

# Service Delivery Review

Service: Lake Taupō Protection Project

Date Completed: 13 February 2020

Prepared by: Officials Working Party (OWP)  
For: Lake Taupō Protection Project Joint Committee



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## Abbreviations

|         |   |
|---------|---|
| CCO     | Council Controlled Organisation               |
| CCTO    | Council Controlled Trading Organisation       |
| JC      | Joint Committee                               |
| LGA     | Local Government Act 2002                     |
| LTP     | Long Term Plan                                |
| LTPP    | Lake Taupō Protection Project                 |
| LTPPJJC | Lake Taupō Protection Project Joint Committee |
| LTPT    | Lake Taupō Protection Trust                   |
| NDRAs   | Nitrogen discharge reduction agreements       |
| OWP     | Officials Working Party                       |
| SoI     | Statement of Intent                           |
| TDC     | Taupō District Council                        |
| TMTB    | Tūwharetoa Māori Trust Board                  |
| WRC     | Waikato Regional Council                      |

# Executive Summary

## Reasons for the review

- i. This report presents the findings of an extensive review into the governance and management arrangements for the Lake Taupō Protection Project (LTPP).
- ii. The primary purpose for this review is to assist the Lake Taupō Protection Project Joint Committee (LTPPJC) make recommendations to the project partners – the Crown, Taupō District Council (TDC), Tūwharetoa Māori Trust Board (TMTB) and Waikato Regional Council (WRC) - on protecting the investment made by the partners to maintain lake water quality post June 2021 when the current project agreement expires. It also fulfils the requirements of Section 17A of the Local Government Act 2002 (LGA).

## Background

- iii. In February 2007 the Crown, WRC and TDC signed an agreement (the Project Agreement) to contribute to a joint public fund to be used to undertake strategies and actions to reduce the amount of nitrogen from entering Lake Taupō.
- iv. The agreement covered, amongst other matters, governance of the project through a joint committee and the establishment of a council controlled organisation (CCO) - the Lake Taupō Protection Trust (LTPT) - to apply the public fund.
- v. The LTPT has expended the public fund by entering into contractual agreements with land owners (nitrogen discharge reduction agreements or NDRAs). These NDRAs have a term of 999 years and require ongoing monitoring and contractual oversight to ensure that the terms and conditions of the contracts are adhered to and the investment made by the funding partners in the project is protected.
- vi. The original Project Agreement had a sunset clause terminating the project on 30 June 2019. A recent variation extended the term of the project to 30 June 2021 as there was a need to determine the future governance, management and ongoing funding arrangements for the project. The LTPT is operating on residual funds for the term of the extension.

## Options and assessment

- vii. Staff from the project partners and the LTPT have undertaken a detailed review of the future governance and management options for the project involving the following steps.

| Step                  | Description   |
|-----------------------|---|
| 1. Work programme     | A work programme for the project for the next 11 years was scoped.  |
| 2. Options identified | Options for the ongoing governance and management of the project were identified.   |
| 3. Principles         | All options were rated and ranked using principles adopted by the partners in 2019 for the future governance and management of the project. Consequently, several of the options were discounted at this point. |
| 4. Scenarios          | Six scenarios combining the different governance and management options were defined for further analysis.  |
| 5. Efficiency (Cost)  | Using the work programme prepared in step one a detailed project budget was prepared for the period 2020 – 2031 and applied to the scenarios. The scenarios were then ranked by cost.                           |

|         |  |
|---------|--|
| 6. Risk | A risk register was prepared, and mitigations identified. The six scenarios were then rated and ranked in accordance with these risks. |
|---------|--|

## Findings

- viii. Based on the assessment undertaken in this review, the highest-ranking scenarios for the future governance and management of the LTPP were:

| Scenario    | Governance                   | Management   |
|-------------|------------------------------|--|
| Scenario 1a | Joint committee (status quo) | CCO with independent administration (status quo)             |
| Scenario 1b | Joint committee (status quo) | CCO (status quo) housed by partner organisation (new)        |
| Scenario 2a | Joint committee (status quo) | Single partner responsible for management of the NDRAs (new) |

- ix. Summaries of these scenarios are provided on the following pages to enable readers to compare similar information on all three (refer pages 9 to 14). The information includes:
- A brief description
  - Key findings from the assessment
  - Commentary, conclusions and an overall ranking.

## Conclusions

- x. At this stage in transitioning the project from a development to a maintenance phase, the conclusion of this review is that Scenario 1b (Joint Committee with CCO housed by partner organisation) is the preferred option for future governance and management of the LTPP. Briefly, the reasons for this are as follows.
- The structural arrangements for the project have proved to have been successful. Specifically, this option:
    - Reinforces the collaborative aspects of the project and maintains the sense of shared responsibility
    - Reduces the likelihood of project IP being lost
    - Allows for the independent, commercial management of the NDRAs.
  - This option maintains flexibility for the future by:
    - Retaining the constitutional and structural arrangements for the project which would be difficult to reinstate if deconstructed
    - Keeps options open should changes need to be made to address new circumstances.
  - Housing the LTPT as a stand-alone operation with a service level agreement within a partner organisation, reduces the annual operating costs by approximately \$50k and aligns expenditure with the scope of the activities to be performed.
- xi. This review also concludes that the current membership of the Joint Committee should be retained for project stability as transitioning from one phase of a project to another can be difficult.
- xii. Although a decision cannot be finalised until June 2021, it is recommended that a service level agreement be considered with one of the partners<sup>1</sup> to take advantage of economies of scale.
- xiii. The principal alternatives to Scenario 1b are (in order of ranking from the analysis):

<sup>1</sup> TDC, TMTB or WRC - to be determined at a later date.

- a. Scenario 1a. Governance - Joint Committee (status quo)/Management - CCO with independent administration (status quo)
- b. Scenario 2a. Governance - Joint Committee (status quo)/Management - Single partner responsible for management of NDRA's (new).





# Preferred Options - Summaries

Scenario (1a.): Governance - Joint Committee (status quo)  
 Management - CCO with independent administration (status quo)

| Description                                  |  |   |
|--|--|---|
|  | Governance   | Management  |
| <b>Legal status</b>                          | Joint committee established in accordance with Local Government Act (LGA) 2002, Sch 7 cl 30A.  | Charitable Trust<br>Council Controlled Organisation (CCO) under the LGA 2002  |
| <b>Reporting to</b>                          | Taupō District Council (TDC) and Waikato Regional Council (WRC)  | Lake Taupō Protection Project Joint Committee (LTPPJJC)   |
| <b>Constitution/ structural arrangements</b> | Two (2) representatives each from: <ul style="list-style-type: none"> <li>Her Majesty's Government (the Crown)</li> <li>WRC</li> <li>TDC</li> <li>Tūwharetoa Māori Trust Board (TMTB)</li> </ul>   | Four (4) trustees appointed on behalf of the settlors by the LTPPJJC. <ul style="list-style-type: none"> <li>Stand-alone operation</li> <li>Executive officer engaged to administer day-to-day activities</li> <li>Specialist services contracted as required</li> </ul>  |
| <b>Scope</b>                                 | <ol style="list-style-type: none"> <li>Appoint trustees to the Lake Taupō Protection Trust (LTPT)</li> <li>Set broad direction, objectives and priorities for the LTPT and its expenditure of funds.</li> <li>Monitor/review the LTPT's activities</li> <li>Review the Lake Taupō Protection Project at regular intervals</li> <li>Report and make recommendations to the Member Authorities.</li> </ol> | Single purpose trust to oversee the nitrogen discharge reduction agreements (NDRAs) owned by the LTPT including: <ol style="list-style-type: none"> <li>Monitoring land owner implementation and compliance with the NDRAs</li> <li>Taking appropriate action in relation to non-compliance</li> <li>Processing any contractual changes whilst retaining the nitrogen tonnage purchased by the LTPT</li> <li>Reporting to the LTPPJJC as required.</li> </ol> |

| Assessment                           |   |   |
|--------------------------------------|---|---|
| Transitional Principles              | Efficiency (cost)   | Risk  |
| Strongly aligned with all principles | Key drivers are: <ul style="list-style-type: none"> <li>Costs associated with trust governance</li> <li>Compliance costs associated with administering a CCO</li> <li>Resource requirements of administering a stand-alone operation</li> </ul> Least cost effective of all scenarios considered. | Overall this scenario is low risk. The project reviews undertaken to date have concluded that the current governance and management models are fit for purpose and working well.<br><br>The high level of resourcing required to sustain this model relative to the activities being undertaken is a potential risk should project funders be seeking ways to reduce costs to their constituents in the future. |
| Relative ranking <sup>2</sup>        |   |   |
| 1 =                                  | 3   | 2 =   |

<sup>2</sup> Ranking relative to the three preferred scenarios (1 or gold being the highest and 3 or bronze the lowest).

### Commentary

Proven model:

- Retention of the Joint Committee in its current form reinforces the collaborative aspects of the project and maintains the sense of shared responsibility.
- Retention of the CCO/Trust reduces the likelihood of project IP being lost.
- Allows for the independent, commercial management of the NDRAs

Flexible:

- Retains the constitutional and structural arrangements for the project as currently configured. These arrangements have proved to be successful and would be difficult to reinstate if deconstructed.
- Keeps options open should the partners wish to extend the focus of the LTPT or should changes need to be made to address new circumstances.

**Overall ranking<sup>3</sup> =2**

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<sup>3</sup> Key

Highest – 1 Gold

Second Highest – 2 Silver

Lowest – 3 Bronze

Scenario (1b.): Governance - Joint Committee (status quo)  
 Management - CCO (status quo) housed by partner organisation (new)

| Description                           |  |   |
|---------------------------------------|--|---|
|                                       | Governance   | Management  |
| Legal status                          | Joint committee established in accordance with Local Government Act (LGA) 2002, Sch 7 cl 30A.  | Charitable Trust<br>Council Controlled Organisation (CCO) under the LGA 2002  |
| Reporting to                          | Taupō District Council (TDC) and Waikato Regional Council (WRC)  | Lake Taupō Protection Project Joint Committee (LTPPJJC)   |
| Constitution/ structural arrangements | Two (2) representatives each from: <ul style="list-style-type: none"> <li>Her Majesty's Government (the Crown)</li> <li>WRC</li> <li>TDC</li> <li>Tūwharetoa Māori Trust Board (TMTB)</li> </ul>   | Four (4) trustees appointed on behalf of the settlors by the LTPPJJC. <ul style="list-style-type: none"> <li>Stand-alone operation but housed within a partner organisation with a service level agreement for IT, accountancy and other non-specialised servicing requirements</li> <li>Executive officer engaged by the LTPT to administer day-to-day activities</li> <li>Specialist services contracted as required</li> </ul>                             |
| Scope                                 | <ol style="list-style-type: none"> <li>Appoint trustees to the Lake Taupō Protection Trust (LTPT)</li> <li>Set broad direction, objectives and priorities for the LTPT and its expenditure of funds.</li> <li>Monitor/review the LTPT's activities</li> <li>Review the Lake Taupō Protection Project at regular intervals</li> <li>Report and make recommendations to the Member Authorities.</li> </ol> | Single purpose trust to oversee the nitrogen discharge reduction agreements (NDRAs) owned by the LTPT including: <ol style="list-style-type: none"> <li>Monitoring land owner implementation and compliance with the NDRAs</li> <li>Taking appropriate action in relation to non-compliance</li> <li>Processing any contractual changes whilst retaining the nitrogen tonnage purchased by the LTPT</li> <li>Reporting to the LTPPJJC as required.</li> </ol> |

| Analysis                             |  |   |
|--------------------------------------|--|---|
| Transitional Principles              | Efficiency (cost)  | Risk  |
| Strongly aligned with all principles | Overall costs are driven by: <ul style="list-style-type: none"> <li>Costs associated with trust governance</li> <li>Compliance costs associated with administering a CCO.</li> </ul> Under this scenario overhead costs are reduced by around \$50k (cf. status quo) by housing the LTPT as a stand-alone operation within a partner organisation. | Overall this option carries the lowest risk of all the scenarios considered. It retains the current governance and management models that have proved to be fit for purpose whilst reducing overhead costs. |
| Relative ranking <sup>4</sup>        |  |   |
| 1 =                                  | 2  | 1   |

<sup>4</sup> Ranking relative to the three preferred scenarios (1 or gold being the highest and 3 or bronze the lowest).

**Commentary**

Proven model:

- Retention of the Joint Committee in its current form reinforces the collaborative aspects of the project and maintains the sense of shared responsibility.
- Retention of the CCO/Trust reduces the likelihood of project IP being lost.
- Allows for the independent, commercial management of the NDRAs

Flexible:

- Retains the constitutional and structural arrangements for the project as currently configured. These arrangements have proved to be successful and would be difficult to reinstate if deconstructed.
- Keeps options open should the partners wish to extend the focus of the LTPT or should changes need to be made to address new circumstances.

Efficiency advantages over current model:

- Housing the LTPT as a stand-alone operation with a service level agreement within a partner organisation, reduces the annual operating costs by approximately \$50k and aligns expenditure with the scope of the activities to be performed.

