accept a proposal from the Trust to preserve and restore the grandstand in situ or elsewhere. Such a proposal could be the one appended to this report or the Trust may suggest an amended staged proposal as noted in para 4.9.
- 5.2 **Option 1** – the advantages of option one are that this option would have the least cost to Council and ratepayers; it would be the easiest option to achieve; it is consistent with proposals Council has previously consulted with the public on; and it would enable the new facility to be opened at the earliest time. Some organisations and members of the public will be happy with the decision to remove the grandstand.
- 5.3 The disadvantages of this option are that the grandstand will not be available for use by spectators in the future, any heritage values that the grandstand has will be lost (although an archaeologist will be present during the demolition to record any heritage information) and there will be some organisations and members of the community that will be unhappy with the decision.
- 5.4 Our recommendation is to adopt option 1 with the Council volunteering to salvage the grandstand roof subject to that being practical, feasible and within budget.

- 5.5 **Option 2** – the advantages of this option are that there is a possibility that any heritage values of the grandstand may be able to be retained by re-erecting and upgrading the building on an alternative location, possibly at the Recreation Park. Some members of the community will be happy with the decision to provide the opportunity for the grandstand to be relocated. The disadvantages of this option are that:
- 5.5.1 there will be additional costs in dismantling the building carefully to enable it to be re-erected, which may need to be borne by Council; and
  - 5.5.2 there is uncertainty that the building will have sufficient integrity to be re-erected; and
  - 5.5.3 an alternative location will need to be found for the building; and
  - 5.5.4 an organisation will need to agree to pay for the re-erection of the building and its ongoing maintenance costs (unless Council agrees to fund these aspects of the work).
  - 5.5.5 there is uncertainty as to whether another organisation could raise the funds needed for this work; and
  - 5.5.6 there will be additional time required to do this work; and
  - 5.5.7 the additional time is likely to lead to delays in the new facility being open for use; and
  - 5.5.8 Council resources and project management consultants will be needed to continue working on the project at unknown and unbudgeted costs; and
  - 5.5.9 the history of the grandstand being connected to the Golden Bay Recreation Park and the A&P Show will be lost if the grandstand is not relocated elsewhere on the Park.
- 5.6 **Option 3** – the advantages of this option is that it offers the possibility of retaining the amenity and heritage values of the grandstand in situ or elsewhere. If the Trust can deliver this option then the costs to ratepayers generally are minimised. The disadvantages mostly relate to the impact of the new facility and the cost of needing to find ‘workaround’ to enable the new facility to function as intended. As advised, this option is likely to require community consultation. A staged proposal is likely to extend the period of uncertainty for and conflict within the community.

<b>6 Strategy and Risks</b>
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- 6.1 Council has changed its approach to its financial and asset management strategies. These changes are set out in the Long Term Plan 2015-2025 (LTP). While it is early days, there is good evidence that the strategy is achieving its financial objectives based on rates and debt levels.
- 6.2 Investment in community facilities was acknowledged to have been at a high level in the past. The Golden Bay Community Recreation Facility remained a priority. Other projects were deferred.
- 6.3 I advise Council to adhere to its strategy. If there is to be a departure through agreeing additional funding towards the grandstand, then any investment in the grandstand should be assessed against other calls to bring spending forward and other Council priorities.
- 6.4 A decision on the future of the grandstand carries risks whatever is decided. The financial risks of retaining it, as well as the risks to the new facility, are covered in this report.
- 6.5 Other key risks include:

- 6.5.1 reputational risks as a result of supporting or failing to support the GBSRF and/or the Trust and its supporters; and
  - 6.5.2 being seen as a vacillating unreliable principal to a contract; and
  - 6.5.3 further delays to the full opening of the new facility if the grandstand stays in its current location, as the carparking required to meet the conditions of the building consent will not be constructed; and
  - 6.5.4 the risk of fire transfer between the grandstand and the new facility should a fire break out, due to the close location of the grandstand and the new facility; and
  - 6.5.5 if Council agrees to allow re-erection of the grandstand at an alternative location (if this is feasible) there is the risk that the community group responsible may not be able to raise sufficient funds to undertake the work and to do any seismic upgrade required for the building to be used; and
  - 6.5.6 litigation, protests and threats.
- 6.6 It is Councillors' role to make fact and value based judgements in such circumstances and your duty is to consider the best interests of the district when you do.

<b>7 Policy / Legal Requirements / Plan</b>
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- 7.1 Over the years, there has been a great deal of consultation on the Golden Bay Community Recreation Facility project, which included the removal of the grandstand. It has been contained in Council's Long Term Plans since at least 2009. In the Draft Annual Plan 2014/2015 Council proposed removing the project from the work plan. Following strong support from the Golden Bay community for the project, Council decided to put the project back into the final Annual Plan.
- 7.2 The feasibility study for the new facility project undertaken in February 2013 noted that "The feasibility study confirmed the need for the facility, that it was supported by the community and that it should be operationally viable. The feasibility study noted that the new facility would replace the ageing grandstand and clubrooms at the Golden Bay Recreation Park".
- 7.3 Since the early beginnings of the project, the concept plans have shown that the grandstand would no longer be on the site.
- 7.4 Much of the consultation on the project has been undertaken by the local Golden Bay Shared Recreation Facility Committee (GBSRFC), which includes representatives from many of the groups that use the Recreation Park. Consultation on the facility project, including its location on the Park, had been undertaken with local sporting clubs and the with the wider community (e.g. at Golden Bay A&P Shows).
- 7.5 In 2014 Council (itself) also undertook a wider community consultation exercise on the concept plans for the new facility. The facility design and location largely conforms to the concept plans consulted on at that time, which also included the removal of the grandstand.
- 7.6 The Council should have been able to rely on all the consultation that has been undertaken for its decision making processes. The Environment Court's decision recognises this situation. The people currently expressing concern over the grandstand removal had the opportunity to engage in the consultation processes undertaken but did not do so.

- 7.7 The decision to remove or demolish the grandstand was subject to the granting of an authority to modify or destroy the grandstand under the Heritage New Zealand Pouhere Taonga Act 2014, which was received by Council.
- 7.8 Here is a recap on the Council's legal obligations in relation to planning, decision making and accountability.
- 7.9 Consultation that the Council undertakes must –
- 7.9.1 provide persons affected or interested in the decision with reasonable access to relevant information;
  - 7.9.2 encourage people to present their views and provide a reasonable opportunity for them to do so;
  - 7.9.3 give clear information about the purpose of the consultation;
  - 7.9.4 receive views with an open mind;
  - 7.9.5 leave a clear record of the decisions;
  - 7.9.6 provide processes for Maori.
- 7.10 It is up to the Council to decide the extent to which these principles are observed in any circumstances taking into account the extent to which the current views and preferences of persons who will or may be affected or have an interest in the decision are known to the Council. So there is no legal obligation to further consult in this case if your earlier decision is unchanged and as you will know, there is no obligation to take a position that is advocated to you – even one that has majority support.
- 7.11 However if the Council changes its position and agrees to leave the grandstand in its current location, it may need to re-consult, given it is a change to its stated position and that it reached this position following extensive public consultation.
- 7.12 There are other factors that the Council must have regard to in complying with the decision making provisions in the Local Government Act including the principles in s.14 of the Act, Council's resources and the extent to which the nature of the decision, or the circumstances in which it is taken allow the Council the scope to consider options, or the views and preferences of persons.
- 7.13 Among the s 14 principles that are relevant here are –
- 7.13.1 Openness;
  - 7.13.2 The views of all communities;
  - 7.13.3 Your (strategic) priorities and desired outcomes;
  - 7.13.4 Collaboration with other bodies;
  - 7.13.5 Prudent stewardship of resources; and
  - 7.13.6 Effective future management of assets.
- 7.14 While you can never be sure, the law as it now stands and the extent of consultation undertaken by the Council, GBSRFC and the Community Board involvement should give you confidence that your current position is beyond successful legal challenge.

**8 Consideration of Financial or Budgetary Implications**

- 8.1 The financial implications of the options are not currently known. Given the time that the Court case has taken, the contract with Gibbons for removing the grandstand will need to be re-negotiated. Exactly what needs to be renegotiated and what the costs will be depends on what the Council decides the path forward should be.
- 8.2 In late 2016, estimates were obtained to remove the structure in accordance with the Heritage NZ authority. The estimate was ~\$40,000 excluding GST. The estimate to demolish the associated buildings and remove the grandstand for later reconstruction was ~\$92,000.
- 8.3 We recommend that a \$100,000 budget limit be set for removal of the grandstand with the possibility of retaining the roof intact.
- 8.4 The unbudgeted operational costs of defending the Council's position in the Court has been charged to the Community Facilities area – Grandstand.
- 8.5 It is proposed that the cost of removing the structure be loan funded.

**9 Significance and Engagement**

- 9.1 The decisions being sought in this report are of moderate significance overall in the Golden Bay area, but of low significance in the rest of the district. As noted above, Council has already consulted extensively and it has a good understanding of the views of the groups that seek to retain the grandstand through the consultation it has undertaken. I consider that further consultation is not required prior to making a decision to demolish the grandstand. However, if Council wishes to consider retaining the grandstand, it may wish to consult the community, as it is a change from the previous proposal consulted on.

Issue	Level of Significance	Explanation of Assessment
Is there a high level of public interest, or is decision likely to be controversial?	Moderate in Golden Bay, low in the rest of the District	There are some members of the public in Golden Bay that have a high degree of interest in this matter, whether the decision is to remove the grandstand or retain it. There does not seem to be much interest in the matter from elsewhere in the district. However, if the costs of this project increase, it could get much wider interest.
Is there a significant impact arising from duration of the effects from the decision?	High	The decision to demolish the grandstand will mean that the building will be removed permanently.
Does the decision relate to a strategic asset? (refer Significance and Engagement Policy for list of strategic assets)	Low	The grandstand is not a strategic asset in Council's Significance and Engagement Policy.
Does the decision create a substantial change in the level of service provided by Council?	Low	The removal of the grandstand will mean that people will not be able to view the A&P Show or games at the Recreation Park from a grandstand. There will be some limited viewing of the Park from the mezzanine floor of the new Facility.  This matter does not affect Council's stated levels of service.

## 10 Conclusion

- 10.1 It is clear from the consultation material and information that has been in the public domain that the grandstand was to be removed, even if that is not accepted by some people.
- 10.2 There is no need to consult on the decisions that are recommended as in the past year the issue has had a major airing in the community and the feedback from that further informs your decision.
- 10.3 Council is therefore advised to confirm that the grandstand is to be removed.

## 11 Next Steps / Timeline

- 11.1 If the Council adopts the recommendations and that no acceptable proposal is tabled by the Trust and adopted by Council, staff will secure a contract to remove the grandstand in the manner agreed and will complete the site works.

## 12 Attachments

- |    |   |    |
|----|---|----|
| 1. | Draft Proposal by Golden Bay Grandstand Trust | 21 |
| 2. | Environment Court Decision                    | 27 |





**DRAFT****Proposal by Golden Bay Grand Stand Community Trust (GBGSCT) to Tasman District Council (TDC), 4 July 2017**

We understand that TDC has four main concerns regarding retaining the grandstand:

- A. **Parking.** The area the grandstand occupies in the final building plan was earmarked for parking. This area is 10m from the function room of the new facility, and a further 25 metres from the main entrance of the new facility.
- B. **Aesthetics.** Some people think the two buildings don't 'go' together, and/ or that the grandstand looks a bit scruffy.
- C. **Public Opinion.** TDC does not want to go against the will of the majority of the residents of Golden Bay, and believes the majority want the grandstand gone.
- D. **Code Compliance Certificate (CCC).** Lengthy delays in attaining a Code Compliance Certificate for the new facility.

A successful community works through compromise and consideration. A portion of the Golden Bay community wishes to further enhance the showgrounds by providing something that the new facility does not, thus making the complex available to an even greater number of ratepayers, residents and visitors. It is also important to be grateful for where we are now and be aware that we have the privilege of using amenities that have been provided for us through the efforts and foresight of the continuum of communities that has preceded the current one.

The GBGSCT has three objectives:

- E. **Amenity.** Because of the age and record of use of the grandstand, the building itself is irreplaceable.
- F. **History and Heritage.** We are concerned about the heritage and amenity values that will be lost if the grandstand is demolished.
- G. **CCC.** We are also concerned that the new facility is still waiting for a CCC.

**The grandstand has been around for a while, and can wait a while longer if need be: The priority of the GBGSCT, therefore, is to get the new centre fully opened and compliant.** To this end we put forward the following proposal:

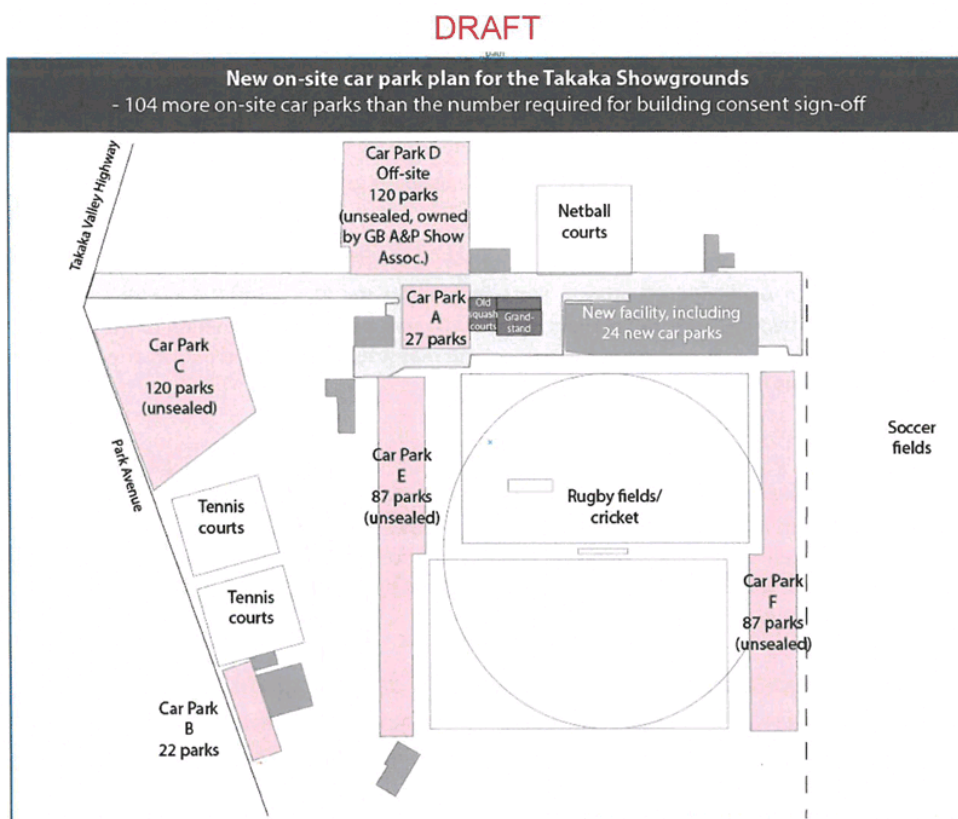
**Parking & CCC.**

- Amend the Site Bulk and Location Plan Drawing A1.02.3C (p46 of the approved PLANS PDF file) with the following car parking calculation and parking layout: new car parking areas to be shown at either end of the rugby fields, similar to the Car Park C area shown on the approved building consent, which has a grass surface. Three additional accessible car parks to be added next to the St Johns building. This is the building to the left of Car Park A in the plan below.

**DRAFT**

Table of car parking calculations which allow for the grandstand to remain.

CAR PARKING CALCULATION					
	actual		demand		surplus / loss
Existing car parks on site					
Area A - sealed	27				
Area B - sealed	22				
Area C - unsealed	120				
Total available on site		169			
Existing on site demand				268	
Net on site surplus / loss					-99
Area D - unsealed, offsite	120				
Total existing available parking		289			
Net available surplus / loss					21
Delete Removed Demand					
Squash courts x2			-8		
Rugby club room:			-25		
<del>Grandstand</del>			<del>-30</del>		
A&P Booth			-75		
				<del>-138</del>	
				-108	
Add Proposed Demand					
2x netball courts (external)			8		
1x sports court (internal)			4		
Viewing area (court)			10		
2x squash courts			8		
Mezzanine viewing area:			10		
Function / community room			60		
Office and bar / kitchen			3		
				103	
New On Site Demand				<del>233</del>	
				263	
Car Park Area A Extension	<del>69</del> 74				
Car Park Area E	87	280			
Total on site parking		<del>238</del>			
Net on site surplus / loss					<del>-5</del> 17
Total available parking		400			OK
		<del>358</del>			
Net available surplus / loss					<del>-125</del> 137
					OK
Accessible Parks 1 per 50	7		<del>4.76</del> 5.26		OK



- The Approved Stormwater Site Plan and Gas Reticulation drawing P1.01.3A (p79 of the approved PDF file) shows no stormwater features beneath the footprint of the grandstand, old squash courts or the front and rear add-ons. Stormwater from the roofs of these buildings currently discharges onto the ground. The run-off co-efficient for roofs and sealed surfaces is the same. No surface change is proposed for the new carpark areas – no change to stormwater calculations or layout will be required.
- Continue with the Code Compliance Certificate process.
- Renew the lease agreement currently in operation with the Golden Bay Agricultural & Pastoral Association (GBA&P) to park on their land to the south of Keith Page Hall

Timeframe: Immediate  
This would address points A, D and G above.

#### Aesthetics.

There are a range of options that are not connected at all with the building consent status of the new facility. Starting with the simplest option these aesthetic improvements could include:

- Replace the grandstand stairs after carrying out any maintenance that is required on them, and use the grandstand. The building looks the better for having people in it and looks better from the inside out. Attendees of the showgrounds are there to participate or

**DRAFT**

spectate: the insides of the buildings are scrutinised more than the outside.

- Repaint the grandstand, old squash courts and add-ons in a similar colour scheme as the new facility.
- Demolish old squash courts. Paint the newly exposed grandstand wall as above. Paint community mural or murals on wall/s.
- Demolish rear lean-to of grandstand. Make good the rear wall of the grandstand.

Any or all of these would address point B, the aesthetics, above. The last two suggestions would also address the parking issue by providing at least 10 more car parks. Demolition of the rear lean-to would allow closer examination of the grandstand rear wall, which would inform any maintenance plans made.

**Amenity, History & Heritage.**

To address points E and F: The grandstand building herself, we propose that she remain where she is while the parts of the proposal stated thus far are carried out. We then propose that the grandstand remain and be used for at least two A&P Shows after the sprucing up has finished. This will give the Golden Bay Community a chance to make a fully informed decision about the future of the grandstand, which might go some way as to addressing point C above, that of the will of the majority of the Golden Bay community.

***Additional car parking solution – FUTURE Car Park area C upgrade.***

It appears that there is a large parcel of land below the showgrounds next to the tennis courts that apart from show day is not used. We presume this land costs rate payers and TDC a small sum of money to maintain, grass cut etc per annum.

We propose that this grass area next to the tennis courts be turned into permanent all weather car parking. This area is roughly equidistant from the new facility level and the tennis rooms and amenities accessed off Park Avenue. Of all the amenities on this site the latter facilities are the most in need of parking improvements.

In closing, this proposal could satisfy all the showgrounds' parking needs and save our community's 118 year old community asset grandstand, which shelters spectators from wind, sun and rain.

The wonderful new facility could be opened once and for all, and those that use the grandstand could continue to do so. The possibilities for the future are endless. A new path and lighting connecting to the old footpath up the hill to the new facility, a safe off-road cycle path around the perimeter – echoing the history of the site, a fitness circuit with permanent outdoor apparatus, many more people could be satisfied.

Before the new facility neither Council nor the Community had any issues with the grandstand. We now have two wonderful community assets at the showgrounds and, with a little novel thinking and community spirit, we could save and restore the grandstand and have two showpiece facilities (new and old) built by like-minded community lead groups over a century apart.

Too often we demolish our heritage in the name of progress, ignoring those who went before us and the foundations they laid for the freedom we all enjoy today. Many of Golden Bay's old family names were involved in the fundraising for and the building of the grandstand.



**DRAFT**

The trust was formed to assist in the preservation and restoration of the Takaka grandstand. Many of the points of this proposal would come under that umbrella: the building consent amendment fee, the painting of the grandstand, the making good as necessary any newly exposed grandstand walls, etc.

The trust may also be able to assist with Construction and heavy equipment operators and machinery: this could be gauged accurately if the grandstand future was secured.

We would like, but need TDC's support, to:

- Create a Demolition and Health and Safety plan to demolish the add-on structures around the grandstand, using construction experts in this field.
- The partial demolition would give the Golden Bay Community the chance to see the reduced grandstand footprint that with a spruce up will enhance the new facility and showcase two fantastic community lead initiatives that lead to the construction of two wonderful Community assets in two different centuries of Golden Bay's history.
- The removal of the added structures would make it easier for a comprehensive report into the grandstand's structural integrity.

Ideas for the future:

- A road across the fields alongside the creek at NE end of grounds running between soccer and rugby fields linking show ground entry road down past the grandstand and new facility, across to Park Avenue. This would provide easy parking for buses. The vegetation could be managed to allow viewing from cars of the soccer and rugby fields, depending which way you park.
- Let us together at least try the combined facility, and review the situation after a period of time, being at least one year. We are a resilient and ingenious district with the ability to overcome or remove many obstacles.

Thank you for your consideration.

Regards

Golden Bay Grand Stand Community Trust

Hazel Pearson (trustee)

[hazel@projectresource.co.nz](mailto:hazel@projectresource.co.nz)

03 525 9006

0204 000 5325

**Item 8.1**

**Attachment 1**

BEFORE THE ENVIRONMENT COURT

Decision No. [2017] NZEnvC 92

IN THE MATTER of the Heritage New Zealand Pouhere Taonga Act 2014

AND of an appeal under section 58 of the Act

BETWEEN GOLDEN BAY GRANDSTAND COMMUNITY TRUST (INCORPORATED) (ENV-2016-WLG-000065)

Appellant

AND HERITAGE NEW ZEALAND POUHERE TAONGA

Respondent

IN THE MATTER of the Resource Management Act 1991

AND of an application under section 316 of the Act

BETWEEN GOLDEN BAY GRANDSTAND COMMUNITY TRUST (INCORPORATED) (ENV-2016-WLG-000066)

Applicant

AND TASMAN DISTRICT COUNCIL

Respondent

AND HERITAGE NEW ZEALAND POUHERE TAONGA

Respondent



GOLDEN BAY GRANDSTAND COMMUNITY TRUST (INCORPORATED) v HERITAGE NEW ZEALAND POUHERE TAONGA; GOLDEN BAY GRANDSTAND COMMUNITY TRUST (INCORPORATED) v TASMAN DISTRICT COUNCIL

2

Court: Environment Judge B P Dwyer  
Environment Commissioner J R Mills  
Deputy Environment Commissioner D Kernohan

Hearing: In Nelson on 8 and 9 ~~February~~ <sup>March</sup> 2017

Closing Submissions Received 20 March 2017

Appearances: W J Heal for Appellant  
R M Devine for First Respondent  
J G A Winchester and K E Viskovic for Second Respondent

Date of Decision: 29 June 2017

Date of Issue: 29 June 2017

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**DECISION OF THE ENVIRONMENT COURT**

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- A: Appeal pursuant to s 58 Heritage New Zealand Pouhere Taonga Act 2014 dismissed and costs reserved**
- B: Application for enforcement orders declined with no reservation of costs**

**REASONS**

**Introduction**

[1] We commence this decision by recording the contribution to these proceedings made by Mr Warwick Heal who sadly passed away between conclusion of the hearing and the issue of this decision. Mr Heal was obviously unwell during the hearing but nevertheless conducted his client's case with the acuity and wit which were his marks as an advocate. He was highly respected by all members of the Court before whom he appeared over many years. We offer our sincere sympathy to his family and client.

[2] This decision relates to two sets of proceedings<sup>1</sup> filed by Golden Bay Grandstand Community Trust (Incorporated) (the Trust) relating to an historic



<sup>1</sup> A third proceeding namely an application (ENV-2016-WLG-000067) seeking declarations relating to consultation requirements under the Heritage New Zealand Pouhere Taonga



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grandstand building (the Grandstand) located at the Takaka Recreation Park (the Park) in Golden Bay.

[3] The proceedings before this Court are:

- Firstly, an appeal against a decision on the following matter:

An application by the Tasman District Council to Heritage New Zealand Pouhere Taonga for permission under the provisions of the Heritage New Zealand Pouhere Taonga Act 2014 to demolish an historic building, namely the grandstand at Takaka Recreation Park, 2032 Takaka Valley Highway, Takaka, Golden Bay.

The decision of Heritage New Zealand Pouhere Taonga (HNZ) under appeal was a determination pursuant to s 48 of the Heritage New Zealand Pouhere Taonga Act 2014 (the Heritage Act) to grant a general authority to Tasman District Council (the Council) allowing the modification or destruction of an archaeological site (namely the Grandstand).

- Secondly, an (amended) application for an enforcement order and an interim enforcement order pursuant to the provisions of ss 314, 316 and 320 of the Resource Management Act 1991 (RMA) in the following terms:

That;

1. The Tasman District Council does not demolish, remove or disturb the Grandstand at Takaka Recreation Park Takaka until the further order of the Court;
2. That the Tasman District Council reinstate the Grandstand at the Takaka Recreation Park by replacing the stairs on the Northern and Southern sides of the Grandstand removed by the Council prior to May 2016, so that the public may have access to the upper tiers of the grandstand.
3. That the Court make interim orders as requested in paragraphs 1 and 2 hereof pending the further order of the Court.<sup>2</sup>

Act 2014 and the Local Government Act 2002 was struck out by the Court in the course of a judicial telephone conference on 3 February 2017 as the Court determined that there was no jurisdictional basis for that application.

Early in the course of these proceedings, the Council gave an undertaking to the Court that it would not remove the Grandstand pending the Court's decision in these proceedings and accordingly the Court considered it was not necessary to consider the making of any interim orders.



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**Background**

[4] Takaka is the largest community in Golden Bay situated in the north western corner of the Tasman District. Takaka itself has a population somewhere in the order of 1300 - 1400 people and the population of the entire Golden Bay area (including Takaka) is approximately 5000.

[5] Golden Bay constitutes a separate ward in the Council's district. It is represented by two members on the Council and additionally a four member Golden Bay Community Board has been established to represent and advocate for the Golden Bay community pursuant to Part 4 (subpart 2) of the Local Government Act 2002.

[6] The Park is situated on the main road into Takaka on the southern outskirts of the town and incorporates the showgrounds for the Golden Bay A&P Association (the A&P Association) as well as playing facilities for rugby, tennis, football, cricket and squash. A number of buildings associated with these various uses are established on the Park as well as the Grandstand. Ownership of the Park is divided between the Council, which owns about 6 hectares or so and the A&P Association which owns just over one hectare.

[7] The Grandstand is situated on the Council land on the north western side of the showground/rugby field contained in the Park, close to the boundary line between the Council land and the A&P Association land. A grandstand was initially erected in this position in 1899 and parts of that original building remain. Initially the Grandstand was an open structure but in 1911 a distinctive barrel-vaulted (curved) roof was constructed over the Grandstand and a roof of this shape remains in place today.

[8] The Grandstand is a two storey building whose upper storey contains seating for over 300 people. The ground floor is a combination timber (eastern side) and concrete block (western side) building containing the Takaka Rugby Football Club clubrooms and changing rooms which protrude out from the Grandstand building to various degrees on both sides. The clubrooms which were originally built in 1967 and extended in 1992 are now vacant. On its southern side the Grandstand abuts a two storied timber (upper) and concrete block (lower) squash court building which was constructed in 1975 but is also now vacant. Both the rugby clubrooms and the squash courts have been relocated to a new shared recreational facility (the Facility) containing a social lounge, meeting rooms, changing rooms, squash courts and indoor playing



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surface for netball, basketball etc which has recently been completed on the Park approximately 10m or so to the north of the Grandstand. It appears that the original Grandstand would have had a footprint in the order of 190 square metres and the combined buildings about twice that. It was the intention of the Council that as part of the new development the combined Grandstand and squash courts buildings would be demolished and the area occupied by them used as car parking for the Facility. These proceedings seek to prevent demolition of the Grandstand.

[9] There are three obvious elements of incongruity to the current appearance of the Grandstand:

- The first is that the Grandstand sits in close proximity to the Facility in a situation where neither seems to complement or bear any relationship to the other. The intention that the Grandstand would be demolished seems apparent at first sight as is the unsatisfactory situation of the absence of a proper car parking arrangement close to the Facility. The fairly close proximity of the two buildings gives a somewhat cramped appearance to the southern entry into the Facility and there is a clearly discordant element to the juxtaposition of the two which detracts from both (particularly the Facility);
- The second is the appearance of the Grandstand itself. It contains an eclectic combination of old and more recent elements. Its distinctive barrel vaulted, corrugated iron roof is supported by a row of timber posts and steel angled roof framing. The upper interior wall boards are aged, rusticated timber which is possibly (but not certainly) original. All of this sits on top of the obviously more recent timber and concrete block rugby clubrooms. The northern end of the building is predominantly clad in somewhat dilapidated corrugated iron. There has been no apparent attempt to blend the old with the new so that much of the building's fittings comprise modern materials such as PVC gutters and downpipes and contemporary framing, linings etc;
- The third element is provided by the squash court building to the south which, due to its height, bulk and closed construction, seems to dominate the Grandstand although it is probably of similar size. Again there has been no attempt to blend the old with the new so that the two buildings sit awkwardly side by side. Removing the squash courts will reveal the southern profile of the grandstand.



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We attach to this decision (Attachment 1) a photograph taken from the showground (approximate eastern) side of the buildings demonstrating our description. Notwithstanding the incongruities which we have identified, the form of the original Grandstand remains apparent as does the distinctive element provided by the barrel vaulted roof which is apparently one of only five such roofs on grandstand buildings remaining in New Zealand.

[10] Use of the Park for sporting and recreational activities initially began in the 19<sup>th</sup> Century under the auspices of the Takaka Athletic and Cycling Club. In 1894 the A&P Association acquired the Park (or at least part of it) from the Athletic and Cycling Club and the first A&P show was held. Shows have been held on the Park annually since then. Construction of the Grandstand was completed in time to enable spectators to watch the annual show on 1 February 1900. It was common ground that construction would have commenced sometime in 1899. The Grandstand remained in use up until the 2016 A&P show following which exterior stairs giving access to the north and south ends of the Grandstand were removed by a Council contractor, ostensibly to enable work on the Facility whose construction was underway.

[11] A formal proposal for the Facility first emerged in the Council's ten year plan (2009-2019) which proposed a new community recreation complex in Golden Bay. The ten year plan contained an allowance of \$3.4 million dollars in the 2012/2013 year towards the cost of the complex with an additional 20 per cent of the cost to come from community fundraising. The proposal was a guide only and subject to the outcomes of a feasibility study, public consultation and Council approval.

[12] In August 2010 an advertised public meeting was held in Golden Bay to discuss the proposal. It was generally agreed at this meeting that many of the existing community and recreational facilities in Golden Bay were aged and unable to meet the needs of the community in the future and there was support for development of a shared multi-purpose community recreational complex.

[13] A process of meetings, consultation, presentations and publicity followed. The details of this process were contained in the evidence of Mr L R McKenzie<sup>3</sup>, the Council's Chief Executive Officer and Mr D A Lund, Chairman of Golden Bay Shared



<sup>3</sup> We will refer to him as Mr L McKenzie to distinguish him from Mr D R McKenzie who gave evidence for the Trust to whom we will refer as Mr D McKenzie.

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Recreational Facility Incorporated (GBSRF Inc) which was incorporated on 12 October 2011 to advance the Facility project.

[14] A feasibility report obtained by the Council and GBSRF Inc in February 2013 confirmed the desirability of a multi-use community complex (now being the Facility) being established on the Park. It is apparent from consideration of various documents provided to us<sup>4</sup> that demolition of the Grandstand was intended as part of the development of the Facility from early on in the process and that this intention was publicly and widely conveyed.

[15] Construction of the Facility, which commenced immediately after the 2016 A&P show, is now completed. However, a final code compliance certificate for the Facility cannot be given in terms of its building consent until such time as all carparks required to service it are available. The Grandstand currently occupies the space required for a number of the carparks which the Council is obliged to provide for the Facility<sup>5</sup>. Provision of those carparks has been curtailed by these proceedings which have prevented the planned demolition of the Grandstand. The Facility cannot be fully utilised until the issue of carparks is resolved. Use of the facility in conjunction with the 2017 A&P show was authorised by the issue of a temporary Certificate of Public Use but other clubs and organisations intending to use the Facility for their activities have been unable to do so.

[16] We will return to some of these matters in more detail elsewhere in this decision which we structure in two parts dealing firstly with the application for consent from HNZ under the Heritage Act and then addressing the enforcement proceedings under RMA.

#### The Heritage Act Application

[17] The Heritage Act came into force in New Zealand on 20 May 2014, replacing the Historic Places Act 1993. Its purpose is to "promote the identification, protection, preservation and conservation of the historical and cultural heritage of New Zealand."<sup>6</sup> Subpart 2 of Part 3 of the Heritage Act contains provisions relating to "Overarching protection for archaeological sites".



<sup>4</sup> Eg: Lund EIC Attachments D, G, H, I and Q.  
<sup>5</sup> Witness estimates varying between 14 and 26.  
<sup>6</sup> Heritage Act s 3.

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[18] Archaeological sites are defined in s 6 as meaning:

**6. Interpretation**

In this Act, unless the context otherwise requires,-

**archaeological site** means, subject to section 42(3),-

- (a) any place in New Zealand, including any building or structure (or part of a building or structure), that-
  - (i) was associated with human activity that occurred before 1900 or is the site of the wreck of any vessel where the wreck occurred before 1900; and
  - (ii) provides or may provide, through investigation by archaeological methods, evidence relating to the history of New Zealand; and
- (b) includes a site for which a declaration is made under section 43(1)

[19] Section 42 of the Heritage Act contains provisions precluding the modification or destruction of archaeological sites, as follows:

**42 Archaeological sites not to be modified or destroyed**

- (1) Unless an authority is granted under section 48, 56(1)(b), or 62 in respect of an archaeological site, no person may modify or destroy, or cause to be modified or destroyed, the whole or any part of that site if that person knows, or ought reasonably to have suspected, that the site is an archaeological site.
- (2) Subsection (1) applies whether or not an archaeological site is a recorded archaeological site or is entered on-
  - (a) the New Zealand Heritage List/Rarangi Korero under subpart 1 of Part 4; or
  - (b) the Landmarks list made under subpart 2 of Part 4.
- (3) Despite subsection (1), an authority is not required to permit work on a building that is an archaeological site unless the work will result in the demolition of the whole building.

[20] Because construction activity on the original part of the Grandstand commenced in 1899, that part of the building constitutes an archaeological site whose demolition is not permitted unless an authority has been obtained from HNZ under the Heritage Act.<sup>7</sup> Only a limited extent of building components remain from before 1900. These appear to be some original rimu framing elements and possibly the rusticated weatherboards lining the inside of the upper storey.



<sup>7</sup> Although the pre 1900 section of the Grandstand constitutes only part of the building, we assume that s 42(3) applies because all of the Grandstand building (pre and post 1900) is to be demolished.

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[21] On 27 October 2016 the Council filed a belated application with HNZ pursuant to s 44 of the Heritage Act for authority to demolish the Grandstand. We say belated because although the Council had not actually commenced demolition (other than removal of the stairs), it had substantially completed construction of the Facility on the assumption that the Grandstand would be demolished to provide parking space for it.

[22] Mr L McKenzie deposed that the Council had not become aware that parts of the Grandstand were constructed in 1899 until May 2016, at which time construction of the Facility was well under way. When it did become aware of that matter it undertook a process of discussion with HNZ, archaeological investigation and consultation with tangata whenua, leading up to the October application. HNZ determined to grant an authority to demolish the Grandstand pursuant to s 48 of the Heritage Act on 21 November 2016 and it is that determination which is the subject of these appeal proceedings.

[23] We do not propose to discuss the merits of the Trust's appeal against the HNZ determination in any detail. The Trust failed to present any case at all on the archaeological basis of HNZ's decision and formally conceded that it did not challenge the archaeological evidence advanced in support of the application.<sup>8</sup> We simply record that we accept the evidence on the merits of the application advanced on behalf of HNZ by:

- Ms P J Bain (HNZ Senior Archaeologist) and in particular her conclusion that "it is appropriate to grant an archaeological authority to demolish the Grandstand."<sup>9</sup>
- Mr R W Maguire (archaeological consultant) that the values of the Grandstand as an archaeological site are "low"<sup>10</sup>, primarily because of loss of pre 1900 fabric, and that it was appropriate to grant the authority.<sup>11</sup>

[24] Notwithstanding the absence of any case on the merits, in its opening submissions, the Trust challenged the ability of HNZ to grant the authority on the basis of two legal contentions:

- 6.4 It is the Trust's contention that HNZPT were under a statutory duty either to ensure that the applicant for consent the Tasman District Council, or NZHPT itself



<sup>8</sup> Trust opening submissions para 6.2.  
<sup>9</sup> EIC para 54.  
<sup>10</sup> EIC para 25.  
<sup>11</sup> EIC paras 32-33.

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by default, were obliged to consult with directly affected persons, and in particular the GB A&P Association before it made its decision. Both organisations failed to consult or even approach the GB A&P Association before making the application and making a decision on it. The Council simply made an assumption without proper enquiry or justification.

- 6.5 The second element of the Trust's challenge to the grant of an Authority under Section 48 is that the provisions of the *Reserves and Other Lands Disposal Act 1959* prevents the issue of an authority by NZHPT because that Act vests in the GB A&P Association certain statutory rights that it was not intended that the HNZPT Act 2014 intended or did revoke. ...

[25] Before addressing those propositions it is necessary for us to consider a jurisdictional impediment which the Council and HNZ contend precludes the Trust from bringing the appeal at all. Both referred to the provisions of s 58 of the Heritage Act which limits appeals against decisions of HNZ on applications for an authority to persons who are "directly affected" by such decisions. They contended that the Trust did not meet the test of being a person who was directly affected. The Council largely adopted the submissions of HNZ on this issue.

[26] HNZ referred to the approach which should be taken when considering who might be directly affected identified by the High Court in *Campaign for a Better City Inc v New Zealand Historic Places Trust (Pouhere Taonga)*<sup>12</sup> as well as the examples of directly affected parties identified by this Court in the *Te Aro Heritage Trust v New Zealand Historic Places Trust (Pouhere Taonga)*<sup>13</sup> case.

[27] It is apparent from considering the various authorities to which we were referred that although the cases have identified broad principles applicable to determining whether or not a party may be directly affected and various examples of direct affect have been identified, application of the broad principles is dependent on the factual matrix surrounding each case. However, as a general principle, emotional connections to buildings or places of members of the public who enjoy, visit or use them and have developed an attachment to them, do not suffice to create a direct affect in terms of s 58. Some closer connection is required.



<sup>12</sup> *Campaign for a Better City Inc v New Zealand Historic Places Trust (Pouhere Taonga)* [2004] NZRMA 493 (HC) (a decision under the Historic Places Act 1993).

<sup>13</sup> *Te Aro Heritage Trust v New Zealand Historic Places Trust (Pouhere Taonga)* Decision W 52/2003.



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[28] The Trust was formed in July 2016 as a response by its founders to the Council's decision to proceed with demolition of the Grandstand. Mr Heal submitted that the narrow and specific purpose of the Trust (being the promotion of and assistance in the preservation and restoration of the Grandstand)<sup>14</sup> brings the Trust within the ambit of being directly affected by the proposal to demolish the Grandstand. We accept that, at the least, the narrow and specific purpose of the Trust overcomes the shortcomings of the general nature of the goals and functions of the purported appellant in the *Te Aro Heritage* case. Preservation and restoration of the Grandstand is the *raison d'être* of the Trust. Mr Heal submitted that if the Grandstand is demolished the Trust loses its purpose and is therefore directly affected by HNZ's decision to grant the authority. The somewhat circular nature of that proposition is readily apparent.

[29] We express our reservations to the proposition that status to appeal may be acquired by strategic drafting of a deed when (in this case) the three parties to the Trust's deed<sup>15</sup>, do not appear themselves to have standing as being directly affected. Furthermore, we are not satisfied on the basis of the evidence before us that the Trust can be said to be directly affected by the application under appeal in the sense required by s 58 of the Heritage Act.

[30] The application to HNZ was for an authority under s 44 of the Heritage Act to modify or destroy an archaeological site (the pre 1900 components of the Grandstand) to the extent that it "provides or may provide, through investigation by archaeological methods, evidence relating to the history of New Zealand."<sup>16</sup> Nowhere in the evidence of the Trust or its various witnesses was there any evidence as to how the Trust might be directly affected by any diminution in the archaeological value of the site in providing evidence relating to the history of New Zealand which might be occasioned by demolition of the pre 1900 components of the Grandstand.

[31] The only evidence before the Court on the archaeological issue was that of Ms Bain and Mr Maguire which we have summarised in para [23] (above). The Trust's expert witnesses on heritage/architecture issues (Messrs J C N Blackburne and I Bowman) both conceded that they were not qualified to assess archaeological values. None of the four current trustees<sup>17</sup> (Ms A R Grant, Mr D McKenzie, Ms H M Pearson or Ms J M Pearson) addressed archaeological issues in their affidavits. The Trust's



<sup>14</sup> Trust's submissions in opposition to strike out paras 65 – 70.

<sup>15</sup> Mr D McKenzie, Ms H Pearson and Ms J M Pearson.

<sup>16</sup> Heritage Act s 6.

<sup>17</sup> Increased from the initial three trustees.

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evidence regarding the Grandstand was rather directed at historic heritage and amenity values associated with the Grandstand (including its post 1900 components) which are appropriate matters for consideration of the RMA (enforcement) element of these proceedings but in our view do not relate to the pre 1900 archaeological investigative issue which is the focus of enquiry under s 44 of the Heritage Act.

[32] Nor do we accept that the Trust represents other persons who have a direct interest as it contended in its opening submissions. The Trust is not a representative body. As Ms Devine observed "It is a charity established by a few individuals for a specific purpose".<sup>18</sup> The members of the Trust appear to be its (now) four trustees. A number of witnesses described themselves as "supporters" of the Trust but that did not make the Trust a mandated representative of those persons at the time the Trust filed its appeal, when it was required to have status. Nor did the evidence satisfy us that even if the Trust might be viewed as representing a wider group of persons, the members of that wider group were themselves directly affected by grant of the archaeological authority. With the exception of the A&P Association (to which we will refer shortly), the interests established by the evidence were interests of persons who have been involved in or attended A&P shows and who used the Grandstand from time to time. Even if those interests were accepted as creating a direct affect on the witnesses and s 274 parties (and we do not accept that), that does not operate to confer standing on the Trust which must have had standing in its own right to file an appeal at the time of filing.

[33] We conclude that the Trust has failed to establish that it is a person directly affected by the application for an archaeological authority and accordingly had no status to appeal against the grant of the authority. To the extent that our conclusion in that regard may be debateable, we address the Trust's legal contentions set out in para [24] (above) as well as the merits of the Council's application.

[34] The Trust's submission that the Council and/or HNZ were obliged to consult with directly affected persons (and in particular the A&P Association) was founded on the provisions of s 46(2)(h) of the Heritage Act which provides that an application to HNZ for an authority must contain:

**46 Information that must be provided with application for authority**

(2) An application must include the following information:



<sup>18</sup> HNZ submissions para 15(f)(i).

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- (h) a statement as to whether consultation with tangata whenua, the owner of the relevant land (if the applicant is not the owner), or any other person likely to be affected—
- (i) has taken place, with details of the consultation, including the names of the parties and the tenor of the views expressed; or
  - (ii) has not taken place, with the reasons why consultation has not occurred.

[35] The Trust contended that the Council's application to HNZ "included no such statement".<sup>19</sup> That contention is incorrect as a statement of fact. Section C1 of the HNZ application form<sup>20</sup> as to consultation was completed by the Council. It answered "Yes" to the questions as to whether consultation had been undertaken with the parties identified in s 46(2)(h). Section B3 of the application form had previously provided a statement as to the extent of consultation undertaken.

[36] Mr Heal went on to contend that no consultation of a "legal acceptable nature"<sup>21</sup> had taken place between the Council and affected persons, particularly the A&P Association. That contention does not withstand scrutiny. The Heritage Act does not specify the extent of consultation which must be undertaken in any given case but we are satisfied from the evidence of Messrs Lund and L McKenzie that a wide ranging and comprehensive programme of consultation was undertaken as to the Facility proposal which clearly required removal of the Grandstand. Some of the consultation was undertaken by the Council and some by GBSRF Inc (a body on which the A&P Association was represented) which in turn reported to the Council.

[37] Mr Heal acknowledged that the Heritage Act does not state what was to happen in the event of there having been no or inadequate consultation but contended that there had to be a reason why Parliament had included s 46(2)(h) in the Heritage Act and that the process of granting the authority was "fatally flawed".<sup>22</sup> We do not accept Mr Heal's contentions in that regard for the reasons set out in paragraphs [35] and [36] (above). We find that the Council's application was in accordance with the requirements of s 46(2)(h) and an appropriate level of consultation had been undertaken.



<sup>19</sup> Trust's opening submissions para 8.2.  
<sup>20</sup> L McKenzie EIC Attachment L.  
<sup>21</sup> Trust's opening submissions para 8.2.  
<sup>22</sup> Trust's opening submissions para 8.5.

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[38] The Trust's contentions as to the effect of the Reserves and Other Lands Disposal Act 1959 (The ROLD Act) arise out of the Council's acquisition of its part of the Park from the A&P Association (in part) and the Athletic and Cycling Club (in part) in 1959 pursuant to that Act. Section 18(3) of the ROLD Act contained the following reservation in favour of the A&P Association:

- (3) The Association shall be entitled to use free of charge the buildings on the said land for the purpose of holding meetings and for storage of fittings and equipment to the same extent as immediately prior to the coming into force of this Act.

[39] Mr Heal submitted that s 18(3) "creates an exclusive code with regard to the use of the land and buildings at the Takaka Showgrounds originally owned and occupied by the Golden Bay A&P Association (Inc) which includes the Grandstand. This code prevents both the destruction of the Grandstand without the express written consent of the Association so as to have the effect of depriving it of its statutory and contractual rights by the Tasman District Council and the granting of a demolition authority by HNZPT."<sup>23</sup>

[40] Arguably the interest reserved by the ROLD Act in "buildings" at the Park might operate so as to make the A&P Association a person directly affected by the application for an authority to demolish the Grandstand. Although the reservation does not constitute a proprietary or registerable interest, we accept that in any given instance some lesser or other rights may suffice to create a direct interest. However, we do not consider that this Court (or HNZ) is the appropriate forum to determine whether the statutory and/or contractual rights created by the reservation contained in s 18(3) of the ROLD Act operate so as to preclude the Council from ever demolishing the Grandstand (or any other buildings on the Park used by the A&P Association) as contended by the Trust.

[41] Our view in that regard is reinforced by the submissions of Mr Winchester on behalf of the Council as to the interest reserved to the A&P Association.<sup>24</sup> We concur with his submission that the interest is in the nature of a licence which creates a personal right against the Council as licensor rather than any proprietary right or interest in the land of the Park acquired by the Council. The evidence before us does not enable us to precisely define the extent of that licensee interest (limited to the



<sup>23</sup> Trust's opening submissions para 9.1.

<sup>24</sup> Council submissions paras 3.8 - 3.10.

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extent of usage for meetings and storage which existed immediately prior to the ROLD ACT coming into force in 1959) even if we were inclined to do so.

[42] In resolving the s 44 application on its merits, we consider that the determinative factor is the uncontested evidence set out in para [23] (above) that the archaeological values of the pre 1900 component of the Grandstand are low and that it is appropriate to grant the authority. In reaching that conclusion we have specifically had regard to s 59(1)(a)(iv) Heritage Act insofar as the interests of the A&P Association are concerned.

