

Three Waters Better Off Support Package

Guide to the better off funding package for
local authorities



Te Tari Taiwhenua
Internal Affairs

Table of Contents

Page	Contents
2	Table of Contents
3	Headline Information
4	About the better off package
5	About the application and funding process
6	Relationship managers
7	Funding application documentation
8	How to identify and prioritise initiatives
9	Funding Proposal – key areas of consideration
10	Iwi/Māori engagement
11	Wellbeing assessments
12	Administration process – key areas of consideration
13	Notional funding allocations - methodology
15	Appendix A: Notional funding allocation table
16	Appendix B: Wellbeing assessment examples
18	Appendix C: How to access the DIA's Grants Management System
19	Appendix D: Relationship manager details

Headline Information



Key Dates

- ▶ Funding Proposal submission portal opens online **Monday 11 April 2022** and close **Friday 30 September 2022**
- ▶ Tranche 1 funding is available for use from **1 July 2022**



Applying for Funds

- ▶ There are **two** key **documents** to apply for and access the funding:
 - The Funding Proposal, outlining your council's intentions
 - The Funding Agreement
- ▶ You can only submit **one** Funding Proposal, but may include multiple projects or initiatives.
- ▶ You can use funding to cover projects up to **five years** in duration (through to 30 June 2027)
- ▶ You have a **relationship manager** assigned to your council to help you complete your proposal and access the funds (see **Appendix D** for details)



Funding Release

- ▶ An **initial instalment** of 10% of your funds will be released on approval of your Funding Proposal
- ▶ Subsequent instalments will be released in **arrears of costs** incurred, on receipt of:
 - A payment request (up to **one a month** can be submitted); and
 - Proof of **progress** on your expenditure programme

About the better off package

The better off package is:

- An investment by the Crown into the future for local government and community wellbeing; and
- In recognition of the significance to the local government sector (and the communities they serve) of the transfer of responsibility for water service delivery.

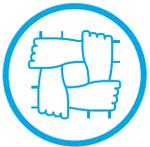
The use of this funding supports councils to transition to their new role post-reform through meeting some or all of the following criteria, as laid out in the Heads of Agreement:



Supporting communities to transition to a sustainable and low-emissions economy, including **by building resilience to climate change and natural hazards.**



Delivery of infrastructure and/or services that **enable housing development and growth**, with a focus on brownfield and infill development opportunities where those are available.



Delivery of infrastructure and/or services that **support local place-making and improvements in community well-being.**

About the application and funding process

The better off package is one of the financial support packages to be provided to Local Authorities under the Three Waters Reform, as outlined in the Heads of Agreement.

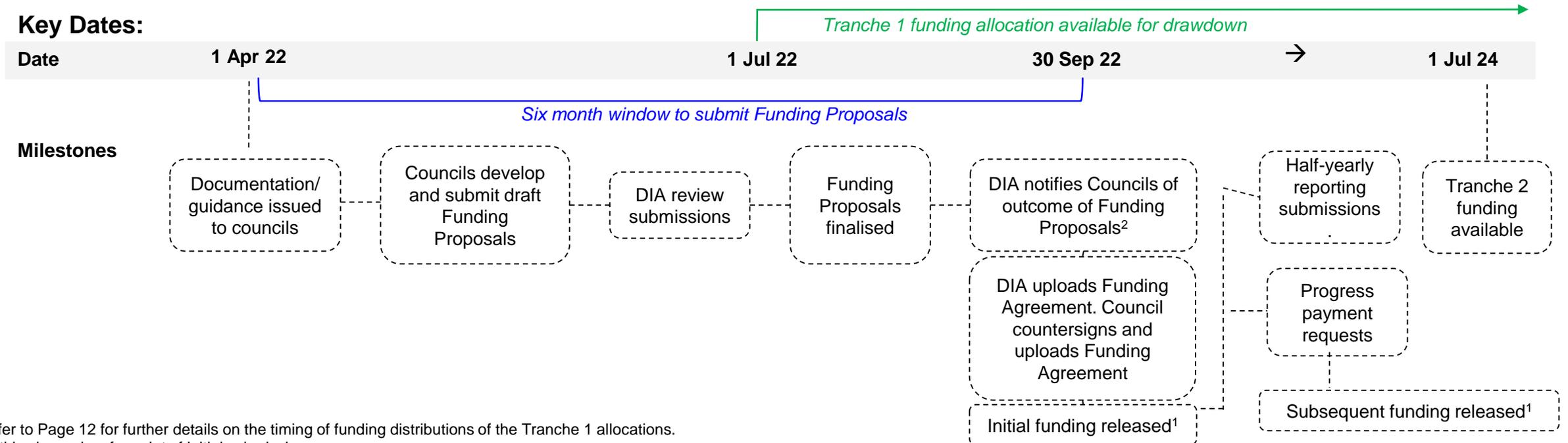
The \$2 billion package has been pre-allocated to councils based on a nationally consistent formula, and is available in two tranches. The first \$500 million of Crown Funding is available from 1 July 2022 and the remaining \$1.5 billion is available from 1 July 2024. This guide is specific to the first tranche of funding, however it is expected that access to Tranche 2 funding will follow a similar process.

