

Three Waters Better Off Support Package

Guidance in Response to Council's
Frequently Asked Questions - #2
13 June 2022



Te Tari Taiwhenua
Internal Affairs



Building Together Hanga Ngātahi

Better Off Support Package: Frequently Asked Questions 13 June 2022 (1 of 3)

FAQ#	Question	Response
1	<p>My understanding is that proposals cannot be included if they are already in the LTP unless it is for a portion (not all) to enhance or accelerate the delivery of that proposal.</p> <p>Is 'in the LTP' defined as being a named project (and budget) in the initial 3 years of the 2021-24 LTP of which only 2022-23 and 2023-24 effectively remain. The LTP also provides indicative spend for the following years 4-10. I presume that a project that has been flagged for that period could be included in the Better Off proposal even though the actual period of construction might not be materially changed i.e. still sometime before June 2027.</p>	<p>All costs associated with planned projects beyond the first three years of the current LTP are eligible for Better Off funding in their entirety if they are accelerated. DIA's understanding is that such activities may not have been planned in detail and that funding for years 4 to 10 will be revisited in the 2024-34 LTP.</p> <p>By contrast, if the activity being accelerated, enhanced or scaled up is provided for within the first three years of the LTP, then only the incremental cost would be eligible for funding.</p> <p>Any cost inflation for a project within the first three years of the LTP would be eligible for Better Off funding for the cost inflation amount that is currently unfunded, if the project meets the Better Off funding criteria.</p>
2	<p>If an initiative is planned to continue to perpetuity and it can only be funded for 5 years, is the expectation that council fund beyond 5 years?</p>	<p>Yes, councils would have to fund ongoing costs beyond 30 June 2027.</p>
3	<p>The National Policy Statement for Freshwater Management places additional requirements such as monitoring and management. Would support to meeting these requirements be eligible for funding?</p>	<p>If this is a new requirement that is not currently funded – and contributes to wellbeing - then it would meet the Better Off funding criteria. Funding could only be applied to these costs up to 30 June 2027, with councils required to fund ongoing costs beyond then.</p> <p>DIA recommends that the council works with their CIP Relationship Manager to determine whether there are specific, targeted initiatives that meet the Better Off funding criteria where this funding could be applied before submitting their proposal.</p>
4	<p>Would recruitment of additional staff to provide management of climate change initiatives in the district be eligible?</p>	<p>Yes, subject to these staff being recruited to work on specific initiatives that meet the Better Off funding criteria. Councils would have to fund ongoing costs beyond 30 June 2027.</p>
5	<p>Considering the intent of Iwi/Māori engagement on page 10 of the guidance, at what point will Iwi/Māori be involved as the co-designer of the criteria in order to give effect to mātauranga Māori?</p>	<p>Local authorities are expected to engage with Iwi/Māori before submitting Tranche 1 proposals. DIA will review applications to understand the level of engagement currently undertaken by councils.</p> <p>It is expected that for Tranche 2 applications (from 1 July 2024), that councils meet the Tranche 2 Minimum Expectations (Target State) as set out on page 10 of the guidance.</p>
6	<p>If a council was contributing to a group of projects which were subject to increased costs to complete (through inflation and/or scope creep), could the council reduce scope, or even pull projects out, to stay within their contribution or are they obliged to carry that risk and complete ?</p>	<p>An initiative must be fully funded based on robust cost estimates including provisions for contingency (from all funding sources i.e., Better Off plus other council funding sources) to be eligible for Better Off funding.</p> <p>DIA acknowledges the uncertain cost and inflation environment facing councils over the coming years.</p> <p>If, during the delivery phase, a funded initiative required rescoping or stopping, this would need to be evaluated on a case-by-case basis between the council, Crown Infrastructure Partners and DIA to ensure that Better Off funding is utilised in a way that maximises the wellbeings achieved by funded initiatives.</p>

