

QLDC Council
2 June 2022**Report for Agenda Item | Rīpoata moto e Rāraki take [3]****Department: Property & Infrastructure****Title | Taitara Consultation Proposal to consider Cardrona Valley Water Supply Investment****PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO**

- 1 The purpose of this report is to consider adopting a Statement of Proposal to seek public submissions on the proposal to increase the current 2021-2031 Ten Year Plan budget and associated debt recovery in the 2021 Development Contributions Policy for investment in a Cardrona Valley community drinking water supply scheme.

EXECUTIVE SUMMARY | WHAKARĀPOPOTOTANGA MATUA

- 2 In December 2020 the Council resolved to delegate authority to its Chief Executive to enter into a Development Agreement to participate with Cardrona Valley WTP Limited (CVWTP) in the procurement of a new community water supply scheme with a connection to the Cardrona Village.
- 3 The capital budgets included in the 2021 Ten Year Plan need to be increased to fund the latest cost estimates revealed following detailed design and development for procurement. The cost increases result in a consequent increase in the development contributions and targeted capital water supply rate required to fund the investment.
- 4 The increase is considered significant and therefore requires additional public consultation under the Special Consultative Procedure.

RECOMMENDATION | NGĀ TŪTOHUNGA

That Council:

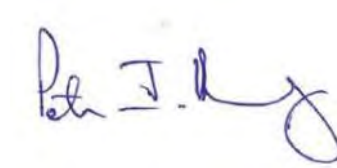
1. **Note** the contents of this report;
2. **Adopt** the attached Statement of Proposal Entitled *Cardrona Valley Water Supply Investment* dated 2 June 2022 (Attachment A);
3. **Authorise** officers to publicly notify the Statement of Proposal for public submissions;
4. **Appoint** a hearings panel consisting of *[three members to be specified by Council]* to hear submissions and make a recommendation on the status of the Cardrona Valley Water Supply Investment; and
5. **Direct** officers to report back to the Council together with the recommendation of the hearings panel.

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12/05/2022

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12/05/2022

CONTEXT | HOROPAKI

- 5 As per a December 2020 Council resolution, Council officers have been working with Cardrona Valley WTP Limited (CVWTP) to procure a new community water supply scheme with a connection to the Cardrona Village. CVWTP is an entity operated by the investors of Mount Cardrona Station (MCS), the same investors that successfully delivered wastewater infrastructure with QLDC and Cardrona Alpine Resort.
- 6 The project includes design and construction of a dual-source drinking water scheme with abstraction systems from Pringles Creek and Cardrona River, a water treatment plant, raw water and treated water storage reservoirs, rising and falling mains and associated pumping and source water intake equipment (headworks) for the MCS development that will provide for significantly improved drinking water infrastructure for the Cardrona Valley.
- 7 The Cardrona Village is currently serviced by a five small private water supply schemes each with permitted water take consents. These private schemes whether alone or all together will not provide sufficient capacity to supply the long-term demand in the village. Combining the consents of the existing schemes could service around one third of the long-term demand in the village, so an additional supply will be required to enable the village to fully develop to levels anticipated in the Queenstown Lakes Spatial Plan.
- 8 The timing of this opportunity is important – as the project is shovel ready and MCS has consent to proceed with a drinking water supply scheme for its development regardless of whether QLDC participates or not (as was the case with the successful delivery of the Cardrona wastewater servicing project).
- 9 The Council has previously supported investment in the scheme via partnering with MCS both through the 10 December 2020 resolution and the inclusion of budget for the scheme in the 2021-2031 Ten Year Plan.
- 10 A Special Consultative Procedure is required as the costs to build the scheme are now better understood and the increase is considered significant in accordance with QLDC Significance and Engagement Policy 2021.
- 11 The Statement of Proposal presents two options for the community to consider:
 - Option 1 Commit the additional funding required for QLDC to proceed with the partnership with MCS to invest in a community water scheme for Cardrona Valley
 - Option 2 Do not commit the additional funding and leave MCS to build a water scheme solely for its development.

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

- 12 A Statement of Proposal consultation document has been prepared for public notification and is provided as Attachment A.
- 13 Option 1 : Adopt the Statement of Proposal and undertake consultation.

Advantages:

- 14 Offers the community and wider key stakeholders an opportunity to make submissions on the Cardrona Valley Water Supply Investment.
- 15 Opportunity to inform and improve the proposal with feedback from various groups.
- 16 Preserves the option to participate in the scheme with the developer (pending further decision to be made by Council following submissions and hearing).