This guide sets out the information needed for Local Authorities to engage with the Funding Agreement and Funding Proposal templates.

These are available on the Three Waters Reform webpage at: <https://www.dia.govt.nz/three-waters-reform-programme-reform-support-package>:

- Funding Proposal template available **01/04/2022** (NB: template for review only, proposals must be submitted online via the Grants Management System)
- Funding Agreement available **01/04/2022**

Key Dates:



¹ Refer to Page 12 for further details on the timing of funding distributions of the Tranche 1 allocations.

² Within six weeks of receipt of initial submission.

Relationship managers

To streamline the funding application and approval process, each council will be assigned a Relationship Manager to support them in developing their Funding Proposals. They will be available to provide additional guidance on an as-required basis.

Crown Infrastructure Partners have been appointed to fill this role.



The Relationship Manager's Role

Relationship managers are in place to work with, and support local authorities through the end-to-end Funding Proposal process. They also provide a liaison point between the councils and the DIA throughout the approval process.

Identify and Prioritise

Assist councils to **identify** and **prioritise** initiatives that:

- ▶ Meet the funding criteria & conditions
- ▶ Provide value for money
- ▶ Demonstrate wellbeing outcomes

Prepare

Help local authorities to **prepare** funding proposals, including:

- ▶ Preparing the schedule of expenditure
- ▶ Identifying milestones linked to project delivery
- ▶ Advising on contingency requirements
- ▶ Completing the wellbeing assessments

Submit

Support Councils to **submit** funding proposals to DIA:

- ▶ Navigate the online Grants Management System
- ▶ Liaise with the DIA and the Cross Government Evaluation team to resolve any queries on the Funding Proposal

Funding application documentation

Funding Agreement

Local Authorities are required to sign the **Funding Agreement** to access the better off funding package.

DIA will provide a completed Funding Agreement following its review of the funding proposal. A pro-forma copy of the Funding Agreement is available [here](#).

The Agreement sets out the **purpose** of the funding, and the **requirements and conditions** that local authorities agree to meet to access the funding. The Agreements includes detail on the following:

- Funding conditions and criteria
- Overview of what the funding stimulus may be spent on
- Conditions attached to the funding
- Engaging with and supporting transition activities
- Reporting and other requirements

Funding Proposal

The Funding Proposal is the document Local Authorities will use to access funding, and specifies the Programme of Expenditure they wish to apply funding to. It will be submitted to DIA for review to ensure that it meets the following criteria:

Funding criteria

- The Programme must support one or more of the better off package criteria (*refer page 4*)
- Funding proposals must be for:
 - new initiatives/projects; and/or
 - to accelerate, scale-up and/or enhance the quality of planned investment
- The duration of the Programme of Expenditure must be 5 years or less (completion date on or before 30 June 2027)
- The Total Maximum Amount Payable must be equal to or less than the funding allocation (*refer page 13*)

Local Authorities have flexibility to apply better off funding as they deem appropriate, provided it is consistent with these funding conditions and the Funding Agreement, and approved via the Funding Proposal.

The Funding Proposal will cover the following elements:

- Programme overview (including work to be undertaken, summary of costs, relevant milestones and dates.)
- Demonstration that engagement was undertaken with iwi/Māori on the use of funding.
- How the Programme meets one or more of the better off package funding criteria and conditions
- A brief wellbeing assessment setting out the expected benefits of the Programme



Administration of the better off package will be managed through the DIA online Grant Management System. **To apply you will need access to this system.** See **Appendix C** for more information

How to Identify and Prioritise Initiatives

The funding criteria provides flexibility for Councils to identify a potentially wide range of funding proposals.

