PROVINCIAL DEVELOPMENT UNIT
New Zealand Government

2.28 Development phase – Tutaenui Community Agricultural Water Scheme

PGF Application		For: Approval	
Applicant:	Rangitikei District Council (**RDC**)	**Pipedrive ID #**	Commercial Information
Entity Type:	Local Authority	**PGF Funding Sought:**	$Commercial Informat
Region	Manawatu-Wanganui	**Total Project Cost:**	$Commercial Informat
Tier:	3 - Infrastructure	**Co-contribution rate:**	Comme% based on ask.
Sector:	Water Storage	**Funding Structure:**	Grant

We recommend that the IAP:

a) **Approve** $120,000 in PGF funding as a grant to Rangitieki District Council for the Development Phase of the Tutaenui Community Agricultural Water Scheme, subject to the following conditions:

a. PDU approval of the scope and contractors;

b. the Project must continue to conform with the PGF investment principles for water storage as it develops; and

c. funding will be released in tranches as milestones are achieved.

b) **Note** that this Project aligns with the regional economic development plan.

c) **Note** that project contributes to some, but not all of the PGF water storage investment principles

Proposal

Commercialisation phase of the Tutaenui Community Agriculturual Water Scheme, building on earlier prefeasibility and feasibility studies, getting the project ready for final user commitment. The Tutaenui Community Agricultural Water Scheme (Scheme)'s objective is to provide reticulated stock-water to the predominantly hill country farms in the Tutaenui area to make better use of available water.

Assessment against the PGF criteria:

Eligibility Criteria

- This application is eligible for PGF funding.

Productivity Potential

- The link to productivity is clear – improved reliability of stock-water is expected to enable increased

proportions of animals sold prime as opposed to store, and increasing animal weights.

Policy objectives and regional priorities

PGF principles in relation to investment in water storage

- In October 2018 Cabinet agreed on a set of investment principles for PGF water storage projects.
- Appendix 1 sets out an assessment of this Project against those principles.

Withheld in Full Due to Commercial Sensitivity

Regional priorities

As primary sector activity underpins the local economy, water is critical for resilience and success. The provision of sustainable opportunities that allow for agricultural diversification and the provision of reticulated stock water are priorities in the Manawatu-Whanganui Economic Action Plan and for the A25 Primary Sector Reference Group. This project is recognised as one of nine subject areas for focused attention in the Manawatū Whanganui Growth Study Opportunities Report (2015).

PGF Criteria	Assessment Commentary	Rating (0✓ to 5✓)
Link with fund and government outcomes		
Creates permanent jobs Delivers benefit to the community	• Expansion of water storage and reticulation should increase revenue to the region. • Helps better manage water. • Reduced pressure on waterways and smarter use and control of water. • Jobs would be created to meet the servicing requirements arising from land use optimisation.	✓✓✓✓ (if build project occurs)
Increased utilisation and returns of Maori asset base	• To date the geographical area covered by this project spans the rohe of at least 3 or 4 local Iwi, noting that the refined scope of the project means the area of interest sits within the rohe on one iwi – Nga Wairiki Ngati Apa.	✓✓ (if build project occurs)
Enhanced sustainability of natural assets	• Reticulation of stock water is expected to assist in removing stock from waterways, enhancing their sustainability. • Enable greater ability to implement farm environment plans. • Increased drought resistance. • Information provided by Horizons Regional Council indicates that water is available to serve development needs on some of these premium soils.	✓✓✓✓ (if build project occurs)
Mitigation of climate change effects	• Climate change typically results in less water supply certainty. Reticulating stock water will assist in alleviating this.	✓✓✓✓ (if build project occurs)
Additionality		
Adding value by building on what	• This project is recognised as one of nine subject	✓✓✓✓✓ (if build

is already there	areas for focused attention in the Manawatū Whanganui Growth Study Opportunities Report (2015). • This is on the back of a series of local water studies that have seen the project get to this point. Rangitikei District. • Council's Annual and Long Term planning documents have included this project as a key initiative for the region/district with Council updated on progress at regular intervals. • Potential to unlock other land uses like arable and horticulture through improved water access.	project occurs)
Acts as a catalyst for productivity potential in the region		
Connected to regional stakeholders and frameworks		
Alignment with regional priorities	• This project is aligned with the region's identified need for water supply resilience, and regional economic development including supporting the productive capacity of its primary sector.	✓✓✓
Support from local governance groups (inc. Councils, Iwi/Hapu)	• Sponsor is the Rangitikei District Council. • Letter of Support received from Commercial Information (the regional group that supports the economic action plan in the region with regards to the primary industries). • Letter of Support received from Commercial Information	✓✓✓✓
Governance, risk management and project execution		
Robust project management and governance systems	• Appropriate management and governance structures are in place.	✓✓✓
Risk management approach		
Future ownership / operational management	• To be considered as part of the development phase.	✓✓✓

Analysis of the benefits

The economic, animal health and welfare and environmental benefits of reticulated stock water have been highlighted in work by AgFirst, on behalf of MPI. With an increasingly changeable climate the provision of reticulated water is important for the long term security of farms and improving smart water use. Accelerate25 is pleased to note the involvement of the regional council in supporting the project to help ensure that any land use proposals are consistent with environmental limits.

