

COUNCIL MEETING AGENDA

AUGUST 2018

1. STAFF

1.1 Leave of Absence – Councillor Eion Chisholm

(S 1.2ec)

Attached is a letter received from Councillor Eion Chisholm requesting three months leave of absence.

RECOMMENDATION

THAT the Leave of Absence be approved.

Owen Pickles

From: Eoin Chisholm <tengaio@xtra.co.nz>
Sent: Thursday, 26 July 2018 11:52 AM
To: owen@cic.govt.nz
Cc: Alfred Preece
Subject: Leave of Absence

Dear Owen

Due to the current status of my health I wish to apply for leave of absence from the Council for three months.

Regards

Eoin Chisholm

COUNCIL MEETING AGENDA

AUGUST 2018

2. DEMOCRACY

2.1 Minutes from Ordinary Meeting 28 June 2018

(D 2.1d)

See attached Minutes.

RECOMMENDATION
THAT the Minutes be received.

CHATHAM ISLANDS COUNCIL

Minutes of the Ordinary Monthly Meeting of the Chatham Islands Council, held in the Council Chambers, Tuku Road, Waitangi, on Thursday, 28 June 2018, commencing at 1.30 p.m.

PRESENT: His Worship the Mayor A W M Preece, and Councillors, J I Clarke, M Croon, S Joyce, J Seymour, NC Ryan, E Chisholm, (1.37pm), K L Day (from 1.50 p.m.). EC Tuck joined the meeting via teleconference.

IN ATTENDANCE: Chief Executive Officer, Owen Pickles
Corporate Services Manager, Deborah Goomes (2.57pm – 3.04pm)
Fulton Hogan Maintenance Manager, Bill Lind

APOLOGIES: Apologies were received from ECan Biosecurity Officers, Chatham Islands, Kerri Moir and Robin Seymour, Corporate Services Manager, Deborah Goomes

RESOLVED THAT the apologies be received.
JI Clarke / M Croon CARRIED

DEMOCRACY: **2.1 Ordinary Meeting, 17 May 2018**

RESOLVED THAT the Minutes of the Ordinary Meeting of the Chatham Islands Council, held on Thursday 17 May 2018, be confirmed and adopted as a true and correct record.
NC Ryan/ EC Tuck CARRIED

2.2 Special Meeting, 1 June 2018

RESOLVED THAT the Minutes of the Special Meeting of the Chatham Islands Council, held on Thursday 1 June 2018, be confirmed and adopted as a true and correct record.
M Croon / JI Clarke CARRIED

FINANCE:

3.1 Council Dues Report as at 9 June 2018

Attached was the Council Dues Report as at 9 June 2018.

Council expressed concern over outstanding manifests for April and May 2018 from Air Chathams and Chatham Island Shipping. The Chief Executive will continue to contact both companies to ensure compliance.

RESOLVED THAT the report be received.

JI Clarke / J Seymour CARRIED

3.2 LTP Adoption

The Purpose of this report is to adopt the Long-Term Plan 2018-28, including the Council's financial statements, policies and levels of service.

There is a separate agenda item and resolution which Council will need to make to set the 2018/19 rates. The Long-Term Plan needs to be adopted first, before setting the rates for year one of the plan.

A revised resolution was tabled.

RESOLVED

THAT the Council:

1. Receives the unaudited Chatham Islands Council Long-Term Plan 2018-28
2. Adopts the Revenue and Financing Policy as included within the Chatham Islands Council Long-Term Plan 2018-28.
3. Resolves that the Long-Term Plan budget is financially prudent per section 100(2) of the Local Government Act.
4. Receives the external Audit report for inclusion within the Chatham Islands Council Long-Term Plan 2018-28.
5. Adopts the Chatham Islands Council Long-Term Plan 2018-28, including the Chatham Islands Council Fees and Charges for 2018/19.
6. Delegate authority to the Council's Chief Executive to make alterations of minor effect or to correct any minor errors to the adopted Chatham Islands Council Long-Term Plan 2018-28.

JI Clarke / NC Ryan CARRIED

3.3 Rates Strike Adoption

To enable Chatham Islands Council to set the rates for the 2018/19 financial year, following the adoption of the 2018-28 Long Term Plan. The Council now needs to formally adopt the rates resolution setting the rates for the period 1 July 2018 to 30 June 2019.

RESOLVED:

THAT the Council:

- 1.** Delegates authority pursuant to the Local Government (Rating) Act 2002 to the Chief Executive to:
 - a) apply penalties (stated under resolution d) on unpaid rates in accordance with Sections 57 and 58, and
 - b) approve applications for rates postponement and rates remissions in accordance with Council's policy, and
 - c) carry out all other functions permissible under the Act that are not required to be a Council responsibility.
- 2.** Resolves the setting of the rates for the 2018/19 financial year and sets the following rates (including GST), due dates for payment, and penalties under the Local Government (Rating) Act 2002, on rating units for the financial year commencing on 1 July 2018 and ending on 30 June 2019. These rates are set in accordance with Chatham Islands Council's 2018-28 Long-Term Plan and the Funding Impact Statement which forms part of the 2018-28 Long-Term Plan as follows:

a. General rates

Council will set a general rate based on the capital value of each rating unit in the territory. The general rate will be set on a differential basis based on land use. The categories and apportionment are:

- Infrastructure will be charged 5.0% of the General Rate
- Industrial will be charged 14.5% of the General Rate
- Commercial will be charged 11.0% of the General Rate
- Rural and Residential will be charged 69.5% of the General Rate

This will result in the following rates based on the assessed per \$1 capital value of each rating unit:

Land Use	Rate (GST Inclusive)	Total collected
Infrastructure	0.002932	16,759
Industrial	0.006942	48,604
Commercial	0.004618	37,078
Rural & Residential	0.002169	233,362
Total general rates collected		335,803

b. **Targeted rates**

Targeted rates are applied to the properties which benefit from the service provided. Targeted rates cannot be applied to purposes other than for which they were raised.

Council uses the number of connections for funding the water supply activities, a per pan rate for funding sewerage activities, and a rating unit basis for funding waste management activities and the roading activities.

Council will set targeted rates based on a variety of rating bases as follows:

Targeted rate:	Rate (GST inclusive)	Total collected (GST inclusive)	Rating base
Water	757.41	63,622	Fixed amount per Waitangi connection
	757.41	15,906	Fixed amount per Kaingaroa connection
Sewerage	787.30	77,155	Fixed amount per pan
Solid Waste	182.40	61,835	Fixed amount per unit
Roading	142.07	62,653	Fixed amount per unit
Fish Rate	0.0055350	13,865	Per tonne disposed, for rating units 49, 420, 208 and 635 only.
Total targeted rates collected		295,036	

A Warm Homes targeted rate will be charged to properties in this scheme to ensure there is sufficient cash to repay the loan over the loan period. Actual repayments in 2018/19 have been agreed as part of each individual loan agreement.

The rating basis for each rate type has been defined and approved through the Revenue and Financing Policy adopted as part of Chatham Islands Council's Long Term Plan 2018-28.

c. Rates by instalments

Council proposes to collect the rates in three instalments, issued on: 1 September 2018, 1 January 2019 and 1 May 2019.

d. Penalties

A penalty of 10% is added to each instalment or part thereof that is unpaid after the last date for payment. The penalty dates are 15 October 2018, 15 February 2019 and 15 June 2019. Previous year's rates that remain unpaid will have a further 10% penalty added on 6 July.

These rates and penalties to be set on rating units in the region for the financial year which commences on 1 July 2018 and ends on the 30th day of June 2019.

This information is extracted from the Chatham Islands Council's Long-Term Plan 2018-28 and complies with their revenue and financing policy.

M Croon / J Clarke CARRIED

3.4 Financial Statements as at 31 May 2018

Attached to the agenda were the financial statements for the period ending 31 May 2018.

RESOLVED THAT the report be received.

M Croon / J Seymour CARRIED

3.5 LGNZ Rural & Provincial Sector Meeting 7 & 8 June 2018

The LGNZ Rural & Provincial Sector meeting held on 7 & 8 June 2018 was attended by Mayor Alfred Preece, Councillor Monique Croon and the Chief Executive.

Cr Croon gave a verbal report on the meeting.

The group also met with Hon Nanaia Mahuta, also in attendance was Richard Harding from DIA and Paul Eagle, MP for Rongotai. Discussions with the Minister centred on the shortfall in the Council funding and the impacts of that.

Also discussed was the role Minister Finlayson had with the previous government as the 'Minister for Chatham Islands'. Minister Mahuta agreed that it was a good process and that steps should be made to make this happen.

RESOLVED THAT the report be received.

M Croon / J Clarke CARRIED

WORKS & SERVICES:

4.1 Fulton Hogan Road Maintenance Contract Monthly Report May 2018

Fulton Hogan was represented by Maintenance Manager, Bill Lind who spoke to the report.

Mr Lind also inquired about the MPA yard and the equipment left in it. The yard has been left untidy and if no longer used it should be cleaned up and sealed off, and gates secured.

Mr Lind clarified the entrance to Highet Place had been designed by Stantec to slow the traffic up.

RESOLVED THAT the report be received.

KL Day / J Clarke CARRIED

4.2 Fulton Hogan Water & Wastewater Contract Monthly Report for May 2018

Mr Lind also presented this report, raising concerns about fat in the main chamber of the septic tank. The fat has had to be removed for the second time in less than 12 months. An investigation needs to be undertaken to find the source of the fat.

RESOLVED THAT the report be received.

J Seymour / NC Ryan CARRIED

4.3 Engineers Reports for May 2018

Cr Day asked if there was a way to slow the traffic down outside Te One school, or have a crossing. It was noted there were strict criteria around zebra crossings but the matter should be raised with Stantec at the upcoming workshop.

RESOLVED THAT the report be received.
J Clarke / J Seymour CARRIED

4.4 Correspondence from Delwyn Tuunui re. Owenga Road and Fish Dump

RESOLVED THAT the correspondence be received.
J Clarke / NC Ryan CARRIED

4.5 Late Item – Te Awainanga Traction Seal Advice

RESOLVED THAT the late Item “Te Awainanga Traction Seal Advice” be considered as a late item. The information was not available in time for inclusion on the agenda.
M Croon / NC Ryan CARRIED

RESOLVED THAT the seal extension and Otta seal options are progressed to a detailed design phase for funding application and construction.
M Croon / RS Joyce CARRIED

COMMUNITY SERVICES:

5.1 Recognition of Annual Council Grant - CCFT

RESOLVED THAT the correspondence be received.
NC Ryan / J Seymour CARRIED

5.2 Recognition of Sponsorship – Chatham Islands Jockey Club.

RESOLVED THAT the correspondence be received.
RS Joyce / NC Ryan CARRIED

REGULATORY:

6.1 Update from Environment Canterbury

Chatham Islands Resource Management Document - The proposal to the Department of Conservation was not

accepted as it did not comply with the National Policy Statement for Coastal Management, and also Seascapes and Landscapes of Significance. An invitation to the Minister of Conservation to visit the island has been issued.

CIC Biodiversity – Cr Day had communication with Ed Chignell (Predator Free 2050 Ltd) and invited him to visit the island again and meet with the Council and ECan to explore the potential to include the Chatham Islands in the Predator Free 2050 programme.

RESOLVED THAT the report be received.
NC Ryan / RS Joyce CARRIED

6.2 Draft Stock Control and Keeping of Poultry, Bees, Pigs and Boundary Fencing Bylaw 2018

CIC Corporate Services Manager, Deborah Goomes was in attendance for this item.

An amended draft Stock Control and Keeping of Poultry, Bees, Pigs and Boundary Fencing Bylaw 2018 had been included in the agenda.

RESOLVED:

- a. **THAT** the information be received
- b. **THAT** the Stock Control and Keeping of Poultry, Bees and Pigs, and Boundary Fencing Bylaw be approved for public consultation.

M Croon / J Clarke CARRIED

6.3 Amendment to Subdivision Consent – C Lanauze, Airbase Road

An application had been received from Celestine Lanauze for a minor boundary adjustment on Airbase Road.

RESOLVED THAT the:

- 1. Request be received.
- 2. Council approves the amendment to the Subdivision Consent of Lot 2 DP 459570.

RS Joyce / KL Day CARRIED

**6.4 Subdivision Consent Pre-approval – Lot 2 DP 45970
Airbase Road**

A request for pre-approval for a new subdivision of Lot 2 DP 45970 on Airbase Road was received from Celestine Lanauze.

RESOLVED THAT the:

1. Request be received.
2. Council approve the new subdivision consent application from Celestine Lanauze.

KL Day / NC Ryan CARRIED

GOVERNMENT:

**8.1 Update on Rural Broadband Initiative Phase
Two/Mobile Black Spots Fund Programme Roll Out**

RESOLVED THAT the report be received.

J Seymour / NC Ryan CARRIED

8.2 Owenga Transfer Station

Mayor Preece noted the Owenga Transfer Station is in an untidy state. Waste Management to erect a notice advising the Transfer Station may close if the untidy state continues.

Meeting Closure

After consideration of the In Camera Agenda, and there being no further business, the meeting was declared closed at 3.32pm.

CONFIRMED THIS 9TH DAY OF AUGUST 2018

MAYOR

COUNCIL MEETING AGENDA

August 2018

2. DEMOCRACY

2.2 Representation Review

(D 2.1d)

The Local Electoral Amendment Act 2002 requires that local authorities are required to review their representation arrangements at least every six years. For territorial authorities this involves determining the basis of election, ie whether members are to be elected at large, by wards, or by a mix of both. If wards are to be used, the number, boundaries and names of those wards, and the number of members per ward must be determined. Territorial authorities must also determine whether there should be community boards in the district.

Fair and Effective Representation

In carrying out the review, local authorities need to be guided by the principle in the Local Electoral Act 20014 (LEA) of "***fair and effective representation for individuals and communities.***" Fair representation is defined in the LEA in terms of the number of persons represented per member. The ratio of persons per member in each ward or constituency is required to be within +/- 10% of the ratio for the district as a whole. This is designed to ensure approximate equality in representation.

Subject	Description
Mayor	To be elected by the electors of the district as a whole.
Membership	To be not less than six nor more than 30 including the mayor.
Basis of election	Options of: - All members elected by wards - Some members elected by wards and some at large - All members elected at large. Each ward must elect at least one member, and each member representing a ward must be elected by the electors of that ward. If there are no wards, members are elected by the electors of the district as a whole.
Representation	Arrangements must: Provide effective representation of communities of interest

	<p>within the district</p> <p>If the district is divided into wards, ensure that electors receive fair representation having regard to the +/- 10% population rule provided in section 19V(2).</p> <p><i>(Note: the only grounds for not complying with the formula are to provide for effective representation of communities of interest within island or isolated communities).</i></p> <p>Ensure that ward boundaries coincide with current statistical mesh block areas.</p> <p>Ensure that ward boundaries, as far as practicable, coincide with community boundaries.</p> <p>Comply with a population certificate obtained from the Government Statistician.</p>
Community Boards	<p>Two levels of decision are required: whether there should be communities and community boards within the territorial authority's district if the territorial authority considers that one or more communities should be established (or retained), the nature of the community and the structure of the community board.</p> <p>Decisions must then be made around the number of members to be elected to the Board, whether there will be appointed members and whether the community will be subdivided for electoral purposes</p>

Community Consultation

Council has an obligation to consult with its community on the issue of the Review of Representation and receive submissions accordingly.

Basis for Elections

The Council currently employs the voting system of First Past the Post (FPP). The voting system was changed from STV to FPP in 2008.

Current Representation Arrangements

- Council elections are held at large over the whole of the Chatham Islands territory
- One Mayor and eight Councillors
- There are no Maori wards
- There are no community boards
- The voting system is FPP

Considerations

- The isolation of the Chatham Islands community and small population of the community (600 people Census 2013)
- Number of elected members to allow for a quorum
- Wards
- Community Boards
- Voting System

RECOMMENDATION

That the Representation Arrangements be approved for public consultation.

COUNCIL MEETING AGENDA

AUGUST 2018

3. FINANCE

3.1 Council Dues Report as at 20 July 2018

(F 3.5a)

See attached report.

RECOMMENDATION

THAT the report be received.

COUNCIL DUES REPORT - as at 20 July 2018

Air Chathams:

Date of Last Payment:	6 July 2018	\$	3,395.50	March Dues
Outstanding Manifests	Nil			
Outstanding Invoices	April/May/June	\$	14,330.17	
Current Invoices:	June 2018	\$	7,634.03	
Total Balance:			\$	21,964.20

Chatham Islands Shipping:

Date of Last Payment:	29 June 2018	\$	18,748.83	April Dues
Outstanding Manifests	May & June 2018			
Current Invoices:	Nil			
Total Balance:			\$	-
TOTAL DUES OUTSTANDING:			\$	21,964.20

COUNCIL MEETING AGENDA

AUGUST 2018

3. FINANCE

3.2 Accountability Report to Department of Internal Affairs (F 3.9a) (F 3.9b)

Attached is the accountability report covering the quarter ending 30 June 2018.

RECOMMENDATION

THAT the report be received.

CHATHAM ISLANDS COUNCIL

Accountability Report to Department of Internal Affairs – 30 June 2018

This is the sixteenth report presented in accordance with Section 7 of the Deed of Funding between the Chatham Islands Council (The Council) and the Department of Internal Affairs (The Department)

Financial

The Council continues to operate with the support of a \$500k overdraft arrangement with the ANZ Bank and is closely monitoring expenditures. In the quarter under review the Council operated within this limit.

A weekly cash flow position and forecast continues to be provided by the accountants to help keep the Council on track.

The financial reports are attached to this report.

Work on the preparation of the Long Term Plan 2018 -2028 and the supporting Infrastructure and Financial Strategies continued during this period with the consultation document being released for late in April.

This has been a very difficult exercise to complete as some major assumptions had to be made around council's income due to confirmation of Crown support not being known until mid-May.

The final draft of the McGredy Winder report provided some leads to base assumptions on.

The Governments budget didn't provide the additional support that was included in the above assumptions. This resulted in a revised LTP being drafted which essentially pushed all of the major capital projects out a year.

2018/19 will be a very difficult year financially for the Council.

The LTP was finally adopted on 28th June with an emphasis of matter being included in the audit opinion which highlighted the reliance the Council has on the Government support and expected increases.

Democracy

The Council has elected Councillor Jeffrey Clarke to be the Deputy Mayor and each Councillor has been allocated two or three portfolios with the Mayor being an ex officio member of all.

Councillor Tuck has moved to Napier but continues to be involved attending meetings via telephone.

Portfolios provide a vehicle for informal consideration of activities and issues before going to the full Council meeting.

The Council continues to engage with initiatives looking at the future sustainability of the Chatham Islands. These include:

- The multi-agency stakeholders events facilitated by the Wellington Police
- The DIA Chatham Islands Investment Strategy.
- The Martin Jenkins Enabling a Sustainable Community Report
- Assisting the Chatham Islands Enterprise Trust with its case for an airport runway upgrade.

Bylaws and Policies

The Council has adopted a new Dog Control Bylaw and supporting Dog Control Policy.

Work is progressing on a Stock Control Policy and Bylaw.

Work has started on the review of the Alcohol in Public Places Ban Bylaw

Waitangi Port Development

Council continues to maintain a good relationship with the Memorial Park Alliance and its wider team.

On 14th March the wharf was opened by Hon Tracey Martin Minister of Internal Affairs.

The opening was well attended by Members of Parliament, Government Officials, Contractor representatives and the wider public which provided for a grand occasion.

The memorial Park Alliance has begun its withdrawal from the Island and is talking to Council about the return of the depot property and the provision of legacy for the community.

A discussion around the return of the road was held in September with all parties reaching general agreement on what this will look like. Fulton Hogan has been engaged to complete these tasks.

Council will be looking to achieve some betterment/legacy from this process

The three issues that Council believe should be legacy funded are:

Two traffic lanes on the road which provides access to the port and

That all of the sealed road area be given the same rehabilitation treatments so that the finished product will be uniformed. Currently there is about a 200m length between two areas that were returned to a gravel surface.

The water bore established at the depot will be handed to council in a compliant working order.

Airport Project

Council is cooperating where it can with the building of a case to support the proposed airport upgrade.

There is concern mounting about how this project is drifting. There are real deadlines approaching especially with the life of aircraft currently serving the Islands.

Roading

- ❖ **Policy** – The Council is working with its engineers on the compliance with the “One Road Classification” This will require a rewrite of the activity management plan.

Work is underway on producing the next RLTP. This is a difficult exercise given the uncertainty at present around future funding.

- ❖ **F.A.R.** – Council has now received advice from NZTA that its FAR rate has been set at 88% for the balance of its RLTP. This will be subject to review from time to time.

88% is a big improvement on the original intention of 75% but still leaves a gap of about \$120k in funding per annum going forward.

Following a meeting with Hon Nanaia Mahuta Minister of Local Government the Council has written to Hon Phil Twyford Minister of Transport requesting a review of this situation.

- ❖ **Fulton Hogan** – The major seal rehabilitation works commenced in March 2017 have been completed. These have generally been well received by the community.

The MPA rehab works were completed during June 2018.

- ❖ **Weather** – The weather during the early part of 2018 was extremely dry which causes challenging conditions for maintenance of gravel roads

- ❖ **Professional Services** – The Council and Stantec New Zealand Limited have completed the contract renewal process and celebrated a relationship that has spanned over 60 years.

Water Supplies

Ministry of Health has provided \$100k towards the investigation and design works for water supply improvements in Waitangi and extension into Te One. These works are based on using the bore supply established by the Port construction contractors. If this is found to be useful, it will be part of the “legacy” left by that project.

The engineers have completed the investigation and design report with final cost estimates being \$3.05m. This is potentially the first project to be debt funded in the new financial year.

These works have been postponed for one year in anticipation of receiving additional funding support in 2019/20

The existing supplies in Waitangi and Kaingaroa functioned well during the period.

The two schemes have achieved compliance with the New Zealand Drinking Water Standards.

Following the Havelock North enquiry additional compliance requirements have been imposed on the Council. These will be difficult to achieve within existing budgets. The proposed new Scheme is still the priority.

Septic Waste

The proposed contractual arrangements for the completion of the septic waste disposal project have failed to eventuate. This leaves the Council to consider a much higher than budgeted price.

The Ministry Of Health has confirmed that its funding for this project will be available in 2018/19.

The project will now be programmed for late 2018 when ground conditions will be dry.

Council will consider loan funding any additional costs.

This is another project that will potentially be delayed by a year though Council has sought additional funding through the Ministry of Health. Early indications for success are not good.

Waste Management

Progress on the waste strategy is continuing with good community support.

The waste management shed is all now complete

The compaction machine has been ordered and is estimated to arrive in August 2018

The Kaingaroa and Owenga transfer stations are operative

Claims for the funding offered by Ministry for the Environment under the Waste Minimisation Scheme are being finalised and will be audited on Island during early May 2018

MFE are redrafting the agreement so that works completed are recognised and additional works going forward can be supported.

Broadband

There continues to be gaps in service and no capacity to improve under current contract arrangements. Council continues to work with MBIE Staff on these problems.

The broadband service has reached a critical point with many complaints being received about the quality of service or no service at all. Council has been advised that the satellite backhaul is full to capacity which prevents new entrants.

Council has been advised that the Chatham Islands are included in the recently announced RBI2 so it is hopeful that improvement will soon occur.

Further discussions with SPARK have revealed that coverage will still be limited excluding many residents to be excluded from connectivity which is a major concern.

Council met with Hon Clare Curran Minister of Broadcasting, Communications and Digital Media while she was on Island for the Waitangi Wharf opening. While the meeting was brief it did offer some encouragement.

Community Complex

The Ngati Mutunga Iwi Trust holding company is interested in building the complex on a commercial basis. This will result in the Council leasing the space that it requires.

The Chatham Islands Enterprise Trust has agreed to re-enter this project.

A meeting with the Holding Company, CIET and Council has been held resulting in a heads of agreement being developed. This is being negotiated.

Apollo Construction has been engaged to drive the project.

The Mayor has written to the Minister of Culture and Heritage to seek an extension of time for the use of the grant towards the museum part of the project.

Resource Management

Routine work continues.

A major part of The Resource Management Document became operative in February 2018 essentially excluding those bits relating to coastal management due to the Minister not being happy with compliance with the Coastal Management Policy

Council with assistance from E.Can has been unable to reach agreement with Department of Conservation staff on this matter and is now facing an estimated additional \$150k work of work to meet these demands.

A letter was sent to the Minister explaining the Council's position. The Minister has since responded advising the Council that a consultant has been employed to review the Department and Council's positions. Council is awaiting the outcome of the consultants work.

The consultants have reported back to the Minister supporting the Department of Conservations stance.

The Council and its advisors are considering what the best way forward will be.

In reviewing this it was found a number of National Environment Policy Statements require compliance. These have been costed at \$2,5m over 5 years. This work is well outside of the Council's ability to fund.

Council has again written to the Minister explaining the predicament.

Harbours

A harbours risk assessment was recently carried out by the harbourmasters with assistance from the Canterbury Regional Harbourmaster.

Council has been advised that a passenger liner (The MS Maasdam) will visit in January 2019 with potentially 2000 passengers on board. The logistics around this will be challenging.

The MS Maasdam visit has now been cancelled with Nelson and New Plymouth being the substitute ports to visit.

Emergency Management

- **Civil Defence** – The new MCDEM warning system worked well during the recent Mexico earthquake which is good to see. There was an alert for the coastal areas of Chatham Islands but little activity was recorded.

Work on the preparation of the new CDEM Plan and its support documents is progressing. The CDEM Group plan is now out for consultation.

The CDEM Group plan has been completed and forwarded to the Minister for approval.

Work on identification of areas threatened by tsunami has been completed and was presented to Council in October.

The Council met with Hon Kris Faafoi Minister of Civil Defence while he was on Island for the Waitangi Wharf opening. This meeting was also brief.

Minister Faafoi presented Council's Emergency Manager Rana Solomon with a 10 year service certificate and thanked her for her contributions

- **Rural Fire**- Fire and Emergency New Zealand is now the authority for all fires on the Chatham Islands with a hand over taking place late in July. This included the peat fire at Waitangi West.

During February a large vegetation fire occurred. FENZ provided the first response and resourced the ongoing from mainland New Zealand. FENZ requested welfare and headquarters support from the Council which was provided.

This fire tested the abilities of FENZ to respond. We wait the debrief report before making further comment.

- **Maritime Safety Oil Spill** – Routine readiness work continues. A desk top exercise was run during September.

A small scale exercise was run in June.

Housing

A new entity has been formed to oversee the use of Government funds. This entity will draw representation from Council, Chatham Islands Enterprise Trust, Hokotehi Moriori Iwi Trust and Ngati Mutunga O Wharekauri Iwi Trust with the latter being the administering authority.

Ha O Te Ora O Wharekauri Trust (Maori Community Services) has been granted funding through Te Puni Kokiri to establish an emergency house on the Island. The Council has contributed to by project by making land available at \$1.00.

The Minister of Maori Development Hon Te Ururoa Flavell turned the first sod on this project in late October 2016. Construction began in June 2018

Iwi Relationships

The Council has an MOU in place with Ngati Mutunga O Wharekauri Iwi Trust.

Quarterly meetings are being held with Hokotehi Moriori Iwi Trust.

Arrangements with regards to RMA are under discussion with Treaty settlement negotiators. These may result in joint Council/Iwi committees

Kaingaroa Wharf

Attempts to purchase the Kaingaroa Wharf from Hokotehi Moriori Trust (HMT) have failed.

The Council is facilitating involvement from the fishing industry to either assist with the repair or possibly purchase
Cyclone Pam funding is no longer available

HMT has offered the wharf to the Council for no fee on the condition that the Council coordinates a community effort to demolish the adjoining fish factory, and some general community tidy up work.

The Council is exploring this option. It sought advice from Memorial Park Alliance on how to safely do this. Discussions between the Council and HMT are continuing.

Council is also assisting local fishers investigate and establish a temporary alternative facility situated on the opposite side of the harbour.

Demolition works were commenced during March and some work has been done on making the alternative facility useable.

The factory is now demolished.

Chatham Islands Museum

The Chatham Islands Museum and Heritage Trust took over control of the Museum on 1st November 2016 and will continue to manage and operate with the support of a Council annual grant.

Health and Safety

There were no health and safety issues during the year.

Most Council staff attended a St John first aid course and obtained their certificates.

The Council continues to operate in a sub-standard building which has proven to be less than weather tight during recent storms.

Canterbury Regional Council

The Canterbury Regional Council continues to provide support for the Council's regional and corporate activities. A report on these is attached.

Quarterly Report Part B: THE SERVICES

Desired Outcomes						KPI		Targets		Service Provided	
Resource Management	The high air, water, and land qualities of the Chatham Islands are maintained to protect human health and ecological systems.	Resource management document is current and administered.	Review of CIRMD is completed. All consent applications are processed within RMA timelines. Progress is made on implementing the NPS on freshwater management.	An updated draft resource management document is prepared. Assistance is provided to the CIC to hear submissions and finalise the CIRMD. The consent application process is administered. Assist CIC with IWI matters in relation to the upcoming review of the RMA. The upcoming review of the RMA will cover historic places, and the new landfill.	The Resource Management Document has been made partially operative pending Ministerial approval of the parts of the document that relate to the Coastal Marine Area						
Resource Management Investigations and Monitoring	The use of natural and physical resources contributes to the Chatham Islands economy in a sustainable manner.	Resource consents and permitted activities are exercised in accordance with their conditions.	100% compliance	An Implementation Programme for the NPS is developed. Compliance monitoring is carried out as required.	A progressive Implementation Programme for the NPSPM was adopted in 2015. No further monitoring undertaken this quarter.						
Investigations & Monitoring	The high intrinsic values of the biodiversity and natural ecosystems of the Chatham Islands are recognised and protected. People may carry out a wide range of activities taking into account natural hazards.	State of the Environment monitoring is carried out in accordance with CIRMD requirements. Information on natural hazards is available.	<ul style="list-style-type: none"> Effects of sea level rise on coastal development are assessed Other services completed as requested 	Report on mapping of sea level rise	Preliminary investigation commenced.						
Investigations & Monitoring	Any changes in the biodiversity and natural ecosystems of the Chatham Islands are recognised and causal mechanisms understood.	Statutory monitoring requirements are met.	SOE long term water quality monitoring programme completed and reports are published.	<ul style="list-style-type: none"> Long term water quality monitoring programme of lakes, rivers and Te Whanga lagoon Trends reported annually Information available on web site 	Monitoring completed as scheduled. Three field sampling runs completed and data compiled in database						

Desired Outcomes		KPI	Targets	Service Provided	
	People of the Chatham Islands have access to a wide range of cultural, commercial and recreational activities.	Microbiological and chlorophyll information is collected for resource management purposes.	Microbiological monitoring and assessments of algal bloom activity at sites in Te Whanga lagoon.	<ul style="list-style-type: none"> • Microbiology & Chlorophyll-a monitoring at 3 lagoon sites. • Fortnightly monitoring of common recreational sites (locations to be agreed with CIC) during the summer. • Results available on web site. • Monitoring at 4 flow recorder sites, 2 rainfall sites and 2 water level recorders in Te Whanga sites. Data is collected on levels, flow, salinity, pH, and oxygen. • Near real-time water level and flow data (within 1-2 hours) are available on website. • Water quality of possible areas for future potable supply (eg: Owenga) is investigated. 	Monitoring work completed as required.
	Flow regimes in Chatham Island rivers and streams are understood for water allocation purposes and flood warning	Hydrological information is available to all community	River flows are monitored.	<ul style="list-style-type: none"> • Monitoring at 4 flow recorder sites, 2 rainfall sites and 2 water level recorders in Te Whanga sites. Data is collected on levels, flow, salinity, pH, and oxygen. • Near real-time water level and flow data (within 1-2 hours) are available on website. • Water quality of possible areas for future potable supply (eg: Owenga) is investigated. 	Sites all working well and data available on CIC website
	Water quality and/or quantity investigations carried out to understand water resource issues raised by community	Investigations carried out within proposed timeframes and costs		<ul style="list-style-type: none"> • Water quality of possible areas for future potable supply (eg: Owenga) is investigated. 	Potable water supply investigations are on-going.
Contaminated Sites / Hazardous Substances and Waste	Exposure to contaminated land and the environmental effects of hazardous substance releases are minimised.	<p>HAIL sites are identified.</p> <p>NES for contaminants in soil to protect human health is implemented.</p> <p>An agricultural collection is undertaken.</p> <p>Hazardous waste is managed according to national protocols.</p>	Advice is provided on contaminated sites, hazardous substances and waste management.	<ul style="list-style-type: none"> • HAIL identification methodology is provided to enable CIC to identify potentially contaminated sites. • Assistance in establishing protocols for NES implementation is provided. • Provide advice on how to set up an Agricultural Collection. • Advice on establishment of waste management protocols is provided. 	Advice on waste management expected to increase as the landfill project progresses. Support provided on an as required basis.
Emergency Management	CIC is prepared for an emergency and complies with CDEM Act requirements.	Requests for assistance with CDEM planning and preparedness are met.	Provide policy and planning support as required.	Provide advice on National and Regional CDEM Policies.	The Tsunami inundation model and evacuation routes have been presented to the CI Council and to the community. There is follow up work on signage and other public information to follow. This is being supported by Helen Jack.

Desired Outcomes		KPI	Targets		Service Provided	
			Provide advice on Resilience Initiatives. CDEM group plan continues in operation and is up to date.	Support CIC Resilience Initiatives as appropriate. <ul style="list-style-type: none">CDEM second generation plans due 2016/17. Risk based foundation to be established for review of 4 R's within the CDEM Group Plan.Public Information Manager training session provided and one workshop exercise is provided.	No Advice requested. No Activity in this period	
			Provide training support	<ul style="list-style-type: none">Provide advice on professional development for CIC CDEM staff, including a development needs analysis (DNA) of key staff.Support CDEM exercises and courses. Focus to be on training for Response Team and EOC staff. Two activities supported on island each yearSupport implementation of national emergency management information system (EMIS)	Training support is being planned for June this year. This will be to provide Welfare, Radio and EOC training prior to running an EOC exercise.	
Navigation Safety	Navigation safety is enhanced.	Requests are met and proactive assistance is provided.	Advice and support is provided re navigation safety.	<ul style="list-style-type: none">Support is provided to the CIC HarbourmasterNavigation safety risk assessment is carried out, documented and maintained.The Navigation Safety Bylaws are reviewed	Completed as required. Provide technical support for the planning of the proposed Waitangi Wharf replacement. Ongoing. Investigate provision of AIS monitoring at Chatham Islands. Underway.	
Corporate Services	Services to the community are improved through the provision of timely and accurate information.	Requests are met or referred to appropriate providers.	Annual report is produced and audited with no qualification.	Annual report is produced and audited with no qualification.	A clean audit opinion was issued on the Annual Report 2016/17. This was approved on 27 October 2017, with all	

Desired Outcomes		KPI	Targets		Service Provided	
			Long Term Plan/Annual Plan is produced and audited with no qualification.	Long Term Plan/Annual Plan is produced and audited with no qualification.		publication timeframes met. Preparation for the 2017/18 Annual Report has commenced.
			Financial reports to Councilors and Department of Internal Affairs completed at least quarterly.	Financial reports for internal reporting purposes or reporting to external stakeholders is completed periodically.	Reports to Council and Quarterly financial reports for DIA reporting purposes have been provided.	
			Assistance is provided with rates, invoicing, and other technical issues.	Requests are met promptly. Training and support is provided for democracy services.	All requests for assistance have been met.	
			Advice is provided as required for: HR; Council; Democracy; Legal; Finance; and IT.	Requests are met within 5 working days. Training support and information is provided re democracy services.	Legal advice provided as requested. No noted breaches of legislation noted.	
Communications	Communication services support the dissemination and exchange of information to Council and the community. Council's information is protected, developed and maintained effectively and efficiently.	Community and Iwi are well informed about Council activities and performance.	Communications services are provided.	Inserts to the Chatham Islander are produced on environmental, RMA and other Council issues.	All activities completed as required.	
			Advice is provided concerning effective communication and feedback from the community.	Web site is kept up to date. Other communications projects (e.g. leaflets, brochures, signs) discussed and undertaken as required.	All activities completed as required.	
Surveillance – Chatham Islands	There is no introduction, sale, propagation and distribution of the 140 pests listed as Surveillance – Chatham Islands pests.	Incidence of these 140 pests on the Chatham Islands.	Report on the presence of Surveillance – Chatham Islands annually or as required for specific incidences.	Undertake enforcement action to ensure that landowners and occupiers do not introduce, sell, propagate or distribute pests listed as Surveillance – Chatham Islands pests.	No enforcement actions undertaken. Aggregate was imported and used in the Kaiangaroa area which has since had broom seedlings appear. This has been dealt with by Biosecurity staff and the site programmed for annual surveillance.	One shipment of 50/50 topsoil / compost was impounded and then sent back to NZ due to the high biosecurity risk

Desired Outcomes					
KPI		Targets		Service Provided	
Surveillance – Chatham Islands	Maintaining an internal border between Chatham Island, Pitt Island and New Zealand.	Number of breaches of the internal border.	Year 1 Publish and distribute a scoping report addressing marine biosecurity as part of establishing an internal border.	Years 2-4 In partnership with Biosecurity New Zealand implement a marine biosecurity plan as part of establishing an internal border.	Under contract to Environment Canterbury, SPS prepared a Chatham Islands Marine Biosecurity Partnership Action Plan in 2010. Progress on its implementation has been limited. We have trained 5 staff to meet WorkSafe NZ diving requirements with a view to carrying out twice annual underwater surveys of the 4 ports on Chatham Island. The intent is to determine the presence or absence of the 10 "most likely" to arrive marine pests. To date, survey dives have been carried out at Owenga, Kaiangaroa Waitangi and Port Hutt. No marine pests were found at Owenga or Kaiangaroa but the previous distribution of Undaria at Port Hutt has expanded within the harbour. In September 2017, several vessels associated with the Waitangi Wharf rebuild arrived and were found to carrying at least 4 marine pests that are not known to be present in Chatham's waters. Prompt action by our Biosecurity staff and newly formed dive squad (along with voluntary compliance of the vessel owners) resulted in the risk being minimized if not eradicated. 3 of the Chathams dive squad were involved with a boat hull inspection in Lyttelton in early April. More marine pests were found and the team continue to gain experience in this field
Surveillance – Chatham Islands	Preventing the arrival and establishment on the Chatham Islands of the 140 listed Surveillance – Chatham Islands pests.	Incidence of these 140 pests on the Chatham Islands.	Identify, map and maintain a database of high risk sites for	Inspect at risk sites for pests listed as Surveillance – Chatham Islands pests	At risk sites inspected at least twice annually by SPS Bio-security staff and resident Biosecurity Officer.

Desired Outcomes		KPI	Targets	Service Provided	
			surveillance – Chatham Islands pests. Continue a surveillance programme sampling sites (ha) at high risk from Surveillance – Chatham Islands pests.		Active control on several "low incidence" plant pests has taken place ie: Veldt Grass, Glycemia maxima, Argentinean Ice Plant, Wilding Confers and Sycamore has been on-going. New sites of Old Man's Beard and Banana Passionfruit have been found and total control is underway, although both new sites have found to be more extensive than originally thought.
Surveillance – Chatham Islands pests	Subject to availability of resources, undertake Biosecurity Act 1993 Section 100 control of Chatham Islands Surveillance pests.	There are no successful incursions.	Report on the number of potential and actual incursion responses of Chatham Islands surveillance pests per annum.	Undertake incursion responses for pests listed as Surveillance – Chatham Islands pests as required.	Black Ants and German Wasps are recent incursions but hopefully the immediate control response has eliminated their establishment. A Bmim ant was found on the South coast in early April (in response to landowners calling in) and this has been sent to Landcare Research for ID
Surveillance – Pitt Island	Five pests listed as Surveillance – Pitt Island pests are not introduced to Pitt Island	Incidence of these five pests on Pitt Island.	Identify, map and maintain a database of high risk sites for pests listed as Surveillance – Pitt Island pests. Continue a surveillance programme sampling at risk sites for pests listed as Surveillance – Pitt Island pests.	Inspect at-risk properties for Surveillance – Pitt Island pests. Undertake enforcement action where necessary to ensure that landowners and occupiers carry out control for Surveillance – Pitt Island pests. Search 100% of high-risk sites for pests listed as Surveillance – Pitt Island pests annually	We have increased the number of Rodent Bait stations at possible departure points to Pitt Island. Sheds used by fishermen storing goods bound for Pitt. Rodent activity tends to peak in February/March/ April and then stabilizes. We are about to receive a trained "Rat dog" that will be on the Chathams full time from late May onwards. This will dramatically improve our detection capability

Desired Outcomes		KPI	Targets		Service Provided	
Total Pest Control	The Chatham Islands Pest Management Strategy is reviewed with specific reference to the Total Control suite of pests	The remaining 5 years of the Pest Management Strategy more accurately reflects community expectation and professional opinion	Chatham's wide customer survey carried out with specific emphasis on Total Control pests. Survey results matched with expert opinion.	Formal review of current Pest Management Strategy	A Pest Management Strategy survey was sent out in early 2013. 54 responses were received. A formal review of the current Pest Management Strategy is proposed within a year with draft discussions commencing in late October 2017.	
Total Pest Control	One total control pest animal – feral goats is controlled.	Progress made in eliminating feral goats.	Undertake structured aerial cull of feral goats on properties adjoining the source infestation.	Work alongside landowners to voluntarily eradicate feral goats. Undertake enforcement action to ensure that landowners and occupiers carry out control of feral goats.	By late 2014 Environment Canterbury staff had culled 977 goats from the Airport Road area. With the approval of the Landowner, our resident staff member culled 46 in late 2014 which appears to be the last of them. Two fly-overs by helicopter seemed to confirm this. An additional 192 goats were shot from a geographically separate area in 2017 where we believe the remaining feral goat population numbers less than 30.	
Total Pest Control	Control of all total control plant pests.	The incidence of all total control plant pests.	A report on the effectiveness of pest control operations is prepared. The Incidence of Total Control pest plants is consistent with estimates of target densities.	All known Total Control plant pest sites, both historical and active, are inspected and / or controlled annually. Summarise and interpret data collated from pest control operations.	Following the completion of the "Total Pest Control" plant database, all 3 species of Broom are deemed to be controlled as is, Gunnera. Wild Ginger (2 species) is down to one site. Sycamore control has increased recently. Control in several Cotoneaster sites is on-going. The remaining 2 Total control plants, Montbretia and Buddleia are so widespread that Total Control is not that realistic. This was confirmed in the PMS survey results.	

Desired Outcomes	KPI	Targets	Service Provided
			<p>Although not on the Total Pest Control list the following plant pests have also been controlled to a level where eradication is achievable.</p> <p>A lone site of South American Ice Plant was controlled in April 2013.</p> <p>The only known site of a water weed (<i>Glyceria maxima</i>) was controlled in 2012 and any re-growth sprayed 2013, 2014, 2015 and 2016.</p> <p>The only known site of "Veldt Grass" was sprayed in late 2012 and resprayed in October 2014.</p>
Total Pest Control	Control of all pests listed as total control pest plants.	The incidence of all pest plants on Chatham Island or Pitt Island.	<p>Identify, map and maintain a database of the incidence (e.g. of the density and distribution) of total control pests plants on Chatham Island and Pitt Island.</p> <p>Estimate (e.g. identify, map and maintain a database of) the control area over which total control pest plants on Chatham Island and Pitt Island occurs.</p> <p>Progress towards eradicating total control pest plants is made to reduce their impact on the economy, particularly on land production, and on biodiversity.</p> <p>Inspect at risk properties for total control pests and issuing inspection notices.</p> <p>A database of all known historical and active "Total Pest Control" plant sites has now been completed. Other low-incidence plant pests are also being recorded</p>
Containment control	Control of pests listed as containment control pest plants.	Incidence of pests listed as containment control.	<p>Undertake enforcement action where necessary on properties identified as non-compliant with Strategy rules.</p> <p>Work alongside landowners to voluntarily carry out control of Containment pest plants</p> <p>Undertake enforcement action to ensure that landowners and occupiers carry out control of Containment Control pest plants.</p> <p>No properties noted with pest plants, therefore no enforcement action undertaken to date.</p> <p>Voluntary control has certainly increased and this was enhanced with a helicopter on the island in February 2013, February 2014, November 2014, October 2015, November 2016 and</p>

Desired Outcomes		KPI	Targets	Service Provided	
					again in December 2017. An aerial survey conducted after the helicopter control in March 2013 produced a "Baseline" gorse distribution map, this has been updated since the December 2017 programme was completed.
Containment Control	Control of pests listed as containment control.	Incidence of pests listed as containment control.	All at risk sites are inspected every 2 years. All gorse is eradicated annually from Gorse Management Area 1. The area of gorse (ha) in Gorse Management Area 2 does not increase as from a baseline date of 2001 (this target is subject to the availability of aerial maps of the Chatham Islands).	Inspect and search at risk sites for Containment Control pests and issuing inspection notices.	No properties noted with pest plants, therefore no enforcement action undertaken to date. Voluntary control has certainly increased and this was enhanced with a helicopter on the island in 2013, 2014, 2015, 2016 and 2017. An aerial survey conducted after the helicopter control in March 2013 produced a "baseline" gorse distribution map and this is updated after each helicopter visit to the islands.
Public awareness	Public become vigilant for new pests and do not introduce, sell or propagate pests.	Public awareness.	Articles on pest and biosecurity in the Chatham Islander and Uniquely Chathams news publications. Famphlets on pests and biosecurity issues are readily available at the airport and other tourist venues 90% of landowners understand their obligations under the Strategy.	Regular media coverage of pest and biosecurity issues. Conduct a customer survey to gauge the understanding of landowner Strategy obligations.	Regular articles relating to Chatham Islands Pests are placed in the Chatham Islander Newspaper and the quarterly "Uniquely Chathams" paper and the Chatham Islands Community Focus email newspaper.

Desired Outcomes		KPI	Targets	Service Provided	
Investigations / Research	All pest control activities and advice is current and based on Best Practice	Surveillance – Chatham Islands pests Surveillance – Pitt Island pests, Total Control pests Containment Control pests Undertaking pests and biosecurity investigations and survey programmes.	Number of assessments undertaken.	Assess any research or investigation proposals concerning Surveillance – Chatham Islands pests, total control pests, containment control pest plants such as the introduction of biological control agents where support is sought from the Council on a case-by-case basis.	One of the questions in the PMS survey specifically asked about the possible introduction of Gorise biological agent(s). Several late responses were received which lowered the support of the introduction of bio control agents.

PART A

Unaudited Statement of Financial Performance for the period ending 30 June 2018

	Actual 30-Jun-18	Budget 30-Jun-18	Variance to Budget	Note	Annual Budget	Projected Result
Revenue						
General Rates	306,997	286,839	20,158	1	286,839	286,839
Targeted Rates	273,519	288,839	(15,321)	1	288,839	288,839
Council Dues	334,504	290,000	44,504	2	290,000	290,000
NZTA subsidy	3,313,011	3,670,728	(357,717)	3	3,670,728	3,670,728
Central Government Grants	2,887,000	2,887,000	0	4	2,887,000	2,887,000
Project Grant (Not Approved) - Shared Admin Centre	-	1,001,633	(1,001,633)	5	1,001,633	1,001,633
Project Grant - Waste Management	319,000	319,000	-	5	319,000	319,000
Project Grant (Not Approved) - Water	-	-	-	5	-	-
Other Grants	234,360	155,031	79,329	6	155,031	155,031
Fees, Licenses and Recoveries	384,803	341,667	43,136	7	341,667	341,667
Total Revenue	7,055,194	9,240,737	(2,185,543)		9,240,737	9,240,737
Expenditure						
Democracy	805,505	749,228	56,276		749,228	749,228
Roading	1,336,289	1,731,587	(395,298)	8	1,731,587	1,731,587
Solid Waste	373,496	268,102	105,394	9	268,102	268,102
Water	286,728	312,834	(26,105)		312,834	312,834
Stormwater	16,949	6,876	10,073		6,876	6,876
Wastewater	163,033	175,967	(12,934)		175,967	175,967
Licensing and Building	150,639	117,719	32,920		117,719	117,719
Resource Management	482,892	496,958	(14,066)		496,958	496,958
Community Services	607,322	675,810	(68,488)		675,810	675,810
Biosecurity	477,456	465,709	11,747		465,709	465,709
Animal Control	53,168	22,479	30,689		22,479	22,479
Emergency Management	458,347	343,538	114,809	10	343,538	343,538
Coasts, Harbours and Navigation	182,410	187,521	(5,111)		187,521	187,521
Depreciation	1,242,178	1,853,854	(611,676)	11	1,853,854	1,853,854
Total Expenditure by Activity	6,836,411	7,408,182	(571,771)		7,408,182	7,408,182
Total Net Loss/ Surplus	1,218,782	1,832,555	(613,772)		1,832,555	1,832,555
Capital expenditure by activity						
	Actual	Budget	Variance	Note	Annual Budget	Projected
Democracy	34,211	-	34,211	12	-	34,211
Roading	2,375,588	2,668,000	(292,412)	13	2,668,000	2,101,079
Solid Waste	524,339	-	524,339	14	-	524,339
Water	-	-	-	14	-	-
Emergency Management	14,126	990,000	(975,874)		990,000	-
Total Expenditure by Activity	2,948,264	3,658,000	(709,736)		3,658,000	2,659,629

Income Notes

1. Rates are invoiced based on the Council approved rates strike. The in-year variance relates to the application of penalty payments and other minor adjustments.
2. Council dues is a Council tax on island imports/exports. There is a notable relationship between works on-island and the income received from Dues. Transactions with on-island shipping/freight companies are current.
3. NZTA subsidies are based on actual expenditure, at a subsidised rate of 88%. Actual work to day amounts to \$3,712k as opposed to budgeted level of \$4,171k.
4. The agreed Central Government Grant is negotiated periodically, no variance to agreed annual contribution amount in year.
5. Project grant for the new landfill has been drawn down and apportioned across the year. The grant for the shared administration centre will not be received as alternative funding and build arrangements have been agreed. No funding was agreed to support water infrastructural projects in year. There is a direct correlation between these grants and capital expenditure.
6. Notably this includes a water grant for \$90,000 to progress the water supply feasibility studies and wash up associated with the Waitangi West fire response.
7. Revenue consists of a number of miscellaneous revenue balances. Budget higher than usual reflective of higher resource management fees and recoveries, such instances did not occur in year, no other notable areas of underspend.

Operating Expenditure Notes

8. Roading operational expenditure is below budget due to shipping and weather issues.
9. New waste management facility progressing, with previous pits to be closed. Year-to-date expenditure includes a number of one-off start up/closure costs difficult to budget due to the transactions being primarily one-off in nature.
10. Whilst responsibility for rural fire activity now rests with Fire and Emergency New Zealand, final payments related to the Waitangi West peat fire have been paid, off-set by grants related to this event.
11. Depreciation for the period is still to be finalised. The figure is lower than expected as the budget assumes all in year capital developments are completed. The shared administration complex (which included a depreciation charge) will be funded and constructed through an alternative means than that budgeted.

Capital Expenditure Notes

12. The shared administration centre will now be built by another agency, with the Council to enter into a lease arrangement.

13. Roading capital works is below budget due to shipping and weather issues. The current focus of roading works is on improving the conditions of the sealed roads as inspection noted a large number of sections with potholes or sealed roads failing. This has resulted in a reallocation of approved funding from other renewal categories.

14. Capital expenditure on key projects ongoing or delayed, if delayed, this is due to suitable funding support from other parties required for agreement or funding drawn down.

Figures have been compiled for DIA reporting purposes, final year-end adjustments are still to be completed and may impact on the financial information presented in this report.

Liquidity Report

	Actual 30-Jun-17 \$000s	Annual Plan 30-Jun-18 \$000s	Actual 30-Sep-17 \$000s	Actual 31-Dec-17 \$000s	Actual 31-Mar-18 \$000s	Actual 30-Jun-18 \$000s
Current assets (excluding other earmarked cash balances)	731	(928)	949	1,756	1,227	396
Current liabilities (excluding provisions)	2,235	679	321	999	1,083	1,196
Working capital	(1,504)	(1,607)	628	757	144	(800)
Long-term target	200	200	200	200	200	200
(shortfall)/Excess	(1,704)	(1,807)	428	557	(56)	(1,000)

Liquidity Notes

The Council has an overdraft facility with their banking provider of \$500k. The Council's closing cash balance is an 128k at the end of June. This excludes earmarked funds, such as the \$1m set aside for the museum element of the proposed Council building. Final processing related to GST and other system transactions still to be completed.

Grants and Subsidies Report for the period ending 30 June 2018

Activity	Agency	Budget \$000s	Actual YTD \$000s	Projected Year End Outcome \$000s	Variance \$000s	Note
Baseline Funding	DIA	2,887	2,887	2,887	0	1
Operating Funding	NZTA	1,101	994	994	(107)	2
Capital Funding	NZTA	2,570	2,319	2,319	(250)	2
Solid Waste Project	DIA	319	319	319	-	3
Total		7,141	4,911	6,921	(210)	

Grants and Subsidies notes

1. Baseline funding in line with agreed funding rates.
2. Actual expenditure on roading works in year is below the agreed programme level due to transportation and weather delays. This in turn impacted on the subsidy amount, set at 88% in the budget and actual figures.
3. Capital expenditure to implement the solid waste project is progressing. The grant has been fully drawn down for the year.

Rates Collection Report

	Actual 30-Jun-18	Actual 30-Jun-17
Arrears at beginning of year	108,410	82,153
Rates invoiced YTD	644,845	639,922
Penalties applied	19,988	13,550
Less remissions	926	2,868
Rates collected	664,697	624,347
Rates outstanding	107,620	108,410
% outstanding	16.69%	16.94%

Rates Collection notes

The identified balances include GST.

The identified balances have been updated to exclude warmer homes repayments made through rates.

The due dates for instalments are 1 September 2017, 1 January 2018 and 1 May 2018.

The "Rates invoiced YTD" figure includes the rates due for the instalment dates of 1 September 2017, 1 January 2018 and 1 May 2018.

Council Dues Collection Report

	Actual 30-Jun-18	Actual 30-Jun-17
Balance at commencement of year	35,050	41,423
Dues assessed	385,143	389,755
Dues paid	410,102	396,128
Balance outstanding	10,091	35,050
Balance more than 30 days overdue	-	11,974

Council Dues Collection notes

Council dues is a Council tax on island imports/exports. There is a notable relationship between works on-island and the income received from Dues.

Current trends with collection rates have been very positive, with the majority of outstanding dues current.

COUNCIL MEETING AGENDA

AUGUST 2018

4. WORKS & SERVICES

- 4.1 Fulton Hogan Road Maintenance Contract Monthly Report June & July 2018 (WS 4.1b1)

See attached report.

RECOMMENDATION
THAT the report be received.



CHATHAM ISLANDS ROAD
MAINTENANCE CONTRACT
MONTHLY REPORT
June 2018


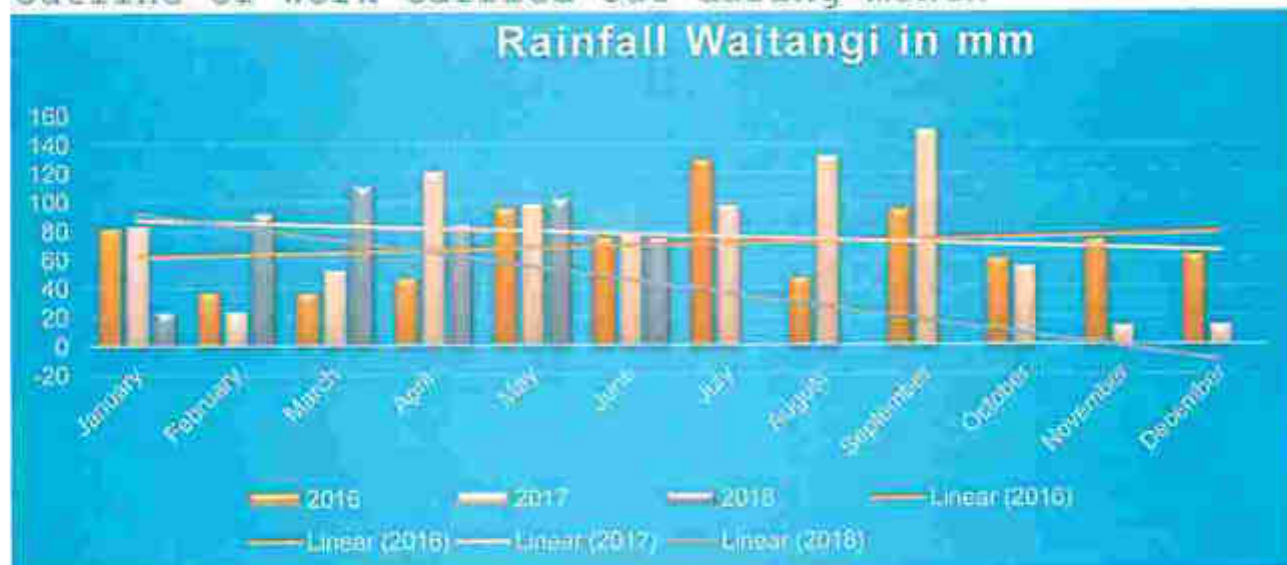


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Work Summary

Outline of work carried out during month



74.5mm of rain recorded in the Waitangi yard. We have finally been reunited with our truck and excavator from Pitt Island. MPA areas have been sealed and we have had a pretty good success rate except for one area in the dark wet dip on Tuku Road that will have to be dugout. Sealing chip has to be left on the road for as long as possible to protect the surface from certain people's night-time activities. Hight Place, Fish Factory Road and a small area on Airbase Road, along with some digouts have also been completed with this round of sealing. The grader is back on the rural roads having a tidy up. Still have the footpath to complete on Hight Place.

Routine Maintenance and Operations

Mowing and spraying continue. Maintenance metaling still happening in a reduced manner as we are starting on some unsealed road strengthening and watertabling. Grading is still a little behind but we should catch up in the next week or so. We are still awaiting the delivery of our second grader from New Zealand.

Pavement Renewals

Hight Place & Fish Factory Road completed and sealed, some digouts completed.

Sealed Road Resurfacing

All areas prepped have been sealed. Wharf Road, Waitangi Wharf Owenga Road Tiki Tiki to Tuku Road, Hight Place, Tuku Road, North Road at new Kerb & Channel and seal transition on Airbase Road at cattlestop as well as a trial OTTA seal on Maipito Road

Drainage Renewals

Work has started on Watertabling in Road strengthening areas.

Bridge and Structure Renewals

None this month.

Traffic Services

Very little this month.

Minor Improvements

None this month.

Vegetation Control

Mowing has slowed a little. Spraying is near impossible with constant winds this month.

Dayworks

Seal transition on Air base Road and potholeing for Waikato Bridge work.

Programmed Work for following month

Watertabling and road strengthening, repairs at Whangmoe Bridge

Schedule of Work by Road Name

1. Maintenance Grading

- Carried out as required during the month on the following roads:

Road ID	Disp	Road ID	Start RP	End RP	Quantity M
PORT HUTT ROAD	1941	51	5000	9800	4800
WAITANGI WHARF - OWENGA ROAD	1942	11	9104	14662	5558
NORTH ROAD	1943	21	4589	5162	573
RAPANUI ROAD	1944	81	0	1211	1211
				TOTAL	44.86Km

- 2 Unsealed Maintenance Metalling

- Carried out on the following roads using AP32 metal:

Road ID	Disp	Road ID	Start RP	End RP	Quantity	Units
WAITANGI WHARF - OWENGA ROAD	1970	11	11700	17500	88	
PORT HUTT ROAD	1971	51	500	5400	40	
NORTH ROAD	1976	21	25700	30000	32	

MAIPITO ROAD	1977	101	600	1200	24
AIR BASE ROAD	1982	71	3464	3970	16
MAIPITO ROAD	1991	101	35	442	56
		Totals		This Month	265 m3
				Contract TD	15440 m3

Next Month's Target

Patch metalling will continue where required.

