

Hon Andrew Little
Minister for Treaty of Waitangi Negotiations

Proactive release – Maniapoto: Funding to remediate the Tokanui Hospital site

Date of issue: 14 April 2021

The following documents have been proactively released in accordance with Cabinet Office Circular CO (18) 4.

Some information has been withheld on the basis that it would not, if requested under the Official Information Act 1982 (OIA), be released. Where that is the case, the relevant section of the OIA has been noted and no public interest has been identified that would outweigh the reasons for withholding it.

No.	Document	Comments
1	Maniapoto: Funding to Remediate the Tokanui Hospital Site <i>Cabinet paper</i> Office of the Minister for Treaty of Waitangi Negotiations 23 February 2021	Some information has been withheld in accordance with the following section of the OIA: <ul style="list-style-type: none">• section 9(2)(b)(ii) to not prejudice commercially sensitive information; and• section 9(2)(g)(i) to maintain free and frank advice tendered to Ministers.
2	Maniapoto: Funding to Remediate the Tokanui Hospital Site <i>Minute of Decision (MCR-21-MIN-0002)</i> Cabinet Māori Crown Relations: Te Arawhiti Committee 23 February 2021	Some information has been withheld in accordance with the following section of the OIA: <ul style="list-style-type: none">• section 9(2)(b)(ii) to not prejudice commercially sensitive information; and• section 9(2)(g)(i) to maintain free and frank advice tendered to Ministers.
3.	Report of the Cabinet Māori Crown Relations: Te Arawhiti Committee: Period Ended 26 February 2021 <i>Minute of Decision (CAB-21-MIN-0037)</i> Cabinet 1 March 2021	Redacted in part because out of scope

In Confidence

Office of the Minister for Treaty of Waitangi Negotiations

Cabinet Māori Crown Relations: Te Arawhiti Committee

Maniapoto: Funding to remediate the Tokanui Hospital site

Proposal

1 I seek Cabinet agreement to [REDACTED] s 9(2)(b)(ii) of new operational funding for the remediation of the Tokanui Hospital site to a rural land use standard to enable the inclusion of this site as redress in the Maniapoto Treaty of Waitangi Settlement. The funding would be charged against the between-Budget contingency established at Budget 2020.

Relation to government priorities

2 This proposal relates directly to the Government's priority: Making New Zealand Proud: Build closer partnerships with Māori: Working to settle all historical Treaty settlements. This priority was emphasised in the Labour Party's 2020 Election Manifesto and the speech from the throne.

Executive summary

3 The former Tokanui Hospital is an extensive site that requires significant remediation work in order to return it to a state that it can be purchased by Maniapoto through its Treaty settlement. A summary of the site and its condition, remediation options and cost comparisons is attached at Appendix 1.

4 [REDACTED] s 9(2)(j) The Maniapoto Deed of Settlement (the Deed) that was initialled in December 2020 acknowledged the cultural significance of the site, as well as the need for demolition and remediation of the site before the site can be provided to Maniapoto.

5 In December 2018 Cabinet agreed to offer Maniapoto the Tokanui Hospital site [MCR-18-MIN-0013 refers]. Cabinet were advised the site required significant remediation and this would be funded through baselines. It was proposed the remediation work on the site would commence five years after settlement date, with works being completed within 15 years of settlement date.

6 In November 2020, Land Information New Zealand (LINZ) advised that funding could not be provided from baseline as accounting standards now required the total cost of remediation to be expensed in the year the Deed is initialled.

7 I seek Cabinet agreement to [REDACTED] s 9(2)(b)(ii) of new operational funding for demolition of Tokanui Hospital, disposal of all project waste off-site, remediation of the site to rural land use standard, and management costs. The funding would be charged against the between-Budget contingency established at Budget 2020.

8 [REDACTED] s 9(2)(j)

s 9(2)(j)

[REDACTED]. It also will mitigate significant health, safety and environmental risks; the avoidance of holding costs; and the avoidance of substantial cost increases in construction industry costs.