Where a council has existing strategic plans and documentation that meet the funding criteria, these may inform your project selection, including proposals to accelerate, scale up or enhance current and planned initiatives.

To assist in identifying and prioritising your initiatives, below are examples of projects that may be eligible based on the criteria, along with key considerations when prioritising a list of initiatives. Judgement is required when making these decisions, and councils may choose to assign different weighting to these prioritisation factors based on the needs of your community.

Initiative Examples	
1	Public Transport Improvement Programme* <ul style="list-style-type: none"> Replace bus fleet with electric buses Upgrade public transport hubs to make them more user-friendly and safe Increase frequency of services in busy times, and identify and provide public transport options to under-serviced areas
2	Street Lighting Project <ul style="list-style-type: none"> Replace street lights with energy efficient bulbs Increase street lighting in underlit and unsafe areas
3	Coastal Placemaking Initiative <ul style="list-style-type: none"> New coastal public space and open air water park
4	Community Connectivity Initiative* <ul style="list-style-type: none"> Assist communities in need with affordable wifi connections and wifi-enabled devices
5	Digital Automation Programme* <ul style="list-style-type: none"> Transform resource consent application system
6	Supporting people living with disabilities to participate fully in society* <ul style="list-style-type: none"> Improve accessibility to community facilities including ramp access and handrails Installation of high specification bathrooms for people with complex disabilities

Initial Eligibility Check	
Does the initiative meet the funding conditions listed on page 4?	
Prioritisation Factors	
Value for Money	Do the identified wellbeing outcomes justify the cost?
Strategic Plans	Is there existing strategic planning documentation to support this initiative?
Iwi/Māori Support	Has the council engaged with iwi/Māori on the intended use of the funding?
Risk Analysis	Does your risk analysis show any undue concerns in completing the project - for example, are the resources required readily available?
Community Support	Does the initiative have rate-payer and local community support?

*See Appendix B for examples of wellbeing assessments for these initiatives

Funding Proposal – Key areas of consideration

Key areas of consideration to be aware of when developing the Funding Proposal:

Relationship between funding tranches

The first tranche (\$500m available in July 2022 as per this guidance document) is distinct from the second, but councils are expected to **consider how the first tranche could support funding proposals for the second tranche**.

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.

Output-based milestones

Milestones must be linked to **specific and measurable outputs**.

Milestones should reflect progress of project delivery.

For example:

- In relation to project stages (e.g. procurement, design, construction); or
- Based on project progress (e.g. percentage of works completed)

Contingency

When preparing your schedule of expenditure, consider whether a contingency allowance is appropriate to allow for cost increases outside your control.

A process will be developed in the coming months to enable you to utilise unspent contingency.

Prior funding applications

If you have a project that meets the better off funding criteria, and has previously been submitted and reviewed through **another contestable funding source**, speak to your Relationship Manager.

You may be able to re-use your prior application details to streamline your Funding Proposal application.

Examples of funding that may fit this criteria are:

- Infrastructure Acceleration Fund (IAF)
- National Land Transport Programme (NLTP)
- IRG Shovel Ready

Other areas of consideration

Iwi/Māori: Pathway to target state of partnership

Refer to Page 10

Wellbeing assessment

Refer to Page 11



Relationship Managers will work with Local Authorities to finalise their Funding Proposals. They will be able to assist with specific questions around these considerations.

Iwi/Māori engagement

The criteria for the Better off funding package recognises that local authorities are expected to engage with iwi/Māori in determining how it will use its funding allocation. For tranche one, it is expected that the Funding Proposal demonstrates genuine engagement, extending beyond standing committees (see below).

The diagram below illustrates a continuum of engagement to partnership between Local Authorities and iwi/Māori. The funding tranches have been designed in a way that understands that most councils sit on the continuum at or near the current state. Investment in time and resources is required by both parties in order to build a relationship that is closely aligned to partnership. In recognition of this, the **minimum** expectations for Tranche 1 are set around the current state. However, the expectation with respect to accessing Tranche 2 funding is that the target state is achieved, or that there is a demonstrated pathway as to how it will be achieved.