Crash Damage Report Summary

Crash Damage Report

Date	Event	Action	Repaired Y/N
11/4/17	RP6890 Ute Rollover and hit pole and fence	Police Report	Powerpole knocked over, no damage to CIC asset
18/4/17	RP 19204 Vehicle has hit and damaged LH trailing end of guardrail	New parts ordered	To be repaired when parts arrive
June	Vehicle left road at RP260 WWO Rd		No damage to CIC asset
15/7/17	Truck left road at RP13585 Port Hutt Road	Photos	Damage to bridge sight rail
14/2/18?	Ute left road and rolled WWO Rd RP 4800	No report as yet	No damage to CIC asset
3/3/18	Car hit loading ramp WWO Road RP1039	Police investigation ongoing	No damage to CIC asset
29/5/18	Vehicle vrs calf cnr Maipito Waitangi Wharf Owenga Road	7: 30 am	Minor vehicle damage
25/6/18	Not accident as such but vandalism of new seal on Waitangi Wharf Owenga Road by 2 Quad bikes overnight.	Police investigation	Lucky to get away with little damage.

Network Inspections

Month	Inspection Type	Faults Identified	Inspected By
July 17	Night- time	North Road suffering from high lagoon levels. EMP's dirty but wet conditions make cleaning useless. Maybe more delineation required on newly re-habed sections.	Bill Lind
August 17	Daytime	Safety drive over with Stantec	Tomby
August 17	Night time	Safety drive over with Stantec	Bruce

			Winter
Sept 17	Daytime	Most of the network during rain event. Numerous areas of drainage deficiencies identified	Bill, Tomby and Mario
October 2017	Daytime	Done during Roadroid. Still a lot of areas requiring watertabling. Soft spots identified and programmed on Owenga Road	Bill Lind
November 2017	Night Time	Tuku Road mostly good but a lot of dirty EMP's at the town end. North Road ok but could still do with more EMP's on sealed section (awaiting Stantec safety inspection results)	Bill Lind
December 2017	Daytime 6 monthly	Waitangi West, Port Hutt and North Road mainly. Mostly drainage problems identified-high shoulder and watertabling.	
January 2018	Night Time	Waitangi Wharf Owenga Road. Signs all good, some EMP's require cleaning. Airbase road good but some vandalised signage needs replacing.	Bill Lind
February 2018	Daytime Roadroid	Still a lot of watertabling and drainage work required on most roads. Signage generally looking good with some needing cleaning	Bill Lind
March 2018	Night Time	Tuku Rd and North Road. Signage and delineation looking better, Still some signs need cleaning. Serious lack of Streetlighting in Waitangi	Bill Lind
April 2018	Daytime	WWO Road just graded. North Road needs grading. Water tabling needed on both roads.	Bill Lind
May 2018	Night Time	Watertabling still required on most roads, wet conditions highlight this. Lack of street lighting becoming very serious. Signs & EMP's dirty.	Bill Lind
June 2018	Daytime	North Road and Kaingaroa Road Potholes being repaired/graded. Wet conditions lack of metal in places. Airbase Road digout required.	Bill Lind

Monthly Safety Report and Statistics

Nothing to report.

1. Safety Engagements

Date	Near Miss	Incident	Lost Time Injury	Plant Damage	Depot/Worksite Inspections
21/6/17	Y	N	N	N	Portable concrete mixer fell to the side when being lifted onto truck deck causing bruising to ankle.
6/7/17	N	N	N	N	Cleaning Nairn River bridge deck and rails. No issues, good traffic control using a spotter.
8/8/17	N	N	N	N	Overlay Port Hutt Road. Good safe practices observed.
20/9/17	N	N	N	N	Watertabling Maipito Road No unsafe acts observed work progressing well.
18/10/17	N	N	N	N	Digouts WWO Road Good traffic control. No items to address.
14/11/17	N	N	N	N	Repairing roof on workshop. Full Hazard ID completed along with a risk analysis and checklist. No problems encountered.
7/12/17	N	N	N	N	Grading of Waitangi Wharf Owenga Road. Very dusty but no other problems.
29/1/18	N	N	N	N	Installing formwork for K&C on North Road. All good but traffic speed still a problem.
14/2/18	N	N	N	N	Te One culvert carriageway lowering. No issues.
18/3/18	Y	Y	N	Y	Grader came off barge and completely submerged during unloading. Investigation underway.
30/4/18	Y	N	N	N	Manhole cover moved when excavating for K&C
22/5/18	N	N	N	N	Audit done at Highet Place Re-Hab site. No issues arising.
15/6/18	N	N	N	N	Fish Factory Road Sealing All safe and job running smoothly.

Metal Stockpiles

Site	AP30 Schist	AP65	AP30 Basalt	AP100 Schist	AP100 Basalt	AP30 Blend	AP20
Waitaha Schist	1727	0	0	14950	0	0	0
Waitaha Basalt	0	2538	6976	0	0	0	964
Paritu	4508	0	0	2340	0	0	0
Stoney Crossing	0	1150	1727	0	0	0	1044
Yard	0	0	0	0	0	0	0
Ohinemama	0	0	2456	0	0	0	0
Yard	0	0	0	0	0	0	0
Muirsons Schist	2624	0	0	520	0	0	0
	0	0	0	0	0	0	0
	0	0	0	0	0	0	0
TOTALS	8859	3504	10679	17810	0	0	1952

CIC Owned Materials Signs

Stocktake of Chatham Islands Council Materials					
Item Description	Unit	Purchased	Used June 18	End Measure	Comments
Signs					
CS85 North Rd	ea			1	
CS85 Port Hutt Rd	ea			1	
RG1	ea			1	
RG2	ea			1	
RG6	ea			1	
RM6 White	ea			7	
RM6 Yellow	ea			3	
RM7	ea			5	
P66X242	ea			7	
PW67	ea			0	
PW2	ea			0	
PW10	ea			0	
PW11	ea			1	
PW11.1L	ea			1	
PW11.1R	ea			1	
PW12L	ea			1	
PW12R	ea			1	
PW16L	ea			0	
PW16R	ea			1	

PW17L	ea			0	
PW17R	ea			0	
PW21L	ea			0	
PW21R	ea			0	
PW24	ea			2	
PW25 65KM	ea			1	
PW25 35KM	ea			1	
PW25 45KM	ea			0	
PW27	ea			0	
PW28	ea			1	
PW32	ea			0	
PW34.1	ea			2	
PW34.2	ea			2	
PW37	ea			2	
PW38	ea			1	
PW39	ea			0	
PW41	ea			4	
PW41.3	ea			0	
PW43.2	ea			0	
PW44	ea			2	
PW53	ea			1	
PW49 FIRE ENGINE	ea			2	
PW 50	ea			1	
PW 67	ea			0	
PW67 Rural	ea			0	
PWSX1	ea			2	
RH-4	ea			2	
TS-3 ULTIMATE HIDEAWAY	ea			0	
MH -12 500 X 350 X 509	ea			0	
MH - 12 ENDS	ea			0	
MH - SPILKES	ea			0	
PW54	ea			2	

Marker pegs

EMP	ea			915	
CULVERT MARKERS	ea			200	
WHITE RAPID MARKERS	ea			16	

Misc Items

ACROW PROPS	ea	6		6	
ROAD COUNTER	ea	2		2	
ROUGHOMETER	ea	1		1	

Culvert Pipes

ALUFLOW

Item Description	Unit	Used June 18	Purchased	End Measure
375	m			12
300	m			12
450	m			30
525	m			0
600	m			18
750	m			30
825	m			0
900	m			23
1200	m			0
1500	m			0

FARMBOSS

225	m			63
300	m			30
450	m			0

PVC

225	m			0
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Builders Mix

CEMENT	T			0
GEOGRID	rolls			19
BIDIM CLOTH	rolls		2	2

Environmental Compliance & Feedback

Environmental Compliance

Date	Site Inspected	Compliant Y/N	Abatement Order Issued	Corrective Action Required	Completed By
17/7/17	Nairn Bridge	Y	N	N	Bill Lind
21/8/17	Pages Corner	Y	N	N	Tomby
30/10/17	Tiki Tiki Bore Head	Y	N	N	Bill Lind
23/11/17	Kaingaroa WTP	Y	N	N	Bill Lind
7/12/17	Waitangi Wharf Owenga Road	Y	N	N	Tomby
24/1/18	North Road Spraying	Y	N	N	Bill Lind
22/2/18	North Road Kerb & Channel	Y	N	N	Tomby
19/3/18	Pitt Island Grader incident	N	N	Y	Bill Lind
6/4/18	Hight Place K&C	Y	N	N	Bill Lind
18/5/18	Hight Place Re-Hab	Y	N	N	Bill Lind
21/6/18	Maipito Road OTTA Seal	Y	N	N	Tomby

Stakeholder Complaints Register

Month	Council/ Public Complaint	Complaint	Repair Undertaken	Response Time
30/7/17	Public	Water over North Road	High Lagoon levels and strong winds	Lagoon needs opened
1/8/17	Public	Tuku Rd Bus turn around area needs metal	Metal	2 days
4/8/17	Public	Te Matarae Rd boggy	Bad spots metalled	1 day
15/9/17	CIC	Hotel sign request	Passed to Stantec	2hrs
21/9/17	CIC	Dead sheep Port Hutt Rd	Removed	3hrs
26/9/17	Public	Schist on Owenga Rd	Passed to Stantec for comment	4hrs
5/10/17	Public	Potholes and dust on roads	Grader out Owenga Road	2days
3/11/17	Public	Seal wanted on Owenga Road	Passed on to Stantec and CIC	1 day
21/11/17	Public	Dust on North road	Replied through CIC	2hrs
11/12/17	Public	Dust in general and too much grading	Public notice distributed asking people to drive to the conditions	1 day

Month	Council/ Public Complaint	Complaint	Repair Undertaken	Response Time
19/1/18	Public	Speeding traffic on Maipito Road	Installed new sign	2 hrs
1/2/18	Public	Signage at Port Hutt / North Rd intersection	Passed to Stantec for investigation	1 hr
8/2/18	Public	Poor condition of Pitt Island Roads	Timetable for work on Pitt Island submitted to Council	2 days
12/2/18	Public	Slippery conditions on Te Awainanga Hill	Metal spread	3hrs
29/5/18	Public	WWO Road needs graded	Awaiting favourable conditions	3 days
5/6/18	Public	Owenga Road needs graded and fish dump full	Road had been graded before complaint received	1hr
21/6/18	Public	North Road needs graded	Grader is on North Road now	1 day
25/6/18	Public	Loose chip on road at Cafe	Chip needs to be left on the road as long as possible to protect surface. Footpath swept today.	4 hrs
29/6/18	Public	Port Hutt Road slippery	Basalt spread on the hills	1day

Public Relations & Community Involvement

Sponsored Festival fundraising, pig hunting comp and the racing club

Innovation

Reusing digout material for road build-up.

Summary of Monthly Progress Claim by Work Category

Separable Portion One - Roading					
Item	Work Category	Value for Month	Value YTD	Annual Budget	% of Annual Budget
1	P&G Other	\$79,012.48	\$860,823.95	\$805,782.09	106%
2	Routine Maintenance and Ops	\$81,430.68	\$661,559.26	\$1,273,716.65	51.9%
3	Pavement Renewals	\$0	\$427,200.88	\$389,340.50	109.7%
4	Sealed Road Resurfacing	\$65,146.05	\$378,101.31	\$108,129.00	349%
5	Drainage Renewals	\$0	\$33,473.33	\$119,480.00	28%
6	Bridge Renewals	\$0	\$26,158.16	\$60,000.00	43.5%
7	Traffic Services	\$481.84	\$24,824.71	\$13,485.75	184%
8	Minor Improvements	\$0	\$8,131.46	\$130,000.00	6.2%
9	Vegetation Control	\$5,408.41	\$63,485.39	\$19,968.75	317%
11	Dayworks	\$7,235.61	\$446,313.72	\$242,871.00	183%

Total

\$238,715.06

\$2,976,234.18

\$3,162,773.74

94.1%

1. Miscellaneous

2. Traffic Counting

Completed for 2018.

3. Pitt Island

Truck and excavator Back from Pitt early June.

4. Wind Damage

Nil.

Photos



Tuku Road



Fish Factory Road



Fish Factory Road



chatham islands council



CHATHAM ISLANDS ROAD
MAINTENANCE CONTRACT
MONTHLY REPORT
July 2018



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Work Summary

Outline of work carried out during month




66mm of rain recorded in the Waitangi yard. A busy month with a good amount of water tabling completed on North road as well as a start on the strengthening on Port Hutt Road. 5 culverts completed on North Road as well. Most of the material from the water tabling was placed at the Resource Recovery Centre for use in rehabilitation of the site. Sealed areas are looking good and the Otta seal on Maipito Road is setting up well. A little work was done on the wingwall at Whangamoe Bridge but I suspect more will be required. Owenga Wharf was inspected and all appears good since the waterblasting. It does not seem to be getting as slippery now. Latest Roadroid survey done with new device with some good results. We now have a basic photo record of the network. (photos taken every 3 seconds on drive) We had a specialist operator/trainer in during the last month to upskill our local staff. This was very successful with some very good feedback from both parties. There is already an improvement in the grading technique becoming apparent.

Routine Maintenance and Operations

Grass seems to be growing again and we continue with our mowing and spraying operations. Grading is well on track with most of the roads looking good. The latest Roadroid survey supports this. Metalling was continued aggressively early this month to allow us some breathing space during water tabling and strengthening operations.

Pavement Renewals



Port Hutt Road first section nearly complete and North Road to start shortly.

Sealed Road Resurfacing

Recently sealed areas looking good and we are leaving the chip on as long as possible. Soft area on Tuku road is being monitored and will be dug out when conditions are dry enough.

Drainage Renewals

Well into water tabling on North Road. 5 culverts laid on North road as well. Two sites on Air Base Road identified for new culverts.

Bridge and Structure Renewals

None this month.

Traffic Services

A few EMP replacements this month. No sign vandalism.

Minor Improvements

None this month.

Vegetation Control

Mowing has slowed a little. Spraying is near impossible with constant winds this month.

Dayworks

Repairs at Whangamoe Bridge and culvert works.

Programmed Work for following month

Watertabling and road strengthening, new culverts.

Schedule of Work by Road Name

1. Maintenance Grading

- Carried out as required during the month on the following roads:

Road ID	Disp	Road ID	Start RP	End RP	Quantity M
NORTH ROAD	2005	21	31657	48508	16851
KAINGAROA ROAD	2006	126	0	5994	5994
WAITANGI WHARF - OWENGA ROAD	2012	11	9104	21000	11896
TUKU ROAD	2013	111	7119	14507	7388
TIKI TIKI ROAD	2014	96	20	665	645
HOSPITAL ROAD	2015	90	0	350	350

NORTH					
WHAREKAURI ROAD	2016	121	0	4829	4829
NORTH ROAD	2017	21	14670	25381	10711
PORT HUTT ROAD	2018	51	0	1250	1250
NORTH ROAD	2034	21	4589	14670	10081
PORT HUTT ROAD	2035	51	1250	7880	6630
TE MATARAE ROAD	2037	133	6918	8174	1256
AIR BASE ROAD	2038	71	0	5871	5871
NORTH ROAD	2041	21	7962	14670	6708
WAITANGI WHARF - OWENGA ROAD	2042	11	4503	20796	16293
RAPANUI ROAD	2036	81	0	1155	1155
				TOTAL	107.9km

- 2 Unsealed Maintenance Metalling
- Carried out on the following roads using AP32 metal:

Road ID	Disp	Road ID	Start RP	End RP	Quantity	Units
PORT HUTT ROAD	1993	51	13600	14000	32	
WAITANGI WHARF - OWENGA ROAD	1994	11	7000	11000	24	
NORTH ROAD	1995	21	5600	35700	492	
NORTH ROAD	2002	21	35000	48508	80	
KAINGAROA ROAD	2003	126	0	5535	16	
WAITANGI WHARF - OWENGA ROAD	2004	11	11000	18000	56	
TUKU ROAD	2008	111	3500	4500	24	
HOSPITAL ROAD NORTH	2009	90	0	350	40	
TIKI TIKI ROAD	2010	96	200	500	16	
TE MATARAE ROAD	2029	133	6918	8174	24	
NORTH ROAD	2030	21	26470	28890	16	
		Totals		This Month	820	m3
				Contract TD	16400	m3

Next Month's Target

Patch metalling will continue where required.

Crash Damage Report Summary

Crash Damage Report

Date	Event	Action	Repaired Y/N
11/4/17	RP6890 Ute Rollover and hit pole and fence	Police Report	Powerpole knocked over, no damage to ClC asset
18/4/17	RP 19204 Vehicle has hit and damaged LH trailing end of guardrail	New parts ordered	To be repaired when parts arrive

June	Vehicle left road at RP260 WWO Rd		No damage to CIC asset
15/7/17	Truck left road at RP13585 Port Hutt Road	Photos	Damage to bridge sight rail
14/2/18?	Ute left road and rolled WWO Rd RP 4800	No report as yet	No damage to CIC asset
3/3/18	Car hit loading ramp WWO Road RP1039	Police investigation ongoing	No damage to CIC asset
29/5/18	Vehicle vrs calf cnr Maipito Waitangi Wharf Owenga Road	7: 30 am	Minor vehicle damage
25/6/18	Not accident as such but vandalism of new seal on Waitangi Wharf Owenga Road by 2 Quad bikes overnight.	Police investigation	Lucky to get away with little damage.

Network Inspections

Month	Inspection Type	Faults Identified	Inspected By
August 17	Daytime	Safety drive over with Stantec	Tomby
August 17	Night time	Safety drive over with Stantec	Bruce Winter
Sept 17	Daytime	Most of the network during rain event. Numerous areas of drainage deficiencies identified	Bill, Tomby and Mario
October 2017	Daytime	Done during Roadroid. Still a lot of areas requiring watertabling. Soft spots identified and programmed on Owenga Road	Bill Lind
November 2017	Night Time	Tuku Road mostly good but a lot of dirty EMP's at the town end. North Road ok but could still do with more EMP's on sealed section (awaiting Stantec safety inspection results)	Bill Lind
December 2017	Daytime 6 monthly	Waitangi West, Port Hutt and North Road mainly. Mostly drainage problems identified-high shoulder and watertabling.	
January 2018	Night Time	Waitangi Wharf Owenga Road. Signs all good, some EMP's require cleaning. Airbase road good but some vandalised signage needs replacing.	Bill Lind
February 2018	Daytime Roadroid	Still a lot of watertabling and drainage work required on most roads. Signage generally looking good with some needing cleaning	Bill Lind
March 2018	Night Time	Tuku Rd and North Road. Signage and delineation looking better, Still some signs need cleaning. Serious lack of Streetlighting in Waitangi	Bill Lind
April 2018	Daytime	WWO Road just graded. North Road needs grading. Water tabling needed on both roads.	Bill Lind
May 2018	Night Time	Watertabling still required on most roads, wet conditions highlight this. Lack of street lighting becoming very serious.	Bill Lind

		Signs & EMP's dirty.	
June 2018	Daytime	North Road and Kaingaroa Road Potholes being repaired/graded. Wet conditions lack of metal in places. Airbase Road digout required.	Bill Lind
July 2018	Night Time	2 new culverts required on Airbase Road. EMP's needed sealed area North Rd (Done) Most other signs all good.	Tomby

Monthly Safety Report and Statistics

Nothing to report.

1. Safety Engagements

Date	Near Miss	Incident	Lost Time Injury	Plant Damage	Depot/Worksite Inspections
21/6/17	Y	N	N	N	Portable concrete mixer fell to the side when being lifted onto truck deck causing bruising to ankle.
6/7/17	N	N	N	N	Cleaning Nairn River bridge deck and rails. No issues, good traffic control using a spotter.
8/8/17	N	N	N	N	Overlay Port Hutt Road. Good safe practices observed.
20/9/17	N	N	N	N	Watertabling Maipito Road No unsafe acts observed work progressing well.
18/10/17	N	N	N	N	Digouts WWO Road Good traffic control. No items to address.
14/11/17	N	N	N	N	Repairing roof on workshop. Full Hazard ID completed along with a risk analysis and checklist. No problems encountered.
7/12/17	N	N	N	N	Grading of Waitangi Wharf Owenga Road. Very dusty but no other problems.
29/1/18	N	N	N	N	Installing formwork for K&C on North Road. All good but traffic speed still a problem.
14/2/18	N	N	N	N	Te One culvert carriageway lowering. No issues.
18/3/18	Y	Y	N	Y	Grader came off barge and completely submerged during unloading. Investigation underway.
30/4/18	Y	N	N	N	Manhole cover moved when excavating for K&C
22/5/18	N	N	N	N	Audit done at Highet Place Re-Hab site. No issues arising.
15/6/18	N	N	N	N	Fish Factory Road Sealing All safe and job running smoothly.
23/7/18	N	N	N	Y	Landfill site. Delivery of cover material. Front bumper of truck caught on debris and damaged.

Metal Stockpiles

Site	AP30 Schist	AP65	AP30 Basalt	AP100 Schist	AP100 Basalt	AP30 Blend	AP20
Waitaha Schist	1727	0	0	14950	0	0	0
Waitaha Basalt	0	2434	6076	0	0	0	964
Paritu	4508	0	0	2340	0	0	0
Stoney Crossing	0	1054	1279	0	0	0	988
Yard	0	0	0	0	0	0	0
Ohinemama	0	0	2456	0	0	0	0
Yard	0	0	0	0	0	0	0
Muirsons Schist	2624	0	0	520	0	0	0
	0	0	0	0	0	0	0
	0	0	0	0	0	0	0
TOTALS	8859	3488	9811	17810	0	0	1952

CIC Owned Materials

Signs

Stocktake of Chatham Islands Council Materials					
Item Description	Unit	Purchased	Used July 18	End Measure	Comments
Signs					
CS85 North Rd	ea			1	
CS85 Port Hutt Rd	ea			1	
RG1	ea			1	
RG2	ea			1	
RG6	ea			1	
RM6 White	ea			7	
RM6 Yellow	ea			3	
RM7	ea			5	
P66X242	ea			7	
PW67	ea			0	
PW2	ea			0	
PW10	ea			0	
PW11	ea			1	
PW11.1L	ea			1	
PW11.1R	ea			1	
PW12L	ea			1	
PW12R	ea			1	
PW16L	ea			0	
PW16R	ea			1	

PW17L	ea			0	
PW17R	ea			0	
PW21L	ea			0	
PW21R	ea			0	
PW24	ea			2	
PW25 65KM	ea			1	
PW25 35KM	ea			1	
PW25 45KM	ea			0	
PW27	ea			0	
PW28	ea			1	
PW32	ea			0	
PW34.1	ea			2	
PW34.2	ea			2	
PW37	ea			2	
PW38	ea			1	
PW39	ea			0	
PW41	ea			4	
PW41.3	ea			0	
PW43.2	ea			0	
PW44	ea			2	
PW53	ea			1	
PW49 FIRE ENGINE	ea			2	
PW 50	ea			1	
PW 67	ea			0	
PW67 Rural	ea			0	
PWSX1	ea			2	
RH-4	ea			2	
TS-3 ULTIMATE HIDEAWAY	ea			0	
MH -12 500 X 350 X 509	ea			0	
MH - 12 ENDS	ea			0	
MH - SPILKES	ea			0	
PW54	ea			2	

Marker pegs

EMP	ea		47	868	
CULVERT MARKERS	ea		4	196	
WHITE RAPID MARKERS	ea			16	

Misc Items

ACROW PROPS	ea	6		6	
ROAD COUNTER	ea	2		2	
ROUGHOMETER	ea	1		1	

Culvert Pipes

ALUFLOW

Item Description	Unit	Used July 18	Purchased	End Measure
375	m			12
300	m			12
450	m			30
525	m			0
600	m			18
750	m			30
825	m			0
900	m			23
1200	m			0
1500	m			0

FARMBOSS

225	m			63
300	m	30		0
450	m			0

PVC

225	m			0
-----	---	--	--	---

Builders Mix

CEMENT	T			0
GEOGRID	rolls			19
BIDIM CLOTH	rolls			2

Environmental Compliance & Feedback

Environmental Compliance

Date	Site Inspected	Compliant Y/N	Abatement Order Issued	Corrective Action Required	Completed By
21/8/17	Pages Corner	Y	N	N	Tomby
30/10/17	Tiki Tiki Bore Head	Y	N	N	Bill Lind
23/11/17	Kaingaroa WTP	Y	N	N	Bill Lind
7/12/17	Waitangi Wharf Owenga Road	Y	N	N	Tomby
24/1/18	North Road Spraying	Y	N	N	Bill Lind
22/2/18	North Road Kerb & Channel	Y	N	N	Tomby
19/3/18	Pitt Island Grader Incident	N	N	Y	Bill Lind
6/4/18	Hihet Place K&C	Y	N	N	Bill Lind
18/5/18	Hihet Place Re-Hab	Y	N	N	Bill Lind
21/6/18	Maipito Road OTTA Seal	Y	N	N	Tomby
25/7/18	North Road water tabling	Y	N	N	Tomby

Stakeholder Complaints Register

Month	Council/ Public Complaint	Complaint	Repair Undertaken	Response Time
1/8/17	Public	Tuku Rd Bus turn around area needs metal	Metal	2 days
4/8/17	Public	Te Matarae Rd boggy	Bad spots metalled	1 day
15/9/17	CIC	Hotel sign request	Passed to Stantec	2hrs
21/9/17	CIC	Dead sheep Port Hutt Rd	Removed	3hrs
26/9/17	Public	Schist on Owenga Rd	Passed to Stantec for comment	4hrs
5/10/17	Public	Potholes and dust on roads	Grader out Owenga Road	2days
3/11/17	Public	Seal wanted on Owenga Road	Passed on to Stantec and CIC	1 day
21/11/17	Public	Dust on North road	Replied through CIC	2hrs
11/12/17	Public	Dust in general and too much grading	Public notice distributed asking people to drive to the conditions	1 day
19/1/18	Public	Speeding traffic on Maipito Road	Installed new sign	2 hrs

Month	Council/ Public Complaint	Complaint	Repair Undertaken	Response Time
1/2/18	Public	Signage at Port Hutt / North Rd intersection	Passed to Stantec for investigation	1 hr
8/2/18	Public	Poor condition of Pitt Island Roads	Timetable for work on Pitt Island submitted to Council	2 days
12/2/18	Public	Slippery conditions on Te Awainanga Hill	Metal spread	3hrs
29/5/18	Public	WWO Road needs graded	Awaiting favourable conditions	3 days
5/6/18	Public	Owenga Road needs graded and fish dump full	Road had been graded before complaint received	1hr
21/6/18	Public	North Road needs graded	Grader is on North Road now	1 day
25/6/18	Public	Loose chip on road at Cafe	Chip needs to be left on the road as long as possible to protect surface. Footpath swept today.	4 hrs
29/6/18	Public	Port Hutt Road slippery	Basalt spread on the hills	1day
9/7/18	Public	Tuku Road Scour	Metalled and minor water table built	1 day

Public Relations & Community Involvement

Sponsored Festival fundraising, pig hunting comp and the racing club

Innovation

Water table Material used for land fill rehab.

Summary of Monthly Progress Claim by Work Category

Separable Portion One - Roading					
Item	Work Category	Value for Month	Value YTD	Annual Budget	% of Annual Budget
1	P&G Other	\$74,027.50	\$74,027.50	\$805,782.09	9.1%
2	Routine Maintenance and Ops	\$58,382.65	\$58,382.65	\$1,273,716.65	4.6%
3	Pavement Renewals	\$0	\$0	\$389,340.50	0%
4	Sealed Road Resurfacing	\$0	\$0	\$108,129.00	0%
5	Drainage Renewals	\$0	\$0	\$119,480.00	0%
6	Bridge Renewals	\$0	\$0	\$60,000.00	0%
7	Traffic Services	\$1,266.18	\$1,266.18	\$13,485.75	9.4%
8	Minor Improvements	\$0	\$80	\$130,000.00	0%
9	Vegetation Control	\$5,408.41	\$5,408.41	\$19,968.75	27%
11	Dayworks	\$3,784.13	\$3,784.13	\$242,871.00	1.6%

Total

\$142,868.87

\$142,868.87

\$3,162,773.74

4.5%

1. Miscellaneous

2. Traffic Counting

Completed for 2018.

3. Pitt Island

Truck and excavator back from Pitt early June.

4. Wind Damage

Nil.

Photos



North Road



North Road



Whangamoe Bridge wingwall

COUNCIL MEETING AGENDA

AUGUST 2018

4. WORKS & SERVICES

- 4.2 Fulton Hogan Water & Wastewater Contract Monthly Report June & July 2018 (WS 4.1b1)

See attached report.

RECOMMENDATION

THAT the report be received.



CHATHAM ISLANDS WATER
AND WASTEWATER
OPERATION CONTRACT
MONTHLY REPORT
June 2018

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Work Summary

Outline of work carried out during month



74.5mm rainfall recorded in the Waitangi yard. Reamans and FH have completed the new bearing installation at WWTP. All went well except the installation of the automatic greasing unit having the wrong tubing supplied. Correct tubing is on the way and will be installed on arrival. Cleaned out solids from the old septic tank again. Needs to be investigation into functioning fat traps.

Water Supply Operation & Maintenance

All working well. Still to complete the draw-down testing at the MPA bore site. Awaiting Chatham Islands Electricity for generator and wiring.

Water Treatment

All running well.

Wastewater Treatment Plant at Waitangi

See above. Work on bearing all complete.

Dayworks - Water

No dayworks completed this month.

Dayworks - Wastewater

Just the WWTP works.

Water and Wastewater Reticulation Network

Still one manhole to raise on Waitangi Wharf Owenga Road.

Water and Wastewater Treatment Plant: Monitoring

Both treatment plants have been monitored on a daily basis with no

<u>Separable Portion Two - Water and Wastewater</u>					
<u>Item</u>	<u>Work Category</u>	<u>Value for Month</u>	<u>Value YTD</u>	<u>Annual Budget</u>	<u>% of Annual Budget</u>
13	Preliminary and General	\$10,223.45	\$56,275.38	\$49,614.04	113%
14	Water Supply Ops and Maint	\$1,153.61	\$12,467.29	\$20,067.84	62%
15	Water Treatment	\$4,612.72	\$59,005.69	\$39,801.86	148%
16	WWTP Waitangi	\$6,793.25	\$28,919.26	\$35,580.63	81%
17	Dayworks - Water	\$0	\$13,045.66	\$9,519.14	137%
18	Dayworks - Wastewater	\$0	\$33,183.08	\$7,090.55	467%
19	Water and Wastewater Reticulation	\$0	\$811.64	\$461.16	175%

issues at present.

Programmed Work for Following Month

Install pump and draw down test at the MPA yard.

Summary of Monthly Progress Claim by Work Category

20	Treatment Plant Monitoring	\$1,168.52	\$13,047.72	\$14,262.24	91.4%
	Total	\$23,971.55	\$217,447.44	\$176,397.46	123%

Schedule of Work

Water Meter Report

See appendix

Irrigation Dosing

Actual system working well but showing signs of surface saturation. Investigating supply and planting of swamp tolerant plants. Sprinkler locations all sprayed and identified, most of the field has been mowed.

Quality Assurance

No issues

Site Safety Report

Date	Near Miss	Incident	Lost Time Injury	Plant Damage	Depot/Worksite Inspections
29/6/17	N	N	N	N	Site visit and mowing at WWTP No safety issues apparent
19/7/17	N	N	N	N	Site visit to Kaingaroa WTP. No issues all clean & tidy, running well.
8/8/17	N	N	N	N	Clean out old septic tank, no safety issues.
13/9/17	N	N	N	N	External survey and maintenance visit by Reamans and Stantec. No issues reported.
20/10/17	N	N	N	N	Site tidy up around WWTP All good.
23/11/17	N	N	N	N	Kaingaroa WTP checked ,cleaned

15/12/17	N	N	N	N	and tidied out WWTP Investigate/locate sprinkler heads and mark
15/1/18	N	N	N	N	Repairing leak @ CIC flats, no safety issues.
8/2/18	N	N	N	N	Replaced toby valve and repaired pipe Highet Place. No safety issues.
22/3/18	N	N	N	N	Spraying and mowing @ WWTP no issues or concerns
30/4/18	N	N	N	N	Replace dislodged manhole cover at Highet Pl / Tuku Rd intersection.
24/5/18	N	N	N	N	Clear area, digout drain and metal road WWTP
26/6/18	N	N	N	N	RBC removal and bearing replacement at WWTP no issues

Environmental Non Compliance

E-Coli readings at Waitangi WWTP are being monitored with a sample now being taken immediately post UV showing better results. No E-coli but elevated total coliforms

Monthly Stocktake of Supplies

General Supplies Stockpile - Month Ending May 18

	Stock Purchased	Stock End of Previous Month	Stock Used	Stock Remaining End of Month
Salt	40	18 bags	10	48
Chlorine	0	40 L	10	30

PHOTOS



Access track to WWTP



Area prepared for RBC work



chatham islands council



Fulton Hogan



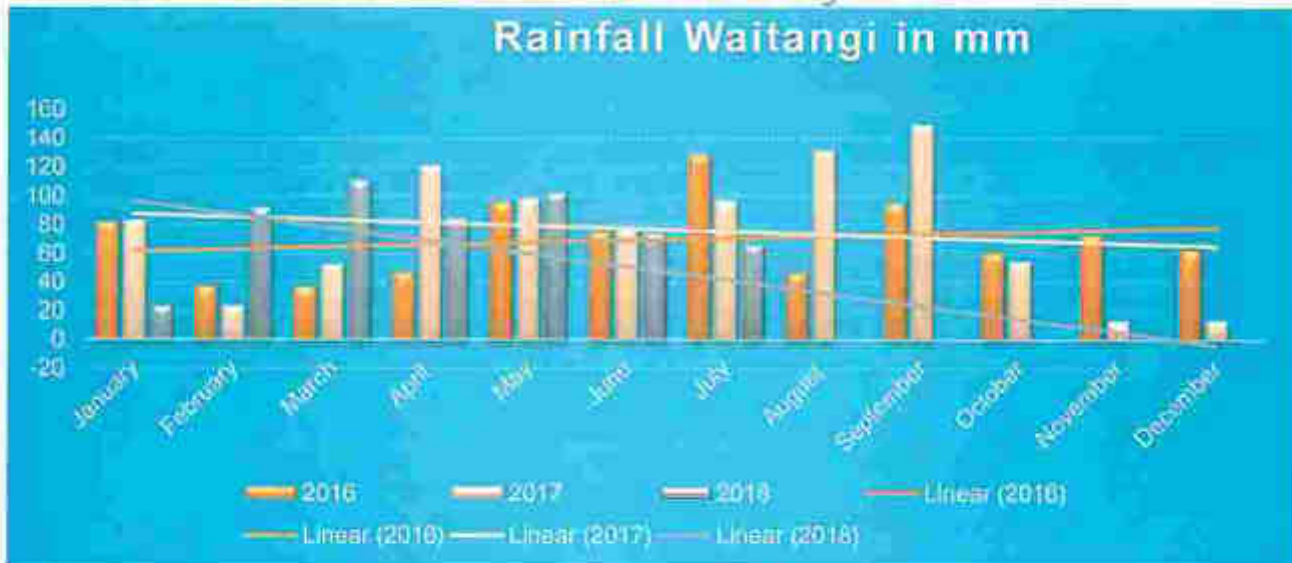
CHATHAM ISLANDS
WATER AND WATSEWATER
OPERATION CONTRACT
MONTHLY REPORT
July 2018

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Work Summary

Outline of work carried out during month



66mm rainfall recorded in the Waitangi yard. Tubing for auto greasing units has arrived and will be installed soon. Faulty float switch identified at old septic tank and replacement installed. New spare floats purchased. Leak again at public toilet. Toby has been turned off. We are pricing up new connections for two new building projects at present four water and two sewer connections.

Water Supply Operation & Maintenance

All working well. Still to complete the draw-down testing at the MPA bore site. Awaiting Chatham Islands Electricity for generator and wiring.

Water Treatment

All running well.

Wastewater Treatment Plant at Waitangi

See above.

Dayworks - Water

No dayworks completed this month.

Dayworks - Wastewater

Just the tidy up after the WWTP works.

Water and Wastewater Reticulation Network

Still one manhole to raise on Waitangi Wharf Owenga Road.

Water and Wastewater Treatment Plant: Monitoring

Both treatment plants have been monitored on a daily basis with no

		<u>Separable Portion Two - Water and Wastewater</u>			
<u>Item</u>	<u>Work Category</u>	<u>Value for Month</u>	<u>Value YTD</u>	<u>Annual Budget</u>	<u>% of Annual Budget</u>
13	Preliminary and General	\$1,658.93	\$1,658.93	\$49,614.04	3.3%
14	Water Supply Ops and Maint	\$922.32	\$922.32	\$20,067.84	4.6%
15	Water Treatment	\$2,947.89	\$2,947.89	\$39,801.86	7.4%
16	WWTP Waitangi	\$29,652.22	\$29,652.22	\$35,580.63	83.3%
17	Dayworks - Water	\$0	\$	\$9,519.14	0%
18	Dayworks - Wastewater	\$0	\$	\$7,090.55	0%
19	Water and Wastewater Reticulation	\$0	\$	\$461.16	0%

issues at present.

Programmed Work for Following Month

Install pump and draw down test at the MPA yard.

Summary of Monthly Progress Claim by Work Category

20	Treatment Plant Monitoring	\$1,188.52	\$1,188.52	\$14,262.24	8.1%
	Total	\$36,369.88	\$36,369.88	\$176,397.46	20.6%

Schedule of Work

Water Meter Report

See appendix

Irrigation Dosing

Actual system working well but showing signs of surface saturation. Investigating supply and planting of swamp tolerant plants. Sprinkler locations all sprayed and identified, most of the field has been mowed.

Quality Assurance

No issues

Site Safety Report

Date	Near Miss	Incident	Lost Time Injury	Plant Damage	Depot/Worksite Inspections
19/7/17	N	N	N	N	Site visit to Kaingaroa WTP. No issues all clean & tidy, running well.
8/8/17	N	N	N	N	Clean out old septic tank, no safety issues.
13/9/17	N	N	N	N	External survey and maintenance visit by Reamans and Stantec. No issues reported.
20/10/17	N	N	N	N	Site tidy up around WWTP All good.
23/11/17	N	N	N	N	Kaingaroa WTP checked ,cleaned and tidied out
15/12/17	N	N	N	N	WWTP Investigate/locate sprinkler heads

15/1/18	N	N	N	N	and mark Repairing leak @ CIC flats, no safety issues.
8/2/18	N	N	N	N	Replaced toby valve and repaired pipe Highet Place. No safety issues.
22/3/18	N	N	N	N	Spraying and mowing @ WWTP no issues or concerns
30/4/18	N	N	N	N	Replace dislodged manhole cover at Highet Pl / Tuku Rd intersection.
24/5/18	N	N	N	N	Clear area, digout drain and metal road WWTP
26/6/18	N	N	N	N	RBC removal and bearing replacement at WWTP no issues
9/7/18	N	N	N	N	Replace float switch at old septic tank. No safety issues.

Environmental Non Compliance

E-Coli readings at Waitangi WWTP are being monitored with a sample now being taken immediately post UV showing better results. No E-coli but elevated total coliforms

Monthly Stocktake of Supplies

General Supplies Stockpile - Month Ending May 18

	Stock Purchased	Stock End of Previous Month	Stock Used	Stock Remaining End of Month
Salt		48 bags	10	38
Chlorine	20	30 L	10	40

PHOTOS



Failed bearing shell



Centre bearing position

COUNCIL MEETING AGENDA

AUGUST 2018

4. WORKS & SERVICES

4.3 Engineers Report for June 2018

(WS 4.1a1)

See attached report.

RECOMMENDATION

THAT the report be received.

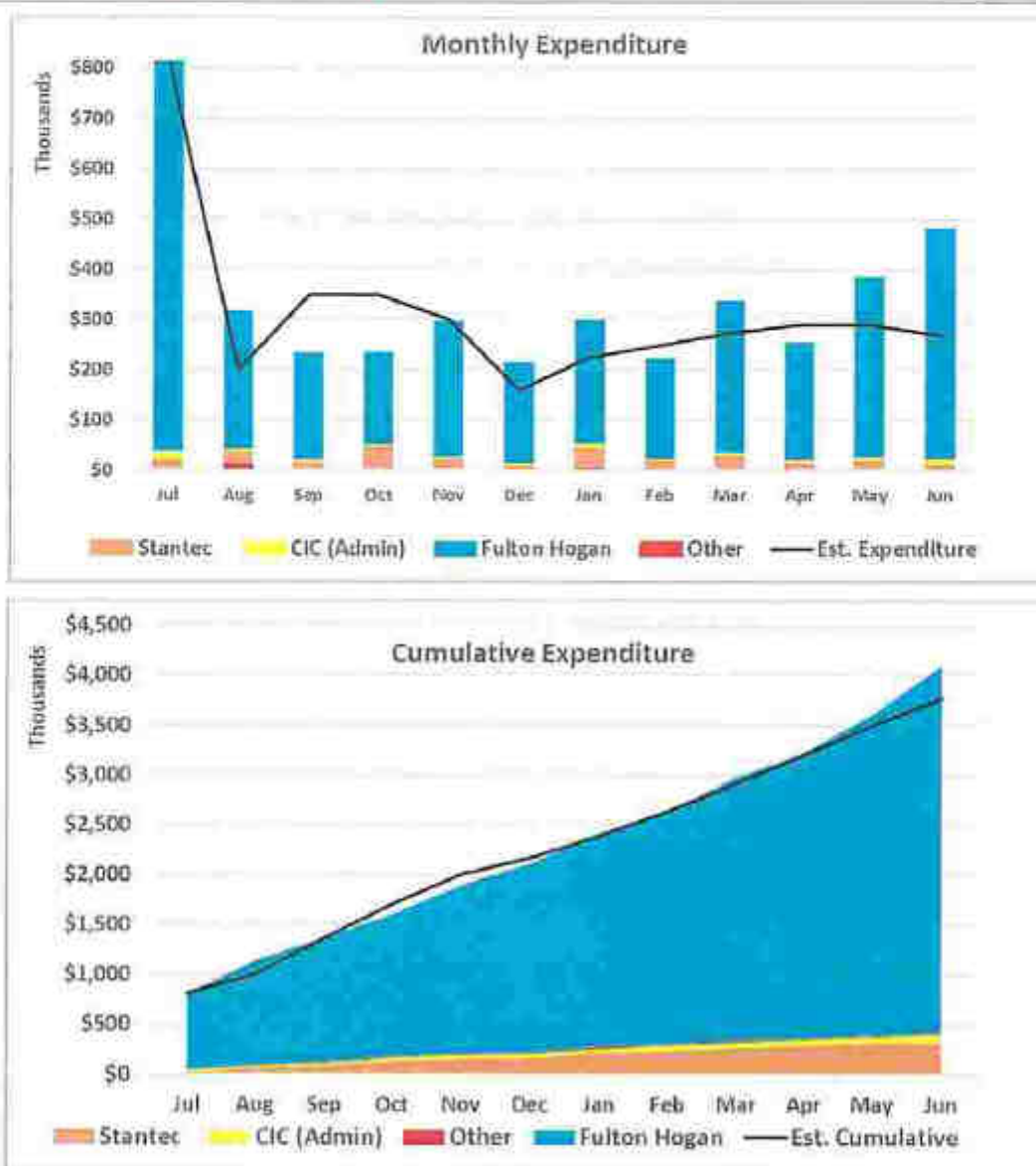
CIC Engineering Services Contract

Monthly Progress Report June 2018

Financial Reporting

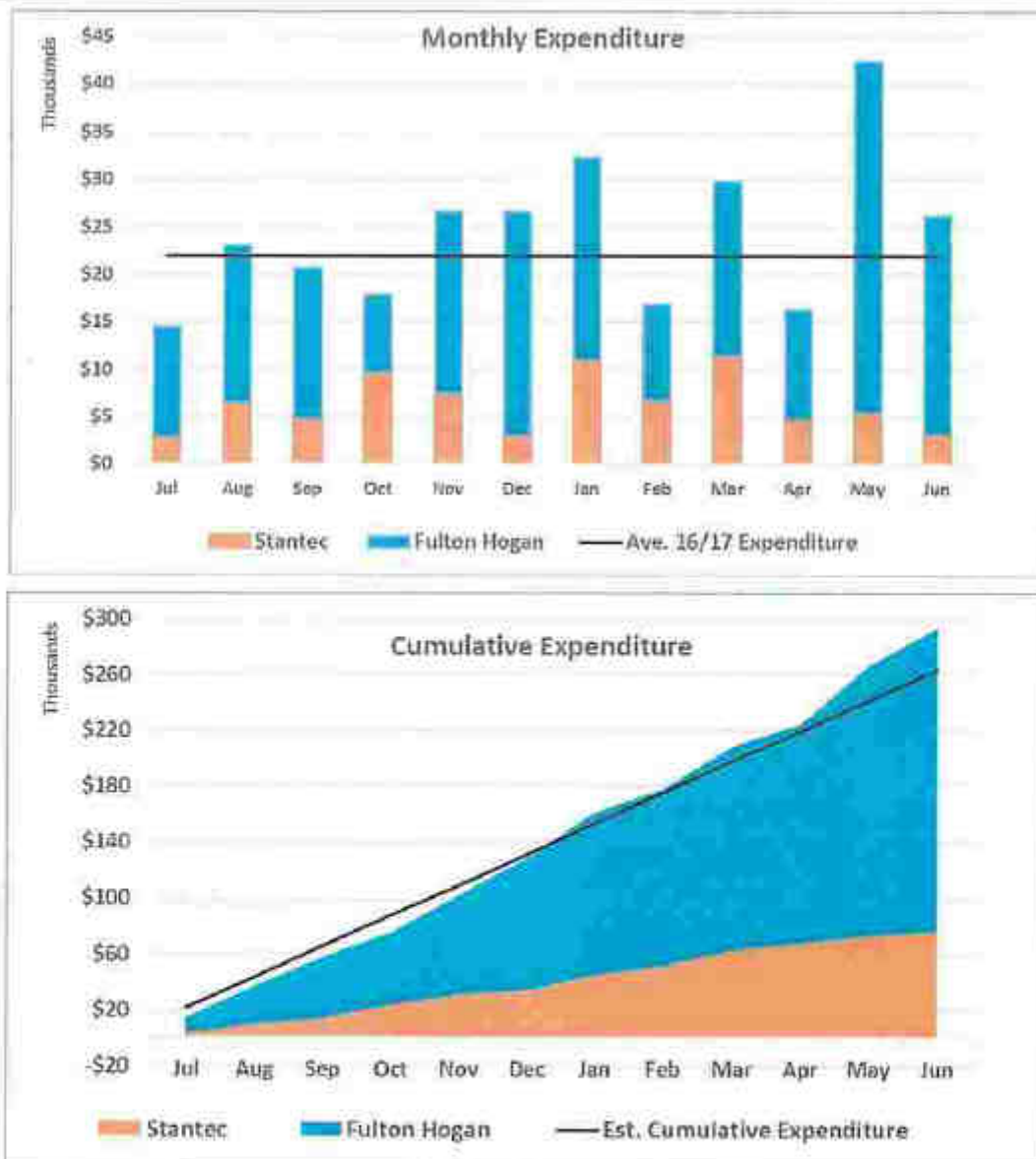
Contractor Claims (ex GST)	<ul style="list-style-type: none"> The initial Fulton Hogan (FH) claim submitted was for \$455,450.53 to which Stantec assessed the final amount for payment as \$455,450.53. The final payment for Fulton Hogan is split between Rooding and WW+W as below: <ul style="list-style-type: none"> \$432,478.15 for Rooding. \$22,972.38 for Water and Wastewater.
Financial Position	<ul style="list-style-type: none"> The rooding budget spent to date is approximately \$3.76 M of the \$3.77 M allocated for the 2017/18 financial year. This equates to 99.7% of expenditure after twelve months (100%) of the financial year to date.

Expenditure Tracking of NZTA Funding



NB: The CIC costs equate to the administration costs of processing a claim and other direct claims by Council.

Expenditure Tracking of 3 Water Funding



The black budget line is based purely on the amount spent in 2016/17.

Road Network updates

Stantec Site Visits

Current Status:

- Nigel and Ali were initially booked to visit on Jan 23-26. However due to flight disruptions only Nigel visited on 24/25/26 January.
- Shaun & Ali visited 20-23 March.
- Nigel and Ali visited in May with respect to the sealed road rehabs in Waitangi (all going to plan). A plane delay of one day, meant that the trip was shorter. However, they had to spend that day waiting at the airport.

Updates:

- The next visit is likely to be in August.

Bridge Update

Current Status:

- As Bryan Peters conducted his biennial bridge inspection in late October, the Te Awainanga and Hawaiki repair work won't begin until after this inspection, so that if any other items are identified, they can be addressed at the same time.
- Shaun conducted a bridge inspection of the four Pitt Island Bridges whilst he visited the Island in November.
- The bridge inspection report was delivered in late January.
- This years' report is much expanded on previous years to try and better explain and track the work that needs to occur to the structures. Also with some further explanations to try and demystify some of the engineering language for those not familiar.
- Two lists of repairs have been created, one of smaller repairs that FH can do without instruction and a second list where design input is required by Stantec.
- Stantec to proceed with Council approved recommendations as funding permits. Most of which will be in the next financial year.
- Pitt Island bridges upgrade work complete by FH. Bridging stock on Pitt Island is in the best condition it has been for a while.
- Good progress has been made by FH to action items in the list, with the Pitt Island work addressing the large concerns with the bridge stock there.
- During Stantec's June visit an inspection of Whangamoe Bridge on Port Hutt Road showed that one of the wing walls (out from the abutments) was beginning to fail significantly. The wing walls had been on a lean for a long time, but now the failure is such that an intervention strategy is required.
- Whangamoe is likely to be the next bridge replaced after Waikato Bridge, so the repair methodology will be cognisant of this.

Updates:

- A design solution was provided to FH for Whangamoe Bridge wingwall. This was then constructed by FH.

Te One to Airport Roading Improvements Project

Current Status:

- A request to review the previous seal extension design completed in 2009 has been received from CIC. This was whether to see if seal extensions should be included in the next NLTP submission.
- The previous report appeared to use some creative engineering to get a positive benefit cost analysis, something that is unlikely to work with NZTA in the current climate.
- Shaun attended a meeting with NZTA during October about where to restart the investigations.
- NZTA would like Council to produce a 'Point of Entry' document, which outlines the project and some of the wider benefits.
- Shaun to start the report once back from his visit in November. NZTA have provided an example of a similar report conducted by another Council to assist report writing.
- Once submitted, NZTA will then determine whether or not the project will proceed to further investigation.
- Shaun submitted a draft 'Point of Entry' document. Awaiting initial feedback from NZTA.

Updates:

- Omin has been assisting Shaun to pull together the missing pieces for this report.
- It is hoped is to get a new draft version in front of NZTA by the end of July.

<ul style="list-style-type: none"> NZTA have additional questions regarding some of the claims in the document that they would like more information on. It sounds like an addendum to the document is required, before NZTA make a decision to proceed further with this project. One thing NZTA didn't like was the title of 'Te One to Airport Seal Extension', which predetermines the solution before the full and proper assessment has taken place. Stantec and CIC to work together on finding some of the answers to the questions raised by NZTA. An action list has been created for both. 	
MPA Waitangi township road reinstatement	
<p><i>Current Status:</i></p> <ul style="list-style-type: none"> With the wharf project essentially complete, the reinstatement of the Waitangi roads can begin. With MPA decamping from the island, it has been difficult to pin them down at times to agree terms. MPA have requested that FH do all the reinstatement, which has put pressure on our own maintenance sealing work, i.e. number of digouts FH might achieve. The sealing is occurring outside of a normal sealing season, however this was the case with the road rehabs last year. These will be even later though. Therefore, due to weather forecasts and most recent conditions, there is a possibility that work is deferred until the spring. FH have prepared the surface for sealing, but final testing has found that a section of Tuku Road past Highet Place has a weak pavement. FH were not initially engaged by MPA to provide a full-scale reinstatement, so it was appropriate that this was uncovered after they did the work asked of them. All costs to that point lies with MPA. FH need to digout approx. 125 m2 of pavement and rebuild before the sealing takes place (as the sealing trucks may not be back for another couple of years). Shaun informed FH that CIC would cover their costs in the first instance and look to recover costs from MPA. MPA are aware of this, but I think will be hoping that CIC cover all this cost. 	<p><i>Updates:</i></p> <ul style="list-style-type: none"> Size of digout was 84m² in the end but will need to be done in the future when reconstruction occurs again on the island. It was too wet to provide a long-term repair. Cost of digout came to \$8,600. We recommend that Council follow up with MPA for payment of this amount and for costs to complete a permanent fix.
Te Matarae Road Strengthening Complaint	
<p><i>Current Status:</i></p> <ul style="list-style-type: none"> A complaint was laid that the road strengthening on Te Matarae Road was not widening the road width in the same process. The Mayor and CEO have spoken with the complainant about the issue, while also talking to Stantec about why the road was not widened. Stantec informed Council that the road had very low traffic volumes that did not require the additional investment necessary to widen the road. 	<p><i>Updates:</i></p> <ul style="list-style-type: none"> Stantec still need to try and meet with complainant in the future.
NZTA Meetings	
<p><i>Current Status:</i></p> <ul style="list-style-type: none"> The three-yearly NZTA audit of all contract administration procedures is to take place in early June. This involves both Stantec and ECAN. With the auditor based in the Stantec office. 	<p><i>Updates:</i></p> <ul style="list-style-type: none"> NZTA Audit went well again from Stantec's point of view and the feedback we received from NZTA. There may be a requirement for the auditor to visit the island to see some account records.

2018-21 National Land Transport Programme (NLTP) and Regional Land Transport Programme (RLTP) Funding Request

Current Status:

- The first draft funding application is due on 31 August, alongside the updated AMP document.
- Stantec has also been working with ECAN to provide high level estimates of the transportation funding for the LTP.
- Shaun updated the Activity Management Plan (AMP) to include the "Business Case Approach" (BCA) for funding requests to NZTA. This incorporates the outputs from the ILM workshop, which identified the problems on the network. Owen reviewed the changes as necessary.
- There was an increased volume of work required for funding applications this time around, when compared to previous applications. NZTA is very keen to hear about the 'story' of the network and Council's providing strong rationale as to why they need the funding.
- As a part of this, a 'Strategic Case' document was drafted by Shaun. This outlines the problems identified on the network and what can be done to address them, as well as identifying areas where more 'evidence' is required to support the funding application.
- NZTA have assessed the draft submission (submitted August 31) and assigned a 'PASS' mark for Council.
- This is great news, as the vast majority of Council's around the country have 'REWORK' to do. There are some minor details for Shaun to address, but fundamentally our NZTA Investment Advisor (Mark Weeds) agrees with the work programme and budget that Shaun proposed.
- The proposed work includes a significant focus on drainage in the first year (2018/19), by creating swales along long sections the main unsealed roads, which should help with the road surface quality in the long term. There is also an increased level of unsealed road rehabilitations in the same year, something that has been on hold with the sealed road repairs.
- The overall budget is only 0.8% more (over three years) than the current funding period.
- While there is no guarantee that the application and plans put forward are accepted come April (when we find out), it is positive to have the backing of your NZTA rep.
- It must be noted that if resealing of the recent rehab sites does not take place this financial year, it would require a significant rejig of the programme across this financial year and the next. Which means it would not align with Shaun's proposal. However, these days NZTA are much more cognisant of the logistical challenges doing maintenance work on the Chathams.
- Shaun attended a workshop for Council's in the Canterbury Region at the end of November. From this he learnt that CIC was one of only four authorities (out of 67 in total) awarded a 'PASS' assessment after the draft submission in August. This was a great result and shows that NZTA agree with our 'Investment Story and Business Case Approach' to funding for 2018-21.
- The final bid for funding was submitted on time (16 Dec).
- There is no guarantee that the final funding level requested will be approved. Though by asking for a similar amount to the last period, the signs should be good.

Updates:

- We await the final decision from NZTA on funding amounts, particularly around Minor Improvements, where no indicative levels have been indicated yet.

<ul style="list-style-type: none"> • No update for a few months as NZTA review the final requests by all Councils. There will be a further delay as the construction industry awaits the Transport GPS (Government Policy Statement), which will outline the direction of the Labour Government's desire for transport investment over the next three years. • The current 2015-18 NLTP was supposed to end on 30 June, has been extended to 31 August because of the new GPS. • The GPS is expected to have a greater emphasis on regional transport investment, which hopefully is a positive outcome for the Islands. • NZTA have indicated that the annual inflation for Years 2 and 3 of the NLTP submission will be set at 2%, instead of the circa 3% (from BERL). • This equates to a reduction of \$115k across the last two years. • Tanya (ECAN) advised Shaun (post NLTP submission) that the Winder report for DIA recommended that a further 1% increase should have been applied to the BERL rates, to allow for the 'Chatham Island Factor'. So this was not applied at the time of submission. • Shaun hasn't been able to find reference to the additional 1% in the report (after a high level look for it), so if it is in there, we need to be able to pass that onto NZTA in order to try and stop them from reducing inflation to 2%. • All Councils in NZ must submit their NLTP projects forward into their respective regional assessment (RLTP) i.e. CCC, Selwyn, Waimakariri etc. are all part of the Canterbury Region. Then the local Regional Transport Committee (RTC) agrees the priority of projects occurring in their region for funding approval from NZTA. An RTC will consist of one member from each Council in the region. • As CIC is a unitary authority, the RLTP matches exactly with the NLTP application already submitted. The RTC for CIC is likely to be the Council, but in particular those Councillors with a Roading Portfolio. • An RLTP document is renewed every six years (forecasting the next 10 years), with a mid-term review in Year 3. We are currently at the mid-term stage, so if there are no wholesale changes to the initial document then public consultation is not required. • The updated RLTP will then need to be ratified by the CIC RTC and submitted to NZTA. • Shaun is currently drafting the revised RLTP document to meet NZTA requirements. And will have it before the Council RTC in April. • Shaun drafted the updated RLTP document for Council to review and comment or ratify as necessary at the end of April. • NZTA have released the indicative funding levels for 2018-21 period for the maintenance budget. Basically, NZTA has trimmed the NLTP submission by 1% over the 3 years. Essentially, \$10.5M has become \$10.4M. 	
Fatal Crash at Waitangi Wharf-Owenga Road	
<p>Current Status:</p> <ul style="list-style-type: none"> • A fatal crash occurred near the FH depot in the first weekend of March. • Shaun & Ali reviewed the site during the daytime and at night in March. 	<p>Updates:</p> <ul style="list-style-type: none"> • Shaun submitted the report at the previous Council meeting.

Waikato Bridge Culvert Design

Current Status:

- Historic Places were shown a very early alignment for the culvert, again they wanted us to speak with Susan Thorpe. Stantec asked her to assess on the potential upstream realignment necessary to allow the culverts to be placed perpendicular to the road.
- Susan stated she has no concerns with any upstream realignment, provided that the work is taken with utmost care and does not adversely impact on the streambed.
- Bryan Peters has estimated the cost of repairs to bring the bridge back to 100% of Class 1 to be \$106k-\$120k. He also estimated the cost to construct the culvert around \$550k excluding Engineer costs for construction monitoring.
- Council approved Stantec to start the application process to NZTA for the design of replacement for Waikato Bridge.
- Bryan rates the highest priority replacement structure as Waipapaku on Pitt Island, followed by Waikato Bridge. It may be possible to replace Waipapaku within existing funding allocations if the cost is not too high. This structure is just north of the airstrip on Pitt Island, therefore is a vital link for Pitt Islanders.
- Stantec submitted a draft report for Owen to review before submission to NZTA. NZTA has accepted the report and approved funding for design.
- Bryan Peters is the lead designer for the replacement structure. Detailed design began in Jan 2017.
- Our Senior Planner has raised a major concern with the time that it has been taking to deal with DOC on other projects in freshwater.
- Doc are now strongly applying the Freshwater Fisheries Regulation 1983, in relation to fish passage. They are particularly focusing on culverts, which is what we are proposing for Waikato.
- DOC appears not to have a clear process for applying this, which has been learnt from similar projects that our Christchurch team has worked on. This had led to delays on those projects.
- This creates an increased risk that we cannot secure the resource consent within a timely manner and may delay proceedings.
- Draft design is complete. Design stage estimates have been requested from FH as a comparison to the Engineer's Estimate.
- Mike Smith completed a design safety audit. He identified three issues that need to be accounted for during construction.
- FH have provided an estimate to construct the bridge culvert.
- The resource consent application has been submitted, with key stakeholders also receiving a copy to see the proposal.
- The resource consent application only needs to apply for consent for the temporary road during construction, as the culvert structure is already a permitted activity.
- Hokotehi Morori Trust and DoC have both responded to the submission with no objections to the proposed works.
- The application sits with Paul Whyte (Beca) for assessment. The outcome of which is expected in the New Year.
- Resource consent to construct has been granted.

