



PALMERSTON NORTH CITY COUNCIL

AGENDA

COUNCIL

9AM, WEDNESDAY 1 SEPTEMBER 2021
AUDIO-VISUAL MEETING

MEMBERS

Grant Smith (Mayor)	
Aleisha Rutherford (Deputy Mayor)	
Brent Barrett	Patrick Handcock ONZM
Susan Baty	Leonie Hapeta
Rachel Bowen	Lorna Johnson
Zulfiqar Butt	Billy Meehan
Vaughan Dennison	Orphée Mickalad
Renee Dingwall	Karen Naylor
Lew Findlay QSM	Bruno Petrenas

AGENDA ITEMS, IF NOT ATTACHED, CAN BE VIEWED AT

pncc.govt.nz | Civic Administration Building, 32 The Square
City Library | Ashhurst Community Library | Linton Library

Heather Shotter

Chief Executive | PALMERSTON NORTH CITY COUNCIL

To Mārae o Hine | 32 The Square
Private Bag 11034 | Palmerston North 4442 | New Zealand
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CITY

COUNCIL MEETING

1 September 2021

ORDER OF BUSINESS

1. Apologies

2. Notification of Additional Items

Pursuant to Sections 46A(7) and 46A(7A) of the Local Government Official Information and Meetings Act 1987, to receive the Chairperson's explanation that specified item(s), which do not appear on the Agenda of this meeting and/or the meeting to be held with the public excluded, will be discussed.

Any additions in accordance with Section 46A(7) must be approved by resolution with an explanation as to why they cannot be delayed until a future meeting.

Any additions in accordance with Section 46A(7A) may be received or referred to a subsequent meeting for further discussion. No resolution, decision or recommendation can be made in respect of a minor item.

3. Declarations of Interest (if any)

Members are reminded of their duty to give a general notice of any interest of items to be considered on this agenda and the need to declare these interests.

4. Presentation - Susan Freeman-Greene and Stuart Crosby - Local Government New Zealand

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5. **Presentation - Bill Bayfield, Chief Executive, Taumata Arowai** Page 9
6. **Presentation - Craig Hart, Lions Club of Middle Districts** Page 11
7. **Confirmation of Minutes** Page 13
 "That the minutes of the ordinary meeting of 25 August 2021 Part I Public be confirmed as a true and correct record."

REPORTS

8. **Victoria Esplanade - Mini Golf Course Lease Proposal** Page 19
 Report, presented by Bryce Hosking, Manager - Property and Kathy Dever-Tod, Parks & Reserves Manager.
9. **The Globe Theatre Trust - Final Statement of Intent 2021-2024** Page 31
 Memorandum, presented by Hannah White, Democracy & Governance Manager.
10. **The Regent Theatre Trust - Final Statement of Intent 2021-2024** Page 53
 Memorandum, presented by Hannah White, Democracy & Governance Manager.
11. **Te Manawa Museums Trust - Final Statement of Intent 2021-2024** Page 75
 Memorandum, presented by Hannah White, Democracy & Governance Manager.
12. **Caccia Birch Trust Board - Final Statement of Intent 2021-2024** Page 115
 Memorandum, presented by Hannah White, Democracy & Governance Manager.
13. **Elected Member Appointments to the Caccia Birch Trust Board** Page 137
 Memorandum, presented by Hannah White, Democracy & Governance Manager.
14. **Chief Executive briefing to Council on the next stages of Three Waters Service Delivery Reform** Page 139

Memorandum, presented by Sandra King, Transport & Infrastructure Manager.

15. Clearview Reserve - Easement Proposal to Powerco Page 215

Report, presented by Bryce Hosking, Manager - Property and Kathy Dever-Tod, Parks & Reserves Manager.

16. Quarterly Performance and Financial Report - Quarter Ending 30 June 2021 Page 223

Memorandum, presented by Stuart McKinnon, Chief Financial Officer and Andrew Boyle, Head of Community Planning.

17. Council Work Schedule Page 305

18. Exclusion of Public

To be moved:

"That the public be excluded from the following parts of the proceedings of this meeting listed in the table below.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered		Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for passing this resolution
19.	Award of Contract - Crematorium Seismic Strengthening	Third Party Commercial	s7(2)(b)(ii)
20.	Trustee/Director Appointments to Council Organisations	Privacy	s7(2)(a)
21.	Civic Honours Awards 2021	Privacy	s7(2)(a)
22.	Tamakuku Terrace - Negotiations with Affordable Housing Providers	Negotiations	s7(2)(i)

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

Also that the persons listed below be permitted to remain after the public has been excluded for the reasons stated.

[Add Third Parties], because of their knowledge and ability to assist the meeting in speaking to their report/s [or other matters as specified] and answering questions, noting that such person/s will be present at the meeting only for the items that relate to their respective report/s [or matters as specified].

PRESENTATION

TO: Council

MEETING DATE: 1 September 2021

TITLE: Presentation - Susan Freeman-Greene and Stuart Crosby -
Local Government New Zealand

RECOMMENDATIONS TO COUNCIL

1. That the Council receive the presentation for information.
-

SUMMARY

Susan Freeman-Greene and Stuart Crosby from Local Government New Zealand will speak on the Three Waters proposal.

ATTACHMENTS

Nil

PRESENTATION

TO: Council

MEETING DATE: 1 September 2021

TITLE: Presentation - Bill Bayfield, Chief Executive, Taumata Arowai

RECOMMENDATION TO COUNCIL

1. That the Council receive the presentation for information.
-

SUMMARY

Bill Bayfield, Chief Executive from Taumata Arowai will speak on the Three Waters proposal.

ATTACHMENTS

Nil

PRESENTATION

TO: Council

MEETING DATE: 1 September 2021

TITLE: Presentation - Craig Hart, Lions Club of Middle Districts

RECOMMENDATION TO COUNCIL

1. That the Council receive the presentation for information.
-

SUMMARY

Mr Craig Hart from the Lions Club would like to present on the mini golf course proposal at the Victoria Esplanade.

ATTACHMENTS

Nil

PALMERSTON NORTH CITY COUNCIL

Minutes of the Council Meeting Part I Public, held via an Audio Visual Meeting on 25 August 2021, commencing at 9.00am

Members Present: Grant Smith (The Mayor) (in the Chair) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Billy Meehan, Orphée Mickalad, Karen Naylor and Aleisha Rutherford.

Apologies: Councillor Bruno Petrenas.

80-21 Apologies

Moved Grant Smith, seconded Aleisha Rutherford.

RESOLVED

1. That Council receive the apologies.

Clause 80-21 above was carried 15 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Billy Meehan, Orphée Mickalad, Karen Naylor and Aleisha Rutherford.

81-21 Confirmation of Minutes

Moved Grant Smith, seconded Aleisha Rutherford.

RESOLVED

1. That the minutes of the ordinary meeting of 4 August 2021 Part I Public be confirmed as a true and correct record.

Clause 81-21 above was carried 15 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Billy Meehan, Orphée Mickalad, Karen Naylor and Aleisha Rutherford.

82-21 Presentation

Mr Chris Teo-Sherrell made a presentation on behalf of the Water Protection Society regarding item 5 of the Agenda (clause 83-21

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below).

Mr Teo-Sherrell supported the land-based wastewater treatment options stating that they were more beneficial to life and spiritual values of the river and ocean, could create higher economic benefits in the community and would contribute to the reduction of greenhouse emissions.

It was pointed out as deficiencies of the land-based discharge options that none of them included a front-end treatment wetland component.

Finally, Mr Teo-Sherrell asked Elected Members to make a decision that reflects the values of the community especially those of younger people.

Moved Grant Smith, seconded Aleisha Rutherford.

RESOLVED

1. That the presentation from Mr Chris Teo-Sherrell be received.

Clause 82-21 above was carried 15 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Billy Meehan, Orphée Mickalad, Karen Naylor and Aleisha Rutherford.

REPORTS

83-21 Wastewater Best Practicable Option: Final Assessment and BPO Selection

Memorandum, presented by Robert van Bentum, PNCC Chief Engineer, Melaina Voss, Wastewater BPO Project Manager, David Warburton, BPO Project Steering Group Chair, Peter Loughran, Stantec, Oska Rego, Simpson Grierson, Jim Bradley Stantec, and Daryl Irvine, PDP.

The meeting adjourned at 10.46am.

The meeting resumed at 11.00am.

Councillor Naylor's proposed amendment was considered.

The meeting adjourned at 12.34pm.

The meeting resumed at 1.45pm.

Councillor Dingwall's proposed amendment was considered.

Moved Grant Smith, seconded Aleisha Rutherford.

RESOLVED

1. That Council receive the report titled 'Wastewater Best Practicable

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Option: Final Assessment and BPO Selection,' including the attachments Appendices 1 to 10.

2. That Council note the Best Practicable Option (BPO) identified by the technical team for consideration by Council based on Officer recommendations of scoring and weighting of assessment criteria.

Clauses 83.1-21 and 83.2-21 above were carried 15 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Billy Meehan, Orphée Mickalad, Karen Naylor and Aleisha Rutherford.

Moved Grant Smith, seconded Aleisha Rutherford.

RESOLVED

3. That Council agree the assessment weightings for determining the wastewater management solution are as set out in Figure 3: Technical Recommendation of Assessment Weightings.

Clause 83.3-21 above was carried 14 votes to 1, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Billy Meehan, Orphée Mickalad and Aleisha Rutherford.

Against:

Councillor Karen Naylor.

Note:

Moved Karen Naylor, seconded Vaughan Dennison.

On an amendment to recommendation 3 that: 'Council agree the assessment weightings for determining the wastewater management solution as recommended by officers subject to increasing the weighting of cost to 25% and reduce MCA, Project objectives and RMA Planning by 5% each'. The amendment was lost 2 votes to 13, the voting being as follows:

For:

Councillors Vaughan Dennison and Karen Naylor.

Against:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Zulfiqar Butt, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Billy Meehan, Orphée Mickalad and Aleisha Rutherford.

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Moved Renee Dingwall, seconded Brent Barrett.

On an amendment to recommendation 3 that: 'Council changes the assessment weightings to provide 50% to Maori Values and MCA in line with our Te Tiriti partnership. The other weightings changed as indicated on page 20 of the Draft Interim BPO Assessment & Recommendation will be Multi Criteria Assessment 10%, Project Objectives 10%, RMA Planning 10%'. The amendment was lost 2 votes to 13, the voting being as follows:

For:

Councillors Brent Barrett and Renee Dingwall.

Against:

The Mayor (Grant Smith) and Councillors Susan Baty, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Billy Meehan, Orphée Mickalad, Karen Naylor and Aleisha Rutherford.

84-21 Council Work Schedule

Moved Grant Smith, seconded Aleisha Rutherford.

RESOLVED

1. That the Council receive its Work Schedule dated August 2021.

Clause 84-21 above was carried 15 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Billy Meehan, Orphée Mickalad, Karen Naylor and Aleisha Rutherford.

RECOMMENDATIONS FROM COMMITTEE MEETINGS

85-21 Planning & Strategy Committee Part I Public - 11 August 2021

Consideration was given to Planning & Strategy Committee recommendations below.

Moved Aleisha Rutherford, seconded Patrick Handcock ONZM.

RESOLVED

Draft Trade Waste Bylaw - Approval for Consultation

1. That the draft Palmerston North Trade Waste Bylaw 2022 Consultation Document, included as attachment one to the report titled 'Draft Trade Waste Bylaw – approval for consultation' presented to the Planning and Strategy Committee on 11 August 2021, be amended as follows:

Section 1.3(h) of Appendix 2 of the Administration Manual to read:
'Radioactive material, unless the material is discharged in

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accordance with the Code of Practice for Unsealed Radioactive Material published by the Ministry of Health.'

2. That the Council approve the draft Palmerston North Trade Waste Bylaw 2022 Consultation Document, included as attachment one to the report titled 'Draft Trade Waste Bylaw – approval for consultation' presented to the Planning & Strategy Committee on 11 August 2021 (as amended), for consultation with the public.
3. That the Mayor and Deputy Mayor be authorised to approve minor amendments to the consultation document prior to publication.

Mitigating East Street Traffic Safety Concerns

1. That the Council provide additional funding (up to \$24,000) to install temporary safety treatments in East Street in Financial Year 2021-22 (Year 1) immediately, and proceed to install permanent safety treatments as planned in Financial Year 2023-24 (Year 3).

Clause 85-21 above was carried 15 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Billy Meehan, Orphée Mickalad, Karen Naylor and Aleisha Rutherford.

The meeting finished at 2.36pm

Confirmed 1 September 2021

Mayor

Report

TO: Council

MEETING DATE: 1 September 2021

TITLE: Victoria Esplanade - Mini Golf Course Lease Proposal

PRESENTED BY: Bryce Hosking, Manager - Property and Kathy Dever-Tod, Parks & Reserves Manager

APPROVED BY: Sarah Sinclair, Chief Infrastructure Officer

RECOMMENDATIONS TO COUNCIL

1. That Council agrees to:

- a) Approve the extended lease term of ten (10) years for The Lions Club of Middle Districts Incorporated to enable development of an 18-hole mini golf course within the Play Zone of the Victoria Esplanade, and remove the early termination clause within the Lease;
- or
- b) Approve the extended lease term of ten (10) years for The Lions Club of Middle Districts Incorporated to enable development of an 18-hole mini golf course within the Play Zone of the Victoria Esplanade, and retain the early termination clause within the Lease.

SUMMARY OF OPTIONS ANALYSIS FOR

Problem or Opportunity	<p>The Victoria Esplanade Masterplan 2018 has provision for an 18-hole mini golf course to be located within the Play Zone of the Victoria Esplanade.</p> <p>The Lions Club of Middle Districts Incorporated ("the Lions") provided a submission as part of the 2018-28 Ten Year Plan to develop and operate the mini golf facilities at their cost. This was approved by Council.</p> <p>Once the Lions had obtained the resource consent in early 2021, negotiations commenced to determine the proposed lease terms.</p> <p>Council's policy for leasing land within reserves directs that the length of the lease term is no longer than five (5) years with a single right of renewal of another five (5) years. It is also standard practise for an early termination clause to be included in all recreational leases.</p> <p>Given the Lions' level of capital investment in the Project, they have requested a ten (10) year lease term with a right of renewal of another ten (10) years. In addition, they have also requested that the early termination clause be removed from the lease documentation.</p> <p>As the Lion's request differs from Council's policy and standard practice, this report seeks approval from Council of these extended terms, so a lease can be formally entered into.</p>
OPTION 1:	Approve the extended lease term and remove the early termination clause within the Lease
Benefits	<p>This is the Lion's preferred Option.</p> <ul style="list-style-type: none"> • A 20-year lease term will provide security to the Lions and will support their internal fund-raising efforts for the project. • The longer lease term will support the Lions to continue to invest in the project through ongoing maintenance expenses for the operation of the mini golf facilities.
Risks	<ul style="list-style-type: none"> • Should the mini golf course not be operating in accordance with the consent conditions or the general principles of the proposal consented upon, or the course not be operating in a way that meets Council's expectations and these matters cannot be resolved through arbitration, Council would not be able to bring the Lease to an end without the agreement of the Lions. • The lease term of 20 years may limit Council's strategic options around the future use of the lease area. However,

	the risk is low as this proposal has been consulted and approved by Council in the Long Term Plan and the Esplanade Master Plan.
Financial	<ul style="list-style-type: none"> Council will receive an annual rental of \$150 + GST.
OPTION 2:	Approve the extended lease term but retain the early termination clause within the Lease
Benefits	<ul style="list-style-type: none"> The Lions are still provided with considerable lease security and can continue to invest in the project through ongoing maintenance expenses for the operation of the mini golf facilities with confidence. In the event that the mini golf is not operated in accordance with the resource consent conditions or the general principles of the proposal consented upon, or the course is not operating in a way that meets Council's expectations and these matters cannot be resolved through arbitration, the inclusion of the early termination clause helps to mitigate Council's risk to enable Council to bring the lease to an end.
Risks	<ul style="list-style-type: none"> The lease term of 20 years may limit Council's strategic options around the future use of the lease area. The inclusion of a termination clause will be viewed negatively by the Lions as they consider it reduces their lease security moving forward.
Financial	<ul style="list-style-type: none"> Council will receive an annual rental of \$150 + GST.
OPTION 3:	Decline the current proposed lease terms, with Council Officers entering back into negotiations to determine new lease terms in line with Council's policy and standard practice
Benefits	<ul style="list-style-type: none"> Council Officers will negotiate the lease terms in accordance with existing policy and standard practice, consistent with the approach taken for other community groups.
Risks	<ul style="list-style-type: none"> The Lions may not agree with the terms in line with Council's policy and standard practice which may delay or jeopardise the project. The Lions may perceive Council as being difficult to deal with and causing unnecessary delays.
Financial	<ul style="list-style-type: none"> As negotiations would be recommencing, no rental income will be received until terms have been reached. It is likely that the final rental received will remain the

	same at \$150 + GST as this is already in line with Council's policy.
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RATIONALE FOR THE RECOMMENDATIONS

1. OVERVIEW OF THE PROBLEM OR OPPORTUNITY

- 1.1 The Victoria Esplanade Masterplan 2018 has provision for an 18-hole mini golf course to be located within the Play Zone of the Victoria Esplanade.
- 1.2 The Lions Club of Middle Districts Incorporated ("the Lions") provided a submission as part of the 2018-28 Long Term Plan to develop and operate the mini golf facilities at their cost. This was approved by Council.
- 1.3 Once the Lions had obtained the resource consent in early 2021, negotiations commenced to determine the proposed lease terms.
- 1.4 The proposed location and site plan approved under the resource consent is shown in Figure 1.



Figure 1: Mini golf course plan as per Resource Consent

- 1.5 Council's policy for leasing land within reserves directs that the length of the lease term is no longer than five (5) years with a single right of renewal of another five (5) years. It is also standard practise for an early termination clause to be included in all recreational leases.
- 1.6 Given the Lions' level of capital investment in the Project, they have requested a ten (10) year lease term with a right of renewal of another ten (10) years. In addition, they have also requested that the early termination clause be removed from the lease documentation.

- 1.7 As the Lion's request differs from Council's policy and standard practice, this report seeks approval from Council of these extended terms, so a lease can be formally entered into.

2. BACKGROUND

- 2.1 The Victoria Esplanade Masterplan was developed in 2017 and 2018 to guide the development of the Victoria Esplanade.
- 2.2 It identified the Lions' mini golf as a development project within the Play Zone, as per Figure Two.

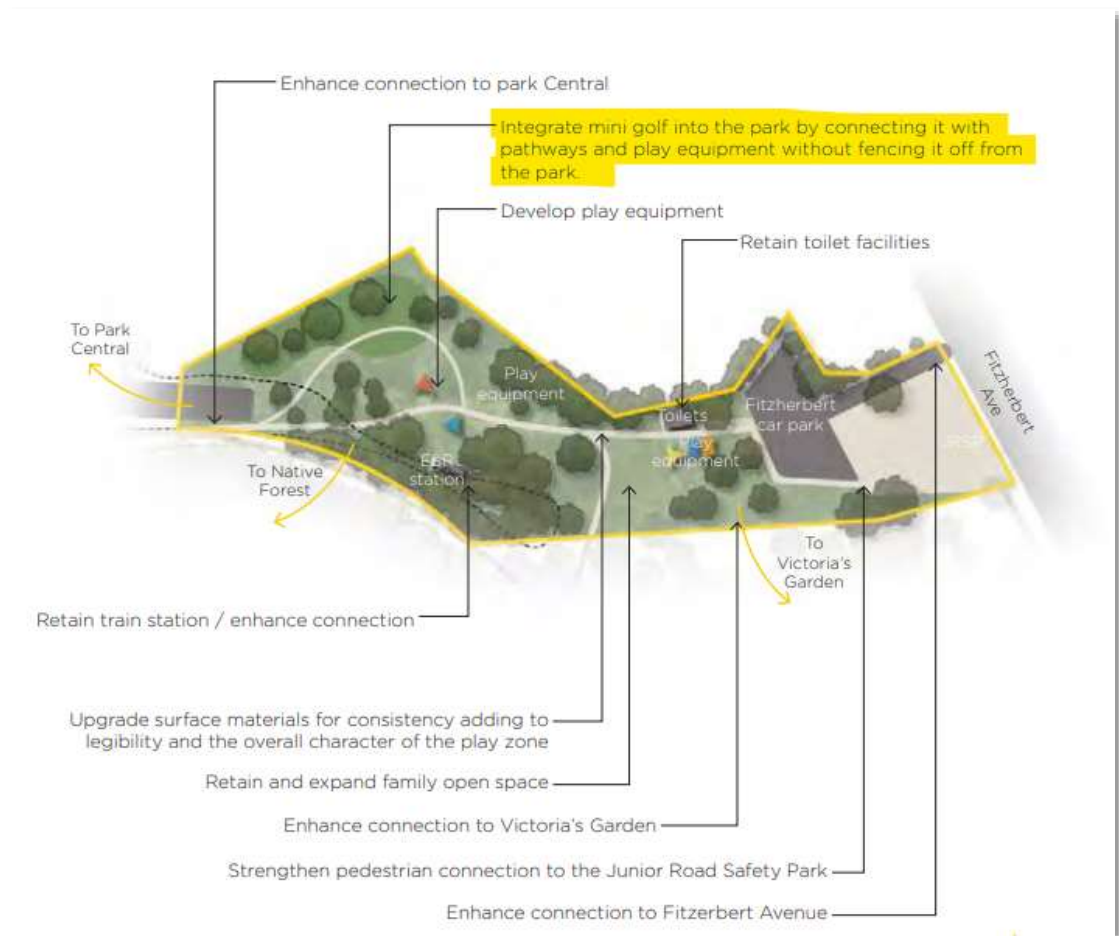


Figure 2: Mini golf in the Victoria Esplanade Masterplan - page 89

- 2.3 The Masterplan was consulted with the Victoria Esplanade User Group and community, and the mini golf proposal was well received.

Extended Lease Terms

- 2.4 For most of Council's existing recreation leases, the lease terms are capped to no more than ten (10) years in accordance with the existing Council Policy, ie. a 5-year term with a right of renewal of another 5 years.

- 2.5 There are seven (7) approved leases that have lease terms longer than 10 years. These leases are:

Tenant	Location	Lease Term
Manawatu Smallbore Rifle Association	Totara Road	15 Years
Manawatu Cricket Association	Practice-wicket, Park Road	15 Years
Palmerston North Golf Club	Brightwater Terrace	30 Years
Menzshed Manawatu	Rangitāne Pavilion	25 Years
Palmerston North Esplanade Scenic Railway	The Esplanade	20 Years
YMCA Central	Park Road	31 Years
The Scout Association NZ	Ashhurst Domain	20 Years

- 2.6 The above leases were granted extended lease terms to provide additional security of lease term to reflect the organisation's considerable financial investment into their respective facilities.

3. LEASE TERMINATION

- 3.1 Within Council's standard lease documentation for recreational leases or leases on reserves there are two clauses that enable Council to terminate a lease early; a clause for a breach of lease conditions, and a more broadened early termination clause. These are explored below.

Lease Termination – Breach of Lease

- 3.2 If a tenant is breaching the lease conditions such as not paying rent or not using a lease area for the use prescribed/ agreed to within the lease, Council can terminate the lease through Clause 9.2. This clause reads:

"If the Landlord after making such enquiries as it thinks fit and giving the Tenant the opportunity of explaining the usage of the property is satisfied that the property is not being used or being sufficiently used for the Prescribed Use then the Landlord may terminate this lease on such terms as it thinks fit but without prejudice to any antecedent right or action which the Landlord may have against the Tenant however it arose."

- 3.3 In the situation where a breach of lease had occurred, prior to any termination of the lease being sought, the two parties would always look to engage in a thorough arbitration process to try to resolve the issues. However, should the issue/s not be able to be resolved, the legal process to terminate the lease can begin.
- 3.4 This clause will remain in all lease documentation, including the proposed lease discussed in this report with the Lions.

- 3.5 However, providing a tenant is not breaching the terms of a lease, this clause does not allow Council to terminate a lease should the operation of that facility not meet Council's expectations, ie. providing poor service, not being opened for desired hours, not upkeeping the facility to Council's desired standards, etc.

Early Termination Clause

- 3.6 To reduce Council's risk in relation to the operation of the facility not meeting Council's expectations, it is standard practice for Council to also include a more broadened early termination clause in its lease documentation, in addition to Clause 9.2, for recreational leases or leases on reserves. This is Clause 47 which reads:

"Notwithstanding any other provision in this Lease, the Landlord may terminate this Lease by giving three (3) months' notice in writing to the Tenant. Termination pursuant to this clause shall not give the Tenant any right or claim whatsoever against the Landlord."

- 3.7 For clarity, an arbitration process like that mentioned above to resolve lease issues would still be undertaken in this instance, however, should a resolution of issues that do not constitute a breach of lease not be able to be reached, Council will have the ability to terminate a lease. If this clause is not included in the lease, these types of issues are very difficult to address.
- 3.8 Whilst this clause is included in leases to help mitigate Council's risk, Council does have two (2) approved leases which have had this clause removed. They are:

Tenant	Location	Lease Term
Manawatu Cricket Association	Practice-wicket, Park Road	15 Years
YMCA Central	Park Road	31 Years

- 3.9 As with the extended lease terms, the early termination clause was removed from these leases to reflect the considerable financial investment from the organisations into their respective facilities.

4. DESCRIPTION OF OPTIONS

- 4.1 Council has three (3) options to consider:
- Approve the extended lease term and remove the early termination clause within the Lease;
 - Approve the extended lease term but retain the early termination clause with the Lease; or
 - Decline the current proposed lease terms, with Council Officers entering back into negotiation to determine new lease terms in line with Council's policy and standard practice.

5. ANALYSIS OF OPTIONS

OPTION 1: Approve the extended lease term and remove the early termination clause with the Lease

- 5.1 Option 1 sees Council enter a lease with the Lions within the Victoria Esplanade.
- 5.2 The lease is proposed to be for a ten (10) year lease term with a right of renewal of another ten (10) years. In addition, the Lions have requested that the standard early termination clause be removed from the lease documentation.
- 5.3 This is the Lion's preferred option.
- 5.4 Note: The benefits and risks within this report relate to the options being considered, not in relation to having a mini golf course within the Victoria Esplanade.

Benefits

- 5.5 Option 1 has the following benefits:
 - A 20-year lease term clause will provide security to the Lions and will support their internal fund-raising efforts for the project.
 - The added security of the lease will support the Lions to continue to invest in the project through ongoing maintenance expenses for the operation of the mini golf facilities with confidence.
 - The Lions perceive that the removal of the early termination clause will give them more security of the Lease.

Risks

- 5.6 The risks identified for Option 1 are:
 - Should the mini golf course not be operating in accordance with the consent conditions or the general principles of the proposal consented upon, or the course not be operating in a way that meets Council's expectations and these matters cannot be resolved through arbitration, Council would not be able to bring the Lease to an end without the agreement of the Lions.
 - The lease term of 20 years may limit Council's strategic options around the future use of the lease area. However, the risk is low as this proposal has been consulted and approved by Council in the Long Term Plan and the Esplanade Master Plan.

Financial

- 5.7 Council will receive an annual rental of \$150 + GST.

- 5.8 There will be no ongoing operational costs to Council associated with the lease as it is a land lease only. The club will be responsible for their own repair and maintenance of the mini golf facilities.

OPTION 2: Approve the extended lease term but retain the early termination clause with the Lease.

- 5.9 As with Option 1, Option 2 sees Council enter a lease with the Lions within the Victoria Esplanade.
- 5.10 Again, the lease is proposed to be for a ten (10) year lease term with a right of renewal of another ten (10) years. However, this option will retain the early termination clause in the lease documentation in line with Council's standard practice.

Benefits

- 5.11 Option 2 has the following benefits:
- The Lions are still provided considerable lease security and can continue to invest in the project through ongoing maintenance expenses for the operation of the mini golf facilities with confidence.
 - In the event that the mini golf is not operated in accordance with the resource consent conditions or the general principles of the proposal consented upon, or the course was not operating in a way that meets Council's expectations and these matters cannot be resolved through arbitration, the inclusion of the early termination clause helps to mitigate Council's risk to enable Council to bring the lease to an end.

Risks

- 5.12 The risks identified for Option 2 are:
- Given the proposed lease will be potentially 20 years, this may limit Council's strategic options around the future use of the lease area.
 - The inclusion of a termination clause will be viewed negatively by the Lions as they consider it to reduce their lease security moving forward.

Financial

- 5.13 Council will receive an annual rental of \$150 + GST.
- 5.14 As with Option 1, there will be no ongoing operational costs to Council associated with the lease as it is a land lease only. The club will be responsible for their own repair and maintenance of the mini golf facilities.

OPTION 3: Decline the current proposed lease terms, with Council Officers entering back into negotiations to determine new lease terms in line with Council's policy and standard practice

- 5.15 Option 3 sees Council decline the current proposed lease terms and directs Council Officers to go back to the Lions and renegotiate terms that are in line with Council's policy and standard practice.
- 5.16 This would be the least favourable option for the Lions and will at minimum cause delays to the project.

Benefits

- 5.17 Council Officers will negotiate the lease terms in accordance with existing policy and standard practice.

Risks

- 5.18 The risks identified for Option 3 are:
- The Lions may not agree with the terms in line with Council's policy and standard practice which may delay or jeopardise the project.
 - The wider public and the Lions may perceive Council as being difficult to deal with and causing unnecessary delays.

Financial

- 5.19 As negotiations would be recommencing, no rental income will be received until terms have been reached.
- 5.20 It is likely that the final rental received will remain the same at \$150 + GST as this is already in line with Council's policy.

6. CONCLUSION

Options 1 and 2

- 6.1 Despite the extended lease term limiting Council's future use of the site upon which it will sit, given the mini golf course was included in the 2018 Victoria Esplanade Masterplan, this is considered a low and unlikely risk to Council.
- 6.2 The removal of the early termination clause increases Council's risk should the venture not be operated in a way that meets Council's expectations. Whilst this is also considered an unlikely risk, Council will need to decide whether they are willing to accept this risk.

Option 3

- 6.3 Unlike the risks for Options 1 and 2, the risks associated with Option 3 are considerably more likely to occur and will potentially have a much higher impact.

- 6.4 The risks around delay, straining Council's relationship with the Lions, and even jeopardising the project altogether if terms cannot be reached, are considered to far outweigh the benefits of this option.
- 6.5 Considering the above, it is recommended that Council proceed with either Option 1 or 2 depending on their risk appetite around the removal of the early termination clause.

7. NEXT ACTIONS

- 7.1 Proceed with signing a Deed of Lease between Council and The Lions for the mini golf course land within Victoria Esplanade.

8. OUTLINE OF COMMUNITY ENGAGEMENT PROCESS

- 8.1 The Victoria Esplanade is subject to the Palmerston North Reserves Act 1922 and has its own Reserve Management Plan and therefore is not subject to the consultation requirements of the Reserves Act 1977.
- 8.2 Given this the lease proposal was not required to be publicly notified.
- 8.3 The Esplanade Steering Group was consulted on this lease proposal and there were no objections.
- 8.4 Council Officers presented the Club's proposal in the bimonthly meeting with Rangitāne o Manawatu on 28 June 2019 and Iwi representatives were supportive of the lease term and suggested that the signage have dual English and Te Reo wording to be consistent with new signage across the city. This recommendation was adopted as a condition of the resource consent.
- 8.5 Iwi were further consulted on this matter in July 2021 as part of the July 2021 bimonthly meeting with Council Officers. They had no objections to either option 1 or option 2.

COMPLIANCE AND ADMINISTRATION

Does the Council have delegated authority to decide?	Yes
Are the decisions significant?	No
If they are significant do, they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 2: A Creative and Exciting City	
The recommendations contribute to the achievement of action/actions in Active	

Communities	
The action is: To carry out recreation and reserves planning functions under the Palmerston North Reserves Act 1922 and Local Government Act including the preparation of Reserve Management and Development Plans and Master Plans.	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	This aligns will with the direction to create a city that has great places for all people, particularly families, and have the most active community in New Zealand (Priorities 1 and 5, Creative Land Liveable Strategy).

ATTACHMENTS

Nil

MEMORANDUM

TO: Council

MEETING DATE: 1 September 2021

TITLE: The Globe Theatre Trust - Final Statement of Intent 2021-2024

PRESENTED BY: Hannah White, Democracy & Governance Manager

APPROVED BY: Sheryl Bryant, Assistant Chief Executive

RECOMMENDATION TO COUNCIL

1. That the Council agree the Statement of Intent 2021-2024 submitted by the Globe Theatre Trust, attached as Appendix 1 of the report titled 'The Globe Theatre Trust - Final Statement of Intent 2021-2024'

1. ISSUE

- 1.1 The Statement of Intent (SOI) sets out the objectives and activities of The Globe Theatre Trust (the Globe) for the next three years. It serves as a basis for accountability to the Council, as the shareholder, and provides an opportunity for the Council to influence The Globe's direction. The requirements for the Statement of Intent are set out in Schedule 8 of the Local Government Act 2002 (LGA).
- 1.2 Under the LGA, a local authority has the power to modify a SOI to ensure it adequately reflects the Council's strategic priorities if it considers that is necessary.
- 1.3 In November 2020, the Council resolved to retain the Statement of Expectations 2020/21 for all cultural Council Controlled Organisations (CCOs) for the forthcoming year 2021/22.
- 1.4 The Globe delivered its final Statement of Intent 2021-2024 to Council officers before the legal deadline of 30 June 2021.
- 1.5 The purpose of this report is for the Council to fulfil the requirement under s 65(2) of the LGA to agree the final SOI, or if it does not agree, to require the SOI to be modified as set out in clause 6, Schedule 8 of the LGA.

2. BACKGROUND

- 2.1 The Globe is a CCO, which was set up to independently manage the Globe Theatre. A CCO is an organisation in which Council has the right to appoint at least fifty percent of the trustees and must work towards Council's objectives

on its behalf. The Globe is managed by a Board of Trustees made up of committed volunteers.

- 2.2 The Arts, Culture & Heritage Committee received the Globe's draft SOI at its meeting on 14 April 2021 and made recommendations for the Globe Trust Board to consider in developing its final SOI. These recommended changes were approved by Council on 5 May 2021.
- 2.3 The Globe Theatre Trust Board has considered the Council's comments on the draft SOI and made changes in response, as summarised in Table 1.
- 2.4 Officers consider that comments have been adequately addressed in the final SOI and that new performance measures can be developed before the draft SOI 2022-25 is submitted in March 2022.

Table 1: Comparison of Council comments with the Globe's final SOI 2021-24

Council comments on draft SOI	Is it dealt with in the SOI?
Develop 4-6 high-quality performance measures with Officers.	No - The performance measures have not changed in this SOI. A comment to develop new measures for next year is mentioned in the foreword. The Globe has confirmed that work will be completed before the draft SOI 2022-25 is presented to Committee in 2022.
Actively explore collaboration with other CCOs on a one-stop front of house booking operation.	Yes - Mentioned in foreword.
Actively explore with other CCOs opportunities for bringing ticketing functions under one umbrella for city venues.	Yes - Mentioned in foreword.
Work with Council and other agencies to develop Economic Impact reporting for regionally/nationally significant events.	Yes - Mentioned in foreword.

- 2.5 Collaboration with other CCOs and Council officers has already begun through the quarterly CCO meetings, to explore options for:
 - A one-stop front of house booking operation
 - Bringing ticketing functions under one umbrella for city venues
 - Developing Economic Impact reporting for regionally/nationally significant events.

3. NEXT STEPS

- 3.1 The Globe's Annual Report 2020-21 is due to Council officers on 30 September 2021 and will be presented to the Arts, Culture & Heritage Committee in November.
- 3.2 Statements of Expectation for 2022-25 will be drafted by officers and presented to the Arts, Culture & Heritage Committee in November.

4. COMPLIANCE AND ADMINISTRATION

Does the Council have delegated authority to decide?	Yes
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 2: A Creative and Exciting City	
The recommendations contribute to the outcomes of the Creative and Liveable Strategy	
The recommendations contribute to the achievement of action/actions in the Arts Plan	
The action is: to support CCOs to achieve the objectives of the arts plan.	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	Agreeing the Statements of Intent is a mechanism for Council to provide guidance and direction to the cultural CCOs and meets Council's responsibility to monitor the CCOs under the LGA.

ATTACHMENTS

1. The Globe Theatre: Statement of Intent 2021-24 [↓](#) 



address: PO Box 132, 132 Main Street
Palmerston North
website: www.globetheatre.co.nz
email: info@theglobe.co.nz
phone: 06 351 4409

Globe Theatre Trust Statement of Intent For the three years to 30 June 2024

Version: FINAL

Date: 21/06/2021

Prepared by: Globe Theatre Trust Board

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Trust Details as at 30 June 2021

Nature of Business	Theatre
Establishment Date	15 April 2002
Trustees	J Adams (Chairperson) M Dale R Harris G Hudson M May
Treasurer	G Hudson
Secretary	M May
Theatre Manager	G Keating
Address	312 Main Street PO Box 132 Palmerston North
Telephone	(06) 351 4409
Website	www.globetheatre.co.nz
Email	info@globetheatre.co.nz
Bankers	Bank of New Zealand
Solicitors	Cooper Rapley
Registered Office	C/ Palmerston North City Council Civic Administration Building The Square Palmerston North
Incorporation Number	1206039
Charity Registration Number	CC28111
Inland Revenue Number	43-006-495

Foreword

The Globe Theatre Trust Board is pleased to present its Statement of Intent for the three-year period from July 2021 to June 2024. The Board continues to be driven by its vision of the Globe Theatre as the home of the local performing arts community in Palmerston North.

In 2020, the Board reviewed its 5-Year Strategic Plan and following that review, created a 10-Year Strategic Plan with a view to review every year. The 10-Year Strategic Plan was attached to the Statement of Intent 2020-2023.

The Statement of Intent is presented under a “business as usual” scenario. The Board is, however, mindful of the COVID Pandemic and whilst the theatre is operating under “business as usual”, we are only one step away from being closed for any length of time. After the initial lockdown of March – May 2020, the theatre reopened to many events and good crowds. Even during the Level 2 lockdown of August & September 2020, the theatre was able to function to the best of its ability under social distancing restrictions.

The Board anticipates further growth in business but not to the extent of previous years. The Board has requested additional funding from the 2021/22 year for increased technical support with a view to growing this position into a permanent paid position funded by the growth in hire income and ticketing business.

The Board is confident that the theatre is making excellent progress toward its vision to be “A dynamic, bustling, vibrant centre for the performing arts community in Palmerston North”. Even allowing for the closure of the theatre for over two months in 2020, the theatre was still on track results wise.

	Theatre Usage	Theatre Performances	Audience	Participants/Performers	Hours of Use
2019/20	533	221	15393	2801	1988
2018/19	680	253	21409	1843	2544

Our focus for the coming year will be as follows:

- Work with council officers on the following:
 - the refurbishment of the Globe 1 theatre back stage toilets
 - to develop new performance measures
 - to actively explore a one-stop front of house booking operation
 - to actively explore bringing ticketing functions under one umbrella for city venues
 - to develop Economic Impact reporting for regional/national significant events
- Look at how we can utilise the limited storage space available at the theatre.
- Liaise with our Memorandum of Understanding (MOU) groups at how best to fulfil their needs.
- Increase the promotion of events and the theatre to reach a wider audience within Palmerston North & Manawatu
- Upgrade our equipment to meet industry standards and the needs of our clients.
- Collaborate with the Papaioea Festival of the Arts for 2022 & beyond

Globe Theatre Trust Board
June 2021

Purpose of the Statement of Intent

This Statement of Intent is presented by The Globe Theatre Trust in accordance with the requirements of s 64(1) of the Local Government Act 2002.

In accordance with the Local Government Act 2002, this annual Statement of Intent (SOI) publicly states the activities and intention of The Globe Theatre Trust for the next three years, and the objectives to which those activities will contribute.

This SOI takes shareholder comments into consideration and includes performance measures and targets as the basis of organisational accountability.

About the Globe Theatre Trust

GOVERNANCE STATEMENTS

The Globe Theatre Trust is established and governed by the Globe Theatre Trust Deed, available on request from the contact officer.

Objectives of Globe Theatre Trust Deed

The objectives of the Trust Deed provide the framework for the Trust to control, develop, promote, enhance, and maintain the Globe Theatre so that it may be used and enjoyed by the inhabitants of the Manawatu area including:

- (i) Securing the future of the Globe Theatre.
- (ii) Preparing, in consultation with the Council, a Strategic Plan and an Annual Plan for attaining these objectives.
- (iii) Acknowledging the Globe Theatre as the home of the Manawatu Theatre Society.
- (iv) Ensuring the Globe Theatre remains accessible to the community (both physically and financially).
- (v) Fostering a sense of community by encouraging youth, assisting amateurs, and promoting participation.

The primary objective of the Trust is to promote the performing arts within Palmerston North by catering for a variety of local and touring arts and cultural events such as drama, comedy, musical theatre, dance and musical recitals, public artistic competitions, conferences, and seminars, rather than making a financial return.

Structure and governance

The Board of up to seven Trustees (5 appointed by Palmerston North City Council and up to 2 co-opted Trustees) is responsible for the strategic direction and control of The Globe Theatre Trust's activities. The Board guides and monitors the business and affairs of the Trust, in accordance with the Trustee Act 1956, the Local Government Act 2002, the Trust Deed and this Statement of Intent. The Board's approach to governance is to adopt "good practice" with respect to:

- (i) the operation and performance of the Board, including being a good employer
- (ii) managing the relationship with the Theatre Manager
- (iii) being accountable to the community and reporting to the Palmerston North City Council

The Theatre Manager is responsible for the day-to-day operations of the Globe Theatre, engaging and oversight of staff/volunteers and reporting to the Trustees on performance against The Trust's objectives.

CORE PURPOSE

“To be the home of the local performing arts community in Palmerston North.”

VISION

“A dynamic, bustling, vibrant centre for the performing arts community in Palmerston North.”

AIM

“To be recognised as the most collaborative and co-operative organisation amongst the city’s cultural organisations.”

VALUES

Customer Focus – We listen and understand the interests and important concerns of our internal and external stakeholders and business partners (patrons, hirers, suppliers).

Teamwork – We work cooperatively with others to produce innovative solutions that meet the needs of all.

Respect for others – We listen and respond constructively and promptly and try to understand alternative points of view and accommodate these into our core business.

Accountability – We focus on making things happen fast - solving problems and getting work done. We identify what needs to be done and act before being asked or the situation requires it.

Honesty and integrity - We will be straightforward in conducting ourselves and our business. We will be trustworthy, loyal, fair, and sincere.

Contribution to small city benefits, big city ambition

Palmerston North is the heart of the Manawātū region within central New Zealand - a small city with a lot to offer, and ambitious about where it is going. The City Council vision is Palmerston North: Small city benefits, big city ambition.

Council has identified five strategic goals for achieving this vision and the Globe Theatre Trust contributes primarily to Goal 2: A creative and exciting city. Council has developed strategies to support achievement of its goals, and the Globe Theatre Trust contributes primarily to the Creative and Liveable Strategy. Within this Strategy, Council has identified priorities and the Globe Theatre Trust contributes primarily to Priority 3, to develop the city into an arts powerhouse with a national reputation for creativity and the arts, and to a lesser but still significant extent, Priority 4, to develop a national and international reputation as an exciting city with plenty to do at night and on weekends.

The Globe Theatre Trust also has a part to play in Goal 4: An eco-city, particularly in Priority 2 to work with Council to reduce carbon emissions.

The Globe Theatre Trust believes that its contribution to the Council’s vision, strategic goals and underpinning strategies can be realized as it works towards its vision to deliver a dynamic, bustling, vibrant centre for the performing arts community in Palmerston North. It has in turn developed strategic objectives and strategies to support it to achieve this within the framework of its Trust Deed.

The Globe Theatre Trust's Strategic Objectives

The Trust Board has identified three strategic objectives which describe the change that it will endeavour to bring about to support the Council to develop the City into an arts powerhouse with a national reputation for creativity and the arts.

Firstly, it will ensure that there are more, and more visible, arts and activities at the Globe that contribute to the Council's aspirations as an arts powerhouse.

Secondly, it will support the local performing arts community to showcase their diverse talents at the Globe.

Thirdly, it will maintain and develop facilities that enable our communities to produce and enjoy the very best performing arts that can be offered, ensuring that the Globe remains a cutting edge, visible and resilient cultural institution/facility. In addition, the Board will encourage and support Council, as asset manager, to ensure that these developments incorporate incremental sustainability and environmental improvements to contribute to the reduction in CO² emissions.

Nature and scope of activities of the Trust Board – what we do

To achieve its objectives, the Trust Board aims to:

1. Increase the number of events that take place at the Globe Theatre and the number of people who are involved in these events (actively organising or participating in a performance or performing art).
This will entail:
 - Providing a seamless, customer-focused hire service that is responsive to the needs of hirers and is enabling and supportive.
 - Ensuring that there are friendly, helpful, and knowledgeable staff/volunteers who can support our hirers in delivering a successful event, whether it is negotiating an appropriate contract, advising on promotion, securing front of house/ushering volunteers, or providing technical support.
 - Encouraging national and international visiting productions and artists to perform at the venue.
2. Maximize the use of the venues by local community performing arts groups and events and to represent the diversity of the Palmerston North community.
This will entail:
 - Undertaking community outreach and collaborating with other agencies and organisations to demonstrate how the Globe may contribute to their aspirations to showcase and develop their cultural heritage.
 - Working particularly with community hirers to support them to showcase their cultural and performing arts heritage, ensuring that the venues are available and accessible for them and encouraging them to become regular users of the theatres.
3. Maintain the fixtures, fittings, and theatre equipment to ensure it continues to offer a professional experience to all its clients/customers/users.
This will entail:
 - Working with the local performing arts community to identify future needs and advancing technologies to support developing performing arts practice.
 - Working closely with PNCC as the building owner, local suppliers with theatre specialisms and local philanthropic organisations which contribute necessary funding.
 - Encouraging and supporting PNCC as the building owner, working closely with local suppliers with theatre specialisms and local philanthropic organisations, to incorporate low carbon choices.

Performance Measures

DEFINITIONS

USER GROUPS

MOU Group – has an MOU arrangement with the Globe Theatre, is performance-based, may be a community group or professional group

Art School – is performance based, where the performance is delivered by students whether or not the organisation is a commercial company

Community Group – the hirer is a community organisation, may or may not be performance based

Professional Group – the hirer is a professional performing arts practitioner, a private individual or a commercial company (may or may not be performance based)

Community Festival – the Globe Theatre participates in a city-wide/cultural precinct-wide series of events that form part of a festival. May or may not be performance based, may or may not attract a hire fee

USAGE AND PERFORMANCE

Usage – A space in the theatre is set aside for a specific event, activity, or exclusive use by a hirer.

Performance – The “usage” involves an audience of any description

PERFORMANCE BASED USEAGE:

Theatre Performance – a dramatic or dance performance on stage to an audience, open to the public, may be ticketed or not, or a rehearsal towards a performance in front of an audience

Musical Performance – a musical performance on stage to an audience, open to the public, may be ticketed or not, or a rehearsal towards a performance in front of an audience

Film Performance – a film shown to an audience, open to the public, may be ticketed or not

NON-PERFORMANCE BASED USEAGE:

Conference – a presentation on stage to an audience, may be open to the public or may be pre-registered delegates, may be ticketed or not

Celebration – a ceremony, party, or other festive event, may be open to the public or not, may involve a “performance” to an audience, may be ticketed or not

Misc. meeting – anything else!

HOURS OF USE BY HIRERS

Approximate length of each usage from pack in to pack out (does not include box office or café opening hours)

NO. OF DISCREET PARTICIPANTS

People taking part in multiple “usages” for a single event are counted only once. For example, a play that is rehearsed at the Globe and shown at the Globe with 10 participants is only counted as 10 participants although each rehearsal and performance is a separate hire or “usage”

NO. OF VISITORS/AUDIENCE MEMBERS

People participating at the Globe as an audience member/attending an event but not as an organiser or performer. For example, someone who has been to multiple events at the Globe as an audience member would be counted for each event they attend. It does not include people visiting the box office or café.)

Strategic priorities and performance monitoring for 2021/22, 2022/23, 2023/24

Strategic Priority 1: Ensure that there are more, and more visible, arts and activities at the Globe that contribute to the Council's aspirations as an arts powerhouse.					
Performance measure, at 30 June 2020	Actual		Target		
	2019/20	at 30 December 2020	2021/22	2022/23	2023/24
Number of usages	534	309	650 Commentary on issues	675 Commentary on issues	675 Commentary on issues
Number of performances	215	151	220 Commentary on issues	240 Commentary on issues	240 Commentary on issues
Hours of Use by Hirers	1,988	1,295	2,600 Commentary on issues	2,800 Commentary on issues	2,800 Commentary on issues
No. of discreet participants	1,785	1,970	1,750 Commentary on issues	1,850 Commentary on issues	1,850 Commentary on issues
No. of visitors/audience members	15,487	13,079	26,000 Commentary on issues	27,000 Commentary on issues	27,000 Commentary on issues
Maintain or improve satisfaction ratings of hirers	(n=33) 94% rate the theatre as an Excellent or a Good venue	(n=16) 94% rate the theatre as an Excellent or a Good venue	2021/22 result maintained or improved – commentary on issues	2022/23 result maintained or improved – commentary on issues	2023/24 result maintained or improved – commentary on issues
Maintain or improve satisfaction ratings of visitors/audiences	(n=119) 93% rate the Globe Theatre as an Excellent or a Very Good venue 93% rate the performances they attended as Excellent or Very Good	(n=114) 72% rate the theatre as an Excellent 28% rate the theatre as a Very Good or Good venue 77% rate the performances they attended as Excellent 22% rate the performance they attended as Very Good or Good	Provide annual result and commentary on any issues	Provide annual result and commentary on any issues	Provide annual result and commentary on any issues
Number of national/international visiting productions performing at the theatre	22	10	15	17	17

Strategic Priority 2: Support the local performing arts community to showcase their diverse talents at the Globe, and working to ensure our users represent the diversity of the Palmerston North community					
Performance measure, at 30 June 2020	Actual		Target		
	2019/20	at 30 December 2020	2021/22	2022/23	2023/24
Proportion of use driven through MOU arrangements	54%	35%	70%	70%	70%
Proportion of MOU-driven use that is performance-based	45%	53%	95%	95%	95%
Proportion of overall usage from community groups	31%	52%	2021/22 result maintained or improved – commentary on issues	2022/23 result maintained or improved – commentary on issues	2023/24 result maintained or improved – commentary on issues
Proportion of overall usage from new community groups	8.8%	7.1%	2021/22 result maintained or improved – commentary on issues	2022/23 result maintained or improved – commentary on issues	2023/24 result maintained or improved – commentary on issues

Strategic Priority 3: Maintain and develop facilities that enable our communities to produce and enjoy the very best performing arts that can be offered, ensuring that the Globe remains a cutting edge, visible and resilient cultural institution/facility.					
Performance measure	Actual		Target		
	2019/20	at 30 December 2020	2021/22	2022/23	2023/24
Carry out capital development programme	Globe 1: new digitally enabled rig installed.	New projector for Globe 1 with electric screen	Globe 1: New Roller door/backstage storage	Investigate digital signage options	Upgrade sound system in Globe 1 and Globe 2
Funding capital renewal programme from depreciation fund	50% depreciation funded	Not measured; capitalisation not done until year end	60% depreciation costs available for capital renewal	60% depreciation costs available for capital renewal	60% depreciation costs available for capital renewal

How we operate

The team at the Globe Theatre are a passionate group of people driven to grow and develop the performing arts in the City and wider region. We recognise, and take responsibility for, our role in contributing to the common vision to develop the City into an arts powerhouse with a national reputation for arts and creativity. We will work to:

- Increase the culture of supporting performing arts events from the local community (residents and businesses) to grow the sector.
- Collaborate with all cultural organisations to support each other's contribution towards the common vision
- Liaise effectively with a city council committed to and contributing to the common vision.
- Participate in decision-making – governance and operational – that is co-creational building trust and capacity within and between each collaboration partner

In keeping with best management practice, the Globe Theatre Trust aims to operate efficiently and effectively, reducing any adverse impacts on the natural and built environment. The Theatre management will work towards zero waste in its operations and in developing technologies and processes which reduce the carbon footprint of the theatre's day-to-day operations.

As a future-focused organisation, we aim to promote the social and cultural well-being of our communities through participation in the arts. The Trust regularly reviews its internal processes, seeking continuous improvement to deliver value for money to the shareholders and the rate payer. As a Council Controlled Organisation (CCO), the Trust is also aware that much of its funding is derived from public monies and therefore all expenditure should be subject to a standard of probity and financial prudence that is to be expected of a CCO and be able to withstand public scrutiny. The Trust recognises the principles of the Treaty of Waitangi and acknowledges the importance of partnering with local Iwi and recognition of Tangata Whenua in the region.

The Trust is committed to the health and safety of all workers, volunteers, visitors, and the public across its premises by undertaking all measures reasonably practicable to provide a safe working environment. The Trust believes that creating and maintaining a healthy work environment is a shared, co-operative venture, where employees, volunteers and employers have roles and responsibilities, including the maintenance of a balance between work and non-work activities. As such, the Trust will ensure it meets its obligations with respect to New Zealand laws and regulations and will undertake annual reviews based on established best practice guidelines.

Working together

HALF-YEARLY REPORT

By the end of February each year, The Globe Theatre Trust will provide the Council with a half-yearly report complying with s 66 of the Local Government Act 2002. The report will include the following information:

- Theatre Manager's commentary on operations for the relevant six-month period.
- Comparison of The Globe Theatre Trust's performance to the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Un-audited half-yearly financial statements incorporating a statement of financial performance, statement of financial position, statement of changes in equity and statement of cashflows.

ANNUAL REPORT

By 30 September each year, The Globe Theatre Trust will provide the Council with an annual report complying with ss 67–69 of the Local Government Act 2002. Financial statements and audit clearance will be provided in early August to ensure timely availability of PNCC's annual report.

The annual report will contain the information necessary to enable an informed assessment of the operations of The Globe Theatre Trust, and will include the following information:

- Commentary on operations for the year.
- Comparison of The Globe Theatre Trust's performance to the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Financial statements incorporating a statement of financial performance, statement of financial position, statement of changes in equity, statement of cashflows, statement of accounting policies and notes to the accounts.
- Auditor's report on the financial statements and the performance targets.
- Any other information that the Trustees consider appropriate.

This Statement of Intent was approved by the Globe Theatre Trust Board on 29th March 2021.

Signed:

John Adams, Chairperson, Globe Theatre Trust Board

Forecast financial statements

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEARS ENDED 30 JUNE 2022, 2023, 2024

	Actual 2020	Forecast 2021	Indicative 2022 1% inflation adjustment	Indicative 2023 1% inflation adjustment	Indicative 2024 1% inflation adjustment
Revenue					
Donations, fundraising and other similar income	120,387	34,335	25,000	15,000	15,000
COVID-19 Wage Subsidy	26,202	11,230	0	0	0
Council funding	115,748	116,855	118,075	119,255	120,448
Investment income	375	262	350	400	400
Sales of Goods and Services	71,463	110,370	100,000	110,000	120,000
Total Revenue	334,175	273,052	243,425	244,655	255,848
Expenditure					
Costs related to providing goods and services	13,670	32,720	30,000	35,000	40,000
Administration and Overhead Costs	27,880	28,055	20,000	25,000	30,000
Employee, Trustee and Contractor Costs	132,195	84,038	126,944	128,308	129,591
Other Expenses	39,575	20,599	21,678	22,112	22,333
Asset Write offs	0	0	0	0	0
Depreciation	47,432	36,722	58,789	56,630	55,102
Total Expenditure	260,752	202,134	257,411	267,050	277,026
Net surplus/(Deficit)	73,423	70,918	-13,987	-22,395	-21,178

Note 1: Funding for capital additions and renewals is recorded as income whilst the corresponding expenditure is recorded as an increase in assets. Large capital programmes are reflected in the Net surplus in those years and consequently (through increased depreciation) as a net deficit in the 2022, 2023 and 2024 financial years. The Globe Theatre Trust has traditionally not funded depreciation but is moving towards partially funding depreciation through this SOI period.

STATEMENT OF FINANCIAL POSITION FOR THE YEARS ENDED 30 JUNE 2022, 2023, 2024

	Actual 2020	Forecast 2021	Indicative 2022	Indicative 2023	Indicative 2024
Assets					
Bank					
Cash and Cash Equivalents	104,362	112,034	146,837	181,072	214,995
Total Bank	104,362	112,034	146,837	181,072	214,995
Current Assets					
Accounts Receivable	978	17,000	17,000	17,000	17,000
Provision for impairment	0				
Accrued Revenue	0	0	0	0	0
GST Receivable	0	0	0	0	0

Prepayments	0	1,200	1,200	1,200	1,200
Sundry debtor accruals	0	0	0	0	0
Total Current Assets	105,340	130,234	165,037	199,272	233,195
Fixed Assets					
Property, Plant and Equipment					
Value of equipment purchased	693,676	693,676	723,676	733,676	733,676
Less accumulated depreciation	-344,440	-381,162	-439,951	-496,581	-551,683
New Capital purchase		30,000	10,000	0	0
Total Property Plant and Equipment	349,236	342,514	293,725	237,095	181,993
Total Fixed Assets	349,236	342,514	293,725	237,095	181,993
Total Assets	454,576	472,748	458,762	436,366	415,188
Liabilities					
Current Liabilities					
Creditors and Other Payables					
Accounts payable	31,749	17,000	17,000	17,000	17,000
Income in advance	3,140	0	0	0	0
Grants in advance	0	0	0	0	0
Accrued Expenses	11,826	0	0	0	0
PAYE Payable	1,868	1,200	1,200	1,200	1,200
Unpaid Expense Claim	288	0	0	0	0
GST	0	0	0	0	0
Total Creditors & Other Payables	48,871	18,200	18,200	18,200	18,200
Employee Costs Payable					
Holiday pay liability	5,005	0	0	0	0
Wages accrual	4,966	0	0	0	0
Total Employee Costs Payable	9,971	0	0	0	0
Unused Grants/Donations with conditions					
COVID-19 Wage Subsidy Extension	11,230	0	0	0	0
Grants/Donations	874	0	0	0	0
Total Unused Grants/Donations with conditions	12,104	0	0	0	0
Total Current Liabilities	70,946	18,200	18,200	18,200	18,200
Total Liabilities	70,946	18,200	18,200	18,200	18,200
Net Assets	383,630	454,548	440,562	418,166	396,988

STATEMENT OF CHANGES IN ACCUMULATED FUNDS FOR THE YEARS ENDED 30 JUNE 2022, 2023, 2024

	Actual 2020	Forecast 2021	Indicative 2022	Indicative 2023	Indicative 2024
Opening balance as at 1 July	310,206	383,630	454,548	440,562	418,166
<i>Comprehensive Income</i>					
Surplus/(Deficit)	73,423	70,918	-13,987	-22,395	-21,178
Balance at 30 June	383,630	454,548	440,562	418,166	396,988

STATEMENT OF CASHFLOW FOR THE YEARS ENDED 30 JUNE 2022, 2023, 2024

	Actual 2020	Forecast 2021	Indicative 2022	Indicative 2023	Indicative 2024
Cash Flows from Operating Activities					
Donations and Fundraising	115,632	34,335	25,000	15,000	15,000
Receipts from Council grants	115,748	116,855	118,075	119,255	120,448
Receipts from sale of goods and services	86,555	111,348	100,000	110,000	120,000
COVID-19 Wage Subsidy	37,432	0	0	0	0
Interest Received	375	262	350	400	400
Payments to Suppliers & staff	-225,056	-225,128	-198,622	-210,420	-221,924
Goods and Services Tax (net)	208				
Net Cash Flows from Operating Activities	130,894	37,672	44,803	34,235	33,924
Cash Flows from Investing Activities					
Purchase of Fixed Assets	-97,331	-30,000	-10,000	0	0
Sales of Fixed Assets	0	0	0	0	0
Net Cash Flow from Investing Activities	-97,331	-30,000	-10,000	0	0
Net Increase/(Decrease) in Cash and Cash Equivalents	33,563	7,672	34,803	34,235	33,924
Cash and Cash Equivalents at the start of the Year	70,799	104,362	112,034	146,837	181,072
Cash and Cash Equivalents at the End of the Year	104,362	112,034	146,837	181,072	214,995

Summary of significant accounting policies

Changes in Accounting Policies

There have been no changes to accounting policies this year.

GST

The Trust is registered for GST. All amounts are recorded exclusive of GST, except for Debtors and Creditors which are stated inclusive of GST.

Sale of goods

Revenue from the sale of goods is recognised when the goods are sold to the customer.

Sale of services

Revenue from the sale of services is recognised by reference to the stage of completion of the services delivered at balance date as a percentage of the total services to be provided.

Theatre Hire

Charges for Theatre Hire are recognised when the Theatre is hired to the customer.

Interest Revenue

Interest revenue is recorded as it is earned during the year.

Grants

Grants received from the Palmerston North City Council are the primary source of funding to the Trust and are restricted for the purposes of the Trust meeting its objectives as specified in the Trust's trust deed.