		1 Current State			2 Future State
		Inform	Consult	Collaborate	Partner
Principles of Effective Engagement	Engage early	▶ Advise iwi/Māori of what is happening			
	Be inclusive	▶ Provide information to iwi/Māori	▶ Keep iwi/Māori informed ▶ Seek feedback from iwi/Māori	▶ Work together with iwi/Māori	▶ Pre-existing relationship with iwi/Māori
	Think broadly		▶ Listen to iwi/Māori ▶ Acknowledge iwi/Māori concerns & aspirations	▶ Determine issues/problems together	▶ Determine issues/problems together
Principles of Partnership	Plan and co-design together			▶ Develop solutions together	▶ Develop the solution together
	Share decision-making			▶ Involve iwi/Māori in the decision-making process	▶ Co-design the process
	Relationship built on trust and respect				
		Weak			Strong

Tranche 1 Minimum Expectations (Current State):

- Identify Māori impacted by the kaupapa (purpose) of the work, with a focus on hapū, iwi, post-settlement government entities, other mana whenua
- Evidence of genuine engagement, extending beyond standing committees
- Identify issues/concerns arising from the engagement, and steps taken to accommodate and support these interests.

Tranche 2 Minimum Expectations (Target State):

- Relationships built on trust and mutual respect
- Funding Proposals have been co-designed and co-implemented from inception
- Decision-making on initiatives to fund and prioritise have been made jointly.

Wellbeing assessments

Councils are expected to provide a wellbeing assessment setting out the expected benefits and wellbeing outcomes for each Programme.

The assessment should outline how the programme will deliver on:

- The broader “wellbeing mandates” under the framework of the Local Government Act 2002 (LGA), and
- The specific wellbeing criteria for the better off package shown on page 3

LGA areas of wellbeing



Social wellbeing



Economic wellbeing



Environmental wellbeing



Cultural wellbeing

Considerations for completing the Wellbeing Assessment

- **Define** the expected wellbeing outcomes from the Programme.
- **Describe** how the Programme outcomes will promote the better off package outcomes and wellbeing objectives for your community.
- **Decide** how you will measure, monitor and report on your stated wellbeing outcomes, preferably using your existing processes. (e.g. indicators of change/key performance indicators)



See **Appendix B** for examples of Wellbeing Assessments based on the initiatives shown on page 8.

Administration Process - Key areas of consideration

Key administration principles to be aware of when planning and applying for the better off funding package:

Release of funding	<p>Following approval of a Funding Proposal and an executed Funding Agreement, an initial disbursement of 10% of the Total Maximum Payable amount will be released.</p> <p>The remainder will be disbursed on receipt of a progress payment request from Councils:</p> <ul style="list-style-type: none">• Councils may submit a progress payment request, along with a progress report, up to once a month. This will be reviewed and approved by Crown Infrastructure Partners (CIP).• The review will focus on evidence that payments are linked to progress on the Programme.• On confirmation the review is satisfactory, funds will be released in arrears of costs incurred.
Monitoring and reporting	<p>The Funding Agreement will outline the reporting requirements for councils.</p> <ul style="list-style-type: none">• Reporting is half-yearly (periods ending 30 June and 31 December), and a template will be provided to submit online.• CIP will monitor local authorities' progress against the Funding Proposal to provide assurance that Crown funding is being spent as intended and that projects are progressing within a reasonable timeframe.• The half-yearly reporting will also include monitoring of the achievement of outcomes as specified per the Funding Proposal.• There will be a process to address any material under-delivery or deviation from scope.
Project Substitution	<p>There may be circumstances in which a council wishes to substitute or re-allocate funds allocated to another project in the Funding Proposal. These decisions will be considered by CIP, and made on a case-by-case basis.</p> <p>It may be prudent to consider having a “back-up” list of projects you have discussed with your relationship manager that can be used as a substitute in the event an approved initiative is unable to proceed.</p>
Funding shortfalls	<p>Funding allocations will not be ‘topped up’ to meet any shortfalls experienced by councils.</p>

Funding allocations - methodology

A funding allocation framework has been developed, which is based on a nationally consistent formula.

The Government and Local Government New Zealand have agreed to this formula as it recognises the relative needs of local communities, the unique challenges facing local authorities in meeting those needs and the relative differences across the country in the ability to pay for those needs.