Updates:

- It has been agreed that any additions to the Resource Consent can be covered off in a letter and notified to the interested stakeholders.
- FH to conduct the additional field work at Waikato Bridge to get a better idea of the soil structure and also the flow rate of the underground water, so that pumping requirements can be calculated.
- The Resource Consent letter will be written after the field work and subsequent investigations that will inform the letter.

- The earliest the project could begin is July 2018, but as water levels are expected to be higher, this would be later in the year.
- Council approved FH to be able to use on-island staff/plant which would help to lower the costs of the project. Also given the likely cost to construct, direct negotiation with FH is the most logical approach to awarding the contract.
- FH to finalise quote to construct and identify the biggest risk items for discussion on a suitable contingency amount.
- Stantec to finalise quote to supply construction monitoring, which will include a couple of site visits by structural engineers.
- The plan again to purchase materials ahead of construction and reimburse FH the cost of the items so that they are not bankrolling the costs. The project costs will be balanced when the materials are installed.
- Stantec to finalise drawings, and make any changes necessary post resource consent approval. One condition was to lower the invert into the stream by 300mm more than was proposed, for improved fish passage.
- FH came back with a quoted price of just over \$900k, which was a 50% increase on the provided indicative price of \$600k, once CIC had permitted FH to use local resources to bring the costs down.
- The costs came down to approx. \$600k, but a reassessment of the cost to dewater the construction site, the cost of the culverts from the supplier and a couple of other matters meant that the final construction cost increased.
- Stantec have assessed their Construction Monitoring costs to be in the vicinity of \$20-25k. Which should hopefully cost less if we can coincide inspections with a quarterly visit from Nigel, Shaun or Ali.
- Stantec is working with FH to understand why the cost has significantly increased and what might be able to be done to reduce it (if possible). This would include looking at the risk in the project and whether it is prudent for CIC to accept more risk in order to reduce the price.
- At the current price the project is not viable, which is not a good outcome for the Island.
- Stantec and FH have been discussing how to reduce costs of the project and agree the construction methodology.
- Some additions to the consent will be applied for to allow for a back-up plan of diverting the stream water in a channel cut around the work site, if the cofferdam and dewatering plan is not working. This provides a back-up plan that allows construction to continue and no down time to retrospectively apply for consent. This small cost now, could save thousands if the dewatering does not work as hoped.
- Look at getting the lagoon lowered again prior to the construction to assist with dewatering.
- Reducing the size of the culverts used on the temporary road, to save costs. Does increase risk to a washout, but should be relatively quick to reinstate. This would keep any possible disruption to a minimum.
- Some other discussions to occur over the risk remaining in the contract and how to minimise that for Council.
- Construction period is now looking like summer 2019.
- We have been instructed to move the funding application into 2018/19 by NZTA.

Te Awainanga Bridge approaches

Current Status:

- Numerous public and Council complaints about the lack of traction and corrugations on this section of the network.
- An short report on possible options was provided to Council, with a recommendation.
- Council adopted the recommendation of the report to look at sealed options.

Updates:

- Need to wait for NZTA to confirm funding by the end of August.
- Then need to organise a survey of the road, so that some design options can be progressed for pricing.

Stantec Reading Forward Work Programme – July

Network and Asset Management	<ul style="list-style-type: none"> 2018 Traffic Count report.
Renewal work	<ul style="list-style-type: none"> Assist FH with drainage or unsealed pavement renewals.
Waikato Bridge Replacement Design	<ul style="list-style-type: none"> Continue to work through the pricing issues and collect more site info for FH to help them price accordingly. Apply for secondary consent to provide a backup plan for construction. This would be for a creek diversion around the site.
Asset Valuation	<ul style="list-style-type: none"> Stantec need to conduct another roading Asset Valuation of 30 June 2018. This needs to be completed by August 2018.

Mid-Term Reading Forward Work Programme

Minor Improvements	<ul style="list-style-type: none"> NZTA has yet to approve funding for this year.
Site visit	<ul style="list-style-type: none"> Next one in Aug/Sept 2018. Not yet booked.
Waikato Bridge Replacement Design	<ul style="list-style-type: none"> Finalise the drawings for construction and provide survey set out data

Long Term Reading Forward Work Programme

Temporary Bridge plans	<ul style="list-style-type: none"> Stantec to develop plans for temporary bridge structures for Naim and Te Awainanga bridges. In the case that the bridges are taken out of action by a natural disaster. The plans would be used by the Contractor to quickly reinstate a bridge. This would involve metal placed on a series of culverts to bridge the watercourse.
Next bridge replacement project	<ul style="list-style-type: none"> In the new financial year, funding will be available to begin the design process for the next bridge replacement. The likely candidate is Whangamoe on Port Hutt Road, as recommended by the bridge inspection report. Maipito Bridge is the other candidate, but seeing as Whangamoe Bridge is on a Secondary Collector route and services a greater population it is a higher priority. The plan is to survey, design and gain consent over 2018 and 2019, and then construct in 2020/21.

Reading Work Under Action

Tuku Road	<ul style="list-style-type: none"> Monitor the failed seal area of the MPA reinstatement.
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Water and Wastewater updates	
Contract Documentation	
Project:	Current Status:
Water Safety Plans	<ul style="list-style-type: none"> All parties to be familiar with requirements of the WSPs and be proactive in terms of water supply management and monitoring to ensure compliance, risk assessments, and identification of new risks, improvement planning and contingency planning. Stantec provided formal response to DWA on WSP implementation audit recommendations on 28 June 2018. Stantec to finalise draft CCPs and issue to FH and CIC for approval to issue to DWA. Before August 2018. MoH assessed Bill, Russell and Bruce on use of FAC meter on 6 December 2017. Stantec have MoH report and will include it in next 6 monthly report.
Water Supply	
Project:	Current Status:
Waitangi	<ul style="list-style-type: none"> 2018 central government funding application for water supply upgrades unsuccessful. Council seeking interim funding for new UV unit at existing plant (Tikiliki).
Kaingaroa - Lake Rangitai	<ul style="list-style-type: none"> 2018 central government funding application for water supply upgrades unsuccessful. Council seeking interim funding for extending intake pipeline into deeper water (allowed for new pipeline from shore). May comprise new PE pipeline (ie welded joints) laid in existing trench, with screen hanging out into mid water (so accessible), and buoys to mark the route/location Investigations to take place next summer (if lake levels are low) to determine whether the suction line can be extended into deeper water. Trench between intake and deeper water widened again this month. Old Kaingaroa intake pump motor will be stripped down and reconditioned ongoing. Fish factory has been dis-connected and will be demolished within the next few months. FH has ordered 50mm valve so can isolate half of system if required, and will straighten out pipeline around Fish Factory once it is demolished. Ongoing. FH to record system maintenance activities. Ongoing. FH trialled downloading turbidity meter data to SD card in May. Stantec reviewed data but did not include turbidity readings. FH to try download again.
Waitangi water supply upgrade	<ul style="list-style-type: none"> Next steps are bore drawdown test and enabling works For bore drawdown test: <ul style="list-style-type: none"> Awaiting connection of power supply by Ian Sanson prior to undertaking 7-day pump test. Ongoing. Pump will be wasting at 2.5l/s during test so FH will keep a close eye on surface flooding. Richard has discussed with Paul Whyte who advised that consent for the test is not required. For enabling works: <ul style="list-style-type: none"> MPA did not complete enabling work prior to disestablishing from the Island. CIC have requested financial compensation. CJET is keen to use MPA site as a secondary site for generators etc. From preliminary conversations with Underground Brown, it appears directional drilling is an option for majority of pipeline between Waitangi and Te One. This would mitigate risk of archaeological discovery (and hence construction delays) along pipeline route. Note.

	<ul style="list-style-type: none"> FH and Stantec need to manage demand from Tikitiki to new wharf. Agreed with MPA that wharf would have a 30,000L tank with trickle fed/restricted supply from new bore (ie MPA batching bore). Additional take not sustainable from Tikitiki (ie need new bore online). Preliminary design report also recommended wharf collect and store rainwater from washdown to reduce potable demand. Currently no tankage or collection of rainwater at wharf. As part of detailed design for upgrade, also need to look at practicable demand management from other commercial users from Tikitiki/new bore (restricted valves/use of Tikitiki). Bill noted that once commercial users are connected, it is too easy to use town supply. New motel development proposal in Waitangi: <ul style="list-style-type: none"> Stage 1, late 2018 – 9 units (2 people/unit). Stage 2, 2019 – 8 units (2 people/unit), Managers Flat (2 people), Admin (2 people). Council monitors new development. Currently any new development in area of MPA bore will be serviced by on-site wastewater systems. These would require connecting to reticulated scheme when Waitangi Water Supply Upgrade Project goes ahead.
Reporting/ Monitoring/ Sampling	<ul style="list-style-type: none"> All Supplies – As a back-stop, Sharon to notify Bill when water supply operational targets for FAC (Waitangi) and turbidity (Kaingaroa) are not met. (Sharon manually enters the operational log book data into Water Outlook). Sharon getting training in Water Outlook soon. Waitangi Water Supply <ul style="list-style-type: none"> Complies with DWSNZ based on WSP (E.coli not detected in raw, treated or network sample). No total coliforms detected in any sample. Raw and treated water turbidity both are back to the normal (0.05 NTU and 0.10 NTU respectively). The high turbidity last month may be due to lab error because backwash was operational, and no other parameter was high. Kaingaroa Water Supply <ul style="list-style-type: none"> Complies with DWSNZ as per WSP (E.coli not detected in treated or network sample). E.coli and total coliforms detected in raw water this month, coinciding with low level of the lake for this time of the year, therefore more likely to become more turbid during windy conditions. NB: Supports need to secure funding to extend intake into deeper part of lake. Total coliforms present in treated water and detected in network. Treatment process provided adequate disinfection of E.coli (not detected post treatment) but little if any removal of total coliforms. MPA Batching Bore (Potential Future Water Supply) <ul style="list-style-type: none"> MPA bore no longer in operation. Last sample taken April 2018. Results to April 2018 support inclusion of a protozoal barrier as per proposed treatment concept (ie. UV disinfection) for Waitangi Water Upgrade.
Wastewater Treatment	
Project:	Current Status:
WWTP maintenance	<ul style="list-style-type: none"> All bearing work complete week ending 29 June 2018. Repairs to boundary fence awaiting funding (not awarded 2018/19) and modifications to land application system to address boggy areas a few years away FH understands sludge from WWTP goes to new landfill site, to leachate pond. Kirsten to raise this with Phil Landmark.

Reporting/ Monitoring/ Sampling	<ul style="list-style-type: none"> ▪ Waiangi Treated Wastewater Discharge <ul style="list-style-type: none"> ○ All wastewater flow is being diverted through one RBC unit to minimise further physical damage to the other RBC unit. ○ This resulted in a significant deterioration in treated wastewater quality in December 2017, with some acclimatisation to the new load in January and fairly similar results in February and March. April saw a significant improvement in treated wastewater quality, most likely due to the reduced load into the plant (ie coincides with completion of Wharf Project). ○ June results are similar to May results. That is all parameters less than or of a similar order to annual consent limit, which is a median, except for elevated E.coli, which seems to be due to sludge sitting in irrigation pipeline between UV chamber and sampling point. ○ Stantec and FH will continue to monitor WWTP performance to better understand likely long-term treated wastewater quality with one RBC unit online and with both online following RBC repair.
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Solid Waste updates

Waste Minimisation Project (MIE Waste Minimisation Fund)

Current Status:

- Contractor has advised that the previously outstanding plumbing and drainage work has been completed. There are only minor works outstanding.
- Six contract meetings have been held.
- 26 NTCs have been processed; and 34 NTEs.
- Three payment claims have been processed for a total entitlement to date of \$434,719.83 plus GST.
- A claim for additional expenses for the electrical works has been received, assessed and a recommendation accepted by CIC for payment of the claim.
- The claim has been discussed by the Engineer and Contractor and amount agreed as outlined for CIC.
- Confirmation of a new delivery date is required for the baler.
- Stantec staff have conducted an inspection of the facilities and noted outstanding matters.

Actions - Stantec

- Continue with Contract Administration.
- Assess Contractor's information for Practical Completion.
- Finalise Defects Liability period "Snag List"

Actions - Council

- Council staff to indicate what outstanding Works have been noted on Site and that should be included in the "Snag List".
- CIC to enquire about baler delivery date.

Landfill Operation

Current Status:

- Stantec has reviewed the resource consents and identified milestones where information / plans are to be provided.
- Draft tender documents for the landfill operation contract issued to CIC.
- Stantec has drafted a landfill operations guide, based on the Landfill Management Plan and resource consent requirements.
- CIC has reviewed the guide and accepts it covers essential areas of operation.
- Stantec has prepared a Leachate Treatment Plant O&M Manual for CIC comment.

Actions - Stantec

- Address outstanding matters highlighted in the Milestone report.

Actions - Council

- CIC to prepare relevant operating manuals and Health & Safety Plans and to address matters highlighted in the Milestone report.
- CIC to comment on the Leachate Treatment Plant O&M Manual.

Sludge Lagoon Project

Current Status:

- No further progress this month.
- Stantec has done an estimation of the total project price which indicates it will be approximately \$710,000 plus GST. This is based on Fulton Hogan's price of \$644,000 plus GST, and Stantec's fee of \$66,000 plus GST, of which \$51,000 has already been spent. So balance is \$659,000 plus GST.
- The available budget is \$460,000, of which \$390,000 is a grant from MOH and it has paid for the first milestone of \$51,000.
- The shortfall is then \$710,000 - \$390,000 = \$320,000.
- CIC has met with MOH and has obtained approval to carry the available funding (\$339,000) over to next financial year.
- FH has indicated it cannot commit to additional earthworks this financial year, neither does it see

Actions - Stantec

- No outstanding actions.

Actions - Council

- Council to determine how the balance of funding for this project (approximately \$320,000) is to be sourced.

<p>opportunity to reduce its prices from those already submitted.</p> <ul style="list-style-type: none"> • Project is on hold until next construction season, 	
Other Matters	
<ul style="list-style-type: none"> • No further progress this month. • Stantec has provided ECan with information to complete a Combined Financial and Infrastructure Strategy Report. • Stantec has provided details regarding its invoices so that those activities associated with the MFE project can be separated out. • CIC has agreed with stakeholders on the scope of work needed to remediate the closed landfills. • A demolition plan has been provided for demolishing the factory at Kaingaroa which will be disposed of in the old landfill and then it is to be closed. • CIC has commenced with preparing Health & Safety Plans for the MPB and landfill operations. 	<p>Actions - Stantec</p> <ul style="list-style-type: none"> • No outstanding actions. <p>Actions - Council</p> <ul style="list-style-type: none"> • CIC is to keep a record of the Health & safety training that it carries out in connection with solid waste management activities.

COUNCIL MEETING AGENDA

AUGUST 2018

4. WORKS & SERVICES

4.4 Owenga Waste Transfer Station (WS 4.2c)

The Owenga Waste Transfer Station has been established to provide essentially Owenga and surrounds a facility for disposing of household waste.

The Transfer Station provides a range of bins in to which users are required to deposit pre-sorted wastes (plastics, glass, cans etc). If the pre-sorting is done and the area is treated with respect it will provide a service for the area for years to come. Unfortunately though this isn't happening as some are not using the bins provided, or making any attempt to pre-sort waste (photo's to be displayed at the meeting).

While it is easy to point to people from outside of the area as being the problem this is only partly true.

The options going forward include:

- a. Status quo with more education material
- b. More frequent clean-ups – an expense
- c. Restricting hours to a supervised few
- d. Closing the facility

It is unfortunate that a few are the cause for this report.

RECOMMENDATION

THAT in the first instance, additional education be provided in an attempt to tidy up the Owenga Transfer Station site.

COUNCIL MEETING AGENDA

AUGUST 2018

5. COMMUNITY SERVICES

5.1 Mortuary Services (CS 5.6a)

Attached is a response from the Canterbury District health Board to Council's inquiry about it taking over the Morgue facility.

RECOMMENDATION

- 1. THAT the correspondence be received;**
- 2. That further inquiries be made with the Ministry of Justice.**

31 July 2018

Owen Pickles
Chief Executive Officer
Chatham Islands Council
9 Tuku Road, PO Box 24, Waitangi, Chatham Islands 8942
Email: info@cic.govt.nz

Dear Owen,

Re: Mortuary Facilities on the Chatham Islands

Thank you for your letter dated 3 July 2018, directed to CEO, David Meates. David has passed the letter to me to respond to you. I am General Manager of Laboratories and hold the management portfolio for the Canterbury DHB Mortuary.

Canterbury and all other DHBs do not provide primary mortuary facilities for the community. The majority of community deaths are managed in the community with the Tūpāpaku managed on behalf of the families directly by local funeral directors. Equally within the hospital setting the Tūpāpaku is generally held for a very short period of time in a hospital mortuary storage facility until arrangements have been made by whanau for release to a chosen funeral director.

All Mortuary and body viewing/ storage facilities in New Zealand are contracted directly via the Ministry of Justice (MOJ), and not all DHBs and hospitals in New Zealand hold contracts or maintain facilities.

In the Chatham Islands if a death comes under the jurisdiction of the coroner this is managed by via the provider for these service in the Wellington region. The CDHB contract with MOJ for coronial and forensic services and related facilities is for the South Island and does not include the Chatham Islands.

Please do not hesitate to contact me if you have any further queries.

Kind regards



Kirsten Beynon
General Manager, Canterbury Health Laboratories (CDHB) and WCDHB Laboratory
kirsten.beynon@cdhb.health.nz
+64 (3) 364 1198

Cc: David Meates, CEO
Greg Devane, Anatomical Pathology Service Manager, Canterbury Health Laboratories

COUNCIL MEETING AGENDA

AUGUST 2018

6. REGULATORY

6.1 Update from Environment Canterbury

(R 6.1f1b)

CIC Corporate Services

Council adopted the 2018-28 Long-Term Plan on the 28th June 2018; Audit New Zealand audited the document and provided an unmodified opinion, with an emphasis of matter in relation to Council's reliance on grant funding and the uncertain nature of such funding. The confirmed level of support from the annual crown contribution for the 2018/19 budget was at the 'status quo' level of funding. This means, the Council will need to self-fund the 12% NZTA funding shortfall and any other unfunded capital projects. Going forward, it has been assumed that funding support from 2019/20 onwards will include sufficient coverage for all operating projects, support for a capital investment program and the NZTA shortfall covered. This additional support of is not guaranteed and amounts to an approximate \$1.4 million increase in funding per annum.

ECan is in the process of updating the current CIC steering group dashboard report, this provides an opportunity to refresh the information currently being presented. We would appreciate receiving feedback on desired information for inclusion within these reports.

ECan have been requested to provide additional assistance processing payroll for all CIC staff, including PAYE reporting. In addition, we have been working with Council to assist with updating staff contracts and policies. We have also been working with both our and Council's service providers to transfer payroll information for processing expected to commence in July 2018.

The Council's NZTA returns for the 2015-2017 have been audited in June 2018. Support was provided in terms of financial information uploaded into the financial reporting system. However, further review may occur on-island as ECan is not responsible for processing the NZTA claims.

CIC Hydrology

Visits to the island for hydrological maintenance work and gauging's was made in June/July. Notes are as follows:

All went well in the Hydrology field servicing:

- Wharekauri Wind Sensor was replaced, found to be damaged on arrival.
- The Nairn Station was removed, due to tidal influence in the data set, the Rain gauge had been destroyed by Pigs, so has been decided to move Station to another location.

The lagoon mouth was open; there has been around 300mm rain in the last three months:

- Tuku R/G: 312mm (South Coast) (11 March- 26 June)
- Alfreds R/G: 307mm (Owenga) (09 March-27 June)
- Te Awanunga R/G: 296mm (09 March- 28 June)
- Awamata R/G: 296mm (11 March-29 June)
- Wharekauri R/G: 243mm (08 March-01 July)
- Tuturiri R/G: 259.5mm (08 March-01 July)

CIC Water Quality

Water quality report received from PDP Limited (currently with CIC Council). Notable observations are as follows:

- Lake Te Wapu and Lake Huro have been in a Eutrophic state for the last two years. Despite remaining in the NPS-FM D band for Total phosphorus, they are significantly less productive/enriched than they have been in the past.
- The Nairn River and Mangape Stream both have very high concentrations of faecal bacteria. Mangape Stream also has elevated nitrogen and phosphorus concentrations, and low and reducing dissolved oxygen concentrations. All these factors are likely to negatively impact upon values associated with the creek.

As raised previously, the surface water team will look at producing a more in depth summary of water quality in the lakes and rivers of the Chatham Islands in the 2018/19 financial year.

We are liaising with the CDHB looking at risks to surface and ground water from the current septic disposal methods. Graeme Clarke is the key contact for this at ECan, and our contact at the CDHB is Laura Bruce.

CIC Communications

Website upgrade:

Go-live planned for Monday, 9 July 2018. Content updates are not going to be 100% finished in time for go-live, but we will keep making changes in the coming weeks.

Rates brochure:

Currently being updated for 2018/19 rates information. To be sent to all residents with the rates calendar, and a new Council pen.

Emergency management:

Publishing the new CDEM group plan, producing summary booklet 'At a Glance'.

CIC Consents

There is no further activity during this reporting period for Consents.

CIC Resource Management

A National Environmental Standard for Plantation Forestry has recently come into force.

The Standards apply to any forest of at least 1ha in area that has been planted specifically for commercial purposes and will be harvested. The activities the Standards cover are:

- afforestation (planting new forest)
- silviculture activities (re-planting, pruning and thinning)
- earthworks and mechanical land preparation
- river crossings
- forestry quarrying (e.g. extracting gravel within or adjacent to a forest for building forestry roads)
- harvesting

Beca was contracted to advise if there are any implications for the CIRMD. Paul Whyte (of Beca) has completed his assessment and a copy is provided (attached).

The RMA requires that where a local authority plan includes a provision that conflicts with a provision in a National Environmental Standard, the local authority plan must be changed so it is not in conflict with the NES. Plan changes made to meet NES requirements can be made without the need for a public submission and decision making process (RMA Schedule 1 process).

The report prepared by Beca includes a number of recommendations for changes to the Chatham Islands Resource Management Document that ensure the Document is not in conflict with the NES for Plantation Forestry. The recommended changes will not effect the operation of any of the CIRMD provisions that do not relate to plantation forestry.

With Council approval, Environment Canterbury can make the necessary changes to the CIRMD to ensure compliance with the NES requirements. This would involve making the changes within the master document, replacing copies of the document on the website and hard copies held by the CIC, and publically notifying the changes.

Finally, I note that the NES for Plantation forestry imposes a number of rules in addition to CIRMD rules. The Ministry for Primary Industry provides some guidance on their website: <https://www.mpi.govt.nz/growing-and-harvesting/forestry/national-environmental-standards-for-plantation-forestry/>.

Appendix 2 – Report NES-PF – CIRMD Alignment Project is attached.

CIC Biosecurity – Border Control

Rodent Control

Routine rodent baiting still ongoing at the Waitangi Wharf, Airport and Glen Kings storage shed.

Kerri Moir travelled to Te Puke on 12 June 2018 and spent nearly three weeks being trained alongside “Moki” (the rat dog). She also achieved Interim certification under the Department of Conservation protocols for Rodent dog use and handling. This was very intensive training for both Kerri and Moki as evidenced by the Interim Certificate Report attached (Appx 1). Kerri and Moki are now back on the Island and Moki has found his first Chatham Islands Rat (albeit dead already in the Wharf shed).

M.Bovis has also been an issue. We have implemented some additional cleaning protocols (mainly in NZ) but we have equipped the Chathams Team with Virkon to chemically treat any suspect farm machinery that arrives on the Chathams. This has hi-lighted the Bio-security need to have the dedicated area on the Wharf to decontaminate equipment. I have heard via Kerri that the Port Manager would like to put 2 x 30,000 litre water tanks in this area. I would ask the Council to address this with the Port Authority as it could/will impact on our ability to do our job effectively. Has this progressed since the last Council meeting?

CIC Biosecurity – Pest Management Strategy

Robin Seymour and Nick Cameron carried out a survey dive of the new Waitangi wharf structure now that work (and silt) has settled down. They took samples of two very small (20mm) fan worms which were initially suspected as Mediterranean Fanworm (Unwanted Organism and new to Chathams). Robin followed all the procedures and notified the MPI hotline and provided documentation/samples to

the Marine Identification Taxonomic Services (NIWA) in Wellington. Fortunately, the results came back as a native species of worm, but this highlighted the Chathams Dive Team's ability to potentially capture the early establishment of marine pests.

We are investigating the option of increasing hours of our third Island person, Jacqui Neilson. Even at the relatively minimal hours she is currently doing we have found that a lack of a third 4x4 vehicle on the Island is prohibitive. Can I please request that a third vehicle be obtained and sent to the Island. A business case will be presented to the next Steering Group meeting.

All three staff will be attending the National Education Training Seminar in Nelson between 25-27 July 2018.

Robin is also on extended leave following this until late August. Once again highlighting the need for an additional staff member.

CIC Navigation Safety

- Ongoing provision of advice and support for the Waitangi Wharf project.
- Review of the existing CIC Safety Management System and Risk Assessment completed. Possible entry to ISO9001/2015 accreditation dependent upon funding from DIA.
- The new Harbourmaster Direction to manage shipping at the new wharf is ready for review by the CIC HM's.
- AIS project in Canterbury is progressing. Information from this will be drawn on to provide a firmer view of what could be done for Chatham Islands Council and what costs/benefits would be.

CIC Project Management

No activity in the reporting period.

CIC Emergency Management

James Kirner, one of our trainers, will be traveling to the Island 30 July 2018 and returning 3 August 2018. While on the island James will be going over radio operations and welfare centre training for Council staff and some island volunteers.

The EOC training has now been pushed back to the week starting 8 October 2018. Two staff members from the Group CDEM office will go over to provide a two-day EOC course and then consolidate this with an exercise.

RECOMMENDATION

THAT the Activity report be received.

Report

NES-PF - CIRMD Alignment Project

Prepared for Environment Canterbury

Prepared by Beca Limited

2 May 2018

Document Acceptance

Action	Name	Signed	Date
Prepared by	Mhairi Rademaker		2 May 2017
Reviewed by	Paul Whyte		2 May 2017
Approved by	Paul Whyte		2 May 2017
on behalf of	Beca Limited		

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1 Introduction

Environment Canterbury has engaged Beca to review the alignment between the Chatham Island Resource Management Document (CIRMD) and the National Environmental Standards for Plantation Forestry (NES-PF).

The Resource Management (National Environmental Standards for Plantation Forestry) Regulations 2017 were passed by Order in Council on 31 July 2017 and become operative on 1 May 2018. The NES-PF is prescribed under section 43 of the Resource Management Act 1991 (RMA) and applies to forestry and associated activities across New Zealand.

The NES-PF has two objectives:

- to maintain or improve the environmental outcomes associated with plantation forestry activities nationally
- to increase certainty and efficiency in the management of plantation forestry activities

In accordance with RMA section 43B(1), Regulation 6 of the NES-PF provides for a rule in a plan to be more stringent than the NES-PF. The NES-PF does not include provision under RMA section 43B(3) for a rule or resource consent to be more lenient than the NES-PF. Therefore, where a plan is more lenient than the NES-PF, the NES-PF will apply.

The CIRMD allows forestry as a permitted activity in rural areas, subject to compliance with conditions. The permitted activity rule covers both forestry and shelterbelts. This existing rule will be generally superseded by the NES-PF; however, there is scope for this rule to be retained for non-plantation forestry (including forestry less than 1ha and shelterbelts).

This report compares key aspects of the CIRMD to the NES-PF and makes recommendations for how the CIRMD can best be aligned with the NES-PF. This report includes recommendations on amendments to the forestry specific rule as well as advice notes that could be added to other rules where the NES-PF will prevail in relation to activities related to plantation forestry.

Areas of Significant Natural Values in the CIRMD include areas of significant indigenous vegetation and habitats of fauna and outstanding natural features and landscapes. Areas identified include land managed by the Department of Conservation and private land protected by covenants/kawenta/Rahui.

Areas under covenants are subject to legal protection that is likely to take precedence over the NES-PF, particularly if the covenant restricts vegetation clearance, and are therefore unlikely to require further protection under the NES-PF. However, for completeness, Table 1 suggests that consideration should be given to providing advice or guidance to CIRMD users that certain areas of significant natural values are considered outstanding freshwater bodies, outstanding natural features or landscapes, or significant natural areas for the purposes of the NES-PF.

Table 1: Significant and outstanding natural features and areas

Area of significance	NES-PF restriction	NES-PF definition	CIRMD equivalent
Outstanding freshwater body	<ul style="list-style-type: none"> Afforestation within 20m (Regulation 14) Earthworks within 10m (Regulation 29) River crossings (Regulation 43) Mechanical land preparation within 10m (Regulation 74) Replanting within 10m or closer than the stump line (Regulation 78) Fuel storage and refuelling within 10m (Regulation 104) <p>are all a restricted discretionary activity.</p> <p>There are restrictions on harvesting within 10m of an outstanding freshwater body (Regulation 68).</p>	<p>Outstanding freshwater body means a freshwater body that—</p> <p>(a) is identified in a regional policy statement or regional plan as having outstanding values, including any ecological, landscape, recreational, or spiritual values, however described; and</p> <p>(b) is identified in the policy statement or plan by its location, including by a map, a schedule, or a description of the area</p>	<p>An outstanding freshwater body is identified in Part 7 Appendix 1(f) of the CIRMD as N65 Te Whanga (although on the Planning Maps it is notated as N81).</p> <p>Accordingly, an advice note should be added to the CIRMD or a guidance document prepared identifying that those areas of significant natural values include an outstanding freshwater body for the purposes of the NES-PF.</p>
Outstanding natural features and landscapes	<p>Afforestation in an ONF/ONL (Regulation 12) is a restricted discretionary activity.</p>	<p>Outstanding natural features and landscapes means natural landscapes and features that—</p> <p>(a) are identified in a regional policy statement, regional plan, or district plan as outstanding, however described; and</p> <p>(b) are identified in the policy statement or plan by their location, including by a map, a schedule, or a description of the area</p>	<p>Outstanding natural features and landscapes are identified in Part 7 Appendix 1(f).</p> <p>Accordingly, an advice note should be added to the CIRMD or a guidance document prepared identifying that those areas of significant natural values include outstanding natural features or landscapes for the purposes of the NES-PF.</p>
Significant natural area	<ul style="list-style-type: none"> Afforestation in (Regulation 12) or within 10m (Regulation 14) Placement of spoil (Regulation 50) River crossings (Regulation 43) 	<p>Significant natural area means an area of significant indigenous vegetation or significant habitat of indigenous fauna that—</p> <p>(a) is identified in a regional policy statement or a regional or district plan as</p>	<p>Significant natural features areas are identified in Part 7 Appendix 1(f).</p> <p>It is likely that the areas of significant natural values identified in the CIRMD would also be considered significant natural areas, and accordingly for clarity, an advice note</p>

Area of significance	NES-PF restriction	NES-PF definition	CIMRD equivalent
	<ul style="list-style-type: none"> • Deposition of overburden (Regulation 55) • Replanting closer than the stump line (Regulation 78) <p>are all a restricted discretionary activity.</p> <p>Clearance of indigenous vegetation is a restricted discretionary activity (Regulation 93)</p>	<p>significant, however described; and</p> <p>(b) is identified in the policy statement or plan, including by a map, a schedule, or a description of the area or by using significance criteria</p>	<p>should be added to the CIMRD or a guidance document prepared identifying that those areas of significant natural values are significant natural areas for the purposes of the NES-PF.</p>

3 Erosion susceptibility classification

The NES-PF relies heavily on the Land Use Capability Class 8e (erosion susceptibility) classification. This tool divides the New Zealand landscape into 4 erosion categories that are colour-coded according to risk:

- **Green (low) and yellow (moderate)** — land less likely to erode. Plantation forestry activities are permitted.
- **Orange (high risk) or red (very high risk)** — land more likely to erode. Most plantation forestry activities can't be carried out on red-zoned land without resource consent. Some activities, such as earthworks, also require consent on orange-zoned land with steeper slopes.

If land is undefined in the erosion susceptibility classification, most activities, including afforestation and harvesting, become restricted discretionary.

The current Erosion Susceptibility Classification tool referenced by the NES-PF only includes information for the North and South islands and does not include offshore islands like the Chatham Islands. As a consequence, most activities will be restricted discretionary. This is a significant change from the relatively current permissive nature of the plan in terms of erosion.

To avoid restricting forestry activities on low and moderate risk land, the Chatham Islands Council should seek for land, particularly that land zoned rural, on the Chatham Islands to be classified and added to the Erosion Susceptibility Classification tool.

4 CIRMD rules

The NES-PF only applies to forestry in areas zoned primarily for rural and rural-residential activities*; therefore, only the Rural Zone rules of the CIRMD are assessed here.

4.1 Forestry and shelterbelts

CIRMD Rule 5.3.4.13 permits forestry subject to conditions. As set out in Table 2, these conditions are either equivalent to or less stringent than the corresponding NES-PF regulation; therefore, the rule must be removed or amended such that it does not apply to plantation forestry.

Rule 5.3.4.13 currently applies to all forestry and shelterbelts, including those that would not meet the NES-PF definition of plantation forestry. Should the Chatham Islands Council wish to retain the current level of control of non-plantation forestry (particularly forestry less than 1ha) and shelterbelts, it is recommended that the rule is retained but amended to specifically exclude plantation forestry. It is also recommended that an advisory note be added directing users to the NES-PF and that condition (c) is removed as forestry greater than 10 hectares that is intended to be harvested is covered under the definition of plantation forestry.

The recommended changes would read as follows (additions underline and deletions strike-through):

13. Forestry and Shelterbelts Separation

- (i) Forestry and shelterbelts ~~that are not plantation forestry~~ are permitted if:
 - (a) they do not shade a formed public road or a dwelling on an adjoining site which was existing prior to planting; and
 - (b) forestry is set back a minimum of 10 metres from adjoining neighbouring boundaries; and
 - (c) ~~a management plan for forestry with a minimum area of 10 hectares describing the type and number of trees, expected volumes of timber and harvest dates is submitted to Council.~~

Note: Rule 5.3.4.13 does not apply to Plantation Forestry activities. These are regulated under the Resource Management (National Environmental Standards for Plantation Forestry) Regulations 2017 and must comply with those regulations.

Table 2: Comparison of Rule 5.3.4.13 and the equivalent provisions of the NES-PF

Rule 5.3.4.13 condition	Equivalent NES-PF provision	Comment
(a) they do not shade a formed public road or a dwelling on an adjoining site which was existing prior to planting	<p>Regulation 14(1)(b) requires a setback from any dwelling on adjoining properties of the greater of 40m or the distance where a fully-grown tree would shade a dwelling between 10am and 2pm on the shortest day of the year (unless topography already causes shading).</p> <p>Regulation 14(2) requires a setback from public roads such that a fully-grown tree would not shade the road between</p>	<p>The CIRMD and NES-PF have roughly equivalent permitted activity requirements, although the NES-PF is more specific.</p> <p>As this is a duplication, the CIRMD must be updated to remove this requirement in relation to plantation forestry.</p> <p>This condition is still relevant in relation to non-plantation forestry (eg small block forestry and shelterbelts) and can be retained in relation to those activities.</p>

* The definition of Plantation Forestry excludes forest species in urban areas (which is defined as an area zoned for residential, industrial, or commercial activities but does not include an area zoned for rural or rural-residential purposes. MPI's guidance documentation clarifies that the intent is for this NES-PF to apply only to rural and rural-residential areas as different considerations must be given in urban areas.

Rule 5.3.4.13 condition	Equivalent NES-PF provision	Comment
	10am and 2pm on the shortest day of the year. If these regulations are not met, forestry becomes a Restricted Discretionary Activity.	
(b) forestry is set back a minimum of 10 metres from adjoining neighbouring boundaries	Regulation 14(1)(a) requires a setback of 10m from the boundary of adjoining properties in separate ownership (unless the adjoining property is also plantation forestry).	The CIRMD and NES-PF have equivalent permitted activity requirements. As this is a duplication, the CIRMD must be updated to remove this requirement in relation to plantation forestry. This condition is still relevant in relation to non-plantation forestry (eg small block forestry and shelterbelts) and can be retained in relation to those activities.
(c) a management plan for forestry with a minimum area of 10 hectares describing the type and number of trees, expected volumes of timber and harvest dates is submitted to Council	Regulation 10 requires notification of afforestation including location, setbacks, and expected planting dates. Regulation 64 requires notification of harvesting including expected dates. Regulation 66 requires the preparation of a harvest plan, including the details set out in Schedule 3. The council may request a copy of the harvest plan.	The NES-PF is more stringent and prescriptive than the CIRMD (including that a harvest plan is required for all forestry over 1 ha), but does not require the provision of harvest details until 20 working days prior to harvest. As this is a conflict, the CIRMD must be updated to remove this requirement in relation to plantation forestry. As this condition is unlikely to realistically apply to any non-plantation forestry, it is suggested this condition be removed in its entirety given it will only apply to areas less than 1ha.

4.2 Other rules

The NES-PF covers a range of forestry related activities including earthworks, quarrying, river crossings, and related diversions and discharges. To provide clarity for plan users, there is value in adding advice notes to rules covering activities that are also captured under the NES-PF. Table 3 assesses rules related to general activities that are also covered by the NES-PF and provides suggested advice notes.

Table 3: Comparison of general rules with the NES-PF

Rule	Permitted activity conditions	Assessment against the NES-PF	Suggested amendment
1. Permitted Activities General	(i) Any activity is a permitted activity provided that it does not contravene any other rule in this Zone.	A number of activities regulated by the NES-PF are not captured by any of the Zone rules. The NES-PF prevails over this rule and plan users should be advised accordingly.	For clarity this could be amended to: <u>Any activity is a permitted activity provided that it does not contravene any other rule in this Zone or, in relation to plantation forestry, any regulation in the Resource Management (National Environmental Standard for Plantation Forestry) Regulations 2017.</u>
5. Noise	(i) Noise generated by an activity shall not exceed the following limits measured at the notional boundary of the nearest dwelling on an adjoining site: (a) 55 dBA L10 7am - 7pm daily, (b) 45 dBA L10 7pm - 7am daily, (c) 75 dBA Lmax all days between 10pm and 7am. Noise levels shall be measured in accordance with NZS 6801:1991 and be assessed in accordance with NZS 6802:1991.	These limits are more stringent than the noise limits set out in Regulation 98 of the NES-PF. The NES-PF prevails over this rule.	For clarity, an advice note could be added stating that this rule does not apply to noise generated by forestry activities. <u>Rule 5.3.4.5 does not apply to activities associated with plantation forestry. Noise generated by activities associated with plantation forest activities is regulated under regulations 98 and 99 of the Resource Management (National Environmental Standards for Plantation Forestry) Regulations 2017.</u>
8. Hazardous Substances	(i) The use, storage, disposal and transportation of hazardous substances is permitted if: (a) there is compliance with all legislation and regulation requirements including the regulations under the Hazardous Substances and New Organisms Act; and	The NES-PF includes specific setback requirements fuel storage and refuelling. The NES-PF prevails over this rule.	For clarity this could be amended to: (a) <u>there is compliance with all legislation and regulation requirements including the regulations under the Hazardous Substances and New Organisms Act and the regulations 104 and 105 of the Resource Management (National</u>

Rule	Permitted activity conditions	Assessment against the NES-PF	Suggested amendment <u>Environmental Standard for Plantation Forestry Regulations 2017</u>
	<p>(b) no hazardous substance is discharged or dumped into any waterbody or water course or stormwater system; and</p> <p>(c) any hazardous substance that is to be dumped on land is sealed or contained in a manner that does not allow any discharge or escape.</p>		
10. Earthworks	<p>(i) Earthworks are a permitted activity if:</p> <p>(a) within 100 metres of MHWS the amount does not exceed 50m³ (volume) in any 12 month period per hectare; and</p> <p>(b) the activity does not result in any change to the colour or visual clarity of any water, including coastal water other than of a temporary nature; and</p> <p>(c) when the earthworks are completed, the site is revegetated or treated to avoid erosion and the finished contours are in accordance with the surrounding land.</p> <p>(d) Condition (a) shall not apply to access tracks, fence lines, utility service lines, firebreaks and maintenance of drains.</p>	<p>The NES-PF includes much more detailed requirements for earthworks that would prevail over this rule.</p> <p>The NES-PF includes less stringent setbacks from the coastal marine area/MHWS. The NES-PF includes a 30m setback for all works greater than 100m³ in any 3-month period. As this condition is likely to give effect to the NZ Coastal Policy Statement, the Chatham Islands Council could consider retaining the condition.</p>	<p>For clarity, an advice note could be added stating that this rule does not apply to earthworks associated with plantation forestry activities.</p> <p><u>Note: Rule 5.3.4.10 does not apply to earthworks associated with plantation forestry activities. Earthworks associated with plantation forest activities are regulated under regulations 22 to 35 of the Resource Management (National Environmental Standards for Plantation Forestry) Regulations 2017.</u></p> <p>Alternatively, if condition (a) is to retained,</p> <p><u>Note: Rule 5.3.4.10(i)(b)-(d) do not apply to earthworks associated with plantation forestry activities. Earthworks associated with plantation forest activities are regulated under regulations 22 to 35 of the Resource Management (National Environmental Standards for Plantation Forestry) Regulations 2017.</u></p>
11. Roads	<p>(i) Road construction, maintenance and modification, including stockpiling of roading materials, is a permitted activity if</p> <p>(a) it is within any existing road reserve; or</p> <p>(b) within 10 metres of the existing road formation.</p>	<p>The NES-PF regulates forestry roads, which specifically excludes roads managed by the local authority, therefore, this rule is not considered to conflict with the NES-PF.</p>	NA

Rule	Permitted activity conditions	Assessment against the NES-PF	Suggested amendment
15. Quarries - Scheduled Activity (SQ)	<p>(i) Quarry activities are permitted at the following sites:</p> <ul style="list-style-type: none"> (a) Waitaha (SQ.1) (b) Matarakau (SQ.2) (c) C. Preeces (SQ.3) (d) Stony Creek (SQ.4) (e) Paritu (SQ.5) (f) Waitatu Bay (SQ.6) (g) Kaiwhata (SQ.7) (h) Rongamaiponga (Lime Pit) (SQ.8) (i) Existing farm quarries provided the material is for non-commercial purposes <p>Provided:</p> <ul style="list-style-type: none"> (a) the activity does not result in any change to the colour or visual clarity of water, including coastal water other than of a temporary nature; and (b) fish passage is not impeded as a result of the quarry operations. 	<p>The NES-PF includes rules specifically related to forestry quarrying. The NES-PF permits forestry quarrying on a wider basis than Rule 5.3.4.15, but includes controls that are more stringent. As the NES-PF is more stringent, the NES-PF prevails.</p>	<p>An advice note could be added stating that this rule does not apply to forestry quarrying.</p> <p><u>Note: Rule 5.3.4.15 does not apply to forestry quarrying, which is regulated under regulations 50 to 61 of the Resource Management (National Environmental Standards for Plantation Forestry) Regulations 2017.</u></p>
16. Activities In or Near Waterbodies	<p>(i) Activities</p> <ul style="list-style-type: none"> (a) within 5 metres of a bank of a river or lake; or (b) in a wetland or within 5 metres of a wetland <p>are permitted if:</p> <ul style="list-style-type: none"> (a) they do not involve the erection of structures; and (b) they do not involve the clearance of indigenous vegetation; and 	<p>The NES-PF includes a variety of setbacks from different types of waterbodies for different activities eg 5m from a perennial river <3m and 10m from a perennial river >3m for afforestation and harvesting, 10m for earthworks, 20m for forestry quarrying, and generally no setback for wetlands <0.25ha.</p> <p>As the NES-PF is generally more stringent, the NES-PF prevails.</p>	<p>An advice note could be added stating that this rule does not apply to forestry activities.</p> <p><u>Note: Rule 5.3.4.16 does not apply to activities associated with plantation forestry, which are regulated under the relevant regulations of the Resource Management (National Environmental Standards for Plantation Forestry) Regulations 2017.</u></p>

Rule	Permitted activity conditions	Assessment against the NES-PF	Suggested amendment
	<p>(c) the activity does not result in any change in the colour or visual clarity of water other than of a temporary nature;</p> <p>(d) provided this rule does not apply to:</p> <ul style="list-style-type: none"> (i) fences; (ii) access tracks; (iii) structures specified in Rule 5.3.4.22 in respect of the bank of a river or lake; (iv) wetlands less than one hectare in area; (v) rivers with an average bed width of 1.5 metres or less. <p>For the purposes of this rule the measurement of the width of the river shall be taken at the point adjacent to the activity.</p>		
19. Discharge of Contaminants or Water into Water or the Discharge of Contaminants into or onto Land Which May Result in that Contaminant Entering Water	<p>(i) Discharge of a contaminant or water into water or the discharge of a contaminant to or into land which may result in that contaminant entering water is permitted if</p> <ul style="list-style-type: none"> (a) the discharge is for stormwater, water supply or freshwater purposes, and (b) the discharge after reasonable mixing shall not give rise to any of the following effects: <ul style="list-style-type: none"> (i) the production of any conspicuous scums or foams on floatable or suspended materials; (ii) any conspicuous change in colour or visual clarity; (iii) any emission of objectionable odour. 	<p>The NES-PF regulates the discharge of contaminants (specifically sediment) to water and land where it may enter water where the relevant regulation for the activity resulting in the discharge is also met.</p> <p>The specific regulations typically require that any discharge does not give rise to the following effects (eg see Regulations 20, 26):</p> <ul style="list-style-type: none"> • any conspicuous change in colour or visual clarity; • the rendering of freshwater unsuitable for consumption by farm animals; • any significant adverse effects on aquatic life. <p>As there is a conflict, the NES-PF prevails.</p>	<p>For clarity, an advice note could be added stating that this rule does not apply to discharges associated with plantation forestry activities:</p> <p><u>Note: Rule 5.3.4.19 does not apply to discharges associated with plantation forestry activities. Discharges associated with plantation forest activities are regulated under regulation 97 of the Resource Management (National Environmental Standards for Plantation Forestry) Regulations 2017.</u></p>

Rule	Permitted activity conditions	Assessment against the NES-PF	Suggested amendment
21. Damming and Diversion of Water	<p>(iv) the rendering of freshwater unsuitable for consumption by farm animals;</p> <p>(v) any significant adverse effects on aquatic life.</p> <p>(i) Damming or diversion of water from the ground, a river, or a lake, is permitted provided:</p> <p>(a) any new dam or weir necessary is less than two metres in vertical height from base to crest on the downstream batter, and the reservoir floods an area less than 500 square metres; and</p> <p>(b) a take for an individual's domestic needs, or stock water, school, public water supply, or fire fighting purposes, or any take authorised by a resource consent is not restricted as a result of the damming or diversion; and</p> <p>(c) flows and levels of water are sustained to an extent that the passage of fish is not impeded; and</p> <p>(d) it is for the purposes specified in Rule 5.3.4.20.</p>	<p>Rule 5.3.4.21 only applies to damming and diversion of water related to permitted water takes (under Rule 5.3.4.20).</p> <p>The NES-PF regulates diversion of water associated with forestry activities such as river crossings and slash from pruning/thinning. Although there is no conflict as NES-PF regulates a different activity, adding an advice note would provide clarity to plan users.</p>	<p>For clarity, an advice note could be added stating that diversions associated with plantation forestry activities are regulated by the NES-PF.</p> <p><u>Note: Diversions associated with plantation forest activities are regulated under regulation 97 of the Resource Management (National Environmental Standards for Plantation Forestry) Regulations 2017.</u></p>
22. Structures - Beds of Lakes and Rivers	<p>(i) Structures in, under or over the bed of a river or lake are permitted if:</p> <p>(a) they are existing; or</p> <p>(b) they are fences or utility service lines; or</p> <p>(c) they are culverts, bridges and fords, which are part of an existing road or track system; or</p>	<p>The NES-PF includes detailed regulations regarding river crossing structures. These regulations conflict with this rule and as such the NES-PF regulations prevail.</p>	<p>For clarity, an advice note could be added stating that this rule does not apply to river crossings associated with plantation forestry activities.</p> <p><u>Note: Rule 5.3.4.22 does not apply to river crossings associated with plantation forestry activities. River Crossings associated with plantation forest activities are regulated under regulations 36 to 49 of the Resource</u></p>

Rule	Permitted activity conditions	Assessment against the NES-PF	Suggested amendment <i>Management (National Environmental Standards for Plantation Forestry) Regulations 2017</i>
23. Disturbance of Beds of Lakes and Rivers	<p>(d) they are for a structure for the purposes specified in Rule 5.3.4.20 & 21(a); or</p> <p>(e) they are other structures that do not exceed 10 square metres provided that structures used for aquaculture in Te Whanga are not permitted; and</p> <p>(f) the permitted structures do not impede the passage of fish.</p> <p>(i) Disturbance of the bed of a river or a lake is permitted if it is:</p> <p>(a) for the purpose of a fence or utility service line; or</p> <p>(b) a structure for the purposes specified in Rule 5.3.4.20-22; or,</p> <p>(c) for the purpose of artificially opening the outlet of Te Whanga provided that im/lw are consulted and the community advised; or</p> <p>(d) for an activity which complies with Rule 5.3.4.10(i) provided the amount of material evacuated does not exceed 50m³ (volume) in any 12 month period per hectare.</p> <p>Provided that:</p> <p>(a) deposition of material is not permitted in Te Whanga; and</p> <p>(b) the stability of the shoreline of Te Whanga is not affected; and</p> <p>(c) indigenous vegetation or nesting sites of indigenous fauna in Te Whanga are not displaced; and</p> <p>(d) exotic species of plants are not introduced in Te Whanga.</p>	<p>The NES-PF allows the disturbance of the beds of lakes and rivers under a number of activity specific regulations.</p> <p>Rule 5.3.4.23 conflicts with the NES-PF regulations, therefore the regulations prevail.</p> <p>Rule 5.3.4.23 does provide specific protection to Te Whanga; however, there are a number of protections in the NES-PF including Regulation 12, which restricts afforestation within a significant natural area or outstanding natural feature or landscape.</p>	<p>For clarity, an advice note could be added stating that this rule does not apply to the disturbance of the beds of lakes and rivers associated with plantation forestry activities.</p> <p><i>Note: Rule 5.3.4.23 does not apply to the disturbance of the beds of lakes and rivers associated with plantation forestry activities regulated under the Resource Management (National Environmental Standards for Plantation Forestry) Regulations 2017.</i></p>

Rule	Permitted activity conditions	Assessment against the NES-PF	Suggested amendment
26. Areas of Significant Natural Value	<p>The extent of Te Whanga shall be determined by the level of the lagoon which exists immediately prior to its opening.</p> <p>(i) Activities within areas of Significant Natural Value, listed in Appendix 1 and identified on the Planning Maps, are permitted if:</p> <p>(a) it is in accordance with an agreement, a covenant, a conservation management strategy, or a management plan; or</p> <p>(b) if there is no agreement, conservation management strategy, covenant, or management plan in place the rules of this Document shall apply.</p>	<p>The NES-PF includes specific conditions for significant natural areas and outstanding natural features and landscapes.</p> <p>Rule 5.3.4.25 provides for activities that are in accordance with a management document. Where such a document does not exist, the standard rules apply.</p> <p>As the NES-PF does not permit afforestation within significant natural area or outstanding natural feature or landscape, there is potential for a conflict (eg if a management plan provided for forestry).</p>	<p>An advice note could be added stating that this rule does not apply to forestry activities.</p> <p><i>Note: Rule 5.3.4.16 does not apply to activities associated with plantation forestry, which are regulated under the relevant regulations of the Resource Management (National Environmental Standards for Plantation Forestry) Regulations 2017.</i></p>

5 Recommendations

5.1 Erosion susceptibility classification

With the Chatham Islands not yet part of the Erosion Susceptibility Classification tool, most forestry activities, including afforestation and harvesting, would be a restricted discretionary activity. It is recommended that Environment Canterbury enter discussions with MPI regarding classification of rural zoned land in the Chatham Islands.

5.2 Definitions

5.2.1 Plantation forestry

For consistency and clarity, it is recommended that the definition of forestry be amended as follows (additions underline and deletions strike-through):

Forestry means the establishment, tending or harvesting of forest (whether native or exotic) for wood production. Plantation Forestry is defined in the Resource Management (National Environmental Standard for Plantation Forestry) Regulations 2017.

5.2.2 Shelterbelt

To avoid conflict with the definition of Plantation Forestry in the NES-PF, it is recommended that the definition of shelterbelt be amended as follows (additions underline and deletions strike-through):

Shelterbelt means trees planted to provide shelter limited to the lesser of a width of 6 rows of trees or an average width of 30m.

5.2.3 Significant and outstanding natural features and areas

For consistency and clarity, it is recommended that an advice note or separate guidance is provided outlining which sites identified in Part 7 Appendix 1 of the CIRMD are also an outstanding freshwater body, outstanding natural feature or landscape, or significant natural area for the purposes of the NES-PF.

5.3 Rules

Section 44A of the RMA requires local authorities to recognise National Environmental Standards and requires that they amend their plans to remove duplicates or conflicts without using the RMA Schedule 1 process and as soon as practicable after the NES comes into force. Section 44A also allows local authorities to include references to the NES without using the Schedule 1 process after the NES comes into force.

5.3.1 Forestry and shelterbelts

As the forestry rule 5.3.4.13 in the CIRMD applies to all forestry and shelterbelts, it is recommended that the rule be retained, with a minor amendment to exclude plantation forestry and an advisory note directing users to the NES-PF. It is also recommended that condition (c) is removed as forestry greater than 10 hectares that is intended to be harvested is covered under the definition of plantation forestry.

The recommended changes would read as follows (additions underline and deletions strike-through):

13. Forestry and Shelterbelts Separation

- (i) Forestry and shelter belts that are not plantation forestry are permitted if:
 - (a) they do not shade a formed public road or a dwelling on an adjoining site which was existing prior to planting; and
 - (b) forestry is set back a minimum of 10 metres from adjoining neighbouring boundaries; and
 - (c) ~~a management plan for forestry with a minimum area of 10 hectares describing the type and number of trees, expected volumes of timber and harvest dates is submitted to Council.~~

Note: Rule 5.3.4.13 does not apply to Plantation Forestry activities. These are regulated under the Resource Management (National Environmental Standards for Plantation Forestry) Regulations 2017 and must comply with those regulations.

5.3.2 General rules

The NES-PF covers a range of forestry related activities including earthworks, quarrying, river crossings, and related diversions and discharges. To provide clarity for plan users, there is value in adding advice notes to rules covering activities that are also captured under the NES-PF.

Table 3 sets out suggested amendments for consideration. In particular, it is recommended that Rule 5.3.4.1 (Permitted Activities General) is amended to highlight that plantation forestry activities must comply with the NES-PF:

- (i) Any activity is a permitted activity provided that it does not contravene any other rule in this Zone or, in relation to plantation forestry, any regulation in the Resource Management (National Environmental Standard for Plantation Forestry) Regulations 2017.

COUNCIL MEETING AGENDA

AUGUST 2018

6. REGULATORY

6.2 Chatham Islands Water Quality Report (R 6.5c)

Environment Canterbury have engaged Pattle Delamore Partners Ltd to update the Chathams Island water quality data review for the current water year, and provide an assessment of the current state and long term trends for the Island's natural waterways, lakes and lagoons.

See attached report.

RECOMMENDATION

THAT the information be received.



memorandum

TO	Graeme Clarke	FROM	Patrick Lees
	Environment Canterbury	DATE	1 June 2018
RE	Chatham Island Water Quality Summary		

1.0 Introduction

Environment Canterbury have engaged Pattle Delamore Partners Ltd (PDP) to update the Chatham Island water quality data review for the current water year, and provide an assessment of the current state and long term trends for the Island's natural waterways, lakes and lagoons.

Water quality monitoring data is collected quarterly at 14 stream sites and 8 lake or lagoon sites on the main Chatham Island (Figure 1). Te Whanga Lagoon, the largest water body on the Island, is sampled at 3 sites. All other stream and lake sites are sampled at one location each. All sites have been sampled since 2005, except sites on the Nairn River and Te Whanga – Southern, which were first sampled in October 2006.



Figure 1: Routine water quality monitoring sites for stream and lakes or lagoons on Chatham Island

2.0 Data analysis methods

Water quality results were analysed for current state based on 5 years of monitoring data (2012-2017). Long term trends were assessed using all available data collected since monitoring began in April 2005 or where there is at least 10 years of data.

Trophic Lake Index (TLI) values have been calculated annually for the lake sites and attribute states, as defined in the National Policy Statement for Freshwater Management (NSP-FM).

Advice provided in McBride, 2014 and MfE, 2015, recommends that attribute states are calculated using a dataset of 20-30 records, preferably collected on a monthly basis. The Chatham Island sampling is completed quarterly. Attribute states have been calculated using 5 years of data, such that $n=20$.

Censored data (data with values outside the laboratory detection limits) were adjusted before analysis using the method prescribed by Environment Canterbury Water Quality Scientists. The method used is detailed in the email correspondence in Appendix 1.

Long term trends are summarised in Appendix 3. All available data has been used to assess the long term trends using a Seasonal Kendall test in the TimeTrends V6.30 software. The Seasonal Kendall test assesses significant increases or decreases (represented by Δ for significant increase or ∇ for significant decrease) and the magnitude of change represented by the relative sen slope estimator (>1 = meaningful). Significant increases and decreases were assessed using significance of $P < 0.005$, $P < 0.01$, and $P < 0.05$.

3.0 Results and Discussion

3.1 Dissolved Oxygen

Streams, lakes and Te Whanga Lagoon on Chatham Island are generally well oxygenated with the exception of Washout Creek and Whangamoe Inlet Stream, which often experience decreased dissolved oxygen concentrations potentially as a result of river mouth closures. Mangape Creek has continued to record a number of low dissolved oxygen concentrations over the last 4 years, which may require further consideration. Dissolved oxygen concentrations have remained fairly steady over the last 12 years of monitoring, however significant downward trends have recently been recorded for Awatotara, Mangape, and Waitamaki creeks. No other significant trends have been identified.

3.2 Water Temperature

Water temperature is fairly consistent between streams, with the shaded Awatōtara Stream, and Mangahōu Stream slightly cooler than other streams. Water temperature is also fairly consistent between the lakes and lagoon. No significant trends have been detected for water temperature variation.

3.3 pH

For many streams on Chatham Island the pH indicates acidic water, typical of peat soils. Waitaha, Blind Jims Creek, Waitāmaki Creek, Waimāhana Creek and Mangapē Creek have a more buffered pH similar to those found in Canterbury, indicating the influence of differing geology throughout the island, and a decrease of peaty soils at these sites. pH is most acidic for Awatōtara Creek which is located within a peaty catchment. pH of the lakes and Te Whanga Lagoon sites on Chatham Island are fairly similar, with median concentrations ranging from 8-9 pH. At the majority of sites, pH has been fairly steady over the 12 years of monitoring. Only Te Whanga Lagoon at Southern Basin and the Mangape Stream site showed a significant and meaningful increase.