Background

The property is culturally and politically important to Maniapoto but requires remediation before it can be made available

9 The Tokanui Hospital site is a former psychiatric hospital held in the Treaty settlement Landbank. The site is approximately 80 hectares, with 74 buildings, two waste water plants, a swimming pool, eight substations, underground services, two landfills and substantial roading infrastructure.

10 The buildings on the site contain hazardous materials, including friable asbestos and lead paint, and there is a risk of collapse of buildings. The associated health, safety and environmental risks are substantial and require 24/7 security to prevent public access. The current estimated cost to demolish Tokanui Hospital, dispose of all project waste off-site, remediate the site to rural land use standard, and associated management is [REDACTED] s 9(2)(b)(ii)

11 The site is part of 1,194 hectares of Māori land taken under the Public Works Act in 1910 for the Tokanui Hospital. This was by far the largest public works taking in the Maniapoto rohe and was strongly opposed by Maniapoto. The Crown has acknowledged that acquisition of the land was a Treaty breach.

12 [REDACTED]
[REDACTED]
[REDACTED]. The initialled Deed acknowledges the cultural significance of the site, as well as the need for demolition and remediation of the site before it can be offered to Maniapoto.

s 9(2)(j)

Cabinet agreed, in 2018, to offer Tokanui Hospital as a staged deferred selection property (DSP)

13 In December 2018, Cabinet agreed to offer Maniapoto the site as a staged DSP. Cabinet were advised the site required significant remediation, and this would be funded through baselines through the appropriation Vote Lands: Multi-Category Expenses and Capital Expenditure: Purchase and Preparation of Assets for Possible Use in Future Treaty of Waitangi Settlements MCA (M74) [MCR-18-MIN-0013 refers]. This has an appropriation of [REDACTED] per annum with money apportioned to all Landbank property purchases or demolition and remediation work on Landbank properties.¹ s 9(2)(b)(ii)

14 Remediation was proposed to be staged over approximately ten years. This solution was intended to complete the necessary remediation work without requiring new funding.

15 [REDACTED]
[REDACTED]

s 9(2)(j)

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The full cost of remediation must now be recognised in the year the Deed is initialled

- 16 In mid-November 2020, LINZ advised that, in line with accounting standards, the total cost of remediation needed to be expensed on the day the Deed is initialled, and that funding could not therefore be provided in out-years as proposed.
- 17 This is in line with the recent treatment agreed between LINZ and its auditor, and confirmed by The Treasury and Audit New Zealand, when the Crown committed to the return of the Residential Red Zone properties to Christchurch City Council and where LINZ was required to make a provision at that time.
- 18 The Tokanui situation is unique as no other property included in a Treaty settlement has required remediation on this scale or required a commitment to undertake remediation in a deed of settlement. Remediation work on Landbank properties has usually been completed using baseline funding before settlement or once new funding has been appropriated for the project.
- 19 In order to initial the Deed in December 2020, the Deed recorded the Tokanui Hospital site required demolition and remediation to be undertaken before it could be made available to Maniapoto. The Deed did not provide for the demolition and remediation process and recorded that funding arrangements were yet to be approved by Cabinet. [REDACTED]

s 9(2)(g)(i)

[REDACTED]. I therefore made an undertaking I would seek a decision from Cabinet on funding as soon as possible.

20

[REDACTED]

s 9(2)(j)

21

[REDACTED]

s 9(2)(j)

s 9(2)(b)(ii)

s 9(2)(b)(ii)

¹ Baseline Landbank funding is [REDACTED] for new purchases and [REDACTED] for preparation for sale with an ability for funding to be moved between these categories. Time limited funding provided in Budget 2019 increases the preparation for sale category to [REDACTED] until 2023/24.

s 9(2)(b)(ii)

