

Flood Risk Mitigation Aotearoa

PURPOSE

Provide a roadmap to build further community resilience against flood risks by securing a central government Budget 2023 commitment (and subsequently yearly commitments) to co-investment into regional council flood protection infrastructure.

BACKGROUND

INITIAL CO-INVESTMENT REQUEST (AUGUST 2020)

In 2018, on behalf of all regional councils (Te Uru Kahika), Tonkin + Taylor collated critical information about the investment and protection value provided by existing flood protection schemes. This was included in a Te Uru Kahika flood risk co-investment report (August 2020) for Ministers.

This report requested a central government contribution of \$150m per annum to add resilience against the flood risks posed to many New Zealand communities. This request was on top of the \$200m of on-going investment committed by regional councils. Together this would provide the \$350m per annum required to take account of the increasing impact of climate change on flood flow magnitude and frequency.

The report also contained ten case examples describing the devastating impact on communities of the flood events that had occurred in their regions over the previous five years.

CABINET PAPER (JULY 2020)

In 2020, DIA prepared a Cabinet paper exploring and establishing broad government policy about flood risk resilience. The paper noted (paraphrased here for brevity):

- Current funding arrangements for flood protection infrastructure were established over 30 years ago. They are no longer sustainable or consistent with delivering outcomes in line with (the) proposed framework and principles (outlined elsewhere in the Cabinet paper).
- Central Government's funding approach to building resilience should consider the benefit principle, fairness, and intergenerational wellbeing.
- Officials will work with Local Government to develop a revised funding model for flood protection, based on the Cabinet paper's proposed framework and principles, for implementation over the longer term.
- Officials will target action where national assets and national interests warrant Central Government intervention and funding.
- Officials will support projects where there is a significant economy of scale, time constraints, distributional concerns, a need to protect health and safety, and to protect kaitiakitanga.

SHOVEL READY PROJECTS (2021)

The 2020 co-investment report was seminal in persuading government to fund Shovel Ready, Post-Covid-Recovery flood protection projects. A total of 55 projects, with a value of around \$313m, received \$217m from central government. The cost share from central government toward these projects was 75% for poorer regions and 64% for others. These projects are now being delivered by regional councils throughout New Zealand. Governance oversight of this delivery is provided via Kānoa.

Most existing Shovel Ready projects are timed to be completed by 30 June 2023. Some will take another year or two to complete. There has been a substantial commitment by regional councils to build increased staffing and associated capacity to undertake this major programme, alongside the step-up made by contractors, and employment within communities. This lends itself to future continuity, as part of a central / regional government community flood risk resilience co-investment programme.

SUPPLEMENTARY CO-INVESTMENT REPORT (JANUARY 2022)

Central government's co-funding of shovel ready projects was valued and valuable to those regional communities receiving funding. The pervading problem is this funding was a 'one-off,' and available only to those projects that were ready to go. The funded projects did not necessarily all reflect urgent community vulnerability and flood risk / resilience investment needs.

This vulnerability was aptly displayed by three community flood events that occurred in 2021. These provided the base for the three case studies (Ashburton, Blenheim, and Westport) described in a further 2022 'supplementary' co-investment report.

The 2022 supplementary report re-emphasised the call for national leadership in flood management as a 'critical first action' response to the challenge of managing the flood risks associated with climate change. The report also:

- Noted flooding is the number one commonly occurring natural hazard in New Zealand.
- Noted the regional council commitment to apply a contemporary multi-tool approach to flood risk management.
- Noted the cost-benefits of flood protection schemes (NB an NZIER report prepared for DIA in 2020 suggested that investment in flood protection structures provides better value for communities than investment in protecting communities from any other natural hazard).

- Requested central government co-investment of \$150m pa to fill the gap in the \$350m per annum total sum identified by regional councils as being the necessary investment in future community flood protection.
- Called for central government to work with regional councils to immediately reach agreement on co-investment expenditure guidelines.