[43] For all of the reasons set out in paragraphs [17] – [42] (above) we determine that:

- The Trust had no status to bring this appeal and the decision of HNZ stands accordingly;
- Alternatively, the appeal fails on its merits and the decision of HNZ is confirmed.

[44] This is a final decision in respect of the appeal pursuant to s 58 Heritage Act. We consider that it is appropriate to reserve costs in favour of HNZ in respect of this aspect of the proceedings. Any costs application to be filed and responded to in accordance with the Environment Court Practice Note 2014. We leave resolution of costs for the Council to be dealt with by further direction on determination of the enforcement proceedings which we now address.

#### **The Enforcement Order Application**

[45] The Trust seeks the enforcement orders set out in para [3] (above) to prevent demolition, removal or disturbance of the Grandstand and reinstatement of the external stairs which were removed in May 2016.

[46] In addressing the enforcement order application we will:

- Briefly consider some preliminary legal matters;
- Identify the appropriate test to be applied in determining whether or not the proposed demolition meets the requirements of s 314(1)(a)(ii) RMA for making an enforcement order;
- Identify the relevant issues as we see them and set out various agreements and/or conclusions reached by the relevant expert witnesses;



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- Undertake the four steps of inquiry identified by the Court of Appeal in *Watercare Services Ltd v Minihinnick*;<sup>25</sup>
- Determine whether or not to make an enforcement order as requested by the Trust.

*Preliminary legal issues*

[47] There are three preliminary legal issues which we address briefly for the sake of completeness although they were *givens* in these proceedings:

- Firstly, the question of status which we addressed in relation to the Heritage Act appeal is not an issue in respect of enforcement proceedings. Section 316(1) RMA enables "any person" to make an application of the kind specified in s 314(1)(a) and does not contain any requirement for an applicant to be directly affected by the subject matter of an application for enforcement order;
- Secondly, we note that the Council is/was not required to obtain a resource consent to demolish the Grandstand. The demolition is a permitted activity under the Tasman Resource Management Plan as the building is not listed in that Plan's Schedule of Heritage Buildings and Structures (the Schedule) which would trigger the need for a resource consent, although non inclusion in the Schedule does not preclude the Court from making findings of fact as to the historic heritage value of the Grandstand which warrant its protection. Interestingly, Ms C S H Craig (General Manager, Central for HNZ) who gave evidence for the Council, expressed the view that the Grandstand should have been included in the Schedule<sup>26</sup> but that is not something that can be resolved in these proceedings;
- Thirdly, that the pre 1900 element required to comprise an archaeological site and trigger the need for an archaeological authority pursuant to s 42 Heritage Act is not a requirement for historic heritage considerations to apply under RMA (nor indeed, under Part 4 Heritage Act).



<sup>25</sup> *Watercare Services Ltd v Minihinnick* [1998] 1 NZLR 294 (CA) at 304 (We will refer to this as *Watercare*).

<sup>26</sup> NoE page 195.

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*Test for making an enforcement order*

[48] The Trust's application was made pursuant to s 314(1)(a)(ii) RMA which relevantly provides:

**314 Scope of enforcement order**

(1) An enforcement order is an order made under section 319 by the Environment Court that may do any one or more of the following:

- (a) Require a person to cease, or prohibit a person from commencing, anything done or to be done by or on behalf of that person, that, in the opinion of the Court,—
- (ii) Is or is likely to be noxious, dangerous, offensive, or objectionable to such an extent that it has or is likely to have an adverse effect on the environment:

[49] It was the Trust's position that demolition of the Grandstand constituted something which was offensive and/or objectionable to many people and would have an adverse effect on the environment.<sup>27</sup>

[50] We will consider application of the these provisions further in due course, however a matter which we address at the outset arose from the submissions of Mr Winchester for the Council where he contended:

- There is certainly no reliable evidence which demonstrates that the majority of the community, whether within Golden Bay or the district as a whole, considers that the effect on heritage and/or amenity values of the removal of the Grandstand would be offensive and objectionable.<sup>28</sup>
- While it is accepted by the Council that the views of the Trust (as outlined in the affidavits of Trust witnesses) and section 274 parties are genuine, they are submitted to be the views of a vocal minority that is not truly representative of the views of the community.<sup>29</sup>
- This is submitted to be relevant in the present proceedings, because the test for offensive and objectionable effects as being the basis for an enforcement order is an objective one. It is not enough for the trust to assert, even *bona fide*, that something is offensive or objectionable (and indeed it is doubtful that the evidence does assert that in any event). There must be some external standard against which the assertion can be measured. The



<sup>27</sup> We note that enforcement order 2 sought by the Trust appears to rely on s 314(1)(b) although nothing presently turns on that and the Court may make any appropriate order under s 314 (s 319(1)(a)).

<sup>28</sup> Council's submissions para 1.11.

<sup>29</sup> Council's submissions para 1.16.

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external standard which should be applied in this instance is whether there is probative evidence that the majority of the community opposes the removal of the Grandstand because it is concerned about heritage and/or amenity impacts. It is submitted that such evidence is not before the Court.<sup>30</sup>

[51] These submissions appeared to advance the proposition that the question of whether demolition of the Grandstand is offensive or objectionable so as to trigger the Court's enforcement powers is to be determined by enquiry as to whether the majority of the community supports or opposes the demolition. In the course of a sometimes vigorous discussion with the Court on this issue, Mr Winchester confirmed on a number of occasions that it was his submission that if a majority of the population of Golden Bay supported the demolition of the Grandstand then it was not offensive or objectionable.<sup>31</sup> We consider that that proposition founders on both legal and factual bases.

[52] Legally, it is inconsistent with the provisions of s 314(1)(a) itself which authorises the Court to (relevantly in this case) "prohibit a person from commencing anything done or to be done by or on behalf of that person, that, **in the opinion of the Environment Court** ... is or is likely to be ... offensive, or objectionable" (our emphasis). It is clear from this provision that it is the opinion of the Court which is determinative as to whether or not an order is made, not the opinion of the majority of the population of Golden Bay as contended by Mr Winchester.

[53] It is correct that in forming its opinion the Court "must transpose itself into the ordinary person, representative of the community at large, and so decide the matter"<sup>32</sup>, however that is more than just a polling exercise to determine what the majority may or may not want. The Court is obliged to act in an objective fashion discarding any prejudices or fixed positions which may influence any particular views. In order to act objectively we consider that the Court is obliged to fully acquaint itself with all relevant information pertaining to the subject matter of the proceedings so that it makes its determination as to whether or not any proposed action is offensive or objectionable to a fully informed reasonable person. In forming its opinion the Court acts as the representative of New Zealand society as a whole<sup>33</sup> rather than any narrow or local sector of the community.



<sup>30</sup> Council's submissions para 1.17.

<sup>31</sup> NOE pages 97 – 107.

<sup>32</sup> *Zdrahal v Wellington City Council* [1995] 1 NZLR 700 (HC) at 708.

<sup>33</sup> *Watercare* at 305.



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[54] We consider that approach is entirely consistent with the observations of Judge Bollard in *Otorohanga Heritage Protection Group v Otorohanga District Council*<sup>34</sup> to which Mr Winchester referred in support of his proposition. It is clear from reading that decision that Judge Bollard determined that a "reasonable person test"<sup>35</sup> was the appropriate test, not what a substantial portion of the public might regard as offensive or objectionable. In making those observations we do not suggest that clearly expressed views (for or against) of sections of a local community may not be a relevant factor for the Court to take into account when forming its own opinion, simply that those views are not determinative. The Court is obliged to form its own objective view.

[55] Finally on this topic, we say that we do not accept that the evidence provided to us establishes as a fact whether the majority of the local community supports or opposes removal of the Grandstand in any event. There is certainly evidence of strong community support for the Facility but it is not clear if that translates automatically into support for removal of the Grandstand, even acknowledging that removal of the Grandstand has always been a part of the Facility proposal. The ambiguity in that regard is demonstrated by the apparent position of the A&P Association, gleaned from the evidence of its President Mr D McKenzie, which supported development of the Facility as proposed (including demolition of the Grandstand) if another viewing platform or area was provided. Even if it was accepted that a majority of the community supported demolition, it is impossible to say whether or not that position would be maintained if those holding it had objectively considered the evidence as to the historical heritage value of the Grandstand tendered by the expert witnesses for the Trust.

[56] It seems from the evidence which we heard that there is a division of opinion in the Golden Bay community as to the merits of demolition with strongly expressed views both ways. There is certainly no evidence of appropriately conducted surveys satisfying the criteria identified in *Shirley Primary School v Christchurch City Council*<sup>36</sup> which might enable us to accurately gauge where the balance of local opinion might lie.



<sup>34</sup> *Otorohanga Heritage Protection Group v Otorohanga District Council* Decision A083/94.

<sup>35</sup> *Otorohanga Heritage Protection Group v Otorohanga District Council* Decision A083/94 page 7.

<sup>36</sup> *Shirley Primary School v Christchurch City Council* [1999] NZRMA 66 (ZEnvC).

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*The Issues*

[57] The case presented by the Trust essentially had two component parts. The first relating to the amenity aspect of the grandstand, and the second to the historic heritage aspect.

[58] We deal with the first aspect only briefly although it was the subject of a considerable volume of evidence by witnesses for the Trust. This aspect arises out of concerns that demolition of the Grandstand removes the only elevated and sheltered viewing platform for persons wishing to view the annual A&P show. The evidence establishes that the Grandstand has satisfactorily fulfilled that function for over 100 years and was doing so as recently as the 2016 show. It is used for that purpose one day per year. The Grandstand may also provide sheltered viewing for rugby matches played on the main playing ground but it was plain from the evidence which we heard and our own observations that its use for rugby was limited in extent and is now further restricted because the Facility cuts off views from the Grandstand to the north west corner of the rugby ground.

[59] Although there was some suggestion made by the Council that there is an elevated viewing area available on the mezzanine floor of the Facility, inspection shows that to be a limited view for a very limited number of people without adequate (if any) seating.

[60] We recognise that the Grandstand possesses amenity values which will be lost as the result of its demolition. Additionally, we recognise that the use of the Grandstand for over 100 years is something which contributes substantially to the heritage component of that building.

[61] The heritage value of the Grandstand was subject to conferencing by heritage and architectural witnesses Messrs Blackburne and Bowman (for the Trust), Ms Coats and Ms Craig (for the Council) held by teleconference on Monday 6 and Tuesday 7 March 2017. An expert conferencing statement dated 7 March 2017 (JWS) was issued by these witnesses.



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[62] The Trust's position regarding the heritage value of the Grandstand can be found in the Heritage Values Assessment which comprised Annexure A of Mr Bowman's Affidavit where he stated:<sup>37</sup>

The Takaka grandstand has **high regional** significance as a nationally rare pre 1900 grandstand building that has remained on its original site. It is the second oldest of those not associated with horse racing. The barrel vault roof and steel angle construction are also very rare forms of construction for this building type.

The building has had a 117 year association with many local sporting codes, the A&P show and has seen the commemoration of international events such as the end of the Boer and First World War.

While there have been many additions to the building and internal alterations on the ground floor, the majority of the building can be considered as authentic.

The building is worthy of listing with Heritage New Zealand and on the Tasman District Regional Plan. It also fulfils the criteria for listing, at least at local level, with the New South Wales Heritage Office.

These conclusions were the basis of Mr Heal's submission "that once the Court has balanced the cost to the community of losing a wonderful old building with such high heritage values it will outweigh the minor and largely illusory disadvantages now promoted by the Council."<sup>38</sup>

[63] The Council's position was based on the evidence of Ms Coats who concluded in her report to the Council:<sup>39</sup>

Preservation of the existing facility will, in our view include substantial rebuilding of the Grandstand at the ground floor level to address the structural deficiencies with a flow on affect to the 1899/1911 authenticity and heritage value of the building. This is somewhat unavoidable if current building legislation is to be complied with to make the building made safe for use by future generations.



<sup>37</sup> Affidavit 17 January 2017 Annexure A Summary statement of heritage significance para 4.4.  
<sup>38</sup> Trust's opening submissions para 16.6.  
<sup>39</sup> Coats' EIC Appendix A.

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On balance, while it is entirely feasible to retain the 1899/1911 portion of the building, the current level of authenticity and the increasing level of obsolescence of the building in 2016 makes it difficult to make this recommendation.

[64] In considering the opposing views of the witnesses we have had regard to the issues of the historic built elements and heritage values of the Grandstand together with its current seismic status and the general condition of its older components. These issues were addressed in the JWS of the heritage/architecture witnesses and in evidence as to the physical condition of the Grandstand from engineers and Ms Coats.

[65] In terms of the historic built elements, matters agreed by the experts were:<sup>40</sup>

1. To date the original architect or engineer of the 1899 Grandstand is unknown
2. To date no original drawings of the 1899 Grandstand have been found
3. To date the original builder of the 1899 Grandstand is unknown
4. The 1911 alterations to the 1899 Grandstand [including the barrel vaulted roof] were undertaken by John Smith Builder
5. To date no original drawings for the 1967-68 internal remodel of the clubrooms, the 1968 lean-to additions between grid A and B, or the 1975 squash court addition have been found. There is some information in Foster (2016) but it is difficult to read and interpret.
6. The extent of the 1899 lean-to the rear is unknown. Figure 6 page 10, Blackburne (2017) shows elevation looking towards NE 2 high level windows and canopy beyond. With reference to (SOE Amanda Coats) Appendix C – Cross Section the ceiling to the existing classroom between Grid B and C is assumed by the experts to have been introduced later as it appears to horizontally transect the high level windows shown in the photograph.
7. That the age of various parts of the building shown in Appendix C – Plan View and Appendix C – Cross Section are accepted.
8. Existing Posts EP1 – EP3 exist at ground floor level and support laminated beam on gridline.
9. If the 1975 Squash Courts were demolished it would improve the visual appearance of the remaining building.

There were no areas of disagreement amongst the heritage/architecture experts with regard to the historic built elements.



<sup>40</sup> JWS para 3a.

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[66] With regard to the heritage value of the Grandstand, matters agreed by the experts in conference included:

- In the building's current state and with the historic information to hand Mr Blackburne, Ms Craig and Ms Coats agreed that the building does not attain a Category 1 or Category 2 threshold in terms of HNZ listing criteria but all acknowledged (to various degrees) that the building exhibits heritage values which are specific to the Golden Bay region (and to the Nelson/Tasman region in Mr Bowman's case);
- In the absence of any unified national heritage criteria the experts adopted the framework written by Mr Bowman in his statement of evidence at Appendix 1 which contained a series of values to be given a high, moderate or low score. Table 1 of the JWS was a HERITAGE VALUE RE-ASSESSMENT with rankings reflecting each expert's re-assessment of heritage value of the Grandstand in the context of the Tasman region.
- The re-assessments using Mr Bowman's 'Framework' were recorded in Table 1 as follows:
  - a. Events value was rated 'high' by all experts;
  - b. Architecture, Technology, Rarity and Education values were all rated 'high' by every witness other than Ms Coats who recorded each as having 'low' value;
  - c. Patterns was rated 'high' by all experts save Mr Bowman who rated it 'moderate';
  - d. Context or Group values were rated 'moderate' by all but Mr Bowman who rated them as 'high';
  - e. Representativeness, Identity, People, Commemorative and Public Esteem values were rated 'moderate' by all experts;
  - f. Scientific and Integrity values were rated 'low' by all experts.
- Messrs Blackburne and Bowman noted the possible 'Rarity Value' of the Grandstand and suggested that these points would be subject to detailed investigation should a Conservation Plan be commissioned;
- In Messrs Bowman's and Blackburne's and Ms Craig's view the 1967-68, 1975, 1977 and 1992 elements reduce heritage value by obscuring the original form and character and remove some original fabric of the 1899/1911 portion of the building. In Ms Coats' view the authenticity of the remaining parts of that portion and its value are affected and diminished due to the other parts. She agreed that the removal of significant parts of



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the building to recapture its 1899/1911 form could be used as a tool to re-establish and increase value through a process of reconstruction and restoration.

[67] It is unfortunate that the process of development of the Facility was undertaken in the way that it was, without a detailed appraisal of the heritage values of the Grandstand and the feasibility of its retention. It was apparent from the responses which Mr L McKenzie gave to questions from members of the Court that the Council's approach to these considerations was driven by non inclusion of the Grandstand in the Schedule and a lack of knowledge as to its history. He acknowledged that had the Council become aware earlier of the heritage issues which have been raised it would have taken a more detailed appraisal.<sup>41</sup> It is apparent that all the experts agree that such an appraisal should have included preparation of a Conservation Plan for the Grandstand.<sup>42</sup>

[68] Mr Bowman and Ms Craig agreed "that a Conservation Plan proportionate to the heritage significance of the building shall include the following:

- (a) Preparation of accurate measured drawings of the existing building
- (b) a historical record of the building
- (c) a heritage inventory of all fabric and an assessment of authenticity
- (d) an assessment of heritage values and summary of significance
- (e) consideration of risks associated with the building
- (f) policies that will ensure the heritage values of the building are maintained accepting appropriate adaptation
- (g) means of implementation of the policies<sup>43</sup>

[69] Evidence or information with respect to the physical condition of the Grandstand was provided by engineer Mr P C Smith, an Aurecon report and Ms Coats.

[70] The evidence of Mr Smith, (a consultant structural and civil engineer who provided evidence for the Trust), was taken in by the Court without him being cross examined. His conclusions were:<sup>44</sup>



<sup>41</sup> NOE pages 156-161.  
<sup>42</sup> JWS- Issue 4: CONSERVATION PLAN.  
<sup>43</sup> JWS page 8.  
<sup>44</sup> Affidavit 20 February 2017 para 8.

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1. The Grandstand building at Golden Bay Recreation Park Takaka has been assessed to have a seismic lateral load capacity of approximately 45% New Building Standard (NBS).
2. The assessment undertaken on the building is higher than the 33% threshold for an earthquake risk building but lower than the 67% NBS threshold risk building, meaning that the building would not be classed as being earthquake prone.
3. There is no legal requirement to strengthen the Grandstand

[71] Mr Smith noted in his Appendix A - Structural Assessment (Scope and Limitations) - that his structural assessment was based on a limited visual inspection of the building and drawings included in the report *Archaeological Assessment of the Grandstand, Golden Bay Recreation Park, Takaka, Deb Foster Archaeological Consultancy, July 2016*. He noted further that where the structure was not able to be sighted, the structure shown on the drawings has been assumed to be as constructed. No destructive tests or geotechnical investigations had been undertaken by him.

[72] An earlier Initial Seismic Assessment (IEP) carried out by Aurecon NZ Ltd (25 October 2012)<sup>45</sup> determined that the overall "provisional rating" for what is described as the "Takaka Rugby Club C1970's" is 31 per cent New Building Standard (NBS). That is less than 34 per cent NBS and is potentially earthquake prone according to the Building Act 2004. Aurecon recommended detailed assessment of the building structure.

[73] Ms Coats' assessment of the physical condition of the building was easily the most in-depth of any of the witnesses or reports. Paragraphs 6.3 – 6.19 of her evidence contain a detailed summary of the possible extent of work required to preserve the Grandstand, including the following information:

- The grandstand floor appears to be concrete on top of timber and/or concrete directly on top of dirt;
- A substantial portion of the ground floor walls will require rebuilding;
- The grandstand appears to have minimal clearance from the existing ground floor level;
- The corrugated cladding material appears to be fixed hard to the rough sawn timber framing (ungraded, untreated timber, no building paper, no insulation);



<sup>45</sup> J M Pearson Affidavit 7 January 2017 Attachment L, Appendix A.

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- The condition of the external wall on grid 3 is unknown as it could not be viewed;
- The condition of stud walls is variable with evidence of lack of proper fixings and poor construction;
- A number of load bearing walls required regrading or rebuilding and new foundations.

Ms Coats concluded that<sup>46</sup> "The building as a whole requires extensive maintenance if it or any part of it is to be retained. When I looked at options to retain/rebuild the 1899/1911 portion of the Grandstand I examined the implications of the deteriorating state of the building, the age of the materiality, and requirements for bringing it up to current day and found that the cost was prohibitive as I record on page 41 of Coats (2016), "it is difficult to recommend".

[74] Mr Blackburne challenged Ms Coats' assessment as to the extent to which the ground floor might need rebuilding and the costs of doing so. He made the point that Ms Coats was not an engineer. However it must be said that Mr Blackburne offered no convincing counter evidence to Ms Coats other than the contention that a number of the issues identified by her required detailed structural analysis, consideration by a qualified engineer and a quantity surveyor and the preparation of a full Conservation Plan in order to identify what needs to be done to preserve the Grandstand and the costs of doing so.

[75] We will return to a number of these issues in our consideration as to whether or not to make the enforcement orders sought.

*Watercare inquiry*

[76] In *Watercare* the Court of Appeal identified four steps of inquiry which it considered ought to be undertaken in determining whether the subject matter of enforcement proceedings is firstly, offensive and objectionable and secondly whether that offensive and objectionable aspect is of such an extent that it is likely to have an adverse effect on the environment.



<sup>46</sup> EIC para 6.19.



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[77] The first inquiry is as to whether the assertion of the applicant that the subject matter is offensive or objectionable is honestly made. We find that to be the case. There can be no doubt as to the genuineness of the concerns expressed by the members of the Trust and its various witnesses. Those concerns were validated, at least insofar as historic heritage aspects of the application are concerned, by the evidence of the expert witnesses as to the age of the Grandstand, its continuous community use over many years and its remaining heritage features.

[78] In his submissions for the Council Mr Winchester conceded that the Trust and its supporters were bona fide in their desire to keep the Grandstand although he contended that it is not clear whether their primary motivation was maintenance of the Grandstand for amenity reasons or retention of the remaining heritage value. Clearly there were elements of both.

[79] We consider the second, third and fourth steps together as we consider that in this case they are intertwined:

- Secondly, whether in the opinion of the Court the demolition is or is likely to be offensive or objectionable (We refer to our earlier comments as to the nature of that inquiry<sup>47</sup>);
- Thirdly, if so, is the offensive and objectionable aspect of such an extent that it is likely to have an adverse effect on the environment;
- Fourthly, whether in all the circumstances the Court's discretion should be exercised in favour of making the enforcement order sought or otherwise.

[80] In his opening submissions for the Trust Mr Heal made a number of comparisons between the situation in this case and that considered by the Court in *Donnelly v Gisborne District Council*<sup>48</sup>, a case dealing with an enforcement order seeking to prohibit demolition of an historic public toilet building in Gisborne. Mr Winchester identified a number of factual distinctions between that case and this. However, significantly in that case, Judge Whiting found that demolition of an historic building is something which "could be offensive and objectionable to the community in that it is either undesirable, displeasing, annoying or open to objection and that such



<sup>47</sup> Paras [50]-[56] above.

<sup>48</sup> *Donnelly v Gisborne District Council* (1999) 5 ELRNZ 138 (NZEnvC).

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offence and objection could have an adverse effect on the environment contrary to the single purpose of the Act as set out in section 5."

[81] In *Tasman Action Group Inc v Inglis Horticulture Ltd*<sup>49</sup> the Court applied a somewhat more stringent test, defining offensive as meaning "disgusting, nauseous, repulsive, causing anger or annoyance" and objectionable as meaning "unpleasant, offensive, repugnant".<sup>50</sup> It observed that the expression "is a stronger meaning than simply that people may be offended by the subject matter, or object to it."<sup>51</sup>

[82] Whichever standard of offensiveness and objectionableness is ultimately applied, we concur with the proposition established in *Donnelly* that the demolition of a historic building is something which potentially could be offensive or objectionable so as to have an adverse effect on the environment.

[83] We note that the word "environment" includes "(a) ... people and communities", "(b) All natural and physical resources" (including buildings) and "(c) The social ... aesthetic, and cultural conditions which affect the matters stated in paragraphs (a) to (c) of this definition or which are affected by those matters."<sup>52</sup> The adverse effect on members of the community which might be occasioned by demolition of the Grandstand as a result of the loss of amenity and historic heritage is an adverse effect on the environment for the purposes of this application.

[84] There was no dispute as to the use which has been made of the Grandstand as a viewing place for those attending the A&P show since 1899. We find the Grandstand to be part of the "physical qualities and characteristics of an area that contribute to people's appreciation of its pleasantness, aesthetic coherence, and cultural and recreational attributes"<sup>53</sup> by providing a distinctive, sheltered place to enjoy the cultural and recreational attractions of the annual A&P show over a very long period of time. As such it is a contributor to the amenity values of the Takaka area.

[85] The evidence establishes that notwithstanding the omission of the Grandstand from the Schedule, it has historic heritage values at a district or regional level. Particular factors which lead us to that conclusion are:



<sup>49</sup> *Tasman Action Group Inc v Inglis Horticulture Ltd* Decision C126/2007.

<sup>50</sup> *Tasman Action Group Inc v Inglis Horticulture Ltd* Decision C126/2007 at [82].

<sup>51</sup> *Tasman Action Group Inc v Inglis Horticulture Ltd* Decision C126/2007 at [103].

<sup>52</sup> RMA s 2.

<sup>53</sup> RMA s 2.

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- Its 117 year history of use in conjunction with the A&P show;
- Its distinctive appearance (particularly due to the barrel vaulted roof) and the obvious age of parts of it;
- Its rarity both as an example of this type of construction technique and as one of the very few grandstands of this form remaining in New Zealand.

[86] We consider that because it possesses these amenity and historic heritage values the Grandstand is a building whose demolition could potentially be found to be offensive or objectionable to the extent that it might cause anger or annoyance and/or be repugnant (being the standard applied in the *Tasman Action Group* case). However whether or not it is in fact offensive or objectionable or alternatively whether the Court should exercise its discretion to grant the Trust's application require the Court to "weigh all the relevant competing considerations and ultimately make a value judgment on behalf of the community as a whole."<sup>64</sup> That weighing requires us to have regard to a number of factors as well as the amenity and historic heritage values that we have identified.

[87] In terms of the amenity value of the Grandstand, we consider that the loss of its use one day per year in order to provide the amenity of a modern community recreational complex was a factor which was part of the Council's consideration and the community consultation process which was undertaken in determining to proceed with the Facility. As we have noted, it was clear from the plans and other information we have seen that demolition of the Grandstand was proposed as part of the proposal from early on in its development. The site of the Grandstand was initially to be netball courts and the plans showed that. The netball courts were re-sited on land provided by the A&P Association and replaced with carparks. If retention of the Grandstand was the issue which the Trust now contends it to be, that matter could have been resolved (one way or the other) at the time the A&P Association agreed to make land available for netball courts. In reaching our decision it is appropriate that we have at least some regard to the consultation process undertaken in determining to proceed with the Facility in the form and position that it is. We are hesitant to interfere with the outcome of that process solely on the basis of the loss of amenity arising from demolition of the Grandstand when that loss is counter balanced (and arguably outweighed) by the amenity value of the Facility.



<sup>64</sup> *Watercare*, page 305.

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[88] Insofar as historic heritage factors are concerned, we find that the historic heritage values of the Grandstand have been substantially diminished by the various unsympathetic additions which have been made to it over the years. The difference between the experts in that regard revolved around the extent of diminution in terms of their assessment of historic heritage values and what might be required to restore those values.

[89] While we acknowledge that the building remains of historic heritage significance, we concur with Ms Coats' view that the 1968, 1977 and 1992 additions to the Grandstand (including the squash courts, although they are separate to the Grandstand itself) have seriously diminished its visual amenity and architectural values and its aesthetic integrity or authenticity in an historic heritage sense. She recommended that these additions should be demolished if the Grandstand is to be retained. We agree that demolition of the rugby clubrooms would be necessary to restore a further degree of authenticity to the Grandstand if it is to be retained for its historic heritage values.

[90] As we observed previously, the building comprises an eclectic combination of old and more recent elements with no apparent attempt to blend old and new. The squash courts and rugby clubrooms are utilitarian features of no architectural merit. Removal of the squash courts will expose the southern wall of the Grandstand, which will presumably need recladding if the building is to remain. The only purpose of retaining the clubrooms would be to support the historic upper floor viewing area but that support is provided at the expense of authenticity.

[91] Those observations raise the factor of the structural integrity of the building in its present configuration and what is actually required to preserve it as sought by the Trust. Paragraphs 6.9 – 6.19 of Ms Coats evidence in chief raise questions as to the condition of the older components of the Grandstand, whether they comply with current building code requirements and whether the building continues to be suitable for use as a public building. We note the various observations which she has made.

[92] Although Ms Coats is not an engineer, she is an experienced architect with a high degree of familiarity with building standards and codes. She testified that she is familiar with the general principles of load transfer and bracing requirements in NZS3604:2011 Timber-framed buildings. She was the only witness to have undertaken a detailed technical analysis of what might be required to preserve the Grandstand.



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Subsequent intrusive investigation by a builder confirmed at least some of the assumptions which she had made as part of her initial investigation of the building. Her conclusion "that significant parts of the Grandstand would need to be reconstructed if it was going to continue to be used"<sup>55</sup> was not challenged in cross examination, nor was it directly contradicted by any other expert witness. We accept that conclusion.

[93] The position of both Messrs Blackburne and Bowman appeared to be that further investigations by way of engineering reports and a Conservation Plan were required to ascertain precisely what was required to enable reconstruction and how much it would cost. That is consistent with Ms Coats' evidence and the views expressed in the JWS.

[94] It is apparent from the form of the application, the evidence of the Trust's expert witnesses and the Trust's submissions that the purpose of these proceedings is to retain the Grandstand to enable a detailed analysis to be undertaken by way of Conservation Plan and engineering calculations as to what might be required to enable not merely its retention but also its reconstruction and possible relocation forward to restore sightlines and the practicality and costs of doing so. Although Mr Heal did not use the word reconstruction in his closing submissions, but rather the terms "repairing, renovation, restoring or rehabilitating"<sup>56</sup> we consider that what is being sought is the ability to investigate reconstruction as identified in the evidence of Ms Coats.

[95] We understand reconstruction to mean the restoration of a building by the use of new material to the same design<sup>57</sup> and that reconstruction can be an appropriate response to preserve historic heritage. Reconstruction of the Grandstand on its present site would preserve both the amenity and historic heritage values which we have identified.

[96] However, the Court does not have power to order the Council to undertake reconstruction or relocation of the Grandstand even if investigation establishes that it is practically feasible (in both the technical and financial senses). Mr Heal acknowledged that.<sup>58</sup> The current condition of the Grandstand which requires its reconstruction is not something which has been caused by the Council but arises out of the age of the building, the methods of and materials used in its construction and the unsympathetic



<sup>55</sup> EIC para 13.1.  
<sup>56</sup> Trust's closing submissions para 13.  
<sup>57</sup> Bowman NoE - page 18.  
<sup>58</sup> Trust's closing submissions para 11.

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alterations which have been legally made to it over the years. We can certainly make an order prohibiting demolition of the Grandstand<sup>59</sup>, but we ask to what end if the outcome which the Trust ultimately seeks is not one which is open to us to direct?

[97] A further factor in our considerations is the advanced state of development of the Facility at the time these proceedings were commenced. As we have observed, final plans for development of the Facility were drawn on the basis that the area occupied by the Grandstand would be used to provide car parking necessary for the Facility and construction was commenced and has been completed accordingly. A significant and related factor is that the Council was fully entitled to proceed on that basis as construction of the Facility and demolition of the Grandstand are both permitted activities which the Council could legally undertake without resource consent.

[98] If the Trust had sought the orders which it now does at commencement of construction of the Facility instead of when it was near completion, we may have been more open to exercising our discretion to make an enforcement order rather than in the situation where the Council and community have legally expended some millions of dollars in constructing a complex which sits discordantly with the nearby Grandstand and which currently cannot be used. Even if proceedings had been commenced earlier however, we would still have been confronted with the factors which we have identified in paragraphs [94] – [96] (above).

#### Conclusion

[99] In determining whether or not to exercise our discretion to make the orders sought by the Trust, we are obliged to recognise and provide for the protection of historic heritage from inappropriate use and development as a matter of national importance<sup>60</sup> and to have particular regard to the maintenance and enhancement of amenity values.<sup>61</sup>

[100] The first of those obligations has been to the forefront of our considerations in this case. After extensive debate amongst the members of the Court, we have reached the conclusion that the factors which we have identified in paragraphs [88] – [98] (above) make it inappropriate to grant this application for enforcement orders, notwithstanding the national importance aspect of the historic heritage issue.



<sup>59</sup> RMA s 314(1)(a)(i).

<sup>60</sup> Section 6(f) RMA.

<sup>61</sup> Section 7(c) RMA.

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[101] We have acknowledged the amenity value of the Grandstand as a site for viewing the annual A&P show but consider that there is a counter balancing factor arising from the provision of a modern community recreational complex for use 12 months of the year which we must also take into account in considering the amenity values aspect of these proceedings.

[102] Having regard to all of these matters we decline to exercise our discretion to make the enforcement orders sought by the Trust. The application is declined.

#### Costs

[103] In the normal course of events our determination to decline the application would lead to a reservation of costs in favour of the Council. Whether or not costs were actually awarded would be determined by the Court pursuant to s 285 RMA. However, in this case there are two matters which we have considered in determining whether to reserve costs.

[104] Firstly, because the Trust's proceedings sought to (ultimately) procure the preservation through reconstruction of the Grandstand building which the evidence established has amenity values and historic heritage values at a district level. We consider that the Trust was advancing a matter of public interest and acting in good faith in doing so. Although that of itself does not absolve the Trust from liability for costs, it is a relevant factor for us to consider.

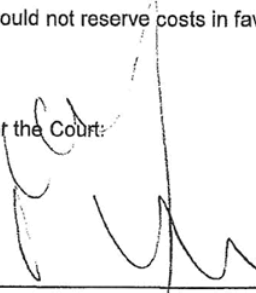
[105] Secondly, although we have found that the Council was legally entitled to act in the manner which it has, it is apparent that its consideration of historic heritage matters relevant to the Grandstand was perfunctory at best. Mr L McKenzie acknowledged that had the Council been aware of these matters it would have undertaken a more detailed examination of them<sup>62</sup>. This is a very old building of considerable significance in the context of the Park whose proposed demolition obviously warranted such a detailed examination to see if it could be preserved even if the ultimate outcome may have been that identified by Ms Coats.



<sup>62</sup> Para [67] (above).

[106] The combination of these two considerations leads us to the view that we should not reserve costs in favour of the Council.

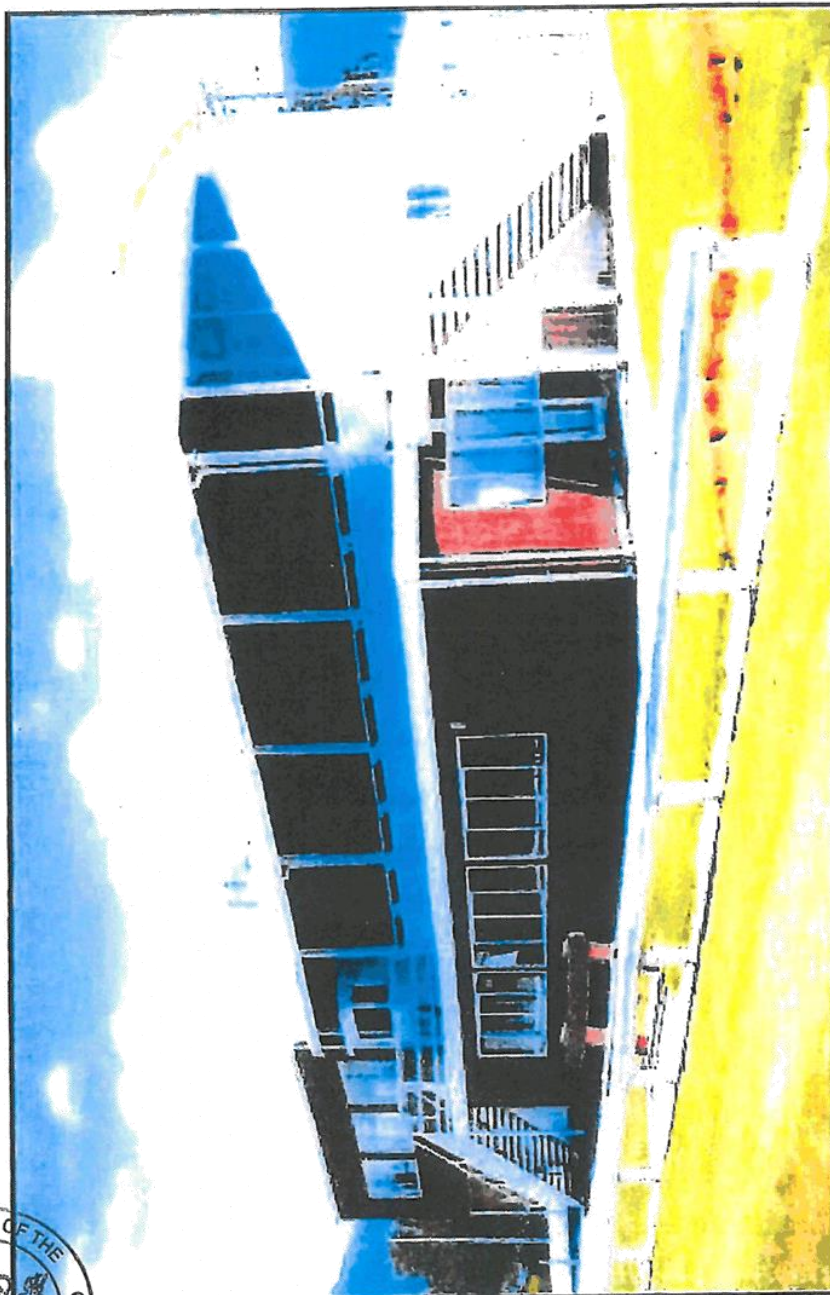
For the Court:

  
\_\_\_\_\_  
B P Dwyer  
Environment Judge





Attachment 1



**Item 8.1**

**Attachment 2**

**8.2 HARRY RANKIN STREET STORMWATER UPGRADE****Decision Required**

<b>Report To:</b>	Full Council
<b>Meeting Date:</b>	27 July 2017
<b>Report Author:</b>	Mike Schruer, Utilities Manager
<b>Report Number:</b>	RCN17-07-02

**1 Summary**

- 1.1 Surface flooding has affected the private property at 40 Staples Street, Motueka for a number of years. The flooding is now impacting on the hazelnut trees and storage sheds on the site.
- 1.2 At its meeting on 29 June 2017, the Engineering Services Committee recommended to the Full Council that the Engineering Services Manager review the stormwater flooding situation at 40 Staples Street and determine what is required, and that he be given delegated authority to implement a solution with funding up to \$200,000.
- 1.3 Subsequent to the Engineering Services Committee meeting, a solution has been found that could be implemented for under \$150,000.
- 1.4 This report recommends that the Full Council approve the Engineering Services Committee's recommendation (ESC17-06-08).

**2 Draft Resolution****That the Full Council**

1. receives the Harry Rankin Street Stormwater Upgrade report RCN17-07-02; and
2. agrees to upgrade the stormwater network in Harry Rankin Street at an estimated cost of \$150,000, to be funded from the Secondary Flow Management Initiatives in the 2017/2018 financial year.

**3 Purpose of the Report**

- 3.1 To obtain funding approval from the Full Council to divert stormwater from the private property at 40 Staples Street, Motueka to the stormwater pipeline in Fearon Street.

**4 Background and Discussion**

- 4.1 A private property at 40 Staples Street is experiencing extended periods of flooding following rain events. This is aggravated by the discharge from land drains previously installed by the Tasman District Council. This proposal is to behead the land drain and redirect the stormwater flows into the 1200mm stormwater pipe in Fearon Street. This is estimated to cost less than \$150,000.
- 4.2 Some flooding issues are likely to remain on the property once the stormwater from Harry Rankin Street has been diverted to Fearon Street. This is because part of the site at 40 Staples Street has been excavated in the past creating a low spot which will need additional drainage.
- 4.3 At the Engineering Services Committee meeting on 29 June 2017, the Council agreed that the Engineering Services Manager should review the stormwater flooding situation at 40 Staples Street and determine what is required. The Council delegated authority to the Engineering Services Manager to implement a solution up to \$200,000 once a funding source is identified.
- 4.4 There is a budget of \$148,302 for Secondary Flow Management Initiatives in the 2017/2018 financial year but it is unlikely that this work will progress this financial year. Therefore, this funding is available to address the issue at 40 Staples Street.

**5 Conclusion**

- 5.1 It is recommended that the Full Council approve the upgrade of the stormwater network in Harry Rankin Street with funding from the Secondary Flow Management Initiatives in the 2017/2018 financial year.

**6 Next Steps / Timeline**

- 6.1 Once the funding is approved by Full Council a variation order will be issued to a contractor on the Supplier Panel to undertake the work, subject to the receipt of a competitive quote from the selected contractor.

**7 Attachments**

Nil

**8.3 REFERRAL REPORT - POOLE STREET, MOTUEKA - STORMWATER UPGRADE****Decision Required**

<b>Report To:</b>	Full Council
<b>Meeting Date:</b>	27 July 2017
<b>Report Author:</b>	Robert Workman, Asset Engineer - Stormwater
<b>Report Number:</b>	RCN17-07-03

**1 Summary**

- 1.1 At its meeting on 29 June 2017, the Engineering Services Committee recommended to the Full Council that the Poole Street stormwater upgrade works be brought forward – **Attachment 1** (RESC17-06-03).
- 1.2 This report recommends that the Full Council approve the Engineering Services Committee's recommendation.

**2 Draft Resolution****That the Full Council**

1. receives the Referral Report - Poole Street, Motueka - Stormwater Upgrade report, RCN17-07-03; and
2. agrees to bring forward the Poole Street stormwater upgrade construction works at an estimated cost of \$600,000 to the 2017/2018 financial year.

**4 Attachments**

1. Report to ESC 29 June 2017, Poole Street Stormwater

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**9.3 POOLE STREET, MOTUEKA - STORMWATER UPGRADE****Decision Required**

<b>Report To:</b>	Engineering Services Committee
<b>Meeting Date:</b>	29 June 2017
<b>Report Author:</b>	Robert Workman, Asset Engineer - Stormwater
<b>Report Number:</b>	RESC17-06-03

**1 Summary**

- 1.1 The Poole Street Stormwater Upgrade is programmed in the 2015-2025 Long Term Plan to be undertaken in 2018/2019.
- 1.2 The Poole Street Stormwater Upgrade was considered by the Council to be of lower priority as no house floor levels were reported as being flooded up to that time. Since that decision, the rain events of March 2016, May 2016 and January 2017 did not result in houses being flooded in this area.
- 1.3 To bring the completion date of the Poole Street Stormwater Upgrade project forward to 2017-2018 would put extra pressure on the Council's resources, which potentially could affect the delivery of the programme.
- 1.4 The Engineering Services Department has recently increased its in-house capacity and capability. Therefore, this project could be constructed in 2017/18 if the Council wanted to reprioritise it.

**2 Draft Resolution**

**That the Engineering Services Committee**

- 1. receives the Poole Street, Motueka - Stormwater Upgrade report, RESC17-06-03; and**
- 2. recommends to Full Council to bring forward the Poole Street stormwater upgrade construction works at an estimated cost of \$600,000 to the 2017/2018 financial year.**

### 3 Purpose of the Report

- 3.1 This report is in response to a resolution at the 11 May 2017 Full Council meeting:

*CN17-05-3*

*That the Full Council request a report from staff to the 29 June 2017 Engineering Services Committee on the feasibility of bringing the Poole Street project forward, taking into consideration the matters raised in the discussion of the Notice of Motion.*

### 4 Background and Discussion

- 4.1 The Engineering Services Activity Update report on 18 August 2016 commented on the Poole Street Stormwater Upgrade work as follows:

“The Poole and Wilkie Streets upgrade is already programmed with design in the next financial year and construction following in the first year of the next LTP (2018/2019). There are no works planned for Saxon Street in the AMP. I would recommend that these projects not be brought forward until the Motueka Catchment Management Plan, programmed for this year, is completed to determine how the overall stormwater issues in the catchment can be resolved and what the priorities are. There are areas of Motueka that should be a higher priority due to flooding of residential floor levels whereas flooding in this area is generally limited to surface flooding and one garage. The stormwater capital upgrade projects fund for this year is already committed and the Council has many stormwater priorities throughout the district.”

- 4.2 A proposal to bring forward the Poole Street Stormwater Upgrade project was discussed at the Full Council meeting on 11 May 2017. The Council resolved not to confirm this proposal until the feasibility was outlined in more detail. The following resolution was passed:

*CN17-05-3*

*That the Full Council request a report from staff to the 29 June 2017 Engineering Services Committee on the feasibility of bringing the Poole Street project forward, taking into consideration the matters raised in the discussion of the Notice of Motion.*

- 4.3 The Poole Street Stormwater Upgrade is programmed in the 2015-2025 Long Term Plan as follows:

- 2017/2018           \$45,000 (design)
- 2018/2019           \$382,500 (construction), and
- 2019/2020           \$22,500 (completion)

- 4.4 The Poole Street Stormwater Upgrade was considered by the Council to be of lower priority as no house floor levels were reported as being flooded up to that time. Reports of property damage have not been received from this area. Since that decision, the rain events of March 2016, May 2016 and January 2017 did not result in houses being flooded in this area.

- 4.5 The frequency and impact of flooding events will be reduced but not fully eliminated from installation of this stormwater pipework. The pipe upgrade will bring the service level of the primary piped system up to a 5% Annual Exceedance Probability (or a 1-in-20 year return period). Rainfall intensities above the 5% Annual Exceedance Probability will still cause surface flooding similar to that being presently experienced in the area of Wilkie Street.



- 4.6 The initial design, drawings and tender documents were prepared for the Poole Street Stormwater Upgrade work in March 2012 to upgrade from High Street to Michael Myers Street. Work did not proceed at the time and the Poole Street Stormwater Upgrade work was reprogrammed in the 2015-2025 Long Term Plan; the estimate for this was around \$450,000.
- 4.7 This scope and estimate did not include extending the reticulation from Michael Myers Street to Jocelyn Avenue. Including this additional work would add an extra \$150,000 to the project costs, including scope and price risk.
- 4.8 It is expected the work will take five to seven months to complete. Approximately two months to complete the design and prepare the contract documentation, one month for the tender process and three months for the construction phase. It is expected that the project management time required from the Programme Delivery team will be 120 to 160 hours to manage the delivery of these works through consultants and contractors.

## 5 Options

- 5.1 There are two options for the timing of the project work for the Poole Street Stormwater Upgrade.
- 5.1.1 **Option 1** - Bring the Poole Street Stormwater Upgrade project forward and complete the work in 2017/2018.
- 5.1.2 **Option 2** – Retain the present Poole Street Stormwater Upgrade programme of works as outlined for 2018/2019 in the Long Term Plan.

### Discussion

#### **Option 1 - Bring the Poole Street Stormwater Upgrade project forward and complete in 2017/2018**

- 5.2 The advantage of Option 1 would be that the stormwater pipe upgrade would be installed a year earlier than presently programmed.
- 5.3 Bringing the completion date of the Poole Street Stormwater Upgrade project forward to 2017-2018 will affect the timing of other project works. It will put additional strain on resources to both manage and deliver the project within an earlier timeframe.
- 5.4 The Programme Delivery team currently has 45 projects and 14 more being added into the programme for the 2017-2018 year.
- 5.5 To give the Councillors some context, the stormwater projects planned for the next three years of the current Long Term Plan are shown in **Attachment 1**. These projects were rated with a High, Medium or Low priority subjectively based on risk. The Poole Street Stormwater Upgrade project was rated “Low” as there were no house floor levels reported as flooding. Flooding of garages has not been reported following the recent high intensity rainfall events. Many of the other projects are rated higher as they reduce the risk of flooding to house floor levels or require compliance with legislation, government guidelines or similar, such as obtaining discharge consents and improving freshwater quality.
- 5.6 The Council does have other priorities, some of which are not in the current programme. For example, the Council is also being asked to consider funding for the investigation and design of the Mapua Water Supply and Wastewater upgrade project in the 2017-2018 works programme. The project is critical because of infrastructure capacity or failure causing poor

levels of service delivery. Properties presently have an unreliable water supply and there are wastewater overflows occurring during rain events so this project, therefore, has a high priority. This is the subject of a separate report to this meeting.

