

7. CENTRAL PLAINS WATER TRUST: PROGRESS REPORT

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The purpose of this report is to update the Committee on various matters associated with the work of the trust and seek endorsement for a minor change to the Trust Deed.

BACKGROUND

At its March meeting the Council approved the appointment of trustees to the Central Plains Water Trust and agreed to the sealing of the Trust Deed and associated Memorandum of Understanding. The Trust held its first meeting on 14 April including a half day field trip, briefings and a full agenda. A report was prepared for the Trust by the outgoing Steering Committee backgrounding work to date and recommending a structure and financial programme that envisages consent applications being lodged by late 2004. A number of matters arising from the first meeting require Council attention.

TRUST DEED

A typing error in the deed shows the initial period for trustee appointment finishing in 2003. This should be 2004 and Council endorsement of this change to the deed is required. The document is tabled.

ADVISORY SERVICES

Advisory services provided to the Joint Steering Committee by Mr Watson, and, until his departure, Mr Lewthwaite, were without cost to the funds administered by the Committee. With the formation of the Trust, Council practice would dictate that, should the Trust wish to continue with these services, payment on an hourly rate basis should be made. This cost will amount to around \$20,000 p.a. and it would assist the Trust if the Council viewed this as a contribution that would be converted into equity in the irrigation company should a scheme proceed.

COUNCIL CONTRIBUTION TO DATE

Since the formation of the Steering Committee in 2000, the Council has contributed \$494,121 toward the feasibility work. The funding ceased in 2002 when the Council decided to transfer decision making on further support for the work to the Canterbury Economic Development Fund Trust. Selwyn District Council has always viewed its contribution as either repayable should the scheme proceed or providing equity in an eventual irrigation company and it is necessary for this Council to decide how it views its own contributions.

The funding can be viewed as:

- (a) a grant
- (b) a loan repayable if the scheme proceeds
- (c) a loan to be converted into equity in the eventual irrigation company.

In arriving at a decision on this question the Committee should bear in mind the original reasons for Council involvement in this project which were threefold:

- **Recognition of new job creation that would occur.**

In this respect the Feasibility Study¹ predicts an increase in total regional employment of 2,630 full time equivalents resulting from the scheme development.

- **Acknowledgement that the regional economy will benefit with favourable impacts on Christchurch.**

Here the study predicts an increase in annual regional output of \$647 million and notes that spending in Christchurch by those within the scheme area will rise from \$58 million p.a. to between \$113 and \$134 million.

¹ Central Plains Water Enhancement Feasibility Study, URS, 31 January 2002
Report of the Strategy and Finance Committee to the Council Meeting of 22 May 2003

- **Concern that a Central Plains scheme might affect the quality of water in the aquifers serving Christchurch and interest in the possibility of enhancing that supply.**

In this case Christchurch is fortunate. Drainage from the proposed scheme is not expected to enter the aquifer system serving Christchurch. However, the increase in groundwater pressure and levels across the plains resulting from scheme drainage will act to enhance the flows in Christchurch's spring fed streams.

ESTABLISHMENT OF WATER COMPANY

Building on work completed by the Steering Committee the Trust is about to establish a company as the vehicle through which new funding will be raised through the issue of a prospectus, and by which the Trust will carry out the remaining work required to enable the consent applications to be lodged and obtained. This structure has significant taxation benefits for those investing in the scheme development. While the Trust will initially establish the company it should be noted that the intention is that the initial shareholding will be held equally by Selwyn District and Christchurch City Councils. This ensures that the company has an ownership and governance structure separate from the Trust, a characteristic that will become more important as the interests and functions of the two bodies diverge.

- Recommendation:**
1. That the amendment to Clause 3.2 of Schedule 3 of the Declaration of Trust establishing the Central Plains Water Trust changing 2003 to 2004 be endorsed.
 2. That advisory services provided to the Trust by Christchurch City Council officers be charged at an appropriate hourly rate, these costs to be accumulated by Christchurch City Council and converted to equity in a water enhancement scheme, should one proceed.
 3. That Council contributions to date amounting to \$494,121, or thereabouts, be treated as a zero interest loan, repayable only if a water enhancement scheme proceeds, with the option, exercised at the Council's discretion, of converting the loan into equity in the scheme.
 4. That the Council note the Trust's intention to establish a company with an initial shareholding of two shares equally divided between Selwyn District Council and Christchurch City Council.