GOVERNMENT RESPONSE TO SECOND 'SUPPLEMENTARY' REPORT

Minister Mahuta responded to Te Uru Kahika's second (2022) supplementary co-investment report by noting the:

- Possibility of including flood protection schemes in future 'post 2022' budgets.
- Use of the new Climate Emergency Response Fund (CERF) as a possible source of funding.
- Intent to view flood protection schemes as part of an integrated suite of flood risk management solutions, some of which will be included in proposed resource management legislative amendments; some of which will be outlined in the Climate Change Adaptation Plan.
- Value of the work undertaken by the River Managers' SIG on flood risk management issues.
- Opportunity that will be provided by the Westport 'pilot' co-investment business case to develop and test a framework for enabling a collaborative effort to reduce flood risks.

WESTPORT PILOT CO-INVESTMENT CASE STUDY

The Westport community flood risk resilience report applied central government's 'Better Business Case' (BBC) framework to seek \$45m (80%) of the \$56m cost of proposed initiatives falling across protect, accommodate, retreat / relocate, and avoid ('PARA') flood risk mitigation elements. DIA was the lead Ministry for this work, along with Treasury, MfE and NEMA.

West Coast Regional Council and Buller District Council sent the business case to Minister Mahuta on 30 June 2022. It is expected to go to Cabinet for final approval in September 2022.

DIA are now (July 2020) assessing the Westport business case to determine its validity on technical, funding, policy, and political grounds. As part of this assessment, DIA have undertaken a 'rapid assessment' of the many other communities throughout New Zealand, facing a similar position to that experienced in Westport. To do this DIA commissioned:

- NIWA to undertake community deprivation, flood risk and potential value of assets at risk modelling.
- Tonkin + Taylor to review regional council LTP and 30-year Infrastructure Plans to identify council future investment needs and intentions, noting that DIA has a Tonkin + Taylor staff member assigned to work directly to DIA on a similar proposal.

- Regional councils to identify, via MURAL postings, those communities they feel are most at risk.

The results of the DIA work have not yet been published. Notwithstanding, the River Managers SIG's earlier work confirmed a future need for \$350m of investment to mitigate the risk of community flooding. More recently, the River Managers have commissioned one of their members to do a stock-take / update on regional council flood protection investment intentions.

MATTERS INFLUENCING FUTURE TE URU KAHIKA CO-INVESTMENT REQUESTS

CABINET PAPER (JULY 2020)

The July 2020 Cabinet paper provides a clear indication of central government's interest in co-investment, but within defined bounds. These bounds are mostly related to a willingness to focus funding toward communities with deprivation, to projects reflecting other matters of national interests, and to projects reflecting the PARA approach.

PRECEDENT FROM WESTPORT

The Westport case study provides a likely precedent for that now required to be applied for Te Uru Kahika to be successful in their request for future community flood risk-mitigation co-investment funding.

Apart from the Westport project's adherence to the BBC framework (see further details provided below), other important features likely requiring to be mirrored from the Westport case study in future similar requests, include:

- Application of an adaptative pathway approach.
- Initial consideration of a wide / long list of community flood risk resilience options and then the reduction of this long list to a short list of preferred interventions.
- Use of community and government derived critical success statements and objectives.
- Assessment of preferred options against an agreed list of assessment criteria such as those related to constructability, consent-ability, Te Ao Māori, levels of service, community and landowner approval, disruption, access and occupation agreements, co-benefits, impact on crown assets such as rail and roads, multi-hazard risks and benefits, price and the timeframe / staging of the project.

With the above points in mind, it is clear the primary need is for more investment in protection / structural solutions – alongside longer-term spatial changes, higher levels of community preparation and other measures.

It is the investment in the structural protection elements of flood risk mitigation that is the focus of this roadmap. What is well recognised though, is that this investment must be

part of a comprehensive multi-tool approach to building community flood risk resilience. Most of the non-structural / protect elements of the necessary multi-tool approach will be acted upon and / or funded locally.