3.4 Dissolved Organic Carbon

Similar to pH, dissolved organic carbon (DOC) concentrations differ for Blind Jims Creek, Waitāmaki Creek, Waimāhāna Creek and Mangapē Creek, in comparison to other streams on Chatham Island. The volcanic peaty make up of soils on the island influence the leaching of organic matter, contributing to elevated DOC concentrations for many of the streams. Inflow streams on the north western edge of Te Whanga Lagoon

show lower DOC concentrations where the catchment is comprised of less peaty soils and organic matter is likely reduced via filtration by the more sandy soils of this area.

In comparison to the streams of the island, the lakes and Te Whanga Lagoon sites have much lower DOC concentrations, with the exception of Lake Te Wāpu, which has much greater concentrations than all the other lake and lagoon sites. DOC has shown a significant change at two stream sites (Washout Creek and North Trib Rakautahi) over the past 12 years of monitoring.

3.5 Nutrients

Phosphorus – Dissolved reactive phosphorus (DRP) concentrations are greatest for Washout Creek, Whangamoe Inlet Stream and Waimāhana Creek, with significant and meaningful increases of DRP at Waimāhana Creek over the past 12 years. Total phosphorus concentrations reflect the DRP concentrations for Washout Creek, Whangamoe Inlet Stream and Waimāhana Creek. Additionally, higher concentrations of total phosphorus were observed at Mangape Creek and were greater in comparison to their dissolved reactive phosphorus concentrations, indicating increased particulate phosphorus. Elevated particulate phosphorus is potentially due to organic matter, increased run-off and soil erosion, or bankside disturbance. While elevated in comparison to dissolved reactive phosphorus, total phosphorus is significantly and meaningfully decreasing at North Trib Rakautahi, Waitaha Creek, Mangape Creek and Waitamaki Creek (Appendix 2; Table 1).

Dissolved reactive phosphorus concentrations are greatest for Lake Hurō and Te Whanga Lagoon at Blind Jims Creek and Waitāmaki Creek, however only Lake Te Wāpu and Lake Hurō have elevated total phosphorus concentrations. It is likely that the elevated total phosphorus concentrations in Lake Te Wāpu are driven by particulate phosphorus given the DRP concentration is low. These results mirror the elevated DOC concentrations in the lake and it is likely the particulate phosphorus is bound in organic matter which would also be driving the high DOC concentration. Total phosphorus concentrations for Lake Hurō, Lake Marakapia, Lake Te Wāpu and Te Whanga Lagoon at Blind Jims Creek, Waitāmaki Creek and the southern basin show significant and meaningful decreasing trends over the past 12 years.

Nitrogen – Dissolved inorganic nitrogen (DIN) and total nitrogen concentrations are greatest for Washout Creek, Mangapē Creek and Lake Hurō, Te Whanga Lagoon at Blind Jims Creek and Lake Te Wāpu. Long-term nitrogen trends vary among the island. Te Awaīnanga River and Blind Jims Creek show a significantly and meaningfully decreasing trend for DIN, while all sites except Whangamoe Inlet Stream and Waitaha Creek showed a significant trend for total nitrogen indicating an increase of organic nitrogen. Lake Rangitai shows a significant and meaningful decrease for total nitrogen, while Tenant's Lake shows a significant and meaningful increase for total nitrogen.

3.6 Chlorophyll *a*

Chlorophyll *a* concentrations for the lakes and Te Whanga Lagoon sites reflect the levels of nutrient enrichment of each site. Chlorophyll *a* concentrations are greatest for Lake Te Wāpu and Lake Hurō, where nitrogen and phosphorus concentrations are greatest. A significant and meaningful decrease of chlorophyll *a* concentrations for Lake Hurō and Te Whanga Lagoon at Blind Jims Creek, and the southern basin are likely related to decreases of total phosphorus.

3.7 Water Clarity

Water clarity (measured by a clarity tube) of the streams on Chatham Island are heavily influenced by leaching from the peaty organic soils, therefore similar trends are observed among sites to DOC concentrations. The clearest of streams are those with the lower DOC concentrations such as Blind Jims Creek, Waitāmaki Creek and Waimāhana Creek, where the sandy soils of the stream catchments filter out particles that may reduce water clarity. Conversely, Mangapē Creek has reduced water clarity, but low DOC concentrations, suggesting the source of reduced water clarity is more related to suspended particles such as sediment, rather than discoloration of water from leaching of peat soils. Sources of suspended particles may be related to overland flow and unrestricted stock access. However, water clarity for Mangapē Creek is significantly and meaningfully

Water clarity is significantly and meaningfully increasing for both Te Whanga Lagoon at Blind Jims Creek, Lake Te Wapu and Lake Hurō in response to decreasing trends of chlorophyll *a* and nutrient concentrations over the past 12 years.

The trophic level index for lake and lagoon sites of Chatham Island is a calculation derived from annual average total nitrogen, total phosphorus and chlorophyll *a* concentrations; used to indicate the level of eutrophication. Results are provided in Table 2 of Appendix 3. The supertrophic and hypertrophic states of Lake Hurō and Lake Te Wāpu that were observed in 2014 – 2015 were not evident in the 2016-2017 results with both sites, indicating that they were in a eutrophic state. This was reflected in the reduction of nutrient enrichment, and subsequent reduced chlorophyll *a* concentrations. Two of the three Te Whanga Lagoon sites continued to show improvements and stabilisation of trophic levels that have occurred in recent years, reflecting the significant decline of TP in particular. However, Te Whanga Lagoon at Blind Jims Creek has continued to show the eutrophic state that was observed in the 2015-2016 year (Tables 1 and 2 in Appendix 3).

Microbial water quality is monitored for faecal indicator bacteria such as *Escherichia coli* (*E.coli*) in freshwater, and both *E. coli* and *Enterococci* in water with a saline influence, such as Te Whanga Lagoon and the Nairn River at the mouth. Generally, the stream sites (Mangapē Creek and Nairn River) had the greatest faecal indicator bacteria concentrations, as opposed to the lagoon and Lake Rangitai. Both Mangapē Creek and Nairn River are likely influenced by overland run-off and unrestricted stock access in grazed pasture catchments. Occasional spikes in *E.coli* for Te Whanga Lagoon at Blind Jims Creek may be caused by re-suspension of benthic sediment reservoirs of faecal bacteria during strong wind, or unrestricted stock access combined with run-off near the lakes edge. *E.coli* is showing a significant and meaningful decreasing trend for Te Whanga Lagoon at the Southern Basin. This site generally has the lowest *E.coli* concentrations.

The National Policy Statement (NPS) was initially released in 2014 with the intention to set objectives and policies for the management of freshwater at a national level throughout New Zealand and to direct local councils towards establishing objectives and limits. The National Objectives Framework (NOF) within the NPS provides a framework of numeric values and attribute states for freshwater management, and sets national bottom lines of minimum acceptable states for the compulsory values of ecosystem health and human health for recreation. The framework is structured in a grading based format from A to D, with the D category being below the national bottom line state. For more information refer to "*National Policy Statement for Freshwater Management 2014*" (MfE, 2014). In 2017, changes to the NPS provisions on *E.coli* were introduced. These are now based on a grading of five tests involved in establishing a category (attribute state) from Blue (A) to Red (D).

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effects, even on sensitive aquatic species (Table 1). Ammonia toxicity¹ results were also similar at all sites. Only one stream fall within the 'B' category, which indicates that some sensitive aquatic species may be impacted by elevated ammonia concentrations. None of the sampled streams had concentrations of NNN and ammonia greater than the NPS national bottom line for both parameters.

Ammonia toxicity results sampled at the lake and lagoon sites on Chatham Island, after pH adjustment was undertaken (as per MfE, 2015), were all within the 'A' attribute state indicating minimal concern of species loss due to ammonia toxicity at these sites. Total nitrogen attribute states in lakes and lagoons showed a mix of sites between the 'B', 'C' and 'D' bands with Lake Te Wāpu and Lake Hurō falling below the national bottom line objective (Table 1). Total Phosphorus for Lake Te Wāpu, Lake Hurō and Te Whanga Lagoon – Blind Jims fall within the 'C' attribute state, which is mirrored by a Chlorophyll *a* attribute state of 'B' and 'B|C' for these sites (Table 1). This indicates a risk of excessive algal or plant growth at these sites, due to impacts of elevated nutrients.

E.coli results are presented in Table 2. Two stream sites were monitored for *E.coli* on Chatham Island and results showed that both sites generally had *E.coli* categories within the 'C' and 'D' attribute states. The Nairn River site had one *E.coli* category within attribute state 'E' which is the lowest attribute state within the NPS. The summary of attribute states outlines that the estimated risk to human health from swimming is > 5%. *E.coli* monitoring occurred at four lake and lagoon sites on Chatham Island. Two of the *E.coli* categories were all within the 'A' attribute state. However, in the remaining two *E.coli* categories a mixture of 'A', 'B', 'C' and 'D' attribute states occurred. The use of the 95th percentile statistic provides an indication of the upper most values observed at a site, and doesn't provide a good indication of what *E.coli* values would usually be. *E.coli* values at the lake sites are within the 'A', 'B' and 'C' bands for the other four categories, which outlines that there is a low risk of infection (1-3% predicted average infection risk).

¹ pH adjustment of ammonia concentrations must be undertaken before compliance with the numeric attribute states in the NPS can be assessed. pH adjustment was undertaken as per the recommended methods in MfE(2015) and MfE (2017)

Table 1. National Objective Framework Attribute States for Streams and Lakes on Chatham Island

	NNN Summary	NH ₄ -N ¹ Summary	TN Summary	TP Summary	Chlorophyll a Summary
Awamata Stream	A	A			
Awatōtara Creek	A	A			
Te Awānanga River	A	A			
Washout Creek	A	A			
Whangamoe Inlet Stream	A	A			
North Trib Rakautahi	A	A			
Waitaha Creek	A	A			
Blind Jims Creek	A	A			
Waitāmaki Creek	A	A			
Waimāhana Creek	A	A			
Mangapē Creek	A	B			
Mangahōu Stream	A	A			
Te One Creek	A	A			
Nairn River					
Lake Rangitai		A	B	A	A
Lake Te Wāpu		A	D	C	B C
Tennants Lake		A	C	B	A B
Lake Marakapia		A	C	B	A
Lake Hurō		A	B	C	B C
Te Whanga Lagoon - Blind Jims Creek		A	C	C	B
Te Whanga Lagoon - Waitāmaki Creek		A	B	B	A
Te Whanga Lagoon - Southern Basin		A	B	B	A

Notes:

- 1) NH₄-N¹ = pH adjusted NH₄-N concentrations have been used to assess compliance with the NPSFM numeric attribute states, adjustments were undertaken as per the MfE (2015)
- 2) Cells in the table that are summarised by two colours show that the each of the summary statistics used to define the current state of the water body are within two numerical attribute states

Table 2. National Objective Framework E.coli Attribute States for Streams and Lakes on Chatham Island with E.coli data

	E.coli ²			
	Median	Percent > 540 E.coli/100 mL	Percent > 260 E.coli/100 mL	95 th percentile
Mangapē Creek	D	C	C	D
Nairn River	D	E	D	D
Lake Rangitai	A	C	A	D
Te Whanga Lagoon - Blind Jims Creek	A	C	A	B
Te Whanga Lagoon - Waitāmaki Creek	A	B	A	A
Te Whanga Lagoon - Southern Basin	A	B	A	D

Notes:

- 1) Only sites that have E.coli data are shown
- 2) Attribute states should be determined by using a minimum of 60 samples over a maximum of 5 years
- 3) The overall attribute state must be determined by satisfying all numeric states

Limitations

This memorandum has been prepared by Pattle Delamore Partners Limited (PDP) on the basis of information provided by Environment Canterbury. PDP has not independently verified the provided information and has relied upon it being accurate and sufficient for use by PDP in preparing the memorandum. PDP accepts no responsibility for errors or omissions in, or the currency or sufficiency of, the provided information.

This memorandum has been prepared by PDP on the specific instructions of Environment Canterbury for the limited purposes described in the memorandum. PDP accepts no liability if the memorandum is used for a different purpose or if it is used or relied on by any other person. Any such use or reliance will be solely at their own risk.

Prepared by

Reviewed by



Patrick Lees
Environmental Scientist



Laura Drummond
Senior Environmental Scientist



Steve Pearce
Technical Director

References:

McBride., G. 2014. National Objectives Framework for Freshwater: Statistical considerations for assessing progress towards objectives with emphasis on secondary contact recreation values. Prepared by National Institute of Water & Atmospheric Research Ltd. for Ministry for the Environment, Wellington. 34p.

Ministry for the Environment, 2014. National Policy Statement for Freshwater Management 2014. Wellington: Ministry for the Environment.

Ministry for the Environment, 2015. *A Draft Guide to Attributes in Appendix 2 of the National Policy Statement for Freshwater Management 2014*. Wellington: Ministry for the Environment.

Ministry for the Environment, 2017. National Policy Statement for Freshwater Management 2014. Updated August 2017. Wellington: Ministry for the Environment.

Appendix 1: Guidelines for dealing with detection limits

From: Kimberley Dynes <Kimberley.Dynes@ecan.govt.nz>
Sent: Friday, 8 December 2017 10:59
To: Patrick Lees
Cc: Emily Gray
Subject: FW: Chathams Island data
Attachments: C03691801_Raw_Data_Chathams.xlsx

Hi Pat,

Here's some details taken from one of our reports:

1.1.1 Dealing with detection limits

Where water quality data was reported below a limit of detection (censored data), the individual detection limit was generally halved. However detection limits for each parameter are often variable and show inconsistencies due to changes in laboratory companies used, and laboratory procedures used for analysis. Therefore, where less than 40% of data for a single parameter analysed per statistical grouping (i.e. river type for state analysis or individual site for trend analysis) was below detection limits, the individual detection limit was halved. Where greater than 40% of the data analysed was below detect, each detection limit was halved by the highest detection limit of the statistical grouping for that parameter. Where greater than 70% of the data was below detect, the parameter for that statistical grouping was omitted from analysis (Ballantine, 2012). Dissolved inorganic nitrogen (DIN) was not calculated for sites where greater than 70% of values for total ammoniacal nitrogen were below detect, and therefore such a site was omitted from both total ammoniacal nitrogen and DIN analysis.

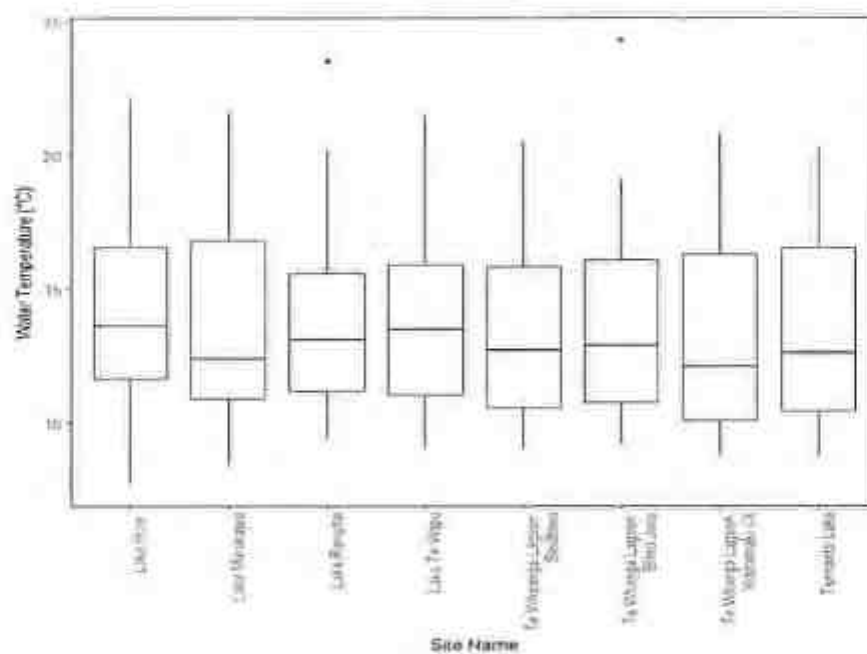
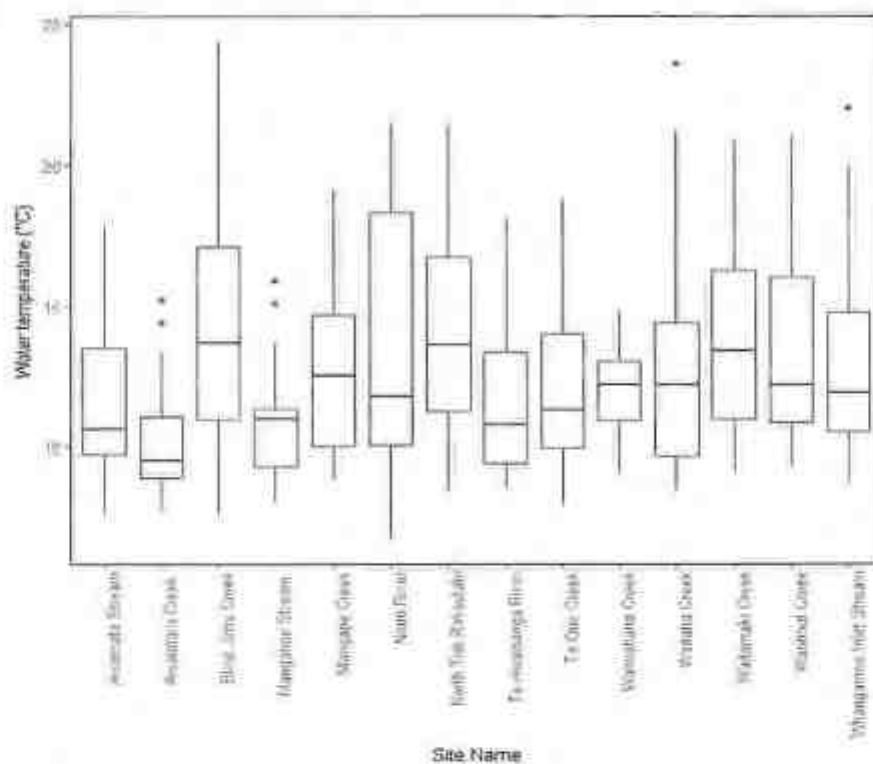
We use this for both state and trend analysis. Recently time trends has changed the way they deal with detection limits and this had led to some changes in trends. We do all our detection limit corrections ourselves prior to inputting into time trends to try and avoid any major trend discrepancies.

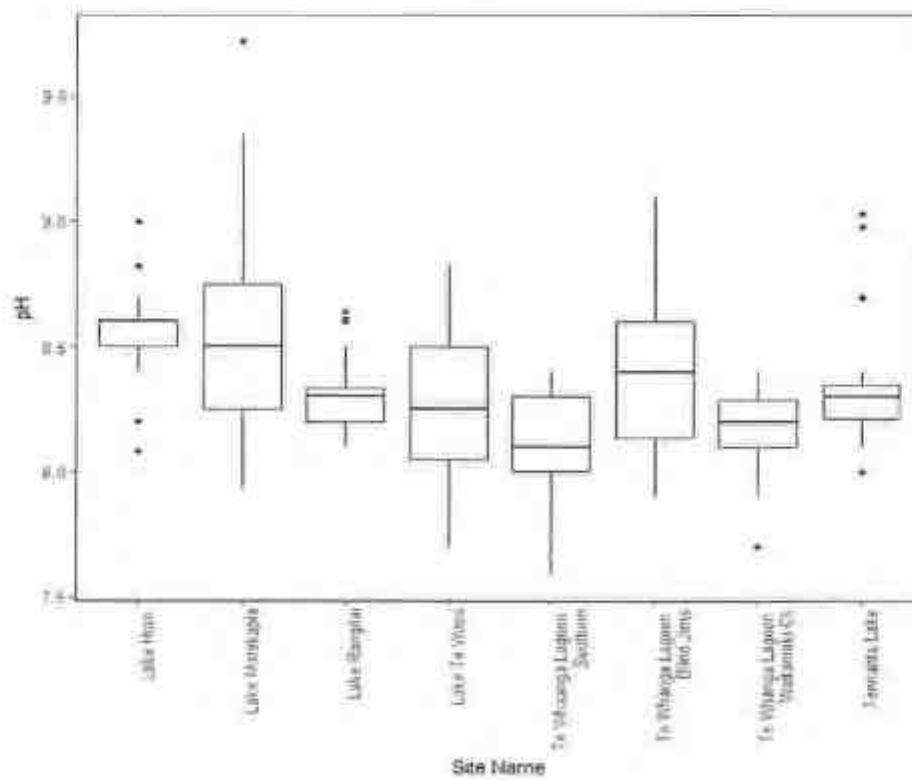
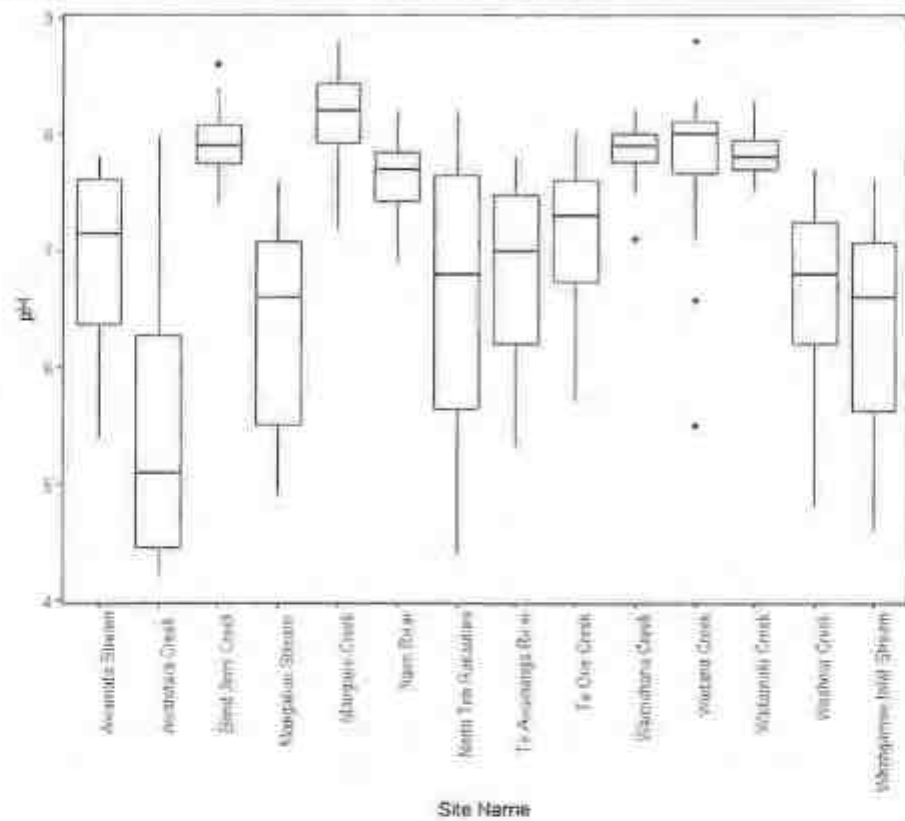
CCC sent us this blurb regarding the time trend changes:

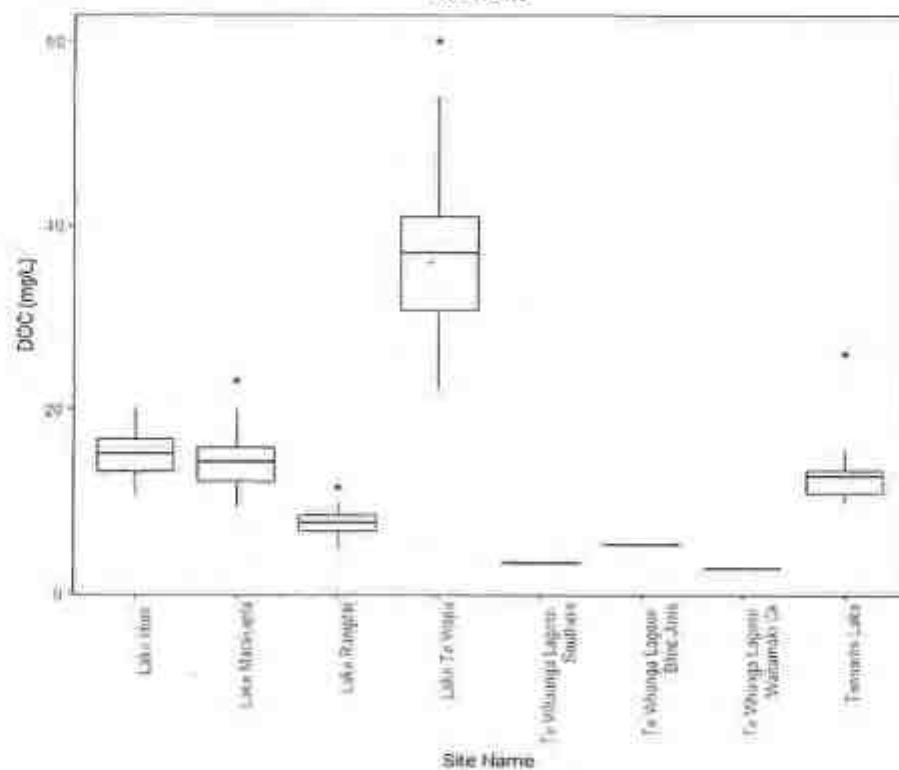
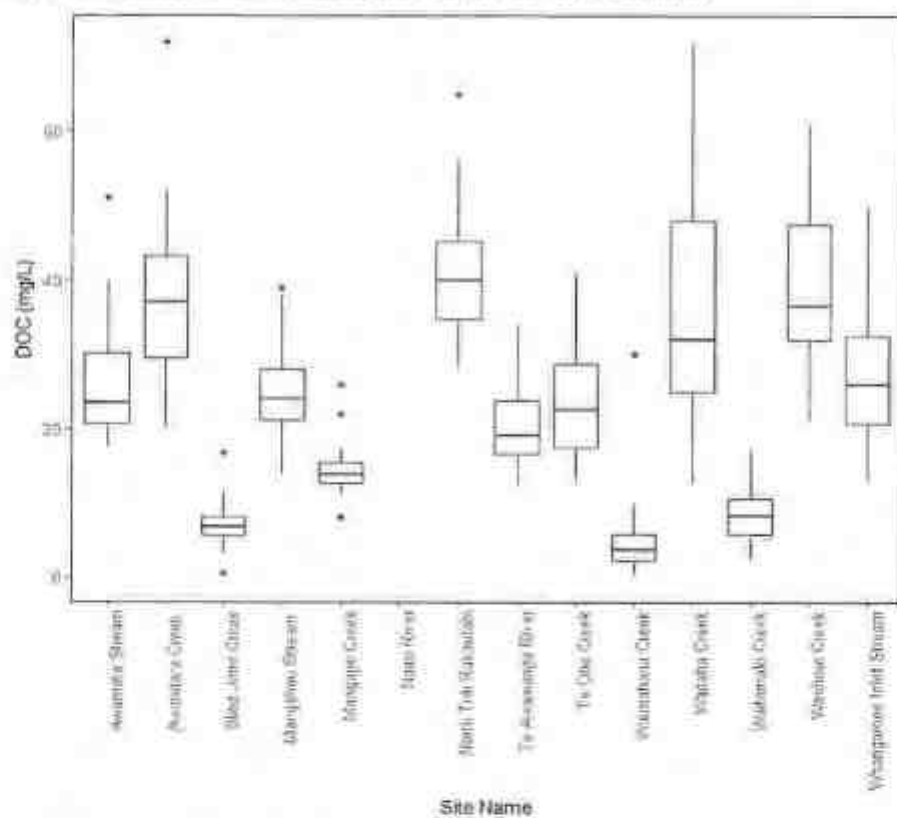
Version 5 of Time Trends was used for the 2015 temporal trends analysis, while version 6.2 was used this year. These two versions have a different way of treating values below the LOD. In version 5, the LOD is halved and then the analysis is run. In version 6.2 values below the LOD are not considered, because the software author considered that a slope cannot be calculated from a censored value (pers. comm. Ian Jowett). Initial comparison of the two Time Trends versions yielded different results for some parameters and sites (see Appendix F). Therefore, to effectively compare trends and to be consistent with methods used in previous reports, all data below the LOD was converted to half this value before being imported into Time Trends 6.2 (i.e., the same method was used as in last year's report). Because of the removal of the '<' symbol from the data, this method did not allow any warning regarding excessive values below the LOD. To ensure data were correctly analysed, the analysis was also run on the unedited data, which does give a warning. In addition, any site with more than 70% of the data below the LOD was not considered reliable for trend analysis.

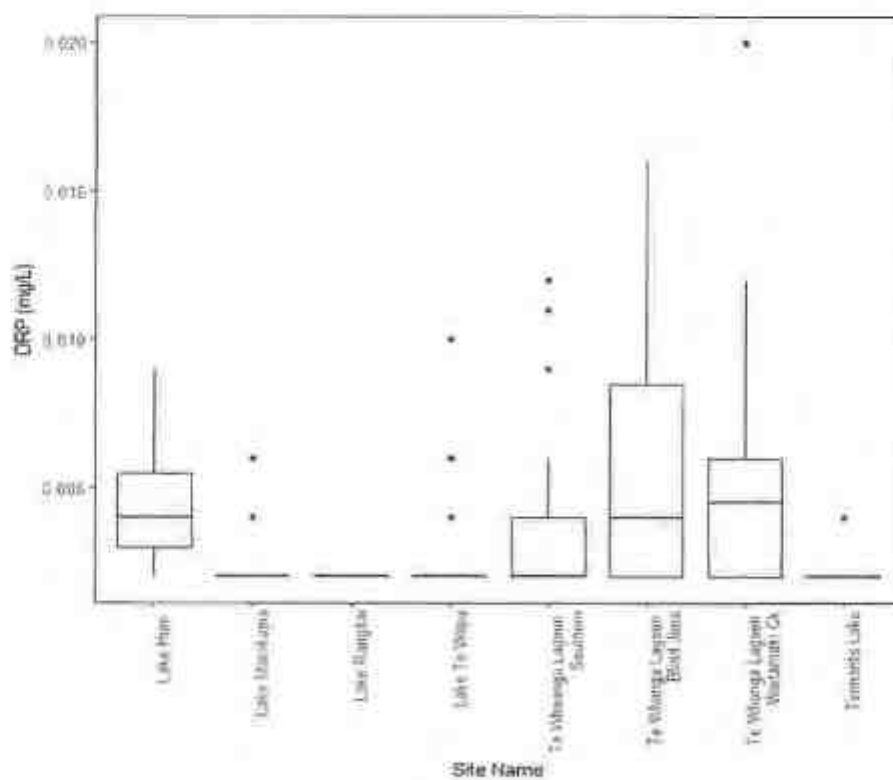
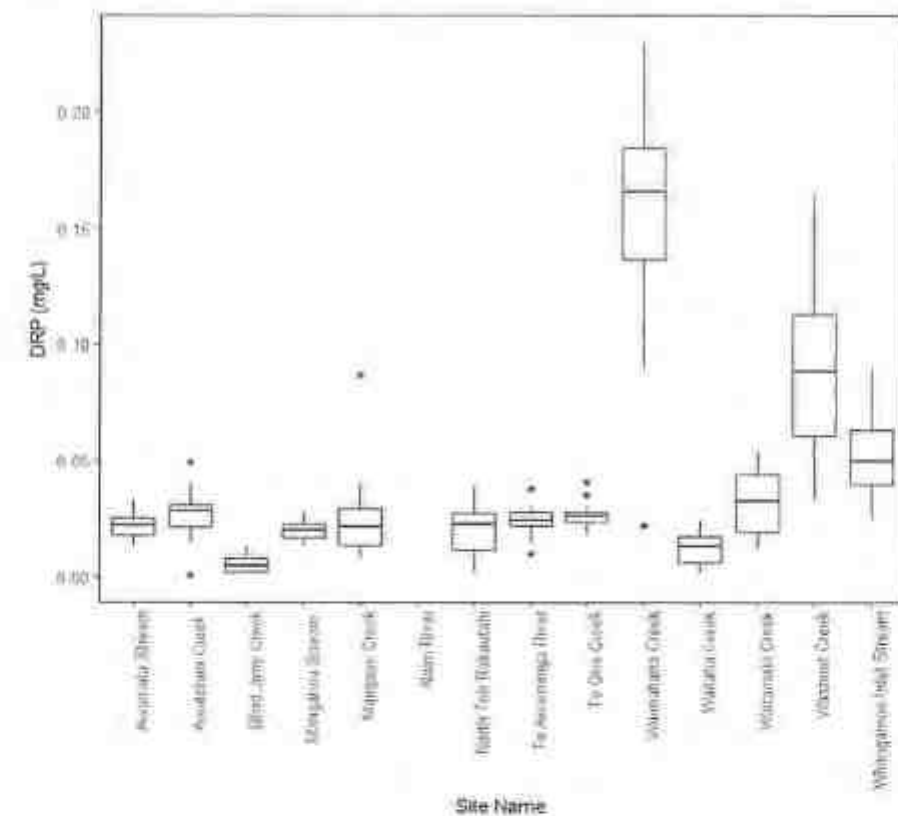
I'll leave the clarity tube data to Emily to send through 😊

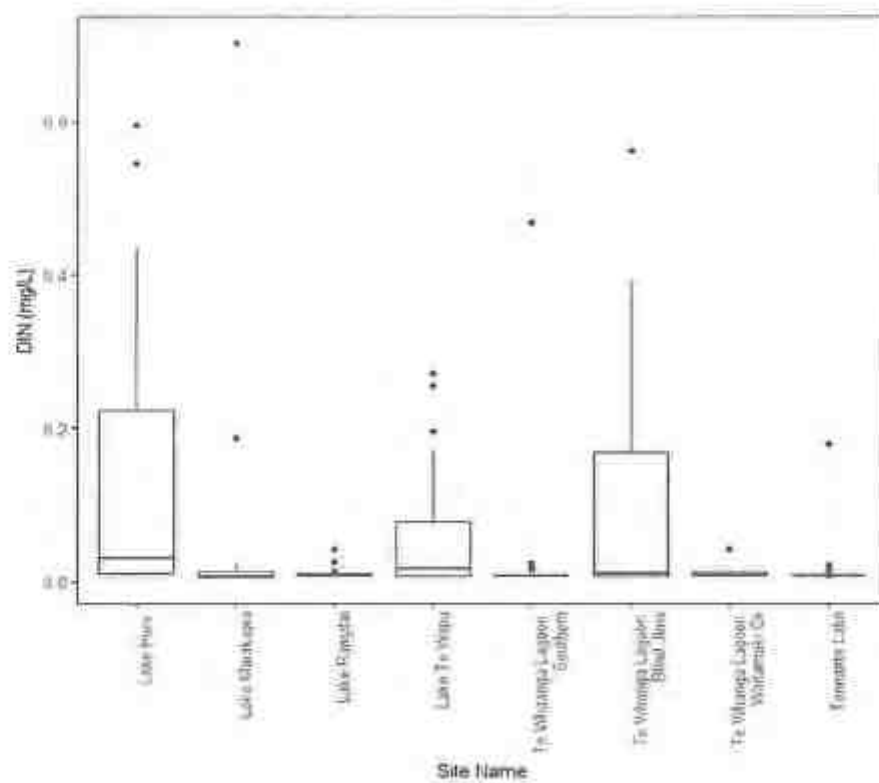
From: Emily Gray
Sent: Friday, 8 December 2017 10:16 a.m.

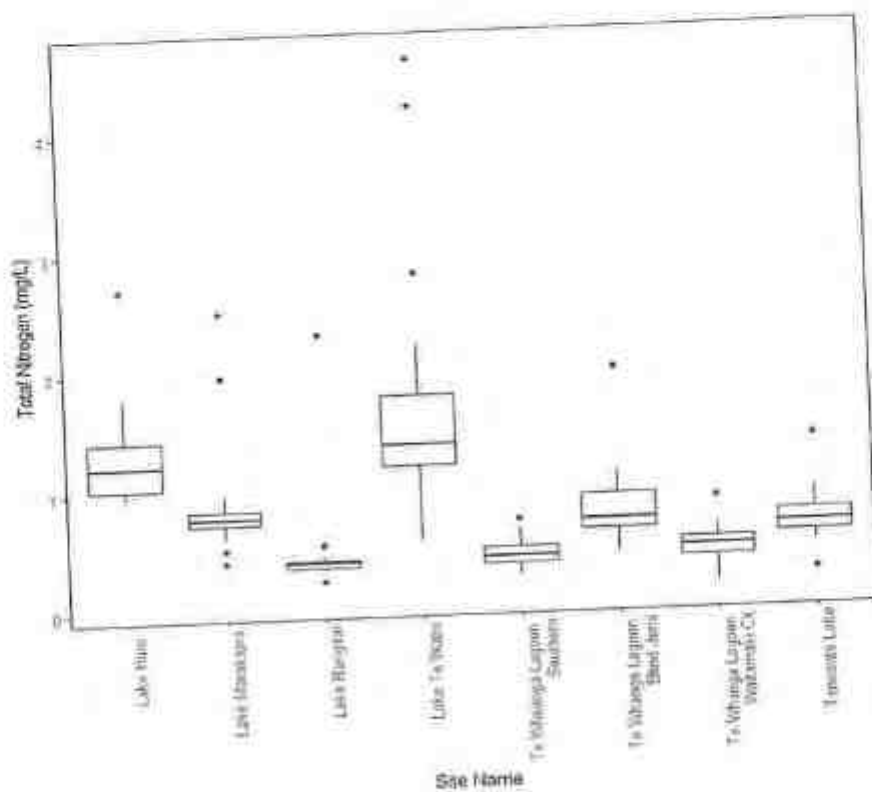
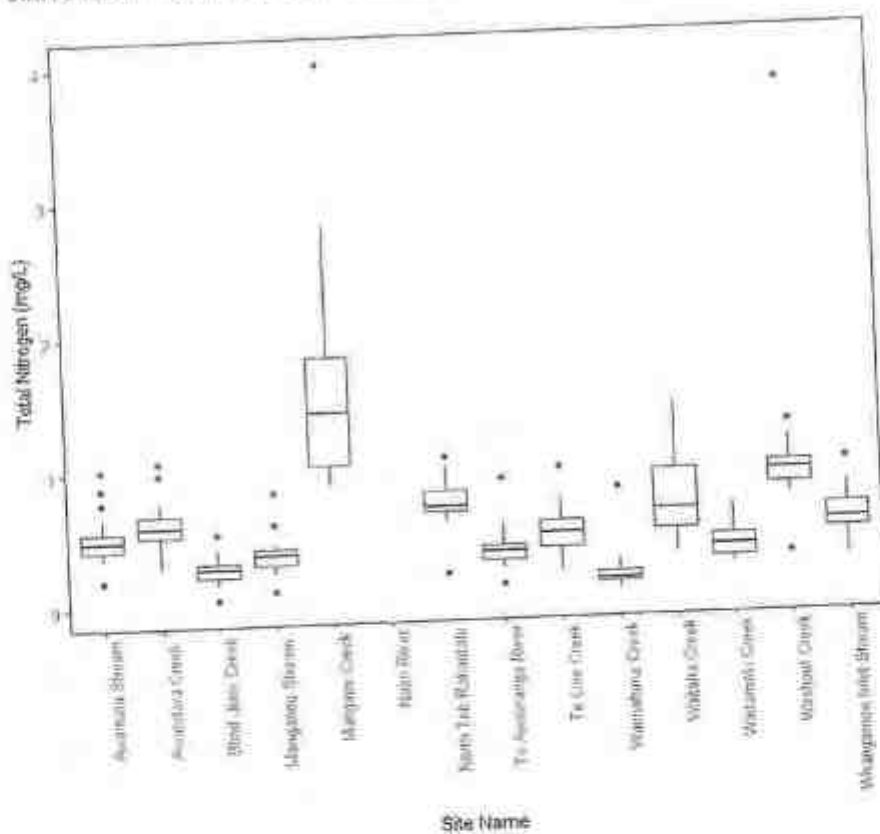














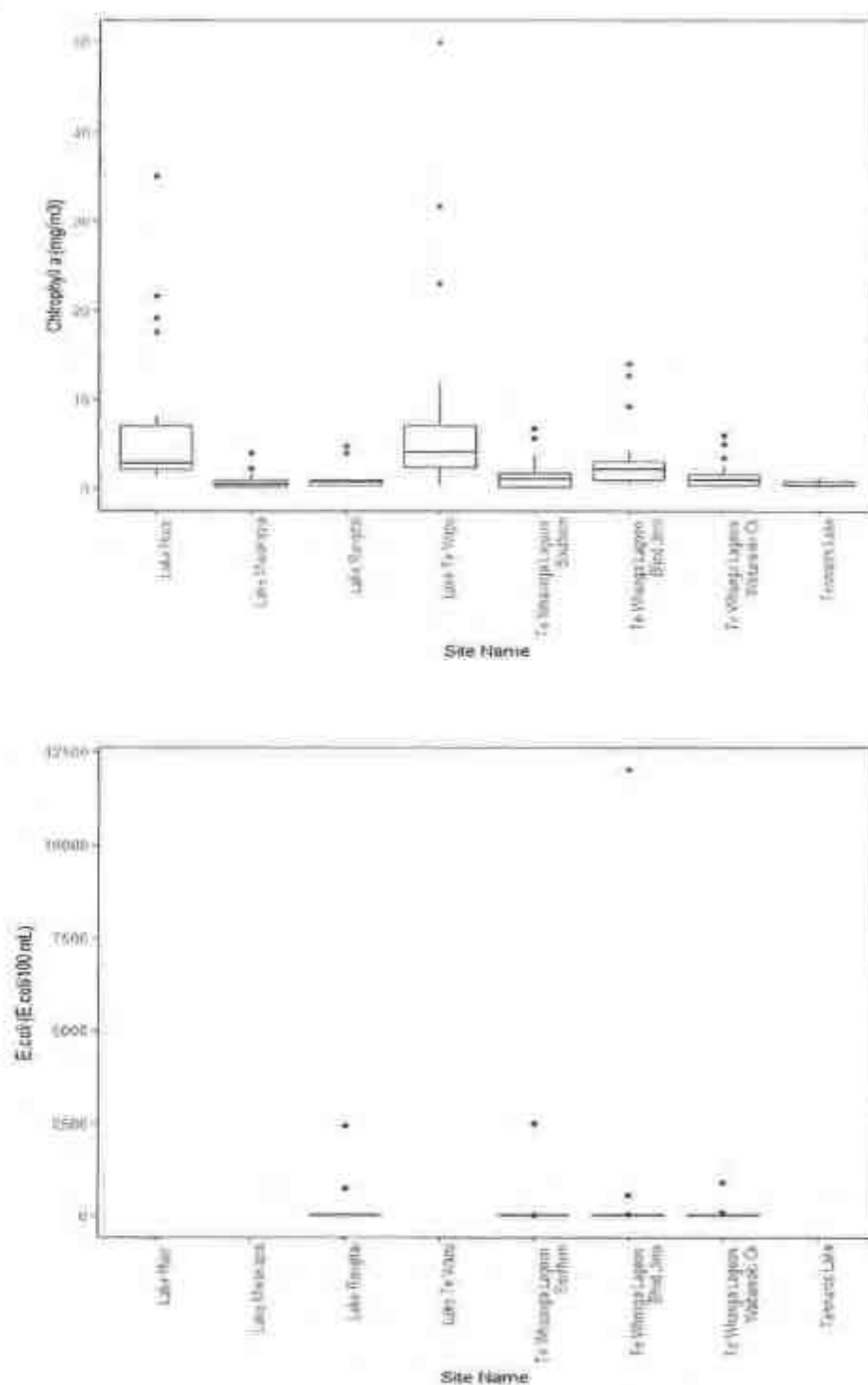




Table 1. Study Design

$$\text{Slope}(\text{line}) = \frac{\text{Slope}(\text{line})}{\text{Slope}(\text{line})} \cdot \text{Slope}(\text{line})$$

1999

Appendix 4: Summary TLI results

Site Name	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-2017
Tenant's Lake	Eutrophic	Mesotrophic	Mesotrophic	Mesotrophic	Mesotrophic	Mesotrophic	Mesotrophic
Lake Hurō	Hypertrophic	Supertrophic	Supertrophic	Eutrophic	Supertrophic	Eutrophic	Eutrophic
Lake Marakapia	Mesotrophic	Mesotrophic	Mesotrophic	Mesotrophic	Mesotrophic	Mesotrophic	Mesotrophic
Lake Rangitai	Eutrophic	Mesotrophic	Mesotrophic	Oligotrophic	Oligotrophic	Oligotrophic	Mesotrophic
Lake Te Wāpu	Hypertrophic	Supertrophic	Supertrophic	Supertrophic	Hypertrophic	Eutrophic	Eutrophic
Te Whanga Lagoon - Blind Jims Creek	Supertrophic	Supertrophic	Eutrophic	Mesotrophic	Mesotrophic	Eutrophic	Eutrophic
Te Whanga Lagoon - Southern Basin	Eutrophic	Eutrophic	Mesotrophic	Mesotrophic	Eutrophic	Mesotrophic	Mesotrophic
Te Whanga Lagoon - Waitāmaki Creek	Eutrophic	Eutrophic	Mesotrophic	Mesotrophic	Mesotrophic	Mesotrophic	Mesotrophic

TLI	Trophic state	General Description
<1	Ultra-oligotrophic	practically pure, very clean, often have glacial sources
1-2	Oligotrophic	very clean, often have glacial sources, very low nutrient enrichment
2-3	Oligotrophic	clear and blue, with low levels of nutrients and algae
3-4	Mesotrophic	moderate levels of nutrients and algae
4-5	Eutrophic	green and murky, with higher amounts of nutrients and algae
5-6	Supertrophic	very high nutrient enrichment and high algae growth
>6	Hypertrophic	saturated in nutrients, highly fertile, excessive algae growth

Environment Canterbury Water Quality Summary 2018

COUNCIL MEETING AGENDA

AUGUST 2018

6. REGULATORY

6.3 Subdivision Consent Application

(R 6.1d)

An application for Subdivision Consent has been received from Donna and Terry Tuanui relating to Lots 10-12 DP 417050, 626 Waitangi West Road.

A report to the Chatham Islands Council has been prepared by Paul Whyte from Beca. Please see attached.

RECOMMENDATION

- 1. That the request be received.**
- 2. That pursuant to Section 95A of the Act the application is non-notified.**
- 3. That pursuant to Section 104B of the Act Council grants consent to:**
 - a. Subdivide Lots 10-12 DP 417050 (CT CFR 465604) into Lot 1 (1.2180ha) and Lot 2 (120.122ha) in accordance with the plan submitted with the application subject to the following conditions:**
 - (i) That Lot 2 be held with Lots 10 and 11 DP417050 and one certificate of title be issued for the lots.**
 - (ii) The vehicle/crossing place to Lot 1 shall be constructed in accordance with Council standards.**
 - b. Locate an existing shed on Lot 2 within the required internal boundary in accordance with the plan submitted with the application.**

Resource Management Report for Chatham Islands Council (CIC/2018/01)

Applicant:	T and DR Tuanui
Application:	1. To subdivide Lots 10 -12 DP 417050 (CT CFR 465604) into Lot 1 (1.2180ha) and Lot 2 (120.122ha) and 2. Locate an existing shed within the required internal boundary setback (Application dated 25/06/18).
Site Description:	626 Waitangi West Road, Chatham Island
Zoning:	Rural Zone of the Chatham Islands Resource Management Document (CIRMD).
Type of Activity:	Subdivision Consent and Land Use – Discretionary Activity

1. Introduction

This report is prepared by Paul Whyte, Senior Planner of Beca Ltd for the Chatham Islands Council. The report reviews the application for resource consent and addresses the relevant information and issues raised. It should be emphasised that any conclusions reached or recommendations made in this report are not binding on the Council.

2. The Application

It is proposed to subdivide a 272.1 ha site at located at 626 Waitangi West Road, Chatham Island into two lots. Lot 12 will be subdivided resulting in proposed Lot 1 (1.2180 ha) containing an existing dwelling and proposed Lot 2 comprising 120.122ha, which will be amalgamated with Lots 10 and 11 resulting in an area of 270.882 ha.

As a result of the subdivision, a shed on Lot 2 will be located 3.03 m from the boundary with Lot 1 which infringes the setback requirements and therefore requires resource consent.

The site is located at Waitangi West bounded by the Pacific Ocean to the north and Waitangi West Road to the south. The site is largely used for grazing with the existing dwelling located at the south west corner of the site.

3. Resource Consent Required

The site is located in the Rural Zone of the CIRMD. The CIRMD provisions pertaining to this application are operative.

In the CIRMD, the subdivision is a discretionary activity in accordance with Rule 5.3.4.12 (ii), given that part of the site to be subdivided is located within 100m of Mean High Water Springs (MHWS).

The location of the shed is 3.03m from the boundary rather than the required 10m setback required under Rule 5.3.4.3 (i) (a) and accordingly resource consent is required as a discretionary activity.

4. Notification/Non-Notification

Changes to the Resource Management Act that came into force on 18 October 2017 have introduced a new, formulaic approach to determining whether applications for resource consent require public or limited notification.

I have reviewed sections 95 and 95A – 95G as amended by the Resource Legislation Amendment Act, and am satisfied that the proposal does not require public notification pursuant to these sections. In particular, I note that:

- The Consent Holder has not requested public notification (section 95A(3)(a));
- Public notification is not required under section 95A (section 95A(3)(b));
- The application does not include a proposal to exchange reserve land (section 95A(3)(c));
- Notification of the application is not required by a rule or national environmental standard (sections 95A(5)(a) and 95A(8)(a));
- The application will not have adverse effects that are more than minor (section 95A(8)(b)); and
- There are no special circumstances that would warrant public notification (section 95A(9)).

In respect of limited notification the effects are considered to be less than minor in terms of Section 95E of the Act and as such there are no affected parties.

5. Assessment of Application

The subdivision will result in the creation of an additional allotment (Lot 1) containing an existing dwelling and a further allotment (Lot 2) which will be amalgamated with adjoining lots.

Rule 5.3.4.12 in the CIRMD lists a number of assessment criteria for applications of this type. I generally concur with the applicant's assessment in respect of these matters and in particular note the following:

- Lot 1 contains an existing dwelling which follows existing fence lines and there will not be any additional physical development. The site is not identified as having any particular characteristics in terms of landscape, ecology or heritage etc. Lot 1 is a substantial distance from MHWS with the dwelling easily exceeding the 100m minimum setback for buildings. Accordingly in my view the rural amenity is retained.
- Lot 1 appears to be of sufficient size to dispose of sewage and it is assumed the existing effluent system and other services (e.g. water supply) will be relied on.
- While a new entrance will be created it appears the relevant part of Waitangi West Road is generally flat and straight with adequate sightlines available.

In respect of the infringement of the setback by the shed this in my view is relatively minor and I concur with the applicant having regard to the Assessment Criteria in Rule 5.3.4.3. I note some separation distance is maintained and given the existing nature of the shed there are no adverse effects on rural amenity. The shed will not be inhabited.

Generally I consider the subdivision will be consistent with the subdivision objectives and policies of the CIRMD given the area of Lot 1 is appropriate for residential activities (Objective 4.12.1 and Policy 4.12.1.1(i)), the lots are not identified as containing significant natural features (Policy 4.12.1.1(ii)), or do not appear to be subject to any particular natural hazards (Policies 4.12.1.1 (iii)).

The provision of services appears satisfactory and in accordance with Objective 4.12.2 and Policies 4.12.2.1.

In terms of the Rural Zone objectives and policies the use of the overall site for rural activities is not compromised (Objective 5.3.2 and Policies 5.3.2.1) given the small area of Lot 1 and the amalgamation of Lot 2 with the balance of the site. The amenities of the rural area, including "openness", are not compromised given the existing nature of the residence and the general lack of development (Objective 5.3.3 and Policies 5.3.3.1).

A reserve contribution in terms of Rule 4.13.2.4 9 (viii) is not considered appropriate given there is an existing dwelling on Lot 1.

Overall any effects of the proposal on the environment are considered to be less than minor and the proposal is consistent with the objectives and policies of the CIRMD. The application is in accordance with Part 2 of the RMA in that the application will enable social and economic well-being without compromising the environment. Accordingly the resource consent can be granted.

6. Recommendation

That pursuant to Section 95A of the Act the application is non-notified.

That pursuant to Section 104B of the Act Council grants consent to:

1. Subdivide Lots 10-12 DP 417050 (CT CFR 465604) into Lot 1 (1.2180ha) and Lot 2 (120.122ha) in accordance with the plan submitted with the application subject to the following conditions:
 - (i) That Lot 2 be held with Lots 10 and 11 DP417050 and one certificate of title be issued for the lots.
 - (ii) The vehicle/crossing place to Lot 1 shall be constructed in accordance with Council standards.
2. Locate an existing shed on Lot 2 within the required internal boundary in accordance with the plan submitted with the application

Paul Whyte
16 July 2018

COUNCIL MEETING AGENDA

AUGUST 2018

6. REGULATORY

6.4 Licensing Committee Decision – Hotel Chathams Ltd (R 6.1d)

Attached is the District Licensing Committee's decision with regards to the renewal of licences at Hotel Chathams Ltd.

Please see attached.

RECOMMENDATION

THAT the information be received.

Decision Ref No. 74/OF/001/2018 and 74/ON/001/2018

IN THE MATTER of the Sale and Supply of Alcohol Act 2012

AND

IN THE MATTER of an application by Hotel Chatham's Limited pursuant to section 127 of the Sale and Supply of Alcohol Act 2012 for the renewal of an on-licence and off-licence in respect of premises situated at Waterfront Road known as "Hotel Chatham's"

BEFORE THE CHATHAM ISLANDS DISTRICT LICENSING COMMITTEE

Chairperson: Mr N Ryan

Members: Mr J Gower and Mrs C Seymour

HEARING at "The Den", WAITANGI, CHATHAM ISLANDS on the 26th June 2018

APPEARANCES:

Applicant:- Ms Toni Croon (Licencee & Director), Hotel Chatham's Ltd

Licensing Inspector: Mr Ross Murphy

Police:- Sgt Christopher Muir

Medical Officer of Health:- Mrs Paula Williams

Also Appearing:

For the Applicant:- Mr Floyd Prentiville, (General Manager) and Mrs Natalia Croon

For the Licensing Inspector:- Legal Counsel, Mr Robert Davies

For the Police:- Senior Constable Chris-Falchion Mankelow.

Witness summoned:- (Section 201 Sale and Supply of Alcohol Act 2012 & Section 4D of the Commission of Inquiry Act 1908 refers)

Miss Melissa Calder

DECISION OF THE DISTRICT LICENSING COMMITTEE

- A. The Decision of the Chatham Island District Licensing Committee is to adjourn this hearing, noting the conditions referred to later in this decision, for a period of 8 months to February 2019 at a date to be circulated by the Chatham Island District Council Licensing Secretary. All parties to this Application to be notified of this new hearing date and venue by the 1st November 2018.
-

- 1) For the purposes of this document the Chatham Islands District Licensing Committee will be referred to as the D.L.C
- 2) Also for the purposes of this document the Sale and Supply Of Alcohol Act 2012 will be referred to as the Act.
- 3) The renewal application by Hotel Chatham's Limited was opposed by Wellington Police Alcohol Harm Prevention Officer, the representative of the Medical Officer of Health, and the local Inspector. All of whom raised general concerns as to effects of amenity, good order, systems, staff and training, noting the object of the Act (Section 4).
- 4) The DLC acknowledges the unusual lengthy adjournment in this matter but for the reasons outlined in this decision, believe this is a prudent decision for all parties as it relates to this particular hearing and Application. (Section 203(9) states "subject to the provisions of the Act and any regulations the committee may regulate its procedure in such manner it thinks fit")
- 5) The DLC acknowledges Counsel for the Inspector, in his final submission, also suggests a similar course of action as did the Licensing Inspector.

THE HEARING

APPLICANT - (Quoted para's refer to written evidence presented by Ms Croon)

- 6) We note that Ms Croon represented herself and her Company well.
- 7) Ms Toni Croon, opened her submissions by questioning some of the Licensing Inspectors comments in his report re lack of food signage and food available.
- 8) Food signage was visible but may not have been to the standard required by the Licensing Inspector but have added 'clipboards' on every table and on the bar counter with the food options
- 9) Food is available at the Bar until closing time although may have run short once or twice because of unexpected patrons arriving. This situation has now been addressed.
- 10) The hotel is closed on the mandatory days and also on the night of the local 'festival' this year the 10th March.

- 11) On the 3rd March 2018, 2 of the Applicants' managers had to take bereavement leave so a temporary manager was used in their absence. The Licensing Inspector was shown this in the register.
- 12) Because of the isolation and lack of people on the Island, there is no 'Pool of Staff' or qualified people to call on.
- 13) The Applicant in her evidence thanked the Local Police for their assistance when called on and also the way the Applicant and Police are working together to address some of the concerns and incidents involving the Licensed Premises.
- 14) A General Manager, Mr Floyd Prentiville, is taking over some of Ms Croon's previous responsibilities and is also working well with the local Police.
- 15) In the last few months, Staff Training has been intensified concentrating on judging intoxication, stopping service at the bar, intervening early and more monitoring of its patrons. All staff have had further training undertaking the on line ServeWise certification program.
- 16) In regards to patrons leaving the hotel with Drinks in their hand. This has been an on-going problem at the Hotel for many years but Ms Croon has attempted to address this issue by being more vigilant and advising Patrons that this is not allowed.
- 17) Unattended alcohol left on tables have been a problem but this is now removed and placed behind the bar.
- 18) In regards to staff not having Driving licenses. This is an ongoing problem with people on the Island because of the difficulty of obtaining them. In recent times Ms Croon has funded three (3) staff to travel over to New Zealand (the Main-Land) to obtain them at some considerable cost to her
- 19) Ms Croon issued a Public invitation at the hearing to the Medical Officer of Health to spend some time at the Hotel at any time for that organization to gather first-hand information and to offer suggestions.
- 20) In addressing the DLC Ms Croon assured the committee that the Hotel bar is now her main focus and she will do everything she can to focus on the safe sale and supply of alcohol and to minimize harm
- 21) As per para 14 above, Mr Prentiville has been appointed as Manager acknowledging his experience in the liquor industry, that he is a local family man, and well respected in the local community. Mr Prentiville has now been working in this role for about 12 months.
- 22) Ms Croon then enlarged on the difficulty of finding and retaining experienced staff (see para 12), She had recently spent \$600,000 on accommodation and will spend another \$300,000 this current year in attracting suitable people from outside the Chatham's. A recent addition to staff was to attract an experienced Manager from Wellington with 10 years' experience in the Liquor Industry who will now make the Chatham's her home and work full time at the hotel.
- 23) Ms Croon made available to the hearing various records outlining staff meetings, training, evidence of expenses involved in having people sit and pass their drivers licenses in Wellington, staff quiz re alcohol and host responsibilities.
- 24) Ms Croon has been working with the Licensing Inspector to implement the AMP (Alcohol Management Plan) and this has started to work well. As from the 1st June

(2018) anyone apprehended for alcohol impaired driving is trespassed for 6 months from their Hotel.