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7	Are costs associated with compliance with Water Services Act eligible for funding?	<p>Unless this directly relates to a new project or initiative this will not meet the Better Off funding criteria.</p> <p>Councils would be better to use Better Off funding to fund projects that meet the Better Off Fund criteria - like enhancing a local park or community facility - and then use that funding freed up for Water Service Act compliance.</p> <p>Councils should work through issues like this with their appointed CIP Relationship Manager.</p>
8	Is the Better off funding to be treated as revenue towards Councils' debt to revenue ratios?	Better Off funding will be grant funding and should be accounted for in the same manner as other external grant funding received by councils; and in accordance with a council's revenue recognition accounting policy.
9	What is DIA's methodology for evaluating the proposal? Will this be qualitative vs quantitative, and how will "well-beings" be assessed?	<p>DIA will adopt a permissive qualitative approach to evaluating a proposed initiative's alignment with the funding criteria. Initiatives must however have a clear link to the criteria outlined on page 4 of the Better Off Funding Apr-22 guidance document.</p> <p>Councils should provide wellbeing assessments setting out the benefits and wellbeing outcomes for each initiative when submitting their proposal. DIA's preference is for wellbeing indicators to be specific and measurable.</p>
10	Can DIA provide further clarification on the 30 September 2022 deadline? The guidance notes include potentially conflicting statements.	<p>Applications will close on 30 September 2022; however applications can be lodged earlier than this. If a council finds itself in a situation where it is unlikely to meet the 30 September deadline it should engage with its Relationship Manager as soon as possible to discuss these circumstances and agree an appropriate alternative. Early submission will give councils the opportunity to amend or substitute their projects/proposals if a project is determined to not meet the Better Off funding criteria.</p> <p>For applications received by 31 August, DIA will endeavour to notify Councils of the outcome by 30 September. For applications lodged in September, DIA will apply best endeavours to convey a decision within 6 weeks of the application.</p> <p>DIA encourages councils to discuss potential projects / initiatives with their Relationship Managers to allow early guidance to be provided as to whether projects are likely to meet the Better Off funding criteria.</p>
11	The answer to question 2 in the 27 May 2022 FAQ response seems to infer that Tranche 2 funding can extend beyond 30 June 2027. Is that new info or a typo ?	<p>The information included in the 27 May 2022 FAQ response was incorrect (and has been rectified on slide 6). Tranche 2 Better Off funding will have an end date of 30 June 2027.</p>
12	Would the payment of remuneration to lwi groups or individuals be eligible? Would this be eligible if the remuneration is tied to specific initiatives or projects (with associated milestones or outcomes)?	Such payments which are related to specific initiatives or projects that meet the Better Off funding criteria would be eligible.

Better Off Support Package: Frequently Asked Questions 13 June 2022 (3 of 3)

FAQ#	Question	Response
13	Would initiatives that have a direct benefit at an individual/household level be eligible for consideration? For example, our town has challenges with air quality every winter which has broader impact on community health and wellbeing. A lot of actions that would help improve our air quality are not affordable for all of our community, such as replacing wood burners or cleaning chimneys or offering grants to assist people to do this. Would initiatives along these lines that involve investment at the household level but also benefit the wider community be considered?	<p>The Better Off funding criteria is deliberately permissive to enable councils to invest in initiatives that best meet the needs of their communities, provided that the initiatives meet one of the identified Better Off funding criteria.</p> <p>The specific initiative in this example would be fundable provided the council demonstrates it meets the Better Off funding criteria.</p>
14	Would a grants type initiative to provide assistance to community led projects that address climate change or housing (for example) be eligible for consideration?	Yes, provided that this is a new or currently unfunded initiative that contributes to wellbeing.
15	Can Better Off funding be used to fund opex or capex shortfalls in 3 Waters funding?	<p>There is no specific exclusion to using Better Off funding for three waters related initiatives. These initiatives must:</p> <ul style="list-style-type: none"> • Meet the Better Off funding criteria on page 4 of the Better Off Funding Apr-22 guidance document, and • Be new initiatives/projects; and/or an acceleration, scaling up and/or enhancing of the quality of planned investment. <p>BAU Three Waters OpEx and CapEx (to the extent provided for in the first 3 years of the LTP) would not meet the Better Off funding criteria.</p>
16	Can councils use part of Tranche 1 funding to fund water related operational expenditure, to offset what will otherwise be an impact on water rates?	Funding BAU operational expenditure does not meet the Better Off funding criteria.
17	If a project relies on Funding from both Tranche 1 & 2 but is significantly (or wholly) completed prior to July 24 will the Tranche 2 funding be paid to Council as soon as it is available from July 24 to cover the shortfall expenditure paid out of councils funds (i.e. repay the costs the council has paid)?	<p>An initiative must be fully funded to complete, based on robust cost estimates (from all funding sources i.e., Better Off plus other council funding sources) to be eligible for Better Off funding. Better Off Tranche 2 funding will not be available until 1 July 2024, so the council would need to ensure it has alternative sources of funds to complete the project, until Tranche 2 funding is available.</p> <p>DIA encourages councils to take an integrated approach, looking at opportunities that could be funded across both tranches where that makes sense. In this instance DIA would need to evaluate the project details when assessing the application. DIA recommends the council engages with its CIP Relationship Manager to progress this discussion.</p>
18	Can Better Off funding be used to deliver new infrastructure that supports growth, including components relating to 3 Waters?	This would meet the Better Off funding criteria if the investment enables housing development and growth.