Council, government, and non-government grants are recognised as revenue when they are received unless there is an obligation to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

Fundraising and Donations

Fundraising and donations are recognised as revenue when cash is received unless the donations have a "use or return" condition attached. If there is such a condition, then the donation is initially recorded as a liability on receipt and recognised as revenue when conditions of the donation are met.

Donated assets revenue

Revenue from donated assets is recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the value of the asset is readily obtainable and significant.

Advertising, marketing, administration, overhead and fundraising costs

These are expensed when the related service has been received.

Bank Accounts and Cash

Bank accounts and cash comprise cash on hand, cheque or savings accounts, and deposits held at call with banks. Bank overdrafts are presented as a current liability in the statement of financial position.

Debtors and other receivables

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

Investments

Deposits with banks are initially recorded at the amount paid. If it appears that the carrying amount of the investment will not be recovered; it is written down to the expected recoverable amount.

Property, plant, and equipment

Property, plant, and equipment is recorded at cost, less accumulated depreciation, and impairment losses.

Donated assets are recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the current value of the asset is readily obtainable and significant. Significant donated assets for which current values are not readily obtainable are not recognised.

For an asset to be sold, the asset is impaired if the market price for an equivalent asset falls below its carrying amount.

For an asset to be used by the Trust, the asset is impaired if the value to the Trust in using the asset falls below the carrying amount of the asset.

Depreciation

Depreciation is provided on a straight-line basis at rates that will write off the cost of the assets over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

- Theatre Equipment 10 years (10%)
- Computer Equipment 5 years (20%)
- Furniture & Fittings 10 years (10%)

Creditors and other payables

Creditors and accrued expenses are measured at the amount owed.

Employee and contractor costs

Wages, salaries, and annual leave are recorded as an expense as staff provide services and become entitled to wages, salaries and leave entitlements. Independent contractor costs are also included where at the discretion of management these services could equally have been delivered by an employee.

Performance payments are recorded when the employee has been notified that the payment has been granted.

Superannuation contributions are recorded as an expense as staff provide services.

Employee Costs Payable

A liability for employee costs payable is recognised when an employee has earned the entitlement.

These include salaries and wages accrued up to balance date and annual leave earned but not yet taken at balance date. A liability and expense for long service leave and retirement gratuities is recognised when the entitlement becomes available to the employee.

Provisions

The Trust recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation because of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Income Tax

The Trust has been granted Charitable Status by the Inland Revenue Department and therefore is exempt from income tax.

Accumulated Funds

Accumulated Funds are measured through the following components:

- Retained Earnings
- Contributed Capital

Budget figures

The budget figures are derived from the statement of intent as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with Tier 3 standards, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

Tier 2 PBE Accounting Standards applied

The Trust has applied the following Tier 2 Accounting Standards in preparing its financial statements.

Grant expenditure

Non-discretionary grants are those grants awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Globe Theatre Trust has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Grants Approval Committee and the approval has been communicated to the applicant. The Globe Theatre Trust's grants awarded have no substantive conditions attached.

MEMORANDUM

TO: Council

MEETING DATE: 1 September 2021

TITLE: The Regent Theatre Trust - Final Statement of Intent 2021-2024

PRESENTED BY: Hannah White, Democracy & Governance Manager

APPROVED BY: Sheryl Bryant, Assistant Chief Executive

RECOMMENDATION TO COUNCIL

1. That the Council agree the Statement of Intent 2021-2024 submitted by the Regent Theatre Trust, attached as Appendix 1 of the report titled 'The Regent Theatre Trust - Final Statement of Intent 2021-2024'.
-

1. ISSUE

- 1.1 The Statement of Intent (SOI) sets out the objectives and activities of the Regent Theatre Trust (the Regent) for the next three years. It serves as a basis for accountability to the Council, as the shareholder, and provides an opportunity for the Council to influence the Regent's direction. The requirements for the SOI are set out in Schedule 8 of the Local Government Act 2002 (LGA).
- 1.2 Under the LGA, the Council has the ability to modify a SOI to ensure it adequately reflects the Council's strategic priorities if it considers that is necessary.
- 1.3 In November 2020, the Council resolved to retain the Statement of Expectations 2020/21 for all cultural Council Controlled Organisations (CCOs) for the forthcoming year 2021/22.
- 1.4 The Regent delivered its final Statement of Intent 2021-2024 to Council officers before the legal deadline of 30 June 2021.
- 1.5 The purpose of this report is for the Council to fulfil the requirement under s 65(2) of the LGA to agree the final SOI, or if it does not agree, to require the SOI to be modified as set out in clause 6, Schedule 8 of the LGA.

2. BACKGROUND

- 2.1 The Regent is a CCO, which was set up to independently manage and promote the Regent Theatre as the preferred local venue of choice for international, national and local performing arts experiences. A CCO is an organisation in which Council has the right to appoint at least fifty percent of

the trustees and must work towards Council's objectives on its behalf. The Regent is managed by a Board of Trustees made up of committed volunteers.

- 2.2 The Arts, Culture & Heritage Committee received the Regent's draft SOI at its meeting on 14 April 2021 and made recommendations for the Regent Theatre Trust Board to consider in developing its final SOI. These recommended changes were approved by the Council on 5 May 2021.
- 2.1 The Regent Theatre Trust Board has considered the Council's comments on the draft SOI and made changes in response, as summarised in Table 1.
- 2.2 Officers consider that the recommended changes have been addressed in the final SOI. Work with Council officers to develop performance measures and review the Trust Deed is ongoing and should be completed in time for the draft SOI 2022/25.

Table 1: Comparison of Council comments with the Regent's final SOI

Council comments on the draft SOI	Is it dealt with in the SOI?
Work with Council officers to review changing the Trust Deed.	Yes - Has been added as an activity under Objective 2 (page 8).
Develop 4-6 high-quality performance measures with Council officers.	Yes - Has been added as an activity under Objective 2 (page 8). Officers will work with the Regent to support this activity.
Actively explore collaboration with other CCOs on a one-stop front of house booking operation.	Yes - Has been added as an activity under Objective 2 (Page 7).
Actively explore with other CCOs opportunities for bringing ticketing functions under one umbrella for city venues.	Yes - Has been added as an activity under Objective 2 (page 7).
Work with Council and other agencies to develop Economic Impact reporting for regionally/nationally significant events.	Yes - Has been added as an activity under Objective 2 (page 7).
Review the employee leave procedures to reduce the employee cost liabilities in the Statement of Position.	Yes - Has been added as an activity under Objective 2 (page 7).

2.3 Work has already begun between Council officers and the Regent to progress some of the work listed in Table 1. This includes:

- Reviewing the Trust Deed; and
- Collaborating with other CCOs to explore:
 - A one-stop front of house booking operation
 - Bringing ticketing functions under one umbrella for city venues
 - Developing Economic Impact reporting for regionally/nationally significant events

3. NEXT STEPS


3.1 The Regent's Annual Report 2020-21 is due to Council officers on 30 September 2021 and will be presented to the Arts, Culture & Heritage Committee in November 2021.

3.2 Statements of Expectation for 2022-25 will be drafted by officers and presented to the Arts, Culture & Heritage Committee in November.

4. COMPLIANCE AND ADMINISTRATION

Does the Council have delegated authority to decide?	Yes
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 2: A Creative and Exciting City	
The recommendations contribute to the outcomes of the Creative and Liveable Strategy	
The recommendations contribute to the achievement of action/actions in the Arts Plan	
The action is: to support CCOs to achieve the objectives of the arts plan.	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	Agreeing to the final Statements of Intent is a mechanism for Council to provide guidance and direction to the cultural CCOs and meets Council's responsibility to monitor the CCOs under the LGA.

ATTACHMENTS

1. The Regent Theatre Trust - Statement of Intent 2021-24 [↓](#) 

STATEMENT OF INTENT

2021 - 2024

THE REGENT THEATRE TRUST

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OUR DIRECTORY

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Palmerston North
New Zealand

Mail, Phone us at:

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Palmerston North
Phone (06) 3502100

Email and web addresses are:

manager@regent.co.nz
www.regent.co.nz

Registered office of the Trust:

c/- Palmerston North City Council
Civic Administration Building
The Square
PO Box 11-034
Palmerston North

Accountants

BDO Central (NI) Limited

Legal Advisers

Fitzherbert Rowe Lawyers

Bankers

ANZ Bank New Zealand Limited

Auditors

Audit New Zealand on behalf of the office
of the Auditor General

General Manager

David Walsh

Trust Board

David Lea (Chairperson)
Mark Mabbett (Deputy Chairperson)
Susan McConachy
Tania Kopytko
Tessa Lohead

Phil Payton
Kane Parsons
Natalie Rowney

Legal Status

The Regent Theatre Trust is a Council Controlled Organisation (CCO) for the purpose of the Local Government Act 2002 and operates as a Charitable Trust under the Charitable Trust Act 1957, Reg No CC41202. The theatre trades as the "Regent on Broadway" and is a not-for-profit CCO.

Chairperson's Introduction

Since reopening in May 1998, the Regent on Broadway has established itself as one of the most active, prestigious, provincial venues for hire for live theatre in New Zealand. The focus of this Statement of Intent will be to consolidate and enhance this position. The plan for the three years ending June 2024 is to build on this success and, where possible, endeavor to increase the use of the venue to help make the city's vision a reality.

The Regent on Broadway is by New Zealand and international standards, a large, splendid, historic, traditional proscenium arch theatre which provides grandeur and performance possibilities for large audiences and a professionally high level of staging and technical capability. We provide the city with the jewel in the crown within performing arts facilities.

The financial implications of Covid-19 will not be fully realised in the immediate future, however, we remain committed to the financial sustainability and aspirations of this SOI

Purpose of this Statement of Intent

The Regent Theatre Trust is governed by its Trust Deed, which describes the purpose of the Trust as follows: *"To control, develop, promote, enhance and maintain the Regent Theatre so that it may be utilised and enjoyed by the inhabitants of the Manawatu area"*.

This Statement of Intent is presented by Regent Theatre Trust in accordance with the requirements of Section 64(1) of the Local Government Act 2002 (LGA 2002).

In accordance with the Local Government Act 2002, this annual Statement of Intent publicly states the activities and intentions of Regent Theatre Trust for the three-year period ending June 2024, and the objectives to which those activities will contribute.

This Statement of Intent takes the Palmerston North City Council Vision Statement into consideration and includes performance measures and targets as the basis of organisational accountability.

About the Regent Theatre Trust

Vision statement:

To provide the most vibrant theatre going experience in an unforgettable venue of classical grandeur.

Mission statement:

The Regent on Broadway will be maintained and preserved as a valuable historic venue. The Regent on Broadway will be the preferred local venue of choice for international, national and local performing arts experiences that cater to diverse people of all ages.

Values:

- **Stewardship** - a commitment to quality care and oversight of the historic venue and its contents, heritage value and uniqueness and significance to the region.
- **Accountability** - through transparency, effective legal and financial management.
- **Integrity** - in maintaining high standards in a consistent way in accordance with ethically sound principles and actions.
- **Innovation** - continuous improvement through responding to change in an agile and responsive manner, such as advances in technology and changes in audience expectations.
- **Customer focused service** - ensuring that our contact with clients and patrons is always welcoming and hospitable, signifying a genuine commitment to providing them with a quality experience.

Governance:

The Regent on Broadway is governed by the Regent Theatre Trust Incorporated. The Trust is governed by a Board of Trustees. The Board of up to nine (currently seven) trustees is responsible for the strategic direction and control of Regent Theatre Trust activities. The Board guides and monitors the business and affairs of Regent Theatre Trust in accordance with the Regent Theatre Trust Deed and this Statement of Intent.

The Board's approach to governance is to adopt "best practice" with respect to:

- The operation and performance of Trustees
- Providing ongoing support for the General Manager
- Being accountable to all stakeholders and reporting to the Palmerston North City Council

The General Manager is responsible to the Regent Theatre Trust Board for the day-to-day operations of the Regent on Broadway.



City vision statement

Palmerston North is the heart of the Manawātū region within central New Zealand. We are a small city with a lot to offer, and we're ambitious about where we're going. The city's vision is Palmerston North: Small city benefits, big city ambition.

Palmerston North City Council has identified five strategic goals for achieving this vision:

Goal 1: An innovative and growing city.

Goal 2: A creative and exciting city.

Goal 3: A connected and safe community.

Goal 4: An eco-city.

Goal 5: A driven and enabling Council.

The Regent on Broadway plays a critical part in contributing to the City vision of 'Small city benefits, big city ambition', particularly Goal 2: A creative and exciting city. Within Goal 2, Council's Arts Plan supports Priority 3: to develop the city into an arts powerhouse with a national reputation for creativity and the arts and Priority 4: to develop a national and international reputation as an exciting city with plenty to do at night and on weekends.

The Regent on Broadway also contributes to Council's Culture and Heritage Plan which supports Priority 2: the city's history and diversity, and builds on the strength of being a city of many cultures and languages.

The activities of the Regent help to build Palmerston North's national and international reputation as a creative and exciting place to live, work, study and play. The Regent on Broadway and the Palmerston North City Council work collaboratively to ensure decisions and activities reflect the ambitions of the city and its residents.

We do this by supporting: vibrant and healthy communities; the development of sustainable practice within our local performing arts; the development of connected and safe communities so that all sections of our community may enjoy the wonder of theatre and performance; environmental sustainability; and securing the future of the venue.

Strategic objectives

The Theatre's three strategic objectives have been developed to enable the Regent on Broadway to achieve its vision.

Objective 1. To be a venue for exciting community and performing arts experiences for the people of Palmerston North and the wider Manawātū region including recognising the role of local Tangata Whenua and heritage status of the building.

Objective 2. To engage in effective collaboration with our stakeholders and clients, enabling the best customer experience.

Objective 3. To engage with diverse audiences via a marketing and promotion strategy that is continually developing and responding to regional demographics and artistic/cultural trends.

Activities

The Regent on Broadway works to provide a mix of diverse performance, talent and entertainment. This builds on the reputation that Palmerston North is a vibrant, creative and exciting city and aligns with the theatre's operational strategy to explore new ways of attracting high quality performances and increasing diverse community use.

In order to achieve its Strategic Objectives, the Board will undertake a range of activities during the next three years.

Objective 1. To be a venue for exciting community and performing arts experiences for the people of Palmerston North and the wider Manawātū region including recognising the role of local Tangata Whenua and the Heritage status of the building.

The Regent on Broadway will support this objective by:

- Programming regional, national and international performance. (Please Note: Due to Covid-19 worldwide Pandemic International programming is difficult but it remains a major Goal for the R.O.B)
- Enabling people to come together for performing arts events and community celebrations – such as commercial and community shows, graduations, arts, cultural and educational events.
- Enabling diverse communities to come together to celebrate.
- Encouraging local primary, intermediate and secondary schools, dance schools, music schools, also theatre educators and theatrical groups to take advantage of the theatre's significant capabilities and resources as a performance and learning space in respect to all aspects of the performing arts.
- Providing a well-resourced and well-equipped amenity so as to attract a wide range of performances and events to the city.
- Providing a specialised performance venue, professional technical advice and support, and marketing support.

Objective 2. To engage in effective collaboration with our stakeholders and clients, enabling the best customer experience.

The Regent on Broadway will support this objective by:

- Actively contributing to the Arts CCO Managers steering group and with Council Officers to explore activities such as a one-stop front of House booking operation, having ticketing services under one umbrella for all city venues and develop an Economic Impact report for regional/nationally significant events.
- Consolidating and nurturing relationships with national and international promoters and national cultural icons (such as the Royal New Zealand Ballet, the New Zealand Symphony Orchestra and Creative New Zealand) so that the Regent on Broadway is a principal venue of choice when considering their programming each year.
- Ensuring continued communication with diverse audiences
- Establishing and nurturing strong relationships with all local and regional theatre, dance and entertainment groups in the view to supporting productions of significance and to maintaining and operating an entrepreneurial fund to procure these and other events (by production participation) that would not otherwise come to the Regent on Broadway.
- Review the customer service survey platform and act on findings.
- Review the employees leave procedures to reduce the employees cost liabilities.

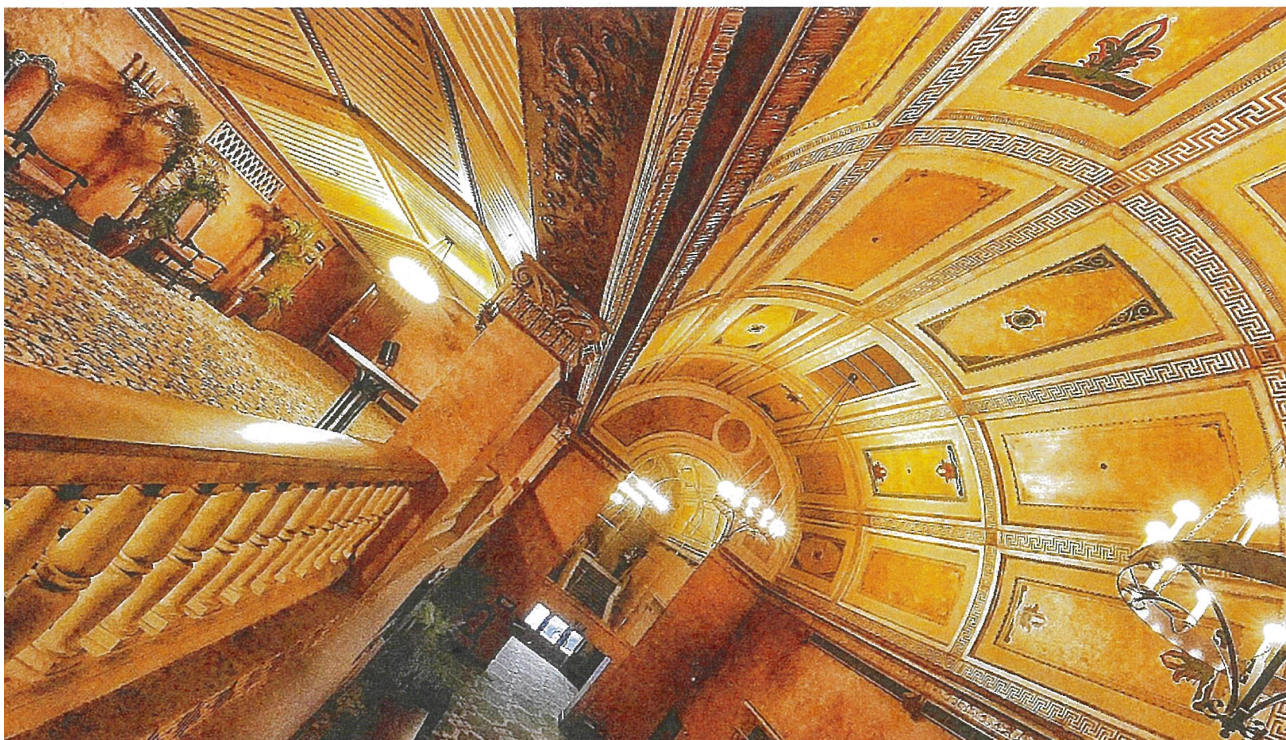
- Work with Council Officers to develop new performance measures and review the current Trust Deed.

Objective 3. To engage with diverse audiences via a marketing and promotion strategy that is continually developing and responding to regional demographics and artistic/cultural trends.

The Regent on Broadway will support this objective by:

- Supporting events by establishing professional marketing strategies, resources, tools and e platforms – such as Facebook, Instagram and a well-appointed web site.
- Developing and aligning promotional and marketing strategies to the vision, goals and principles of PNCC, *especially Goal 2: A creative and exciting city.*
- Identifying key client audiences, and prioritising and scheduling targeted material and effective communication. This includes:
 - Advertising, e-newsletters and Facebook
 - Developing a calendar of media opportunity and identifying key staff and Board Members as media spokespeople.
 - Obtaining or providing e-media and promotional training and policies and guidelines as required.
 - Updating media release contacts and templates as required
 - Updating process for media enquiries as required.
- Updating the website and investigating ways to ensure that it stimulates interest
- Undertaking relevant statistical and audience demographic data analysis to determine future trends and target audiences.

Covid-19 interrupted our ability to develop quantitative KPIs and continues to hinder this process. It is envisaged these will be realised, if normal operational conditions allow this.



Performance measures

Objective	Performance Measure	Actual 2019/20	Target		
			2021/22	2022/23	2023/24
. To be a venue for exciting community and performing arts experiences for the people of Palmerston North and the wider Manawatu region including recognising the role of local Tangata Whenua and the Heritage status of the building.	Total number of main auditorium hires annually (days the auditorium is used), to be not less than.	106	140	180	200
	Total number of main auditorium national/international venue hirers (actual live performances), to be not less than.	17	25	35	40
	Total number of events overall that are held over all spaces in the theatre.	296	310	350	400
	Funding secured for the theatre's main auditorium sound system and to progressively improve and add to the system over the next 3 years.	\$513,000	\$90-\$1100K	\$60 - \$70K	\$50,000
	Additional capital expenditure funding for other projects from the Friends of the Regent or other funding sources	\$40,000	\$70,000	\$80,000	\$80,000
	Outsource a research project for the Regent, pre-European to present day.		Costs to be investigated		
	Further develop tours offered by the Regent:				
	Mini: Families		1 Mini		
	Midi: Older less mobile			2 Mini and 1 Midi	3 Mini, 2 Midi, 1 Maxi
	Maxi: Fit and able				
	(
. To engage in effective collaboration with our stakeholders and clients, enabling the best customer experience.	Total number of variety type shows such as tribute concerts and professional performers from the commercial sector, not less than.	12	24	29	35

	Total number of tertiary graduation ceremonies held, not less than.	4	7	10	11
	Total number of local school concerts held, not less than	8	8	10	11
	Total number of school prize-giving held, not less than.	13	14	14	16
	Total number of ethnically diverse concerts and productions, both community and professionally produced, not less than.	3	4	8	6
	Investigate a simple customer experience device while further investigation is done into a more robust survey for audience and hirers.		Cost to be investigated	Cost to be investigated	
	Signage to reflect Bi-Cultural nature of New Zealand and make the venue accessibility friendly			\$5-12k	
	External Lighting		\$10k	\$20k	
	CCTV Upgrade		\$3,500		
		65,300	69,000	75,000	82,000
3. To engage with diverse audiences via a marketing and promotion strategy that is continually developing and responding to regional demographics and artistic/cultural trends.	<p>Total attendances to all events held, not less than</p> <p>Due to Covid 19 the number of international/Commercial touring performances has greatly been reduced - however the Theatre is starting to receive enquiries and pencil bookings - but is <u>very</u> dependent upon remaining at Level 1. Particular attention will be given to attracting new promoters/touring productions eg: Ballet Collective Aotearoa, and New Zealand Opera</p> <p>Develop a website that will accommodate theatre operations</p> <p>Investigate with a view to purchasing electronic billboards</p>		\$2-\$5k		\$40-\$60k

How we operate

The Regent Theatre Trust is committed to ensuring sound Governance and guidance in financial, legal, compliance, operational, management, and most of all, Health and Safety systems, and to ensure procedures are in place and reported against on a regular basis. The Trust ensures key policies and documentation are reviewed in accordance with the Trust's annual schedule, including:

- Insurance policies
- Venue and Employment Contracts
- Memorandums of understanding
- Operational Policies
- Health and Safety Policies, procedures and documentation
- Staff reviews

The review of personnel resourcing is being undertaken so as to ensure the Regent on Broadway is meeting the needs of new marketing initiatives and progressive methodology in theatre operations. The Trust is working towards sustainable environmental practice such as recycling, replacing disposable with reusable and energy reduction.

Staff training occurs in all areas of theatre operations and is reviewed on a regular basis:

- ETNZ guidelines in theatre technical operations and safe working practices.
- New Zealand Certificate in Entertainment and Event Operations
- Marketing with a specific focus to supporting social media requirements.
- Health and Safety in all areas of theatre operations.

The Regent Trust Board undertakes a review and implementation of a 3 yearly Strategic Plan

Recognising volunteer input and support

The Trust recognises its volunteers by:

- Liaising with the Friends of the Regent and encouraging the Friends in their activities of theatre assistance, event hosting, ushering and fund-raising. The Trust works to support and nurture the input by the Friends and all volunteers and to recognise the value of the contribution to venue operational requirements.
- Maintaining the excellent communications and the goodwill that has been established between the Friends' elected volunteer supervisory/management team that works alongside venue operations with the objective of continuing to maintain and improve venue hospitality, ushering and catering.
- Attracting and nurturing volunteers that possess the knowledge and skills required to deliver the high level of experienced guidance needed for good and successful governance.



Working together

The preparation and approval of annual budgets that observe clear financial objectives and to prepare 3 year income and expenditure forecasts to meet statutory obligations and thereby informing our stakeholders of potential future financial outcomes.

Half-yearly report

By the end of February each year the Regent Theatre Trust will provide the Council with a half-yearly report complying with s 66 of the Local Government Act 2002. The report will include the following information:

- Manager's commentary on operations for the relevant six-month period.
- Comparison of the Regent on Broadway's performance to the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Unaudited half-yearly financial statements incorporating a statement of financial performance, statement of financial position, statement of changes in equity and statement of cash flows.

Annual report

By 30th September, each year the Regent Theatre Trust will provide the Council with an annual report complying with ss 67–69 of the Local Government Act 2002. Financial statements and audit clearance will be undertaken in early August to ensure timely availability of PNCC's annual report.

The annual report will contain the information necessary to enable an informed assessment of the operations of the Regent on Broadway and will include the following information:

- Commentary on operations for the year.
- Comparison of the Regent on Broadway's performance to the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Financial statements incorporating a statement of financial performance, statement of financial position, statement of changes in equity, statement of cash flows, statement of accounting policies and notes to the accounts.
- Auditor's report on the financial statements and the performance targets.

The Regent Theatre Trust

The Regent Theatre Trust is established and governed by The Regent Theatre Trust Deed, available on request.

SIGNATURES

This Statement of Intent was approved by The Regent Theatre Trust on:

Date:

Signed:



David Lea
Chairman
The Regent Theatre Trust



	Actual 2020	Forecast 2021	Indicative 2022	Indicative 2023	Indicative 2024
Inflation adjustment			1%	0%	0%
Income					
Council Funding					
PNCC Grant	235,986	238,286	240,669	240,669	240,669
PNCC additional operating grant	-	-	-	-	-
Total Council Funding	235,986	238,286	240,669	240,669	240,669
Donations and Fundraising Income					
Donations and grants received for capital expenditure	469,620	-	184,250	74,250	66,000
Government subsidy	65,805	26,435	-	-	-
Total Donations and Fundraising Income	535,425	26,435	184,250	74,250	66,000
Investment Income					
Interest Income	6,630	4,848	4,896	8,000	8,000
Total Investment Income	6,630	4,848	4,896	8,000	8,000
Sales of Goods and Services					
Facilities hireage and Recoveries	304,059	342,626	394,552	462,100	462,100
Event Ticketing Centre	73,544	35,121	35,472	124,000	124,000
Regent on Broadway Promotions	289,860	156,485	80,000	80,000	80,000
Total Sales of Goods and Services	667,463	534,232	510,024	666,100	666,100
Total Income	1,445,504	803,801	939,840	989,019	980,769
Less Cost of Sales					
Theatre Operations	250,136	170,105	171,806	250,020	250,020
Employee related expenses	460,169	441,281	445,694	540,341	540,341
Regent on Broadway Promotions	290,873	28,825	29,113	75,000	75,000
Event Ticketing Centre	20,349	8,578	8,664	19,500	19,500
Total Costs related to providing goods or services	1,021,527	648,789	655,277	884,861	884,861
Total Cost of Sales	1,021,527	648,789	655,277	884,861	884,861
Operating Profit	423,977	155,012	284,563	104,158	95,908
Non-operating Expenses					
Depreciation	55,914	154,292	187,494	205,790	211,200
Total Non-operating Expenses	55,914	154,292	187,494	205,790	211,200
Net profit	368,063	721	97,069	(101,632)	(115,292)
New Capital purchase	541,892	2,137	184,250	74,250	66,000

COUNTANTS REPORT

is Statement has been prepared by us for the above client from records, information and instructions furnished by our client. our instructions did not include an Audit, we have not audited the statement and therefore neither we nor any of our employees accept any responsibility for the curacy of the material supplied from which the accounts have been prepared. rther, the Statement has been prepared at the request of and for the purpose of our client and neither we nor any of our employees accept any responsibility on any and whatever to any other person.



	Actual 2020	Forecast 2021	Indicative 2022	Indicative 2023	Indicative 2024
Operating Cashflows					
Cash Inflows					
Income banked	1,551,571	920,057	1,047,547	1,117,034	1,108,784
Interest Income	7,267	4,848	4,896	8,000	8,000
Total Cash Inflows	1,558,838	924,905	1,052,444	1,125,034	1,116,784
Cash Outflows					
Theatre Operations	287,656	195,621	197,577	287,523	287,523
Employee related expenses	460,169	441,281	445,694	540,341	540,341
Regent on Broadway Promotions	332,362	33,149	33,480	86,250	86,250
Event Ticketing Centre	23,401	9,865	9,963	22,425	22,425
Total Cash Outflows	1,103,588	679,915	686,714	936,539	936,539
Total Operating Cashflows	455,250	244,990	365,729	188,495	180,245
Operating Cashflows					
Non-operating Cashflow					
Asset Purchases -	405,908	- 2,458	- 211,888	- 85,388	- 75,900
GST Paid -	58,217	- 30,801	- 58,679	- 69,921	- 74,231
Total Non-operating Cashflows	(464,125)	(33,258)	(270,567)	(155,309)	(150,131)
Bank Accounts					
Opening balance	180,029	171,154	382,885	478,048	511,234
Operating surplus/deficit	455,250	244,990	365,729	188,495	180,245
Non-operating Surplus/Deficit -	464,125	- 33,258	- 270,567	- 155,309	- 150,131
Closing balance	171,154	382,885	478,048	511,234	541,348

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	Actual 2020	Forecast 2021	Indicative 2022	Indicative 2023	Indicative 2024
Current Assets					
Bank Accounts and Cash	171,154	382,885	478,048	511,234	541,348
Prepaid Insurance	6,836	6,904	6,973	7,043	7,043
Debtors and productions receivable	7,751	7,829	7,907	7,986	7,986
Prepayments	-	-	-	-	-
	185,741	397,618	492,928	526,263	556,377
Investments	181,136	181,136	181,136	181,136	181,136
Fixed Assets	682,184	530,030	526,785	395,246	250,046
Total Assets	1,049,061	1,108,784	1,200,849	1,102,645	987,559
Current Liabilities					
GST Balance -	46,909	4,606 -	511	2,801	3,008
Creditors and accrued expenses	83,470	99,666	99,779	99,894	99,894
Deposits in advance	18,450	9,741	9,741	9,741	9,741
Employee costs available	36,110	36,110	36,110	36,110	36,110
Total Liabilities	91,121	150,123	145,119	148,546	148,753
Net Assets	957,940	958,661	1,055,729	954,097	838,806
Equity					
Opening balance	589,877	957,940	958,661	1,055,729	954,097
Income for year	368,063	721	97,069 -	101,632 -	115,292
Closing Balance	957,940	958,661	1,055,729	954,097	838,805
Total Equity	957,940	958,661	1,055,729	954,097	838,805
Total Cost of Sales	957,940	958,661	1,055,729	954,097	838,805
Operating Profit	(866,819)	(808,538)	(910,611)	(805,551)	(690,052)
Non-operating Expenses					
Depreciation	55,914	154,292	187,494	205,790	211,200
Total Non-operating Expenses	55,914	154,292	187,494	205,790	211,200
Net profit	(922,733)	(962,829)	(1,098,105)	(1,011,341)	(901,252)
New Capital purchase					
	541,892	2,137	184,250	74,250	66,000

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MEMORANDUM

TO: Council

MEETING DATE: 1 September 2021

TITLE: Te Manawa Museums Trust - Final Statement of Intent 2021-2024

PRESENTED BY: Hannah White, Democracy & Governance Manager

APPROVED BY: Sheryl Bryant, Assistant Chief Executive

RECOMMENDATION TO COUNCIL

1. That the Council agree the final Statement of Intent 2021-2024 submitted by Te Manawa Museums Trust, attached as Appendix 1 of the report titled 'Te Manawa Museums Trust - Final Statement of Intent 2021-2024'.

1. ISSUE

- 1.1 The Statement of Intent (SOI) sets out the objectives and activities of Te Manawa Museums Board (Te Manawa) for the next three years. It serves as a basis for accountability to the Council, as the shareholder, and provides an opportunity for the Council to influence Te Manawa's direction. The requirements for the SOI are set out in Schedule 8 of the Local Government Act 2002 (LGA).
- 1.2 Under the LGA, the Council has the ability to modify a SOI to ensure it adequately reflects the Council's strategic priorities if it considers that is necessary.
- 1.3 In November 2020, the Council resolved to retain the Statement of Expectations 2020/21 for all cultural Council Controlled Organisations (CCOs) for the forthcoming year 2021/22.
- 1.4 Te Manawa delivered its final Statement of Intent 2021-2024 to Council officers before the legal deadline of 30 June 2021.
- 1.5 The purpose of this report is for the Council to fulfil the requirement under s 65(2) of the LGA to agree the final SOI, or if it does not agree, to require the SOI to be modified as set out in clause 6, Schedule 8 of the LGA.

2. BACKGROUND

- 2.1 Te Manawa is a CCO, which was set up to independently manage the Te Manawa Museum. A CCO is an organisation in which Council has the right to appoint at least fifty percent of the trustees and must work towards Council's

objectives on its behalf. Te Manawa is managed by a Board of Trustees made up of committed volunteers.

- 2.2 The Arts, Culture & Heritage Committee received Te Manawa's draft SOI at its meeting on 14 April 2021 and made recommendations for the Te Manawa Board to consider when developing its final SOI. These recommendations were approved by the Council on 5 May 2021.
- 2.3 Te Manawa Museums Trust Board has considered the Council's comments on the draft SOI and made changes in response, as summarised in Table 1. Officers consider that comments have been adequately addressed in the final SOI.

Table 1: Comparison of Council comments with Te Manawa's final SOI 2021-24

Council comments on draft SOI 2021-24	Is it dealt with in the SOI?
Revise targets that are already being achieved (Online reach and visitor satisfaction), and either make them more ambitious or remove the measure completely.	Partially - Te Manawa has removed the performance measure 'Online Reach'. Te Manawa has not changed the target for 'visitor satisfaction'.
Clarify how the performance measures: 'Likelihood of visitors to positively endorse Te Manawa to others' and 'Strength of relationship with strategic partners' will be measured.	Partially - Te Manawa has not clarified how the measure 'Likelihood of visitors to positively endorse Te Manawa to others' will be measured. Feedback from Te Manawa, shared with Council in April, was that this target will be based on results from the Visitor Monitoring Research project, general visitor feedback and Economic Impact project and that this work is currently being commissioned. In terms of clarifying the measure 'Strength of relationship with strategic partners' the target over the next 2 years is to: <ul style="list-style-type: none"> 1) define who the strategic partners are, from the Strategic Relationship Strategy. 2) define the target(s) in conjunction with strategic partners.

<p>Ambitious proposal 'to become carbon-negative and sustainable by 2025' – however no reference on how this is going to be achieved in performance measures or 'How we Operate' section.</p> <p>Add actions to the 'How we Operate' section or a performance measure to calculate carbon produced by Te Manawa.</p>	<p>Yes - Te Manawa has altered the proposal to 'reduce carbon emissions' (Strategic objective 1) and has included the performance measure 'Develop measures towards reduction of carbon emissions.' The 2021/22 target is to 'Measure baseline carbon emissions' and the 2022/23 target is to reduce carbon produced by 10%.</p>
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3. NEXT STEPS

- 3.1 Te Manawa's Annual Report 2020-21 is due to Council officers on 30 September 2021 and will be presented to the Arts, Culture & Heritage Committee in November.
- 3.2 Statements of Expectation for 2022-25 will be drafted by officers and presented to the Arts, Culture & Heritage Committee in November.

4. COMPLIANCE AND ADMINISTRATION

Does the Council have delegated authority to decide?	Yes
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 2: A Creative and Exciting City	
The recommendations contribute to the outcomes of the Creative and Liveable Strategy	
The recommendations contribute to the achievement of action/actions in the Arts Plan	
The action is: to support CCOs to achieve the objectives of the arts plan.	
Contribution to strategic direction and to social, economic, environmental	Agreeing to the final Statements of Intent is a mechanism for Council to provide guidance and direction to the CCOs and meets Council's responsibility to monitor the CCOs under the LGA.

and cultural well-being	
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ATTACHMENTS

1. Te Manawa Statement of Intent 2021-2024 [↓](#) 

Te Ara Hihiri

Statement of Intent

2021/22 – 2023/24

TE MANAWA MUSEUMS TRUST

TE MANAWA MUSEUMS TRUST
PRIVATE BAG 11055 PALMERSTON NORTH 4442 | TEMANAWA.NZ



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Contact details

Address	Te Manawa Museums Trust Private Bag 11055 Palmerston North	Legal Status	Te Manawa Museums Trust is a Council-Controlled Organisation (CCO) for the purposes of the Local Government Act 2002 and operates as a charitable trust under the Charitable Trust Act 1957. It is a not-for-profit CCO.
Website	www.temanawa.co.nz		
Phone	(06) 355-5000		
Email	enquiries@temanawa.co.nz		
Main Contact	Andy Lowe	Charities Registration number	CC38836
Role in CCO	Chief Executive	Trustees	John Fowke - Chair Geoffrey Jameson Nuwyne Te Awe Awe Mohi Adrian van Dyk Sarah Bell Caroline Tate
Phone	06 351-4492		
Email	andy.lowe@temanawa.co.nz		

Introduction

This Statement of Intent (SOI) follows on from last year's post COVID-19 document, produced as we emerged from lock down and planned for the new future that those events had prompted for us. It's timely to note that we have just had another skirmish with the new plague, successfully navigated (by most measures) but nevertheless still rightfully in our consciousness.

But that is no cause for alarm or 'pulling back.' Far from it, our team demonstrated a willingness to think outside the square and maximise our gains during COVID-19, post COVID-19 and now COVID-19 2.0.

Last year's SOI was heavily influenced and guided by a workshop that was held with PNCC councillors and officials and much of the result of that deep communication remains reflected in our thinking; including the participation in the sesquicentennial aligned with PNCC's planning.

Looking ahead though, our ten year business plan is nearing release and as we have broadened and lengthened our horizons, we have taken the opportunity to take some things as given (e.g. the limitations of our buildings) and just as our team thought outside the square during COVID-19 1.0, we have looked to innovations and projects that can move us forward acknowledging but not being totally constrained by them.

A significant harbinger of this approach is the enhanced partnership with Rangitāne that has resulted in a commercial agreement being entered into with PNCC's blessing that will move our collaboration forward into a new and energising phase. This new model of partnership is a first we believe for museums in New Zealand and while it will require some hard work and strong communication, we are excited by the possibilities.

The TM team has worked hard to develop this SOI not the least in the development of programmes and a budget that allows us to maintain good stewardship and move forward – we thank them for their efforts. As always, we thank our partners, our principal funder PNCC, Iwi, our societies and all the organisations and communities that support and work with us.



John Fowke
Chair, Te Manawa Museums Trust
25 February 2021

Purpose of the Statement of Intent

This Statement of Intent is presented by Te Manawa Museums Trust in accordance with the requirements of Section 64(1) of the Local Government Act 2002.

In accordance with the Local Government Act 2002, this annual Statement of Intent publicly states the activities and intention of Te Manawa Museums Trust for the next three years, and the objectives to which those activities will contribute.

This final Statement of Intent has taken shareholder comments into consideration and include performance measures and targets as the basis of organisational accountability.

About Te Manawa Museums Trust

Purpose

Amplifying possibilities

Vision

‘Working Beyond Boundaries’

Built on a foundation of manaakitanga (inclusion, kindness, safety, hospitality)

Mission

We will partner with communities, thought leaders, change makers and supporters, to inspire, broker and deepen connections among them, and with our world’s tangible and intangible treasures, so that we can create and deliver relevant, engaging programmes and experiences with and for our communities.

Values

To co-create an energetic, surprising museum with multiple communities we embody these values:

- **Kaitiakitanga**
We are passionate about the treasures we care for on behalf of the community, and their power to inform and transform us, now and into the future.
- **Courageous and experimental**
We are committed to making a real and positive difference, thinking clearly and openly about how Te Manawa can best evolve to achieve this – and when and how we need to think outside the box, and be brave, daring and fearless in our thinking and actions.
- **Open and inclusive**
The concept of *TĀTOU / WE* together is central to everything we do – acknowledging the mana of each person and the collective mana of all.
Open communication – the ability to listen actively, with respect, and to frame relevant questions that will unlock meaning, insights and value – underpins our culture.
- **Smart and strategic**
Our responsibility to our communities means we are strategic about where we are going, and smart, rigorous and pragmatic about how we will get there.
Our decisions are based on prioritising and growing our resources and monitoring outcomes, with a focus on building our ability to impact and achieve sustainable success.
- **Generous and entrepreneurial**
We believe our communities are part of a world full of the possibilities, talent, solutions and insight our future relies on. To realise this potential, we are generous in our approach - our ability to have fun, enjoy life and value each other underpins the spirit of entrepreneurship that drives us forward.

Objectives of the Te Manawa Museums Trust deed

- To provide governance of an organisation which is a regional museum complex, advancing interest in art, heritage and science (including interactive science)
- To provide study, educational and enjoyment opportunities through acquiring, conserving, researching, communicating and exhibiting material evidence of people and their environment
- To develop, promote, enhance and maintain collections to make them relevant to the peoples of the Manawatū and New Zealand
- To recognise and act in accordance with the principles of the Treaty of Waitangi and to involve and give special attention to the history of the Tangata Whenua in the Region
- To ensure that the facility functions as a valued professional education resource and community asset for the citizens of Palmerston North and the Manawatū Region
- To encourage and support the kindred Societies in accordance with the objects of this Trust Deed
- To recognise the organisation's location in the Manawatū and to be aware of the Regional focus

Statement of the Board's approach to governance

Te Manawa Museums Trust Board is established and governed in accordance with the Te Manawa Trust Deed; available on request from the Executive Assistant of Te Manawa.

The Board of up to seven trustees, is responsible for the strategic direction and control of Te Manawa's activities.

The Board guides and monitors the business and affairs of Te Manawa, in accordance with the Charitable Trusts Act 1957, the Local Government Act 2002, the Trust Deed and this Statement of Intent.

The Board's approach to governance is to adopt "good practice" with respect to:

- the operation and performance of the Board
- managing the relationship with the Chief Executive
- being accountable to the community and regularly reporting to the Arts, Culture and Heritage Committee of Palmerston North City Council
- enhancing Te Manawa's environmental sustainability.

The Chief Executive is responsible for the day-to-day operations of Te Manawa, engaging and oversight of staff and reporting to the trustees on performance against Te Manawa's performance objectives.

The Board encourages engagement on our strategic direction by stakeholders through three main avenues: the development and presentation of this Statement of Intent, a public Annual General Meeting held each year, and through presentations at Council's quarterly Arts, Culture and Heritage to report and outline new initiatives.

Contribution to ‘Small city benefits, big city ambition’

Palmerston North City Council’s vision for the city is *Small city benefits, big city ambition*.

Council has identified five strategic goals for achieving this vision: Goal 1: An innovative and growing city; Goal 2: A creative and exciting city; Goal 3: A connected and safe community; Goal 4: An eco-city; and Goal 5: A driven and enabling Council.

Te Manawa contributes to all goals, but primarily to these priorities under Goal 2:

- Celebrate the city’s history and diversity, and build on the strength of being a city of many cultures and languages; and
- Develop the city into an arts powerhouse with a national reputation for creativity and the arts.

Te Manawa received a Statement of Expectation stating Council’s objectives relating to Te Manawa. The Board has worked through the Statement of Expectation and has responded to this throughout this Statement of Intent.

Strategic objectives

We have identified interrelated areas of focus for the next three years to achieve our vision of a museum working beyond boundaries.

- **Objective 1: A collaborative and future-focussed organisation**

Te Manawa will connect to and amplify what's already happening in the community to make a bigger impact. Maintaining and enhancing our strategic relationships is key our success.

We will build Te Manawa's environmental and financial sustainability, ensuring it is well-placed to challenge boundaries and respond proactively to change. Te Manawa seeks to reduce carbon emissions. We will work strategically to accelerate revenue generation and embed a business development mindset within Te Manawa.

We will build our reputation as a creative and vibrant organisation, encouraging experimentation. Te Manawa will act as a testing ground for prototyping ideas.

- **Objective 2: Innovative experiences that attract visitors**

Te Manawa's multi-layered experiences champion the uniqueness of our region. We will focus on developing and hosting vibrant exhibitions, spanning and interconnecting art, heritage and science, that attract visitors, contributing to the city's liveability and sense of place. We will carry out creative marketing to build visitation, third-party investment, and Te Manawa's profile.

Through our exhibitions, both conventional and challenging, Te Manawa builds a national reputation. Digital engagement will help attract physical visitors but also provide for our collections and activities to be enjoyed and interacted with by those in our community who cannot visit our facilities.

By caring for its collections, Te Manawa provides access to the region's diverse cultural heritage. Existing collections are brought to life so residents and visitors can engage with the history of the Manawatū and New Zealand.

- **Objective 3: Enhanced learning and engagement**

Te Manawa, as a gathering place, builds tolerance and connections among Palmerston North's diverse cultures – one community, many cultures. We will ensure that Te Manawa enhances creativity, gives visibility to diverse viewpoints, and supports an inclusive community. We will provide opportunities to incubate ideas through collaboration and experimentation, leveraging opportunities to co-create with local communities.

Te Manawa opens doors for different conversations and engages people in learning experiences that are relevant and meaningful to them. Te Manawa, through its links to education, research institutes and local technology industries, develops science and technology-focussed exhibitions of local and national interest.

Our relationship with Rangitāne o Manawatū, as mana whenua, will evolve in line with their post-settlement aspirations. Te Manawa, in partnership with Rangitāne, protects its taonga, tells its stories and moves forward under the principles of Te Tiriti o Waitangi.

What we will do

Objective 1: A collaborative and future-focussed organisation

To achieve this objective, we will:

- Continue to maintain strong relationships with Rangitāne at governance levels and through activity-based approaches
- Complete the Strategic Relationship Strategy (2021/22).
- Implement a partner-based exhibition (by end of 2022/23).
- Develop short and long-term fundraising projects to realise the goal of sustainable external funding for programmes and exhibitions (2021-24).
- Finalise and make public a ten year business plan (to be reviewed annually) which provides a clear focus of long term development (2021-24).
- Trial and review one environmentally focussed project by end of 22/23.
- Promote and promulgate thought leadership across the national museum sector (2021-24).
- Initiate a project to scope, develop and increase revenue-generating product and services.

Objective 2: Innovative experiences that attract and engage visitors

To achieve this objective, we will:

- Develop a Visitor Experience Plan to act on the findings of the visitor market research.
- Care for, develop, and add to Te Manawa's collections.
- Maintain a vibrant and balanced programme of exhibitions to engage audiences and contribute to building visitation (digital and physical), third-party investment and Te Manawa's profile locally and nationally.
- Continue with the established plan to exhibit the art collection physically and digitally within three years (by end of 2023/24).
- Implement and evaluate success of Exhibitions Strategy (by end of 2021/22).
- Develop a Digital Strategy to support development of online experiences that attract increasing interest. (by end of 2021/22). Implement and evaluate success by end of 22/23.
- Develop two new digital creative projects (by end of 2022/23), and two more by end of 2023/24.
- Develop economic impact reporting for major exhibitions hosted by Te Manawa (by end of 2021/22).

Objective 3: Enhanced learning and engagement

To achieve this objective, we will:

- Develop a strategic approach to the implementation of international community engagement mentoring programme OF|BY|FOR ALL through the development of stakeholder and visitor experience strategies (21/23)
- Increase the impact of learning programmes and activities in formal and informal environments through Te Rangahau Curiosity Centre (2021-24).
- Implement a communications and marketing plan for learning activities (2021-24).
- Evaluate success of two creative projects (by end of 2021/22). Deliver two more projects (by end of 2022/23).
- Support implementation of phase 1 of Te Rangimārie project, a dual venue cultural tourism project undertaken by Te Rangimārie Marae Trustees (by end of 2021/22). Phase 1 includes training for Front of House staff to confidently engage with visitors, and co-creation of activities linked to Te Rangi Whenua.

Performance measures

To track progress towards its objectives, Te Manawa will report on the following measures.

Objective	Performance measure	Actual	Target		
		2019/20 (C-19 affected)	2020/21	2021/22	2022/23 2023/24
1. A collaborative and future-focused organisation	Strength of relationship with strategic partners	<i>Not measured</i>	Relationship strategy is under development	Strategic relationships defined and identified as part of the Strategic Relationship Strategy Relationship principles developed in conjunction with strategic relationship partners	Qualitative and quantitative parameters identified in conjunction with strategic relationship partners 9 of 10
	Revenue secured from sources outside PNCC	337,060	\$574,154	\$654,745	\$687,341 \$666,845
	Develop measures towards reduction of carbon emissions	Not measured	Not measured	Measure baseline carbon emissions	Develop measures to lower carbon emissions Reduce carbon production by 10 %
2. Innovative experiences that attract visitors	Likelihood of visitors to positively endorse Te Manawa to others	<i>Not measured</i>	Under development	Highly likely	Highly likely

	In-person visits to Te Manawa	100,599	150,000	150,000	150,000	150,000
	Visits to Te Manawa experiences off-site	16,303	50,000	25,000	50,000	50,000
3. Enhanced learning and engagement	Visitor satisfaction (good/very good/excellent)	99%	> 96%	> 96%	> 96%	>96%
	Participation in learning programmes	21,316	30,000	24,000	24,000	24,000
	In-person visits to Rangimārie activities	<i>Not measured</i>	Under development	5,000	10,000	10,000

How we operate

We aim to provide a hub for significantly growing the city's levels of learning and engagement, social cohesion and wellbeing, civic pride and vibrancy, and national reputation. We work to:

- open doors for different conversations;
- enhance through creativity;
- build a profile of and champion the uniqueness of our region;
- connect people with each other and unlock the riches of our treasures and stories;
- incubate ideas through collaboration and experimentation;
- amplify possibilities and potential, with and for our communities;
- challenge boundaries and respond proactively to change;
- develop a well-informed community armed with knowledge and understanding.

We are committed to staff development and provide training, performance reviews and development plans.

Our staff are qualified and experienced, and we adhere to rigorous and inclusive processes to ensure the best experience of, by and for the public.

Working together

Quarterly Report

Te Manawa Museums Trust will present at Palmerston North City Council's quarterly Arts, Culture and Heritage Committee meeting to report on progress against the SOI and outline new initiatives (unless the half-yearly or annual report is to be presented at the same meeting).

Half-Yearly Report

By the end of February each year, Te Manawa Museums Trust will provide the Council with a half-yearly report complying with s 66 of the Local Government Act 2002. The report will include the following information:

- Chief Executive's commentary on operations for the relevant six-month period.
- Comparison of Te Manawa Museums Trust's performance with the objectives, planned activities and performance targets set out in the SOI, with an explanation of any material variances.
- Un-audited half-yearly financial statements incorporating a statement of financial performance, statement of financial position, statement of changes in equity and statement of cashflows.

Annual Report

By 30 September each year, Te Manawa Museums Trust will provide the Council with an annual report complying with s 67–69 of the Local Government Act 2002. Financial statements and audit clearance will be provided in early August to ensure timely availability of Council's annual report.

The annual report will contain the information necessary to enable an informed assessment of the operations of Te Manawa Museums Trust, and will include the following information:

- Chief Executive's commentary on operations for the relevant year.
- Comparison of Te Manawa Museums Trust's performance to the objectives, planned activities and performance targets set out in the SOI, with an explanation of any material variances.
- Financial statements incorporating a statement of financial performance, statement of financial position, statement of changes in equity, statement of cashflows, statement of accounting policies and notes to the accounts.
- Auditor's report on the financial statements and the performance targets.
- Any other information that the Trustees consider appropriate.

Signature

This Statement of Intent was approved by the Te Manawa Museums Trust Board on 2 June 2021



Caroline Tate

Acting Chair, Te Manawa Museums Trust Board

Te Ara Tahua

Statement of Intent (Financials)

BUDGET FOR THE YEARS ENDED 30 JUNE 2022, 2023 AND 2024

TE MANAWA MUSEUMS TRUST

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Budget Assumptions and Comments:

Revenue

1. Palmerston North City Council (PNCC) Funding:

PNCC Operating Grant

2021/22: \$3,264,227 (2020/21 plus 1.0%)

2022/23: \$3,296,869 (2021/22 plus 1.0%)

2023/24: \$3,329,838 (2022/23 plus 1.0%)

2. Interest Revenue:

Interest Income has been based on average bank balances remaining between \$732k and \$900k (the approximate required level to preserve Te Manawa tagged reserves) with weighted average bank interest rates forecast at 0.6%.

3. Other Operating Revenue:

Other Operating Revenue is expected to increase from the 2020/21 budget, with increased targets for fundraising and sponsorship.

4. Net Collection Movements

The forecast level of donated collection assets is maintained level from prior years. (\$15,000).

The prospective financial statements do not provide for a forecast net movement in the market value of collections, as data are not readily available for assumptions regarding the future market value of collections assets. Revaluation of collection assets is a non-cash item. The most recent revaluation of the Art Collection took place during the final quarter of the 2020/21 financial year, and the next Heritage Collection revaluation is to take place during the 2023/2024 financial year. The revaluation conducted during the 2019/20 year resulted in a reduction in value of heritage items of \$1,273,084

Expenditure

5. Payroll:

The Payroll budget for all years incorporates requirements of the remuneration system adopted by Te Manawa.

6. Operating Expenditure:

Operating costs have been budgeted for the next three years based on current contractual commitments, as well as anticipated maintenance costs (i.e. cleaning, repairs and maintenance, security and administrative costs).

7. Occupancy Costs:

Te Manawa has received notice of some suppliers' intention to increase costs. An inflation adjustment of 1.1% has been applied across most expense categories.

8. PNCC Leases and Service Level Agreements:

It has been assumed that there will be no increase in charges from PNCC in relation to service level agreements - IT, vehicles and phones.

9. Depreciation:

The forecast depreciation for the next financial years is based on the planned plant and equipment additions and the upgrade of the semi-permanent exhibition (Te Awa).

10. Operating Surplus/(Deficit) after Collection Movements:

A net surplus has been budgeted for each of the three years covered by the financial statements 2021/22 (\$7.1k) 2022/23 (\$6.7k) and 2023/24(\$9.3k)

Prudent management of operating expenditure will be required to achieve the budgeted results. Revenue generation opportunities will be sought to ensure that operating cash surpluses are produced going forward.

STATEMENT OF FINANCIAL POSITION:**11. Cash & Short-Term deposits:**

Cash & Cash Equivalents (including term deposits with a maturity of up to 3 months) are budgeted to remain relatively consistent at between \$1,064k and \$1,240k. This is enough to meet the Trust's current budgeted obligations and commitments.

12. STATEMENT OF CASHFLOWS:

Forecast net cash flows from operating activities are enough to cover the planned capital expenditure for the three financial years.

13. STATEMENT OF CASH BALANCES & RESERVES:

Careful managing of resources will be required to maintain positive untagged reserves over next years, in order to both meet our operational costs and gradually increase our semi-permanent and touring exhibition capabilities. There is also an increased reliance on third party revenue to meet the forecast level of operating costs and allow for the strategic reserves to be built up.

The tables below indicate the way Te Manawa intends to gradually build up its strategic reserves within the constraint of maintaining positive untagged reserves.

**Te Manawa Museums Trust
Endowment Fund Forecast**

Endowment Fund	Balance 1/7/20	Actual at 30/06/20	Budget transfers in/(out)	2020/21 Budget	Budget transfers in/(out)	Budget transfers in/(out)	2021/22 Budget
Clevely Fund	10,874	10,874	-	10,874	-	-	10,874
Total Endowment Funds	10,874	10,874	-	10,874	-	-	10,874

The semi-permanent exhibition reserve is designed for the purpose of securing funding for future semi-permanent exhibition refresh and/or internally developed and built Te Manawa touring shows.

Specific Reserves	Balance 1/7/20	Actual at 30/06/20	Budget transfers in/(out)	2020/21 Budget	Budget transfers in/(out)	Budget transfers in/(out)	2021/22 Budget
Collection Development	20,840	16,362		16,362	-	-	16,362
Historical Building Maintenance	22,081	22,081	-	22,081	-	-	22,081
Semi-Permanent Exhibition Development Reserve	234,814	299,674		299,674	-		299,674
Total Specific Reserves	277,735	338,117	-	338,117	-	-	338,117

Te Manawa Museums Trust						
Prospective Statement of Revenue and Expenses						
For the Three Years Ended 30 June 2022, 2023 & 2024				350,000	659,377	
	Notes	Budget 2020/21 \$	Actual 2019/20 \$	Budget 2021/22 \$	Budget 2022/23 \$	Budget 2023/24 \$
Revenue						
PNCC Operational Grant	1	3,231,908	3,199,909	3,264,227	3,296,869	3,329,838
MDC Grant		20,000	20,000	20,000	20,000	20,000
Interest Received	2	14,000	15,486	5,400	7,930	7,858
Fundraising & Sponsorship	3	250,000	5,000	320,000	311,000	438,000
Other Revenue	3	290,154	296,577	309,345	348,411	200,987
Total Revenue		3,806,062	3,536,972	3,918,972	3,984,211	3,996,683
Expenditure						
Personnel Costs	5	2,308,352	2,017,313	2,373,074	2,405,627	2,431,939
Museum Activities	6	861,527	767,717	915,423	934,286	910,130
Occupancy Costs	7	281,943	160,796	266,988	274,057	277,212
PNCC Leases & SLA's	8	81,738	81,738	79,738	79,738	79,738
Depreciation/Amortisation		284,560	259,017	291,600	298,788	303,336
Assets Written Off		-	615	-	-	-
Total Operating Expenditure		3,818,120	3,287,196	3,926,823	3,992,496	4,002,354
Operating Surplus/(Deficit) Before Collection Movements	10	(12,058)	249,776	(7,851)	(8,285)	(5,671)
Collection Movement Income						
Custodial Assets		-	-	-	-	-
Donated Assets		15,000	28,419	15,000	15,000	15,000
Collection Movement Expense						
Custodial Assets Returned		-	-	-	-	-
Collection Assets Deaccessioned		-	184	-	-	-
Net Collection Movements	4	15,000	28,235	15,000	15,000	15,000
Net Surplus/(Deficit)		2,942	278,011	7,149	6,715	9,329
Other Comprehensive Revenue and Expenses	4	-	(1,273,084)	-	-	-
Total Comprehensive Revenue and Expense		2,942	(995,073)	7,149	6,715	9,329

The accompanying notes and accounting policies form part of the prospective financial statements.