- 25) Lastly, and of concern to the DLC, is the evidence presented by Ms Croon re the 'drinking culture' on the Island. This includes driving whilst intoxicated and the general adverse consumption of alcohol. Ms Croon appeared genuine in her attempt to try and address this issue but can only do so much as Licensee.
- 26) In her Evidence, she stated "I would like to add, Chatham Island has a bad drinking culture that needs to change and I truly want to help in this area. The Hotel can't do this alone. We need the whole community to get involved. The drinking culture does not seem to be changing no matter what we offer or how we do it"
- 27) A question was asked by the DLC re the meaning of "SCAB" to which she answered immediately and correctly.
- 28) A series of questions by the licensing Inspector to Ms Croon.
 - a) A trespass notice issued for 6 months (as required by the conditions of the License) was reduced to 3 months by Mr Prentiville. Ms Croon stated that she was not involved in that decision. Mr Prentiville stated that it was he that reduced the trespass time to 3 months. It was done with the best of intentions as he thought that the patron had learned his lesson and had not caused any more problems and did not want him to feel isolated.
 - b) The DLC followed up this question by asking if in coming to this decision he had consulted Ms Croon, the local Police or the licensing Inspector. Mr Prentiville stated he did not.
 - c) The Licensing Inspector went on to question Ms Croon in regards to:-
 - (1) The Drink Driving culture
 - (2) Staff Training – discussion with staff and the keeping of records.
 - (3) Floating Duty Managers, and Recording of Duty managers and Temporary D/Managers
 - (4) An image of Bottles on the table which appeared to have been either brought in to the Bar from either outside the Hotel or the Bottle store.
 - (5) Use of the Courtesy Van and taking the D/Manager away from the Hotel whilst driving Patrons home.
 - (6) In regards to food being available and signage.
 - (7) In regards to the new Host Responsibility Policy
 - (8) Completion of Temporary Managers register – when was it completed.
- 29) A series of questions were raised by the Police Harm Reduction Officer to Ms Croon
 - (1) Re "Tool Box" and training.
 - (2) Duty managers not being on the premises whilst open.
 - (3) Staff with Driving Licenses.

- (4) The priorities between having a D/manager on the premises whilst open and driving the Courtesy Van – has this been abused, i.e. taking patrons to parties and not home.
 - (5) On the 3rd March, D/Manager left the Bar to drive the Van
 - (6) The serving of Liquor when the Bar is supposed to have been closed.
 - (7) Some Doc's from the Hotel having the old Act quoted.
 - (8) Re CCTV footage and how often was it proactively examined.
 - (9) Re Register of Duty managers
 - (10) Inexperienced Duty Managers.
- 30) A series of questions were asked by the Medical Officer of Health (Mrs Williams)
- 1) Re the AMP and how implemented
 - 2) Re Training and log books – these were later tabled by Ms Croon
 - 3) Questions re action when people are intoxicated
 - 4) The purchasing of drinks by patrons – number at a time
 - 5) The Drinking culture in the Hotel and island
 - 6) Education on Minimization of harm through consumption of Alcohol
 - 7) An Alcohol accord

WITNESS

- 31) Melissa Calder (Summoned to appear) (Section 201 Sale and Supply of Alcohol Act 2012 & Section 4D of the Commission of Inquiry Act 1908 refers)
- 32) Ms Calder was summoned by the DLC to give evidence as she was the Duty manager the night of the 3th March 2018. Ms Calder was reluctant to appear initially for fear of intimidation but attended with a support person and answered all questions openly.
- 33) Counsel for the Inspector, (Mr Robert Davies) asked a series of questions of Ms Calder which were answered by Miss Calder
- i) Ascertained she was Duty manager night of the 3rd march
 - ii) Has had previous experience working in the liquor industry both in the Chatham Islands and elsewhere
 - iii) Considered that the Training of Staff at the hotel was not adequate.
 - iv) That she held a full Drivers licence
 - v) Before she left the Hotel premises on the 3/3/18 she notified management.

- vi) Informed Licensee of her concerns re leaving premises and driving the Courtesy Van whilst Duty Manager
- 34) A series of questions were asked by the Police Harm Reduction Officer and answered by Miss Calder.
 - i) Leaving the Premises whilst driving the van was this a common occurrence – Ms Calder replied that it did happen and had raised this issue at a meeting with the Licensee
 - ii) Felt that some staff had too many jobs at times.
 - iii) Had worked in Nelson, and overseas in the Liquor Industry as a bar person or Duty manager.
 - iv) On the 3rd March, last drinks were called then drove the courtesy Van.
 - v) Bar was open but don't think that liquor was sold after that.
- 35) A question by Mr Prentiville asked if there were 3 other people working that night to which she said there may have been.
- 36) When Evidence given by Ms Calder and questions from the agencies were completed, counsel for the Licensing Inspector, Mr Robert Davies, made an oral submission:-
 - i) "although it was important that Ms Calder appear to give evidence, the evidence she gave would not have materially changed the outcome of this hearing".
 - ii) The DLC concurred with this statement and thanked Ms. Calder for appearing. The DLC also stated to all parties and the public attending at the hearing, that this hearing had the same powers as a commission of inquiry and that if there was any intimidation of Witnesses then we would expect the authorities to act swiftly.

LICENCING INSPECTOR (Quoted para's refer to written evidence presented by the Licensing Inspector)

- 37) Had been involved in the administration of the Sale of Alcohol since 1985 and have been the Licensing Inspector for the Chatham Islands since 2007. Although City based, understand the issues on the Chatham Islands.
- 38) Has dealt with several Chatham Island Hotel licenses over the years and consider that Issues coming to the various hearings have not changed greatly. Considers that the problems are not necessarily all coming from the Hotel but are dealing in this hearing with the Hotel and issues concerning the Hotel and the Act.
- 39) Considers that under Ms Croon's leadership some positive action has commenced as required under the Act.
- 40) Outlined the background of the current application
- 41) That Ms Croon had taken at times in the past, a "hands off" approach.
- 42) That in recent years, some progress has been made on the "AMP" and there was good liaison with the local Police. Some problems though with the continuity in the running of the Hotel because of staff changes. Noted that Mr Prendeville has now been appointed as General Manager for the Hotel although he was not involved in the

first hearing of the DLC. Stated that the AMP (Alcohol Management Plan) is so important to be updated and implemented

- 43) Quoted a number of points raised in the reconvened hearing of march 2017, and noted that a lot of the concerns raised then are still valid today.. Of note was the position of a "floating Manager"
- 44) Although there was support for these initiatives by Ms Croon, there were still some issues recognizing that finding suitable staff may be an issue itself.
- 45) Felt that the AMP was not being actioned actively enough although the latest version dated 11th March 2018 should be the Document at this stage to be relied on as a working document.
- 46) The Inspector referred to his visit to the Chatham Islands 9th to the 13th march 2018 and the fatal motor crash on the evening of the 3rd March less than 500 meters from the Hotel.. Noted that the final Police report has not yet been finalized re this fatal crash
- 47) A number of requirements of the AMP have been met but there is still work to be done in this respect.. Made mention of the link between the AMP and behavior of patrons.. The weight of 'linking' the fatal motor accident 500 meters from the Hotel and consumption of alcohol cannot be accurately judged at this stage as a blood sample for the purpose of establishing the blood / alcohol content from the deceased was unable to be obtained. Ms Calder was the Duty manager that night but got called away to drive the Courtesy Van which is contrary to Section 214 of the Act and calls into question that some directives of the DLC may not have been complied with completely.. Ms Croon was on the premises but 'socializing'.
- 48) That Ms Croon knew that Ms Calder was the only person rostered on duty that night that held a D/License... Refers to Sections 214, 105 (1) and (J) of the Act.
- 49) Whist staying at the Hotel 10th March approached the Temporary manager re the register but he was unable to locate it.. However, the following day Ms Croon located the register and confirmed the appointment but there were questions as to the accuracy of the updates in the register.
- 50) Discussion with Ms Croon and Mr Prendeville regarding staffing difficulties - "they pay their staff well and are constantly trying to recruit. I have some empathy for their situation but in a time of shortage and with the issues laid out this is where the Licensee and the General manager quite simply have to step up"
- 51) Re the trespass notice reduced from 6 months, (as per DLC decision) to 3 months.. this may have been done for the best of intentions but still went against a DLC decision.
- 52) In regards to Ms Croon (sole director and shareholder of the business) being a suitable person to hold a licence, the Licensing Inspector stated in his evidence that he believed that Ms Croon had the best of intentions of making a successful business and making it 'fit in with the objects of the Act". She has gone from a 'hands off approach' to now taking back responsibility for the running of the Hotel.. The licensing inspector goes on to say that Ms Croon needs support from the agencies which has been given on a consistent basis but is having difficulty in running the only Public Drinking house on the Island and a problem with the minority who abuse alcohol and partake in drugs

- 53) The licensing Inspector in conclusion would like to support the application but needs firm evidence on the continued improvement on the following matters in a consistent way.
- 54) The main matters of concern relate to
 - i) Duty Manager remain on the premises all the time the bar is open
 - ii) Staff training and records of such
 - iii) Minimum food available
 - iv) Firm application of the trespass provisions and the sharing with the local Police this information.
 - v) Consistent monitoring and checking of day to day compliance re licence conditions and AMP

SUBMISSIONS OF COUNSEL FOR THE INSPECTOR (Mr Robert DAVIES) (Quoted para's refer to written evidence presented by Mr Robert Davies)

- 55) These submissions are fully set out in Mr Davies evidence handed out to all parties.
- 56) Briefly
 - i) Sets out the background of the Business, the issue of the licenses and recent hearing's.
 - ii) That the Inspector, Police and MOH oppose the issue of the licence and reasons why.
 - iii) Sets out the relevant law in regards to the renewal.
 - iv) Covers the powers of the DLC in considering this matter and standards of proof.
 - v) Discusses the meaning of "suitability" (para 17 to 27) and as it may apply to this hearing and the evidence submitted by the agencies
 - vi) Submission in relation to "considering the evidence" (para 29 34 excluding Para 28 and of 32(c) and (d)
 - vii) Comprehensive submission re Systems and staff training (para 35 to 45) noting case law referred to in para 36.
 - viii) Submission also covers Amenity and good order (para 46 to 55)
 - ix) The submission then covers reports of agencies, past conduct of the Applicant and the object of the object Act. (para 56 to 66)
 - x) In conclusion, the submission sets out "that the applications should be refused unless robust conditions can be agreed that will ensure the applications can meet with the Act's requirements"
- 57) The DLC asked Mr Davies for his opinion re Section 130 and in particular Section 130 (2) of the Act – (Referring the hearing to ARLA for determination, noting how much work had been done already on this hearing)

- a) Mr Davies requested a recess to consider the matter along with the other agencies.
- b) After the recess it was the opinion of Mr Davies that yes we did have that power under the Act to refer the matter direct to ARLA with the permission of the Chair of ARLA
- c) The DLC thanked Mr Davies for his opinion but decided however to continue with the hearing as it was already part heard.

POLICE Sergeant MUIR and S/Constable MANKELOW (Quoted para's refer to written evidence presented by both Sergeant Muir and S/Constable Mankelow))

- 58) Sergeant Muir is the harm Reduction Officer stationed at Wellington
- 59) Constable Mankelow is the Chatham Islands Constable.
- 60) Sergeant Muir in his brief circulated to all parties sets out:-
 - i) That the Police oppose the applications on the following key issues
 - (1) Contrary to the objects of the act
 - (2) Amenity and good order
 - (3) Systems and training.
- 61) Noted that the Chatham Islands do not have a LAP (Local Alcohol Policy) in place.
- 62) That having a vehicle available for transporting patrons is good provided that the driver has a full D/licence
- 63) That reviewing statistics in the area had shown that the majority of offence reports were alcohol related.
- 64) That some offences were not reported but that:-
 - i) About 20 offences from the 22nd July 2017 to the 2nd June 2018 were reported most of which were alcohol related and involved the Hotel or in the vicinity of the Hotel
 - ii) That the Police "submit that a clear causal nexus exists between alcohol related harm incidents and the Hotel"
 - iii) Other concerns relate to inadequate training of staff.
 - iv) Police acknowledge
 - (1) The challenges of operating this licence in the Chatham's
 - (2) The social importance and significance of the Hotel has to the locals and to the local economy.
 - (3) That the licensee has taken steps to improve the premises and its alcohol related harm since last hearing.

- 65) That the Police submit that "these changes are not significant enough to reduce alcohol related harm by more than a minor extent and there are still breaches occurring at the premises therefore Police believe that the Licensee is not suitable to hold a licence".
- 66) Case law was quoted (para 42 43) and the then Minister of Justice quote during the "Bill debate" – (para 44)
- 67) That should the DLC not renew the license's then a set period of time should be set by the DLC to allow the premises to be sold.
- 68) Constable Mankelow in his brief circulated to all parties sets out
 - i) Has 15 years Police experience
 - ii) Is at present the Constable for the Chatham Islands for about 1 year.
 - iii) At 2340hrs on the 3rd march 2018 was called out to a car crash near Wharf Road.
 - (1) 3 persons had been in the car at the time of which, a 19-year-old, was pronounced dead at the scene and other occupants had injuries.
 - (2) The deceased was the driver of the vehicle
 - (3) A sample of blood was unable to be taken from the deceased
 - (4) That the deceased had just driven from the Hotel.
 - (5) That on the 14th march 2018 CCTV at the Hotel footage was viewed.
 - (6) At 2210 hrs. (N.Z.Std time) deceased was viewed in the Hotel but appeared to be coherent and able to walk and move capably through the bar area.
 - (a) He purchased 3 drinks one of which he gave to an associate
 - (b) He finished the drink within 20 minutes.
 - (c) 5 minutes later he picked up a drink from the table and skulled it back quickly
 - (d) at 2254 hrs. another drink was purchased and consumed
 - (e) at 2304 hrs. he is offered another drink by a patron and drank this quickly.
 - (f) at 2308 hrs. deceased fell on the floor and got to his feet unsteadily
 - (g) at 2314 hrs. he is offered 2 more drinks by a patron one of which he drinks and the other taken away by the Duty Manager Ms Calder
 - (h) at 2312 hrs. deceased approached the bar but was refused service.
 - (i) at 2328 hrs. deceased was offered a ride home by Ms Calder but he refuses
 - (j) at 2335 hrs., deceased locates an unattended drink then consumes it making it the 8th drink he has consumed in a 85 minute timeframe.
 - (k) at 2336 hrs. he is seen leaving with associates.
 - (l) at 2328 hrs. an associate went to the bar and purchased two drinks and walked out of the premises.

(m) at 2340 hrs. a vehicle matching the vehicle of the deceased was seen leaving the hotel area. Shortly after, the Constable was informed re the crash and the associate who was a passenger was found with the two drinks.

- 69) A question by the Applicant (Ms Croon) to the Police in regards to the incidents attended at the hotel- (para 63 & 64 in this Decision). The DLC allowed the question and supported the Police in that no names should be mentioned by the Applicant as matters may still be before the court.
- 70) Ms Croon went through the incidents quoted by the Police and was able to recall most in some detail. In approximately half (1/2) of the incidents, were instigated by Ms Croon or her staff in an attempt to manage her premises and notify the Police of adverse behavior. She also explained that at times she took the keys of vehicles from people to stop them driving.

MEDICAL OFFICER OF HEALTH – Mrs Paula Williams (Quoted para's refer to written evidence presented by Mrs Williams)

- 71) Referred to the applicable law, the objects of the Act and the definition of "harm" under the Act and relevant Case Law.
- 72) Mrs Williams submitted that despite the previous truncated renewal of the licenses the applicant has still not met the objects of the Act and evidence produced showed that there was "excessive or inappropriate consumption of alcohol" (para 6)
- 73) Referred to the DLC decision dated the 15th June 2017 that the DLC were not satisfied that the applicant had met all the criteria for renewal under Section 131. (para 9)
- 74) It was noted by the MOH that the Licensing Inspector "has worked consistently with the premises with different licensee's over the years and an ever-changing Police input and MOH representative" (para 10)
- 75) In the submission of the MOH, there does not seem to be enough evidence by the Applicant as to how they will minimize the harm caused by Alcohol and in Para 12 mentions the evidence of alcohol related offences including the fatal crash and therefore may call into question the suitability of the Applicant under the Act.
- 76) Submission quotes Section 105(1)(b) re suitability and quotes in Para 14 Page v Police, and in para 16 the case Nischay's Enterprises Ltd.
- 77) Submission (para 18) states that the evidence given "has established that this is a vulnerable and sensitive locality, made so by the isolated location and the uniqueness of the environment" and goes on in para 19 that this has a significant impact on alcohol related harm. This therefore raises the threshold of suitability for this applicant."
- 78) In para 20 the MOH has noted that all the agencies oppose the renewal and despite staff, training, documents and the Applicant also expressing concerns the adverse drinking culture amongst some have not changed.
- 79) In para 22 of the submission, a case where Holland J was quoted as having a licence was a privilege.

- 80) Finally, in the submission by Mrs Williams in para 23 "On the face of it, the applicant may appear to have deliberately not met the terms of the licence or applied the directives made by the Committee in previous decisions, however in evidence by Toni Croon outlines steps taken to comply, therefore one might conclude that it was not deliberate but rather not taking sufficient care and attention or not possessing the skills required to ensure compliance in respect to both the On and Off licence".
- 81) After a recess, all parties made brief closing submissions with the right of Reply by the Applicant left to last.
- 82) The Licensing Inspector acknowledged that there were still some problems as outlined in his evidence and that the Applicant "was half way there". He suggested an adjournment until January February so that the Applicant can try and address the issues raised at the hearing.
- 83) Counsel for the Inspector Mr Davies in his closing submission supported the stance of the licensing Inspector in a lengthy adjournment along with strict conditions that should be met.
- 84) The Police and MOH outlined their concerns based on their submissions and evidence outlined at the hearing.
- 85) The Police did not support an adjournment and reaffirmed their opposition to the renewal citing alcohol related harm to the island, Basic paperwork not completed by the Applicant and that a truncated period of renewal had already be granted in a previous hearing.
- 86) The MOH still had serious concerns re suitability of the Applicant, alcohol related harm in the community but said that if the DLC did grant an adjournment then strict adherence to her submission para 27 to 28 is a "must"
- 87) Applicant's right of reply prior to the DLC adjourning for decision.
- 88) Applicant stated that she really tried to do her best and work with the agencies. "Have worked hard re the AMP and will implement, along with monthly reporting and made a point that her hotel is the last port of call for the local community". Ms Croon also stated that with her as Licensee she is working really hard to do her best with the Hotel and work with the agencies in an Island culture where a minority of the Population have an adverse alcohol culture.
- 89) Applicant finally closed that she should be given a chance to continue to improve her systems and management as required under the Act.
- 90) The DLC deliberated and were mindful of the following;
 - a) That the Sale and Supply of Alcohol Act 2012 applies to everyone in New Zealand which of course includes the Chatham Islands.
 - b) The DLC is mindful of a previous decision relating to these Licensed Premises dated 24th August 2016 to Adjourn the hearing until the 31st March 2017, this as a result of a hearing on the 10th August 2016
 - c) The DLC is also mindful of the Decision relating to these Licensed Premises dated dated the 15th June 2017 as a result of a hearing on the 8th May 2017.

- d) We, the DLC, note concerns raised by the Agencies at the above hearings (para 90 (b) and (c)) are in many ways similar to those raised at this hearing (26th June 2018).
- e) That there would appear, from the evidence heard, a minority of those living on the Chatham Island who have an adverse alcohol culture that have little regard to the objects of the Act (Para 25,26,52 & 88)
- f) That in due course the agencies, local Territorial Local Authority, community leaders and most importantly the community itself, may/could/should, address any issues identified at this hearing which may be of benefit to community itself in the long term.
- g) The Hotel itself is a reasonably modern structure in a unique position with tourist potential.
- h) On a positive note, we recognise in the evidence the DLC has heard, the positive working relationship with the agencies especially so between the local Police who are resident on the island and the Licensee, Ms Croon.
- i) The DLC notes also the willingness of the Licensee Ms Croon to try and implement changes to fulfil her obligations under the Act and it would be our desire to see this develop into a long term sustainable commitment.
- j) We as a DLC are mindful of our limited function and powers as defined by the Act, noting para 89 (f) above.
- k) We have considered carefully the sections in the Act, fully covered and quoted by the Agencies in evidence and briefs and also listened carefully to Legal Counsel (Mr Robert Davies)
- l) We have taken particular note of Section 4 of the Act – (Objects).
- m) We have also considered in particular Section 131 and its implications along with items mentioned in Para 90 (k). We have also considered carefully Section 105 of the Act.
- n) The agencies in their submissions in quoting the relevant case law have been helpful.
- o) In considering all these matters we do have concerns after hearing the evidence, that we are unable at this point in time to renew the licenses' 74/OF/001/2018 and 74/ON/001/2018.
- p) We have however come to the conclusion that an Adjournment as described in item A of this decision and also mentioned in Para 4 is appropriate under the circumstances.
- 91) In this adjournment, it will be incumbent on the Licensee Ms Croon to take serious note of the concerns expressed by Agencies in evidence and in particular in regards to
 - (1)The active implementation of the AMP to the satisfaction of the Licensing inspector.
 - (2)That a duty manager remains on the premises at all times when the bar is open
 - (3)That a "floating Bar Manager" is implemented fully.

- (4) That Staff training (which includes the AMP and License Conditions), for all service staff is run every 6 months and full records and proof of this training is available to Agencies when requested.
 - (a) That all staff are aware of their obligations under the act, including relevant records, (Temporary Managers etc) and that food is always readily available.
 - (5) That full records are kept re adverse or alcohol related adverse behavior in the premises are kept which includes details of Trespass notices.
 - (6) That the Trespass notices of 6 months (as in a previous DLC decision) are adhered to
 - (7) That the AMP (referred to as exhibit D and dated the 11/3/18) is finalized by the 31st July or at another date by written consent of the licensing Inspector.
- 92) The DLC is appreciative of how the parties involved, assisted us with the material they supplied as evidence and the way they gave their evidence. We acknowledge Counsel for the Inspector Mr Robert Davies for his assistance in the hearing. We also acknowledge the Secretary and relevant staff of the Chatham Islands District Council for their assistance.
- 93) At the reconvened hearing, it will be expected that the above conditions will be implemented by the Licensee and duly reported on by the relevant agencies.
- 94) It is noted that the DLC in making this decision which could be described as "unusual" is mindful of the effort and willingness of the present licensee, Ms Croon, has displayed at this hearing to try and address the serious issues highlighted by the agencies, her co-operation with the agencies, and especially the local Police.
- 95) It is also noted that the existing conditions of the current licence will continue in the interim.
- 96) Finally, the Licensee Ms Croon should be in no doubt as to the possible implications of failing to address the issues as outlined in the evidence and in particular items mentioned in para 91 in a consistent and sustainable way.

N.C.P.
an
N.C.P.
11 July 2018

Nigel Ryan
Commissioner
Chatham Island District Council

35 FINAL 11.7.18

COUNCIL MEETING AGENDA

AUGUST 2018

6. REGULATORY

6.5 Control of Alcohol in Public Places Bylaw 2018 (R 6.11)

The Liquor Ban Bylaw 2012 is due for renewal in January 2019.

Attached is a copy of a marked up version of the Bylaw showing the changes required to make it compliant with the Sale and Supply of Alcohol Act 2012.

If Council agrees with the proposed changes and that a Bylaw is still relevant it will be finalised and put out for public consultation.

Please see attached map.

RECOMMENDATION

THAT the Chatham Islands Council Control of Alcohol in Public Places Bylaw 2018 be approved for public consultation.

CHATHAM ISLANDS COUNCIL
CONTROL OF ALCOHOL IN PUBLIC PLACES BYLAW 2018

Deleted: LIQUOR BAN BYLAW 2012

The Local Government Act 2002 allows the Council to prohibit the consumption of alcohol for the purpose of minimising the potential for offensive behaviour in public places. This bylaw is made pursuant to Section 147 of the Local Government Act 2002.

Deleted: liquor

1. Title, Purpose and Commencement

This bylaw shall be known as the Chatham Islands Council Control of Alcohol in Public Places Bylaw 2018 and is made for the control of alcohol consumption in public places in and around Waitangi and Te One as shown on the attached map.

Deleted: Liquor Ban Bylaw 2012

Deleted: liquor

The bylaw includes a process to obtain prior written permission from the Council to authorise activities that would otherwise breach the bylaw. The Council will erect signage to communicate the terms of the bylaw to the public.

This bylaw shall come into force on 1 December 2018.

Deleted: 2

2. Acts Prohibited

The following acts are prohibited in the places, described in Schedule A, during the specified days and times listed in Schedule B.

2.1 The consumption of alcohol in a public place

Deleted: liquor

2.2 The possession of alcohol in a public place

Deleted: liquor

2.3 The bringing of alcohol in a public place

Deleted: liquor

2.4 Consumption of alcohol in a vehicle in a public place

Deleted: liquor

3. Interpretation

Alcohol has the same meaning as in the Sale and Supply of Alcohol Act 2012 and generally means alcoholic beverages such as beer, wine, and spirits.

3.1 **Offence** means an offence under section 239 of the Local Government Act 2002 for breach of this bylaw

Deleted: Liquor has the same meaning given to it in the Sale of Liquor Act 1989

3.2 **Public Place** means a place –

3.2.1 That is under the control of Council; and

3.2.2 That is open to or is being used by the public, whether or not there is a charge for admission; and includes

3.2.3 A road, whether or not the road is under the control of Council; and

3.2.4 Any part of a public place

3.2.5 Has the meaning given by Section 147 of the Local Government Act 2002

3.2.6 Council means the Chatham Islands Council

4. Council Permission

- 4.1 Any person may apply to the Council for prior written permission for any activity that would be in breach of any prohibition under this part of the bylaw
- 4.2 The process for obtaining the Council's permission will be via the completion of the application form attached as Schedule C.

5. Exemptions

- 5.1 This bylaw does not prohibit in the case of alcohol, in an unopened bottle or container,
- 5.1.1 the transport of that liquor from premises that adjoin a public place during any period when, under the Sale and Supply of Alcohol Act 2012, it is lawful to sell liquor on those premises for consumption off the premises, provided the alcohol is promptly removed from the public place;
- 5.1.2 the transport of that alcohol from outside a public place for delivery to premises that adjoin the public place, provided the premises are licensed for the sale of alcohol under the Sale and Supply of Alcohol Act 2012,
- 5.1.3 the transport of that alcohol from outside a public place to premises that adjoin a public place-
- 5.1.3.1 by, or for delivery to, a resident of those premises or by his or her bona fide visitors; or
- 5.1.3.2 from those premises to a place outside the public place by a resident of those premises, provided the alcohol is promptly removed from the public place.
- 5.2 This bylaw does not apply where the sale or consumption of alcohol is authorised by any license granted under the Sale and Supply of Alcohol Act 2012, or any other exemption approved by Council for specific public or civic events.

Deleted: <#>Offence¶
¶
Every person who breaches this bylaw commits an offence and is liable on summary conviction to the penalty set out below.¶
¶
<#>Penalty for Breach of Bylaw¶
¶
Any person convicted of an offence against this bylaw is liable, on conviction, to a fine not exceeding \$20,000.¶

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Deleted: f Liquor Act 1989

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Deleted: liquor under the Sale of Liquor Act 1989:

Deleted: liquor

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Deleted: of Liquor Act 1989

6. Enforcement – Powers of arrest, search and seizure

A member of the police may, without warrant,

- 6.1 For the purpose of ascertaining whether alcohol is present, search –

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6.1.1 a container (for example, a parcel, package, bag, or case) in the possession of a person who is in, or entering, a public place

6.1.2 a vehicle that is in, or is entering, a public place:

6.2 Seize and remove alcohol and its container if the alcohol is in a public place in breach of a bylaw. Alcohol or a container seized under this section is forfeited to the Crown if the person from whom the alcohol or container is seized is convicted of breaching the bylaw.

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Deleted: liquor

Deleted: Liquor

Deleted: liquor

6.3 Arrest a person whom the member of the police finds committing an offence:

6.4 Arrest a person who has refused to comply with a request by a member of the police –

6.4.1 to leave the public place; or

6.4.2 to surrender to a member of the police the alcohol that, in breach of the bylaw, is in that person's possession.

Deleted: liquor

7. Conditions relating to power of search –

Before exercising the power of search in relation to a container or a vehicle, a member of the police must –

7.1 Inform the person in possession of the container or the vehicle, as the case may be, that he or she has the opportunity of removing the container or the vehicle from the public place; and

7.2 Provide the person with a reasonable opportunity to remove the alcohol or the vehicle, as the case may be, from the public place.

Deleted: liquor

7.3 However, on specified dates or in relation to specified events, duly notified by Council in accordance with part 8, section 170, subsection (3) of the Local Government Act, 2002, a member of the police may, immediately and without further notice, exercise the power to search a container or a vehicle.

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8. Offences

Every person who breaches this bylaw commits an offence under Section 239 of the Local Government Act 2002 and is liable on conviction to a fine under Section 242 of the Local Government Act 2002

Schedule A – Prohibited Places

All public places within the area shown on the maps

- 1) Waitangi Township
- 2) All public road reserves including paper roads reserves through, in and around Waitangi

Schedule B – Prohibited Times

All public places and within the area shown on the maps and described in Schedule A between 4.00 p.m. and 8.00 a.m.

SCHEDULE C

Application Form – Bylaw Exemption

Name of Applicant.

If a club, society, or organisation – Name of the person responsible for this application.

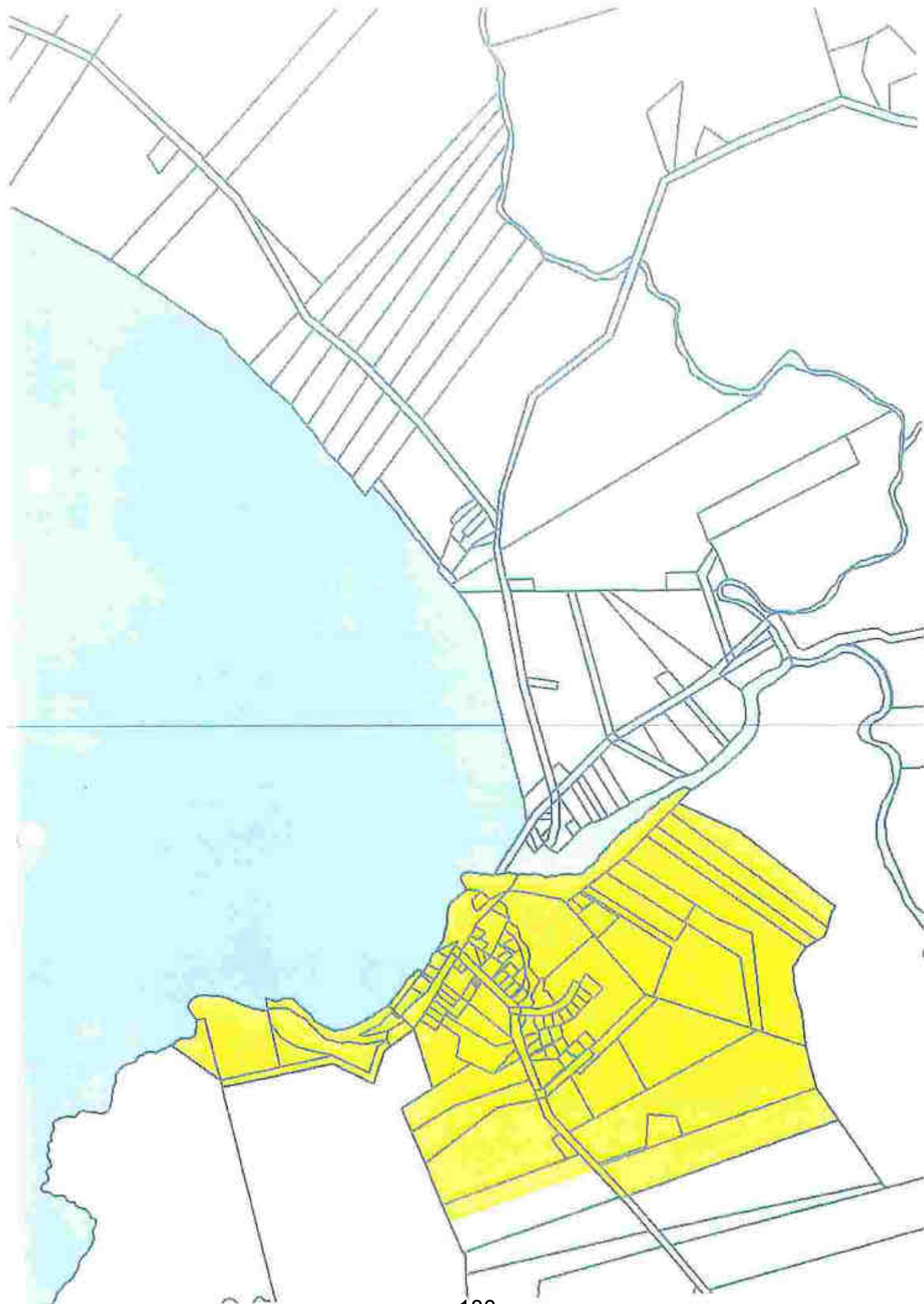
Describe the event or purpose for requesting this exemption

What area is to be subject to this exemption?

Which days/times will the exemption apply to?

Signed

Applicant



COUNCIL MEETING AGENDA

AUGUST 2018

8. GOVERNMENT

8.1 Elected Members Remuneration – Information Paper (R 8.1f)

The Remuneration Authority has released a new determination with effect from 1st July 2018.

For the Chatham Islands Council it is –

	2018	2017
Mayor	\$52,225	\$51,800
Deputy Mayor	\$21,843	\$21,310
Councillor / CDEM	\$16,350	\$15,951
Councillor	\$13,743	\$13,408

For RMA Hearings and the like –

Chairman	\$100.00 per hour
Members	\$80.00 per hour

Elected members are able to claim technology expenses as follows –

- Up to \$200.00 per annum for a computer / tablet
- Up to \$40.00 per annum for a printer
- Up to \$400.00 per annum for an internet connection
- Up to \$150.00 per annum for a mobile phone

RECOMMENDATION

THAT the information be received.

From: Fran WILDE <Fran.Wilde@remauthority.govt.nz>
Sent: Thursday, 26 July 2018 5:02 PM
To: Undisclosed recipients:
Subject: Local Government Members (2018/19) (Local Authorities) Determination 2018 [UNCLASSIFIED]
Attachments: 180726 Local Government Members 2018_19 Local Authorities Determination 2018.pdf

Greetings Mayors, Chairs and CEOs,

Attached is the Authority's determination for local government elected members which applies from July 1 2018.

This determination will be notified in the New Zealand Gazette today. It will be made available on the Remuneration Authority's website: <http://remauthority.govt.nz/clients-remuneration/local-government-elected-officials/> and can also be obtained through the New Zealand Legislation website: <http://www.legislation.govt.nz/>.

You will recall that in our information paper of 30 June 2018 we outlined the new approach to sizing councils and to the construction of a local government pay scale. We also outlined the issues that led us to conclude that overall local government elected members as a group were likely underpaid for their work. The paper then gave you an indication of the steps we will be taking over the next year to align remuneration with the new model. The information paper will be made available on: <https://www.remauthority.govt.nz/local-government/review-of-setting-remuneration-and-allowances-for-local-government-elected-members/>.

Later this year or very early next year we will contact all councils to inform them of the proposed governance pool (i.e. the pool for the payment of councillors) that will be allocated to each council. We will also provide details of the steps we would like your council to undertake in a given time frame in the first part of calendar year 2019. Over the next several months we will be also looking at community boards (though we have no exact timetable for that yet) and at the Auckland local boards. We will keep the appropriate councils in the loop on this work. Lastly, we have underway a piece of work around the possibility of councils paying allowances for carers. We will consult with all councils and elected members in regard to this prior to making a decision.

Apart from changes in remuneration levels (a step towards the final levels that will be introduced following the 2019 election) the new determination contains some changes in other areas. For example, because mayors/chairs (except the Chathams) are now deemed to be full time they will no longer be able to claim travel time payments. However, I suggest that you and your Democratic Services officers read the determination and the accompanying explanatory memorandum carefully to ensure that you understand the details.

Of note to councils that are providing vehicles for mayors/chairs are two changes – a maximum purchase price (with current vehicles grand-parented) and the fact that the councils themselves are now responsible for valuing the cost of the private use of the vehicle (using the formula provided in the new determination)

and then deducting that amount from the mayor/chair remuneration. This is in line with our general policy of providing a total remuneration figure in determinations.

Another change of procedure which is not referred to in the actual determination is that we no longer require councils to send us their expense policies for checking. The Authority feels strongly that councils should make their decisions and check that they are complying with the provisions of the determination without consulting us. We have tried to simplify the language in the determination and will keep doing this in response to any suggestions or queries we get from you, in order to make these regulations as clear as possible. However, our role is not to act as an auditor. We recommend that you ask your council auditor to check your expenses policy and, if this is not already being done, perhaps randomly to check its implementation.

I suggest that you might like to copy this letter to the person in your management team responsible for your Democratic Services. Of course, the members of the Remuneration Authority and our two staff members will answer any queries you might have (please contact info@remauthority.govt.nz in the first instance) and we are also updating the material on our website. We will add more detail to the website if you feel it is insufficient.

Regards



Fran Wilde

CHAIR

 RemunerationAuthority

fran.wilde@remauthority.govt.nz | Telephone: +64 (0)4 499 3068 | Mobile: +64 (0) 21 888 075

PO Box 10084, Level 11, Midland Chambers, 45 Johnston St, Wellington 6011, New Zealand

PS: Just as the determination was submitted to be gazetted, the IRD announced that it has changed its kilometre (mileage) rates. Unfortunately we are unable to change the determination to match the new rates but we will do so in an amending determination in the near future.

www.govt.nz - your guide to finding and using New Zealand government services

Any opinions expressed in this message are not necessarily those of the Remuneration Authority. This message and any files transmitted with it are confidential and solely for the use of the intended recipient. If you are not the intended recipient or the person responsible for delivery to the intended recipient, be advised

Cromwell Community Board

Office	Annual remuneration (\$)
Chairperson	13,966
Member	6,983

Maniototo Community Board

Office	Annual remuneration (\$)
Chairperson	6,772
Member	3,386

Teviot Valley Community Board

Office	Annual remuneration (\$)
Chairperson	6,772
Member	3,386

Vincent Community Board

Office	Annual remuneration (\$)
Chairperson	15,025
Member	7,513

Chatham Islands Council

Office	Annual remuneration (\$)
Mayor	52,225
Deputy Mayor	21,843
Councillor and Member of Civil Defence Emergency Management Group (7)	16,350
Councillor	13,743

Christchurch City Council

Office	Annual remuneration (\$)
Mayor	193,099
Deputy Mayor	118,220
Councillor	102,400

Banks Peninsula Community Board

Office	Annual remuneration (\$)
Chairperson	19,342
Member	9,670

Coastal-Burwood Community Board

Office	Annual remuneration (\$)
Chairperson	46,310
Member	23,155

COUNCIL MEETING AGENDA

AUGUST 2018

8. GOVERNMENT

8.2 Local Government New Zealand Conference (R 8.1c) 15-17 July 2018

This year's conference was held in Christchurch at Christ's College – an interesting venue. The conference was attended by Mayor Alfred Preece, Deputy Mayor Jeff Clarke, and Chief Executive Owen Pickles.

The conference began with the LGNZ AGM where the formalities of the organisation were taken care of, followed by the remit debates.

These were –

1.	Waste Water Drug Testing	Carried	85%
2.	HV Rural Roads Policy	Carried	96%
3.	Heritage Earthquake Prone Buildings	Carried	95%
4.	Climate Change – Banking	Lost	45%
5.	Climate Change Adaptation Fund	Carried	92%
6.	Local Alcohol Policies	Carried	91%
7.	Promotion of Bio Diesel	Carried	79%
8.	Elimination of Single Use Plastics	Carried	95%
9.	Mandatory Register of Cooling Towers	Carried	95%
10.	Elimination of Copper Break Pads	Carried	86%
11.	Waste Reduction Scheme	Carried	96%
12.	Tyres Stewardship	Carried	95%

The plenary sessions opened later in the day with an address from Minister of Finance Hon Grant Robertson. He was followed by the first of many young speakers being Sam Johnson, the founder of the Christchurch Student Army and over breakfast with Robert Hollis. Both of these guys were high achievers and motivational with Robert a multi millionaire at age 31.

Sam Johnson's latest project was about the 'Student Army' supporting the communities' seniors by doing jobs for them or just being a friend.

A major theme throughout the conference was called 'Localism'. Localism is about moving the power of Government from the centre to local. Here we were presented with Switzerland as an example of how it works.

Safe water supplies including the centralised OFWAT (Office of Water Services) in the UK, was another major focus. Following the Havelock

North inquiry there is a major compliance push for the provision of safe water.

Climate change including a session involving the Minister, Hon James Shaw, was the third theme.

With climate events harming communities, local government is being required to be more involved with risk mitigation, no development on flood prone land etc.

As usual the social side of the conference was a lot of fun but obviously 'what goes on tour stays on tour'. The Deputy Mayor will fill in the gaps.

RECOMMENDATIONS
THAT the report be received.

COUNCIL MEETING AGENDA

AUGUST 2018

9. CHATHAM ISLANDS

9.1 The Chatham Islands Fishing Forum (CI 9.6j)

Further to the email sent to Councillors on 11 July 2018, attached is a copy of the proposed Heads of Agreement for the establishment of The Chatham Islands Fisheries Forum.

The Council has been invited to join the forum.

Please see attached.

RECOMMENDATIONS

THAT the report be received.

1 Background

The Chatham Island Fisheries Forum is a multi-stakeholder group comprised of members with expertise in fisheries and associated disciplines, and the Ministry for Primary Industries (MPI). The Forum will meet several times a year to exchange information among members and work together to enhance the management of Chatham Islands fisheries.

2 Purpose and functions of the Forum

2.1 Purpose of the Forum

- a. To enhance the management of the Chatham Islands fisheries.

2.2 Function of the Forum

- a. Facilitate information sharing among Forum members and with the wider Chatham Islands community.
- b. Provide expertise and advice to MPI and other agencies on the Chatham Island fisheries management issues, as required.
- c. Develop strategies and solutions to improve the management of Chatham Islands fisheries and promote agreed strategies and solutions to the relevant management agencies.
- d. So far as possible, seek to resolve issues concerning Chatham Islands fisheries through discussion and agreement within the Forum.

3 Scope

3.1 In Scope

- a. Expert analysis and problem solving relating to Chatham Islands Fisheries.
- b. Provision of knowledge and advice relating to Chatham Islands Fisheries.

3.2 Out of Scope

- a. Final approval or decisions regarding the fisheries management issues rests with the entities responsible for implementing the management measures (e.g., iwi and imi, MPI, quota owners).

4 Authority

4.1 The Forum is an advisory body and cannot direct members, fishing entities or MPI to take particular actions. It cannot employ staff, enter into contracts, or make commitments or undertakings on behalf of Forum members or MPI.

4.2 The Forum is not a substitute for MPI's statutory obligation to consult directly those with interests in Chatham Islands fisheries.

5 Membership and participation

5.1 Composition of the Forum

- a. The membership will be open to all subject matter experts.
- b. Members are not expected to be sector representatives, but are expected to contribute knowledge of their sector and subject matter.
- c. Membership, including the Chairperson will be appointed by MPI.
- d. A list of current members is attached as Appendix I.

5.2 Addition of members

- a. Members may be added at the request of the Forum.

5.3 Attendance

- a. With the exception of the Chairperson, attendance will be optional and at the discretion of each participant.

5.4 Removal of members

- a. Any serious breach of any of these terms of reference may result in the removal of a member from the Forum. Serious breaches of the terms of reference include, but are not limited to, a breach of confidentiality, or unauthorised communication with media about the group.
- b. The Forum may request MPI to remove members, but the discretion to do so lies with MPI.

5.5 Membership rights and obligations

- a. Nothing contained within these terms of reference creates or gives rise to a partnership, any fiduciary duty, agency, joint venture or any relationship of employment.
- b. Each party shall remain independent of any obligations that do not appear in these terms of reference.

5.6 Expectations of members

- a. Forum members are expected to:
 - i. Attend Forum meetings subject to availability.
 - ii. Come prepared to contribute to discussions.
 - iii. Act as a sounding board for ideas.
 - iv. Follow up on agreed action points.
 - v. Abide by the operating principles of the Forum.

5.7 Observers

- a. The Chairperson may, with the agreement of the Forum, permit observers to participate in meetings of the Forum.
- b. The role of observers will be determined by the Forum, including whether observers may participate in discussions or make presentations to the Forum.
- c. Observers are required to comply with these terms of reference, including the requirements around confidentiality and conflicts of interest.
- d. The Chairperson may at any time ask observers to withdraw from a meeting of the Forum.

6 Chairperson and Secretariat

6.1 Chairperson

- a. The Chairperson will be appointed by MPI.
- b. In the absence of a Chairperson, the Forum may choose an Acting Chairperson by consensus.
- c. The Chairperson will be expected to
 - i. Chair meetings.
 - ii. Set agenda and schedule for meetings.
 - iii. Report back to MPI's Fisheries Management Leadership Team
 - iv. Abide by the operating principles of the Forum.

6.2 Secretariat

- a. MPI will provide reasonable secretariat services to the Forum, including circulation of relevant information, the agenda and papers, preparation and circulation of meeting minutes and arrangements for travel.
- b. MPI will respond to reasonable requests from the Forum for information relevant to its roles and functions.

7 How the Forum operates

7.1 Principles

- a. Collegiality – the Forum is transparent and consultative, undertaking to ensure all members are provided with the opportunity to provide meaningful input to discussions.
- b. Good conduct - Members will engage in a constructive manner, treating other members and the Chairperson with respect.

- c. Efficient and effective - Members will come appropriately informed and prepared to contribute to discussions, within the Forum's scope.

7.2 Meeting Times and Frequency

- a. The Forum will meet four times throughout 2018 which will be determined by the Chairperson in consultation with the members.
- b. In consultation with Forum members, the Chair may choose to hold additional meetings.

7.3 Meeting locations

Meetings will be held on the Chatham Islands.

7.4 Consensus

The Forum is not expected to make formal recommendations but may do so if members are in agreement.

7.5 Quorum

No quorum is required for the Forum.

7.6 Standards of conduct

Members and observers are expected to comply with the standards of conduct set out in Appendix II.

8 Confidentiality and information

8.1 General confidentiality requirements

- a. In order for the Forum to operate effectively, members and observers must maintain the confidence of the Forum, including maintaining confidentiality of matters discussed at meetings, and any information or documents provided to the Forum.
- b. With the agreement of the Chairperson, members and observers may share information about the business of the Forum with their sector.
- c. Any person presenting information to the Forum, whether written or oral, may request that that information be treated as confidential by the members and observers.
- d. At the request of a member, the Chairperson may seek agreement from MPI and anyone who supplied confidential information to the Forum for confidentiality in that information to be waived.
- e. Where information is already in the public domain (through no fault of a member or observer), the confidentiality requirements do not apply to that information.

8.2 Privacy Act

Members and observers must at all times comply with the requirements of the Privacy Act 1993 and keep information about identifiable individuals confidential.

8.3 Official Information Act

- a. All information provided to the Forum will be treated as official information under the Official Information Act 1982 and, subject to the requirements of that Act, may be released to the public if there are no grounds for withholding it.
- b. If information is required to be released under the Official Information Act 1982 it will only be released to the extent necessary.
- c. If MPI is considering releasing information under the Official Information Act 1982, MPI will attempt to consult with the person who provided the information before making a final decision on release.

8.4 Media

- a. Members and observers must refrain from representing the Forum, or commenting on the business of the Forum, to the media.
- b. With the prior agreement of the Forum, a member may participate in a media interview or make some other public statement about the business of the Forum.

9 Review of terms of reference

- a. The Forum must review these terms of reference and the operations of the Forum and provide feedback to MPI on the operations of the Forum, recommending any necessary changes to the terms of reference, by 01 July 2018.

Appendix I

Membership list

Customary(iwi/imi)
Recreational
Commercial (PAUMAC4, CRAMAC6 CIFA)
Ministry for Primary Industries
Department of Conservation
Chatham Island Council
Chatham Island Enterprise Trust



Owen Pickles

From: Chatham Islands Council <info@cic.govt.nz>
Sent: Thursday, 5 July 2018 2:02 PM
To: Owen Pickles
Subject: FW: Chatham Island Community Forum and the Chatham Island PAU4 Fish Plan attn Owen
Attachments: TOR Edit PAU Maui.docx; SPO7 FISHERY PLAN.pdf; CIFF44 booklet.pdf

From: Mark Geytenbeek (Mark Geytenbeek) [mailto:Mark.Geytenbeek@mpi.govt.nz]
Sent: Thursday, 5 July 2018 12:39 p.m.
To: info@cic.govt.nz
Subject: Chatham Island Community Forum and the Chatham Island PAU4 Fish Plan attn Owen

Hi Owen

Apologies for not getting something out to you earlier, after our discussion at the Airport I forgot to send you an email as discussed

See below the outline of the meeting we are holding on Tuesday 10th July

Regards

Mark

From: Mark Geytenbeek (Mark Geytenbeek)
Sent: Tuesday, 3 July 2018 1:54 PM
To: 'toni@cietrust.co.nz' <toni@cietrust.co.nz>
Subject: FW: Chatham Island Community Forum and the Chatham Island PAU4 Fish Plan

From: Mark Geytenbeek (Mark Geytenbeek)
Sent: Friday, 29 June 2018 5:57 PM
To: 'Delwyn Tuanui' <delwyn@chathamislandfood.com>; Ces Clarke <ces@waitangiseafoods.co.nz>; Celestine --- <ces100@xtra.co.nz>; Gary <garyc@farmside.co.nz>; Maui Solomon <mauis@xtra.co.nz>; Tom Lanauze <tom@kopinga.co.nz>; marae@kopinga.co.nz; generalmanager@nmow.co.nz; 'dcarlton@doc.govt.nz' <dcarlton@doc.govt.nz>; 'owenga@portnicholson.co.nz' <owenga@portnicholson.co.nz>; 'owengacharters@farmside.co.nz' <owengacharters@farmside.co.nz>; 'Monique Croon' <monique.croon5@gmail.com>; Kyall Boonen (Kyall) <Kyall.Boonen@mpi.govt.nz>; 'Marcel Tuuta' <marcel.tuuta@nztravelbrokers.co.nz>
Cc: Tracey Kingi (Tracey Kingi) <Tracey.Kingi@mpi.govt.nz>
Subject: Chatham Island Community Forum and the Chatham Island PAU4 Fish Plan

Hi Team

As discussed at our last get together in June, we need to progress the operation of the community forum so that we can develop a meaningful platform for community engagement on Chatham Island fisheries management issues across the sectors.

Forum will have Multi stakeholder membership

- Forum for information and idea sharing
- Platform for community input into Ministry planning processes

Engagement is characterised by:

- Proactive discussions
- Open, two way discussions
- Greater sharing of information
- Transparent & accountable management of inshore fisheries

We have agreed on a draft TOR(attached again), however we still need to agree on how we operate and formalise the structure of the forum and the required meeting schedules that aligns with decision making processes around fisheries and related issues , this will often encompass other government agencies other than MPI.

To advance this we agreed to meet again in early July and run a workshop style meeting focusing on how the Community forum could support the Chatham Island (PAU 4) Fish Plan that is currently up on our website for Public consultation.

<http://www.mpi.govt.nz/news-and-resources/consultations/draft-chatham-islands-pau4-fisheries-plan/>

As another example of another Fish Plan please see also attached the Rig plan from the Challenger Area. This year the Rig fishery described in the plan is being reviewed with a proposal to increase the TACC

I can confirm that I have secured a budget for this forum which will offer some scope for administrative support and developing a bit of a communication platform so the Forum can share its ideas and processes

To support the Customary iwi/imi participation in the forum we are being supported by Fisheries New Zealand Customary Fisheries team and Tracey Kingi from that team will be attending our proposed meeting to facilitate this.

This will also give us an opportunity to talk about the ClIFF@44° Plan(attached) as a possible basis for aspects of the management objectives that the Community Forum may agree with and possibly use in terms of setting the stage for fisheries management initiatives and the expression of kaitiakitanga on the island

So at this stage we plan to meet on:

Tuesday 10th July
Scout Den
3.00-5.00pm

Agenda to follow early next week if there are some things that you feel should be discussed let me know

Regards

Mark

Mark Geytenbeek | Senior Fisheries Analyst,
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COUNCIL MEETING AGENDA

AUGUST 2018

9. CHATHAM ISLANDS

9.2 Attendance at Chatham Islands Visitor Group Meetings (CI 9.6j)

Attached is a letter from the Chatham Islands Visitor Group inviting a Council representative to attend their meetings. The Council is a member of the group but over recent years hasn't attended meetings.

The letter also refers to the introduction of a 'Bed Tax' – no Local Authority has the power to levy this.

With reference to Stewart Island, the Southland District Council Levies a Visitor Tax by bylaw. Authority to do this was received from Parliament in 2012 with the enactment of 'Southland District Council (Stewart Island/Rakiura Visitor Levy) Empowerment Act 2012.

RECOMMENDATIONS

THAT the Council appoint a member to attend Chatham Islands Visitor Group meetings.

27 July 2018

Owen Pickles
Chief Executive Officer
Chatham Islands Council
PO Box 24
CHATHAM ISLANDS

Dear Owen

At the last Chatham Islands Visitor Group meeting the members who were present requested that as Secretary I write to you inviting a representative from the Chatham Islands Council to attend their meetings. The group feels it is important that the Chatham Islands Council are aware of what the group are trying to achieve and also the requirements of those in the visitor industry that need understanding, support and help from our local Government.

It would be appreciated if you could pass this invitation onto someone either in Governance or Management please.

Another point of discussion at the meeting was a bed tax. The group believe that the local authority can make this a by-law, this would help fund some of the local infrastructure required for visitors use, we understand the rating base for our community is small and if a bed tax was imposed it would greatly help.

Even though we do not get as many visitors as Stewart Island, the initiative that was implemented there has helped with infrastructure immensely and could also help us but on a smaller scale.

If required we are available to come and discuss this with you and Councillors.

I look forward to your reply.

Yours Sincerely



Toni Gregory-Hunt
Secretary



COUNCIL MEETING AGENDA

AUGUST 2018

9. CHATHAM ISLANDS

9.3 CIC Financial Review Report Redacted (Winder Report) (CI 9.1b)

Appended to this agenda is a final copy of the Winder report with redactions. This report is what formed the basis for the cabinet paper which recommended an increase in the Council's Crown funding support. The recommendation as we now know was not accepted.

The plan is to re-submit for budget 2019.

Please see attached.

RECOMMENDATIONS
THAT the report be received.



Review of the Chatham Islands Council Financial Assistance Package

Report to the Department of Internal Affairs.

October 2017



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Executive Summary

Introduction

- i. In recognition of the territory's lack of scale and its unique and challenging circumstances, the Crown has provided direct financial assistance to the Chatham Islands Council (CIC) since 2004.
- ii. Every four years the Department of Internal Affairs (DIA) commissions a review of the Crown's financial assistance package for CIC in order for it to make recommendations on the appropriate future level of financial assistance. This review was commissioned to recommend funding levels over a four-year period commencing from the 2018/19 financial year.

Background

- iii. The Chatham Islands Council has existed in its current form since 1995. Between 2002 and 2004 an investigation was carried out into the provision of local government services on the islands and the future of the Council. The review concluded that to fulfil its regional council responsibilities, undertake its functions as a territorial authority, and for the Crown to act as a guarantor, the Council required annual appropriated financial assistance, with the level of that assistance being reviewed and set every four years.

Financial Health Check

- iv. The financial health check analysis indicated that CIC is in a sound financial position and is performing appropriately, but only because of the level and nature of Crown financial assistance. It should be noted, however, that the Council is not funding depreciation, and appears to be running assets based on the expectation that replacement will be funded by way of Crown capital grants. Such an approach is inconsistent with sustainable and quality asset management practices.
- v. There is no mainland council that is directly comparable to CIC. However, CIC operations are funded at a significantly lower level of contribution from rates than is the case with the councils that were used as comparators for this analysis. Similarly, the Council funds a significantly lower proportion of its capital programme from debt than the comparator councils.

Capacity and Capability

- vi. The limited size of the CIC staff means that it is very dependent on its Chief Executive. The Chief Executive provides significant leadership to both the community and the Council. There is no other CIC staff member that has the Chief Executive's breadth of experience or expertise across local government, creating a material level of single person risk.
- vii. An analysis of CIC's compliance showed the level to which statutory requirements are met is mixed, with some obvious and potentially significant gaps. This includes aspects of non-compliance in the following areas:



- Burial and Cremation Act 1964
- Civil Defence and Emergency Management Act 2002
- Fencing of Swimming Pools Act 1987
- Hazardous Substances and New Organisms Act 1996
- Health Act 1956
- Health and Safety at Work Act 2015
- Reserves Act 1977
- Resource Management Act 1991
- Sale of Liquor Act 2012.

Current and Future Context

- viii. The maintenance of the road network is and will remain one of the key deliverables for CIC, accounting for over 25% of operating costs and almost all currently funded capital works. The CIC has developed a new sanitary landfill that has the capacity to deal with the islands' solid waste for around four decades.
- ix. The current financial position of CIC means that it has no capacity to deal with any unexpected shocks or additional requirements.

Future Demand

- x. The island residents themselves do not generate significant additional demands. By far the largest future pressure on CIC is the need to replace aging infrastructure and to reduce the significant risks around the ability to maintain operations in an emergency.
- xi. The wastewater system has been significantly renewed. The one outstanding issue that requires resolution is the sanitary disposal of sludge from the wastewater treatment ponds.
- xii. The public water supplies currently comply with the New Zealand Drinking Water Standard. The Waitangi supply has a limited capacity and is under significant pressure during droughts. Expanding the Waitangi water supply is a Council priority.
- xiii. Significant pressure for additional activity and future demands on CIC resources comes from central government. New regulatory requirements, environmental policies and standards, changes to the obligations of local authorities and the processes that they must follow are a major driver of costs for CIC.

Estimated Future Costs

- xiv. This report uses a variation of CIC's Funding Impact Statements to show CIC's future financial position. Future costs have been estimated by combining the Annual Plan for 2017/18 with revised forecast expenditure for future years from the Long-term Plan 2015-25, with known changes since 2015. Three levels of future expenditure have been developed:
 - **Status Quo** – which includes known changes since 2015, but does not include expenditure to address known statutory compliance issues.
 - **Statutory Compliance** – reflecting the activity that would be required to address the identified areas of statutory non-compliance and fundamental risks.



- **Normal Council** – reflecting, in addition to the activity that would be required to ensure statutory compliance, activities that would be expected on a normal council that the CIC does not currently undertake (primarily relating to sport, recreation, cultural facilities and services).

Opportunities for Savings

- xv. Both the Statutory Compliance and Normal Council options contain large and quite lumpy future capital expenditure. In most typical construction jobs on the Chatham Islands, establishment costs can account for around 30% of the total construction costs. Any ability to avoid these costs due to the careful sequencing of work, in particular with work by the Enterprise Trust, could materially reduce the currently estimated costs.
- xvi. There is potential for CIC to make greater use of corporate services provided by Environment Canterbury and to achieve savings through better application of modern IT solutions. These opportunities are significantly constrained by the current telecommunications and broadband services to the islands. There is insufficient reliable and robust broadband capacity on and off the island to make such solutions possible.
- xvii. There is potential for savings through better integration or sharing of services between CIC and the Enterprise Trust, particularly in relation to asset management.
- xviii. None of these potential savings have been considered further in this report but they warrant further and serious attention because they could materially help the financial sustainability of the community of the Chatham Islands.

The Options

- xix. In addition to the current, continuing level of Crown financial assistance (which is considered as part of the Status Quo) the six funding methods/mixes that have been considered are:
 - Zero Crown financial assistance
 - Maintain Crown funding at current level adjusted for inflation
 - Increase Crown funding to achieve a balanced budget
 - Increase the share from Rates funding – which increases rates at the same rate as increases in operating expenditure and then increases Crown funding to achieve a balanced budget
 - Use Council debt to fund capital expenditure and then increase Crown funding to achieve a balanced budget (including debt servicing)
 - A combination of increasing the share from rates funding and using Council debt to fund capital expenditure with increased Crown funding to achieve a balanced budget.
- xx. The three levels of activity (future expenditure) have been combined with the funding methods to provide the following options.



Table 1: The Modelled Funding Options

Funding Method/Mix	Activity Level		
	Status Quo	Statutory Compliance	Normal Council
Status Quo	✓		
No Crown Funding		✓ ¹	
Crown Funding Inflation Adjusted		✓ ¹	
Crown Funding Increased to Balance Budget		✓ Option 1	✓ Option 5
Rates and Crown Funding Increased to Balance Budget		✓ Option 2	
Debt Fund Capital Expenditure and Increase Crown Funding to Balance Budget		✓ Option 3	
Debt Fund Capital, Rates and Crown Funding Increased to Balance Budget		✓ Option 4	

Note 1: Both of these modelled approaches produce significant annual operating losses. Neither will produce a viable balanced budget. They were modelled to demonstrate CIC dependence on Crown funding.