- 5.7 The Engineering Department, Programme Delivery team has recently increased its in-house capacity and capability. It now has two additional project managers and provided additional funding is made available for this project we believe this project could be done.

**Option 2 – Retain the present Poole Street Stormwater Upgrade programme of works as outlined for 2018/2019 in the Long Term Plan.**

- 5.8 Option 2 delivers the project as planned. The timing of the project would proceed as detailed in the current Long Term Plan.
- 5.9 The increased capacity and capability within the Project Delivery team will give an opportunity to consider implementing **Option 1**.

**6 Strategy and Risks**

- 6.1 Any changes to the works programme can affect the delivery of other projects and interrupt the priorities agreed by the Council.
- 6.2 There is an increased risk that adding this project to the 2017/2018 capital works programme could constrain the effective delivery of the already prioritised and programme projects.

**7 Policy / Legal Requirements / Plan**

- 7.1 The Long Term Plan is reviewed and updated every three years and sets the programme for the following three years until it is again reviewed and consulted on. However, the Council can, if it so wishes, alters its priorities and work programme as it sees fit.

**8 Consideration of Financial or Budgetary Implications**

- 8.1 There is little impact to financial and budgetary requirements other than paying for the work one year earlier than planned.
- 8.2 The contract price market is presently unfavourable and may improve with time if the work is tendered prior to the construction season of 2018-2019.

**9 Significance and Engagement**

- 9.1 This decision is of low significance based on the table below:

Issue	Level of Significance	Explanation of Assessment
Is there a high level of public interest, or is decision likely to be controversial?	Low	Some local interest.
Is there a significant impact arising from duration of the effects from the decision?	Low	If the upgrade is not done, the risks are similar during a high intensity rainfall event where surface flows will still occur once the pipe capacity is full or blocked.
Does the decision relate to a strategic asset? (refer Significance and Engagement Policy for list of strategic assets)	Low	Upgrade improves upper catchment stormwater pipe system only.
Does the decision create a substantial change in the level of service provided by Council?	Med	This could affect the delivery of more critical project work.
Does the proposal, activity or decision substantially affect debt, rates or Council finances in any one year or more of the LTP?	Low	Minimal impact on rates increases.

## 10 Conclusion

- 10.1 Bringing the completion date of the Poole Street Stormwater Upgrade project forward to 2017-2018 will affect the timing of other project works. It will put additional strain on resources to both manage and deliver the project within an earlier timeframe.
- 10.2 The Programme Delivery team has recently increased its in-house capacity and capability. It now has two additional project managers arriving this year and provided additional funding is made available for this project we believe this project could be done

## 11 Next Steps / Timeline

- 11.1 The present programme in the Long Term Plan is to construct the Poole Street Stormwater Upgrade work in 2018-2019.

## 4 Attachments

- Stormwater Capital Projects for the next three years

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Stormwater	Rating	2017/2018 (\$)	2018/2019 (\$)	2019/2020 (\$)
06146216014. Richmond central improvements	H	2,950,860	2,820,207	0
0601610502G. Stormwater Land Purchase	H	2,550,000	0	0
06146216003. Lower Queen Street Pipework Upgrade	H	1,708,500	0	1,136,930
06146216047. Poutama Drain Upgrade	H	510,000	0	0
0601621637. Washbourn Gardens Stormwater Bypass	H	408,000	1,300,000	0
0601621634. Richmond - Deviation Bund Drainage	H	153,000	788,000	0
0601621633. Secondary Flow Management Initiatives	H	148,302	377,559	0
06146216046. Borck Creek/Poutama Drain Widening 16/17	M	1,062,840	0	0
06316216001. Pohara Main Settlement flood works	M	357,000	0	0
06146216012. Richmond - Park Drive pipe	M	153,000	985,000	0
0601621632. UDA Discharge Consent	M	127,594	0	0
06146216048. Stormwater Modelling	M	66,300	0	0
0600621632. Occupational health & Safety Works	M	15,949	16,589	17,054
0601621629. Urban Flood Modelling for development	M	10,632	11,060	11,369
06146216017. Richmond South - Bateup Drain	M	0	331,789	0
0601621627. Growth Allowance for pipelines	M	0	94,007	0
0601621630. Quality Improvement Programme	M	0	55,298	56,847
06036216009. Mapua - Seaton Valley Stream - Stage 2	M	0	20,879	42,928
06076216001. Murchison Neds Creek Flood Works	M	0	16,589	213,174
06036216005. Mapua - Seaton Valley Resource Consent Renewal	M	0	12,000	0
06146216034. Richmond Stormwater Quality Improvements	L	53,164	55,298	28,423
06146216032. Richmond Pipe Renewals	L	51,000	55,322	0
0602621610. Motueka drainage improvements (Poole Street Stormwater Upgrade)	L	48,460	423,031	25,581
0605621603. Wakefield - Bank enhancement project	L	31,899	0	0
06026216001. Motueka Flap Gates renewal	L	12,977	118,797	0
06146216045. Borck Creek Planting Programme	L	10,200	0	0
06146216010. Richmond Middlebank Drive pipe	L	0	995,367	2,202,065
0621621601. Collingwood - Outlets Beach Road Drain	L	0	22,119	0
06026216008. Motueka Pah/Atkins Street Upgrade	L	0	21,563	199,505
0605621605. Wakefield Manholes	L	0	1,721	0
06036216002. Mapua - Langford, other small areas	L	0	0	377,250
06036216001. Mapua - Aranui road culvert	L	0	0	121,451
06046216002. Brightwater - Mt Heslington Stream Diversion	L	0	0	113,693
0604621605. Brightwater - Flooding repairs	L	0	0	34,108
06036216007. Mapua - Crusader Drive	L	0	0	25,479
0607621606. Murchison Pipes - Fairfax Street	L	0	0	22,739
06036216008. Mapua - Stafford Drive pipes	L	0	0	18,504

**High, Medium and Low (H,M,L) rating based on assessment of factors listed below:**

Present need for the work

Growth

Flooding house floor levels

Stormwater Quality

Flooding effects	Works in progress
Safety	Legal or Consent requirements



**8.4 REFERRAL REPORT - MAPUA WATER AND WASTEWATER BUSINESS CASE**

Decision Required

<b>Report To:</b>	Full Council
<b>Meeting Date:</b>	27 July 2017
<b>Report Author:</b>	Jenna Neame, Senior Activity Planning Advisor
<b>Report Number:</b>	RCN17-07-04

**1 Summary**

- 1.1 During 2016, staff advised the Council that there was a need to better understand the issues that were occurring within the Mapua water and wastewater networks. These issues included ongoing water pipe breaks, pressure from private developers wanting to connect to a reticulated public water supply and a lack of water storage. The Council agreed to this work being undertaken and staff engaged MWH (now Stantec) to assist with the development of a programme business case.
- 1.2 Following on from the business case, staff provided a report to the Engineering Services Committee meeting on 29 June 2017. At that meeting, the Engineering Services Committee recommended to the Full Council that it approve capital budgets in 2017/2018 to undertake design and land acquisition needed to enable the renewal of the Mapua water and wastewater network. The full report is available as **Attachment 1** (RESC17-06-02).
- 1.3 This report recommends that the Full Council approve the Engineering Services Committee's recommendation.

**2 Draft Resolution****That the Full Council:**

1. **receives the Referral Report - Mapua Water and Wastewater Business Case report, RFC17-07-04; and**
2. **approves capital budgets in 2017/2018 of \$200,000 for water, and \$560,000 for wastewater to undertake design and land acquisition needed to enable the renewal of the Mapua water and wastewater network; and**
3. **that the budget sought in Resolution 2 for water be funded by:**
  - a. **offsetting \$80,978 against the budget for the Church Street Water Main Replacement project and \$80,000 against the budget for the McGlashen Avenue Re-Zoning project; and**
  - b. **reallocating \$15,949 from Mapua Growth Facilitation Works and \$23,073 from the Waimea Water Treatment Plant Upgrade; and**
4. **that the budget sought in Resolution 2 for wastewater be funded by:**

- a. **offsetting \$106,000 against the Growth Allowance for Pipeline Upgrades budget; and**
  - b. **granting additional capital funds of \$454,000; and**
- 5. that consultation on the above changes is not needed.**



**3 Purpose of the Report**

3.1 This purpose of this report is to gain the Full Council’s approval to advance work on Mapua water and wastewater infrastructure as identified from the business case approach.

**p4 Attachments**

- |    |  |    |
|----|--|----|
| 1. | Report to ESC 2017-06-29 - Mapua Water and Wastewater Infrastructure | 79 |
|----|--|----|



**9.2 MAPUA WATER AND WASTEWATER BUSINESS CASE****Decision Required**

<b>Report To:</b>	Engineering Services Committee
<b>Meeting Date:</b>	29 June 2017
<b>Report Author:</b>	Jenna Neame, Senior Activity Planning Advisor
<b>Report Number:</b>	RESC17-06-02

**1 Summary**

- 1.1 The Council agreed to develop a programme business case to assess the issues that were being experienced on the Mapua water and wastewater networks. These issues included ongoing water pipe breaks, pressure from private developers wanting to connect to a reticulated public water supply and lack of water storage.
- 1.2 The purpose of the business case was to take a holistic view of networks and identify an optimised programme of works to address the issues.
- 1.3 Four problem statements were identified by the business case working group:
  - Poor quality water pipe network has a high risk of failure leading to supply disruptions.
  - Water supply has insufficient capacity to cater for increased usage, constraining the opportunity for Mapua to grow.
  - Capacity in the wastewater network is inadequate under wet weather flows leading to frequent pump station high level alarms and occasional overflows.
  - The current water and wastewater network configuration lacks redundancy and resilience with some particularly vulnerable locations leading to disruption to continuity of service.
- 1.4 The business case identified a recommended programme of works which includes the following key critical projects:
  - a) Aranui Road / Stafford Drive Water Main Renewal
  - b) Waimea Treatment Plant to Mapua Water Trunk Main Renewal – between Best Island and Mapua Channel
  - c) Stafford Drive New Wastewater Pump Station and Rising Main
  - d) Mapua and Ruby Bay Wastewater Pump Station Storage Upgrades
- 1.5 Throughout the development of the business case the issues have increased in frequency and significance, increasingly making the renewals a matter of urgency. Staff recommend undertaking design and land acquisition for projects a), b) and c) above in the 2017/18 financial year. This will reduce the waiting time from four years to three years until construction is complete for key elements of the programme (assuming the works come forward, as is proposed for the Long Term Plan 2018-2028).

- 1.6 The design and land acquisition will require a capital budget of \$200,000 from water, and \$560,000 from wastewater. Staff expect to be able to accommodate some of this within existing budgets by reducing scope for other water projects and using the wastewater growth allowance budget, but will need additional funding of \$454,000 for wastewater. This increase can be absorbed as the wastewater account is expected to post a \$2.2m surplus for 2016/2017.

<b>2 Draft Resolution</b>
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That the Engineering Services Committee:

1. receives the Mapua Water and Wastewater Business Case report, RESC17-06-02; and
2. recommends to the Full Council that it approves capital budgets in 2017/2018 of \$200,000 for water, and \$560,000 for wastewater to undertake design and land acquisition needed to enable the renewal of the Mapua water and wastewater network; and
3. recommends to the Full Council that the budget sought in Resolution 2 for water be funded by:
  - a. offsetting \$80,978 against the budget for the Church Street Water Main Replacement project and \$80,000 against the budget for the McGlashen Avenue Re-Zoning project; and
  - b. reallocating \$15,949 from Mapua Growth Facilitation Works and \$23,073 from Waimea Water Treatment Plant Upgrade; and
4. recommends to the Full Council that the budget sought in Resolution 2 for wastewater be funded by:
  - a. offsetting \$106,000 against the Growth Allowance for Pipeline Upgrades budget; and
  - b. granting additional capital funds of \$454,000.
5. recommends to the Full Council that consultation on the above changes is not needed.

**3 Purpose of the Report**

- 3.1 This report discusses the development and outcomes of the Mapua Water and Wastewater Programme Business Case and recommends that the Council advances design work to the 2017/18 financial year.

**4 Background****Background**

- 4.1 During 2016, staff advised the Council that there was a need to better understand the issues that were occurring within the Mapua water and wastewater networks. These issues included ongoing water pipe breaks, pressure from private developers wanting to connect to a reticulated public water supply and a lack of water storage. The Council agreed to this work being undertaken and staff engaged MWH (now Stantec) to assist with the development of a programme business case (refer previous reports, RESC16-04-03 and RESC 16-08-08).
- 4.2 This programme business case is the first of its kind for the Council. The Council is using this business case to test the merits of the NZ Treasury's Better Business Case process. Staff will report to the Council at a later date on the findings of this pilot business case.
- 4.3 The purpose of the business case was to take a holistic view of the infrastructure networks to identify key problems and prepare an optimised programme of works to address those problems. The programme of works will be used to update the Council's Water and Wastewater activity management plans, and the Long Term Plan 2018-2028.
- 4.4 The business case has been developed by a core working group that included:
- Councillors Bryant, King and McNamara
  - Council's water operations staff
  - Council's wastewater operations staff
  - Council's activity planning staff
  - MWH/Stantec NZ Ltd (Engineering Consultants)
- 4.5 The working group also sought input from Downer (the Council's utilities maintenance contractor), and Council's Reserves and Facilities and Transportation staff.
- 4.6 The key phases of the business case development were:
- Pre-workshop between staff and maintenance contractors to identify operational and maintenance issues.
  - Workshop 1 – Identify problems, benefits, and investment objectives.
  - Workshop 2 – Identify long list options, and discuss the risks and dependencies of each option.
  - Workshop 3 – Review potential programmes and select a preferred programme.

## Problem Statements

- 4.7 The four problem statements identified in the business case, along with the causes and consequences, are summarised below.

**“Problem 1: Poor quality water pipe network has a high risk of failure leading to supply disruptions.”**

- 4.8 The Mapua water supply network features mostly ‘blue brute’ PVC pipes that were installed in 1989. At the time of installation, the pipes were expected to have a useful life of 50-80 years depending on the rate of growth. Blue brute is now known to perform poorly in terms of life expectancy and often prematurely deteriorates. This is true for the Mapua network where the pipes have shown they cannot handle the design operating pressures without risk of bursting.
- 4.9 The main spine of the network between the Waimea Water Treatment Plant and the Pomona Road Reservoir is largely linear. This means that if a break occurs within this section there is no alternative supply route and the scheme can only rely on the water available in the reservoirs at the time. In October 2016, following a burst on the trunk main between the water treatment plant and Mapua, the reservoir was reduced to approximately one to two hours supply of water. A similar situation occurred in May 2017. In both of these instances, staff consider it was good fortune that the pipe was repaired in time before the reservoir ran dry.
- 4.10 The inability of the pipes to handle higher operating pressures means that it is not possible to lift the operating pressure of the pumps to fill the reservoirs quicker after a break has occurred or to provide more water for additional users.
- 4.11 The duration and response to these bursts can vary, depending on the location and extent of breakage. Burst water pipes along sections of Rabbit Island and Best Island can be difficult to isolate as pipes traverse mostly rural and forestry areas and are unlikely to be reported. Generally, these bursts are only found after telemetry data indicates an issue with reservoir water levels and the maintenance contractor then goes in search of the cause. A broken pipe within the Mapua Estuary could take days to repair as maintenance crews can only work at low tide, resulting in significant supply disruptions.
- 4.12 In the case of major disruptions, a conserve water notice is placed on the scheme, the rural-restricted part of the network is turned off, and water tankers are used to try to maintain minimum levels in the reservoir or supply water to key locations. As the pipes continue to age and deteriorate, the frequency of these types of events is expected to increase.
- “Problem 2: Water supply has insufficient capacity to cater for increased usage constraining the opportunity for Mapua to grow.”**
- 4.13 Since 2001, there has been rapid residential growth in Mapua and the current market is still strong. The Council’s growth supply and demand model indicates that there will be sustained demand for residential development in Mapua over the long term.
- 4.14 The existing water supply network was built almost 30 years ago and was designed to cater for limited growth based on forecasting knowledge and judgements made at the time. This growth has consumed the available water supply capacity for the area. The poor condition of the pipes and their inability to handle higher operating pressures exacerbates this issue. The existing network cannot supply any further development.

- 4.15 The existing storage capacity of 1,700m<sup>3</sup> equates to approximately 24 hours supply for the current population, which complies with the Council's minimum level of service performance measure target. However, storage capacity will need to be increased in order to provide the target level of service for the future community.

**“Problem 3: Capacity in the wastewater network is inadequate under wet weather flows leading to frequent pump station high level alarms and occasional overflows.”**

- 4.16 Under normal dry weather conditions, the wastewater system has sufficient capacity to meet current demand. Following large rainfall events, the wastewater system often experiences stormwater inflow that causes high level alarms and/or overflows.
- 4.17 Between 2012 and 2016 there were 175 high level alarm incidents at the six pump station sites. If staff consider that the high level alarm incident is likely to result in an overflow, they will instigate tankering from the pump stations. Despite this, there were still four overflows in this period. In addition, over the past eight months, two overflow incidents affected the Mapua School, requiring its closure for the day.
- 4.18 The frequency of these high level alarm incidents shows that there is insufficient storage at the existing pump stations.
- 4.19 The existing configuration of the wastewater network in Mapua can be described as a 'daisy-chain' because the pumps pump on to each other in series, meaning that the wastewater is double-handled in the system. This causes a delay in conveying the effluent through the system, which exacerbates the wet weather issues and increases the risk of odour during dry weather.

**“Problem 4: The current water and wastewater network configuration lacks redundancy and resilience with some particularly vulnerable locations leading to disruption to continuity of service.”**

- 4.20 As discussed above, the water and wastewater networks are configured lineally and there are very limited alternative routes or back-up systems in place to cope with pipe failures. Sections of the network are located in areas that are difficult to access due to their tidal nature e.g. the Mapua Channel and the crossings between Best Island and Rabbit Island. This means the network is vulnerable in the event of a failure, especially in tidal areas.

#### **Option Identification and Selection**

- 4.21 The working group identified a long list of options that included all potential solutions to address the above problem statements. Each option was then assessed for; how well it addressed the problem statements, feasibility, community acceptability, ability to support growth, and the ability to enhance network resilience in order to determine if it would be considered further. Options that were considered appropriate were compiled into six work programmes for further evaluation. Each programme contained a different combination of options and timing. The focus and timing of the different programme combinations varied from upfront expenditure to delayed expenditure, and from a focus on renewal for the current community to a focus on future-proofed upgrades for the future community.

#### **Recommended Programme**

- 4.22 Critical analysis determined the optimised programme included as **Attachment 1**. This programme improves the level of service for the current community at the same time as providing capacity for the future.
- 4.23 The following is a list of the key projects included in the preferred programme:

- a) Aranui Road / Stafford Drive Water Main Renewal
- b) Waimea Treatment Plant to Mapua Water Trunk Main Renewal – between Best Island and Mapua Channel
- c) Stafford Drive New Wastewater Pump Station and Rising Main
- d) Mapua and Ruby Bay Wastewater Pump Station Storage Upgrades

4.24 **Attachments 4 and 5** provides a schematic overview of these projects.

## 5 Discussion

- 5.1 In 2016, in light of the recent pipe breaks and increasing development demands, staff were contemplating the need to advance the existing project budgets through the 2018-28 Long Term Plan process. Staff initially thought that the works may need to be brought into the first three years of the 2018-28 Long Term Plan without any further work being undertaken prior to this.
- 5.2 The issues that concerned staff at the time have since been confirmed by the business case and have increased in frequency and significance. Examples include:
- a) Pipe breaks have been occurring at an increasing rate and the Mapua community has experienced critical water shortages. In May 2017, the scheme very nearly ran dry and staff consider it a matter of good fortune that the pipe was repaired in time.
  - b) Tasman District is experiencing a shortage of supply of residential sections during a time of high demand; and Mapua is one of the three main settlements experiencing the highest growth demands across the District.
  - c) Overflows from the wastewater network have continued to occur during wet weather events and have resulted in the closure of the Mapua School on two occasions.
- 5.3 There are two critical parts to the programme in the business case which are the renewal of the Aranui Road/Stafford Drive water main, and the renewal of the trunk main between Best Island and the Mapua Channel. Completion of these works will address the frequent pipe bursts and restore the agreed level of service to the community. The upgrade of the Stafford Drive wastewater rising main is to be programmed at the same time as the water main replacement so that the pipes can be placed in a shared trench to minimise costs.
- 5.4 The preferred programme identified in the business case has design for these works being undertaken in 2018/19 and construction completed by 2020/21. Based on this timing, staff expect that the Mapua community will need to prepare for and accept the increasing risk of pipe breaks and water outages for the next four years.
- 5.5 Over this time, staff are concerned Mapua's water supply reliability will fall below reasonable service levels. The importance of a reliable water supply should not be underestimated. Water is critical to maintaining a community's economy, sanitation and well-being. Community feedback indicates that the Mapua community is fast running out of patience with frequent water breaks and wastewater overflows.
- 5.6 Staff therefore recommend that the design work be advanced to 2017/18 to reduce the waiting time from four years to three years until construction is complete. A programme with amendments to reflect this strategy has been included as **Attachment 2**.



- 5.7 For comparison, the timing and budgets of the corresponding projects from the 2015 Activity Management Plan have been included as **Attachment 3**.

## 6 Options

- 6.1 The Council has the following options:

Option	Description	Discussion
1	Advance design and land acquisition, bringing these into the 2017/18 financial year.	<ul style="list-style-type: none"> <li>The risk of pipe breaks and critical water shortages is expected to increase.</li> <li>Will allow the Council to achieve the programme set out in Attachment 2, completing the most important works within three years.</li> <li>The Council will need to consider either deferring projects that are less urgent, or providing additional funding.</li> </ul>
2	Not advance any work into the 2017/2018 financial year.	<ul style="list-style-type: none"> <li>Mapua Community patience with increasing water disruption and wastewater overflows likely to evaporate without proactive action by the Council.</li> <li>The work is likely to be completed within four years instead of three years, assuming the work still comes forward as proposed in the LTP 2018-2028.</li> <li>Not undertaking design in 2017/18 will mean that other projects do not need to be re-prioritised.</li> </ul>

- 6.2 Staff recommend Option 1.

## 7 Strategy and Risks

- 7.1 The risks associated with each problem statement and the options set out in this report are discussed in Sections 4 and 6 respectively.

## 8 Policy / Legal Requirements / Plan

- 8.1 Design and land acquisition for the proposed programme is not currently part of the Annual Plan 2017/2018. The decision sought in this report effectively seeks an amendment to this Annual Plan.
- 8.2 The longer-term programme of works will be input into the updated Activity Management Plans as part of the 2018-2028 Long Term Plan process.

## 9 Consideration of Financial or Budgetary Implications

- 9.1 The proposed budgets are included in **Attachments 1 and 2**. The value of the design and land acquisition work that staff recommend advancing is \$200,000 for Water and \$560,000 for Wastewater.

- 9.2 Staff have identified project budgets in 2017/2018 that could be re-prioritised or partially re-allocated, but are also seeking some additional funding for wastewater.

#### Water budgets

- 9.3 To meet the water related design costs above, staff recommend partially reallocating budgets from projects a) and b), and fully reallocating budgets from projects c) and d) below:
- a) Funding of \$80,978 from Church Street Water Main Replacement (total budget \$337,554). This project has been combined with other stormwater works which has resulted in a scope change and expected cost savings due to consolidating works.
  - b) Funding of \$80,000 from McGlashen Avenue Re-Zoning (total budget \$326,062). The length of this project has reduced resulting in expected cost savings.
  - c) Funding of \$15,949 from Mapua Growth Facilitation Works. This is directly related to the water trunk main renewal.
  - d) Funding of \$23,073 from Waimea Water Treatment Plant Upgrade. Staff propose that this project is deferred as it is dependent on other works. Consequently, the detailed design phase will not need to be undertaken in 2017/18.

#### Wastewater budgets

- 9.4 To meet the wastewater related design and land acquisition costs, staff recommend:
- a) Re-prioritising the full \$106,000 budget for Growth Allowance for Pipeline Upgrades. This is largely a reactive budget that enables the Council to take advantage of opportunities that individual developments may present to upsize reticulation. Staff are not aware of any development projects where this budget will be needed in 2017/2018. There remains a risk that such a project could eventuate through the year. Staff consider this risk low.
  - b) The Council approving additional funding of \$454,000. This increase can be absorbed by the wastewater account, as the surplus in this account by the end of 2016/2017 is expected to be \$2.2m. The Council will be considering a report on 22 June 2017 proposing that \$1.6m of this surplus be used to retire debt (with the rest held in reserve). The net impact of a decision to fund the additional \$454,000 sought in this report, is that debt in the wastewater account will be reduced by approximately \$1.1m, instead of \$1.6m.
- 9.5 The net operating impact in 2017/2018 is small and manageable given the overall size of the interest costs (around \$12,000 in 2017/2018) compared to the size of the activity, or the account balance.

## 10 Significance and Engagement

- 10.1 Staff consider the design to be of medium significance as outlined in the table below. Staff believe the Mapua community is likely to support the proposal. The financial impact of the proposed expenditure (discussed above) has a material impact on the 2017/2018 capital programme for wastewater, but not on the overall account. The substantive programme and its timing will be consulted on as part of the Long Term Plan process next year.
- 10.2 For these reasons, staff do not recommend consulting with the community on the proposals in this report. Should the Council instead elect to consult, it will diminish the value of bringing

the work forward, as it will erode time and staff resources that could otherwise be used to progress the design.

Issue	Level of Significance	Explanation of Assessment
Is there a high level of public interest, or is decision likely to be controversial?	Medium	The decisions included in this report relate only to the design stage of the project. Staff expect that the Mapua Community will have a high level of interest in the short-term future of the water supply.
Is there a significant impact arising from duration of the effects from the decision?	Low	Decision relates to advancing design fees by 12 months.
Does the decision relate to a strategic asset? (refer Significance and Engagement Policy for list of strategic assets)	Low	This decision relates to part of the water supply network. The full network is considered a strategic asset.
Does the decision create a substantial change in the level of service provided by Council?	Medium	Undertaking this work early enables the Council to restore the agreed levels of service sooner.
Does the proposal, activity or decision substantially affect debt, rates or Council finances in any one year or more of the LTP?	Low	The work will be debt funded as it is considered capital expenditure.

## 11 Conclusion

- 11.1 The Mapua water supply network is currently facing critical level of service failures due to pipe bursts and water shortages.
- 11.2 The wastewater network has insufficient capacity during significant wet weather events.
- 11.3 The business case has identified a programme of works that will rectify the current issues and enable future development.
- 11.4 Staff recommend commencing design and land acquisition work in 2017/18 to enable the renewal works to be completed as soon as possible.
- 11.5 This requires \$200,000 for water and \$560,000 for wastewater. Staff expect that the 2017/18 water budget will accommodate the water portion of the works. Part of the wastewater works can be accommodated within the 2017/18 wastewater budget but the balance of \$454,000 will require additional funding.

## 12 Next Steps / Timeline

- 12.1 Staff are working with Stantec to finalise the business case in June and July 2017.

- 12.2 The recommended programme of works will be included in the Water Supply Activity Management Plan and Wastewater Activity Management Plan.
- 12.3 With approval from the Engineering Services Committee, staff will report to Full Council recommending that the works be advanced to 2017/18.
- 12.4 Staff will report at a later date on the merits of the business case approach.

<b>13 Attachments</b>
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1.	Initial Preferred Programme	79
2.	Advanced Programme	<b>Error ! Book mark not defined.</b>
3.	2015 Activity Management Plan Programme	<b>Error ! Book mark not defined.</b>
4.	Schematic - Wastewater	<b>Error ! Book mark not defined.</b>
5.	Schematic - Water Supply	<b>Error ! Book mark not defined.</b>



**Water and Wastewater Capital Works Programme**  
 Programme One: Initial Business Case Programme

Item	Project Name	Description	Activity	Total Project Estimate	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028+	Notes
1	Replace Aranui Road and Stafford Drive water main	Replacement of the main from Mapua Wharf to Pomona Road.	Water	\$ 2,620,027	\$ -	\$ 300,000	\$ 2,320,027	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Project budget has factored in cost savings for laying the Stafford Drive rising main in the same trench.
2	Replace Mapua Trunk Water Main	Replacement of the trunk main between Best Island and the Mapua Channel.	Water	\$ 3,017,500	\$ -	\$ -	\$ 250,000	\$ 2,767,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
3	Waimea Water Treatment Plant Upgrade	Storage reconfiguration to provide capacity for growth, add UV treatment, strength building to improve resilience.	Water	\$ 1,597,039	\$ -	\$ -	\$ -	\$ 65,000	\$ 65,000	\$ 1,467,039	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	The new bores and raw water main must be installed first to enable the tanks to be decommissioned for upgrade.
4	Waimea New Bores and Raw Water Main	Install new bores and raw watermain to enable raw water to be provided directly to the Richmond Water Treatment Plant.	Water	\$ 1,303,633	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ 1,103,633	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	To be completed prior to upgrade of the Waimea Water Treatment Plant.
5	Pomona Road Reservoir Upgrade	Replace timber reservoir and add storage capacity.	Water	\$ 1,314,171	\$ -	\$ -	\$ -	\$ 70,000	\$ 1,244,171	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
6	Stagecoach Road Reservoir Upgrade	Relocate reservoir site and add storage capacity.	Water	\$ 612,544	\$ -	\$ -	\$ -	\$ 75,000	\$ 537,544	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
7	New Loop Mains	New loop mains to increase resilience.	Water	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ -	
8	Mapua Channel New Water Main	New pipe crossing for additional crossing capacity.	Water	\$ 743,993	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 743,993	
9	New Stafford Drive Pump Station and Rising Main	New pump station with storage, odour control and new pumps, as well as new rising main to Mapua Wharf.	Wastewater	\$ 2,801,718	\$ -	\$ 560,000	\$ 2,241,718	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
10	Ruby Bay Pump Station and Rising Main Upgrade	Upgrade pumps, new storage and odour control.	Wastewater	\$ 596,511	\$ -	\$ 376,285	\$ 220,226	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
11	Aranui-Higgs Pump Station Upgrade	Upgrade pumps, new storage and odour control.	Wastewater	\$ 256,799	\$ -	\$ -	\$ 55,907	\$ 200,892	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
12	Aranui Road Pump Station Upgrade	Upgrade pumps, new storage and odour control.	Wastewater	\$ 329,328	\$ -	\$ -	\$ 66,321	\$ 263,007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
13	Higgs Road No. 1 Pump Station Upgrade	Upgrade pumps, new storage and odour control.	Wastewater	\$ 217,249	\$ -	\$ -	\$ -	\$ -	\$ 31,209	\$ 186,040	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
14	Toru Street Pump Station Upgrade	Upgrade pumps, new storage and odour control.	Wastewater	\$ 235,234	\$ -	\$ -	\$ -	\$ -	\$ 35,694	\$ 199,540	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
15	Mapua Channel New Wastewater Main	New pipe crossing for additional crossing capacity.	Wastewater	\$ 564,521	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 564,521	
				\$ 17,210,267	\$ -	\$ 1,236,285	\$ 5,254,199	\$ 3,541,399	\$ 3,017,251	\$ 1,852,619	\$ -	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 1,308,514	

*Note: The figures and timing in the table above are draft. They may be amended during the development of the 2018-2028 Long Term Plan.*



**Water and Wastewater Capital Works Programme**  
 Programme Two: Advanced Business Case Programme

Item	Project Name	Description	Activity	Total Project Estimate	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028+	Notes
1	Replace Aranui Road and Stafford Drive water main	Replacement of the main from Mapua Wharf to Pomona Road.	Water	\$ 2,620,027	\$ 300,000	\$ 2,320,027	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Project budget has factored in cost savings for laying the Stafford Drive rising main in the same trench.
2	Replace Mapua Trunk Water Main	Replacement of the trunk main between Best Island and the Mapua Channel.	Water	\$ 3,017,500	\$ -	\$ 250,000	\$ 2,767,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
3	Waimea Water Treatment Plant Upgrade	Storage reconfiguration to provide capacity for growth, add UV treatment, strength building to improve resilience.	Water	\$ 1,597,039	\$ -	\$ -	\$ -	\$ 65,000	\$ 65,000	\$ 1,467,039	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	The new bores and raw water main must be installed first to enable the tanks to be decommissioned for upgrade.
4	Waimea New Bores and Raw Water Main	Install new bores and raw watermain to enable raw water to be provided directly to the Richmond Water Treatment Plant.	Water	\$ 1,303,633	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ 1,103,633	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	To be completed prior to upgrade of the Waimea Water Treatment Plant.
5	Pomona Road Reservoir Upgrade	Replace timber reservoir and add storage capacity.	Water	\$ 1,314,171	\$ -	\$ -	\$ -	\$ 70,000	\$ 1,244,171	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
6	Stagecoach Road Reservoir Upgrade	Relocate reservoir site and add storage capacity.	Water	\$ 612,544	\$ -	\$ -	\$ -	\$ 75,000	\$ 537,544	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
7	New Loop Mains	New loop mains to increase resilience.	Water	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ -	
8	Mapua Channel New Water Main	New pipe crossing for additional crossing capacity.	Water	\$ 743,993	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 743,993	
9	New Stafford Drive Pump Station and Rising Main	New pump station with storage, odour control and new pumps, as well as new rising main to Mapua Wharf.	Wastewater	\$ 2,801,718	\$ 560,000	\$ 2,241,718	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
10	Ruby Bay Pump Station and Rising Main Upgrade	Upgrade pumps, new storage and odour control.	Wastewater	\$ 596,511	\$ -	\$ 376,285	\$ 220,226	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
11	Aranui-Higgs Pump Station Upgrade	Upgrade pumps, new storage and odour control.	Wastewater	\$ 256,799	\$ -	\$ -	\$ 55,907	\$ 200,892	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
12	Aranui Road Pump Station Upgrade	Upgrade pumps, new storage and odour control.	Wastewater	\$ 329,328	\$ -	\$ -	\$ 66,321	\$ 263,007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
13	Higgs Road No. 1 Pump Station Upgrade	Upgrade pumps, new storage and odour control.	Wastewater	\$ 217,249	\$ -	\$ -	\$ -	\$ -	\$ 31,209	\$ 186,040	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
14	Toru Street Pump Station Upgrade	Upgrade pumps, new storage and odour control.	Wastewater	\$ 235,234	\$ -	\$ -	\$ -	\$ -	\$ 35,694	\$ 199,540	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
15	Mapua Channel New Wastewater Main	New pipe crossing for additional crossing capacity.	Wastewater	\$ 564,521	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 564,521	
				\$ 17,210,267	\$ 860,000	\$ 5,188,030	\$ 3,209,954	\$ 773,899	\$ 3,017,251	\$ 1,852,619	\$ -	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 1,308,514	

**Note:** The figures and timing in the table above are draft. They may be amended during the development of the 2018-2028 Long Term Plan.





**Water and Wastewater Capital Works Programme**  
 Programme Three: 2015 Activity Management Plan

Item	Project Name	Description	Activity	Total Project Estimate	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028+	Notes
1	Replace Aranui Road Water Main	Replacement of the main from Mapua Wharf to Mapua Drive.	Water	\$ 955,569	\$ -	\$ 95,557	\$ 860,012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2	Growth Facilitation Works	Replacement of the trunk main between Best Island and the Mapua Channel.	Water	\$ 4,000,000	\$ 15,000	\$ 285,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ 3,000,000	\$ 600,000	\$ -	
3	Waimea Water Treatment Plant Renewal and Upgrade	Storage reconfiguration to provide capacity for growth, add UV treatment, strength building to improve resilience.	Water	\$ 586,867	\$ 21,700	\$ 565,167	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
4	New Stafford Drive Pump Station and Rising Main	New pump station, storage and rising main.	Wastewater	\$ 3,165,441	\$ -	\$ 300,723	\$ 310,209	\$ 2,554,509	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
5	Ruby Bay Pump Station and Rising Main Upgrade	Pump station and storage upgrade.	Wastewater	\$ 185,000	\$ -	\$ -	\$ -	\$ -	\$ 37,000	\$ 148,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
6	Aranui-Higgs Pump Station Upgrade	New pumps, storage and odour control.	Wastewater	\$ 86,300	\$ -	\$ -	\$ -	\$ -	\$ 8,630	\$ 77,670	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
7	Aranui Road Pump Station Upgrade	New pump station and storage.	Wastewater	\$ 1,011,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 101,150	\$ 202,300	\$ 708,050	
8	Higgs Road No. 1 Pump Station Upgrade	Upgrade pump station and new storage.	Wastewater	\$ 414,900	\$ -	\$ -	\$ 41,490	\$ 373,410	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
9	Toru Street Pump Station Upgrade	New pumps, storage and odour control.	Wastewater	\$ 177,806	\$ -	\$ -	\$ -	\$ 17,786	\$ 160,020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
10	Mapua Channel New Wastewater Main	Pipeline upgrade.	Wastewater	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ 450,000	\$ -	
				<b>\$ 11,083,383</b>	<b>\$ 36,700</b>	<b>\$ 1,246,447</b>	<b>\$ 1,211,711</b>	<b>\$ 2,945,705</b>	<b>\$ 205,650</b>	<b>\$ 225,670</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 100,000</b>	<b>\$ 3,151,150</b>	<b>\$ 1,252,300</b>	<b>\$ 708,050</b>	

*Note: The figures in the table above are based on the uninflated figures from the 2015-45 Water and Wastewater Activity Management Plans.*





**Business Case Overview**

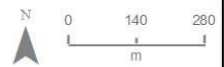
# Mapua - Wastewater

Date: 19/06/2017



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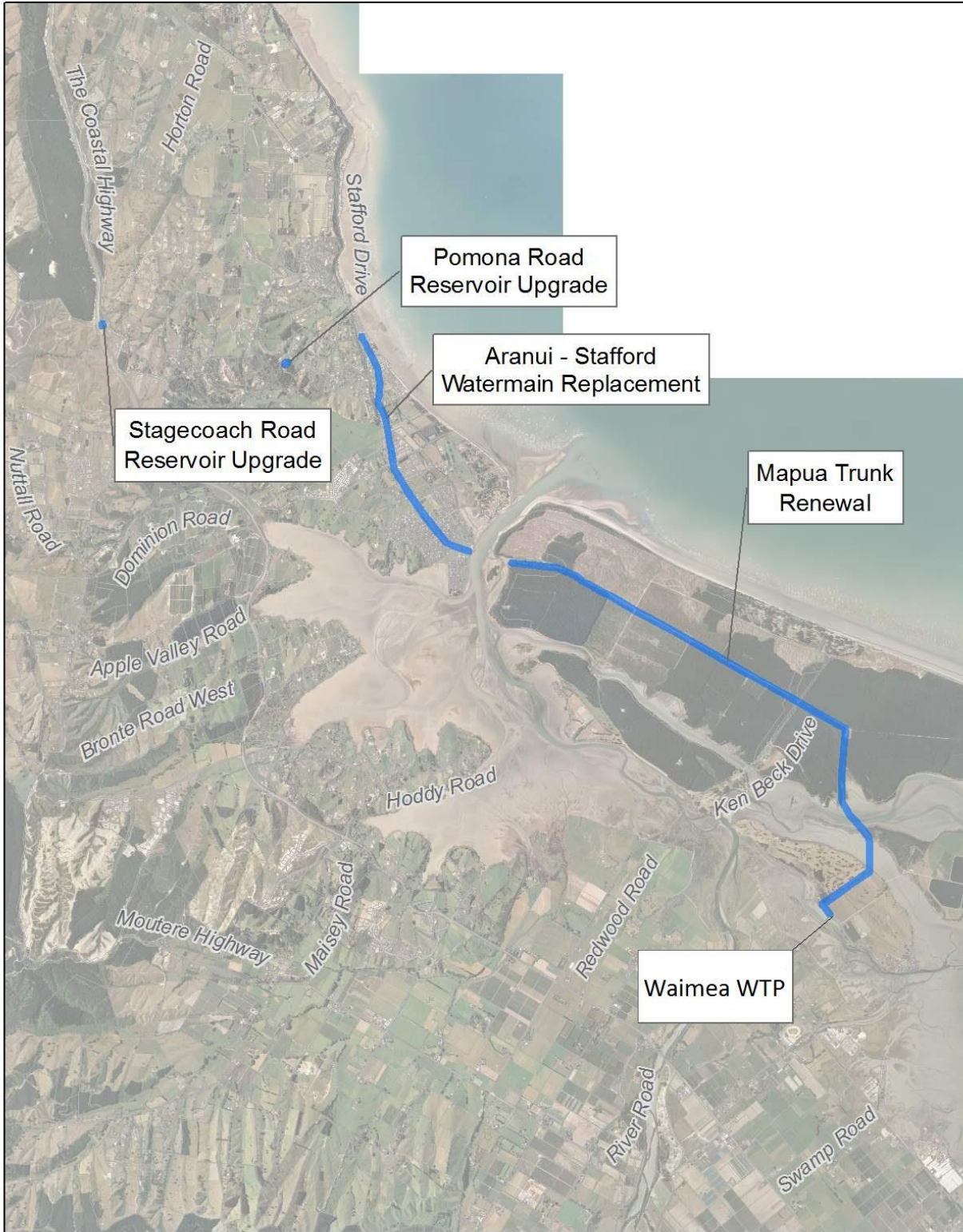




Business Case Overview

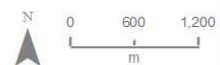
Mapua - Water Supply

Date: 19/06/2017



Path: P:\Engineering\AMP 2018\Growth Projects\MapReports AMP\Projects BusinessCase Mapua.mxd

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**8.5 HAVELOCK NORTH WATER SUPPLY - STAGE 1 ENQUIRY****Decision Required**

<b>Report To:</b>	Full Council
<b>Meeting Date:</b>	27 July 2017
<b>Report Author:</b>	Mike Schruer, Utilities Manager; Gillian Bullock, Senior Water Quality Officer
<b>Report Number:</b>	RCN17-07-05

**1 Summary**

- 1.1 Numerous findings from Stage 1 of the Havelock North enquiry provide useful lessons for Council. The enquiry could also result in legislative changes affecting water supplies across the country.
- 1.2 The two main findings from Stage 1 were:
  - Lack of communication between the various entities involved in monitoring and operating water supplies
  - Technical shortcomings around the bores and bore heads
- 1.3 This summary has been put together by Engineering and Environment and Planning staff.

**2 Draft Resolution**

**That the Full Council**

- 1. receives the Havelock North Water Supply - Stage 1 Enquiry report, RCN17-07-05; and**
- 2. proceeds with its intention to install emergency chlorine dosing in all future water treatment plant upgrades; and**
- 3. considers upgrading the remaining non-compliant water treatment plants to meet the Drinking Water Standards in the development of its Long Term Plan 2018-2028; and**
- 4. assesses and consults with users on water treatment options as required for rural agricultural water supplies; and**
- 5. notes that the security of all Council-owned water bores and reservoirs has been checked; and**
- 6. reviews and upgrades Council processes, systems and data to ensure appropriate monitoring, recording and accessibility is implemented; and**
- 7. undertake a risk assessment of the private water bores in Motueka regarding the potential contamination of aquifers and the corresponding implications to community water supplies. The assessment should include recommendations to ensure a secure urban water supply for Motueka; and**
- 8. review the permitted activity rules for bores/wells in regard to potential contamination; and**
- 9. note that staff intend to report routinely on compliance with Drinking Water Standards across the district.**

### 3 Purpose of the Report

- 3.1 To brief Council on the Stage 1 findings of the Havelock North enquiry and make recommendations on what Council should do in managing its water supplies and its monitoring of aquifers.

### 4 Background and Discussion

#### The Event

- 4.1 Five thousand, five hundred (5,500) people in the town of Havelock North (40% of the town) became ill in August 2016 with campylobacteriosis, as a result of campylobacter in the water supply.
- 4.2 Forty-five (45) people were hospitalised and three people died post this event. The deaths have not been directly linked to the event but it was considered contributory.
- 4.3 Due to the extent of the outbreak, the Government established the Havelock North Enquiry.
- 4.4 Stage 1 of the enquiry focused on how the failings occurred. This stage is complete.
- 4.5 Stage 2 is due in December 2017 and will probably focus on how improvements can be made.
- 4.6 The Havelock North Water Supply sources water from the Te Mata aquifer. This aquifer was thought to be confined. Two bores in Brookvale Road on the edge of town took water from this aquifer and pumped it directly into the reticulated network (pipes and reservoirs). There was no treatment in place.

#### Summary of Major Findings

- 4.7 Two main issues were identified:
- Lack of communication between the various entities involved in monitoring and operating water supplies
  - Technical shortcomings around the bores and bore heads
- 4.8 The majority of the focus is not on engineering issues, as might be expected, but on the poor communication between all of the entities that were involved with, or responsible for, the water resource as a whole. The main parties involved were the Hastings District Council (HDC), the Hawkes Bay Regional Council (HBRC), Consultants and the local Drinking Water Assessor (DWA).
- 4.9 Investigations found that the aquifer was not fully confined, as assumed, and that surface/shallow groundwater was percolating down into the lower aquifer. The source of the campylobacter was determined to be sheep faeces and the route into the aquifer was via flooding from paddocks into a large pond on a farm upstream of the bores. There is a possibility that the aquifer used to be confined and that natural events, like earthquakes, or other interventions, like earthworks have changed this status.

#### Hawkes Bay Regional Council

- 4.10 It was found that a combination of numerous failings was the probable cause of the outbreak, not one person or action.

- 4.11 Prior to the contamination event, there were indications with the aquifer suggesting that it may no longer be confined and hence the bores were no longer 'secure'. If there had been good communication between the two councils over these indications, the outbreak may have been avoided.
- 4.12 The HBRC failed to meet its duties under the RMA to protect the aquifer. It had knowledge of the aquifer structure, its uses and the risk of contamination to the HDC water supply bores and it did not sufficiently relate this information to HDC or follow up on issues of concern that were raised.

### **Hastings District Council**

- 4.13 There were some failings regarding the bore headworks that should have been remedied by HDC, instead they were considered 'normal' and no improvements were actioned. The bore headworks were in a chamber that leaked and flooding was known to occur around the site. A sump pump situated in the chamber to pump water out of the chamber did not work, and had probably not worked for years. This is not thought to be the primary or most likely source of contamination in this event.
- 4.14 The response to the outbreak was generally well handled, however, there were significant gaps in 'readiness' i.e. having up to date contact lists, boil water notices drafted and easily available contingency plans.
- 4.15 HDC failed to recognise previous transgressions at the bores as a significant risk to the water supply and as such breached the Drinking Water Standards.
- 4.16 Managers at the HDC failed to adequately delegate tasks or supervise work.
- 4.17 Plant maintenance records were not adequately kept by HDC. A report on the bore headworks took time to locate. When it was finally located, it was determined to be of poor quality. It had not been adequately checked or signed off by management for many months.

### **Drinking Water Assessor**

- 4.18 The local Drinking Water Assessors (DWA) were found to be too hands-off and should have been more diligent in pursuing previous transgressions and corresponding remedial actions.

### **Consultants**

- 4.19 A consultancy firm that provided technical advice to HDC failed to competently assess the security of the bores.

### **Risk of a similar event in Tasman**

#### **Council Schemes**

- 4.20 There are currently two untreated water supplies in the Tasman District; these are Kaiteriteri and Motueka.
- 4.21 The Dovedale water supply is chlorine-dosed but it is generally ineffective and the scheme has a permanent boil water notice.
- 4.22 A tender for the Kaiteriteri water treatment plant upgrade is currently underway. This upgrade will include permanent Ultra-violet (UV) disinfection and emergency chlorine treatment, and is planned to start construction in late 2017.
- 4.23 The bore for the Kaiteriteri treatment plant currently is the only Council bore in an underground chamber. A second bore has been drilled nearby and will have above ground headworks. The existing bore will most likely be replaced with a new bore in two-three years.