Three Waters Better Off Support Package

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Frequently Asked Questions – #1
27 May 2022



Te Tari Taiwhenua
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Building Together Hanga Ngātahi

Better Off Support Package: Frequently Asked Questions 27 May 2022 (1 of 3)

FAQ#	Question	Response
1	Can DIA confirm that programmes / projects confirmed as part of Tranche 1 proposal can run through to 30 June 2027, and do not expire on 30 June 2024?	All funding must be used by 30 June 2027, which means projects must be completed before then as last cash out is before that date (ref "End Date" sect 6 of the Funding Agreement).
2	Can projects extend beyond 30 June 2027 providing specific provision is made in the Proposal for any unfinished portion to be funded by the council (similarly for Tranche 2 proposals)?	All Better Off funding from Tranche 1 must be expended by 30 Jun-27; a project could extend beyond 30 Jun-27 if supported by Council funding beyond that date. The intention is for Tranche 1 funding to be used by End Date but no restriction if ongoing investment beyond End Date funded by alternative sources (Funding Agreement Part 2 sects 2.4, 6.2). *
3	Confirm that tranche 1 proposals can be up to, but not exceeding, the amounts nominated by DIA (totalling \$500m) i.e. the proposal can be for a lesser amount.	The Better Off Funding Apr-22 guidance document (page 9 of 19) says: "Local authorities do not have to apply for the full Tranche 1 amount upfront, funds not applied for in Tranche 1 will be made available in Tranche 2. The second tranche will be subject to future guidance and application processes, however the same funding criteria and conditions are expected to apply."
4	Confirm that any eligible amount not included in an initial Tranche 1 proposal remains available for follow-up proposals.	Refer to #3 above
5	Confirm if there is a separate process for the follow-up proposal or this can only be included with the Tranche 2 proposal submission in 2024.	Refer to #3 above. The Project Substitution process could be used to access funds up to the Tranche 1 maximum amount should the original Funding Proposal/Agreement be for less than the Tranche 1 maximum funding allowable.
6	The wording indicates that Tranche 1 proposals need to be either accepted, or a Waiver issued, by 30 September 2022. This presumably means that the proposal must be lodged prior to this to allow for assessment by DIA. Has this earlier date been defined?	If a proposal is received by 30 September but not approved within that timeframe, then DIA would consider issuing a Waiver, as no earlier date was specified in the guidance. Waivers are at the discretion of DIA and would need to be considered on a case-by-case basis. We encourage councils to engage early with CIP to get applications in well before 30 September to ensure a prompt response within the specified timelines.
7	There is mention of a 'Waiver' that can be requested where a council is not able, or willing, to submit a proposal by 30 September 2022. Can you define the criteria to be used, and the process for requesting a waiver? We are aware that a number of councils will need some time to assemble their proposals and the LG elections may also influence their processes.	Waivers are at the discretion of DIA and would need to be considered on a case-by-case basis. We encourage councils to engage early with CIP to allow agencies to identify and manage those councils wishing to seek a waiver.

* The initial FAQ response document (27 May 2022) incorrectly stated that Tranche 2 funding could be applied to fund projects for expenditure beyond 30 June 2027.