**Overall ranking<sup>5</sup> = 1**

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<sup>5</sup> Key

Highest – 1 Gold

Second Highest – 2 Silver

Lowest – 3 Bronze

Scenario (2a.): Governance - Joint Committee (status quo)  
Management - Single partner responsible for management of NDRAs (new)

| Description                           |   |   |
|---------------------------------------|---|---|
|                                       | Governance  | Management  |
| Legal status                          | Joint committee established in accordance with Local Government Act (LGA) 2002, Sch 7 cl 30A.   | Local government entity operating in accordance with the LGA 2002<br>or<br>Statutory entity operating in accordance with the Māori Trust Boards Act 1955  |
| Reporting to                          | Taupō District Council (TDC) and Waikato Regional Council (WRC)   | Lake Taupō Protection Project Joint Committee (LTPPJIC)   |
| Constitution/ structural arrangements | Two (2) representatives each from: <ul style="list-style-type: none"> <li>Her Majesty's Government (the Crown)</li> <li>WRC</li> <li>TDC</li> <li>Tūwharetoa Māori Trust Board (TMTB)</li> </ul>  | <ul style="list-style-type: none"> <li>NDRAs vested in a partner entity<sup>6</sup>.</li> <li>Project oversight and administration of the NDRAs managed internally as an activity of one of the partner organisations.</li> <li>Specialist services contracted as required</li> </ul>   |
| Scope                                 | <ol style="list-style-type: none"> <li>1. Appoint trustees to the Lake Taupō Protection Trust (LTPT)</li> <li>2. Set broad direction, objectives and priorities for the LTPT and its expenditure of funds.</li> <li>3. Monitor/review the LTPT's activities</li> <li>4. Review the Lake Taupō Protection Project at regular intervals</li> <li>5. Report and make recommendations to the Member Authorities.</li> </ol> | Entity responsible for overseeing the NDRAs including: <ol style="list-style-type: none"> <li>1. Monitoring land owner implementation and compliance with the NDRAs</li> <li>2. Taking appropriate action in relation to non-compliance</li> <li>3. Processing any contractual changes whilst retaining the nitrogen tonnage purchased by the LTPT</li> <li>4. Reporting to the LTPPJIC as required.</li> </ol> |

| Analysis   |   |   |
|--|---|---|
| Transitional Principles  | Efficiency (cost)   | Risk  |
| <p>Alignment with the principles is not as strong as Scenario 1a. and 1b. Principles that this option received a low score for included:</p> <ul style="list-style-type: none"> <li>Flexibility, adaptiveness and effectiveness</li> <li>Independent, commercial management of the NDRAs</li> </ul> <p>The long-term protection and good management of the public's investment was also seen to be a challenge if the management of the NDRAs are simply absorbed as BAU as opposed to being managed by a trust with a single purpose.</p> | <p>Estimated savings of \$100 - 150k due to:</p> <ul style="list-style-type: none"> <li>No trust governance costs</li> <li>No compliance costs associated with administering a CCO</li> <li>Reduced overhead requirements due to not administering a stand-alone operation.</li> </ul> <p>Second most cost effective of all scenarios considered.</p> | <p>The main risks identified for this scenario were:</p> <ul style="list-style-type: none"> <li>Loss of unique skill set built up to manage the NDRAs</li> <li>Potential for NDRAs failures if the project becomes BAU and project partners lose 'line of sight' versus being managed by a trust with a single purpose.</li> <li>Model is untested</li> </ul> |
| Relative Ranking   |   |   |
| 3  | 1   | 3   |

<sup>6</sup> Preferably an entity with a perpetuity of succession.

### Commentary

Retention of the Joint Committee in its current form reinforces the collaborative aspects of the project and maintains the sense of shared responsibility.

Of the three preferred options, management under this scenario offers the greatest potential for cost efficiency. However, increased financial efficiency in the short term needs to be weighed against other costs and risks which may affect and potentially undermine the project in the long term (refer below).

Management model is untested:

- Potential loss of unique skill set/project IP built up by both the Trust and current management
- Potential for NDRAs failures if the project becomes BAU and project partners lose 'line of sight' versus being managed by a trust with a single purpose.
- Independent management of the NDRAs would be lost and the commercial aspects of this management may be more difficult to achieve by a public entity.

Reduced flexibility:

- The projects current constitutional and structural arrangements would be difficult to reinstate in the future if deconstructed.
- The option of extending the focus of the current LTPT in the future would be lost.

**Overall ranking<sup>7</sup> =3**

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<sup>7</sup> Key

Highest – 1 Gold

Second Highest – 2 Silver

Lowest – 3 Bronze

# Introduction

1. This report presents the findings of an extensive review into the governance and management arrangements for the LTPP including the cost effectiveness of these arrangements<sup>8</sup>.

## Reasons for the review

2. The primary purpose for this review is to assist the LTPPJC make recommendations to the project partners – the Crown, TDC, TMTB and WRC - on protecting the investment made by the partners to maintain lake water quality post June 2021 when the current project agreement expires.
3. This review also fulfils the requirements of Section 17A<sup>9</sup> of the LGA.
4. Section 17A requires local authorities to review the cost effectiveness of their current arrangements for good quality infrastructure, local public services, and regulatory functions.
5. Under the Act, services are to be reviewed at least every six years or earlier should either or both of the following circumstances arise [S17A (2)]<sup>10</sup>:
  - a. any proposal to significantly change service levels
  - b. when a contract or other binding agreement is within two year of expiration
6. Broadly, all of the triggers for review listed in the LGA are applicable to the LTPP but in particular the expiration of the LTPP Project Agreement gives rise to the need for this review.

## Scope

7. The LTPP is a multi-faceted project, involving:
  - a. ongoing state of the environment monitoring by WRC monitoring staff
  - b. regulation through the Waikato Regional Plan with implementation and enforcement of the plan rules by WRC regulatory staff
  - c. active engagement and commitment of TDC to manage nitrogen discharges from urban sources
  - d. an \$80 million public fund to purchase nitrogen from pastoral land owners in the catchment to reduce nitrogen leaching into Lake Taupō by 20 per cent (170 tonnes).
8. This review is limited to those aspects of the project relating to the public fund and the governance and management ongoing protection of this investment (ie. 7d above.). The other services related to this project will be reviewed by the respective councils as required.

## Structure

9. This review report has been divided into three main sections:
  - a. Section one provides a brief background to the project, an overview of the services to be delivered post June 2021 and an outline of the roles of the respective partners in the delivery of these services. It also identifies the project's primary clients and stakeholders and comments the effectiveness of the current service delivery arrangements.
  - b. Section two overviews the options available for the governance and management of the services to be delivered post June 2021. Six scenarios, using different combinations of these governance and management for the options, are then assessed and ranked.
  - c. Section three focusses on the preferred options from the analysis. It compares the strategic fit of these options with the LTPPJC's principles for future governance and

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<sup>8</sup> This review was undertaken by the Officials Working Party (OWP). The OWP is comprised of staff from the LTPP partner agencies who support the LTPPJC members and includes the LTPT's Manager.

<sup>9</sup> Refer to Appendix 1.

<sup>10</sup> There are exclusions under the LGA but these do not apply to the LTPP.

management of the project, efficiency and risks. Finally, this section draws conclusions for the LTPPJC and subsequently the partners to consider.



## Section One: Background and Services to be Delivered

### Background

10. Initiated by WRC in 2000, the LTPP was in response to changes in water clarity and concerns about the effects of land use on the water quality of Lake Taupō.
11. The project's agreed aim is to maintain the water quality of the lake at 2001 levels and prevent further decline. To this end water quality limits have been set in the Waikato Regional Plan, which are to be met by 2080.
12. In February 2007 the Crown, WRC and TDC signed an agreement (the Project Agreement) to contribute to a joint public fund to be used to undertake strategies and actions to reduce the amount of manageable nitrogen from pastoral land from entering Lake Taupō by 20 per cent<sup>11</sup>. The agreement covered:
  - a. Governance of the project through a joint committee whose membership included the three signatories to the agreement and the TMTB.
  - b. Establishment of the Lake Taupō Protection Trust (LTPT) to apply the public fund
  - c. Regular reviews of the project
  - d. Arrangements for termination.
13. The LTPT has expended the public fund by entering into contractual agreements with land owners known as nitrogen discharge reduction agreements (NDRAs). These NDRAs have a term of 999 years and require ongoing monitoring and contractual oversight to ensure that the terms and conditions of the contracts are adhered to and the investment made by the funding partners is protected. Contractual agreements in perpetuity were not anticipated when rating for the local government component of the public fund was consulted on in 2004 through TDC and WRCs' long term plans (LTPs). The thinking at the time was that pastoral land would be purchased, converted to reduce the nitrogen discharges, covenanted to prevent future increases in discharges and then on sold. The subsequent introduction of the nitrogen trading market enabled LTPT to enter into agreements to purchase nitrogen credits directly from owners, as provided for within the Project Agreement.
14. The original Project Agreement had a sunset clause terminating the project on 30 June 2019 or earlier should the public fund be fully expended. A recent variation to the agreement extended the term of the project to 30 June 2021 as there was a need to determine the future governance, management and ongoing funding arrangements for the project. The LTPT is operating on residual funds for the term of the extension.

### Services to be delivered post June 2021

15. Over the term of the current Project Agreement, the LTPT has entered into 27 NDRAs with pastoral land owners. While components of these agreements will be similar, the NDRAs were individually negotiated to achieve the specific requirements of the land owner while conforming with the outcomes sought by the project – no one contract is the same.
16. The last of these agreements was signed in 2015, with reductions achieved on farm in 2018, and since this time the LTPT has shifted its focus from seeking and negotiating NDRAs to monitoring and compliance.
17. Likewise, the focus of the LTPPJ, as the governance body for the project, has also shifted. While continuing to receive reports on implementation and monitoring of the project from both the LTPT and WRC staff, governance focus has been on the future of the project post 2021 and the commitment of partners to continuing to fulfil their obligations. For example, a monitoring deed was signed in 2014 by the public funders - the Crown, TDC and WRC – and the LTPT, and latterly the TMTB. The monitoring deed is now a foundation document for the LTPP.

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<sup>11</sup> This equates to 170.3 tonnes of nitrogen.

18. The table below summarises the ongoing services – both governance and management - to be delivered for the LTTP<sup>12</sup>.

| Table One: Lake Taupō Protection Project Services Post 2021  |  |
|--|--|
| Governance   | Management   |
| <ol style="list-style-type: none"> <li>1. Set broad direction, objectives and priorities for the project</li> <li>2. Monitor/review management activities: <ul style="list-style-type: none"> <li>• Oversight of NDRAs</li> <li>• Receive reports from WRC on compliance of land owners with the regional plan rules</li> <li>• Receive reports from WRC on lake water quality</li> <li>• Communications plan implementation</li> </ul> </li> <li>3. Review project and associated agreements/deeds as specified in the project documentation (eg. LTTP Project Agreement every six years, Monitoring Deed three yearly)</li> <li>4. Report to project partners and make recommendations, as required</li> </ol> | <p><i>Nitrogen Discharge Reduction Agreements</i></p> <p>Oversight of the NDRAs including:</p> <ol style="list-style-type: none"> <li>1. Monitoring land owner implementation and compliance with their individual NDRAs</li> <li>2. Taking appropriate action in relation to non-compliance</li> <li>3. Processing any contractual changes whilst retaining the nitrogen tonnage purchased by the LTPT</li> <li>4. Reporting to governance, as required.</li> </ol> <p><i>Project Administration</i></p> <ol style="list-style-type: none"> <li>1. Provide administrative support for the project (ie. Governance support)</li> <li>2. Project management (ie. Preparing budgets, work programme and project co-ordination)</li> </ol> <p><i>WRC<sup>13</sup></i></p> <ol style="list-style-type: none"> <li>1. Prepare and implement monitoring plan (as specified in Monitoring Deed) and subsidiary plans - the Lake Taupō Compliance Plan and Communications Plan</li> <li>2. Prepare reports and undertake regular reviews (three yearly) of the above plans</li> <li>3. Implement and monitor the regional plan</li> <li>4. Enforce non-compliance with land use consents and permitted activity rules.</li> <li>5. Monitor and report on lake water quality.</li> </ol> <p><i>The Partners</i></p> <ol style="list-style-type: none"> <li>1. Work collaboratively to protect the public investment.</li> <li>2. Champion the project to keep it front of mind.</li> <li>3. Fund the communication of the legacy of the project.</li> </ol> |

## Clients and stakeholders

### Clients

19. The clients of the LTPT are owners of pastoral land in the Lake Taupō catchment - a mix of private land owners and Māori farm trusts.
20. As noted above, the LTPT has entered into 27 separate NDRAs although some owners may have more than one agreement with the Trust.

<sup>12</sup> For more details refer to Appendix 2: Roles/Services to be Delivered Post June 2021. A summary of the projected work programme for the LTTP (2020 to 2031) is also provided in Appendix 3.

<sup>13</sup> As noted in the scope for this report, the activities undertaken by WRC are not the subject of this review. These services are listed here for contextual information only and will be reviewed by WRC as required when it is reviewing related activities and services.