General approach to determining notional funding allocations



The **population** in the relevant council area.
(75% weighting)



The NZ **deprivation index*** adjustment to recognise the relative distribution of need across the country
(20% weighting)



The **land area** covered by a council, excluding national parks
(5% weighting)

*The New Zealand index of deprivation is an area-based measure of socioeconomic deprivation in New Zealand that combines nine variables from the Census, including income levels, educational qualifications, home ownership, employment, family structure, housing and access to transport and communications. It has been introduced in the formula for allocating the better off component of the support package to recognise the relative distribution of need across the country. It enables a balanced distribution of funding across territorial authorities that complements the remaining two criteria that recognise needs associated with a larger population base and land area.

APPENDICES

APPENDIX A: Notional funding allocations

Council	Allocation (\$m)		
	Tranche 1	Tranche 2	Total
Auckland	127.14	381.43	508.57
Ashburton	4.19	12.57	16.76
Buller	3.50	10.51	14.01
Carterton	1.70	5.10	6.80
Central Hawke's Bay	2.83	8.50	11.34
Central Otago	3.21	9.63	12.84
Chatham Islands	2.21	6.62	8.82
Christchurch	30.61	91.82	122.42
Clutha	3.27	9.82	13.09
Dunedin	11.54	34.63	46.17
Far North	8.79	26.38	35.18
Gisborne	7.21	21.62	28.83
Gore	2.29	6.86	9.15
Greater Wellington	5.08	15.23	20.31
Grey	2.98	8.95	11.94
Hamilton	14.65	43.95	58.61
Hastings	8.72	26.16	34.89
Hauraki	3.78	11.34	15.12
Horowhenua	4.99	14.96	19.95
Hurunui	2.67	8.01	10.68
Invercargill	5.78	17.33	23.11
Kaikoura	1.55	4.66	6.21
Kaipara	4.04	12.11	16.14
Kapiti Coast	5.26	15.79	21.05
Kawerau	4.32	12.95	17.27
Lower Hutt	8.36	25.07	33.43
Mackenzie	1.55	4.65	6.20
Manawatu	3.76	11.29	15.05
Marlborough	5.76	17.28	23.04
Masterton	3.88	11.65	15.53
Matamata-Piako	4.32	12.95	17.27
Napier	6.46	19.37	25.82
Nelson	5.18	15.54	20.72
New Plymouth	7.90	23.69	31.59
Total			

Council	Allocation (\$m)		
	Tranche 1	Tranche 2	Total
Opotiki	4.68	14.04	18.72
Otorohanga	2.66	7.99	10.65
Palmerston North	8.16	24.47	32.63
Porirua	5.41	16.22	21.63
Queenstown Lakes	4.03	12.09	16.13
Rangitikei	3.33	9.99	13.32
Rotorua Lakes	8.05	24.15	32.19
Ruapehu	4.12	12.35	16.46
Selwyn	5.59	16.77	22.35
South Taranaki	4.55	13.65	18.20
South Waikato	4.64	13.92	18.56
South Wairarapa	1.88	5.63	7.50
Southland	4.80	14.41	19.21
Stratford	2.57	7.70	10.27
Tararua	3.80	11.39	15.19
Tasman	5.64	16.91	22.54
Taupo	4.93	14.80	19.74
Tauranga	12.10	36.30	48.41
Thames-Coromandel	4.05	12.15	16.20
Timaru	4.97	14.92	19.90
Upper Hutt	3.90	11.69	15.59
Waikato	7.88	23.65	31.53
Waimakariri	5.54	16.63	22.18
Waimate	2.42	7.26	9.68
Waipa	5.24	15.73	20.98
Wairoa	4.66	13.97	18.62
Waitaki	3.71	11.13	14.84
Waitomo	3.55	10.64	14.18
Wellington	14.42	43.27	57.69
Western Bay of Plenty	5.34	16.03	21.38
Westland	2.79	8.36	11.15
Whakatane	5.66	16.99	22.66
Whanganui	5.98	17.94	23.92
Whangarei	9.48	28.45	37.93
Total	500.00	1,500.00	2,000.00