- 4.24 The Motueka water supply upgrade in Parker Street is currently being designed. Funding to undertake a full upgrade will be included in the next Water Supply AMP (2018/48). It is also included for consideration in the Long Term Plan 2018-28. Treatment will involve UV disinfection, filtration if necessary and emergency chlorine dosing.
- 4.25 The Motueka Recreation Centre bore headworks was raised above ground in 2015 and it is intended that emergency chlorine dosing be added as well.
- 4.26 Parts of Motueka do not have a reticulated water supply. They have shallow groundwater and some of the old bores that are still used have exposed boreheads. These are prime candidates for contamination e.g. bore set below ground in a chamber and susceptible to contamination from various sources including surface runoff and/or flooding.

#### **Improvements at Tasman District Council since the event**

- 4.27 Council were already undertaking a number of improvements when the Havelock North event occurred. These have now been given more urgency and are discussed in more detail below.
- 4.28 It is proposed that emergency chlorine treatment be included in all upgrades to water treatment plants and Council has agreed to this in principle. This is to ensure that should a bacteriological contamination event occur it is possible to treat the complete network. UV cannot do this as it only treats the water at one location. In Havelock North the contamination came in via the bore but contamination can get in through the reticulation as well (e.g. reservoirs) and so having a disinfecting residual in the network is preferable.
- 4.29 Potentially the Stage 2 report from the Havelock North enquiry could recommend;
- Chlorination of all schemes
  - Changes to the DWS which could become mandatory.
- 4.30 Engineering and Environment Planning staff at Tasman District Council have a good working relationship, however it is recognised that there is room for process improvements and knowledge sharing.
- 4.31 Engineering, Planning and Consents staff (covering both Regional and District Council roles in our Unitary Authority) have been briefed by a former Drinking Water Assessor, who now provides advice to councils regarding security of water supplies.
- 4.32 Regular meetings between appropriate Council staff and the local Drinking Water Assessor have been programmed and this should lead to improved communication between the Regional and District Council sections of the Council and the DHB Drinking Water Assessors (Ministry of Health).
- 4.33 Some discussion has started regarding the health risk posed by private bores. In particular borehead condition and backflow protection. The permitted rules within the TRMP for installing shallow bores probably need to be reviewed and changed. Where consents are applied for that include the use of fertigation for nutrient or effluent application there is a condition being imposed to have effective backflow prevention installed on the bore head.
- 4.34 Bore head condition was an item for scrutiny this immediate past summer and “at risk” bores will be inspected again. It is expected that bore security will remain an assessment need during each summer’s water meter audit.
- 4.35 Policy changes requiring the retrofitting of existing private bores with backflow protection, upgrading those bore heads to reduce floodwaters getting into the aquifer, and

decommissioning old bores would require specific attention by Council and would involve additional resources to complete effectively.

- 4.36 Catchment-wide nitrate surveys are undertaken by Environment and Planning staff every five to 10 years in each of our major catchments. As part of these surveys a selection of sites in the unconfined aquifers are sampled for faecal coliform bacteria. Previous surveys indicate that the shallower wells generally have a higher risk of faecal contamination, compared to deeper drilled bores. If issues are identified then the bore/well owner is notified. To date there has not been a need to initiate catchment-wide sampling for faecal coliforms but it is an option to do so as part of each nitrate survey if it were required. Evidence so far does not suggest there is a need for this at present. As part of future surveys a selection of sites from confined aquifers could be sampled concurrently.
- 4.37 Contingency plans for water events, i.e. poor quality water or lack of water, are currently included in the Water Safety Plan for each scheme. These contingency plans will need to be centrally located and include maps, diagrams and detailed descriptions to facilitate implementation.
- 4.38 It is important that Environment and Planning, Engineering and any other interested parties in Council know where the Council's water takes are located for consenting, compliance and civil defence emergency purposes. The current databases, systems and processes need to be upgraded and streamlined to improve access to the information.
- 4.39 Engineering staff continue to work towards the completion of Water Safety Plans for all the Water Supply Schemes by the end of 2017. The inquiry has shown that getting the right person to do these assessments is important. Employing consultants who don't have the skills to assess risks in detail can result in over-confidence of the Council.
- 4.40 Council currently has engaged a consultant who is an ex-Drinking Water Assessor to write the draft of these documents. The draft then comes to the Council for completion by a Council staff member who has a good knowledge of both the water schemes and the drinking water standards. An additional WSP is needed for the Mapua Rise treatment plant.
- 4.41 The next version of the Water Supply AMP will include budgets to upgrade all the treatment plants to comply with the Drinking Water Standards. These are phased over a number of years. Budgets for this work are already identified in the Long Term Plan 2015/25 however they are a few years out. It may be necessary to bring them forward to meet Council's obligations.
- 4.42 The bore chamber at Kaiteriteri has always had a sump pump and a high-level alarm. Improvements have recently been made to ensure pump performance is monitored and the equipment maintained.
- 4.43 The civil defence and emergency management team have previously carried out exercises regarding earthquake/ tsunami/flooding. Running a training exercise on a water outbreak scenario is being considered for 2018 and would be a good test of our processes and procedures. Significant planning would be required to make this worthwhile.

#### **Private Community Water Schemes (PCWS)**

- 4.44 Numerous PCWS exist ranging from a few households e.g. deep Moutere bores in unserviced areas, to the Lower Moutere Water Scheme, Totara Avenue, Tukurua, Pohara and DoC schemes in Abel Tasman and others.

- 4.45 As required for Council supply bores it is important that Environment and Planning and Engineering staff and any other interested parties in Council know where the private schemes exist and where water takes are located for consenting, compliance and civil defence emergency purposes. Currently some information is in our database and available on Explore Tasman; however, this is neither accurate nor comprehensive.
- 4.46 In 2009, the MoH sent a dataset to councils with location data of all registered drinking water supplies. An enquiry was made to the Ministry of Health (MoH) in September 2016 to ask whether there was any intention of updating this information. The response was that there was no update planned. The Havelock North enquiry and the move of the WINZ database to being fully online might change this.

### Consenting

- 4.47 Council is a Unitary Authority with both district and regional consent functions. The district function includes operating and maintaining the public water supplies. This improves the management of all consents where required and easy access to staff regarding the water supplies Council maintains.
- 4.48 The National Environmental Standard (NES) for Sources of Human Drinking Water has been somewhat overtaken by the National Policy Statement for Freshwater Management, at least at a high level. Objectives safeguard the health of people and communities and require the overall quality of freshwater to be maintained or improved.
- 4.49 Council staff apply the NES for Sources of Human Drinking Water as part of the processing of consents. Activities that have the potential to affect a drinking water supply are screened to ensure that the risks associated with granting a consent/permit are understood. If a risk to any drinking water supply is “minor” or greater, further analysis is undertaken. We consider this to be a higher test than the NES as we consider all drinking water supplies and the NES refers to the test “likely to”.

## 5 Background and Discussion

- 5.1 The Council could choose to:

### Option 1 – Receive the report for information only

- 5.2 There have been a number of findings from the Havelock North event and the Council could choose not to assess these findings.
- 5.3 This option is not recommended.

### Option 2 – Assess the findings of the Havelock North event

- 5.4 The Havelock North event has resulted in a number of findings. Many are relevant to the Tasman District Council in the operation and management of its water supply schemes. Staff have reviewed the findings and where appropriate have made a number of recommendations to ensure a more secure water supply for consideration by the Council.
- 5.5 Option 2 is the recommended option.

## 6 Strategy and Risks

- 6.1 Contamination of a water supply is a significant risk to customers, as has been demonstrated by the event in Havelock North.

## 7 Policy / Legal Requirements / Plan

- 7.1 The Health (Drinking Water) Amendment Act 2007 amended the Health Act 1956 to require all drinking-water suppliers providing water to more than 500 people to develop and start to implement a Public Health Risk Management Plan (now called a Water Safety Plan) to guide the safe management of their supply before 2013.
- 7.2 Safe drinking-water, available to everyone, is a fundamental requirement for public health. The Drinking-water Standards for New Zealand (DWSNZ) define the minimum standards for drinking-water in New Zealand. Every attempt has been made to ensure the DWSNZ:
- protect public health
  - minimise unnecessary monitoring
  - are appropriate for large and small, publicly and privately owned water supplies.

## 8 Consideration of Financial or Budgetary Implications

- 8.1 There are cost implications associated with the recommendations and these will be either accommodated within current budgets or considered for inclusion in the next Long Term Plan 2018-2028 (LTP).

## 9 Significance and Engagement

- 9.1 The recommendations in this report are not considered to be significant in accordance with the Council's Significance Policy.
- 9.2 Any upgrades that require additional funding will be included in the draft Long Term Plan 2018-2028. This will allow the affected communities to comment as part of the LTP consultation process.
- 9.3 Although not significant, the consideration of improvements to the water supplies is important as they have the potential to impact on the community socially, culturally and economically and will be included in the next Activity Management Plans and draft LTP 2018-2028.

Issue	Level of Significance	Explanation of Assessment
Is there a high level of public interest, or is decision likely to be controversial?	High	Water treatment upgrades to the Drinking Water Standard are likely to impose cost, particularly for the rural agricultural schemes.
Is there a significant impact arising from duration of the effects from the decision?	Low	Major decisions are more likely to be made through the LTP process.



Issue	Level of Significance	Explanation of Assessment
Does the decision relate to a strategic asset? (refer Significance and Engagement Policy for list of strategic assets)	Low	Major decisions are more likely to be made through the LTP process.
Does the decision create a substantial change in the level of service provided by Council?	Low	Major decisions are more likely to be made through the LTP process.
Does the proposal, activity or decision substantially affect debt, rates or Council finances in any one year or more of the LTP?	Low	Major decisions are more likely to be made through the LTP process.

## 10 Conclusion

### Recommendations

- 10.1 Continue installation of emergency chlorine dosing for all future water treatment plant upgrades.
- 10.2 Include upgrades of all remaining non-compliant water treatment plants to the Drinking Water Standards for consideration in the Long Term Plan 2018-2028.
- 10.3 Assess and consult with users on the implications should a rural agricultural water supply need improved water treatment.
- 10.4 Confirm integrity and security of all Council owned water bores and reservoirs.
- 10.5 Review Council processes and systems to ensure that relevant data is monitored, recorded and made easily accessible.
- 10.6 Undertake an independent risk assessment of the private water bores in Motueka and report on possible implications to the community water supplies. Assessment to include recommendations to ensure a secure urban water supply for Motueka.
- 10.7 Review the permitted activity rules in relation to bores and wells.
- 10.8 The Chief Executive to write to the Ministry of Health to request an updated map of all the private and public water schemes in the district.
- 10.9 Staff routinely report to Council on compliance with Drinking Water Standards across the district to raise governance awareness to ensure accountability and responsibility for providing a secure water supply in the district.

## 11 Next Steps / Timeline

- 11.1 Ensure the relevant recommendations are incorporated into the next LTP.
- 11.2 Where possible within current operational funding, action the recommendations this financial year.

<b>12 Attachments</b>
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Nil

**8.6 TRUNK MAIN FOR GROWTH - RICHMOND SOUTH****Decision Required**

<b>Report To:</b>	Full Council
<b>Meeting Date:</b>	27 July 2017
<b>Report Author:</b>	Dwayne Fletcher, Activity Planning Manager; Dugald Ley, Development Engineer
<b>Report Number:</b>	RCN17-07-06

**1 Summary**

- 1.1 This is the second of two reports seeking additional funding to enable the Council to partner with developers to advance growth-related infrastructure works in Richmond. In this case, staff have approached developers to build portions of the Richmond South water trunk main adjacent to and through their subdivisions, as they develop.
- 1.2 As mentioned in the earlier report to Full Council on 22 June 2017, Richmond has seen development much faster than anticipated by the growth demand and supply model used to inform the Long Term Plan 2015-2025. As a result, development has severely eroded Richmond's supply of serviced land and a shortage in available sections is becoming apparent.
- 1.3 Releasing significantly more land in Richmond South and West is dependent on the construction of the Richmond South water trunk main and reservoir. These works would be completed in around 10 years under the current Long Term Plan. The Long Term Plan 2018-2028 is likely to bring these works forward significantly.
- 1.4 Staff have progressed a proposal with developers and their contractors to construct approximately 850m of this water main along a portion of Bateup Road and through the Arizona subdivision. The cost of these works is estimated at \$650,000. Staff propose to use existing growth-related budgets of \$280,000, but seek to bring forward funding of \$370,000 to make up the balance. Staff recommend that the Council approves the additional funding for 2017/2018.

**2 Draft Resolution****That the Full Council**

1. receives the Trunk Main for Growth - Richmond South report, RCN17-07-06; and
2. approves additional funding of \$370,000 in 2017/2018 to enable early construction of the Richmond south trunk main in Richmond South; and
3. agrees that the funding above does not require public consultation.

**3 Purpose of the Report**

- 3.1 This report seeks additional funding of \$370,000 for 2017/2018 to enable the Council to partner with a developer to advance growth-related water infrastructure in Richmond South.

**4 Background and Discussion**

- 4.1 Development in Richmond has been progressing at a much faster pace than anticipated by the growth demand and supply model used to inform the Long Term Plan 2015-2025. As a result, development has severely eroded Richmond's supply of serviced land and a shortage of available sections is becoming apparent.
- 4.2 Releasing significantly more land in Richmond South and West is dependent on the construction of the 4.3km long Richmond South water trunk main and associated reservoir, and on the continued development of Borck Creek. The current supply of serviced land, including the land that will be released as a result of the interim water supply recently approved by the Council for Richmond West, is expected to last around four years.
- 4.3 Staff propose to bring the Richmond South water trunk main and reservoir work forward in the 2018-2028 Long Term Plan, so that they can be operational by 2021 i.e. around four years from now. This infrastructure will be able to serve the remaining (and majority) of residential land in Richmond West and deferred residential land between Paton Road and State Highway 6. These works will also:
- Allow for future growth should Richmond expand to the south, beyond current zoning boundaries; and
  - Interconnect with existing residential reticulated zones, providing greater reliance to the water supply network.
- 4.4 With the Arizona land being developed and a subdivision consent being processed for the Paton Rise land (see map below), it is opportune that the Council has the water trunk main installed while development in the location is being constructed. The Council can work with the developers and their contractors who are already established on site. This enables us access to the land and to use their personnel for design, construction, supervision and final certification of the work. This offers potential cost savings, allows us access to contractors in a tight construction market, and also reduces the extent of staff resourcing needed to manage works.
- 4.5 The work involves the construction of approximately 850m of 375 mm diameter trunk water main along Bateup Road, Paton Road and along a proposed utility reserve to be constructed as part of the Arizona subdivision. The plan below shows the two developments either side of Paton Road and the propose trunk main shown in red.



Proposed trunk main alongside the Patton Rise development (bottom left) and through the Arizona development (top right)

**5 Strategy and Risks**

5.1 The importance of meeting growth is a feature of our current Infrastructure Strategy and Long Term Plan. The need to advance growth infrastructure development in Tasman as a result of higher growth has been canvassed with the Council during the development of the 2018-2028 Long Term Plan. To date the Council has indicated it accepts the need to bring growth-related works forward.

**6 Consideration of Legal Requirements**

6.1 The construction arrangement will need an agreement/contract to be entered into with the developer’s contractor. Because the works will not be competitively tendered, due diligence will be undertaken to provide the Tender’s Panel with the confidence that the rates submitted by the contractor provide good value.

**7 Consideration of Financial or Budgetary Implications**

7.1 The estimated cost of the works proposed in this report are approximately \$650,000. Funding for the works is further out in the Long Term Plan. No specific funding is provided in the 2017/2018 Annual Plan.

- 7.2 However, staff have a discretionary growth allowance budget of \$270,000 (including carry-overs) and \$10,000 spare from the Richmond South facilitation budget that can be applied, providing 2017/2018 funding of \$280,000.
- 7.3 Staff seek approval to bring forward a budget of \$370,000 to make up the balance.
- 7.4 To fund this request, the Council can either raise additional debt in 2017/2018 or not undertake other projects that would offset the cost. Normally staff would suggest possible projects for re-prioritisation to help meet the funding gap. However in this case, staff recommend raising additional debt. Our reasons for this are:
- Further opportunities for re-prioritisation within the water account for 2017/2018 have already been exhausted to help bring forward design of the Mapua water main renewal.
  - Much of the work is attributed to growth and therefore recovered through future development contributions, meaning it will have a minor impact on the urban water club account.
  - We will be using the capacity of the developer's contractor to design /build/manage the construction, meaning the additional work will not materially impact the delivery of other capital works managed by Engineering Services staff.
- 7.5 The full cost of the works (\$650,000) will be removed from the future Long Term Plan Programme.

## 8 Options

- 8.1 The Council has three options available to it.

Option	Pros	Cons
<b>Option 1</b> - Approve the requested additional funding of \$370,000	<ul style="list-style-type: none"> <li>• Allows early completion of work in full</li> <li>• Reduces the risk that the works will not be completed before the remaining supply of serviced land is exhausted Done once done right</li> <li>• Land access during construction along preferred route</li> <li>• Takes advantage of capacity of contractors on site</li> <li>• Potentially saving costs</li> <li>• Reduced staff project management resourcing</li> </ul>	<ul style="list-style-type: none"> <li>• Requires Council to bring forward funding</li> <li>• Arrangement will not allow competitive tender process</li> <li>• Requires agreement of landowners</li> </ul>
<b>Option 2</b> - Approve a different budget or offsets the additional funding against another project	<ul style="list-style-type: none"> <li>• Allows some of the benefits for option 1 (but possible not along full length)</li> </ul>	<ul style="list-style-type: none"> <li>• Job half-done</li> </ul>

Option	Pros	Cons
	<ul style="list-style-type: none"> <li>• Reduces or eliminates additional funding requirement</li> </ul>	<ul style="list-style-type: none"> <li>• May frustrate future work and land access</li> <li>• Funding for lower priority water works already sacrificed</li> </ul>
<p><b>Option 3</b> - Decline the requested funding.</p>	<ul style="list-style-type: none"> <li>• Work to some extent will still be undertaken</li> <li>• Allows some of the benefits for option 1 (but possible not along full length)</li> <li>• Reduces or eliminates additional funding requirement</li> </ul>	<ul style="list-style-type: none"> <li>• Job half-done</li> <li>• May frustrate future work and land access</li> </ul>

- 8.2 Staff recommend **Option 1**. Working with developers provides a range of benefits associated with constructing the works and potential costs savings, and enables early completion of the works on land that the developers control. Early completion of this portion of works reduces the amount of work remaining to complete the trunk main. This reduces the risk that the works will not be completed before the remaining supply of serviced land is exhausted.

## 9 Significance and Engagement

- 9.1 This is not a significant decision in the context of the Council's Significance Policy.
- 9.2 Staff do not consider there is any need to publicly consult on this proposal. The cost impact is not material in the context of the overall programme for 2017/2018. The full significance assessment is below.

Issue	Level of Significance	Explanation of Assessment
Is there a high level of public interest, or is decision likely to be controversial?	L	Unlikely to be controversial. There may be a modest amount of public interest as it shows the Council is pro-actively trying to address housing shortages in Tasman.
Is there a significant impact arising from duration of the effects from the decision?	M	The proposed infrastructure will provide enduring capacity and resilience benefits to the Richmond water network.
Does the decision relate to a strategic asset? (refer Significance and Engagement Policy for list of strategic assets)	L	The water network as a whole is considered a strategic asset. This proposal will extend that network.
Does the decision create a substantial change in the level of service provided by Council?	L	It provides enduring capacity and resilience benefits to the Richmond water network. However, it does not change the fundamental levels of service we provide in our water networks.
Does the proposal, activity or decision substantially affect debt, rates or Council finances in any one year or more of the LTP?	L	The additional funding sought is less than 0.75% of the proposed capital spend for 2017/2018.
Does the decision involve the sale of a substantial proportion or controlling interest in a CCO or CCTO?	N/A	
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?	L	The proposal involves partnering with developers and their contractors (under agreement) to undertake a substantial proportion of the works. The Council has entered into several such arrangements in recent years.
Does the proposal or decision involve Council exiting from or entering into a group of activities?	N/A	

## 10 Conclusion

10.1 The proposal outline in the report provides an excellent opportunity for the Council to use a contractor already on site and set up costs are greatly reduced and allows less use of the Council's consultants and project staff. The works will ultimately address a significant shortage of lots in Richmond, while at the same time providing enduring resilience benefits to the wider Richmond water network.



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**11 Next Steps / Timeline**

- 11.1 Assuming the Council approves the funding, staff will conclude the agreement with the developer's contractor for construction of the works. The works should be completed in March/April 2018.

**12 Attachments**

Nil



**8.7 WAIMEA COMMUNITY DAM - PROJECT REPORT**

Decision Required

<b>Report To:</b>	Full Council
<b>Meeting Date:</b>	27 July 2017
<b>Report Author:</b>	Lindsay McKenzie, Chief Executive
<b>Report Number:</b>	RCN17-07-07

**1 Summary**

- 1.1 This is the **fifteenth regular status report** on the Waimea Community Dam Project. The last status report was written just four weeks ago. As a result, there has been little time for progress on the work streams, other than for land and access.
- 1.2 The **review of the alternative schemes for augmenting the urban water supply** has been completed. That review was requested at Council's 14 June 2017 meeting. The work was presented to a stakeholder workshop on 13 July 2017 and is formally presented to Council as part of this report. The review confirms that the dam delivers water at a substantially **lower cost** than any alternative. The alternatives do not offer **environmental and broader community and economic benefits or attract central government and private sector funding** to lower the cost to urban water users.
- 1.3 The **Supreme Court decision** on appeals by the Hawkes Bay Regional Investment Company (HBRIC – the promoters of the Ruataniwha Irrigation Scheme) and the Minister of Conservation has been released. We are taking advice on what the decision means for the transfer of Department of Conservation land for the Waimea Water Augmentation Scheme. The preliminary view is that the decision has no direct application to the proposal to set apart a small area of DoC estate under the Public Works Act.
- 1.4 Three of **the private landowners have objected to the notices of intention** to acquire their land for the scheme. The Court has granted Council a priority fixture to have the objections heard. I swore an affidavit in support of the application. Negotiations will continue despite the appeals.
- 1.5 The Interim Project Director **John Hutton has appointed ETC Communications** as an adviser to the joint venture.
- 1.6 The Ministry for the Environment has been given the further information that they requested to support our application to the **Freshwater Improvement Fund**.
- 1.7 I recommend that **further guidance be given to staff** on the approach they should take to advise Council on the allocation of the cost of the additional project support that Council has been requested to provide by Waimea Irrigators Ltd. That guidance will shape their approach to the revenue and financing policy that allocates costs of activities to beneficiaries and others.

- 1.8 The **questions that were raised at the recent workshop** are appended along with the answers or where to find them.

## 2 Draft Resolution

### That the Full Council

1. receives the **Waimea Community Dam - Project Report RCN17-07-07**; and
2. confirms, having sought and considered further advice about the alternative urban water supply augmentation options, that the proposed **Waimea Community Dam in the Lee Valley is the best solution for meeting the community's need for good quality local water supply infrastructure**; and
3. notes an earlier request from **Waimea Irrigators Ltd** for Council to increase its capital and operating cost contributions and to provide credit support to the Project; and
4. requests that the staff who are working on the request from **Waimea Irrigators Ltd** note the Council's expectation that the revenue and financing policy review will provide mechanisms for the allocation of the additional costs to be attributed to beneficiaries; and
5. notes that as a consequence of 4 above, Council anticipates that the cost apportionment to general ratepayers beyond the area of most benefit will not exceed that provided for in the **Long Term Plan 2015-2025**.

## 3 Purpose of the Report

- 3.1 The purpose of this report is to provide an update on **Waimea Community Dam project work streams**.
- 3.2 The report also provides the opportunity to summarise the review of the alternative urban water supply augmentation options. **Richard Kirby (Engineering Services Manager)** presented this review at the workshop on 13 July 2017. His powerpoint presentation has been reformatted (**Attachment 1**).
- 3.3 I have also used this report to address the questions that were raised but went unanswered at that workshop with **Crown Irrigation Investments Ltd (CIIL)** and **Waimea Irrigators Ltd (WIL)**.

## 4 Alternative Water Augmentation Options for Households and Businesses

- 4.1 It is accepted by Council that there is no 'do nothing' option when it comes to addressing the water allocation and water quality issues in the **Waimea River catchment**. There is also no do nothing option when it comes to securing the urban water supply against droughts and growth in demand.
- 4.2 It is also broadly accepted that the **Waimea Community Dam in the Lee Valley** is the optimal augmentation solution if the outcome sought is to provide multiple benefits to urban water users, the environment and water users on the **Waimea plains**.

- 4.3 What is still being debated is whether or not there is a credible alternative to the Waimea Community Dam when it comes to meeting the needs of urban water users alone. The question is - **“Is there an alternative that costs less than the Council is proposing to contribute to the Waimea Community Dam.”**
- 4.4 Cost is not the sole measure of course. Any alternative needs to be able to satisfy demand in a drought and when the population grows.
- 4.5 The Council is obliged to meet the current and future needs of communities for good quality local infrastructure in a way that is most cost effective. Good quality means infrastructure (water in this case) that is efficient and effective and appropriate to present and anticipated future circumstances.
- 4.6 All of the alternatives that have been identified from the 1991 Agriculture NZ report though until the Waimea Water Augmentation Study (Phase 2) have been reviewed. A shortlist of alternatives was chosen for more detailed review on the basis that they could meet the ‘water gap’ and future growth demand.
- 4.7 The water gaps arises because of the rationing steps in the Tasman Resource Management Plan if there is no dam. The water that households and business use at such times needs to be reduced below current consumption.
- 4.8 For Step 3 rationing (which we can expect nine years out of 10) the gap is 4,900m<sup>3</sup>/day and it will grow to around 22,600m<sup>3</sup>/day in 100 years. If we want to secure households and businesses against a drought in the other one year in 10 then the water gap is 13,000m<sup>3</sup>/day now and will be 31,300m<sup>3</sup>/day in 2117.
- 4.9 Of the options available, only the Waimea Community Dam, a high dam on the Roding River, the Motueka aquifers and storage ponds beside the Waimea River can satisfy the long-term gap and growth demand. A series of small dams could also satisfy the current water gap but are not cost effective.
- 4.10 The methodology and analysis are included in Attachment 1. On a cost alone basis the conclusion is clear – the Waimea Community Dam secures urban water users against droughts and meets future demand for less than 25% of the cost of the next cheapest option. At a \$26 million capital contribution, the Waimea Community Dam is still about 20% of the cost of the next cheapest option.
- 4.11 When other non-financial matters are considered, the choice becomes even clearer. The other matters include benefits such as to the environment, to irrigators and others in the community, as well as leveraging private and government funds.
- 4.12 There are also risks or dis-benefits to consider. In the case of the Waimea Community Dam most of the risks have been mitigated through the Plan Change process, design, consenting, procurement process and use of the Public Works Act. There are residual (unmitigated risks) to be considered with the Dam such as flooding during construction, legal challenges and so on. Those risks exist with every option on top of the risk that have been managed in the case of the dam.
- 4.13 There is a compelling case for reconfirming the Waimea Community Dam as the best solution for addressing the need to augment the water in the Waimea River, for urban water users and for the irrigation users on the plains.
- 4.14 The case for the Council investing in the Waimea Community Dam for the benefit of urban water users is also compelling. The case is further strengthened as a result of the

contribution the dam makes to meeting the National Policy Statement on Freshwater Management objectives and Council's strategic goals.

## 5 Contingent Risk

5.1 The contingent risks with the Waimea Community Dam are as follows:

### Construction Risk

5.2 Until the physical works are commenced and the subgrade is exposed, will more certainty be attached to this risk. If the subgrade is similar to what has been assessed then there is unlikely to be any major increase in cost. We will also need to confirm the assessment of the borrow material being used to construct the dam.

### Earthquake Risk

5.3 Initial indications from GNS suggest that the average recurrence interval of the southern segment of the Waimea Fault has reduced from 5600 years to 4000 years. The upward ground accelerations have also marginally increased. It is likely that the dam design will need to be reviewed.

5.4 GNS have used a methodology based on the recommendations of the May 2015 New Zealand Society of Large Dams (NZSOLD) guidelines and more recent fault data available since their 2011 assessment. The GNS methodology has been independently reviewed by Engineering Geology Ltd and Opus International Consultants.

5.5 If this initial indication on the average recurrence and ground accelerations proves correct, then the design modifications required to accommodate this are expected to be minimal.

### Flooding Risk

5.6 The overflow spillway is designed to cater for at least a 1:10,000 event which equates to 650 m<sup>3</sup>/s. The dam structure will be designed to cater for events larger than this without causing major damage.

### Insufficient Storage Capacity

5.7 The 13,000,000 m<sup>3</sup> has been designed to be able to withstand up to a 1:60 year drought. Anything above that, or any consequential years that do not fully replenish the 13,000,000 m<sup>3</sup> capacity would result in water rationing being triggered.

## 6 Finance and Funding

6.1 A request for further information from the Ministry for the Environment to support our Freshwater Improvement Fund application has been responded to. I remain hopeful of a positive outcome.

6.2 The Council team was authorised to continue negotiations by the Council's 22 June 2017 meeting. No face-to-face meetings have occurred. CIIL and WIL have proposed a financial terms sheet. Council's advisers are reviewing the proposal and will respond to CIIL in due course.

- 6.3 Staff have done some high level modeling of rates and debt levels on the assumption that the increased Council contribution is later agreed. We are comfortably under our debt cap (by ~\$24 million), all other things being equal.
- 6.4 A lift in the rates cap may be needed in the 2018/19 year only to accommodate the additional operating expenditure if that is agreed. The number is around 1.4% on the general rates income. As expected, urban water account rates would rise by around 8-9% because that is where the benefit is delivered.
- 6.5 There has been no material change to the project financials over the past four weeks.

## **7 The Council Controlled Organisation and Commercial Terms**

- 7.1 The legal work on the CCO establishment and the commercial terms of the agreements for the JV Partners continues to be on hold. That is the case also with the necessary Local Government Act process.

## **8 Contractor Procurement**

- 8.1 As I advised in June, work on contractor procurement is being timed to avoid it getting out of phase with the JV Working Group's report back on the commercial terms. The manager of this work stream (Russell McGuigan) has been asked to ramp the work rate up again.

## **9 Land and Access**

- 9.1 We have been interested observers on the proceedings in the Supreme Court involving HBRIC, the Minister of Conservation and the Royal Forest and Bird Protection Society. Our interest is not so much to do with the law but how the Minister will respond to the decision in our circumstances. The appeals related to a decision by the Minister of Conservation to revoke that special protection status of some land in the Ruahine Forest Park, to exchange that land for other land and in the process to transfer the Ruahine Forest Park land to HBRIC.
- 9.2 The Court dismissed the appeals in a three-to-two majority decision. My lay view is that the Minister of Conservation doesn't have the power to dispose of land that is specially protected under the Conservation Act if that land has significant conservation values even when the land is being exchanged for other land and the outcome is a net conservation benefit.
- 9.3 Our advisers have looked at the decision briefly and will analyse it further. On a preliminary basis, there appears to be nothing in it to change the view that the proceedings have no direct application to setting apart land for a public work under the Public Works Act. It is proposed to do that for about 10 ha of DoC estate in the Lee Valley.
- 9.4 The restrictions on disposal in section 16 of the Conservation Act that the Supreme Court considered are specifically expressed as being subject to the Public Works Act 1981. This was specifically acknowledged in paragraph 41 of the majority decision in the Ruataniwha case.
- 9.5 In the Ruataniwha case, the project was promoted in the initial stages by the Hawkes Bay Regional Council on a commercially-funded user pays basis using the Council's investment company (HBRIC) as the vehicle for carrying out the project. Although the distribution network requirements were designated, the dam site and reservoir were not. Use of the

Public Works Act was therefore not an easy option for them and use of the DoC estate was required to be considered entirely in terms of the Conservation Act provisions.

- 9.6 The issue was further compounded by DoC's decision not to evaluate in detail the conservation values of the deemed Conservation Park as a whole and deal with the 21 ha requirement for the proposed exchange in isolation. In the Waimea Dam case, the Public Works Act requirement can be clearly established.
- 9.7 Three of the private landowners on whom Notices of Intention were served have objected to the issue of those notices to the Environment Court. They are MAK Stuart, SM Irvine and JWJ Forestry Ltd. Russell McVeagh have requested a priority fixture and the Court has agreed.
- 9.8 The Court's directions about exchanging evidence should see us in a hearing on 9 October 2017.
- 9.9 We are making good progress in our talks with Tasman Pine Forests in relation to the Ngati Koata land.

## 10 Project Management and Direction

- 10.1 The Interim Project Director has appointed ETC Communications as the JV communications adviser.

## 11 Strategic Relationships

- 11.1 The joint workshop with CILL and WIL on 13 July 2017 has assisted understanding of the parties' approaches and outcomes sought. It was helpful to have the Interim Project Director arrange and facilitate the day.
- 11.2 A number of questions were posed by the Council at that workshop. **Attachment 2** provides a summary of those questions and the answers provided either at the workshop or since.
- 11.3 I am uncertain about the timing of Nelson City's consultation on its proposed \$5 million contribution to the project. The Acting Chief Executive has been briefed.
- 11.4 A second complaint alleging a conflict of interest has been lodged with the Office of the Auditor general (OAG). The second complaint relates to Mayor Kempthorne and his family. We have responded to that complaint along with the earlier complaint relating to Cr Maling. We await the OAG's advice on what further steps they may take.

## 12 Attachments

- |    |   |     |
|----|---|-----|
| 1. | Waimea Water Augmentation Options Assessments       | 125 |
| 2. | Waimea Dam Workshop, 13 July - summary of questions | 163 |



# WAIMEA WATER AUGMENTATION PROJECT

OPTIONS ASSESSMENTS

Richard Kirby  
Engineering Services Manager

27 July 2017 Version 1.3



## What is the problem Tasman is facing?

- Frequent and severe water shortages in summer months in urban areas
- Regional water security problems affect regional economic security
- Waimea River health is declining
- TRMP for Waimea River has 1,100 litres/sec as minimum flow at Appleby Bridge to maintain river health, not currently being achieved year-round
- NPS-FWM requires territorial authorities to achieve river health measures, it has not been confirmed whether 1,100 l/s as minimum flow will achieve compliance
- Irrigators on Waimea Plains lack water security

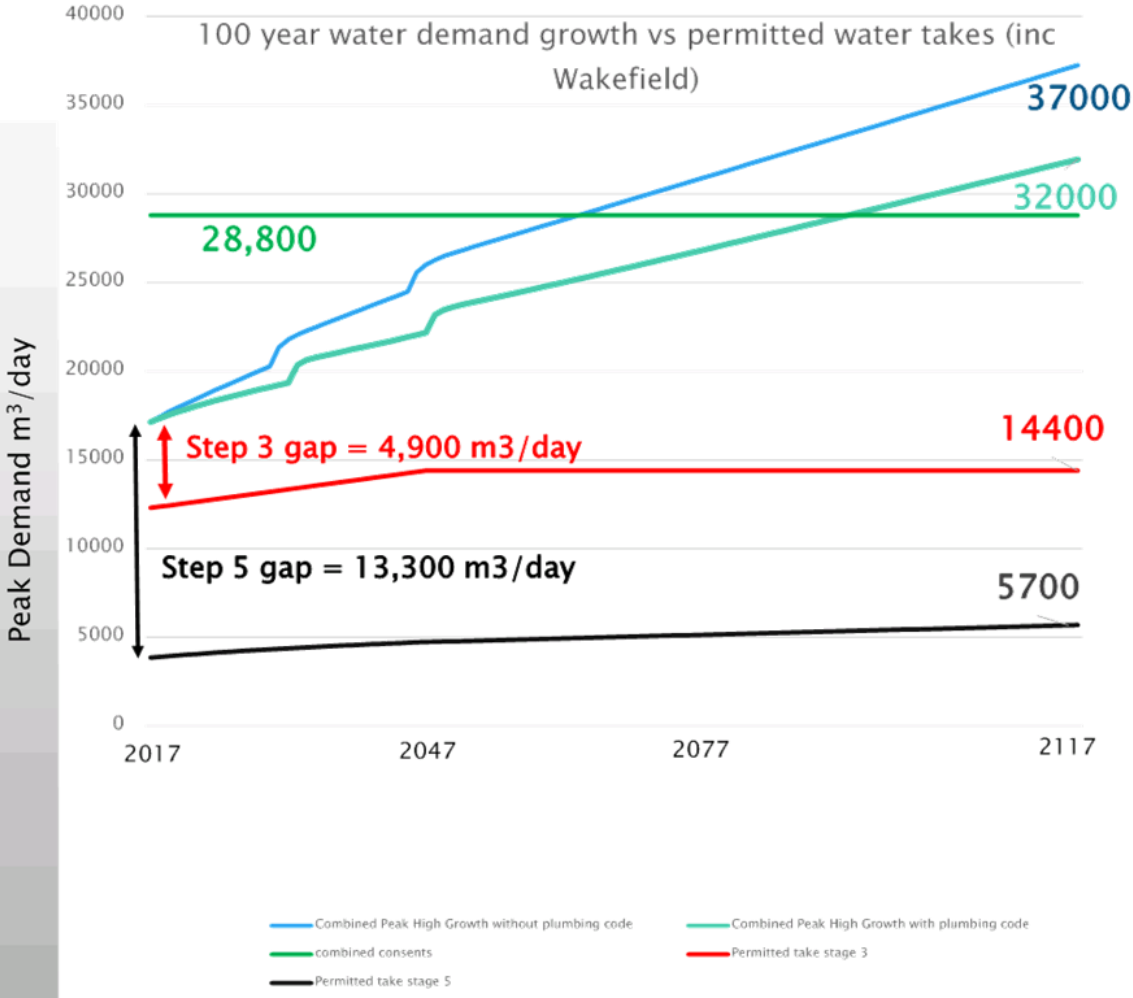
## Tasman already has water rationing in dry months

- Step 1 rationing, greater of:
  - 10% of consumption reduction (average last 8 years)
  - 20% of consent
- Step 2 rationing, greater of:
  - 17.5% of consumption reduction (average last 8 years)
  - 35% of consent
- Step 3 rationing, greater of:
  - 25% of consumption reduction (average last 8 years)
  - 50% of consent
- Step 4 (does not apply to community water supplies)
- Step 5 - essential human health
  - 125L/day/person (occurred 2000/2001)

Based on last 16 years could occur 9 out of every 10 years

Based on last 16 years could occur 1 out of every 6-10 years

# Combined 100-Year Demand (incl. Wakefield)



This graph shows the gap between supply and demand as and when rationing is triggered. It shows that the gap becomes larger over time. This means the rationing will need to be greater to comply with the TRMP.

## Demand forecasts

Urban areas only: Richmond, Mapua, Brightwater and Wakefield

- Demand is rising
- Presently: combined consents allow 28,800 m<sup>3</sup>/day
- High growth scenario for 100 years: 37,000 m<sup>3</sup>/day needed
- High growth scenario for 30 years: 24,000 m<sup>3</sup>/day needed
  - This 24,000 m<sup>3</sup>/day excludes Wakefield because it has a 30-year secure water supply through the Wai-iti Dam at Kainui

## Water demands and rationing gaps

Urban areas only: Richmond, Mapua, Ruby Bay and Wakefield

	Daily 2017 (excl. Wakefield) (m <sup>3</sup> /day)	Daily 2047 (excl. Wakefield) (m <sup>3</sup> /day)	Daily 2117 (incl. Wakefield) (m <sup>3</sup> /day)
Peak Week Daily Demand	15,900	24,000	37,000
Stage 3 permitted take	11,000	12,200	14,400
Stage 5 permitted take	2,600	3,500	5,700
<b>Rationing stage water gaps</b>	<b>2017</b>	<b>2047</b>	<b>2117</b>
Stage 3	-4,900	-11,800	-22,600
Stage 5	-13,300	-20,500	-31,300

Rationing scenario based on 2000/2001 drought

- 60 days at stage 3 rationing
- 40 days at stage 5 rationing

## Water storage requirements

Rationing Stage	2017 (m3)	2047 (m3)	2117 (m3)
Stage 3 (60 days)	249,000	601,000	1,153,000
Stage 5 (40 days)	452,000	697,000	1,064,000
<b>Total (100 days)</b>	<b>701,000</b>	<b>1,298,000</b>	<b>2,217,000</b>

### Summary

- 700,000 m3 in 2017
- 1,300,000 m3 in 2047
- 2,200,000 m3 in 2117 (incl Wakefield)

Note – Add to each figure 100,000m3 storage required for water loss, evaporation and refreshing flows

## Community-driven research into the problem

- 1991 Agriculture New Zealand (MAF) Report – Water Augmentation Options Waimea Basin
- 2003 Tasman Regional Water Study
- Waimea Water Augmentation Committee (WWAC)
  - 2004 to 2007 - Phase 1 Feasibility Study
    - Identified 18 sites; Lee Valley Dam identified as preferred option
  - 2007 to 2010 - Phase 2 Detailed Investigation – Lee Valley Dam (Site 11)
  - 2011 to 2014 – Phase 3 Detailed Design – Lee Valley Dam (Site 11)
  - March 2015 – Resource Consent Granted – Lee Valley Dam (Site 11)



## Options that have been explored and discounted

- Investigations began in 2004; analysis ongoing since that time
- Most viable potential options supply between 500,000 m<sup>3</sup> – 2,300,000 m<sup>3</sup> to meet Stages 3 and 5 demands
  - Option 1: Riverside storage
  - Option 2: Motueka aquifer
  - Option 3: Roding River storage
  - Option 4: Teapot Valley storage
  - **Option 5 / Preferred option: Waimea Dam**

## Option 1: Riverside storage – cost summary

Storage	Capital Cost (\$'000)	Opex (\$ p.a.)
500,000 m <sup>3</sup>	\$24,600	\$788,000
800,000 m <sup>3</sup>	\$54,000	\$2,297,000
1,400,000 m <sup>3</sup>	\$84,000	\$3,498,000
2,300,000 m <sup>3</sup>	\$108,000	\$5,024,000

Each includes additional 100,000m<sup>3</sup> storage that is required for water loss, evaporation and refreshing flows

## Option 1: Riverside storage – daily water gap summary

Green – meets water gap demand Orange – almost meets water gap demand  
 Red – does not meet demand

Storage	Daily Flow (m3)	Daily Water Gap 2017	Daily Water Gap 2047	Daily Water Gap 2117
500,000 m3	4,000	4,900	11,800	22,600
		13,300	20,500	31,300
800,000 m3	13,000	4,900	11,800	22,600
		13,300	20,500	31,300
1,400,000 m3	20,000	4,900	11,800	22,600
		13,300	20,500	31,300
2,300,000 m3	31,000	4,900	11,800	22,600
		13,300	20,500	31,300

## Option 1: Riverside storage – issues

- Potential consent issues
- Land acquisition required 20 ha up to 92 ha, covering significant land along the river (see image)
- May not be able to go deeper than 1.0 m without affecting groundwater
- Seismic considerations - earth retaining structures above ground
- Can the ground support pond walls
- Sitting water requires aeration and pre-treatment before going to water treatment plant



4 storage ponds along the river to allow for 2,300,000m<sup>3</sup> storage, piped to Richmond water treatment plant in underground pipes along existing arterials.