Disadvantages:

- 17 There is no disadvantage to consulting with the community other than the costs of undertaking the special consultation procedure.

18 Option 2 Do not adopt the Statement of Proposal (status quo)

Advantages:

- 19 Does not require an increase in capital budgets.

Disadvantages:

- 20 Realistically, given the shrinking cap on water take consents there will not be any similar, reasonably practicable opportunities for the Council to supply drinking water in the Cardrona Valley.

21 Advice This report recommends **Option 1** for addressing the matter to give the community an opportunity to make submissions on the Cardrona Valley Water Supply Investment.

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

22 This matter is of high significance, as determined by reference to the Council’s Significance and Engagement Policy based on the impacts assessment below

Consideration	Impact	Context
Importance to the Queenstown Lakes District	Low negative impact district wide, high positive impact for the local township	While the proposal is relative to a small township only - The district wide impact of funding is low relative to the positive impact both locally and district wide of providing safe, reliable and quality community drinking water supply scheme in a small township.
Community interest	High impact with positive outcome	The proposal involves a material change to services in Cardrona Valley through provision of a community drinking-water-supply scheme, though consistent with the intention recorded in the Ten Year Plan.

Consideration	Impact	Context
Consistency with existing policy and strategy	Low Impact with Positive outcome	The proposal aligns with council’s over-arching objective to provide safe, reliable, and quality 3-water services to enable growth and sustain businesses and communities.
The impact on the Council’s capability and capacity	Low negative impact on Council’s capacity, and high positive impact on risk/resourcing via outsourcing.	As with wastewater the developer carries the construction risk and thereby reduces overall demand on council’s resources. Developer led projects have been a proven success model (such is demonstrated through the Cardrona Wastewater Treatment Plant project) that deliver key infrastructure without consuming valuable Council CAPEX delivery resources.
Climate change	Low impact with positive outcomes	The sustainable water demand design parameters align with QLDC Climate Change Action Plan and central government’s declaration of Climate Emergency and a whole-of-government response.
Mana whenua	High impact with positive outcomes	The proposal relates to 3-waters which are of high interest to Mana Whenua and has a positive effect on the use of allocated freshwater by proposing to enable options for centralising efficient management of natural resources so that water can managed most efficiently through growth in Cardrona.

23 The persons who are affected by or interested in this matter are all property owners within proposed area of service for the Cardrona water scheme .

24 The Council has consulted on investment in Cardrona Valley for the proposed community drinking water supply scheme in the 2021 Ten Year Plan. These consultations have been ongoing since 2020 and with further engagement in 2022. Council officers will continue to work with the Cardrona Residents and Ratepayers Association over the course of any consultation.

> MĀORI CONSULTATION | IWI RŪNANGA

25 The Council will solicit submissions from Iwi through the proposed special consultative procedure.

RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

- 26 This matter relates to the Regulatory/Legal/Compliance risk category. It is associated with RISK00012 Core infrastructure is Insufficient- Poor infrastructure planning and RISK00031 Ineffective management and governance over legislative compliance within the QLDC Risk Register. This risk has been assessed as having a high inherent risk rating.
- 27 The approval of the recommended option will support the Council by avoiding risks through formal use of Special Consultative Procedure. This shall be achieved by providing the opportunity to formally engage with the community on this matter.

FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

- 28 The proposal under this Statement is to increase the budget included in the 2021-2031 Ten Year Plan to invest in a QLDC owned and operated community drinking water supply scheme for Cardrona Valley (Option 1).
- 29 QLDC’s investment to provide the water scheme has been revised up from \$8.1M in the current 2021-2031 Ten Year Plan (with a further \$1.5M staged outside the ten-year window) to an estimate of \$17.2M. As with the joint funding model used for wastewater, MCS will make bulk payments up front to fund the initial and staged capital costs (\$6M). The proposal also requires a change to the 2021 Development Contribution Policy (DCP 2021) to reflect the revised development contributions required to recover debt to fund the investment.
- 30 Early connections (and capital recovery) have long term benefits to overall scheme affordability by reducing debt early and the associated interest costs. To assist with mitigating project cost escalations and overall affordability, MCS has offered to initially pay a higher development contribution with an aim to encourage and incentivise earlier uptake of connections (for capital recovery) within the village. MCS recognise the value of a community drinking water supply scheme that is designed to meet the new legislative requirements and operated by QLDC.