Financial Analysis

- Financial analysis to date has focussed on understanding the proposed costing and funding for the development phase. Going forward, the development budget and economics of the project will be re-validated at the end of each of the development sub-phases.
- The PDU supports providing the $120,000 in funding requested. As a small rural based Council with limited resources to fund key economic development opportunities such as this project, Council relies on collaboration and government funding assistance to make realistic projects happen and the district/region to

prosper and grow. Council uses other local/regional funding sources for projects involving asset renewal/enhancements and community development projects. Council does not want to compromise these usual funding sources for such a large regional initiative and it sees better alignment and partnership with the Government through the Provincial Growth Fund.

Funding Arrangements

- The proposed funding approach is a grant.
- PGF funding will be available in tranches, with each subsequent tranche only available once milestones reached.
- A funding condition will be ongoing compliance with the PGF investment principles for water storage (as set out in Appendix 1).

Due Diligence and Ownership

- 'Know your customer' due diligence is not required as the applicant is a local authority.

Link to other projects

- N/A

Risk Assessment

1. **Ensuring project development continues to align with PGF water storage investment principles**

   It will be critical that the project continues to develop in a manner consistent with the PGF's water storage investment principles, to ensure the environmental and sustainable economic benefits are achieved. This will be a condition of any PGF funding agreement.

2. **Appropriate capability**

   Developing water storage projects is a complex and time consuming exercise, requiring high calibre technical, regulatory, environmental, financial and commercial capability. This will also be a condition of the funding agreement.

3. **Stakeholder engagement and involvement**

   Water storage projects usually have a large group of diverse stakeholders. Appropriate involvement is critical. For example, potential water users need to be engaged early and be actively involved, to mitigate the risk that the project does not meet their needs. Commercial Information . Specifically, co-funding from appropriate stakeholders / beneficiaries will be critical for project success.

4. **Need for further funding and project viability**

The project cost estimates are preliminary. A robust investment assessment will be required at the end of each phase, to assess whether the project remains viable. Linked to this, further funding may be required.

Consultation undertaken or implications:

DOC and MPI have provided feedback. MPI support the project. DOC has noted that there it is unable to provide definitive advice on final impacts until a construction option is determined.

Supporting proposal:	Yes – (Application form plus supporting Project Plan and Pre-feasibility review report)
Appendices:	Yes – Applications and supporting letters are as annexes Water Storage principles Application Will Be Proactively Released Separately Annexes Withheld in Full Due to Commercial Sensitivity
Author of paper:	Privacy o, PDU Water Storage Lead

Appendix 1: PGF Investment Principles for Water Storage

Access to a reliable and manageable source of water is a key enabler of jobs and sustainable growth in the primary sector and is a driver of regional prosperity. Many regions have significant primary sector potential that could be enabled or enhanced through access to reliable water provided by small scale storage and distribution infrastructure.

As a government we have identified three objectives for freshwater (including establishing a new Crown-Māori relationship for freshwater):

- Stopping further degradation and loss
- Reversing past damage
- Addressing water allocation issues.

In addition, through cross-party discussions on the PGF investment in water storage and infrastructure, including managed aquifer recharge, we have identified a set of principles that are core to our values as a Government. The principles are reflected below (with an assessment of the Projects against these principles).

Principles for water storage investment

Principle	**Assessment**
Economic	
Water storage will strengthen regional economies by shifting land use to higher value, non-dairy, sustainable uses.	The focus of this project is less about shifting land use, but more a specific objective to improve reliability of stock water, and to support exclusion of stock from water ways.
Water storage will help address disparities in Māori access to water for land development.	Refer to cover sheet above.
Community	
Small scale community level projects will be supported rather than mega irrigation schemes.	This project is significantly smaller than the previous Ruataniwha mega scheme (~$Commercial Information).
There must be public benefit from government funding of a project.	The project will deliver public benefit, through both improved environmental outcomes, as well as regional and community economic benefit.
Projects will involve stronger partnerships at the local level, including with regional councils.	The project is being sponsored by the Rangitikei District Council. Horizons Regional Council supports the project. Also critical for this project is appropriate partnerships and involvement at the community level going forward.
The Crown Irrigation Investments Limited (CIIL)'s programme of work will not be progressed, although communities that were involved in CIIL initiatives can submit PGF proposals that align with our objectives.	This project was not part of the CIIL work programme.
Environment	
Water storage proposals should demonstrate that they will support land use that does not increase, and ideally	A key condition of funding will be compliance with

reverses, negative impacts on water quality.	this investment principle. The key environmental benefit targeted is exclusion of stock from waterways.
Proposals should maintain the health of waterways.	
Water storage proposals should incorporate activities that improve water quality – e.g. activities that improve E coli levels and ecological health, restoration and protection projects such as improvements in wetlands, fish and wildlife habitats, riverbanks, biodiversity activities, soil health and sediment control.	
Water storage will not be used to increase the intensity of ruminant agriculture or other land uses in a catchment where this puts greater cumulative pressure on water and risks compromising water quality.	The intent of the project is to not increase the intensity of ruminant agriculture. This will be a condition of funding (complying with the PGF's water storage investment principles.
Climate change	
Where practicable, proposals should demonstrate how they will contribute to mitigating or adapting to climate change effects and a just transition to a low emissions economy.	AS per the cover sheet.
Proposals should consider the potential to contribute to community resilience to climate change. Strengthening municipal water supply is not an objective of PGF funding. However, the PGF will work with councils to include municipal supply as a component of wider water initiatives, if it enables councils to contribute more to regional water management.	