## Option 1: Riverside storage – conclusion

- The only storage option at 2,300,000 m<sup>3</sup> that meets water demand for 100 years will cost over \$5,000,000 annually in operating expenses
- Only contributes to urban water supply, not river health or irrigation water security
- Significant issues that present challenges in consenting, geological constraints, seismic issues, and storage location amenity concerns
- The capital cost ranges from \$3,480 to \$6,150 per m<sup>3</sup>/day
- **Option 1: Riverside storage is not as cost-effective as the Waimea Community Dam option**

## Option 2: Motueka Aquifer

- Aquifer capacity
  - 35,000 – 45,000 m<sup>3</sup>/day potential
  - 21,200 – 31,200 m<sup>3</sup>/day could be available for Mapua, Richmond, Brightwater
- Scope
  - Abstraction bores
  - New trunk mains required for
    - Pumping to Old Coach Road
    - Transfer trunk main 17.0 km from bores to Mapua
    - Gravity trunk mains from Old Coach Road site to Richmond WTP
  - Storage tanks needed at Old Coach Road site
- Consenting additional volumes requires plan change to increase community supply abstraction

## Option 2: Motueka aquifer – cost summary

Supply (m <sup>3</sup> /day)	Capital Cost (\$'000)	Opex (\$ p.a.)
5,900	\$35,000 – \$40,000	\$750,000
13,000	\$100,000 – \$120,000	\$1,600,000
31,000	\$160,000 – \$200,000	\$2,800,000



# Option 2: Motueka aquifer – daily water gap summary

Green – meets water gap demand

Red – does not meet demand

Supply (m3/day)	Daily Water Gap 2017	Daily Water Gap 2047	Daily Water Gap 2117
5,900	4,900	11,800	22,600
	13,300	20,500	31,300
13,000	4,900	11,800	22,600
	13,300	20,500	31,300
31,000	4,900	11,800	22,600
	13,300	20,500	31,300



## Option 2: Motueka Aquifer - conclusion

- The only supply option of 31,000 m<sup>3</sup>/day that meets water demand for 100 years will cost at least \$160,000,000 to construct and \$2,800,000 annually in operating expenses
- Only contributes to urban water supply, not river health or irrigation water security
- Requires a pipe to be installed across the Moutere inlet, which significantly raises capital cost
- The capital cost ranges from \$5,810 to \$8,460 per m<sup>3</sup>/day
- **Option 2: Motueka aquifer is not as cost-effective as the Waimea Community Dam option**

## Option 3: Roding River Storage

- Roding High Dam
  - Two dam options at current weir site
  - Dam volumes vary between 1,200,000 m<sup>3</sup> – 5,100,000 m<sup>3</sup>
- Scope includes
  - Cost of building dam and headworks
  - Piping to Marsden Valley Pump station
  - Piping from Marsden Valley to Richmond Reticulation
  - Treatment Plant, likely located in Marsden Valley or along Richmond Hills
- Consenting
  - Similar considerations as Lee Valley Dam consent (already in place)
  - Requires additional consent from Nelson City Council (to existing one)

## Option 3: Roding River Storage – cost summary

<b>Storage capacity</b> 1,200,000m <sup>3</sup> – 5,100,000m <sup>3</sup>	<b>Capital Cost</b> (\$'000)	<b>Opex</b> (\$ p.a.)
Dam and piping	\$45,000 – \$75,000	
Trunk main to Richmond	\$15,000 – \$25,000	
Treatment	\$35,000 – \$45,000	
<b>Operational costs</b>		
Dam		\$1,000,000 – \$1,200,000
Treatment		\$2,400,000 – \$2,600,000
<b>TOTAL ESTIMATE</b>	<b>\$95,000 – \$145,000</b>	<b>\$3,400,000 – \$3,800,000</b>

## Option 3: Roding River Storage - conclusion

- Requires new dam, extensive trunk main installation, and a new water treatment plant
- Capital costs exceed \$95,000,000 and annual operating costs would start at \$3,400,000
- Only contributes to urban water supply, not river health or irrigation water security
- Consent required similar to Waimea Community Dam consent, which is already in place
- The capital cost is around \$4,000 per m<sup>3</sup>/day
- **Option 3: Roding River storage is not as cost-effective as the Waimea Community Dam option**

## Option 4: Teapot Valley – Dam Site

- Not originally shortlisted due to issues:
  - Storage volume only 500,000 m<sup>3</sup>
  - Catchment can only support 200,000 m<sup>3</sup>
  - Requires additional water to be pumped into the dam in winter from Wai-iti River to supplement storage (300,000 m<sup>3</sup>/pa)
  - Only contributes to urban water supply, not river health or irrigation water security
  - Catchment geology results in poor water quality
  - Water treatment would be required
  - Considerable social impact due to local habitation

## Option 4: Teapot Valley – Dam Site

- Scope includes
  - Dam Construction (500,000m<sup>3</sup>)
  - Land Acquisition 40 ha
  - Riverside pump station to supplement storage and pump to Richmond WTP
  - Trunk Main from Riverside pump station to Dam 1.35 km x 450mm dia pipe
  - Transfer trunk main to Richmond WTP 11.0 km x 500mm dia pipe
  - Riverside Treatment Plant (4,000 m<sup>3</sup>/day capacity)

## Option 4: Teapot Valley Dam – cost summary

<b>Storage capacity 500,000m<sup>3</sup></b>	<b>Capital Cost (\$'000)</b>	<b>Opex (\$ p.a.)</b>
Dam and pump station	\$6,900	
Trunk mains	\$1,320	
Treatment	\$8,100	
Land purchase, consents, other	\$17,950	
Operational costs		\$1,111,000
<b>TOTAL ESTIMATE</b>	<b>\$46,150</b>	<b>\$1,111,000</b>

# Option 4: Teapot Valley Dam – water gap summary

Orange - almost meets water gap demand    Red - does not meet demand

Storage	Daily Flow (m3)	Daily Water Gap 2017	Daily Water Gap 2047	Daily Water Gap 2117
500,000 m3	4,000	4,900	11,800	22,600
		13,300	20,500	31,300



## Option 4: Teapot Valley Dam - conclusion

- Significant list of issues to overcome
- Maximum water storage with this option will not meet water demand
- Capital costs include significant land purchase
- Only contributes to urban water supply, not river health or irrigation water security
- The capital cost is \$11,540 per m<sup>3</sup>/day
- **Option 4: Teapot Valley Dam is not as cost-effective as the Waimea Community Dam option**

## Option 5 / Preferred option: Waimea Community Dam

- Already consented
- Storage volume 13,000,000m<sup>3</sup>
- 53 m high earth embankment dam
- Meets current shortfall and demand projections for 100 years
- Meets 1 in 60 year drought
- Contributes to urban water supply, river health and irrigation water security
  - Maintains minimum flow of 1,100 l/s at Appleby bridge, as required by NPS-FWM
  - Supplies up to 60,000 m<sup>3</sup>/day for urban supply (replenishing aquifer)
  - Irrigates up to 5,860 hectares (replenishing aquifer)

## Option 5: Waimea Community Dam – Capacity Allocations

<b>Allocations</b>	<b>Ha/Ha.e</b>	<b>Extractive (%)</b>	<b>Volume (m<sup>3</sup>/day)</b>	<b>Portion of Dam Capacity (%)</b>
Environmental Flow			<b>95,200</b> (1,100 l/s)	<b>30%</b>
Consented Irrigation	3,800	49%	163,000	34%
Future Irrigation Waimea Plains	1,500	19%	64,400	14%
Future Irrigation outside Waimea Plains	550	7%	23,600	5%
<b>Total Ha</b>	<b>5,850</b>		<b>251,000</b>	<b>53%</b>
Current Consented Urban & Industrial	620	8%	26,600	6%
Future Consented Urban & Industrial	780	10%	33,400	7%
<b>Total Ha.e</b>	<b>1,400</b>	<b>18%</b>	<b>60,000</b>	<b>13%</b>
Regional Future Capacity (NCC and other)	515	7%	22,000	5%
<b>Total Extractive Capacity Ha.e</b>	<b>7,765</b>	<b>100%</b>	<b>428,200</b>	<b>100%</b>

## Option 5: Waimea Community Dam – water gap summary

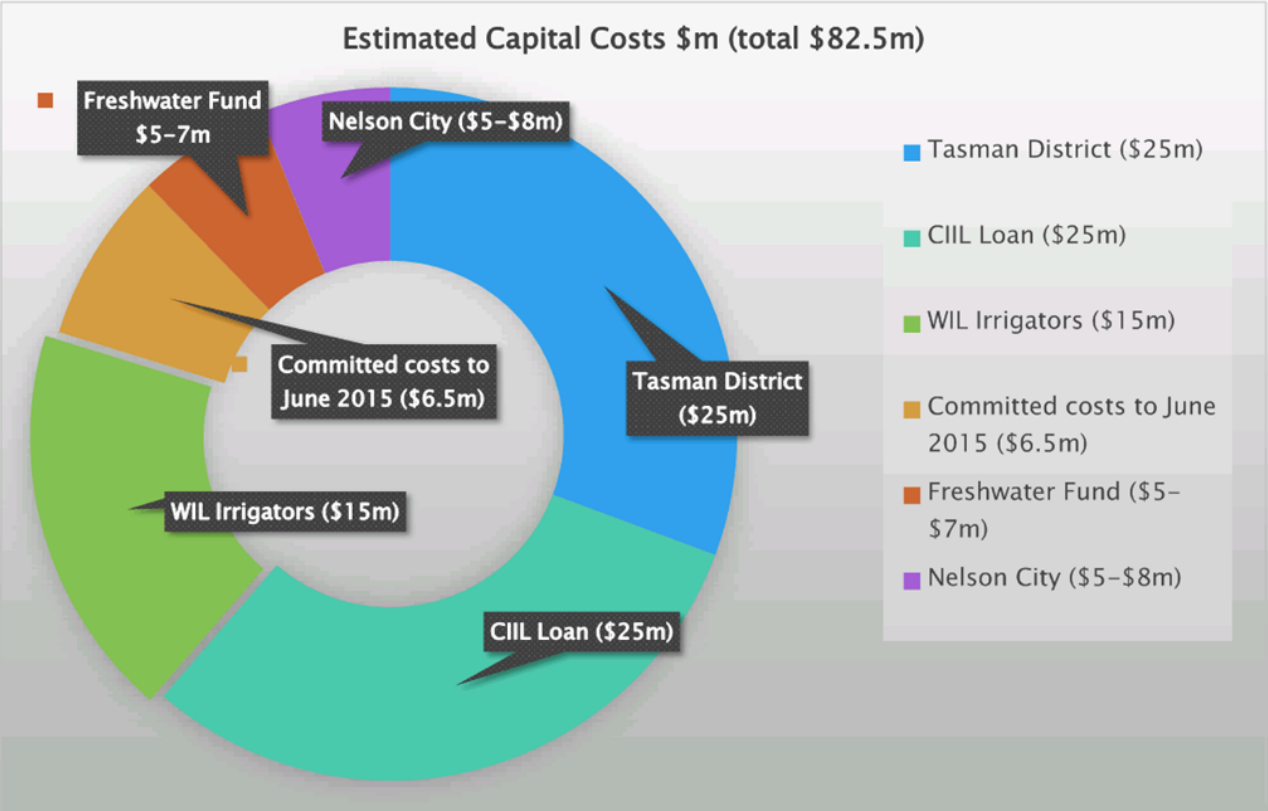
Green – meets water gap demand

Red – does not meet demand

Storage (m3)	Allocation	Daily Flow (m3)	Daily Water Gap 2017	Daily Water Gap 2047	Daily Water Gap 2117
13,000,000	Environment (min. river flow)	95,200 (1100 l/s)	N/A	N/A	N/A
	Urban	60,000	4,900	11,800	22,600
			13,300	20,500	31,300
	Irrigators	251,000	N/A	N/A	N/A
Nelson CC & Region	22,000	N/A	N/A	N/A	

# Option 5: Waimea Community Dam – cost summary

In Long-Term Plan 2015-2025  
Committed \$25m to Waimea Community Dam



## Option 5 / Summary

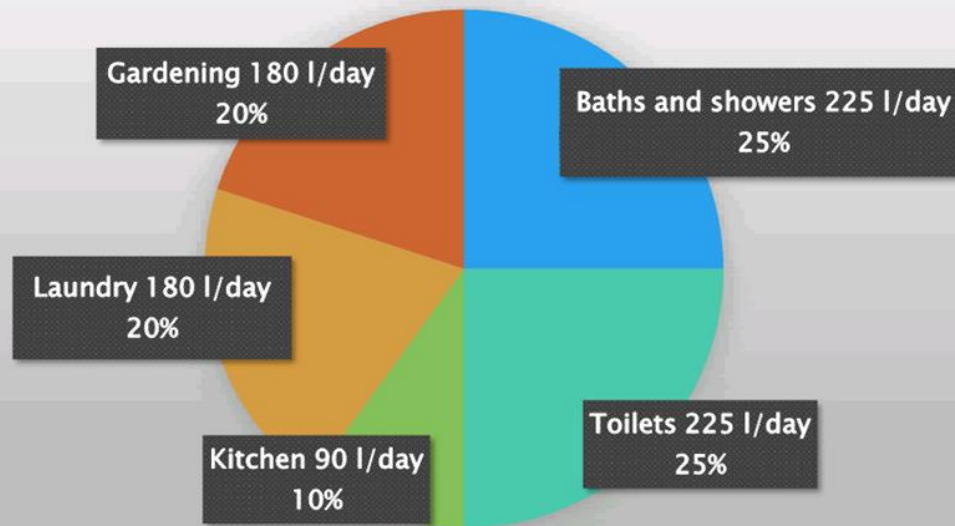
### Preferred option: Waimea Community Dam

- Already consented
- Contributes to urban water supply, river health and irrigation water security
- The capital cost is \$810 per m<sup>3</sup>/day
  - \$290 per m<sup>3</sup>/day for urban users
  - \$520 per m<sup>3</sup>/day for maintaining river flow
- **Option 5: Waimea Community Dam is the most cost-effective option for urban users as well as maintaining river flows**

## Other alternatives?

### Domestic water harvesting / Residential water conservation

Typical domestic potable water consumption  
= 900l/day for a family of 4



Rainwater tanks can also provide

Toilets	225 l/day
Gardening	<u>180 l/day</u>
<b>Total</b>	<b>405 l/day</b>

## Domestic harvesting – cost summary

- Total per property cost = \$5,000 each, including
  - Supplying a water tank
  - Supplying pump and power
  - Supplying rainwater collection materials
  - Plumbing for toilet and gardening
- Total cost for 6,481 urban properties = \$32,400,000
- Annual power costs = \$40
- Pumps and plumbing will need to be maintained = approx \$60/pa



## Domestic harvesting - issues

- Conserves up to 2,630 m<sup>3</sup>/day at 100% take-up, which only contributes 16.5% of Peak Week Daily Demand (unlikely to get 100% take-up)
- Only contributes to urban water supply, not river health or irrigation water security
- Not sufficient to meet water augmentation requirements
- Data shows public increase water usage during restriction periods
- **Domestic harvesting is a future option for conservation but it's insufficient to meet water gap during restrictions**

Item 8.7

Attachment 1

# Option assessment and analysis

## Option affordability analysis

Water Augmentation Options	Storage (m3)	Capital Cost (\$'000)	Opex (\$'000 p.a.)	Daily Flow (m3)	Capital Cost/Daily Flow (\$'000/m3 per day)
Waimea Community Dam	13,000,000	\$25,000	\$714	31,000	0.81
Riverside Storage	500,000	\$24,600	\$788	4,000	6.15
	800,000	\$54,000	\$2,297	13,000	4.15
	1,400,000	\$84,000	\$3,498	20,000	4.20
	2,300,000	\$108,000	\$5,024	31,000	3.48
Motueka Aquifer	Aquifer	\$35 – \$40,000	\$750	5,900	6.36
	Aquifer	\$100 – \$120,000	\$1,600	13,000	8.46
	Aquifer	\$160 – \$200,000	\$2,800	31,000	5.81
Roding River Storage	4,000,000	\$120,000	\$3,600	30,000	4.00
Teapot Valley Dam	500,000	\$46,150	\$1,111	4,000	11.54

**Note:** The Waimea Community Dam capital cost of \$25m addresses both urban and river flow requirements, the other augmentation options only addresses urban requirements

## Option compliance analysis

Green – Low risk/compliant Orange – medium risk/marginally compliant Red – high risk/not compliant

		Risks				Benefits					Disbenefits		Strategic Fit			
Option	Daily Flow (m3/day)	Consentability	Constructability	Operability	Land/Access	Regional	Urban	River Flows	Irrigators	Wider District	Harvesting Impact on others	Economic Opportunity Cost	Meets Growth Demands	NPS-FWM Obligations	LTP 2015-2025 Objectives	Council Vision
Waimea Community Dam	37,000	Green	Green	Green	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
River Storage	4,000	Yellow	Yellow	Yellow	Yellow	Red	Yellow	Red	Red	Red	Red	Red	Red	Red	Red	Red
	13,000	Yellow	Yellow	Yellow	Yellow	Red	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red
	20,000	Yellow	Yellow	Yellow	Yellow	Red	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red
	31,000	Yellow	Yellow	Yellow	Yellow	Red	Green	Red	Red	Red	Red	Red	Green	Red	Red	Yellow
Motueka Aquifer	5,900	Yellow	Green	Green	Yellow	Red	Yellow	Red	Red	Red	Red	Red	Red	Red	Red	Red
	13,000	Yellow	Green	Green	Yellow	Red	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red
	31,000	Yellow	Green	Green	Yellow	Red	Green	Red	Red	Red	Red	Red	Green	Red	Red	Yellow
Roding River Dam	30,000	Yellow	Green	Green	Yellow	Red	Green	Green	Red	Red	Green	Red	Green	Red	Red	Yellow
Teapot Valley Dam	4,000	Yellow	Yellow	Yellow	Yellow	Red	Yellow	Red	Red	Red	Red	Red	Red	Red	Red	Red

## Preferred option: Waimea Community Dam

- **Most affordable solution for ratepayers and funders**
- Lowest capital cost per daily flow requirement
- Lowest overall risk
- Highest compliance



## Waimea Dam Workshop – 13 July 2017

The workshop was asked: **What information do you most need to help you decide whether the Council should invest in the Waimea Dam?**

### The Issues and the Responses:

- **Issue 1: Is a commitment from CIIL needed prior to the election?**

The project is supported by CIIL, including the wider benefits. Like TDC and WIL, CIIL cannot unconditionally commit at this stage. However the more progress the project makes between now and the election, the greater level of commitment CIIL will be able to provide.
- **Issue 2: I need to know the final price.**

All the parties do which is why the procurement work stream is progressing with the aim of having a price in November. Financial close cannot occur before a price is known (mostly answered on the day).
- **Issue 3: I want to know what the funding model is.**

This is still being negotiated and finalised for report back including to Council (mostly answered on the day).
- **Issue 4: What is the water demand – how much is needed?**

Answered by Richard Kirby's presentation (answered on the day).
- **Issue 5: I want to be assured about the hydrology – how much water reaches aquifers?**

Answered in a follow up e-mail from Andrew Fenemor with a link to the review paper on the science underpinning the model (answered by follow up). See Andrew's message on page three of this document.
- **Issue 6: What about affordability and impact on rates/will the 3% threshold be breached?**

Answered by Mike Drummond's presentation (answered on the day).
- **Issue 7: What about Plan B and security of supply/people need to know about the alternatives?**

Answered by Richard Kirby's presentation and by the project status report (answered mostly on the day).
- **Issue 8: Funding needs to be equitable - users should pay.**

That is a choice for Council (mostly) to make as part of its revenue and financing policy decision-making (a work in progress).
- **Issue 9: There needs to be integrity in the partnership/s process.**

Dealt with on the day by a commitment to working cooperatively together - needs to be ongoing and have energy invested in it (a work in progress)
- **Issue 10: The Dam needs a power generation component – will help pay for it?**

Agreed – provisions will be made to retrofit a hydro generation set but the when, who and how is still to be decided (a work in progress).

- **Issue 11: Why are we still negotiating, if the business case works?**

Not everyone sees it that way (a work in progress).

- **Issue 12: What about the effects on ecosystems and nitrates?**

Answered in a follow up e-mail from Andrew Fenemor including a link to the Nitrogen report (see the last page in this document). The Council should be assured that the environmental effects were considered and resolved to the extent that they were able to be through the planning and consenting processes (answered by follow up).

**Comment from Richard Kirby and Joseph Thomas**

- On the Waimea Plains the Council groundwater sources are mainly in the Appleby Gravel Unconfined Aquifer (ie, Brightwater, Redwood and Waimea) with one source in the Lower Confined Aquifer (called Richmond Supply). The unconfined aquifer nitrate levels are well below the Maximum Acceptable Value (MAV). The Richmond supply has been at around the MAV for many years. With the new treatment plant we mix the water supplies from the Waimea with the Richmond supply. The current mixing ratio is 60/40 ratio, the water leaving the new treatment plant has nitrate just under 50% MAV. This is not a compliance issue - we just have to monitor it properly.
- The Brightwater and Redwood supplies are well below MAV for nitrates.
- In the no augmentation scenario we would have significant restriction in relation to moving bores – or increasing pumping rates from current sources.
- With augmentation, Tasman District Council has greater flexibility for more bores and to move them e.g. to areas of low nitrate if any risk arises. It is unlikely that the current Unconfined Aquifer water sources for the Council would be at risk.
- Also the higher recharge rates with augmentation means more security for the near river bores in the unconfined aquifer.
- The other nitrate issues re water quality in the Waimea Plains is something for the Flag process as was discussed.
- The areas with elevated nitrates is historic with some increases and decreases noted in the recent survey.
- Treating nitrates is very expensive and if nitrate levels increased too much then new bores would need to be drilled into nitrate-free aquifers.
- **Issue 13: Who pays for any overruns?**  
Still being negotiated – the risk will be shared (a work in progress).
- **Issue 14: How expensive is too much?**  
That's a call for the partners to make (a work in progress).
- **Issue 15: Should ratepayers pay for environmental flows?**  
That's a call for the Council to make (a work in progress).
- **Issue 16: Can irrigators afford to pay as proposed?**  
Probably yes, some could afford more while others will be at their limit (answered on the day)



- **Issue 17: Is WIL seeking to extend the scheme range and what is the cost of water distribution outside “service area”?**

Almost certainly too high to rely on those hectares being subscribed for in the short term so they aren't in the numbers (answered on the day)

- **Issue 18: The risks for Waimea Community Dam aren't covered in the analysis – what are they?**

Most of the risks have been mitigated through the Plan Change process, the resource consent, the design including in relation to seismic risk, the procurement process, and the use of the Public Works Act. There are residual risks that can't be avoided or mitigated for the dam and/or all other options (a work in progress).

- **Issue 19: Has an audit been done of the number of irrigators who have indicated they are willing to buy into the dam?**

No, but WIL is willing to do that and has undertaken to do that (answered on the day).

- **Issue 20: What does Council predict the type of land use will be that will take up uncommitted hectares?**

It is unlikely to be dairying, most likely high value food/horticultural crops but labour, markets and innovation will determine within whatever regulatory framework the Council determines (answered after the workshop).

## Groundwater Hydrology

(Email from Andrew Fenemor – 14 July 2017)

A peer review of the GNS groundwater modelling and related background work was completed for the Council just prior to last year's elections. It addressed community questions including specific questions and assertions from Murray Dawson and Ron Heath.

The review confirms the validity of the river-aquifer modelling, and the rates of recharge from river flows into aquifers based on several decades of past measurements. We also modelled the effects of riverbed weirs which – in addition to increased summer river flows from the proposed dam - show localised benefits for groundwater recharge.

The report can be found here:

<http://www.waimeacommunitydam.co.nz/assets/Uploads/files/Waimea-Community-Dam-Peer-Review-of-Groundwater-Hydrology-2016-Landcare-Research.pdf>

## Nitrogen Losses from Rural Land Uses

The Waimea FLAG was concerned to know about the potential risks to water quality from current Waimea catchment land uses and how that might change after water augmentation.

Our 2015 review, which includes modelling of nitrogen losses from typical farm systems using the Plant & Food Research model SPASMO. The research shows that nitrogen leaching is much more sensitive to soil type than to whether a crop is irrigated or not. But we acknowledge that having reliable irrigation water available will allow more intensive land uses – the question is which land uses are those likely to be? If apples (using current methods), then nitrogen losses in those areas will likely reduce. If market gardening (using current methods) then nitrogen losses in those areas will likely go up.

The report looks at groundwater flow paths and the water bodies which may be affected. As Glenn Stevens and Joseph Thomas may have mentioned in connection with the Council's recent groundwater nitrate survey, there have been high nitrate-nitrogen levels in some parts of the deep aquifers of the plains since the 1980s and those levels have been improving except in some localised areas. The Waimea FLAG, when it reconvenes, will I assume be thinking further about what management controls and water quality targets may be needed in the various water bodies of the Plains.

The nitrogen report can be found here:

<http://www.tasman.govt.nz/environment/water/water-resource-management/water-catchment-management/water-management-partnerships-flags/waimea-fresh-water-and-land-advisory-group/meeting-agendas-notes-and-presentations/?path=/EDMS/Public/Meetings/FreshwaterLandAdvisoryGroups/WaimeaFLAG/2015/2015-07-19>

## 8.8 NELSON-TASMAN MONITORING REPORT UNDER THE NATIONAL POLICY STATEMENT ON URBAN DEVELOPMENT CAPACITY (JANUARY-MARCH 2017)

Decision Required

<b>Report To:</b>	Full Council
<b>Meeting Date:</b>	27 July 2017
<b>Report Author:</b>	Jacqui Deans, Policy Planner
<b>Report Number:</b>	RCN17-07-08

### 1 Summary

- 1.1 As required under the National Policy Statement on Urban Development Capacity (NPS), Nelson City Council and Tasman District Council staff have jointly produced the first quarterly monitoring report on housing and business market activity.
- 1.2 The NPS requires the first report to focus solely on the housing market. The Government is planning on releasing further data on both housing and business market indicators soon so subsequent reports will cover both housing and business markets.
- 1.3 This report provides background to the monitoring report and recommends that similar monitoring reports continue to be produced jointly with Nelson City and are made publicly available, in accordance with Government advice.

### 2 Draft Resolution

#### That the Full Council

1. receives the Nelson-Tasman Monitoring Report under the National Policy Statement on Urban Development Capacity (January-March 2017) report, RCN17-07-08; and
2. approves the Nelson-Tasman Monitoring Report; and
3. approves that the Nelson-Tasman Monitoring Report can be made publicly available.

**3 Purpose of the Report**

- 3.1 To consider the first joint Nelson-Tasman quarterly monitoring report, as required under the National Policy Statement on Urban Development Capacity.
- 3.2 To approve the quarterly monitoring report (January-March 2017), in order that it can be published and made publicly available.

**4 Background and Discussion**

- 4.1 The National Policy Statement on Urban Development Capacity (NPS-UDC) came into effect in late 2016. Its aim is to ensure that planning decisions enable an adequate supply of housing and business land needed to meet current demand. The Government anticipates that this will contribute to minimising artificially inflated house prices at all levels and contribute to housing affordability overall. Additionally, changes to the Resource Management Act that came into force in April 2017 require Regional and Territorial Authorities to ensure there is sufficient development capacity in relation to housing and business land to meet the expected demands of the region/district<sup>1</sup>.
- 4.2 Under the NPS-UDC, Local Authorities must by the end of 2018, complete an assessment in order to ensure that there is sufficient development capacity. The assessment must estimate the demand for dwellings, including the demand for different types of dwellings, locations and price points, and the supply of development capacity to meet that demand. The assessment must cover the short, medium and long-terms. Tasman District Council is well placed to meet this requirement as it already has its own Growth Demand and Supply Model which was first implemented in 2005. It is reviewed at least every three years and feeds into the Council's Long Term Plan process.
- 4.3 The NPS-UDC requires Tasman District Council to work with Nelson City Council to provide sufficient housing and business capacity for the "Nelson Urban Area" which includes Richmond and adjacent areas. This was the subject of a joint Council workshop in Nelson on 20 June 2017.
- 4.4 There are also significant quarterly monitoring requirements under the NPS-UDC. On a quarterly basis, Local Authorities are required to monitor:
  - (a) prices and rents for housing, residential land and business land by location and type and changes in these over time;
  - (b) the number of resource consents and building consents granted for urban development relative to growth in population;
  - (c) indicators of housing affordability; and
  - (d) indicators of price efficiency, such as price differentials between zones to understand how planning may affect the market.
- 4.5 Local Authorities are encouraged to publish the results of their monitoring. The monitoring must commence by June 2017, but monitoring of the price efficiency indicators does not commence until December 2017.

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<sup>1</sup> Section 30 (1) (ba) and s.31 (1) (aa)

- 4.6 MfE/MBIE have produced an on-line urban development capacity dashboard that provides charts, maps and underlying data on local housing markets. This can be viewed at [https://mbienz.shinyapps.io/urban-development-capacity\\_test/](https://mbienz.shinyapps.io/urban-development-capacity_test/). The tool includes housing data for all Tasman wards. It becomes public on 7 July 2017 but has already been released to Local Authorities for use. Corresponding data has not yet been provided on business markets.
- 4.7 Staff from Nelson and Tasman councils have prepared the first monitoring report required by the NPS-UDC (**Attachment 1**). It covers the period January-March 2017. This first report examines a limited range of indicators based on available data. Much of the data contained in the report comes from the MfE/MBIE dashboard. It focuses on local housing markets, with limited data on business markets at this stage. Business data will comprise a greater component of the quarterly report over time.
- 4.8 The monitoring report is also being considered by Nelson City Council's Governance Committee on 27 July 2017.

## 5 Options

- 5.1 The only options available relate to the publishing (or not) of the report and whether this is done jointly with Nelson City Council or separately. These are considered below.
- 5.2 **Option 1 – produce a quarterly monitoring report jointly with Nelson City Council** - The NPS-UDC places a strong emphasis on planning coherently (and in a coordinated way) across urban housing and labour markets where these cross local authority administrative boundaries.
- 5.3 Given that the “Nelson Main Urban Area” covers most of Nelson’s administrative extent, Richmond and adjacent areas within Tasman, it is preferable to produce a joint report. The NPS-UDC also requires Nelson and Tasman to provide through their resource management plans, enough development capacity to ensure that demand can be met, within the “Nelson Main Urban Area”, (even though the boundaries of the urban area do not restrict the area in which the local authorities can apply the policies.)
- 5.4 If joint monitoring is not undertaken for the Nelson Main Urban Area it will be difficult to ascertain whether we are meeting demand from this area. The report, as written has been prepared jointly.
- 5.5 **Option 2 – produce a joint report with Nelson City Council and publish the report**
- 5.6 The NPS-UDC encourages Local Authorities to publish their monitoring results. The report is likely to be of significant interest to a range of audiences including the development community. Housing demand and affordability are nationally significant issues, therefore there is likely to be much interest in data published for Tasman and Nelson. **Staff recommend option 2** - to produce a joint monitoring report and to publish it. The report will be placed on the respective Councils’ websites and over time more sophisticated presentation will be developed.

## 6 Strategy and Risks

- 6.1 The current strategy is to apply the policies of the NPS-UDC to the boundaries of the Nelson Main Urban Area. The Council can in future look to other settlements in the District to help

meet demand, if needed. It is considered at this stage that Richmond can meet its own demand, without needing to look to other settlements.

## **7 Policy / Legal Requirements / Plan**

- 7.1 The Council is required by the Resource Management Amendment Act 2017 to ensure there is sufficient development capacity in relation to housing and business land to meet the expected demands of the region/district.
- 7.2 The NPS-UDC requires the Council to provide sufficient housing and business capacity for the “Nelson Urban Area” which includes Richmond and adjacent areas.
- 7.3 The quarterly monitoring report will assist in informing the Council about demand for housing and business development, as well as urban development activity.
- 7.4 The NPS-UDC concepts of medium and high growth are being used to model future growth for development of the next Long Term Plan. The same figures have been used to produce the housing targets in the Tasman Housing Accord<sup>2</sup>.

## **8 Consideration of Financial or Budgetary Implications**

- 8.1 The monitoring and reporting obligations under the NPS create additional work and budgetary implications for the Council. A new staff position has been created to meet the increasing needs of the Council to plan for and manage growth in the District. This includes a significant increase in monitoring and reporting obligations that recent central government direction has created.

## **9 Significance and Engagement**

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<sup>2</sup> An additional 20% margin of growth (high growth) has been added to the growth projections that have come out of the Tasman Growth Demand and Supply Model for the centers that are expected to grow significantly in the future. These are Richmond, Brightwater, Wakefield, Mapua and Motueka.

Issue	Level of Significance	Explanation of Assessment
Is there a high level of public interest, or is decision likely to be controversial?	Medium-high	Housing demand and affordability are nationally significant issues, therefore there is likely to be much interest in data published for Tasman and Nelson
Is there a significant impact arising from duration of the effects from the decision?	Low	
Does the decision relate to a strategic asset? (refer Significance and Engagement Policy for list of strategic assets)	No	
Does the decision create a substantial change in the level of service provided by Council?	No	
Does the proposal, activity or decision substantially affect debt, rates or Council finances in any one year or more of the LTP?	No	This report does not in isolation, but housing demand is currently being considered as part of the LTP process
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 entering into a group of activities?	No	

## 10 Conclusion

10.1 Staff recommend that the quarterly monitoring reports required under the NPS are produced jointly with Nelson City and that they are made publicly available.

## 11 Next Steps / Timeline

11.1 Nelson City's Governance Committee is considering the monitoring report at the same time as Tasman District Council.

11.2 If both councils approve the report and approve that it can be published, it will be placed on the councils' respective websites.

11.3 Future monitoring reports will be prepared quarterly.

<b>12 Attachments</b>
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- |    |   |     |
|----|---|-----|
| 1. | Nelson-Tasman Monitoring report under the National Policy Statement Urban Development Capacity Jan-March 2017 | 173 |
|----|---|-----|



## Summary

The National Policy Statement on Urban Development Capacity requires local authorities within a Medium or High Growth Area to ensure they are well-informed about urban development activity by monitoring property market indicators on a quarterly basis.

This is the first of quarterly monitoring reports which Nelson and Tasman officers are preparing jointly to report to both Nelson City and Tasman District Councils. The indicators that are monitored in this report are population growth, affordability of housing, house prices and rents, new sections created and building consents for both housing and business.

The current trends in Nelson and Tasman can be summarised as follows:

- **Population** : Between 2018 and 2043 the population of Tasman District is projected to grow from 51,300 to 55,800 people under a medium growth scenario or from 52,400 to 63,900 (11,500 people) under a high growth scenario<sup>1</sup>. Council's growth modelling has assumed high growth will occur in Richmond for the first 10 years and medium growth thereafter. Richmond is projected to grow by 3,713 people or approximately 1600 households between 2018 and 2043.
- Nelson City's population is projected to grow from 51,800 in 2018 to 58,000 in 2043 under a medium growth scenario. The number of households is projected to increase from 21,500 to 25,600 over the same timeframe.
- **Dwelling provision:** Recent overall under supply of new dwellings in the combined Nelson-Tasman area.
- **House prices:** increased across the combined Nelson-Tasman area by 14% during the year ended March 2017, compared with a 9% increase in the previous year. Both Districts experience similar trends in prices.
- **House rents:** also generally increasing over time but at a slower rate than prices.
- **Affordability:** According to MBIE's housing affordability measure, the majority of rental households cannot currently comfortably afford the cost of renting
- The majority of rental households cannot comfortably afford the cost of purchasing a house in the typical first-home price bracket<sup>2</sup>
- Other affordability indices (Massey University aggregate housing affordability index) (March 2017) show that the Nelson-Tasman-Marlborough regional cluster is experiencing affordability challenges. Based on this index the region remains the third least affordable region in the country behind Central Otago Lakes and Auckland
- **New sections created:** There are signs of housing supply growth in Nelson with a large number of new residential sections being created in the last quarter, including for two apartment blocks in Special Housing Areas (SHAs).
- In Tasman, building consents have outstripped the creation of titles over the past year, meaning that vacant titles are being taken up faster than new titles are being created. Supply of lots is expected to increase significantly in the next 12-18 months based on knowledge of developments. Also a number of special housing area proposals have recently been approved by Tasman District Council to be recommended to be established to the Minister.

<sup>1</sup> Medium growth assumes medium fertility, medium mortality and medium migration. High growth assumes high fertility, low mortality and high migration

<sup>2</sup> MBIE's Housing affordability measure has proved controversial with the Reserve Bank criticising the model for using incorrect interest rates that could make houses look more affordable

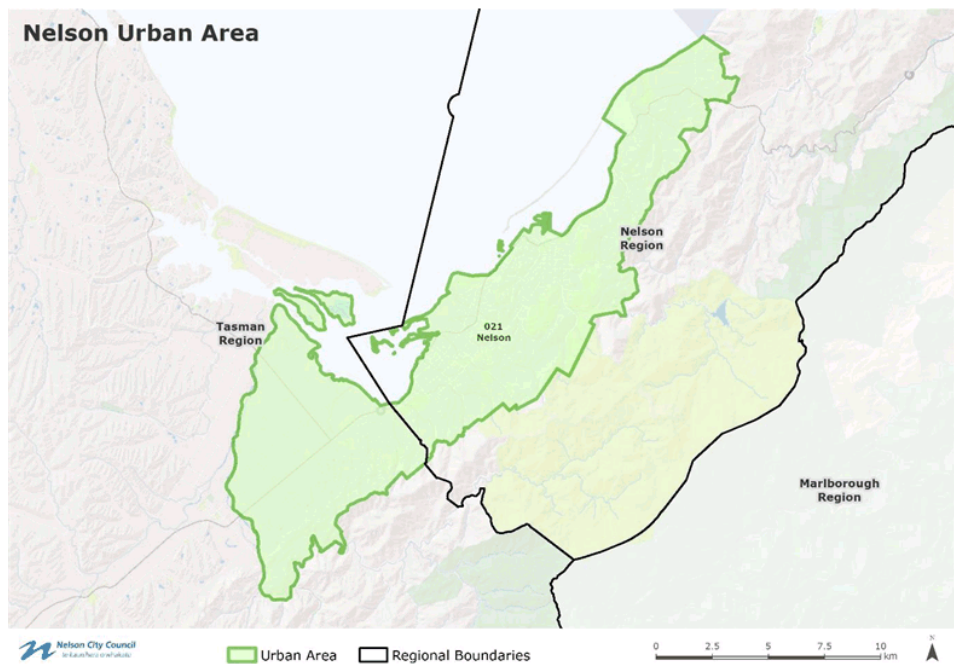
- **Building consents:** District wide and on an annual basis, Tasman continues to have record numbers of building consents issued when compared over the 10 year period. Within Richmond these are remaining high.
- On an annual basis, consents for new dwellings in Nelson have started to increase.
- **Further investigation** is required of the other factors affecting the supply of affordable homes in Nelson and Tasman. These barriers may include land banking, lending rules, construction industry capacity constraints, the market’s limited provision of smaller houses and building costs.

**Business activity:** Commercial and industrial building activity in the Nelson Main Urban Area has been relatively stable since 2010 but has spiked recently in Nelson due to consents for two new unusually large buildings at the Port and Airport.

**Nelson Main Urban Area**

The “Nelson Main Urban Area”, as defined by Statistics New Zealand’s classification of urban areas includes most of Nelson City’s area and the following area units in Tasman - Richmond East and West, Aniseed Hill, Bell Island, Best Island, Hope and Ranzau. Some of the monitoring contained within this report relates to data covering the whole of both Territorial Authorities and some relates to the Nelson Main Urban Area only. Figure 1 shows the boundary of the Nelson Main Urban Area in relation to the local authority boundaries.

Figure 1: Nelson Urban Area

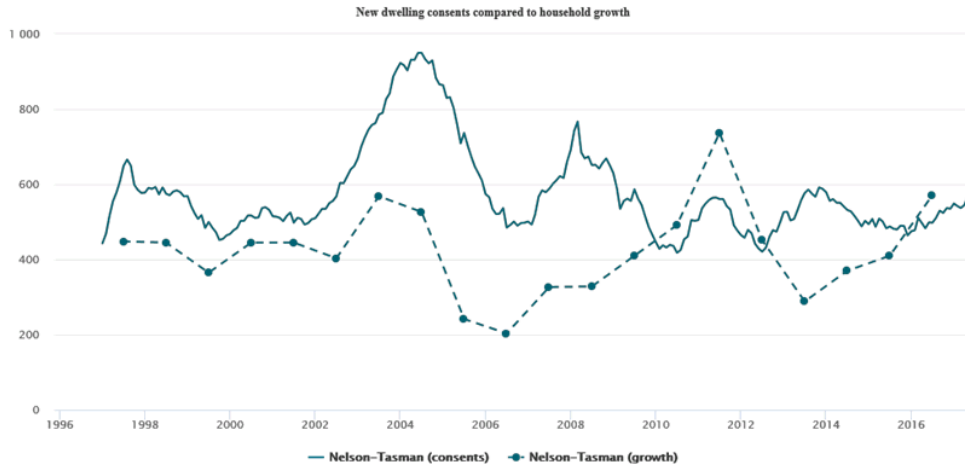


## **Residential Development Trends**

### **MBIE data**

The Ministry of Business, Innovation, and Employment (MBIE) and the Ministry for the Environment (MfE) have started to provide local authorities with a range of market indicators that local authorities are required to monitor under policy PB6 of the National Policy Statement – Urban Development Capacity. At this stage, the data includes only some housing indicators.

#### **1. Demand and Supply**



**Graph 1. New dwelling consents compared to household growth – Nelson-Tasman Combined.**

Over the last two decades, Nelson and Tasman have generally had enough new housing to meet household growth. However, in the last few years, consents for new dwellings in Nelson do not appear to be keeping up with population growth. Despite Tasman’s growth in new dwellings exceeding household growth in the region, an apparent overall under-supply in the combined Nelson-Tasman market could be one contributor to a sharp increase in house prices in the last year. In reality there are number of market dynamics involved that affect the supply of affordable housing, including cost of infrastructure, financing packages for low income home owners, the market’s limited provision of smaller housing, timing of release of land by owners, building costs and outside investment.

The following chart indicates there has been an apparent under-supply in housing in Nelson, while consents for new dwellings in Tasman have continued to exceed the estimated growth in new households.



**Graph 2. New dwelling consents compared to household growth – Nelson City and Tasman District**

Household growth is the estimated number of new households and is calculated from the estimated resident population, divided by the local average housing size. The actual resident population and household numbers will be confirmed by the 2018 Census. Previous Census results have revised Nelson’s population estimates by +/- 4%.

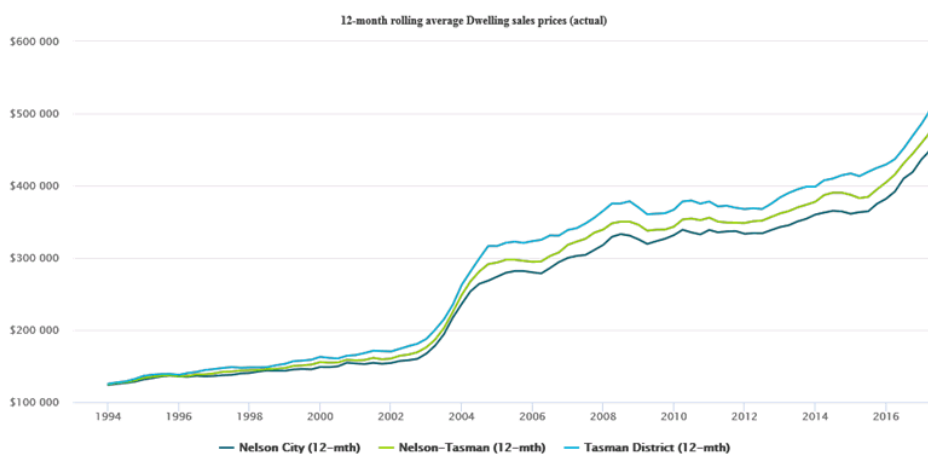
Supply estimates use the number of new dwelling consents lagged by six months to account for the time taken from consenting to completion (presented as a 12 month rolling average).

The apparent shortage of new housing in Nelson is despite an estimated ten years’ worth of dwelling capacity on land which is zoned, serviced and feasible for residential development.

Nationally, construction costs are increasing<sup>3</sup> due to high levels of construction activity and capacity constraints. This may indicate that the local construction industry is capacity-constrained and facing challenges scaling up to build more homes in response to demand. Building costs represent the single largest cost component when building a house, at around 50% and these costs are currently rising.

<sup>3</sup> <http://www.stuff.co.nz/business/89470174/Construction-costs-rising-as-peak-approaches-RLB>  
<http://www.stuff.co.nz/business/property/92322694/construction-costs-continue-to-rise-in-2017-colliers>

## 2. Prices and rents



**Graph 3: Dwelling sales prices – actual, rolling average, Nelson-Tasman combined, Nelson City, Tasman District**

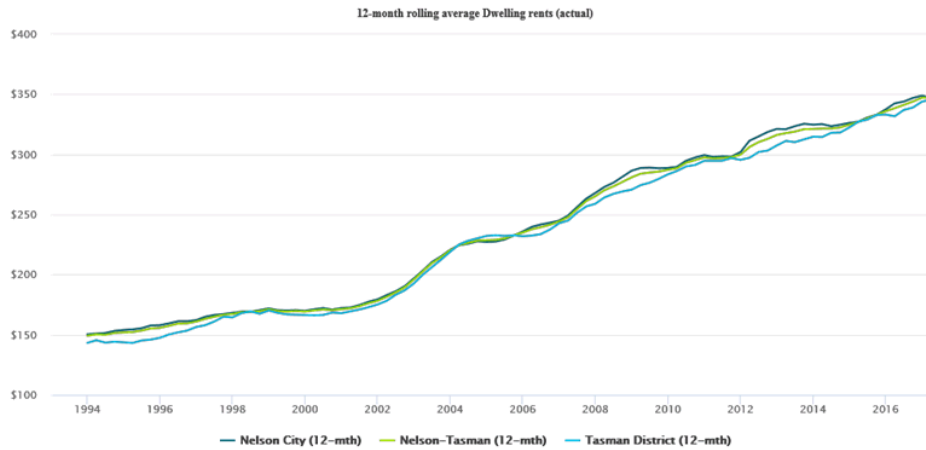
Housing prices have increased over time in both Nelson and Tasman Districts. The median sale price for the year ended March 2017 was \$449,250 in Nelson and \$504,875 in Tasman.

Across the combined Nelson-Tasman Districts area, prices increased 14% during the year ended March 2017, compared with a 9% increase in the year ended March 2016, and a 1% decrease in prices in the year ended March 2015. Nelson and Tasman experienced similar trends in house prices.

Increasing prices in Tasman, despite an apparent over-supply relative to household growth, could be due to several factors:

- meeting some of the demand from the growth in Nelson households
- increasing demand for visitor/non-resident accommodation
- an upsurge in people from other regions who are purchasing investment properties or moving to the region
- land banking

Future reports will investigate these factors in more detail with the use of further indicators.



**Graph 4: Dwelling rents – actual, rolling average, Nelson-Tasman combined, Nelson City, Tasman District**

Residential rents have also generally been increasing over time, but at a slower rate than house prices. This increase may suggest that there is a shortfall in housing which is also affecting the rental market, or that investors represent an increasing component of the Nelson Tasman housing market, charging increasing market rents.

Other factors, such as the availability and cost of mortgage finance, may also affect the price that people are willing and able to pay for a home without directly increasing rents.

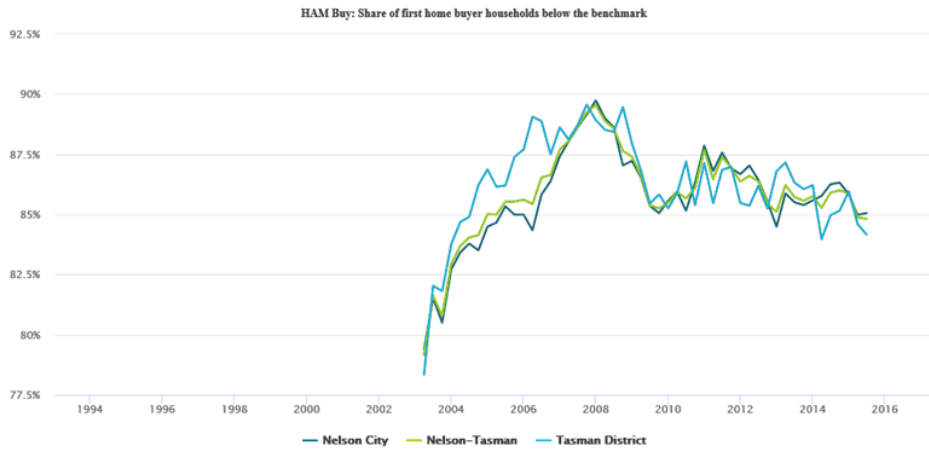
### 3. Housing affordability

MBIE have provided two Housing Affordability Measures (HAM), HAM Buy and HAM Rent, to measure trends in affordability of house prices and rents relative to income. These are initially being released as an experimental statistical series and MBIE advises that users should exercise caution given the draft state of the measure. The HAM is designed to map shifts in affordability over time, showing whether there are more or fewer households that have more or less income left over after paying for their housing costs.

For potential home-owning households, HAM Buy calculates what their residual income would be after housing costs if they were to buy a modest first home in the area in which they currently live. Affordability is affected by dwelling prices, mortgage interest rates and the incomes of rental households.

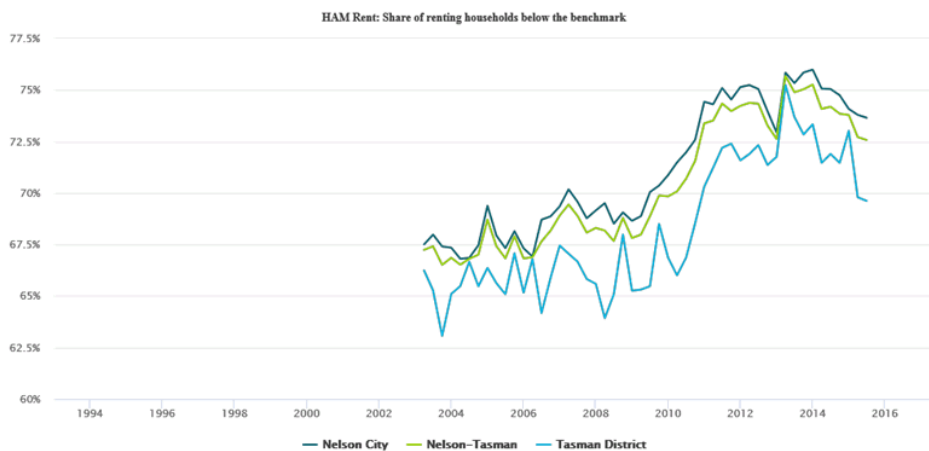
Households are classified as being either above or below a 2013 National Affordability Benchmark. This is set as the median affordability for all households, both homeowners and renters, nation-wide, in June 2013. A higher number on the chart indicates a lower level of affordability.

The HAM Rent measure calculates what the residual income of renting households would be after housing costs and compares that against the 2013 National Affordability Benchmark. Again, a higher number on the chart indicates a lower level of affordability.



**Graph 5: HAM Buy: Share of first-home buyer households below the affordability benchmark, Nelson-Tasman combined, Nelson City, Tasman District**

The HAM Buy measure for Nelson and Tasman Districts suggests that housing affordability was at its worse in late 2007 but, since 2010, has fluctuated between 84% and 88% of first home buyer households below the 2013 national benchmark of affordability. The measure indicates that at June 2015, 85% of first-home buyer households in Nelson, and 84% for Tasman, could not comfortably afford a typical 'first-home' priced house. This is defined as the lower quartile price point of housing in the area.

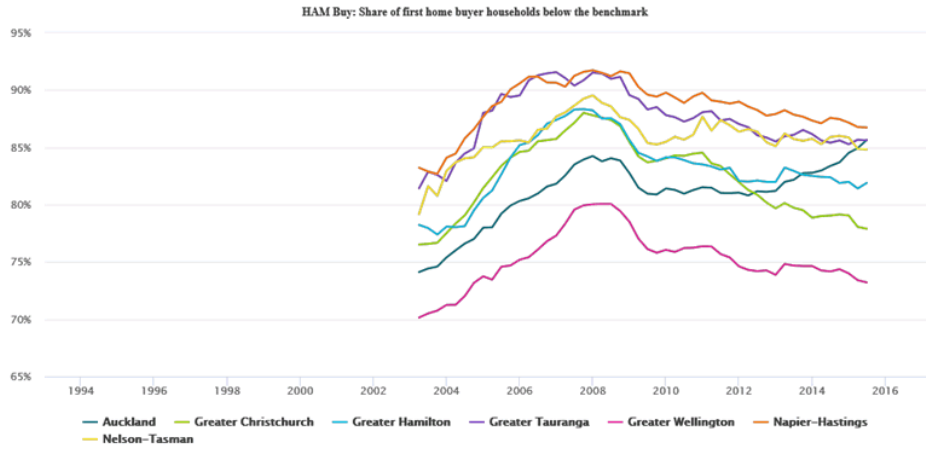


**Graph 6: HAM Rent: Share of renting households below the affordability benchmark, Nelson-Tasman combined, Nelson City, Tasman District**



The HAM Rent measure for Nelson and Tasman Districts suggests that rental affordability worsened between 2004 and 2014 but has improved in both regions since then. The measure indicates that at June 2015, 74% of rental households in Nelson, and 70% for Tasman, cannot comfortably afford typical rents, being below the 2013 national affordability benchmark.