Component	Cardrona Village \$	MCS Special Zone \$
2021 DCP	\$8,490¹	\$7,920
Proposed DCP		
Headworks	\$19,190	\$20,070
MCS differential funding	-\$2,580	\$0
Headworks contribution	\$16,610	\$20,070
CV pipeline	\$4,000	\$0
Contribution pre small scheme subsidy	\$20,610	\$20,070
Small scheme funding @20%	-\$4,120	\$0
Proposed development contribution	\$16,490	\$20,070
Annual general WS rate (unchanged)	\$800	\$800

1. See Further details on the funding approach including the Targeted Capital Water Supply Rate in **Attachment A** Statement of Proposal.

- 31 In 2020 when Council provided the Cardrona community with details of the proposed water scheme, some members of the community raised concerns and instituted legal proceedings about the proposal. Council took the feedback into account, the legal proceedings were resolved, and the current proposal reflects the outcome. That includes not levying an availability charge for running costs on lots currently connected to a private water scheme. It also includes not levying development contributions on a lot to recover a share of the capital costs, until the lot connects to the scheme.
- 32 Refer to the Attachment A Statement of Proposal for proposed funding details including the proposed targeted capital water supply rate. This results in a unique funding approach for water supply, different to the standard funding approach used for the wastewater scheme in Cardrona, and elsewhere in the district.

COUNCIL EFFECTS AND VIEWS | NGĀ WHAKAAWEAWE ME NGĀ TIROHANGA A TE KAUNIHERA

- 33 The following Council policies, strategies and bylaws were considered:
- Cardrona 2020 (2003) - To provide for the cost-effective reticulation of water and sewerage as the population increases and this becomes more economically viable.
 - Water and Sewerage Schemes – Small Communities (2004) - Sewerage and water need to be funded by the community that benefit.
 - Growth Management Strategy (2007) - Infrastructure is provided in a way that supports high quality development located in the right places while adhering to the principles of sustainable development and ensuring that the environmental qualities of the district are protected.
 - 2021 Policy on Development Contributions & Financial Contributions.
 - Significance and Engagement Policy
 - Integrated Three Waters Bylaw
 - 30-Year Infrastructure Strategy
 - Three Waters Asset Management Plan

34 The recommended option is consistent with the principles set out in the named policy/policies.

35 This matter is already included in the Ten-Year Plan and Annual Plan but requires additional funding.

LEGAL CONSIDERATIONS AND STATUTORY RESPONSIBILITIES | KA TURE WHAIWHAKAARO, ME KĀ TAKOHAKA WAETURE

36 Acquisition of strategic assets (here, water supply infrastructure) engages s 97 of the LGA. The decision is already included in the Council’s 2021-2031 Ten Year Plan. This satisfies the requirements of s 97.

37 Nonetheless, the increased cost is considered significant, and given the status of the infrastructure as a strategic asset it is considered that consultation using the special consultative procedure is appropriate.

38 The project is otherwise consistent with Council policies and plans.

- 39 Negotiations on the Development Agreement and ancillary documents are ongoing and are being carried out by Council officers in accordance with the Council Decision on 10 December 2020.
- 40 The development documents will be negotiated so as to mitigate QLDC’s legal and procedural risks.
- 41 The decision to invest in a Cardrona water supply scheme through the 2021-2031 Ten Year Plan was the subject of a Judicial Review. This was settled on the basis that QLDC was not planning to fund the scheme by requiring existing Cardrona Village residential houses or businesses to connect or levying an availability charge. The proposed decision does not change the basis of funding the proposal, just the amount.

LOCAL GOVERNMENT ACT 2002 PURPOSE PROVISIONS | TE WHAKATURETURE 2002 O TE KĀWANATAKA Ā-KĀIKA

- 42 Section 10 of the Local Government Act 2002 states the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future. This proposal will help meet the current and future needs of communities for process of formal consultation on provision of good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses by providing a feasible infrastructure solution for water services with economies of scale in the Cardrona Valley.
- 43 As such, the recommendation in this report is appropriate and within the ambit of Section 10 of the Act;
- 44 The recommended option:
- Can be implemented through current funding under the Ten-Year Plan and Annual Plan;
 - Is consistent with the Council's plans and policies; and
 - Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.

ATTACHMENTS | NGĀ TĀPIRIHANGA

A	STATEMENT OF PROPOSAL – Cardrona Valley Water Supply Investment
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