21. The management of the NDRAs is of particular importance to the land owners. When seeking to vary or change farm plans there is a potential for a request to be made to the LTPT for the NDRA(s) to be varied to accommodate the proposed changes. These requests can have significant economic implications for the land owner and need to be dealt with in an expedient and effective manner otherwise livelihoods can be negatively impacted.

#### *Stakeholders*

22. Stakeholder interest in the LTPP is extensive. The public fund used to purchase nitrogen from land owners was drawn from national, regional as well as local sources – 45 per cent from government, 33 per cent from regional ratepayers (excluding Taupō district) and 22 per cent from Taupō district ratepayers. On behalf of the stakeholders, the project partners have an ongoing obligation to ensure that the \$80 million public investment in nitrogen is protected and the contracts well managed.
23. The 999 year term of the NDRAs means that future generations are major stakeholders in the project. This reinforces the need to ensure that the story of the project is widely communicated and understood so that the legacy is maintained.
24. Since the signing of the Project Agreement in 2007, the LTPP has received considerable national and international attention. All aspects of the project have been examined to inform and inspire solutions to complex environmental issues. Most recently the project was the subject of an OECD policy paper titled *The Lake Taupo Nitrogen Market in New Zealand - Lessons in environmental policy reform (2015)*<sup>14</sup>. It was also highlighted as a case study in New Zealand's OECD Environmental Performance Review in 2017<sup>15</sup>.
25. The transition from the purchasing of nitrogen to long term contract management will continue to be of international interest. As the project enters this next phase, it provides a working example that is likely to be studied for the lesson that can be applied to other projects of a similar nature.

#### **Effectiveness of current arrangements**

26. The Project Agreement requires that reviews are undertaken every five years. Accordingly, reviews were carried by external contractors in 2011 and 2016.
27. Key findings of the 2011 review undertaken by Alchemists Ltd were that<sup>16</sup>:
- Overall progress of the LTPT toward the project objective was impressive and a credit to the Trustees and staff involved
  - Both governing structures – the Joint Committee and LTPT were considered effective and working well
  - As an independent trust the LTPT has been able to operate in an innovative and flexible manner.
28. The 2016 review prepared by Tony Petch Consulting Ltd and Graeme Fleming concurred with these findings<sup>17</sup>:
- Above all, the project showed the effectiveness of working with partners Government, Taupō District Council, Waikato Regional Council and the Tūwharetoa Māori Trust Board to achieve a very difficult task at the time. The project has been completed ahead of schedule: with all land use consents issued to land owners and being monitored; and all nitrogen purchases completed and being monitored for contractual compliance. There are few other projects in the world that provide such comprehensive protection of a near-pristine waterbody.*
29. While supportive of the current arrangements, the 2016 review foreshadowed the termination of the current Project Agreement, the need for the project to transition from

<sup>14</sup> <http://www.protectinglaketaupo.nz/assets/Protecting-Lake-Taupo/The-Trust/Key-Documents/OECD-Report.pdf>

<sup>15</sup> <http://www.oecd.org/newzealand/oecd-environmental-performance-reviews-new-zealand-2017-9789264268203-en.htm>, page 9.

<sup>16</sup> Alchemists Ltd (January 2011), *Protecting Lake Taupo Project Review Report - Final* (WRC Doc #1913069), page 5.

<sup>17</sup> Tony Petch Consulting Ltd (September 2016), Lake Taupō Protection project: Project Review 2016 (WRC Doc # 9091643), page i.

purchase to long term maintenance and potential in changes the operating environment for both governance and management.

#### Changes in the operating environment

30. The LTPP is now entering a new phase and arrangements for continuing the project need to be fit for purpose and adaptable to the local and national context in which it operates.
31. Since its inception the focus of the LTPPJC and the LTPT has been on the acquisition of the benchmarked tonnage of nitrogen required to maintain Lake Taupō water quality at 2001 levels.
32. The 2016 Review made recommendations for the transition of the project. These recommendations were based on interviews with key stakeholders and reflected the understanding at that time. Four years on and under the direction of the LTPPJC an in depth, broad analysis of the project has been undertaken. This Section 17A report has taken into account these initial 2016 review recommendations within the context of today's operating environment and are presented in the next section of this report.

## Section Two: Options and Assessment

### Current structure

33. As noted in the previous section, the structure for the LTPP is set out in the project agreement signed by the Crown, TDC and WRC in 2007.
34. Clause 7 of the agreement requires that governance of the project be undertaken by a joint committee, in compliance with schedule 7 of the LGA.
35. Membership and appointments to the joint committee are covered by clause 8 of the agreement. Provision is made for two members from the Crown, TDC and WRC with an additional two members from the TMTB.
36. The agreement (clause 6) stipulates that the project will be implemented by an incorporated charitable trust (the LTPT) and that, once established, the trust will be a Council Controlled Organisation (CCO) subject to the governance and accountability requirements of CCOs contained in Part 5 of the LGA. Settlers of the LTPT are the Crown, TDC and WRC.

### Service delivery options

37. With the expiration of the agreement in June 2021 and the transition of the project into its long-term management phase, it is timely to review the current governance and management arrangements. The management services outlined in Table One in the previous section will continue to need to be delivered and the structural arrangements for that delivery should be fit for purpose.
38. In undertaking this review, effort was made to consider a range of different project governance and management possibilities including 'doing nothing'.
39. Options for governance fell into three main categories:
  - a. A board or other ad hoc body appointed by the Crown
  - b. A council committee under the auspices of either of the two councils
  - c. A joint committee of TDC and WRCWithin these three categories various 'hybrids' were considered involving either the establishment of a new committee/entity or utilising an existing governance body.
40. Similarly, options for management also fell into three categories:
  - a. A trust conforming to the definition CCO under the LGA
  - b. A company conforming to the requirements of a council controlled trading organisation (CCTO) under the LGA
  - c. A partner (eg. WRC) taking on responsibility for management with service delivery performed by staff or contracted out to an external agency.'Hybrids' within these three categories were also considered.
41. Diagram one illustrates the potential options described above. For further information on these options refer to Appendix 4 (Governance) and Appendix 5 (Management).



### Methodology

42. Assessment of the potential service delivery options was undertaken in three steps.
43. Step one involved an assessment of all of the options against a set of principles<sup>18</sup> that had been agreed by LTPPJ and subsequently adopted by TDC and WRC in June 2019. As a consequence of this initial assessment a number of options were able to be eliminated.
44. Six scenarios applying various combinations of the remaining governance and management options were then prepared for further assessment.
45. Step two was a cost effectiveness analysis of the six scenarios based on a projected ten-year work programme<sup>19</sup> for the LTPP.
46. The third and final step compared each of the scenarios against the risks identified for the project.

### Assessment against principles

47. The principles adopted in 2019 for assessing governance and management for the project post June 2021 are set out below.

| Principles for Future Governance and Management |  |
|---|--|
| <u>Who?</u>                                     | <ul style="list-style-type: none"> <li>• Preference for a co-governance model with the current partners – Taupō District Council, Waikato Regional Council, Tūwharetoa Māori Trust Board, and the Crown.</li> <li>• Periodic reviews (three yearly, or sooner if required) of the governance model to ensure flexibility, adaptiveness and effectiveness on an ongoing basis.</li> </ul> |
| <u>What?</u>                                    | <p>The model adopted will provide:</p> <ul style="list-style-type: none"> <li>• Oversight and enhancement of all aspects of lake water quality</li> <li>• Long term protection and good management of the public investment.</li> <li>• Formal and long-term oversight of the obligations and accountabilities of all parties to the project</li> </ul>                                  |

<sup>18</sup> Referred to as the Transition Principles, the development of these principles was a requirement of the Deed of Variation (No. 3) which extended the term of the Project Agreement to 30 June 2021.

<sup>19</sup> The projected work programme for the LTPP is summarised in Appendix 3.

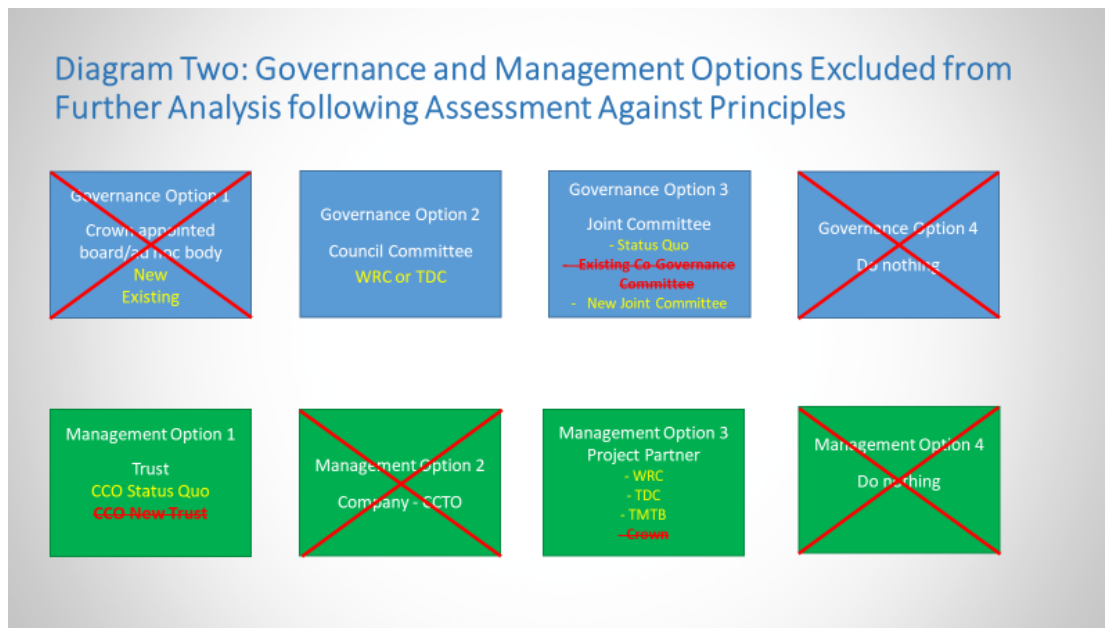
- An ability to build on the knowledge, experience and lessons learned from the project.

How?

Delivery of the project will ensure:

- The continuation of the independent, commercial management of the nitrogen reduction agreements.
- Strong, ongoing connection with the community and land owners in the Taupō Waters catchment.
- Continuation of methods that promote innovation.

48. The full range of service delivery options identified in diagram one (see also paragraphs 38 to 40 above) were assessed and ranked based on alignment with the principles.
49. Key drivers for ranking highly tended to be options that:
- a. supported the preference for a co-governance model with current partners
  - b. ensured the continuation of independent, commercial management of the NDRAs.
- Flexibility, adaptiveness and effectiveness on an ongoing basis was also important.
50. Options with limited alignment with the principles or considered unfeasible were subsequently excluded from further analysis (refer to diagram two below).



51. The options that were carried forward for further assessment were as follows:

**Governance**

1. Council Committee
2. Joint Committee
  - a. Existing (Status Quo)
  - b. New

**Management**

1. Trust with CCO (Status Quo)
2. Project Partner
  - a. Waikato Regional Council
  - b. Taupō District Council
  - c. Tūwharetoa Māori Trust Board

## Scenarios

52. Using different combinations of the options, six scenarios for project governance and management were developed and assessed in relation to efficiency and risks. The scenarios are described in brief below (for a fuller description refer to Appendix 6).