Evaluating the Options

- xxi. A zero Crown funding approach is not a meaningful option in its own right. The CIC could not function without Crown funding. For the 2017/18 year, Crown funding accounts for 50% of CIC's total revenue (excluding NZTA financial assistance). To replace this from rates, dues and charges would require the average per rateable property to increase by around \$5,180, from the current \$1,553, to a total of \$6,736 per property for the 2017/18 year. To reach the level of revenue required to deliver the Statutory Compliance Scenario, the average per property would need to rise to around \$15,070 for the 2018/19 year.
- xxii. The simple consequence of withdrawing the financial assistance package would be the failure of CIC. It would not be able to increase its rates to cover the shortfall in revenue, it would fail the going-concern test, and the Minister of Local Government would have to intervene to ensure the delivery of basic services and to maintain the rule of law.
- xxiii. The Status Quo financial model with continued current Crown funding will not result in a balanced budget without increases in revenue that exceed a simple inflation adjustment of current funding from rates, fees and Council dues. Under the Status Quo model, without increased funding, the total CIC deficit starts at \$581,000 for the 2018/19 year and climbs to \$1,186,000 by 2020/25. A \$581,000 increase in revenue from general and targeted rates and council dues would be a 66% increase over the current year.
- xxiv. The funding shortfall, if financial assistance is held at current levels but adjusted for inflation, becomes more significant under the Statutory Compliance level of activity. With this level of activity and no borrowing, the shortfall in funding for 2018/19 year would be around \$4.66m.



xxv. Continuing current levels of financial assistance is not a realistic option because:

- It continues known levels of statutory non-compliance
- It would expose government (both officials and Ministers) to considerable risk and potential liability because it does not deal with known statutory non-compliance
- It would undermine the rule of law on the Chatham Islands
- It would fail to provide for the maintenance and replacement of key infrastructure
- It would fail to address key risks to the community on the Islands – particularly risks related to natural disasters.

xxvi. Table ii summarises the funding required under each of the five core options considered.

Table ii: Total Cost of the Modelled Options 2018/19 to 2021/22

	2018/19	2019/20	2020/21	2021/22	Total
Current Approved Crown Contribution (\$m)					
	2,887	2,887	2,887	2,887	11,548
Increase in Crown Contribution Required to Balance Budget (\$m)					
Option 1	4,721	2,282	1,912	1,817	10,732
Option 2	4,624	2,091	1,715	1,614	10,044
Option 3	1,071	1,813	1,954	1,907	6,745
Option 4	974	1,622	1,757	1,704	6,057
Option 5	4,766	2,327	5,377	1,909	14,379
% Increase in Crown Contribution Required to Balance Budget (\$m)					
Option 1	264%	179%	166%	163%	193%
Option 2	260%	172%	159%	156%	187%
Option 3	137%	163%	168%	166%	158%
Option 4	134%	156%	161%	159%	152%
Option 5	265%	181%	286%	166%	225%
Total Crown Contribution Required to Balance Budget (\$m)					
Option 1	7,608	5,169	4,799	4,704	22,280
Option 2	7,511	4,978	4,602	4,501	21,592
Option 3	3,958	4,700	4,841	4,794	18,293
Option 4	3,861	4,509	4,644	4,591	17,605
Option 5	7,653	5,214	8,264	4,796	25,927
Council Rates and Dues (\$m)					
Option 1	667	688	709	731	2,796
Option 2	731	815	840	866	3,252
Option 3	667	688	709	731	2,796
Option 4	731	815	840	866	3,252
Option 5	667	688	709	731	2,796
Closing Debt (\$m)					
Option 1	-	-	-	-	-
Option 2	-	-	-	-	-
Option 3	3,986	4,699	4,889	5,037	
Option 4	3,986	4,699	4,889	5,037	
Option 5	-	-	-	-	-



- xxvii. Table ii clearly demonstrates the impact on the Crown and ratepayers of the different approaches, but needs to be considered mindful that the profile of future expenditure provides for achieving statutory compliance as soon as possible. It would be possible to smooth the impact of the increases by achieving statutory compliance over a longer period of time, but only if there is an appetite for continued non-compliance.
- xxviii. The five core Options for future funding have been evaluated through the application of a mixed qualitative and quantitative benefit cost analysis. The Table iii summarises this analysis and ranks the options.

Table iii: Ranking Options by Benefit and Cost

	Option 1	Option 2	Option 3	Option 4	Option 5
	Statutory Compliance with Increased Crown Funding	Statutory Compliance with Increased Rates Contribution and Increased Crown Funding	Statutory Compliance with Debt and Increased Crown Funding	Statutory Compliance with Debt, Increased Rates Contribution and Increased Crown Funding	Normal Council with Increased Crown Funding
Benefits					
Sustainability	4	3	2	1	5
Capability and Delivery	4	1	1	1	5
Risk Reduction to CIC	2	3	4	5	1
Risk Reduction to Crown	4	3	2	1	5
Equity	4	2	3	1	5
Costs					
Total Costs to Crown ¹	\$22.2m	\$21.6m	\$18.3m	\$17.6m	\$25.9m
Increased Crown Costs ²	\$10.7m	\$10.0m	\$6.7m	\$6.1m	\$14.4m
Cost to Ratepayers ¹	\$2.8m	\$3.3m	\$2.8m	\$3.3m	\$2.8m
Transaction Costs	High	Moderately High	Moderately High	Moderately High	High
Benefits					
Benefits > Costs	Yes	Yes	Yes	Yes	Marginal
Overall Ranking	4	2	2	1	5

Note 1: Over the period 2018/19 to 2021/22

Note 2: This is the total increase Crown funding required over the period 2018/19 to 2021/22 to achieve a balanced CIC budget. It is the increase over the existing approved annual funding of \$2.887m.



- xxix. The option that is considered the best overall is Option 4, but the difference between that and options 2 and 3 is small. The primary reason that these options are preferred is that they change the incentives within the system and require greater financial responsibility and accountability from CIC.

Conclusions and Recommendations

Level of Activity

- xxx. The level of activity identified for the Statutory Compliance Scenario is the recommended level of future activity for CIC. This approach substantially removes statutory non-compliance and addresses the critical infrastructure challenges the Council faces.

Approach to Assistance

- xxxi. Moving to a multi-year appropriation that provides for both assistance for operating costs and council capital projects would provide more flexibility and recognise the level of uncertainty that there will always be over the cost of future capital works.

Aligning Incentives

- xxxii. The current funding framework provides strong incentives to the CIC that work in the opposite direction to the Crown's interest in controlling or limiting costs. Of the options considered, the approach that offers the strongest incentives for sound fiscal performance by CIC is Option 4.

s9(2)(g)(i)

Flexibility, Contingency and Control

- xxxiv. There are many areas of any local authority's activity where there is potential for emergencies, shocks where unexpected needs arise, or projects that run over budget. Option 3 provides the greatest scope for CIC to manage unexpected outcomes by borrowing as required.

s9(2)(g)(i)

s9(2)(g)(i)



Recommended Funding Model

xxxvii. The recommended funding model is Options 4. That is:

- greater contributions from rates and dues so that they increase in proportion to the growth in expenditure
- the use of Council debt to fund future capital works
- increased Crown contributions to ensure a balanced budget
- some form of long-term support agreement, sufficient for CIC to become a member of the LGFA and borrow the necessary funds.



Part 1: Introduction

1. The Crown has provided direct financial assistance to the Chatham Islands Council (CIC) since 2004 in recognition of the territory's lack of scale and its unique and challenging circumstances.
2. Every four years the Department of Internal Affairs (DIA) commissions a review of the Crown's financial assistance package for CIC in order for it to make recommendations on the appropriate future level of financial assistance, to be provided after the expiry of the current package on 30 June 2018. The review was commissioned to recommend funding levels over a four year period commencing with the 2018/19 financial year. The review was required to include:
 - a financial health check
 - an analysis of the capacity and capability of the Council to meet its statutory responsibilities to the 2021/22 financial year
 - current capacity and capability of the Council to deliver its activities and reporting
 - the capacity and capabilities of the Council to deliver planned operations over the 2018/19 to 2021/22 financial years.
3. The final report was required to include:
 - the review findings
 - a recommendation on the level of Crown financial assistance funding that will be required per annum during the 2018/19 to 2021/22 financial years to ensure that the Council is able to fulfil its statutory requirements efficiently and effectively
 - a range of funding scenarios and associated cost benefit analysis that demonstrates the rationale for the recommended funding.

Background

4. The CIC has existed in its present form since 1995 (with local government having come to the Island in 1927 when a County Council was established). Between 2002 and 2004 an investigation was carried out into the provision of local government services on the Islands and the future of the Council. The review concluded that to fulfil its regional council responsibilities, undertake its functions as territorial authority and to for the Crown to act as a guarantor, the Council required the appropriated financial assistance as follows:

Table 1: Crown Financial Assistance 2004/08

	\$000			
	2004/05	2005/06	2006/07	2007/08
Crown Assistance	1,566	1,238	1,294	1,147

Source: EDC Min (04) 24/9



5. Following a review of the financial Assistance package in 2013, funding support levels were agreed for the following four financial years as follows:

Table 2: Crown Financial Assistance 2014/18

	\$000			
	2014/15	2015/16	2016/17	2017/18 and out years
Crown Assistance	2,760	2,785	2,851	2,887

6. A full year's funding is transferred to Council on 1 July of each year, with the Council required to hold the equivalent of three quarters worth of funding in an interest-bearing bank account until approved for release by the DIA. DIA approves the release of funds for each successive quarter after being satisfied that the Council has complied with the conditions of the Deed of Funding. Part of the process to release each quarter's fund, alongside the Council's own reporting requirements, is preparation of independent financial advice (quarterly and annually). These reports are funded through the interest earned on the unreleased funds.
7. Alongside this directly appropriated financial assistance, CIC receives significant financial support from other Ministries and government agencies (as do all councils) and one-off grants for specific major capital projects. The nature of this whole of Government support is discussed in paragraphs 83-95.

The Chatham Islands and the Context of the Review

8. The Chatham Islands are an archipelago of 11 islands, within a 50km radius, 800km to the east of Christchurch and 722km south east of Napier. The island group sits on the Chatham Rise, a 1000km long, relatively shallow, submerged peninsula stretching eastwards from the Canterbury coast. The Chatham Rise is New Zealand's most important fishing ground.
9. The first arrivals to the islands were between 1400 and 1500 AD from Eastern Polynesia and New Zealand, with the Moriori descending from those inhabitants. Europeans first sighted the island in 1791 from aboard the brig *Chatham* (which had been blown off course), with sealers following in 1800. In 1835, mainland New Zealand Māori invaded the islands, conquering the Moriori and naming the main island Wharekauri. European settlement followed. Annexation by New Zealand occurred in 1842.
10. Only two of the islands in the group are inhabited, Chatham Island and Pitt Island. The climate is maritime and, at times, can be harsh with cool and windy conditions. In summer temperatures range from 11 – 20°C and in winter from 6 – 12°C. The islands are 45 minutes ahead of New Zealand time.
11. Chatham Island is the group's main island at 90,000 hectares of predominantly flat and low-lying land with a highest peak (Maungatere) at only 294m above sea level. About one-fifth of the island's area comprises the 16,000-hectare Te Whaanga Lagoon (twice the size of Wellington Harbour).



12. All told, the Chatham Islands are a very remote part of New Zealand that are in many respects more akin to a Pacific Island than to mainland New Zealand. There are no State Highways and no connections to neighbouring areas other than by air or sea, and the sea voyage is measured in days, not hours. The Chatham Islands are considerably more remote and isolated than New Zealand's other significant island populations on Stewart Island and Great Barrier Island.
13. There are five settlements on Chatham Island:
- Waitangi (the main settlement and commercial centre)
 - Te One
 - Owenga
 - Port Hutt
 - Kaingaroa
14. Pitt Island is situated 23 kilometres south-east of Chatham Island and has an area of 6,300 hectares of land, with more hills than Chatham Island. Pitt Island is more sparsely populated with no single settlement but with most of the community activity centred around the Onoua Wharf (Flower Pot) to the North of the Island and the school.

Population

15. The most recent estimate of the Chatham Islands population was 613 in 2016. This was an increase from the figure of 600 recorded at the 2013 census. Despite this slight increase, the Island's population has been trending downwards since at least the mid-1980's (as shown in Table 3). The 2016 population estimate is 20% lower than the census figure for 1986.

Table 3: Population Change 1986-2013

Census	Population	% Change
1986	775	
1991	760	-1.9%
1996	739	-2.8%
2001	717	-3.0%
2006	609	-15.1%
2013	600	-1.5%

16. The 2013 population in the Chatham Islands had a higher proportion of males (52.5%) than the figure for New Zealand as a whole (48.7%). In terms of ethnicity, the Islands have a similar percentage to the rest of New Zealand identifying themselves as European (73.5% compared to 74% for New Zealand as a whole), but a significantly high proportion identifying as Māori (59.3% compared to 14.9%).
17. The age structure of the Island's population is broadly similar to the rest of New Zealand – although with a median age of 41.5 compared to 38 for New Zealand. While the population was slightly older, only 12% of it were aged 65 or over, compared to 14.3 for the country as a whole. 20% of the Island's population were aged under 15 years (20.4% for New Zealand).



18. When dealing with very small populations, single events (such as changes in the circumstances of a large extended family, technology developments and economic, employment, or public policy changes) have the potential to materially and structurally impact on future population levels. For this reason, traditional demographic projection techniques of applying trends in mortality, fertility and migration to populations are less instructive when considering very small and isolated communities. Despite this, such projections provide a baseline to guide thinking and future planning. The following table shows the high medium and low projections for the Island's 2043 population and the percentage increase from the 2013 census level.

Table 4: Population Projections to 2043

	2043 Projection	% change from 2013
Low	210	-65%
Medium	480	-20%
High	760	27%

19. With the medium projection of a sizable decrease, what these figures indicate is the, all other things being equal, the projections for the Islands are for a continuation of the medium-term trend of a shrinking population.

Economic

20. The most recent estimates of the Chatham Islands' economy come from Infometrics and relate to the March 2016 quarter. At this time, the GDP of the Islands was \$47 million, which supported 444 jobs. Over the last five years to March 2016, the Islands have experienced moderately strong growth with GDP increasing at an average annual rate of 2.9% and employment by 2.1% on average per year.
21. At 31,500, the median income on the Chatham Islands is higher than for the country as a whole (\$28,500). A lower proportion of Islanders earned less than \$20,000 (31%) than was the case for New Zealand as a whole (38.2%) and 31% earned more than \$50,000 compared to 26.7% nationwide. Unemployment on the Islands has traditionally been low, with figures from the 2013 census showing an unemployment rate of 2.5% (nine people) compared to the equivalent figure for New Zealand of 7.5%.
22. Whilst the median income on the Chatham Islands is higher than for the country as a whole, so too are significant parts of the cost of living. The cost of fuel, electricity, food (other than that which is grown for local consumption or hunted on the Island), building supplies, insurance, and almost all major drivers of the cost of living are heavily influenced by the significant freight costs for everything that is brought on to or off the islands.
23. The Chatham Islands' economy is heavily reliant on five main sectors, as summarised in the Table 5.
24. The fishing industry is by far the most significant contributor to the Island's economy, contributing \$18.6 million in GDP and 135 jobs in 2016. The largest processing company is Moana Pacific, while the Chatham Islands Seafood Co. and Waitangi Seafood Co. also operate. There are 35 crayfish and wet fish boats operating from the Chatham Islands and



six diving boats. The main focus of the fisheries is Blue Cod (757,900kg of reported commercial catch in 2016), Sea Perch (435,678kg), Red Lobster (408,387kg) and Paua (293,444kg).

Table 5: Economy by sector

Sector	GDP	Jobs
Fishing	33%	30%
Government and public	12%	20%
Farming	8%	14%
Transport	8%	9%
Tourism	4%	8%

25. When the Quota system was introduced in 1986, much of the Chatham Islands quota was bought by non-islanders. A July 1992 settlement saw quota with a (2012) value of \$12 million p.a. granted to the Enterprise Trust. Quota owned by the Trust is currently leased to Hawkes Bay Seafood's and is not processed on the islands. The lease expires in September 2017.
26. Farming contributes 44.8 million to the Chatham Islands' GDP and 62 jobs. Farming is based on traditional sheep and beef farming. As at June 2015, there were 74,000 sheep and 10,500 cattle, with the balance shifting in favour of beef farming over recent years. Due to high energy and transportation costs, on-island processing of any scale is considered uneconomic. At the same time, a major constraint on the sector is shipping capacity and reliability. Farming is further constrained by soil quality. As a result of climatic conditions and poor soil drainage, peat-derived soils cover 60% of the land area (up to six metres deep in some places).
27. Tourism as an industry effectively commenced on the island in 1995 and has grown relatively rapidly (3.8% annually) over the last 10 years. By 2016 it accounted for \$2.1 million in GDP and 38 jobs. While there are no official measures of visitor numbers, it is estimated that 90% of tourism is from New Zealanders. There are five commercial accommodation providers operating on the islands providing around 100 commercial beds.
28. In terms of transportation, returning residents and visitors generally arrive by air from Auckland, Christchurch or Wellington (1.5 – 2 hours from Christchurch on a Convair 580). Freight is generally shipped, with a two-day sailing time. There is a small section of tar sealed road between Waitangi and Te One, but the majority of the roads are gravel. More than 90% of households have access to one or more cars and 72% of people travelling to work used either a private or a company vehicle.
29. Electricity on the Chatham Islands is generated by diesel generators. Efforts to introduce wind generation to the Islands (by way of two 225kW turbines) failed, with the turbines remaining, dismantled, on the island. The cost of electricity on the islands is 5 to 10 times higher than is the case on the mainland.
30. From a communications perspective, only 59% of households have access to the internet (76.8% for New Zealand). Only 3.5% of households have access to a cell phone (83.7% for New Zealand as a whole), but this reflects the lack of cell phone coverage on the islands.



More than 95% of households have access to landline telephones. Spark recently completed a \$300,000 upgrade on the islands phone network including the installation of a new digital microwave radio system.

Social

Health

31. There does not seem to have been a comprehensive assessment since 2014, and this report was heavily dependent on a 2002 health status assessment.
32. Provision of health services on the islands has been the responsibility of Canterbury District Health Board (CDHB) since July 2015, having previously been the responsibility of the Hawkes Bay District Health Board.
33. There is a health centre in Waitangi providing free GP services five mornings a week and nursing services eight hours a day, five days a week. Emergencies are covered by 24/7 cover (limited by flying conditions and after dark air access issues to the islands). Each year there are approximately 100 health related flights to the mainland.
34. In the 2016/17 financial year approximately 1,180 specialist appointments were delivered to residents of the Islands. These included paediatrics, orthopaedics, Well Child, radiology, community mental health, obstetrics and gynaecology, occupational and physiotherapy, older persons needs assessments, podiatry and diabetes nursing.
35. In each of the last two years, dental services were provided by a visiting private dentist on the island in February. In 2017 the service was fully booked for 14 days. In June of 2017 Rural Canterbury Private Health Organisation appointed a professional counsellor to deliver independent counselling services. During 2016/17 the biennial breast screen clinics screened 63 of the 122 eligible woman on the islands. A further clinic is now being planned for May 2018.
36. The Te Puni Kokiri directly funds Ha O Te Ora O Wharekauri Trust to provide Whanau Ora services and to promote community health.
37. The CDHB has identified a need for a significant investment in the near future to upgrade dental and health clinic facilities.

Education

38. There are three early childhood education centres operating on the Island, a Kohanga Reo in Waitangi and playgroups at Te One and Kaingaroa.
39. There are also three primary schools on the Islands catering for years 1 - 8:

Table 6: Primary Schools

School	Role	Decile
Kaingaroa	5	5
Pitt	11	7
Te One	73	6



40. Children tend to leave the Island to attend secondary school on the mainland.
41. Of the Islands' population aged 15 and over, 66.2% have a formal qualification (well below the equivalent figure for New Zealand of 79.1%). Similarly, 8% hold a bachelor's degree or higher, compared with 20% for New Zealand as a whole.

Housing

42. At the time of the 2013 Census there were 264 occupied dwellings, 69 unoccupied dwellings and three under construction. 53.9% of households owned their dwelling, compared to 64.8% for New Zealand as a whole. For households who rented, the median rent was \$110, compared to \$280 for all of New Zealand.
43. In general terms, the Chatham Islands housing stock is in poor condition, due to the harsh coastal environment and the high cost of maintaining and building housing. In October 2016, the Government announced a \$2 million investment in housing to be managed through the newly established Chatham Islands Housing Partnership, which comprises Ngāi Mutunga o Wharekauri Iwi Trust, Hokotehi Moriori Trust, Chatham Islands Enterprise Trust and the Chatham Islands Council.

Community Facilities

44. From a general perspective, the community facilities available on the Island are relatively run down and in need of repair or replacement. The Centennial and War Memorial Hall is attached to the Council administration building (in Waitangi) which also houses the museum.
45. The Norm Kirk Memorial Reserve (also in Waitangi) includes a main building containing a lounge, kitchen, grandstand, squash courts and showers and a meeting facility known as "The Den". In addition, there is a netball court, rugby field, playground and a car park.
46. The Kaingaroa Sport and Social Club has a lounge kitchen and bar area (catering for up to 70 persons) with the same facilities being available at the smaller Owenga Club.
47. The Chatham Islands Community Swimming Pool (which is owned by a Trust) is located at the Te Onē School and is available for community use. It comprises a four-lane 15 x 6m outdoor pool and a 3 x 6m solar heated paddling pool.

Cultural

48. At the 2013 Census, 336 Māori were (usually) living in the Chatham Islands, a decrease of 8.2% compared to the 2006 Census. The Māori population is significantly older than the equivalent population for New Zealand as a whole, with a median 36.6 years (23.9 for New Zealand), 8.9% being aged 65 years and over (compared to 5.4%) and only 20.5% being aged under 15 years (compared to 33.8% for New Zealand's Māori population).
49. Hokotehi Moriori Trust is the registered charitable trust representing Moriori, mandated to represent more than 1,600 adult and children members. The trust is in treaty settlement negotiations with the Crown in relation to its historical Treaty grievances. Hokotehi Moriori Trust signed an agreement in principle towards settlement in August 2017 and is working towards a deed of settlement. It has significant fishing interests (primarily through a quota



share portfolio with an estimated value of \$32 million and gross annual returns in excess of \$1 million. It also has agricultural assets in the form of a 4,000 hectare farm in Kaingaroa, a farm at Henga, and a portfolio of properties. The trust is also involved in identity and cultural preservation and conversation activities.

50. Established in 2004, Ngāti Mutunga o Wharekauri Iwi Trust is a mandated authority for the purposes of the Resource Management Act 1991 and the Māori Fisheries Act. Governed by seven trustees, the Trust has 1148 registered members. The Trust is mandated to represent Ngāti Mutunga o Wharekauri Iwi Trust in the settlement of its historical Treaty grievances against the Crown and its negotiators are working toward agreement in principle with the Crown. Through its Holding Company, the Trust has assets of around \$25 million, predominantly in fishing (\$19 million), but including \$1.3 million in housing.

Environmental

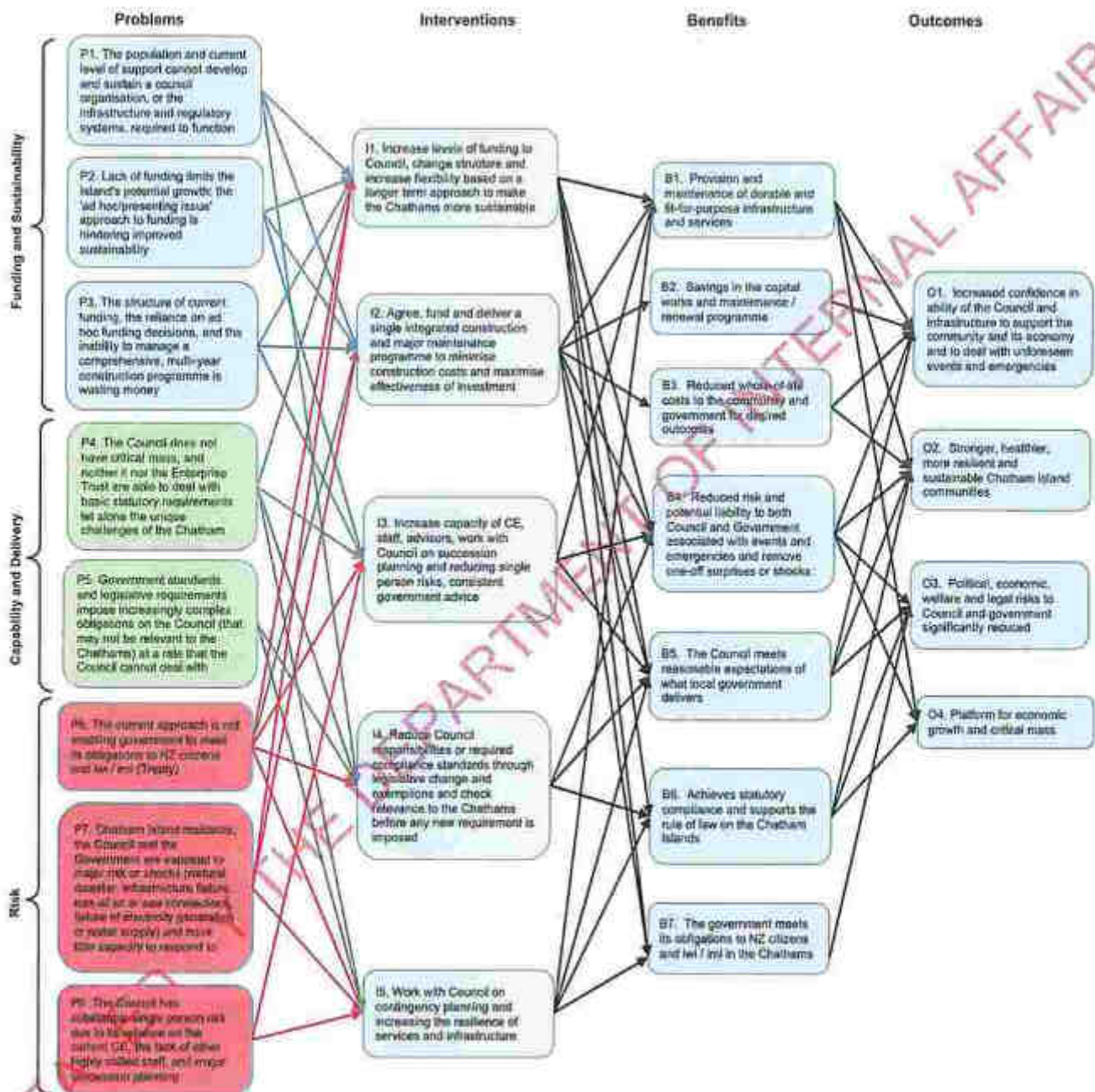
51. The Chatham Islands has a wide variety of fresh water resources, with over 30 lakes and 80 small permanent streams on Chatham Island alone. Fresh water resources on the Islands are distinctive tending to reflect the variable geology of the islands. The waters are all rich in phosphorous (albeit to varying degrees) which is unusual for New Zealand freshwater resource, but are also low in nitrogen concentrations. Water quality benefits from the fact that there are a relatively low number of point source discharges, reducing the risk of contaminants. There is an ongoing challenge to prevent the introduction of invasive exotic weed plants and animals.
52. The isolation of the Islands has meant that they have been able to avoid many of the plant and animal pests that are common in mainland New Zealand. The islands and their ecosystems are sensitive to many such pests and their introduction could have devastating effects (including economic).
53. Ministry for the Environment climate change projections suggest that compared to 1995, temperatures are expected to be 0.7 – 1.0°C warmer by 2040 and 0.7 – 2.8°C warmer by 2090. In addition, more rainfall is expected, with winter rainfall projected to increase by 5-11% by 2090 and spring falls by 6-8% over the same period. The impact of this changing climate is expected to increase risks of flooding, coastal erosion and biosecurity (weeds and pests) issues.



Part 2 – Intervention Logic

54. In order to provide a basis for developing and evaluating options for financial assistance for the CIC, and qualify the associated benefits, a detailed intervention logic map (ILM) has been developed. The ILM is shown in Figure 1. This section sets out the problems that have been identified with the status quo and considers a range of interventions designed to address those problems. The ILM also includes benefits and outcomes associated with the various interventions. The ILM and its possible interventions underpin the evaluation of the assistance options and are considered in detail in Part 4 – 'Option Identification and Evaluation'.
55. It is important to note that many of the existing interventions designed to assist the CIC are working well. The CIC's relationship with Environment Canterbury provides the regional council functions that would otherwise be prohibitively expensive to operate in a stand alone way. Environment Canterbury also provides strong corporate and financial services support for the CIC in a very cost-effective way. Similarly, CIC's relationship with Wellington City Council for the provision of building consent services is effective and provides a level of service that CIC would not be able to deliver on its own.
56. The current Crown financial assistance package is the result of previous consideration of the problems and challenges faced by the Chatham Islands. This intervention has been successful in that it has ensured that the CIC has continued to function and significant progress has been made since 2004 on the delivery of core infrastructure and services.
57. On the other hand, it is important to note that the transaction costs associated with the current financial assistance package are high for both the CIC and the government. High transaction costs are driven to a significant extent by:
- dealing with each capital works project as a separate decision, often with a different government agency as the funder
 - the fragmentation of government interests in the Chatham Islands with multiple departments and ministries that find it difficult to coordinate their activities, interests, and responsibilities relating to a particular place
 - the absence of an overarching government strategy relating to the Chatham Islands
 - significant, on-going staff turnover in responsible government agencies resulting in the loss of institutional memory of the issues and a tendency to relitigate issues on each occasion that a request for funding is considered
 - the practical and logistical difficulties of dealing with the CIC, including the cost of CIC representatives travelling to meetings.

Figure 1: Intervention Logic Mapping





Problem Definition

58. In undertaking the research and analysis on which this report is based a series of problems were identified in terms of the status quo approach to funding and supporting the CIC.

Funding and Sustainability

- The population and current level of support cannot develop and sustain a council organisation, or the infrastructure and regulatory systems, required to function within, and comply with, statutory requirements.
- A relative lack of funding limits the both the community's ability to plan and its growth potential. The 'ad hoc/presenting issue' approach to investment which this incentivises, is hindering improvements in terms of the sustainability of both the Chatham Islands and its Council.
- The structure of current funding, and the resulting reliance on ad hoc funding decisions, has created an inability to manage a comprehensive, multi-year construction programme causing inefficiencies and higher than necessary costs for the capital programme. A lack of funding certainty means that a confirmed pipeline of projects is unable to be developed, resulting in machinery, plant and equipment related to capital programmes being shipped on to the islands as assembled at the start of each project and dismantled and shifted off the islands at the end. Repeated significant set-up costs for each individual project is unnecessarily expensive. Ad hoc project by project funding decisions also drive very high transaction costs for both the CIC and the government.

Capability and Delivery

- The Council has not been able to develop what is effectively a critical mass. As a result, neither it, nor the Enterprise Trust, are able to deal with basic statutory requirements, let alone the unique challenges facing the Chatham Islands.
- Government standards and legislative requirements impose increasingly complex obligations on the Council (that may or may not be relevant to the Chathams) at a rate that the Council cannot appropriately deal with or manage.

Risk

- The current approach to supporting and funding the Council is inconsistent with the government meeting its obligations to NZ citizens and iwi/imi, including under the Treaty of Waitangi.
- Chatham Island residents, the Council and the government are exposed to major risk or shocks (natural disaster, infrastructure failure, loss of air or sea connections, failure of electricity generation or water supply) and have little capacity to appropriately respond to such events, either immediately or on an ongoing basis.
- The Council has substantial 'single person' risk due to its reliance on the current Chief Executive, the lack of other highly skilled staff within the organisation and major succession planning challenges.



Interventions

59. While many of the problems identified during the intervention logic development are caused by, or related to, funding existing funding levels and structures, in identifying interventions we have sought to develop structural solutions as well as approaches that simply alter funding levels. The ILM includes the following interventions:

- Increase the level of funding to Council, change funding structures and increase funding flexibility based on a longer-term approach, to increase the sustainability of the Chatham Islands and their Council.
- Agree, fund and deliver a single integrated construction and major maintenance programme to minimise construction costs and maximise effectiveness of investment.
- Increase the capacity of the Chief Executive, staff and advisors by working with the Council on succession planning in order to reduce single person risks and to grow the capability of the organisation.
- Reduce Council responsibilities, or required compliance standards, through legislative change and exemptions. Introduce mechanisms into Crown policy-making whereby the relevance to the Chathams is tested and considered before any new requirements are imposed.
- Work with Council on contingency planning and to increase the resilience of services and infrastructure.

60. Table 7 sets out the linkages between the identified problems and the proposed interventions.

Table 7: Intervention to Problem Linkages

Problems	Interventions					15 Work with Council on contingency planning and to increase the resilience of services and infrastructure
	11 Increase the level of funding to Council, change funding structures and increase funding flexibility based on a longer-term approach, to increase the sustainability of the Chatham Islands and their council	12 Increase the level of funding to Council, change funding structures and increase funding flexibility based on a longer-term approach, to increase the sustainability of the Chatham Islands and their council	13 Increase the capacity of the Chief Executive, staff and advisors by working with the Council on succession planning in order to reduce single person risks and to grow the capacity of the organisation	14 Reduce Council responsibilities, or required compliance standards, through legislative change and exemptions. Introduce mechanisms into Crown policy making whereby the reference to the Chathams is tested and considered before any new requirements are imposed		
P1 The population and current level of support cannot develop and sustain a council organisation, or the infrastructure and regulatory systems, required to function within statutory requirements	✓	✓		✓		
P2 A lack of funding impacts to limit the Island's ability to plan and its growth potential. The 'ad hoc/presenting issue' approach to investment which this incentivises, is hindering improvements in terms of the sustainability of both the Chathams and its council	✓	✓	✓			
P3 The structure of current funding, and the resulting reliance on ad hoc funding decisions, has created an inability to manage a comprehensive, multi-year construction programme causing inefficiencies and higher than necessary costs	✓		✓			
P4 The Council has not been able to develop what is effectively a critical mass. As a result neither it, nor the Enterprise Trust, are able to deal with basic statutory requirements, let alone the unique challenges facing the Islands	✓		✓	✓	✓	
P5 Government standards and legislative requirements impose increasingly complex obligations on the Council (that may or may not be relevant to the Chathams) at a rate that the Council cannot appropriately deal with or manage				✓	✓	
P6 The current approach to supporting and funding the Council is inconsistent with the government meeting its obligations to NZ citizens and iwi/māori	✓		✓	✓	✓	
P7 Chatham Islands residents, the Council and the Government are exposed to major risk or shocks and have little capacity to appropriately respond to such events, either immediately or on an ongoing basis	✓	✓			✓	
P8 The Council has substantial 'single person' risk due to its reliance on the current Chief Executive, the lack of other highly skilled staff within the organisation and major succession planning challenges			✓		✓	



Part 3: Situation Analysis

Chatham Islands Council

61. The Chatham Islands Council (CIC) is New Zealand's smallest local authority covering 610 residents and with 557 rateable properties. The Council is responsible for both district and regional council functions.
62. The Council manages \$59.9 million in assets and has annual revenue of more than \$8 million. Based on actual figures for 2015/16, the Council's revenue comes from the following sources shown in Table 8.

Table 8: Source of Council Revenue

Revenue Source	% of Total
Rates	6.8%
Grants and subsidies	82.7%
Council dues	4.5%
User pays, fees and charges	3.2%
Interest	1.7%
Other	1.1%

63. In addition to rates revenue, the CIC has the power under the Chatham Island Council Act 1995 to levy Council dues on all goods exported from or imported into their territory. Whilst this is a unique source of local government funding it draws on the same limited population and economy as pay Council rates. The CIC also receives an annual Crown appropriated financial assistance package (more detail on this package was provided in paragraphs 4-7 and the level of the support in the financial years 2018/19 – 2020/21 is the focus of this report and its recommendations).
64. The Council is headquartered in Waitangi and is governed by a Mayor and eight councillors. Including the chief executive, CIC has twelve staff, some of whom work part-time, making the staffing complement equivalent to nine full-time employees.

Scope of Current Roles and Structure

65. The Council has the roles and responsibilities of both a district and regional council. For the purposes of planning, its activities are grouped into the following categories:
- Democracy
 - Infrastructural services
 - Community and Regulatory services
 - Environmental services
 - Emergency management
 - Coasts, harbours and navigation



Democracy

66. The democracy activity group involves planning and support for the work, processes and decision-making of the Council and its committees, the provision and communication of council information and managing statutory democratic processes such as local body elections and consultation. The activity also includes recognising and managing the special relationship with Māori and Moriori.
67. In the 2015/16 financial year the democracy group spent \$771,000 in opex and \$16,000 in capex. The 2015/25 LTP had budgeted \$2.4 million capex for 2015/16 (and \$1.4 million in each of the subsequent years) predominantly for the completion of the new council offices and community complex. Funding was, however, unable to be sourced for this project and CIC is now working to identify an independent party to construct the facility which CIC would then lease back.

Infrastructural Services

68. The infrastructural services activity groups include roading, solid and hazardous waste management, water supply, stormwater and sewerage. In addition, while CIC has no ownership or responsibility of the Waitangi wharf, it has been actively and collaboratively involved in the project to upgrade that facility.
69. The key projects identified in the 2015 LTP for this activity group were:
- Township water schemes – the Plan indicated that Council was in the process of negotiating funding with the Ministry of Health to complete stages two (reliable water source for Waitangi and Te One) and three (address water supply issues in Owenga) of the programme.
 - Roothing infrastructure – while NZTA had announced a work plan for the Chatham Islands based on maintaining an efficient, reliable and safe network that supports the local economy, its review of Financial Assistance Rates (FAR), proposed that the level of assistance would be reduced from the 2015/16 level of 91% by 1% p.a. until it reached 85%. This would have a significant effect on CIC's roading programme, necessitating either projects to be scaled back or alternative sources of funding identified.
- A compromise solution was subsequently negotiated whereby the FAR would reduce to 88% and then be maintained at that level. The FAR is now at 88%.
70. Table 9 sets out the 2015/16 opex and capex figure within the group as both actual and LTP budget. The most significant feature of this table is the material difference between budgeted and actual capex. This is the result of assumed funding sources not having been secured, including stage two of the water schemes programme being pushed back to 2018/19 due to a lack of success in securing funding. Similarly, CIC has not secured assumed funding support to replace the reduced FAR funding for roading.



Table 9: Expenditure on Infrastructural Services

Infrastructure Activity	2015/16 Actual (000)		2015/16 LTP (000)	
	Opex	Capex	Opex	Capex
Roading	1,413	2,355	1,645	2,682
Sewerage	173	-	155	341
Solid waste	206	574	376	842
Water	304	-	223	469
Stormwater	7	-	7	-
Total	2,103	2,929	2,406	4,333

Community and Regulatory

71. Through this group of activities, CIC promotes community development through recreation, the arts and cultural heritage as well as enhancing the health and safety of its communities through statutory and regulatory compliance. The main activities undertaken within this group are:
 - Community services – museum, libraries, the morgue, cemeteries, parks and reserves, housing, community support (grants and working with groups to secure funding) and public conveniences.
 - Licensing and building – CIC enforces health, liquor, and hazardous substances statutory requirements as well as Council By-laws. Building Act responsibilities are performed by Wellington City Council under contract.
 - Dog and animal control.
72. The LTP identified housing as a key issue and in particular the inability to house appropriate skilled staff to fill vacancies (creating a constraint on the local economy) and a shortage of good quality low cost housing in general.
73. In relation to regulation, the LTP identified the tendency for regulations to be made without any specific consideration of how they will impact on the Chatham Islands as a key issue. The Plan suggested a need for a mechanism (along the lines of a specific regulatory impact statement) to "island-proof" legislation and policy.
74. Within this group of activities, the key project identified in the LTP was completion of a new community complex (also referred to under the Democracy activity group as it is planned to include administration facilities). A feasibility study has been completed and the Ministry of Culture and Heritage had earmarked funding for the museum component.
75. Operating expenditure in 2015/16 for this activity group was \$805,000. The \$130,000 of capex budgeted for in the LTP was not spent.



Environmental Services

76. The activities included in this group are:

- RMA compliance – receiving processing and determining resource consents for land use, coastal marine facilities, water usage and discharge of contaminants. The Council's regional resource management responsibilities are managed, under contract, by Environment Canterbury.
- Water quality – monitoring and reporting on statutory compliance.
- Biosecurity – mitigation of animal and plant pests.

77. Operating expenditure of \$923,000 was spent on this group of activities in 2015/16, while the LTP capex budget for that year of \$33,000 was not spent.

Emergency Management

78. Activities in this group include:

- Civil defence – work to reduce the risk of events, ensure readiness, manage the response to them and the recovery afterwards.
- Rural fire – the CIC previously fulfilled its responsibilities under the relevant Act through an agreement with DoC. Under the new amalgamated fire structure (which is in the process of being implemented), CIC will have no direct responsibilities in the area of rural fire.
- Marine oil spill response - within its 12 nautical mile territorial boundary, CIC is required to prepare, maintain and review a Regional Marine Oil Spill Contingency Plan.

79. The LTP identified ongoing recovery and response work resulting from Cyclone Pam as a key issue and the building of a new emergency management operations centre as a key project. A site for the centre was purchased in 2012 and a multi-organisational approach was taken to advancing its development, with the initial intent being construction starting during 2015/16 and being completed over two years. A subsequent decision, however, was made to delay the project until after the completion of the Waitangi Wharf upgrade. Provisional on securing funding, it is now intended to commence the project during 2017/18.

80. In 2015/16 CIC spent \$204,000 of operating expenditure on this activity group. Due to the delay of the operating centre project, the \$1 million LTP capex budget was not utilised.

Coasts, Harbours and Navigation

81. The Chatham Islands has around 360km of coastline and this group of activity is focused on ensuring safe waterways throughout the territory, including:

- administration and review of the Navigation Safety By-laws
- port and harbour safety management
- swing mooring administration
- leading light maintenance.



82. Actual operating expenditure for 2015/16 \$194,000, higher than the \$168,000 LTP budget. \$8,000 of capex included in the LTP was not spent.

Other Crown Contributions and Engagement

83. A detailed analysis of the Whole of Government engagement with the Chatham Islands has not been undertaken as part of this report as that work is the focus of work separately commissioned by DIA (Chatham Islands Investment Strategy). Local Government, however, cannot be considered in isolation to the Districts' engagement with central government. For this reason, this section briefly summarises the Chatham Islands' broader engagement with Government.

Department of Conversation (DoC)

84. DoC has an office at Te One with 12 permanent staff on the Islands (one predominantly based on Pitt Island). In addition, staff, researchers and volunteers are present on various Islands at different parts of the year for specific projects and monitoring exercises. The Department's annual budget for the islands is \$1.6 million.

Department of Internal Affairs (DIA)

85. DIA administers, through its Policy Group, the Crown Financial Assistance Package to the Chatham Island Council and is involved in most of the significant projects undertaken on the islands. DIA also has a range of operational responsibilities on the islands in line with its broader range of regulatory responsibilities. The Minister of Internal Affairs is the Settlor for the Chatham Islands Enterprise Trust.

New Zealand Transport Agency (NZTA)

86. With annual expenditure of almost \$4 million, NZTA is one of the largest funders of capital and activity on the Islands. Their investment represents 88% of all roading expenditure on the Islands. Fulton Hogan contracts for the provision of road maintenance, water supplies and wastewater.
87. The outcome of NZTA's review of Financial Assistance Rates (FAR) impacted negatively on the Chatham Islands. This is discussed in more detail in paragraph 69.

Ministry of Health (MoH)

88. Health services on the Island are the primary responsibility of the Canterbury District Health Board and have been explained in detail in paragraphs 31-37 of this report.

Ministry of Education (MoE)

89. Education services in the Chatham Islands are administered through MoE's Canterbury regional office. A detailed description of the Islands education system is set out in paragraphs 38-41 of this report.



Ministry of Social Development (MSD)

90. MSD operates and part-funds the Heartland Office – a facility situated within the Council administration buildings which provides a one-stop shop for MSD, Work and Income, the Inland Revenue Department, ACC, and DIA. The office is staffed by one officer and (with the exception of DoC) is the only public facing government presence for Government Departments on the Island. MSD also provides \$60,000 to the Chatham Community Focus Trust annually to provide education programmes, including after school and school holiday programmes. In addition, they organise various community events and provide i-Site services.

Ministry for Primary Industries (MPI)¹

91. On-shore fisheries are administered through the Ministry's Dunedin Office, while off-shore fisheries are administered through Wellington. There is a single fisheries officer stationed on the island, who also acts as an animal welfare officer.

Te Puni Kōkiri (TPK)

92. TPK provides funding to support the Ha O Te Ora O Wharekauri Trust, as well as support through its Māori Infrastructure Fund and the Māori Housing Grants.

New Zealand Police Force

93. There are currently 1.6 FTE sworn officers operating the community station (and jail cell) located as part of the Waitangi court complex.

Ministry of Civil Defence and Emergency Management

94. CIC occasionally applies for contestable resilience funding from the Ministry. In 2015/16 they received \$134,000 to support CDEM activity.

Total Crown Expenditure

95. Table 10 is from the final draft a report prepared by Martin Jenkins for the CIC "Enabling a Sustainable Economy", August 2017 and summarises 2015/16 central government operating expenditure in the Chatham Islands.

¹ At the time of writing this report the Government has announced its intention to split up MPI into a number of agencies, including a separate Ministry of Fisheries.



Table 10. Summary of Central Government Activity / Operational Expenditure 2015/16

Agency	Amount 2015/16	Purpose
DIA	3,104,000	Funding to assist Council to deliver local government requirements
NZTA	3,382,000	Roading maintenance
DOC	1,600,000	Annual operating costs
MOE	565,000	Education
MBIE	312,000	Operational costs of wireless broadband towers
TPK	225,000	Grant funding, largely around housing
MCDEM	134,000	One-off grant to support emergency management
MSD	105,000	Funding for Heartland Office and to support the Chatham Islands Community Trust
ACC	20,000	Funding to support Heartland Office
MOH*	3,500,000	<i>Through CDHB to fund health services on the Islands. Estimate based on previous contract with HBDHB</i>
Police*	400,000	<i>1.6 FTEs, accommodation and equipment maintenance.</i>
MPI*	300,000	<i>Fisheries/animal welfare officer.</i>
Total	\$13,675,000	

Source: Sourced from individual agency reports and requests to agencies where information was not accessible.

Note: the spend focuses on operational activity and does not include policy and engagement with the Islands.

* Are estimates only as actual numbers could not be ascertained in time for this report. Numbers have been rounded.

Financial Health Check

96. This section sets out the analysis conducted as part of the financial health check of the Chatham Islands Council (CIC) and discusses its results and conclusion. A copy of the full report is Attachment 1 of this report.
97. The health check analysis contained two primary components. First, an assessment of the CIC's performance, based on the financial prudence measures set out in the Local Government (Financial Reporting and Prudence) Regulations 2014. In undertaking this analysis, the "rates (increase) affordability benchmark" was not used, as a more meaningful assessment of rates was carried out in the second section of the health check. Similarly, the analysis did not utilise the benchmarks related to debt. The reason for this was the CIC's low and relatively immaterial level of debt means that these benchmarks do not provide any useful or particularly meaningful insights. Again, the issue of debt was considered in more detail in the second section the health check analysis.
98. Second, the analysis provided comparisons with a selected group of other councils based on a range of rating and financial indicators.

Financial Prudence Benchmarks

99. The following figures set out the performance of the CIC based on four of the benchmarks required, by regulation, to be measured by councils.

Figure 2: Balanced Budget Benchmark

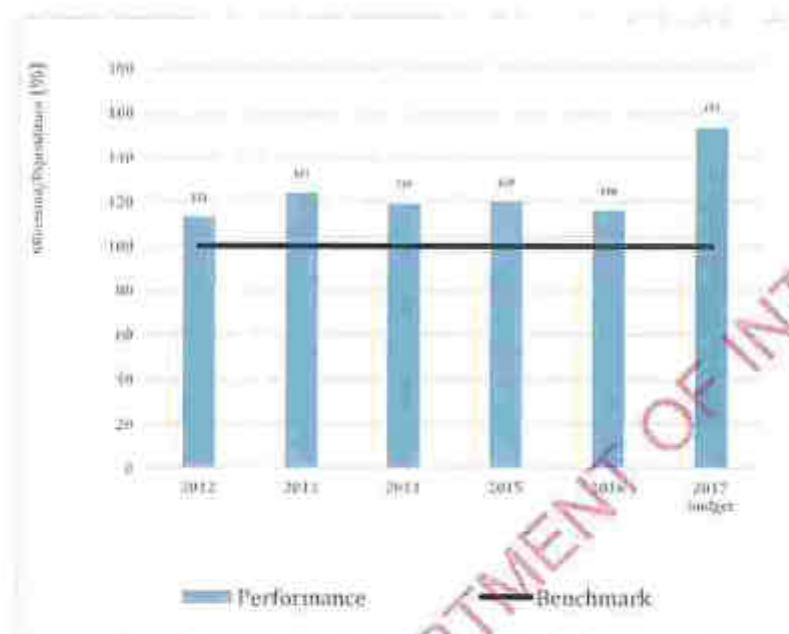
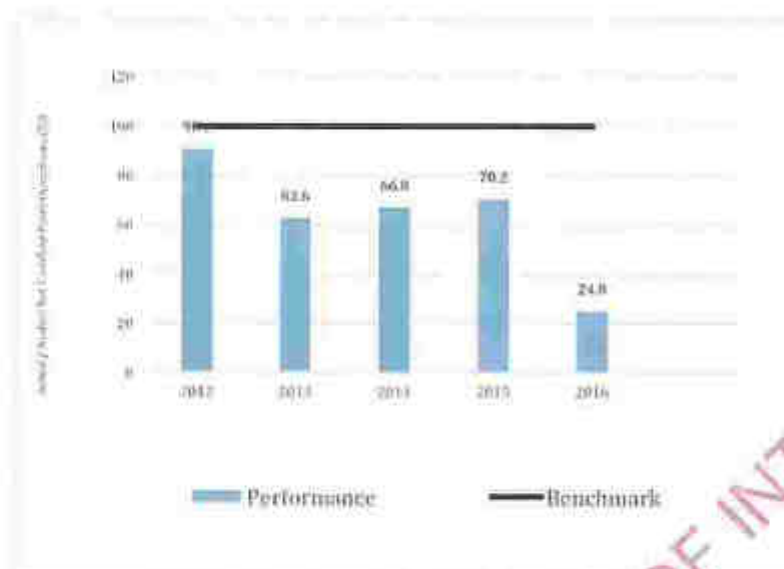


Figure 3: Essential Service Benchmark



Figure 4: Operations Control Benchmark



100. The Council performs positively in relation to both the balanced budget benchmark and the essential services benchmark. This indicates that CIC is effectively managing budgets (as a result of the Crown's financial assistance) and is growing its asset base, as opposed to running it down. In the case of the essential services benchmark, however, it is important to note that CIC is not cash funding depreciation.
101. CIC has consistently underperformed on the operations control benchmark, with 2015/16 involving the most significant variance between actual and budgeted cashflows. The main reason for this is CIC's practice of including projects in their plans which have assumed funding rather than actual secured funding. With CIC's capex being cash funded (i.e. from operations revenue and grants), when such funding is not secured, operating revenue is significantly lower but there is no effect on operating expenditure.

Comparative Financial Indicators

102. Considerable care needs to be taken when comparing CIC's performance with that of other councils because of the extreme uniqueness of the Chatham Islands. Choosing meaningful comparator councils is not straightforward. Not only is CIC the most remote administration in the country, it is the smallest, and does not benefit from a neighbouring "sponsor" urban area or city that cross-subsidises the provision of services. CIC also provides what is arguably the lowest level of service to its ratepayers of all New Zealand local authorities. Despite the difficulties, careful comparisons can provide helpful insights. For the purposes of the health check the following comparator councils were chosen:

- Westland District
- Mackenzie District
- Ōtorohanga District
- Waitomo District
- Ōpōtiki District
- Far North District
- Ruapehu District
- Tararua District
- Gisborne District
- Marlborough District.

103. In choosing these Councils we have attempted to identify organisations that are closest, in a meaningful way, in terms of scale (Mackenzie, Ōtorohanga, Waitomo and Ōpōtiki) and in terms of isolation (Far North, Ruapehu and Gisborne). Because the CIC undertakes both territorial and regional local government functions two of the smaller more rural unitary authorities (Gisborne and Marlborough) were included.

104. In the tables that follow, the performance of CIC is compared only with the average for all the comparator councils. More detailed tables, containing the figures for each of the tables can be found in Attachment 1.

Rates Revenue Increase

105. This indicator tracks the percentage increase in rates revenue (including the impact of base growth, if any) over time.

Table 11: Rates Revenue

	2013/14	2014/15	2015/16	2016/17	2017/18
Chatham Islands (excl. Council Dues) ¹	-5.3	14.9%	0.7%	-1.5%	7.5%
Chatham Islands (incl. Council Dues)	-0.4%	24.5%	-1.5%	-11.8%	8.1%
Average for comparator Councils	4.2%	5.1%	6.4%	4.0%	3.0%

Note 1:

Section 14 of the Chatham Islands Council Act 1995 authorises the council to levy dues on goods imported into or exported from the Chatham Islands Territory. This is a unique power among local government authorities in New Zealand.

106. CIC's rate increases have tended to be well below the average of other councils, including a decrease in 2016/17. The 2017/18 Annual Plan, however, was adopted based on an increase of 7.5%, more than twice the comparator average for that year.

Rates per Rating Unit

107. This indicator compares the level of rates per rating unit for each council, providing an indication of the relative rates burdens of their communities. A time series for this indicator was not possible due to the inconsistent availability of rating unit figures.

Table 12: Rates per Rating Unit

	2017/18
Chatham Islands (excl. Council Dues)	1,032
Chatham Islands (incl. Council Dues)	1,553
Average for comparator Councils	2,339



108. Despite the above average rates increase budgeted for 2017/18, CIC rates per rating unit remains well below the comparator average – less than half (44%) of the average if Council Dues are excluded.

Rates Coverage

109. This indicator expresses the percentage of a council's total revenue sourced from rates, providing an indication of the council's reliance on rates income (as opposed to other external revenue sources).

Table 13: Rates Income as a Proportion of Total Income

	2013/14	2014/15	2015/16	2016/17	2017/18
Chatham Islands (excl. Council Dues)	5.6%	5.9%	6.8%	4.4%	6.2%
Chatham Islands (incl. Council Dues)	8.8%	10.1%	11.3%	6.5%	9.4%
Average for comparator Councils	54%	53%	52%	59%	57%

110. Not surprisingly given the material nature of the Crown's financial assistance to the CIC, a much smaller proportion of the Council's revenue is sourced from rates than is the case for other councils.

Current Ratio

111. The current ratio provides an indication of a council's capacity to meet its short-term obligations from its current assets. The higher the ratio the greater the council's apparent liquidity.

Table 14: Current Ratios

	2013/14	2014/15	2015/16	2016/17	2017/18
Chatham Islands	0.8	0.9	1.0	0.8	0.8
Average for comparator Councils	1.6	1.6	1.6	1.9	1.4

112. While being below the comparator average, at (or just under) 1.0, the CIC liquidity is relatively strong and well above the levels operated by a number of other councils.

Total Liabilities to Assets

113. The liabilities to assets indicators shows the proportion of a council's assets that are funded from debt.

Table 15: Liabilities to Assets

	2013/14	2014/15	2015/16	2016/17	2017/18
Chatham Islands	4.9%	7.3%	3.9%	5.7%	1.7%
Average for comparator Councils	6.2%	6.2%	6.1%	4.6%	6.1%



114. The CIC figure is well below what is considered the benchmark level (20%) and has been trending downwards over time. The budgeted 2017/18 is at a level which raises questions as to whether it has become too low.

Debt to Revenue

115. By comparing debt to an organisation's annual revenue this indicator provides an insight into whether CIC's debt level is at a sustainable level.

Table 16: Debt to Revenue

	2013/14	2014/15	2015/16	2016/17	2017/18
Chatham Islands	5.9%	5.5%	5.3%	8.7%	4.0%
Average for comparator Councils	52.6%	54.3%	51.0%	45.5%	55.0%

116. CIC is geared at around 10% of the comparator average indicating that a predominantly cash funded, pay as you go approach is being taken to capital investment and that depreciation is not being funded. CIC's low level of debt reflects two important factors:

- the Crown's approach to providing funding for specific projects as part of an agreed business case
- the historic difficulty that CIC has had in finding financial institutions that would lend it money due to its particular circumstances and risk profile.

Debt Servicing

117. This ratio measures a council's finance costs as a proportion of total operating revenue to provide an indication of affordability of its debt levels.

Table 17: Finance Costs to Total Revenue

	2013/14	2014/15	2015/16	2016/17	2017/18
Chatham Islands	0.4%	0.3%	0.4%	0.3%	0.2%
Average for comparator Councils	3.1%	3.3%	3.2%	2.8%	2.8%

118. CIC is operating at a level well below the comparator average (about a tenth of that level), which is itself well below the generally accepted prudential benchmark for low to no growth councils of 10%.

Going Concern Test

119. NZ IAS 1 'Presentation of Financial Standards' requires those charged with governance of an organisation to:

- make an assessment of an entity's ability to continue as a going concern, and
- where there are material uncertainties that may call this into doubt, disclose those uncertainties in the annual report.

120. The going concern assumption was most recently assessed in the Audit Report to CIC for the year ended 30 June 2016. That report concluded the use of the going concern



assumption remains appropriate, largely as a result of the confirmed Parliamentary appropriation funding.

Financial Health Conclusion

121. The financial indicators tend to indicate that CIC is in a sound financial position and is performing appropriately, but only because of the level of Crown financial assistance. It should however be noted that, due to the limits of its own revenue and the approach adopted by the Crown in providing financial assistance, CIC is not funding depreciation, and appears to be running assets based on the expectation that replacement will be funded by way of future Crown capital grants. Such an approach is inconsistent with sustainable and quality asset management practices.
122. CIC operations are funded at a significantly lower level of contribution from rates than is the case with other councils. Similarly, CIC funds a significantly lower proportion of its capital programme from debt than the comparator councils.
123. In its approach to financial planning, CIC has estimated future capital costs of asset replacement and assumed full Crown funding to meet those costs. The expenditure and the matching grants have then been assumed to take place at the beginning of CIC's Long-term Plan. The Long-term Plan notes that required Crown funding has not been agreed to and that the expenditure will not take place without the funding being secured. This practice has the appearance of a very front-loaded capital works programme. When this might actually happen is entirely dependent upon Crown funding decisions.

Capacity and Capability to Fulfil Statutory Obligations

124. CIC employs 13 staff. Most of these staff work part-time. Of the 13 roles, seven are focused on administrative and transactional activities, like financial transactions and registering dogs. Six staff are engaged in physical delivery activity, principally the delivery and operation of the Council's new landfill and waste transfer stations.
125. The limited size of the CIC staff means that it is very dependent on its Chief Executive. The Chief Executive performs a significant leadership for both the community and CIC. There is no other CIC staff member that has the Chief Executive's breadth of experience or expertise across local government. This single person risk is to a degree mitigated by the relationship with Environment Canterbury, but it is acute in the context of a possible emergency on the islands – especially when the Chief Executive is off the islands. It is unlikely that CIC could meet its statutory obligations if the current Chief Executive was unable to work unless there was a significant intervention from off the islands.
126. The following tables summarise CIC's performance in terms of compliance with statutory requirements and obligations contained in National Policy Statements.