BETTER BUSINESS CASE FRAMEWORK

An overview of the five BBC elements follows, together with a brief description of what regional councils recognise as the actions required to satisfy these elements. (NB further details are provided within a model provided in appendix one).

- **Strategic case:** the alignment of the need for change with wider national and sectoral priorities, goals, policy decisions and programmes, including a commitment to the four well-beings and living standards framework, district / regional equivalents of these matters, the scope of the project, the challenge to be addressed and the benefits sought.
- **Economic case:** the critical success factors, the process applied to move from a long list of options to a preferred set of options, the economics of preferred options and the cost / benefit of these options.
- **Management case:** the approach to be applied to deliver on the preferred set of options, and the plan to allow for that delivery.
- **Commercial case:** the procurement strategy for the materials, labour and project management and the ability of the market to meet these needs.
- **Financial case:** a high-level assessment of the affordability of the short-listed options and possible funding sources.

This roadmap proposes a path for establishing a national framework for central government co-investment in flood schemes. It is not a business case for making investment in a particular set of nominated projects from specified regions although case examples will be used to support the need for this framework.

GOVERNMENT'S BUDGET REQUEST GUIDELINES

Treasury's budget formulation process will need to be followed to secure central government's commitment to the inclusion of the requested co-investment as part of the 2023 budget. It has the following broad steps:

- **Strategic phases (June – December):** This involves the development of an overall strategy for the Budget, including strategic priorities and targets for spending, revenue, the projected fiscal surplus, and public debt intentions. Decisions taken during this 'strategic phase' are reflected in the Government's Budget Policy Statement (BPS) which is required to be tabled in Parliament in the subsequent March.

- **Decision phase (January - April):** Ministers put forward Budget initiatives for consideration and then the Treasury assesses them and prepares recommendations on which initiatives Ministers should support. This advice is then collated, shared with various Ministerial Groups, and considered by Budget Ministers (the Prime Minister, the Minister of Finance and the Associate Minister of Finance, the Hon Dr Megan Woods) who put forward a Budget package to Cabinet for a final decision.
- **Subsequent phases:** This involves the
 - Budget production phase leading to ‘Budget Day’ legislative phase, in turn leading to Parliamentary support of Government’s budgetary package (spending for the year(s) ahead.
 - Legislative phase often involving examination of the estimates for each Vote by the appropriate Select Committee.
 - Implementation phase leading to spending being authorised via the Appropriation (Supplementary Estimates) Bill.

The role of Treasury in the budget build process includes them compiling and processing budget ‘initiative proposals’ from Vote Ministers. The Treasury have a set of standard instructions (‘Treasury Circulars’) they and departments must follow when preparing budget requests.

The timing for the Te Uru Kahika request is therefore good. The Treasury process implies Te Uru Kahika will first need to secure the support of DIA and Vote Ministers Nanaia Mahuta and Kieran McNulty before then formally lodging an application. It also implies Treasury should become part of the ‘Community Flood Risk Resilience Aotearoa’ project budget-build process.

DIA’S RESPONSE TO PREVIOUS TE URU KAHIKA CO-INVESTMENT REQUESTS

DIA and MfE’s current work program is substantial. It has been viewed by them as too cluttered to consider co-investment in flood risk protection measures. DIA officials have said they do not have sufficient budget to add projects to their current workload.

Te Uru Kahika understands this pressure and notes the DIA / MfE’s etc., current programme includes participation in the development of the:

- Climate Change Adaptation Act.
- National Adaptation Plan.
- Natural and Built Environments Act (NBE Act).
- National Planning Framework content as part of proposed NBE Act.
- Westport community flood risk resilience mitigation pilot study / business case.

In addition, it is likely the absence of a clear ‘Vote’ category (up until the establishment of the Climate Emergency Response Fund – CERF) for sourcing community flood risk resilience co-investment funding may have further complicated things.