Te Manawa Museums Trust

Prospective Statement of Financial Position

As at 30 June 2022, 2023 & 2024

Notes	Actual	Budget	Budget	Budget	Budget
	2019/20	2020/21	2021/22	2022/23	2023/24
	\$	\$	\$	\$	\$
Assets					
<i>Current Assets</i>					
Cash & Cash Equivalents 11	694,163	156,105	284,425	369,876	683,912
Short Term Deposits	614,245	908,858	615,688	460,407	48,345
Stock of Merchandise	51,472	45,000	50,000	50,000	50,000
Receivables	10,509	50,000	20,000	20,000	20,000
Interest Receivable	2,022	1,600	1,500	1,500	1,500
Prepayments	8,125	57,000	50,000	50,000	50,000
Total Current Assets	1,380,536	1,218,563	1,021,613	951,783	853,757
<i>Fixed Assets</i>					
Information Technology	37,957	75,066	70,726	75,534	71,740
Property Plant & Equipment					
Exhibitions	284,028	190,728	436,348	418,074	452,770
Furniture & Fittings	62,071	58,678	58,678	64,704	65,172
Leasehold Improvements	67,136	45,638	46,094	46,555	47,021
Plant & Equipment	320,695	308,673	319,859	380,130	412,285
Collection Assets (Owned)	7,240,474	8,374,712	8,374,712	8,379,330	8,444,330
Collection Assets (Custodial)	8,086,366	8,265,209	8,265,209	8,265,209	8,265,209
Work in Progress	61,809	30,000	30,000	30,000	30,000
Total Fixed Assets	16,160,537	17,348,705	17,601,627	17,659,537	17,788,527
<i>Other Non-Current Assets</i>					
Intangible Assets - Software	12,713	20,113	140,112	155,795	137,480
Total Non-Current Assets	16,173,250	17,368,818	17,741,739	17,815,332	17,926,007
Total Assets	17,553,786	18,587,381	18,763,353	18,767,115	18,779,765
<i>Current Liabilities</i>					
Payables Under Exchange Transactions	325,567	160,000	328,823	332,111	335,432
Income Received in Advance)	82,858	30,000	30,000	30,000	30,000
Provisions	-	-	-	-	-
Employee Benefits	239,573	201,860	201,860	195,619	195,619
Interest Payable	-	-	-	-	-
GST Payable (Receivable)	46,335	55,000	55,000	55,000	55,000
Current Portion of Term Liabilities	-	-	-	-	-
Total Current Liabilities	694,333	446,860	615,683	612,730	616,051
<i>Non-Current Liabilities</i>					
Employee Benefits	3,465	3,266	3,266	3,266	3,266
Total Non-Current Liabilities	3,465	3,266	3,266	3,266	3,266
Total Liabilities	697,798	450,126	618,949	615,996	619,317
Equity					
Trust Equity	10,428,880	10,712,132	10,715,074	10,722,223	10,728,938
Retained Surplus Current Year	278,011	2,942	7,149	6,715	9,329
Asset Revaluation Reserve	5,800,106	7,073,190	7,073,190	7,073,190	7,073,190
Specific Reserves 13	338,118	338,117	338,117	338,117	338,117
Endowment Funds 13	10,873	10,874	10,874	10,874	10,874
Total Trust Funds	16,855,988	18,137,255	18,144,404	18,151,119	18,160,448
Total Liabilities and Trust Funds	17,553,786	18,587,381	18,763,353	18,767,115	18,779,765

Te Manawa Museums Trust

Prospective Statement of Cash Flows

For the Three Years Ended 30 June 2022, 2023 & 2024

Notes	Actual	Budget	Budget	Budget	Budget
	2019/20	2020/21	2021/22	2022/23	2023/24
	\$	\$	\$	\$	\$
Cash Flows from Operating Activities					
Cash was provided from:					
PNCC Grants	3,199,909	3,231,908	3,264,227	3,296,869	3,329,838
Fundraising Activities	5,000	250,000	320,000	311,000	438,000
Other Revenue	344,862	228,263	279,454	368,411	220,987
Interest	16,191	14,000	5,400	7,930	7,858
	3,565,962	3,724,171	3,869,081	3,984,211	3,996,683
Cash was disbursed to:					
Payroll	875,274	2,308,352	2,373,074	2,405,627	2,431,939
Suppliers	1,978,563	1,402,691	1,270,809	1,284,793	1,263,759
Interest	-	-	-	-	-
GST	-19,198	-	-	-	-
Net Change in working Capital	-	-	-	-	-
	2,834,639	3,711,043	3,643,883	3,690,420	3,695,697
Net Cash Flows from Operating Activities*	731,323	13,128	225,198	293,791	300,986
Cash Flows from Investing Activities					
Cash was provided from:					
Sale of Assets	-	-	-	-	-
Cash was disbursed to					
Change in short Term Investments	464,245	600,000	356,556	(197,818)	(400,000)
Purchase of Intangible Assets - Software	3,345	36,250	120,000	24,000	25,000
Purchase of Leasehold Improvements		30,000	30,000	16,000	9,000
Purchase of Information Technology		56,770	56,770	25,600	27,000
Purchase of Exhibitions		185,000	185,000	250,000	250,000
Purchase of Furniture & Fittings		10,000	10,000	35,558	20,950
Purchase of Plant & Equipment	122,386	168,910	168,910	30,000	5,000
Purchase of Collection Assets	29,364	78,500	78,500	25,000	50,000
Work in Progress		-		-	-
	619,340	1,165,430	1,005,736	208,340	(13,050)
Net Cash Flows from Investing Activities	(619,340)	(1,165,430)	(1,005,736)	(208,340)	13,050
Net Increase/(Decrease) in Cash Held	111,983	(1,152,302)	(780,538)	85,451	314,036
Opening Cash Balances	582,450	1,308,407	1,064,963	284,425	369,876
Closing Total Cash Balances	694,433	156,105	284,425	369,876	683,912

The accompanying notes and accounting policies form part of the prospective financial statements

Notes to the Prospective Financial Statements

Statement of Accounting Policies

REPORTING ENTITY

Te Manawa Museums Trust (the Trust) is a charitable trust incorporated in New Zealand under the Charitable Trusts Act 1957 and is domiciled in New Zealand. The Trust is controlled by Palmerston North City Council and is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002, by virtue of the Council's right to appoint more than 50% of the Board of Trustees.

The Trust was incorporated on 20 August 1999, from that date, the Trust assumed responsibility for art works and heritage assets transferred to its care but held on behalf of others. From 1 July 2000 the Trust commenced leasing the premises and managing the institution under agreements entered into with the Palmerston North City Council. The principal place of business is 326-336 Main Street, Palmerston North.

The primary objective of the Trust is to provide interactive experience in art, science and history through acquiring, conserving, researching, developing, communicating and exhibiting material evidence of people and their environment, rather than making a commercial return. Accordingly, the Trust has designated itself as a public sector public benefit entity for the purposes of Public Benefit Entity Accounting Standards (PBE Standards).

BASIS OF PREPARATION

The prospective financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the periods.

Statement of Compliance

The prospective financial statements of the Trust have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The financial statements comply with Public Benefit Entity International Public Sector Accounting Standards ("PBE IPSAS") and other applicable Financial Reporting Standards, as appropriate for Tier 2 public sector public benefit entities, for which all reduced disclosure regime exemptions have been adopted.

The Trust qualifies as a Tier 2 Public Sector PBE reporting entity as it is not publicly accountable and as for the two most recent reporting periods it has had between \$2m and \$30m operating expenditure.

The reporting periods for these prospective financial statements are the years ending 30 June 2022, 30 June 2023 and respectively 30 June 2024. The prospective financial statements are presented in New Zealand dollars, unless otherwise stated.

Measurement Base

The measurement basis applied is historical cost, modified by the revaluation of collection assets as identified in this summary of significant accounting policies. The accrual basis of accounting has been used unless otherwise stated.

Standards, amendments, and interpretations issued that are not yet effective and have not been early adopted

There are no standards, amendments, and interpretations, issued but not yet effective that have not been early adopted, and which are relevant to the Trust.

Significant Accounting Policies

Revenue

Revenue is measured at fair value of consideration received or receivable.

Revenue may be derived from either exchange or non-exchange transactions.

Revenue from Non-exchange transactions

Revenue from non-exchange transactions arises from transactions that are not exchange transactions. In non-exchange transactions, the Trust either receives value from or gives value to another party without directly giving or receiving approximately equal value in exchange.

Approximately equal value is considered to reflect a fair or market value, which is normally commensurate with an arm's length commercial transaction between a willing buyer and willing seller. Many of the services that the Trust provides for a fee are charged at below market value as they are subsidised by Palmerston North City Council operational grant, sponsorship and government/non-government grants. Other services operate on a cost recovery or breakeven basis and are not considered to reflect a market return. Most of the Trust's revenue is therefore categorized as non-exchange.

This includes PNCC grants, transfers from government/non-government entities, donations, donated/vested and custodial collection items, sponsorship, in kind sponsorship, revenue from services supplied at subsidised price.

Specific accounting policies for major categories of revenue from non-exchange transactions are outlined below:

Grants

Grants received from PNCC are the primary source of funding to the Trust and are restricted for the purposes of the Trust meeting its objectives as specified in the Trust's trust deed.

Revenues from non-exchange transactions with Council/other government/non-government entities are measured at fair value and recognised when the event occurs and the asset recognition criteria are met, if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Trust and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount if conditions of the grant are not met, deferred income is recognised instead of revenue, and recognised as revenue when conditions of the grant are satisfied.

Rendering of services

Revenue from the rendering of services is recognised when the transaction occurs to the extent that a liability is not also recognised. For these transactions the revenue is recognised by reference to the stage of completion of the transaction at the reporting date.

All revenues from rendering of services are non-exchange, except for revenue from Venue Hire which is classified as exchange transaction.

Vested or donated physical assets

Where a physical asset is gifted to or vested in the Trust for nil or nominal consideration, the fair value of the asset received is recognised as revenue. Such income is recognised when control over the asset is obtained, unless there is a use or return condition attached to the asset.

The fair value of vested or donated physical assets is determined by reference to the market value of comparable assets available.

'In Kind' Sponsorship

The Trust receives sponsorship 'in kind' by way of goods and services provided at discounted or nil charge. Where the fair value of these goods and services can be reliably measured, the income (and expense) is recognised as 'sponsorship - in kind' in the period in which the goods or services are received or there is a binding arrangement to receive the goods.

Volunteer Services

Volunteer services received are not recognised as revenue or expenditure as the Trust is unable to reliably measure the fair value of the services received.

Revenue from Exchange transactions**Sales of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Trust.

Interest Income

Interest income is recognised using the effective interest method.

Advertising Costs

Advertising costs are expensed when the related service has been rendered.

Borrowing Costs

Interest expense is recognised using the effective interest rate method. All borrowing costs are expensed in the period in which they are incurred.

Depreciation and amortisation

Depreciation of property, plant and equipment and amortisation of intangible assets are charged on a straight-line basis over the estimated useful life of the associated assets.

Leases

Finance Leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Trust will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit over the lease term as an integral part of the total lease expense.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are presented within borrowings as a current liability in the statement of financial position.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of a receivable is established when there is objective evidence that the Trust will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation, and default in payments are considered indicators that the receivable is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of an impaired receivable is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

Financial Assets

Financial assets are categorised into the following four categories: financial assets at fair value through surplus or deficit; held-to-maturity investments; loans and receivables; and financial assets at fair value through other comprehensive revenue and expense. The classification depends on the purpose for which each investment was acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

The fair value of financial instruments traded in active markets is based upon the quoted market prices at the balance sheet date. The quoted market price used is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows are used to determine fair value for the remaining financial instruments.

a) Financial Assets at Fair Value through Surplus or Deficit

This category has two sub-categories: financial assets held for trading, and those designated at fair value through surplus or deficit at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading. After initial recognition they are measured at their fair values. Gains or losses due to change in fair value are recognised in the surplus or deficit.

Currently, the Trust does not hold any financial assets in this category.

b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

c) Held to Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and there is the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets. After initial recognition they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Currently, the Trust does not hold any financial assets in this category.

d) Financial Assets at Fair Value through Other Comprehensive Revenue and Expense

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into this category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date.

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit. On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Currently, the Trust does not hold any financial assets in this category.

Impairment of financial assets

Financial assets are assessed for evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Loans and receivables, and held-to-maturity investments

Impairment is established when there is evidence that the Trust will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation and default in payments are indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits are recognised directly against the instrument's carrying amount.

Financial assets at fair value through other comprehensive revenue and expense

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

Inventories

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the FIFO method), adjusted, when applicable, for any loss of service potential.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Inventories held for use in the provision of goods and services on a commercial basis are valued at the lower of cost (using the FIFO method) and net realisable value.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

Property, Plant and Equipment

Items of property, plant and equipment are stated at historical or deemed cost, less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that service potential associated with the item will flow to the Trust and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are presented net in the surplus or deficit.

Work in Progress

All assets constructed by Trust are initially recorded as work in progress. Work in progress is recognised at cost less impairment and it is not depreciated. Upon completion, these assets are transferred to their relevant asset class and depreciation commences.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that service potential associated with the item will flow to the Trust and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised as an expense as they are incurred.

(a) Furniture, Equipment and Exhibits

Furniture, equipment and exhibits (excluding art and heritage collections) are valued at cost less accumulated depreciation and impairment losses.

Depreciation

Assets are depreciated on a straight-line basis at rates that will write off their cost less any estimated residual value over the expected useful life of the asset. The useful lives of major classes of assets have been estimated as follows:

Computer Hardware	1 to 5 years
Exhibitions	2 to 10 years
Furniture & Fittings	4 to 10 years
Leasehold Improvements	4 to 10 years
Office Equipment	4 to 10 years
Plant	4 to 20 years

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

(b) Collection Assets

As the Heritage Collection and Art Collection assets are intended to have an indefinite life, they are held in trust in perpetuity for the benefit of the public.

The Heritage Collection and Art Collection have not been depreciated, as it is the Trust's policy to maintain the collections in their current state, in accordance with the Trust's Collection Policies.

All additions to the Heritage and Art Collection are recorded at cost. These additions will be revalued in accordance with the Trust's Valuation Policy. Donated objects are recorded at fair value, or depreciated replacement cost, or nil value if considered unrealisable or irreplaceable.

Custodial Collection Assets are objects within the Heritage and Art Collections not formally owned by the Trust, where the Trust has assumed all the rights and obligations of ownership. Within the Heritage Collection this is limited to items on loan for an indefinite period, excluding works on loan from other Museums and Cultural organisations. In relation to the Art Collection, the nature of artworks and anecdotal evidence suggests that there is a high likelihood of request for return of loaned assets, irrespective of the loan period, therefore only items on loan from the Te Manawa Art Society Inc. are recognised as custodial assets. These assets are held and maintained by the Trust by agreement with the owners.

Revaluation

The Art Collection assets are revalued to fair value as determined from market-based evidence by an independent valuer. The most recent valuation was performed by *Art + Object* Auckland during January 2018. Trust's policy is to revalue the Art Collection assets every three years.

The Heritage Collections assets are revalued to fair value as determined from market-based evidence by an independent valuer. Trust's policy is to revalue the Heritage Collection assets every four years to ensure that their carrying amount does not differ materially from fair value.

All other asset classes are carried at depreciated historical cost.

Accounting for Revaluations

The results of revaluing are credited or debited to an asset revaluation reserve. Where this results in a debit balance in the asset revaluation reserve, this balance is charged to the surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in a previous year surplus or deficit, will be recognised first in the surplus or deficit up to the amount previously expensed, and then credited to the revaluation reserve.

Intangible Assets

Recognition and measurement

Intangible assets are initially measured at cost, except for Intangible assets acquired through non-exchange transactions (measured at fair value).

All of the Trust's intangible assets are subsequently measured in accordance with the cost model, being cost (or fair value for items acquired through non-exchange transactions) less accumulated amortisation and impairment, except for the items which are not amortised and instead tested for impairment such as Intangible assets with indefinite useful lives, or not yet available for use. The Trust has no intangible assets with indefinite useful lives.

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with development and maintenance of the Trust's website are recognised as an expense when incurred.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in surplus or deficit as incurred.

Amortisation

Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of each amortisable intangible asset. Amortisation begins when the asset is available for use and ceases at the date that the asset is disposed of.

The estimated useful lives are as follows:

Software: 1 to 7 years, Website: 3 to 5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Impairment of property, plant and equipment and intangible assets

For the purpose of impairment of Property, plant and equipment and intangible assets, which are carried at cost less accumulated depreciation and impairment losses, the Trust classifies its items of property plant and equipment and intangibles as non-cash generating assets, as these are not held with the primary objective of generating a commercial return, but rather for service delivery purposes and to deliver to Trust's public benefit objectives. Property, plant, and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use for non-cash-generating assets

For Trust's non-cash generating assets, value in use is determined based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return. The value in use for cash-generating assets is the present value of expected future cash flows. The Trust does not currently hold property plant and equipment and intangible assets in this category.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Creditors and Other Payables

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

Borrowings

Borrowings are initially recognised at their fair value plus transaction costs, if any. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Trust has an unconditional right to defer settlement of the liability for at least 12 months after balance date or if the borrowings are not expected to be settled within 12 months of balance date.

Employee Entitlements

Short-term employee entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned to, but not yet taken at balance date. Sick leave has not been included, as the amount of accumulated sick leave that is anticipated to be taken in future periods is not considered to be material.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in 'finance costs.

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of Goods and Services Tax (GST), except for trade receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

The Trust is exempt from Income Tax by virtue of its charitable status.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components.

- Trust's contributed capital;
- Retained earnings;
- Restricted reserves;
- Collections revaluation reserve;

Restricted reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Trust.

Restricted reserves include those which have specific conditions accepted as binding by the Trust and which may not be revised by the Trust without reference to the Courts or a third party (i.e. endowment funds). Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Trust's decision. The Trust may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Trust.

Critical Accounting Estimates and Assumptions

In preparing these prospective financial statements, the Trust has made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Property, Plant and Equipment Useful Lives and Residual Values

The Trust reviews the useful lives and residual values of its property, plant and equipment annually. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Trust to consider a number of factors including the physical condition of the asset, expected period of use of the asset by the Trust, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the surplus or deficit and the carrying amount of the asset in the statement of financial position. The Trust minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programmes;
- review of second-hand market prices for similar assets; and
- analysis of prior asset sales.

The Trust has not made significant changes to past assumptions concerning useful lives and residual values.

Public benefit entity prospective financial statements (PBE FRS 42)

The Trust has complied with PBE FRS 42 in the preparation of these prospective financial statements. In accordance with PBE FRS 42, the following information is provided:

(i) Description of the nature of the entity's current operation and its principal activities

The Trust is a Council Controlled Organisation, as defined in the Local Government Act 2002. The Trust's principal activities are outlined within this Statement of Intent.

(ii) Purpose for which the prospective financial statements are prepared

It is a requirement of the Local Government Act 2002 to present prospective financial statements that cover 3 years and include them within the Statement of Intent. The purpose of the Statement of Intent is to state publicly the activities and intentions of Te Manawa for the year and the objectives to which these activities will contribute. Prospective financial statements are revised annually to reflect updated assumptions and costs.

(iii) Bases for assumptions, risks and uncertainties

The financial information has been prepared on the basis of best estimate assumptions as the future events which the Trust expects to take place. The Trust has considered factors that may lead to a material difference between information in the prospective financial statements and actual results. These factors, and the assumptions made in relation to the sources of uncertainty and potential effect, are outlined within this Statement of Intent.

(iv) Cautionary Note

The financial information is prospective. Actual results are likely to vary from the information presented, and the variations may be material.

(iv) Other Disclosures

These prospective financial statements have been authorised by the Board, on 2 June 2021, for delivery to the Palmerston North City Council. The Trust is responsible for the prospective financial statements presented, including the assumptions underlying prospective financial statements and all other disclosures. The Statement of Intent is prospective and as such contains no actual operating results.

MEMORANDUM

TO: Council

MEETING DATE: 1 September 2021

TITLE: Caccia Birch Trust Board - Final Statement of Intent 2021-2024

PRESENTED BY: Hannah White, Democracy & Governance Manager

APPROVED BY: Sheryl Bryant, Assistant Chief Executive

RECOMMENDATION TO COUNCIL

1. That the Council agree the Statement of Intent 2021-2024 submitted by Caccia Birch Trust Board, attached as Appendix 1 of the report titled 'Caccia Birch Trust Board - Final Statement of Intent 2021-2024'.
-

1. ISSUE

- 1.1 The Statement of Intent (SOI) sets out the objectives and activities of The Caccia Birch Trust Board (CBTB) for the next three years. It serves as a basis for accountability to the Council, as the shareholder.
- 1.2 The requirements for the SOI are set out in Schedule 8 of the Local Government Act 2002 (LGA). Under the LGA, Council has the power to modify a SOI to ensure it adequately reflects the council's strategic priorities if it considers that is necessary.
- 1.3 In June 2021, Council resolved to bring the delivery of Caccia Birch homestead and gardens inhouse from July 2022. A 12-month transition period was agreed to enable the smooth transfer of management of the property from the Trust Board to Council.
- 1.4 The purpose of this report is for the Council to fulfil the requirement under s65(2) of the LGA to agree the final SOI, or if it does not agree, to require the SOI to be modified as set out in clause 6, Schedule 8 of the LGA.

2. BACKGROUND

- 2.1 CBTB is a Council Controlled Organisation (CCO), which was set up to independently manage and promote the Caccia Birch House and Grounds. A CCO is an organisation in which Council has the right to appoint at least fifty percent of the trustees and must work towards Council's objectives on its behalf. CBTB is managed by a Board of Trustees made up of committed volunteers.

- 2.2 The Council and the Trust Board are currently working through a 12-month transition period, to transfer the management of the property from being run by CBTB into a Council delivered service. During this period, the Trust Board is still responsible for the day-to day running of the property and is still legally a CCO. As such, it is expected to report on performance as outlined in the Local Government Act 2002.
- 2.3 In November 2020, the Council resolved to retain the Statement of Expectations 2020/21 for all cultural CCOs for the forthcoming year 2021/22.
- 2.4 The Arts, Culture & Heritage Committee received CBTB's draft SOI at its meeting on 14 April 2021 and made recommendations for CBTB to consider when developing its final SOI. These recommended changes were approved by Council on 5 May 2021.
- 2.5 Council's recommended changes (Table 1) have not been made by the Trust Board. CCTB have stated that due to the circumstances they do not intend to make any changes.
- 2.6 Officers recommend Council agree the SOI. As a result of the decision to bring the provision in-house, only the first year of this Statement of Intent will take effect.

Table 1: Council recommendations on the draft CBTB SOI

Council comments on draft	Is it dealt with in the SOI?
Work with Council officers to discuss updating the Trust Deed.	No. Changes not made.
That CBTB remove the performance measure for number of visitor surveys completed.	No. Changes not made.
That rather than report on the whole survey, CBTB highlight survey results as evidence of performance.	No. Changes not made.
That CBTB specify in the 'What we will do' section where proposed unsecured funding is expected to come from - PNCC or from external source.	No. Changes not made.

3. NEXT STEPS


- 3.1 CBTB's Annual Report 2020-21 on its SOI 2020/21 is due to Council officers on 30 September 2021 and will be presented to the Arts, Culture & Heritage Committee in November.

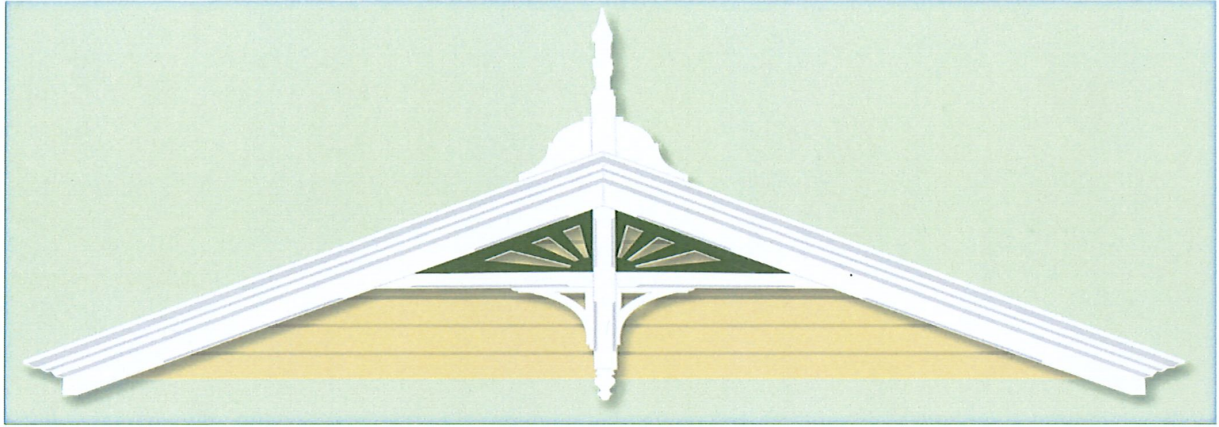
- 3.2 The six-month report on this SOI will be delivered to staff by 1 March 2022 and presented to the next available Arts Culture and Heritage Committee.

4. COMPLIANCE AND ADMINISTRATION

Does the Council have delegated authority to decide?	Yes
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 2: A Creative and Exciting City	
The recommendations contribute to the outcomes of the Creative and Liveable Strategy	
The recommendations contribute to the achievement of action/actions in the Arts Plan	
The action is: to support CCOs to achieve the objectives of the arts plan.	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	Agreeing the final Statements of Intent is a mechanism for Council to provide guidance and direction to the cultural CCOs and meets Council's responsibility to monitor the CCOs under the LGA.

ATTACHMENTS

1. Caccia Birch Trust Board - Statement of Intent 2021-24 [↓](#) 



CACCIA BIRCH TRUST BOARD

STATEMENT OF INTENT

2021 – 2022

2022 – 2023

2023 – 2024



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.Signature	

2. <u>CONTACT DETAILS</u>	
Registered Office:	Caccia Birch House 130 Te Awe Awe St, Palmerston North 4410
Website & Email	www.caccia-birch.co.nz manager@caccia-birch.co.nz/ www.facebook.com/cacciabirchhouse
Phone:	06 3575363
Email:	manager@caccia-birch.co.nz
Office Contact:	Nicky Birch
Role in CCO:	Manager
Address:	As Above
Chairperson:	Grant O'Donnell
Email:	home@odonnell-law.co.nz
Phone:	06 3567754 / 0274 424395
Trustees 2019 to 2020	Grant O'Donnell, Patricia Keiller, Cushla Scrivens, David Campbell, David Chapple, Wendy Newport-Smith, Latham Lockwood.
Legal Status:	Caccia Birch Trust Board is a Council-Controlled Organisation (CCO) for the purposes of the Local Government Act 2002 and operates as a Charitable Trust under the Charitable Trust Act 1957 and Charities Act 2005. CC38431

3. FOREWORD

The impact of Covid 19 and successive Section 17A reviews on the business operations of the Board, and on Management, staff and Trustees has been significant.

Nevertheless, while the Trust's Vision, Mission and Values remain paramount, the Board will seek to improve its commercial activities and revenue generation.

The Strategic Objectives set out on page 7 underpin what we do and enable us to set desired outcomes in all three areas.

The Trust cannot achieve all its objectives alone. Establishing and maintaining stakeholder engagement, and partnership collaboration and co-operation, are essential to achieve those goals.

Such co-operation and collaboration will include:

- a) Working with CEDA to develop our visiting tourist products to showcase the City to the national and international markets. This includes developing an internationally recognised Qualmark rating.
- b) Capitalising on the opportunities provided by the Arts Powerhouse initiative as a path to increase our contribution to a planned programme of events and activities across the City venues.
- c) Collaborations with other local museums and heritage facilities to develop interpretative displays and signage to enhance a casual visit to the property.
- d) Community outreach plan.
- e) Encouraging Council to extend its assistance to the Trust in areas where it has resources.

The Board believes it has drafted a constructive and creative Long-Term Plan for the House and property.

This Statement of Intent, regrettably, for reasons outlined, is not based on that, but on a status quo approach which is to be inferred from Council's communications to the Board regarding requests for further funding in the Long-Term Plan.

The continued existence of the Trust is, the Board believes, essential to implement those long-term plans and to demonstrate a commitment by Council to the interests of, and involvement by, the Community, consistent with the spirit in which Caccia Birch House devolved on Council.

The goals of both Council and the Trust and the potential held by Caccia Birch House can, we believe, be best achieved by enhanced co-operation and collaboration between them.



4. Purpose of this Statement of Intent

This Statement of Intent is presented by Caccia Birch Trust Board in accordance with the requirements of s 64(1) of the Local Government Act 2002.

In accordance with the Local Government Act 2002, this annual Statement of Intent publicly states the activities and intention of Caccia Birch Trust Board for the next three years, and the objectives to which those activities will contribute.

This SOI takes shareholder comments into consideration and includes performance measures and targets as the basis of organizational accountability.

5. About Caccia Birch Trust Board

Purpose

Our key objective is to secure the future for the House and Gardens:

- as a Category 1 Heritage Property
- in the hearts and minds of our stakeholders and customers

Vision Statement

That residents, visitors and hirers have memorable experiences at the Caccia Birch House and Gardens that resonate with them personally and connect them with our cultures and history.

Mission Statements

In order to achieve this vision, the Caccia Birch Trust Board will work to:

- Maximise the heritage values of the Caccia Birch House and Gardens
- Maximise the opportunities for residents and their visitors to experience the property and gardens and learn about its history.
- Maximise income from the house and gardens as a venue for hire, focusing on its market strength as the only Category 1 Heritage Status Homestead in Palmerston North.

Values

The Caccia Birch Trust Board and Staff Team will aspire to uphold the following values:

- **Inclusivity:** To create an environment that is warm and welcoming, respectful of diversity and provides something for everyone
- **Focus:** To articulate our goals clearly and to strive honestly to achieve them
- **Innovation:** To be open to new ways of doing our business and to aim for continuous improvement
- **Architectural and Historical Integrity:** to enshrine the heritage values of the House and Gardens in everything that we do.

Constitutional objectives

The Trust was established in 1989 by PNCC, primarily to oversee and manage the restoration of the house from a derelict and dilapidated state.

The gifting of the property to the community underpinned the purpose of the Trust and fundraising was one of the tasks required to meet the high costs of restoration and development.

The first objective of the Board, as described in the Trust Deed is:

“To develop, promote, enhance and maintain the land and buildings described in the Schedule of property hereto known as Caccia Birch House, in recognition of the heritage status of the building, so that it may be utilised and enjoyed by the community”.

The second objective enables the Board to undertake any actions that it deems necessary or desirable to achieve this purpose.

In 1993, as restoration work neared completion, it was agreed that making the house available to the community for meeting and function hire was a compatible use for the grand old homestead. A Manager was employed to administer the business and property and grow this activity.

The Board has been asked to consider whether its Deed is still relevant to its business in the 21st century, specifically whether it places adequate emphasis on the commercial hire activities of the House and Gardens.

The Board considers that parts of the Trust Deed may need updating or modernising, for example to enable Board decisions by email. The Board does not consider it necessary or desirable to amend the Trust Deed for activities which may be managed through the SOI process.

The Board's preference is to work collaboratively with Council to best maintain, enhance, and add value to the heritage status of the House and Garden. This is already enshrined as the primary objective of the Trust.

The Board's approach to governance:

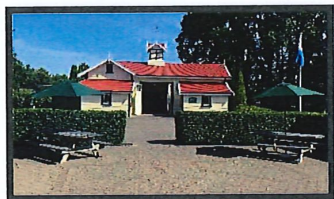
The Board's approach to governance is to adopt good governance practices with respect to:

- ensuring a heritage preservation focus to the Board's activities,
- working with stakeholders and with interested community groups to meet objectives,
- maintaining a constructive and proactive relationship with Palmerston North City Council,
- being a good employer: The Board employs a Manager who is responsible for the day-to-day operations of Caccia Birch, engaging with the community and clients, oversight of staff, contractors and day to day administration. The Manager reports to the Board on performance against Caccia Birch Trust Board objectives.

Caccia Birch House History Background.

- 1895 Caccia Birch House was built for Norwegian sawmiller & businessman Jacob Nannestad, who was co-owner of the towns largest sawmill Richter, Nannestad, Janssen & Co located on Broadway and Albert St.
- 1903 The Nannestad property then named 'Hokowhitu' was sold to English businessman John Strang who developed it to what we see today and renamed it "Woodhey".
- 1908 the Governor General Lord Plunket and his family resided at the property, vacating in 1910 when the Strang's returned from their trip to England.
- 1921 William and Maud Caccia Birch (nee Keiller) purchased the property and occupied the House until William's death in 1936.
- 1941 The property was gifted to the Government to be used in the war effort as Army accommodation for Home Guard officers during World War II
- 1946 PN Hospital Board Convalescence home for war veteran nurses.
- 1961 Victoria University annex.
- 1963 Massey University
- 1970 PN Teachers College.

- 1975 Massey University found they could not develop the property and handed it back to the Government.
- 1977 the building stood empty, vandalised and derelict.
- 1983 After much debate about its future, former PNCC planner Ken Tremaine, Mayor Brian Elwood, Councillors Paul Rieger and Dr Bernard Forde felt it important to preserve local history and petitioned the government to gift the property to the city.
- A Deed of Agreement with a purchase price of 10 cents gifted Caccia Birch House to PNCC and community. It took a further ten years to find a way to fund the expensive restoration project.
- 1989, PNCC created the Caccia Birch Trust Board to oversee the restoration and preservation.
- The Trust Deed was created to ensure that Caccia Birch House would be preserved by the city for future generations.
- 1991 The restoration of the dilapidated buildings was largely funded from the sale of surrounding land and additional money from a large community bingo group, the Lottery funds and the PNCC.
- 1992 Restoration of the ground floor was completed, along with some grounds landscaping.
- 1993 Restorations of the upper floor and employment of a manager / custodian. The Trust Board was expected to arrange a sympathetic use for the property. Making the house available to the community for meeting and function hire was a suitable use for the grand old homestead. This was also the vehicle to ensure the property was



accessible and well utilised by the community.

- 1994 Restoration of the CoachHouse building exterior.
- 2003 CCO status came about after the Local Government Act changes in 2003 whereby Councils were required to fund depreciation of their facilities and at this point



Caccia Birch Trust Board received some financial assistance for the building upkeep.

- 2000 to 2006 the Trust Board refurbished the interior of the CoachHouse to a useable state and thus began the planning and construction the information archive for visitors with the assistance of community funding.
- 2020 A second stage of the CoachHouse display was completed and the original panels replaced.

During the twenty-seven-year operation Central Energy Trust, Eastern & Central Community Trust, The Lion Foundation, Pub Charities, the Earle Trust and Lotteries have financially supported numerous projects at Caccia Birch House, thus saving ratepayers substantial expenditure.

The house is well-utilised (65 to 70% occupancy) for meetings, family functions, weddings, community events and promotion of local history to the visitor industry, contributing to the city's vibrant cultural facilities.

Continuing with these activities will ensure future generations can continue to enjoy this iconic property.



6. Contribution to small city benefits, big city ambition

Palmerston North is the heart of the Manawātū region within central New Zealand. We are a small city with a lot to offer, and we are ambitious about where we're going.

Our vision is Palmerston North: Small city benefits, big city ambition.

Council has identified five strategic goals for achieving this vision:

Goal 1: An innovative and growing city

Goal 2: A creative and exciting city

Goal 3: A connected and safe community.

Goal 4: An eco-city

Goal 5: A driven and enabling Council.

Council's Culture and Heritage Plan supports Priority 2 of the Creative and Livable Strategy:

"to celebrate the city's history and diversity and build on the strength of being a city of many cultures and languages".

Our strategic objectives demonstrate how the Caccia Birch Trust Board contributes to the following actions within the Culture and Heritage Plan:

- Make use of, and invest in, Heritage Buildings to provide Council and community facilities.
- Investigate opportunities to develop and add value to Council heritage buildings and sites.
- Provide facilities to enable the ongoing collection of, and access to, local history.

The Caccia Birch Trust also has a part to play in Goal 4:

- An eco-city, particularly in Priority 2 to work with Council to reduce carbon emissions.
- The Trust staff will work closely with Council asset managers to ensure that asset management and renewal incorporates sustainability principles and environmental improvements.
- The Trust staff will work with the hospitality sector to incorporate sustainable practice in their operations.

7. Strategic objectives:

Strategic Objective 1:

Maintain and enhance the heritage values of the Caccia Birch House and Gardens.

- This will ensure that the property meets all the requirements of its Category 1 Historic Property Status, can provide the experiences of the Board's vision and is preserved for future generations of residents in Palmerston North.

Strategic Objective 2:

Increase the range of opportunities for residents and their visitors to experience the property and gardens and learn about its history.

- This will increase the visibility of the house and gardens within the local community, increase satisfaction with the casual visitor experience and enable more community members to experience the house and gardens.

Strategic Objective 3:

Increase income generated through the house and gardens as a venue for hire, focusing on its market strength as the only Category 1 Heritage Status Homestead in Palmerston North.

- This will increase the visibility of the house and gardens within the local community and enable the Trust Board to invest in activities that contribute to Strategic Objectives 1 and 2.

8. What we will do

Strategic objective 1: (* Denotes financial or in-kind assistance may be required.)

Maintain and enhance the heritage values of the Caccia Birch House and Gardens:

- Oversee PNCC's Asset Management Programme to the standard required for the heritage status of the house and gardens.
- Maintain the grounds and gardens to the standard required for the heritage status of the house and gardens as our budget or funding allows.
- Secure improvements that enhance the heritage status of the house and gardens as our budget or funding allows.

Over the next three years, the Board will implement the following capital improvements:

- In conjunction with Council, clear and develop the Lagoon embankment to improve the visual link between Caccia Birch House, Hokowhitu Lagoon, the Manawatu River and restore the outlook towards Te Motu-O-Poutoa Pa. *
- Improve existing footpath network on the property *
- Provide more seats in the grounds, and focal points from which to enjoy the serenity of the gardens*
- Increase period furniture and furnishings in the house.

Strategic objective 2: (* Denotes financial or in-kind assistance may be required.)

Provide a range of opportunities for residents and their visitors to experience the property and gardens and learn about its history:

- Provide as much access as possible to the house and grounds for residents and their visitors to "self-guide" through the Coach House and interpretive signage in the gardens.
- Provide regular, well-advertised open days and guided tours for residents and their visitors.
- In collaboration with the Council and other public bodies (including other CCOs), community organisations and commercial operations, provide a range of activities and events at no or low cost to residents and their visitors at the house and gardens. *

Over the next three years, the Board will implement the following capital improvements:

- Create various types of focal points in the grounds. *
- Work to reduce carbon emissions by improving pedestrian access to the property and bicycle parking facilities at the property. *
- Develop and promote more history displays and use modern technology for information sharing to engage the younger community. *
- Make more historical and property information available – could be electronic, incl CoachHouse.
- Provide better signage in the grounds to enhance visitor experience. *
- Develop interactive displays.
- Interpretation of gardens – plan and information on features with a path circumnavigating property to enable self-guided tours. *

Over the next three years, the Board will aim to increase the number of social activities available to the casual visitor to the house and gardens by:

- Providing greater visitor engagement through well trained and knowledgeable staff/volunteers.
- Age-specific activities
- Themed days
- Encouraging more ethnic, multi-cultural and non-profit community groups to experience this heritage facility.
- Investigating the provision of a coffee cart/food trucks for regular use by casual visitors

Strategic objective 3: (* Denotes financial or in-kind assistance may be required.)

Manage the house and gardens as a venue for hire, focusing on its market strength as the only Category 1 Heritage Status Homestead in Palmerston North:

- Hire the venue for weddings and special occasions to residents and visitors to the City
- Hire rooms/venue for corporate meetings and seminars.
- Hire rooms/venue to community users focusing on special interest groups to increase the visibility of the house and gardens in the community.
- Provide a tourist experience for visitors to the City, in conjunction with partners such as CEDA

Over the next three to six years, the Board will aim to increase the income from venue hire with the following capital improvements:

- Plan a summerhouse/stage in the grounds (self-contained) *
- Publication of a Caccia Birch House history book (for sale)
- Infrastructure updated e.g. improved Wi-Fi*
- State of the art electronic displays
- Enhance business/conference furniture and equipment*

Over the next three to six years, the Board will aim to increase the income from venue hire by:

- Ensuring that the operation is appropriately staffed to meet the changing outcomes.
- Apply for 12-night extension*
- Develop a program of 'shared-risk' events to engage with the community.
- Increase catering revenue.
- Tours international - value added (e.g. afternoon tea) potentially Qualmark rated.
- Develop full-service packages and discontinue the 'self-service model.

9. Performance measures

The Board has reviewed its performance measures in the light of the Statement of Expectation for 4-6 high-quality performance measures with officers which demonstrate Caccia Birch Trust's performance against key activities that contribute to Council's strategic outcomes".

Specifically, it undertook an RBA¹ process to identify performance measures for Strategic objective 2 (to provide a range of opportunities for residents and their visitors to experience the property and gardens and learn about its history).

The Board will survey a sample of casual visitors to the House or to a publicly accessible event to find out if it is delivering experiences which meet its aspirational vision. A sample of 100 will be indicative of the general experience of visitors.

This information will feed directly into the reporting templates provided by the Council officers and is attached.

¹ Results Based Accountability: <https://www.msd.govt.nz/what-we-can-do/providers/results-based-accountability/index.html>

Strategic Objective	Performance measure	Target 2021/22	Target 2022/23	Target 2022/23
Maintain and enhance the heritage values of the Caccia Birch House and Gardens	Planned capital new and renewal programme is completed	100% completed, commentary on progress	100% completed, commentary on progress	100% completed, commentary on progress
Provide a range of opportunities for residents and their visitors to experience the property and gardens and learn about its history	No of Trust / Council & stakeholder operated publicly accessible events	3	4	5
	No. visitors to Open Days	600	700	800
	No. Visitor experience surveys completed (RBA see below)	100	100	100
Manage the house and gardens as a venue for hire, focusing on its market strength as the only Category 1 Heritage Status Homestead in Palmerston North	No. of hires	425	450	475
	No. of Community Groups hires	25	30	35
	All Income from hire & catering services.	\$85,000 (post covid)	\$103,020	\$105,080

How Much	How Well	Is anyone better off?				Population outcomes
		Skills and knowledge	Attitude and opinion	Behaviour change	Circumstance change	
Secure 100 surveys from a range of visitor activities at CBH	# / % survey respondents who would recommend CBH to someone else.	# / % survey respondents who report having learned something new	# / % survey respondents who report they would be more likely to visit another heritage facility or similar event or activity	# / % survey respondents who would visit CBH again	# / % survey respondents who report feeling more connected to the City and its history	Creative and Exciting City

Catchall Question:

What else would you have liked to have experienced during your visit to Caccia Birch House?

10. How We Operate:

The Board believes that there is an increased interest in local history and heritage and that Caccia Birch House is the premier local heritage offering.

There is nowhere else of this quality, locally, that is available for public access or for hire in the manner we operate.

Of note, is the combination of property and gardens, providing an oasis of tranquility in the heart of the City. The Board has identified opportunities to capitalise on this through creating more opportunities for community access.

The Board is constrained in developing a stream of income from events because of its zoning in a residential area in the District Plan.

The Board, in making decisions, acknowledges the principles of Te Tiriti o Waitangi/The Treaty of Waitangi and the importance of engaging with Tangata Whenua in our operations. It also aims to make its decisions taking regard to its obligations to reduce carbon emissions and to operate sustainably.

The Board employs a full-time manager, part time gardener, mowing contractor, a secretarial contractor, a part time housekeeper and four part-time after-hours venue / function staff. The Board believes that this small staff team is operating at full capacity under the "business as usual" scenario.

The staff team resource needs to be expanded to manage the growth in tourism and business. Over the next few years, the Board envisages ultimately, a full-time assistant manager.

11. Working together

The Caccia Birch Trust Board has long been hoping to move beyond business-as-usual planning. It was pleased to work with Council to develop an aspirational 10-year business plan.

The SOI budget for the year ending 2020 reflected the effects of Covid 19 and the anticipated reduced income. The Board has developed a business plan based on previous experience and knowledge of the current market for its services. However, the costings now presented in this draft Statement of Intent are not as shown in the Draft 10-year plan, as Council has now indicated their preference for a status quo operation. The budget is based on the financial year 2019 to 2020.

The Board will work to achieve identified growth in hire income and however has reduced KPIs in line with the funding available but continues to target increases in its hire activities which it believes to be realistic.

The Board will also work to enhance heritage values and to increase community access but will be constrained from expanding activities beyond the status quo without additional external and Council funding.

Half-yearly report

By the end of February each year, Caccia Birch Trust Board will provide the Council with a half-yearly report complying with section 66 of the Local Government Act 2002. The report will include the following information:

- Manager/Chief Executive's commentary on operations for the relevant six-month period.
- Comparison of Caccia Birch Trust Board's performance to the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Un-audited half-yearly financial statements incorporating a statement of financial performance, statement of financial position, statement of changes in equity and statement of cashflows.

Annual report

By 30 September each year, Caccia Birch Trust Board will provide the Council with an annual report complying with sections 67–69 of the Local Government Act 2002. Financial statements and audit clearance will be required in early August to ensure timely availability of PNCC's annual report.

The annual report will contain the information necessary to enable an informed assessment of the operations of Caccia Birch Trust Board and will include the following information:

- Commentary on operations for the year.
- Comparison of Caccia Birch Trust Board's performance to the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Financial statements incorporating a statement of financial performance, statement of financial position, statement of changes in equity, statement of cashflows, statement of accounting policies and notes to the accounts.
- Auditor's report on the financial statements and the performance targets.
- Any other information that the trustees consider appropriate.

12. Forecast financial statements.

This section helps readers assess the cost-effectiveness of the activities that the CCO delivers. Statements must be for three years and be prepared in accordance with generally accepted accounting practice.

This section will contain the following information:

- Statement of financial performance
- Statement of financial position
- Statement of cash flows
- The CCOs Accounting Policies.
- For each section of information, it will contain the following years of information:
- Last full year of actual financials
- Current financial year budget and forecast.
- The 3 years that the SOI covers.
- Any occurrence where the CCO receives funds from a local authority will be separately noted.

13. STATEMENT OF ACCOUNTING POLICIES

Basis of Preparation:

The Board has elected to apply PBE SFR-A Public Sector Entity Simple Format Reporting - Accrual on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future.

Changes in Accounting Policies: There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

(a) Tier 2 PBE Accounting Standards Applied

The Trust has not applied any Tier 2 Accounting Standards in preparing its financial statements.

(b) Presentation Currency and Rounding

The financial statements are presented in New Zealand dollars (\$), and all financial information presented has been rounded to the nearest dollar.

(c) Property, Plant & Equipment

Property, plant and equipment are recorded at cost, less accumulated depreciation and impairment costs.

Donated assets are recognised on receipt of the asset if the asset has a useful life of 12 months or more, and the current value of the asset is readily obtainable and significant. Significant donated assets for which current values are not readily obtainable are not recognised.

Donated Artwork had not been recognised because the values of the artwork are not readily available. For an asset to be sold, the asset is impaired if the market price of an equivalent asset falls below the carrying amount.

Depreciation is provided on a straight-line basis at rates that will write off the cost of the assets over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Plant & Equipment	10 years (10%)
Leasehold Improvements	10 years (10%)

(d) Goods & Services Tax

These financial statements have been prepared on a GST exclusive basis with the exception of accounts receivable and accounts payable which are shown inclusive of GST.

(e) Income Tax

The Trust is exempt from taxation due to the charitable nature of its activities via the operation of Section CW 35 of the Income Tax Act 2004.

(f) Revenue

Grants

Grants received from the Palmerston North City Council are the primary source of funding to the Trust and are restricted for the purposes of the Trust meeting its objectives as specified in the Trust Deed. The Trust also receives other government assistance for specific purposes, and these grants usually contain restrictions on their use.

Council, government, and non-government grants are recognised as revenue when the funding is received unless there is an obligation to return the funds if conditions of the grant are not met ("use or return condition"). If there is such an obligation, the grant is initially recorded as a liability and recognised as revenue when conditions of the grant are satisfied.

Sale of Goods and Services

Revenue from the sale of goods is recognised when the goods are sold to the customer.

Revenue from the sale of services is recognised by reference to the stage of completion of the services delivered at balance date as a percentage of the total services to be provided.

Donated Goods or Services Not Recognised

The Trust receives volunteer services at no charge.

Interest Revenue

Interest income is recorded as it is earned during the year.

(g) Employee Related Costs

Wages, salaries, and annual leave are recorded as an expense as staff provide services and become entitled to wages, salaries, & leave entitlements.

Performance payments are recorded when the employee is notified that the payment has been granted. Superannuation contributions are recorded as an expense as staff provide services.

(h) Advertising, Marketing, Administration, and Fundraising Cost

These are expensed when the related service has been received. This does not include staff time spend on marketing activities.

(i) Bank Accounts and Cash

Bank accounts and cash comprise cash on hand, cheque or savings accounts, and deposits held at call with banks.

Bank overdrafts are presented as a current liability in the statement of financial position.

(j) Investments

Investments comprise investments in term deposits with banks.

Deposits with banks are initially recorded at the amount paid. If it appears that the carrying amount of the investment will not be recovered, it is written down to the expected recoverable amount.

(k) Lease Expenses

Lease payments are recognised as an expense on a straight-line basis over the lease term.

(l) Debtors & Prepayments

Debtors & Prepayments are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected or applied to an invoice, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

(m) Creditors & Accrued Expenses

Accounts payable and accrued expenses are measured at the amount owed.

(n) Employee Costs Payable

A liability for employee costs payable is recognised when an employee has earned the entitlement. These include salaries and wages accrued up to balance date and annual leave earned but not yet taken at balance date. A liability and expense for long service leave and retirement gratuities is recognised when the entitlement becomes available to the employee.

(o) Budget Figures

The budget figures are derived from the statement of intent as approved by the board at the beginning of the financial year. The budget figures have been prepared in accordance with Tier 3 standards, using accounting policies that are consistent with those adopted by the board in preparing these financial statements.

CACCIA BIRCH TRUST BOARD

CHAIRPERSON

GRANT O'DONNELL



DATE: 30 June 2021

Caccia Birch Trust Board			v15a	15.3.21	Final Submit	
Forecast Statement of Financial Performance - Operational						
For Years Ended 30 June 2020, 2021 and 2022,23,24						
		Actual	Less 30%	Recovery Start up On Track		
		2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Revenue		\$	\$	\$	\$	\$
Business Revenue		101,170	81,872	101,000	103,020	105,080
Catering Contractor		60,189	65,545	84,000	85,680	87,394
Interest Received		459	566	566	566	566
PNCC Operations		100,948	101,957	101,957	103,996	106,076
PNCC Meeting Grant - Trustees		6,120	6,120	6,120	6,120	6,120
Project Grants		8287	2774			
Total Revenue		277,173	258,834	293,643	299,382	305,236
Expenses						
Accounting		8,740	9,009	9,099	9,281	9,467
Accounting Audit		8,649	9,848	9,946	10,145	10,348
Advertising / Marketing		1,795	5,000	5,500	5,610	5,722
Total Bank Charges		335	680	687	701	715
Catering Contractor		58,459	62,545	79,800	81,396	83,024
Cleaning Consumables		3,010	3,386	4,000	4,080	4,162
Governance Expense		683	785	1,000	1,020	1,040
Governance - Secretarial		2,230	3,500	3,000	3,060	3,121
Grounds - Maintenance		9,714	27,042	32,000	32,640	33,293
Insurance		3,693	3,939	4,000	4,080	4,162
Light Power & Heating		7,877	7,211	10,500	10,710	10,924
Conference Expenses		554	500	750	765	780
Minor Asset Replacement		2,128	2,500	4,000	4,080	4,162
Printing & Stationery		3,646	4,000	4,500	4,590	4,682
Repairs and Maintenance		3,477	3,000	5,000	5,100	5,202
Security		5,355	6,212	6,000	6,120	6,242
Staff Expenses - Training		-	428	612	624	637
Telephone & Internet		2,611	2,222	2,500	2,550	2,601
Trustee Remuneration		5,100	6,120	6,120	6,120	6,120
Wages and Salaries		131,516	99,489	102,000	104,040	106,121
Event Expenses		1,832	5,774	3,000	3,060	3,121
Software Licences		1,488	1,247	1,259	1,285	1,310
Project Expenses			2500			
Rental Plants		527				
Bad Debt		81				
Total Operating Expenses		263,500	266,938	295,274	301,057	306,956
Surplus (Deficit) Before Depreciation		13,673	(8,103)	(1,631)	(1,675)	(1,720)
Depreciation of Property, Plant, and Equipment		21,782	21,473	20,741	14,872	13,084
Total Expenses		285,282	288,411	316,015	315,929	320,040
Surplus (Deficit)		(8,109)	(29,576)	(22,372)	(16,547)	(14,804)

	2020	2021	2022	2023	2024
	\$	\$	\$	\$	\$
Cash Flows from Operating Activities					
Receipts from Council Operating Grants	102,966	101,957	101,957	103,996	106,07
Interest Receipts	485	566	566	566	56
Receipts from Other Revenue	238,019	152,092	191,120	194,730	198,50
Payments to Suppliers and Employees	(315,268)	(284,782)	(295,274)	(300,507)	(306,39
GST(net)	423	(11)	0	(52)	(5
<i>Net Cash Flow from Operating Activities</i>	26,625	(30,177)	(1,631)	(1,267)	(1,30
Cash Flows from Investing and Financing Activities					
Receipts from Sale of Investments	14,355	14,400	14,400	14,400	14,40
Payments to Acquire Property, Plant & Equipment	- 13,580	-	-	-	-
Payments to Acquire Investments	(14,777)	(14,400)	(14,400)	(14,400)	(14,40
<i>Net Cash Flow from Investing and Financing Activities</i>	- 14,002	-	-	-	-
Net Increase(Decrease) in Cash for the Year	12,623	(30,177)	(1,631)	(1,267)	(1,30
Add Opening Bank Accounts and Cash	41,692	54,315	24,138	22,507	21,2
Closing Bank Accounts and Cash	54,315	24,138	22,507	21,240	19,9

	2020	2021	2022	2023	2024
	\$	\$	\$	\$	\$
Assets					
Current Assets					
Bank Accounts and Cash	54,315	24,138	22,507	21,240	19,936
Debtors and Prepayments	21,281	25,500	4,500	4,590	4,682
Investments	14,777	14,400	14,400	14,400	14,400
<i>Total Current Assets</i>	90,373	64,038	41,407	40,230	39,018
Non-Current Assets					
Property, Plant & Equipment	95,603	74,130	53,389	38,517	25,433
Total Assets	185,976	138,168	94,796	78,747	64,451
Liabilities					
Current Liabilities					
Creditors	15,828	21,422	10,000	10,200	10,404
Accrued Expenses	11,027	11,137	1,050	1,071	1,092
ANZ Credit Card	-	-	200	204	208
Secure Venue Fee	22	22	2,500	2,550	2,601
GST	- 1,094	- 1,105	- 2,616	- 2,668	- 2,722
Accrued Salaries and Wages	4,365	4,409	3,000	3,060	3,121
Accrued Leave	9,900	9,999	10,750	10,965	11,184
Covid Wage Subsidy balance	17,994	-	-	-	-
Grants & Funding STC	6,074	-	-	-	-
<i>Total Current Liabilities</i>	64,116	45,884	24,884	25,382	25,889
Total Liabilities	64,116	45,884	24,884	25,382	25,889
Total Assets Less Total Liabilities	121,860	92,284	69,912	53,365	38,561
Trust Equity					
Accumulated Surpluses	121,860	92,284	69,912	53,365	38,561
Total Trust Equity	121,860	92,284	69,912	53,365	38,561

SCHEDULE OF PERFORMANCE MEASURES FOR CACCIA BIRCH

Time Partner	Investment (\$)	Direct Client	Performance Measures						Population Outcomes	
			How Much	How Well ²	Is Anyone Better Off ³					
					Skills & Knowledge	Attitude & Opinion	Behaviour Change	Circumstance Change		
Caccia Birch Trust	Operating grant \$110k Asset management tbc	ALL Clients	Total # clients ⁴							Creative and Exciting City
		Visitors to the house and /or grounds	Total # visitors ⁵ at any event that is publicly accessible (ticketed or free)	NPS Score ⁶ (how likely is it that you would recommend Caccia Birch to others?)	# / % first time visitors report they strongly agree/agree they learnt something about the history of the property	#/% respondents who report they strongly agree/agree that: * they would be more likely to visit another heritage facility/similar event or activity. * it's important to invest in the maintenance and availability of heritage facilities in our City ⁷	#/% respondents who report they strongly agree/agree that would visit again	#/% respondents who report they strongly agree/agree feeling more connected to the City and its history		
			Total # attendees ⁸ at hired events							

² Note that numerators and denominators for all how well measures will be checked to inform reporting tools. Some are not captured in this table.

³ Note that numerators and denominators for all better off measures will be checked to inform reporting tools. Some are not captured in this table.

⁴ Clients – all Individuals

⁵ Visitors = individuals who visit Caccia Birch venue

⁶ NPS – Net Promoter Score measures the willingness of customers/clients to recommend a company's products or services to others. It is used as a proxy for client satisfaction. For more information please see www.netpromoterscore.com

⁷ As above.

⁸ Attendees = individuals who attend a scheduled social or community function at Caccia Birch venue

MEMORANDUM

TO: Council

MEETING DATE: 1 September 2021

TITLE: Elected Member Appointments to the Caccia Birch Trust Board

PRESENTED BY: Hannah White, Democracy and Governance Manager

APPROVED BY: Sheryl Bryant, Assistant Chief Executive

RECOMMENDATION TO COUNCIL

1. To appoint the Mayor, Grant Smith and Cr. Renee Dingwall as trustees on the Caccia Birch Trust Board until 1 August 2022.

1. ISSUE

Two vacancies on the Caccia Birch Trust Board (CBTB) need to be filled following the notified retirement of two Council appointed trustees at the November 2021 Annual General Meeting and the Trust Deed requirement to have 5-6 Council-appointed members to the Board.

Expressions of interest have been sought from elected members willing to be a trustee on CBTB for a term of 7 months, until July 2022 (the interim period until operations are brought in-house).

2. BACKGROUND

On 2 June 2021 Council resolved to bring the delivery of the Caccia Birch house and garden in-house by July 2022. Caccia Birch Trust Board (CBTB) and officers are currently working to manage the transition to in-house delivery.

Council resolved on 4 August 2021 to appoint elected members to fill the vacancies and to seek expressions of interest from elected members for the positions.

Expressions of interest have been received from Mayor Smith and Cr. Dingwall.

These two council-appointed trustees will have to manage any conflict of interests arising from being a trustee and an elected member. Conflicts are self-managed by elected members, under guidance from the Code of Conduct. Officers are also available for advice.

3. NEXT STEPS

Officers will inform CBTB of the appointments in time for succession at the Annual General Meeting.

4. COMPLIANCE AND ADMINISTRATION

Does the Council have delegated authority to decide?	Yes
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 5: A Driven & Enabling Council	
The recommendations contribute to the achievement of action/actions in Governance and Active Citizenship	
The action is: Ongoing review of governance systems and structures to support council's effectiveness and reputation.	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	Appointing elected members as trustees will ensure continuation of responsible governance in the period before the management of the House and Gardens moves in-house.

ATTACHMENTS

Nil

MEMORANDUM

TO: Council

MEETING DATE: 1 September 2021

TITLE: Chief Executive briefing to Council on the next stages of Three Waters Service Delivery Reform

PRESENTED BY: Sandra King, Transport & Infrastructure Manager

APPROVED BY: Sarah Sinclair, Chief Infrastructure Officer

RECOMMENDATION(S) TO COUNCIL

1. That Council

- **note** the Government's 30 June and 15 July 2021 Three Waters Reform announcements.
- **note** officers' preliminary advice on the accuracy of the information provided to Council in June and July 2021 as a result of the RFI (Request for Information) and WICS (Water Industry Commission for Scotland) modelling processes.
- **note** officers' preliminary analysis of the impacts of the Government's proposed three water service delivery model on the Palmerston North City community and its wellbeing, including the impacts on the delivery of water services and water related outcomes, capability and capacity, on Palmerston North City Council's (Council) sustainability (including rating impact, debt impact, and efficiency) and the conclusions that:
 - Without water reform, our current 10 Year Plan (LTP) is unsustainable based on good practice financial rules. Costs to ratepayers will significantly increase, with or without reform. With reform, there is the opportunity to escalate investment, and data gathering on asset condition and lifespan, which will both improve reliability of service.
 - DIA (Department of Internal Affairs) Tranche 1 reform funding (received November 2020) of \$9.34 million is currently allocated to 25 'live' projects focussed on improving the resilience of three waters infrastructure and is 53% spent to date. Council has benefited from participation in the water reform process, through direct funding and indirectly through involvement in scene setting.
 - The BPO (Nature Calls), our largest project, is not affected by the entity boundaries proposed. Timings are mandated by consent requirements, such that the consent must be lodged in June 2022, ahead of the reform. The timing makes it difficult for the new entity to be involved meaningfully during its establishment phase.

- Council has not budgeted in its current LTP for additional costs of compliance with new mandatory requirements from the Water Regulator, Taumata Arowai, which have recently been consulted on. This adds to the unaffordability of investment required to maintain assets and consent compliance.
 - The cost of transition to any new entity for Council is not yet known, because the tasks and process to transition are yet undefined. Several tasks have been identified to date, which require significant resourcing at a time when resources are constrained nationally. More due diligence work is needed to ensure that we are 'no worse off; there is potential for this analysis to be funded by diverting some of our DIA tranche 1 funding.
 - The Transition Unit has guaranteed jobs to those non-executive staff working in water, for 18 months at their current location. The scope of the water entities is not yet defined, so the impact on staff outside of those directly involved in utility operation and maintenance is not yet understood. The new entities, as they are established, are likely to take staff out of Councils, who cannot be backfilled because of a nationwide shortage.
 - There needs to be more clarity around how stormwater land use planning will function under water reform – the skill sets of stormwater utility management are quite different to those of land drainage as part of land development, and the management of water sensitive design assets is closer to parks' capability than water network capability.
 - There also needs to be more clarity around how the new entity will work with councils to prioritise growth and enable strategic plans to be realised.
- **note** further Council specific information is yet to be received, or analysed, including detail on the cost of stranded overheads, the impact on the operational workforce, the resourcing and cost of the transition process, and other matters detailed in the report.
 - **note** that the 'better off' funding of \$32,630,589 allocated to Council to spend on civic and community improvement requires engagement with iwi on what to spend the funds on, and **confirm** that consultation with the community will also form part of Council decision-making for allocation of this 'better off' funding; and also **note** that the Government will lead engagement with iwi/Maori over the reform programme.
 - **note** the analysis of three waters service delivery options available to Council at this time, in section 6 of this report.
 - **note** that a decision to support the Government's preferred three waters service delivery option is not lawful (would be ultra vires) at present due to section 130 of the LGA (Local Government Act 2002), which prohibits Council from divesting its ownership or interest in a water service except to another local government organisation, noting Government's stated intention for new legislation in this regard.

