



18 April 2024

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Tēnā koe Jason

Transitioning Better Off and Council Transition Support funding arrangements to support Local Water Done Well – next steps

Earlier this month the Minister of Local Government provided an update about the next stage of Local Water Done Well (LWDW).

This included Cabinet decisions in relation to how current Better Off and Council Transition Support arrangements would be retained to support the implementation of LWDW.

Following the Minister's announcement you would have received an email from Michael Lovett, Department of Internal Affairs Deputy Chief Executive Local Government branch, outlining these decisions and indicating that the Department would be in touch with further information.

Better Off funding

Cabinet has directed the Department to work in partnership with Crown Infrastructure Partners and councils to:

- Review the status of current Better Off projects, including expenditure incurred to date and currently committed expenditure; and
- Identify, by mutual agreement, if any opportunities exist for your council to redirect unspent Better Off funding to increase investment in water infrastructure or to help establish new water services delivery organisations.

Given the direction received from Cabinet, and recognising the need for increased investment in water infrastructure as identified through councils' long-term planning, we encourage councils to consider reprioritising remaining funding that is not already allocated for water infrastructure where this is possible.

We note that councils have active projects underway and have made commitments for future spend based on receiving Better Off funding from the Department. We would therefore like to work through the specific circumstances of your Better Off project portfolio with you.

Current status of your Better Off funding

Your maximum funding amount under the Better Off funding agreement is \$4.040 million, of which \$0.404 million has been paid (being the 10% paid upon initial signing of the contract). This leaves \$3.636 million in remaining Better Off funding.

Reviewing current Better Off projects and identifying redirection opportunities – council action required

We would like to hear from you about whether you see any opportunities to redirect any of your unspent Better Off funding, to increase investment in water infrastructure or to help establish new water services delivery organisations.

To help inform your initial thoughts, please find attached (in Schedule 1) your council's current Better Off projects. This Schedule also includes an indicative view, based on the information the Department holds, on where there may be opportunities to investigate potential redirection of funding.

Please let us know your thoughts, or let us know if you would like to set up a time to discuss with the Department, by emailing waterreformfunding@dia.govt.nz by 17 May 2024.

We have provided a copy of this letter to your council's appointed relationship manager at Crown Infrastructure Partners, who will also be in touch with your council's nominated Better Off contact to provide further information as required.

Once we have received your initial position on potential redirection opportunities, we would like to discuss this with you and mutually agree your remaining Better Off programme by 30 June 2024.

Any mutually agreed changes will be confirmed through a formal contract variation when the Local Government Water Services (Transitional Provisions) Bill passes into law, which is expected around mid-2024.

I would like to reiterate that any potential redirection of Better Off funding would only occur where agreed to by your council.

In the meantime:

- For existing Better Off projects, the Department will continue to pay claims as these are submitted by councils in accordance with the terms of the Better Off funding agreement.
- Any project substitution requests (or other changes to project scopes) that increase allocations of funding to non-water activities will not be approved by the Department and Crown Infrastructure Partners until we have agreed your remaining Better Off programme.

Council Transition Support funding

Cabinet has also agreed that current Council Transition Support funding will be retained but that remaining funding be used by councils for work relating to LWDW. This includes supporting the establishment of new water services delivery organisations, or other planning work to support the transition to LWDW.

Existing Council Transition Support funding contracts are for establishment and transition activities relating to the previous Government's Three Waters Reform programme. The repeal of the Water Services Entities Act 2022 earlier this year removed the legislative basis for carrying out the permitted funding activities under existing contracts.

Current status of your Council Transition Support funding

Your maximum funding amount under the current Council Transition Support funding agreement is \$647,000, of which you have been paid \$534,500. There is \$112,500 of unpaid funding remaining.

New Council Transition Support funding agreement – council action required

The Department is currently developing a new funding agreement which will allow any unpaid funding from the original arrangement to be used for LWDW activities.

To access this funding under the new arrangement, your council will need to advise the Department of the LWDW activities and timeframes for which this funding will be used.

Note that the end date under the new funding agreement will be 30 June 2025, to enable the remaining unspent funding to be applied to LWDW activities in the next financial year, including the preparation of Water Services Delivery Plans and investigating new organisational structures for water services delivery.

If your council has incurred costs on Three Waters transition activities up to 31 March 2024 that exceed the amount of funding already paid to you, please let us know by emailing waterreformfunding@dia.govt.nz.

We will ensure that the new funding agreement enables you to be paid for these eligible costs incurred (even though they relate to historical Three Waters transition activities), however the total funding available will not exceed the total funding amount under the original funding agreement.

Next steps

Our Grants and Funding Team will send you the new funding agreement later this month.

Nāku noa, nā



Hamiora Bowkett
Executive Director, Water Services Policy
Department of Internal Affairs

SCHEDULE 1: YOUR BETTER OFF PROJECTS

The following table sets out the current status of your Better Off projects, based on the Department's records.

Status of Better Off projects (from the Department of Internal Affairs records)					
Project	Project classification	Contract value	Paid (or payment request submitted)	Remaining	Notes
Mangawhai Community Hub	Community infrastructure	\$3,020,000	\$202,000	\$2,818,000	Confirm whether your council would like to investigate any redirection opportunity
Dargaville Community Hub	Community infrastructure	\$1,020,000	\$202,000	\$818,000	Confirm whether your council would like to investigate any redirection opportunity
Total		\$4,040,000	\$404,000	\$3,636,000	

Your maximum funding amount under the Better Off funding agreement is \$4.040 million, of which \$0.404 million has been paid (being the 10% paid upon initial signing of the contract). This leaves \$3.636 million in remaining Better Off funding.

We would like to discuss this with your council to confirm whether you would like to redirect any unspent funding from these projects. Any such redirection would only occur with the mutual agreement of your council.