Nevertheless, Te Uru Kahika would argue that building community resilience against flood risks via structural solutions is not something that can be left to languish. It is a critical part of adaptation to climate change.

In addition, Te Uru Kahika note that the earlier active Community Resilience Officials Group that Basil Chamberlain and other council representatives were part of, appears currently inactive, but with potential to be re-activated.

POTENTIAL FUNDING SOURCE

The CERF is a potential source of government funding for their co-investment in community flood risk mitigation. The initial focus of expenditure from this fund has been on emission reduction actions. Treasury have provided an indication that the longer-term focus will be on 'adaptation' actions. This plays well to the current Aotearoa community flood risk resilience programme's needs.

WORK STREAMS THAT MAY BE DRAWN FROM THE ABOVE SIGNALS

The above information provides several pointers about what Te Uru Kahika may now need to do to secure central government's commitment to co-investment in community flood risk mitigation. It implies Te Uru Kahika may need to:

1. Assess comparative community vulnerability / deprivation / affordability.
2. Better document the state of existing protection infrastructure and the investment needed to provide higher levels of climate-change-ready community resilience.
3. More accurately describe the incremental nature of the Te Uru Kahika co-investment request and more accurately tie this to potential priority projects that should be funded in years one, two, three and beyond.
4. Refresh previous documentation of the value of the assets and communities protected by flood protection structures and the cost benefit of investing in these structures.
5. Describe the capacity / capability of regional councils to implement / deliver flood risk mitigation structural proposals.
6. More fully document the flood protection investment needs documented in regional council LTPs and 30-year investment plans – noting these current documents may record information that is cautious / risk averse because of the absence of local funding sources.
7. Factor in consideration of how Shovel Ready Kānoa Climate Resilience Flood Protection Programme funding and delivery will be included in 2023-24 and 2024-25

8. Consider the extent that the shovel ready / Kānoa programme can be adapted to provide a governance oversight mechanism for the longer-term co-investment requested, at least for the initial next 3 years.
9. Develop general and project-specific co-investment assessment principles and prioritisation criteria, including those related to the socio-economic status of affected communities.
10. Establish a process through which eligible projects may be requested from regional councils and then considered and approved for co-investment and then governed, managed, and implemented.

SCOPE AND ASSUMPTIONS - SUMMARY

Flood risk mitigation structures focus: The past Te Uru Kahika co-investment reports have focused on flood risk mitigation structures. It is proposed this focus be retained, albeit supplemented with clear statements indicating how other PARA elements will be progressed in an integrated manner or as part of the commitment to a longer-term managed-adaptation planning approach.

Partnership with DIA: It is also clear from the above information it will be difficult to navigate through the Treasury budget-application process unless Te Uru Kahika secures a partnership in this process with DIA.

Incremental build of investment request: A ten-year investment frame is proposed with an agreed incremental build. This may progress from the current Shovel Ready focus – with associated capacity and capability being retained, to central government co-investment of say:

- \$50m at 2023/24
- \$100m at 2024/25
- \$150m at 2025/26
- \$150m in out years forward until 2033 and beyond.

Cost share formula: The core decision needing to be developed, with central government assistance, is how much money or what percent of the total cost will be allocated by central government for such variables as:

- Operational / maintenance projects.
- Capital projects.
- Cost share variance at different project locations - to reflect the variance in the comparative wealth / affordability / deprivation status of affected communities.

More robust evidence: It is clear regional councils (alongside DIA) will need to do more to clearly demonstrate how flood risk mitigation structural project proposals will satisfy the information needs listed at points 1-10 above.

PROJECT PHASES AND OUTPUTS

Te Uru Kahika envisage applying the following broad phases to this project, noting that due to deadline constraints, several of these will be developed in parallel.



