

17. CENTRAL PLAINS WATER ENHANCEMENT STEERING COMMITTEE - APPROVAL AND FUNDING FOR PROJECT CONTINUATION

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PURPOSE

This report brings before the Council the recommendations of the Central Plains Water Enhancement Steering Committee (CPWESC) as it completes its feasibility work, and seeks the Council's adoption of these recommendations.

STEERING COMMITTEE WORK AND RECOMMENDATIONS

CPWESC has been set up as a joint special committee by the Christchurch City and Selwyn District Councils and briefed to carry out feasibility studies on potential water enhancement projects in the Central Plains area. The study area was defined in the Committee's constitution as "that area approximately described as lying between the Rakaia and Waimakariri Rivers, the Main Divide to the west and the Coast to the east."

The Committee was set up in March 2000 and given until December 2001 to complete its work. It has now reported its findings to a joint public meeting of the two Councils held at Rolleston on 11 February 2002 by way of two documents: **Central Plains Water Enhancement Feasibility Study** URS, January 2002 and the **Steering Committee Report on Feasibility Study**, February 2002.

These documents describe a favoured scheme, discuss its benefits, costs and effects and recommend a staged continuation of the work that offers the Councils the ability to reassess their commitment at critical points in the process, before moving on to the next phase. The Steering Committee's recommendations are as follows:

"1 Recommendations

1.1 *That a phased four step process be adopted for the continuation of the Central Plains Water Enhancement project, with the opportunity for a review of continuation of the project on completion of each phase. The four phases, Concept Refinement, Consenting, Establishment and Implementation, as set out in the attached Decision Tree, to be as follows:*

(A) *The Concept Refinement phase will have four strands, each of which will continue the comprehensive consultation with the various stakeholders concerned. The four strands to consist of:*

- **Technical** - *to complete necessary investigations to enable final physical definition of the scheme and to make that physical definition. To undertake all the additional work necessary to prepare resource consent applications, this to include the preliminary design of engineering works, assessment of environmental effects and measures of mitigation for the environmental, social, cultural and host community issues identified through the consultation process.*
- **Marketing information and support** - *to increase the general level of understanding of primary producers and other interested parties within the proposed scheme area of the potential benefits of irrigation and the modifications to land use that will be required to access those benefits. This will include an ongoing and more detailed assessment of the likely utilisation of water and other community enhancement and market driven economic opportunities from the scheme.*
- **Structural** - *to determine an ownership structure that best meets the diverse needs of the community of interest within the Central Plains.*
- **Land acquisition policy** - *development of a policy to effectively acquire the land necessary to construct a scheme, consistent with all community interests.*

(B) *The Consenting phase will seek to obtain the resource consents necessary for the project to proceed beyond this point and prepare a land acquisition strategy.*

(C) *The Establishment phase would establish the entity or entities to operate the scheme and acquire the land identified as necessary for the scheme to proceed.*

(D) *The Implementation phase would complete the detailed technical design, construct and commission the scheme.*

- 1.2 *That the Constitution and Terms of Reference for the Steering Committee be redrafted for parent Council approval to undertake the management of the Concept Refinement and Consenting phases of the project, expected to be in March 2005.*
- 1.3 *That each Council provide a supplementary amount of \$185,000 in their 2001/02 budgets to allow work on the studies, investigations and consultation described for the Concept Refinement phase of the project through to 30 June 2002, and that each provides a further \$530,000 to cover the works programme required to complete the Concept Refinement phase during 2002/03.*
- 1.4 *That for the following years, each Council provide an indicative budget in its annual plan as follows:*
- | | |
|---------|-----------|
| 2003/04 | \$530,000 |
| 2004/05 | \$407,500 |
| 2005/06 | \$157,500 |
| 2006/07 | \$145,000 |
| 2007/08 | \$145,000 |
| 2008/09 | \$85,000" |

When considering these recommendations, the Committee should note:

- (a) The Steering Committee has so far obtained \$633,000 of its \$1,556,000 total expenditure from sources other than the two Councils and is currently, jointly with the Ashburton Community Water Trust presenting a case for substantial further funding from Industry New Zealand. If successful the funding will go some way to off-setting the budgets listed in the recommendations.
- (b) Selwyn District Council decided, at the commencement of this project, that if a scheme proceeded it would recover all of its expenditure on preliminary work as a charge against the scheme. Christchurch City Council has yet to make a ruling on this point but it may help decision making if this was clarified. Up to February 2002 each Council will have contributed \$485,000.
- (c) The Steering Committee has been funded only to complete the feasibility studies, a task it has finished and reported. Funding requested for the balance of this financial year (\$185,000 from each Council) is to commence a further phase of the work - it does not indicate that the Steering Committee has over-run its budget.
- (d) Attention is drawn to the decision tree (attached) included in the Steering Committee's report which contains three points at which the Councils (or the governing body then managing the project) can assess whether or not to continue. These points are:
- before resource consents are applied for
 - once consents have been obtained since consent conditions may affect viability
 - before committing to scheme construction.
- (e) Selwyn District Council at its ordinary meeting on 13 February 2002 resolved to adopt the above recommendations in full noting at the same time that a similar decision by Christchurch City Council would be required before work could continue.