Better Off Support Package: Frequently Asked Questions 27 May 2022 (2 of 3)

FAQ#	Question	Response
8	If a Tranche 1 proposal has not been submitted by 30 September 2022, or a waiver issued, does the council lose its eligibility for the Tranche 1 funding? Does this impact on availability of the separately defined Tranche 2 funding?	<p>Refer to Funding Agreement ... "These conditions precedent must either be satisfied (in the opinion of DIA) or waived by DIA (at its sole discretion) by 30 September 2022. In the event that they are not satisfied or waived within that time, DIA may notify the Recipient that this Agreement has not come into effect and is null and void."</p> <p>If the conditions are not met by 30 Sep 22, then as above with unallocated Tranche 1 funding the LTA's tranche 1 funding would be added to their Tranche 2 funding and can be applied for in 2024.</p> <p>Councils do not lose their tranche 1 funding - but they would not be able to access these funds until tranche 2 is available (1 Jul 24) if they do not participate in tranche 1.</p>
9	We anticipate that some projects that could be considered may trigger the special consultation requirements of the LGA. If this becomes apparent and impacts on a council's ability to lodge a Proposal can an extension be granted in these circumstances?	If councils wish to consult, or if approval of a funding application is held up (e.g. as issues are worked through with mana whenua), then this could be grounds for a waiver. Waivers are at the discretion of DIA and would need to be considered on a case-by-case basis. We encourage councils to engage early with CIP and get applications in well before 30 September to ensure a prompt response within the specified timelines.
10	The Guide includes that the funding can be used to ' __ accelerate, scale-up and /or enhance __ 'an already planned investment. Can you confirm if the entire project is eligible for funding or only the additional cost associated with the enhancement?	<p>The Better Off Funding Apr-22 guidance document (page 7 of 19) says</p> <p>"Funding proposals must be for:</p> <ul style="list-style-type: none"> • new initiatives/projects; and/or • to accelerate, scale up and/or enhance the quality of planned investment" <p>Only the additional cost can receive Better Off funding unless a new (unfunded) initiative/project or exemption granted by DIA, however if funding is used to bring forward an entire project from years 4-10 of the LTP then the full amount is eligible.</p>
11	<p>At this time of rapidly increasing infrastructure construction costs we expect that councils will identify projects where the LTP budget no longer aligns with the actual expected construction costs.</p> <p>Could a council apply for these additional costs even if the scope of the project is relatively unchanged?</p>	Yes, the cost increase can be applied for Better Off Funding provided the project meets the Better Off funding criteria
12	Can the 10% upfront payment be used to provide rolling programme liquidity and each monthly claim be for all actual invoices paid in the previous period?	Yes, provided that the 10% working capital is fully itemised and allocated to projects before at a future point.

Better Off Support Package: Frequently Asked Questions 27 May 2022 (3 of 3)

FAQ#	Question	Response
13	If a Council participates, i.e. sign up and takes the money, will this still allow Council to be opposed to the Three waters reform?	DIA acknowledges the importance of councils independently expressing their views of the reform programme. The Funding Agreement for the better off package does not prevent or prohibit councils from doing this. For the avoidance of doubt, publicly criticising or expressing opinions on reform cannot reasonably be expected to have an adverse effect on the reputation, good standing or goodwill of the Department or the New Zealand Government, and would not represent a breach of the funding agreement.
14	Transition Support Arrangements: The agreement requires the recipient to provide the collaboration and co-operation requested. There is then reference to CCOs involved in the delivery of water services. Does the obligation apply to both the council and the CCO if there is a CCO involved?	Yes, this obligation applies to both councils and CCOs.
15	It is noted that the Council election is scheduled for a week after the 30 September deadline for Tranche 1. If a council believes its decision-making process is compromised by the impending election can an extension be granted?	Waivers are at the discretion of DIA and would need to be considered on a case-by-case basis. Councils should engage early if there is a risk to achieving the 30 September timeframe.
16	Can you confirm if it is intended that projects must be wholly contained within each of the 2 tranches or if overlaps are permitted? This more specifically relates to projects that are partially completed in Tranche 1 and depend on Tranche 2 funding to achieve completion.	This would be permissible. DIA encourages councils to take an integrated approach, looking at opportunities that could be funded across both tranches where that makes sense.
17	We understand that projects that have '... previously been submitted and reviewed through another contestable funding source ...' can be included in the proposal. We presume this could include the expansion or enhancement of projects that have been approved by the source or re-submission of projects that have been declined, in whole or in part.	Yes, provided they meet Better Off funding criteria.
18	Could we use part (say 1/3) of the Tranche 1 funding to subsidise our road maintenance contract? We have received tenders that are significantly above budget, and we have no other "potential" funding source.	BAU road maintenance would not meet Better Off criteria. The LTA would be better to use Better Off funding to fund projects within their plan that do meet the Better Off Fund criteria - like enhancing a local park or community facility - and then use that funding freed up for the roading maintenance. Councils should work through issues like this with their appointed CIP Relationship Manager.