01

Phase one: Project establishment and securing agreement

- The River Managers SIG will:
 - Socialise and seek the support of the River Management thought leaders for the approach described in this paper.
 - Seek the support and sponsorship of the project – with the help of Michael McCartney and Stefanie Rixecker, of the RCEOs, the Regional Sector Group Chairs and LGNZ.
 - Convene a meeting between Michael McCartney, Stefanie Rixecker and DIA senior officials to brief them about the content of this brief.
 - Forward correspondence to Minister Mahuta and Minister McNulty advising them of the Te Uru Kahika desire to partner with them and DIA to head down the path described in this brief.
 - Prepare and release communication material - nationally and regionally, to ‘warm the soil’ and then periodically sustain the public / community interest toward central government and Ministerial adoption of this proposal, via future regular and timely releases.
 - Enrol the support of third parties such as NIWA and the Infrastructure Commission.
 - Socialise and receive the support of senior officials from Treasury, and MfE, including on the draft contents listed in this paper.
 - Prepare a draft paper on potential arrangements for a Steering Group (central government and regional councils at Director CEO level), Governance (Minister of Local Government / Chairs x 2), and the timeline / milestones (see draft below).

- Confirm arrangements through which members of the River Managers SIG can be kept informed, contribute, and participate in this project.
 - Request each regional council to appoint a project 'point person'.
 - Socialise the project and the learnings from Westport etc. at a workshop with River Managers to be convened in late September 2022.
 - Review, and progress regional council 'investment intention' data gathering already underway with Tonkin + Taylor and the similar exercise being undertaken by Te Uru Kahika, to ensure this work is completed in a timely and 'complete' manner.
 - Prepare a micro-schedule of this project plan and recruit / contract the resources to enable the necessary information to be gathered and governance / steering group meetings to be scheduled.
- **The output** of this phase would be an agreed and detailed project approach statement.

Phase two: Background research

02

- Interrogate the information gathered by DIA as part of their Westport Case Study technical review and appraisal process and take the learnings from doing this into this project plan / co-investment business case.
 - Commission third party research from Tonkin + Taylor, NIWA and others, as may be appropriate e.g., value of assets protected – and other matters as listed in points 1-10 above.
 - Prepare a template and request regional councils to develop a summary list of prioritised projects for each of their regions to demonstrate how each of these proposed flood risk mitigation projects satisfy the areas of enquiry referenced earlier in this paper and defining what priority / when the project should be undertaken.
 - Consolidate the results put forward by each region.
 - Use the consolidated results of the regional research to develop an Aotearoa community flood risk resilience co-investment cost share and project prioritisation principles and criteria covering both operational and capital elements.
- **The output** of this phase will be a consolidated statement of regional flood risk mitigation needs and a first draft of the co-investment principles and criteria through which these needs may be met.

03

Phase three: Enquiry – test co-investment proposal

- Receive comment / endorsement from the project Steering Group, Governance Group, RCEOs / Regional Sector Chairs etc. for the proposed cost share / annual prioritisation, regional prioritisation, and operational / capex formula.

➤ **The output** of this phase would be an agreed cost share approach.

➤

Phase four: Develop consolidated business case using the Better Business Case framework

04

- Use all previously gathered information to complete an indicative business case for consideration as part of the Budget 2023 process.
- Work with the Steering Group (NB inclusive of Treasury officials) to refine the business case.

➤ **The output** of this phase would be an agreed business case containing principles and criteria and business case evidence to support central government making a positive decision to co-invest in flood protection structures.

05

Phase five: Budget-build process

- This phase will largely be led by senior officials from DIA, with support from appointed River Manager SIG members and their advisors.

➤ **The output** of this phase will be a secured flood risk mitigation line item – and associated trouble shooting, in each of the documents leading up to the formal release and confirmation of Budget 2023.