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Proposed funding mechanism

- 22 I seek Cabinet agreement to new funding of [s 9(2)(b)(ii)] for the demolition of Tokanui Hospital, disposal of all project waste off-site, remediation of the site to rural land use standard and management costs.
- 23 The arguments in support of this approach are:
- 23.1 Crown investment in the site is unavoidable to mitigate the significant health, safety and environmental risks posed by the site;
 - 23.2 estimates of costs of remediation will likely increase by [s 9(2)(b)(ii)] in ten years due to cost escalations associated with further deterioration;
 - 23.3 completing the project over the next five years instead of over a ten-year period will result in significant total cost savings to the Crown – estimated demolition and maintenance costs are projected to rise by an estimated [s 9(2)(b)(ii)] over the next 10 years;
 - 23.4 it will result in the return of 80 hectares of land (valued at approximately [s 9(2)(b)(ii)] [s 9(2)(b)(ii)]) to full economic production to the benefit of Maniapoto; and
 - 23.5 it will provide short-term economic stimulus as the works will generate over [s 9(2)(b)(ii)] jobs.
- 24 I have submitted a bid into Budget 2021 seeking this funding, however I will not pursue the bid if this is approved.
- 25 I am also seeking Cabinet's approval of new funding to be charged against the between-Budget contingency established at Budget 2020. I believe it is necessary in this instance in order:
- 25.1 for the Crown to honour good faith discussions with Maniapoto to date and commitments made to provide redress over the Tokanui Hospital site;
 - 25.2 for the redress to be inserted into the Deed so that ratification can commence now, thus avoiding further delays to signing the Deed. The deed was initialled on 17 December with iwi ratification scheduled to start in late-January or early February; and
 - 25.3 [s 9(2)(g)(i)] [REDACTED]
- 26 Subject to Cabinet agreement to this proposal, I also seek Cabinet agreement to the Ministers of Finance, Treaty of Waitangi Negotiations and Land Information making any final decisions on the level of remediation (i.e. whether substantial roading and access, foundations and services will be retained or removed), and whether waste

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from the site will be transported offsite or buried onsite. Accurate costings for these options have been developed. Subject to the option agreed with Maniapoto, between [REDACTED] may be able to be returned to the centre.

s 9(2)(b)(ii)

Alternative funding options

- 27 No alternative funding options enable the Crown to reach settlement with Maniapoto in a timely manner.
- 28 Not providing new funding and advancing this project now could help ease the Government's short-term fiscal position and allow the money to be allocated to other priorities.
- 29 If the proposal in this paper is not agreed, I am advised Maniapoto will seek further discussions on this redress. This will delay ratification of their Deed, and possibly indefinitely, if agreement cannot be reached.

Financial Implications

- 30 I seek Cabinet agreement to new funding of [REDACTED] to be charged against the between-Budget contingency established at Budget 2020 in order to allow redress over the site to be inserted into Maniapoto's Deed and the ratification of the settlement to commence immediately.

s 9(2)(b)(ii)

Next steps

- 31 If Cabinet agrees to this proposal, I will inform Maniapoto, and finalise the Deed for ratification. The total cost of remediation will be expensed in the year 2020/21 when the Deed was initialled and ratification will commence as soon as possible.
- 32 If Cabinet does not agree this proposal, I will inform Maniapoto and await their response.

Legislative implications and regulatory impact Statement

- 33 Legislation and regulatory impact analysis are not required.

Climate and population implications of policy assessment

- 34 There are no significant climate or population implications.

Human Rights

- 35 There are no human rights implications.

Consultation

- 36 This paper has been drafted by Te Arawhiti and LINZ in consultation with The Treasury. Te Puni Kōkiri were consulted on this paper.

Communications

- 37 I intend to inform Maniapoto on the outcome of this paper.

Proactive Release

38 I intend to proactively release this paper in part within 30 business days of decisions being confirmed by Cabinet. Commercially sensitive information will be withheld.

Recommendations

The Minister for Treaty of Waitangi Negotiations recommends that the Committee:

- 1 **note** in December 2018 Cabinet agreed to include redress over the Tokanui Hospital site in the Maniapoto settlement on a staged deferred selection basis [MCR-18-MIN-0013 refers];
- 2 **note** Cabinet were advised the site required significant remediation and that this could be funded through baselines;
- 3 **note** advice from New Zealand Audit and The Treasury (in 2020) is that funding through baselines as proposed in December 2018 does not meet the requirements for Crown accounting standards;
- 4 **note** new funding of s 9(2)(b)(ii) to be charged against the between-Budget contingency established at Budget 2020 is required to honour good faith commitments to Maniapoto to address this issue quickly, allow redress over the site to be inserted into Maniapoto's Deed and ratification to commence [REDACTED]
s 9(2)(g)(i) [REDACTED];
- 5 **note** the case for agreeing new money to complete the remediation and includes the mitigation of the risk of extensive delays to the Maniapoto settlement [REDACTED]
s 9(2)(g)(i) [REDACTED]. New money will also mitigate significant health, safety and environmental risks; and avoid substantial cost increases and maintenance costs caused by delaying the work;
- 6 **agree** to new funding of s 9(2)(b)(ii) of operational funding to be charged against the between-Budget contingency established at Budget 2020 for the remediation of the Tokanui Hospital site to rural land use to enable the inclusion of this site as redress in the Maniapoto Treaty of Waitangi Settlement;
- 7 **approve** the following changes to appropriations to give effect to the policy decision in recommendation 5 above, with a corresponding impact on the operating balance and net core Crown debt:

I N C O N F I D E N C E

Vote Lands Minister for Treaty of Waitangi Negotiations	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25
Multi-Category Expenses and Capital Expenditure Purchase and Preparation of Assets for Possible Use in Future Treaty of Waitangi Settlements MCA Non-Departmental Other Expenses Preparation of Assets	s 9(2)(b)(ii)				
Multi-Category Expenses and Capital Expenditure Crown Land MCA Departmental Output Expenses Crown Land Management Expenses (funded by revenue Crown)					
Total Operating					

- 8 **agree** that the proposed changes to appropriations for 2020/21 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 9 **agree** that the operating balance impact of expenses incurred under recommendation 5 above be charged against the between-Budget contingency established at Budget 2020;
- 10 **authorise** joint Ministers (Minister of Finance, Minister for Treaty of Waitangi Negotiations and Minister for Land Information) to make final decisions on the level of remediation and whether waste from the site will be transported offsite or buried onsite;
- 11 **note** as there are outstanding remediation decisions to be made by joint Ministers, the Crown may be able to return between [REDACTED], depending on the remediation option chosen; and s 9(2)(b)(ii)
- 12 **note** that if decisions result in a total cost below [REDACTED], then any savings will be returned to the centre. s 9(2)(b)(ii)

Authorised for lodgement

Hon Andrew Little

Minister for Treaty of Waitangi Negotiations

APPENDIX 1: TOKANUI HOSPITAL

SIZE

80 ha.