- **note** that Council cannot make a formal decision on a regional option for three waters service delivery without doing a LTP amendment and ensuring it meets section 130 of the LGA.
- **note** that community consultation would be required under Council's significance policy once Council has further information on the range of options available to it and their implications for both Council and its communities, and Council has determined a preferred option for future three waters service delivery.
- **request** the Chief Executive Officer to seek guidance on and/or give feedback to the Government on the following areas of the Government's proposal that Council needs more information on:
 - the final boundaries
 - protections from privatisation
 - plans for consultation with mana whenua and communities
 - how community voice will be heard within the new entities, and what influence local authorities will have (and what the community can realistically expect the council to influence particularly if it is not on the regional Representation Group)
 - representation from and on behalf of mana whenua on the reform proposals to date
 - integration with other local government reform processes
 - integration with spatial and local planning processes and growth
 - prioritisation of investment, and alignment with Council priorities
 - workforce and capability planning for the new entities– there are not enough of the right people now to deliver three waters and there is a need to retain our people through the transition
 - what a Government Bill will cover and whether the reform will be mandatory
 - conditions associated with the Government's package of funding for local government
 - transition arrangements, including Council's own workforce challenges (without transition challenges on top) and due diligence for asset transfers etc.
 - the scope of the stormwater role that the entities will play, both in relation to growth and development planning, development control, and asset management and maintenance particularly of green or water-sensitive assets
 - After reform, how the entity intends to engage with local communities, and the role of Council in advocacy, facilitation communication, response to failures (including demand management comms and engagement)
 - How Councils will be involved in holding future entities accountable for performance and customer service levels

And suggests the following changes to the Government's proposal/process:

- Suggest that the DIA confirms that stormwater in the context of land use planning, development and growth, remains with local authorities, and that the stormwater roles of the new entities are more clearly defined as network provision and maintenance to comply with regional plans. This includes working with flood-protected floor levels and the like set by Councils.
 - Suggest that the role of the new entities in relation to stormwater quality is more clearly defined, to help councils understand which activities (such as raingarden maintenance, pond de-silting, street sweeping) will move to the new entities and which will stay.
 - Suggest that the new entities consider the interface between roading and stormwater, when confirming which activities will remain with Council, and which will move to the new entity.
 - Suggest the new water entities confirm that levels of service will be maintained or improved across the region and locally ie that Council levels of service will not fall under the new regime.
 - Suggest the DIA works with officers on understanding Council overhead roles and costs, including defining activities and costs that Council will have in future relating to advocacy, consenting, bylaws, land use planning.
 - Suggest the new water entities do not transfer any development contribution funds for assets that have already been built but have residual asset benefit.
 - Suggest that budgets are allocated urgently to commence work on systems transition.
- **requests** that the Chief Executive Officer reports back further once she has received further information and guidance from Government on what the next steps look like and how these should be managed.

1. PURPOSE

This report updates the Council on

- the Government's 30 June 2021 and 15 July 2021 Three Waters Reform announcements which change the reform process previously outlined in 2020
- the specific data and modelling Council has received to date
- the high-level implications of the revised Three Waters Reform proposal for Council
- currently available service delivery options

- next steps (including uncertainties).

2. SUMMARY

- 2.1 Over the past four years central and local government have been considering the issues and opportunities facing the system for regulating and managing the three waters (drinking water, wastewater, and stormwater) – Three Waters Reform. The background is provided in the 14-page summary (Attachment 1).
- 2.2 Taumata Arowai became a new Crown entity in March 2021 and will become the dedicated water services regulator later this year. There is an expectation that monitoring, compliance and enforcement of mandatory standards (as opposed to needs-based standards) will increase substantially on the status quo requirements and costs, as will the coverage and requirements of the standards themselves. Further information on the role and work of the regulator as it affects local government is provided in Attachment 1.
- 2.3 The Government has concluded that the case for change to the three waters service delivery system has been made.
- 2.4 During June and July 2021, the Government has released further information and made announcements on:
 - the direction and form of Three Waters Reform, including proposed new Water Service Entities (four and their indicative boundaries), proposed governance arrangements and that the water entities remain in public ownership
 - individual (WICS) Council data based on the information supplied under the RFI process
 - a package of investment (\$2.5b) for councils to invest in the future for local government, urban development, and the wellbeing of communities, ensuring no council is worse off as a result of the reforms, and funding support for transition
 - DIA/LGNZ (Local Government New Zealand) partnership agreement and an eight-week process for councils to understand the implications of the reform announcements, ask questions and propose solutions and for Government to work with councils and mana whenua on key aspects of the reform (including governance, integrated planning and community voice).
- 2.5 Further information is expected over the next 2 months (including further specific financial information for councils and Government decisions on boundaries, transition and implementation arrangements).

- 2.6 The Water Service Bill will be passed into law.
- 2.7 While the Government and LGNZ consider that the national case for change has been made, each council will ultimately need to make a decision based on its local context if the process to join one of the proposed entities remains voluntary.
- 2.8 The law currently prohibits councils deciding to opt-in to the current proposal (given section 130 of the LGA and what we know about this option at present). Current decision-making requirements, including the need to take account of community views and strategic nature of the assets involved, would also preclude Council deciding to opt-in at this time without consultation.
- 2.9 Similar requirements apply if the Council wishes to consider alternative arrangements that involve asset transfers, divestment, change in ownership and or the setting up of a CCO (Council Controlled Organisation) to deliver water services in the future.
- 2.10 There are a number of issues, concerns and uncertainties for the Government and councils to work through before a robust Council decision (and decision-making process) can be made. Therefore, there is no expectation that councils will make a decision to opt-in (or out) or commence community engagement or consultation over the next eight weeks.
- 2.11 In the interim Local Government New Zealand, Taituarā, and DIA have produced [guidance](#)¹ to understand the information that has been provided to date and enable councils to prepare for future decisions and consultation and engagement with communities.
- 2.12 Councils can also engage in discussions with other councils in its region, subregion or proposed entity grouping, share information and ask questions and propose solutions to issues it sees to Government and LGNZ.
- 2.13 Further announcements from Government are expected in late September early October 2021, subject to any changes in timeframe due to COVID-19.

3. NATIONAL BACKGROUND AND CONTEXT, BASED ON LGNZ SUMMARIES

- 3.1 Following the serious campylobacter outbreak in 2016 and the Government's Inquiry into Havelock North Drinking Water, central and local government have been considering the issues and opportunities facing the system for regulating and managing the three waters (drinking water, wastewater, and stormwater).
- 3.2 The focus has been on how to ensure safe drinking water, improve the environmental performance and transparency of wastewater and

¹ <https://www.lgnz.co.nz/assets/Three-Waters-Guidance-for-councils-over-the-next-eight-weeks-FINAL.pdf>

stormwater network and deal with funding and affordability challenges, particularly for communities with small rating bases or high-growth areas that have reached their prudential borrowing limits.

- 3.3 It is anticipated that monitoring, compliance and enforcement of standards will increase substantially on the status quo with the passing of the Water Services Bill and as Taumata Arowai begins to operate. It is also likely that the drinking water standards and their coverage (including non-Council water suppliers) and environmental standards will become more rigorous over time. This creates risks for council in meeting future standards and mana whenua and community aspirations (such as greater investment required than currently planned, and risk of enforcement action).
- 3.4 For councils with non-council drinking water suppliers in their areas there is additional risk if they are unable to consistently provide safe drinking water to their consumers, including the potential for councils to have to take on the water supply. Councils operating on expired consents or with consent renewals in the next 15 years also face uncertainty over the standards they will need to meet in the future and therefore the level of investment that needs to occur.
- 3.5 For water service delivery, the Government's stated direction of travel has been for publicly owned multi-regional models for (with a preference for local authority ownership). DIA, in partnership with the Three Waters Steering Committee, commissioned specialist economic, financial, regulatory and technical expertise to support the Three Waters Reform Programme and inform policy advice to ministers.
- 3.6 The initial stage (Tranche 1 - MOU, Funding Agreement, Delivery Plan and RFI process) was an opt in, non-binding approach. It did not require councils to commit to future phases of the reform programme, to transfer their assets and/or liabilities, or establish new water entities. The 2020 indicative reform programme and then anticipated next steps can be found in Attachment 2.
- 3.7 Council completed the RFI process over Christmas and New Year 2020/21 and the Government has used this information, evidence and modelling to make preliminary decisions on the next stages of reform.

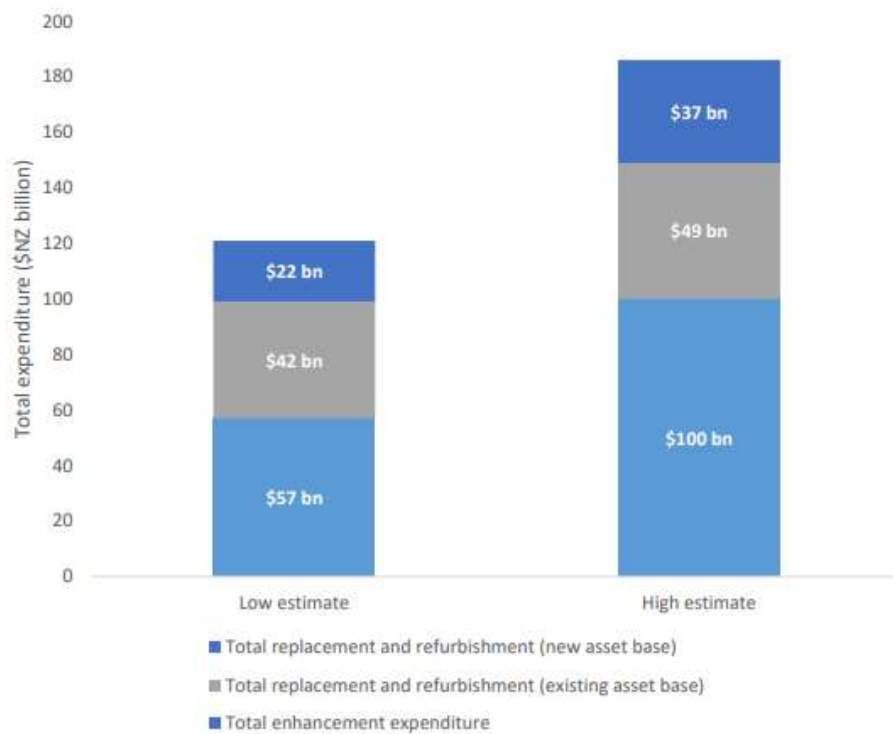
4. GOVERNMENT'S JUNE AND JULY 2021 ANNOUNCEMENTS AND INFORMATION RELEASES

- 4.1 In June 2021, following the RFI process, a suite of information was released by Government that covered estimated potential investment requirements for New Zealand, scope for efficiency gains from transformation of the three

waters service and the potential economic (efficiency) impacts of various aggregation scenarios.²

- 4.2 The modelling indicated a likely range for future investment requirements at a national level in the order of \$120 billion to \$185 billion.

Figure 3: Estimated future capital investment requirement for three waters infrastructure



Source: Water Industry Commission for Scotland, 2021

² This information, including peer reviews and the Minister's briefing can be accessed at: <https://www.dia.govt.nz/Three-Waters-Reform-Programme> and [release-of-second-stage-evidence-base-released-june-2021](#).

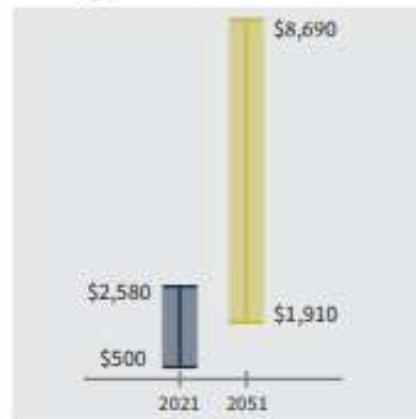
5. POTENTIAL IMPACTS

Difference in household costs

Average household costs for most councils on a standalone basis in 2051 are likely to range from between \$1,910 to \$8,690.

The scale of investment required between now and 2051, would require average household costs to increase by between three to 13 times in real terms for rural councils, between two and eight times for provincial councils and between 1.5 and seven times for metropolitan councils.

Average household costs



Source: Water Industry Commission for Scotland Analysis 2021

Current household costs

Currently there are a wide range of current (2019) average household costs.

	LOW	HIGH	MEDIAN	MEAN
Metro	\$500	\$1,920	\$1,050	\$1,120
Provincial	\$610	\$2,550	\$1,120	\$1,300
Rural	\$210	\$2,580	\$1,340	\$1,390

Source: Water Industry Commission for Scotland Analysis 2021

Current costs are not necessarily a good reflection of what funding is required to meet the full costs of economic depreciation (that is, to provide resources for asset maintenance and renewal).

- 4.3 It estimated efficiencies in the range of 45% over 15-30 years if the reform process went ahead and an additional 5,800 to 9,300 jobs and an increase in GDP of between \$14b to \$23b in (Nett Present Value) NPV terms over 30 years.
- 4.4 The efficiencies noted are underpinned by evidence across a range of countries based on joined up networks (the conclusion is that 600,000 to 800,000 connections achieve scale and efficiency), greater borrowing capability and improved access to markets, procurement efficiencies, smarter asset management and strategic planning for investment, a more predictable pipeline and strengthened benchmarked performance, governance and workforce capabilities.

- 4.5 The [briefing to the Minister](#) notes that this “investment is what WICS has estimated is necessary for New Zealand to meet current United Kingdom levels of compliance with EU standards over the next 30 years, which in its assessment (and confirmed by Beca) are broadly comparable with equivalent New Zealand standards.”.
- 4.6 However, this is caveated as a conservative estimate that does not take into account iwi goals and aspirations, higher environmental standards or performance standards that are anticipated in future legislation, uncertainties in asset lives, seismic and resilience risk, supply chain issues, and the current workload to manage and deliver improvements as well as address renewal backlogs.
- 4.7 Councils could also add to the above list of uncertainties and challenges their business as usual workload, the workload associated with delivering on stimulus packages and associated with responding to other government reform initiatives such as reform of the Resource Management Act, and general workforce retention and attraction issues, which are exacerbated by public sector competition for talent and skills.
- 4.8 The Government modelling indicated that between one and four water services entities would provide the most efficiencies and reduce costs to individual households.
- 4.9 When this is added to
- known variations across the nation in water suppliers' compliance with drinking standards, including permanent and temporary boil water notices
 - evidence of poor health and environmental outcomes, including expired resource consents for wastewater treatment plants (and the need for 110 of these plants to go through the resource consenting process in the next 10 years)
 - stormwater overflows and other challenges
 - climate change
 - Te Tiriti obligations and the need to uphold Te Mana o te Wai
 - the size and scale of current service delivery units and workforce issues
 - the obligations and responsibilities that councils (and other water suppliers) will face when the Water Services Bill and associated regulations are enacted
- the Government has concluded that the status quo is not sustainable and that the [case for change](#) has been made.
- 4.10 While not all councils agree that the case for change has been made, the sector's own information illustrates that there is significant investment required over the next 10 years in Long Term Plans and out across 30 years in councils' infrastructure strategies. These plans and strategies are underpinned by

assumptions that regulatory standards will tighten and that there will be more monitoring and enforcement in the future. There are also implications and challenges for non-council supplies to meet water quality requirements, with the risk that these supplies might default to Council in the future under the current water service delivery model.

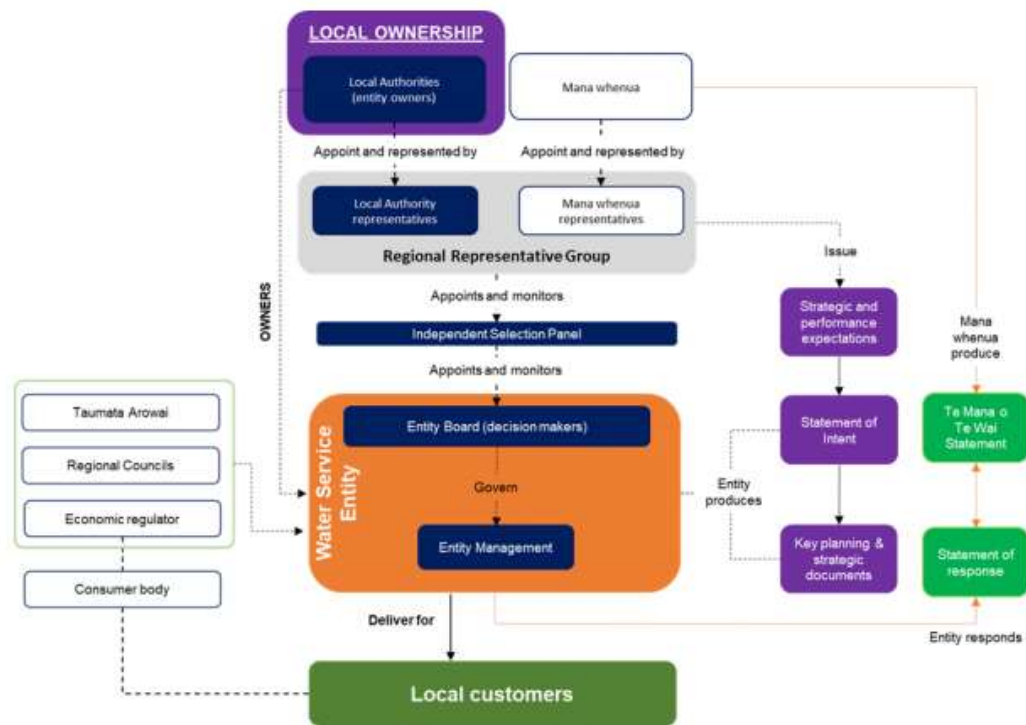
4.11 As a result of its conclusions, the Government has decided to:

- **“establish four statutory, publicly-owned water services entities** to provide safe, reliable and efficient water services – as follows (subject to further boundary discussions)



	Entity A	Entity B	Entity C	Entity D
Connected population (2020)	1.7m	0.8m	1.0m	0.9m

- enable the water services entities to **own and operate three waters infrastructure on behalf of local authorities, including transferring ownership of three waters assets** and access to cost-effective borrowing from capital markets to make the required investments
- **establish independent, competency-based boards to govern** each water services entity



- set a clear national policy direction for the three waters sector, including expectations relating to the contribution by water services entities to any new spatial / resource management planning processes
- establish **an economic regulation regime**, to ensure efficient service delivery and to drive the achievement of efficiency gains, and consumer protection mechanisms
- develop an industry transformation strategy to support and enable the wider three waters industry to gear up for the new water services delivery system."

(note emphasis suggested by LGNZ)

- 4.12 The purpose, objectives and operating principles for the new entities as well as the ownership, accountability, governance structure and indicative boundaries for them have been proposed, as have legal mechanisms to prevent future privatisation.
- 4.13 In summary the ownership and governance model is a bespoke model, with councils listed in legislation as owners, without shareholdings or financial interests, but an advocacy role on behalf of their communities. Iwi/Māori rights and interests are also recognised and representatives of local

government and mana whenua will sit on the Regional Representative Group, issue a Statement of Strategic and Performance Expectations and receive a Statement of Intent from the Water Services Entity. Entities must also consult on their strategic direction, investment plans and prices / charges.

- 4.14 The proposed safeguards against privatisation can be found on page 26 of the DIA's [summary of the case for change](#)
- 4.15 The DIA has produced a 14-page summary, attached as Appendix 1. In addition, LGNZ has produced a two-page national overview, sent to councillors on 6 August 2021, and reproduced in Appendix 3 for ease of reference.
- 4.16 On 15 July, in partnership with LGNZ under a [Heads of Agreement](#)³, the Government announced a package of \$2.5 billion to support councils to transition to the new water entities and to invest in community wellbeing. This funding is made up of:
- a **'better off' element**: an investment of **\$2 billion** into the future for local government and community wellbeing. The investment is funded \$1 billion from the Crown and \$1 billion from the new Water Services Entities. \$500 million will be available from 1 July 2022. The funding has been allocated to territorial authorities (which includes unitary authorities)⁴ based on a national formula that takes into account population, relative deprivation and land area. Council's funding allocation is \$32,630,589 and the full list of allocations is found in Appendix 1. The funding can be used to support the delivery of local wellbeing outcomes associated with climate change and resilience, housing and local placemaking, and there is an expectation that councils will engage with iwi/Māori in determining how to use their funding allocation. This is discussed further in Section 5.
 - a **'no council worse off' element**: an allocation of up to around \$500 million to ensure that no local authority is in a materially worse position financially to continue to provide services to its community as a direct result of the reform. This element is intended to ensure the financial sustainability of councils and address reasonable costs and financial impacts associated with the transfer of assets, liabilities and revenues to new water services entities. Up to \$250 million is available to meet the unavoidable costs of stranded overheads and the remainder for other adverse impacts on financial sustainability of territorial authorities (including future borrowing capacity). Of this \$250 million up to \$50 million is allocated to Auckland, Christchurch and Wellington Water councils, the remainder is available to other councils.⁵ This funding is not available until

³ [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/heads-of-agreement-partnering-commitment-to-support-three-waters-service-delivery-reform.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/heads-of-agreement-partnering-commitment-to-support-three-waters-service-delivery-reform.pdf)

⁴ Please note that any allocation to Greater Wellington Regional Council (the only regional council affected by the proposed changes) is not clear at this stage.

⁵ Due to their size and in the case of Wellington Water and Auckland's WaterCare having already transferred water service responsibilities (to varying degrees)

July 2024 and is funded by the Water Services Entities. Work to resolve DIA and council definition and hence identification and evaluation of stranded overheads will continue, and be subject to due diligence.

- 4.17 The package is in addition to the \$296 million announced in Budget 2021 to assist with the costs of transitioning to the new three waters arrangements, and the Government will “meet the reasonable costs associated with the transfer of assets, liabilities and revenue to new water services entities, including staff involvement in working with the establishment entities and transition unit, and provision for reasonable legal, accounting and audit costs.”⁶
- 4.18 The Government is also encouraging councils to use accumulated cash reserves associated with water infrastructure for this purpose. This is not relevant to Palmerston North City Council as we hold no cash reserves for this purpose.

Decision making by Councils

- 4.19 In addition to the funding announcements, the Government has committed to further discussions with local government and iwi/Māori over the eight week timeframe on:

- the boundaries of the Water Service Entities
- how local authorities can continue to have influence on service outcomes and other issues of importance to their communities (eg chlorine-free water)
- ensuring there is appropriate integration between the needs, planning and priorities of local authorities (representing communities) and the planning and priorities of the Water Service Entities
- how to strengthen the accountability of the Water Service Entities to the communities that they serve, for example through a water ombudsman.

Conditions associated with the package of funding announced also need to be worked through.

- 4.20 As a result, the original timetable for implementing the reform (outlined in Attachment 2) and for councils to consult on a decision to opt-in (or not), no longer applies. More details about next steps are expected to be announced in September/October, which would include the time required for any community or public consultation.
- 4.21 It is also important to note that the Government has not ruled out legislating for an “all-in” approach to reform to realise the national interest benefits of the reform.

⁶ 15 July 2021 FAQ [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/three-waters-reform-programme-support-package-information-and-frequently-asked-questions.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/three-waters-reform-programme-support-package-information-and-frequently-asked-questions.pdf)

- 4.22 Councils do not have a national interest test for their decision making. Councils are required to act in the interests of their communities and the community's wellbeing (now and into the future), provide opportunities for Māori to contribute to their decision-making processes, ensure prudent stewardship and the efficient and effective use of its resources in the interests of the district or region (including planning effectively for the future management of its assets) and take a sustainable development approach.
- 4.23 While the Government and LGNZ consider that a national case for change has been made, each council will ultimately need to make a decision based on its local context.
- 4.24 Continuing with further analysis will be necessary if the Council is to make this decision and consult on opting in or out of the reform process.
- 4.25 Part 6 of the LGA, sections 76 to 90, provide the requirements for decision making and consultation, including the principles of consultation and information that needs to be provided including the reasons for the proposal and the reasonably practicable options.
- 4.26 In particular, section 76 requires that in making a significant decision, which a decision on the future management and or ownership of three waters assets will be, councils must comply with the decision-making provisions. This is a 'higher bar' than the "promote compliance with" that applies for ordinary decisions. Section 77 states that councils must seek to identify all reasonably practicable options and then assess the advantages and disadvantages of each option.
- 4.27 Section 78 requires that in the course of making a decision a Council must consider community views but section 78(3) explicitly says that consideration of community views does not require consultation, which is reinforced by case law. However, Council's significance and engagement policy defines its own approach to consultation. Consideration should be given as to whether Council seeks community views on the "better off" funding allocation, as well as the engagement with iwi/Maori required by the funding.
- 4.28 Section 79 gives Council discretion to decide how the above Part 6 requirements are met including the extent of analysis done etc. Therefore, while a decision could be challenged, a judicial review is unlikely to be successful unless the decision made by council was manifestly unreasonable, the process was flawed or the decision was beyond its powers (as given in law, ie the council did not act within the law).
- 4.29 Importantly a decision to transfer the ownership or control of a strategic asset from the council (or to it) must explicitly be provided for in the council's Long Term Plan (and have been consulted on specifically in its consultation document). While changes to the mode of service delivery have been repealed, it would be safest to assume that a level of consultation with communities on the ownership and governance arrangements and asset transfers proposed is highly desirable if not required.

- 4.30 A decision at this stage to opt in to joining one of the Government's proposed Water Services Entities would likely be unlawful without further information (expected over the next eight weeks) and legislative change; the latter due to the prohibition in section 130 of the Local Government Act 2002 (LGA) that prevents councils from divesting their ownership or interest in a water service except to another local government organisation, such as a CCO.
- 4.31 There are also provisions around losses incurred by councils without full compensation, including in the case of asset sales and disposals that are unlawful.⁷
- 4.32 A Government Bill to progress the reforms could address the issues raised above, for example removing the section 130 requirements has explicitly been raised.
- 4.33 LGNZ, Taituarā, and DIA have produced [guidance](#)⁸ for councils suggesting each should "carry out analysis to understand the potential impact of reform from now until 1 October to:
- understand the key features of the proposed model and how it is intended to work
 - apply the proposed model to local circumstances, both today and in the future.
 - consider the model holistically – in terms of service, finance and funding, economic development and growth, workforce, delivery and capability and social, cultural and environmental wellbeing."

This work supports the decision-making requirements discussed above for a future council decision on participation in the Government's proposed Water Services Entities.

Early transition considerations

- 4.34 In the interim the DIA continues to engage with council staff on transition matters on a 'no regrets' approach should the reform proceed. These discussions do not pre-empt any decisions about whether to progress the reforms or whether any individual council will transition.
- 4.35 It is anticipated that councils will continue to deliver water services until at least early 2024 and council involvement in transition will be required throughout.
- 4.36 Consideration is being given to establishing a national transition unit and local establishment entities mirroring the boundaries of the (proposed) Water Services Entities and supporting (through a reprioritisation of stimulus funding if

⁷ See sections 43 to 47 of the LGA.

⁸ <https://www.lgnz.co.nz/assets/Three-Waters-Guidance-for-councils-over-the-next-eight-weeks-FINAL.pdf>

required), council staff costs related to reform and transition, enabling staff to participate in transition priority working groups, gathering and sharing data.

4.37 Current considerations, in addition to funding for backfilling and / preparing for change, are:

- support for three waters workers – including
 - if a staff member's role is primarily three waters related, an automatic transfer to the new Water Services Entity in a similar role on the same salary at the same location with the same conditions (understood to be time-limited)
 - advice, including Employee Assistance Programmes, legal and union representation
- the need to increase staffing levels to implement the infrastructure investment

What isn't clear (but will be worked through) is:

- where the bulk of managerial and support staff (eg communications, financial, asset management) will be located, although the presumption is that they will be (at least notionally in post COVID flexible working world) located in the regional headquarters of the Water Services Entities
- what the principles and any threshold would be for a staff member that does some three waters related work (say 50% of their time) and whether it would be their choice to move to the Water Services Entity and the implications for their employment situation.

This is discussed more in Section 5 below.

4.38 Issues such as contracts and contractors for Council 3 waters activities will also need to be worked through before any transition can take place.

4.39 And finally, at the national level there is also a request from LGNZ as part of its partnership with Government for councils to provide solutions to three outstanding issues during the eight week period:

- ensuring all communities have both a voice in the system and influence over local decisions
- effective representation on the new water service entities' oversight boards, including preventing future privatisation
- ensuring integration between growth planning and water services planning.

This is discussed further in below, and some recommendations made in Section 6.

5. COUNCIL SPECIFIC INFORMATION AND PRELIMINARY ANALYSIS

Our dashboard

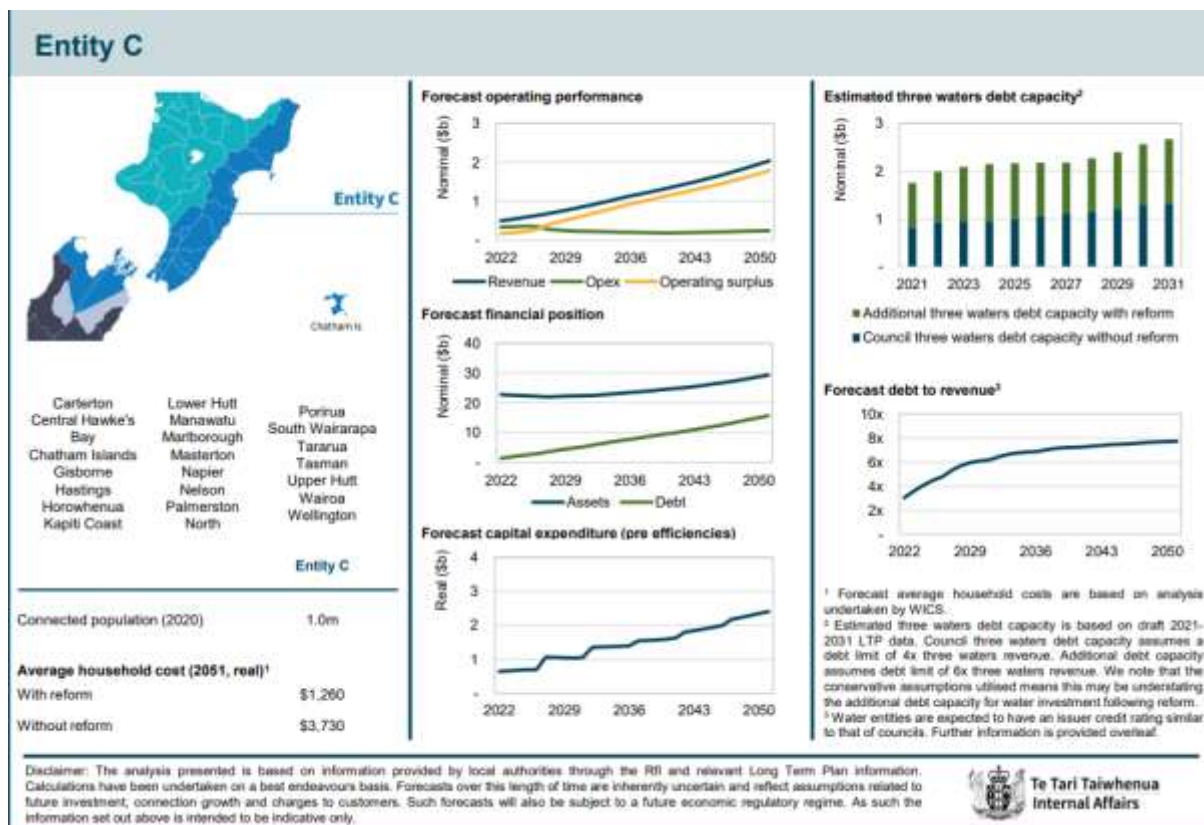


The above dashboard, based on WICs analysis of our RFI data, provides a summary of Council's current position without reform. This dashboard, and the dashboards of other councils, can be accessed on this [site](#)⁹.

- 5.1 Palmerston North City is placed in Water Services Entity C, with the embedded data sheet below showing approximate boundaries and statistics relating to this entity, although the precise boundaries are still a matter for discussion. Feedback on boundaries is included below, alongside commentary and recommendations on other local issues or implications of interest for Council.

⁹

<https://app.powerbi.com/view?r=eyJrIjojOGE1OTJlYWU1ZDZkNy00YWZjLTgzN2EtOTY1MzQxNGM5NzJmliwidCI6ImY2NTIjYTVjLWZjNDctNGU5Ni1iMjRkLTE0Yzk1ZGYxM2FjYj9>



5.2 Currently Council faces:

- workforce challenges to meet the current requirements of three waters service delivery, Government reforms and an enlarged investment programme created by stimulus funding
- delivery challenges as standards, rules and community expectations are evolving, the construction pipeline is large, contractor availability is limited, and inflationary pressures are growing, meaning costs are rising.

5.3 In the absence of better information, the Dashboard and modelled information as to future investment needs is likely to be as accurate (or inaccurate) as any information Council can develop before October 2021 with or without assistance from outside support.

5.4 The following specific items are drawn to Council's attention, in relation to water reform impacts and issues for Council and its citizens.

Council asset base

5.5 Council currently delivers three waters as a standalone entity, servicing the whole of Palmerston North area. Based on replacement value, the value of the three waters asset base is \$616 million, made up of \$212 million of wastewater assets, \$187 million of water assets and \$217 million of stormwater assets. Not all of the stormwater assets are 'piped' networks, as we transition to water-sensitive approaches like rain gardens and swales.

- 5.6 Historically, in Palmerston North there has been proactive replacement of water and wastewater assets, but the incidence of failures / unplanned replacements is still high. An independent AMMA (Asset Management Maturity Assessment) undertaken by Council in 2019 noted significant gaps in performance and condition data across our Three Waters networks. The AMMA's summary of key issues noted the single most important improvement task for the Council was the need to complete a review of condition data held for critical assets across all areas and implement a prioritised programme of condition assessments.
- 5.7 As noted in Council's Infrastructure Strategy, prior to the 2021-2031 LTP the Council did not have a formal or coherent programme of asset condition assessment across Three Waters. At present, 99.8% of condition rating for water assets is assumed (based on age and expected life), as very little condition assessment has been carried out. Council has condition data for 17% of its wastewater assets, and 4% of its stormwater assets. The LTP has funded four condition assessment programmes for three waters assets (1813: City-wide Water Supply, 1716: City-wide Wastewater Facilities, 1717: City-wide Wastewater Pipelines, 1709: City-wide Stormwater). The scope of the asset condition assessment programmes above represent a starting point for the establishment of a coordinated and coherent programme. However, substantially more investment will be required in the future to expand this programme so that it can more fully inform the nature of risk facing the Council, and drive optimised investment decisions in the future.
- 5.8 Over the 10 to 30-year horizon, and within the 2021-2031 LTP, renewals investment projections are based on assumptions of asset life, criticality and predicted failure rates informed by current evidence and benchmarking. Historical underinvestment means that many critical assets groups are reaching the end of their life at a similar time. In addition, some assets are being targeted for renewal to meet higher levels of service e.g. water tobies, valves and hydrants, to meet new drinking water standards.
- 5.9 Council's Three Waters maintenance budgets in the 2021-2031 LTP have been forecasted based on historic trends. As condition assessments are completed, Council will need to increase maintenance budgets if officers discover hitherto unknown defects that require urgent repair. The medium-term goal is to manage the risk of service failure by intervening where appropriate.
- 5.10 The available data would suggest that there is potentially a significant amount of deferred renewals for Three Waters assets, but this cannot be confirmed until additional condition and performance data is collected. Overall, the extent of the gap in Council's condition and performance data across our Three Waters assets mean that Council is carrying unknown risk relating to asset failure and impacts on levels of service to the community, with related associated financial risk for unexpected asset failure.

Drinking water standards

5.11 Taumata Arowai has been set up to enforce current drinking water standards, work alongside Regional Council regulators and provide national oversight on environmental performance of wastewater and stormwater. Although the drinking water standards remain unchanged – they move from a voluntary basis to compulsory under Taumata Arowai. This entity will have the power to place directions and compliance orders to ensure unacceptable risks are resolved; and be enabled to issue infringements and prosecutions for reckless or wilful behaviour.

- Criminal Offences – Clauses 162 and 164 of Water Services Bill – maximum fines of \$600,000 and a term of imprisonment of five years for an individual and a maximum fine of \$3 million for a body corporate. S162 will create an offence involving recklessness in supplying unsafe drinking water, S164 will create an offence involving recklessness in failing to take immediate action.

Under the new regime, there is potential that other water suppliers in the Palmerston North area may request Council to take on responsibility for their water supplies.

Officers have identified the following areas in our Operations that will have additional infrastructure implications:

- Chlorination – Council does not currently meet proposed mandated chlorine contact time at Papaioea, Takaro, Roberts Line and Keith Street bores. Council will need to upgrade these systems to provide storage for the appropriate chlorine contact time. Currently Council relies on monochloramines for disinfectant residual, which is an appropriate control under the existing rules.
 - Metering – Council had no plans or budgets to meter residential properties. The cost of installing, reading, maintaining and replacing meters is high. Officers' view is they are not a silver bullet solution for water demand management. Council's current demand management approach has worked very well to date. However, they are likely to be required by Taumata Arowai.
- 5.12 There is the possibility of technical exemptions from Taumata Arowai, which will be explored by officers. However, Council has not budgeted for compliance costs related to legal changes in water standards and regulations or costs of non-compliance enforcement undertakings).

Wastewater treatment plant

5.13 Council has been advancing the selection of a preferred Best Practicable Option (BPO) for wastewater management for Palmerston North since late 2017 and has spent \$3 million of operational funding to date on the options development, investigations and engagement process.

- 5.14 Informed by the options process Council has made provision for operational and capital funding to implement the BPO in its 2021-2031 LTP as follows: Operational funding of \$5.5 million (inflation adjusted) from FY 2021/22 to 2027/28 to secure consents for the new wastewater solution; Capital new funding of \$390 million (inflation adjusted) from FY 2023/24 to 2026/27 to implement the selected wastewater treatment and discharge option; with provision for implementation of any solution to occur over 3 years.
- 5.15 The LTP funding is provisional on the basis that the final BPO has not yet been selected. The most recent cost estimates for the short-list options indicates that the LTP provision is at the lower end of the estimated cost. The most likely candidates for preferred BPO have indicative costs ranging from \$370 million to \$460 million.
- 5.16 The BPO consent needs to be lodged with Horizons on 30 June 2022. Timing therefore will not align well with the establishment and resourcing of the new entities. The Water Reforms offer the opportunity for taking a wider regional view in respect of wastewater solutions. The BPO project has consistently included regional considerations in its assessment of options and included it in the suite of assessments driving the final selection phase. Unfortunately, other Councils in the region are at different stages of their own wastewater consenting journey, diluting their ability to collaborate on a single regional solution prior to reform.
- 5.17 Proceeding with the BPO, will be undertaken in close consultation with DIA, however the consent process to June 2022 will likely need to be managed and implemented by Council. Through the consent preparation, application and hearing phases, there remains scope to adapt and revise the final solution so that it responds to wider regional priorities and opportunities.

DIA funding

- 5.18 Section 3.6 notes Council involvement in an initial funding process, which secured non-binding funding of \$9.34 million grant funding for Council to spend on improving its Three Waters assets – for work not already planned in the 2020/21 financial year or Year 1 of the 2021-2031 LTP. In return, Council engaged fully with the RFI process by WICs for Government to gather information on our Three Waters assets.
- 5.19 Council allocated the \$9.34 million grant fund to 27 individual projects – including appointment of a Project Manager to deliver the programme of works (project 15) and funding to complete the Regional Three Waters Collaboration Study (project 16- now superseded). At end of June 2021, \$4.91 million (53%) of overall funding allocation of \$9.34 million has been spent, and 74% of work against the year-to-date delivery plan has been achieved. Works unable to be completed are being identified for reallocation into other projects within the approved list.
- 5.20 DIA indicated that there is potential for some movement of funds from projects to meet some of the costs of preparing for reform – this is being

considered by officers for planning future reform preparedness work, as the cost for Council to prepare for transition is not yet understood.

Other asset-related considerations

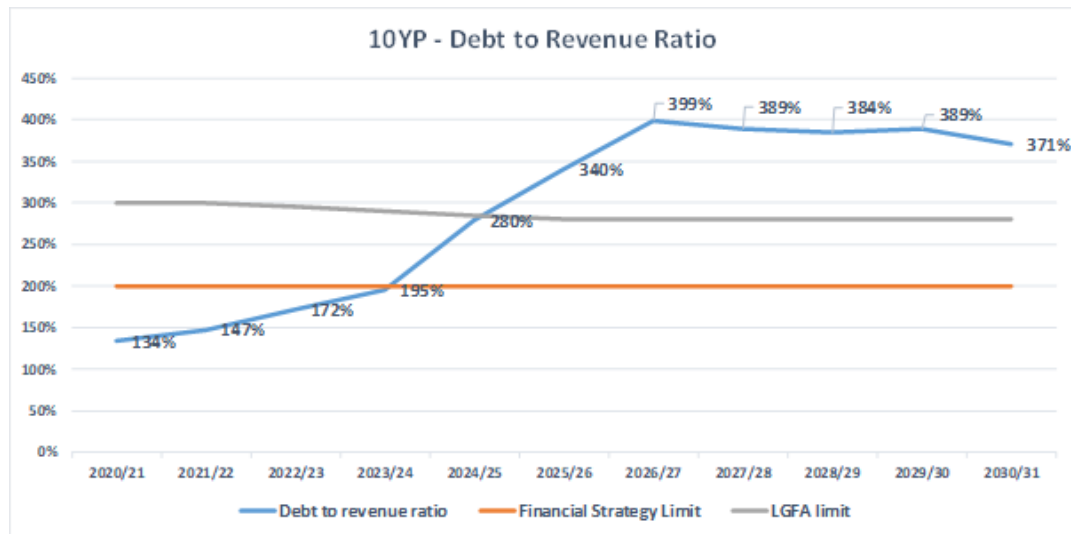
- 5.21 Whilst the DIA's transition planning is at an early stage, they have signalled that once the local transition authorities have been established there is potential to hand over some assets early. To date, no consideration of this has occurred. However, we have discussed the next stage of the BPO with DIA, to ensure they are aware of the project progress and implications of the consent application.
- 5.22 Council will need to review all of the land use consents related to its water assets, including performance monitoring and reporting requirements, and transfer of these consents to the new entity. Some consents may relate to more than one land parcel, so work will need to be done to separate them.
- 5.23 There may be areas of land associated with the operation of Three Waters assets that are surplus to the needs of the core water function that hold broader strategic importance to Council in the future. Where Council determines the land is surplus to water management needs, and that land is needed for another local government purpose post the Three Waters Reform, Council may wish to separate this land from the Water Activity. Land access arrangements (easements etc) will need to be addressed prior to any potential transfer of ownership, should new entities be established. Areas of interest include the windfarm land (where work on titles is already underway), the land in and around the Wastewater Treatment Plant, pump stations and water assets on parks reserves, and stormwater drainage reserves. The way to address each of these will be different, and officers will need legal advice to confirm their proposed thinking and methods to ensure Council remains fully able to manage its remaining assets without restrictions caused by asset overlaps with the new water entity.

Financial implications

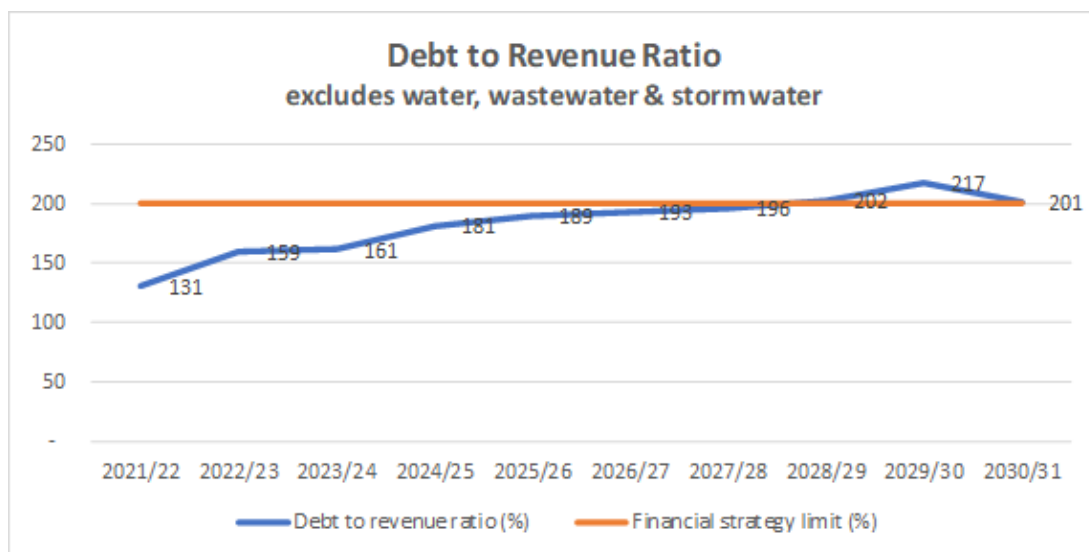
- 5.24 The transition of water assets to a new entity will likely mean that ratepayers of Palmerston North will start to get a separate rates bill for Council activities, and water bill for water utility activities. There will presumably be an expectation from the community that rates will be reduced by the same level of current funding that we currently identify in the rates bill, for water, wastewater and stormwater services. For 2021-22 this is identified as 10.8% for water, 10.41% for wastewater and 3.18% for stormwater (24.39% total)
- 5.25 For an average residential unit (with land value of \$243k), a reduction of \$694 will be expected – i.e. \$2,148 vs current \$2,842. In reality, the level of reduction is more likely two thirds of that (yet to be assessed), partly because officers have not yet fully analysed the cost of overhead services such as governance, finance, HR, IT, that will remain in Council rather than be transferred, and hence continue to be an overhead cost of Council. In addition, the cost of operating alongside the water entity on elements such

as land use planning, development engineering, bylaw enforcement etc has not yet been defined or assessed.

- 5.26 The WICs analysis has identified that with reform, the average annual household costs in 2051 across Entity C to comply with new standards (water supply & wastewater) are estimated to be \$1,260 per annum. Without reform, across entity C, the average annual household cost in 2051 has been assessed to be \$3,730 per annum.
- 5.27 For Palmerston North City Council, the new wastewater treatment plant required in year 4, and other three waters improvement investment would (without reform) be unsustainable, based on the National Audit Office review. In adopting the LTP, the unaffordability of the current regime has been highlighted (see 5.30 below). Based on this and Council's RFI data, WICs analysis for Palmerston North City has estimated that without reform the average cost per household (excl GST, current dollars) will increase from \$494 per annum (national assumed formula for the average 2020 household three waters rate) to \$2,331 per annum by 2031, and \$3,212 per annum by 2051.
- 5.28 WICs have concluded in their modelling that there is a low probability that Palmerston North City residents would not be better off under the reform proposals, and are likely to be considerably better off financially, including being better able to afford initiatives to respond to climate change, enhance seismic resilience and respond to Iwi/Māori aspirations (see notes on 'better-off funding').
- 5.29 One of the benefits highlighted for councils under water reform is that the debt associated with three waters borrowing will move to the new entities, along with the assets. This is anticipated to increase borrowing capacity for the new entity. Estimated three waters debt capacity is based on Council's LTP data, with Council debt capacity assuming a borrowing rate of 4x three waters revenue (without reform). Additional debt capacity enabled by the new entity assumes a borrowing rate of 8x three waters revenue (with reform), allowing more borrowing by the new entities to address historic underinvestment.
- 5.30 The transfer of Council debt, and the ability for Council to borrow more for other investment, is offset in part by the loss of revenue from three waters rates, because Council borrows against rates revenue rather than asset value. Based on Council's LTP (updated with recent revaluation), by June 2024, three waters assets will make up 30% of Council's assets, by value, and 34% of Council's external debt. By June 2031, three waters assets will make up 39% of Council's asset base but 61% of Council's external debt.
- 5.31 The forecast debt to revenue ratio exceeds Council Financial Strategy Limit (200%) from 2024/25. It also exceeds Local Government Funding Agency Limit (300% reducing to 280%) from 2025/26. Therefore, unless water reform progresses, Council's ability to raise debt to fund other investment is not sustainable.



- 5.32 If Three Waters Assets are removed (entity ownership and delivery) from the Council portfolio, Council's debt to revenue ratio is maintained within 200% except FY 29/30 (when it rises to 217%). Therefore, with water reform, Council will be able to raise debt to fund new investment.



- 5.33 As noted above, three waters investment is predominantly funded by rates. Water supply and wastewater is rated at a fixed rate for those able to receive the service, and stormwater services are based on the general rate and land value. Other sources of funding are metered water supply for non-residential properties, trade waste direct charges, and development contributions for capital new work in growth areas.
- 5.34 Development contributions are gathered at time of consent, and not at time of investment. Council will have to resolve on a case by case basis what happens to development contributions gathered for works which have not yet been completed, or for assets which have used up part, but not all, of their 20 years anticipated asset benefit that the development contribution is based on, and whether some of this would have to be passed on to the new

entity. Going forward, the whole issue of development contributions, and the water entity's role in future city growth has yet to be resolved. This needs to be addressed during transition planning.

- 5.35 The implications of water reform on fees and charges and revenue policy is seen as not material.
- 5.36 There is a potential that the new entity will have to prioritise water expenditure across its region, which means that initially, in some areas ratepayers may not see the same level of service continue, even whilst the new entity costs increase.

Impacts on staff

- 5.37 Sections 4.36 to 4.37 cover the early announcements that the DIA has made about staff impacts, including statements confirming that all three waters staff directly engaged in three waters work for the majority of their time will continue to be employed, in their current location for some time after transition. However, this does not include staff involved in servicing the three waters activity through overhead services. These 'stranded overhead' implications are discussed below.
- 5.38 WICs analysis of Council RFI data identified that Council has 98 full time employees (FTEs) working within the three waters. Some are easily identifiable – those managing and delivering three waters assets or projects, and those operating our water treatment plant and wastewater treatment plant. Some are less easily identifiable but clearly working in three waters-associated work – development engineers, teams maintaining our green stormwater assets like ponds, pest management, consent compliance staff, and staff working on new land use strategies, bylaws and policies associated with the three waters. Other teams work across the Council spectrum but have individuals assigned to three waters work – finance, communications, events, HR, IT, call centre and so forth. It's not yet clear which work will be considered 'core' to the new entities, and which will not.
- 5.39 The potential for some supporting services to be left within Council when three waters staff transition over is termed as 'stranded overhead'. The impact of stranded overhead costs associated with support activities (such as Governance, HR, Finance, Plant/Equipment, and IT) and other elements such as insurance liability cover, is being assessed against rates income received for Three Waters. This is extremely complex, given the range of activities supporting three waters management at Council. It is already apparent that government perceives some activities, such as Governance, to be a separate function of Council rather than an overhead cost partly associated with three waters work. For Council, that is not the case, as briefing papers, committee reporting, LGOIMAs, councillor queries relating to three waters comprise a substantive workload. Officers will continue to liaise with DIA to determine the number of staff affected.

- 5.40 The ongoing cost of Stranded Overheads will reduce any overall reduction in three waters component of rates OR will need to be offset as part of the 'No Worse Off' funding package from Government. At present, officers do not have sufficient clarity of information to confirm to Council whether any sum potentially allocated by Government for 'No Worse Off' funding is sufficient to cover the costs of stranded overheads. Further due diligence by officers and DIA is required to assess the requirements of 'No Worse Off' funding allocation.
- 5.41 There are also performance implications associated with the stranding of 'overhead' staff, for example, our communications staff relationship with local communities via social media and the ability to galvanise action from the community in emergency situations. One such situation was the burst water main supply to the city at the end of September 2020. Through social media, the council was able to get the community to reduce consumption by some 100,000 litres per hour less than on any other day. This ensured the dam did not deplete below a level where supply would have become strained. In addition, Council was able to galvanise on-the-ground drinking water deliveries to those homes that had no supply. Clarity is required over whether the new water entity C would have emergency communications roles with local communities, and how it would galvanise a call to action in local communities or whether it would rely on local councils.

Systems, and work to transition

- 5.42 Significant amount of work will be required in any proposed entity to transition and migrate systems and information (from various sources and locations, including K-Base, Oasis files, Office 365 SharePoint files, Ozone, and manual records). The impact on time and cost for the organisation is unknown, but likely to be substantial. Key roles are likely to require backfilling while existing resources navigate the transition process (similar to the RFI process). Transition funding will need to be allocated to this work.
- 5.43 There will also be significant work in transferring three waters information into suitable forms for transfer and management. Asset data systems, the asset data itself, monitoring systems, including consent compliance monitoring, metering, the Asset Management Plans, and LTP information are included in this analysis. Again, this activity will be specialist-resource-heavy, and key staff may have to have resources backfilled into their day job to allow transition to progress. This will also need funding, and identification of suitable resources.

Cost of transition and how it is funded

- 5.44 Funding available for the transition is identified in Section 4.16 above. Officers assessment of transition costs and an associated bid for an allocation of the \$296 million national fund available for this work is yet to be undertaken. At present, the roles, tasks and impacts are not well enough defined for officers to assess cost impacts. In the short term, as noted above, DIA has signalled that some of the existing DIA grant funding (tranche 1) could be re-purposed into early transition activities.

- 5.45 The Better Off funding allocation for Palmerston North City is set at \$32,630,589, based on a national formulae (fixed sum) for each Council's relative needs of the local community, unique challenges, and ability to pay (75% population, 20% deprivation index, 5% land area (excl national parks)). Funding of the Better Off allocation is 50% from the Crown and 50% from the new water services entities (ie debt funded), with one quarter of the overall sum being available from 1 July 2022. The Better Off fund requires councils to use it to deliver local wellbeing outcomes for climate change, resilience, housing and local placemaking. A key principle also requires Council to engage with iwi/Maori in determining how it will use its funding allocation.
- 5.46 As the Better Off funding allocation is derived from a national formula, officers cannot comment on its suitability or otherwise for Palmerston North. It is not intended to reflect the value of the asset base (some \$616 million), as that will remain in public ownership.
- 5.47 No Worse Off Funding Allocation is a stranded cost allocation, to be assessed based on our RFI data and LTP. Officers will need to undertake due diligence to establish true costs, to ensure that Council is no worse off. At present, this work is not complete. Officers' perspective is that this should also include the costs that Council will have in the future relating to advocacy, consenting, bylaws, land use planning and other activities shared between the two entities (or three entities including the Regional Council).

Boundaries and catchments

- 5.48 At this stage it is unclear how the three waters reform will be integrated with resource management and local government reform. Further clarity is required from Government regarding the relationship between the three reform packages as this will have a significant impact on the efficiency and effectiveness of implementation. It is uncertain whether the Government sees the proposed three waters entities taking on other functions in the future such as water quality and river management that are currently the responsibility of regional councils. The final boundaries and functions of the three waters entities will have a significant impact on the way in which resource management and local government reform is delivered. Aligning the three waters entities to catchments future-proofs the way in which other reform packages could be delivered.
- 5.49 Palmerston North City is proposed to be in Entity C for three waters delivery. Entity C covers the east coast of the North Island, parts of the centre of the North Island, Wellington and the top of the South Island. The city is also currently located within the Manawatū-Whanganui region for planning and local government purposes, which covers the central and west coast of the North Island. Entity C boundaries exclude Rangitikei, Whanganui and Ruapehu (part of our current Horizons Regional group). As a result, the Council's attention will be pulled in two different directions in order to achieve integrated land-use and infrastructure planning, assuming the regional NBA boundaries (Natural and Built Environments Bill) are based on current regional council boundaries as opposed to communities of interest.

- 5.50 The boundaries proposed for water reform are suitable for water and wastewater catchments and distribution networks, due to their finite nature. All the stormwater catchments drain to the Manawatu River. All the current short list of preferred BPO options sit entirely within the Manawatu River catchment in respect of direct or indirect discharges. Only the largest coastal land area and ocean outfall options have the potential to extend into areas within the Rangitikei River drainage catchment (Entity B).
- 5.51 The proposed water entities are not predominantly based on river catchments, which means it will be difficult for them to take on key functions of regional councils, which are largely catchment based, e.g. water quality and river management. If the proposed water entities were more based on catchments there would be flexibility in the future regarding their ability to take on catchment-based resource management or river management functions, therefore creating greater efficiencies. When designing the three water entities and local government boundaries, it will be important that Government considers both water catchments and communities of interest.
- 5.52 The Manawatū-Whanganui region stretches from Taumarunui in the north to Levin in the south. Within the Manawatū-Whanganui region the city has strong economic and social connections with Manawatū, Horowhenua and Tararua, but less or little connection with Rangitikei, Whanganui and Ruapehu. Council has been reporting economic and social indicators at a sub-regional level given the large disparity within the region. A recent decision of the Local Government Commission directed Palmerston North City Council and Horowhenua District Council to work together to establish ways to better manage communities of interest near the boundary of the two councils. Council already works closely with Manawatū District Council on a range of functions and has a strong relationship with Tararua, which will be further enhanced upon the completion of Te Ahu A Tūranga Manawatū Tararua Highway and the development of Te Āpiti as a recreational hub.
- 5.53 Officers recommend that Council suggest that DIA continue to discuss the implications of the boundaries proposed on other local government reform programmes.
- 5.54 The proposed boundary of Entity C does not create specific issues for stormwater from a land-use planning perspective. The broader issue is the inclusion of stormwater within the new water entities. The management of stormwater to accommodate new growth is inherently linked to Council's land-use planning and management of the local transport network and reserves and open space. Key stormwater requirements such as minimum floor levels and the setting aside of land to accommodate stormwater are delivered via land-use planning that will continue to be managed by councils. Climate change and increased environmental performance are also driving significant change in the way in which stormwater is managed as part of new urban development. For example, low impact stormwater design is requiring more open space which has a close connection to the way in which councils manage reserves and the transport network. Given its close relationship to other functions of councils, the planning and management of

stormwater is quite different to water and wastewater, which effectively connects to an existing integrated network at the time of new development. Stronger relationships between the management of stormwater and land-use planning will occur if stormwater remains with councils.

Local Government reform

- 5.55 Should the review of local government result in a smaller number of local councils and retention of regional councils, there is likely to be a larger overlap between the role of local authorities and regional councils, particularly in terms of their connection with communities. Alongside this there will need to be a separate relationship with water entities covering a substantially different area of land. Alternative models that integrate the water entities and regional councils should be explored alongside the resource management reform in order to achieve the efficiencies sought by Government.

Growth considerations under water reform

- 5.56 The role of the new entity in supporting Council's growth plans has not been discussed to date. There is the possibility that in the medium-term the priorities of the new entity may not align with Council's growth priorities, i.e. investment in three waters infrastructure will not be aligned with Council growth.
- 5.57 Current practice suggests external infrastructure providers such as Waka Kotahi, Transpower, Powerco and Ministry of Education have found it difficult to understand, plan and fund infrastructure to accommodate council aspirations for growth at the local level. Three waters are critical infrastructure to inform land-use planning and enable growth. Land-use planning at all levels requires inputs from three waters experts. For example, land-use strategies, rezoning, subdivision and resource consents. To ensure the efficiencies being promoted by the Government are truly realised, it will be important that three waters staff are closely connected to Council at all levels. This may prove challenging given the size of the entity and the projected growth across Palmerston North and across the Entity C region.
- 5.58 The Government will be relying on regional spatial planning to provide greater clarity to external infrastructure providers about where and how growth is planned to occur. While spatial planning will be useful, the three waters entities cover large areas and will be required to be across a very large number of new developments. It is unclear whether Council will be expected to retain development engineers for three waters, similar to the Auckland Council/Watercare model, or whether this role would move to the new entities, in which case its links with strategic spatial planning could be lost.
- 5.59 It is unclear whether the three water entities will levy development contributions themselves or ask local councils to do this on their behalf at the time of development.

Accountability of new Entities

- 5.60 The DIA website notes that a discussion paper on an economic regulator will be issued later this year. The intent appears to be to drive service quality to the consumers, remove opportunities for excessive pricing, and provide transparency about the costs and performance of three waters entities. It is not clear how this will sit alongside the proposed governance model and statements of intent from regional representatives, or how it will reflect local levels of service and performance expectations. Its also not clear whether local authorities would have any role in the establishment and governance of such an authority, and how this may differ from the Scottish Water model which is governing a privately owned water entity.
- 5.61 Officers anticipate that Council will be asked to respond separately to this discussion paper. At that time, they may wish to require more information on Council's role in setting service levels, participation in governance, and decision making on other elements of interest such as apportioning funding arising from fines levied on the entities.

Conclusions on local perspective

- 5.62 The above detail in Section 5 reflects the flexible development approach taken to water reform to date and acknowledges that there is a lot of detail to be resolved through any transition process.
- 5.63 At this stage it is not possible to fully test the projections put forward by DIA for costs of infrastructure, costs to the ratepayers and costs of transition, as the standards for Aotearoa/New Zealand out to 2051 are not known, although it is reasonable to assume that there will be greater community and mana whenua expectations around environmental performance and quality, tougher standards to meet for water quality (drinking and receiving environment) and that monitoring, compliance and enforcement will be greater than it is now. This affects both operational and capital expenditure (costs will go up), including the number of staff (or contractors) that Council will need to ensure its outcomes for water and community and legal requirements are met.
- 5.64 To assess the proposed better off and no worse funding to Council, Council needs further information on the scope and conditions that will be associated with that funding, but on the face of it this funding would provide Council with an opportunity to address a range of issues and opportunities to improve community wellbeing in partnership with mana whenua and the communities Council serves. Council should consider whether community as well as iwi should be consulted on priorities for funding.
- 5.65 Council staff will further develop this preliminary analysis using the LGNZ, Taituarā, and DIA Guidance, any further information Council receives from the Government, including Council specific information and advice on next steps, and regional discussions.