Benchmarking with other Expanded Urban Areas

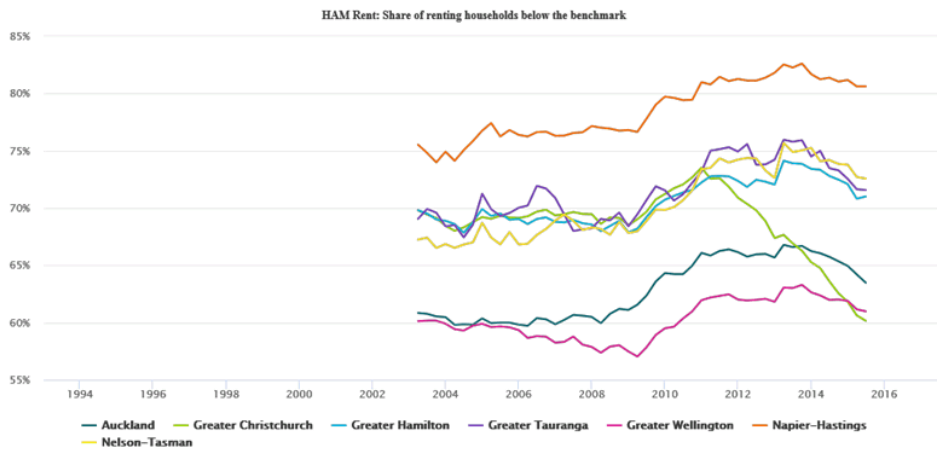


**Graph 7: HAM Buy: Share of first-home buyer households below the affordability benchmark, Expanded Urban Areas**

Comparing affordability across a number of expanded urban areas shows that affordability got worse throughout New Zealand in the years leading up the Global Financial Crisis but has been relatively stable since then. However, housing affordability in Nelson/Tasman is at a similar level to Auckland and Tauranga, but is worse than in Hamilton, Christchurch and Wellington.

Rental affordability in Nelson is at a similar level to Tauranga and Hamilton but is worse than in Auckland, Wellington, and Christchurch.





**Graph 8: HAM Rent: Share of renting households below the affordability benchmark, Expanded Urban Areas**

**Massey University aggregate housing affordability index**

HOME AFFORDABILITY INDEX			PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 12 MONTHS	
	Region	Nov 2016	Feb 2017	Improvement
Northland	19.3	20.1	-	9.2%
Auckland	35.0	32.3	4.4%	-
Waikato/Bay of Plenty	21.8	20.6	-	0.6%
Hawke's Bay	15.6	15.8	5.3%	-
Taranaki	14.8	13.1	9.9%	-
Manawatu/Whanganui	12.4	11.7	4.4%	-
Wellington	19.6	19.9	-	2.3%
Nelson/Marlborough	22.0	20.6	0.6%	-
Canterbury/Westland	19.4	18.4	10.8%	-
Otago	14.4	14.8	-	7.5%
Central Otago Lakes	32.4	35.0	-	11.2%
Southland	10.7	9.6	11.0%	-
New Zealand	22.4	20.8	2.2%	-

The Massey University aggregate housing affordability index (March 2017) shows that the Nelson-Tasman-Marlborough regional cluster is experiencing affordability challenges. While the index improved by 0.6% in the previous 12 months, this was less than the national improvement of 2.2%. Based on this index the region remains the third least affordable region in the country.

The Massey Home Affordability Index takes into account the cost of borrowing as well as house prices and wage levels. The average weekly earnings figures are drawn from Statistics New Zealand. Unlike the HAM measure, the income data is for both renting and owner-occupier households. The mortgage interest rate figures are drawn from Reserve Bank data. Housing prices are released by the Real Estate Institute of New Zealand (REINZ).

The combination of this data provides the opportunity to calculate a reliable and useful summary index. The lower the index the more affordable the housing. The index allows for comparisons over time and between regions of relative housing affordability in New Zealand.

### Council data

In addition to the MBIE data, both Nelson and Tasman councils have additional data on residential development trends which can provide further detail on the type and location of development. The following measures are for the parts of Nelson and Tasman that are within the Nelson Main Urban Area.

#### 4. Building Consents Issued – Number of new dwelling units

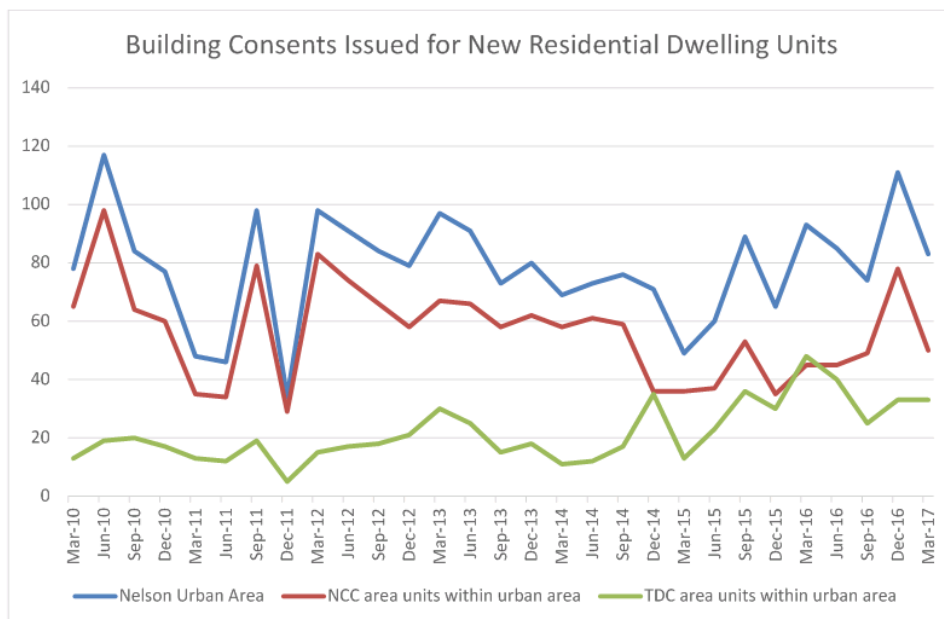
NCC: Building consents for new dwellings in the March 2017 quarter include 10 new retirement village units at 188 Songer St, Stoke.

The average size of new residential dwellings (excluding the retirement village units) was 197m<sup>2</sup>.

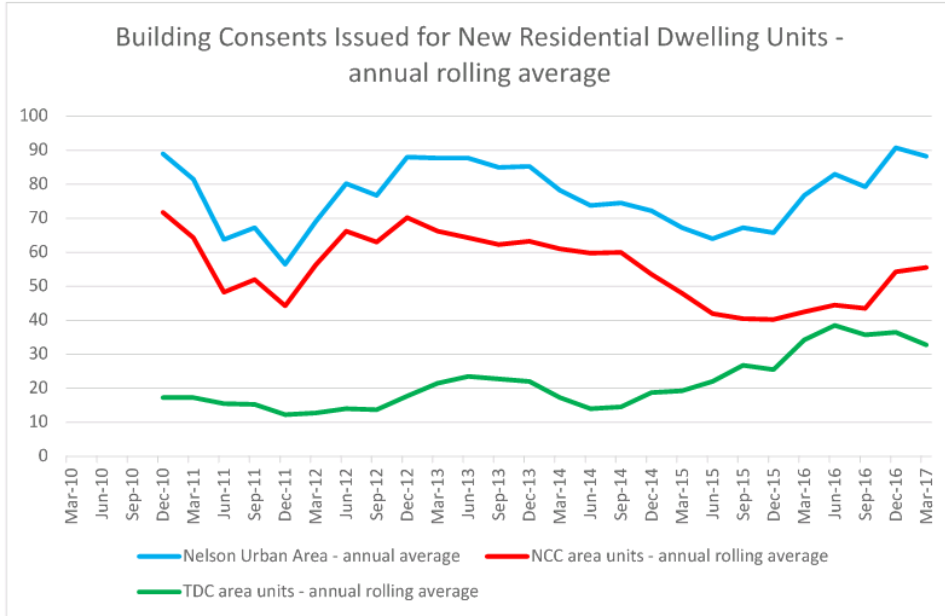
Building consents in the December 2016 quarter included six new units in the Special Housing Area in Orchard St, Stoke.

	Quarter				
	March 2016	June 2016	September 2016	December 2016	March 2017
Nelson Main Urban Area	93	85	74	111	83
NCC area units within Main Urban Area	45	45	49	78	50
TDC area units within Main Urban Area	48	40	25	33	33
NCC – all District	45	46	50	79	51
TDC – all District	95	97	97	101	83

**Table 1. Building consents for new dwellings, actual numbers (Statistics New Zealand)**



The following graph shows a rolling 12-month average of building consents for new dwellings which removes seasonal fluctuations. This indicates that consents for new residential dwellings in Nelson are starting to increase, while consents for new dwellings in Richmond/Hope are currently stabilising.



5. Yield of serviced residential sites from residential zoned land

Numbers of new sections can vary significantly between quarters.

However, Nelson has seen 73 new sections created in the March 2017 quarter which is higher than any other quarter in the last few years.

Tasman’s figures represent the area units which fall within the Nelson Main Urban Area only which essentially is Richmond and Hope.

	Quarter						
	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
NCC area units within urban area	36	13	44	32	53	4	73
TDC area units within Main Urban Area	Jul 15 –Dec 15 87 (Richmond)		Jan 16 – Jul 16 24 (Richmond)		Jul 16- Dec 16 29 (Richmond)		63 (Richmond)

## 6. Resource Consents for residential units

NCC: In the March 2017 quarter, there were ten resource consents for residential subdivisions, including two for Special Housing Areas (SHAs). These consents were to create 104 new residential lots, of which 79 were in SHAs and 2 were lifestyle blocks (rural residential). The two SHAs granted consent were for 37 units at 33 Beach Rd, Tahunanui and 42 units at 16 Paru Paru Rd, Nelson.

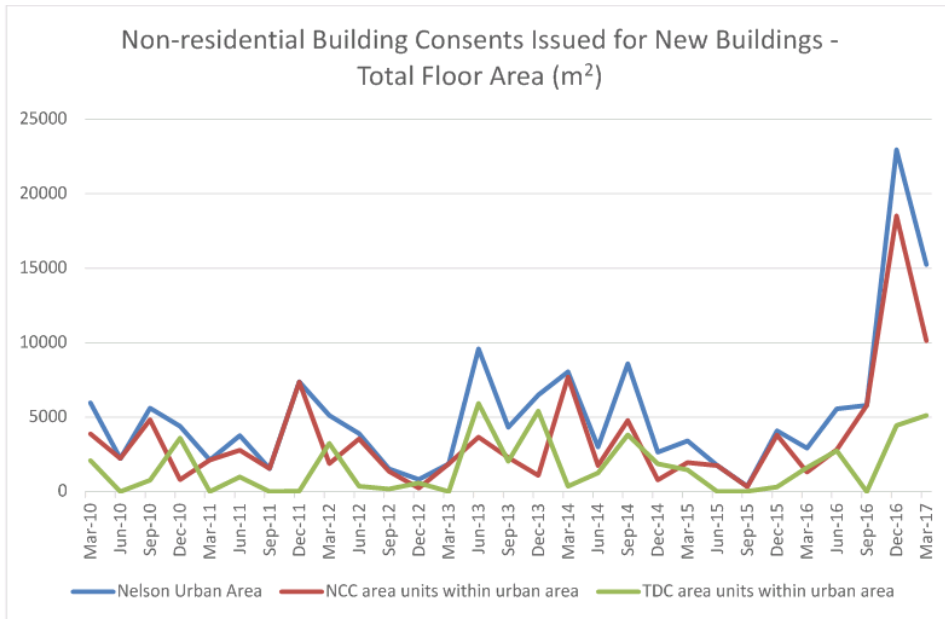
TDC has only started monitoring residential units by resource consent from April 2017 onwards.

## **Non-residential Development Trends**

### 7. Building Consents Issued for New Buildings – Total Floor Area (m2)

	Quarter				
	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Nelson Urban Area	2912	5559	5793	22953	15243
NCC area units within urban area	1307	2811	5793	18516	10126
TDC area units within urban area	1605	2748	0	4437	5117
All Nelson City	1307	2811	5793	18516	10126
All Tasman District	2125	3601	1227	6588	5782

NCC: In the March 2017 quarter, Nelson has consented 10,126m<sup>2</sup> of new commercial and industrial buildings. This included the new airport terminal (5,000m<sup>2</sup>). The high value in the December 2016 quarter was largely due to the consent for the new wine warehouse at Port Nelson (15,230m<sup>2</sup>).



This data is for consents for new buildings that are either commercial buildings, or factories, industrial, and storage buildings, or hotels, motels, boarding houses, and prisons.

**8. Yield of serviced industrial/commercial sites from industrial/commercial zoned land**

NCC: there were no titles issued in the March 2017 quarter for new industrial or commercial sites.

TDC: there were no titles issued in the March 2017 quarter for new industrial or commercial sites.

**9. Resource Consents for industrial/commercial units**

NCC: In the March 2017 quarter, there were four commercial units consented for unit title subdivision as part of the Special Housing Area at 16 Paru Paru Road.

TDC has only started monitoring business units by resource consent from April 2017 onwards.

**8.9 S.17A ASSESSMENT, NELSON REGIONAL DEVELOPMENT AGENCY****Decision Required**

<b>Report To:</b>	Full Council
<b>Meeting Date:</b>	27 July 2017
<b>Report Author:</b>	Sarah Holman, Policy Advisor
<b>Report Number:</b>	RCN17-07-09

**1 Summary**

- 1.1 Changes to the Local Government Act 2002 (LGA) mean that the Council is required to carry out service delivery reviews under s.17A of the legislation at least every six years. We must do an initial assessment of all activities before 8 August 2017.
- 1.2 Staff have completed a s.17A assessment of the delivery of regional economic development, visitor promotion and destination marketing services from the Nelson Regional Development Agency (NRDA). This report seeks the Council's approval to this assessment.
- 1.3 The Council can approve the assessment or ask staff to undertake more work on it.

**2 Draft Resolution****That the Full Council**

1. receives the s.17A assessment, Nelson Regional Development Agency report RCN17-07-09; and
2. approves the s.17A Local Government Act 2002 assessment for services provided by the Nelson Regional Development Agency contained in the attachment to report RCN17-07-09.

**3 Purpose of the Report**

- 3.1 To approve the s.17A LGA service delivery review for services provided by the NRDA.

**4 Background and Discussion**

- 4.1 Changes to the LGA, mean that the Council is required to carry out service delivery reviews under s.17A at least every six years. An initial assessment of all activities must be completed before 8 August 2017.

**5 Options**

- 5.1 The Council is required to meet the legislative obligations to assess our services before 8 August 2017. Therefore, the Council needs to consider and approve all the reviews prior to this date.
- 5.2 The Council can approve the s.17A service delivery review for the NRDA or direct staff to undertake further work on it.
- 5.3 Staff consider that the assessment has been undertaken in a manner that complies with the legislative requirements. Therefore, we recommend that the Council approves the review.
- 5.4 Approving the assessment now does not prevent the Council from choosing to change the mode of service delivery at any time in the future.

**6 Strategy and Risks**

- 6.1 The Council must meet its legal obligations.
- 6.2 By regularly reviewing our service delivery, we contribute to building the community's confidence in us, we demonstrate that we are undertaking our activities in a cost effective and appropriate manner and we demonstrate that we provide value for money.

**7 Policy / Legal Requirements / Plan**

- 7.1 The Council is required to follow the provisions of s.17A of the LGA. Staff consider that the processes we used during our assessment meets the legislative requirements.

**8 Consideration of Financial or Budgetary Implications**

- 8.1 By undertaking the s.17A service delivery review, we are providing accountability and ensuring the cost-effectiveness of our current service delivery arrangements.
- 8.2 Some funding has been needed to employ a contractor to assist staff meet their obligations in this assessment phase. The cost for the contractor is covered within the Strategic Policy budget.

**9 Significance and Engagement**



- 9.1 Staff believe that the decision before the Council is of low significance. The approval sought relates to an initial assessment, and recommends a further assessment is undertaken prior to the expiry of the agreement with the NRDA, or when a review is triggered by the legislation.
- 9.2 Our advice is that community engagement is not required prior to the Council making the decision recommended in this report.

Issue	Level of Significance	Explanation of Assessment
Is there a high level of public interest, or is decision likely to be controversial?	Low	No significant changes are proposed to the status quo. The assessment makes a recommendation on when a further assessment should take place.
Is there a significant impact arising from duration of the effects from the decision?	No	The decision made today can be reviewed and amended at any time.
Does the decision relate to a strategic asset? (refer Significance and Engagement Policy for list of strategic assets)	No	
Does the decision create a substantial change in the level of service provided by Council?	No	
Does the proposal, activity or decision substantially affect debt, rates or Council finances in any one year or more of the LTP?	No	
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	The agreement with NCC already exists.
Does the proposal or decision involve Council exiting from or entering into a group of activities?	No	

## 10 Conclusion

- 10.1 The process of assessing Council services under s.17A of the LGA is a legal requirement. It provides a framework for considering the cost-effective delivery of services and the alternative methods of achieving the same outcome. It also encourages collaboration with neighbouring local authorities.

- 10.2 The conclusion following the assessment of delivering regional economic development, visitor promotion and destination marketing services through the NRDA (a CCO of Nelson City Council) is to retain the status quo.

**11 Next Steps / Timeline**

- 11.1 Timetabling the next assessment to meet legislative requirements.

**12 Attachments**

- |    |   |     |
|----|---|-----|
| 1. | s.17A Nelson Regional Development Agency Services | 191 |
|----|---|-----|

<b>PART I: PRESENT ARRANGEMENTS</b>	
Name of the service and scope	<p><b>Nelson Regional Development Agency services</b></p> <p>The Nelson Regional Development Agency (NRDA), a Council Controlled Organisation (CCO) of Nelson City Council (NCC), is a merger of Nelson Tourism Tasman (NTT) and the Nelson Regional Economic Development Agency. The NRDA has been operational since July 2016.</p> <p>Prior to 2014, TDC jointly shared in the ownership of NTT. In 2014, it transferred its share to NCC. The Nelson Regional Economic Development Agency (NREDA) was a NCC Council Controlled Organisation, funded by both NCC and TDC.</p> <p>In 2015, TDC entered into a three year agreement with NCC to fund and deliver a regional economic development programme.</p> <p>Council purchases regional economic development, visitor promotion and destination marketing services from the NRDA at a cost of \$400,000 p.a. (inflation adjusted over 3 years). The agreement between the councils expires on 30 June 2018.</p> <p>The councils are adjoining unitary bodies (having both district and regional functions). Because of that, there is expectation in law and central government policy that they will collaborate to optimise economic performance of the region.</p> <p>Together Nelson and Tasman naturally form an economic region; a joint approach to promoting the region makes sense financially and strategically.</p>
Rationale for service provision	<p>Long Term Plan 2015 – 2025</p> <p><u>Key Issues</u></p> <p><i>Maximising Regional Opportunities</i> is one of five key issues set out in the Plan. This specifically states that the two councils share common interests and are economically interdependent,</p> <p><u>Community outcomes</u></p> <p>The ones that the service contributes to are:</p> <ul style="list-style-type: none"> <li>• Our region is supported by an innovative and sustainable economy</li> </ul>

	<ul style="list-style-type: none"> <li>Our Council provides leadership and fosters partnerships, a regional perspective and community engagement</li> </ul>
Present arrangements	<p><i>governance</i> –the NRDA is a CCO of NCC. NCC maintains control of the NRDA through its shareholding, director appointments and approval of the company’s annual Statement of Intent. NCC is responsible for agreeing and supporting work plans and monitoring performance of the NRDA; final decisions are made by NCC.</p> <p>An agreement to fund and deliver regional economic development programme has been entered into by NCC and TDC.</p> <p>Under the agreement NCC consults TDC on the letter of expectation and draft Statement of Intent for the NRDA. Reporting timelines by NCC to TDC are set out in the agreement.</p> <p><i>funding</i> - Council purchases services through NCC. The cost is funded through general rates.</p> <p><i>delivery</i> – by the NRDA, a CCO of NCC.</p>
Last review	In 2014 Council made a decision to transfer its joint share in NTT and purchase both tourism and economic development services from NCC instead.
Performance	<p>Under the terms of the agreement between the councils:</p> <ul style="list-style-type: none"> <li>The NRDA reports 6 monthly to NCC.</li> <li>The NRDA’s annual draft Statement of Intent (SOI) has to be approved by NCC.</li> <li>NCC provides TDC with the draft SOI, plus the half yearly report. TDC provides feedback on the draft SOI</li> <li>TDC identifies issues it wishes to be addressed in the letter of expectation that NCC gives to the NRDA</li> <li>The NRDA provides an annual report to TDC. A joint committee of the councils receives a presentation from the CCO yearly.</li> </ul> <p>This means that TDC is strongly involved in setting expectations and monitoring performance. The NRDA has been established recently, and it is too early to judge performance.</p>
Cost \$	

	Year	Opex
	2014/15	207,447
	2015/16	400,000
	2016/17	400,400
	2017/18	408,400
	2018/19	400,000
	2019/20	400,000
	2020/21	400,000
	2021/22	400,000
	2022/23	400,000
	2023/24	400,000
	2024/25	400,000
	2025/26	400,000
	2026/27	400,000

<b>PART II: DECISION TO REVIEW</b>	
Is a review required? (S17A(2))	<ol style="list-style-type: none"> <li>1. An initial review of all services is required by the legislation by August 2017 (Clause 2, schedule 1AA)</li> <li>2. A contract for delivery of the service is due to expire within 2 years</li> </ol>
Does the cost of undertaking the review outweigh the benefits (s17A (3)(b)) – Council is not required to undertake a review if it is satisfied that the potential benefits do not justify the costs of undertaking the review.	No
Is delivery of the service, regulatory function or infrastructure governed by legislation, contract or other binding agreement that cannot be reasonably altered within the following two years? If yes, provide details as a	No, agreement expires 30 June 2018

review is not required by legislation s17A(3)(a)	
Recommendation whether or not to review this service	<p>Recommend <u>not</u> to review this service at the present time because:</p> <ul style="list-style-type: none"> <li>the new arrangements were only put in place in 2015 following a review of service delivery, with an agreement between the two councils approved by Tasman District Council.</li> <li>the new entity to deliver regional economic services, the NRDA, has only been in operation since July 2016 so it is too early for a review.</li> </ul>
Place in review programme if decide to review (completion of Part, I, II and III of template)	A further assessment should be undertaken prior to the expiry of the existing agreement with NCC in 2018.

**Decision not to review:****Part I and II completed (assessment):**

Sarah Holman Policy Advisor (contractor) \_\_\_\_\_  
 (Name) (Position) (Date)

**Decision not to review approved (second tier manager and SMT)**

Lindsay McKenzie Chief Executive Officer \_\_\_\_\_  
 (Name) (Position) (Date)

**Complete Part III of template if undertaking a s.17A Review**

**8.10 REFERRAL REPORT - TREASURY MANAGEMENT POLICY**

Decision Required

<b>Report To:</b>	Full Council
<b>Meeting Date:</b>	27 July 2017
<b>Report Author:</b>	Russell Holden, Finance Manager
<b>Report Number:</b>	RCN17-07-10

**1 Summary**

- 1.1 The Council manages its treasury risks and responsibilities through the Treasury Risk Management Policy. The policy also includes the Liability Management and Investment policies.
- 1.2 This current policy was drafted by staff and the Council's treasury advisors, PricewaterhouseCoopers, (PwC) and approved by the Council on 30 June 2014.
- 1.3 PwC are treasury advisors for a number of councils, and as such this policy reflects treasury best practice within the local government sector.
- 1.4 An initial assessment of the policy for items requiring review was completed by staff and followed by a PwC review.
- 1.5 Most of the amendments were covered within the following themes:
  - updating for Council changes to structure, i.e. removing the Corporate Services Committee;
  - removing references to defunct organisations such as Tourism Nelson Tasman Ltd;
  - updating some clauses to better reflect changes in best practice;
  - providing the ability for the Council to take advantage of borrowing from the Local Government Funding Agency out past the 12 year current policy maximum term.
- 1.6 The amended policy was presented in a report (RFNAU17-06-03) to the Audit and Risk Committee at its meeting on 30 June 2017. Members sought clarification on some changes but no policy changes were requested.

The following resolution was passed at the meeting:

*Moved Cr King/Cr Ogilvie FNAU17-06-1*

*That the Audit and Risk Committee:*

1. *receives the Treasury Risk Management Policy report (RFNAU17-06-03); and*
2. *recommends to Council the adoption of the Treasury Risk Management Policy, as amended.*

**CARRIED**

**2 Draft Resolution**

**That the Full Council**

- 1. receives the Referral Report - Treasury Management Policy report RCN17-07-10; and**
- 2. adopts the Treasury Risk Management Policy.**

**3 Attachments**

- Treasury Liability Management and Investment Policies - Final July 2017 197





# **TASMAN DISTRICT COUNCIL**

## **Treasury Risk Management Policy**

### **Including Liability Management and Investment Policies**

**Council Approved: 30 June 2014  
(CN14-06-16)**

**Amended by Council: 10 September 2015  
(CN15-09-13)**



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## 1.0 Introduction

### 1.1. Policy purpose

The purpose of the Treasury Risk Management Policy ("Policy") is to outline approved policies and procedures in respect of all treasury activity to be undertaken by Tasman District Council ("TDC"). The formalisation of such policies and procedures will enable treasury risks within TDC to be prudently managed.

As circumstances change, the policies and procedures outlined in this Policy will be modified to ensure that treasury risks within TDC continue to be well managed. In addition, regular reviews will be conducted to test the existing Policy against the following criteria:

- Industry "best practices" for a Council the size and type of TDC.
- The risk bearing ability and tolerance levels of the underlying revenue and cost drivers.
- The effectiveness and efficiency of the Policy and treasury management function to recognise, measure, control, manage and report on TDC's financial exposure to market interest rate risks, funding risk, liquidity, investment risks, counterparty credit risks and other associated risks.
- The operations of a pro-active treasury function in an environment of control and compliance.
- The robustness of the Policy's risk control limits and risk spreading mechanisms against normal and abnormal interest rate market movements and conditions.
- Assistance to TDC in achieving strategic objectives relating to ratepayers.

It is intended that the Policy be distributed to all personnel involved in any aspect of the TDC's financial management. In this respect, all staff must be completely familiar with their responsibilities under the Policy at all times.

## 2.0 Scope and objectives

### 2.1 Scope

- This document identifies the policy of TDC in respect of treasury management activities.
- The Policy has not been prepared to cover other aspects of TDC's operations, particularly transactional banking management, systems of internal control and financial management. Other policies and procedures of TDC cover these matters.

### 2.2 Treasury management objectives

The objective of this Policy is to control and manage costs and investment returns that can influence operational budgets and public equity and set debt levels. Specifically:



#### Statutory objectives

- All external borrowing, investments and incidental financial arrangements (eg use of interest rate hedging financial instruments) will meet requirements of the Local Government Act 2002 and incorporate the Liability Management Policy and Investment Policy.
- TDC is governed by the following relevant legislation:
  - Local Government Act 2002, in particular Part 6 including sections 101,102, 104 and 105.
  - Local Government (Financial Reporting and Prudence) Regulations 2014, in particular Schedule 4.
  - Trustee Act 1956. When acting as a trustee or investing money on behalf of others, the Trustee Act highlights that trustees have a duty to invest prudently and that they shall exercise care, diligence and skill that a prudent person of business would exercise in managing the affairs of others. Details of relevant sections can be found in the Trustee Act 1956 Part II Investments.
- All projected external borrowings are to be approved by Council as part of the Annual Plan or the Long Term Planning (LTP) process, or resolution of Council before the borrowing is effected.
- All legal documentation in respect to external borrowing and financial instruments will be approved by Council's solicitors prior to the transaction being executed.
- Council will not enter into any borrowings denominated in a foreign currency.
- Council will not transact with any Council Controlled Trading Organisation (CCTO) on terms more favourable than those achievable by Council itself.
- A resolution of Council is not required for hire purchase, credit or deferred purchase of goods if:
  - The period of indebtedness is less than 91 days (including rollovers); or
  - The goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding in aggregate, an amount determined by resolution of Council.

#### General objectives

- Minimise Council's costs and risks in the management of its external borrowings.
- Minimise Council's exposure to adverse interest rate movements.
- Monitor, evaluate and report on treasury performance.
- Borrow funds and transact risk management instruments within an environment of control and compliance under the Council approved Policy so as to protect Council's financial assets and manage costs.
- Arrange and structure external long term funding for Council at a favourable margin and cost from debt lenders. Optimise flexibility and spread of debt maturity terms within the funding risk limits established by this Policy statement.



- Monitor and report on financing/borrowing covenants and ratios under the obligations of Council's lending/security arrangements.
- Comply with financial ratios and limits stated within this Policy.
- Monitor Council's return on investments.
- Ensure the Council, management and relevant staff are kept abreast of the latest treasury products, methodologies, and accounting treatments through training and in-house presentations.
- Maintain appropriate liquidity levels and manage cash flows within Council to meet known and reasonable unforeseen funding requirements.
- To minimise exposure to credit risk by dealing with and investing in credit worthy counterparties.
- Ensure that all statutory requirements of a financial nature are adhered to.
- Ensure that financial planning will not impose an unequitable spread of costs/benefits over current and future ratepayers.
- To ensure adequate internal controls exist to protect Council's financial assets and to prevent unauthorised transactions.
- Develop and maintain relationships with financial institutions, LGFA, credit rating agencies, investors and investment counterparties.

### **2.3 Policy setting and Management**

The Council approves Policy parameters in relation to its treasury activities. The Council's Chief Executive has overall financial management responsibility for the Council's borrowing and investments.

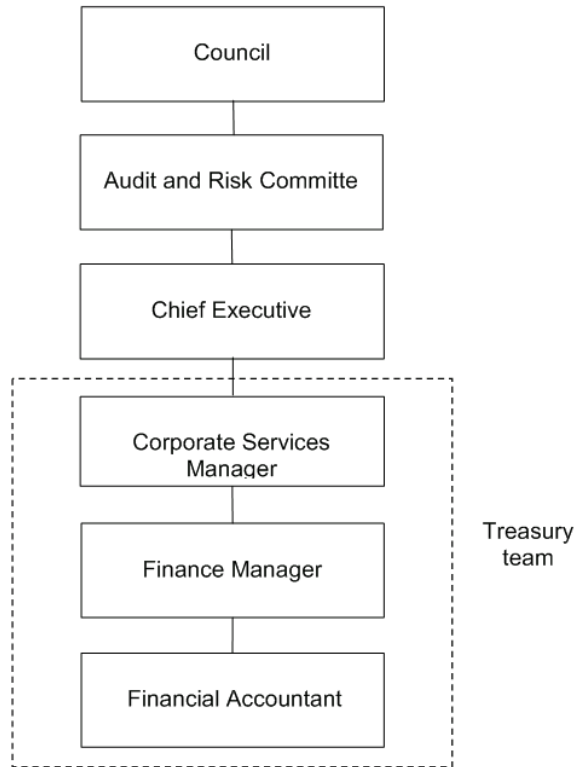
The Council exercises ongoing governance over its subsidiary companies (CCO/CCTO), through the process of approving the Constitutions, Statements of (Corporate) Intent, and the appointment of Directors/Trustees of these companies.



**3.0 Governance and management responsibilities**

**3.1 Overview of management structure**

The following diagram illustrates those individuals and bodies who have treasury responsibilities. Authority levels, reporting lines and treasury duties and responsibilities are outlined in the following section:



**3.2 Council**

The Council has ultimate responsibility for ensuring that there is an effective policy for the management of its risks. In this respect the Council decides the level and nature of risks that are acceptable, given the underlying objectives of TDC.

The Council is responsible for approving the Policy. While the Policy can be reviewed and changes recommended by other persons, the authority to make or change Policy cannot be delegated.

In this respect, the Council has responsibility for:

- Approving the long-term financial position of TDC through the Long Term Plan (LTP) and Financial Strategy along with the adopted Annual Plan.
- Approve and adopt the Liability Management and Investment Policies.





- Approving the Policy following recommendation by the Audit and Risk Committee, incorporating the following delegated authorities:
  - Borrowing, investment and dealing limits and the respective authority levels delegated to the CE, CSM and other management.
  - Counterparties and credit limits.
  - Risk management methodologies and benchmarks.
  - Guidelines for the use of financial instruments.
  - Receive a triennial review report on the Policy.
- Approval for one-off transactions falling outside Policy.

### 3.3 Audit and Risk Committee

Under delegation from Council:

- Evaluate and recommend amendments to Policy.
- Delegating authority to the CE and other officers.

### 3.4 Chief Executive (CE)

While the Council has final responsibility for the Policy governing the management of Council's risks, it delegates overall responsibility for the day-to-day management of such risks to the Chief Executive.

In respect of treasury management activities, the Chief Executive's responsibilities include:

- Ensuring the policies comply with existing and new legislation.
- Approving the register of authorised signatories.
- Approving new counterparties and counterparty limits.
- Approving new external borrowing undertaken in line with Council resolution and approved borrowing strategy.
- In conjunction with the Corporate Services Manager (CSM), approving the opening and closing of bank accounts.
- Receiving advice of non-compliance of Policy and significant treasury events from the CSM.

### 3.5 Corporate Services Manager (CSM)

The CSM's responsibilities are as follows:

- Management responsibility for all external borrowing and investment activities as delegated by the CE.
- Recommending Policy changes to Council for approval.
- Ongoing risk assessment of borrowing and investment activity including procedures and controls.





- Approving treasury transactions in accordance with delegated authority.
- Authorising the use of approved interest rate management instruments within discretionary authority.
- Recommending authorised signatories and delegated authorities in respect of all treasury activities.
- Proposing new funding requirements to the CE, and if required submission to Council.
- Reviewing and making recommendations on all aspects of the Policy to the CE, including dealing limits, approved instruments, counterparties, and general guidelines for the use of financial instruments.
- Conducting a review, at least triennially, of the Policy, treasury procedures and counterparty limits.
- Managing the long-term financial position of Council as outlined in the LTP.
- Monitoring and reviewing the performance of the treasury function in terms of achieving the objectives.
- Authorising external borrowing, investing, interest rate, cash management transactions with bank counterparties. Approving all amendments to Council records arising from checks to counterparty confirmations.
- Reviewing and approving treasury spreadsheet reconciliation to internal records.
- The CSM has oversight, and approves actions undertaken by the Finance Manager per delegated authority.

### 3.6 Finance Manager (FM)

The FM's responsibilities are as follows:

- Responsible for overseeing the day to day treasury function as delegated by the CSM.
- Arrange the execution of external borrowing, investment, and interest rate management transactions in accordance with set limits. Investigate financing alternatives to minimise borrowing costs, margins and interest rates, making recommendations to the CSM as appropriate.
- Monitoring treasury exposure on a regular basis, including current and forecast cash position, interest rate exposures and borrowings.
- Account for all treasury transactions in accordance with legislation and generally accepted accounting principles, Council's accounting and funding and financial policies.
- Ensuring management procedures and policies are implemented in accordance with this Treasury Risk Management Policy.
- Ensuring all financial instruments are valued and accounted for correctly in accordance with current best practice standards.



### 3.7 Financial Accountant (FA)

- Carry out the day to day cash and short term cash management activities
- Update treasury spreadsheets for all new, re-negotiated and maturing transactions.
- Monitor and update credit ratings of approved counterparties.
- Settlement of external borrowing, investment, cash management, and interest rate management transactions.
- Check all treasury deal confirmations against the treasury spreadsheet and report any irregularities immediately to the CE.
- Review monthly bank reconciliations, as completed by the Revenue Team.
- Complete general ledger reconciliations to treasury spreadsheet.
- Co-ordinate the compilation of cash flow forecasts and day-to-day cash management responsibilities.
- Reconcile monthly summaries of outstanding financial contracts from bank counterparties to internal records.
- Handle all administrative aspects of bank counterparty agreements and documentation such as loan agreements and ISDA documents.
- Monitor all treasury exposures daily.
- Prepare treasury reports.
- Check compliance against limits and prepare report on an exceptions basis.

### 3.8 Delegation of authority and authority limits

Treasury transactions entered into without the proper authority are difficult to cancel given the legal doctrine of “apparent authority”. Also, insufficient authorities for a given bank account or facility may prevent the execution of certain transactions (or at least cause unnecessary delays).

To prevent these types of situations, the following procedures must be complied with:

- All delegated authorities and signatories must be reviewed at least annually to ensure that they are still appropriate and current.
- A comprehensive letter must be sent to all bank counterparties at least annually to confirm details of all relevant current delegated authorities empowered to bind Council.

Whenever a person with delegated authority on any account or facility leaves Council, all relevant banks and other counterparties must be advised in writing in a timely manner to ensure that no unauthorised instructions are to be accepted from such persons.



Council has the following responsibilities, either directly itself, or via the following stated delegated authorities:

Activity	Delegated Authority	Limit
Approving and changing Policy	Council	Unlimited
Approve borrowing for year as set out in the AP/LTP.	Council	Unlimited (subject to legislative and other regulatory limitations)
Acquisition and disposition of investments other than financial investments	Council	Unlimited
Approval for charging assets as security over borrowing	Council	Unlimited
Approving new and reviewing re-financed bank facilities.	Council	Unlimited
Approving transactions outside Policy	Council	Unlimited
Overall day-to-day treasury management	CE (delegated by Council) CSM (delegated by CE)	Subject to Policy
Re-financing existing debt	CE (delegated by Council) CSM (delegated by CE)	Subject to Policy
Approve new external borrowing in accordance with Council resolution or through the adoption of the AP/LTP.	CSM (delegated by CE)	Per Council approved AP/LTP.
Negotiate bank facilities	CSM	N/A
Manage borrowing and interest rate strategy	CSM	N/A
Adjust interest rate risk profile	CSM	Per risk control limits
Managing funding and investment maturities	CSM	Per risk control limits
Maximum daily transaction amount (borrowing, investing, interest rate risk management and cash management) excludes roll-overs on debt and interest rate swaps.	Council CE CSM FM	Unlimited \$50M \$30M \$10M
Manage cash/liquidity requirements	Finance Manager	Per risk control limits
Authorising list of signatories	CE	Unlimited
Opening/closing bank accounts	CE	Unlimited
Triennial review of Policy	CSM	N/A
Ensuring compliance with Policy	CSM	N/A

All management delegated limits are authorised by the CE.



#### 4.0 Liability management policy

##### 4.1 Introduction

Council's liabilities comprise of borrowings (internal/external) and various other liabilities. Council maintains external borrowings in order to:

- Raise specific debt associated with projects and capital expenditures.
- Fund the balance sheet as a whole, including working capital requirements.
- Fund assets whose useful lives extend over several generations of ratepayers.

Borrowing provides a basis to achieve inter-generational equity by aligning long-term assets with long-term funding sources, and ensure that the cost are met by those ratepayers benefiting from the investment.

##### 4.2 Borrowing limits

Debt will be managed within the following limits:

Item	Borrowing Limit
Net External Debt / Total Operating Income	<225%
Net External Debt / Equity	<20%
Net Interest on External Debt / Total Operating Income	<15%
Net Interest on external debt / Annual Rates Income	<25%
Liquidity (External, term debt + committed loan facilities + available liquid investments to existing external debt)	>110%

- **Total Operating Income** is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non government capital contributions (e.g. developer contributions and vested assets).
- **Net External Debt** is defined as total external debt less unencumbered liquid financial assets and investments.
- **Liquidity** is defined as external term debt plus committed bank facilities plus liquid investments divided by current external debt. Liquid investments are unencumbered assets defined as being:
  - Overnight bank cash deposits
  - Wholesale / retail bank term deposits no greater than 30-days
  - Bank issued RCD's less than 181 days
- **Net Interest on External Debt** is defined as the amount equal to all external interest and financing costs less external interest income for the relevant period.
- **Annual Rates Income** is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 (including volumetric water charges levied) together with any revenue received from other local authorities for services provided (and for which the other local authorities rate).



- Financial covenants are measured on Council only not consolidated group.
- Disaster recovery requirements are to be met through the liquidity ratio and special funds.

#### 4.3 Asset management plans

In approving new debt Council considers the impact on its external borrowing limits as well as the economic life of the asset that is being funded and its overall consistency with Council's LTP and Financial Strategy.

#### 4.4 Borrowing mechanisms

Council is able to borrow externally through a variety of market mechanisms including issuing stock/bonds, commercial paper (CP) and debentures, direct bank borrowing, LGFA, accessing the short and long-term wholesale/retail debt capital markets directly or indirectly, or internal borrowing of reserve and special funds. In evaluating strategies for new borrowing (in relation to source, term, size and pricing) the following is taken into account:-

- Available terms from banks, LGFA, debt capital markets and loan stock issuance.
- Council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time.
- Prevailing interest rates and margins relative to term for loan stock issuance, LGFA, debt capital markets and bank borrowing.
- The market's outlook on future credit margin and interest rate movements as well as its own.
- Legal documentation and financial covenants together with security and credit rating considerations.
- For internally funded projects, to ensure that finance terms for those projects are at least as equitable with those terms from external borrowing.
- Alternative funding mechanisms such as leasing should be evaluated with financial analysis in conjunction with traditional on-balance sheet funding. The evaluation should take into consideration, ownership, redemption value and effective cost of funds.

Council's ability to readily attract cost effective borrowing is largely driven by its ability to rate, maintain a strong financial standing and manage its relationships with its investors, LGFA, and financial institutions/brokers and maintain a long-term credit rating of at least AA-.

#### 4.5 Security

Council's external borrowings and interest rate management instruments will generally be secured by way of a charge over rates and rates revenue offered through a Debenture Trust Deed. Under a Debenture Trust Deed, Council's borrowing is secured by a floating



charge over all Council rates levied under the Local Government Rating Act. The security offered by Council ranks equally or pari passu with other lenders.

From time to time, and with Council approval, security may be offered by providing a charge over one or more of Councils assets.

Physical assets will be charged only where:

- There is a direct relationship between the debt and the purchase or construction of the asset, which it funds (e.g. project finance).
- Council considers a charge over physical assets to be appropriate.
- Any pledging of physical assets must comply with the terms and conditions contained within the security arrangement.

#### 4.6 Debt repayment

The funds from all asset sales, operating surpluses, grants and subsidies will be applied to specific projects or the reduction of debt and/or a reduction in borrowing requirements, unless the Council specifically directs that the funds will be put to another use.

Debt will be repaid as it falls due in accordance with the applicable borrowing arrangement. Subject to the appropriate approval and debt limits, a loan may be rolled over or re-negotiated as and when appropriate.

Council will manage debt on a net portfolio basis and will only externally borrow when it is commercially prudent to do so.

#### 4.7 Guarantees/contingent liabilities and other financial arrangements

Council may act as guarantor to financial institutions on loans or enter into incidental arrangements for organisations, clubs, Trusts, or Business Units, when the purposes of the loan are in line with Council's strategic objectives.

Council is not allowed to guarantee loans to Council-controlled trading organisations under Section 62 of the Local Government Act.

Council will ensure that sufficient funds or lines of credit exist to meet amounts guaranteed. Guarantees given will not exceed NZ\$0.5 million in aggregate or if attached to a property.

Other financial arrangements include:

- Rural housing loans.
- Tenant contribution flats.
- Rural water supply loans.
- Advances to community organisations and trusts .

Conditions to financial arrangements, such as loan advances, are specified in section 5.5.6.





#### 4.8 Internal borrowing

Council uses its reserves and external borrowing to internally fund both capital expenditure and working capital. The Council approves overall borrowing by resolution during the annual planning and/or LTP process. The finance function is responsible for administering Council's internal loan portfolio.

The primary objective in funding internally is to use reserves and external borrowing effectively, by establishing a portfolio that provides funding to internal activity centres. This creates operational efficiencies, as savings are created by eliminating the margin that would be paid through Council separately investing and borrowing externally. In addition to external borrowing mechanisms all reserve accounts are used for internal borrowing purposes.

The following operational parameters apply in relation to the management of Council's internal loan portfolio:

- All internal borrowing activities are consistent with the principles and parameters, outlined throughout this policy.
- Council seeks to firstly utilise reserve funds and if insufficient reserves are available, utilises external borrowing mechanisms.
- In determining an activity centre's maximum internal loan amount, any existing depreciation reserve amount or other related amount is firstly allocated to that centre. Any additional funding is provided through internal loans.

Specific operating parameters are:

- Internal loans may be set up as:
  - Interest only
  - A Non-table (reducing balance) loan
  - A Table loan - (Payments are kept the same over the loan period)
- An internal loan is set up for all new capital expenditure and any renewal capital expenditure not covered by accumulated depreciation. The loan is allocated to the activity centre incurring the expenditure.
- Internal Loans may be consolidated where that course of action is not inconsistent with the borrowing principals included within this document.
- Interest is set quarterly on all internal loans at the weighted average cost of external borrowing (including credit margin and other related costs).
- Interest on investment (reserve) balances is set quarterly at the 90 day Bank Bill rate. No adjustment is included for treasury related operational costs.
- Council may determine not to pay interest on specific reserve balances or to pay interest at a reduced rate.
- If required Council has the ability to reset interest rates monthly.
- Interest is charged on the month-end loan balance. Interest may be notionally received and allocated to the specific reserve account providing the funds or through the related cost centres income/expenditure accounts.



- The term of the loan is the lesser of either:
  - the economic life of the asset
  - normally a maximum of 20 years but up to 40 years for long life assets.
- Principal repayment instalments are charged to the cost centre. Instalment amounts are agreed upon commencement of the loan. Instalments are paid monthly.
- Interest is charged/paid on Activity balances based on the balance at the start of the financial year. The interest rate charged on deficit balances is set at the weighted average cost of external borrowing (including credit margin and other related costs). The interest rate paid on surplus balances is the 90 day bank bill rate.

#### **4.9 New Zealand Local Government Funding Agency (LGFA) Limited Investment**

Despite anything earlier in this Policy, the Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA) and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:-

- Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA. For example borrower notes.
- Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself.
- Commit to contributing additional equity (or subordinated debt) to the LGFA if required.
- Secure its borrowing from the LGFA and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.
- Subscribe for shares and uncalled capital in the LGFA.





## 5.0 Investment policy

### 5.1 Introduction

Council generally holds investments for strategic reasons where there is some community, social, physical or economic benefit accruing from the investment activity. Generating a commercial return on strategic investments is considered a secondary objective. Investments and associated risks are monitored and managed, and regularly reported to Council. Specific purposes for maintaining investments include:

- For strategic purposes consistent with Council's LTP.
- To reduce the current ratepayer burden.
- The retention of vested land.
- Holding short term investments for working capital requirements.
- Holding investments that are necessary to carry out Council operations consistent with Annual Plans, to implement strategic initiatives, or to support inter-generational allocations.
- Holding assets (such as property) for commercial returns.
- Provide ready cash in the event of a natural disaster. The use of which is intended to bridge the gap between the disaster and the reinstatement of normal income streams and assets.
- Invest amounts allocated to accumulated surplus, Council created restricted reserves and general reserves.
- Invest proceeds from the sale of assets.