APPENDIX B: Wellbeing assessment examples

Example 1	Initiative Description: Public Transport Improvement Programme		
	Better off funding criteria met:		Wellbeing areas met:
	1. Supporting communities to transition to a sustainable and low-emissions economy 2. Delivery of infrastructure and/or services that support local place-making and improvements in community well-being.		1. Social 2. Environmental
	Wellbeing Outcomes	How Outcome is Measured	How Outcome is Reported
Lower carbon emissions	Reduction in carbon emissions	Annual Report	
Increase in use of public transport	Increase in # people using buses and trains Increase in % people that feel safe using public transport	Annual Report	

Example 2	Initiative Description: Community Connectivity Initiative		
	Better off funding criteria met:		Wellbeing areas met:
	1. Delivery of infrastructure and/or services that support local place-making and improvements in community well-being.		1. Social 2. Economic
	Wellbeing Outcomes	How Outcome is Measured	How Outcome is Reported
Increase in access to reliable at home wifi service	Increase in # people with access to reliable wifi connections	Annual Report	
Increase in access to wifi enabled devices to support work and study from home	Increase in % people with the ability to work and/or study from home	Annual Report	

APPENDIX B: Wellbeing assessment examples

Example 3	Initiative Description: Digital Automation Programme		
	Better off funding criteria met:		Wellbeing areas met:
	1. Delivery of infrastructure and/or services that enable housing development and growth		1. Economic
	Wellbeing Outcomes	How Outcome is Measured	How Outcome is Reported
Faster processing of resource consents	Decrease in time taken to process a consent Increase in customer satisfaction on consent process	Annual Report	

Example 4	Initiative Description: Supporting people living with disabilities to participate fully in society		
	Better off funding criteria met:		Wellbeing areas met:
	1. Delivery of infrastructure and/or services that support local place-making and improvements in community well-being.		1. Social 2. Cultural
	Wellbeing Outcomes	How Outcome is Measured	How Outcome is Reported
Community facilities are inclusive and accessible to those living with disabilities	Increase in # community facilities with disability friendly access Increase in % people with disabilities that feel community spaces are accessible	Annual Report	
Those with complex disabilities can access and use public bathroom facilities	# Public high specification bathrooms installed	6 Monthly Better Off Report Submission	

Appendix C: How to access the DIA's Grants Management System

STEP 1: Create the Better Off organisation profile

- ▶ Your relationship manager will provide DIA staff with the following information on behalf of your council:
 - Council name
 - Contact name (*this person will become the "Profile Secretary"*)
 - Contact phone number
 - email address (*this will be used for payment advice and other correspondence*)
- ▶ DIA staff will create the Better Off organisation

STEP 2: Linking an individual to administer the profile

- ▶ A RealMe invitation link will be emailed to the nominated contact, connecting them to the Better Off council profile. RealMe credentials are required for logging in, but can be created if need be.
- ▶ The contact person will fill out the organisation profile, including:
 - Bank account for payment
 - Upload of bank account verification document (bank deposit slip, statement confirming bank account name and number)
- ▶ Once logged in, the named contact can invite other individuals to join the organisation profile (to act as signatories for example).

STEP 3: Submit the Funding Proposal

- ▶ Nominated individuals linked to the Better Off organisation can create, edit and submit the Funding Proposal for the Council they represent.
- ▶ Once submitted, the Funding Proposal will be reviewed and the DIA will issue a decision within 6 weeks.

email ▶ community.matters@dia.govt.nz phone ▶ 0800 824 824 login: ▶ <https://communityadviceandgrants.dia.govt.nz>

Appendix D: Relationship manager details

Below are the contact details for the Relationship Managers assigned to each region.

Region	Name	email contact
Auckland & Northland	Martin Smith	martin.smith@crowinfrastucture.govt.nz
Bay of Plenty & Waikato	John Mackie	john.mackie@crowinfrastucture.govt.nz
Taranaki	Anthony Wilson	anthony.wilson@crowinfrastucture.govt.nz
Manawatu/Rangatikei & Top of the South	Ian Garside	ian.garside@crowinfrastucture.govt.nz
Hawkes Bay	Geof Stewart	geof.stewart@crowinfrastucture.govt.nz
Wellington	Brent Manning	brent.manning@crowinfrastucture.govt.nz
Canterbury	Paul Utting	paul.utting@crowinfrastucture.govt.nz
Otago/Southland and West Coast	Steve Apeldoorn	steve.apeldoorn@crowinfrastucture.govt.nz