6. OPTIONS AVAILABLE TO COUNCIL AT THIS STAGE

Government proposal

6.1 While the Government's proposal for four new Water Services Entities is the subject of this report, the law currently prohibits Council's deciding to opt-in to the current proposal (given section 130 of the LGA and what we know about this option at present). Current decision-making requirements including the need to take account of community views would also preclude Council deciding to opt-in at this time without consultation.

6.2 Likewise, given the Government's

- 8-week period of engagement with mana whenua and councils
- commitment to explore issues such as council and community influence of service outcomes, integration with other reform proposals, spatial and local planning
- request for councils to give feedback on the proposal, identify issues and solutions

and uncertainty around next steps, including whether the reform may become mandatory or legislative change will remove legal barriers to opting in, it would be premature to make a decision to opt out of the reform process. Such a decision would also be affected by the consultation and decision-making requirements set out in this report, including the need to follow a robust process that could survive a judicial review, as well as make a final decision that was not manifestly unreasonable in the circumstances.

6.3 Based on the above, and the current LTP assumptions about future funding of three waters infrastructure, Council should wait until it has further information before consulting and / or making a decision on the Government's proposal.

Do-nothing

6.4 While the do-nothing option is conceptually always an option, the reality is that Council needs to continue to deliver its water, wastewater and stormwater responsibilities. Doing nothing is therefore not a practicable option and is not assessed further.

Remaining options

6.5 This leaves the following options available to Council: Remain with the status quo/do nothing, move to an enhanced or modified status quo, or a region or lesser scale aggregated model.

Status quo

6.6 Based on the Request For Information (RFI), dashboard and supporting information provided to Council, expectations of increased regulatory

standards and compliance costs, future investment requirements, workforce capability and capacity issues, the pipeline of construction, ability to raise debt (due to the connection to council balance sheets) and escalating costs, the status quo is not sustainable in the medium to long term. Should one or more non-Council water supplies default to Council this would exacerbate the situation, unless funding accompanied the transfer.

Modified status quo

- 6.7 A modified version of the status quo would be to reflect the new regulatory environment for three waters delivery (potentially using the assumptions underpinning the WICS modelling and the Government's proposal and draft/emerging standards and compliance regimes e.g. those coming from Taumata Arowai). This would require making explicit assumptions and the production of business cases for investment and enhanced activity and asset management plans. Some assumptions about the ability of non-Council water supplies to meet standards and requirements would need to be made and the risks to Council quantified. The costs of service provision and levels of service may change significantly requiring consultation and LTP amendments or changes for the next LTP 2024-34. Council would need to assess its ability to do this in the current operating environment (delivering business as usual, stimulus projects, other Government reform workloads, consultant availability etc).
- 6.8 Given the Government has rejected this as a sustainable solution for three waters service delivery there should not be an expectation that the Government would be willing to financially support councils to meet the new regulations beyond existing DIA Tranche 1 stimulus funding.

Voluntary regional / subregional / multi regional aggregation

- 6.9 There are some examples of this and studies that have been completed to illustrate how this could work, including various models in operation through WaterCare, Wellington Water, Hawkes Bay shared services proposal, and Canterbury/Ngāi Tahu arrangements. Councils within the Manawatu-Whanganui Region also undertook some early information gathering to assess regional aggregation of service delivery.
- 6.10 If a new CCO is to be set up this will require council(s) to use the Special Consultative Procedure (section 83 of the LGA) and arrangements (and a policy) for the appointment of directors or trustees to be made as well as transition arrangements (including workforce transition), prioritisation of investment and integration with planning at the regional and local level. This option would enable assets to be transferred. A statement of intent would be prepared by the CCO (and it would be best practice for councils to prepare a statement of expectation to guide this) and half yearly and annual reports would be prepared. Councils would need to monitor the performance of the CCO.

- 6.11 If the CCO already exists, consultation would still be required to transfer control or ownership of councils' three waters strategic assets (unless it is explicitly allowed for in an adopted LTP).
- 6.12 The entity and councils would need to be satisfied that the changing regulatory environment was adequately provided for, including ensuring there was sufficient funding to meet legal and regulatory obligations.
- 6.13 This option is still constrained in its ability to raise debt as the connection to council balance sheets remains and the available funding models. The Government has explicitly stated that it considers this option to be less optimal than its own proposal, so there should not be an expectation that the Government would be willing to financially support councils to transition to this model or change the law to enable different funding settings.
- 6.14 Consideration would need to be given to governance arrangements, including the involvement of iwi/Māori in both decision making and governance, and how council, community and mana whenua aspirations and needs will be met.
- 6.15 Councils would need to adequately resource the process to agree and set up the new/amended structure as well as the delivery of the services to be provided.
- 6.16 At this stage no decision is required on future delivery arrangements. It is recommended that the Council notes the options canvassed in this report and the high-level analysis of them.

7. INFORMATION THAT THE COUNCIL REQUIRES OR POTENTIAL SOLUTIONS TO OUTSTANDING ISSUES THAT IT WOULD LIKE TO CONVEY TO GOVERNMENT AND LGNZ

- 7.1 There are still several issues that need to be resolved, including:
 - the final boundaries
 - protections from privatisation
 - plans for consultation with mana whenua and communities
 - how community voice will be heard within the new entities, and what influence local authorities will have (and what the community can realistically expect the council to influence particularly if it is not on the regional Representation Group)
 - representation from and on behalf of mana whenua on the reform proposals to date
 - integration with other local government reform processes

- integration with spatial and local planning processes and growth
- prioritisation of investment, and alignment with Council priorities
- workforce and capability planning for the new entities– there are not enough of the right people now to deliver three waters and there is a need to retain our people through the transition
- what a Government Bill will cover and whether the reform will be mandatory
- conditions associated with the Government's package of funding for local government
- transition arrangements, including Council's own workforce challenges (without transition challenges on top) and due diligence for asset transfers etc.
- the scope of the stormwater role that the entities will play, both in relation to growth and development planning, development control, and asset management and maintenance particularly of green or water-sensitive assets
- After reform, how the entity intends to engage with local communities, and the role of Council in advocacy, facilitation communication, response to failures (including demand management comms and engagement)
- How Councils will be involved in holding future entities accountable for performance and customer service levels

Council is invited to discuss whether there are other specific information needs, or issues that the Council would like officers to convey to the DIA or LGNZ.

7.2 A number of suggestions have been made by officers, for consideration by Council in its feedback, to change the proposals put forward by Government, in consideration of how Council can influence outcomes for its citizens, how Council priorities and those of the water entities can be aligned, and how the new entities will be held to account when managing the assets of the people of Palmerston North. Officers

- Suggests that the DIA confirms that stormwater in the context of land use planning, development and growth, remains with local authorities, and that the stormwater roles of the new entities are more clearly defined as network provision and maintenance to comply with regional plans. This includes working with flood-protected floor levels and the like set by Councils.
- Suggest that the role of the new entities in relation to stormwater quality is more clearly defined, to help councils understand which

activities (such as raingarden maintenance, pond de-silting, street sweeping) will move to the new entities and which will stay.

- Suggest that the new entities consider the interface between roading and stormwater, when confirming which activities will remain with Council, and which will move to the new entity.
- Suggest the new water entities confirm that levels of service will be maintained or improved across the region and locally ie that Council levels of service will not fall under the new regime.
- Suggest the DIA works with Officers on understanding Council overhead roles and costs, including defining activities and costs that Council will have in future relating to advocacy, consenting, bylaws, land use planning.
- Suggest the new water entities do not transfer any development contribution funds for assets that have already been built but have residual asset benefit.
- Suggest that budgets are allocated urgently to commence work on systems transition.

8. CONCLUSION

- 8.1 While there is uncertainty about the future steps in the Government's reform proposal, and current legislative impediments to it, the current eight-week period gives Council the opportunity to understand the information it has received (and will continue to receive) from the RFI and modelling processes.
- 8.2 It also provides an opportunity for Council to understand its potential options, including the financial, workforce and sustainability impacts for Council and the wider economic, social and cultural implications of each option, using the guidance that has been issued. It also provides an opportunity to engage in discussions with other councils in its entity grouping, share information and ask questions and propose solutions to issues it sees to Government and LGNZ.
- 8.3 All of this information will be useful to inform future decision making by both council and Government and consultation and engagement with mana whenua and communities.



9. DECISION MAKING COMPLIANCE STATEMENTS

To be completed on basis that no decisions recommended.

10. COMPLIANCE AND ADMINISTRATION

Does the Council have delegated authority to decide?	Yes
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 4: An Eco City	
The recommendations contribute to the achievement of action/actions in Waters	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	Management and delivery of three waters to the community contributes to all domains of wellbeing, and as such, it is of critical importance that the Council engages in the feedback process.

ATTACHMENTS

1. Local Government New Zealand, Taituarā, Te Tari Taiwhenua Internal Affairs Guidance [↓](#) 
2. Three Waters Reform Programme Timeline [↓](#) 
3. Three Waters Infographic [↓](#) 
4. Heads of Agreement [↓](#) 



Three Waters Guidance for councils over the next eight weeks

Local Government New Zealand, Taituarā, and Te Tari Taiwhenua Internal Affairs

30 July 2021

Three Waters Guidance for councils over the next eight weeks

Context

The Government has recently announced an integrated and extensive package of reform proposals together with a comprehensive financial support package. These announcements build on an intensive 12-month period of policy, commercial, legal and analytical work that has been progressed through a constructive partnership-based approach with the local government sector, under the oversight of a joint central-local government steering committee. Throughout this period the government has also undertaken multiple periods of engagement with local government and iwi/Māori.

The sector, through LGNZ's National Council, Taituarā and the Joint Steering Committee, have been working with the Government on their preferred model to ensure the Government's policy proposal worked within the broader local government "operating" system. We have shared the sector's concerns with DIA and challenged and tested policy as it's been developed. This has significantly influenced the shape of the reform. We are confident that there is a sufficient and evidence-based national case for change, including that the current approach to three waters service delivery is not capable of delivering the outcomes required in an affordable and sustainable way into the future.

What's the Government's proposing?

The Government is proposing four new, large water service delivery entities. Their scale and balance sheet separation from councils means they will be able to borrow enough to fund the investment needed, a position that has been thoroughly tested with ratings agency Standard & Poors. The scale is also important to build and develop capability and capacity in the water services industry, as well as creating operating efficiencies and for effective quality and economic regulation. Without the new WSEs, councils will be directly responsible for all quality and economic regulatory obligations.

To support the sector through this massive change, LGNZ and the Crown (through DIA) jointly developed a [national-level package](#) to wrap around the reform proposals that addresses the sector's concerns and supports our communities now and into the future. The package is detailed in a [Heads of Agreement](#), signed in July, between LGNZ and the Government.

A summary of the proposed reform and support package can be found in [Appendix 1](#). [Appendix 2](#) provides an overview of the resources available to local authorities seeking further detail around the case for change and the decisions taken to date.

The Government and LGNZ have recommitted to working in partnership with the local government sector not just on these reforms, but on other challenges and opportunities. This is reflected in a [joint central/local government statement](#) released by the Government and LGNZ and underpinned by the Heads of Agreement.

Through the Heads of Agreement, the Government and LGNZ have agreed that local authorities will be provided a reasonable period from the end of the LGNZ conference through to 1 October to consider the impact of the reforms (including the financial support package) on them and their communities and an opportunity to provide feedback. The agreement and support package signal the Government's confidence in local government as a critical partner, both in this reform and in the future. We have heard strongly that Ministers want to work in partnership with our sector.

Three Waters Guidance for councils over the next eight weeks

They have committed to doing so and LGNZ has made the same commitments. That is how we can be most effective and influential going forward.

No formal decisions are required between now and 1 October, but we are seeking feedback on the potential impacts of the proposed reform and how it could be improved.

The purpose of the next eight weeks

The purpose of this period is to provide time for all local authorities to:

- engage with and understand the large amount of information that has been released on the nature of the challenges facing the sector, the case for change, and the proposed package of reforms, including the recently announced support package;
- take advantage of the range of engagement opportunities to fully understand the proposal and how it affects your local authority and your community; and
- identify issues of local concern and provide feedback to LGNZ on what these are and suggestions for how the proposal could be strengthened.

You are not expected to make any formal decisions regarding the reform through this period. This is an opportunity for the sector to engage with – and provide feedback on – local impacts and possible variations to the proposed reform package outlined by the Government.

This engagement period does not trigger the need for formal consultation.

We would encourage local authorities to share your feedback with us as it arises over this period – that way we can share insights and ideas on common issues across the sector and help each other benefit from each other's work.

Who's doing what over the next eight weeks

Over the next eight weeks:

- DIA and the Steering Group will continue to work on policy development so they can refine and enhance the model based on feedback from the sector.
- LGNZ and Taituarā will continue to support councils to understand their individual council data and the potential impacts the proposal will have on them and their communities.
- LGNZ will also facilitate workshops and council meetings to gather your feedback and provide clear guidance and ideas to DIA, the Steering Group and the Minister on the remaining unresolved areas of concern.
- The Steering Committee will maintain a role in informing ongoing policy issues, informing the implementation of the reform package, and providing oversight of and input into the transition processes.
- Councils can use this time to work through the proposal and information provided by DIA, including to test the 'no worse off'/'better off' proposition underpinning the financial support package.

Engagement with iwi/Māori

Over the next eight weeks, the Government will continue to lead engagement with iwi/Māori over the reform programme. You should be aware of this occurring but not let it stop you from maintaining your own constructive relationships. You should also be aware that as part of the [Heads of Agreement](#) and the funding allocation attached, it is proposed that to recognise the role that iwi/Māori will play in the new delivery system as partners, local authorities will be expected to engage with iwi/Māori in determining how it will use its funding allocation.

What happens next - decision making and consultation

Following the engagement period, the Government will consider the feedback and suggestions provided by local authorities, in partnership with the joint steering committee. It will also consider the next steps, including the transition and implementation pathway, and revised timing for decision-making, which could accommodate the time required for any community or public consultation.

The Government will not be taking further decisions until after this engagement period.

Engagement on boundaries

The Government is keen to engage with those most affected by boundary issues, with discussions already underway. This engagement will be ongoing and is not limited to the eight week period.

What councils need to do over the next eight weeks

This is an opportunity for the sector to engage with the model and the proposal, at the national level and very specifically as it relates to your district/city. In this period Chief Executives should provide advice, for noting, to their council on the implications for the district/city. (Taituarā will develop a report format for chief executives to use). A decision on the advice, apart from noting, is not required, but the advice could form the basis of consultation with the community at a later date if required.

We would encourage councils to share your feedback with us as it arises over this period – that way we can share insights and ideas on common issues across the sector and help each other to benefit from each other's work.

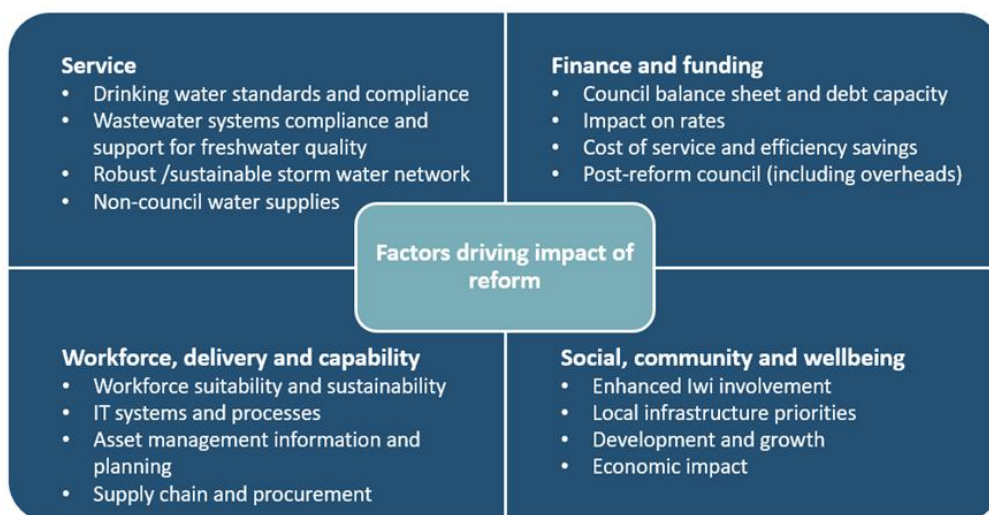
Local authorities are encouraged to review and consider the reform package and its implications for the communities they serve.

From now till 1 October, councils should carry out analysis to understand the potential impact of the reform by taking these steps:

1. Understand the key features of the proposed model and how it is intended to work (LGNZ will provide resources to help with this – see below).
2. Apply the proposed model to your circumstances (consider impacts on your community) for today and for the future (we would propose a 30 year horizon).

3. Consider the model holistically – in terms of service, finance and funding, workforce, delivery and capability and social, cultural, environmental and economic well-being. LGNZ can help with this analysis.
4. Using the Taituarā pro forma report framework, chief executives should report the outcome of this analysis as advice to their councils, for noting. The pro forma report will specify all the parameters to be covered. Please provide a copy of the advice to LGNZ.

Local authorities are encouraged to consider the impacts of the proposed reform holistically, in terms of service outcomes, economic development and growth, finance and funding, workforce capability and social, community and economic well-being. The diagram below provides a helpful framework for thinking through these impacts. LGNZ can help with this analysis.



Local authorities are also encouraged to provide feedback or participate in targeted workshops to develop solutions on outstanding issues identified by LGNZ and the Government.

As part of the agreement between LGNZ and the Government, we are also looking for feedback on and solution refinements for issues that councils have raised that aren't fully resolved and on which the Government has said there is room for flexibility to come up with solutions that meet local needs:

1. Ensuring all communities have both a voice in the system and influence over local decisions. This includes assurance that water service entities will understand and respond appropriately to communities' needs and wants, including responding to localised concerns.
2. Effective representation on the new water service entities' oversight boards so that there is strong strategic guidance from, and accountability to, the communities they serve, including iwi/mana whenua participation. This also covers effective assurance that entities, which will remain in public ownership, cannot be privatised in future.

3. Making sure councils' plans for growth, as reflected in spatial plans, district plans or LTPs, are appropriately integrated with water services planning. This includes that planning and delivery of water infrastructure investment is integrated with transport and other related infrastructure.

You can either provide potential solutions and refinement ideas in writing to us or participate in targeted workshops. If you would like to be part of a workshop, please email feedback@lgnz.co.nz.

Appendix 1: Summary of reform proposal and support package

Government reform package

The Government has decided, based on the substantial work undertaken over the past year in partnership with the sector, to pursue an integrated and extensive package of reform to the current system for delivering three waters services and infrastructure. The package comprises the following core components:

- establish four statutory, publicly-owned water services entities to provide safe, reliable and efficient water services;
- enable the water services entities to own and operate three waters infrastructure on behalf of local authorities, including transferring ownership of three waters assets and access to cost-effective borrowing from capital markets to make the required investments;
- establish independent, competency-based boards to govern each water services entity;
- introduce mechanisms that protect and promote the rights and interests of iwi/Māori in the new three waters service delivery system;
- introduce a series of safeguards against future privatisation of the water services entities;
- set a clear national policy direction for the three waters sector, including expectations relating to the contribution by water services entities to any new spatial / resource management planning processes;
- establish an economic regulation regime, to ensure efficient service delivery and to drive the achievement of efficiency gains, and consumer protection mechanisms; and
- develop an industry transformation strategy to support and enable the wider three waters industry to gear up for the new water services delivery system.

Financial support package

The Government has developed, in close partnership with Local Government New Zealand, a package of \$2.5 billion to support the sector through the transition to the new water services delivery system, and to position the sector for the future. There are two broad components to this support package:

- \$2 billion of funding to invest in the future of local government and community well-being, while also meeting priorities for government investment (the “better off” component).
- \$500 million to ensure that no local authority is financially worse off as a direct result of the reform (the “no worse off” component).

The better off component of the support package, which comprises \$1 billion Crown funding and \$1 billion from the new water services entities, is allocated to territorial authorities on the basis of a nationally consistent formula that takes into account population, relative deprivation and land area. This formula recognises the relative needs of local communities, the unique challenges facing local authorities in meeting those needs, and differences across the country in the ability to pay for those needs.

Territorial authorities will be required to demonstrate that the use of this funding supports the three waters service delivery reform objectives and other local well-being outcomes and aligns with the priorities of central and local government, through meeting some or all of the following criteria:

- supporting communities to transition to a sustainable and low-emissions economy, including by building resilience to climate change and natural hazards; and
- delivery of infrastructure and/or services that:
 - enable housing development and growth, with a focus on brownfield and infill development opportunities where those are available; and
 - support local place-making and improvements in community well-being.

The no worse off component of the support package is intended to address the costs and financial impacts on territorial authorities directly as a result of the three waters reform programme and associated transfer of assets, liabilities and revenues to new water services entities. It includes an up to \$250 million allocation to support councils to meet unavoidable costs of stranded overheads, based on:

- \$150 million allocated to councils (excluding Auckland, Christchurch and councils involved in Wellington Water) based on a per capita rate that is adjusted recognising that smaller councils face disproportionately greater potential stranded costs than larger councils;
- Up to \$50 million allocated to the Auckland, Christchurch and Wellington Water councils excluded above based on a detailed assessment of two years of reasonable and unavoidable stranded costs directly resulting from the Water Transfer, as the nationally-consistent formula is likely to overstate the stranded costs for these councils due to their significantly greater scale and population. Stranded costs should be lower with respect to Watercare and Wellington Water as these Council Controlled Organisations have already undertaken a transfer of water services responsibilities, albeit to varying degrees; and
- Up to \$50 million able to be allocated to councils that have demonstrable, unavoidable and materially greater stranded costs than provided for by the per capita rate (the process for determining this will be developed by the Department of Internal Affairs working closely with Local Government New Zealand).

The remainder of the no worse off component will be used to address adverse impacts on the financial sustainability of territorial authorities. This will require a due diligence process that will need to be worked through in the coming months.

In addition to the support package, the Government expects to meet the reasonable costs associated with the transfer of assets, liabilities and revenue to new water services entities, including staff involvement in working with the establishment entities and transition unit, and

provision for reasonable legal, accounting and audit costs. There is an allocation for these costs within the \$296 million tagged contingency announced as part of the 2021 Budget Package for transition and implementation activities. This allocation is additional to the \$2.5 billion support package.

The Department of Internal Affairs is continuing to work with Local Government New Zealand and Taituarā, including through the joint Steering Committee process, to develop the process for accessing the various components of the support package outlined above, including conditions that would be attached to any funding. More information and guidance will be made available in the coming months.

Better off funding allocation

Council	Allocation
Auckland	\$ 508,567,550
Ashburton	\$ 16,759,091
Buller	\$ 14,009,497
Carterton	\$ 6,797,415
Central Hawke's Bay	\$ 11,339,488
Central Otago	\$ 12,835,059
Chatham Islands	\$ 8,821,612
Christchurch	\$ 122,422,394
Clutha	\$ 13,091,148
Dunedin	\$ 46,171,585
Far North	\$ 35,175,304
Gisborne	\$ 28,829,538
Gore	\$ 9,153,141
Grey	\$ 11,939,228
Hamilton	\$ 58,605,366
Hastings	\$ 34,885,508
Hauraki	\$ 15,124,992
Horowhenua	\$ 19,945,132
Hurunui	\$ 10,682,254
Invercargill	\$ 23,112,322

Three Waters Guidance for councils over the next eight weeks

Kaikoura	\$ 6,210,668
Kaipara	\$ 16,141,395
Kapiti Coast	\$ 21,051,824
Kawerau	\$ 17,270,505
Lower Hutt	\$ 38,718,543
Mackenzie	\$ 6,195,404
Manawatu	\$ 15,054,610
Marlborough	\$ 23,038,482
Masterton	\$ 15,528,465
Matamata-Piako	\$ 17,271,819
Napier	\$ 25,823,785
Nelson	\$ 20,715,034
New Plymouth	\$ 31,586,541
Opotiki	\$ 18,715,493
Otorohanga	\$ 10,647,671
Palmerston North	\$ 32,630,589
Porirua	\$ 25,048,405
Queenstown Lakes	\$ 16,125,708
Rangitikei	\$ 13,317,834
Rotorua Lakes	\$ 32,193,519
Ruapehu	\$ 16,463,190
Selwyn	\$ 22,353,728
South Taranaki	\$ 18,196,605
South Waikato	\$ 18,564,602
South Wairarapa	\$ 7,501,228
Southland	\$ 19,212,526
Stratford	\$ 10,269,524
Tararua	\$ 15,185,454

Three Waters Guidance for councils over the next eight weeks

Tasman	\$ 22,542,967
Taupo	\$ 19,736,070
Tauranga	\$ 48,405,014
Thames-Coromandel	\$ 16,196,086
Timaru	\$ 19,899,379
Upper Hutt	\$ 18,054,621
Waikato	\$ 31,531,126
Waimakariri	\$ 22,178,799
Waimate	\$ 9,680,575
Waipa	\$ 20,975,278
Wairoa	\$ 18,624,910
Waitaki	\$ 14,837,062
Waitomo	\$ 14,181,798
Wellington	\$ 66,820,722
Western Bay of Plenty	\$ 21,377,135
Westland	\$ 11,150,183
Whakatane	\$ 22,657,555
Whanganui	\$ 23,921,616
Whangarei	\$ 37,928,327

Appendix 2: Three Waters Reform Programme key resources

The table below summarises the key resources that have been published in relation to the Government's recent announcements around the proposed three waters service delivery reform and financial support package.

Further information is available at the three waters reform programme webpage at:

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

Title	Description
Cabinet papers and decisions	
Cabinet paper one and minute – A new system for three waters service delivery	Paper summarising the case for change and seeking Cabinet agreement to the overall reform package.
Cabinet paper two and minute – Designing the new three waters service delivery entities	Paper seeking Cabinet agreement to the proposed structure of water services entities, associated oversight, governance and ownership arrangements and mechanisms that provide for communities and consumers to have a voice within the new structure.
Cabinet paper three and minute – Protecting and promoting iwi/Māori rights and interests	Paper summarising iwi/Māori rights and interests in the three waters service delivery reforms, and seeking agreement to a number of specific mechanisms for protecting and promoting rights and interests in the new service delivery model.
Summary of case for change and reform proposal	
Transforming the system for delivering three waters services - the case for change and summary of proposals	An overview of the case for change and the Government's proposed package of reform.
A3 Overview of the Three Waters Reform Programme	A3 summarising the case for change, proposed new delivery system.
Financial support package information and FAQs	Overview of the financial support package, allocations and responses to frequently asked questions.

Title	Description
Models, tools and dashboards	
Local Dashboard	Dashboard of the potential impacts on local authorities with and without reform.
Simplified financial models	Simplified versions of the financial models the Water Industry Commission for Scotland used in its analysis of the potential economic benefits of three waters reform. These models demonstrate the approach taken to calculate average household costs for each council and amalgamated entity. There are also slide packs setting out sensitivity analysis for each council and amalgamated entity to test the sensitivity of the modelling to key assumptions, including assumptions around levels of efficiency and future investment need.
Water Service Entities overview	A short overview of the estimated position of the Water Service Entities following reform.
Evidence base	
Regulatory Impact Assessment – Decision on the reform of three waters service delivery arrangements	Regulatory Impact Assessment (RIA) developed by the Department of Internal Affairs to inform the decision on whether and how to improve the system for delivering three waters services. Developed in two parts: <ul style="list-style-type: none"> • a strategic RIA assessing the rationale for reform; and • six detailed RIA chapters assessing each of the core design choices that make up the package of policy proposals.
Industry Development Study and Economic Impact Assessment (Deloitte) Summary A3 Full report	Analysis of the potential economic impact of the proposed reform package, and the opportunities and risks for industries affected by reform.

Title	Description
<p>Economic analysis of water services aggregation (Water Industry Commission for Scotland):</p> <p>Final report</p> <p>Supporting material part 1 - required investment</p> <p>Supporting material part 2 – scope for efficiency</p> <p>Supporting material part 3 – costs and benefits of reform</p> <p>Supporting material part 4 – modelling the effect of ranges for key parameters for Auckland Council</p> <p>Supporting material part 5 – Council outcomes under amalgamation</p>	<p>Second phase of analysis that builds on earlier work by making use of more up-to-date information collected through the Request for Information process and by making allowance for population growth and council-reported rates of connection. The analysis is done in three parts:</p> <ul style="list-style-type: none"> • Estimated investment requirement for New Zealand's three waters infrastructure to meet quality standards; • Scope for efficiency gains from transformation of the three waters service delivery system, including those associated with scale; and • The potential economic (efficiency) impacts of various aggregation scenarios.
<p>Review of methodology and assumptions underpinning economic analysis of aggregation (Farrierswier)</p>	<p>Farrierswier, a regulatory economics consultancy in Victoria, Australia with deep understanding of the water services industry, reviewed the methodology and underpinning assumptions applied by the Water Industry Commission for Scotland in its analysis of the potential benefits of reform and the extent to which this is reasonable to inform policy advice.</p>
<p>Review of assumptions between Scotland and New Zealand Three Waters Systems (Beca)</p>	<p>Beca reviewed the standards and practices in the United Kingdom three waters industry and the relevance to New Zealand given WICS has used United Kingdom data and benchmarks as part of its analysis.</p>

Three Waters Reform Programme

A proposal to transform the delivery of three waters services

1. BACKGROUND

Over the past three years central and local government have been considering solutions to challenges facing the regulation and delivery of three waters services. This has seen the development of new legislation and the creation of Taumata Arowai, the new water services regulator.

Both central and local government acknowledge that there are broader challenges facing the delivery of water services and infrastructure, and the communities that fund and rely on these services. There has been regulatory failure, underinvestment in three waters infrastructure in parts of the country, and persistent affordability challenges.

Iwi/Māori also have a significant interest in te mana o te wai. Both central and local government acknowledge the importance of rights and interests under the Treaty of Waitangi and the role of the Treaty partners in progressing these issues.

Additional investment is required to increase public confidence in the safety of drinking water, and to improve environmental outcomes. The reform of three waters services will also support increased sustainability and resilience of communities to natural hazards and climate change.

2. CHALLENGES

THE EXISTING INFRASTRUCTURE DEFICIT

Quantifying the precise infrastructure gap remains challenging. The Office of the Auditor General (OAG) has raised concerns about relevant and reliable information about assets remaining a challenge.

UNGRADED ASSETS

Across our water networks

Potable & wastewater 45%

Stormwater categorised as upgraded 52%

RENEWAL GAPS

Forecast average renewals as proportion of forecast average depreciation for:

Water supply 82%

Wastewater 67%

Stormwater 52%

While unquantified in New Zealand due to limited asset quality data, experience from places like Scotland that have undertaken significant water services reforms indicates the bulk of asset replacement value (potentially up to 80%) and the accumulated infrastructure deficit likely lies in renewal of pipes rather than treatment plants.

FURTHER RESEARCH COMMISSIONED BY DIA FOUND:

\$309-\$574 million

Estimated cost for upgrading networked drinking water treatment plants to meet drinking water standards, with an additional annual operating cost of \$11-\$21 million.

\$3-\$4 billion

Estimated cost for upgrading wastewater treatment systems that discharge to coastal and freshwater bodies to meet national minimum discharge standards, with an annualised operating cost of \$126-\$193 million.

3. OBJECTIVES

A Significantly improving safety and quality of drinking water services, and the environmental performance of wastewater and stormwater systems.

B Ensuring all New Zealanders have equitable access to affordable three waters services.

C Improving resource coordination and unlocking strategic opportunities to consider national infrastructure needs at a larger scale.

D Increasing resilience of three waters service provision to both short- and long-term risks and events, particularly climate change and natural hazards.

E Moving three waters services to a financially sustainable footing, and addressing the affordability and capability challenges faced by small suppliers and councils.

F Improving transparency and accountability in cost and delivery of three waters services, including the ability to benchmark performance of service providers.

4. KEY FEATURES

Design features of the proposed reform programme should examine, as a minimum:

A Water service delivery entities that are:

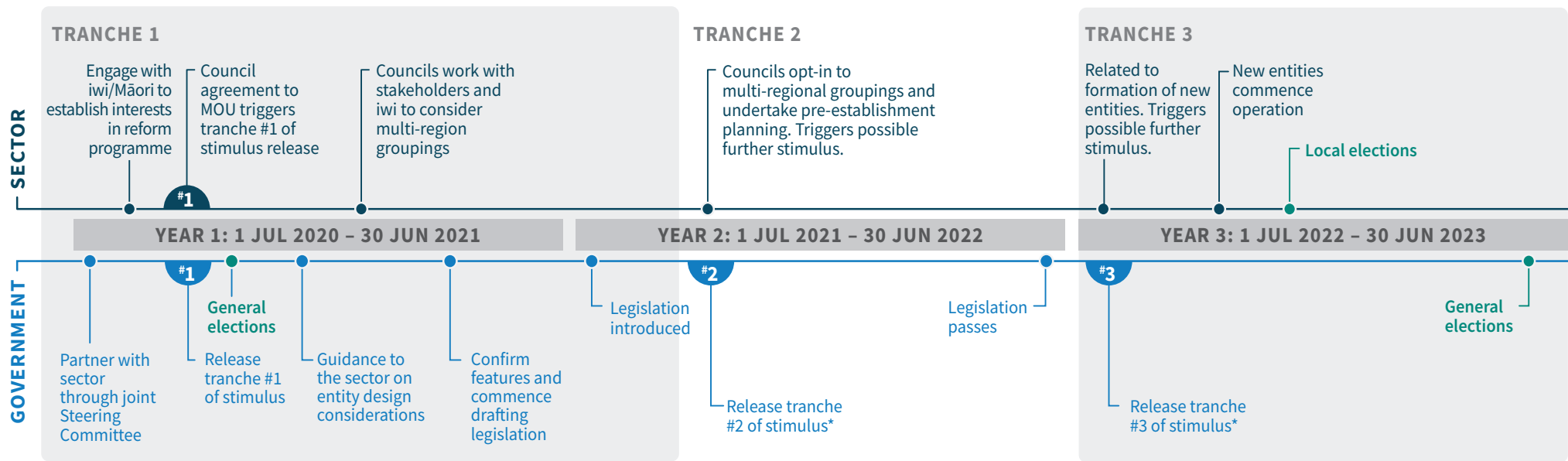
- of significant scale (most likely multi-regional) to enable benefits from aggregation to be achieved over the medium- to long-term;
- asset-owning entities with balance sheet separation, to support improved access to capital, alternative funding instruments and improved balance sheet strength; and
- structured as statutory entities with appropriate and relevant commercial disciplines and competency-based boards.

B Delivery of drinking water and wastewater services as a priority, with the ability to extend to stormwater service provision only where effective and efficient to do so.

C Publicly owned entities, with a preference for collective council ownership.

D Mechanisms for enabling iwi /Māori and communities to provide input in relation to the new entities.

5. INDICATIVE REFORM PATHWAY



6. PROPOSED PROCESS

An opt-in reform and funding programme to:

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

Progressed in phases:

- Three phases of reform with three tranches of investment proposed (as set out above). The first phase of the programme includes a Memorandum of Understanding between central and local government to progress the reform in partnership. Reform will be guided by a joint Steering Committee at key stages.

Memorandum of understanding:

- Non-binding MOU between each Council and Government.
- Does not commit Councils to reforming water services or transferring assets.
- Enables Councils to access funding for three waters through an associated Funding Agreement and Delivery Plan.

7. FUNDING AND IMPACT

Government funding		\$761 million
Jobs protected or created	(direct)	2,288 jobs
	(direct, indirect, induced)	7,230 jobs
GDP increase	(direct)	\$236 million
	(direct, indirect, induced)	\$800 million

ALLOCATION OF FUNDING

First tranche funding provided as a grant to Councils who opt-in to participate in the reform process. Allocation is based on a simple formula applied on a nationally consistent basis.

Future additional funding will be subject to Government decision-making and reliant on progress against the reform objectives.

INDICATIVE ALLOCATION SUBJECT TO CONFIRMATION

LEGEND

- Metropolitan Councils (50%)
- Provincial Councils (37%)
- Rural Councils (13%)

THREE WATERS 101.

**We are.
LGNZ.**
Te Kāhui Kaunihera o Aotearoa.

The Government is proposing major reform of New Zealand's drinking water, wastewater and stormwater system. Here LGNZ synthesises the issues, the opportunities and what it means for local government.

1. What's the problem?

Councils currently own and operate three waters services, which cover drinking water, wastewater and stormwater. More investment is needed in water infrastructure to meet the environmental and public health aspirations of our communities. The Government has estimated that dealing with 30 years of systemic failure will require an investment of more than \$185b over the next 30 years.

This scale of investment would be extremely challenging for councils to fund on their own. Climate change will only exacerbate this challenge.



Significant investment needed in water infrastructure



Councils can't carry future costs



The current system lacks:

- Economic regulation
- Consistent data collection
- Enforcement of standards

2. Government's proposed solution

The Government has told us it wants to deliver water services more cost effectively. It also wants to deliver them in an equitable and sustainable way.

It proposes changing the whole system:



A new water regulator called Taumata Arowai



A smaller number of large, specialist water service entities



Water services are delivered on a significantly larger scale



Water entities remain publicly owned



Water services providers meet standards or face significant penalties for noncompliance



Entities have strong strategic links to councils and mana whenua

3. Impact on councils

The Government's proposal would mean significant change to the delivery of water services. For a start, councils would shift their focus from delivery to kaitiakitanga of water services. Requirements on local authorities to ensure safe drinking water for private and community supplies would transfer to new entities.

For most councils, removing water-related debt from their balance sheets would improve their financial position. It would potentially create more opportunity to focus on delivering wellbeing to their communities.



Three waters kaitiakitanga focus



Water-related debt removed from balance sheet



Increased capacity to borrow to fund community services

We know there's not universal agreement on the case for change. But to meet councils' own RFI projections, spending across New Zealand as a whole would need to increase by 50 percent annually for the next 10 years. With strong regulatory enforcement, the picture would be very different for councils, creating difficult trade offs if large investments are required to meet water standards.

LOCAL GOVERNMENT CAN HELP SHAPE THREE WATERS REFORM.

**We are.
LGNZ.**
Te Kāhui Kaunihera o Aotearoa.

What's important to the sector in this reform?







-  Everyone has access to safe drinking water and the same level of three waters service.
-  Infrastructure and systems are resilient and well-funded.
-  Three waters are delivered in partnership with iwi.
-  Delivery is responsive to climate change.
-  Catchments are managed from the mountain to the sea.
-  Districts retain high-paying, skilled jobs.
-  Any transition is well-managed and people are looked after.
-  Local voices are heard and local priorities are responded to.

LGNZ is working for councils

Our work on Three Waters is guided by the principle that we need to seize any opportunity to create the best possible outcome for local government.

We're using our influence to work with the Government on a model that better includes the perspective of our communities. Representatives from local government are helping to steer this work and pose the hard questions. We are also actively working with government on what a package to go with reforms might look like. We'll work to optimise this package before decisions are made.

What the sector needs from central government

-  Transparency about the process and what's on the table.
-  A robust transition plan that makes sure the benefits of reform are delivered.
-  Government to support councils so they can keep delivering. This means makes sure councils are economically sustainable without water.
-  A fair deal, including that councils are not financially worse off, and that communities are better off.
-  To support and grow effective local democracy.
-  That any new system reflects the relationship with mana whenua under Te Tiriti o Waitangi

Find out more

We encourage you to stay informed and up to date of the reforms as they evolve. We'll be with you every step of the way. Here's where you can start:

Read what DIA has published: www.dia.govt.nz/Three-waters-review

Check out the info on our website: www.lgnz.co.nz
Get in touch if you have questions: feedback@lgnz.co.nz

SCAN OR CLICK
TO VISIT OUR FAQ



HEADS OF AGREEMENT

BETWEEN

THE SOVEREIGN IN RIGHT OF NEW ZEALAND

AND

**NEW ZEALAND LOCAL GOVERNMENT ASSOCIATION
INCORPORATED TE KAHUI KAUNIHERA Ō
AOTEAROA**

FOR

**PARTNERING COMMITMENT TO SUPPORT
THREE WATERS SERVICE DELIVERY REFORM**

Parties

Name The Sovereign in right of New Zealand
Short name **Crown**

Name New Zealand Local Government Association Incorporated Te Kahui Kaunihera
ō Aotearoa
Short name **LGNZ**

Background

- A The New Zealand Government (**Government**) is undertaking a programme to reform the delivery of three waters in New Zealand (**Three Waters Reform Programme**).
- B LGNZ is an incorporated society that represents the national interests of local government in New Zealand and leads best practice in the local government sector.
- C Since May 2020, the Crown and LGNZ have worked collaboratively to consider the interests of central and local government in relation to the Three Waters Reform Programme.
- D The Crown and LGNZ wish to continue their interests-based partnering relationship:
 - (i) to enable LGNZ's ongoing role in assisting with the interface between the Crown and the local government sector in connection with the Three Waters Reform Programme (including supporting the Three Waters Reform Programme objectives and supporting the sector through its implementation and transition); and
 - (ii) to strengthen the important relationship central government has with local government to continue to work together in relation to the Three Waters Reform Programme, acknowledging local government's critical role in placemaking and achieving positive wellbeing outcomes for communities and the shared objective of a thriving, resilient and sustainable local government system that is fit for purpose and has the flexibility and incentives to adapt to the future needs of local communities.
- E The Crown and LGNZ now wish to set out the agreed process for, and the terms of, the continuation of their interests-based partnering relationship.
- F The Crown (through the Department of Internal Affairs (**DIA**)) and LGNZ have previously entered into a non-disclosure agreement (**NDA**) under which DIA and LGNZ provided certain undertakings to each other in respect of confidentiality, conflict management and use of information (amongst other key terms), which continues to apply.

Agreed Terms

1. Definitions

- 1.1 Defined terms and expressions used in this Heads of Agreement shall, unless inconsistent with the context, have the meaning set out in Schedule 1.

2. Mutual commitment to continuing the partnering approach for three waters reform

- 2.1 In May 2020, the Government (through DIA) and LGNZ committed to working together to explore options for national three waters services delivery reform in recognition of the significant challenges – presently but more so in the future – facing the delivery of water services and infrastructure and the communities that fund and rely on them.

- 2.2 The Crown and LGNZ each wish to continue:

- (a) an interests-based partnering relationship, including through the Joint Steering Committee, to support:
 - (i) the identification and resolution of matters of concern to the local government sector in a manner that is consistent with the shared objectives referred to in this Heads of Agreement; and
 - (ii) a smooth transition and successful implementation of the Three Waters Reform Programme, as further described in this Heads of Agreement; and
- (b) to strengthen the important relationship central government has with local government to continue to work together in the Three Waters Reform Programme, acknowledging the critical role local authorities play in local long-term planning, local placemaking and achieving positive wellbeing outcomes for their communities and the shared objective of a thriving, resilient and sustainable local government system that is fit for purpose and has the flexibility and incentives to adapt to the future needs of local communities.

- 2.3 The Crown acknowledges that:

- (a) although LGNZ has a mandate to consider the national interests of local government in New Zealand, the mandate of individual local authorities (as set out in the Local Government Act 2002) relates to the interests of their own local community; and
- (b) LGNZ's agreement to support and lead the sector in the manner described in this Heads of Agreement does not bind its members and individual local authorities may determine to adopt a position different to LGNZ's.

2.4 Ensuring recognition of rights and interests of iwi/Māori in three waters service delivery

The Crown and LGNZ recognise Te Tiriti o Waitangi/Treaty of Waitangi and the protection and promotion of iwi/Māori rights and interests in the delivery of three waters services, including through existing Treaty settlement mechanisms. Water can be a taonga of particular significance and importance to Māori and both parties recognise the importance of working in partnership, and acting reasonably and in good faith with the Treaty partner throughout the reform process. Both parties recognise the reform is a significant opportunity to improve outcomes for Māori in the delivery of three water services.

2.5 Shared objectives for the Three Waters Reform Programme

The Crown and LGNZ each acknowledge shared objectives which underpin the Three Waters Reform Programme. The principal objectives (including as they have been refined over the engagement process to date) are:

- (a) that there are safeguards (including legislative protection) against privatisation and mechanisms that provide for continued public ownership;
- (b) significantly improving the safety and quality of drinking water services, and the environmental performance of drinking water, wastewater and stormwater systems (which are crucial to good public health and wellbeing, and achieving good environmental outcomes);
- (c) ensuring all New Zealanders have equitable access to affordable three waters services and that the Water Services Entities will listen, and take account of, local community and consumer voices;
- (d) improving the coordination of resources and planning, and unlocking strategic opportunities to consider New Zealand's infrastructure and environmental needs at a larger scale;
- (e) ensuring the overall integration and coherence of the wider regulatory and institutional settings (including the economic regulation of water services and resource management and planning reforms) in which the local government sector and their communities must operate;
- (f) increasing the resilience of three waters service provision to both short-and long-term risks and events, particularly climate change and natural hazards;
- (g) moving the supply of three waters services to a more financially sustainable footing, and addressing the affordability and capability challenges faced by small suppliers and local authorities;
- (h) improving transparency about, and accountability for, the planning, delivery and costs of three waters services, including the ability to benchmark the performance of the new Water Services Entities; and
- (i) undertaking the reform in a manner that enables local government to continue delivering (in a sustainable manner) on its placemaking role and broader "wellbeing mandates" as set out in the Local Government Act 2002.

2.6 Other shared objectives for three waters reform and beyond

The Crown and LGNZ further acknowledge the following shared objectives of their interests-based partnering relationship in relation to the Three Waters Reform Programme:

- (a) supporting achievement of the shared three waters reform objectives described above;
- (b) ensuring that the Water Services Entities are set up for future success, including preserving their ability to borrow to accelerate investment and meet future investment demands;
- (c) maintaining good faith participation by central and local government in relation to other large reform programmes, including resource management reforms;
- (d) work in partnership to support the 'workforce transfer guidelines' so as to ensure that workers in local communities are treated fairly as part of the three waters reform process and with the least amount of disruption for staff and local authorities (including so that local

authorities can maintain their ongoing operations, including as they relate to three waters service delivery and investment for the duration of the transition period);

- (e) building on the success of the COVID-19 response and Joint Three Waters Steering Committee processes to demonstrate a new way of working that provides a platform for ongoing, constructive relationships between central and local government; and
- (f) supporting three waters service provision by the new Water Services Entities to be an enabler of a resilient, responsive and sustainable local government system, including as the roles and functions of local authorities may change and develop over time.

2.7 **Acknowledgement**

The Crown and LGNZ each further acknowledge that the Three Waters Reform Programme is a tested and robust package of reforms that will:

- (a) affordably and sustainably address the water services delivery objectives over the next 30 years; and
- (b) require all-in participation of local authorities to do so.

2.8 **Partnering principles – Three Waters Reform**

The Crown and LGNZ each wish to conduct their working relationship with the other party in relation to, and throughout the period of, the Three Waters Reform Programme in good faith and in accordance with the following objectives and principles:

- (a) *shared intention*: the shared intention of supporting the Three Waters Reform Programme, including ensuring a smooth transition and successful implementation of the Three Waters Reform Programme;
- (b) *mutual trust and respect*: build and foster working relationships and communication practices that are based on, and value, mutual respect and high trust, including so as to address any issues and concerns that might arise, early and constructively, to ensure that process expectations are clear and aligned and to act and respond in ways that reflect a fair assessment of the importance or materiality of the matters requiring an action or a response;
- (c) *constructive*: non-adversarial dealings between the parties, and constructive mutual steps to avoid differences and disputes and to identify solutions that advance the shared interests and objectives of both central and local government with respect to the communities they serve;
- (d) *open and fair*: open, prompt and fair notification and resolution of any differences or disputes which may arise and the identification of potential risks and/or issues (including potential causes of delay) that could adversely impact the timely completion of the activities within the timeframes specified in any agreed programme of activities; and
- (e) *no surprises*: adopt a 'no surprises' approach in respect of their respective communications to stakeholders and their public statements and to ensure they are consistent with the spirit and intent of this Heads of Agreement.

3. **Support Commitments**

3.1 The Crown and LGNZ each acknowledge that:

- (a) LGNZ will endorse and support such package and the need for all-in participation of local authorities to realise the full system benefits, to help build support for the reform across the sector, in the manner contemplated below; and
- (b) the key features of a Three Waters Reform financial support package are set out in clauses 5.1 to 5.3 below.

3.2 The Crown and LGNZ each agree:

- (a) to continue to carry out the discussions in relation to the Three Waters Reform Programme in good faith with a view to ensuring the reforms are achieved in a manner consistent with the shared objectives set out in clauses 2.4 to 2.6 above and Cabinet decisions in relation to the Three Waters Reform Programme;
- (b) that local authorities will be provided a reasonable period (expected to be around 8 weeks and commencing immediately after the annual LGNZ 2021 conference) to consider the impact of the reforms (including the financial support package) on them and their communities and an opportunity to provide feedback;
- (c) to discuss in good faith (including through the Joint Steering Committee) how the proposed model and design can best accommodate, in a manner consistent with the shared objectives, the following matters:
 - (i) how local authorities can continue to influence how the new water service delivery system as a result of Three Waters Reform will respond to issues of importance to their communities, and provide for localised solutions such as the aspiration for chlorine-free water;
 - (ii) ensuring appropriate integration between the needs, planning and priorities of local authorities (representing their local communities) and the planning and priorities of the Water Service Entities; and
 - (iii) how to strengthen the accountability of the WSEs to the communities that they serve, for example through a water ombudsman; and
- (d) to use all reasonable endeavours (in the case of LGNZ consistent with the resourcing, funding and activities reflected in the funding agreements referred to in clause 6) to achieve support for the Three Waters Reform Programme from the local government sector, including (in the case of LGNZ) as contemplated in clauses 4.2 and 4.3 below.

3.3 DIA and LGNZ have agreed a joint position statement (set out at Schedule 4 of this Heads of Agreement) with respect to the Three Waters Reform Programme. DIA and LGNZ will each ensure that statements made by them respectively in relation to the Three Waters Reform Programme, including statements or information made or provided to the local government sector in relation to the Three Waters Reform Programme (including through LGNZ) including at the annual LGNZ 2021 conference, shall be consistent with the joint position statement.

4. **LGNZ support of Three Waters Reform**

LGNZ considers:

- (a) the Three Waters Reform Programme is in the national interest of local government and the communities that it represents;

- (b) the partnering approach between the Crown (including DIA and Treasury) and LGNZ in relation to the Three Waters Reform Programme enhances and ensures a long-term commitment to partnership between central and local government in New Zealand; and
 - (c) the Three Waters Reform financial support package (as contemplated in this Heads of Agreement) is fair and reasonable at a national level.
- 4.2 Accordingly, LGNZ commits to supporting, endorsing and promoting the Three Waters Reform Programme.
- 4.3 LGNZ commits to:
 - (a) supporting the case for change by:
 - (i) publicly supporting the position that there is a sufficient and evidence-based national case for change, including that the current approach to three waters service delivery is not capable of delivering the outcomes required in an affordable and sustainable way into the future;
 - (ii) noting the analysis supporting the Crown's preferred approach to reform has been tested through the design process, and expressing the view that the proposed model design and approach to reform is sound, appropriate and beneficial when viewed as a whole at a national level; and
 - (iii) assisting LGNZ's members to understand the reform-related information being provided to them by or on behalf of the Crown, how the reform is intended to work and the impact it is likely to have on local authorities and the communities they serve, including throughout the transition period – and in respect of which the Crown (through DIA) commits to supporting LGNZ and the local government sector to actively engage in the transition process and to working through the remaining questions and further policy detail with LGNZ with a view to supporting a smooth transition to, and successful implementation of, the Three Waters Reform Programme;
 - (b) endorsing the Three Waters Reform financial support package announced by the Government (as contemplated in this Heads of Agreement);
 - (c) if, after the end of the period referred to in clause 3.2(b), the Government decides to adopt an "all in" legislated approach to the Three Waters Reform then LGNZ agrees that it will accept such a decision on the basis that:
 - (i) "all in" participation of local authorities is needed to realise the national interest benefits of the reform;
 - (ii) such acceptance does not imply that LGNZ supports such approach;
 - (iii) LGNZ will not actively oppose such approach; and
 - (iv) LGNZ may publicly express its disappointment that the Government has considered it necessary to adopt such approach.
 - (d) leading and supporting the local government sector through change arising from the Three Waters Reform Programme, in the interests of a constructive and orderly transition process.
- 4.4 The Crown (through DIA) and LGNZ will each use all reasonable endeavours to agree a timetable to support the reform (which is consistent with Cabinet decisions in relation to the Three Waters

Reform Programme) including the staged release of information and the process to develop individual local authority agreements.

5. **Financial support package to local authorities**

5.1 The Crown is proposing that a Three Waters Reform financial support package be provided to local authorities, comprising:

- (a) a “no worse off” package which will seek to ensure that financially, no local authority is in a materially worse off position to provide services to its community directly because of the Three Waters Reform Programme and associated transfer of responsibility for the provision of water services (including the transfer of assets and liabilities) to the Water Services Entities; and
- (b) a “better off” package of \$2 billion which supports the goals of the Three Waters Reform Programme by supporting local government to invest in the wellbeing of their communities in a manner that meets the priorities of both the central and local government, and is consistent with the agreed criteria for such investment set out in Schedule 3 of this Heads of Agreement,

and which will be given effect (including in relation to the process for the provision of funding by Water Services Entities) in agreements between each local authority and the Crown (through DIA). The key principles and process for development of such agreements will be a matter that is considered by the Joint Steering Committee.

5.2 LGNZ acknowledges that the quantum of the proposed Three Waters Reform financial support package set out in clause 5.1 is a fair and reasonable package and contribution to the local government sector having regard to the impacts of the Three Waters Reform Programme on the sector and to contribute to the future of local government in supporting the wellbeing of their communities.

5.3 The Crown and LGNZ have been discussing the proposed Three Waters Reform financial support package and record the agreed principles, as at the date of this Heads of Agreement:

- (a) in relation to the “no worse off” package, in Schedule 2 of this Heads of Agreement; and
- (b) in relation to the “better off” package, in Schedule 3 of this Heads of Agreement,

noting that in relation to those areas of the financial support package that remain to be finalised as contemplated in those schedules, the Crown intends to finalise the same with LGNZ consistent with the principles and partnering approach set out in this Heads of Agreement; and noting also that (as provided in the Public Finance Act 2010) no funding will be due or payable from the Crown until funding is appropriated.

5.4 For the avoidance of doubt, there are a range of other impacts for local authorities that may represent an adverse financial impact, which the support package contemplated in clauses 5.1 to 5.3 above does not take account of, and are intended to be addressed (through a process to be agreed between the Crown (through DIA) and LGNZ) by alternative mechanisms:

- (a) transaction costs associated with facilitating the transfer of assets, liabilities and revenue, including staff involvement in working with the establishment entities and transition unit, and legal, accounting and audit costs. There is an allocation within the \$296 million tagged contingency established as part of the 2021 Budget Package for the transition and implementation costs incurred by councils and DIA will work with LGNZ in developing the parameters of this funding pool, before it is agreed with Ministers and shared with the sector. The funding will look to ensure that councils are able to participate in the reform

programme without putting at risk council delivery of water services during the transition – noting that the funding pool will have a finite limit, needs to deliver the transition objectives, demonstrate value for money to Crown and meet the conditions around the tagged contingency; and

- (b) accumulated cash reserves that have been earmarked for future water infrastructure investment. Local authorities will be encouraged to use these reserves (subject to reserve conditions) prior to the “go live” date of 1 July 2024. It is intended that any material reserve balances remaining at that time will be transferred to new Water Services Entities with a commensurate commitment to invest those funds in the communities that paid for them, consistent with the conditions under which they were raised. Councils will be allowed to retain immaterial reserve balances upon transfer. The materiality threshold will be developed in discussion between DIA and LGNZ and agreed with Ministers before reflecting this in guidance for the sector; and
- (c) any payment to be made to a local authority by the relevant Water Services Entity associated with the transfer of water assets, debt and revenue - being the amount of water-related debt established through any applicable due diligence and/or audit when that Water Service Entity takes over the three waters-related infrastructure and service delivery responsibilities (including the transfer of water assets, debt and revenue) from the local authority to implement the Three Waters Reform Programme.

6. **Crown support for LGNZ to lead and support the local government sector through change**

The Crown is proposing to provide ongoing support to LGNZ, by way of separate funding agreement(s) with LGNZ (and subject to the conditions set out in such agreement(s)):

- (a) in the short term (expected to be through to mid-September 2021) to enable LGNZ to build support within the local government sector for the Three Waters Reform Programme; and
- (b) subsequently through the transition and implementation phases of the Three Waters Reform Programme (expected to be approximately two and half years), to enable LGNZ (including LGNZ engaging Taituarā as appropriate) to support the Crown and the local government sector through the transition and implementation of the Three Waters Reform Programme.

7. **Joint Steering Committee**

- 7.1 The Crown and LGNZ each acknowledge the benefit to both central and local government of the work carried out by the Joint Steering Committee, particularly in ensuring that the perspectives, interests and expertise of both central and local government, and of communities throughout New Zealand, have been accommodated in the development of the Three Waters Reform Programme to date.
- 7.2 The Crown and LGNZ each consider that there is considerable benefit in the Joint Steering Committee continuing to be convened to support the constructive partnering approach between central and local government, to continue to inform the detail that is yet to be developed as part of the Three Waters Reform Programme and to achieve the best outcomes for all New Zealanders through the Three Waters Reform Programme, including through transition and implementation.
- 7.3 The Crown and LGNZ each acknowledge that, in order to give effect to the Cabinet decisions in relation to the Three Waters Reform Programme in a manner that is consistent with the shared objectives set out in this Heads of Agreement, further policy detail remains to be worked through to ensure a smooth transition and successful implementation of the Three Waters Reform

Programme. The Crown (through DIA) and LGNZ agree to continue to work together, including through the Joint Steering Committee, with a view to agreeing an approach to such issues that reflect the priorities of both central and local government.

- 7.4 The Crown and LGNZ therefore agree that the Joint Steering Committee will continue to be convened (on terms to be agreed) to support the Three Waters Reform Programme including through transition and implementation.

8. **Future for Local Government review and other major reform initiatives**

The Crown acknowledges the opportunity to strengthen the important relationship central government has with local government through the Review. The Crown acknowledges, as set out in the terms of reference for the Review, local government's critical role in placemaking and achieving positive wellbeing outcomes for communities. The terms of reference also notes that:

- (a) the Review should be guided by the objectives of the Public Service Act 2020, in terms of building a unified, agile and collaborative public service, grounded in a commitment of service to the community;
- (b) the impact of reform programmes, including those related to the three waters sector and resource management system, are within the scope of the review;
- (c) consideration of the discharge of the functions of the Review should be characterised by a spirit of partnership including between the Review, local government, and iwi/Māori, while upholding the independence of the Review; and
- (d) the Review must identify options for a collaborative approach with the local government sector.

- 8.2 The Crown commits to working through its response to the Review in an open and transparent manner, consistent with the partnership principles set out in this Heads of Agreement including convening a joint steering committee comprising representatives of central and local government (or other appropriate mechanism) to consider issues arising with respect to the Review. This will include working closely on solutions to funding and financing challenges the sector may face, recognising the potential for reform to compromise the sustainability of some local authorities' current financial arrangements.

- 8.3 The Crown (through DIA) commits to working with other government agencies, and Ministers as appropriate, to seek to extend the partnership-based approach contemplated in this Heads of Agreement (including the partnering principles in clause 2.8) to other policy reforms that have the potential to significantly impact local government.

9. **General**

9.1 **Other roles and functions**

The involvement of the Crown (including DIA and Treasury) and LGNZ will not fetter or otherwise limit or compromise the Crown (including DIA and Treasury) or LGNZ respectively (or any other central or local government entity) in performing any regulatory role or function it may have (including as a territorial authority) including, for the avoidance of doubt, in the giving of free and frank policy advice including to Ministers, Cabinet or the Government.

9.2 **Communications protocols**

It is acknowledged that each of the Crown and LGNZ may at times have distinct obligations in terms of communications with respective stakeholders. However, as it works through the matters

contemplated by this Heads of Agreement, it is critical for the credibility and the integrity reflected in the partnership principles that the nature and manner of communications is agreed. A communications protocol will be agreed by DIA and LGNZ which will include how updates and messaging is provided to the local government sector and other stakeholders including the media. The communications protocol will reflect the partnership principles and principles of openness and transparency and confidentiality, and will address where there is a potential conflict in relation to the application of such principles.

Before making any media statements or press releases (including social media posts) or other public statement regarding this Heads of Agreement and/or the Crown's involvement (including through DIA and/or Treasury) with the Three Waters Reform Programme, LGNZ will consult with DIA.

9.3 **No authority**

LGNZ does not have the right to enter into any commitment, contract or agreement on behalf of the Crown or any associated body, or to make any public statement or comment on behalf of the Crown or the Government.

9.4 **LGNZ Acknowledgement of disclosure**

LGNZ acknowledges and agrees that nothing in this Heads of Agreement restricts the Crown's ability to:

- (a) discuss, and provide all information in respect of, any matters concerning LGNZ, this Heads of Agreement with any Minister of the Crown, any other government agency or any of their respective advisors, including for the avoidance of doubt for the purpose of giving free and frank advice;
- (b) meet its obligations under any constitutional or parliamentary convention (or other obligation at law) of or in relation to the New Zealand Parliament, the New Zealand House of Representatives or any of its Committees, any Minister of the Crown, or the New Zealand Auditor-General, including any obligations under the Cabinet Manual including the "no surprises" principle.

