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MEMORANDUM

To: Hearing Panel Plan Change 5A
From: Tom De Pelsemaeker
Date: 5/6/2016
Re: Overview of financial support mechanisms

The Hearing Committee for Plan Change 5A (Lindis: Integrated Water Management) has requested further information from the Otago Regional Council regarding the availability of financial support mechanism for irrigators in the Lindis area.

1. Financial support mechanisms administered by the Otago Regional Council

The Local Government Act (2002) (LGA) enables Councils to facilitate irrigation development under conditions:

- The council's role in irrigation development is within the purpose of local government, which is:

*'...to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses' [section 10(1)(b)LGA]*¹

- The council exercises 'its powers [...] for the benefit of all or a significant part of its region, and not for the benefit of a single district' [section 12(5) LGA].
- The council complies with all consultative requirements and decision-making principles set out in LGA Part 6.
- The council complies with all financial management requirements and principles set out in LGA Part 6.

¹ In his legal opinion relating to the 2012 Tarras Water proposal, ORC's legal counsel, Alastair Logan, advised Council that Council investments in irrigation schemes are within the purpose of the LGA if the irrigation scheme is intended to meet current and future needs for infrastructure which is 'efficient', 'effective' and 'appropriate to present and future circumstances'.

The regional council currently administers a fund, the Water Management Reserve that may be used to support initiatives relating to the provision or upgrading of irrigation infrastructure and the undertaking of any works that are aimed at enhancing riparian and in-stream habitat.

1.1 Water Management Reserve

This NZ\$1,536,000 reserve was established to provide funding assistance for community initiated studies to:

- forecast future water demands, and
- undertake technical investigations and infrastructure requirements for water management purposes.

2. Financial support mechanisms not administered by ORC

The Ministry for Primary Industries (MPI) can support new irrigation projects as well as wider projects that are aimed at implementing more sustainable farming practices.

2.1 Sustainable farming fund

The Sustainable Farming Fund (SFF) invests in applied research and projects led by farmers, growers, or foresters.

The SFF funds 'communities of interest' to do applied research and extension projects that tackle a shared problem or develop a new opportunity.

Applicants can apply for up to \$200,000 a year for a maximum of 3 years. The maximum total grant available is \$600,000. Projects require a non-government funding contribution of at least 20%. Most successful projects are able to leverage a high proportion of other funding or in-kind support to complement the SFF grant.

2.3 Irrigation Acceleration Fund

The Irrigation Acceleration Fund (IAF), managed by MPI, supports the development of proposals for rural water infrastructure.

IAF funding is available for proposals for 3 types of projects.

- Strategic water management studies – to assist with the development of regional approaches to integrated water management (particularly rural irrigation).
- Community irrigation schemes – to assist new, small community scheme developments; and capital upgrades of existing community scheme

infrastructure. Proposals must be consistent with agreed regional strategies.

- Regional rural water infrastructure – to assist the development of large, regionally significant water harvesting, storage, and distribution proposals. Proposals must be consistent with agreed regional approaches to the sustainable use and management of water.

IAF grants can cover the staged irrigation scheme development process – from concept all the way through to being construction-ready. Applicants:

- must contribute amounts equal to, or greater than, IAF funding. That means the IAF contribution can be up to 50% of the scheme cost.
- can't include other Crown money in their funding contribution. The principle is that Crown money can't be used to match IAF funding.

Note: The IAF continues to deliver the support that was previously available through the Sustainable Farming Fund and the Community Irrigation Fund for strategic water management studies and strategies, and community irrigation schemes.

2.3 Crown Irrigation Investments Ltd

Crown Irrigation Investments Limited (CIIL), invests in the construction of water storage and off-farm infrastructure.

CIIL acts on behalf of the New Zealand Government as a bridging investor for regional water infrastructure development. It makes targeted investments into schemes, alongside other partners, that would not otherwise be developed.

CIIL was established to help fulfil irrigation's potential to improve productivity, create jobs, increase export earnings and accelerate New Zealand's economic development.

CIIL has three core functions:

- Assessing proposals against investment criteria to select optimum schemes to invest in, as well as establishing and implementing strong contractual structures.
- Managing investments in accordance with the Crown's investment requirements.
- Exiting schemes when commercial viability is reached.