RATIONALE FOR CITY COUNCIL INVOLVEMENT

At the commencement of this project, the City Council expressed the key reasons for its support as employment creation and the opportunity to enhance the surface and groundwater resources available to the city. These benefits will be realised by the proposed scheme, but the reports have identified other regional effects that will directly benefit Christchurch City, for example, the finding that 39% of the farm expenditure in the Central Plains Area is spent in Christchurch. The scheme is estimated to increase this city based spending from \$58 million to between \$113 and \$134 million per annum.

FUNDING ISSUES

The Director of Finance reports:

The resolutions recommended by the CPWESC seek a commitment from the Council to a total funding of \$2.185 million over a period of eight years. The immediate request is for \$185,000 to cover the period to 30 June 2002 and a further \$530,000 for the balance of the Concept Refinement stage during 2002/03 year. The balance is for other phases and relates to later years but would need to be factored into the Council's long term plan in the meantime.

This request comes on the eve of the Council putting together its draft Annual Plan for 2002/03 in the context of a Council policy resolution that there would be no additions to the Council's forecasts except by substitution. While such resolutions are not set in concrete it does, nevertheless, seem inappropriate for decisions to be made with finality until they can be viewed in the context of the complete annual report and public consultation has taken place.

The CPWESC has drawn attention to the fact that there is potential for the recovery of any Council expenditure from the scheme, should it go ahead, and that Selwyn District Council has resolved to make all its contributions subject to such a requirement. I consider that it is reasonable for this Council to indicate a similar intention but I do not believe that at this stage the Council should budget to receive the funds back as it is too far from the point when there can be certainty that the project will go past the planning and consent stages. The Council therefore must budget for any funds which it decides or plans to commit to the project so that the Council's Long Term Financial Plan continues to reflect the long term likely outcomes.

Until this time all Council contributions have appropriately been treated as grants (operating expenses directly chargeable to rates). Now that the feasibility study is complete it is reasonable to treat further contributions as capital expenditure as the work now to be undertaken will represent an asset in the form of plans, resource consents and so forth with a market value. The Council must, however, recognise that if future costs are capitalised in some way and the project does not finally go ahead or fails then those costs will need to be written off.

There are various ways in which any future expenditure could be capitalised and one of the most likely would be through the establishment of and investment by Christchurch City Council and Selwyn District Council in a joint venture company which would undertake the research and obtain the necessary resource consents for the project described as steps 1 to 4. The resource consents would be an asset of the JV company and be able to be sold on to whatever structure or ownership finally was decided upon for the building and operation of the scheme. This possible joint venture company should not be confused with the intention of the Concept Refinement phase to look at structures for ultimate ownership of the completed scheme. Time is needed to obtain appropriate professional advice on a suitable structure and this should be undertaken as soon as possible after the Council has resolved to proceed with the four step process.

In a separate report to this committee meeting regarding the six monthly review, provision has been made for funding of \$185,000 to be set aside to provide for the requested funding needs until 30 June 2002. If the Council is minded to support the project this is an appropriate source since it is a reallocation of the current year's budget and is available and will have no impact on other issues.

If the Council decides that it wishes to support the next stages of the project the funding of the remaining \$2 million spread over the years 2002/03 to 2008/09 should be factored into the Council's long term capital programme and be approved subject to consultation on the draft annual plan. In the interim the Annual Plan Sub committee will need to consider how it can provide the necessary funding – either by substitution, addition or by other means. So that the Council can appreciate the impact of such a decision it is estimated that the commitment of the requested funds as capital will add the following percentages to the forecast rate increases:

2002/03	0.08%
2003/04	0.02%
2004/05	0.03%
2005/06	0.01%

There are other funding sources which are worth investigating, such as through Christchurch City Holdings Limited. However, since there will be no revenue return on this expenditure at least until the scheme is built, any funds utilised will reduce the earning capacity and have an impact on the Council's funding of the same order of magnitude as illustrated above. If the Council does decide to commit to the project however, the issue should be referred to CCHL for investigation as to whether it would be appropriate and financially efficient for the funding to come from that source.

SUMMARY

The Steering Committee believes it has identified a scheme that is viable and consentable, and that it is advisable to continue to develop the project. It is not claiming that its study has been detailed enough to fully answer every issue that has arisen, rather that none of these represent fatal flaws. Means of addressing the effects and concerns appear to be available and the purpose of the next stage of the study is to answer the important questions still outstanding to a level of detail that will allow lodging of consents.

- Recommendation:**
1. That the Council adopt the set of recommendations presented by the Steering Committee, as set out in the body of this report.
 2. That \$185,000 be committed from the six monthly review to provide funding for phase one of the project until 30 June 2002.
 3. That the balance of the funding required be referred to the Annual Plan Sub Committee for provision in the draft annual plan and commitment to the project be subject to final approval of the Annual Plan.
 4. That the Council record its expectation that all funding for the feasibility study and future phases of this project be considered as recoverable against the completed project and the Steering Committee be requested to note this and factor it into its forecasts and plans.
 5. That staff be requested to investigate suitable structures which will protect all future contributions to the project as capital assets of the Council and report back before the Annual Plan is finalised in June.
 6. That Christchurch City Holdings Limited be requested to consider whether it could take responsibility for future investment in this project on behalf of and with the approval of the Council.

Chair's

- Recommendation:** That the above recommendation be adopted.