9.5 **Some Information subject to Official Information Act 1982**

LGNZ acknowledges that:

- (a) the contents of this Heads of Agreement; and
- (b) information provided to the Crown (including DIA and/or Treasury);

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

Signing

Executed as an agreement:

SIGNATURES

SIGNED by the **SOVEREIGN IN RIGHT OF NEW ZEALAND** acting by and through Her Minister of Finance and Her Minister of Local Government:

SIGNED for and on behalf of **NEW ZEALAND LOCAL GOVERNMENT ASSOCIATION INCORPORATED TE KAHUI KAUNIHERA Ō AOTEAROA** by the persons named below, being a persons duly authorised to enter into obligations on behalf of LGNZ:

Hon Grant Robertson, Minister of Finance



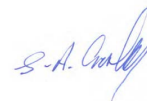
Hon Nanaia Mahuta, Minister of Local Government



 Name: Stuart Crosby

Position: President, LGNZ National Council

Date: 13 July 2021



 Name: Hamish McDouall

Position: Vice-President, LGNZ National Council

Date: 13 July 2021



Schedule 1: Definitions and interpretation

1.1 Definitions:

Defined terms and expressions used in this Heads of Agreement shall, unless inconsistent with the context, have the meaning set out below:

Cabinet means the central decision making body of executive government in New Zealand

Crown means The Sovereign in right of New Zealand.

Joint Steering Committee means the Joint Steering Committee formed in May 2020 by, and comprising representatives from DIA, Treasury, LGNZ and Taituarā to work closely to support a programme of reform for the delivery of three waters.

Review means the Ministerial review into the Future for Local Government.

Taituarā means Local Government Professionals Aotearoa, the national organisation that supports and develops local government professionals in New Zealand (formerly known as the New Zealand Society of Local Government Managers).

Three Waters means drinking water, wastewater and stormwater.

Water Services Entity means the new water services entities to be established by legislation giving effect to the Three Waters Reform Programme.

1.2 Interpretation

In this Heads of Agreement:

- (a) headings are for convenience only and do not affect interpretation of this Heads of Agreement;
- (b) words importing:
 - (i) the singular include the plural and vice versa; and
 - (ii) any gender includes any other gender;
- (c) the term including means “including without limitation”;
- (d) the meaning of “or” will be that of the inclusive, being one, some or all of a number of possibilities.

Schedule 2: “No worse off” package key principles

The Crown and LGNZ acknowledge and agree that the key principles of the “no worse off” package are:

- that the “no worse off” package will seek to ensure that financially, no local authority is worse off as a direct result of the Three Waters Reform and associated transfer of responsibility for the provision of water services (including the transfer of assets, revenues and effective transfer of liabilities) to Water Services Entities (“**Water Transfer**”);
- it is intended that the “no worse off” package will be funded by the relevant Water Services Entity. This approach recognises that the impacts being addressed by this aspect of the support package are closely linked to the Water Transfer. It is also acknowledged that the proposed support arrangements between the Crown and the Water Services Entities, such as a liquidity support, is expected to reduce the borrowing costs and thereby increase the borrowing capacity of the Water Services Entities, supporting funding through this mechanism;
- that the “no worse off” package will acknowledge the costs and financial impacts on local authorities directly as a result of the Three Waters Reform in relation to:
 - o stranded costs, being organisational overheads previously allocated by the local authority to three waters services that are not able to be transferred or avoided in the short-term as part of the Three Waters Reform, and therefore remain with the local authority for a period and be required to be reallocated by the local authority to their remaining activities; and
 - o financial sustainability support, for the (expected small number of) local authorities in respect of which the Water Transfer will adversely and directly affect their financial ability to sustainably perform their non-water related roles and functions at the existing level of performance (noting that for most councils the impact of such transfers is expected to have a positive effect on their borrowing capacity). It is intended that this will be addressed through a one-off payment.
- it is intended that the “no worse off” package will recognise the above costs and financial impacts through:
 - o for stranded costs, up to \$250 million to be allocated to support councils to manage these costs. This represents a nationwide estimate of two years of unavoidable stranded costs for councils with two years considered to be a reasonable period for these costs to be managed. We are proposing a fixed amount as the actual stranded costs faced by any council is dependent on decisions made by the council and cannot be robustly and transparently assessed. The allocation will be spread based on:
 - \$150 million allocated to councils (excluding Auckland, Christchurch and councils involved in Wellington Water) based on a per capita rate that is adjusted recognising that smaller councils face disproportionately greater potential stranded costs than larger councils;¹
 - Up to \$50 million allocated for the councils excluded above based on a detailed assessment of 2 years of reasonable and unavoidable stranded costs directly resulting from the Water Transfer; and

¹ The adjustment is based on adjusting the proportional allocation implied by the squared inverse natural logarithm of population. This means smaller councils receive a greater proportional allocation than larger councils

- Up to \$50 million able to be allocated to councils that have demonstrable, unavoidable and materially greater stranded costs than provided for above (the process for determining this will be agreed and is subject to the agreement of LGNZ and the Crown (through DIA and Treasury));
 - o for financial sustainability, the Crown (through DIA) will work with LGNZ and Taituarā to develop agreed principles for how the assessment of financial sustainability support (described above) will be undertaken, the methodology for quantifying this support requirement, and the process for undertaking the associated due diligence process with councils. The methodology will need to protect the interests of Water Services Entities to ensure only necessary payments are made (up to a maximum of \$250 million), that it does not create poor incentives and ensures a robust and equitable process for New Zealand. Priority will be given to undertaking due diligence with those local authorities that are more likely to suffer adverse borrowing impacts. We note that the due diligence process to confirm three waters debt and revenue for each council will be required to be transparent and robust to ensure equitable treatment of local authorities;
- that the payment of funds under the ‘no worse off’ package to a local authority will be made at the point of the Water Transfer. This is the point at which most of the financial impacts for councils will crystallise.
- that the payment of funds under the “no worse off” package to a local authority will be subject to appropriate conditions to satisfy accountability and other requirements of the Crown. These conditions will include a positive obligation on councils to manage the transfer and reorganisation in a way that minimises the ‘no worse off’ funding required. This would avoid councils seeking greater ‘no worse off’ funding than anticipated on the basis of avoidable costs, and therefore reduces incentives for behaviour that might drive up ‘no worse off’ costs.
- it is acknowledged that certain aspects of the “no worse off” package need to be enabled through legislation including the establishment of the Water Services Entities.

Schedule 3: “Better off” package key principles

The Crown and LGNZ acknowledge and agree that the key principles of the “better off” package are:

- that the better off package is:
 - in recognition of the significance to the local government sector (and the communities they serve) of the transfer of responsibility for water service delivery; and
 - intended to demonstrate central government confidence in the future for local government by providing the sector additional funds to invest in local community wellbeing outcomes, in a way that aligns with the priorities of central government.
- that the better off package will comprise \$2 billion of investment, which will comprise:
 - \$1 billion of Crown funding, \$500 million of which (or such greater amount as may be agreed) is intended to be provided to local authorities from 1 July 2022 to enable early investment; and
 - the remaining \$1 billion to be funded by the new Water Services Entities.

It is intended that such funding (other than that portion of the Crown funding noted above to be provided to local authorities from 1 July 2022) will be provided from 1 July 2024.

- that the funding will be allocated using simple to understand factors for which there are available metrics applied in a way that recognises the relative needs of local communities, the unique challenges facing local authorities in meeting those needs and the relative differences across the country in the ability to pay for those needs. A combination of population, relative deprivation and land area are recognised as the most relevant measures to recognise those factors. The allocation framework will distribute funding on the basis of a 75% allocation based on population, a 20% allocation based on the deprivation index, and a 5% allocation based on land area.
- that the use of this funding supports the three waters service delivery reform objectives and other local wellbeing outcomes and aligns with the priorities of central and local government, through meeting some or all of the following criteria:
 - supporting communities to transition to a sustainable and low-emissions economy, including by building resilience to climate change and natural hazards;
 - delivery of infrastructure and/or services that:
 - enable housing development and growth, with a focus on brownfield and infill development opportunities where those are available,
 - support local place-making and improvements in community well-being.
- to recognise the role that iwi/Māori will play in the new delivery system as partners, local authorities will be expected to engage with iwi/Māori in determining how it will use its funding allocation.
- to ensure value for money, appropriate contractual mechanisms, similar to those used for the initial water infrastructure investment stimulus package, will be implemented. The Crown (through DIA) will develop these in consultation with LGNZ and will likely include funding conditions, wellbeing assessments, delivery milestones, disbursement profiles, monitoring and reporting arrangements. These mechanisms will seek to make funding easily available while maintaining a reasonable level of accountability.

- that any funding conditions will acknowledge that long-term plans are subject to change over time. Conditions may include, but are not limited to:
 - o conditions relating to the planned investment in three waters infrastructure for the duration of the transition period, including commitments made through respective 2021-31 long-term plans;
 - o working in partnership with central government to transition to the new water services delivery system, including working collaboratively with the establishment entities for the new Water Services Entities to support the smooth transfer of assets, liabilities, information and staff to the new entities;
 - o assisting in the preparation of initial asset management plans to ensure continuity of investment, and to provide certainty for local authorities regarding what investment will be prioritised by the new Water Services Entities once they assume responsibility for water services delivery;
 - o provisions to address the consequences of local authorities being in material breach of the associated conditions; and
 - o it is acknowledged that certain aspects of the “better off” package need to be enabled through legislation including the establishment of the Water Services Entities.

Schedule 4: Joint Position Statement

CENTRAL-LOCAL GOVERNMENT JOINT POSITION STATEMENT ON THREE WATERS REFORM

Acknowledging the challenge

Central and local government believe that three waters services are fundamental to the health and wellbeing of our communities and environment; and to our local, regional and national economies. The way they are delivered across New Zealand cannot address the challenges our communities will face in the future.

Analysis produced over the past 12 months shows that all communities will need to invest significantly over the next 30 years to maintain, replace and upgrade ageing assets and to provide for growth. This is reflected by increasing investment in councils' new long-term plans.

Consistently enforced compliance standards, a backlog of infrastructure renewals and external pressures such as climate change, workforce shortages, and economic regulation will create unsustainable pressure on the current system.

Building a new partnership

Three waters reform has created an opportunity for central and local government to work together differently.

In May 2020, the Government and Local Government New Zealand agreed to set up a Joint Steering Committee to provide feedback on the reform of three waters services delivery. This group co-designed delivery of the initial stimulus investment in three waters infrastructure and services, supported the Request for Information (RFI) process and fed back into the Government's policy development. It has interrogated the analysis behind the case for change, facilitated robust conversations, and seen policy shift towards more practicable and enduring solutions.

This model responded to the local government sector's call for a closer working relationship with government, and to the Government's desire to deliver in partnership with the sector. It builds on work undertaken together in response to COVID-19 and has opened the door to a fundamental reset between our two tiers of government, so that change is undertaken together for the benefit of all our communities.

A proposal for change

The Government has proposed creating four new water service delivery entities. The scale of these entities means they'll be able to borrow to fund the significant investment needed to benefit all New Zealanders, from our smallest communities to our largest cities.

As part of this proposal, the Government and LGNZ have developed a package that recognises the importance of local place-making and the critical role that local government plays in that. This package:

- supports local government to invest in the wellbeing of their communities, so that all councils and their communities are better off;
- ensures no council will be financially worse off after reform; and
- makes clear that the Government will cover reasonable transition costs.

The economic model shows that significant benefits are available for all communities and will work best if all councils participate. Each council needs more time to interrogate its own position and understand the implications for their communities and operations. There remain critical issues to work through over the next two months.

These issues include ensuring all communities have both a voice in the system and influence over local decisions. Councils want to be sure the water entities understand and act on communities' needs and wants, including responding to localised concerns like a desire for chlorine-free water.

They want to ensure effective representation on the new water entities' governing boards so that there is strong accountability to the communities they serve. They want to be confident the water entities will respond to their plans for growth. And they want effective assurance that entities, which remain owned by the community, cannot be privatised in future.

We believe continuing the partnership between local and central government is the best way to resolve the remaining questions and policy detail to give these critical reforms the best chance of success. To that end we're recommitting to an agreed a set of shared objectives:

- significantly improving the safety and quality of drinking water services, and the environmental performance of drinking water, wastewater and stormwater systems
- ensuring robust safeguards against privatisation
- ensuring all New Zealanders have equitable access to affordable three waters services and that the water services entities will listen, and take account of, local community and consumer voices
- improving the coordination of resources, planning, and unlocking strategic opportunities
- ensuring the overall integration and coherence of the wider regulatory and institutional settings
- increasing the resilience of three waters service provision to climate change and natural hazards
- ensuring three waters service delivery has a more financially sustainable footing, and addressing the affordability and capability challenges faced by small suppliers and local authorities
- improving transparency about, and accountability for, the planning, delivery and costs of three waters services
- undertaking the reform in a manner that enables local government to continue delivering on its placemaking role and broader "wellbeing mandates".

Looking to the future

We are very aware that how we work together now sets the tone for other large-scale reform affecting the sector, especially the Future for Local Government review.

This review is a real opportunity for New Zealand to re-imagine the roles, responsibilities and resources of councils so that they can meet communities' expectations now and in the future. These expectations have evolved massively since the introduction of the current Local Government Act over 30 years ago. It's time for a genuine re-think about what's needed for local government to respond to communities' changing needs.

For this review to succeed, we need to be partners. Our three waters relationship has allowed robust, open discussions – and opened the door to a fundamental reset between our two tiers of government. Both central and local government are committed to a new way of working together, in tune with our diverse communities and our treaty partnership.

Report

TO: Council

MEETING DATE: 1 September 2021

TITLE: Clearview Reserve - Easement Proposal to Powerco

PRESENTED BY: Bryce Hosking, Manager - Property and Kathy Dever-Tod, Parks & Reserves Manager

APPROVED BY: Sarah Sinclair, Chief Infrastructure Officer

RECOMMENDATIONS TO COUNCIL

1. That Council, as the administering body of Clearview Reserve (legally described as Part of Lot 1 DP 69185), authorise the granting of an easement to convey electricity, to Powerco.
2. That Council, in exercise of the powers conferred on it by delegation under the Reserves Act 1977, authorise the granting of an easement to convey electricity, to Powerco.
3. That Council note that the requirements of Section 4 of the Conservation Act 1987 have been satisfied in relation to consultation with Iwi over granting an easement to convey electricity at Clearview Reserve.
4. That Council note that the requirements of Sections 119 and 120 of the Reserves Act 1977 have been satisfied in relation to public notification prior to the resolution to grant an easement to convey electricity over Clearview Reserve.

SUMMARY OF OPTIONS ANALYSIS FOR

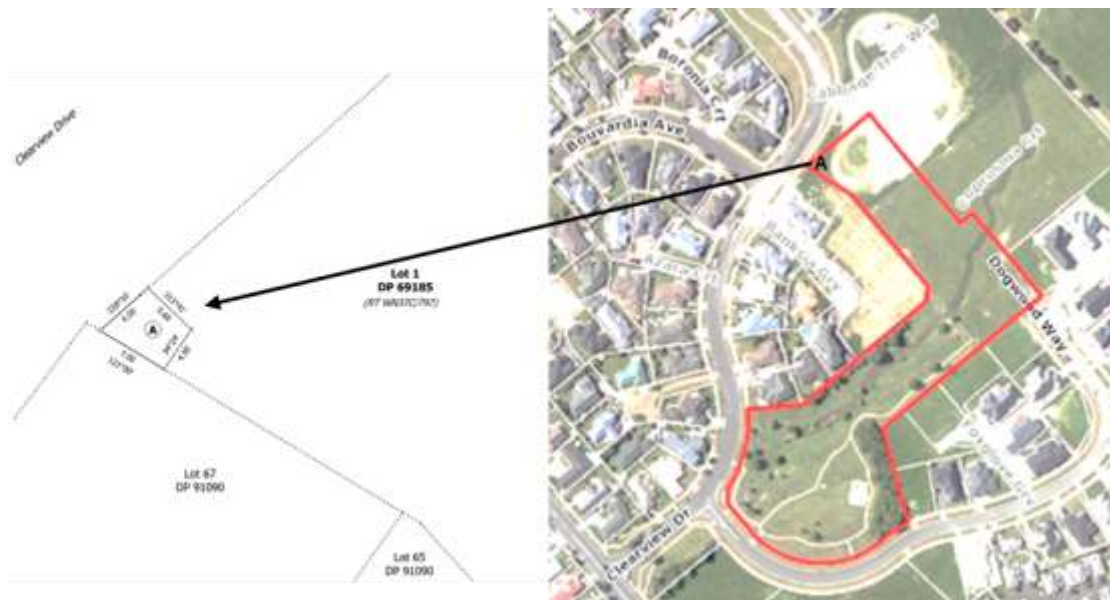
Problem or Opportunity	<p>Powerco has existing transformer and associated services within Clearview Reserve for the supply of electricity to Clearview Drive. These utility services were established within the reserve land in 2003 as part of the Clearview Drive Subdivision.</p> <p>The Reserves Act 1977 requires utility services on reserve land to be covered by an easement, however, there is currently no easement registered for this matter within Clearview Reserve.</p> <p>Powerco has identified this matter during their recent upgrade work and has requested an easement be created to ensure the legal status of these utilities align with the Reserves Act.</p> <p>The public consultation process has been completed in accordance with Section 48 of the Reserves Act 1977. There were no submissions received.</p> <p>This report seeks approval from Council to grant the formal easement for this matter.</p>
Community Views	<ul style="list-style-type: none"> • The transformer has physically been in place since its establishment in 2003. Council has never received any feedback in relation to this transformer during this time. • The public consultation process was completed and there were no submissions received. • Iwi were consulted and were in support of the easement being granted.
OPTION 1:	Approve the proposed easement at Clearview Reserve to Powerco
Benefits	<ul style="list-style-type: none"> • Registering an easement within Clearview Reserve is considered good governance and ensures the activity is compliant with the requirements of the Reserves Act 1977.
Risks	<ul style="list-style-type: none"> • None.
Financial	<ul style="list-style-type: none"> • There are no financial implications with this easement as all costs are met by Powerco as the owner of the services as per Council's Easements Policy.
OPTION 2:	Decline the proposed easement to Powerco at Clearview Reserve and require the services to be relocated
Benefits	<ul style="list-style-type: none"> • None.
Risks	<ul style="list-style-type: none"> • If a formal easement is not granted Powerco will need to relocate the transformer which will cause disruption to the

	<p>surrounding residents.</p> <ul style="list-style-type: none"> Declining an easement may be perceived as causing unnecessary disruption.
Financial	<ul style="list-style-type: none"> None.

RATIONALE FOR THE RECOMMENDATIONS

1. OVERVIEW OF THE PROBLEM OR OPPORTUNITY

- 1.1 Powerco has existing transformer and associated services within Clearview Reserve for the supply of electricity to Clearview Drive.
- 1.2 The location of the transformer within Clearview Reserve is shown below:



- 1.3 The Reserves Act 1977 requires any form of utility for services on reserve land to be covered by an easement, however, there is currently no easement registered for this utility within Clearview Reserve.
- 1.4 Powerco identified this matter during their recent upgrade work to connect a new cable from Dogwood Way to the transformer and have requested an easement be created to ensure the legal status of these utilities align with the Reserves Act.
- 1.5 The public consultation process has been completed in accordance with Section 48 of the Reserves Act 1977. There were no submissions received.
- 1.6 This report seeks approval from Council to grant the formal easement for this matter.

2. BACKGROUND AND PREVIOUS COUNCIL DECISIONS

- 2.1 Powerco's utility services at Clearview Reserve include a transformer and associated services such as underground cables. These utility services were established within the reserve land in 2003 as part of the Clearview Drive Subdivision.
- 2.2 In general Council encourages, wherever possible, service companies to locate their services in the road corridor. Road corridors are often increased in new subdivisions to include 'alcoves' that will house transformers. This allows service companies to operate under a standard roading corridor right-of-way.
- 2.3 This is not always possible or an appropriate outcome however, hence on occasion these utility services are required to be located within reserve land.
- 2.4 In these situations, Council encourages companies to situate these utility services underground. In this case the transformer needed to be located above ground for access, so the best outcome was to set this back off the road or footpath and to be located 'out of the way'.

Requirement for Easements

- 2.5 In 1968 the Electricity Act provided the legal basis for utilising land for the purposes of conveying electricity. In 1977 this method of utilising land in reserves for the purposes of conveying electricity was superseded by the Reserves Act 1977.
- 2.6 In recent years Powerco has been bringing the legal status of all their electricity conveyance utilities in line with the Reserves Act, including the establishment of easements when required.
- 2.7 The easements proposed cover the transformer site and the recent upgrade works area.

Previous Council Decisions

- 2.8 The Finance and Audit Committee received a report on the proposed easement at their meeting on 24 February 2021.
- 2.9 Council subsequently approved the proposal to proceed to community consultation.
- 2.10 Community consultation occurred during the period 28 April to 27 May 2021. There were no submissions received.

3. DESCRIPTION AND ANALYSIS OF OPTIONS

Community Views

- 3.1 The transformer has physically been in place since its establishment in 2003. Council has never received any feedback in relation to this transformer during this time.
- 3.2 The public consultation process was completed and there were no submissions received.
- 3.3 Iwi were consulted and were in support of the easement being granted.

Option 1: Approve the proposed easement at Clearview Reserve to Powerco

- 3.4 Option 1 sees Council authorise the granting of an easement to convey electricity to Powerco within Clearview Reserve.

Benefits

- 3.5 The registration of an easement is an administrative matter. As such registering this easement within Clearview Reserve is considered good governance and ensures the activity is compliant with the requirements of the Reserves Act 1977.

Risks

- 3.6 No risks have been identified for this option.

Financial Implications

- 3.7 There are no financial implications with this easement as all costs are met by Powerco as the owner of the services as per Council's Easements Policy.

Option 2: Decline the proposed easement to Powerco at Clearview Reserve and require the services to be relocated

- 3.8 Option 2 would see Council declining the proposed easement and require Powerco to relocate the transformer and its associated services off Clearview Reserve.

Benefits

- 3.9 No benefits have been identified for this option.

Risks

- 3.10 If a formal easement is not granted Powerco will need to relocate the transformer which will cause disruption to the surrounding residents.

- 3.11 Given the transformer and its services have been in place since 2003, declining an easement may be perceived as causing unnecessary disruption by both Powerco and the general public.

Financial Implications

- 3.12 No costs will be incurred.

4. CONCLUSION

- 4.1 As this is an administrative matter, Option 1 is considered good governance and will ensure the activity is compliant with the requirements of the Reserves Act 1977.
- 4.2 Council has met the requirements of the Reserves Act and Conservation Act in considering the easement.
- 4.3 There was no submission in support or opposition received from the community consultation and no concerns raised by Rangitāne.
- 4.4 It is recommended that Council proceeds with Option 1 and grants an easement to Powerco at Clearview Reserve.

5. NEXT ACTIONS

- 5.1 The easement instrument will be entered between Council and Powerco and added to the relevant property title.

6. OUTLINE OF COMMUNITY ENGAGEMENT PROCESS

- 6.1 Public notification was undertaken through an advertisement in the Manawatu Standard and on the Palmerston North City Council website from 28 April 2021 until 27 May 2021.
- 6.2 No submissions or objections were received.
- 6.3 Iwi were consulted on this matter both in January 2021 and as part of the July 2021 bimonthly meeting with Council Officers. They were in support of the easement being granted.

COMPLIANCE AND ADMINISTRATION

Does the Council have delegated authority to decide?	Yes
Are the decisions significant?	No
If they are significant do, they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No

Is there funding in the current Annual Plan for these actions?		No
Are the recommendations inconsistent with any of Council's policies or plans?		No
The recommendations contribute to Goal 3: A Connected and Safe Community		
The recommendations contribute to the achievement of action/actions in Economic Development		
The action is: Carry out recreation and reserves planning functions under the Reserves Act 1977 and LGA including the preparation of Reserve Management and Development Plans and Master Plans.		
Contribution to strategic direction and to social, economic, environmental and cultural well-being	This action ensures Council meets its legal obligations under the Reserves Act 1977 with regards to reserves planning and legislative requirements for utilities sited in reserves.	

ATTACHMENTS

Nil

MEMORANDUM

TO: Council

MEETING DATE: 1 September 2021

TITLE: Quarterly Performance and Financial Report - Quarter Ending 30 June 2021

PRESENTED BY: Stuart McKinnon, Chief Financial Officer and Andrew Boyle, Head of Community Planning

APPROVED BY: Stuart McKinnon, Chief Financial Officer

RECOMMENDATION(S) TO COUNCIL

1. That Council note that the capital expenditure carry forward values in the 2021/22 Long Term Plan Budget will be increased by \$2.44M, capital revenue will be increased by \$562K and operational expenditure will be increased by \$131K as per the details in Appendix 4 of this report.
2. That Council note that capital expenditure carry forward values in the 2021/22 Long Term Plan Budget relating to the three water reform funding will be increased by \$1.74M, capital revenue will be increased by \$1.74M, operational expenditure will be increased by \$744K and operational revenue will be increased by \$744K as per the details in Appendix 4 of this report.

1. ISSUE

To provide an update on the performance and financial achievements of the Council for the period ending 30 June 2021.

2. BACKGROUND

Details of operating and financial performance are included in the following sections. Reports are against the goals as detailed in the 10 Year Plan 2018-28.

3. NEXT STEPS

The next performance and financial report will be provided after the end of the September 2021 quarter.

4. COMPLIANCE AND ADMINISTRATION

Does the Council have delegated authority to decide?	Yes
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	No
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 5: A Driven and Enabling Council	
The recommendations contribute to the outcomes of the Driven and Enabling Council Strategy.	
The recommendations contribute to the achievement of action/actions in a plan under the Driven and Enabling Council Strategy	
The action is: to enable Council to exercise governance by reviewing financial performance and operating performance and provide accountability for these to the public.	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	As above.

ATTACHMENTS

1. Quarterly Performance and Financial Report - Quarter Ending 30 June 2021 - CE and Catalyst Report [↓](#) 
2. Quarterly Performance and Financial Report - Quarter Ending 30 June 2021 - Performance Measures [↓](#) 
3. Quarterly Performance and Financial Report - Quarter Ending 30 June 2021 - Supplementary Material [↓](#) 
4. Quarterly Performance and Financial Report - Quarter Ending 30 June 2021 - Revision to carry forwards 2021-22 [↓](#) 

Quarterly Report to Council – June 2021

Chief Executive's Quarterly Report to Council

For June 2021

Introduction

It has been an extraordinary year with the advent of COVID-19 and the world wide effect of this virus. Our budgets were adjusted based on predictions coming out of a nation-wide lockdown without knowledge of how the economy or our own finances would be affected and as such it has been a year of two halves. With a 1.9% rates increase for the year and some early predicted budget overruns, we took a precautionary approach to our expenditure repressing salary increases and holding vacancies until we had a clearer picture of what lay ahead. The economy bounced back more strongly than anticipated, including our revenue. The fact that we have remained at Alert Level 1 has enabled our venues to operate at a capacity not predicted and development in the City is thriving. The labour market across all highly skilled workforces and supply chains in the construction industry have been affected as demand has far exceeded supply. The second half of the year has been one of readjusting to a much more dynamic market which has resulted in an uplift in expenditure including a greater investment into safety as we work to keep pace with these increasing demands.

Financial

For the 2021 financial year, our net operating position is \$4M favourable against budget. This year operating revenue has exceeded predictions of the COVID-19 pandemic effect, increased revenue has come from; city development consenting, venues, parking, roading and recycling. City development consenting, venues and roading revenue is \$4.5M higher than anticipated, although this increased revenue has been met with \$4.1M of increased expenditure.

In the final quarter, expenditure was accelerated following a precautionary approach in the first half of the year. This resulted in increased delivery of services in the final quarter. There was a large uptake of contracted services in roading, property, reserves and sports fields. Internally, increased expenditure was focused on addressing; digital strategic planning, staff training, remuneration and substantial safety improvements.

During the financial year the capital budget was increased by \$13.9M (20%) from the annual plan. This significant increase to the revised budget is primarily due to three waters stimulus funding. The capital new programme delivered 107 projects over the course of the financial year. This resulted in expenditure of \$39.9M against a revised budget of \$55.5M. This outcome led to 72% of the capital new revised budget being spent compared with 46% the previous year. The capital renewal programme delivered 101 projects over the course of the financial year, resulting in expenditure of \$23.3M (81%) spent against a revised budget of \$28.8M.

Carry forward capital works (excluding three water reform funded programmes) is requested to be increased by \$2.44M, based on programmed works not able to be completed within the financial year. Growth programmes, which rely on third party development to occur contribute \$2.1M of the carry forward total. Three water reform funded capital programme carry forwards are requested to be increased by \$1.74M and operational expenditure to be increased by \$744K.

Covid-19 recovery in New Zealand and ongoing global impacts particularly in supply chain and labour market pressures, continues to impact the deliverability of both the capital new programme and renewal programme. This can be seen in the financial results for the year and the programmes requiring carry forwards. The Capital Programme Deliverability Review presented by the Infrastructure Unit as part of the 10 Year Plan deliberations has given a roadmap for changes in delivery mechanisms. This aims to minimise as much as possible the ongoing Covid related risks and issues such as supply chain, professional services and contractor availability.

Safety and Health

The quarter included two potential incident investigation due to gas line strikes (May and June) with the report finding shared with management and civil construction. The Arena, City Library, MRF and Wastewater Treatment plant all received ELT health and safety focused visits. This affords an opportunity for the business unit leaders to provide operational clarify and highlight what is going well and where they face challenges. Review and development work included permit to work, housekeeping checklists, lone worker assessment and standard operating procedures. Additional training over the period covered: PeopleSafe, Mental Wellbeing, permit to work and behavioural observation training for the ELT. The SafePlus safety culture audit occurred over the span of a week in June, with auditor visiting multiple sites, including interviews with groups and individuals. Recruitment interviews for a Safety and Health Advisor was successful and the additional team member will start on the 23rd of August, bringing the total team number to four.

Three Waters Reform

The Government's Three Waters Reform grant funding allocation, and our associated programme of works, is included in the above financial results across operational and capital renewal/new programmes. To date \$4.94 (53%) of the work has been delivered against the grant funded allocation of \$9.34M, required to be spent by 31 March 2022. Spending against the year to date budget is 62%, due to investigations and design work taking longer than expected. It is requested that carry forward of capital works be increased by \$1.74M and operational expenditure be increased by \$744K. This increase in capital and operational expenditure will be fully offset with additional capital revenue of \$1.74M and operational revenue of \$744K.

External Fundraising

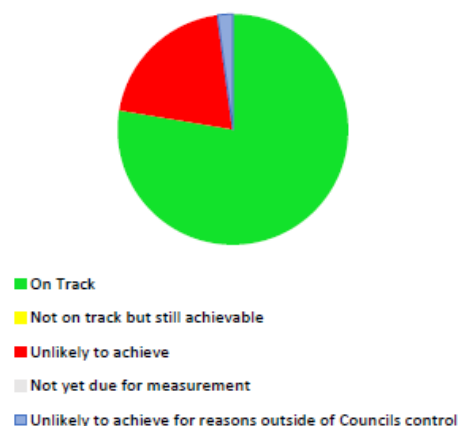
Three sponsors for the 150th year celebrations were confirmed, contributing a total of \$30,000. There has been an additional \$18,000 confirmed as sponsorship for the 150th Gala Dinner from five businesses. \$9,930 has been secured for the Youth Space Longboard and Skateboard making project through Tu Manawa (Sport Manawatu). This project will take place in October 2021.

10 Year Plan KPIs

The graph shows that Council successfully achieved nearly 80% of its 10 Year Plan KPIs this year.

The predominant reason for this increase is external contractor shortages, overseas supply chain issues and staff vacancies. These affected our ability to achieve the capital new and renewal work programmes. Despite this we increased our achievement of the capital new budget from 46% to 72%.

Extra funding for 3 waters reform work was delivered primarily within existing staff resources added to the pressures on achieving



existing work programmes. These pressures are part of wider national and international trends expressed in other sections of this report.

In order to address these issues Council is making improvements such as bundling together contracts to make them more attractive, ensuring that overseas materials are ordered early, and recruiting for staff vacancies.

Catalyst projects

Catalyst Projects are those that will make major contributions to our 10 Year Plan. Recent progress includes:

- Work on the Entrance Plaza, Pits Relocation, and Southern & Western Embankment at the Central Energy Trust Arena is complete and a report on the project, including an independent audit report, is being prepared for Committee in August. The Culture and Heritage / Signage and Fly Palmy Arena (Arena 2) works are also complete.
- Work upgrading the Park Road Entrance at the Esplanade is progressing well and will be completed in July 2021, although the pedestrian overlay may be slightly delayed.
- Officers are preparing the final draft of the Te Apiti – Gorge Masterplan for the Governance Group by the end of the calendar year.
- A lot of work is underway so that a decision on the Wastewater BPO can be made in August. This decision is needed to comply with the statutory requirements of resource consent conditions. The work includes engagement with Iwi, peer review studies, and comparative cost assessments.
- The resource consent for the Whakarongo stormwater discharge has been lodged with Horizons. Agreement was reached with all landowners on the design concept and no objections were raised about development contributions. Now detailed design work is underway.
- Central Government has released its preferred option for the makeup of the proposed three waters entities. PN would be in an entity encompassing the east coast from Gisborne to Wellington, plus Horowhenua, Manawatu and the top of the South Island. The Government also announced a \$2.5B funding package to support the reforms, plus a further \$500M to ensure no Council is worse off after the reforms.

Now that the 2021 10 Year Plan has been adopted we will update the projects covered in the Catalyst Projects report.

Heather Shotter
Chief Executive

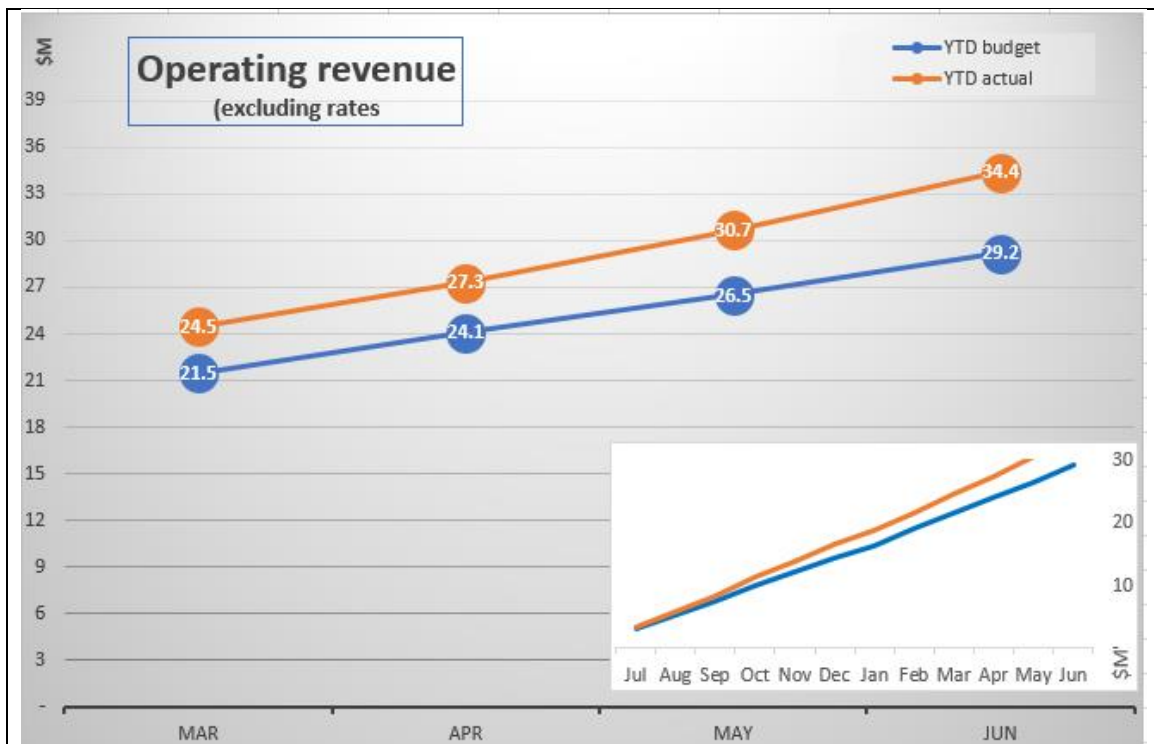
Financial Summary to Budget

The following table of operating financial performance and graphs are compared to revised budget.

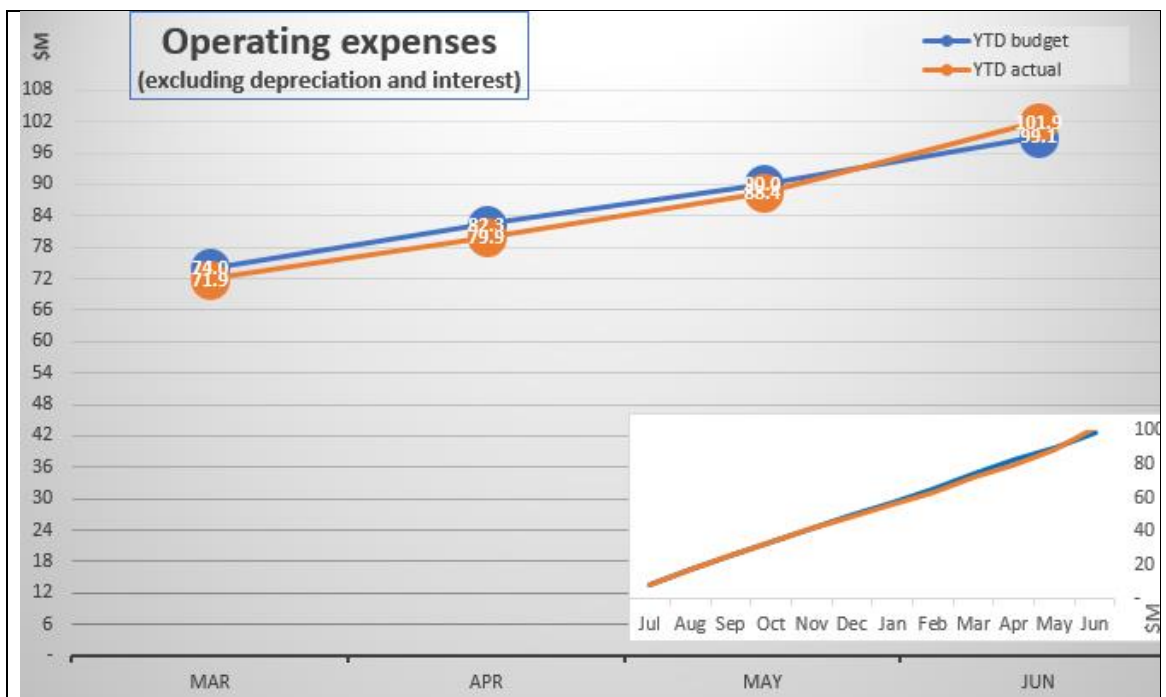
Summary of Financial Performance	2020/21 \$000's					
	Year to Date		Variance		Full Year	Full Year
For the period to 30 June 2021	Actual	Budget	\$000's	%	Revised Budget	Annual Budget
Operating revenue	(34,424)	(29,170)	5,255	18.0%	(29,170)	(28,129)
Rates	(101,100)	(100,812)	288	0.3%	(100,812)	(100,782)
Total Revenue	(135,524)	(129,981)	5,543	4.3%	(129,981)	(128,911)
Operating Expenses	103,338	101,060	(2,345)	(2.3%)	101,060	99,794
Net Interest	4,705	5,540	835	15.1%	5,540	5,540
Total Expenses	108,043	106,600	(1,510)	(1.4%)	106,600	105,333
Operating Controllable (Surplus) / Deficit	(27,482)	(23,381)	4,033	17.2%	(23,381)	(23,578)
Depreciation	36,784	40,428	3,644		40,428	40,428
Non-operating revenue	(16,620)	(20,772)	(4,085)		(20,772)	(13,243)
Non-operating expenses	(7,201)	-	7,201		-	-
Net Result	(14,518)	(3,725)	10,793		(3,725)	3,607

Highlights:

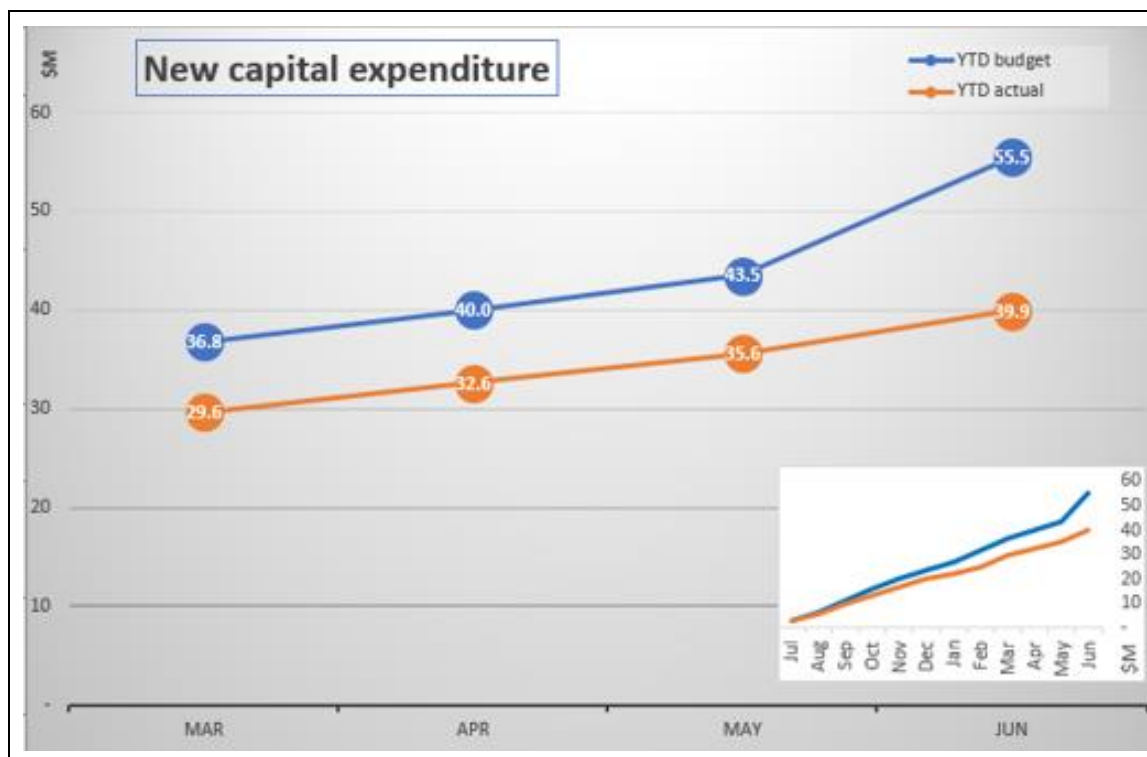
- Overall operating surplus was \$4M favourable against revised budget.
- The following variances contribute to the operating surplus:
 - City development consenting, venues and roading revenue \$4.5M favourable
 - City development consenting, venues and roading expenditure \$4.1M unfavourable
 - Parking, recycling and animal control revenue \$1.4M favourable
 - Te Huringa expenditure \$2.1M favourable
 - Net interest expenditure \$835K favourable
 - Three waters reform operational spending is \$820K behind, which results in revenue being \$820K lower than anticipated
- Accelerated expenditure within the final quarter includes:
 - Significant contracted services on roading, property, reserves and sports fields
 - Digital strategic planning and software licencing
 - Substantial safety improvement and staff training
 - Remuneration increases in some areas
- Non-operating expenses are significantly favourable due to a change in the valuation of swaps.



- Higher revenue comes from building services, planning services, NZTA, venues, parking, waste management and dog registration fees.
- Building services, planning services, venues and NZTA increased revenue has additional expenditure attached.

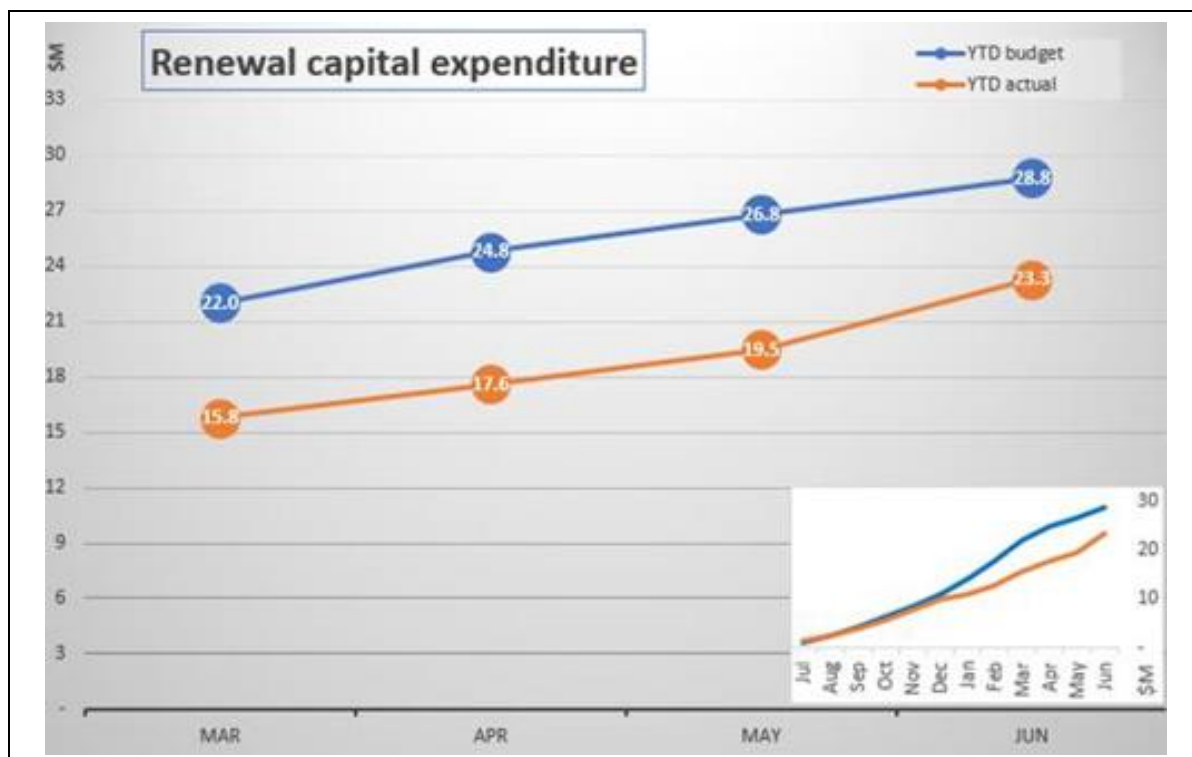


- Expenses overbudget due to increased expenditure associated with higher revenue



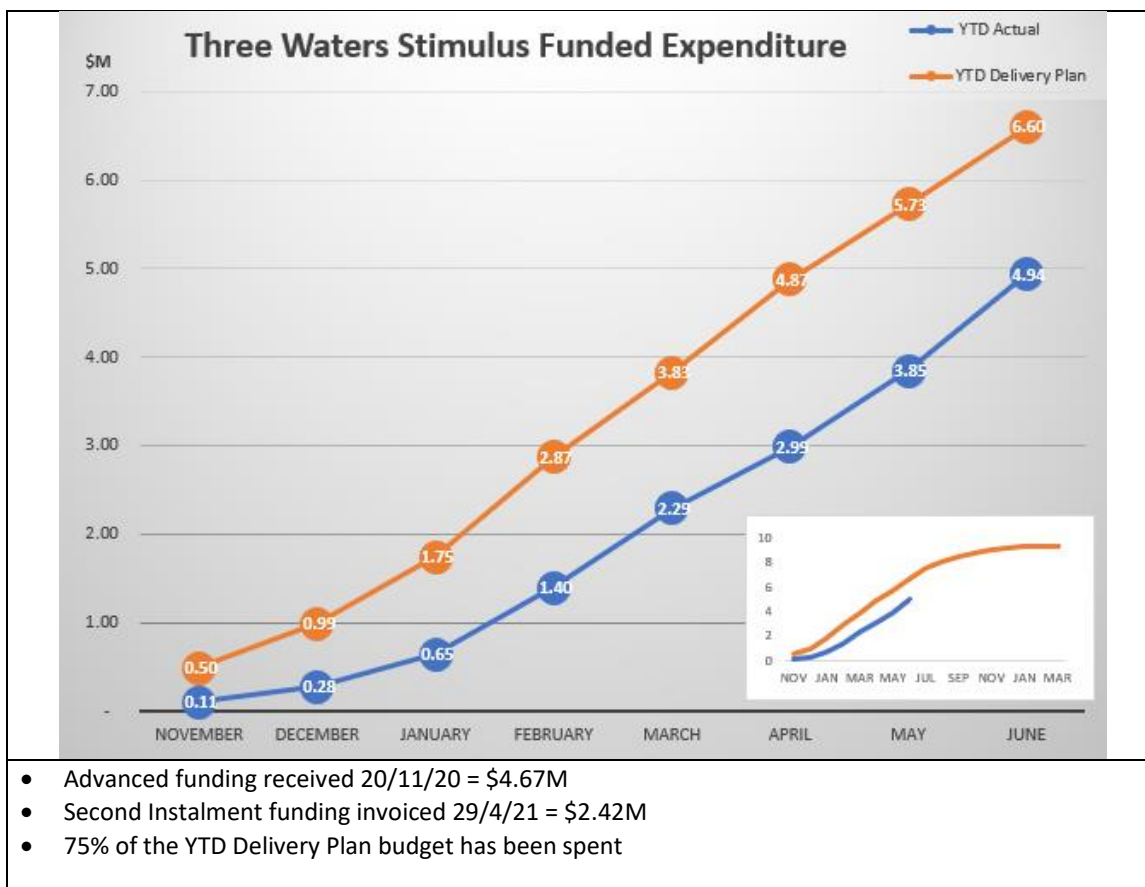
Major Capital New Programmes Behind Budget

Programme Name	Reason for Delay	Variance to Budget	Comments
902-Property - Seismic Strengthening of Council Properties	Contractor	\$1,630K	The contractor development of the design for the Crematorium has taken longer than anticipated, which has led to a delay to the starting of tender process. The Tender report is to be presented to Council in August, with construction to commence thereafter.
91-Turitea Water Treatment Plant - Construction of Duplicate Water Pipeline	Scope change	\$1,390K	New main and rider main has been installed, disinfected and pressure tested. The commissioning plan to be commenced with project on track for completion mid August. Programme expected to be achieved under budget.
651-City-wide - Water Supply Resilience - Seismic Strengthening	Contractor	\$1,060K	Design delay and contractor availability means expected construction start is mid-September.
1559-City-wide - Urban Cycle Infrastructure Network Improvements	Extended stakeholder engagement	\$770K	Due to extended stakeholder engagement in 20/21 has meant that it is proposed to carry forward the programme budget to enable construction to occur 21/22.
144-Urban Growth - Whakarongo - Reserves Land Purchases	Development Dependant	\$650K	Growth Programme. Due to the delay in forecast subdivision development, the purchase of reserves planned for the area has not proceeded.
1413-Bunnythorpe Community Facility	Commencement of construction	\$590K	Delay in the commencement of construction has meant that facility now expected to be complete in first quarter 2021.



Major Capital Renewal Programmes Behind Budget

Programme Name	Reason for Delay	Variance to Budget	Comments
115-City-wide - Sealed Pavement Renewals (Waka Kotahi Subsidies)	Contractor Availability	\$1,000K	The progress of this programme was dependent on both favourable weather conditions and contractor availability. Unfortunately, due to the wetter than expected weather, several projects could not be completed in the 20/21 year. The Fulton Hogan contract is now in place. They plan to complete this work early this financial year.
207-Turitea WTP - Equipment and Facility Renewals	Internal Resourcing	\$720K	Pressure on internal resourcing delayed the start and progress of this programme. This has now been addressed and physical work is progressing.
54-City-wide - Wastewater Pipe Renewal	Contractor Availability	\$460K	Due to contractor equipment failure earlier in the year, the realigning contract was delayed while this was rectified. Unsuitable weather also delayed completion; however, the contractors are onsite, and work is nearing an end.
179-Totara Road Wastewater Treatment Plant - Minor Equipment Renewals	Contractor Availability	\$320K	A number of the projects planned in this programme conflicted with the seismic work being undertaken on the pre-sedimentation tanks. The seismic work is now complete. Work on the sedimentation tank recommenced in June.
199-City-wide - Water Supply Bore and Network Facility Renewals	Internal Resourcing	\$300K	After initial internal resourcing issues caused delays, work has commenced on this programme of work
1620-Totara Road Wastewater Treatment Plant - High Voltage Power renewals	Rescope	\$300K	Project required rescope and redesign due to requirement for structural support in the existing boiler room. Design has now been completed.

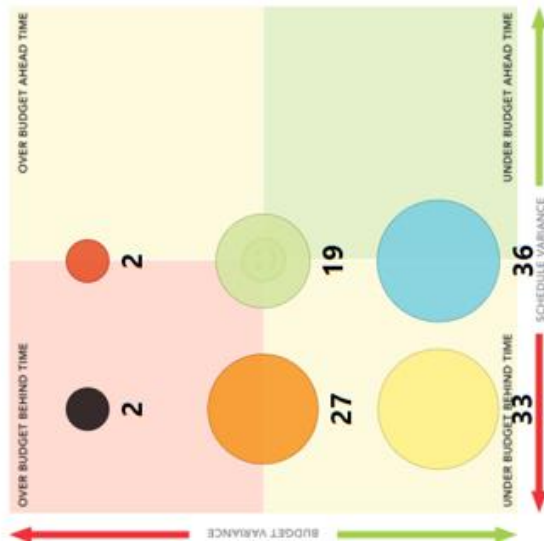


Programme Name	Reason for delay	Comments
2169 Totara Road WWTP - Replacement of Inlet Pumps	Manufacturer Issue	No.1 pump sent back to manufacturers. Once resolved and commissioned, removal and replacement of No 4 pump should take 3 weeks
2043 Turitea WTP Actuator Project	Long lead time for order	Actuators due on site 15 July. Redesign of cabinets following SID visit to fit space available
2428 Turitea WTP Clearwater Roof Replacement	Contractor's Capacity	Contractor to start with design July 2021: 8 - 10 weeks for completion

Capital New

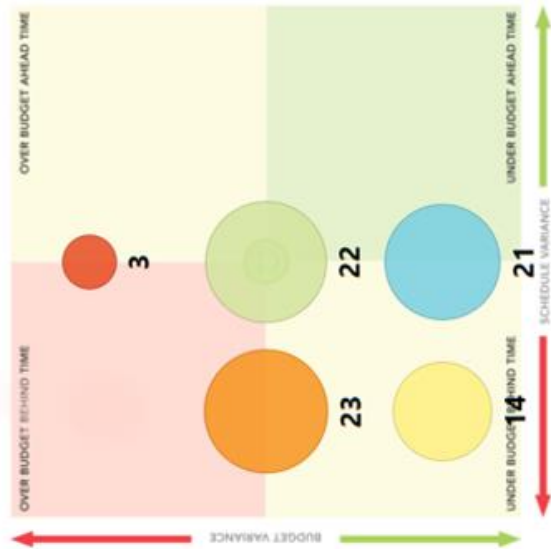
Description	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
	R											
Not Started	36	21	16	10	10	10	12	8	6	5	6	
On Budget Ahead of Schedule	2		2	2	2	1	1	2	1	1	1	
On Budget Behind Schedule	5	7	5	6	6	3	6	4	6	8	15	27
On Track	29	14	16	12	13	13	8	10	14	17	14	19
Over Budget Ahead of Schedule	1	2	2	9	6	8	7	4	3	2	1	
Over Budget Behind Schedule	1	10	6	5	5	3	2	2	6	4	10	2
Over Budget On Schedule	18	22	21	11	13	12	15	14	14	11	7	2
Under Budget Ahead of Schedule			2	4								
Under Budget Behind Schedule	1	23	24	29	32	40	46	47	47	50	46	33
Under Budget On Schedule	19	13	18	24	27	25	23	29	23	22	20	34
Total	112	112	112	112	114	115	120	120	120	120	120	117

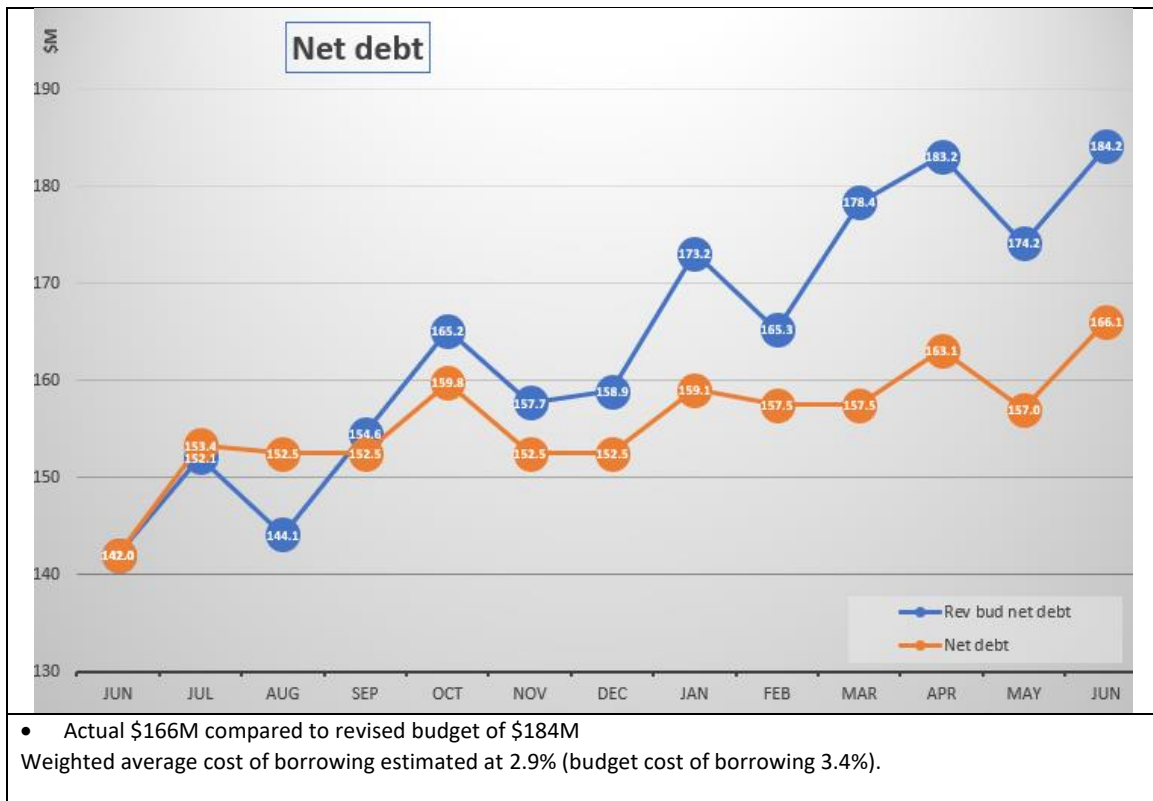
Programme	Comment
1410 Recycling - Recycling Bins and Crates to Non Residential Properties	The bins and crates have been purchased in advance, to allow for service request to be provided promptly. This is pre-emptive because of importation risk. There has been higher uptake of this service than anticipated this financial year.
1196 - Cemeteries - Kelvin Grove - New Staff Facility	The 2021 programme budget was for design, which has now been completed. Costs were higher than budgeted as the design required additional rework to accommodate the changes made to the administration functions of the cemetery. Construction will form part of programme 902 - Seismic Strengthening of the Crematorium.



Capital Renewal

Description	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
	R											
Not Started	30	21	17	11	10	9	5	2	2	1	1	
On Budget Ahead of Schedule	1		1	1	1	3	4	3	2	3		
On Budget Behind Schedule		3	5	4	3	4	5	2	4	9	16	23
On Track	21	11	8	8	12	12	11	12	14	14	15	22
Over Budget Ahead of Schedule	1		2	4	4	6	3	2	1	1		
Over Budget Behind Schedule	2	4	6	4	3	3	2	1	1	2	1	
Under Budget On Schedule	15	15	13	10	8	9	9	5	6	4	2	3
Under Budget Ahead of Schedule				1	1	3		1				1
Under Budget Behind Schedule	12	18	21	21	21	24	27	33	34	31	29	14
Under Budget On Schedule	10	14	10	15	18	11	16	19	16	17	13	20
Total	80	80	80	79	81	81	81	81	81	81	81	83





10 Year Plan Catalyst Projects Monthly Update to 30 June 2021

City Centre Transformation Catalyst Projects			
	What happened in June	Alerts (if any)	What's Next
'Streets for People' (City Centre Streetscape Plan and Redesign)	Quantity Surveyor (QS) high level costing report complete for all remaining streets. Technical concept design reviewed by PNCC technical officers. Co-design with Rangitāne initiated.		Wider stakeholder engagement in remaining areas. Consider QS report. Continue co-design of streetscape / landscape with Rangitāne designer.
Te Manawa 2025 Redevelopment/ Central Library (Civic Master Plan)	ARUP appointed as preferred supplier for masterplan.		Develop civic and cultural precinct masterplan.
Central Energy Trust Arena Masterplan and projects	<p>Entrance Plaza, Pits Relocation, and Southern & Western Embankment: The project is now complete.</p> <p>Culture and Heritage/ Signage: The project is now complete.</p> <p>Fly Palmy Arena (Arena 2): The project works are complete and the venue is fully operational. Council Officers now are awaiting the final sign-off report from the external fire engineer.</p>	Grandstand Funding: This project is reliant on external funding. Fund raising is currently on hold, but the project is in the adopted 10 YP in years 3-6.	<p>Entrance Plaza, Pits Relocation, and Southern & Western Embankment: The project close-out and financial report is being finalised and is to be presented to Council, along with an independent audit report for the project, in August 2021.</p> <p>Final minor defect works are being completed.</p>
Heritage Protection Package	Funding provided for protecting 158 The Square (new roof).		Continue to promote the fund.