Table 18: Chatham Islands Council Act 1995 Compliance

Requirement	Current Practice
Public notices are required to be broadcast on radio or television received generally within the territory on at least two days - section 9(b).	With the closure of the Islands' broadcasting unit, it is no longer possible to comply with this requirement.
CIC may levy dues on goods imported or exported into the territory payable by the carrier – section 14.	The council dues vary by commodity and are applied on a weight or volume basis on goods imported or exported by sea or air.
CIC is required to have a single resource management document which includes all the information required of a: regional policy statement; regional coastal plan; and, district plan. Approval by the Minister of Conservation is required for sections of the document which deal with coastal marine areas – section 26.	CIC's Resource Management Document has been notified but is currently awaiting signoff by the Minister of Conservation due to concerns regarding the extent to which it gives effect to the National Coastal Policy Statement.



Table 19: Other Acts Compliance

Legislation	Requirements	CIC Compliance	Comply	Partly Comply	Non-Comply
Biosecurity Act 1993	Councils may facilitate the development of regional pest management plans and regional pathway management plans. Under such plans they can take steps in relation to the monitoring and surveillance of pests.	CIC adopted a Regional Pest Management Strategy in 2008, setting out objectives, identifying the pests to be managed and the methods to be applied. Implementation of the strategy is contracted to Environment Canterbury. The strategy is effective until 2018. If the Council is to maintain its current level of activity under an operative plan a new plan will need to be adopted.			
Building Act 2004	Under this Act, councils are required to inspect building work and issue building consents and compliance certificates. Regional councils are required to provide building control work on dams.	Council's compliance with Building Act requirements is contracted to Wellington City Council, while Environment Canterbury is retained as the Building Control Authority for dams.			
Burial and Cremation Act 1964	Councils are required to maintain cemeteries where sufficient provision for burial is not otherwise available. Councils exercise control and management of cemeteries on its land.	There is a public cemetery on Chatham Island, but many burials occur on private land. While there are historical and community reasons for this, it is contrary to the provisions of the act. The island also does not comply with mortician requirements. (see Health Act below)			



Legislation	Requirements	CIC Compliance	Comply	Partly Comply	Non-Comply
Civil Defence and Emergency Management Act 2002	Local authorities are required to coordinate and plan for civil defence and emergency management to ensure that they are able to function, to the fullest extent possible, during and after an event or emergency.	The Council has emergency management plans, structures and trained staff in place to meet the requirement of the Act. The EOC, however, is part of the council buildings and it is unlikely that it would remain functional in a major event, bringing into question the Council's ability to function during an emergency. The Council is aware of this issue and is working on identifying solutions.			
Dog Control Act 1996 & Impounding Act 1955	Local authorities are required to adopt a dog control policy, maintain a system of registration and maintain a dog pound.	A Dog Control Policy and Bylaw were adopted in 2017 and have been operative since 1 July 2017.			
Fencing of Swimming Pools Act 1987	Under the Act, councils are required to ensure that all pool owners comply with the Act in an ongoing manner through occasional inspection.	While there are private swimming pools on the islands, the provisions of this act are not enforced.			
Fire and Emergency New Zealand Act 2017	Sets out the structures provisions and funding arrangements for the new merged Fire and Emergency New Zealand (which combines Rural, urban and volunteer functions).	The new structures came into effect from July 2017 and are still in the implementation and transition phase. The islands are part of Wellington/Chatham Islands Fire and Emergency. Council is no longer responsible for rural fire functions.		N/A	
Food Act 2014	Sets out the roles and requirements of councils in terms of their regulatory and enforcement responsibilities in relation to their roles as registration authorities and recognised agencies.	CIC carries out at least one food premise inspection annually.			



Legislation	Requirements	CIC Compliance	Comply	Partly Comply	Non-Comply
Gambling Act 2003	The act requires councils to develop class 4 and TAB venue policies that specify whether gambling is allowed and where it may be located.	In compliance with the Act, the Gambling Venues Policy 2016 is operative.			
Government Roadway Powers Act 1989	Vests various powers to execute, manage and consent work on government roads.	There are no State Highways on the Chatham Islands and the Council is directly responsible for all public roads.		N/A	
Hazardous Substances and New Organisms Act 1996	Councils are required to enforce the HSNQ Act in and on any premises situated in the Council area. Councils also provide an enforcement role under the Act.	The Council does not enforce, and is not in compliance with this Act.			
Health Act 1956 - general	The Act requires councils to improve, promote and protect public health. The Act includes mortuary requirements.	Due to the absence of a mortician, the CIC do not comply with the mortuary requirements of the Act.			
Health Act 1956 – drinking water standards	Requires councils to monitor and report on drinking water quality and take all practical steps to comply with standards.	CIC provides reticulated water through the Waitangi and Kaingaroa schemes. The schemes meet drinking water standards.			
Health and Safety at Work Act 2015	The Act provides the framework for ensuring safe and healthy workplaces. It sets out the principal of a duty of care in workplaces and the requirements necessary to fulfil that duty. Penalties under the Act range up to, and include, criminal proceedings.	Due to the substandard state of the Council building, workplace health and safety requirements are not being met.			



Legislation	Requirements	CIC Compliance	Comply	Partly Comply	Non-Comply
Heritage New Zealand Pouhere Taonga Act 2014	This Act sets out the provision for recognising and protecting historical places and areas and for the plans and policies which protect them.	There are 11 registered historic places on the islands and CIC ensures compliance with this Act through the protection of these sites and wāhi tapu.			
Land Drainage Act 1908	Under this Act, councils may order the removal of obstructions to waterways and, under certain circumstances, be compelled to do so.	Has the capacity to comply.			
Land Transport Act 1998	Confers on Councils the power to make by-laws. When by-laws are in place, they must comply with statutory by-law requirements.	No such by-laws are in effect.		N/A	
Land Transport Management Act 2003	The Act requires regional and unitary councils to undertake planning programming and funding for transport activities. Councils are required to develop a Regional Land Transport Plan (RLTP) every six-years, covering a period of 10-years	CIC is the Regional Transport Committee and the RLTP 2012 is currently in effect. A new RLTP will need to be prepared, consulted on and adopted in 2018. There is a need to implement NZTA's 'one road network' classification system.			
Local Electoral Act 2001	Sets out the provisions and requirements relating to the conduct of local elections and polls. The Act includes a requirement for councils to carry out a review of representation arrangements at least once in every six-year period after the first review was completed (either 2003 or 2006).	The Council has recently undertaken a review of the basis of representation and election and has started a public consultation process as required by the Local Electoral Act 2001.			



Legislation	Requirements	CIC Compliance	Comply	Partly Comply	Non-Comply
Local Government Act 1974	Most of this act was repealed by the 2002 Act, however, there are a limited number of provisions which still apply, relating to: local transport, roads and footpaths; harbour navigational matters; and fire hydrants.	The transport requirements are covered by the roading contract with MWH, while the navigational requirements are managed by way of the by-law and contract with Environment Canterbury. Charged fire hydrants are provided in the Waitangi village.			
Local Government Act 2002	The Act provides the general framework and powers under which local authorities operate. It includes requirements relating to community consultation, involvement of the community in decision making, planning, financial management and reporting.	Based on audits and audit reports, CIC is broadly in compliance with the requirements of the Act. The Council does not, however, have a detailed 30-year infrastructure as is required by the Act. Neither has the Council undertaken the S17A reviews of efficiency required by the Act. Similarly, the 2015 LTP contains a number of projects, material in their relative size, that will only be possible if sources of funding can be secured, an approach at odds with that required of other councils.			
Local Government Official Information and Meetings Act 1987	Imposes the requirements for public meetings to ensure that the public has appropriate access to them as well as setting out the framework for the provision (and non-provision) of official information.	CIC meets the requirements set under the LGOIMA in terms of both the conduct of their public meetings and the provision of official information.			
Local Government (Rating) Act 2002	The Act empowers local authorities to raise revenue through rates to fund their activities, setting out the process through which they can be set and the associated responsibilities.	CIC rates appear to be set and structured consistent with the requirements of the Act.			



Legislation	Requirements	CIC Compliance	Comply	Partly Comply	Non-Comply
Maritime Transport Act 1994	The Act sets out the powers of councils that may be used to ensure maritime safety – including investigation and enforcement. Regional councils are required to have operable regional oil spill plans.	CIC meets requirements under this Act. The Navigation Safety Bylaw and the Regional Maritime Oil Contingency Plans were reviewed during 2015/16. Enforcement of the by-law is undertaken through contract with Environment Canterbury.			
Prostitution Reform Act 2003	Councils are able to regulate the location and advertising of brothels through by-laws. When by-laws are in place, they must comply with statutory by-law requirements.	CIC does not have a by-law in relation to prostitution and brothels.		N/A	
Psychoactive Substances Act 2013	The Act regulates the availability of psychoactive substances, providing a framework for products which can be approved. Councils may develop and adopt local approved product policies specifying the locations (both specifically and relatively) where approved products may be sold.	CIC has not adopted a local approved product policy.		N/A	
Public Works Act 1981	Provides councils with various powers related to carrying out public works, including land acquisition and compensation processes.			N/A	
Reserves Act 1977	Under the Act, councils are required to administer, manage and control reserves under their jurisdiction. Including through the preparation of management plans.	CIC has two reserves and neither have reserve management plans.			



Legislation	Requirements	CIC Compliance	Comply	Partly Comply	Non-Comply
Resource Management Act 1991	In general terms, provides councils with powers and responsibilities in relation to the regulation of activities that impact on natural and physical resources. Councils are required to adopt a District Plan and use it to make decisions about land use, while Regional Councils are required to adopt a Regional Policy Statement and a Regional Coastal Plan in order to make decision on discharges into the land, air or water, the coastal marine area and soil conversation. Decision making at either level is through the processing and adjudication of resource consent applications. The Chatham Islands Council Act 1995 provides for a single resource management document.	The Council's Resource Management Document has been notified, submissions have been heard and decisions made but is currently awaiting signoff by the Minister of Conservation due to concerns regarding the effect to which it gives effect to the National Coastal Policy Statement. Consenting functions under the Act are undertaken under contract by Environment Canterbury.			
Sale of Liquor Act 2012	As District Licensing Agencies, councils must consider applications for liquor licenses and managers certificates, appoint inspectors to monitor compliance and develop local alcohol policies (dealing with the sale and supply of liquor).	CIC does not have a Local Alcohol Policy, but otherwise is in compliance with the requirements of the Act.			
Soil Conservation and Rivers Control Act 1941	Responsibilities under this Act include minimising and preventing the damage caused by flooding and erosion; establishing, monitoring and maintaining stopbanks.	The Council effectively manages damage from flooding and erosion.			



Legislation	Requirements	CIC Compliance	Comply	Partly Comply	Non-Comply
Takutai Moana Act 2011	The Act requires that if a customary marine title planning document is lodged with a council, it must take it into account when making decisions that related to the relevant area.	There are no customary marine planning documents lodged.		N/A	
Walking Access Act 2008	Enables councils to enact by-laws that maintain walkways and regulate their use. When by-laws are in place, they must comply with statutory by-law requirements.	CIC does not have by-laws in relation to this Act.		N/A	
Waste Minimisation Act 2008	Councils are required to adopt a Waste Management and Minimisation Plan in order to promote effective and efficient waste management and minimisation in their district. Such plans must be based on a waste assessment and have regard to the New Zealand Waste Strategy.	The Council has a Waste Management Plan in place and is working, with the assistance of the Government, to implement it.			



Table 20: National Policy Statements (NPS)

Statement	Requirements	CIC Compliance	Comply	Partly Comply	Non-Comply
New Zealand Coastal Policy Statement 2010 (NZCPS)	The statement sets out policies required to achieve the purpose of the RMA with respect to New Zealand's coastal environments.	The requirements form part of the Resource Management Document. This has been notified, submissions heard and decisions made but the Minister of Conservation has not approved it due to concerns over the extent to which it gives effect to the NZCPS.			
NPS for Freshwater Management 2011	The statement provides direction on how local authorities should carry out their responsibilities under the Resource Management Act 1991 for managing fresh water.	The requirements form part of the Resource Management Document. Implementing the NPS for Freshwater Management will require a considerable multi-year work programme involving setting targets and limits for every freshwater body on the islands.			
NPS for Renewable Electricity Generation 2011	Provides guidance for local authorities on the construction, operation, maintenance and upgrading of new and existing structures for renewable electricity generation.	The requirements form part of the Resource Management Document. The Council's Resource Management Document has not been approved by the Minister of Conservation.			
NPS on Electricity Transmission 2011	Provides guidance for local authorities on how renewable electricity generation should be dealt with in Resource Management Act planning documents.	The requirements form part of the Resource Management Document. The Council's Resource Management Document has not been approved by the Minister of Conservation.			
NPS on Urban Development Capacity 2016	Sets out the objectives and policies required to provide adequate urban development capacity.	The Chatham Islands do not meet the growth thresholds through which the statements apply.		N/A	

Current and Future Context

127. The maintenance of the road network is and will remain one of the key deliverables for CIC. Accounting for over 25% of operating costs and almost all currently funded capital works, roading is significant. This obligation will not diminish in the future.
128. CIC has developed a new sanitary landfill that has the capacity to deal with the Island's solid waste for many decades. The landfill will be filled in cells, with each cell estimated to have a life of around a decade. There is space for ten cells, but only the first cell has been funded to date. Part of the shift to the new landfill is the introduction of new refuse transfer and recycling centres. This provides the ability to recycle whatever can be, and for the Council to manage the disposal of refuse to landfill to maximise the life of the facility. Whilst there will be on-going operating costs associated with the new solid waste system it is a significant step forward and provides environmentally sound waste disposal. CIC will continue to have residual care obligations in relation to the old, unconsented landfills that were previously used.
129. To operate the new landfill and recycling and transfer system, CIC is reliant on funding of \$319,000 pa provided as part of the current financial assistance package. Should this funding be removed at any time in the future, CIC would need to find some other additional revenue to replace it.
130. The current financial position of CIC means that it has no capacity to deal with any unexpected shocks or additional requirements. Over the last year, the CIC has had to deal with a significant peat fire. Extinguishing the fire was very costly. Rural Fire obligations have now been passed to the new fire service, and under the prevailing rules at the time, CIC was able to claim back a large proportion of the costs of fighting the fire, but it was only able to do so in arrears. This placed significant cash flow pressure on the Council. Its only debt facility is a \$500,000 overdraft facility. CIC has no ability to manage large, unbudgeted expenditure other than to delay payments to suppliers in order to manage its cashflow. This practice can test the good-will of suppliers.
131. Perhaps one of the most significant long-term issues for CIC is that it does not currently fund depreciation. It is normal for councils not to fund depreciation on the proportion of roading assets that are funded from NZTA financial assistance, in anticipation that NZTA will continue to fund that (or similar) proportion of capital works in the future. However, accounting standards require entities to provide for either the relevant depreciation, or the demonstrated funding for ongoing asset renewals and maintenance. This is a significant feature of the required 30-year infrastructure strategy, because it demonstrates a council's ability to provide for the ongoing operation and maintenance of critical long-life infrastructure. It is commonplace for New Zealand local authorities to borrow to fund the delivery of long-life assets and to then use the funded depreciation to service and repay the debt over the life of the asset.
132. The current Crown financial assistance package does not fund depreciation. One-off capital grants have been used to fund necessary infrastructure. Without funding depreciation, CIC has no way of funding the major maintenance, renewal or replacement of its assets at the end of their economic life other than by securing additional one-off grants at some time in the future. This approach locks in the current cycle of failing to provide for asset replacement, and therefore running assets into the ground before being able to make



a case for a new grant to replace them. This approach is almost entirely a reflection of the funding framework and the incentives that it creates. It does not reflect sound asset management and almost certainly does not deliver the best whole of life cost to managing the assets that the council owns. It also means that the largest future issue facing the CIC is how to fund the ongoing maintenance and eventual replacement of its assets.

Future Demand

133. Chatham Island residents themselves do not generate significant additional demands. The population of the islands is static or in decline, and even if it was to grow, there would be limited impact on CIC. The immediate pressures of any population growth or development would be on resource and building consents and this could be effectively managed through the relationships that CIC has with WCC and Environment Canterbury.
134. By far the largest future pressure on CIC is the need to replace aging infrastructure and to reduce the significant risks around the ability to maintain operations in an emergency. The Council's office buildings are inadequate, leak, have poor and expensive heating, and flooring issues that mean that they are probably unsafe. Certainly, the office buildings are in such poor condition that there would be little sense in repairing them, it would be more sensible to build new, fit for purpose buildings.
135. The Council buildings are the emergency management office for the Chatham Islands. The potential for the buildings to have a critical failure during a major weather event presents a significant risk to CIC's emergency response capability.
136. Equally, the location of CIC's IT systems and servers in the council buildings means that there is a real business continuity risk associated with the occupation of the current buildings. It would be prudent to address this by migrating to cloud based IT systems – however, the current state of broadband services to the island (limited bandwidth, slow speeds and reliability issues) precludes a cloud based service delivery approach for CIC.
137. Much of the islands' critical emergency management response capability (fire, ambulance, and civil works depot) is located close to sea level beside a river and immediately adjacent to a bridge. These facilities face significant risk during either a tsunami or a major cyclonic event that causes storm surge, significant rainfall and rising river levels. Consideration has been given to relocating this activity to the council works depot that has been developed as part of the port development. This would significantly reduce risk to emergency response capacity, but the CIC does not currently have the financial resources to develop either new offices or a new emergency management centre.
138. Over recent years the wastewater system has been significantly renewed. The one outstanding issue that requires resolution is the sanitary disposal of sludge from the wastewater treatment ponds. The solution to this is underway, but requires some further design and construction revisions to ensure that it can be achieved within the available funding. The sanitary disposal of sludge will also improve the ability to maintain septic tanks across the island.
139. The public water supplies currently comply with the New Zealand Drinking Water Standards. The Waitangi supply has no E. coli in raw, treated or network water samples and testing has shown no total coliforms present in either raw, treated or network water



samples. The Kaingaroa Water Supply has no E. coli in treated or network water samples. However, the Kaingaroa supply draws water from a lake and has high microbiological contamination in raw water, even with relatively high lake levels. Work is underway to explore the potential to extend the water take further below the lake surface in order to reduce the potential for microbiological contamination of the supply.

140. The New Zealand Drinking Water Standard is a risk based standard, that currently recognises that given the quality of the water, the absence of contaminants and the very small number of people provided potable water, there is no need to treat the water. Any change (increase) to the drinking water standards following on from the Havelock North Inquiry could result in the current water supply being non-compliant.
141. Perhaps more importantly, the Waitangi supply has a limited capacity and is under pressure during droughts when residents that rely on rain water seek water from the town supply to re-fill their tanks. The bore that was established for the construction of the port has a more robust supply and can produce a greater quantity of water. However, coliforms have been detectable in that supply since March 2017. To use that water as a potable supply, a protozoal barrier (i.e. UV disinfection) treatment would be required.
142. One area of activities on the islands, that does generate additional demand and pressures on CIC, is the need to deal with the replacement of vital assets (like wharves, the airport and the power supply) that, whilst not owned by CIC, are essential for the survival of the islands' residents. Assisting in the process of securing funding for this sort of infrastructure is a significant demand on the time of the current CIC Chief Executive.
143. By far the most significant pressure for additional activity and future demands on CIC resources come from central government. New regulatory requirements, environmental policies and standards, changes to the obligations of local authorities and the processes that they must follow are a major driver of costs for CIC.
144. As discussed above and set out in Tables 18, 19 and 20, CIC does not currently comply with a number of statutory requirements. In addition to these, there are a significant number of new requirements in the pipeline that will have a direct impact on CIC. The most obvious of these stem from the current Ministry for the Environment (MfE) work programme relating to national policy statements and standards.
145. A number of existing national policy statements or standards require implementation by CIC over the next two to three years. They include:
 - the National Policy Statement for Freshwater Management
 - the New Zealand Coastal Policy Statement
 - the recent changes to the Resource Management Act (through the Resource Legislation Amendment Act)
 - the implementation of national planning standards from April 2019.

146. In addition, the MoE currently has underway a major piece of work reviewing the whole framework for the allocation of fresh water, and has plans to review or complete the development of the following policies and standards over the next two to three years:

- the National Environmental Standard for dam safety
- a National Environmental Standard for marine aquaculture
- a National Environmental Standard for sources of human drinking water
- a National Environmental Standard for assessing and managing contamination in soil
- a National Policy Statement for natural hazards management
- a National Policy Statement for biodiversity
- a National Environmental Standard for the disposal of end of life tyres
- the policy framework and standards for electricity transmission
- reform in relation to marine protected areas.

147. At this stage, it is difficult to estimate the impact on CIC of this work programme. Much of it relates directly to the responsibilities of CIC as a regional council. Its impact will depend on the policies adopted and the extent to which CIC needs to respond. What is currently clear is that to get the current planning document operative, CIC will need to undertake a significant work load to implement the New Zealand Coastal Policy Statement. The obligations of the NPS for Freshwater Management will require CIC to establish targets and limits for both water quality and quantity for all freshwater bodies on the islands and also establish policies that will maintain or improve water quality. Lastly, the statutory requirement to adopt a yet to be defined national planning standard and template plan are likely to result in CIC having to develop a new and considerably more complex planning document than the current one. All of this work will be costly, and exceeds the current resources of CIC.

Estimated Future Costs

148. To present the core future financial position of CIC in a way that demonstrates the impact of different types of expenditure and the application of funding for both operating and capital expenditure, this report uses a variation of CIC's Funding Impact Statements. Funding Impact Statements are a statutory reporting requirement for local authorities and are a key feature of Annual Plans, Long-term Plans and Annual reports.

149. A number of data sources have been used to build up a picture of the likely future costs for CIC. The starting point has been to use the Annual Plan for 2017/18 and to then amend the forecast expenditure for future years from the Long-term Plan 2015-25 using a number of assumptions and known changes since its adoption in 2015. This provides a 'best current estimate' forecast of expenditure over the period 2018/19 to 2024/25. It is likely that more robust estimates will be produced and refined during the development of the 2018-28 Long-term Plan.

150. The key assumptions in the status quo funding model are:

- future operating expenditure will be consistent with the 2015/25 Long-term Plan, unless more recent information is available to adjust the Long-term Plan figures



- the BERL forecasts of inflation will be used for the adjustment of costs in future years
- general rates, targeted rates, fees and charges, and council dues will increase at the forecast rate of inflation in each year over the period
- Crown financial assistance will remain at the currently approved level of \$2.887m for 2017/18 year and subsequent years
- NZTA financial assistance will be at the rate of 88% for each year of the period
- roading expenditure will be as per the proposed draft 10 year Land Transport Programme delivered by Stantec to CIC in October 2017
- responsibility for rural fire (and related income and expenditure) being removed from 1 July 2017
- additional costs for operating the new landfill and solid waste transfer system of \$81,000 p.a. are included.

151. The resulting Status Quo Funding Impact Statement is shown in Table 21. It is important to note that CIC has not increased Council dues for over a decade. The assumption that total non-Crown revenue will increase at the rate of inflation is therefore rather different than has been the historic practice by CIC.

152. The Status Quo financial model will not result in a balanced budget without increases in revenue that exceed a simple inflation adjustment of current funding from rates, fees and Council dues. Without increased funding the total deficit of CIC starts at \$581,000 for the 2018/19 year and climbs to \$1,186,000 by 2024/25. Over the years modelled, the increased revenue that would be required to balance CIC's budget is shown in Table 22. Table 22 also shows the annual percentage increase in rates that would be required if this shortfall was to be funded from rates and council dues.



Table 21: Status Quo Funding Impact Statement

CIC FUNDING IMPACT STATEMENTS TABLE 21: STATUS QUO FUNDING OF SERVICES FOR KNOWLEDGE											
Initiation/Adjustment	Annual Plan		Annual Plan		Annual Plan		Annual Plan		Annual Plan		11%
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Source of Operating Funding											
General Rates, Uniform Annual Charge, Rates Penalties	274	283	287	293	293	302	312	322	332	341	350
Targeted Rates	136	139	140	144	144	149	155	160	165	170	175
Other Operating Grants	2,113	2,184	2,061	2,087	2,087	2,087	2,087	2,087	2,087	2,087	2,087
Other Operating Grants	15	162	607	107	107	107	11	11	11	11	11
NETA Operating Grants	1,013	974	920	1,074	1,074	1,074	1,074	1,074	1,074	1,074	1,074
Total Subsidies and Grants for Operating Purposes	4,561	3,320	4,578	4,590	4,590	4,590	4,590	4,590	4,590	4,590	4,590
Fees and Charges	54	59	70	82	82	82	85	87	90	93	95
Interest and Dividends from Investments	-	-	72	-	-	-	-	-	-	-	-
Capital Dues	205	205	205	205	205	205	215	225	235	244	254
Local Authorities Fuel Tax, Fines, Infringements Fees, and Other Receipts	147	147	152	152	152	152	152	152	152	152	152
Total Operating Funding	5,392	5,397	5,354	5,470	5,470	5,567	5,623	5,686	5,653	5,679	5,643
Applications of Operating Funding											
Payments to Staff and Suppliers - Housing	1,443	1,413	-	1,422	1,422	1,402	1,311	1,349	1,621	1,651	1,686
Payments to Staff and Suppliers - Other	3,228	3,279	-	4,302	4,302	4,378	4,480	4,504	4,783	4,936	5,118
Payments To Staff And Suppliers	4,671	4,692	4,681	5,724	5,724	5,780	5,791	5,853	6,404	6,587	6,804
Finance Costs	30	37	13	10	10	4	7	0	4	3	1
Other Operating Funding Applications	230	1,400	823	-	-	-	-	-	-	-	-
Total Application of Operating Funding	5,161	6,088	5,517	5,834	5,834	5,884	5,803	6,158	6,414	6,600	6,806
Surplus (Deficit) of Operating Funding	431	238	211	1,636	1,636	2,683	3,820	4,628	3,839	3,729	3,837
Source of Capital Funding											
NETA Capital Grants	3,202	3,408	-	2,331	2,331	2,270	2,272	2,168	2,001	2,797	2,106
Other Capital Grants	3,429	3,59	3,310	2,338	2,338	2,270	2,272	2,168	2,001	2,797	2,106
Subsidies and Grants for Capital Expenditure	5,031	2,727	3,338	2,338	2,338	2,270	2,272	2,168	2,001	2,797	2,106
Development and financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Debt	-	-	-	-	-	-	-	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Jump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total Source of Capital Funding	5,383	2,727	3,338	2,338	2,338	2,270	2,272	2,168	2,001	2,797	2,106
Application of Capital Funding											
Capital Expenditure	270	2,115	-	437	437	105	609	403	331	1,028	639
- Housing Improvements	-	-	-	-	-	-	-	-	-	-	-
- Other Improvements	-	-	-	-	-	-	-	-	-	-	-
- Total to improve the level of service	-	-	-	-	-	-	-	-	-	-	-
- To meet additional demand	-	-	-	-	-	-	-	-	-	-	-
- Building repairs existing assets	2,164	-	-	2,216	2,216	2,481	1,712	2,703	2,044	2,170	1,954
- Other repairs existing assets	630	1	-	88	88	61	78	82	48	130	16
- Total to replace existing assets	2,794	1	3,500	3,004	3,004	2,544	1,790	2,785	2,092	2,300	1,970
Increase (Decrease) in reserves	11	317	28	-	-	-	-	-	-	-	-
Increase (Decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
Total Application of Capital Funding	6,015	2,545	7,113	2,751	2,751	2,650	2,657	2,525	2,119	3,309	2,439
Surplus (Deficit) of Capital Funding	4,368	1,218	3,211	4,140	4,140	3,720	3,865	3,863	3,830	3,511	3,823
Total Funding Deficit (Operating and Capital)	-	-	-	3,811	3,811	6,330	7,493	8,267	5,689	1,132	1,186

GIC FUNDING IMPACT STATEMENTS
TABLE 21 - STATUS quo funding requirements for Kaitiaki Community

	Actual 2016/17 \$000	Annual Plan 2016/17 \$000	LTP 2016/17 \$000	LTP 2017/18 \$000	LTP 2018/19 \$000	LTP 2019/20 \$000	LTP 2020/21 \$000	LTP 2021/22 \$000	LTP 2022/23 \$000	LTP 2023/24 \$000	LTP 2024/25 \$000
Charges											
Rural Fire income to be removed from 1 July 2017			(105,719)	(105,719)	(105,719)	(105,719)	(105,719)	(105,719)	(105,719)	(105,719)	(105,719)
Rural Fire Expenditure to be removed from 1 July 2017			77,161	77,161	77,161	77,161	77,161	77,161	77,161	77,161	77,161
Increased cost of Solid Waste Operations											
Reaching Operational Expenditure - MWH Revisions Oct 17											
Other Reaching Operational Costs (Curt & Street Lights from Draft LTP Budget Tab)											
Reaching NCTA Operating Grant - MWH Revisions Oct 17			1,358	1,358	1,358	1,358	1,358	1,358	1,358	1,358	1,358
Reaching Capex Total - MWH Revisions Oct 17			1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156
Reaching Capex to Improve LQ5 - MWH Revisions Oct 17			2,603	2,603	2,603	2,603	2,603	2,603	2,603	2,603	2,603
Reaching Capex to Replace Existing Assets - MWH Revisions Oct 17			437	437	437	437	437	437	437	437	437
			2,216	2,216	2,216	2,216	2,216	2,216	2,216	2,216	2,216

Total Increased Operating Funding to Balance Budget
 Total Increased Capex Funding to Balance Budget

Status Quo Total Required Crown Operating Contribution (including NCTA)											
Status Quo Total Required Crown Capex Contribution (including NCTA)											
Status Quo Total Crown Contribution (including NCTA)											
Annual Increase (Decrease) in Crown Contribution											
Annual Percentage Increase (Decrease) in Crown Contribution											
Status Quo Total Rates Fees and Charges											
Annual Increase (Decrease) in Rates Fees and Charges											
Annual Percentage Increase (Decrease) in Rates Fees and Charges											

Table 22: Status Quo Additional Revenue Required to Balance Budget

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Total Additional Revenue Required to Balance Budget (\$000)	581	633	745	820	909	1,232	1,186
Annual Rates and Dues Increase % Required to Balance Budget	65.8%	5.5%	9.1%	6.2%	6.6%	18.5%	-0.8%

Note: The Additional Revenue required is calculated in relation to the underlying assumptions that Crown funding is fixed at the current level and rates and dues increase at the rate of inflation. The percentage increase in rates and dues is the increase from the previous year that would be required to balance the budget. The increases in rates would compound over the period.

153. In addition to the base level funding assumptions in the status quo funding model, specific project related and activity costs have been developed as the basis for the recommended level of council activity and different funding models. The approach has been to identify activities and related costs that were not included in the budget for the current year, and have not been dealt with in the Long-term Plan 2015-25. These costs are then added to the Funding Impact Statement for future years. Two different levels of activity have been modelled:

- **Statutory Compliance** – reflecting the activity that would be required to address the identified areas of statutory non-compliance and fundamental risks.
- **Normal Council** – reflecting, in addition to the activity that would be required to ensure statutory compliance, activities that would be expected of a normal council that CIC does not currently undertake (primarily relating to sport, recreation, cultural facilities and services).

154. The anticipated extra (above status quo) future operating and capital expenditure for both the Statutory Compliance option and the Normal Council option are set out in Table 23.

155. In estimating these extra future costs the best currently available estimates have been used where they exist. A number of the statutory compliance activities have not previously been costed. For these activities, the estimates of likely cost have been made using the experience and judgement of the authors. Table 23 shows which activities have been costed using existing CIC estimates, and which have been estimated by the authors.

Table 23: Anticipated Extra Future Expenditure for Statutory Compliance and Future Council Models

Statutory Compliance Scenario	CIC ADDITIONAL FUTURE YEAR						Source
	LTP 2018/19 \$'000	LTP 2019/20 \$'000	LTP 2020/21 \$'000	LTP 2021/22 \$'000	LTP 2022/23 \$'000	LTP 2023/24 \$'000	LTP 2024/25 \$'000
Increased Operating Costs							
Implementing the National Policy Statement for Freshwater Management	-	300	300	300	-	-	-
Implementing the New Zealand Coastal Policy Statement / complete Planning Document	200	200	200	-	-	-	-
National Planning Standards	-	100	100	100	-	-	-
Other NPS, NES, and expected new Environmental policy	-	50	50	50	-	-	-
Fencing of Swimming Pools Act Compliance	10	-	-	-	-	-	-
HASNO Act enforcement	20	5	5	5	5	5	5
Increased Water Supply Operating Costs (extra treatment costs)	-	100	100	100	100	110	110
Health and Safety at Work Act compliance	10	2	2	2	2	2	2
30 year Infrastructure Strategy	15	-	-	15	-	-	15
Reserve Management Plans	10	-	-	-	-	-	10
New Office Building Lease	-	196	202	209	215	221	228
Currently unfunded R&M (Memorial Reserve Buildings, Owenage Wharf, Playgrounds)	35	36	37	38	39	40	42
Staff Capacity Building	120	123	126	130	134	138	142
Staff & Community Housing R&M	150	150	150	150	150	150	150
Consequential increases in Opex from Capital Works	-	19	18	18	18	18	18
Total Increased Operating Costs	570	1,140	1,164	994	545	560	600
Additional Capital Costs							
New Emergency Management Centre (asset replacement)	-	500	-	-	-	-	-
Water Supply Improvements (improve level of service)	3,070	-	-	-	-	-	-
New Staff House (improve level of service)	500	-	-	-	-	-	-
Total Increased Capital Costs	3,570	500	-	-	-	-	-
Normal Council Scenario (addition to Statutory Compliance)							
Increased Operating Costs							
Sport & Recreation Opex	-	-	-	60	60	60	60
Enhanced Pest Control	30	30	30	15	15	15	15
Council Cultural Capacity Building	15	15	-	-	-	-	-
Total Increased Operating Costs	45	45	30	75	75	75	75
Additional Capital Costs							
Community Sports Facility (improve level of service)	-	-	3,435	-	-	-	-
Total Increased Capital Costs	-	-	3,435	-	-	-	-

156. Of the identified future costs, the greatest uncertainty relates to the capital projects and there is potential to approach some of these projects in different ways. For instance, the approach to the new council office building, that is represented as the option of entering into a long-term lease with Ngāti Mutunga for the use of a purpose-built facility that would house both CIC and the Chatham Islands Enterprise Trust. Earlier costing assumed that CIC would build and own its own facility. The new office lease costs shown in Table 23 are significant, adding \$192,000 to CIC operating costs in 2019/20 with inflation adjusted increases in following years. This lease cost is based on a 9% return on a \$3.3m development of which CIC pays two thirds and the Enterprise Trust the other third. The merits over the long term of the alternative approaches has not been considered here. CIC is progressing toward an agreement in principle with Ngāti Mutunga, but considerable work would be required to move from the current state to an agreed design, cost and lease structure. However, it would be considerably cheaper (less than half the annual cost) for CIC to debt fund the office development itself than to enter into the sort of arrangement that is reflected in Table 23.
157. Equally, the costs of delivering a combined emergency management centre have considerable uncertainty. Indeed, it is not clear quite how the Council's interest in this should be reflected. The concept of co-locating emergency services and emergency response capability is sound, but any unnecessary duplication of facilities between it and the new council buildings would need to be avoided. Rather than include the \$2.015m that was included in the previous Long-term Plan for this purpose, a provision of \$0.5m has been made. This reflects the transfer of responsibility for fire to Fire and Emergency Response New Zealand and recognises that both fire and ambulance services would need to contribute financially to a new emergency management facility. The notional council contribution of \$0.5m reflects the co-location of CIC's civil defence and emergency management systems and equipment.
158. The costs for expanding the Waitangi water supply reflect advice to CIC from September 2017. At a total estimated cost of \$3.07m the proposed expansion includes extended reticulated supply to Te One and increases the capacity of the supply. The expansion resolves the current supply constraints during drought periods when the current supply comes under significant pressure from residents that are reliant on rainwater supplies. Increasing the water addresses a significant community resilience issue. The enhanced water supply supports more households, it also has higher operating costs, reflecting the need to have additional water treatment and greater reticulation. These additional operating costs have been estimated by CIC's consultants to be \$100,000 per annum.
159. Councils would normally seek to recover the direct operating costs for water supply from those residents that use the water through either targeted rates or water charges. If the additional \$100,000pa operating costs were added to the existing CIC targeted rates, the revenue from those rates would need to increase from a total of \$294,000 to \$394,000 – a 34% increase. A significant part of this increase would come from Te One properties that currently receive no water and do not pay water rates. It is not clear if the affected ratepayers would consider that the increased costs were justified and whether they would be willing to pay for the increased service and reliability of supply.
160. The additional operating costs required for statutory compliance include costs associated with the implementation of national environmental regulation. The cost estimates reflect a mix of Environment Canterbury advice and allowances made to reflect the likely scale of

costs to CIC of implementing regulation that has not yet been finalised, but is under development. In the case of implementing the National Planning Standards, this is the estimated cost of translating the current planning document into the new template plan that was legislated for in the Resource Legislation Amendment Act 2017 and is currently under development.

161. The estimated future costs relating to building staff capacity relate to the costs of attracting a new senior staff member that can act as the Deputy Chief Executive and significantly reduce the CIC's single person risk relating to its reliance on the Chief Executive. The repair and maintenance costs for staff housing and the capital cost of an additional staff house are directly related to this initiative. The inclusion of this expenditure reflects the conclusion reached by the authors that CIC needs to reduce its single person risk, and lift its capability, but that a part of the costs of doing this should be able to be met from within the Council's current staffing costs. The estimated future costs include an additional staff house because it is most unlikely that CIC would be able to find either a new Deputy Chief Executive, or the next Chief Executive on the islands. Equally, the current staff house is unlikely to be of a standard able to attract a future Chief Executive.
162. The other estimated future costs in the Statutory Compliance Scenario reflect a range of currently unbudgeted repairs and maintenance activity across a range of council assets that need to be addressed and provided for. The estimates also include an allowance for extra operating costs arising from additional capital expenditure. This is assumed to be 0.5% of the additional capital expenditure in each year, compounding.
163. The profile of expenditure under the Statutory Compliance Scenario has not been smoothed in any way. The profile of expenditure over future years provides for achieving statutory compliance as soon as possible. It would be possible to smooth the impact of the increases by shifting to statutory compliance over a longer period of time, but only if there is an appetite for continued non-compliance.
164. The estimated future costs for the Normal Council Scenario include all of the costs in the Statutory Compliance Scenario and adds to that the costs shown in Table 22. The main costs are the capital costs associated with the development of a community and sports facility. The \$3.435m capital cost that is provided for this purpose in Table 22 assumes a total project cost of \$4.735m (from the previous Long-term Plan) and then assumes that \$1.3m of that cost is raised through community fund raising and other sources. The potential for fund raising on that scale is unknown.
165. The operating cost increases for the Normal Council Scenario include:
 - an allowance for sport and recreation expenditure following the development of the community and sports facility
 - funding to expand the current pest management activity to include more meaningful attempts to control the populations of black swans and Canada geese
 - funding to build the cultural capacity of the CIC to equip it to better meet its Local Government Act obligations to Māori.
166. None of the expenditure scenarios includes specific provision for contingency or emergency response.

Opportunities for Savings

167. Whilst there is a significant increase in ongoing operating costs in both the Statutory Compliance and Normal Council options, both also contain large and quite lumpy future capital expenditure. The required capital works all have a significant civil works component. All would require a degree of gearing up, including the physical establishment of plant and equipment and securing the required skilled labour. In most typical construction jobs on the Chatham Islands, these establishment costs can account for around 30% of the total construction costs. Any ability to avoid these costs due to the careful sequencing of work, and in particular the sequencing of any works relating to the assets owned by the Enterprise Trust, could materially reduce the currently estimated costs.
168. Over the period 2018/19 to 2024/25 the costs of CIC non-roading capital works is between \$4.6m and \$8.0m (depending on the option). Reducing the cost of construction by reducing establishment costs could save in the order of between \$0.5m and \$1m over the period. In addition, there could also be savings in the roading capital works associated with improved scheduling of works to generate the best possible savings.
169. These potential savings have not been further quantified or analysed. To secure them, CIC would need to coordinate its capital works programme with the Enterprise Trust and this is likely to require aligned government decision making relating to the financial support for the islands' infrastructure.
170. In addition to potential savings through changing the delivery of the capital works programme, there are other opportunities for savings. There is potential for CIC to make greater use of corporate services provided by Environment Canterbury and to achieve savings through better application of modern IT solutions. At the most basic level, the use of video conferencing facilities could reduce the need for Council staff to travel off the islands to conduct business. Migration of Council IT systems to cloud-based services would also be significantly cheaper than the current stand alone operation. However, these opportunities are significantly constrained by the current telecommunications and broadband services to the islands. There is insufficient reliable and robust broadband capacity on and off the island to make such solutions possible.
171. There is potential for savings through better integration or sharing of services between CIC and the Enterprise Trust, particularly in relation to asset management. Any such savings would be important for both organisations and for the residents of the islands. There is also potential for reducing the cost of CIC activity by considering the extent to which they need to comply with the standards expected of a mainland Council.
172. None of these potential savings have been considered further in this report but they warrant further and serious attention because they could materially help the financial sustainability of the community of the Chatham Islands.

Part 4: The Options: Identification and Screening

173. Eight different options for considering financial assistance to the CIC have been identified. In addition to an option of no Crown funding, the other options are combinations of different levels of activity and different funding methods/mixes. The three levels of activity and their related levels of expenditure were discussed in Part 3, they are:

- Status Quo
- Statutory Compliance
- Normal Council.

174. The six funding methods/mixes that have been considered are:

- Zero Crown financial assistance
- Maintain Crown funding at current level adjusted for inflation
- Increase Crown funding to achieve a balanced budget
- Increase the share from rates funding – which increases rates, fees and Council dues at the same rate as increases in operating expenditure and then increases Crown funding to achieve a balanced budget
- Uses Council debt to fund capital expenditure and then increases Crown funding to achieve a balanced budget (including debt servicing)
- A combination of increasing the share from rates funding and using Council debt to fund capital expenditure with increased Crown funding to achieve a balanced budget.

175. Not all of the possible combinations of activity level and funding method/mix have been modelled and evaluated. Table 24 shows the combinations of funding option and activity level that have been modelled. The options of no Crown financial assistance and limiting to Crown financial assistance increase at the rate of inflation have been dealt with through a higher-level screening (below). Both of these options have serious issues that suggest they do not warrant further consideration. The other options are the subject of more detailed evaluation.

176. The Status Quo option was modelled against the current level of Crown financial assistance and is shown in Table 21 above.

177. The 'Normal Council' activity level has only been modelled using the funding method/mix of increasing Crown funding to achieve a balanced budget. The Statutory Compliance level of activity has been modelled with all of the funding method/mix options. These combinations are set out in Table 24.

178. Between them these options provide a way of addressing the critical questions over:

- the scale of CIC activity that the Crown may be willing to fund
- the way in which the CIC should be funded
- the incentives and consequences of different methods/mixes of funding.

Table 24: The Modelled Funding Options

Funding Method/Mix	Activity Level		
	Status Quo	Statutory Compliance	Normal Council
Status Quo	✓		
No Crown Funding		✓ ¹	
Crown Funding Inflation Adjusted		✓ ¹	
Crown Funding Increased to Balance Budget		✓ Option 1	✓ Option 5
Rates and Crown Funding Increased to Balance Budget		✓ Option 2	
Debt Fund Capital Expenditure and Increase Crown Funding to Balance Budget		✓ Option 3	
Debt Fund Capital, Rates and Crown Funding Increased to Balance Budget		✓ Option 4	

Note 1: Both of these modelled approaches produce significant annual operating losses. Neither will produce a viable balanced budget. They were modelled to demonstrate CIC dependence on Crown funding.

No Crown Financial Assistance

179. The terms of reference for the review require the consideration of an option that has no Crown financial assistance. This approach was modelled against the statutory compliance level of activity and the results are shown in Table 25.

180. A zero Crown funding approach is not a meaningful option in its own right. CIC is so completely dependent on the funding assistance package that it could not function without it. Under the Annual Plan for the 2017/18 year, Crown funding accounts for 50% of CIC's total revenue (excluding NZTA financial assistance). To replace this from rates, dues and charges would require a dramatic increase in revenue from these sources. To put this in context, if all general and targeted rates and council dues are combined as (in essence) 'rates' revenue, the average per rateable property for the current year is \$1,553. To replace the current Crown assistance this would need to increase by around \$5,180 per rateable property to a total of \$6,736 per property for the 2017/18 year. To reach the level of revenue required to deliver the Statutory Compliance Scenario, the average per property would need to rise to around \$15,070 for the 2018/19 year.

181. Whilst there is an argument for the residents of the Chatham Islands to pay a greater proportion of CIC's costs, the simple consequence of withdrawing the financial assistance package would be the failure of CIC. Realistically, it would not be able to increase its rates to cover the shortfall in revenue, it would fail the going concern test and would cease to function. At that point, the Minister of Local Government would have to intervene to ensure the delivery of basic services and to maintain the rule of law.

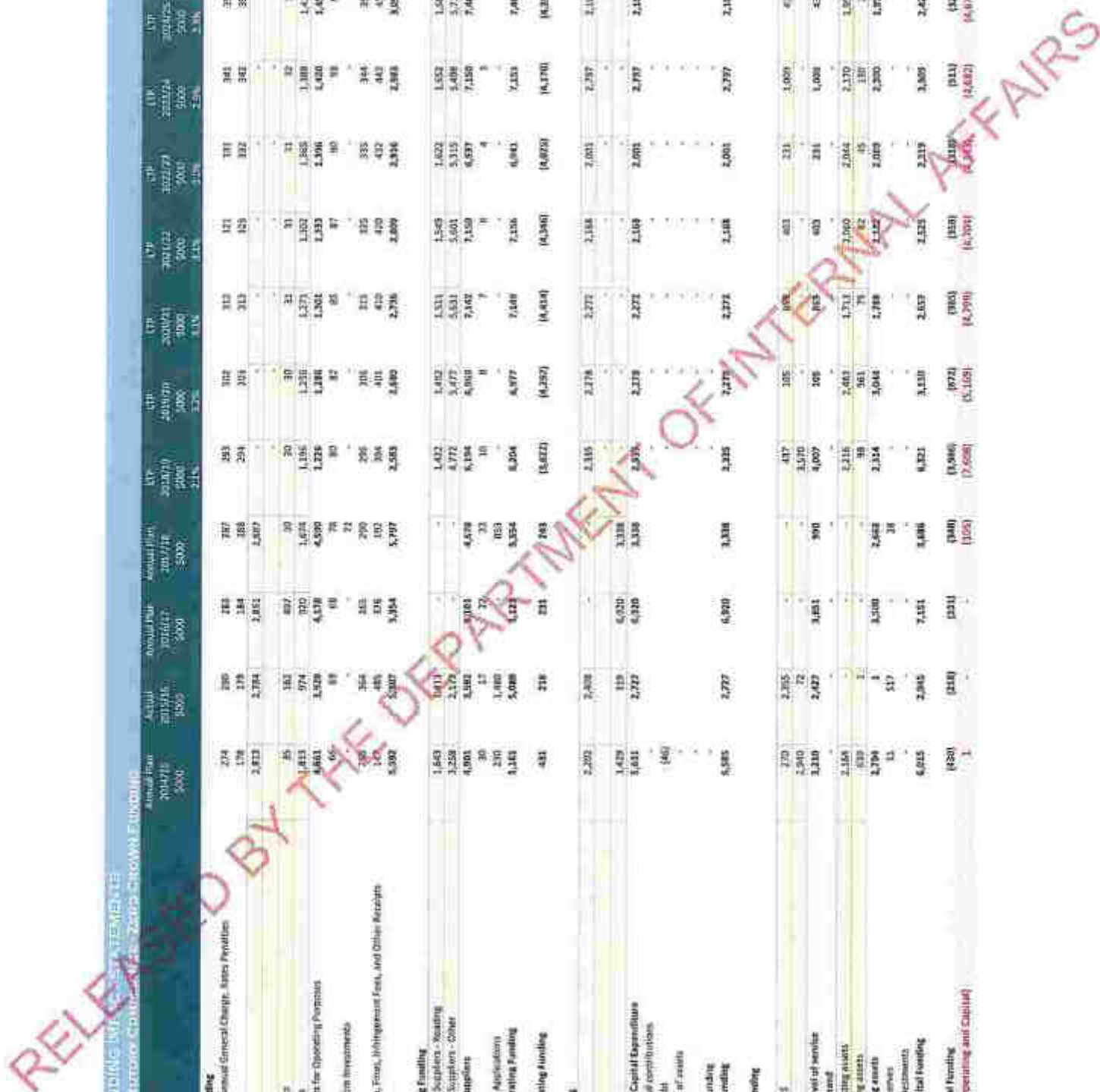


Table 25: No Crown Financial Assistance

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TABLE 3: STATUTORY COMPLIANCE - ZERO CROWN BUILDING

Changes	Actual Plan 2014/15 5000	Actual Plan 2015/16 5000	Actual Plan 2016/17 5000	2017/18 5000	2018/19 5000	2019/20 5000	2020/21 5000	2021/22 5000	2022/23 5000	2023/24 5000	2024/25 5000
Increased Operating Costs											
Implementing the National Policy Statement for Freshwater Management											
Implementing the New Zealand Coastal Policy Statement / complete Planning Scheme											
Natural Planning Standards											
Other WHS, HES, and expanded new Environmental policy											
Fencing of Inland Farm Pools Act Compliance											
ROSDO Act replacement											
Increased Water Supply Operating Costs (water treatment costs)											
Health and Safety at Work Act compliance											
30 year infrastructure Strategy											
Resource Management Plans											
New Office Building Lease											
Currently unfunded RSM (Memorial Reserve Buildings, Otago Wharf, Playgrounds)											
Staff Capacity Building											
Staff & Community Housing M&M											
Consequential increase in Cost from Capital Works											
Total Increased Compliance Related Operating Costs											
Additional Capital Costs											
Contribution to new Emergency Management Centre (asset replacement)											
Water Supply Improvements (response level of service)											
New Staff House (interior level of service)											
Total Increased Capital Costs											

Total Increased Operating Funding to Balance Budget

Total Unfunded Operating Losses	243	(3,223)	(4,297)	(4,414)	(4,346)	(4,025)	(4,170)	(4,353)			
Total Unfunded Capital Expenditure	(348)	(3,961)	(872)	(385)	(358)	(334)	(311)	(321)			
Total Unfunded Expenditure	(105)	(7,183)	(5,169)	(4,799)	(4,704)	(4,343)	(4,481)	(4,674)			
Accumulated Unfunded Expenditure	(105)	(7,113)	(12,881)	(17,680)	(22,384)	(26,777)	(31,259)	(36,064)			
Statutory Compliance Total Required Crown Operating Contribution (excluding NZTA)	2,897										
Statutory Compliance Total Required Crown Capital Contribution (excluding NZTA)	3,338										
Statutory Compliance Total Crown Contribution (including NZTA)	6,235										
Annual Increase (Decrease) in Crown Contribution	(6,235)										
Annual Percentage Increase (Decrease) in Crown Contribution	-100.0%										
Zero Crown Funding - Total Rates Fees and Charges	538	538	538	538	538	538	538	538	538	538	538
Annual Increase (Decrease) in Rates Fees and Charges	18	18	18	18	18	18	18	18	18	18	18
Annual Percentage Increase (Decrease) in Rates Fees and Charges	3.9%										
Increase (Decrease) of Crown Contribution compared with Status Quo	6,235										
Percentage Increase (Decrease) of Crown Contribution compared with Status Quo	100.0%										
Increase (Decrease) in Rates compared with Status Quo											
Percentage Increase (Decrease) of Rates Contribution compared with Status Quo											

182. Withdrawing current financial assistance is not a realistic option because it would:

- result in the collapse of CIC
- significantly increase existing levels of statutory non-compliance
- expose government (both officials and Ministers) to considerable risk and potential liability because it would make known levels of statutory non-compliance worse
- undermine the rule of law on the Chatham Islands
- fail to provide for the maintenance and replacement of key infrastructure
- fail to address key risks to the community on the islands – particularly risks related to natural disasters.

183. The Crown could remove or substantially reduce its ongoing financial assistance without CIC failing if it could replace (or largely replace) that assistance with some other form of revenue. The sorts of options that would be required to achieve this are:

- replacing Crown funding with ratepayer funding from another local authority by either amalgamating CIC with a mainland council, or it becoming a Local Board of a mainland council, or it becoming a District Council within a mainland regional council (transferring the regional council functions and the need to fund them)
- replacing Crown funding with some other royalty or an investment that generates sufficient income.

184. All of these alternative approaches are problematic. Any option that involves amalgamation or changes in democratic governance means that CIC would have very little say over the way in which it is governed. If it was a District Council within a mainland region, it would not have sufficient population to secure a representative on the regional council. As part of a mainland district council, it would not have sufficient population to secure a representative on the council's governing body. If it was a Local Board of a mainland council, there would be a strong argument that everything that it does is a local service, and that would then prompt the understandable view that all of its local services should be funded from the local population – and that would not be sustainable.

185. The Crown has previously considered and rejected a range of royalties as alternatives to the financial assistance package. Any of the possible approaches has significant potential issues, including setting precedents that would be untenable, establishing perverse incentives and undermining the standard national operation of systems, like the quota management system.

186. The Crown specifically considered establishing a large trust fund to sustain the Chatham Islands Enterprise Trust when it transferred the ownership of key infrastructure to the Trust. With hindsight, the size of the fund considered would have been inadequate to sustain the Trust and avoid the current asset renewal issues the Trust is facing. The same challenge would exist if this approach was to be used to fund CIC. Establishing a large trust fund also introduces risks that, over time, the funds are not well managed, or are used for unintended purposes and the council remains unable to deliver its statutory duties without additional assistance.

187. The only other option by which the Crown could remove or substantially reduce its ongoing financial assistance without CIC failing would be if it was to accept a very different

(lower) level of regulation and related costs on the Chatham Islands than is applied elsewhere in New Zealand. This approach would undermine the rule of law and raises significant issues over the Crown's obligations to its citizens and to iwi/imi and has been consistently rejected by successive governments. Even if a lower level of regulation was acceptable, it is unlikely that it would solve the funding challenge, because at its core CIC's financial challenges relate to the funding, management and replacement of long-life assets. This challenge would remain irrespective of the regulatory regime.

Maintaining or Inflation Adjusting Current Financial Assistance

188. The Terms of Reference for the review also require consideration of the option of continuing the current level of financial assistance. The Status Quo approach that is shown in Table 21 illustrates the impact of maintaining Crown financial assistance at the current approved level \$2.887m per annum. In addition to that combination, Table 26 shows the impact of inflation adjusting the current Crown financial assistance under the 'Statutory Compliance' level of council expenditure.
189. The Funding Impact Statement for the Status Quo option shown in Table 21 demonstrates that without addressing any of the underlying issues facing CIC, or any areas of known statutory non-compliance, the current unadjusted level of Crown funding does not support a balanced budget – unless the Council is able to make up the shortfall with significant rates increases. The likely shortfall for Status Quo levels of activity is shown in Table 21 as between \$581,000 and \$820,000 in each year over the next four years. A \$581,000 increase in revenue from general and targeted rates and council dues would be a 66% increase over the current year.
190. The funding shortfall if financial assistance is held at current levels but adjusted for inflation becomes more significant under the Statutory Compliance level of activity. With this level of activity and no borrowing, the shortfall in funding for 2018/19 year would be around \$4.66m (see Table 26). It would not be possible to fund this from rates without very considerable hardship or shifting to fund all capital expenditure by borrowing. This approach is explored in more detail below.
191. Continuing current levels of financial assistance is not a realistic option because:
 - It continues known levels of statutory non-compliance
 - It would expose government (both officials and Ministers) to considerable risk and potential liability because it does not deal with known levels of statutory non-compliance
 - It would undermine the rule of law on the Chatham Islands
 - It would fail to provide for the maintenance and replacement of key infrastructure
 - It would fail to address key risks to the community on the islands – particularly risks related to natural disasters.



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CAPITALLY FUNDING INVESTMENTS
TABLE 20: STATUTORY COMPLIANCE - OPERATION ONLY - ADDITIONAL ONLY - ADDITIONAL ONLY - ADDITIONAL ONLY - ADDITIONAL ONLY

	Actual 2016/17	Actual 2017/18	Actual 2018/19	Actual 2019/20	Actual 2020/21	Actual 2021/22	Actual 2022/23	Actual 2023/24	Actual 2024/25
Increased Operating Costs									
Implementing the National Policy Statement for Freshwater Management	-	-	-	-	-	-	-	-	-
Implementing the New Zealand Coastal Policy Statement / Completing Regional Sea	-	-	-	-	-	-	-	-	-
National Planning Standards	-	-	-	-	-	-	-	-	-
Other NPS, NES, and expected new Environmental policy	-	-	-	-	-	-	-	-	-
Fencing of Swimming Pools Act Compliance	-	-	-	-	-	-	-	-	-
MASPD Act enforcement	-	-	-	-	-	-	-	-	-
Increased Water Supply Operating Costs (wastewater treatment costs)	-	-	-	-	-	-	-	-	-
Health and Safety at Work Act compliance	-	-	-	-	-	-	-	-	-
30 year infrastructure Strategy	-	-	-	-	-	-	-	-	-
Reserve Management Plans	-	-	-	-	-	-	-	-	-
New Office Building Lease	-	-	-	-	-	-	-	-	-
Currently unattached R&M (Mineral Reserve Buildings, Overseas Wharf, Programmes)	-	-	-	-	-	-	-	-	-
Staff Capacity Building	-	-	-	-	-	-	-	-	-
Staff & Community Housing Issue	-	-	-	-	-	-	-	-	-
Consequential increases in Opex from Capital Works	-	-	-	-	-	-	-	-	-
Total Increased Compliance Related Operating Costs	579	1,149	1,167	997	547	547	547	547	405
Additional Capital Costs									
Contribution to new Emergency Management Centre (asset replacement)	-	-	-	-	-	-	-	-	-
Water Supply Improvements (improve level of service)	-	-	-	-	-	-	-	-	-
New Staff House (improve level of service)	-	-	-	-	-	-	-	-	-
Total Increased Capital Costs	500	500	500	500	500	500	500	500	500
Total Increased Operating Funding to Balance Budget	1,079	1,649	1,667	1,497	1,047	1,047	1,047	1,047	905
Total Increased Capital Funding to Balance Budget	500	500	500	500	500	500	500	500	500
Total Unfunded Operating Expenditure	1,579	2,149	2,167	1,997	1,547	1,547	1,547	1,547	1,405
Total Unfunded Capital Expenditure	500	500	500	500	500	500	500	500	500
Total Unfunded Expenditure	2,079	2,649	2,667	2,497	2,047	2,047	2,047	2,047	1,905
Statutory Compliance Total Required Crown Operating Contribution (including NZTA)	1,579	2,149	2,167	1,997	1,547	1,547	1,547	1,547	1,405
Statutory Compliance Total Required Crown Capital Contribution (including NZTA)	500	500	500	500	500	500	500	500	500
Statutory Compliance Total Crown Contribution (including NZTA)	2,079	2,649	2,667	2,497	2,047	2,047	2,047	2,047	1,905
Annual Increase (Decrease) in Crown Contribution	13,277	13,277	13,277	13,277	13,277	13,277	13,277	13,277	13,277
Annual Percentage Increase (Decrease) in Crown Contribution	-0.16%	-0.16%	-0.16%	-0.16%	-0.16%	-0.16%	-0.16%	-0.16%	-0.16%
Inflation Only Adjustment to Crown Funding - Total Rates Fees and Charges	555	555	555	555	555	555	555	555	555
Annual Increase (Decrease) in Rates Fees and Charges	118	118	118	118	118	118	118	118	118
Annual Percentage Increase (Decrease) in Rates Fees and Charges	2.13%	2.13%	2.13%	2.13%	2.13%	2.13%	2.13%	2.13%	2.13%
Increase (Decrease) of Crown Contribution compared with Status Quo	61	61	61	61	61	61	61	61	61
Percentage Increase (Decrease) of Crown Contribution compared with Status Quo	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
Increase (Decrease) in Rates compared with Status Quo	555	555	555	555	555	555	555	555	555
Percentage Increase (Decrease) of Rates compared with Status Quo	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%



The Modelled Options

192. The Status Quo option is presented in Table 18 above. The other four modelled options are set out in Table 25. Each option is presented as a Funding Impact Statement.
193. As discussed earlier, there are limitations to the financial data that need to be borne in mind. The Funding Impact Statements have been derived as changes from the impact statements developed for CIC as part of its previous Long-term Plan, Annual Plans and Annual Reports. They have not been developed by fully modelling the financial position of CIC. In particular, because they are Funding Impact Statements, rather than comprehensive statements of income and expenditure, they do not fully deal with the impact of depreciation. Options 3 and 4 (which use Council Debt) introduce a partial equivalent treatment of depreciation by funding the repayment of debt in equal instalments over the life of the assets that were debt funded. If one of the options of using Council debt is to be pursued, it is strongly recommended that comprehensive financial modelling, using the Council's complete Long-term Plan financial model, is undertaken once the Council has progressed its Long-term Plan further.
194. Options 1, 2, 3, 4 and 5 are presented as a balanced budget. This is done by showing the funding that would be needed to balance the budget in addition to the current Crown contribution and rates, fees and council dues.
195. Options 3 and 4 are modelled assuming that CIC would be able to access debt through the Local Government Funding Agency (LGFA). The interest rate that is used is in the middle of the LGFA's current long-term rates for non-guarantor councils that do not have a credit rating. In the past, CIC has struggled to find institutions that are prepared to lend it money. Whilst CIC would qualify for entry to the LGFA on most of its metrics, they would not necessarily be accepted into the scheme. Accessing the LGFA borrowing scheme should be possible if CIC's borrowing was supported by a long-term Crown funding contribution.