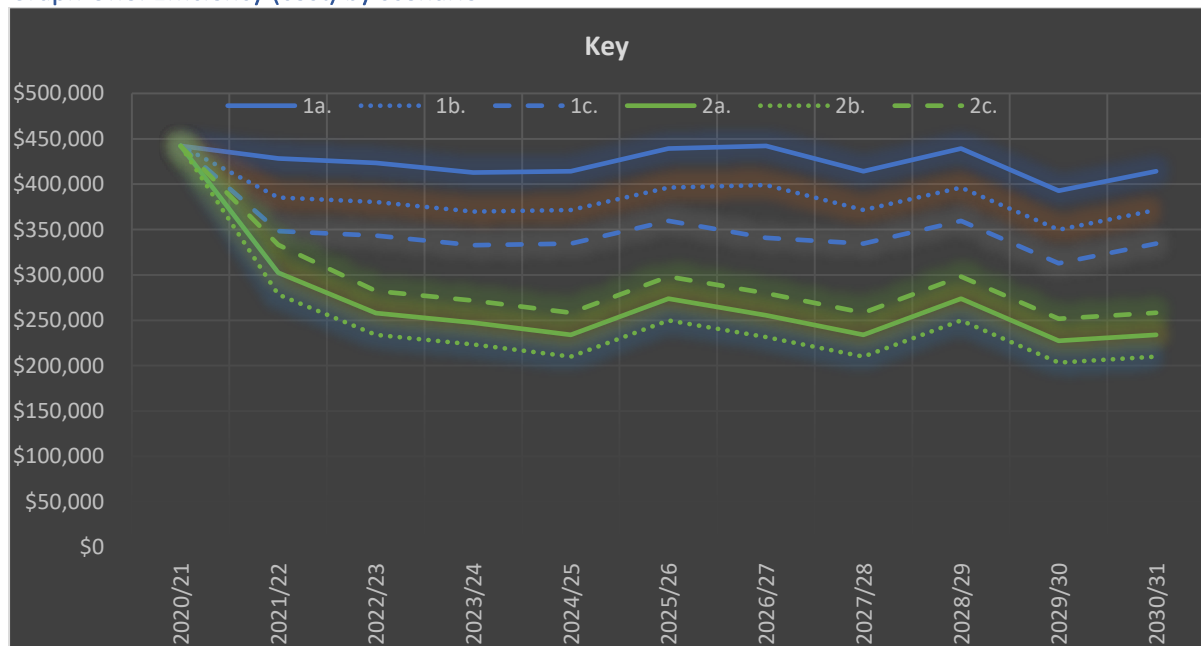
### Scenarios

|     |            |  |
|-----|------------|--|
| 1a. | Governance | Existing Joint Committee (JC) or new JC                      |
|     | Management | Charitable trust, CCO as a stand-alone operation             |
| 1b. | Governance | Existing JC or new JC  |
|     | Management | Charitable trust, CCO housed by partner.                     |
| 1c. | Governance | New or existing committee of TDC or WRC.                     |
|     | Management | Charitable trust, CCO housed within WRC or TDC               |
| 2a. | Governance | Existing JC or new JC  |
|     | Management | NDRAs managed internally by a partner.                       |
| 2b. | Governance | New or existing committee/board of one of the partners       |
|     | Management | NDRAs managed internally by a partner.                       |
| 2c. | Governance | New or existing committee/board of one of the partners       |
|     | Management | NDRAs managed internally by a partner. Delivery out-sourced. |

### Efficiency (cost)

53. Based on the services to be delivered post 2021 and the projected work programme<sup>20</sup> detailed budgets were prepared for the period 2020 – 2031 for the six scenarios.
54. Depending upon the scenario, post June 2021 the governance and management of the LTPP will cost between \$250 to 420k per annum.
55. The graph below shows the difference in costs between the various scenarios (refer to Appendix 7 for budget summaries).

Graph One: Efficiency (cost) by scenario



<sup>20</sup> Refer Appendix 3 for the LTPP's Work Programme – 2020 to 2031.



56. A key driver for efficiency is the cost associated with the management structure used to deliver the LTPP. The CCO/Trust structure is more expensive due to compliance, reporting and other costs associated with being a council controlled organisation.
57. Overheads are another factor that can impact the overall cost of the project. The current LTPT is a stand-alone operation and, although indirect expenses such as rent, IT and accountancy services are kept to a minimum, relative costs are higher as the trust does not have the advantage of the economies of scale afforded by being part of a larger operation.
58. Scenario 2b has the lowest cost of the six scenarios considered. Under this scenario one of the current partners would take on both the governance and management elements of the project. It envisages the partner's staff being responsible for management of the NDRA's and reporting to an appropriate standing committee or the organisation's board. Line of sight for the partners in terms of protecting their collective investment would rely on almost entirely the provisions in the project's Monitoring Deed.
59. The status quo (Scenario 1a.) is the most expensive of the scenarios due to the factors listed in paragraphs 56 and 57 above. However, the current model is proven and less costly scenarios may not deliver the protection of public's investment in the project that the partners desire.

### Risk

60. The third component of the assessment of the scenarios was a risk analysis.
61. In undertaking this assessment, a risk register for the project as it currently stands was first prepared (ie. joint committee and LTPT). Mitigations were also identified to assist with reducing or giving guidance on managing specific risks for particular scenarios (refer Appendix 8).
62. Greatest risks for the LTPP are primarily related to:
  - a. potential loss of the considerable intellectual property (IP) that the LTPT has built up over the past 13 years and the unique skill set held by both the trustees and LTPT management
  - b. international and national reputational risks as a leading-edge project and the importance of the LTPP being able to smoothly transition to this next phase of its life and be sustainable in the long term
  - c. challenges in securing and retaining future funding for the project.
63. The six scenarios were assessed against the identified risks for the project both in terms of likelihood of occurrence and potential impact. In summary, the scenarios are listed below in order from lowest to highest risk (refer Appendix 9 for further detail).

|         |              |  |
|---------|--------------|--|
| Lowest  | Scenario 1b  | JC/CCO housed within partner organization  |
|         | Scenario 1a. | JC/CCO (Status quo)  |
| Risk    | Scenario 1c. | TDC/WRC Committee + CCO Inhouse  |
|         | Scenario 2a. | JC/Single Partner responsible for Management (with specialist NDRA staff)                              |
| Highest | Scenario 2b. | Single Partner responsible for Project (Governance and Management and employing specialist NDRA staff) |
|         | Scenario 2c. | Single Partner responsible for Project (Governance and Management outsourcing NDRA management)         |

64. Scenarios that retain all or some of the aspects of the status quo tend to have a lower risk rating with respect to 62a. and 62b. above. This is due to the current model being proven to deliver. A strength of the project has been of the relationship between the partners and the

LTPT and the direct 'line of sight' the partners have over the management of the NDRAs. The JC has been successful in maintaining the connection between the partners and the LTPT reporting lines to the committee have been clear.

65. Funding is yet to be secured for the ongoing management of the NDRAs. This is a risk for all scenarios but in general terms the higher the cost of service delivery, the higher the likelihood of funding challenges. As noted in the previous section, Scenario 2b has the lowest cost of the six scenarios considered (see paragraph 58 above). However, investment by all partners is significant and there is a concern that should responsibility for the LTPT be vested in one partner there is a risk of loss of project 'line of sight'.

### Ranking

66. The table below summarises the ranking of the six scenarios against adherence to the three components of the assessment and provides an overall ranking.
67. The highest ranked scenario is for continuing with a joint committee and council-controlled organisation (ie. the LTPT) but housing the LTPT within one of the partner organizations with a service level agreement.
68. The next highest ranking scenarios are:
- status quo (scenario 1a.)
  - a JC with one of the partners taking responsibility for management of the NDRAs with specialist staff (scenario 2a).

| Table Two: Scenarios by Rank  |                                    |                   |      |                 |
|---|------------------------------------|-------------------|------|-----------------|
| Scenarios   | Ranking                            |                   |      | Overall Ranking |
|   | Adherence to Transition Principles | Efficiency (cost) | Risk |                 |
| Assessment  |                                    |                   |      |                 |
| Scenario 1a. JC/CCO (Status quo)  | 1=                                 | 6                 | 2=   | 2=              |
| Scenario 1b: JC/CCO housed within partner organization  | 1=                                 | 5                 | 1    | 1               |
| Scenario 1c: TDC/WRC Committee + CCO In house   | 4                                  | 4                 | 2=   | 4               |
| Scenario 2a. JC/Single Partner responsible for Management (with specialist NDRA staff)                              | 3                                  | 2                 | 4    | 2=              |
| Scenario 2b: Single Partner responsible for Project (Governance and Management and employing specialist NDRA staff) | 5=                                 | 1                 | 5    | 5               |
| Scenario 2c: Single Partner responsible for Project (Governance and Management outsourcing NDRA management)         | 5=                                 | 3                 | 6    | 6               |

### Key

| Ranking |   |
|---------|---|
| Highest | 1 |
|         | 2 |
|         | 3 |
|         | 4 |
|         | 5 |
| Lowest  | 6 |

69. The assessment undertaken by the OWP and presented this section of this report indicates that Scenarios 1a., 1b. and 2a. are considered to be the most viable options for the future governance and management of the LTPP as the project transitions to its long-term maintenance phase. These three scenarios are discussed in more detail in the next section of the report which focuses on preferred options and conclusions.



## Section Three: Conclusions

### Role of the LTPPJJC

70. The LTPPJJC's role is to make recommendations to the LTPP partners on the future governance and management of the project. This information is essential to:
- Enable the LTPT to prepare their 2020/21 Sol as either a going concern or for the winding-up of the trust<sup>21</sup> and assignment of the NDRAs to a new owner
  - Enable TDC and WRC to consult with the public on future funding for the project through their respective LTPs
  - Provide reassurance for NDRA land owners - the current recipients of the services of the LTPT – that continuity of expedient service delivery is in hand.
71. In making its recommendations the LTPPJJC should propose a preferred option for the partners to consider. It should also indicate the principal alternatives it has assessed for addressing the future of the project. This will assist TDC and WRC consult on future funding for the LTPP in their respective LTPs. TDC and WRC need to be able to present to the public principal options and the implications (including financial implications) of each of these options as well as signalling a preferred option<sup>22</sup>.
72. In this section of the review the three highest ranking scenarios are presented in more detail. Hybrids of these scenarios are also considered and conclusions are drawn on a preferred option with principal alternatives.

### Highest ranking scenarios

73. Based on the assessment in Section Two of this review, the highest-ranking scenarios for the future governance and management of the LTPP are as follows:

| Scenario    | Governance                   | Management   |
|-------------|------------------------------|--|
| Scenario 1a | Joint committee (status quo) | CCO with independent administration (status quo)             |
| Scenario 1b | Joint committee (status quo) | CCO (status quo) housed by partner organisation (new)        |
| Scenario 2a | Joint committee (status quo) | Single partner responsible for management of the NDRAs (new) |

74. Summaries of these scenarios are provided on pages 9 to 14 to enable readers to compare similar information on all three. The information includes:
- A brief description of the scenario including legal status, reporting lines, constitutional/structural arrangements and scope of activities/services to be delivered
  - Key findings from the assessment (ie. alignment with the principles, efficiency and risk) for each scenario and its relative ranking in relation to the other scenarios
  - Commentary and conclusions highlighting the advantages or limitations of the scenario
  - Finally, an overall ranking is given.

### Hybrids

75. As noted in the previous section, the assessment of service delivery options identified hybrids of the various scenarios (refer to paragraphs 39 and 40). Hybrids for the highest ranking scenarios are discussed below with respect to feasibility and appropriateness for the phase that the project is now entering.

<sup>21</sup> This information is required by the LTPT by 1 May 2020 to enable it to finalise its 2020/21 Sol for delivery to TDC and WRC by 30 June 2020.

<sup>22</sup> LGA, Section 93C, ss 2(b).

## *JC*

76. All three scenarios favour the continuation of a JC for project governance. The membership of the current LTPPJJC comprises two representatives each from the Crown, TDC, TMTB and WRC. As indicated in section 2 of this review, a JC with an altered membership could be considered should some members wish to take a 'step back' from the governance table or there was a desire to bring new members to the table to reflect changes in the operating environment.
77. In the immediate future project stability is important and, as signalled through the transitional principles, retention of the current project members is preferred. The strength of this relationship continues to be a key aspect of the project and full participation of all members is considered essential for the successful transition from a development to a maintenance phase of the project.
78. Provision has been made in the LTPP work programme 2020 – 2031 for six yearly reviews (refer Appendix 3). This would be an appropriate time to reconsider the composition of project governance taking into account the level of involvement the respective partners could commit to and any changes that may have occurred in the operating environment since last reviewed.

## *Management*

79. Scenario 1b proposes that management of the NDRAs continue to be provided by the LTPT and that the trust be housed within one of the partner organisations. While retaining its legal status and separate identity, a service level agreement with one of the partners would enable the LTPT to reduce costs by taking advantage of being able to share its overhead burden with a larger organisation.
80. Hybrids for this scenario are housing within TDC, TMTB or WRC. TDC, TMTB and WRC management have indicated that the LTPT could be accommodated within their respective organisations, noting that due diligence will need to be undertaken by all parties should this option be progressed.
81. Scenario 2a proposes one of the partners - TDC, TMTB or WRC – taking on responsibility for the NDRAs with service delivery provided by the partner's staff.
82. TDC management have indicated that, while possible, oversight of the NDRAs would be a new function and does not naturally align with the services delivered by the council. Specialist staff would need to be engaged.
83. Whilst water quality is a function of regional councils, WRC notes that the management of the NDRAs falls outside of the scope of the RMA and requires commercial acumen rather than resource management skills. Like TDC, WRC would also need to engage specialist staff should the delivery of services reside with the regional council.
84. TMTB would need to undertake due diligence on this matter if this was an option to be progressed.