Manawatu River Network Catalyst Projects			
	What happened in June	Alerts (if any)	What's Next
Victoria Esplanade Masterplan and projects	<p>Park Road Entrance: The construction on site is progressing well.</p> <p>Wayfinding: Wayfinding Strategy work progressed, aligned to Palmy branding, and is close to completion.</p> <p>Note: Construction of the Shade/Bonsai House and replacement of Exotic Aviaries have been deferred to year 4 of the 10 Year Plan.</p>	Park Road entrance: A small carry forward into 2021/22 as not all works were completed in the financial year.	<p>Park Road entrance: The construction works are expected to be completed by the end of July 2021. There is some risk of the pedestrian overlay being delayed.</p> <p>Wayfinding strategy: Begin the roll out of new wayfinding signs.</p> <p>Victoria Esplanade Masterplan Implementation Communication Plan: Review the development programme.</p> <p>Propagation glasshouses renewal (in yard behind conservatory/ Wildbase Recovery): Initiate project with replacement to span 21/22 and 22/23 years.</p> <p>Manawaroa St Pedestrian Entrance enhancement: initiate project.</p>

Manawatū River Shared Pathway (Ashhurst to City)	An Elected Member briefing will be held in August		
Te Apiti Biodiversity and Recreation	<p>Working on a draft of the Masterplan.</p> <p>Technical workshop completed with Health Research Council, Manawatu District Council, Tararua District Council & Department of Conservation staff.</p>		<p>Final draft of Masterplan to be considered by Te Apiti Manawatu Gorge Governance Group by December 2021.</p> <p>NZTA work is ongoing into the future use of the old Gorge Road.</p>
Manawatu River Framework (including Ahimate Park)	<p>Cultural: The old shed on site at Marae Tarata will be leased to as to Rangitāne, to accommodate a carving workshop, subject to them obtaining resource consent.</p> <p>Riverside cycle activities: Planning underway for more track development, and another skills area.</p> <p>Exercise equipment: The design work progressed. There are now three full concepts deployed in computer-aided design for construction.</p> <p>Victoria Esplanade river entranceway: Concrete is complete up to the Rail ticket booth, pagoda is up, all drainage is in place.</p> <p>Turitea Pa site: Fabrication is underway.</p> <p>Wayfinding: All 'slow down' signs are made and ready to install. Subway maps being finalised. Stencils are in production.</p> <p>Albert Street Tree Forts: New forts design is now complete.</p>		<p>Cultural: Property Group engaged to complete a resource consent application.</p> <p>Riverside cycle activities: Finalise plan.</p> <p>Exercise equipment: Complete the design work.</p> <p>Victoria Esplanade river entranceway: To be completed and blessed at same time as Cook St/Park Rd intersection upgrade.</p> <p>Turitea Pa site: Complete all fabrication work ready for installation.</p> <p>Wayfinding: Installation of a map system trial and the ground markings.</p> <p>Albert Street Tree Forts: Ready for building in the new financial year</p>
Te Motu o Poutoa	Development of the design scope has progressed at pace, via the working group		Briefing planned to bring Council up to speed on the preliminary thinking of the working group to date. Assessment of the design process to identify key briefing points for both partners – Rangitāne and Council.

Sustainable Growth Catalyst Projects			
	What happened in June	Alerts (if any)	What's Next
Wastewater Treatment Plant Upgrade	Project Steering Group (PSG) and Project Technical Team meetings occurred as scheduled.	A decision by Council on the BPO is required in August in order to meet statutory requirements of resource consent conditions.	Prepare summary report of the review feedback for land-based discharge, outlining a final outcome & next steps document.
	Engagement with Iwi continued. Including hui with Rangitāne and Raukawa, occurring to support the delivery of Maori Values Assessment & MCA.		Ongoing testing of trade waste discharges in wastewater network.
	BPO Assessment criteria further refined with peer review from Simpson Grierson (legal advisors).		Finalise the Planning Assessment with input from Rangitāne values assessment.
	Objectives Assessment and Eco-Strategy Assessment completed.		Incorporate Māori values assessment (Rangitāne) and MCA (Raukawa), Iwi into the BPO assessment process.
	Carbon Analysis Complete and peer reviewer appointed to review this.		Assess potential BPO options against the BPO Criteria to identify preferred option.
	Peer review for the land-based discharge options progressed to completion.		Peer review of all BPO assessment reports and BPO Recommendation Report (by legal advisors).
	Peer Review of costs for shortlist options completed and subsequently the shortlist options updated for the BPO Assessment process.		Council workshops as part of BPO recommendation process.
	Comparative cost assessment completed (to inform BPO assessment)		Report to Council on final Recommended BPO.
	Stakeholder and Community Engagement Assessment report completed.		Stakeholder engagement and communications material to be prepared to report on BPO outcome.
	Council briefing on the BPO Assessment process undertaken.		Develop Budget for new Financial Year. To be confirmed upon decision on BPO.
	Liaison with Horizons Regional Council regarding extension of time/variation to BPO decision.		Performance review of technical consultants to determine if the next phase of project will be awarded (extension of contract), to continue with Stantec.
	Feedback received from legal advisors on Local Government Act consultation requirements received.		
	Testing for emerging contaminants in wastewater continued.		

Sustainable Growth Catalyst Projects			
	What happened in June	Alerts (if any)	What's Next
Regional Ringroad, Rail, Airport and multi-modal infrastructure to enable Longburn and NEIZ industrial growth	<p>Council evidence lodged for KiwiRail Freight Hub Hearing.</p> <p>Finalising Central NZ Distribution Hub (CNZDH) Strategy.</p> <p>Confirmed CNZDH and PNITI reference and steering groups.</p>	<p>Gaps in KiwiRail proposal that will need to be addressed by KiwiRail at the hearing.</p>	<p>Hold KiwiRail Notice of Requirement hearing.</p> <p>Confirm CNZDH strategy.</p> <p>First meeting of CNZDH and PNITI reference and steering groups</p>
Infrastructure for Residential Growth: Whakarongo, Aokautere, City West Urban Intensification, Ashhurst	<p>Tamakuku Terrace, Whakarongo: Earthworks and civil works progressing well and to plan and programme.</p> <p>Aokautere: Finalising structure plan. Hearing on designation to secure Abbey Road connection to Johnstone Drive approved – and then appealed.</p> <p>Kakatangiata: Investigation stage completed. Preferred option released to landowners.</p> <p>Ashhurst: Technical analysis to inform District Plan Change.</p> <p>Roxburgh Crescent: Technical analysis to inform District Plan Change.</p>	<p>Tamakuku Terrace, Whakarongo: Council is working with Horizons to obtain a global consent for stormwater for the entire Whakarongo growth area. Obtaining resource consent for Stage 2 of the development cannot proceed until the required global consent is approved.</p> <p>Aokautere: Abbey Road connection to Johnstone Drive has been appealed.</p>	<p>Tamakuku Terrace, Whakarongo: A public open day proposed in September 2021. The public section sales process will also begin in September 2021.</p> <p>Aokautere: Finalise Plan Change and report to Council in September 2021.</p> <p>Kakatangiata Analysis continues</p> <p>Ashhurst: Technical analysis and consultation to inform District Plan Change. Report to Council in October 2021.</p> <p>Roxburgh Crescent: Finalise Plan Change and report to Council in October 2021.</p>
City-wide Stormwater Management	<p>Whakarongo: Resource Consent for stormwater discharge lodged with Horizons on 12th July 2021. Agreement has been reached with all landowners on concept design. No objection was received in relation to development contribution that was distributed to all stakeholders.</p> <p>Stormwater Management Framework: Work on the framework is revived. A new engagement been finalised to kick-start the continuation of the final phase.</p>		<p>Whakarongo: A work programme for detailed design will be advanced immediately. Site visit to refine the alignment and soil investigation works for the downstream channel improvement works are on-going.</p> <p>Stormwater Management Framework: Review and finalise the draft document and proceed with stakeholder consultation. This will be reported to Council</p>

Sustainable Growth Catalyst Projects			
	What happened in June	Alerts (if any)	What's Next
	<p>Stormwater Capital and Renewal: Programme of works for 21/22 is finalised, working together with the design team on design briefs and deliverables. Stormwater renewal of Botanical Rd is on-going.</p> <p>Pump stations: Some of the carry forwards works from last financial year is close to completion.</p>		<p>once completed in the 2nd quarter of the 21/22 FY.</p> <p>Stormwater Capital and Renewal: Some big improvement projects such as Gasworks Dr improvement and piping of the Jamiesons Dr will be tendered out.</p> <p>Pump station: Investigation Engineers are investigating the scope of the programme for this financial year. The procurement plan is being advanced for pumps and other mechanical equipment.</p>
City-wide water supply, source and storage development	<p>Turitea Duplicate Water Main: The final 250 metres of pipe has been installed. Pressure testing is complete. Rider main connections are being completed prior to the last cross connection to the existing main.</p> <p>Papaioea Park Bore 3: Installation and commissioning of the UV is complete. Compliance reporting has been set up and the format approved by the Drinking Water Assessor. Inspection of the bore has revealed some damage which is likely to be causing sand ingress.</p> <p>Railway Road Bore: Construction of the walls for the Pump Station and Chemical Building completed. Pumps have been installed in the Pump Station building. A draft plan was received from KiwiRail proposing a land swap with Council at the bore site to facilitate access for trains past the bore site.</p> <p>Ashhurst Rising Main Renewal Stage 3A: Physical works complete. Reinstatement and as-built drawings only remaining work to be done.</p>		<p>Turitea Duplicate Water Main: Commissioning of the new duplicate main.</p> <p>Papaioea Park Bore 3: Visual inspection and construction records will be reviewed prior to discussion with the company that drilled the bore.</p> <p>Railway Road Bore: Re-design for gravity sewer without using pump chamber underway. Preparations being made for roofing and equipping of buildings. Need final designs and costs for access road and fencing to enable site to be fully commissioned. Continue discussions with KiwiRail about site and land swaps and offsets.</p> <p>Ashhurst Rising Main Renewal Stage 3A: Finish reinstatement, create as-built drawings and close out finances.</p>

Major Internal Projects			
	What happened in June	Alerts (if any)	What's Next
Three Waters Model	<p>Following consultation across the country with local government and iwi, and analysis of RFI submissions across the country, the Government released its preferred option for multi-region public owned 3 water service delivery entities. High level decisions about the number of entities, the boundaries, their organisation form and governance have been provided.</p> <p>Palmerston North is proposed to be in one of 4 entities encompassing the east coast from Gisborne to Wellington Region, Horowhenua, Manawatu and Palmerston North, and the top of the South Island.</p> <p>Participation in the reform process to date, enabled a \$9.34M grant to Council for 3 Waters infrastructure investment (Nov 2020 to 31 March 2022). The programme of work for expenditure of this grant funding is progressing well – as outlined separately in this report.</p> <p>All information on the reform process and associated reports are available on the DIA website (Three Waters Reform Programme - dia.govt.nz)</p>		<p>Release of Government's decision on future direction for 3 Waters Reform and a \$2.5B support package was outlined at LGNZ Conference in Blenheim mid-July 2021. A total of \$500M is allocated to ensure no Council is worse off as a result of the reforms, and \$2B for Councils to invest in the future for local government, urban development, and the wellbeing of communities. The \$2B allocation is based on population (75%), relative deprivation (20%) and land area (5%), of which Palmerston North's allocation is \$32.63M.</p> <p>The Manawatu-Whanganui Regional Service Delivery Review work has been discontinued as a result of the reform process.</p>

Quarterly Performance and Financial Report - June 2021

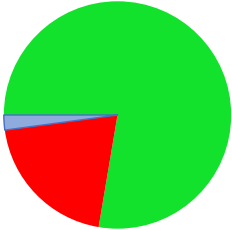
10 Year Plan KPIs

This part of the report looks at how well the Council is delivering on the performance measures, and whether services and projects are being provided within budget.

The report is organised by Activities. Each Activity page has "traffic lights" to show progress towards the 10 Year Plan:

	W
Not yet due for measurement	G
On track	Y
Not on track but still achievable	R
Unlikely to achieve	B
Unlikely to achieve for reasons outside of Councils control	

Annual Budget Performance Measure Summary



- On Track
- Not on track but still achievable
- Unlikely to achieve
- Not yet due for measurement
- Unlikely to achieve for reasons outside of Councils control

Performance Measure Summary by Activity										Total
Goal 1 - An Innovative & Growing City										
City Development	4	-	3	-	1	-	1	-	8	
Strategic Transport (Roading)	5	-	3	-	-	-	-	-	8	
Economic Development	2	-	-	-	-	-	-	-	2	
Goal 2 - Creative & Exciting City										
Active Public Space	6	-	-	-	-	-	-	-	6	
Arts, Culture and Heritage	5	-	-	-	-	-	-	-	5	
Active Community	5	-	-	-	-	-	-	-	5	
Goal 3 - Connected & Safe Community										
Connected Communities	15	-	1	-	1	-	1	-	17	
Safe Communities	7	-	-	-	-	-	-	-	7	
Goal 4 - Eco-City										
Rubbish and Recycling	4	-	-	-	-	-	-	-	4	
Biodiversity and Sustainable Practices	4	-	-	-	-	-	-	-	4	
Stormwater	5	-	2	-	-	-	-	-	7	
Wastewater	3	-	4	-	-	-	-	-	7	
Water Supply	5	-	6	-	-	-	-	-	11	
Goal 5 - Driven & Enabling Council										
Leadership	3	-	-	-	-	-	-	-	3	
Total Measures										
% of measures able to be measured	73	-	19	-	2	-	2	-	94	
	78%	-	20%	-	2%	-	2%	-		

Goal 1: An Innovative and Growing City

City Development Activity

Performance Measures (Page 44 of the 10 Year Plan)	Comments	Sept	Dec	March	June
01. There is a continual supply of land for at least 1,900 greenfield residential sections.	There are 1320 greenfield sections available, as identified in the 2021 Housing Capacity Assessment. While capacity is lower than the target set, housing supply is being provided primarily through infill/intensification, which places a lower emphasis on greenfield supply needing to be as high. New targets for 2022 require only a rolling supply of 200 lots per year for the next 3 years. Therefore, greenfield supply will be sufficient to meet central government requirements for at least the next 3 years.	G	R	R	R
02. Ratio of lower quartile home price to median household income. (This measures whether a household that is renting can afford to buy a home. It is part of the MBIE set of indicators and will allow comparisons with other Councils. It is a new measure so Council has no target set yet.)	The ratio of lower quartile price to median household income was 67.5% in the December 2018 quarter. The housing affordability indicator was last updated by the Ministry of Housing and Urban Development in July 2019.	B	B	W	B
03. At least 95% of resource consent applications are processed within statutory timeframes.	86% of consents (376 of 436) were processed within statutory timeframes compared to last years result which was 65%. Communication with the development community about potential delays will continue. Consent numbers and enquiries for development remain very high and analysis of resourcing requirements are regularly assessed.	Y	Y	R	R
04. At least 95% of building consent applications are processed within statutory timeframes.	Of the 419 building consent applications processed for the quarter, 385 (92%) were processed within the statutory timeframe. Year to date: Of 1,413 consents processed, 1,321 (93%) were within the statutory timeframe. This year has seen an increase in both building consent volume and complexity while recruitment and retention of staff has become difficult.	G	Y	R	R
05. Council keeps its status as an accredited building consent authority.	PNCC was re-assessed as a Building Consent Authority April 2021. Following successful completion of the current non-compliance action plan, re-accreditation is likely to be offered from July 2021.	G	G	G	G

06. At least three years of housing and business land with services is immediately available.	Housing will increasingly need to be accommodated through infill/intensification. More commercial land will need to be rezoned in 2023 to ensure ongoing supply matches demand needs.	G	G	Y	G
07. Council development projects reflect principles of good urban design. (Narrative measure)	Streets for people is giving effect to strategic direction regarding urban design. For example, Square East between the Plaza and bus depot and	G	G	G	G
08. Major services and projects are provided within budget.	Major services and projects have been delivered within budget.	G	G	G	G

Strategic Transport (Roading) Activity

Performance Measures (Page 48 of the 10 Year Plan)	Comments	Sept	Dec	March	June
01. Percentage of requests for service relating to roads and footpaths responded to (with at least an initial formal response) within three working days. (greater than 95%)	4520 of the 6265 requests for service received (72.14%) were responded to within the 3 working day time frame. Achievement of this target is not considered achievable given most RFS relate to non-urgent work requests. Activity Managers will identify the subset of all RFS which should be responded to in three days based on urgency and criticality and seek an amendment to the KPI to reflect this.	R	R	R	R
02. The average quality of ride on the sealed local road network, measured by smooth travel exposure. (STE greater than 80%)	The average quality of ride on the sealed local road network is 85% .	G	W	G	G
03. The change in the number of fatal and serious injury crashes from the previous financial year on the city's local roading network. (Decline)	A total of 29 fatal and serious injury crashes have occurred in the 12 months to 30 June 2021, compared to 43 recorded in the 12 month period to 30 June 2020.	G	G	G	G
04. A decline in the five-year rolling average number of fatal and serious injury accidents.	A total of 32.8 fatal and serious injuries on average per year were recorded for the 5 year period ending 30 June 2021, compared with 32.8 fatal and serious injuries per annum for the 5 year period ending 31st March 2021.	G	G	B	G
05. Percentage of sealed roads that are resurfaced each year. (Greater than 3.5%)	The total sealed network is 523.3km. Resurfaced network total for 20/21 is 28 km (3.5% of the network is 18.3km).	R	R	G	G
06. The percentage of footpaths that meet Council standard. (Note: Council is developing an improved system for monitoring footpath standards. It is based on IPWEA (Institute of Public Works Engineering Australasia). Footpath Condition Rating Standard, and will be a much more robust way of measuring and prioritizing footpath maintenance and renewals. The results in the first year of its use will be used to set new targets for subsequent years.)	A repeat survey of footpath condition has just been completed which confirms that 95.5% of footpaths meet council standard, with a condition score of grade 1, 2 or 3. The total length of faults with a condition grading of 4 or 5 is 25.5km, which equates to 3,133 individual faults captured.	G	W	G	G
07. A 30-year Asset Management Plan is in place for strategic transport and roading, and major AMP projects approved in the 10 Year Plan are achieved. [Specific projects will be listed in the Plan] (Renewals as a group: see note in 10 Year Plan pg. 48)	The 30 Year Asset Management Plan (2017-2047) for the 2018-21 LTP was adopted in 2018. Road pavement renewals for 2020/21 were not achieved. Contractor capacity and constraint on resources affected delivery.	G	G	G	R

<p>08. Strategic Transport (Roading) and Active and Public Transport: Major services and projects provided within budget.</p>	<p>Routine maintenance and renewals for footpaths and sealed road resurfacing were delivered within budget. However, road pavement renewals were not delivered against budget, with Council's share (49%) of excess budget now carried forward into FY 2021/22. Contractor capacity and constraints on resources affected tendering and procurement of delivery. Community engagement and consultation on some programmes (Urban Cycle Network Development, Aokautere Drive Pedestrian Cycle Improvements, Summerhill Drive Pedestrian Cycle Improvement) and pending announcements on Kiwi Rail Hub led to delays in progressing works.</p>	<p>G</p>	<p>G</p>	<p>R</p>	<p>R</p>
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Economic Development Activity

Performance Measures (Page 58 of the 10 Year Plan)	Comments	Sept	Dec	March	June
01. Funding is distributed and the contract deliverables achieved with the funding will be described. (Narrative measure)	Funding and deliverables in accordance with approved statement of intent. Eg CEDA worked on Central New Zealand Distribution Hub Draft Strategy and Regional AgriTech Strategy. AgriFood Week involved 17 events, attended by over 1200 people. Multi-regional partnership to support the NZ Defence Force with the relocation of their Whenuapai workforce to Ohakea. 345 Palmerston North businesses (including 13 Māori businesses) received support through engagement with CEDA and the Regional Business Partner Programme. \$902,955 vouchers were issued to these businesses through government COVID-19 support, the Tourism Transition Fund and NZTE capability funding.	G	G	G	G
02. Major services and projects are provided within budget.	Services are provided within budget. Capital projects are on track on budget.	G	G	G	G

Goal 2: Creative and Exciting City

Active Public Space Activity

Performance Measures (Pages 65-66 of the 10 Year Plan)	Comments	Sept	Dec	March	June
01. Projects from the City Centre Streetscape Plan are implemented on time and budget. (Narrative measure)	This years work focused on design with a draft technical concept design for Streets for People completed. Stakeholder engagement will commence during the next quarter along with the development strategic procurement strategy with a view of mitigating impacts of delays incurred to date.	G	R	R	G
02. Projects from the Manawatū River Framework are implemented on time and budget. (Narrative measure)	Overall the Manawatū River Framework programme is ahead of time and on budget. Cultural: The old shed at Maraetara will be leased to Rangitāne to accommodate a carving workshop, subject to them obtaining resource consent. Riverside Cycle Activities: Planning is underway for more track development and another skills area. Exercise Equipment: The design work has progressed. There are now three full concepts deployed in computer-aided design for construction. Victoria Esplanade River Entranceway: Concrete is completed up to the rail ticket booth, the pagola is up, and all drainage in place. Turitea Pa site: Fabrication is underway. Wayfinding: All slow-down signs are made and ready for installation. Subway maps are being finalised. Albert Street Tree Forts: The new forts design is now complete. Te Motu o Poutoa: Development of the design scope has progressed at pace, via the working group.	G	G	G	G

<p>03. Description of the range of public space projects and their outcomes. (Narrative measure)</p>	<p>The innovating streets programme delivered the Main Street Cycleway, Sunday's on George Street car free days, Square Edge activation and Ruha Street traffic calming. These projects have utilised tactical urbanism approaches to creating safer environments for active transport. Square East was opened. This finalised the first stage of the Streets for People programme. Central Energy Trust Arena gateway entrance onto Cuba Street and Waldegrave Street was opened. This connection provided an inviting entrance way into the arena and helps activate Cuba Street as part of the wider Cuba Street renewal programme, which seeks to create a pedestrian friendly place experience between the CBD and Arena. Construction of the new Esplanade entrance on Park Road and Cook Street began. Once completed, this new entrance way will provide a safer environment for visitors to access the Victoria Esplanade. It will also provide a safer environment for users of the Lido.</p>	<p>G</p>	<p>G</p>	<p>G</p>	<p>G</p>
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Performance Measures (Pages 65-66 of the 10 Year Plan)		Comments		Sept	Dec	March	June
04. Description of the range of community events and initiatives. (Narrative measure)			Community events and initiatives were impacted at the beginning of the year due to Covid-19 restrictions on gathering sizes. A range of large Community events were hosted throughout the year including relaunching Passport to Play, Streets for People Party, Spring Films, Koanga Bonfire, Fireworks over the River, Festival of Arts, A Very Palmy Christmas, Lunar New Year, Gravel and Tar and the rescheduled Explore Esplanade Day and Anzac Day commemorations. A diverse range of culturally lead events continue to be developed, partially funded and provided with operational support including Eid Fitr and Diwali. The 150th Event Seed Fund was well subscribed with additional sponsorship money being sourced to allow for a total of \$28,850 grant funding - up from initial amount of \$20,000.	G	G	G	G
05. Funding for economic events is distributed and the contract deliverables achieved with the funding are described. (Narrative measure)			This year funds from the Major Event Fund went to Manawatu Cycling Spree (Gravel and Tar), Armageddon, Jazz Festival, National Young Performer Awards and the Rural Games. In spite of Covid-19 restrictions on events, these major events contributed to the vibrancy of the city and delivered significant economic benefit and visitation.	G	G	G	G
06. Major services and projects are provided within budget.			Services are provided on budget. Capital projects are on track and on budget.	G	G	G	G

Arts, Culture & Heritage Activity

Performance Measures (Page 71 of the 10 Year Plan)	Comments	Sept	Dec	March	June
01. Funding is distributed and the key objectives achieved with the funding are described. (Narrative measure)	Creative Communities Scheme funding was completed for the year with 62 applicants of which 42 were successful in receiving funding. Successful application was made in partnership with Square Edge Community Arts to the Creative New Zealand Local Government Arts Fund to engage community members in arts leadership and mentoring programmes for \$49,300 in funding. Whanau Day programme in the Papaioea Festival of the Arts 2021 received support from Arts Initiatives to ensure activities could be offered to the community free of charge. PNCC, Square Edge Community Arts and Massey University resolved to continue the Artist in Residence programme. Launch of Falling Water was planned in association with project partners Te Manawa Museum and the Palmerston North Public Sculpture Trust.	G	G	G	G
02. Sites of significance to Rangitāne are identified, protected or acknowledged. (Narrative measure)	The District Plan continues to protect all the sites requested to be protected by Rangitāne. A review of the District Plan in 2022 will provide an opportunity to identify additional sites for protection	G	G	G	G
03. Increase in the number of scheduled heritage features contained in the District Plan. (Current numbers are 7 Sites of Significance to Tangata Whenua, 89 Buildings & Objects, 2 Heritage Areas, 117 Notable Tree and Groups of Tree, and 15 Habitats of Local Significance).	This will be considered in a future plan change (scheduled for 2022)	W	G	W	G
04. Increase in investment in earthquake-prone heritage buildings. (Narrative measure)	Heritage fund is continuing to assist landowners to strengthen their buildings, eg All Saints Church	G	G	G	G
05. Major services and projects are provided within budget.	Operational expenses were overbudget by 1%. Capital expenditure was within budget.	G	G	G	G

Active Community Activity

Performance Measures (Page 76 of the 10 Year Plan)		Comments	Sept	Dec	March	June
01. A 30-year Asset Management Plan is in place for sports facilities and major AMP projects approved in the 10 Year Plan are achieved. [Specific projects will be listed in the Plan.] (Renewals as a group and Central Energy Trust Arena projects.)		The 30 Year Asset Management Plan (2017-2047) for the 2018-21 LTP was adopted in 2018 for sports facilities. All major AMP projects approved in the 10-Year Plan were achieved including reconstruction of cricket blocks at Fitzherbet, Manawaroa and Ongley Parks. Synthetic court refurbishments at Vautier and Takaro Parks and Recreation Ground changing room replacements are now underway in Bunnythorpe.	G	G	G	G
02. Sports fields are available for weekend organised use. (At least 85%)		Sports field grounds were available for organised weekend use, 100% of the year	G	G	G	G
03. Swimming pool annual usage: Lido - more than 330,000 people; Freyberg - more than 110,000 people. Include figures on under 5s, plus comparative to when free swimming under 5s was implemented (last financial year)		The overall recorded attendance improved significantly at all swimming pool facilities in 2020/21. The total number of users recorded 12 months to June 2021 at the Lido was 379,020, an increase of 29% from 2020 and the total under 5's for the year recorded 13,918, also an increase of 22% from last year. Freyberg achieved a total attendance figure of 191,282, up 28% from last year, citing a significant increase in attendance due to hosting a number of large swimming carnivals throughout 2020/2021. The total under 5's attendance reached 5,055, an increase of 35% from this time last year. Splashhurst recorded a total of 36,923 attendances for the last 12 months, a significant increase of 49% compared to this time last year. Attendance figures for the under 5's group reached 740, which also was an increase from the same period last year of 10%. Please note that the previous year 2019/2020 was impacted by Covid-19.	G	G	G	G

04. Funding is distributed (for external recreation organisations to help increase levels of participation in sport and active recreation) and the key objectives achieved with the funding are described. (Narrative measure)	<p>Sport Manawatu receives Council funds to assist the community's participation in play, active recreation and sport through various activities and programmes. It also allocates funds on Council's behalf (such as the Active Communities Fund). Sport Manawatu hosted a 10-year plan sector forum in April with many attending organisations going on to make submissions on the Council's active communities activity. In preparation for a number of proposed 10-year plan sport facility research reports Sport Manawatu have also been involved with Council on a 'sport readiness project'. Sport Manawatu continued to assist the local sport and recreation sector through its wide range of activities. Their annual report for 2020/21 will be presented to the Play, Sport and Recreation Committee in October.</p>	G	G	G	G	G
05. Major services and projects are provided within budget.	<p>Services are provided on budget. Capital projects are on track on budget.</p>	G	G	G	G	G

Goal 3: Connected & Safe Community

Connected Communities Activity

Performance Measures (Pages 93-94 of the 10 Year Plan)	Comments	Sept	Dec	March	June
01. Library visitor numbers. (More than 800,000 connections a year)	On track. Year to date there have been 729,012 physical visits to the 8 City Library locations. Visitors to Blueprint: The City Library Makerspace continues to grow with 21,830 makers using the space this year versus 13,771 last year. This year there has been 834,141 City Library website page views and 185,560 City Library website sessions; Manawatu Heritage had 342,881 website page views and 74,900 website sessions; the library hosted 64,329 PC sessions and 202,500 Wi-Fi sessions. There was also an increase in the uptake of digital help sessions (5983 this year versus 4877 last year) and heritage enquiries (1443 this year versus 760 last year). Please note opening hours for both this year and the previous year were impacted by Covid-19.	G	G	G	G
02. Use of physical collections. (Average use per item per year is at least 4)	On Track. Physical item use has significantly increased (915,731 this year versus 756,061 last year). Items are used an average of 4.93 times per year. For comparison, the national average is 3.42 times per year. Please note that the previous year 2019/2020 was impacted by Covid-19.	G	G	G	G
03. Use of digital collections. (Narrative measure)	Ebook and eAudiobook use continues to increase as the range of collections and offerings continue to expand (99,791 this year compared to 90,799 last year). The use of digital databases, eResources and streaming services continues to increase month on month. Use of the streaming services Beamfilm and Kanopy increased significantly: Beamfilm (3149 films versus 810 last year) and Kanopy (13,049 films versus 7853 last year). PressReader (titles read) increased to 25,245 versus 5819 last year and Ancestry was used 56,851 times this year versus 34,708 last year. The Library App continues to have great uptake with 63,778 sessions this year versus 12,530 last year.	G	G	G	G

04. Description of the range of programmes and events. (Narrative measure)	<p>2026 activities, programmes, events, celebrations, and commemorations (attended by 67,082 people) were delivered by the City Library this year all aligned to the following categories: Creative Expression, Cultural Expression, Digital Inclusion, Heritage, Informational Literacy, Lifelong Learning, Literacy, Social Connectivity, Employment, and Health & Wellbeing. Key programmes this year were Off the Page (a partnership with Massey University); the Manawatu Writers Hub; Game Changers; the Sustainability workshop series; and Local History Week. Blueprint was used by 21,380 makers and actively supports a growing maker community across the city. This year 548 children completed the ECREAD Summer Read Programme, with 140 children completing book chats across fourteen languages. Youth Space programmes specifically looked to reduce social isolation, increase resilience, increase employability and encourage active citizenship. Highlights include supporting youth leadership programmes; partnering with home school and alt-ed; and supporting the Youth Council to engage their peers in the 10-Year Plan process. This year, for the first time in the 50-year history of Home Service, the total number of customers receiving regular scheduled long-term deliveries exceeded 100. A key factor in the success of the Home Service was the extensive promotion of service options across the wider community through networking with key stakeholders such as rest homes, retirement village administrators, health professionals and whanau. This is supported by regular outreach programming – on average around 35 visits per month. Alongside Welcoming Communities, the City Library team also supported the Festival of Cultures, the Lunar New Year programme and He Kupu Rangatira - the proverbs pathway.</p>	B	G	G	G	G	G
05. Public toilets are accessible, appropriately located and gender neutral. (Narrative measure)	<p>Upgrades to the Ladies Rest and Square public toilets were completed and the new toilet block on the Linton pathway is now open, fully accessible and gender neutral. All planned public toilet refurbishments and any new toilet builds are determined by the area of most need. When undertaking these works it is ensured toilets are accessible and gender neutral if appropriate.</p>	G	G	G	G	G	G

06. A 30-year Asset Management Plan is in place for community centres and hubs and major AMP projects approved in the 10 Year Plan are achieved. (Renewals as a group)	Asset Management Plans were adopted by Council in June 2018 and are being implemented as per 2018-2028 10 Year Plan. The Draft 2020-2050 AMP is currently underway, and will be finalised after LTP consultation and Council decision making on asset management funding.	G	G	G	G
07. Levels of community centre use. (Narrative measure, including use of at least 1400 hours per centre per year)	Total community centre use for 2020/21 as follows; Ashhurst 1707, Awapuni 3813, Highbury Whānau Centre 1666, Kelvin Grove 2270, Milson 4811, PN Community Leisure Centre 4407, Pasifika/Westbrook 2467, Rangiora 2506. Hall user hours have exceeded expected numbers. In particular Milson, Papaioea Pasifika Community Trust, Kelvin Grove and Palmerston North Community Leisure Centre have had a considerable increase in usage numbers; a contributing factor is their strong cohesive committee membership with newer members. Awapuni continues to demonstrate consistently high usage, Rangiora also has consistent usage across quarters (both centres due to high number of regular user groups). Ashhurst has had a considerable increase since repairs to the centre earlier in the year. Highbury Whānau Centre continues to be well supported by the community providing social service support.	G	G	G	G
08. A 30-year Asset Management Plan is in place for the cemeteries and major AMP projects approved in the 10 Year Plan are achieved. (Renewals as a group)	The 30 Year Asset Management Plan (2017-2047) for the 2018-21 LTP was adopted in 2018 for cemeteries. All major AMP projects approved in the 10 Year Plan were achieved including Terrace End Cemetery site enhancements. Construction of additional burial berms, Niche walls and roading and footpath refurbishments at Kelvin Grove Cemetery.	G	G	G	G
09. Cemetery provision meets legislative requirements.	The operation of Palmerston North Cemeteries meets all requirements of the Burial and Cremation Act and resource consent conditions.	G	G	G	G
10. Council housing is tenanted. (At least 95%, excluding units not available due to renovations)	Average occupancy rate for the year is 98%	G	G	G	G
11. Council tenants are satisfied with the standard of housing (two-yearly survey). (At least 90%)	Overall tenant satisfaction level from this year's survey is 98%	G	W	W	G

12. Units meet the Otago Medical School He Kainga Oranga Rental Warrant of Fitness Standard.	At least 95% of our housing portfolio meet the requirements of the WOF standards in 2020/21, however, these requirements have since increased considerably with the new healthy homes standards legislation. Planned works are in place in the 2021/22 and 2022/23 financial years to address all components that no longer meet these WOF standards or the healthy homes standards.	G	G	Y	R
13. A 30-year Asset Management Plan is in place for community housing and major AMP projects approved in the 10 Year Plan are achieved. (Renewals as a group, see note in 10 Year Plan, pg 94)	Asset Management Plans were adopted by Council in June 2018 and are being implemented as per 2018-2028 10 Year Plan. The Draft 2020-2050 AMP is currently underway, and will be finalised after LTP consultation and Council decision making on asset management funding.	G	G	G	G
14. Funding is distributed according to Council's Community Funding Policy and the key objectives achieved with the funding are described. (Narrative measure)	Celebrating Communities Funding supported 27 events this year. Covid-19 Relief fund supported 18 organisations this year, with a total of \$68,953 distributed to date. Planning has commenced for Strategic Priority Grants 2022-2025, with applications opening in September 2021.	G	G	G	G
15. Positive feedback from residents on Council's community engagement. (Narrative measure)	The Residents' Survey (of 400 randomly selected residents annually) includes questions on satisfaction with Council's community engagement. Most people are satisfied (44%) or neutral (40%). 16% are dissatisfied. There has been an increase in the number of people who are satisfied with the ease of having a say in Council's decision making. The other figures have been fairly constant over the three years of the survey.	G	G	G	G

16. Description of the range of engagement techniques used by Council. (Narrative measure)	<p>Many people prefer online engagement so Council has been emphasising this. An online engagement hub is available on pncc.govt.nz for people to locate projects and issues Council is seeking feedback on. Although online engagement is a focus, Council still ensures that people have a wide range of online and non-online ways in which they can become involved in decisions. For example, Council's engagement on the 2021 Proposed 10 Year Plan included: partnership meetings with Rangitāne o Manawatu; meetings on social media, economic, environmental and cultural wellbeing cohosted with sector groups; working with schools; providing online and printed information; supporting community groups and networks to run their own 10 Year Plan meetings; sending a summary document to all households; holding a 10 Year Plan stall at community markets; running Facebook live and social media discussions; and promoting the Plan on radio, print, social media, billboards and movie theatres.</p>	G	G	G	G
17. Major services and projects are provided within budget.	Operating spending has exceeded the budget by 3% due to Covid-19 related cleaning costs on public amenities. Capital projects are on track and on budget.	G	G	G	B

Safe Communities Activity

Performance Measures (Page 101 of the 10 Year Plan)		Comments	Sept	Dec	March	June
01. The range of SAB initiatives and the outcomes they achieve. (Narrative measure)		Completion of the safety advisory board (SAB) strategic outcomes framework, and launch event held with stakeholders. Key stakeholder group established to address issues related to begging and street people in the CBD. A local initiatives map has been established to track what is happening across the city and who is working in key areas relating to the SAB.	G	G	G	G
02. Palmerston North retains its accreditation as a Safe City.		Accreditation remains valid and reporting requirements are up to date.	G	G	G	G
03. Council works with local communities to get people prepared for emergencies. (Narrative measure)		Council regularly engages with community groups, providing strategies to prepare themselves and those they engage with for emergencies. Our water tank promotion is ongoing and has good engagement at community events and sales online.	G	G	G	G
04. Three dog education campaigns and / or community events attended.		The following were attended; Esplanade Open day, Rural Games (multiple days), Linton Family / Community days (3), Wakey water day, School Education programmes (6 Schools) and Internal training for Building Services.	G	G	G	G
05. Council is an accredited Food Act verifier. (99% of verifications are conducted within statutory timeframes)		Council has maintained accreditation as a Food Act verifier. Due to Covid-19, verifications of non-essential food businesses were delayed. MPI has introduced legislation with a 6 month extension period, verifications are being completed within this timeframe.	G	G	G	G
06. Description of healthy lifestyle initiatives. (Narrative measure)		Sun Protection Policy - Planting of shade trees were implemented during the last financial year as per 2018-2028 10-Year Plan. Smokefree Outdoors Policy - Smokefree signage is displayed in all playgrounds.	G	G	G	G
07. Major services and projects are provided within budget.		Major services and projects have been delivered within budget.	G	G	G	G

Goal 4: Eco-City

Rubbish & Recycling Activity

Performance Measures (Page 108 of the 10 Year Plan)		Comments	Sept	Dec	March	June
01. Rubbish and recycling placed in Council's official bags or bins are collected on the stated day. (At least 98%)		99.98% rubbish and recycling placed in Council's official bags and bins were collected on the stated day. There were a total of 147 missed recycling bins and crates, and 169 total missed rubbish bags.	G	G	G	G
02. Compliance with resource consents for the Rubbish and Recycling Activity measures by the number of:- Abatement notices (zero)- Infringement notices (zero)- Enforcement orders (zero)- Convictions (zero)		Complete compliance with resource consent conditions during the period.	G	G	G	G
03. A 30-year Asset Management Plan is in place for rubbish and recycling and major AMP projects approved in the 10 Year Plan are achieved. (Renewals as a group)		Asset Management Plans are in place for Rubbish and Recycling service and major AMP projects approved in the 10 Year Plan are on schedule. Major AMP projects completed included a new truck wash down bay and a new falling main from Awapuni to the Waste Water Treatment Plant.	G	G	G	G
04. Major services and projects are provided within budget.		Services are provided on budget. Capital projects are on track on budget.	G	G	G	G

Biodiversity and Sustainable Practices Activity

Performance Measures (Page 113 of the 10 Year Plan)	Comments	Sept	Dec	March	June
01. 15,000 green corridors trees planted per year. (at least 15,000 on average over three years)	over 15,000 trees have been planted.	G	G	G	G
02. Number and description of sustainable practices campaigns. (Narrative measure)	<p>The community-lead zero waste action group continued efforts to plan for activities. Key members (namely by Environment Network Manawatu (ENM), Just Zilch, and PNCC) were involved in co-developing an expression of interest for an application to Waste Minimisation Fund 2021. The application is lead by ENM and is related to food rescue / waste. Participation of Sustainable Living Programme offered by PNCC has been positive and sustained. This eight weekly 2-hour sessions (covering the topics on gardening, waste, water, eco-building, energy, food choices, transport and resilience) are facilitated based on materials and structure developed by the Sustainable Living Education Trust. The Sustainable Living Programme received 38 registrations. PNCC is one of two city councils participating in the MOATA Carbon Portal for local council use. This portal by Mott McDonald allows detailed embodied carbon accounting and planning at all stages of the project. PNCC delivered a 2-hour workshop on "Sustainability Working for Community Group" designed to help community organisations identify practical ways to be more sustainable, focusing on waste, water, transport, and energy. Informal collaboration meetings with Massey University have occurred. As of mid-June, food waste collection trial at student accommodation had commenced to assist in diverting waste to landfill.</p>	G	G	G	G
03. Number and description of Eco Design home consultations. (Narrative measure)	<p>This year has seen 155 in-home consultations taking place. In addition, there were 31 community workshops/presentations and professional participation in six service provider meetings. Media activities undertaken have consisted of a continuation of the weekly show on Manawatu People's Radio, plus four other general media engagements.</p>	G	G	G	G

04. Major services and projects provided within budget.	Services are provided on budget. Capital projects are on track on budget.	G	G	G	G
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Stormwater Activity

Performance Measures (Page 117 of the 10 Year Plan)		Comments					Sept	Dec	March	June
01. The number of flood events per year resulting in stormwater from Council's stormwater system entering a habitable floor in an urban area. (No more than 5)		There have been no recorded flood events resulting in stormwater entering a habitable floor in the 2020/2021 FY.					G	G	G	G
02. The number of habitable floors per 1,000 properties within urban stormwater service areas affected by a flood event. (No more than 2)		There have been no recorded flood events resulting in stormwater entering a habitable floor in the 2020/2021 FY.					G	G	G	G
03. Median time to attend a flooding event. (Less than 2 hours) (Note: A flooding event is one resulting in stormwater entering a habitable building.)		There have been no recorded flood events resulting in stormwater entering a habitable floor in the 2020/2021 FY.					G	G	G	G
04. The number of complaints received about the performance of Council's stormwater system per 1,000 properties connected. (No more than 15)		In the 2020/2021 financial year, a total of 560 complaints have been received for the year or 16.7 complaints per 1000 properties connected. The complaints include 76 complaints relating to storm water events, 49 related to sump/grate problems, 97 associated with pipe/underground services damage, 34 cases of on-property flooding or drainage problems, 284 cases of roadside ponding and 20 complaints related to waterway or open drain problems. The KPI was not achieved for this financial year.					G	Y	Y	R
05. Compliance with resource consents for discharge from Council's stormwater system measured by the number of:- Abatement notices (zero)- Infringement notices (zero)- Enforcement orders (zero)- Convictions (zero) in relation to stormwater resource consents		All stormwater consent conditions have been fully complied with, such that no convictions, abatement, infringement or enforcement orders have been received.					G	G	G	G

Performance Measures (Page 117 of the 10 Year Plan)		Comments	Sept	Dec	March	June
06. A 30-year Asset Management Plan is in place for stormwater and major AMP projects approved in the 10 Year Plan are achieved. (Renewals as a group. City-wide Stormwater Improvement Works (programme 1060)		The 30 Year Asset Management Plan (2017-2047) for the 2018-21 LTP was adopted in 2018. The major network renewal programmes of work have been largely completed as planned with the exception of pump stations where progress is delayed by contractor and equipment availability.	G	G	G	R
07. Major services and projects are provided within budget.		Routine maintenance and programmed renewal and capital improvement works are delivered within budget	G	G	G	G

Wastewater Activity

Performance Measures (Page 123 of the 10 Year Plan)		Comments	Sept	Dec	March	June
01. Number of dry weather wastewater overflows from Council's wastewater system per 1,000 connections per year. (No more than 1)		There were 34 recorded incidents of a dry weather wastewater overflow during the 2020/21 financial year, which is equivalent to 1.03 overflows per 1000 connections. This KPI has been exceeded this financial year	G	G	Y	R
02. Complaints per 1,000 connections about:- Wastewater odour (No more than 1)- Wastewater system faults (No more than 3)- Wastewater system blockages (No more than 10)- Council's response to issues with the wastewater system. (No more than 1). (total target: no more than 15)		480 complaints or RFS were received during the 2020/21 FY or an average of 14.59 complaints per 1000 connections. Complaints included 27 for wastewater odour (0.8 per 1000 connections), 94 manhole faults (2.85 per 1000 connections) and 345 relating to network blockages or wastewater leaks (10.9 per 1000 connections).	G	Y	G	G
03. Median time for attending to overflows resulting from blockages or other faults. (Less than 1.5 hours)		Median time for attending to an overflow resulting from a blockage is 0.67 hours. Maximum time for attending to an overflow resulting from a blockage is 1008.7 hours. Following AuditNZ's advice, response time and resolution time now includes after hours and weekends (non-business hours).	G	G	G	G
04. Median time for resolution of overflows resulting from blockages or other faults. (Less than 8 hours) (Attendance and resolution is less than 9.5 in total)		The median time for resolution of an overflow resulting from blockages or other faults is 6.01 hours. The maximum time for resolution of overflows resulting from blockages or other faults 1657.5 hours. Following AuditNZ's advice, response time and resolution time now includes after hours and weekends (non-business hours).	G	G	G	G
05. Compliance with resource consents for discharge from Council's wastewater system as measured by the number of:- Abatement notices (zero)- Infringement notices (zero)- Enforcement notices (zero)- Convictions received by Council in relation to resource consents (zero)		During the third and fourth quarter of the financial year, there has been three incidents of resource consent non compliance. Ammonia in the river exceeded the consent limit. The non-compliance is a result of extremely low flow in the Manawatu River which resulted in insufficient mixing of discharge with the Manawatu River downstream of the treatment plant discharge point. Remedial work to increase mixing during low flow period has been proposed to the Horizons Regional Council. PNCC is currently working through practicable options with HRC River Management Team.	G	R	R	R

06. A 30-year Asset Management Plan is in place for wastewater and major AMP projects approved in the 10 Year Plan are achieved. (Renewals as a group)	<p>The 30 Year Asset Management Plan (2017-2047) for the 2018-21 LTP was adopted in 2018. The major network renewal programmes of work have been completed as planned with the exception of pump stations and telemetry renewals where progress has been delayed by contractor and equipment availability. The major wastewater treatment plant renewal projects are also only partially complete for similar reasons.</p>	G	G	G	R
07. Major services and projects are provided within budget.	<p>Operations and maintenance expenditure exceeded budget due to significant additional expenditure required on the Wastewater BPO Consent Project as well as higher investigation and planning work required to advance Council's programme of work. Key capital new and renewal programmes of work were only partly completed due to internal and external project and contract management resourcing gaps, long delays to procurement of materials and equipment particularly from overseas suppliers and significant project scope changes. Significant additional funding from DIA added to the work delivery pressures.</p>	Y	Y	R	R

Water Supply Activity

Performance Measures (Pages 130-131 of the 10 Year Plan)	Comments	Sept	Dec	March	June
01. Compliance with Part 4 (bacteria compliance criteria) of the Public Health Act 1956 (as amended by the Health (Drinking Water) Amendment Act 2007). (100%)	A bacterial non-compliance occurred on the 30th December 2020 as a result of a plant fault. An overdose of hydrated lime occurred, causing the pH to rise in the clear well tank. This resulted in elevated pH in the equivalent free available chlorine (FAC) levels in the treated water falling below 0.2ppm for 4% of the monitoring period. The standard restricts supply of non-compliant water to not more than 2% of the monitoring period. To prevent a recurrence of this type of transgression, training with staff to understand the issue and ensure critical controls take place immediately after any incident. A refresher session is being planned, and the Standard Operating Procedure is being finalised. The compliance assessment report is not due until Q2 of the 2021/2022 year.	G	R	R	R
02. Compliance with Part 5 (protozoal compliance criteria) of the Public Health Act 1956 (as amended by the Health (Drinking Water) Amendment Act 2007). (100%)	All monitoring data received to date indicates full compliance with protozoal compliance criteria included in the New Zealand Drinking Water Standards. However, PNCC has missed residence time sampling for Bunynthorpe and Longburn bores. This will require a change to the sampling frequency. The missed sampling time has resulted in non-compliance for the 2020/21 financial year.	G	G	R	R
03. The number of complaints per 1,000 connections relating to clarity, taste, odour, continuity of water supply, drinking water pressure or flow, and Council's response to any of these issues (no more than 40).	A total of 1352 complaints were received for the last twelve months or 41 complaints per 1000 connections. The 1352 complaints included 57 mains bursts, 35 low pressure issues, 62 issues associated with continuity of supply, 52 for meter faults, 669 toby faults, 8 for bad smell, 74 for discoloured water, and 6 for bad taste.	G	Y	Y	R
04. Average consumption of drinking water per day per resident. (no more than 360 litres per person per day)	Average consumption of drinking water per day per resident is estimated at 186.3L, below well below the 360 litre target.	G	G	G	G

05. Median response time for urgent call-out attendance. (2 hours or less)	The median response time for urgent call-outs during the quarter for which a response time is recorded was 0.23 hours. The maximum response time was 48.15 hours. Following AuditNZ's advice, response time and resolution time are now includes after hours and weekends (non-business hours).	G	G	G	G
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Performance Measures (Pages 130-131 of the 10 Year Plan)		Comments	Sept	Dec	March	June
06. Median response time for resolution of urgent call-outs. (7 hours or less)		The median resolution time for urgent call-outs during the quarter for which a response time is recorded was 19.78 hours. The maximum response time was 191.3 hours. Following AuditNZ's advice, response time and resolution time now includes after hours and weekends (non-business hours). The performance measures and target is no longer realistic.	G	R	R	R
07. Median response time for non-urgent call-out attendance. (10 hours or less)		The median response time for non urgent call-outs during the quarter for which a response time is recorded was 2.47 hours. The maximum response time was 1653.783 hours. Following AuditNZ's advice, response time and resolution time now includes after hours and weekends (non-business hours).	G	G	G	G
08. Median response time for resolution of non-urgent call-outs. (75 hours or less)		The median resolution time for non-urgent call-outs during the quarter for which a response time is recorded was 52.45 hours. The maximum response time was 5177.75 hours. Following AuditNZ's advice, response time and resolution time now includes after hours and weekends (non-business hours).	G	G	G	G
09. Percentage of real water loss from the water reticulation network. (Less than 20%)		Real water loss from the water reticulation network is calculated at 25%, more than the targeted 20%. The calculation for real water loss was revised this year with more accuracy due to updated census data and more representative survey metering.	G	G	W	R
10. A 30-year Asset Management Plan is in place for water and major AMP projects approved in the 10 Year Plan are achieved. (Renewals as a group)		The 30 Year Asset Management Plan (2017-2047) for the 2018-21 LTP was adopted in 2018. The major network renewal programmes of work have been completed as planned.	G	G	G	G

11. Major services and projects are provided within budget.	<p>Operations and maintenance expenditure exceeded budget due to additional unbudgeted and unavoidable expenditure in investigation and planning, subdivision consent processing and pest management in the Turitea water catchment. Key capital programmes of work were not completed due to longer than anticipated procurement phases in a tight contractor market, internal project and contract management gaps and construction delays on tendered projects ie Duplicate Water Main and Railway Road Bore upgrades. Significant additional funding from DIA added to the work delivery pressures.</p>	G	G	Y	R
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Goal 5: Driven & Enabling Council

Leadership Activity

Performance Measures (Page 138 of the 10 Year Plan)	Comments	Sept	Dec	March	June
01. Positive feedback from residents on Council's community engagement. (Narrative measure)	The Residents' Survey (of 400 randomly selected residents annually) includes questions on satisfaction with Council's community engagement. Most people are satisfied (44%) or neutral (40%). (16%) are dissatisfied. There has been an increase in the number of people who are satisfied with the ease of having a say in Council's decision making. The other figures have been fairly constant over the three years of the survey.	G	G	G	G
02. Description of the range of engagement techniques used by Council. (Narrative measure)	Many people prefer online engagement so Council has been emphasising this. We have an online engagement hub on our website for people to locate projects and issues we are seeking feedback on. Although online engagement is a focus, Council still ensures that people have a wide range of online and non-online ways in which they can become involved in decisions. For example, Council's engagement on the 2021 Proposed 10 Year Plan included: partnership meetings with Rangitāne o Manawatu; meetings on social, economic, environmental and cultural wellbeing cohosted with sector groups; working with schools; providing online and printed information; supporting community groups and networks to run their own 10 Year Plan meetings; sending a summary document to all households; holding a 10 Year Plan stall at community markets; running Facebook live and social media discussions; and promoting the Plan on radio, print, social media, billboards and movie theatres.	G	G	G	G
03. Strategies, Plans and Policies are in place, monitored and reviewed. (Narrative measure)	Council has now reviewed and adopted a new strategic direction, comprising of four goals and a corresponding suite of plans. These plans contain all the actions to be carried out by Council over the next three years (including the review of bylaws and policies) which will be reported in various ways through governance processes. Citywide monitoring is reported on the publicly available City Dashboards on Councils website.	G	G	G	G

Supplementary Material for June 2021 Quarterly Report

1. Groups of activities net result statement
2. Capital expenditure by funding source and Group of Activities
3. Capital expenditure by Programme (Programmes over \$200,000)
4. Capital expenditure by Programme (Programmes under \$200,000)
5. Financial Statements
 - a. Summary of financial performance
 - b. Statement of financial position
 - c. Statement of cash flows
6. Approved variations to Annual Budget
7. Personnel
8. Councillor Training

Attachment 1 – Groups of Activities Net Result Statement

Group of Activities Net Result Statement	2020/21		\$000's		Full Year Revised Budget	Full Year Annual Budget
	Year to Date Actual	Budget	Bud. Var. \$000's	%		
For the period to 30 June 2021						
Operating Result by Group of Activities						
Innovative & Growing City	5,413	6,273	860	14%	6,273	6,273
Revenue	(6,872)	(4,815)	2,057	43%	(4,815)	(4,815)
Expenses	12,285	11,088	(1,198)	-11%	11,088	11,088
Creative & Exciting City	20,285	20,649	364	2%	20,649	20,704
Revenue	(3,042)	(1,529)	1,513	99%	(1,529)	(1,529)
Expenses	23,326	22,178	(1,148)	-5%	22,178	22,233
Connected & Safe Community	12,827	12,565	(263)	-2%	12,565	12,565
Revenue	(5,526)	(5,176)	350	7%	(5,176)	(5,176)
Expenses	18,353	17,740	(613)	-3%	17,740	17,740
Eco-City	4,627	4,676	49	1%	4,676	4,676
Revenue	(3,051)	(2,697)	354	13%	(2,697)	(2,697)
Expenses	7,678	7,373	(305)	-4%	7,373	7,373
Transport	5,821	7,984	1,994	25%	7,984	8,079
Revenue	(8,987)	(7,045)	1,772	25%	(7,045)	(7,045)
Expenses	14,807	15,029	221	1%	15,029	15,123
Water	3,901	4,097	196	5%	4,097	4,097
Revenue	(43)	(37)	6	16%	(37)	(37)
Expenses	3,945	4,134	190	5%	4,134	4,134
Wastewater	5,537	4,581	(957)	-21%	4,581	4,580
Revenue	(1,550)	(2,376)	(826)	-35%	(2,376)	(1,336)
Expenses	7,087	6,957	(130)	-2%	6,957	5,917
Stormwater	1,983	1,937	(46)	-2%	1,937	1,930
Revenue	(24)	(2)	22	959%	(2)	(2)
Expenses	2,007	1,939	(68)	-3%	1,939	1,932
Driven & Enabling Council	8,519	9,063	543	6%	9,063	8,694
Revenue	(5,330)	(5,493)	(163)	-3%	(5,493)	(5,492)
Expenses	13,849	14,555	706	5%	14,555	14,186
Group of Activities Controllable Surplus/ (Deficit)	68,913	71,823	2,910	4%	71,823	71,596
Rates	(101,100)	(100,812)	288	0%	(100,812)	(100,782)
Net Interest	4,705	5,540	835	15%	5,540	5,540
Operating Controllable (Surplus) / Deficit	(27,482)	(23,449)	4,033	17%	(23,449)	(23,646)
Depreciation	36,784	40,428	3,644	9%	40,428	40,428
Non-operating revenue	(16,620)	(20,704)	(4,085)	-20%	(20,704)	(13,175)
Non-operating expenses	(7,201)	0	7,201	-100%	0	0
Net Result (Surplus) / Deficit	(14,518)	(3,725)	10,793	290%	(3,725)	3,607

Group of Activities Budget variance explanations (net \$600k or more)

- Innovative and Growing City has significantly increased revenue in building and planning services. The has also caused an increase in expenditure.
- Transport has favourable net revenue within parking and roading.
- Wastewater has decreased revenue due to slower progress than anticipated in the operational programs of the three-water reform funding. Increased expenditure due to additional work required on consent renewals.
- Driven & Enabling Council has significantly lower expenditure due to slower progress than anticipated on Te Huringa.

Group of Activities Budget variance explanations (revenue and expenses \$800k or more)

- Creative & Exciting City has increased revenue coming from venues although this is offset by increased expenditure.

Attachment 2 – Capital expenditure by funding source and Group of Activities

Capital Expenditure For the period to 30 June 2021	2020/21		\$000's			
	YTD Actual	Budget	Variance \$000's	%	Full Year Revised Budget	Full Year Annual Budget
Capital New	39,921	55,522	(15,601)	(28.1%)	55,522	46,754
Funded by:						
Borrowing	29,732	46,293	(14,640)	(31.6%)	46,451	40,247
External revenue	10,189	9,228	(961)	(10.4%)	9,071	6,507
Capital Renewal	23,310	28,846	(5,536)	(19.2%)	28,846	23,711
Funded by:						
Rates	17,299	21,176	(7,195)	(34.0%)	14,990	19,955
External revenue	6,011	7,670	1,659	21.6%	7,670	2,705
Three year averaging					1,051	1,051
Borrowing					5,135	
TOTAL CAPITAL	63,231	84,368	(21,137)		84,368	70,466

Group of Activities - Capital Expenditure For the period to 30 June 2021	2020/21		\$000's			
	Year to Date Actual	Budget	Variance \$000's	%	Full Year Revised Budget	Full Year Annual Budget
Capital New	39,921	55,522	(15,601)	(28.1%)	55,522	46,754
Innovative & Growing City	-	-	-	-	-	-
Creative & Exciting City	17,942	20,751	(2,808)	(13.5%)	20,751	20,075
Connected & Safe Community	5,443	7,119	(1,676)	(23.5%)	7,119	6,451
Eco-City	511	459	52	11.4%	459	328
Transport	8,128	12,902	(4,774)	(37.0%)	12,902	9,064
Water	4,274	7,559	(3,285)	(43.5%)	7,559	5,906
Wastewater	2,257	4,315	(2,058)	(47.7%)	4,315	2,813
Stormwater	1,159	2,111	(952)	(45.1%)	2,111	1,761
Driven & Enabling Council	207	306	(99)	(32.4%)	306	356
Capital Renewal	23,310	28,846	(5,536)	(19.2%)	28,846	23,711
Innovative & Growing City	266	300	(34)	(11.5%)	300	300
Creative & Exciting City	3,957	3,944	13	0.3%	3,944	3,815
Connected & Safe Community	1,735	2,070	(334)	(16.2%)	2,070	2,276
Eco-City	130	176	(46)	(26.0%)	176	176
Transport	4,530	5,613	(1,083)	(19.3%)	5,613	5,613
Water	3,959	5,259	(1,300)	(24.7%)	5,259	3,277
Wastewater	4,851	7,004	(2,153)	(30.7%)	7,004	3,642
Stormwater	744	860	(116)	(13.5%)	860	860
Driven & Enabling Council	3,137	3,621	(484)	(13.4%)	3,621	3,752

Attachment 3 –Capital expenditure by Programme (programmes over \$200,000)

The following table highlights the spending of the programmes with budgets in excess of \$200,000 with commentary.