SCALE

74 buildings

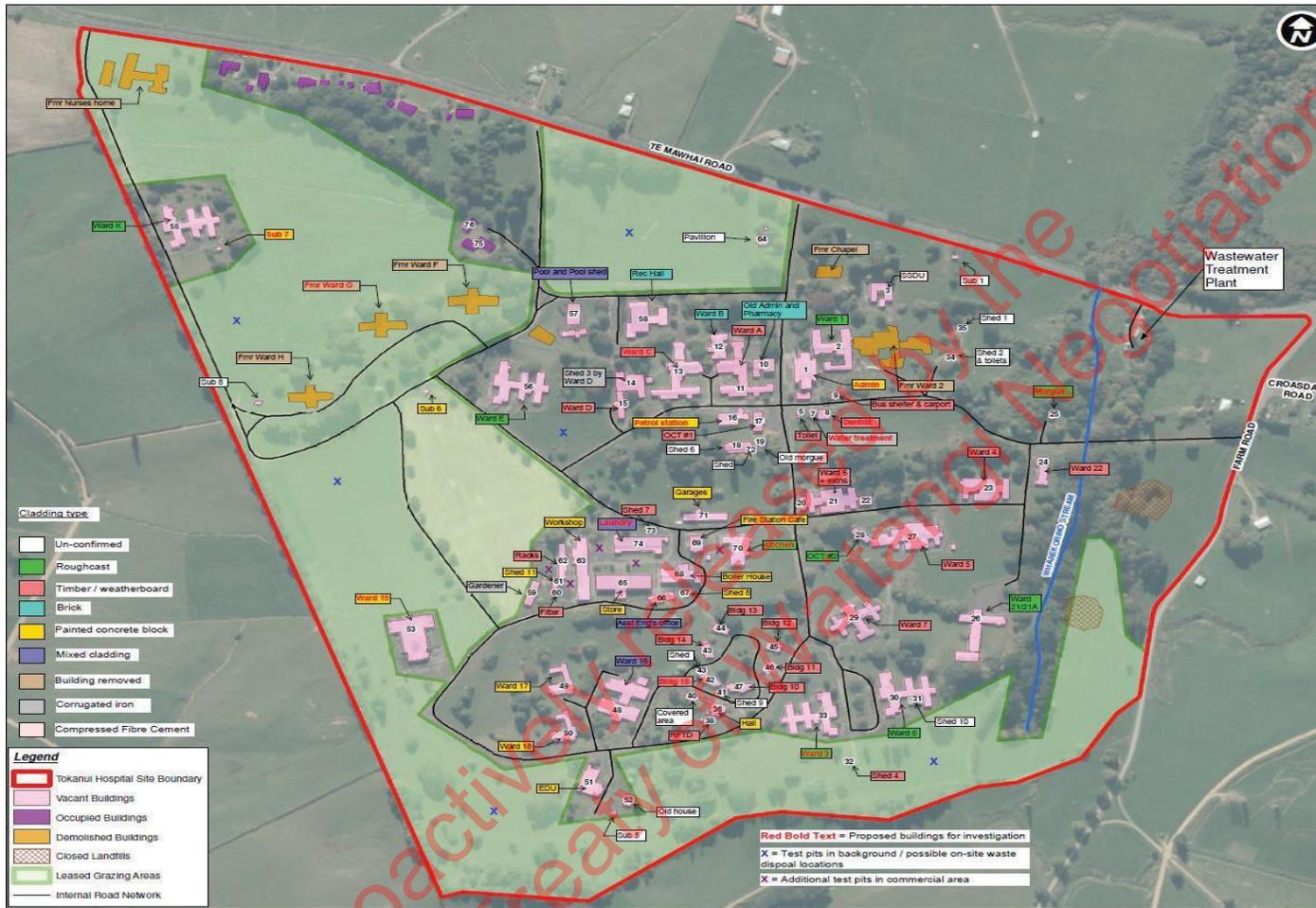
45,000m² / 4.5 ha.

- Eight substations
- Two wastewater plants
- Two landfills
- A swimming pool
- Extensive roading
- Underground utility networks

CURRENT CONDITION

Very poor

- Structural issues
- Weathertightness
- Asbestos and lead
- Contaminated soils
- Health and safety



WHY NOW?

Treaty Settlement & Increasing risk

- Settlement initialled and risk of delaying ratification by Maniapoto
- Cost of works increasing
- Land contamination increasing
- Cross contamination of building materials
- Ongoing holding risk to Crown

COST TO HOLD

- Security **s 9(2)(b)(ii)**
- Maintenance
- Rates and insurance
- Wastewater management

COST TO REMEDIATE

- Scale and complexity **s 9(2)(b)(ii)**
- Deterioration of structures
- Hazardous material removal
- Distance from waste disposal sites
- Dumping fees
- Consultants' fees

REMEDIATION OPTIONS (including delivery and management costs)

Options	Cost*
A. Demolish all structures, dispose of waste offsite	██████████
B. Retain 80% of the roading and below ground services, dispose of waste offsite	██████████
C. Demolish all structures, dispose of waste onsite	██████████
D. Retain 80% of the roading and below ground services, dispose of waste onsite	██████████

*Quantity surveyor costings

s 9(2)(b)(ii)

COST COMPARISON

Project	Footprint	Cost*	Cost/m ²
Burwood Hospital, Christchurch (completed by DHB)	1000m ²	██████████	██████████
Riddiford Building, Wellington (completed by DHB)	800m ²	██████████	██████████
Masterton Hospital (completed by LINZ)	14,000m ²	██████████	██████████
Greymouth Hospital (completed by DHB)	7500m ²	██████████	██████████
(former) Tokanui Hospital	45,000 m ²	██████████	██████████

*Costs are commercially sensitive and exclude consultants' fees

s 9(2)(b)(ii)

WHERE TO PUT THE WASTE?