## **Conclusion**

85. A comprehensive service delivery review of the LTPP has been undertaken to assist the LTPPJJC make recommendations to the project partners on the future governance and management arrangements for the project. The current project agreement is due to expire in June 2021 and the partners need to ensure that the public's \$80 million investment in NDRAs with land owners are appropriately provided for and the ongoing delivery of services to these land owners is efficient and effective.
86. This review conforms with the requirements of Section 17A of the LGA and has involved:

- a. An overview of the ongoing services to be delivered including a long-term work programme (2020 – 2031)
  - b. Identification of the service delivery options and the development of governance and management scenarios
  - c. An assessment and ranking of the scenarios in accordance with a set of principles agreed by the partners for the transition of the project, cost and risk
  - d. Closer examination of the three highest ranking scenarios and selection of a preferred option.
87. The conclusion of this review is that at this stage in transitioning the project from a development to a maintenance phase, Scenario 1b (JC with CCO housed by partner organisation) is the preferred option for future governance and management of the LTTP. Reasons for this are as follows.
- a. The structural arrangements for the project have proved to have been successful. Specifically, this option:
    - Retains the JC in its current form reinforcing the collaborative aspects of the project and maintaining the sense of shared responsibility
    - Retains the CCO/Trust structure reducing the likelihood of project IP being lost.
    - Allows for the independent, commercial management of the NDRAs
  - b. This option maintains flexibility for the future by:
    - Retaining the constitutional and structural arrangements for the project as currently configured. These arrangements have proved to be successful and would be difficult to reinstate if deconstructed.
    - Keeping options open should the partners wish to extend the focus of the LTPT or should changes need to be made to address new circumstances.
  - c. Although not as great as some of the options considered, scenario 1b has efficiency advantages over the current model of service delivery. Housing the LTPT as a stand-alone operation with a service level agreement within a partner organisation, reduces the annual operating costs by approximately \$50k and aligns expenditure with the scope of the activities to be performed.
88. This review also concludes that the current membership of the JC should be retained - two representatives each from the Crown, TDC, TMTB and WRC. Transitioning from one phase of a project to another can be difficult and during change project stability is important.
89. Although a decision cannot be finalised until June 2021, it is recommended that a service level agreement be considered with one of the partners<sup>23</sup> to take advantage of economies of scale.
90. The principal alternatives to scenario 1b are (in order of preference):
- a. Scenario 1a. Governance - Joint Committee (status quo)/Management - CCO with independent administration (status quo)
  - b. Scenario 2a. Governance - Joint Committee (status quo)/Management - Single partner responsible for management of NDRAs (new)

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<sup>23</sup> TDC, TMTB or WRC - to be determined at a later date.





# Appendices



## Appendix 1: Legislation

### Local Government Act 2002

#### 17A Delivery of services

- (1) A local authority must review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions.
- (2) Subject to subsection (3), a review under subsection (1) must be undertaken—
  - (a) in conjunction with consideration of any significant change to relevant service levels; and
  - (b) within 2 years before the expiry of any contract or other binding agreement relating to the delivery of that infrastructure, service, or regulatory function; and
  - (c) at such other times as the local authority considers desirable, but not later than 6 years following the last review under subsection (1).
- (3) Despite subsection (2)(c), a local authority is not required to undertake a review under subsection (1) in relation to the governance, funding, and delivery of any infrastructure, service, or regulatory function—
  - (a) to the extent that the delivery of that infrastructure, service, or regulatory function is governed by legislation, contract, or other binding agreement such that it cannot reasonably be altered within the following 2 years; or
  - (b) if the local authority is satisfied that the potential benefits of undertaking a review in relation to that infrastructure, service, or regulatory function do not justify the costs of undertaking the review.
- (4) A review under subsection (1) must consider options for the governance, funding, and delivery of infrastructure, services, and regulatory functions, including, but not limited to, the following options:
  - (a) responsibility for governance, funding, and delivery is exercised by the local authority;
  - (b) responsibility for governance and funding is exercised by the local authority, and responsibility for delivery is exercised by—
    - (i) a council-controlled organisation of the local authority; or
    - (ii) a council-controlled organisation in which the local authority is one of several shareholders; or
    - (iii) another local authority; or
    - (iv) another person or agency;
  - (c) responsibility for governance and funding is delegated to a joint committee or other shared governance arrangement, and responsibility for delivery is exercised by an entity or a person listed in paragraph (b)(i) to (iv).
- (5) If responsibility for delivery of infrastructure, services, or regulatory functions is to be undertaken by a different entity from that responsible for governance, the entity that is responsible for governance must ensure that there is a contract or other binding agreement that clearly specifies—
  - (a) the required service levels; and
  - (b) the performance measures and targets to be used to assess compliance with the required service levels; and
  - (c) how performance is to be assessed and reported; and
  - (d) how the costs of delivery are to be met; and
  - (e) how any risks are to be managed; and
  - (f) what penalties for non-performance may be applied; and

- (g)** how accountability is to be enforced.
- (6) Subsection (5) does not apply to an arrangement to the extent that any of the matters specified in paragraphs (a) to (g) are—
  - (a)** governed by any provision in an enactment; or
  - (b)** specified in the constitution or statement of intent of a council-controlled organisation.
- (7) Subsection (5) does not apply to an arrangement if the entity that is responsible for governance is satisfied that—
  - (a)** the entity responsible for delivery is a community group or a not-for-profit organisation; and
  - (b)** the arrangement does not involve significant cost or risk to any local authority.
- (8) The entity that is responsible for governance must ensure that any agreement under subsection (5) is made publicly available.
- (9) Nothing in this section requires the entity that is responsible for governance to make publicly accessible any information that may be properly withheld if a request for that information were made under the [Local Government Official Information and Meetings Act 1987](#).

Section 17A: inserted, on 8 August 2014, by [section 12](#) of the Local Government Act 2002 Amendment Act 2014 (2014 No 55).

## Appendix 2: Roles/Services to be Delivered Post June 2021

*Note: Roles marked with a \* only apply if a trust/CCO structure is used to manage the nitrogen discharge reduction agreements (NDRAs)*

### Governance

- 1) NDRAs Oversight
  - Appoint trustees on behalf of the settlors\*
  - Set the broad directions, objectives, priorities and expectations for management and the expenditure of funds.
  - Receive and comment on statement of intents (Sols)\*/annual work programmes and KPIs
  - Monitor the implementation of Sols\*/annual work programmes (6 and 12 months)
  - Receive information on non-compliance with NDRAs
- 2) Project Monitoring and Reporting
  - Monitor the implementation of the project in accordance with the Monitoring Deed
  - Receive reports from Waikato Regional Council on the compliance of land owners with the regional plan (ie. Variation 5)
  - Oversee the implementation of the communication plan to:
    - embed land owner compliance with the regional plan
    - provide ongoing communication to the wider community on the benefits of the project.
- 3) Review and Recommendations
  - Undertake regular reviews of the project in accordance with the Project Agreement (5 yearly) and the Monitoring Deed (3 yearly)
  - Receive and comment on the Monitoring Plan(s) prepared by WRC (as per the Monitoring Deed)
  - Make recommendations to the project partners as required.

### Management

- 1) NDRAs
  - Prepare statement of intents (Sols)\*/annual work programmes and KPIs (includes budget)
  - Monitor compliance with the NDRAs and address any contract breaches
  - Work with land owners wanting to alter the terms of their NDRAs
  - Educate land owners on their responsibilities with respect to the NDRAs
  - Report to governance on the implementation of Sols\*/annual work programmes (6 and 12 months)
  - Report to governance on any matters of non-compliance with NDRAs
- 2) Administering Council (WRC or TDC)
  - Provide administrative support for the project (ie. Governance support)
  - Ongoing management of the overall components of the project (ie. project budgets, work programme oversight and project co-ordination)
- 3) Waikato Regional Council
  - Preparation of an overall monitoring plan for approval by the project governance and subsidiary plans such as the Lake Taupō Compliance Plans

- Undertake regular reviews (three yearly) of the above plans
- Implementation and monitoring of the regional plan (as per Variation 5)
- Enforcement of any non-compliance with land use consents and permitted activity rules.
- Report to governance on the compliance of land owners with the regional plan (ie. Variation 5)
- Prepare, lead and fund (staff time) the communications plan
- Report on the implementation of the communications plan and undertake regular reviews (three yearly)
- Monitoring and reporting on lake water quality

#### 4) The Partners

- Work collaboratively to support those agencies with specific management responsibilities to deliver the work programmes and protect the public investment.
- Champion the project to keep it front of mind.
- Funding to support the communication of the legacy of the project.

## Appendix 3: Work Programme – 2020 to 2031

| Activities  | 2020/21                   | 2021/22     | 2022/23     | 2023/24     | 2024/25     | 2025/26     | 2026/27     | 2027/28     | 2028/29     | 2029/30     | 2030/31     |
|---|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Appointment of Trustees                                   |                           | •           |             |             | •           |             |             | •           |             |             | •           |
| Revise Project Agreement                                  | •                         |             |             |             |             |             | •           |             |             |             |             |
| Review Monitoring Deed                                    |                           | •           |             |             | •           |             |             | •           |             |             | •           |
| Committee Administration                                  | •                         | •           | •           | •           | •           | •           | •           | •           | •           | •           | •           |
| Review of Lake Taupo Catchment Compliance Monitoring Plan |                           |             | •           |             |             | •           |             |             | •           |             |             |
| Lake Taupo Compliance Plan                                | Plan Review               | As required | As required | As required | As required | As required | As required | As required | As required | As required | As required |
|   | Reporting                 | •           | •           | •           | •           | •           | •           | •           | •           | •           | •           |
| Protecting Lake Taupo Communications Plan                 | Plan Review               |             |             | •           |             | •           |             |             | •           |             |             |
|   | Reporting                 | •           | •           | •           | •           | •           | •           | •           | •           | •           | •           |
| Management – NRDA   | SOI/Annual Work Programme | •           | •           | •           | •           | •           | •           | •           | •           | •           | •           |
|   | Reporting                 | •           | •           | •           | •           | •           | •           | •           | •           | •           | •           |
|   | Contract Management (BAU) | •           | •           | •           | •           | •           | •           | •           | •           | •           | •           |

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<sup>24</sup> "Lake Taupo Protection Project - Work Programme July 2020 – June 2031 (11 years).docx": <https://discover.wairc.govt.nz/otcs/llisapi.dll/Overview/15252087>

Appendix 3: Work Programme – 2020 to 2031



## Appendix 4: Governance Options

| Options   | Variations  | Description/Assumptions  | Limitations   | Cost   | Risks   |
|---|---|--|---|--|---|
| Crown appointed board or ad hoc body                                  | New body  | <ul style="list-style-type: none"> <li>Single purpose board/body appointed by a Minister of the Crown</li> <li>Primary responsibility for the project would lie with the appointing Minister/government department</li> </ul>  | <ul style="list-style-type: none"> <li>Would require a formal agreement (deed or similar) in order to constitute the board/body.</li> <li>Depending on the composition of the new board/body it could exclude the option of a council controlled organisation (CCO) being the management vehicle for the project.</li> </ul>  |  | <ul style="list-style-type: none"> <li>Perceived loss of local connection with the project.</li> <li>Potentially overly bureaucratic for ongoing project oversight.</li> </ul>  |
|   | Existing body   | <ul style="list-style-type: none"> <li>Governance delegated to an existing board/body with similar interests/role. Eg. Taupō-nui-a-Tia Management Board</li> <li>Primary responsibility for the project would lie with the body(s) who can appoint members to the board/body.</li> </ul>   | <ul style="list-style-type: none"> <li>Changes may be required to relevant deeds/legislation to broaden the terms of reference and responsibilities of the existing board/body.</li> <li>Excludes the option of the management vehicle for the project being a CCO.</li> </ul>  | General running costs may be able to be absorbed. One off costs would still need to be funded. | <ul style="list-style-type: none"> <li>Partner organisations may be more limited in their ability to influence the project.</li> <li>Reduced transparency/ownership for current partners</li> <li>Perceived risk to the legacy of investment (eg. if Partners do not have a line of sight of governance).</li> <li>Project could fall into 'Business as Usual' and not retain any 'special' qualities.</li> <li>No guarantee of specific oversight of the project.</li> <li>Change in representation and potential loss of project intellectual property (IP)</li> </ul>  |
| Council Committee under Local Government Act 2002 (LGA), Sch 7 cl 30A | New or existing committee or subcommittee (WRC/TDC) Sch 7 cl 30(1) and 31(3)(d) | <ul style="list-style-type: none"> <li>Primary responsibility for the project would lie with the council that the committee reports to.</li> <li>Opportunity to combine governance of the project with similar or related activities (eg. Lake Taupō Catchment Committee, Audit and Risk)</li> <li>Council has the ability to appoint non-elected members to committees (ie. members from the partner organisations could be appointed).</li> </ul>  | <ul style="list-style-type: none"> <li>Size of the committee could be cumbersome if an existing committee was used.</li> <li>Committees are discharged at the end of each triennium unless provisions are made under the LGA Sch 7 cl 30(7).</li> </ul>   | Est. \$49k per annum but could result in savings if combined with other Council functions.     | <ul style="list-style-type: none"> <li>Partner organisations may be more limited in their ability to influence the project.</li> <li>Reduced transparency/ownership for current partners</li> <li>Perceived risk to the legacy of investment (eg. if Partners do not have a line of sight of governance).</li> <li>Project could fall into 'Business as Usual' and not retain any 'special' qualities.</li> <li>No guarantee of specific oversight of the project.</li> <li>Potential loss of project IP due to changes in representation (triennial cycle).</li> <li>If regionally based, perceived loss of local connection with the project.</li> </ul>  |
| Joint Committee   | Status Quo  | <ul style="list-style-type: none"> <li>Same representation around the table.</li> <li>Same scope (ie nitrogen only).</li> </ul>  | <ul style="list-style-type: none"> <li>Multiple co-governance arrangements in the same catchment</li> </ul>   | Est. \$49k per annum   | <ul style="list-style-type: none"> <li>Potential loss of project IP due to changes in representation (triennial cycle).</li> <li>Excludes other parties not currently represented</li> </ul>  |
|   | Co-Governance Committee with TMTB   | <ul style="list-style-type: none"> <li>WRC and TDC each have or are working toward a Joint Management Agreement (JMA) with the TMTB provided for under the Ngāti Tūwharetoa, Raukawa, and Te Arawa River Iwi Waikato River Act 2010 (Waikato River Act).</li> <li>The JMA establishes a joint committee to be the guardian of the Agreement (refer cl 8.1 of WRC/TMTBs' JMA).</li> <li>The Waikato River Act sets the scope of the JMA but there is provision for the JMA to cover additional duties, functions, or powers agreed (as per s 54 of the Waikato River Act).</li> <li>The JMA stipulates that the joint committee is deemed not to be discharged following each triennial election as per the LGA Sch 7 cl 30(7) (refer cl 8.1 of WRC/TMTBs' JMA).</li> </ul> | <ul style="list-style-type: none"> <li>The parties would need to agree to extend the JMA to cover additional duties, functions, or powers.</li> <li>Clause 8.2 of the WRC/TMTB JMA prescribes the membership of the Co Governance Committee (4 from WRC and 4 from TMTB). As the Committee is a joint committee under the LGA membership may be able to be varied to include other parties. Clause 9 provides for review and amendment of the JMA.</li> </ul> | Est. <\$49k per annum because of multiple functions  | <ul style="list-style-type: none"> <li>Depending upon the committee membership: <ul style="list-style-type: none"> <li>Partner organisations may be more limited in their ability to influence the project</li> <li>Reduced transparency/ownership for some of the current partners</li> <li>Perceived risk to the legacy of investment (e.g. if partners do not have a line of sight)</li> <li>Additional members could detract from the core work of the joint committee.</li> </ul> </li> <li>Project could fall into 'Business As Usual' and not retain any 'special' qualities.</li> <li>No guarantee of specific oversight of the project.</li> </ul> |
|   | Te Kōpū ā Kānapanapa (TKK)  | <ul style="list-style-type: none"> <li>Establishment of the joint committee is set by Ngāti Tūwharetoa Claims Settlement Act (NTCSA). Refer s171.</li> </ul>   | <ul style="list-style-type: none"> <li>Committee membership is prescribed by s175 of NTCSA</li> <li>Advisors and others may attend but do not have voting rights.</li> </ul>  | Est. <\$49k per annum because of   | <ul style="list-style-type: none"> <li>Brings a new partner to the project which may alter the terms of reference/scope.</li> <li>Lack of community/land owner confidence that the committee has the track record to provide the required oversight to protect the investment on behalf of the partners and the public.</li> </ul>  |