Capital Programme Details (Values are in \$1000)						
Description						
Not Started						
On Budget Ahead of Schedule						
On Budget Behind Schedule						
On Track						
Over Budget Behind Schedule						
Over Budget On Schedule						
Under Budget Behind Schedule						
Under Budget On Schedule						

Activity-Programme Name	YTD Actuals(\$000)	Total Budget(\$000)	Variance (\$000)	Status	Comments
CAPITAL NEW					
Transport					
636-Aokautere Drive Pedestrian Cycle Improvements(1631-C/fwd - Aokautere Drive Pedestrian)	\$27	\$564	\$537		Due to scope complexity against available budget, the work has been reprogrammed to Year 4 of 10 Year Plan (design 25/26, construction in 26/27). Alternative design options are being investigated alongside Waka Kotahi to discuss short term and speed management options.
732-Summerhill Drive - Pedestrian and Cycle Improvements(1657-C/fwd - Summerhill Drive - Pedestri)	\$76	\$248	\$172		Programme construction commenced following engagement/consultation. Expected completion in first quarter 21/22. This is a proposed carry forward.

1358-City-wide - Footpath extension(1605-C/fwd - Footpath extensions city wi)	\$716	\$741	\$25		Limited contractor capability and capacity has resulted in one project unable to be completed by end of FY. This project will be completed as part of the new Roading Contract in 2021-22 once Waka Kotahi funding is confirmed.
1444-City-wide - Shared path resilience(1648-C/fwd - Shared path resilience impr)	\$190	\$314	\$124		Further engagement and consultation on specific treatments and locations has not identified any sites.
1559-City-wide - Urban Cycle Infrastructure Network improvements(1633-C/fwd - Urban Cycle Network Develo)	\$230	\$1,000	\$770		Extended stakeholder engagement in 20/21 has meant that it is proposed to carry forward the programme budget to enable construction to occur 21/22.
1694-Summerhill Drive - On-Street Parking Infrastructure	\$185	\$234	\$49		The on-street parking improvements included in the Summerhill Cycleway Project are currently being constructed. They are now scheduled for completion in the first quarter of 21/22.
201-Urban Growth - Development Contributions - Transport	\$322	\$490	\$168		Growth Programme. Two private developments did not proceed according to expectation meaning Council Contributions were not required.
244-City Centre Streetscape Plan - Square East (900-C/fwd - The Square East Side - Stree)	\$1,374	\$1,929	\$555		Delay in procuring the design consultants delayed the programme start. Draft concept design for all streets in programme complete. Engagement plan being finalised. Construction planned for late third quarter 21/22. This is a proposed carry forward.
279-City-wide - Minor transport improvements(1656-C/fwd - City-wide - Minor Road Proj)	\$1,066	\$1,101	\$35		Slower contractor progress resulted in one project remaining uncomplete at year end.
324-Park Road / Cook Street - Intersection Improvements	\$735	\$1,209	\$474		Tight contractor market extended the procurement process and delayed the contract start. Construction nearing completion with official opening occurring in August. This is a proposed carry forward.
1362-Roberts/Railway Road North Intersection Safety Realignment(1595-C/fwd - Roberts/Railway Road North)	\$32	\$293	\$261		Original intersection safety improvements rescope in favour of closing the railway crossing. Closure process still being progressed.
1367-City-wide - Street Light Infill	\$923	\$918	(\$5)		Programme scope of work completed.
1488-Seal extension Rural Unsealed Road	\$257	\$291	\$34		Saving. Full scope of seal extension work completed with a small budget surplus
1578-Monrad Pencarrow Roundabout installation(1655-C/fwd - Monrad Pencarrow Roundabout)	\$824	\$1,219	\$395		Tight contractor market and need to negotiate on price and scope extended the tender process and contract start. Construction now underway, with completion in first quarter of 21/22. This is a proposed carry forward.
1623-College Street Upgrade Parking Mitigation(1644-C/fwd - College Street Upgrade Park)	\$240	\$353	\$113		Saving. Project scope of work completed resulting in a budget surplus.
Creative & Exciting City					

94-Walkways and Shared Path - Purchase of Land to Extend Network(1584-C/fwd - Walkways and Shared Path -)	\$224	\$529	\$305	Land negotiations are underway, however this is taking longer than anticipated. This is a proposed carry forward.
140-Neighbourhood Reserves-Aokautere - Peace Tree Reserve Development	\$192	\$310	\$118	The programme was delayed by contractor availability and weather. On track to be completed by end of first quarter of 21/22.
144-Urban Growth - Whakarongo - Reserves Land Purchases	\$9	\$659	\$650	Growth Programme. Due to the delay in forecast subdivision development, the purchase of reserves planned for the area has not proceeded.
752-City Reserves - Manawatu River - Framework Implementation	\$1,012	\$1,078	\$65	Turitea Pa has progressed ahead of the original programme. The balance of the programme has been completed including the Esplanade entranceway which will be opened in August 2021.
1081-City Reserves -Victoria Esplanade - Park Road Entrance and Parking Reconfiguration	\$500	\$936	\$436	Tight contractor market extended the procurement process and delayed the contract start. Construction nearing completion with official opening occurring in August. This is a proposed carry forward.
1534-Central Energy Trust Arena Manawatu - Embankment Redevelopment(1650-C/fwd - Central Energy Trust Arena)	\$14,163	\$13,300	(\$863)	The project is complete with the final financial accounts being completed in June 2021. The total life-to-date project cost is \$17.6 million against an approved budget of \$17.1 million as previously confirmed with Council. The variance shown includes the \$409k of early project costs that were not included in the requested project budgets and a small project overspend which equates to less than 0.5% of the total project cost. This was previously signalled to Council in March 2021.
1473-City Centre Lighting and Projection Demonstration Project(1638-C/fwd - City Centre Lighting and Pr)	\$97	\$201	\$104	There are 2 projects within this programme. The first project, purchasing of projectors to be used at events has been completed. The second project - Projection Lights is currently in scope development and is on track to be delivered as part of the Cuba Street Upgrade, Programme 1440. This is a proposed carry forward.
902-Property - Seismic Strengthening of Council Properties(1016-C/fwd - Seismic Strengthening of Co)	\$524	\$2,157	\$1,633	The development of the design for the Crematorium has taken longer than anticipated, which has led to a delay to the starting of tender process. The Tender report is to be presented to Council in August, with construction to commence thereafter. This is a proposed carry forward.
Connected & Safe Community				
161-Public Toilets - New City-wide Toilets	\$91	\$202	\$111	There are two projects within this programme. The new Linton toilet block was completed as planned. The new changing rooms and toilets within Memorial Park are on track to be completed in 21/22. This is a proposed carry forward.
1219-Social Housing - Papaioea Place Redevelopment - Stage 2(1639-C/fwd - Social Housing - Papaioea S)	\$4,271	\$4,953	\$682	Project is proceeding to programme. Stage 2 is due for completion by the end of the first quarter of 21/22 as planned.
1413-Bunnythorpe Community Facility(1581-C/fwd - Bunnythorpe Community Facil)	\$814	\$1,392	\$579	Delay in commencement of construction has meant that facility is now due for completion by the end of the first quarter of 21/22 as planned.

1552-Animal Shelter - New Building	\$77	\$300	\$223		The design of the new Animal Shelter is progressing as planned and due for completion in first quarter of 21/22. Construction of the new facility will commence in 21/22 be completed in 22/23 as planned.
Stormwater					
1001-Urban Growth - Whakarongo - Stormwater(1284-C/fwd - Urban Growth - Whakarongo -)	\$152	\$250	\$98		Resource Consent delayed by protracted negotiations with Horizons Regional Council. Work packages and programmes are planned for the end of second quarter 21/22.
1060-City-wide - Stormwater Network Improvement Works	\$920	\$1,300	\$380		Piping of Jamiesons Dr and Gas Works Drain improvement has been proposed to be a carry forward in 21/22, as work can only be safely undertaken in the summer months.
1372-City-wide Stormwater Pump Stations Improvement	\$53	\$310	\$257		Contractor availability and weather disruptions has delayed the commencement of this programme. The works will be completed by end of first quarter of 21/22. This is a proposed carry forward.
Wastewater					
1055-Urban Growth - Kakatangiata - Wastewater(1597-C/fwd - Urban Growth - City West -)	\$5	\$350	\$345		Growth Programme. Development has not occur at the rate forecast. This is a proposed carry forward.
1074-Totara Road Wastewater Treatment Plant - Earthquake Strengthening of Civil Structures(1626-C/fwd - Totara Road Wastewater Trea)	\$845	\$1,000	\$155		The first phase of seismic upgrades was completed. Construction to be completed in the first quarter 21/22. This is a proposed carry forward.
1579-WWTP - Health and Safety Upgrades	\$218	\$379	\$161		Delay with steel suppliers and long lead times in respect of preferred galvanizing suppliers has delayed work commencement. Work now to be completed in first quarter of new financial year. This is a proposed carry forward.
1618-Totara Road Wastewater Treatment Plant - High Voltage Power resilience upgrades	\$138	\$400	\$262		Design nearing completion. Scope change in response to building seismic assessment and structural modifications of the existing floor has delayed project. Scheduled to tender for construction in the first quarter of 21/22. This is a proposed carry forward.
1619-Totara Road Wastewater Treatment Plant - Inlet Screens	\$427	\$760	\$333		The inlet screens programme was divided into three stages. Stage 1 is complete. Stage 2 comprising the mechanical modifications of the screen room, has been delayed by the delay to the lift pump project. Additional diesel pumps were hired to provide standby pumping capacity for when the lift pumps are upgraded. The intake pipes take up significant space in the screen room and cannot be removed until the second lift pump is installed.
1621-Totara Road Wastewater Treatment Plant - New Storage Shed for critical equipment.	\$113	\$270	\$157		Long processing time for the building consent has delayed the ordering of the steel by the contractor. Construction due to commence first quarter of 21/22. This is a proposed carry forward.

Water						
91-Turitea WTP - Falling Main Duplication(1544-C/fwd - Turitea Water Treatment Pla)	\$3,270	\$4,440	\$1,170			New main and rider main installed, pressure tested and disinfected. Commissioning plan to be commenced and a carry forward has been requested. Completion mid August. Programme expected to be achieved under budget.
246-Urban Growth - Development Contributions - Water Supply	-	\$205	\$205			Growth Programme. No call on programme budget in 20/21 due to private subdivision development not occurring as forecast.
651-City-wide - Water Supply Resilience - Seismic Strengthening(1289-C/fwd - City-wide - Seismic Strengt)	\$157	\$1,219	\$1,062			Extended procurement period due to limited contractor interest. Following Council approval to award Phases 1-3 over multiple years as one contract, negotiations are on-going with the single tender submitter to secure an acceptable contract price. This is a proposed carry forward.
1384-City-wide - Water Supply Resilience - Additional Reservoirs(1608-C/fwd - Citywide - New water supply)	\$530	\$930	\$400			Works are more than 50% complete although design issues and delays to equipment supply have pushed back completion into second quarter 21/22. This is a proposed carry forward.
1388-Palmerston North - District Metering Areas for Water Supply(1663-C/fwd - Citywide Water Conservation)	\$44	\$262	\$218			Extended negotiations with PN Airport Ltd required to reach a 50/50 cost share for Airport Dr pressure release valve (PRV). Work is now underway. Discovery of a gas main under the preferred location is requiring re-design of the new PRV to be located at the Crown Research Campus. This is a proposed carry forward.
CAPITAL RENEWAL						
Transport						
64-City-wide - Footpath Renewals (Waka Kotahi Subsidies)	\$1,030	\$1,023	(\$7)			Minor overspend on programme budget.
115-City-wide - Sealed Pavement Renewals (Waka Kotahi Subsidies)	\$186	\$1,187	\$1,001			Contractor was unable to mobilise resources to complete 90% of the pavement renewals work programme. Budget was reallocated sealed road resurfacing to ensure NZTA subsidy was utilised elsewhere in the network. Council share of unspent budget \$490,000 proposed to be carried forward.
122-City-wide - Road Drainage Renewals	\$292	\$358	\$66			Contractor capacity prevented full scope of drainage renewal work from being completed.
139-City-wide - Sealed Road Resurfacing	\$2,692	\$2,594	(\$98)			Additional AC pavement resurfacing work was undertaken to compensate in part for the underspend in pavement renewals.
1440-Cuba Street urban streetscape improvements - Rangitikei to George Street(1643-C/fwd - Cuba Street urban streetsca)	\$173	\$620	\$446			Programme delayed due to extended engagement and consultation on final solution. Tender process to be completed in first quarter of 21/22 with construction anticipated to commence over summer. This is a proposed carry forward.
Creative & Exciting City						
98-Citywide Reserves - Renewals (Victoria Esplanade,	\$586	\$668	\$82			The Lath House replacement did not proceed this financial year. The project has been moved into Year 4 of the 10 Year Plan.

Memorial Park, Ashhurst Domain and Te Marae o Hine)							
173-City-wide - Playground Renewals	\$345	\$354	\$9			The Savage Reserve Playground renewal project is in progress - delayed by contractor availability	
596-Aquatics - Lido Pool - Asset Renewals	\$432	\$469	\$37			The replacement pump for the Lido did not arrive until late June, due to international shipping delays. Installation of the pump to occur in early 21/22. This is a proposed carry forward.	
1051-CET Arena - Arena Renewals	\$1,205	\$1,065	(\$140)			All planned works were completed. The unexpected structural works at Arena 2 that had to be completed were originally forecast to be around \$400k. The cost of these works only came in at \$140k so a better than expected result.	
1108-Cultural/Heritage Reserve - Hokowhitu Lagoon - Bank Renewal(1531-C/fwd - Cultural/Heritage Reserve -)	\$199	\$201	\$1			Stage 2 of the project has been completed	
213-Cultural Facilities - Renewals (1645-C/fwd - Cultural Facilities - Repla)	\$649	\$650	\$0			All planned projects throughout the portfolio completed	
Driven & Enabling Council							
63-Council's Vehicle and Large Plant - Renewals	\$1,491	\$1,492	\$1			The vehicle renewals programme for 20/21 has been completed	
53-Computer Replacement - Rolling Replacements	\$91	\$273	\$182			Decision to purchase additional computer equipment was postponed due to the supplier's inability to deliver within the 2021 financial year. Carry forward of remaining budget has been proposed and equipment purchases are to be made within Q1 of 2022 financial year.	
281-CAB - Renewals(1673-C/fwd - Operational Property - Civi)	\$1,093	\$1,130	\$37			Stage 3 of the CAB Fire Safety Upgrades is due for completion first quarter of 21/22. All other works completed.	
Connected & Safe Community							
188-City Library Replacement and Purchase of Library Materials	\$728	\$725	(\$3)			All expected renewals completed	
202-Central Library Interior Design Renewals(1591-C/fwd - Central Library Interior De)	\$265	\$257	(\$8)			All expected renewals completed	
1575-Seismically brace the HVAC piping(1667-C/fwd - Seismically brace the HVAC)	\$140	\$291	\$152			Due to supply chain issues with international purchases of HVAC and LED lighting, programme has been delayed. It is proposed to carry forward this budget to enable completion of this work early in first quarter of 21/22.	
Stormwater							
20-City-wide - Stormwater Pump Station Renewals	\$21	\$230	\$209			Limited contractor availability means that the programme is proposed to be carried forward into 21/22. Work is to be completed within first quarter of new financial year.	

1062-City-wide - Stormwater Network Renewal Works	\$724	\$630	(\$94)		The Hospital stormwater renewal is 90% completed, delayed due to resourcing constraints, services clashes and wet weather. Final completion is scheduled for end of July 2021. Expenditure in current year planned to offset by an equivalent decrease in expenditure in 21/22
Wastewater					
54-City-wide - Wastewater Pipe Renewal	\$3,075	\$3,531	\$457		A portion of the relining contract has been deferred until after winter due to wet ground conditions and having to arrange access to private property. Internal staffing resource constraints delayed scoping and design of several renewal projects requiring them to be deferred to 21/22. This is a proposed carry forward.
65-City-wide - Wastewater Pump Station Renewal	\$104	\$367	\$263		Staffing and resource constraints have delayed scoping and design of many of the projects. All projects are now being designed for procurement and delivery in 21/22. This is a proposed carry forward.
179-Totara Road Wastewater Treatment Plant - Minor Equipment Renewals	\$719	\$1,040	\$321		DIA funding enabled additional scope. Some contractor capacity constraints and overseas supply chain delays means that this is a proposed carry forward and the programme is on track to be completed third quarter 21/22.
1059-Totara Road Wastewater Treatment Plant - Replacement of Grit Removal Systems(1630-C/fwd - Totara Road Wastewater Trea)	\$115	\$315	\$200		Investigations determined a more cost effective way to upgrade existing equipment to improve efficiency. The remaining budget is a saving.
1068-Totara Road Wastewater Treatment Plant - Replacement of Inlet Pumps(1665-C/fwd - Totara Road Wastewater Trea)	\$811	\$1,008	\$197		DIA Funded. A bearing defect on the first lift pump that was installed delayed final commissioning. Both suppliers and manufacturers are working on a modification which will be implemented before the installation of pump two proceeds.
1620-Totara Road Wastewater Treatment Plant - High Voltage Power renewals	\$2	\$300	\$298		Work funded from two separate programmes. This programme is proposed to be carried forward.
1685-Replacement of potable water service in WWTP	\$9	\$250	\$241		DIA Funded. Increased complexity of scope has delayed design. Construction to be completed by third quarter 21/22.
Water					
199-City-wide - Water Supply Bore and Network Facility Renewals	\$141	\$443	\$302		DIA funding enabled additional scope. Some contractor capacity constraints and overseas supply chain delays means that this is a proposed carry forward and the programme is on track to be completed third quarter 21/22.
207-Turitea WTP - Equipment and Facility Renewals(1646-	\$239	\$945	\$707		DIA funding enabled additional scope. Some contractor capacity constraints and overseas supply chain delays means that this is a proposed carry forward and the programme is on track to be completed third quarter 21/22.

C/fwd - Turitea Water Treatment Pla)					
214-City-wide - Water Toby and Manifold Renewals	\$244	\$350	\$106		Scope complexity led to design delays. Programme now ready to go to tender for two year implementation period.
218-City-wide - Water Main Renewals	\$2,288	\$2,495	\$207		DIA funding has added to the scope of this programme. Work on this project was unable to be completed in this financial year, and will be finalised by end of first quarter of 21/22
663-Ashhurst - Water Supply Rising Main Renewal - Stage 3(1664-C/fwd - Ashhurst - Bore to Reservoir)	\$964	\$881	(\$84)		Project completed. Slightly over budget due to higher costs for traffic management and pipe jacking under the culvert crossing.

Attachment 4 –Capital expenditure by Programme (programmes under \$200,000)

The following table highlights spend against budget of the programmes with budgets less than \$200,000.

Activity-Programme Name	YTD Actuals(\$000)	Total Budget(\$000)	Variance(\$000)	Status
CAPITAL NEW				
Transport				
114-City-wide - New Cycle Stands and Shelters	\$10	\$18	\$8	
148-City-wide - Bus Stop Improvements	\$66	\$64	(\$2)	
235-Manawatu River (Ashhurst to Riverside Drive) - Cycle/Pedestrian Pathway(1225-C/fwd - Manawatu River (Ashhurst to)	\$122	\$150	\$29	
1039-Shared Path Connection - Riverside Drive to Railway Road	-	\$33	\$33	
1095-Palmerston North to Bunnythorpe Shared Path	\$12	\$102	\$91	
1125-Park Road (from Fitzherbert Avenue to Katene Street) - Cycle/Pedestrian Improvements	\$5	\$53	\$48	
1155-City-wide - Street Seats	\$11	\$11	\$1	
1216-City-wide - Additional Cycle Lanes(1652-C/fwd - City-wide - Additional Cycl)	\$83	\$104	\$22	
1257-City-wide - Cycle Phases at Intersections(1653-C/fwd - City-wide - Cycle Phases at)	-	\$42	\$42	
1361-Turitea Road - Pedestrian Path/Steps(1647-C/fwd - Turitea Road - Pedestrian P)	\$84	\$84	(\$0)	
163-City-wide - New Street Tree Planting	\$85	\$90	\$5	
167-James Line (Schnell Dr to Kelvin Grove Rd) - Improvements (1651-C/fwd - Urban Growth - Whakarongo -)	\$28	\$119	\$91	
719-College Street - Implementation Plan for Transport Upgrade	\$17	\$37	\$20	
910-Ferguson Street (Linton Street to Pitt Street) - Road Widening and Traffic Signal Installation	\$110	\$150	\$40	
1003-Whakarongo - Intersection Upgrades(1641-C/fwd - Urban Growth - Whakarongo -)	-	\$100	\$100	
1089-NEIZ - Richardsons Line Upgrade(1603-C/fwd - Industrial Growth - NEIZ -)	\$60	\$150	\$90	
1183-Stoney Creek Road (School) Safety Upgrade(1658-C/fwd - Stoney Creek Road (School))	\$39	\$34	(\$5)	
1615-City-wide - Parking and Traffic Signs and Marking(1674-C/fwd - City Wide - Parking and Tra)	\$27	\$40	\$13	
Active Community				
93-City Reserves - Memorial Park Reserve Development Plan Implementation(1583-C/fwd - City Reserves - Memorial Pa)	\$166	\$149	(\$17)	
95-Walkways and Shared Path - Construction	\$69	\$72	\$3	
111-Local Reserves - Roslyn - Edwards Pit Park Development	\$30	\$31	\$0	
158-City-wide - Safety Improvements to Reserves	\$35	\$35	-	
160-City-wide - Improved Access to Reserves for Persons with Disabilities	\$38	\$38	-	
165-Outdoor Adventure Reserves - Arapuke Forest Park/Kahuterawa Development	\$73	\$65	(\$8)	
196-Caccia Birch - Lagoon Embankment Upgrade(1649-C/fwd - Caccia Birch - Lagoon Emban)	\$88	\$88	\$0	
558-Urban Growth - Local Reserves - Takaro - Oriana Reserve Development(1634-C/fwd - Neighbourhood Reserves - Ta)	-	\$80	\$80	

560-Cultural/Heritage Reserves - Te Motu o Poutoa / Anzac Park Reserve Development(925-C/fwd - Cultural/Heritage Reserves -)	\$64	\$60	(\$4)	
587-Neighbourhood Reserves - Kelvin Grove - Linklater Reserve Development	\$112	\$113	\$0	
697-Clearview Reserve Development(761-C/fwd - Clearview Reserve Developmen)	-	\$31	\$31	
708-Urban Growth - Aokautere - Reserves Land Purchase	-	\$34	\$34	
716-Urban Growth - Whakarongo - Walkways Land Purchases	\$2	\$150	\$148	
967-City-wide - Edibles Planting	\$5	\$5	(\$0)	
1097-Sportsfields - Drainage to Increased Capacity	\$88	\$89	\$0	
1099-Parks and Reserves - Shade Development	\$26	\$28	\$2	
1127-City Reserves - Victoria Esplanade - Bonsai & Shade House	\$9	\$80	\$72	
1175-City-wide - Shade Trees	\$10	\$10	\$0	
1182-City-wide - Recreation spaces - Improved Lighting	\$21	\$21	-	
1407-Vacated Bowling Club Land - Conversion to Other Uses	-	\$10	\$10	
1439-Culture/Heritage - Urban Eels Project Contribution	(\$9)	-	\$9	
1454-City Reserves - Victoria Esplanade Development Plan	\$62	\$61	(\$1)	
1523-Ashhurst Pool Enhancements	\$147	\$145	(\$2)	
1622-Central Energy Trust Arena Manawatu - New Truss	\$101	\$100	(\$1)	
Creative & Exciting City				
1330-Placemaking Co-created Project (capital)	\$14	\$15	\$1	
1476-City Centre Laneways Programme	\$71	\$70	(\$0)	
Connected & Safe Community				
107-Cemeteries - Kelvin Grove - Ash Plot developments and Childrens area extension	\$62	\$68	\$6	
133-Cemeteries - Kelvin Grove - New Burial Sections Footpaths and Roding Extension	\$53	\$44	(\$9)	
147-Cemeteries - Kelvin Grove, Ashhurst and Bunnythorpe - New Burial Berms	\$42	\$125	\$83	
1196-Cemeteries - Kelvin Grove - Renewal of staff facilities	\$7	\$5	(\$1)	
Driven & Enabling Council				
60-Information Management Strategic Plan Project - New Software Applications	\$1	\$16	\$15	
1187-PNCC Website Customisation	\$12	\$25	\$14	
1676-Improve participation in Council and Committee meetings	\$4	\$80	\$76	
99-New Vehicles and Plant to enable the delivery of improved Council services	\$190	\$185	(\$6)	
Eco-City				
506-City-wide - Public Space Rubbish & Recycling Bins Development	\$38	\$40	\$2	
657-Urban Growth - Recycling - City-wide Wheelie Bins and Crates	\$66	\$57	(\$9)	
721-Awapuni Closed Landfill - Landscaping Development	\$15	\$17	\$2	
1371-Closed Landfills and Transfer Stations - Safety, Security and Development	\$199	\$151	(\$47)	
1373-City-wide - Recycling Drop Off Facilities - Development	\$71	\$78	\$7	
1077-Citywide - Biodiversity Enhancement Through Native Planting	\$18	\$21	\$2	
1451-Property - LED Lighting Upgrades	\$63	\$61	(\$1)	
1410-Recycling - City-wide Recycling Services to Commercial/organisational Properties Development	\$41	\$32	(\$8)	
Stormwater				

51-Urban Growth - Development Contributions - Stormwater	\$35	\$151	\$116	
197-Urban Growth - NEIZ - Stormwater (1602-C/fwd - Urban Growth - North East I)	-	\$100	\$100	
Wastewater				
73-Urban Growth - Development Contributions - Wastewater	-	\$103	\$103	
210-Urban Growth - NEIZ - Wastewater(1625-C/fwd - Urban Growth - Installation)	\$19	\$100	\$81	
1000-Urban Growth - Whakarongo - Wastewater(1659-C/fwd - Urban Growth - Whakarongo -)	(\$39)	-	\$39	
1043-Totara Road Wastewater Treatment Plant - Inlet Main Duplication(1624-C/fwd - Totara Road Wastewater Trea)	-	\$160	\$160	
1048-Totara Road Wastewater Treatment Plant - Construction of New Food Waste Facilities(1660-C/fwd - Totara Road Wastewater Trea)	\$193	\$173	(\$20)	
1412-Urban Growth - Ashhurst - Wastewater(1627-C/fwd - Urban Growth - Ashhurst - W)	\$20	\$20	(\$0)	
1616-City-wide - Wastewater Pump Station - Capacity Upgrade	\$87	\$100	\$13	
1617-Totara Road Wastewater Treatment Plant - Biogas System Improvements	\$98	\$150	\$52	
1677-Upsizing of Kairanga Bunnythorpe Road Sewer and Storage	\$0	\$50	\$50	
1688-Three Waters Resilience - Installing Telemetry	\$4	\$140	\$136	
1689-Three Waters Data Centre Upgrade	\$128	\$160	\$32	
Water				
124-Turitea WTP - Drinking Water Standards Upgrades	-	\$50	\$50	
1004-Urban Growth - Whakarongo - Water Supply(1285-C/fwd - Urban Growth - Whakarongo -)	-	\$100	\$100	
1005-Urban Growth - NEIZ - Water Supply(1286-C/fwd - Urban Growth - Installation)	\$20	\$100	\$80	
1386-MOVED - Ashhurst - Water Supply Upgrade	\$60	\$63	\$3	
1607-City-wide - Health & Safety - Water Treatment Chemical Handling	\$60	\$60	\$0	
CAPITAL RENEWAL				
Transport				
648-City-wide - Supporting Cycle Infrastructure Renewals	\$9	\$11	\$2	
74-City-wide - Street Light Renewals	\$96	\$141	\$45	
82-Off-street Parking Renewals	\$8	\$15	\$7	
155-City-wide - Street Tree Renewals	\$64	\$61	(\$3)	
162-City-wide - Vehicle Crossing Renewals	\$101	\$100	(\$1)	
1443-City-wide - Road Drainage Replacements (Unsubsidised)	\$53	\$123	\$70	
Creative & Exciting City				
174-City-wide - Replacement of Furniture on Reserves	\$86	\$83	(\$3)	
177-City-wide - Replacement of Gardens on Reserves	\$31	\$32	\$1	
182-City-wide - Restoration of Waterways on Reserves	\$10	\$10	-	
184-Walkways and Shared Paths - Refurbishments and Replacements	\$43	\$47	\$4	
190-City-wide - Replacement of Trees on Reserves	\$25	\$13	(\$12)	
195-City-wide - Renewal of Hardsurface Areas on Reserves	\$142	\$142	(\$0)	
257-Sportsfields and Outdoor courts - Fitzherbert/Manawaroa/Ongley Parks - Cricket Block Replacements	\$32	\$32	\$0	
258-City-wide - Refurbishment and Replacement of Boundary Fences on Reserves	\$36	\$47	\$11	

267-Sportsfields and Outdoor Courts - Fitzherbert/Manawaroa/Ongley Parks - Cricket Wicket Renovations	\$17	\$13	(\$4)	
269-Sportsfields and Outdoor Courts - Vautier Park - Synthetic Court Refurbishments (Plexipave)	\$45	\$46	\$1	
598-Aquatics - Freyberg Community Pool - Asset Renewals	\$20	\$20	\$0	
819-Central Energy Trust Arena - Replacement of Equipment	\$43	\$45	\$2	
1474-City-wide - Renewal of park buildings and structures	\$14	\$8	(\$6)	
1490-I-Site LED screen renewal	(\$2)	-	\$2	
Connected & Safe Community				
37-Cemeteries - Terrace End - Site Enhancements	\$17	\$19	\$2	
178-City Library (all sites) Replacement of Shelving, Furniture and Equipment(1671-C/fwd - Central Library Replacement)	\$117	\$90	(\$27)	
180-Social Housing - Renewals	\$114	\$148	\$35	
186-Public Toilets - Renewals	\$30	\$121	\$90	
203-Community Libraries, Youth Space, Blueprint and Mobile Library Interior Design Renewals(1670-C/fwd - Interior Design of Communit)	\$63	\$62	(\$1)	
278-Cemeteries - Kelvin Grove - Roading and Footpath Refurbishment	\$26	\$38	\$12	
567-Cemeteries - Crematorium Chapel Interior Renewals	-	\$66	\$66	
1138-Digital Technology to Support 21st Century Citizens and Service (Renewal)	\$15	\$15	\$0	
1151-City Libraries - Building Security System Renewal	\$33	\$31	(\$1)	
1269-Bylaw Signage - Replacement	-	\$6	\$6	
Driven & Enabling Council				
58-Network Additions and Upgrades	\$32	\$42	\$9	
68-Aerial Photography	\$22	\$28	\$6	
86-Property - Furniture Replacements	\$139	\$138	(\$1)	
272-Staff Cafeteria - Replacement of Equipment	\$6	\$6	(\$0)	
318-Telecommunications Replacement - Council Buildings	\$11	\$156	\$146	
784-Replacement of Council's Photocopiers/Printers(1672-C/fwd - Replacement of Council's Ph)	\$22	\$61	\$40	
1512-CCTV replacements	-	\$31	\$31	
80-Council Small Mobile Plant and Equipment - Replacement	\$173	\$174	\$1	
85-Depot - Buildings and Structures Renewals	\$39	\$90	\$51	
Innovative & Growing City				
251-Conference & Function Centre - Replacement of Equipment	\$34	\$36	\$2	
270-Holiday Park - Renewals	\$156	\$180	\$24	
664-Conference & Function Centre - Renewals	\$5	\$13	\$8	
1166-Conference & Function Centre - Equipment Purchases	\$71	\$71	\$0	
Eco-City				
185-Closed Landfills and Transfer Stations - Site Renewals	\$53	\$92	\$39	
612-Recycling - City-wide Wheelie Bin and Crate Renewals	\$58	\$60	\$2	
1368-City-wide - Public Space Rubbish & Recycling Bins Renewals	\$15	\$15	\$0	
1374-City-wide - Recycling Drop Off Facilities - Renewals	\$4	\$8	\$4	
Wastewater				
1351-Eastern Trunk Main - Hokowhitu Campus Renewal	\$16	\$142	\$126	

1693-PS Telemetry unit compatibility upgrade	\$0	\$50	\$50	
Water				
1058- City-wide - Groundwater Bores Renewal	\$10	\$60	\$50	
1063- Turitea WTP - SCADA Renewals	\$73	\$86	\$13	
1385-Water Telemetry Disaster Resilience Additional Microwave Link(1662-C/fwd - Water Telemetry Disaster Re)	\$133	\$129	(\$4)	

Attachment 5 – Financial Statements
Palmerston North City Council
Summary of Financial Performance
For the period to 30 June 2021

	Year to Date			Full Year	
	Actual	Budget	Actual	Revised	Annual
	\$000	\$000	Prior Year \$000	Budget \$000	Budget \$000
OPERATING REVENUE					
Rates revenue	101,100	100,812	98,853	100,812	100,782
Interest and dividends	273	17	1,042	17	17
Other revenue	30,615	28,782	28,832	28,782	28,782
Operating subsidies and grants	3,967	4,383	3,589	4,383	3,343
TOTAL OPERATING REVENUE	135,954	133,993	132,317	133,993	132,923
CAPITAL REVENUE					
Capital subsidies and grants	13,978	14,850	6,808	14,850	7,321
Development contributions	2,187	1,891	2,993	1,891	1,891
Vested assets	294	2,000	2,841	2,000	2,000
TOTAL CAPITAL REVENUE	16,459	18,741	12,641	18,741	11,212
TOTAL REVENUE	152,414	152,734	144,958	152,734	144,135
EXPENSES					
Employee remuneration	46,911	48,337	47,462	48,337	48,076
Elected member remuneration	990	1,022	975	1,022	1,022
Depreciation and amortisation	36,784	40,428	36,483	40,428	40,428
Interest	4,975	5,557	5,535	5,557	5,557
Professional service costs	14,224	11,739	13,125	11,739	9,516
Other expenses	41,214	41,926	41,888	41,926	43,143
Financial instrument valuation	(7,201)	-	2,594	-	-
TOTAL EXPENSES	137,896	149,009	148,061	149,009	147,742
NET SURPLUS/(DEFICIT) BEFORE TAX	14,518	3,725	(3,103)	3,725	(3,607)

Palmerston North City Council
Statement of Financial Position
For the period to 30 June 2021

	2020/21		As at 30 June 2020
	As at 30 June 2021	Full Year	
	Actual \$000s	Rev Budget \$000s	
Current Assets			
Cash & Short Term Deposits	1,522	2,039	2,039
Trade and other receivables	17,218	12,808	12,845
Inventory	6,713	386	386
Total Current Assets	25,453	15,233	15,269
Non-Current Assets			
Property, plant and equipment	2,013,159	1,881,354	1,835,362
Inventory-Non-current	2,778	5,104	5,104
Intangible Assets	1,162	1,281	1,281
Biological Assets	1,430	1,419	1,419
Investment Properties	4,550	4,550	4,550
Investments & Advance	14,500	13,925	13,925
Total Non-Current Assets	2,037,580	1,907,633	1,861,641
Total Assets	2,063,033	1,922,865	1,876,910
Current Liabilities			
Trade and other payables	27,642	23,489	23,489
Provisions	889	754	754
Current Employee Entitlements	5,492	6,001	6,001
Current Portion - Term Liab	10,000	20,000	20,000
Derivative financial instruments	2,719	2,925	2,925
Total Current Liabilities	46,743	53,169	53,169
Non-Current Liabilities			
Provisions	574	631	631
Term Employee Entitlements	1,196	1,298	1,298
Term Liabilities	156,125	164,176	122,000
Derivative financial instruments	5,645	11,636	11,636
Total Non-Current Liabilities	163,540	177,741	135,565
Total Liabilities	210,283	230,910	188,734
Assets less Liabilities	1,852,750	1,691,955	1,688,177
Public Equity			
Retained earnings	1,060,826	1,050,086	1,046,308
Other reserves	791,923	641,869	641,869
Total Public Equity	1,852,750	1,691,955	1,688,177

Palmerston North City Council
Statement of Cash Flows
For the period to 30 June 2021

	Year to Date	Full Year	
	Actual	Revised	Annual Budget
	\$000s	Budget	\$000s
Cash Flows From Operating Activities			
Receipts from rates revenues	100,544	100,812	100,782
Interest received	247	17	17
Dividends received	4	-	-
Operating subsidies and grants	6,519	4,383	3,343
Receipts from other revenue	27,514	28,782	28,782
Capital subsidies and grants	14,360	14,850	7,321
Development contributions	2,187	1,891	1,891
Receipts from tax losses	41	-	-
Interest paid	(4,975)	(5,557)	(5,557)
Payments to suppliers and employees	(107,119)	(102,987)	(101,757)
Goods and Services Tax (net)	(429)	-	-
Net Cash From Operating Activities	38,893	42,191	34,822
Cash Flows From Investing Activities			
Proceeds from sale of property	175	-	-
Proceeds from sale of biological assets	-	-	-
Purchase of property, plant and equipment - new	(39,771)	(58,488)	(49,663)
Purchase of property, plant and equipment - renewal	(23,403)	(25,880)	(20,803)
Net other advances repayment received/(made)	(497)	-	-
Net increase in investments	(39)	-	-
Net Cash From Investing Activities	(63,535)	(84,368)	(70,466)
Cash Flows From Financing Activities			
Investment fund reductions	-	-	-
Net borrowing proceeds/(repaid)	24,125	42,176	35,643
Repayment of borrowings	-	-	-
Repayment of leases	-	-	-
Net Cash From Financing Activities	24,125	42,176	35,643
Net Increase/(decrease)	(517)	(1)	(1)
Cash at beginning of year	2,039	500	500
Cash at Month End	1,522	499	499

Attachment 7 – Approved variations to Annual Budget

After the 2020/21 Annual Budget was approved, the following changes were authorised by Council. These also impacted the debt levels.

Profit and Loss	\$000
Annual Budget Net Surplus/(Deficit) Before Tax	(3,607)
Changes authorised by Council:	
Adjust budget for capital revenue as a result of carry forwards	384
S17A Review of Economic Development	(15)
Bi Election	(151)
Three waters DIA funded projects Revenue	7,956
Three waters DIA funded projects Expenditure	(1,040)
Additional Funding Revenue – Programme 1534	130
Additional Expenditure – Maori Wards Option	(30)

Capital Expenditure	Programme	\$000
Annual Budget total capital expenditure		70,465
Changes authorised by Council:		
Adjust budget carry forwards to actual		3,822
Three Waters DIA funded projects		6,916
Greens Road land acquisition	94 Walkways and Shared Path - Purchase of Land to Extend Network	27
Bunnythorpe Community Facility	234 - Sportsfields and Outdoor Courts - Changing Room Refurbishments	(258)
Bunnythorpe Community Facility	1413 - Bunnythorpe Community Facility	365
Additional funding required	201 - City-wide - Roadway Subdivision Contributions	320
Additional funding required	51 - City-wide - Stormwater Subdivision Contributions	100
Additional funding required	1005 - Industrial Growth - Installation of Water Supply Systems to an Expanded North East Industrial Zone	100
Additional funding required	210 - Urban Growth - Installation of Wastewater Systems for New Industrial Areas - NEIZ Extension Area	100
Additional funding required	197 - Urban Growth - North East Industrial Park Stormwater	100
Additional funding required	1089 - Industrial Growth - NEIZ - Richardsons Line Upgrade	150
Additional funding required	1001 - Urban Growth - Whakarongo - Installation of Stormwater Systems	100
Additional funding required	1055 - Urban Growth – City West Installation of Wastewater Systems	300
Reallocation of surplus funds	1488 - Seal Extension Unsealed Roads	(220)
Reallocation of surplus funds	1578 – Monrad/Pencarrow Roundabout Installation	385
Additional funding required	1694-Summerhill Drive - On-Street Parking Infrastructure	234
Additional external funding	1534 – Central Energy Trust Arena Manawatu – Embankment Redevelopment	130
Additional funding required	324-Park Road / Cook Street - Intersection Improvements	541

Additional funding required	1074-Totara Road Wastewater Treatment Plant - Earthquake Strengthening of Civil Structures	400
Additional funding required	1081-City Reserves -Victoria Esplanade - Park Road Entrance and Parking Reconfiguration	190

Variations to Annual Budgets approved by Chief Executive

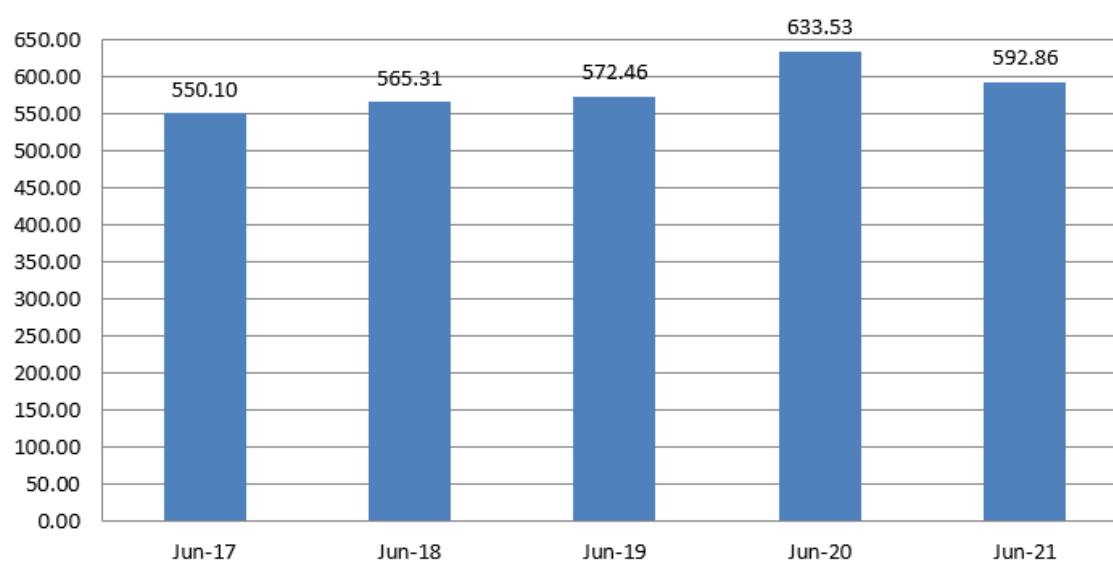
The Delegations Manual provides that the Chief Executive may approve transfers of budgets where this will best achieve the outcome intended and savings can be made to offset the authorised increase. Where the amounts authorised cross activities, these are required to be reported quarterly to the Finance and Performance Committee.

Profit and Loss	Budget change
Activity	\$000
Corporate Support offsetting increase in both revenue and expenses due to Warm up Palmy	Corporate Support: 30 Revenue Corporate Support: (30) Expense
Movement of NZTA revenue budget from commercial or Strategic Investments to Rooding to align with nature of revenue	Commercial or Strategic Investments (308) Revenue Rooding 308 Revenue
Recognition of capital revenue associated to clocktower insurance revenue	Creative & Exciting City 99 Non-Operating Revenue

Capital Renewal	Programme	\$000
Activity		
Water Distribution	663 Ashhurst - Bore to Reservoir Pipe Replacement	157
Water Distribution	218 City-wide - Water Pipe Replacements	(139)
Creative & Exciting City	98-City Reserve Renewals	142
Active Community	174-Citywide Replacement of furniture on reserves	(43)
Roads	115-City-wide - Sealed Pavement Renewals	(780)
Roads	139-City-wide - Sealed Road Resurfacing	780
Wastewater treatment and disposal	1059 - Totara Road Wastewater Treatment Plant - Replacement of Grit Removal Systems	(45)
Local Reserves	1108-Cultural/Heritage Reserve - Hokowhitu Lagoon - Bank Renewal	43
Rubbish and Recycling	1374-City-wide - Recycling Drop Off Facilities - Renewals	27
Local Reserves	1474-City-wide - Renewal of park buildings and structures	(43)

Capital New	Programme	\$000
Activity		
Roads	1183 Stoney Creek Road (School) Safety Upgrade	10
Footpaths	1361 Turitea Road - Pedestrian Path/Steps	35
Water Distribution	1386 Ashhurst water supply upgrade to address fire fighting shortfalls and cater for growth	55
Wastewater treatment and disposal	1048 Totara Road Wastewater Treatment Plant - Construction of New Food Waste Facilities	100
Wastewater treatment and disposal	1621 Totara Road Wastewater Treatment Plant - New Storage Shed for critical equipment.	120
Sport and Recreation	1523 -Ashurst pool enhancements	60
Roads	719 College Street - Implementation Plan for Transport Upgrade	(40)
Wastewater collection	1043 Totara Road Wastewater Treatment Plant - Inlet Main Duplication	(395)
Social Housing	1219-Social Housing - Papaioea Place Redevelopment - Stage 2	(133)

Rubish and Recycling	1371- Landfills and Transfer Stations - Safety, Security and Development	61
Community Halls and Facilities	1413-Bunnythorpe Community Facility	133
Rubish and Recycling	1373-City-wide - Recycling Drop Off Facilities - Development	(6)

Attachment 8 – Personnel**Average FTE Count across Council - incl OT**

The decrease in FTE from 2020 to 2021 is due to the high number of vacancies within the organisation. It is anticipated that the FTE will increase as vacancies are filled.

Attachment 9 - Councillor Training

June year to date spend is \$24,871 against a full year budget of \$34,656.

Deputy Mayor Aleisha Rutherford
NZ Planning Institute Conference
Nelson
24-26 March 2021

Councillor Brent Barrett
2Walk & Cycle Conference
Dunedin
16-19 March 2021

Councillor Orphee Mickalad
Sister Cities Conference
Wellington
15-16 April 2021

The Mayor Grant Smith
Deputy mayor Aleisha Rutherford
Councillor Leonie Hapeta
Councillor Renee Dingwall
Councillor Orphee Mickalad
Councillor Rachel Bowen
Economic Development Conference
Palmerston North
16-18 May 2021

Revision to capital programme carry forward budgets requested

As part of the adoption of the Long Term Plan Budget 2021/22, estimates for budgets to be carried forward from 2020/21 were included totalling \$15.8M. These were based on the anticipated works that were unable to be completed by year end, that were considered still needing progress in 2021/22, with consideration to Covid-19 recovery in New Zealand and supply chain impacting on deliverability.

With the 2020/21 financial year now complete, a more complete picture of carry forward requirements has now been analysed, and a revised carry forward budget increase of \$2.44M is requested, with an increase of \$562K to capital revenue and an increase of \$131K to operational expenditure.

For three water reform funded programmes, it is requested capital and operational expenditure carry forward budget is increased by \$2.48M and revenue is increased by \$2.48M.

The changes to carry forward requested have been broken down into five categories:

- Increase to existing carry forwards
- Reduction or no change to existing carry forwards
- Carry forwards not identified in the Long-Term Plan with existing commitments
- Carry forwards not identified in the Long-Term Plan without firm commitments currently in place
- Three water reform funded carry forward programmes

	New \$000	Renewal \$000	Operational \$000	Total \$000
Carry forward included in 2021/22 Long Term Plan (including DIA funded programmes)	12,022	3,792	0	15,814
Adjustments (including DIA)	2,377	1,667	876	4,920
Total carry forward (including DIA)	14,399	5,459	876	20,734

External Funding (included in Long Term Plan)	1,781	1,707	0	3,488
Adjustment to external funding	1,118	1,182	744	3,045
Total external funding	2,899	2,890	744	6,534

	New \$000	Renewal \$000	Operational \$000	Total \$000
Carry forward included in 2021/22 Long Term Plan (excluding DIA funded programmes)	11,953	3,333	0	15,286
Adjustment to actual carry forward available for those programmes included in the 2021/22 Long Term Plan:				
- Increases to budget	1,912	796	0	2,708
- Reductions to budget	-1,019	-564	0	-1,584
Additional carry forward required for programmes unable to be completed by 30 June 2021:				
Works with existing commitments	649	400	0	1,049
Works without existing commitments	131	0	131	263
Total change to carry forward budgets	1,673	632	131	2,436
Total to be carried forward to 2021/22	13,626	3,965	131	17,722

Carry forward DIA funded programmes included in 2021/22 Long Term Plan	69	459	0	528
Adjustment to DIA funded programmes	653	1,086	744	2,484
Total DIA funded programmes to be carried forward to 2021/22	722	1,545	744	3,012

Table 1. Increase to existing carry forwards

Programme	10YP 2021-31 Carry Forward	Requested Carry Forward Amount	Change in Carry Forward Requested
Capital New			
1362-Roberts/Railway Road North Intersection Safety Realignment	223	261	38
1413-Bunnythorpe Community Facility	344	579	234
1578-Monrad Pencarrow Roundabout installation	196	395	199
732-Summerhill Drive - Pedestrian and Cycle Improvements	103	172	69
161-Public Toilets - New City-wide Toilets	96	111	14
902-Property - Seismic Strengthening of Council Properties	1,618	1,633	16
140-Neighbourhood Reserves- Aokautere - Peace Tree Reserve Development	60	118	58
1081-City Reserves -Victoria Esplanade - Park Road Entrance and Parking Reconfiguration	159	436	277
244-City Centre Streetscape Plan - Square East	351	555	205
1089-NEIZ - Richardsons Line Upgrade	15	90	75
324-Park Road / Cook Street - Intersection Improvements	200	474	274
1615-City-wide - Parking and Traffic Signs and Marking	5	13	8
910-Ferguson Street (Linton Street to Pitt Street) - Road Widening and Traffic Signal Installation	9	40	31
1004-Urban Growth - Whakarongo - Water Supply	50	100	50
1005-Urban Growth - NEIZ - Water Supply	58	80	22
1055-Urban Growth - Kakatangiata - Wastewater	315	345	30
1388-Palmerston North - District Metering Areas for Water Supply	201	218	17
1618-Totara Road Wastewater Treatment Plant - High Voltage Power resilience upgrades	162	262	100
1619-Totara Road Wastewater Treatment Plant - Inlet Screens	252	324	72
91-Turitea WTP - Falling Main Duplication	1,046	1,170	125
Capital New Total	5,463	7,375	1,912
Capital Renewal			
65-City-wide - Wastewater Pump Station Renewal	193	263	70
1351-Eastern Trunk Main - Hokowhitu Campus Renewal	40	126	86
98-Citywide Reserves - Renewals (Victoria Esplanade, Memorial Park, Ashhurst Domain and Te Marae o Hine)	54	82	28
186-Public Toilets - Renewals	67	90	23
115-City-wide - Sealed Pavement Renewals (Waka Kotahi Subsidies)	841	971	130
122-City-wide - Road Drainage Renewals	8	66	59
54-City-wide - Wastewater Pipe Renewal	240	446	206
214-City-wide - Water Toby and Manifold Renewals	71	106	35
185-Closed Landfills and Transfer Stations - Site Renewals	16	39	23
1620-Totara Road Wastewater Treatment Plant - High Voltage Power renewals	162	298	136
Capital Renewal Total	1,692	2,489	796
Total increase in existing carry forwards	7,156	9,864	2,708

Table 2. Reduction or no change in existing carry forwards

Programme	10YP 2021-31 Carry Forward	Requested Carry Forward Amount	Change in Carry Forward Requested
Capital New			
1257-City-wide - Cycle Phases at Intersections	42	42	(0)
1575-Seismically brace the HVAC piping	260	101	(159)
235-Manawatu River (Ashhurst to Riverside Drive) - Cycle/Pedestrian Pathway	45	29	(16)
697-Clearview Reserve Development	31	31	(0)
94-Walkways and Shared Path - Purchase of Land to Extend Network	349	305	(44)
1473-City Centre Lighting and Projection Demonstration Project	118	104	(14)
1039-Shared Path Connection - Riverside Drive to Railway Road	33	33	(0)
1579-WWTP - Health and Safety Upgrades	152	152	0
1676-Improve participation in Council and Committee meetings	80	(0)	(80)
144-Urban Growth - Whakarongo - Reserves Land Purchases	639	639	0
1127-City Reserves - Victoria Esplanade - Bonsai & Shade House	66	66	0
1219-Social Housing - Papaioea Place Redevelopment - Stage 2	686	682	(4)
558-Urban Growth - Local Reserves - Takaro - Oriana Reserve Development	80	80	0
1552-Animal Shelter - New Building	220	220	0
716-Urban Growth - Whakarongo - Walkways Land Purchases	148	148	0
279-City-wide - Minor transport improvements	16	16	0
1440-Cuba Street urban streetscape improvements - Rangitikei to George Street (Stage 2)	478	446	(32)
1003-Whakarongo - Intersection Upgrades	100	100	0
1358-City-wide - Footpath extension	38	25	(13)
1444-City-wide - Shared path resilience	125	(0)	(125)
1559-City-wide - Urban Cycle Infrastructure Network improvements	843	770	(73)
1095-Palmerston North to Bunnythorpe Shared Path	90	90	0
1694-Summerhill Drive - On-Street Parking Infrastructure	50	49	(1)
651-City-wide - Water Supply Resilience - Seismic Strengthening	1,032	696	(335)
1001-Urban Growth - Whakarongo - Stormwater	99	98	(1)
210-Urban Growth - NEIZ - Wastewater	75	75	0
1384-City-wide - Water Supply Resilience - Additional Reservoirs	391	271	(120)
1621-Totara Road Wastewater Treatment Plant - New Storage Shed for critical equipment.	153	153	0
124-Turitea WTP - Drinking Water Standards Upgrades	50	50	0
Capital New Total	6,490	5,470	(1,019)

Programme	10YP 2021-31 Carry Forward	Requested Carry Forward Amount	Change in Carry Forward Requested
Capital Renewal			
179-Totara Road Wastewater Treatment Plant - Minor Equipment Renewals	316	164	(151)
278-Cemeteries - Kelvin Grove - Roading and Footpath Refurbishment	13	12	0
784-Replacement of Council's Photocopiers/Printers	40	40	0
1269-Bylaw Signage - Replacement	6	6	0
53-Computer Replacement - Rolling Replacements	191	174	(17)
1512-CCTV replacements	31	31	0
258-City-wide - Refurbishment and Replacement of Boundary Fences on Reserves	18	11	(7)
270-Holiday Park - Renewals	45	24	(21)
281-CAB - Renewals	36	36	0
567-Cemeteries - Crematorium Chapel Interior Renewals	66	66	0
1443-City-wide - Road Drainage Replacements (Unsubsidised)	65	65	0
207-Turitea WTP - Equipment and Facility Renewals	579	249	(331)
199-City-wide - Water Supply Bore and Network Facility Renewals	188	152	(37)
85-Depot - Buildings and Structures Renewals	47	47	0
Capital Renewal Total	1,641	1,076	(564)
Total reductions in existing carry forwards	8,131	6,547	(1,584)

Table 3. Carry forwards not identified in the Long-Term Plan with existing commitments

These carry forwards were not identified in the Long-Term Plan but were unable to be completed before year-end mainly due to either goods not arriving prior to 30-June or a shortage of contractors as a result of a limited labour market.

Programme	10YP 2021-31 Carry Forward	Requested Carry Forward Amount	Change in Carry Forward Requested	Reason for carry forward budget being required
Capital New				
1074-Totara Road Wastewater Treatment Plant - Earthquake Strengthening of Civil Structures	0	155	155	Work temporarily put on hold to allow for tank replacement to be completed. Work is underway currently.
719-College Street - Implementation Plan for Transport	0	20	20	To complete minor issues identified in safety audit.
708-Urban Growth - Aokautere - Reserves Land Purchase	0	34	34	Agreement for the purchase of the land has been reached. When the carry forwards were first signalled, we had expected to have a signed agreement, but as at 30 June 2021, there was no signed sale and purchase agreement.
1060-City-wide - Stormwater Network Improvement Works	0	380	380	Resourcing constraints for the detailed design of an upgrade, resulted in a delay to finalising the procurement processes.
1372-City-wide Stormwater Pump Stations Improvement	0	60	60	Several pump station upgrades were delayed due to long leads times for procuring overseas sourced equipment.
Capital New Total	0	649	649	
Capital Renewal				
173-City-wide - Playground Renewals	0	9	9	Contractor availability to install Savage Cres playground equipment.
596-Aquatics - Lido Pool - Asset Renewals	0	37	37	Carry forward for pump at Lido which didn't arrive prior to year end.
1374-City-wide - Recycling Drop Off Facilities - Renewals	0	31	31	Timing of contractor availability.
20-City-wide - Stormwater Pump Station Renewals	0	209	209	Delayed due to Contractor availability. Work will be done in July- Aug 21
1058-City-wide - Groundwater Bores Renewal	0	50	50	Investigation took longer than expected.
1063-Turitea WTP - SCADA Renewals	0	13	13	Timing of contractor availability.
178- Central Library Replacement of Shelving, Furniture and equipment	0	51	51	Supplier delay.
Capital Renewal Total	0	400	400	
Total new carry forwards with commitments in place	0	1,049	1,049	

Table 4. Carry forwards not identified in the Long-Term Plan without firm commitments currently in place

These budgets were not identified as needing to be carried forward to 2021/22. Explanations for these are provided against each programme for further context.

Programme	10YP 2021-31 Carry Forward	Requested Carry Forward Amount	Change in Carry Forward Requested	Reason for carry forward budget being required
Capital New				
147-Cemeteries - Kelvin Grove, Ashhurst and Bunnythorpe - New Burial Berms	0	83	83	Delayed due to Contractor availability and unfavourable weather conditions.
1125-Park Road (from Fitzherbert Avenue to Katene Street) - Cycle/Pedestrian Improvements	0	48	48	Design is commencing next year Mid July
Capital New Total	0	131	131	
Operating Jobs				
1675-Support for community relief efforts post COVID-19	0	131	131	Council resolution to carry over any unspent money at 30 June 2021.
Operating Jobs Total	0	131	131	
Grand Total	0	263	263	

Table 5. Three water reform funded carry forward programmes

These programmes have unspent balances at year-end at a required to be carried over in order to complete necessary works. These are fully funded from DIA subsidies.

Programme	10YP 2021-31 Carry Forward	Requested Carry Forward Amount	Change in Carry Forward Requested
Capital New			
651-City-wide - Water Supply Resilience - Seismic Strengthening	0	366	366
1384-City-wide - Water Supply Resilience - Additional Reservoirs	0	129	129
1619-Totara Road Wastewater Treatment Plant - Inlet Screens	0	9	9
1688-Three Waters Resilience - Installing Telemetry	69	136	67
1677-Upsizing of Kairanga Bunnythorpe Road Sewer and Storage	0	50	50
1689-Three Waters Data Centre Upgrade	0	32	32
Capital New Total	69	722	653
Capital Renewal			
1068-Totara Road Wastewater Treatment Plant - Replacement of Inlet Pumps	217	259	43
179-Totara Road Wastewater Treatment Plant - Minor Equipment Renewals	0	156	156
207-Turitea WTP - Equipment and Facility Renewals	0	458	458
54-City-wide - Wastewater Pipe Renewal	0	10	10
199-City-wide - Water Supply Bore and Network Facility Renewals	0	151	151
1685-Replacement of potable water service in WWTP	220	241	21
1693-PS Telemetry unit compatibility upgrade	22	50	28
218-City-wide - Water Main Renewals	0	223	223
663-Ashhurst - Water Supply Rising Main Renewal - Stage 3	0	(4)	(4)
Capital Renewal Total	459	1,545	1,086
Operating Jobs			
609-Totara Road Wastewater Treatment Plant - Desludging of Sludge Lagoons	0	154	154
1681-Flow filling large diameter abandoned sewers	0	300	300
1682-Pioneer Highway - Improvements	0	150	150
1683-Totara Rd WWTP - Migrate data collection and plant performance data to cloud based system	0	(15)	(15)
1687-Project management for delivery programme	0	35	35
1690-Condition assessment of critical 3 waters assets	0	0	0
1691-Regional 3 Waters Collaboration Study	0	71	71
1692-Turitea Dams - Catchment Protection	0	50	50
Operating Jobs Total	0	744	744
Total increase in DIA funded 3 Waters	528	3,012	2,484

COMMITTEE WORK SCHEDULE

TO: Council

MEETING DATE: 1 September 2021

TITLE: Council Work Schedule

‘RECOMMENDATION TO COUNCIL

1. That the Council receive its Work Schedule dated September 2021.

ATTACHMENTS

1. Work Schedule [↓](#) 

COUNCIL

WORK SCHEDULE – September 2021

Item No.	Estimated Report Date	Subject	Officer Responsible	Current Position	Date of Instruction/ Point of Origin
1	September 2021	Representation Review – hearings	Assistant Chief Executive		Council 7 April 2021 Clause 20-21
2	October 2021	Representation Review – final decision	Assistant Chief Executive		Council 7 April 2021 Clause 20-21
3	December 2021	Manawatu Residents' card	Assistant Chief Executive		Council 25 May 2020 Clause 48-20
4	December 2021	Central Economic Development Association (CEDA) - Shareholding arrangements	Chief Planning Officer		Council 21 December 2020 Clause 157-20
5	March 2022	Remits from PNCC	Assistant Chief Executive		Council 24 June 2020 Clause 69-20
6	May 2022	Remits received from other Territorial Authorities	Assistant Chief Executive		Council 24 June 2020 Clause 69-20

Oasis # 13924077

CONFIDENTIAL DECISIONS RELEASED

Meeting date	Title	Released	Not Released

More information on the decisions released can be found on [released decisions](#)