Offsite

- No local waste disposal sites
- ██████████ **s 9(2)(b)(ii)**

Onsite

- Maniapoto opposed
- Resource consent required



Cabinet Māori Crown Relations: Te Arawhiti Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Maniapoto: Funding to Remediate the Tokanui Hospital Site

Portfolio Treaty of Waitangi Negotiations

On 23 February 2021, the Cabinet Māori Crown Relations: Te Arawhiti Committee (MCR):

1 **noted** that in December 2018, MCR:

- 1.1 approved a settlement package for Maniapoto, including staged deferred selection over the former Tokanui Hospital and village site as part of the commercial redress element;
- 1.2 noted that the site required significant remediation which could be funded through baselines;

[MCR-18-MIN- 0013]

2 **noted** that 2020 advice from Audit New Zealand and the Treasury is that funding through baselines as proposed in December 2018 does not meet the requirements for Crown accounting standards;

2 **noted** that new funding of s 9(2)(b)(ii), to be charged against the between-Budget contingency established at Budget 2020, is required to honour good faith commitments to Maniapoto to address this issue quickly, allow redress over the site to be inserted into Maniapoto's Deed and ratification to commence and [REDACTED]

s 9(2)(g)(i)

3 **noted:**

3.1

s 9(2)(g)(i)

3.2 that new money will also mitigate significant health, safety and environmental risks; and avoid substantial cost increases and maintenance costs caused by delaying the work;

s 9(2)(b)(ii)

- 4 **agreed** to new funding of [redacted] of operational funding to be charged against the between-Budget contingency established at Budget 2020 for the remediation of the Tokanui Hospital site to rural land use to enable the inclusion of this site as redress in the Maniapoto Treaty of Waitangi Settlement;
- 5 **approved** the following changes to appropriations to give effect to the proposal above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Lands Minister for Treaty of Waitangi Negotiations	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25
Multi-Category Expenses and Capital Expenditure Purchase and Preparation of Assets for Possible Use in Future Treaty of Waitangi Settlements MCA Non-Departmental Other Expenses Preparation of Assets	[redacted]				
Multi-Category Expenses and Capital Expenditure Crown Land MCA Departmental Output Expenses Crown Land Management Expenses (funded by revenue Crown)					
Total Operating					

s 9(2)(b)(ii)

- 6 **agreed** that the changes to appropriations for 2020/21 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 7 **agreed** that the operating balance impact of expenses incurred above be charged against the between-Budget contingency established at Budget 2020;
- 8 **authorised** the Minister of Finance, the Minister for Treaty of Waitangi Negotiations, and the Minister for Land Information (joint Ministers) to make final decisions on the level of remediation and whether waste from the site will be transported offsite or buried onsite;
- 9 **noted** as there are outstanding remediation decisions to be made by joint Ministers, the Crown may be able to return between [redacted] depending on the remediation option chosen;
- 10 **noted** that if decisions result in a total cost below [redacted] then any savings will be returned to the centre.

s 9(2)(b)(ii)

s 9(2)(b)(ii)

Gerrard Carter
Committee Secretary

Hard-copy distribution: (see over)

Present:

Hon Kelvin Davis (Chair)
Hon David Parker
Hon Peeni Henare
Hon Willie Jackson
Hon Kiri Allan

Officials present from:

Officials Committee for CMR

Hard-copy distribution:

Minister for Treaty of Waitangi Negotiations

Proactively released by the
Minister for Treaty of Waitangi Negotiations



Cabinet

Minute of Decision

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Report of the Cabinet Māori Crown Relations: Te Arawhiti Committee: Period Ended 26 February 2021

On 1 March 2021, Cabinet made the following decisions on the work of the Cabinet Māori Crown Relations: Te Arawhiti Committee for the period ended 26 February 2021.

MCR-21-MIN-0002 **Maniapoto: Funding to Remediate the Tokanui Hospital Site** CONFIRMED
Portfolio: Treaty of Waitangi Negotiations

Out of scope

Martin Bell
for Secretary of the Cabinet