## Appendix 4: Governance Options

|            |                     |  |  |   |   |
|------------|---------------------|--|--|---|---|
|            |                     | <ul style="list-style-type: none"> <li>Under s174(2) of NTCSA, TKK may perform any function of a local authority if and to the extent that that function has been delegated to it by the local authority.</li> </ul> |  | multiple functions being performed by the committee.  | <ul style="list-style-type: none"> <li>Partner organisations not at the table will be more limited in their ability to influence the project.</li> <li>Reduced transparency/ownership for some of the current partners</li> <li>Perceived risk to the legacy of investment (eg. if Partners do not have a line of sight of governance).</li> <li>Project could fall into 'Business as Usual' and not retain any 'special' qualities.</li> <li>No guarantee of specific oversight of the project.</li> </ul> |
|            | New Joint Committee | <p>Same representation around the table plus representation from another relevant entity.</p> <p>Same scope (ie. nitrogen only).</p>   | <ul style="list-style-type: none"> <li>Alterations would be required to project documentation to include a new partner.</li> <li>Could exclude the option of the management vehicle for the project being a CCO if TDC and WRC do not hold 50% or more of the votes or do not have the right, directly or indirectly, to appoint 50% or more of the trustees. Refer LGA s6 ss(1)(b) (i-ii).</li> <li>Multiple co-governance arrangements in the same catchment.</li> </ul> | Est. \$49k per annum  | <ul style="list-style-type: none"> <li>Brings a new partner to the project which may alter the terms of reference/scope.</li> </ul>   |
| Do nothing | n/a                 | <ul style="list-style-type: none"> <li>Governance arrangements under the Project Agreement would lapse.</li> </ul>   | <ul style="list-style-type: none"> <li>Uncertainty over: <ul style="list-style-type: none"> <li>Termination arrangements for the LTPT</li> <li>Future oversight and ownership of the nitrogen discharge reduction agreements (NDRAs)</li> <li>Oversight and implementation of the Monitoring Deed.</li> </ul> </li> </ul>  | Potential legal costs for resolving ongoing management and monitoring of the NDRAs. Costs due to lack of protection of the public's investment. | <ul style="list-style-type: none"> <li>Potential failure of protection of the public's investment in the project.</li> <li>Reputation risk (locally, nationally and internationally).</li> </ul>  |

## Appendix 5: Management Options

| Options | Variations              | Description/Assumptions  | Limitations  | Cost   | Risks  |
|---------|-------------------------|--|--|--|--|
| Trust   | Status Quo              | <ul style="list-style-type: none"> <li>Charitable trust - 4 trustees appointed on behalf of the settlors by the Lake Taupō Protection Project Joint Committee (LTPPJJC).</li> <li>Qualifies as a council controlled organization (CCO) under the Local Government Act 2002 (LGA).</li> <li>Executive officer engaged to administer the day to day operations.</li> <li>Specialist services (ie. legal, accounting, technical land management advice) is contracted as required.</li> <li>Could function as a stand-alone operation or accommodated within one of the partner organizations to reduce overheads.</li> </ul> | <ul style="list-style-type: none"> <li>Delivery of the service is potentially subject to a cost effectiveness review (LGA, s. 17A).</li> <li>As a CCO the Lake Taupō Project Trust (LTPT) must comply with the monitoring and reporting requirements of the LGA Pt 5.</li> <li>Under the current deed the LTPT is a single purpose trust with a focus on reduction of nitrogen from pastoral land within the Lake Taupō catchment.</li> </ul>  | <ul style="list-style-type: none"> <li>Estimated \$400k per annum</li> </ul>   | <ul style="list-style-type: none"> <li>Potential loss of project intellectual property (IP) and skill set if there are changes in the current trustees and management.</li> <li>Perception that the current set-up may be administratively heavy for the level of contractual oversight required in the future.</li> </ul>   |
|         | New Trust               | <ul style="list-style-type: none"> <li>Charitable trust with a broader scope, appropriately funded to undertake additional duties.</li> <li>Established as a CCO under the LGA.</li> <li>Day to day operations would be determined by the new trustees.</li> <li>Specialist services (ie. legal, accounting, technical land management advice) are likely to be contracted as required</li> </ul>  | <ul style="list-style-type: none"> <li>Delivery of the service is potentially subject to a cost effectiveness review (LGA, s. 17A).</li> <li>Consultation is required before a CCO can be established (LGA, s.56)</li> <li>Requires new documentation (ie. Trust deed and associated changes to the foundation documents for the project).</li> <li>As a CCO the trust would need to comply with the monitoring and reporting requirements of the LGA Pt 5.</li> </ul>   | <ul style="list-style-type: none"> <li>Potential savings compared with status quo due to economies of scale</li> </ul> | <ul style="list-style-type: none"> <li>There would be tax implications if 'charitable status' was not able to be achieved for the new trust.</li> <li>Current trust has been successful with its single focus.</li> <li>If new duties are not forthcoming, by default the new trust would revert to status quo.</li> <li>Potential loss of project IP and skill set of current trustees and management.</li> <li>Potential loss of existing relationships with land owners, the community and other relevant entities.</li> <li>The nitrogen discharge reduction agreements (NDRAs) with land owners are unique. A new trust would have limited experience with managing such contracts/covenants.</li> <li>If combined with other services/duties the project could fall into 'business as usual' and not retain any 'special' qualities.</li> <li>Increased complexity and costs associated with changing the project's management arrangements prior to completion of the review of chapter 3.10 of the Regional Plan and the rules relating to Overseer.</li> <li>Perception that the CCO set-up may be administratively heavy for the level of contractual oversight required for the NDRAs.</li> </ul> |
| Company | New or existing Company | <ul style="list-style-type: none"> <li>Company with the ability to charge for the services delivered for purposes of making a profit.</li> <li>Council controlled trading organization (CCTO) under the LGA or a private company.</li> <li>Day to day operations would be determined by company directors.</li> </ul>  | <ul style="list-style-type: none"> <li>Delivery of the service is potentially subject to a cost effectiveness review (LGA, s. 17A).</li> <li>Consultation is required before a CCTO can be established (LGA, s.56)</li> <li>Requires new documentation and associated changes to the foundation documents for the project.</li> <li>As a CCTO the company would need to comply with the monitoring and reporting requirements of the LGA Pt 5.</li> <li>Fundamentally changes the relationship with land owners (eg. all charges would be passed on).</li> </ul> | <ul style="list-style-type: none"> <li>Potential savings compared with status quo due to economies of scale</li> </ul> | <ul style="list-style-type: none"> <li>Potential loss of existing relationships with land owners, the community and other relevant entities</li> <li>The nitrogen discharge reduction agreements (NDRAs) with land owners are unique. A new or existing company would have limited experience with managing such contracts/covenants.</li> <li>Project could fall into 'business as usual' and not retain any 'special' qualities if the company administers a range of activities.</li> <li>Potential loss of project IP and skill set of current trustees and management.</li> <li>Perceived loss of local connection with the project especially if the company is not based in the Taupō catchment.</li> <li>Increased complexity and costs associated with changing the project's management arrangements prior to completion of the review of chapter 3.10 of the Regional Plan and the rules relating to Overseer.</li> <li>Perception that the CCTO set-up may be administratively heavy for the level of contractual oversight required for the NDRAs.</li> </ul>   |

## Appendix 5: Management Options

|                 |                                     |   |   |  |   |
|-----------------|-------------------------------------|---|---|--|---|
| Project Partner | Waikato Regional Council (WRC)      | <ul style="list-style-type: none"> <li>Administration and oversight of the contracts managed internally as an activity of council or out-sourced.</li> <li>Specialist advice contracted as required.</li> </ul>                 | <ul style="list-style-type: none"> <li>Delivery of the service is potentially subject to a cost effectiveness review (LGA, s. 17A) but likely to be incorporated into a group of activities.</li> <li>Requires staff or contractors with appropriate knowledge and skills.</li> </ul> | <ul style="list-style-type: none"> <li>Potential savings compared with status quo due to economies of scale</li> </ul> | <ul style="list-style-type: none"> <li>There is a perception that WRC could be conflicted by its different roles (ie. the potential for the regulatory and contractual roles to be in conflict).</li> <li>Potential loss of existing relationships with land owners, the community and other relevant entities.</li> <li>The nitrogen discharge reduction agreements (NDRAs) with land owners are unique. While WRC has experience with managing land improvement agreements/memorandums of encumbrance it does not have specific experience with such contracts/covenants.</li> <li>Project could fall into 'business as usual' and not retain any 'special' qualities.</li> <li>Potential loss of project IP and skill set of current trustees and management.</li> <li>Perceived loss of local connection with the project especially if the project is administered from Hamilton.</li> <li>Increased complexity and costs associated with changing the project's management arrangements prior to completion of the review of chapter 3.10 of the Regional Plan and the rules relating to Overseer.</li> </ul> |
|                 | Taupō District Council (TDC)        | <ul style="list-style-type: none"> <li>Administration and oversight of the contracts managed internally as an activity of council or out-sourced.</li> <li>Specialist advice contracted as required.</li> </ul>                 | <ul style="list-style-type: none"> <li>Delivery of the service is potentially subject to a cost effectiveness review (LGA, s. 17A) but likely to be incorporated into a group of activities.</li> <li>Requires staff or contractors with appropriate knowledge and skills.</li> </ul> | <ul style="list-style-type: none"> <li>Potential savings compared with status quo due to economies of scale</li> </ul> | <ul style="list-style-type: none"> <li>Potential loss of existing relationships with land owners, the community and other relevant entities.</li> <li>The nitrogen discharge reduction agreements (NDRAs) with land owners are unique. TDC would have limited experience with managing such contracts/covenants.</li> <li>Project could fall into 'business as usual' and not retain any 'special' qualities.</li> <li>Potential loss of project IP and skill set of current trustees and management.</li> <li>Increased complexity and costs associated with changing the project's management arrangements prior to completion of the review of chapter 3.10 of the Regional Plan and the rules relating to Overseer.</li> </ul>  |
|                 | Tūwharetoa Maori Trust Board (TMTB) | <ul style="list-style-type: none"> <li>Administration and oversight of the contracts managed internally as an activity of the TMTB or out-sourced.</li> <li>Specialist advice contracted as required.</li> </ul>                | <ul style="list-style-type: none"> <li>Requires the councils to delegate the appropriate functions and duties to the TMTB to undertake the activity (TNRTA River Iwi s54(1)).</li> <li>Requires staff or contractors with appropriate knowledge and skills.</li> </ul>                | <ul style="list-style-type: none"> <li>Potential savings compared with status quo due to economies of scale</li> </ul> | <ul style="list-style-type: none"> <li>Potential loss of existing relationships with land owners, the community and other relevant entities.</li> <li>The nitrogen discharge reduction agreements (NDRAs) with land owners are unique. TMTB would have limited experience with managing such contracts/covenants.</li> <li>There is a perception that TMTB could be conflicted due to the number of contracts held with farming trusts in Ngāti Tūwharetoa ownership.</li> <li>Project could fall into 'business as usual' and not retain any 'special' qualities.</li> <li>Potential loss of project IP and skill set of current trustees and management.</li> <li>Increased complexity and costs associated with changing the project's management arrangements prior to completion of the review of chapter 3.10 of the Regional Plan and the rules relating to Overseer.</li> </ul>   |
|                 | Crown                               | <ul style="list-style-type: none"> <li>Administration and oversight of the contracts managed internally as an activity of a government department or out-sourced.</li> <li>Specialist advice contracted as required.</li> </ul> | <ul style="list-style-type: none"> <li>Requires staff or contractors with appropriate knowledge and skills.</li> </ul>  | <ul style="list-style-type: none"> <li>Potential savings compared with status quo due to economies of scale</li> </ul> | <ul style="list-style-type: none"> <li>Potential loss of existing relationships with land owners, the community and other relevant entities.</li> <li>The nitrogen discharge reduction agreements (NDRAs) with land owners are unique. The Crown would have limited experience with managing such contracts/covenants.</li> <li>Project could fall into 'business as usual' and not retain any 'special' qualities</li> <li>Potential loss of project IP and skill set of current trustees and management.</li> <li>Perceived loss of local connection with the project especially if the project is administered nationally.</li> <li>Increased complexity and costs associated with changing the project's management arrangements prior to completion of the review of chapter 3.10 of the Regional Plan and the rules relating to Overseer.</li> </ul>  |
| Do Nothing      | n/a                                 | <ul style="list-style-type: none"> <li>Management arrangements under the Project Agreement would lapse.</li> </ul>  | <ul style="list-style-type: none"> <li>In the absence of direction from the settlers, ownership and oversight of the</li> </ul>   | <ul style="list-style-type: none"> <li>Potential legal costs for resolving</li> </ul>                                  | <ul style="list-style-type: none"> <li>Lack of contractual oversight and no ability to ensure compliance with the NDRAs.</li> <li>Potential failure of protection of the public's investment in the project.</li> <li>Reputational risk (locally, nationally and internationally).</li> </ul>   |