Council recognises that as a responsible public authority all investments held, should be low risk. Council also recognises that low risk investments generally mean lower returns.

Council can internally borrow from reserve funds in the first instance to meet future capital expenditure requirements, unless there is a compelling reason for establishing external debt.

### 5.2 Objectives

In its financial investment activity, Council's primary objective when investing is the protection of its investment capital and that a prudent approach to risk/ return is always applied within the confines of this policy. Accordingly, only approved creditworthy counterparties are acceptable. The Council will act effectively and appropriately to:

- Protect the Council's investments.
- Ensure the investments benefit the Council's ratepayers.
- Maintain a prudent level of liquidity and flexibility to meet both planned and unforeseen cash requirements.



### 5.3 Policy

The Council's general policy on investments is that:

- The Council may hold financial, property, forestry, and equity investments if there are strategic, commercial, economic or other valid reasons (e.g. where it is the most appropriate way to administer a Council function).
- The Council will keep under review its approach to all major investments and the credit rating of approved financial institutions.
- The Council will review its policies on holding investments at least once every three years.

### 5.4 Acquisition of new investments

With the exception of financial investments, new investments are acquired if an opportunity arises and approval is given by Council, based on advice and recommendations from Council officers. Before approving any new investments, Council gives due consideration to the contribution the investment will make in fulfilling Council's strategic objectives, and the financial risks of owning the investment.

The Commercial Sub-Committee recommends new commercial investments to Council. The authority to acquire financial investments is delegated to the CSM.

### 5.5 Investment mix

Council maintains the following mix of investments. Details of investments held are articulated in the Appendix.

#### 5.5.1 Equity investments

Equity investments, including investments held in CCO/CCTO and other shareholdings.

Council maintains equity investments and other minor shareholdings. Council's equity investments fulfil various strategic, economic development and financial objectives as outlined in the LTP. Equity investments may be held where Council considers there to be strategic community value.

Council seeks to achieve an acceptable rate of return on all its equity investments consistent with the nature of the investment and their stated philosophy on investments.

Any purchase or disposition of equity investments requires Council approval. Council may also acquire shares that are gifted or are a result of restructuring.

Dividends received from CCO's/CCTO's and unlisted companies not controlled by Council are used firstly to repay debt in relation to that investment. Then, unless otherwise directed by Council, used to reduce other Council debt.

Any dividends received, and/or profit or loss arising from the sale of these investments must be recorded in accordance with appropriate accounting standards. Unless otherwise directed by Council, the proceeds from the disposition of equity investments will be used firstly to repay any debt relating to



the investment and then utilised to reduce other council debt. Council recognises that there are risks associated with holding equity investments and to minimise these risks Council, through the relevant Council-committee, monitors the performance of its equity investments on a twice yearly basis to ensure that the stated objectives are being achieved. Council seeks professional advice regarding its equity investments when it considers this appropriate.

#### **5.5.2. New Zealand Local Government Funding Agency Limited investment**

Despite anything earlier in this Policy, the Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (LGFA), and may borrow to fund that investment.

The Council's objective in making any such investment will be to:

- Obtain a return on the investment.
- Ensure that the LGFA has sufficient capital to remain viable, meaning that it continues as a source of debt funding for the Council.

Because of these dual objectives, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments. In connection with the investment, Council subscribes for uncalled capital in the LGFA and is a Guarantor.

#### **5.5.3 Property investments**

Council owns property investments for strategic and commercial purposes. Council reviews ownership through assessing the benefits including financial returns, in comparison to other arrangements that could deliver the similar results.

Surpluses generated from commercial and semi commercial property investments are treated as an internal dividend to Council. Other surpluses from property are treated as income in the related Council activity.

Property disposals are managed to ensure compliance with statutory requirements and where appropriate consultation with Community Boards and Committees.

Property purchases are supported by registered valuations and where appropriate a full business case analysis. Council will not purchase properties on a speculative basis.

#### **5.5.4 Forestry investments**

Forestry assets are held as long term investments on the basis of net positive discounted cashflows, factoring in projected market prices and annual maintenance and cutting costs.

Any disposition of forestry investments will be used to reduce related borrowings. In the absence of a specific resolution of Council any additional surplus will be utilised to reduce debt.



### 5.5.5 Financial investments

#### Objectives

Council's primary objectives when investing is the protection of its investment capital. Accordingly, Council may only invest in approved creditworthy counterparties. Creditworthy counterparties and investment restrictions are covered in section 6.3. Credit ratings are monitored and reported quarterly to Council.

Council may invest in approved financial instruments as set out in section 6.1.2. These investments are aligned with Council's objective of investing in high credit quality and highly liquid assets

Council's investment portfolio will be arranged to provide sufficient funds for planned expenditures and allow for the payment of obligations as they fall due. Council prudently manages liquid financial investments as follows:

- Any liquid investments must be restricted to a term that meets future cash flow and capital expenditure projections.
- Council may choose to hold specific reserves in cash and direct what happens to that investment income. In effect the income from financial investments will be an interest income stream into the treasury activity. The treasury activity pays interest on special funds and reserves.
- Internal borrowing will be used wherever possible to avoid external borrowing.
- Financial investments do not include shares.

#### Special funds and reserve funds

Liquid assets are not required to be held against special funds and reserve funds. Instead Council will internally borrow or utilise these funds wherever possible.

#### Trust funds

Where Council hold funds as a trustee, or manages funds for a Trust then such funds must be invested on the terms provided within the Trust. If the Trust's investment policy is not specified then this policy should apply.

### 5.5.6 Loan Advances

Council may provide advances to CCOs, CCTOs, charitable trusts and community organisations for strategic and commercial purposes. New loan advances are by Council resolution only. Council does not lend money, or provide any other financial accommodation, to a CCO on terms and conditions that are more favourable to the CCO than those that would apply if Council were borrowing the money or obtaining the financial accommodation.

Council does not lend to CCTO's on more favourable terms than what it can achieve itself, without charging any rate or rate revenue as security.

Advances to charitable trusts, and community organisations do not have to be on a fully commercial basis. Where advances are made to charitable trusts and community organisations at below Councils cost of borrowing. The additional cost is treated as an annual grant to the organisation.



Council reviews performance of its loan advances on a regular basis to ensure strategic and economic objectives are being achieved.

#### **5.6 Departures from normal Policy**

The Council may, in its discretion, depart from the Investment Policies where it considers that the departure would advance its broader social or other policy objectives. Any resolution authorising an investment under this provision shall note that it departs from the Council's ordinary policy and the reasons justifying that departure.

#### **5.7 Investment management and reporting procedures**

Council's investments are managed on a regular basis, with sufficient minimum immediate cash reserves and a cash buffer maintained. The daily cash position is monitored and managed through the Daily Cash Position Report, and long-term cashflow through the annual Cashflow Forecast. To maintain liquidity, Council's short and long-term investment maturities are matched with Council's known cashflow requirements.

The performance of Council investments is regularly reviewed to ensure Council's strategic objectives are being met. Both performance and policy compliance are reviewed through regular reporting.



## 6.0 Risk recognition / identification management

The definition and recognition of liquidity, funding, interest rate, counterparty credit, operational and legal risk of Council is detailed below and applies to both the Liability Management Policy and Investment Policy.

### 6.1. Interest rate risk

#### 6.1.1 Risk recognition

Interest rate risk is the risk that funding costs (due to adverse movements in market wholesale interest rates) will materially exceed or fall short of projections included in the LTP or Annual Plan so as to adversely impact revenue projections, cost control and capital investment decisions/returns/feasibilities.

The primary objective of interest rate risk management is to reduce uncertainty relating to interest rate movements through fixing/hedging of interest costs. Certainty around interest costs is to be achieved through the active management of underlying interest rate exposures.

#### 6.1.2 Interest rate risk control limits

Exposure to interest rate risk is managed and mitigated through the risk control limits below. Council's gross external core debt should be within the following fixed/floating interest rate risk control limit:

Master Fixed / Floating Risk Control Limits	
Minimum Fixed Rate	Maximum Fixed Rate
55%	90%

"Fixed Rate" is defined as an interest rate repricing date beyond 12 months forward on a continuous rolling basis.

"Floating Rate" is defined as an interest rate repricing within 12 months.

The percentages are calculated on the rolling 12 month projected external core debt level calculated by management (signed off by the CSM).

Gross external core debt is defined as total external debt maturing beyond 12 months. This allows for pre-hedging in advance of projected physical drawdown of new debt. When approved forecasts are changed, the amount of fixed rate cover in place may have to be adjusted to ensure compliance with the Policy minimums and maximums.

The fixed rate amount at any point in time should be within the following maturity bands:





Fixed Rate Maturity Profile Limit		
Period	Minimum Hedge %	Maximum Hedge %
1 to 3 years	15%	60%
3 to 5 years	15%	60%
5 years plus	15%	60%

- A fixed rate maturity profile that is outside the above limits, but self corrects within 90-days is not in breach of this Policy. However, maintaining a maturity profile beyond 90-days requires specific approval by Council.
- The Treasury team (Corporate Services Manager, Finance Manager, Financial Accountant) in conjunction with Council's treasury advisors set interest rate risk management strategy. The CSM approves the strategy.
- Floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months.
- Any fixed rate hedge with a maturity beyond 15 years must be approved by Council. The exception to this will be if Council raises LGFA funding as fixed rate and this maturity is beyond 15 years..
- Hedging outside the above risk parameters must be approved by the Mayor or Deputy Mayor of the Council.
- Interest rate options must not be sold outright. However, one for one collar option structures are allowable, whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, only the sold side of the collar can be closed out (i.e. repurchased) otherwise, both sides must be closed simultaneously. The sold option leg of the collar structure must not have a strike rate "in-the-money".
- Purchased borrower swaptions mature within 12 months.
- Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 2.00% above the appropriate swap rate, cannot be counted as part of the fixed rate hedge percentage calculation.
- The forward start period on swap/collar strategies to be no more than 24 months, unless the forward start swap/collar starts on the expiry date of an existing swap/collar and has a notional amount which is no more than that of the existing swap/collar.



### 6.1.3 Approved financial instruments

Approved financial instruments (which do not include shares or equities) are as follows:

Category	Instrument
Cash management and borrowing	Bank overdraft Committed cash advance and bank accepted bill facilities (short term and long term loan facilities) Loan stock /bond issuance <ul style="list-style-type: none"> <li>▪ Floating Rate Note (FRN)</li> <li>▪ Fixed Rate Note (MTN)</li> </ul> Commercial paper (CP)/Promissory notes
Investments (term <181 days)	Short term bank deposits Bank registered certificates of deposit (RCDs)
Investments (other)	LGFA borrower notes
Interest rate risk management	Forward rate agreements ("FRAs") on: <ul style="list-style-type: none"> <li>▪ Bank bills</li> </ul> Interest rate swaps including: <ul style="list-style-type: none"> <li>▪ Forward start swaps/collars. Start date &lt;24 months, unless linked to existing maturing swaps/collars</li> <li>▪ Swap extensions and shortenings</li> </ul> Interest rate options on: <ul style="list-style-type: none"> <li>▪ Bank bills (purchased caps and one for one collars)</li> <li>▪ Interest rate swaptions (purchased swaptions and one for one collars only)</li> </ul>
Carbon price risk management	<ul style="list-style-type: none"> <li>▪ New Zealand Units (NZUs) and NZ Assigned Amount Units (NZAAUs)</li> </ul>

Any other financial instrument must be specifically approved by the Council on a case-by-case basis and only be applied to the one singular transaction being approved.





All unsecured investment securities must be senior in ranking. The following types of investment instruments are expressly excluded;

- Structured debt where issuing entities are not a primary borrower/ issuer
- Subordinated debt (other than Borrower Notes subscribed from the LGFA), junior debt, perpetual notes and debt/equity hybrid notes such as convertibles.

## 6.2. Liquidity risk/funding risk

### 6.2.1 Risk recognition

Cash flow deficits in various future periods based on long term financial forecasts are reliant on the maturity structure of cash, short-term financial investments, loans and bank facilities. Liquidity risk management focuses on the ability to access committed funding at that future time to fund the gaps. Funding risk management centres on the ability to re-finance or raise new debt at a future time at the same or more favourable pricing (fees and borrowing margins) and maturity terms of existing loans and facilities.

The management of Council's funding risks is important as several risk factors can arise to cause an adverse movement in borrowing margins, term availability and general flexibility including:

- Local Government risk is priced to a higher fee and margin level.
- Council's own credit standing or financial strength as a borrower deteriorates due to financial, regulatory or other reasons.
- A large individual lender to Council experiences its own financial/exposure difficulties resulting in Council not being able to manage their debt portfolio as optimally as desired.
- New Zealand investment community experiences a substantial "over supply" of Council investment assets.
- Financial market shocks from domestic or global events.

A key factor of funding risk management is to spread and control the risk to reduce the concentration of risk at one point in time so that if any of the above events occur, the overall borrowing cost is not unnecessarily increased and desired maturity profile compromised due to market conditions.

### 6.2.2 Liquidity/funding risk control limits

- External term loans and committed debt facilities together with available unencumbered liquid investments must be maintained at an amount of 110% over existing external debt.
- Council has the ability to pre-fund up to 12 months forecast debt requirements including re-financings. Debt re-financings that have been pre-funded, will remain included within the funding maturity profile until their maturity date.
- The CSM has the discretionary authority to re-finance existing external debt on more acceptable terms. Such action is to be reported to the CE and the Council at the earliest opportunity.



The maturity profile of the total committed funding in respect to all external debt / loans and committed debt facilities, is to be controlled by the following system:

Period	Minimum %	Maximum %
0 to 3 years	15%	60%
3 to 5 years	15%	60%
5 years plus	10%	60%

- A funding maturity profile that is outside the above limits, but self corrects within 90-days is not in breach of this Policy. However, maintaining a maturity profile beyond 90-days requires specific approval by Council.
- To minimise concentration risk the LGFA require that no more than the greater of NZD 100 million or 33% of a Council's borrowings from the LGFA will mature in any 12-month period.

### 6.3. Counterparty credit risk

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council is a party. The credit risk to the Council in a default event will be weighted differently depending on the type of instrument entered into.

Credit risk will be regularly reviewed by Council. Treasury related transactions would only be entered into with organisations specifically approved by the Council.

Counterparties and limits can only be approved on the basis of long-term Standard & Poor's, (S&P) credit ratings (or equivalent Fitch or Moody's rating) being A+ and above and/or short term rating of A-1 or above.

Limits should be spread amongst a number of counterparties to avoid concentrations of credit exposure.

The following matrix guide will determine limits:

Counterparty/Issuer	Minimum S&P long term / short term credit rating	Investments maximum per counterparty (\$m)	Risk management instruments maximum per counterparty (\$m)	Total maximum per counterparty (\$m)
NZ Government	N/A	Unlimited	none	Unlimited
Local Government Funding Agency (LGFA)	N/A	Unlimited	none	Unlimited
NZ Registered Bank	A/ A-1	10.0	20.0	30.0



In determining the usage of the above gross limits, the following product weightings will be used:

- Investments (e.g. Bank Deposits) – Transaction Principal × Weighting 100% (unless a legal right of set-off exists).
- Interest Rate Risk Management (e.g. swaps, FRAs) – Transaction Notional × Maturity (years) × 3%.
- Foreign Exchange/Carbon credit – Transactional face value amount x the square root of the Maturity (years) x 15%.

Each transaction should be entered into a treasury spreadsheet and a quarterly report prepared to show assessed counterparty actual exposure versus limits.

Individual counterparty limits are kept in a spreadsheet by management and updated on a day to day basis. Credit ratings should be reviewed by the Financial Accountant on an ongoing basis and in the event of material credit downgrades should be immediately reported to the CSM and assessed against exposure limits. Counterparties exceeding limits should be reported to Council.

#### **Risk management**

To avoid undue concentration of exposures, financial instruments should be used with as wide a range of approved counterparties as possible. Maturities should be well spread. The approval process must take into account the liquidity of the market and prevailing market conditions the instrument is traded in and repriced from.

#### **6.4. Emissions Trading Scheme**

The objective of the ETS carbon credit policy is to minimise the financial impact of movements in the carbon credit prices on Council. The objective requires balancing Council's need for price stability with the benefit of realising market opportunities to reduce costs as they arise.

ETS is risk managed under the following risk control limits. Given the uncertainty of the scheme, it is not considered appropriate to have minimum hedge percentages above 0% at this time (2017).

NZUs and NZAAUs are the only units available to participants for surrender for the ETS.

<b>Period</b>	<b>Minimum %</b>	<b>Maximum %</b>
Committed*	80%	100%
Forecast		
0-1 years	0%	80%
1-2 years	0%	50%
2-3 years	0%	30%

\*Exposures become committed Jan-Mar (quarter following emission period as Council must report emissions from previous calendar year).



Forward price transactions are limited to NZ registered banks per approved counterparties.

#### 6.5. Foreign currency

Council has minor foreign exchange exposure through the occasional purchase of foreign exchange denominated services, plant and equipment.

Generally, all significant commitments for foreign exchange are hedged using foreign exchange contracts, once expenditure is approved and legally committed. Both spot and forward foreign exchange contracts can be used by TDC.

Council shall not borrow or enter into incidental arrangements, within or outside New Zealand, in currency other than New Zealand currency. Council does not hold investments denominated in foreign currency.

#### 6.6. Operational risk

Operational risk is the risk of loss as a result of human error (or fraud), system failures and inadequate procedures and controls.

Operational risk is very relevant when dealing with financial instruments given that:

- Financial instruments may not be fully understood.
- Too much reliance is often placed on the specialised skills of one or two people.
- Most treasury instruments are executed over the phone.
- Operational risk is minimised through the adoption of all requirements of this Policy.

##### **Dealing authorities and limits**

Transactions will only be executed by those persons and within limits approved by the Council.

##### **Segregation of duties**

As there are a small number of people involved in the treasury activities, adequate segregation of duties among the core functions of deal execution, confirmation, settling and accounting/reporting is not strictly achievable. The risk will be minimised by the following process:

- The CSM reports directly to the CE.
- The Finance Manager will report directly to the CSM to control the transactional activities of the Financial Accountant.
- There is a documented approval and reporting process for borrowing, interest rate and liquidity management activity.

##### **Procedures**

All treasury instruments should be recorded and diarised within a treasury spreadsheet, with appropriate controls and checks over journal entries into the general ledger. Deal capture and reporting must be done immediately following execution/confirmation. Details of procedures including templates of deal tickets should be compiled in an



appropriate operations and procedures manual separate to this Policy. Procedures should include:

- Regular management reporting.
- Regular risk assessment, including review of procedures and controls as directed by Council or appropriate Committee or sub-committee of Council.

Organisational, systems, procedural and reconciliation controls to ensure:

- All borrowing, investing, interest rate and cash management activity is bona fide and properly authorised.
- Checks are in place to ensure Council accounts and records are updated promptly, accurately and completely.
- All outstanding transactions are revalued regularly and independently of the execution function to ensure accurate reporting and accounting of outstanding exposures and hedging activity.

#### **Organisational controls**

- The CSM has responsibility for establishing appropriate structures, procedures and controls to support borrowing, investing, interest rate and cash management activity.
- All borrowing, investing, cash management and interest rate risk management activity is undertaken in accordance with approved delegations authorised by the Council.

#### **Cheque/electronic banking signatories**

- Positions approved by the CE as per register.
- Dual signatures are required for all cheques and electronic transfers.
- Cheques must be in the name of the counterparty crossed "Not Negotiable, Account Payee Only" or "Not Transferable, Account Payee Only" , via the Council bank account.

#### **Authorised personnel**

- All counterparties are provided with a list of personnel approved to undertake transactions, standard settlement instructions and details of personnel able to receive confirmations.

#### **Recording of deals**

- All deals are recorded on properly formatted deal tickets by the Finance Manager and approved by the CSM. Deal summary records for borrowing, investments, interest rate risk management and cash management transactions (on spreadsheets) are maintained and updated promptly following completion of transaction.

#### **Confirmations**

- All inward deal confirmations including LGFA/bank funding and registry confirmations are received and checked by the Financial Accountant against completed deal tickets and the treasury spreadsheet records to ensure accuracy.
- All deliverable securities are held in the Council's safe.
- Deals, once confirmed, are filed (deal ticket and attached confirmation) by the Financial Accountant in deal date/number order.





- Any discrepancies arising during deal confirmation checks which require amendment to the Council records are signed off by the CSM.

#### **Settlement**

- The majority of borrowing, investing, interest rate and cash management transactions are settled by direct debit authority.
- For electronic payments, batches are set up electronically. These batches are checked by the Financial Accountant to ensure settlement details are correct. Payment details are authorised by two approved signatories as per Council registers or by direct debit as per setup authority by Council.

#### **Reconciliations**

- Bank reconciliations are performed monthly by the Financial Accountant and checked and approved by the Finance Manager. Any unresolved un-reconciled items arising during bank statement reconciliation which require amendment to the Council's records are signed off by the CSM.
- A monthly reconciliation of the treasury spreadsheet to the general ledger is carried out by the Financial Accountant and approved by the CSM.

### **6.7. Legal risk**

Legal risks relate to the unenforceability of a transaction due to an organisation not having the legal capacity or power to enter into the transaction usually because of prohibitions contained in legislation. While legal risks are more relevant for banks, TDC may be exposed to such risks.

TDC will seek to minimise this risk by adopting policy regarding:

- The use of standing dealing and settlement instructions (including bank accounts, authorised persons, standard deal confirmations, contacts for disputed transactions) to be sent to counterparties.
- The matching of third party confirmations and the immediate follow-up of anomalies.
- The use of expert advice.

#### **6.6.1 Agreements**

Financial instruments can only be entered into with banks that have in place an executed ISDA Master Agreement with Council.

Council's internal/appointed legal counsel must sign off on all documentation.

#### **6.6.2 Financial covenants and other obligations**

Council must not enter into any transactions where it would cause a breach of financial covenants under existing contractual arrangements.

Council must comply with all obligations and reporting requirements under existing funding facilities and legislative requirements.



## **7.0 Measuring treasury performance**

In order to determine the success of Council's treasury management function, the following benchmarks and performance measures have been prescribed.

Those performance measures that provide a direct measure of the performance of treasury staff (operational performance and management of debt and interest rate risk) are to be reported to Council or an appropriate sub-committee of Council on a quarterly basis

### **7.1. Operational performance**

All treasury limits must be complied with including (but not limited to) counterparty credit limits, dealing limits and control limits.

All treasury deadlines are to be met, including reporting deadlines.

### **7.2. Management of debt and interest rate risk**

The actual borrowing cost for Council (taking into consideration costs of entering into interest rate risk management transactions) should be below the budgeted borrowing costs.



### 8.0 Cash management

The Financial Accountant has the responsibility to carry out the day-to-day cash and short-term cash management activities. All cash inflows and outflows pass through bank accounts controlled by the finance function.

- The Financial Accountant will calculate and maintain comprehensive rolling cash flow projections on a daily (two weeks forward), weekly (four weeks forward) and monthly (12 months forward) basis. These cash flow forecasts determine Council's borrowing requirements and surpluses for investment.
- On a daily basis, electronically download all Council bank account information.
- Co-ordinate Council's operating units to determine daily cash inflows and outflows with the objective of managing the cash position within approved parameters.
- Undertake short term borrowing functions as required, minimising overdraft costs.
- Ensure efficient cash management through improvement to forecasting.
- Minimise fees and bank charges by optimising bank account/facility structures.
- Monitor Council's usage of overdraft and committed bank facilities. Overdraft facilities are utilised as little as practical. Committed bank overdraft facilities of not more than \$300,000 are maintained.
- Match future cash flows to smooth overall timeline.
- Provide reports detailing actual cash flows during the month compared with those budgeted.
- Maximise the return from available funds by ensuring significant payments are made within the suppliers payment terms, but no earlier than required, unless there is a financial benefit from doing so.
- Interest rate management on cash management balances is not permitted.
- Cash is invested for a term of no more 181 days and in approved instruments and counterparties.





## 9.0 Reporting

When budgeting interest costs, the actual physical position of existing loans and interest rate instruments must be taken into account.

### 9.1. Treasury reporting

#### 9.1.1 Reporting

The following reports are produced:

Report Name	Frequency	Prepared by	Reviewed by	Recipient
Daily Cash Position Treasury Spreadsheet	Daily	Financial Accountant	Finance Manager	Finance Manager
Treasury Exceptions Report	Daily	Financial Accountant	Finance Manager	Finance Manager
Treasury Report <ul style="list-style-type: none"> <li>▪ Policy limit compliance</li> <li>▪ Borrowing limits</li> <li>▪ Funding and Interest Position</li> <li>▪ Funding facility</li> <li>▪ New treasury transactions</li> <li>▪ Cost of funds vs budget</li> <li>▪ Cash flow forecast report</li> <li>▪ Liquidity risk position</li> <li>▪ Counterparty credit</li> <li>▪ Treasury performance</li> <li>▪ Debt maturity profile</li> <li>▪ Treasury investments</li> </ul>	Monthly (SMT) / Quarterly (Council)	Financial Accountant	CSM / Finance Manager	SMT / Council
Trustee Report	As required by the Trustee	Financial Accountant	CSM / Finance Manager	Trustee company
Revaluation of financial instruments	Monthly	Financial Accountant	CSM / Finance Manager	Council



### 9.2. Accounting treatment of financial instruments

Council uses financial arrangements (“derivatives”) for the primary purpose of reducing its financial risk to fluctuations in interest rates. The purpose of this section is to articulate Council’s accounting treatment of derivatives in a broad sense. Further detail of accounting treatment is contained within the appropriate operations and procedures manual.

Under NZ IPSAS changes in the fair value of derivatives go through the Income Statement unless derivatives are designated in an effective hedge relationship.

Council’s principal objective is to actively manage the Council’s interest rate risks within approved limits and chooses not to hedge account. Council accepts that the marked-to-market gains and losses on the revaluation of derivatives can create potential volatility in Council’s annual accounts.

The CSM is responsible for advising the CE of any changes to relevant NZ IPSAS which may result in a change to the accounting treatment of any financial derivative product.

All treasury financial instruments must be revalued (marked-to-market) at least every six months for risk management purposes.

### 10.0 Policy review

This Policy is to be formally reviewed on at least a triennial basis.

The CSM has the responsibility to prepare a review report that is presented to the Audit and Risk Committee. The report will include:

- Recommendation as to changes, deletions and additions to the Policy.
- Overview of the treasury function in achieving the stated treasury objectives, including performance trends in actual borrowing cost against budget (multi-year comparisons).
- Summary of breaches of Policy and one-off approvals outside Policy to highlight areas of tension.
- Analysis of bank and lender service provision, share of financial instrument transactions etc.
- Comments and recommendations from Council’s external auditors on the treasury function, particularly internal controls, accounting treatment and reporting.
- An annual audit of the treasury spreadsheets and procedures should be undertaken.

The Audit and Risk Committee receives the report, and recommends changes to Council. Council approves Policy changes and/or rejects recommendations for Policy changes.



## 11.0 APPENDIX 1

### 11.1. Equity investments

#### Port Nelson Limited

##### Nature of Investment

The Council holds 12,707,702 shares. Council is a 50 percent shareholder in this Company, with Nelson City Council holding the other 50 percent shareholding. The 2015/16 book value of the investment is \$73.268M. The 2015/16 net assets of the company were \$146.6M.

##### Rationale for Holding Investment

The Company provides core port services at Nelson along with ancillary services. It also leases out land and buildings not required for core port services.

Council intends to maintain its 50 percent investment in Port Nelson Ltd and aims with Nelson City Council to retain effective local body control of this strategic Asset. This investment provides a commercial return to Council which is used to reduce councils reliance on rates income.

##### Revenue

The Company pays an annual dividend as detailed in its Statement of Corporate Intent. The shareholders expectation is that a dividend of not less than 50% of net profit after tax will be returned to shareholders annually. This equates to approximately \$4.7M per annum, shared between the two councils.

##### Risk Management

Port Nelson Ltd is an autonomous entity, with professional directors appointed by the two local authorities. Directors are required to manage the company on behalf of the shareholders. Risks associated with Council's investment in Port Nelson Ltd are limited.

##### Management/Reporting Procedures

The Councils and the company agree annually to a Statement of Corporate Intent. The purpose of the statement of intent is to:

- (a) state publicly the activities and intentions of the company for the year and the objectives to which those activities will contribute; and
- (b) provide an opportunity for council to influence the direction of the company; and
- (c) provide a basis for the accountability of the directors to their shareholders for the performance of the company.

Six monthly reports are received and reviewed by Council. Election of Directors takes place at the Company's annual meeting.



## **Nelson Airport Limited**

### **Nature of Investment**

The Council holds 1,200,000 shares . Council is a 50 percent shareholder in this Company, with Nelson City Council holding the other 50 percent shareholding. The 2015/16 book value of the investment is \$37.1M. The 2015/16 net assets of the company were \$49.97M.

### **Rationale for Holding Investment**

The company owns and operates Nelson Airport. The Company provides airport services at Nelson along with related ancillary services. It also leases out land and buildings not required for core airport services.

Council intends to maintain its 50 percent investment in Nelson Airport Ltd and aims with Nelson City Council to retain effective local body control of this strategic investment. This investment provides a commercial return to Council which is used to reduce councils reliance on rates income.

### **Revenue**

The Company pays an annual dividend as detailed in its Statement of Corporate Intent . The Companies dividend policy is to pay an annual dividend of 5 percent of the opening shareholders funds for that year. This equates to approximately \$500,000 per annum, shared between the two council shareholders.

### **Risk Management**

Nelson Airport Ltd is an autonomous entity, with Directors appointed by the two local authorities. Directors are required to manage the Company on behalf of the shareholders. Risks associated with Council's investment in Nelson Airport are limited.

### **Management/Reporting Procedures**

The Councils and the company agree annually to a Statement of Intent. The purpose of the statement of intent is to:

- (a) state publicly the activities and intentions of the company for the year and the objectives to which those activities will contribute; and
- (b) provide an opportunity for council to influence the direction of the company; and
- (c) provide a basis for the accountability of the directors to their shareholders for the performance of the company.

Six monthly reports are received and reviewed by Council. Election of Directors takes place at the Company's annual meeting.



## **New Zealand Local Government Funding Agency Limited Investment**

### **Nature of Investment**

The Council holds 3,731,958 shares (inc uncalled capital). Council along with the Crown and 30 other local authorities is a minority shareholder in the Local Government Funding Agency.

The 2015/2016 book value of the investment is \$3.675M. The 2015/15 net assets of the company were \$45M. Council has an outstanding loan used to purchase these shares of \$1.87M(2014).

### **Rationale for Holding Investment**

Council's objective in making any such investment will be to:

- (a) obtain a return on the investment; and
- (b) ensure that the Local Government Funding Agency has sufficient capital to become and remain viable, meaning that it continues as a source of debt funding for Council.
- (c) access loan funding at lower rates.

Because of this dual objective, Council may invest in Local Government Funding Agency shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments, where it is to the overall benefit of Council.

If required in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA.

### **Revenue**

The company dividend policy is to pay a dividend that provides an annual return to shareholders equal to the Local Government Funding Agency cost of funds plus 2 percent. This equated to \$113K for 2012/13

### **Risk Management**

Risks surrounding the Local Government Funding Agency are mitigated through the use of the New Zealand Government debt management office and appropriately qualified professional directors and staff. There are also in place cross guarantees between most shareholder councils.

### **Management/Reporting Procedures**

The Councils and the company agree annually to a Statement of Intent. The purpose of the statement of intent is to:

- (a) state publicly the activities and intentions of the company for the year and the objectives to which those activities will contribute; and
- (b) provide an opportunity for council to influence the direction of the company; and
- (c) provide a basis for the accountability of the directors to their shareholders for the performance of the company.



Quarterly reports are received and reviewed by Council. The Council has a seat on the LGFA Shareholders Council. This group actively monitors the LGFA's performance and reports independently (from the Companies board) to shareholder councils.

#### **New Zealand Local Government Insurance Corporation Ltd (Civic Assurance)**

##### **Nature of Investment**

Council along with other local authorities is a minority shareholder in New Zealand Local Government Insurance Corporation Ltd.

The Council holds 65,584 shares. The 2015/16 book value of the investment is \$93,468. The 2015/16 net assets of the company were \$16M.

##### **Rationale for Holding Investment**

Council invests in New Zealand Local Government Insurance Corporation Ltd to ensure that the insurance market is competitive and that the local government sector is in a strong position to manage its own risk.

##### **Revenue**

As a result of the Christchurch earthquakes, the company does not envisage paying dividends until its capital base is restored.

##### **Risk Management**

Risks surrounding New Zealand Local Governance Insurance Corporation Ltd are mitigated with the use of suitably qualified staff and directors.

##### **Management/Reporting Procedures**

Six monthly reports are received and reviewed by Council.

#### **11.2. Asset investments**

##### **Forestry**

##### **Nature of Investment**

Council and its predecessor organisations have been involved in forestry for many years. Council's current forestry policy is that it will operate and maintain up to 3,000 planted hectares.

The 2015/16 book value of the investment is \$32.8M.

##### **Rationale for Holding Investment**

Forestry is a flexible investment – the resource can be manipulated to suit cash flow requirements and market conditions. Council has achieved economies of scale with 3,000 hectares. This provides a marketing advantage and cost savings in operations.





### Revenue

Current statute requires that 10 percent of net forestry revenues derived from Rabbit Island be used for maintenance of Rabbit Island each year. The forestry activity will from time to time pay an internal dividend that contributes to reducing the Council's general rate requirement and/or assists in the repayment of Council debt.

### Risk Management

Council's forests are currently managed under contract by consultants P F Olsen & Co Ltd. Forestry activities are reviewed quarterly by Council.

Significant risk management strategies include diversity of forest age classes, insurance against fire, mix of species, geographic spread of forests and controlled access.

### Management/Reporting Procedures

Reports are received and reviewed by Council on a quarterly basis.

### Commercial and Semi-Commercial Property Investments

#### Nature of Investment

Council currently has a range of investment property holdings defined within categories of:

- Ready saleable assets.
- Strategically placed land, precluding the sale of operational properties.
- Assets saleable after a specific process (often subdivision).
- Land with high community value.

Property investments do not include properties for operational purposes.

#### Rationale for Holding Investment

Council purchases and maintains property investments where:

1. The property has a strategic value for the community; or
2. Council has funds to invest and there are statutory limitations on the use or disposal of these funds; or
3. There is an opportunity to invest funds and provide a return to the Council and/or community that is higher than the cost of the money invested.

### Revenue

Council policy requires that surplus funds generated from Council's property activities are utilised as a contribution against general funds.

Revenues are generated both from commercial property sources at negotiated market rentals and internally assessed occupational costs.

### Risk Management

Suitably qualified staff manage Council's property activities.



#### Management/Reporting Procedures

Reports are received and reviewed by Council on a regular basis.

#### Community Housing

##### Nature of Investment

Council currently has 101 community houses available for rental, generally to elderly or disabled persons.

These houses are located in:

- Croucher Street, Richmond 10
- Aotea Place, Richmond 24
- Vosper Street, Motueka 27
- Mears Haven, Motueka 18
- Starveall Street, Brightwater 7
- Edward Street, Wakefield 7
- Commercial Street, Takaka 4
- Fairfax Street, Murchison 4

The 2015/16 book value of these investment is \$10.8M. Council has an outstanding loans used to purchase these assets of \$109,562.

##### Rationale for Holding Investment

Council continues to retain community housing to meet its considered obligation for the provision of rental accommodation, primarily for the elderly or people with disabilities.

Council's philosophies include ensuring that rental charges cover cost (excluding depreciation) and to continue to maintain the housing at its current high standard. The funding of depreciation in relation to Community housing is currently (2014) under review.

Council's policy is to obtain a small dividend on its investment in community housing, with the contribution rising from the current 9 percent of rentals received to 13 percent for Years 2015 to 2017 and 15 percent for Years 2018 to 2022.

##### Revenue

Council operates its community housing activity in the nature of a "closed account" whereby revenues generated are utilised for debt repayment on loans outstanding on this asset and for meeting the annual maintenance schedules. A small internal dividend is returned to Council's Community Services annually from this account. The amount of this dividend in 2015/16 was \$85,500.

##### Risk Management

Suitably qualified staff manage Council's community housing activities.

##### Management/Reporting Procedures

Reports are received and reviewed by Council on a regular basis.





## Camping Grounds

### Nature of Investment

Council owns four camping grounds within the District (Collingwood, Pohara, Motueka and Murchison). Three are leased to private individuals.

The 2012/13 book value of these investment are \$8.5M. Council has an outstanding loans used to purchase these assets of \$824K.

### Rationale for Holding Investment

Council's camping grounds are retained for the enjoyment of visitors to and residents of the District.

### Revenue

Council receives net revenue from these assets, which it uses to part fund activities performed by its Council Enterprises activity. The net revenue in 2015/16 was \$24K, (after paying a dividend of \$240k to the Parks & Reserves activity).

### Risk Management

Suitably qualified staff manage council's camping activities.

### Management/Reporting Procedures

Reports are received and reviewed by Council on a regular basis.

## 11.3. Associated organisations

### Nelson Regional Sewerage Business Unit

#### Nature of Investment

Tasman District Council and Nelson City Council equally share in ownership of this asset. The NRSBU is not a separate legal entity from Council. The governance structure for this business unit is under review. Engineering and financial services are provided to the business unit by Nelson City Council.

The 2012/16 book value of the TDC assets utilised by the NRSBU was \$20.8. Council has an outstanding loans for its share of the NRSBU borrowings of \$7M

The business unit has a board which has representation from both Councils and an independent chair.

#### Rationale for Holding Investment

To ensure continuity of wastewater services for the residents and ratepayers of both Tasman District and Nelson City.



#### Revenue

Council does not receive any direct financial return from this Business Unit in the form of a dividend. The unit is operated to minimise the cost of sewage disposal for both councils. Any surplus is returned to Nelson and Tasman councils by way of an annual payment.

#### Risk Management

A committee, with representatives from both Councils plus one external representative manages the Business Unit.

#### Management/Reporting Procedures

Quarterly reports are received and reviewed by Council.

### Nelson-Tasman Regional Landfill Business Unit

#### Nature of Investment

Tasman District Council and Nelson City Council equally share in ownership of this asset. The NTRLBU is not a separate legal entity from Council. The governance structure for this business unit is by a joint committee, which comes into operation on 1 July 2017. The joint committee controls the assets, activities and operations of the landfill.

The joint committee has representation from both Councils, with scope for an iwi advisor, and also one jointly appointed independent member.

#### Rationale for Holding Investment

To ensure continuity of landfill operations for the residents and ratepayers of both Tasman District and Nelson City.

#### Revenue

Council does not receive any direct financial return from this Business Unit in the form of a dividend. The unit is operated to minimise the cost of solid waste operations for both councils. Any share of revenue will be returned to Nelson and Tasman councils.

#### Risk Management

A committee, with representatives from both Councils plus one iwi representative, and one external representative manages the Business Unit.

#### Management/Reporting Procedures

Minutes of all meetings will be forwarded to both Councils. The Annual Business Plans, and the Activity Management Plans will be forwarded to both councils for approval. The Annual Report will also be provided to both Councils.



## **Nelson Bays Heritage Trust**

### **Nature of Investment**

This Trust is a council controlled organisation. The trust holds and manages heritage items from across the district and runs the regional Museum in Nelson. There is no direct investment in the trust, but 50% of the trust is included in the councils accounts as an associate under the current accounting standards. Council provides a significant interest free loan to the trust along with an annual operating grant.

The 2015/16 net assets of the trust were \$9.5M. Council has an outstanding loan to the trust at a nil interest rate of \$1.025M.

### **Rationale for Holding Investment**

The Trust is charged with Managing and promoting the history and historic collects of the district. This investment is not held for commercial gain or return.

### **Revenue**

Council does not receive any direct financial return from this trust in the form of a dividend. The council provides operational funding and an interest free loan to the trust.

### **Risk Management**

The trust is a separate legal entity from council. Risks surrounding the trust are mitigated with the use of suitably qualified staff and trustees.

### **Management/Reporting Procedures**

The Councils and the trust agree annually to a Statement of Intent. The purpose of the statement of intent is to:

- (a) state publicly the activities and intentions of the trust for the year and the objectives to which those activities will contribute; and
- (b) provide an opportunity for council to influence the direction of the trust; and
- (c) provide a basis for the accountability of the trustees to the beneficiaries for the performance of the trust.

Reports are received and reviewed by Council on a regular basis.



## 12.0 APPENDIX 2

### 12.1. Borrowing Instruments Definitions

#### 1 Bank Sourced Borrowing

##### 1.1 Bank Bill Facilities

Commercial Bills cover all types of bills of exchange which are defined under the Bills of Exchange Act 1908 as:

“An unconditional order in writing, addressed by one person to another signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at fixed or determinable future time, a sum certain in money to, or to the order of a specified person, or to bearer.”

Bank bill facilities are normally for a term of up to three years, but may be for as long as five years. Bank Bills are bills of exchange, drawn or issued usually by the original borrower and accepted or endorsed by a bank.

For a Bank Accepted Bill, the bank makes the payment of the face value of the bill on maturity. Most bank bills traded in the New Zealand market are Bank Accepted Bills.

Bank Endorsed Bills have been endorsed by a bank with another party as acceptor. In the event of default of the original acceptor, payment can be sought through the chain of endorsers to the bill.

An investor in bank bills can sell the bills prior to maturity date and receive the cash. Bank bills are a longer term borrowing instrument than cash loans. Bills are normally drawn for terms of 30, 60 or 90 days, with a few being drawn for 180 days. The 90 day bank bill is the underlying traded bench mark instrument for the short end of the market.

##### Costs

The principal costs to the borrower are the discounting bank's yield at which it discounts the bill at the time of draw down, an arrangement fee, and acceptance fee and line fee (expressed in basis points or percentage per annum) and margin. Acceptance fees, arranger fees, line fees and margins in aggregate normally range between 35-300 basis points (i.e. 0.35%-3.00%), depending on the credit worthiness of the borrower.

##### 1.2 Revolving Credit Facilities

(Variable Amount Term Loans)

Revolving credit facilities are similar from a borrower's perspective, except interest is paid in arrears rather than upfront as in the case of bank bills.



Revolving credit facilities are usually for a term of up to three years but may be for as long as five years and like bank bills, drawings under the facility are priced off the bank bill buy rate. Most facilities allow for the borrower to draw up to the facility amount in various tranches of debt and for various terms out to a maximum term of the maturity date of the facility. Like bank bills, most borrowers use these facilities to borrow on a 90 day basis.

#### Costs

The principal costs are the same as with bank bills the lending banks yield which sets the base rate at the time of lending, an arrangement fee, an acceptance fee and a line fee (expressed in basis points or percentage per annum) and the margin. Acceptance fees, arranger fees, lines fees and margins in aggregate normally range between 35-300 basis points (i.e. 0.35%-3.00%), depending on the credit worthiness of the borrower.

### 1.3 Short-term Money Market Lines

Short-term money market loans or cash loans can be Committed or Uncommitted. A customer pays for a guarantee of the availability of the funds in a Committed Loan. In an Uncommitted Loan, funds are provided on a best endeavours basis and no line/commitment fee is payable. In addition to a line fee, a margin may be charged on any line usage.

The main usage of cash loans is to cover day-to-day shortfalls in funds. The interest rate is governed by the term of the borrowing and the implied or implicit credit rating of the borrower. Cash loans are short-term only and are normally drawn for a term of one (overnight) to seven days. Interest collection can be daily.



### 13.0 APPENDIX 3

#### 13.1. The Risk Management Tool Kit

##### 1 Approved Interest Rate Risk Management Instruments

- a) Interest rate risk management instruments approved for use, consistent with the policy contained in Section 3.5 are:
- Fixing through physical borrowing instruments – loan stock, debentures, medium term notes, bank term loan.
  - Floating through physical borrowing instruments – short-term revolving stock, bank borrowing, promissory note programme.
- b) The following interest rate risk management instruments are available for interest rate risk management activity, but are to be specifically approved by the Council (refer to glossary of terms):
- Forward rate agreements (“FRAs”) ON:
- Bank bills
  - Government bonds
- Interest rate swaps including:
- Forward start swaps
  - Amortising swaps (whereby notional principal amount reduces)
  - Swap extensions and shortenings
- Interest rate options on:
- Bank bills (purchased caps and one for one collars)
  - Interest rate swaps (purchased swaptions and one for one collars)
  - Government bonds

Any other financial instrument must be specifically approved by Council on a case-by-case basis and only be applied to the one singular transaction being approved.

Credit exposure on these financial instruments is restricted by specified counterparty credit limits:

- Interest rate options must not be sold outright. However, 1:1 collar option structures are allowable where the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, the sold option can be closed out by itself (i.e. repurchased). The sold option leg of the collar structure must not have a strike rate “in-the-money”.
- Purchased borrower swaptions mature within 18 months.
- Forward start period on swaps and collar strategies to be no more than 24 months, and the underlying cap or swap starts within this period.
- Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 1.00% above the appropriate swap rate, cannot be counted as part of the fixed rate cover percentage calculation.



- Buying and selling of financial futures is not permitted, primarily due to the administrative burden and the ready availability of other more tailored risk management products.
- Structured or leveraged interest rate option strategies where there is any possibility of the Council's total interest expense increasing in a declining interest rate market or where the Council's total interest cost is increasing faster than the general market rate.





## 14.0 APPENDIX 4

### 14.1. Glossary of Terms

- **Amortising Swap:** An interest rate swap contract that has a reducing principal or notional amount over the term of the contract period. The appropriate market swap rate from which to price an amortising swap is the weighted average maturity, not the final maturity date.
- **Accreting Swap:** An interest rate swap contract that has an increasing principal or notional amount over the term of the contract period. The appropriate market swap rate from which to price an accreting swap is the weighted average maturity, not the final maturity date.
- **Bank Bill:** A “bill of exchange” security document issued by a corporate borrower, but guaranteed by a bank, who then in turn sells the security into the bank/investor market to re-liquify itself with cash. Normally for terms of 30, 60, 90 or 180 days.
- **Base Rate:** Normally a lending bank’s cost of funds/interest rate for a particular funding period. The base or “prime” rate will be changed by the bank from time to time, but not every day like market rates.
- **Basis Point(s):** In financial markets it is normal market practice to quote interest rates to two decimal places, e.g. 6.25% - one basis point is the change from 6.25% to 6.26%, one hundred basis points is the change from 6.25% to 7.25%.
- **Basis Risk:** The risk that the interest rate difference between the current physical debt instrument (say, a bank bill) market interest rate and the interest rate quoted for that debt instrument’s future price (say, a bank bill futures price) changes over the period to the date of the future price.
- **Benchmark:** An agreed market related yardstick that investor returns, funding costs or average exchange rate achieved are compared against for performance measurement purposes.
- **Bid-Offer Spread:** The exchange points (FX) or basis points (interest rates) difference between the bid and offer rate when quoted by a bank is known as the “bid-offer spread”. Banks make their profits from dealing at their own bid and offer prices, thus earning the spread.
- **Bid Rate:** Exchange rates and interest rate securities/instruments that are traded between banks are always quoted as a two-way price. One rate is where the quoting bank will buy – the bid rate, the second rate or price where the bank will sell at – the offer rate.
- **Bond:** The security instrument that is issued by a borrower whereby they promise to repay the principal and interest on the due dates. A bond’s interest rate is always fixed.