Table 27: Option 1 – Statutory Compliance with Increased Crown Funding

CIC FUNDING INCREASE STATEMENTS TABLE 27: Option 1 – Statutory Compliance with Increased Crown Funding											
	Annual Plan 2018/15 2000	Annual Plan 2015/16 2000	Annual Plan 2016/17 2000	Annual Plan 2017/18 2000	Annual Plan 2018/19 2000	Annual Plan 2019/20 2000	Annual Plan 2020/21 2000	Annual Plan 2021/22 2000	Annual Plan 2022/23 2000	Annual Plan 2023/24 2000	Annual Plan 2024/25 2000
	1.0%	1.0%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
Source of Operating Funding											
General Rates, Uniform Annual General Charge, Rates Payables	274	280	283	287	293	302	312	321	333	341	350
Expenditure	178	179	184	188	194	203	213	223	233	242	251
EMA Operating Grants (Current)	2,813	2,704	2,851	2,987	3,087	3,087	2,887	2,887	2,887	2,887	2,887
Increased Operating Funding Required to Balance Budget											
Other Operating Grants	35	162	407	30	4,613	1,721	2,837	1,755	1,411	1,605	1,753
EMA Operating Grants	1,812	974	930	1,874	1,106	3,356	1,771	1,803	1,365	1,390	1,418
Total Subsidies and Grants for Operating Expenses	4,681	3,920	4,178	4,590	8,739	5,077	6,625	5,872	5,684	5,872	6,093
Fees and Charges	107	69	68	70	80	82	85	87	90	93	95
Interest and Dividends from Investments	-	-	-	72	-	-	-	-	-	-	-
Council Debt	255	364	205	390	396	396	315	323	339	344	354
Local Authorities Fuel Tax, Fees, Infringement Fines, and Other Receipts	107	403	370	352	364	401	410	420	432	443	454
Total Operating Funding	5,382	5,397	5,354	5,797	10,093	7,288	7,480	7,481	7,214	7,335	7,496
Applications of Operating Funding											
Payments to Staff and Suppliers - Running	1,643	1,613	-	-	1,422	1,492	1,511	1,549	1,622	1,652	1,688
Payments to Staff and Suppliers - Other	2,158	2,179	-	-	4,772	5,077	5,811	5,001	5,315	5,408	5,754
Payments To Staff And Suppliers	6,001	3,592	5,083	4,601	6,194	6,569	7,342	7,150	6,937	7,060	7,404
Finance Costs	70	17	-	21	10	8	-	6	-	-	-
Other Operating Funding Applications	230	1,400	-	853	-	-	-	-	-	-	-
Total Application of Operating Funding	5,383	5,089	5,123	5,477	6,204	6,577	7,340	7,156	6,941	7,068	7,409
Surplus (Deficit) of Operating Funding	-1	278	231	321	3,889	311	310	296	273	382	287
Source of Capital Funding											
NTA Capital Grants	2,405	2,408	-	-	2,315	2,178	2,172	2,168	2,061	2,191	2,106
Increased Capital Funding Required to Balance Budget											
Other Capital Grants	1,419	110	8,720	3,138	501	-	75	62	85	130	38
Subsidies and Grants for Capital Expenditure	5,081	2,727	6,020	3,338	2,433	2,819	2,397	2,245	2,046	2,327	2,142
Development and Infraco Contributions	140	-	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Debt	-	-	-	-	-	-	-	-	-	-	-
Grants received from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Unsum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total Source of Capital Funding	5,085	2,727	6,920	3,338	2,815	2,819	2,397	2,245	2,046	2,327	2,142
Application of Capital Funding											
Capital Expenditure	270	2,355	-	-	437	503	416	403	211	1,008	439
- Funding Improve LOS	2,340	72	-	-	3,570	-	-	-	-	-	-
- Other Improve LOS	3,410	2,427	2,493	950	4,007	105	569	403	211	1,008	439
- Total to Improve the level of service	-	-	-	-	-	-	-	-	-	-	-
- To meet additional demand	2,164	-	-	-	2,318	2,463	1,713	2,041	2,064	2,110	1,354
- Funding replace existing assets	630	1	-	-	99	561	75	67	45	130	38
- Other replace existing assets	2,714	1	3,500	1,560	2,114	1,041	1,788	2,327	2,088	2,350	1,990
- Total to replace existing assets	-	-	-	-	-	-	-	-	-	-	-
Increase (Decrease) in reserves	11	517	-	20	-	-	-	-	-	-	-
Increase (Decrease) of Investments	6,015	2,949	7,153	3,806	6,322	3,159	2,957	2,531	2,029	1,809	2,439
Total Applications of Capital Funding	14,071	12,118	13,131	10,480	13,483	11,111	10,167	10,461	10,167	10,167	10,167
Surplus (Deficit) of Capital Funding	-14,070	-14,070	-14,070	-14,070	-14,070	-14,070	-14,070	-14,070	-14,070	-14,070	-14,070
Revised Budget Closes	1	-	-	1	1	1	1	1	1	1	1



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TABLE 380: OPTION 3 - STATUTORY COMPLIANCE WITH DIRT BUILDINGS AND HEALTH INFRASTRUCTURE BUILDINGS

Charges	Actual 2013/14 \$000	Annual Plan 2014/15 \$000	Annual Plan 2015/16 \$000	Annual Plan 2016/17 \$000	Annual Plan 2017/18 \$000	Annual Plan 2018/19 \$000	Annual Plan 2019/20 \$000	Annual Plan 2020/21 \$000	Annual Plan 2021/22 \$000	Annual Plan 2022/23 \$000	Annual Plan 2023/24 \$000	Annual Plan 2024/25 \$000
Increased Operating Costs												
Implementing the National Policy Statement for Freshwater Management	-	-	-	-	-	-	-	-	-	-	-	-
Implementing the New Zealand Coastal Policy Statement / complete Planning Outcome	-	-	-	-	-	-	-	-	-	-	-	-
National Planning Standards	-	-	-	-	-	-	-	-	-	-	-	-
Other NPS, NCS, and expected new Environmental policy	-	-	-	-	-	-	-	-	-	-	-	-
Fencing of swimming pools Act Compliance	-	-	-	-	-	-	-	-	-	-	-	-
HASPD Act enforcement	-	-	-	-	-	-	-	-	-	-	-	-
Not Drinking Water Standards compliance - extra treatment costs	-	-	-	-	-	-	-	-	-	-	-	-
Health and Safety at Work Act compliance	-	-	-	-	-	-	-	-	-	-	-	-
30 year infrastructure Strategy	-	-	-	-	-	-	-	-	-	-	-	-
Reserve Management Plans	-	-	-	-	-	-	-	-	-	-	-	-
New Office Building Lease	-	-	-	-	-	-	-	-	-	-	-	-
Currently unfunded RSM (Memorial Reserve Buildings, Overends Wharf, Playgrounds)	-	-	-	-	-	-	-	-	-	-	-	-
Staff Capacity Building	-	-	-	-	-	-	-	-	-	-	-	-
Staff & Community Housing RSM	-	-	-	-	-	-	-	-	-	-	-	-
Consequential increases in Dips from Capital Works	-	-	-	-	-	-	-	-	-	-	-	-
Total Increased Compliance Related Operating Costs	-	-	-	-	-	-	-	-	-	-	-	-
Additional Capital Costs												
New Emergency Management Centre (asset replacement)	-	-	-	-	-	-	-	-	-	-	-	-
Water Supply Improvements (improve level of service)	-	-	-	-	-	-	-	-	-	-	-	-
New Staff House (improve level of service)	-	-	-	-	-	-	-	-	-	-	-	-
Total Increased Capital Costs	-	-	-	-	-	-	-	-	-	-	-	-
Total Increased Operating Funding to Balance Budget	-	-	-	-	-	-	-	-	-	-	-	-
Total Increased Capex Funding to Balance Budget	-	-	-	-	-	-	-	-	-	-	-	-
Increases in Debt												
Total Debt	1,280	872	865	865	865	865	865	865	865	865	865	865
Interest Rate	6.0%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%
Interest Costs	77	38	38	38	38	38	38	38	38	38	38	38
Annual Debt Repayment (over 25 years)	173	209	217	224	228	232	237	242	247	252	257	262
Statutory Compliance Total Required Crown Operating Contribution (excluding NZTA)	1,134	1,119	1,120	1,137	1,151	1,165	1,179	1,193	1,207	1,221	1,235	1,249
Statutory Compliance Total Required Crown Contribution (excluding NZTA)	1,134	1,119	1,120	1,137	1,151	1,165	1,179	1,193	1,207	1,221	1,235	1,249
Statutory Compliance Total Crown Contribution (excluding NZTA)	1,134	1,119	1,120	1,137	1,151	1,165	1,179	1,193	1,207	1,221	1,235	1,249
Annual Increase (Decrease) in Crown Contribution	-	-	-	-	-	-	-	-	-	-	-	-
Annual Percentage Increase (Decrease) in Crown Contribution	-	-	-	-	-	-	-	-	-	-	-	-
Option 3 Total Rates Fees and Charges	118	530	535	535	535	535	535	535	535	535	535	535
Annual Increase (Decrease) in Rates Fees and Charges	-	-	-	-	-	-	-	-	-	-	-	-
Annual Percentage Increase (Decrease) in Rates Fees and Charges	-	-	-	-	-	-	-	-	-	-	-	-
Increases (Decrease) of Crown Contribution compared with Option 1	-	-	-	-	-	-	-	-	-	-	-	-
Percentage Increase (Decrease) of Crown Contribution compared with Option 1	-	-	-	-	-	-	-	-	-	-	-	-
Increases (Decrease) in Rates compared with Option 1	-	-	-	-	-	-	-	-	-	-	-	-
Percentage Increase (Decrease) of Rates Contribution compared with Option 1	-	-	-	-	-	-	-	-	-	-	-	-

Table 31 – Option 5 – Normal Council with Increased Crown Funding

CIC FUNDING INVESTMENT STATEMENTS Table 31: Option 5 – Normal Council with Increased Crown Funding											
	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18	2018/19 5000	2019/20 5000	2020/21 5000	2021/22 5000	2022/23 5000	2023/24 5000	2024/25 5000
Sources of Operating Funding											
General Rates, Uniform Annual General Charges, Rates Penalties	274	290	282	287	293	302	312	321	331	341	350
Targeted Rates	176	179	184	188	194	202	211	220	229	238	246
CIA Operating Grants (Current)	2,813	2,784	2,851	2,887	2,887	2,887	2,887	2,887	2,887	2,887	2,887
Veroband Operating Funding Required to Balance Budget											
Other Operating Grants	25	162	607	30	30	1,215	1,302	1,447	1,503	1,597	1,645
NTA Operating Grants	1,813	174	920	1,674	1,196	1,255	1,271	1,302	1,302	1,300	1,319
Total Subsidies and Grants for Operating Purposes	1,838	3,020	4,178	4,380	2,781	5,323	3,400	3,083	3,786	3,604	3,163
Fees and Charges	85	69	88	78	81	82	85	87	89	93	95
Interest and Dividends from Investments	-	-	-	-	-	-	-	-	-	-	-
Council Dues	2,635	164	215	280	396	306	315	325	335	344	354
Local Authorities Field Tax, Fines, Job/Management Fees, and Other Receipts	147	483	276	102	304	401	420	430	432	443	454
Total Operating Funding	5,062	5,207	5,354	5,797	30,138	7,333	10,425	7,543	7,306	7,627	7,788
Applications of Operating Funding											
Payments to Staff and Suppliers – Trading	1,643	2,413	-	-	1,472	1,493	1,511	1,549	1,622	1,652	1,680
Payments to Staff and Suppliers – Other	3,258	2,179	-	-	4,817	5,522	5,661	5,693	5,697	5,691	5,812
Payments to Staff and Suppliers	4,901	3,391	5,101	4,401	6,289	7,014	7,172	7,242	7,329	7,342	7,500
Signage Costs	30	27	27	23	10	8	7	6	4	3	1
Other Operating Funding Applications	230	1,405	103	103	-	-	-	-	-	-	-
Total Application of Operating Funding	5,161	5,003	5,229	5,477	6,249	7,022	7,179	7,248	7,033	7,245	7,503
Surplus (Deficit) of Operating Funding	-99	204	125	320	3,889	311	3,246	299	273	382	285
Sources of Capital Funding											
NTA Capital Grants	1,202	2,403	-	-	2,335	2,278	2,272	2,168	2,001	2,793	2,105
Increased Capital Funding Required to Balance Budget											
Other Capital Grants	3,479	312	6,020	3,318	20	161	75	62	45	130	36
Subsidies and Grants for Capital Expenditure	3,481	2,727	6,020	3,318	2,433	2,439	2,397	2,200	2,046	2,037	2,142
Development and Financial Contributions	(44)	-	-	-	-	-	-	-	-	-	-
Increases (Decreases) in Debt	-	-	-	-	-	-	-	-	-	-	-
Fines/Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total Sources of Capital Funding	5,335	2,727	6,020	3,318	2,433	2,439	2,397	2,200	2,046	2,923	2,142
Application of Capital Funding											
Capital Expenditure	278	2,355	-	-	437	105	69	403	231	1,009	438
- Road/Improve LGS	2,940	72	-	-	3,370	-	137	-	-	-	-
- Other Improve LGS	3,370	2,427	3,031	599	4,657	105	4,394	403	231	1,009	438
- Total to improve the level of service	-	-	-	-	-	-	-	-	-	-	-
- to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
- Road/replace existing assets	2,164	1	-	-	2,316	2,403	1,711	2,060	2,044	2,170	1,554
- Other replace existing assets	438	1	-	-	48	81	75	48	48	130	36
- Total to replace existing assets	2,794	2	3,500	2,568	2,314	3,044	1,758	2,132	2,089	2,300	1,990
Increases (Decreases) in Reserves	11	517	-	28	-	-	-	-	-	-	-
Increases (Decreases) of Investments	-	-	-	-	-	-	-	-	-	-	-
Total Application of Capital Funding	6,015	2,945	2,151	3,405	8,321	3,129	3,592	2,325	2,310	3,409	2,429
Surplus (Deficit) of Capital Funding	(440)	(218)	(121)	(1,087)	(3,889)	(311)	(3,246)	(299)	(273)	(382)	(285)
Balance Budget Check	0	0	0	0	0	0	0	0	0	0	0



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DISCUSSING IN POLICY STATEMENTS

TABLE 33: Common 5+ Horizon Financial Activities with Increases in Crown Contributions

	Annual Plan 2018/19	Annual Plan 2019/20	Annual Plan 2020/21	Annual Plan 2021/22	Annual Plan 2022/23	Annual Plan 2023/24	Annual Plan 2024/25
Increased Operating Costs							
Implementing the National Policy Statement for Freshwater Management							
Implementing the New Zealand Coastal Policy Statement / complete framework							
National Planning Standards							
Other MP, NES, and expected new Environmental policy							
Fencing of swimming pools Act Compliance							
HASNO Act enforcement							
Mt Dinking WWTW Standards compliance - extra treatment costs							
Health and Safety at Work Act compliance							
30 year Infrastructure Strategy							
Resource Management Plans							
New Office Building Lease							
Currently unfunded RMA (Mineral Reserves Buildings, Otago Waikato, Pongaroa)							
Staff Capacity Building							
Staff & Community Housing RMA							
Spirit & Res Opera							
Enhanced Pest Control							
Climate Cultural Capacity Building							
Consequential increases in Open from Capital Works							
Total Increased Operating Costs							
Additional Capital Costs							
New Emergency Management Centre (asset replacement)							
Water Supply Improvements (improve level of service)							
New Staff House (improve level of service)							
Community Sports Facility (improve level of service)							
Total Increased Capital Costs							
Total Increased Operating Funding to Balance Budget							
Total Increased Capital Funding to Balance Budget							

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Statutory Compliance Total Required Crown Operating Contribution (excluding NZTA)	2,807	2,807	2,807	2,807	2,807	2,807	2,807
Statutory Compliance Total Required Crown Capital Contribution (excluding NZTA)	3,338	3,338	3,338	3,338	3,338	3,338	3,338
Statutory Compliance Total Crown Contribution (excluding NZTA)	6,223	6,223	6,223	6,223	6,223	6,223	6,223
Annual Increase (Decrease) in Crown Contributions	1,428	1,428	1,428	1,428	1,428	1,428	1,428
Annual Percentage Increase (Decrease) in Crown Contributions	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%
Statutory Compliance Total Rates Fees and Charges	518	518	518	518	518	518	518
Annual Increase (Decrease) in Rates Fees and Charges	118	118	118	118	118	118	118
Annual Percentage Increase (Decrease) in Rates Fees and Charges	22.8%	22.8%	22.8%	22.8%	22.8%	22.8%	22.8%
Improve (Decrease) of Crown Contributions compared with Option 1							
Percentage increase (decrease) of Crown Contributions compared with Option 1							
Increase (Decrease) in Rates compared with Option 1							
Percentage increase (decrease) of Rates Contributions compared with Option 1							

196. Table 32 shows the total cost over the period 2018/19 to 2021/22 of the options that have been modelled. Table 32 clearly demonstrates the impact on the Crown and ratepayers of the different approaches, but needs to be considered mindful of the qualification made in paragraph 163 that the profile of expenditure over future years provides for achieving statutory compliance as soon as possible. It would be possible to smooth the impact of the increases by achieving statutory compliance over a longer period of time, but only if there is an appetite for continued non-compliance.

Table 32: Total Cost of Modelled Options 2018/19 to 2021/22

	2018/19	2019/20	2020/21	2021/22	Total
Current Approved Crown Contribution (\$m)					
	2,887	2,887	2,887	2,887	11,548
Increase in Crown Contribution Required to Balance Budget (\$m)					
Option 1	4,721	2,282	1,912	1,817	10,732
Option 2	4,624	2,091	1,715	1,614	10,044
Option 3	1,071	1,813	1,954	1,907	6,745
Option 4	974	1,622	1,757	1,704	6,057
Option 5	4,766	2,327	5,377	1,909	14,379
% Increase in Crown Contribution Required to Balance Budget (\$m)					
Option 1	264%	179%	166%	163%	193%
Option 2	260%	172%	159%	156%	187%
Option 3	137%	163%	168%	166%	158%
Option 4	134%	156%	161%	159%	152%
Option 5	265%	181%	286%	166%	225%
Total Crown Contribution Required to Balance Budget (\$m)					
Option 1	7,608	5,169	4,799	4,704	22,280
Option 2	7,511	4,978	4,602	4,501	21,592
Option 3	3,958	4,700	4,841	4,794	18,293
Option 4	3,861	4,509	4,644	4,591	17,605
Option 5	7,653	5,214	8,264	4,796	25,927
Council Rates and Dues (\$m)					
Option 1	667	688	709	731	2,796
Option 2	731	815	840	866	3,252
Option 3	667	688	709	731	2,796
Option 4	731	815	840	866	3,252
Option 5	667	688	709	731	2,796
Closing Debt (\$m)					
Option 1	-	-	-	-	-
Option 2	-	-	-	-	-
Option 3	3,986	4,699	4,889	5,037	-
Option 4	3,986	4,699	4,889	5,037	-
Option 5	-	-	-	-	-

197. Over the future years that have been modelled, the Status Quo has the lowest level of Crown funding, but this does not achieve statutory compliance. Options 2 and 4 have the highest level of contribution from ratepayers, and Option 4 has the lowest Crown contribution that achieves statutory compliance.

Part 5: Evaluating the Options

198. This part of the report evaluates the options that were identified in Part 4 through the application of a mixed qualitative and quantitative benefit cost analysis.

Benefit Cost Analysis

199. Given the nature of the options that have been identified, it is difficult to quantify, let alone monetise, the benefits that are derived from them. Key benefits relate to implementing, on the Chatham Islands, statutory requirements that are met by mainland councils. The benefits of much of this regulation were difficult to quantify when the regulation was introduced.

200. Of the five meaningful Options that have been modelled, Options 1, 2, 3 and 4 have the same level of expenditure, reflecting the same activities. Accordingly, these options have a core set of common benefits. These common core benefits are also provided by Option 5 – Normal Council, but Option 5 also has a number of other benefits reflecting its broader range of activities.

201. Beyond the common core benefits, there are differences between Options 1, 2, 3 and 4, reflecting benefits derived from the alternative funding methods that are used in each Option.

202. Reflecting the intervention logic map, it is helpful to categorise benefits into:

- Sustainability benefits
- Capability and delivery benefits
- Risk reduction benefits.

203. In addition to these three categories, it is also important to consider equity related benefits. That is, options that achieve better alignment between those that benefit and those that pay.

Common Core Benefits

204. The common core benefits from Options 1, 2, 3 and 4, in comparison to the Status Quo are set out in Table 33. Equity related benefits are considered in relation to each option's specific benefits and are discussed separately below.

Table 33: Core Common Benefits for Options 1, 2, 3 and 4

Type of Benefit	Benefits
Sustainability	<ul style="list-style-type: none"> • Provides the required investment in infrastructure • Provides the funding necessary for operating activity that substantially meets statutory compliance • Provides a long-term view of infrastructure management and funding • Removes the current backlog of unfunded maintenance across Council assets • Significant improvement in water supply reliability and better assurance of drinking water availability and quality
Capability and Delivery	<ul style="list-style-type: none"> • Lifts the capability of the Council and improves the chance of being able to recruit a sound replacement for the current Chief Executive when he retires • A major reduction in statutory non-compliance across the Council's activities, and corresponding reduction in risks to the community through more effective regulatory activity • The implementation of recent environmental policies and standards, which will improve environmental management on the Islands and assist in managing their very sensitive environment • Improved asset management and long-term planning through the development of a 30-year infrastructure strategy
Risk Reduction	<ul style="list-style-type: none"> • A significant reduction in risk relating to reliance on the Chief Executive • A significant reduction in risk associated with the provision and operation of emergency services and improved resilience in the face of possible natural disasters • A significant reduction in risk relating to business continuity, health and safety, and basic council operations as a result of developing new council office buildings • A significant reduction in personal risk to the Council Chief Executive in relation to health and safety obligations • A significant reduction in risks in relation to the island's water supply, including greater ability to withstand drought, reduced reliance on stored rain water, and improved water treatment that will reduce public health risks to the island's population • A significant reduction in both political and legal risks to government (both officials and Ministers) in relation to the performance of CIC and risks to the people of the Chatham Islands stemming from known statutory non-compliance and systemic funding problems

205. Despite the core common benefits offered by the modelled options, CIC will remain an organisation that lacks critical mass under all options.

Specific Benefits

206. In addition to the core common benefits noted above, the following tables set out the specific benefits that arise from each of the modelled options.

Table 34: Option 1- Statutory Compliance with Increased Crown Funding: Specific Benefits

Type of Benefit	Benefits (including comparative)
Sustainability	<ul style="list-style-type: none"> Reduces transaction costs around funding approvals Does not address the current system incentives on CIC
Capability and Delivery	<ul style="list-style-type: none"> Solves current funding constraints, but does not strengthen performance incentives on CIC
Risk Reduction	<ul style="list-style-type: none"> Has the second lowest financial risk to CIC and Chatham Island residents Reduces risk to the Crown, but the level of risk remains the highest of the options
Equity	<ul style="list-style-type: none"> Has poorer equity outcomes than Option 2, 3 and 4, but better equity outcomes than Option 5

207. Despite the above benefits, this option represents a continuation of the complete financial reliance on the Crown and the low share of funding from rates and dues provide little incentive for CIC to maintain the proportion of funding from these sources.

Table 35: Option 2 - Statutory Compliance with Increased Rates Contribution and Increased Crown Funding: Specific Benefits

Type of Benefit	Benefits (including comparative)
Sustainability	<ul style="list-style-type: none"> Reduces transaction costs around funding approvals Improves system incentives on CIC by requiring discipline over expenditure relating to ability and willingness to pay Retains a mechanism to deal with future increases in regulatory and compliance regimes
Capability and Delivery	<ul style="list-style-type: none"> Solves current funding constraints and strengthens performance incentives on CIC Continues financial reliance on the Crown, but at a slightly lower level than Option 1
Risk Reduction	<ul style="list-style-type: none"> Has low financial risk to CIC and Chatham Island residents Has a lower financial risk to the Crown than Options 1 and 5, but the risk is not significantly less than under Option 1
Equity	<ul style="list-style-type: none"> Has the highest share of funding from rates and dues and stronger incentives for CIC to contain expenditure than Options 1 and 5 Has a better alignment between those that benefit and those that pay than Options 1, 3 and 5 because ratepayers pay a slightly larger proportion of costs

208. This option requires a higher contribution from Chatham Island residents than is the case under options 1, 3 or 5.

Table 36: Option 3 - Statutory Compliance with Debt and Increased Crown Funding: Specific Benefits

Type of Benefit	Benefits (including comparative)
Sustainability	<ul style="list-style-type: none"> Reduces transaction costs around funding approvals Has strong system incentives on CIC by requiring discipline over expenditure relating to ability to raise and service debt and willingness to pay Retains a mechanism to deal with future increases in regulatory and compliance regimes Enables a shift to funding depreciation which will shift the CIC more towards a normal local government approach to asset management and funding
Capability and Delivery	<ul style="list-style-type: none"> Solves current funding constraints and strengthens performance incentives on CIC Continues financial reliance on the Crown, but at a lower level than Option 1
Risk Reduction	<ul style="list-style-type: none"> Has higher financial risk to CIC and Chatham Island residents, but this is contained because to borrow money the CIC would need a form of Crown underwrite or dedicated funding Reduces financial risk to the Crown, but a level of risk remains because of the need for an underwrite or dedicated funding to support Council debt
Equity	<ul style="list-style-type: none"> Has similar equity outcomes to Option 1

209. This option has the second lowest cost to the Crown over the short term. However, the long-term cost of borrowing for the Crown would be lower than for the Council. Given the proportion of Crown funding required to support Council borrowing this may be more expensive for the Crown over the term of the debt required to fund capital works than Option 1.

Table 37: Option 4 - Statutory Compliance with Debt, Increased Rates Contribution and Increased Crown Funding: Specific Benefits

Type of Benefit	Benefits (including comparative)
Sustainability	<ul style="list-style-type: none"> Reduces transaction costs around funding approvals Has the strongest system incentives on CIC by requiring discipline over expenditure relating to ability to raise and service debt and willingness to pay Retains a mechanism to deal with future increases in regulatory and compliance regimes Enables a shift to funding depreciation which will shift CIC more towards a normal local government approach to asset management and funding
Capability and Delivery	<ul style="list-style-type: none"> Solves current funding constraints and strengthens performance incentives on CIC Continues financial reliance on the Crown, but at the lowest level of all of the options

Risk Reduction	<ul style="list-style-type: none"> Has the highest financial risk to CIC and Chatham Island residents, but this is contained because to borrow money the CIC would need a form of Crown underwrite or dedicated funding Has the greatest reduction in financial risk to the Crown, but a level of risk remains because of the need for an underwrite or dedicated funding to support Council debt
Equity	<ul style="list-style-type: none"> Has a better alignment between those that benefit and those that pay than Options 1, 3 and 5 because ratepayers pay a slightly larger proportion of costs.

210. This option requires a higher contribution from Chatham Island residents than is the case under options 1, 3 or 5. It combines the lowest short term cost to the Crown with the highest contribution from ratepayers and residents. However, over the life of the required loans, that would not be the case, because the Crown's cost of capital would be lower than that which CIC could secure. This option also provides the strongest incentive for CIC to contain costs because of pressure on both the affordability of rates and the ability to service debt.

Table 38: Normal Council with Increased Crown Funding: Specific Benefits

Type of Benefit	Benefits (including comparative)
Sustainability	<ul style="list-style-type: none"> Reduces transaction costs around funding approvals Does not address the current system incentives on CIC
Capability and Delivery	<ul style="list-style-type: none"> Solves current funding constraints, but does not strengthen performance incentives on CIC
Risk Reduction	<ul style="list-style-type: none"> Has the lowest financial risk to CIC and Chatham Island residents Reduces risk to the Crown, but the level of risk remains the highest of the options
Equity	<ul style="list-style-type: none"> Has poorer equity outcomes on the islands than Option 2, 3 and 4 because it has less alignment between those who benefit and those who pay This option has the best equity of outcomes between what would happen on the Chatham Islands and what happens in the rest of New Zealand because it shifts the level and nature of council services to be more consistent with mainland councils.

211. The 'Normal Council – Increase Crown Funding' option will continue an almost complete financial reliance on government and, therefore, involves the highest level of financial risk to the Crown. The option has the lowest share of funding from rates and dues and creates little incentive for the proportion of that share of funding to be maintained.

212. This option also does not address the current systemic incentives on CIC and could exacerbate them because under this approach the Crown is exposed to additional ongoing obligations. From the perspective of equity, this option has the poorest equity outcomes on the islands, with significant Crown investment in sport and cultural facilities which will have strong private good benefits along with some broader social benefits.

Weighing the Benefits and the Costs

213. In the absence of quantifiable benefits, the options have been ranked against each of the types of benefit. Table 38 shows the ranking of the modelled options with respect to benefits and costs.

Table 38: Ranking Options by Benefit and Costs

	Option 1	Option 2	Option 3	Option 4	Option 5
	Statutory Compliance with Increased Crown Funding	Statutory Compliance with Increased Rates Contribution and Increased Crown Funding	Statutory Compliance with Debt and Increased Crown Funding	Statutory Compliance with Debt Increased Rates Contribution and Increased Crown Funding	Normal Council with Increased Crown Funding
Benefits					
Sustainability	4	3	2	1	5
Capability and Delivery	4	1	1	1	5
Risk Reduction to CIC	2	3	4	5	1
Risk Reduction to Crown	4	3	2	1	5
Equity	4	2	3	1	5
Costs					
Total Costs to Crown ¹	\$22.2m	\$21.6m	\$18.3m	\$17.6m	\$25.9m
Increased Crown Costs ²	\$10.7m	\$10.0m	\$6.7m	\$6.1m	\$14.4m
Cost to Ratepayers ¹	\$2.8m	\$3.3m	\$2.8m	\$3.3m	\$2.8m
Transaction Costs	High	Moderately High	Moderately High	Moderately High	High
Benefits					
Benefits > Costs	Yes	Yes	Yes	Yes	Marginal
Overall Ranking	4	2	2	1	5

Note 1: Over the period 2018/19 to 2021/22

Note 2: This is the total increase Crown funding required over the period 2018/19 to 2021/22 to achieve a balanced CIC budget. It is the increase over the existing approved annual funding of \$2.887m.

214. Option 5 is ranked as the least attractive option. The substantive difference between Option 5 and the other Options is funding and consequential operating expenses associated with a community cultural and sports facility. There are strong reasons for investing in this facility. One of the significant issues facing the Chatham Islands is the difficulty of retaining families and young people. The lack of sporting opportunities and things for young people to do (other than drinking and/or recreational drugs) are

consistently cited by island residents as significant issues. A significant all-weather sports and cultural centre may provide a positive way of over coming this problem. Certainly, if the islands are to realise the economic development opportunities that have recently been identified, they will need to attract and retain labour and families. Equally, there will be a degree of private benefit from such a facility that needs to be recognised.

215. In the context of this review, Option 5 is primarily a consideration of the merits of a specific project. That project should be the subject of a separate business case that considers its merits.
216. The option that has been considered the best overall is Option 4, but the difference between that and Options 2 and 3 is small. The primary reason that these options are preferred to the other options is that they change the incentives within the system and require greater financial responsibility and accountability from CIC.
217. Options 2 and 4 would require CIC to increase revenue from rates and dues faster than the rate of inflation. This raises questions over affordability and the fair allocation of costs between ratepayers and the Crown. Under Options 2 and 4 as modelled, the average of total rates and dues per rateable property would increase from \$1,550 in 2017/18 to \$2,310 in 2024/25. Compared with an average of \$1,900 per property in 2024/25 under Option 1. At an average of \$2,310 per rateable property in 2024/25, the average total rates and dues would still be lower than the current average for the comparator councils (\$2,339) as discussed in Part 2. Given the higher levels of median income on the Chatham Islands than in the comparator councils, this level of average rates may be affordable, despite the higher living costs on the Islands. Ultimately, a judgement call will need to be made in relation to the affordability of rates and dues and the appropriate share of Council revenue that should come from ratepayers.
218. Options 3 and 4 would only be feasible if CIC was able to borrow money, ideally through the LGFA. To progress Options 3 and 4, further work would need to be done on the ability to borrow and the likely cost of borrowing for CIC.
219. There is a risk with Options 3 and 4 that CIC does not use the funds that it borrows for the purposes that such borrowing was intended to support. Equally, there is a risk that CIC does not use funded depreciation to pay away debt, or to provide for the replacement of assets. Over the life of an asset, this risk could mean that at the time of necessary renewals, there is still outstanding debt as well as the need to fund replacement. To mitigate this risk, the Crown would need to maintain a very active engagement with CIC and its decision-making to ensure that appropriate provisions are made, and that Crown funds are used for the purpose for which they are intended.
220. Over the time period modelled, Options 3 and 4 show a lower cost to the Crown than Option 1. However, over the life of the required loans that would not be the case, because the Crown's cost of capital would be lower than that which CIC could secure. However, both Option 3, and Option 4 in particular, provide a stronger incentive for CIC to contain costs than would be the case for Option 1.

Part 6: Conclusions and Recommendations

Level of Activity

221. The level of activity identified for the Statutory Compliance Scenario is the recommended level of future activity for CIC, based on the best currently available cost estimates. This approach substantially removes statutory non-compliance and addresses the critical infrastructure challenges the Council faces.
222. Within the Statutory Compliance Scenario there is still significant uncertainty over some costs, and in particular the costs associated with both the new council office buildings and an emergency management facility. In order to remove this uncertainty, it will be necessary to work closely with CIC as it develops its draft Long-term Plan 2018-28 and align that with the budget bid that is considered by Cabinet.

Approach to Assistance

223. Moving to a multi-year appropriation that provides for both assistance for operating costs and council capital projects would provide more flexibility and recognise the level of uncertainty that there will always be over the cost of future capital works.
224. Being able to shift funds forward or backward within a multi-year appropriation would remove some of the considerable challenges both CIC and the Crown face with the timing of projects. Combining both capital and operating assistance in the same appropriation would remove some of the considerable transaction costs associated with the consideration of numerous, separate applications for funding.
225. Importantly, flexibility within a constrained funding envelope would help CIC to smooth the effect of unexpected impacts, but would also provide clear limits to the amount of funding the Crown is prepared to make available.

Aligning Incentives

226. The current funding framework provides strong incentives to CIC that work in the opposite direction to the Crown's interest in controlling or limiting costs. CIC's limited skin in the game means that it has a strong incentive to let assets deteriorate to the point that it can secure separate and additional funding. It also has weak incentives to control costs or exercise discipline over the solutions that it proposes to the government. Of the options considered, the approach that offers the strongest incentives for sound fiscal performance by CIC is Option 4. Options 2 and 3 also offer stronger incentives than either Option 1 or 5. Requiring the CIC to raise rates in a way that at least maintains their share of total costs, and/or funding capital works from debt will impose stronger fiscal and design disciplines on CIC and force it to behave much more like any other local authority.
227. Fundamentally, the use of debt and funding depreciation should provide the framework for CIC to adequately provide for the maintenance, renewal and ultimately replacement of its long-life assets. There is little incentive or ability to do this if the Crown will not fund depreciation and continues to intervene to replace assets at the end of their life because it cannot allow the council to fail.

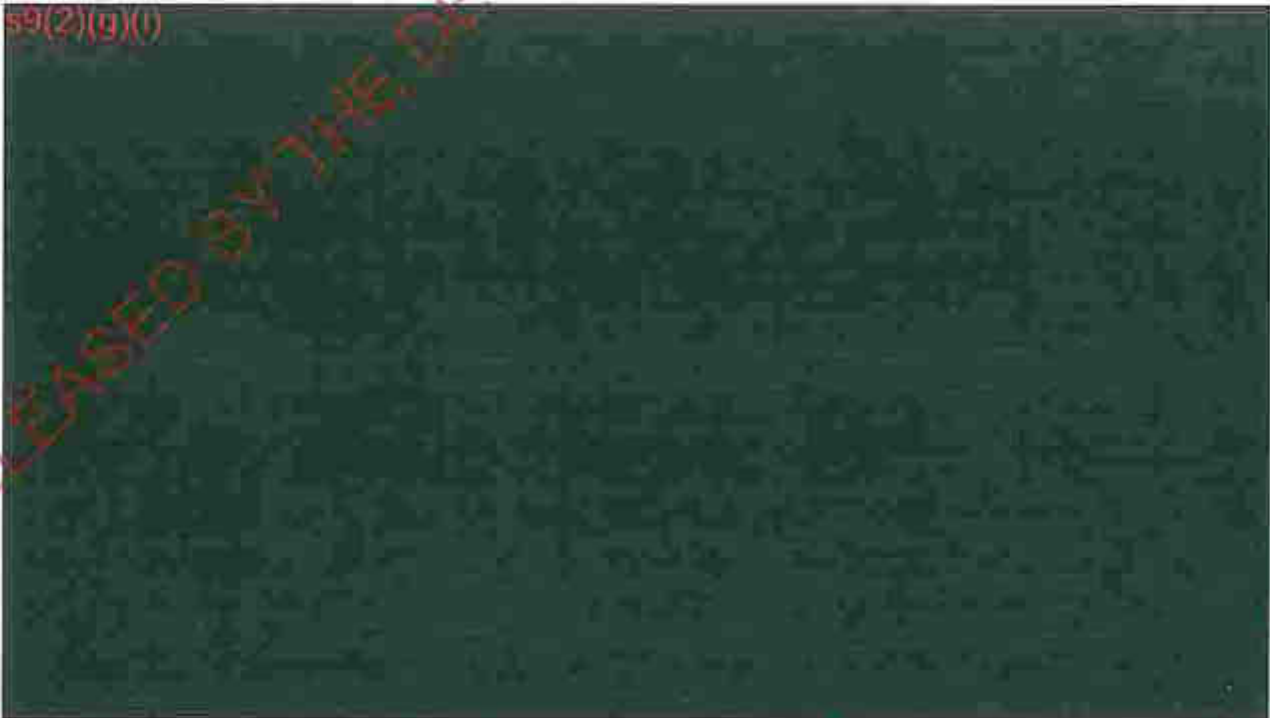
s9(2)(g)(i)



Flexibility, Contingency and Control

230. There are many areas of any local authority's activity where there is potential for emergencies, shocks where unexpected needs arise, or for projects run over budget. CIC needs some capability to deal with these dynamics without constantly having to negotiate additional funding. Government needs to be confident that CIC is exercising sound control and not gaming the funding arrangements. Of the options that have been considered, Options 3 and 4 provide the greatest scope for CIC to manage unexpected outcomes by borrowing as may be required. In all Options, the current framework could be improved by moving to a multi-year appropriation with the ability to move funds between financial years.

s9(2)(g)(i)



59(2)(g)(i)

Decision-making

235. There is no future likelihood that the population of the Chatham Islands will be able to sustain a fully functioning local authority with all of the responsibilities of both a regional council and a territorial local authority. This means that some form of ongoing financial assistance for CIC will be required.

59(2)(g)(i)

Recommended Funding Model

237. The recommended funding model is a move to Option 4. That is:

- greater contributions from rates and dues so that they increase in proportion to the growth in expenditure
- the use of council debt to fund future capital works
- increased Crown contributions to ensure a balanced budget
- some form of long-term support agreement, sufficient for CIC to become a member of the LGFA and borrow the necessary funds.



Attachment 1: Chatham Islands – Financial Health Check

RELEASED BY THE DEPARTMENT OF INTERNAL AFFAIRS

Introduction

The Department of Internal Affairs (DIA) has asked for an independent review on the financial health of Chatham Islands Council (CIC) as part of the four-yearly review of the Financial Assistance Package from the government. In particular, DIA is seeking advice on the:

- allocation of the Crown's Financial Assistance Package funding since the 2014/15 financial year
- assets, liabilities, income (with emphasis on the rating base and Council dues), debt levels, and processes in place to identify and manage risk.

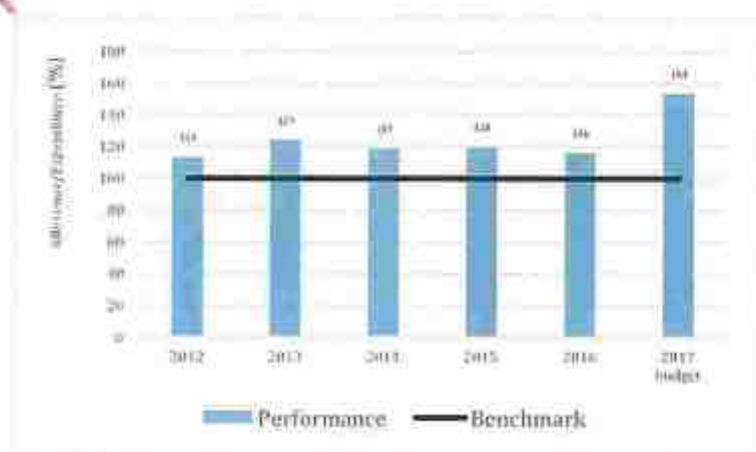
Financial Prudence Benchmarks

In this section, we assess CIC's performance based on the financial prudence measures set out in the Local Government (Financial Reporting and Prudence) Regulations 2014. In undertaking this analysis, we have not used the "rates (increase) affordability benchmark", as this is more meaningfully assessed in the analysis contained in section 2. The analysis also does not utilise the benchmarks related to debt. The reason for this is CIC's low and relatively immaterial level of debt means that these benchmarks do not provide any useful or particularly meaningful insights. Again, the issue of debt is considered in more detail in the second section of this paper.

Balanced Budget Benchmark

A local authority meets the balanced budget benchmark if its revenue (excluding development and financial contributions and revaluation of property, plant and equipment) for a given year exceeds its operating expenses (excluding revaluation of property, plant and equipment) for the same year. The benchmark is expressed as a percentage of:

$$\text{Performance} = \frac{\text{Revenue}}{\text{Operating expenses}}$$

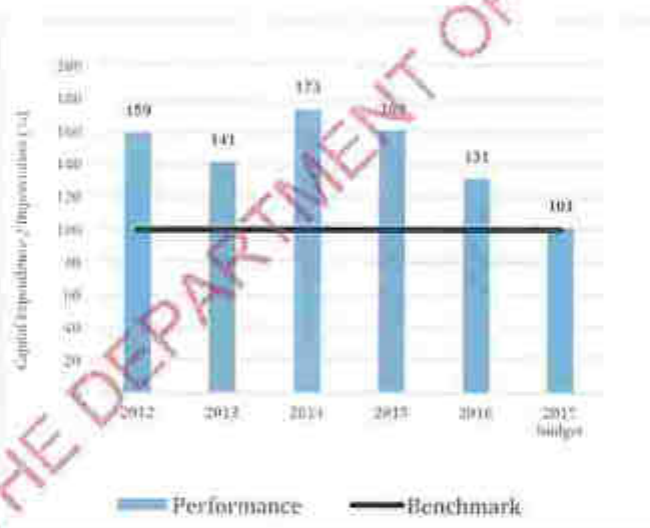


CIC has met the balanced budget benchmark in each of the last five years by an amount that is prudent rather than excessive. The budgeted performance for 2016/2017 of 153% reflects the large (cash funded) capital expenditure programme budgeted for in that year and includes assumed (as opposed to actual) funding for capex projects. To the extent that such funding is not secured, it is likely that the outcome for the ratio will be closer to the level achieved in previous years.

Essential Services Benchmark

Councils meet the essential services benchmark if their capital expenditure for the year is equal or greater than its depreciation on network services for the year. The benchmark is expressed as a percentage of:

$$\text{Performance} = \frac{\text{Capital expenditure}}{\text{Depreciation}}$$

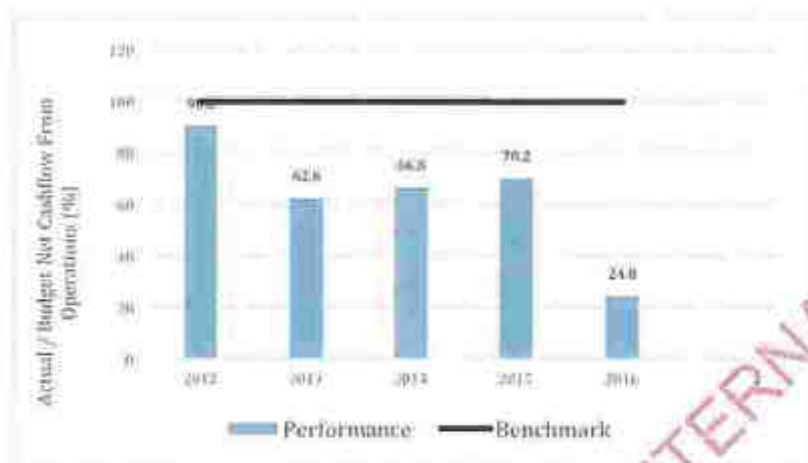


This benchmark is intended to indicate whether a council is growing its asset base as opposed to running it down. The actual results over the last five years show that this is what is being achieved (largely off the back of Crown capital funding).

Operations Control Benchmark

This benchmark is met in any given year when a council's actual net cash flow from operations equals or is greater than the budgeted figure. The benchmark is expressed as a percentage of:

$$\text{Performance} = \frac{\text{Actual net cash flows from operations}}{\text{Planned net cash flows from operations}}$$



The Council has consistently underperformed on this benchmark with 2015/16 involving the most significant variance between actual and budgeted cashflows. The main reason for this is the Council's practice of including projects in their plans which have assumed funding, rather than actual secured funding. With the Council's capex being cash funded (i.e. from operations revenue), when such funding is not secured, operating revenue is significantly lower but there is no effect on operating expenditure.

Financial Indicators - Comparisons

In this section, we provide comparisons with other councils on a range of rating and financial indicators. Due to the extreme uniqueness of the Chatham Islands in terms of the combination of isolation, scale and lack of a "sponsor" urban mass or city, choosing meaningful comparator councils is not necessarily a straightforward exercise. Two of the smaller more rural unitary authorities (Gisborne and Marlborough) have also been included in the analysis. The comparator councils are:

- Westland District
- Mackenzie District
- Ōtorohanga District
- Waitomo District
- Ōpōtiki District
- Far North District
- Ruapehu District
- Tararua District
- Gisborne District
- Marlborough District

In choosing these councils, we have attempted to identify organisations that are closest, in a meaningful way, in terms of scale (Mackenzie, Ōtorohanga, Waitomo and Ōpōtiki) and in terms of isolation (Far North, Ruapehu and Gisborne).

Rates Revenue Increase

This indicator tracks the percentage increase in rates revenue over time. By basing the calculation on rates revenue, it effectively measures the gross rates increase (i.e. including the impact of growth), as opposed to the net or growth adjusted rates increase typically highlighted by councils in their annual and long-term planning processes. The reason for this is largely data availability and related methodological issues. Comparisons are, however, aided by the fact that none of the comparator councils or unitary authorities are high growth areas.

	2013/14	2014/15	2015/16	2016/17	2017/18
Chatham Islands (excl. Council Dues¹)	-5.3%	14.9%	0.7%	-1.5%	7.5%
Chatham Islands (incl. Council Dues)	-0.4%	24.5%	-1.5%	-11.8%	8.1%
Westland			20.8%	3.5%	3.5%
Mackenzie	8.8%	10.9%	7.2%	5.1%	5.9%
Ōtorohanga	2.7%	2.2%	1.1%	3.6%	2.5%
Waikato	3.1%	2.9%	3.2%	5.0%	2.4%
Ōpōtiki	5.5%	12.3%	10.7%	4.3%	2.9%
Far North		1.0%	6.9%	4.5%	2.0%
Ruapehu		5.0%	5.5%	1.8%	3.0%
Tararua		6.2%	2.6%	1.9%	2.3%
Gisborne	2.6%	1.4%	1.0%	3.2%	2.0%
Marlborough	2.7%	4.1%	4.6%	7.1%	3.4%
Average (excl. CI¹)	4.2%	5.1%	6.4%	4.0%	3.0%

1. Section 14 of the Chatham Islands Council Act 1995 authorises the council to levy dues on goods imported into or exported from the Chatham Islands Territory. This is a unique power among local government authorities in New Zealand.

Across the comparator councils included in this analysis, there have been a range of rates increases over the years with no real pattern (other than across the board increases). The result has been average increases ranging between three and seven percent over the five-year period. The Chatham Islands has typically been well below the average, including a decrease in 2016/17. The 2017/18 Annual Plan, however, has been adopted based on an increase of 7.5% (more than twice the comparator average for that year).

Rates per Rating Unit

This indicator compares the level of rates per rating unit for each council and provides an insight into the relative rates burden on their communities. A time series for this indicator was not possible due to the inconsistent availability of rating unit figures.

	2017/18
Chatham Islands (excl. Council Dues)	1,032
Chatham Islands (incl. Council Dues)	1,553
Westland	2,252
Mackenzie	1,936
Ōtorohanga	2,551
Waitomo	3,339
Ōpōtiki	1,874
Far North	2,158
Ruapehu	2,211
Taranaki	2,388
Gisborne	2,311
Marlborough	2,366
Average (excl CIC)	2,339

Despite the above average annual rates increase for 2017/18, CIC remains well below all other councils in terms of rates per rating unit. Increasing this figure to the lowest comparable figure (Ōpōtiki), or to the average, would have a material impact on revenue (additional revenue, respectively, of \$180k and \$440k p.a.). Even if phased over the period of the next crown financial assistance period, however, this would require large increases (7% and 17% per annum, respectively). The higher of these two increases is unlikely to be sustainable from either a political or community perspective.

These figures, along with the adopted rate increase of 2017/18 would appear to suggest, however, that a higher contribution to rates than has previously been the case is possible.

Rates Coverage

This indicator expresses the percentage of total revenue sourced from rates and provides an indication of the council's reliance on rates income. To look at this another way, the lower this figure, the more reliant the council is likely to be on external revenue sources.

	2013/14	2014/15	2015/16	2016/17	2017/18
Chatham Islands (excl. Council Dues)	5.6%	5.9%	6.8%	4.4%	6.2%
Chatham Islands (incl. Council Dues)	8.8%	10.1%	11.3%	6.5%	9.4%
Westland		38%	37%		
Mackenzie	54%	53%	39%	48%	51%
Ōtorohanga	67%	68%	67%	66%	65%
Waitomo	30%	33%	35%		
Ōpōtiki	61%	68%	72%	56%	44%
Far North	57%	58%	61%	68%	59%
Ruapehu	59%	63%	57%	57%	60%
Taranua	58%	56%	55%	61%	63%
Gisborne	56%	55%	56%	59%	57%
Marlborough	43%	41%	41%	57%	53%
Average (excl CIC)	54%	53%	52%	59%	57%

Once again, in terms of rates as a proportion of total income, CIC is significantly below all other councils. This is not surprising given the material nature of the Crown's financial assistance to the Council. Alongside the other rates related indicators, however, this again suggests there is room for rates to be increased over time so as to cover a greater proportion of CIC's activities.

Current Ratio

The current ratio provides an indication of a council's capacity to meet its short-term obligations from its current assets. The higher the ratio, the greater the organisation's apparent liquidity and its ability to meet its short-term debts from its current assets.

	2013/14	2014/15	2015/16	2016/17	2017/18
Chatham Islands	0.8	0.9	1.0	0.8	0.8
Westland	1.5	1.4	1.9		
Mackenzie	7.8	4.7	4.4	6.7	4.2
Ōtorohanga	0.4	0.4	0.4	0.5	0.5
Waitomo	1.2	0.7	0.4		
Ōpōtiki	1.1	1.2	2.1	1.5	1.2
Far North	1.1	1.1	0.7	0.9	1.6
Ruapehu	0.4	0.3	0.5	0.4	0.4
Taranua	1.7	3.9	2.9	3.4	1.7
Gisborne	0.5	0.3	0.3	0.3	0.3
Marlborough	0.6	1.8	2.6	1.4	1.1
Average (excl CIC)	1.6	1.6	1.6	1.9	1.4

While being below the comparator average, at (or just under) 1.0, CIC's liquidity is relatively strong and well above the levels operated by a number of other councils. The Current Ratio is usually an indicator of the ability of an organisation to pay bills when they fall due. Given that CIC is effectively underwritten by the government, however, this is of less relevance in the context of this analysis.

Total Liabilities to Assets

This Indicator shows the proportion of a council's assets that are funded by debt. From a New Zealand local government perspective, a broadly accepted positive benchmark for this figure is below 20%.

	2013/14	2014/15	2015/16	2016/17	2017/18
Chatham Islands	4.9%	7.3%	3.9%	5.7%	1.7%
Westland	5.9%	7.1%	6.8%		
Mackenzie	1.0%	1.5%	1.3%		
Ōtorohanga	5.5%	4.2%	4.1%	4.0%	4.5%
Waitomo	18.2%	17.8%	17.3%		
Ōpōtiki	4.2%	4.7%	4.8%	4.8%	7.4%
Far North	6.5%	6.4%	6.5%	6.6%	9.1%
Ruapehu	8.7%	8.4%	8.1%	8.3%	9.4%
Taranua	1.8%	1.8%	1.8%	2.0%	1.9%
Gisborne	2.7%	2.8%	3.2%	3.2%	3.8%
Marlborough	7.2%	7.2%	7.4%	3.7%	7.0%
Average (excl CIC)	6.2%	6.2%	6.1%	4.6%	6.1%

The CIC figure is well below what is considered to be the benchmark roof and has been trending downwards over recent years. At the level projected for 2017/18 it begins to raise questions as to whether that rate is too low and if it would be more efficient to fund a greater proportion of assets through debt.



Debt to Revenue

	2013/14	2014/15	2015/16	2016/17	2017/18
Chatham Islands	5.9%	5.5%	5.3%	8.7%	4.0%
Westland	65.0%	72.0%	63.4%		
Mackenzie	0.0%	0.0%	0.0%	5.7%	1.6%
Ōtorohanga	67.8%	60.4%	58.3%	55.4%	55.9%
Waitomo	87.3%	95.4%	98.1%		
Ōpōtiki	36.1%	36.9%	36.5%	31.7%	51.1%
Far North	69.0%	65.2%	62.9%	71.5%	75.4%
Ruapehu	89.0%	85.7%	69.9%	83.2%	92.1%
Taranua	34.1%	29.2%	26.7%	34.1%	33.2%
Gisborne	34.4%	34.9%	34.7%	46.6%	51.3%
Marlborough	43.8%	63.2%	60.0%	36.0%	79.6%
Average (excl CIC)	52.6%	54.3%	51.0%	45.5%	55.0%

Performance on this ratio provides perhaps the most graphic indication that CIC has the capacity to use debt to fund a greater proportion of its capital programme. The Council is geared at around 10% of the comparator average, meaning a predominantly cash funded, pay-as-you-go approach is being taken to capital investment, and depreciation is not being funded. Such an approach means that current ratepayers (and in this case predominantly taxpayers) are disproportionately paying for the long-term benefits of Council infrastructure. Similarly, the current approach incentivises assets being run down to the extent where an (almost inevitable) specific Crown capital contribution is required.

§9(2)(g)(i) & §9(2)(ba)(i)

An increased use of debt funding would increase incentives for sustainable asset management planning.

Debt Servicing

This ratio measures a council's finance costs as a proportion of total operating revenue, providing an indication of the amount of its income a council applies to servicing debt. Councils tend to use a range of benchmark targets for this indicator, ranging from 10-20% depending on the growth pressures faced by the particular council. Low and no-growth councils tend to adopt 10% as a prudential benchmark.

	2013/14	2014/15	2015/16	2016/17	2017/18
Chatham Islands	0.4%	0.3%	0.4%	0.3%	0.2%
Westland	3.9%	3.8%	3.3%		
Mackenzie	0.0%	0.0%	0.0%	0.3%	0.5%
Ōtorohanga	3.9%	2.9%	2.7%	3.3%	3.1%
Waikato	5.1%	5.7%	5.1%		
Ōpōtiki	1.5%	2.0%	1.3%	1.6%	1.7%
Far North	4.2%	4.4%	4.2%	4.1%	2.6%
Ruapehu	5.4%	4.8%	3.7%	4.0%	4.5%
Taranaki	1.5%	1.7%	2.5%	1.6%	1.5%
Gisborne	2.8%	3.1%	3.0%	2.2%	2.3%
Marlborough	2.3%	4.6%	5.9%	5.6%	6.4%
Average (excl CIC)	3.1%	3.3%	3.2%	2.8%	2.8%

Once again, this indicator suggests that there is room on the CIC balance sheet to debt fund a greater proportion of the council's capital programme. CIC operates at the levels of the low debt Mackenzie District well below the comparator average (about a tenth of the average), which is itself well below the accepted prudential benchmarks

Conclusion

The financial indicators included in this analysis suggests that CIC is in a sound, albeit unusual compared to other local authorities in New Zealand, financial position. The Council is performing relatively positively on all the indicators assessed, with the exception of the operations control benchmark (which suffers from the aspirational approach to budget planning in relation to unidentified and non-committed funding sources).

This positive level of performance is to be expected given effective management under the level, structure and incentives of the current financial assistance package. There is in our view, however, the potential for CIC to be more effective, efficient and sustainable if some structural changes were made to both the financial assistance package and, therefore, the CIC's financial calibration.

First, there appears to be room for rates to make a greater than current contribution to CIC's operations. The 2017/18 Annual Plan is based on an agreed 7.5% increase in rates revenue. If a similar increase was applied throughout the period of both the detail years of the 2018 LTP and Crown Financial Contribution, the Council's rates coverage ratio would increase to around the bottom of the range of comparator councils.

Second, CIC's current gearing is consistent with an over-reliance on the cash funding of capex. Such an approach fails to reflect the long-term nature of the benefits delivered by local government capital investment. It is also an obvious and primary driver of the Council's ongoing reliance on project specific capital contributions from the Crown. CIC's balance sheet has significant space for a greater proportion of the capital programme to be funded on a long-term basis through debt.



A potential constraint to raising debt could be the medium-term nature of the certainty associated with CIC's primary revenue stream (i.e. the Crown contribution). This is an issue that could, however, be addressed as part of any decisions made as a result of this review. The fact that the appropriated contribution lacks the more absolute long-term certainty of the statutory power to strike a rate could be accommodated by, for instance, a Crown underwrite agreement.

In our view, a Crown assistance package structured to require a higher rates contribution and increased debt funding of capex could be developed so a continuation of sound financial performance can be achieved, consistent with stronger incentives to undertake quality and sustainable asset management.