## Appendix 5: Management Options

|  |  |  |   |   |  |
|--|--|--|---|---|--|
|  |  |  | NDRAs would be uncertain and management costs potentially unfunded. | ongoing management and monitoring of the NDRAs. <ul style="list-style-type: none"><li>• Costs due to lack of protection of the public's investment.</li></ul> | <ul style="list-style-type: none"><li>• Potential loss of existing relationships with land owners, the community and other relevant entities.</li><li>• Potential loss of project IP and skill set of current trustees and management.</li></ul> |
|--|--|--|---|---|--|



## Appendix 6: Scenario Descriptions

|   |               |             |  |  |
|---|---------------|-------------|--|--|
| 1 | CCO           | a.          | Governance:  | Existing joint committee or new joint committee with similar make-up to the current committee  |
|   |               |             | Management:  | Charitable trust, council-controlled organization, stand-alone operation   |
|   |               | b.          | Governance:  | Existing joint committee or new joint committee with similar make-up to the current committee  |
|   |               | Management: | Charitable trust, council-controlled organization, housed within one of the partner organizations (TDC, TMTB, WRC).  |  |
|   |               | c.          | Governance:  | New or existing committee/subcommittee of TDC or WRC (with or without appointments from partners). Primary responsibility for the project lies with either TDC or WRC.   |
|   |               |             | Management:  | Charitable trust, council-controlled organization, housed within WRC or TDC (as per above)   |
| 2 | Single Agency | a.          | Governance:  | Existing joint committee/new joint committee with similar make-up to the current committee   |
|   |               |             | Management:  | Administration and oversight of the contracts would be managed internally as an activity by one of the partners.   |
|   |               | b.          | Governance:  | New or existing committee/subcommittee/board of one of the partners (with or without appointments from the other partners). Responsibility for the project would lie with the partner that administers the governance.               |
|   |               | Management: | Administration and oversight of the contracts would be managed internally as an activity of the partner organisation responsible for the project governance. |  |
|   |               | c.          | Governance:  | New or existing committee/subcommittee/board of one of the partners (with or without appointments from the other partners). Responsibility for the project would lie with the partner that administers the governance.               |
|   |               |             | Management:  | Administration and oversight of the contracts would be managed as an activity of the partner organisation responsible for the project governance with delivery out-sourced to an independent, suitably qualified contractor/company. |

## Appendix 6: Scenario Descriptions



## Appendix 7: Scenario Budget Summaries - Lake Taupo Protection Project - July 2020 – June 2031 (11 years)

### Scenario 1a.: JC/CCO (Status quo)<sup>25</sup>

| Activities  | 2020/21        | 2021/22        | 2022/23        | 2023/24        | 2024/25        | 2025/26        | 2026/27        | 2027/28        | 2028/29        | 2029/30        | 2030/31        |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Partner Contributions<br>(reviews, trustee appointments, communication tactics) <sup>26</sup> | \$42,800       | \$29,000       | \$4,000        | \$20,000       | \$15,000       | \$20,000       | \$42,800       | \$15,000       | \$20,000       | \$0            | \$15,000       |
| Committee Administration/Project Management,<br>Communications                                | \$80,040       | \$80,040       | \$100,040      | \$73,440       | \$80,040       | \$100,040      | \$80,040       | \$80,040       | \$100,040      | \$73,440       | \$80,040       |
| LTPT - Management of NDRAs  | \$319,323      | \$319,323      | \$319,323      | \$319,323      | \$319,323      | \$319,323      | \$319,323      | \$319,323      | \$319,323      | \$319,323      | \$319,323      |
| <b>Total</b>  | <b>442,163</b> | <b>428,363</b> | <b>423,363</b> | <b>412,763</b> | <b>414,363</b> | <b>439,363</b> | <b>442,163</b> | <b>414,363</b> | <b>439,363</b> | <b>392,763</b> | <b>414,363</b> |

### Scenario 1b.: JC/CCO housed within partner organization<sup>25</sup>

| Activities  | 2020/21                 | 2021/22        | 2022/23        | 2023/24        | 2024/25        | 2025/26        | 2026/27        | 2027/28        | 2028/29        | 2029/30        | 2030/31        |
|---|-------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Partner Contributions<br>(reviews, trustee appointments, communication tactics) <sup>26</sup> | \$42,800                | \$29,000       | \$4,000        | \$20,000       | \$15,000       | \$20,000       | \$42,800       | \$15,000       | \$20,000       | \$0            | \$15,000       |
| Committee Administration/Project Management,<br>Communications                                | \$80,040                | \$80,040       | \$100,040      | \$73,440       | \$80,040       | \$100,040      | \$80,040       | \$80,040       | \$100,040      | \$73,440       | \$80,040       |
| LTPT - Management of NDRAs with service level<br>agreement                                    | \$319,323 <sup>27</sup> | \$276,358      | \$276,358      | \$276,358      | \$276,358      | \$276,358      | \$276,358      | \$276,358      | \$276,358      | \$276,358      | \$276,358      |
| <b>Total</b>  | <b>442,163</b>          | <b>385,398</b> | <b>380,398</b> | <b>369,798</b> | <b>371,398</b> | <b>396,398</b> | <b>399,198</b> | <b>371,398</b> | <b>396,398</b> | <b>349,798</b> | <b>371,398</b> |

<sup>25</sup> "Lake Taupo Protection Project Budget Scenarios 2020 - 2031.xlsx": <https://discover.wairc.govt.nz/otcs/lisapi.dll/Overview/15251874>

<sup>26</sup> The dollar amounts in this line fluctuate for two reasons. Reviews of documents such as the project agreement and the appointment trustees do not occur every year and in some years no reviews are scheduled. The communications tactics are based on the project's communications plan. Plans are developed for a three-year period and based on specific interventions hence no funding is budgeted post 2022/23. As a rule of thumb, agencies should be anticipating upwards of 2k per annum for supporting communications tactics.

<sup>27</sup> Housing within a partner organisation would not occur until 2021/22.

## Appendix 7: Scenario Budget Summaries - Lake Taupo Protection Project - July 2020 – June 2031 (11 years)

### Scenario 1c.: TDC/WRC Committee + CCO housed within partner organization<sup>28</sup>

| Activities  | 2020/21                 | 2021/22        | 2022/23        | 2023/24        | 2024/25        | 2025/26        | 2026/27        | 2027/28        | 2028/29        | 2029/30        | 2030/31        |
|---|-------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Partner Contributions<br>(reviews, trustee appointments, communication tactics) <sup>29</sup> | \$42,800                | \$14,000       | \$4,000        | \$20,000       | \$0            | \$20,000       | \$0            | \$0            | \$20,000       | \$0            | \$0            |
| Committee Administration/Project Management, Communications                                   | \$80,040                | \$58,040       | \$63,040       | \$36,440       | \$58,040       | \$63,040       | \$64,440       | \$58,040       | \$63,040       | \$36,440       | \$58,040       |
| LTPT - Management of NDRAs with service level agreement                                       | \$319,323 <sup>30</sup> | \$276,358      | \$276,358      | \$276,358      | \$276,358      | \$276,358      | \$276,358      | \$276,358      | \$276,358      | \$276,358      | \$276,358      |
| <b>Total</b>  | <b>442,163</b>          | <b>348,398</b> | <b>343,398</b> | <b>332,798</b> | <b>334,398</b> | <b>359,398</b> | <b>340,798</b> | <b>334,398</b> | <b>359,398</b> | <b>312,798</b> | <b>334,398</b> |

<sup>28</sup> "Lake Taupo Protection Project Budget Scenarios 2020 - 2031.xlsx": <https://discover.wairc.govt.nz/otcs/lisapi.dll/Overview/15251874>

<sup>29</sup> The dollar amounts in this line fluctuate for two reasons. Reviews of documents such as the project agreement and the appointment trustees do not occur every year and in some years no reviews are scheduled. The communications tactics are based on the project's communications plan. Plans are developed for a three-year period and based on specific interventions hence no funding is budgeted post 2022/23. As a rule of thumb, agencies should be anticipating upwards of 2k per annum for supporting communications tactics.

<sup>30</sup> Housing within a partner organisation would not occur until 2021/22.

## Appendix 7: Scenario Budget Summaries - Lake Taupo Protection Project - July 2020 – June 2031 (11 years)

### Scenario 2a.: JC/Single Partner responsible for management (employing specialist staff to manage the NDRAs)<sup>31</sup>

| Activities   | 2020/21        | 2021/22        | 2022/23        | 2023/24        | 2024/25        | 2025/26        | 2026/27        | 2027/28        | 2028/29        | 2029/30        | 2030/31        |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Partner Contributions (reviews, trustee appointments, communication tactics) <sup>32</sup> | \$42,800       | \$14,000       | \$4,000        | \$20,000       | \$0            | \$20,000       | \$21,400       | \$0            | \$20,000       | \$0            | \$0            |
| Committee Administration/Project Management, Communications, Management of NDRAs           | \$80,040       | \$234,002      | \$254,002      | \$227,402      | \$234,002      | \$254,002      | \$234,002      | \$234,002      | \$254,002      | \$227,402      | \$234,002      |
| LTPT - residual costs  | \$319,323      | \$54,359       | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            |
| <b>Total</b>   | <b>442,163</b> | <b>302,361</b> | <b>258,002</b> | <b>247,402</b> | <b>234,002</b> | <b>274,002</b> | <b>255,402</b> | <b>234,002</b> | <b>274,002</b> | <b>227,402</b> | <b>234,002</b> |

### Scenario 2b.: Single Partner responsible for Project (Governance and Management and employing specialist staff to manage the NDRAs)<sup>31</sup>

| Activities   | 2020/21        | 2021/22        | 2022/23        | 2023/24        | 2024/25        | 2025/26        | 2026/27        | 2027/28        | 2028/29        | 2029/30        | 2030/31        |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Partner Contributions (reviews, trustee appointments, communication tactics) <sup>32</sup> | \$42,800       | \$14,000       | \$4,000        | \$20,000       | \$0            | \$20,000       | \$0            | \$0            | \$20,000       | \$0            | \$0            |
| Committee Administration/Project Management, Communications, Management of NDRAs           | \$80,040       | \$210,002      | \$230,002      | \$203,402      | \$210,002      | \$230,002      | \$231,402      | \$210,002      | \$230,002      | \$203,402      | \$210,002      |
| LTPT - residual costs  | \$319,323      | \$54,359       | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            |
| <b>Total</b>   | <b>442,163</b> | <b>278,361</b> | <b>234,002</b> | <b>223,402</b> | <b>210,002</b> | <b>250,002</b> | <b>231,402</b> | <b>210,002</b> | <b>250,002</b> | <b>203,402</b> | <b>210,002</b> |

<sup>31</sup> "Lake Taupo Protection Project Budget Scenarios 2020 - 2031.xlsx": <https://discover.wairc.govt.nz/otcs/llisapi.dll/Overview/15251874>

<sup>32</sup> The dollar amounts in this line fluctuate for two reasons. Reviews of documents such as the project agreement and the appointment trustees do not occur every year and in some years no reviews are scheduled. The communications tactics are based on the project's communications plan. Plans are developed for a three-year period and based on specific interventions hence no funding is budgeted post 2022/23. As a rule of thumb, agencies should be anticipating upwards of 2k per annum for supporting communications tactics.