- **Bond FRA:** A tailored contract to buy or sell a bond (government or corporate) at a fixed interest rate at some specified future date. The Bond FRA contract rate will differ from the current physical market bond yield, depending on the slope of the interest rate yield curve.
- **Bond Option:** The right, but not the obligation by the owner/holder of the option to buy or sell bonds (government or corporate) at a predetermined interest rate at a specified future date. The buyer pays a “premium” in cash up-front to reduce risk and have insurance-type protection, the seller or grantor of the bond option receiving the premium for assuming the risk.
- **Call Option:** The owner or buyer of a call option has the right, but not the obligation, to buy the underlying debt security/currency/commodity at the price stated in the option “contract”.
- **Cap:** A series or string of bought interest rate put options whereby a borrower can have protection against rising short-term interest rates, but participate in the lower rates if market rates remain below the “capped rate”. A cap is normally for more than one 90-day funding period.
- **Certificate of Deposit “CD”:** A debt instrument (normally short-term) issued by a bank to borrow funds from other banks/investors.
- **Closing-Out:** The cancellation/termination of a financial instrument or contract before its maturity date, resulting in a realised gain/loss as the current market rate differs from the contract rate.
- **Collar Two:** Option contracts linked together into the one transaction or contract. A borrower’s collar is normally a bought “cap” above current market rates and a sold “floor” below current rates. Over the term of the collar contract, if rates go above the cap the borrower is protected and pays an interest cost no more than the cap rate. Likewise, if market rates fall below the floor, the borrower pays the floor rate and does not participate in the lower market rates. Also called a “cylinder”.
- **Collateral:** A legal term means “security”.
- **Commercial Paper:** The debt security instrument issued by a prime (and normally credit-rated) borrower to raise short-term funds (30, 60, 90 or 180 days). Also called “one-name paper” and “promissory notes” issued by competitive public tender to investors or by private treaty to one investor.
- **Commoditised:** When a financial market or instrument becomes so popular and “plain vanilla” that there is no longer any difference in the prices quoted by participants in the market.
- **Convexity:** A measure of the degree of curve or slope in an interest rate yield curve.



- **Coupon:** The interest rate and amount that will be paid on the interest due dates of a bond. The coupon will normally differ from the purchase or issue yield/interest rate on a bond instrument.
- **Counterparty:** The contracting party to a financial transaction or financial instrument.
- **Covenants:** Special conditions and financial ratios required to be met or maintained by a borrower for a lender under the legal security documents.
- **Cover:** A term used to describe any action of entering financial instruments that reduces risk or puts protection in place against adverse future price movements.
- **Credit Risk or Exposure:** The risk that the other party to a financial transaction (bank deposit, interest rate swap contract) will default on or before the maturity date and not be able to fulfil their contractual obligations.
- **Credit Spread:** The interest rate difference (expressed as basis points) between two types of debt securities. The credit spread being a reflection of the difference in credit quality, size, and liquidity between the two securities e.g. five year corporate bonds may be at a credit spread of 200 basis points above Government bonds.
- **CSFB NZGS Index:** Credit Suisse First Boston NZ Government Stock Index.
- **Current Ratio:** A liquidity measure to determine how quickly Council can generate cash. Current assets are divided by current liabilities.
- **Debenture:** A debt instrument similar to a bond whereby a borrower (normally a finance company) borrows for a longer term at a fixed rate. Also a legal instrument provided as security to a lender.
- **Delta:** "Greek" letter that measures how the price of an option (premium) changes given a movement in the price of the underlying asset/instrument.
- **Derivative(s):** A "paper" contract whose value depends on the value of some "underlying" referenced asset e.g. share market stocks, bank bills, bonds or foreign currency. Also called a "synthetic". The value of the assets will change as its market price changes; the derivative instrument will correspondingly change its value.
- **Digital Option:** An option contract that provides a predetermined payout based on an agreed and contracted market price path.
- **Discount:** A bond or bank bill is discounted when the interest rate is applied to the face value of the security and the net proceeds after deducting the interest is paid out to the borrower. Investors pay for the discounted (NPV) value at the commencement of the investment and receive the interest coupon payments along the way and the full face value at the maturity date.



- **Duration:** Not the simple average maturity term of a debt or investment portfolio, but a measure of the interest rate risk in a portfolio at a particular point in time. The duration of a portfolio is the term (measured in years and months) if the total portfolio of bonds/fixed interest investments was revalued at market rates and expressed as one single bond. The profit/loss on revaluation of a one basis point movement being the same in both cases.
- **Embedded Option:** An option arrangement that may be exercised by a borrower at a future date, but the determining conditions are buried or “embedded” in a separate debt or financial instrument.
- **Eurodollar:** The borrowing and depositing of a currency outside its domestic financial markets.
- **Event Risk:** The risk of a major/unforeseen catastrophe e.g. earthquake, year 2000, political elections adversely affecting a Council’s financial position or performance.
- **Exchange Traded:** A currency, debt or financial instrument that is quoted and traded on a formal exchange with standardised terms, amounts and dates.
- **Exercise Date/Price:** The day and fixed price that an option contract is enforced/actioned or “exercised” because it is in the interests of one of the parties to the contract to do so.
- **Fair Value:** The current market value of an off-balance sheet financial instrument should it be sold or closed-out on the market rates ruling at the balance date.
- **Federal Reserve:** The US Government’s central bank and/or monetary authority.
- **Fixed Rate:** The interest rate on a debt or financial instrument is fixed and does not change from the commencement date to the maturity date. Fixed is defined as an interest rate that does not change in the next 12 months.
- **Floating Rate:** The interest rate on a loan or debt instrument is re-set at the ruling market interest rates on the maturity date of the stipulated funding period (usually 90-days). Floating is defined as an interest rate that changes in the next 12 months.
- **Floor:** The opposite of a “cap: An investor will buy a floor, or a series/string of call options (the right to buy) to protect against falling interest rates, but be able to invest at higher interest rates if rates move upwards. A borrower may sell a floor as part of a collar structure to generate premium to pay for the “linked” bought cap.
- **Forward Rate Agreement:** A contract (“FRA”) whereby a borrower or investor in Bank Bills or Government Bonds agrees to borrow or invest for an agreed term (normally 90-days) at a fixed rate at some specified future date. A FRA is an “over-the-counter” contract as the amount and maturity date is tailored by the bank to the specific requirements of the borrower/investor.



- **Forward Start Swap:** An interest rate swap contract that commences at a future specified date. The rate for the forward starting swap will differ from the current market rate for swaps by the shape and slope of the yield curve.
- **Funding Risk:** The risk that a borrower cannot re-finance its debt at equal or better terms at some date in the future, in terms of lending margin, bank fees and funding time commitment. Funding risk may increase due to the Council's own credit worthiness, industry trends or banking market conditions.
- **Futures:** Exchange-traded financial and commodity markets which provide forward prices for the underlying asset, instrument or commodity. Futures contracts are standardised in amount, term and specifications. Futures markets are cash-based, transacting parties do not take any counter party credit risk on each other. Deposits and margin-calls are critical requirements of all futures markets.
- **Gamma:** "Greek" letter used in option pricing that measures how rapidly the delta of an option changes given a change in the price of the underlying asset/instrument.
- **Hedging:** The action of reducing the likelihood of financial loss by entering forward and derivative contracts that neutralise the price risk on underlying financial exposures or risks. The gain or loss due to future price movements on the underlying exposure is offset by the equal and opposite loss and gain on the hedge instrument.
- **High-Yield Bonds:** Corporate bonds issued by borrowing companies that are non-prime i.e. have a low or no credit rating. The margin or credit spread above Government bonds yields is high (>300 basis points) to compensate the investor into the bond for the higher credit and liquidity risk.
- **Implied Volatility:** Used in option pricing. To estimate the future volatility of the underlying asset or instrument, the option pricing models use historical volatility (expressed as percentage) as a key variable to calculate the option premium amount. The movement in option prices is therefore a good indicator of future market volatility, as volatility is "implied" in the option price.
- **Index Linked Bonds:** Debt instruments that pay an interest coupon or return that is wholly or partially governed by the performance of another separate index e.g. a share market index, or the gold price.
- **ISDA International Security Dealers Association:** A governing body that determines legal documentation/standards for over-the-counter swaps/options/FRAs and other derivative instruments for interest rates, currencies, commodities etc. Corporate users of such instruments sign an ISDA Master Agreement with banking counterparties that covers all transactions.
- **Incidental Arrangements:** The term used in the Local Government Act for interest rate risk management instruments or derivatives.



- **Interest Rate Swaps:** A binding paper contract where one party exchanges, or swaps, its interest payment obligations from fixed to floating basis, or floating to fixed basis. The interest payments and receipts under the swap contract being offsetting, equal and opposite to the underlying physical debt.
- **“In-the-Money” Option:** An option contract that has a strike price/rate that is more favourable or valuable than the current market spot or forward rate for the underlying currency/instrument.
- **Inverse Yield Curve:** The slope of the interest rate yield curve (90-days to years) is “inverse” when the short-term rates are higher than the long-term rates. The opposite, when short-term rates are lower than long-term interest rates is a normal curve or “upward sloping”. In theory, a normal curve reflects the fact that there is more time, therefore more time for risk to occur in long-term rates; hence they are higher to build in this extra risk premium.
- **Liability Management:** The policy, strategy and process of proactively managing the treasury exposures arising from a portfolio of debt.
- **LIBOR:** London Inter-bank Offered Rate, the average of five to six banks quote for Eurodollar deposits in London at 11.00 am each day. The accepted interest rate-fixing benchmark for most offshore loans.
- **Limit(s):** The maximum or minimum amount or percentage a price or exposure may move to before some action or limitation is instigated. Also called “risk control limits”.
- **Liquidity Risk:** The risk that Council cannot obtain cash/funds from liquid resources or bank facilities to meet foreseen and unforeseen cash requirements. The management of liquidity risk involves working capital management and external bank/credit facilities.
- **“Long” Position:** Holding an asset or purchased financial instrument in anticipation that the price will increase to sell later at a profit.
- **Look-back Option:** An option structure where the strike price is selected and the premium paid at the end of the option period.
- **Marked-to-Market:** Financial instruments and forward contracts are revalued at current market rates, producing an unrealised gain or loss compared to the book or carrying value.
- **Margin:** The lending bank or institution’s interest margin added to the market base rate, normally expressed as a number of basis points.
- **Medium Term Notes:** A continuous programme whereby a prime corporate borrower has issuance documentation permanently in place and can issue fixed rate bonds at short notice under standard terms.





- **Moody's:** A rating agency similar to Standard & Poor's.
- **Netting:** Method of subtracting currency receivables from currency payables (and vice versa) over the same time period to arrive at a net exposure position.
- **Open Position:** Where a Council has purchased or sold an asset, currency, financial security or instrument unrelated to any physical exposure, and adverse/favourable future price movements will cause direct financial loss/gain.
- **Option Premium:** The value of an option, normally paid in cash at the commencement of the option contract, similar to an insurance premium.
- **Order:** The placement of an instruction to a bank to buy or sell a currency or financial instrument at a preset and pre-determined level and to transact the deal if and when the market rates reach this level. Orders are normally placed for a specific time period, or "good till cancelled". The bank must deal at the first price available to them once the market level is reached. Some banks will only take orders above a minimum dollar amount.
- **"Out-of-the-Money":** An option contract which has a strike price/rate that is unfavourable or has less value than the underlying current spot market rate for the instrument.
- **Over-the-Counter:** Financial and derivative instruments that are tailored and packaged by the bank to meet the very specific needs of the corporate client in terms of amount, term, price and structure. Such financial products are non-standard and not traded on official exchanges.
- **Perpetual Issue:** A loan or bond that has no final maturity date.
- **Pre-hedging:** Entering forward or option contracts in advance of an exposure being officially recognised or booked in the records of the Council.
- **Primary Market:** The market for new issues of bonds or MTNs.
- **Proxy Hedge:** Where there is no forward or derivative market to hedge the price risk of a particular currency, instrument or commodity. A proxy instrument or currency is selected and used as the hedging method as a surrogate. There needs to be a high correlation of price movements between the two underlying prices to justify using a proxy hedge.
- **Put Option:** The right, but not the obligation to sell a debt security/currency/commodity at the contract price in the option agreement.
- **Revaluation:** The re-stating of financial instruments and option/forward contracts at current market values, different from historical book or carrying values. If the contracts were sold/bought back (closed-out) with the counter party at current market rates, a realised gain or loss is made. A revaluation merely brings the



contract/instrument to current market value.

- **Roll-over:** The maturity date for a funding period, where a new interest rate is reset and the debt re-advanced for another funding period.
- **Secondary Market:** The market for securities or financial instruments that develops after the period of the new issue.
- **“Short” Position:** Selling of an asset or financial instrument in anticipation that the price will decrease or fall in value to buy later at a profit.
- **Spot Rate:** The current market rate for currencies, interest rates for immediate delivery/settlement, and normally two business days after the transaction is agreed.
- **Standard & Poor’s:** A credit rating agency that measures the ability of an organisation to repay its financial obligations.
- **Stop Loss:** Bank traders use a “stop-loss order” placed in the market to automatically closeout an open position at a pre-determined maximum loss.
- **Strike Price:** The rate or price that is selected and agreed as the rate at which an option is exercised.
- **Strip:** A series of short-term interest rate FRAs for a one or two year period, normally expressed as one average rate.
- **Structured Options:** An option instrument where the relationship/profile to the underlying referenced asset or liability is not linear, i.e. 1:1.
- **Swap Spread:** The interest rate margin (in basis points) that interest rate swap rates trade above Government bond yields.
- **Station:** An option on an interest rate swap that if exercised the swap contract is written between the parties. The option is priced and premium paid similar to bank bill and bond interest rate options.
- **Time Value:** Option contracts taken for longer-term periods may still have some time value left even though the market rate is a long way from the strike rate of the option and the option is unlikely to be exercised.
- **Tranches:** A loan may be borrowed in a series of partial drawdowns from the facility, each part is called a tranche.
- **Treasury:** Generic term to describe the activities of the financial function within Council that is responsible for managing the cash resources, financial investments, debt, and interest rate risk.
- **Treasury Bill:** A short-term (<12 months) financing instrument/security issued by a



government as part of its debt funding programme.

- **Vega:** Another "Greek" letter that is the name given to the measure of the sensitivity of the change in option prices to small changes in the implied volatility of the underlying asset or instrument price.
- **Volatility:** The degree of movement or fluctuation (expressed as a percentage) of an asset, currency, commodity or financial instrument price over time. The percentage is calculated using mean and standard deviation mathematical techniques.
- **Yield:** Read-interest rate, always expressed as a percentage.
- **Yield Curve:** The plotting of market interest rate levels from short-term (90-days) to long-term on a graph ie the difference in market interest rates from one term (maturity) to another.
- **Zero Coupon Bond:** A bond that is issued with the coupon interest rate being zero ie no cash payments of interest made during the term of the bond, all interest paid on the final maturity date. In effect the borrower accrues interest on interest during the term, increasing the total interest cost compared to a normal bond of paying interest quarterly, half-yearly or annually.





## 15.0 APPENDIX 5

### 15.1. List of Council approved Financial Institutions and their date of registration

Registered Banks	Date of RBNZ registration	Standard & Poor's		Moody's		Fitch	
		Short	Long	Short	Long	Short	Long
ANZ Banking Group (NZ) Ltd	1 April 1987	A-1+	AA-	P-1	Aa3	F1+	AA-
ASB Bank Ltd	11 May 1989	A-1+	AA-	P-1	Aa3	F1+	AA-
Bank of New Zealand	1 April 1987	A-1+	AA-	P-1	Aa3	F1+	AA-
Rabobank New Zealand	7 July 1996	A-1+	A	P-1	Aa3	F1+	AA-
Kiwi Bank	29 November 2001	A-1+	A	-	-	-	-
TSB Bank Ltd	8 June 1989			-	-	F2	A-
Westpac Banking Corporation	1 April 1987	A-1+	AA-	P-1	Aa3	F1+	AA-



## 16.0 APPENDIX 6

### 16.1. Approved Financial Investment Instruments

Investment instruments available in the market (excluding equities and property) can generally be discussed under four broad categories relating to the issuer of these instruments.

#### 1 New Zealand Government

Treasury bills are registered securities issued by the Reserve Bank of New Zealand (RBNZ) on behalf of the Government. They are usually available for terms up to a year but generally preferred by investors for 90 day or 180 day terms. They are discounted instruments, and are readily negotiable in the secondary market.

Government stock is registered securities issued by the RBNZ on behalf of the Government. They are available for terms ranging from one year to 12 year maturities. Government stock has fixed coupon payments payable by the RBNZ every six months. They are priced on a semi annual yield basis and are issued at a discount to face value. They are readily negotiable in the secondary market.

#### 2 Local Authorities

Local Authority stock are registered securities issued by a wide range of local government bodies. They are usually available for maturities ranging from one to 10 years. A fixed or floating coupon payment is made semi annually and quarterly respectively to the holder of the security. They are negotiable and usually can be bought and sold in the secondary market, but liquidity can be patchy. Both credit rated and unrated local authorities also issue commercial paper similar to that described in the corporate section below.

#### 3 Registered Banks

Call and term deposits are funds accepted by the bank on an overnight basis (on call) or for a fixed term. Interest is usually calculated on a simple interest formula. Term deposits are for a fixed term and are expected to be held to maturity. Term deposits are not negotiable instruments. Termination prior to maturity date can often involve penalty costs.

Certificates of deposits are securities issued by banks for their borrowing needs or to meet investor demand. Registered certificates of deposit (RCDs) are non-bearer securities in that the name of the investor, face value and maturity date are recorded at the Reserve Bank and settled through Austraclear. They are paperless securities and are able to be transferred by registered transfer only. RCDs are priced on a yield rate basis and issued at a discount to face value. They are generally preferred over term deposits because investors can sell them prior to maturity.

Bank bills are bills of exchange drawn or issued, usually by a corporate borrower and accepted or endorsed by a bank. The investor is exposed to bank credit risk when investing in such instruments. Bank bills are readily available for any maturity



up to 180 days, although 30 to 90 day terms are more common. They are priced on yield basis and issued at a discount to face value. Investors in bank bills can sell the bills prior to maturity date.

#### **4 Corporate**

Corporate bonds are generally issued by companies with good credit ratings. These bonds can be registered securities or bearer instruments. A fixed coupon payment is made semi annually to the holder of the security (MTN). They are priced on a semi annual yield basis and are issued at a discount to face value. Corporate bonds are negotiable and can be bought and sold in the secondary market.

Promissory notes or commercial paper are issued by borrowers who usually have a credit rating and standing in the market that is sufficient to enable the notes to be issued without endorsement or acceptance by a bank. The notes are usually underwritten by financial institutions to ensure that the borrower obtains the desired amount of funds. Promissory notes are issued with maturities ranging from seven days to over one year. The common maturities are for 30 and 90 days. The face value of the note is repaid in full to the bearer on maturity.



## 17.0 APPENDIX 7

### 17.1. S & P Ratings

#### S & P Australian Ratings Rating Code

AAA rated corporations, financial institutions, governments or asset-backed financing structures (entities) have an extremely strong capacity to pay interest and repay principal in a timely manner.

AA rated entities have a very strong capacity to pay interest and repay principal in a timely manner and differ from the highest rated entities only in a small degree.

A rated entities have a strong capacity to pay interest and repay principal in a timely manner, although they may be somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than those in higher rating categories.

BBB rated entities have a satisfactory or adequate capacity to pay interest and repay principal in a timely manner. Protection levels are more likely to be weakened by adverse changes in circumstances and economic conditions than for borrowers in higher rating categories.

BB rated entities face ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to a less adequate capacity to meet timely debt service commitments.

B rated entities are more vulnerable to adverse business, financial or economic conditions than entities in higher rating categories. This vulnerability is likely to impair the borrower's capacity or willingness to meet timely debt service commitments.

CCC rated entities have a currently identifiable vulnerability to default and are dependent upon favourable business, financial and economic conditions to meet timely debt service commitments. In the event of adverse business, financial or economic conditions, they are not likely to have the capacity to pay interest and repay principal.

CC is typically applied to debt subordinated to senior debt that is assigned an actual or implied "CCC" rating.

C rated entities have high risk of default or are reliant on arrangements with third parties to prevent defaults.

D rated entities are in default. The rating is assigned when interest payments or principal payments are not made on the date due, even if the applicable grace period has not expired. The "D" rating is also used upon the filing of insolvency petition or a request to appoint a receiver if debt service payments are jeopardised.

Entities rated "BB", "B", "CC" and "C" are regarded as having predominately speculative



characteristics with respect to the capacity to pay interest and repay principal. "BB" indicates the least degree of speculation and "C" the highest. While such entities will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major exposures to adverse conditions.

The ratings from "AA" to "CCC" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Credit Watch highlights an emerging situation which may materially affect the profile of a rated corporation.

Short-term Ratings Including Commercial paper (up to 12 months).

A1 rated entities possess a strong degree of safety regarding timely payment. Those entities determined to possess extremely strong safety characteristics are denoted with an "A1+" designation.

A2 rated entities have a satisfactory capacity for timely payment. However the relative degree of safety is not as high as for those rated "A1".

A3 rated entities have an adequate capacity for timely repayment. They are more vulnerable to the adverse effects of changes in circumstances than obligations carrying the higher designations.

Entities receiving a "B" rating have only a speculative capacity for timely payment. Those with "B1" have a greater capacity to meet obligations and are somewhat less likely to be weakened by adverse changes in the environment and economic conditions than those rated "B2".

C1 rated entities possess a doubtful capacity for payment.

D1 rated entities are in default.



## 18.0 APPENDIX 8

### 18.1. Tasman District Council Bank Accounts

- ASB Bank Current Accounts
- ASB Commercial Call Accounts
- ASB Bank Money Market Account
- ANZ Bank Money Market Account
- Westpac Bank Money Market Account
- Westpac Bank Current Account

**8.11 APPOINTMENT OF ADVISER TO THE TASMAN REGIONAL TRANSPORT COMMITTEE**

Decision Required

<b>Report To:</b>	Full Council
<b>Meeting Date:</b>	27 July 2017
<b>Report Author:</b>	Robyn Scherer, Executive Assistant - Engineering
<b>Report Number:</b>	RCN17-07-11

**1 Summary**

- 1.1 This report recommends the appointment of Ms Jane Murray as an adviser to the Tasman Regional Transport Committee for the current triennium.
- 1.2 At the meeting on 23 March 2017, the Full Council approved the appointment of five non-voting advisers to the Tasman Regional Transport Committee as follows:
- Bill Findlater (Nelson Regional Development Agency) – representing economic development
  - Inspector Iain McKenzie (NZ Police) – representing safety and personal security
  - Donna Smith – representing access and mobility
  - Karen Lee – representing environmental sustainability, and
  - Frank Hippolite (Tiakina te Taiao) – representing cultural interests.
- 1.3 At the meeting on 11 May 2017, the Full Council approved the appointment of Dr Kevin Thompson as an adviser to the Tasman Regional Transport Committee.
- 1.4 Since then, the Nelson Marlborough District Health Board has confirmed Ms Jane Murray as their nominee for the Tasman Regional Transport Committee representing public health. This role was previously held by Geoff Cameron who is now retired.

**2 Draft Resolution****That the Full Council**

- 1. receives the Appointment of Adviser to the Tasman Regional Transport Committee report RCN17-07-11; and**
- 2. approves the appointment of Ms Jane Murray as a non-voting advisory member of the Tasman Regional Transport Committee for the current triennium.**

### 3 Purpose of the Report

- 3.1 This report seeks the Council's approval to appoint Ms Jane Murray as a non-voting adviser to the Tasman Regional Transport Committee for the current triennium.

### 4 Background and Discussion

- 4.1 The Land Transport Management Act that governs the establishment and membership of regional transport committees was amended in June 2013. The amendment repealed the previous requirement for each Regional Transport Committee to appoint non-voting members representing the areas of environment sustainability, economic development, safety and personal security, public health, improving access and mobility and cultural interests.
- 4.2 The functions of the Regional Transport Committee as noted in the Act are:
- (a) to prepare a regional land transport plan, or any variation to the plan, for the approval of the relevant regional council; and
  - (b) to provide the regional council with any advice and assistance the regional council may request in relation to its transport responsibilities.
- 4.3 At its meeting on 27 October 2016, the Council appointed Councillors Stuart Bryant (Chair), Kit Mailing, Dean McNamara, David Ogilvie and Paul Sangster to the Tasman Regional Transport Committee along with one representative from the New Zealand Transport Agency. The New Zealand Transport Agency representative is a full member of the committee with voting rights.
- 4.4 On 23 March 2017, the Council approved the appointment of the following people to the Tasman Regional Transport Committee in a non-voting advisory capacity:
- |                         |  |
|-------------------------|--|
| Karen Lee               | Ensuring environmental sustainability  |
| Bill Findlater          | Assisting economic development         |
| Inspector Iain McKenzie | Assisting safety and personal security |
| Donna Smith             | Improving access and mobility          |
| Frank Hippolite         | Cultural interests                     |
- 4.5 The term of appointment is linked to the term of the local government three-yearly election cycle. Therefore, the Council has the ability to review the composition of the Tasman Regional Transport Committee every three years.
- 4.6 At the meeting on 11 May 2017 the Council approved the appointment of Dr Kevin Thompson as an adviser to the committee.
- 4.7 The Nelson-Marlborough District Health Board has nominated Ms Jane Murray as the public health representative on the Tasman Regional Transport Committee.
- 4.8 Ms Murray has recently joined the Nelson Marlborough District Health Board as a public health analyst. Previously she worked for the Canterbury District Health Board as a Health in All Policies Advisor for five years. Health in All Policies work is underpinned by the fact that health is influenced by a wide range of factors beyond the health sector therefore much of



Ms Murray's work involved working with territorial agencies on improving community wellbeing.

- 4.9 Ms Murray led the Canterbury District Health Board's submissions on the Christchurch City Council's Replacement District Plan including the Transport section where she worked very closely with transport planners to ensure the provisions would create healthy outcomes for residents. She was also heavily involved in supporting the Christchurch City Council in the installation of active and public infrastructure, including writing submissions and presenting at hearings on the major cycleway projects in Christchurch.
- 4.10 Ms Murray was also a key member of the team that undertook the integrated assessments on the Land Use Recovery Plan and Lyttelton Port Recovery Plan. Transport was a major issue for both of these Recovery Plans.
- 4.11 Ms Murray has a Post-graduate Diploma in Resource Management.

## 5 Options

- 5.1 The Council has two options:
- 5.2 Option 1 – Appoint Ms Jane Murray as a non-voting advisory member of the Tasman Regional Transport Committee.
- 5.3 Option 2 – resolve to not make an appointment to the Tasman Regional Transport Committee.

### Pros and Cons

- 5.4 The appointment of advisers to the Tasman Regional Transport Committee enable specialist strategic input to the Committee's work including the development of the region's transport objectives and the Tasman Regional Land Transport Programme
- 5.5 Not appointing advisers to the Tasman Regional Transport Committee has the potential to limit the consideration of the wider community in the development of the region's transport objectives and the Tasman Regional Land Transport Programme.
- 5.6 Staff recommend **Option 1**.

## 6 Strategy and Risks

- 6.1 There is a small risk that the appointed advisers do not contribute sufficiently to represent their sectors or that they do not understand their role.
- 6.2 Ms Murray has extensive experience in public health and has worked alongside local government in transportation planning.

## 7 Policy / Legal Requirements / Plan

- 7.1 There are no policy, legal or Long Term Plan ramifications for this appointment. This appointment is essentially the Council's choice. Past input from the advisers has ensured the Committee considers the relevant sectors they represent in developing the Regional Land Transport Programme.

## 8 Consideration of Financial or Budgetary Implications

- 8.1 Provision of \$150.00 (GST exclusive) per meeting for the non-voting members is available in the Transportation budget. The maximum annual cost to the Council is \$4,500.00.

## 9 Significance and Engagement

- 9.1 This decision is of low significance in terms of the Council's significance and engagement policy as these appointments to the Committee are primarily advisory.

Issue	Level of Significance	Explanation of Assessment
Is there a high level of public interest, or is decision likely to be controversial?	Low	Public interest in the Council's Regional Land Transport Programme has been low.
Is there a significant impact arising from duration of the effects from the decision?	No	
Does the decision relate to a strategic asset? (refer Significance and Engagement Policy for list of strategic assets)	No	
Does the decision create a substantial change in the level of service provided by Council?	No	
Does the proposal, activity or decision substantially affect debt, rates or Council finances in any one year or more of the LTP?	No	
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 entering into a group of activities?	No	

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**10 Conclusion**

- 10.1 The appointment of Ms Jane Murray in a non-voting advisory capacity is an opportunity for the Council to involve specialist public health input to the strategic direction of the Tasman Regional Land Transport Programme.

**11 Next Steps / Timeline**

- 11.1 If the Council agrees to the appointment recommended above, staff will advise Ms Murray and invite her to attend the next Tasman Regional Transport Committee meeting scheduled for 27 November 2017.

**12 Attachments**

Nil



**8.12 CHIEF EXECUTIVE'S ACTIVITY REPORT**

Decision Required

<b>Report To:</b>	Full Council
<b>Meeting Date:</b>	27 July 2017
<b>Report Author:</b>	Lindsay McKenzie, Chief Executive
<b>Report Number:</b>	RCN17-07-12

**1 Summary**

- 1.1 This activity report covers the relatively short time since Council's June meeting. As a result it is shorter and summarised.
- 1.2 I'm pleased to advise that **Wakatu and Council have agreed to an amended price** for the two Motueka port endowment properties subject to the recent offer back under the Public Works Act. You will recall that I was asked to negotiate a price that would avoid a write down in asset value and a loss in the Motueka Harbour and Coastal Works Reserve Fund. The write down was \$12,000 i.e. more than the asset revaluation reserve provision. That has been avoided as you requested.
- 1.3 Susan Edwards, Community Development Manager has been selected to be a member of a **Society of Local Government Managers (SOLGM) study tour to the United Kingdom** in late October/early November this year. When the study tour was announced, it struck me that Susan was the ideal candidate. It offers a great personal development opportunity for her and benefits to the Council and community as well. I am required to get Council approval for any overseas travel by staff.
- 1.4 Environment Minister Dr Nick Smith has announced the panel to consider the **Te Waikoropupu Springs Water Conservation Order application**. The members are Camilla Owen (Chair); Bob Dickinson: former Tasman District Council chief executive; Lewis Metcalfe: an agricultural policy and sustainability advisor; Che Wilson: former chief negotiator for the Ngāti Rangī Trust and Deputy Secretary Māori at the Ministry for the Environment; and Professor Jon Harding: Dean of Postgraduate Research for Stream Ecology at Canterbury University.
- 1.5 I am at the LGNZ Conference prior to attending the Council meeting on 27 July 2017 and will be on leave for a period thereafter. **Dennis Bush-King will be Acting Chief Executive.**

**2 Draft Resolution****That the Full Council**

- 1. receives the Chief Executive's Activity Report RCN17-07-12; and**
- 2. notes the updates to the Council Action Sheet; and**
- 3. approves Susan Edwards joining the Society of Local Government Manager's study tour to the United Kingdom in late October/early November 2017.**

### 3 Purpose of the Report

- 3.1 The purpose of this report is to inform Council about my activities since the 22 June 2017 Council meeting.

### 4 Strategy and Planning

- 4.1 A report entitled “***Biodiversity and the Role of Regional Councils - Stage 2 of a think-piece on the future of biodiversity management in New Zealand***” was released recently. Regional councils commissioned the report. It may be relevant to councillors with an interest in the Council’s role in biodiversity.
- 4.2 Its purpose is to:
- 4.2.1 assist regional councils to establish a collective view about the most appropriate and effective regional council roles and functions in biodiversity management; and
  - 4.2.2 guide how regional councils might fulfil those roles more effectively within the myriad of activities and other participants involved in promoting the protection of New Zealand’s biodiversity.
- 4.3 The think-piece looks well beyond the specific challenge of how to improve the effectiveness of regional authorities’ biodiversity activities. It overviews New Zealand’s biodiversity challenges and present responses and how these are evolving. The suggestions it makes are aimed at lifting the overall national effectiveness of our activities, because it is clear that as a nation we need to. While acknowledging that there are variable issues, challenges and opportunities across the regions of New Zealand, there are common matters that need be collectively progress.
- 4.4 The report acknowledges the complexities of our biodiversity challenges and offers constructive solutions to these complex challenges. The recommendations are not intended to be fully comprehensive or exhaustive, but they are the key to making meaningful improvement. This will be important over the next few years with the rapidly evolving approach to biodiversity management in New Zealand. This ‘think-piece’ will provide the platform for councils to influence national conversations around the likes of the proposed National Policy Statement for Biodiversity and the ambitious predator free 2050 goal.
- 4.5 The report emphasis the need to be more active in biodiversity management (particularly pest control). Aligning priorities is also important. The report presents some strategic ‘shifts’ that are necessary to make required progress.
- 4.6 The report provides an overview of the strategic context for biodiversity, broadly these include:
- 4.6.1 the continuing decline of biodiversity,
  - 4.6.2 changing threats in many areas of New Zealand from land clearance to animal & plant pests,
  - 4.6.3 the emergence of significant corporate and philanthropic sector interest in biodiversity,
  - 4.6.4 the advances in new technologies for managing pests,
  - 4.6.5 the key role of regional councils in operational management (particularly pest management), and

- 4.6.6 recent significant government initiatives such as Predator Free 2050, the restart of a National Policy Statement for Biodiversity and New Zealand's Tb programme rollback.
- 4.7 There are five 'strategic shifts' each with an accompanying objective and actions. They focus on what is required to improve the overall management system and regional councils' effective participation in that system:
- 4.7.1 Shift 1 – Stronger leadership and clearer lines of accountability
  - 4.7.2 Shift 2 – Building on what regional councils do best
  - 4.7.3 Shift 3 – Better information for better management
  - 4.7.4 Shift 4 – Planning and delivering joined up action
  - 4.7.5 Shift 5 – Modern, fit for purpose frameworks
- 4.8 The report has gone through an extensive development process led by the regional councils CEO and specialist staff. It has been tested with trusted key peer reviewers. It will be used to collectively improve the way councils deliver their biodiversity functions.
- 4.9 Changes to the Local Government Act 2002 (LGA) mean that the Council is required to carry out **service delivery reviews** under s.17A of the legislation at least every six years. We are required to do an initial assessment of all activities before 8 August 2017 and most have been completed.
- 4.10 However, due to timing issues the s.17A reviews for Transportation, Water Supply, Wastewater and Stormwater will be presented to the Engineering Services Committee on 17 August 2017. The Property and Commercial activity section 17A's have been delayed due to resourcing issues. It is unlikely they will be completed within the 8 August 2017 timeline.

## 5 Advice and Reporting

- 5.1 I am seeking Council's **approval to send Susan Edwards, Community Development Manager, on a Society of Local Government Managers (SOLGM) study tour to the United Kingdom** in late October/early November this year. I am required to get Council approval to any overseas travel by staff.
- 5.2 The SOLGM Chief Executive approached me earlier in the year about this study tour. Susan Edwards immediately came to mind as an ideal person to attend. The purposes of the study tour are to enable senior New Zealand local government officials to see first-hand:
- 5.2.1 the impacts of austerity over the last five years;
  - 5.2.2 the innovation that has arisen from responding to those impacts; and
  - 5.2.3 the development of the new 'devolution' strategy in the UK as it relates to the central government – local government relationship.
- 5.3 The tour will involve meetings with councils in Manchester, Birmingham, Scotland and in either Wales or Dorset. It will also involve attending the Society of Local Authority Chief Executives conference in Manchester and meetings with the London Council while at the conference. Approximately 10 chief executives and senior managers from the New Zealand local government sector will be attending as part of the SOLGM delegation.

- 5.4 Susan's objectives for participating are to broaden her understanding of local government from visiting UK councils and to learn from the experiences of the councils she will be visiting on how they are managing in a fiscally constrained environment and to bring the ideas back with a view to adapting them to our situation. She will also share her learnings with other councils across New Zealand, along with other participants on the tour. While on the tour, Susan will have the opportunity to discuss the UK experience in the New Zealand context with the other participants to identify what might work in this country.
- 5.5 The cost of the tour is in the order of \$7,500. Susan is contributing to the trip by taking half of the time as annual leave.
- 5.6 The special tribunal to consider the **Waikoropupū Springs application for a Water Conservation Order (WCO)** has been announced by Environment Minister Dr Nick Smith.
- 5.7 The Minister recently announced that he had accepted Ngāti Tama and Andrew Yuill's application for consideration of a WCO "to ensure these iconic waters are properly protected for future generations."
- 5.8 The five-member panel comprises:
- 5.8.1 Camilla Owen (Chair): A Nelson barrister involved in environmental law, and an accredited Resource Management Act (RMA) decision maker.
- 5.8.2 Bob Dickinson: Previously Tasman District Council chief executive for 17 years.
- 5.8.3 Lewis Metcalfe: An agricultural policy and sustainability advisor with a farming background.
- 5.8.4 Che Wilson: Former chief negotiator for the Ngāti Rangi Trust and Deputy Secretary Māori at the Ministry for the Environment.
- 5.8.5 Professor Jon Harding: Prof Harding is Dean of Postgraduate Research for Stream Ecology at Canterbury University and was a member of the Board of Inquiry into the Freshwater NPS.
- 5.9 There is **nothing to report on the Mid-West Ferries proposal** for a Whanganui to Motueka service. All has gone quiet at this end since the review work on the pre-feasibility studies was released by the Whanganui District Council.

<b>6 Management of Council Resources</b>
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- 6.1 Wakatu and Council have agreed to an amended price for **the two Motueka Port Endowment properties** subject to the recent offer back under the Public Works Act.
- 6.2 Some months ago Council considered a price at which to offer back to Whakatu properties on Wharf Road and North Street under the Public Works Act. The comments at the meeting were that any write down in the asset value that creates a loss in this Fund as a result of the sale price is likely to be viewed negatively in the community and evoke an adverse reaction impacting our relationship with Wakatu. It was certainly viewed that way at the Council meeting.
- 6.3 Iain Sheeves (Wakatu) has advised me that the Wakatu Board has agreed to the counter proposal. The Board has agreed to a \$12,000 increase in the purchase price as follows:
- 6.3.1 \$82,000 inclusive of GST (\$31,000 (land) + \$51,000 (improvements)) for 95 Wharf Road



6.3.2 \$87,500 inclusive of GST (\$44,000 (land) + \$43,500 (improvements)) for 17 North Street.

## 7 Managing People

- 7.1 There has been one staff related **health and safety** event since my last report and this was an ankle sprain from stepping backwards into a hollow on a sloping part of ground.
- 7.2 Following on from a report to the 30 June 2017 Audit and Risk Committee, **staff are working on a draft Asbestos Policy**, which includes the development of a Council Asbestos Management Plan. The Health and Safety at Work (Asbestos) Regulations 2016 require all PCBUs to have an asbestos register and management plan. As a PCBU the Council has responsibilities for any work on Council buildings that contain asbestos, such as building repair and maintenance or refurbishment. There are also requirements in the regulations about the use of licensed asbestos removers when the amount of asbestos is larger than 10m<sup>2</sup>.
- 7.3 Under the Resource Management Act, the Council also has contaminated landfill responsibilities (in relation to asbestos) and any reported dumped asbestos is retrieved and disposed of using a licensed contractor. There are also asbestos protocols in place at our Resource Recovery Centres.
- 7.4 As noted in my 22 June 2017 report, the terms of reference for the **Health and Safety Steering Group (Moturoa-Rabbit Island)** have been completed and are being circulated among members of the group for comment. The particular issue at Moturoa relates to implementing the Reserves Management Plan in a safe way and coordinating the efforts of the PCBUs that operate there. The Terms of Reference will be referred to Council when they are finalised. The next meeting of the Steering Group will be in October.
- 7.5 Also as noted in my 22 June 2017 report, we are participating in this year's **Australasian Local Government Performance Excellence Programme**. The data capture and online entry phase of the programme must be completed by 28 July, and then there is a review phase by Price Waterhouse Cooper. We expect our 'participating Council report' to be available to us by end of December.
- 7.6 This year's **Collective Employment Agreement (CEA)** bargaining with the New Zealand Public Service Association (PSA) has concluded. A terms of settlement has been agreed to and ratified by the members. The term of the new CEA is for one year, and that the negotiated settlement included a lump sum payment to some members. This is also the first year where salary grade adjustments and annual performance results have been combined into one process. The latter was previously on a calendar year cycle and the change means performance reviews now align with the financial year end.
- 7.7 A request for **proposal to undertake a capability and capacity review**, along with a suite of supporting organisation documents and information, has been sent to the State Services Commission (SSC). The proposal includes a suggested timeline for on-site diagnostic work through September and October and a final report and recommendations by early 2018. I plan to brief the Council on the SCC proposal and methodology at your 7 September 2017 meeting.

- 7.8 We are currently at various stages of recruiting for a:
- Co-ordinator – Subdivision Consents (replacement)
  - Asset Systems Team Leader (replacement)
  - Property Services Programme Leader – Land & Leases (new position)
  - Property Services Officer – Maintenance & Facilities (new position)
  - Building Technical Officer (replacement)
- 7.9 Since my last report, seven appointments have been made:
- Property Manager (replacement)
  - Information Management Officer – EDRMS (new position)
  - Project Manager (new position)
  - Customer Services Officer x 2 – Richmond (replacement)
  - Finance Officer – Revenue (replacement)
  - Senior Asset Systems Officer (fixed term replacement)
  - Environmental Monitoring Officer – Trainee (fixed term replacement)

<b>8 Relationship Management</b>
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- 8.1 My **other activities and meetings** have included the –
- 8.1.1 Waimea Water Augmentation Project where the focus has been on public inquiries, media responses, the OAG complaint, the relationship with Nelson City and the Freshwater Improvement Fund;
- 8.1.2 Risk Management Framework including a briefing with the consultant (NonSuch) for Cr Ogilvie and Mr Graeme Naylor (in their Audit and Risk Committee roles) and me;
- 8.1.3 Appleby Hills subdivision where residents are seeking undertakings from Council and the developer as the development comes to an end and handover to residents occurs;
- 8.1.4 Collective Employment Agreement negotiation with the PSA Union;
- 8.1.5 Nelson Regional Development Agency regional identity ‘soft launch’ and CEO catchups;
- 8.1.6 Developers of the MeadowFields special housing area to discuss resourcing and how to work together on the outcomes sought and in the time available;
- 8.1.7 Regional Intersectoral Forum which is an interagency (government) hui with Iwi locally;
- 8.1.8 Golden Bay Community Board and the Grandstand Trust with whom I had meetings on 11 July 2017;
- 8.1.9 Staff at LGNZ who are responsible to the communications work plan that will heighten community awareness of the role of all councils in water management.

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**9 Council Action Sheet**

- 9.1 Attached is the Council Action Sheet, which has been updated since the 22 June 2017 Full Council meeting for councillor's information.

**10 Attachments**

1. Council Action Sheet 2017-07-27

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**Action Sheet – Full Council as at 27 July 2017**

Item	Action Required	Responsibility	Completion Date/Status
Meeting Date 1 December 2016			
Policy on Rates Remissions	Report back on likely impact of the Policy on Council's ability to achieve objectives of NPS on Urban Development Capacity in time for this to be consulted on ahead of LTP 2018-2028.	Finance Manager / Community Development	Report back will occur within the context of the Long Term Plan. The matter has been workshopped and will be reported to a future Council meeting.
Meeting Date 2 March 2017			
Appointment of Directors to Nelson Airport Ltd and Port Nelson Ltd Boards	Commence process to appoint Council director to Nelson Airport Limited Board	Chief Executive	Deferred until the Mayor returns from leave.
Meeting Date 23 March 2017			
Appointment of Advisors to the Tasman Regional Transport Committee	Consider additional/alternative advisory members when DHB representative is nominated	Engineering Services Manager	On agenda for 27 July 2017 meeting.
Offer Back of Land – Port Motueka	Advise Wakatu of Council's decision and report back to the Council meeting on 11 May.	CEO	On agenda for 27 July 2017 meeting.
Remuneration of Independent Member to Nelson Regional Sewerage Business Unit (NRSBU)	Draft Policy and procedure for appointing and remunerating independent members of Council committees and business units	Corporate Services Manager	New Policy to be presented to Council September 2017.
Meeting Date 11 May 2017			

## Item 8.12

Item	Action Required	Responsibility	Completion Date/Status
General Disaster Fund	Review scope of the General Disaster Fund.	Finance Manager	Underway
Remediating Residential Dwellings	Report to the Council about options for remediating residential dwellings offering accommodation through Airbnb.	Environment & Planning Manager	<b>Complete.</b> Report went to Environment & Planning Committee on 1 June 2017.
Notice of Motion (minor matter arising)	Report to 29 June 2017 Engineering Services Committee on Poole Street drainage.	Engineering Services Manager	Referral report from Engineering Services Committee 29 June 2017 on agenda for 27 July 2017 Full Council meeting.
Meeting date 14 June 2017			
CN17-06-03 (Waimea Water Augmentation Project – Next Steps)	Report to Council on advice received on the alternatives for augmenting the urban water supplies sourced from the Waimea River catchment.	Engineering Services Manager	Report on agenda for Full Council 27 July 2017.
	Commence work on a Statement of Proposal for community consultation on the Waimea Water Augmentation Project.	Community Development Manager	Underway
Independent Member to Commercial Committee	Notify Mr Roger Taylor of his reappointment to the Commercial Committee for a term of three years from 14 June 2017.	Corporate Services Manager	<b>Completed</b> (letter sent 26 June 2017).
Private Plan Change Request 62	<ol style="list-style-type: none"> <li>1) Publicly notify decision.</li> <li>2) Serve copy of decision on the requester.</li> </ol>	Environment & Planning Manager	<b>Complete</b> (16 June 2017).
Meeting date 22 June 2017			

## Attachment 1

Item	Action Required	Responsibility	Completion Date/Status
Staple Street, Motueka	Staff response to Toni Elliott and Smokey Fry over concerns raised during public forum re flooding at their property at 40 Staple Street.	Chief Executive & Utilities Manager	On agenda for 27 July 2017 meeting.
Special Housing Areas	Recommend to the Minister of Building and Construction that the following be established as Special Housing Areas: <ul style="list-style-type: none"> <li>○ 323 Hill Street</li> <li>○ 265 Sandy Bay-Marahua Road</li> <li>○ Angelus Avenue</li> <li>○ Highland Drive</li> <li>○ Whitby Road</li> <li>○ ApplebyField</li> <li>○ 37 McShane Road</li> </ul>	Environment and Policy Manager	<b>Complete</b> (MBIE and applicants advised).
Special Grants Funding	Notify Kai Fest Trust of decision.	Community Partnerships Officer	<b>Complete</b> (27 June 2017).
CN17-06-26 (CE's Activity Report)	Update schedule of fees and charges.	Policy Officer	<b>Complete.</b>
Corporate Services – Quarterly Report	Share electronic version of the treasury paper he presented in Auckland.	Corporate Services Manager	<b>Complete.</b>





**8.13 MACHINERY RESOLUTIONS REPORT**

Information Only - No Decision Required

<b>Report To:</b>	Full Council
<b>Meeting Date:</b>	27 July 2017
<b>Report Author:</b>	Gabrielle Drummond, Administration Assisstant - Governance Services
<b>Report Number:</b>	RCN17-07-13

**Executive Summary**

- 1.1 The execution of the following documents under Council Seal require confirmation by Council.
- 1.2 It is recommended that the report be received and the execution of the documents under the Seal of Council be confirmed.

**Draft Resolution****That the Tasman District Council**

1. receives the Machinery Resolutions report RCN17-07-13 be received; and
2. that the execution of the following documents under the Seal of Council be confirmed:
  - a) Deed of Renewal – Higgins– Deed of renewal – Higgins (Lease with rights of renewal - Appleby gravel crushing).
  - b) Deed of Renewal - Fulton Hogan (Lease with Rights of renewal - Murchison Depot).
  - c) Uplift of Deferment - D.T King & Co Ltd – Uplift of deferment at 551 Lower Queen Street.
  - d) Easement in Gross – WAHANGA Ltd – Easements in gross – Puketutu and surrender of establishments in gross.
  - e) Covenant under S200 RMA – Riverside - To hold together productive titles in exchange for small allotments as approved under consent.
  - f) Easement in – WAHANGA Ltd – To surrender easement and establish over balance area to allow road to vest within subdivision stage 2.
  - g) Easement for Access – PM Holdaway – Easement in gross for TDC to access – esplanade reserves across stream.
  - h) Plan Change approval certificate under RMA 1991 – Tasman District Council – Approval and commencement of Change 52 (Upper Motueka Water Management Review) to the Tasman Resource Management Plan) and Change 58 (Wakefield Strategic Review).