## Appendix 7: Scenario Budget Summaries - Lake Taupo Protection Project - July 2020 – June 2031 (11 years)

### Scenario 2c.: Single Partner responsible for Project (Governance and Management outsourcing the management of the NDRAs)<sup>33</sup>

| Activities  | 2020/21        | 2021/22        | 2022/23        | 2023/24        | 2024/25        | 2025/26        | 2026/27        | 2027/28        | 2028/29        | 2029/30        | 2030/31        |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Partner Contributions<br>(reviews, trustee appointments, communication tactics) <sup>34</sup> | \$42,800       | \$14,000       | \$4,000        | \$20,000       | \$0            | \$20,000       | \$0            | \$0            | \$20,000       | \$0            | \$0            |
| Committee Administration/Project Management,<br>Communications, Management of NDRAs           | \$80,040       | \$264,882      | \$278,282      | \$251,682      | \$258,282      | \$278,282      | \$279,682      | \$258,282      | \$278,282      | \$251,682      | \$258,282      |
| LTPT - residual costs   | \$319,323      | \$54,359       | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            |
| <b>Total</b>  | <b>442,163</b> | <b>333,241</b> | <b>282,282</b> | <b>271,682</b> | <b>258,282</b> | <b>298,282</b> | <b>279,682</b> | <b>258,282</b> | <b>298,282</b> | <b>251,682</b> | <b>258,282</b> |

<sup>33</sup> "Lake Taupo Protection Project Budget Scenarios 2020 - 2031.xlsx": <https://discover.wairc.govt.nz/otcs/lisapi.dll/Overview/15251874>

<sup>34</sup> The dollar amounts in this line fluctuate for two reasons. Reviews of documents such as the project agreement and the appointment trustees do not occur every year and in some years no reviews are scheduled. The communications tactics are based on the project's communications plan. Plans are developed for a three-year period and based on specific interventions hence no funding is budgeted post 2022/23. As a rule of thumb, agencies should be anticipating upwards of 2k per annum for supporting communications tactics.

## Appendix 8: Lake Taupō Protection Project Risk Register

| REF                                | DESCRIPTION   | CONTROLS  | LIKELIHOOD | CONSEQUENCE | RATING   | MITIGATION  |
|------------------------------------|---|---|------------|-------------|----------|---|
| <b>Project Objective</b>           |   |   |            |             |          |   |
| 1                                  | Nitrogen discharge reduction agreements (NDRAs) not honoured by land owners | Monitoring Deed signed by project partners and LTPT.<br>Active monitoring of the agreements and legal remedies applied if required.<br>Monitoring and enforcement of nitrogen discharge allowances by WRC and annual monitoring results notified to the LTPT.<br>Management of the NDRAs is captured in the annual Sol process. | Unlikely   | Major       | Moderate | Project documentation provides clear guidance on NDRA ownership and the responsibilities of the respective partners.<br>Continued adherence, implementation and regular review of the Monitoring Deed.<br>Ensure all project partners retain 'line of sight' with implementation of the Deed.<br>Ongoing management of the NDRAs needs to be explicit in annual work programme.<br>Process for ensuring WRC annual monitoring results are provided to the entity managing the NDRAs.<br>Skilled contractual and regulatory compliance management. |
| <b>Knowledge and Understanding</b> |   |   |            |             |          |   |
| 2                                  | Loss of project intellectual property                                       | Governance induction.<br>Current deed provides for trustee retirement by rotation.<br>Documentation of aspects of the project.  | Unlikely   | Moderate    | Moderate | Targeted appointment of governance/management with appropriate skills sets.<br>Succession planning.<br>Training/induction of governance and staff.<br>Specific training in quality systems and processes to ensure the NDRAs withstand the audit tests.<br>Documentation and telling of the project's 'story'.  |
| 3                                  | Loss of unique skill set that has been built up to manage the NDRAs         | Current deed provides for trustee retirement by rotation.   | Unlikely   | Moderate    | Moderate | Targeted appointment of management (and trustees) with appropriate skills sets.<br>Succession planning.<br>Staff training including specific training in quality systems and processes to ensure the NDRAs withstand the audit tests.<br>Documentation and telling of the project's 'story'.  |
| 4                                  | Loss of community/local connection with the project                         | Regular contact (LTPT and locally based WRC staff) with land owners and farm professionals.<br>Maintenance of website.<br>Communication plan with tactics aimed at 'keeping the story alive'.   | Moderate   | Minor       | Moderate | Adequate funding of Communication Plan tactics.<br>Provide for local involvement in project governance and management (eg. monitoring staff based in Taupō).<br>Appropriate 'hand-over' should structures and/or personnel change.  |

## Appendix 8: Lake Taupō Protection Project Risk Register

| Reputation and Confidence |  |   |          |          |          |  |
|---------------------------|--|---|----------|----------|----------|--|
| 5                         | Loss of international reputation as a leading edge project   | Regular project reviews.<br>Commitment of the project partners to protect shared public investment.<br>Awareness by the current partners of the uniqueness of the project and its importance as a flagship for other collaborative environmental ventures.<br>Engaged, committed trustees.  | Unlikely | Major    | Moderate | Seamless transition from the development and purchase phase of the project to long term maintenance.<br>Communication of the transition to key stakeholders and community reassurance that the project legacy has been appropriately provided for.<br>Ongoing adherence and active oversight of the Monitoring Deed.<br>Ongoing commitment of the partners in the maintenance phase of the project.<br>Continuation of regular reviews to ensure the project legacy is retained. |
| 6                         | Conflicts of interest (real or perceived)  | Explicit project agreement (ie. 'rules of engagement').<br>Equal representation at the governance table of agencies/interests.<br>Project implementation undertaken at 'arms length' by a dedicated entity (ie. a CCO unaffected by triennial political cycles).<br>Separation between regulatory activities and contractual oversight. | Unlikely | Moderate | Moderate | Deliberate consideration given in the design of future project governance and management structures to the reduction of real or perceived conflicts of interest.<br>Retention, in design of future management structures, clear separation between regulatory compliance and commercial contractual management activities.   |
| 7                         | Loss of land owner/stakeholder confidence in the project due to uncertainty over future management of the NDRAs and changes to the Regional Plan (chapter 3.10) and rules relating to Overseer | Project plans are being implemented, reported on quarterly to the LTPPJC and are currently on track.  | Moderate | Major    | High     | Seamless transition from the development and purchase phase of the project to long term maintenance<br>Active communication of the transition to key stakeholders and community reassurance that the project legacy has been appropriately provided for<br>Timely completion of changes to overseer rules and chapter 3.10 of the Regional Plan and alignment of these changes to the non-regulatory components of the project (ie. the NDRAs).                                  |
| 8                         | Disconnect between the project partners  | Explicit project agreement and monitoring deed (ie. 'rules of engagement').<br>Commitment of the project partners to protect shared public investment.<br>Current governance structure that provides for ongoing communication between the partners and project management.   | Unlikely | Moderate | Moderate | Revised project agreement and monitoring deed needs to provide for ongoing accountability and 'line of sight' for the project partners.  |

## Appendix 8: Lake Taupō Protection Project Risk Register

| Financial/Economic |  |  |                |               |               |  |
|--------------------|--|--|----------------|---------------|---------------|--|
| 9                  | NDRA failures  | Contractual management and monitoring provided by a dedicated entity (ie. single purpose CCO) with the ability to apply legal remedies, if required.<br>Monitoring deed requires reporting to project governance of contractual breaches and actions taken to remedy the breach. | Unlikely       | Catastrophic  | High          | Contract oversight requires appropriately skilled, dedicated management.<br>Continued adherence, implementation and regular review of the Monitoring Deed.<br>Ensure all project partners retain 'line of sight' with implementation of the Deed.<br>Skilled contractual and regulatory compliance management. |
| 10                 | Challenges in securing future funding  | LTPT has estimated that it has sufficient funding through until June 2021.<br>Joint WRC/TDC working party established to develop a business case for ongoing funding as part of the 2021/31 LTP round.   | Moderate       | Catastrophic  | Critical      | Timely recommendations from the LTPPJC to the project partners on future governance and management.<br>Current LTPPJC needs to ensure that the project partners are well briefed on the project's future funding needs.  |
| 11                 | High project costs due to complex governance/management arrangements         | Regular project review to assess whether governance and management arrangements are fit for purpose.<br>LTPT required to prepare a Sol and regularly report on progress.   | Almost Certain | Minor         | Moderate      | Deliberate consideration given to the new phase the project is entering and scaling governance and management accordingly.<br>Continuation of regular project review to assess whether governance and management arrangements are fit for purpose.   |
| 12                 | Increased costs (tax implications) due to loss of LTPT's 'charitable status' | Current Trust is a registered charity.   | Rare           | Insignificant | Insignificant | Ensure status and tax implications are considered should changes be proposed to the trust deed in the future.  |





## Appendix 9: Risk Rating by Scenario

| REF                                | DESCRIPTION   | Scenarios                        |  |  |  |   |   |
|------------------------------------|---|----------------------------------|--|--|--|---|---|
|                                    |   | Scenario 1a: JC/CCO (Status quo) | Scenario 1b: JC/CCO housed within partner organization | Scenario 1c: TDC/WRC Committee + CCO Inhouse | Scenario 2a: JC/Single Partner responsible for Management (with specialist NDRA staff) | Scenario 2b: Single Partner responsible for Project (Governance and Management and employing specialist NDRA staff) | Scenario 2c: Single Partner responsible for Project (Governance and Management outsourcing NDRA management) |
| <b>Project Objective</b>           |   |                                  |  |  |  |   |   |
| 1                                  | Nitrogen discharge reduction agreements (NDRAs) not honoured by land owners | Unlikely                         | Unlikely   | Unlikely                                     | Unlikely   | Moderate  | Moderate  |
| <b>Knowledge and Understanding</b> |   |                                  |  |  |  |   |   |
| 2                                  | Loss of project intellectual property                                       | Unlikely                         | Unlikely   | Unlikely                                     | Moderate   | Likely  | Likely  |
| 3                                  | Loss of unique skill set that has been built up to manage the NDRAs         | Unlikely                         | Unlikely   | Unlikely                                     | Likely   | Likely  | Likely  |
| 4                                  | Loss of community/local connection with the project                         | Moderate                         | Moderate   | Moderate                                     | Moderate   | Likely  | Likely  |
| <b>Reputation and Confidence</b>   |   |                                  |  |  |  |   |   |
| 5                                  | Loss of international reputation as a leading edge project                  | Unlikely                         | Unlikely   | Moderate                                     | Moderate   | Likely  | Likely  |
| 6                                  | Conflicts of interest (real or perceived)                                   | Unlikely                         | Unlikely   | Moderate                                     | Moderate   | Likely  | Likely  |

## Appendix 9: Risk Rating by Scenario

|                           |  |                |          |          |          |          |          |
|---------------------------|--|----------------|----------|----------|----------|----------|----------|
| 7                         | Loss of land owner/stakeholder confidence in the project due to uncertainty over future management of the NDRAs and changes to the Regional Plan (chapter 3.10) and rules relating to Overseer | Unlikely       | Unlikely | Unlikely | Moderate | Moderate | Moderate |
| 8                         | Disconnect between the project partners  | Unlikely       | Unlikely | Moderate | Unlikely | Likely   | Likely   |
| <b>Financial/Economic</b> |  |                |          |          |          |          |          |
| 9                         | NDRA failures  | Unlikely       | Unlikely | Unlikely | Moderate | Moderate | Moderate |
| 10                        | Challenges in securing future funding  | Moderate       | Unlikely | Moderate | Unlikely | Moderate | Moderate |
| 11                        | High project costs due to complex governance/management arrangements   | Almost Certain | Moderate | Moderate | Moderate | Moderate | Moderate |
| 12                        | Increased costs (tax implications) due to loss of LTPT's 'charitable status'   | Rare           | Rare     | Rare     | Rare     | Rare     | Rare     |

Numerical representation of the total risk for each scenario. The higher the number the lower the risk.

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|   |                    |
|---|--------------------|
| 5 | Insignificant Risk |
| 4 | Low Risk           |
| 3 | Medium Risk        |
| 2 | High Risk          |
| 1 | Critical Risk      |