06

Phase six: Implementation arrangements

- The final phase is to establish arrangements, probably alongside Kānoa, through which central government's investment in agreed projects is invited, approved, managed, and delivered 'on time and within the agreed budget'.
- Support the provision of on-going governance oversight and reporting to the Minister(s) about delivery and the establishment of arrangements that

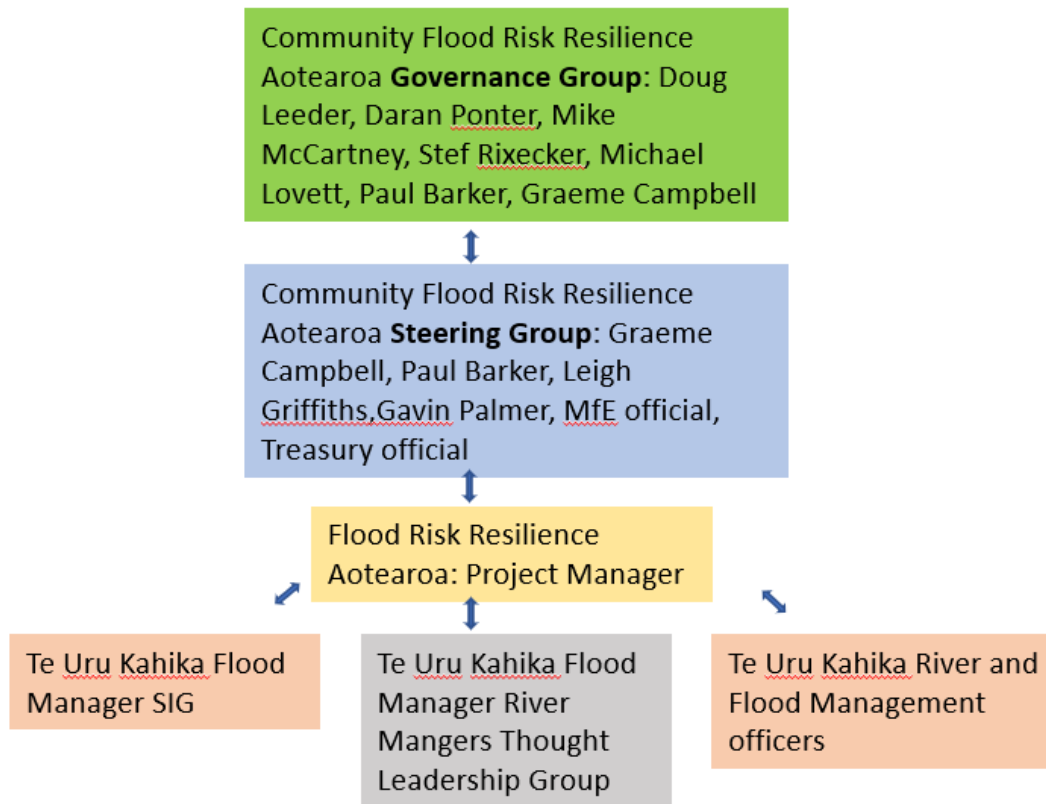
provide necessary certainty about the capacity of Te Uru Kahika to deliver the proposed projects.

- **The output** of this phase will be necessary incremental delivery of projects providing much needed certainty to the many New Zealand communities facing anxiety and uncertainty because of flood risks.

PROJECT MANAGEMENT AND GOVERNANCE

A multi-level structure should be developed and applied to manage the project.

- A high-level **Governance Group** would participate in a short 30-minute Flood Risk Resilience Aotearoa project update zoom monthly.
- A Flood Risk Resilience Aotearoa **Steering Group** would also meet monthly to provide detailed feedback on core project considerations and propositions.
- A Flood Risk Resilience Aotearoa **Project Manager** should be appointed to ensure that critical deadlines, information sharing occurs and generally, to drive the project and provide connection between various parties, in accord with this project brief.
- The Te Uru kahika Flood Manager River Mangers' Champions '**Thought Leadership Group**' may be used to test key propositions.
- **Te Uru Kahika Flood Managers SIG** would be kept informed of progress at their usual meetings.
- All **regional council river and flood management officers** would be kept abreast of the project and be asked to help provide necessary input information – probably with short notice.

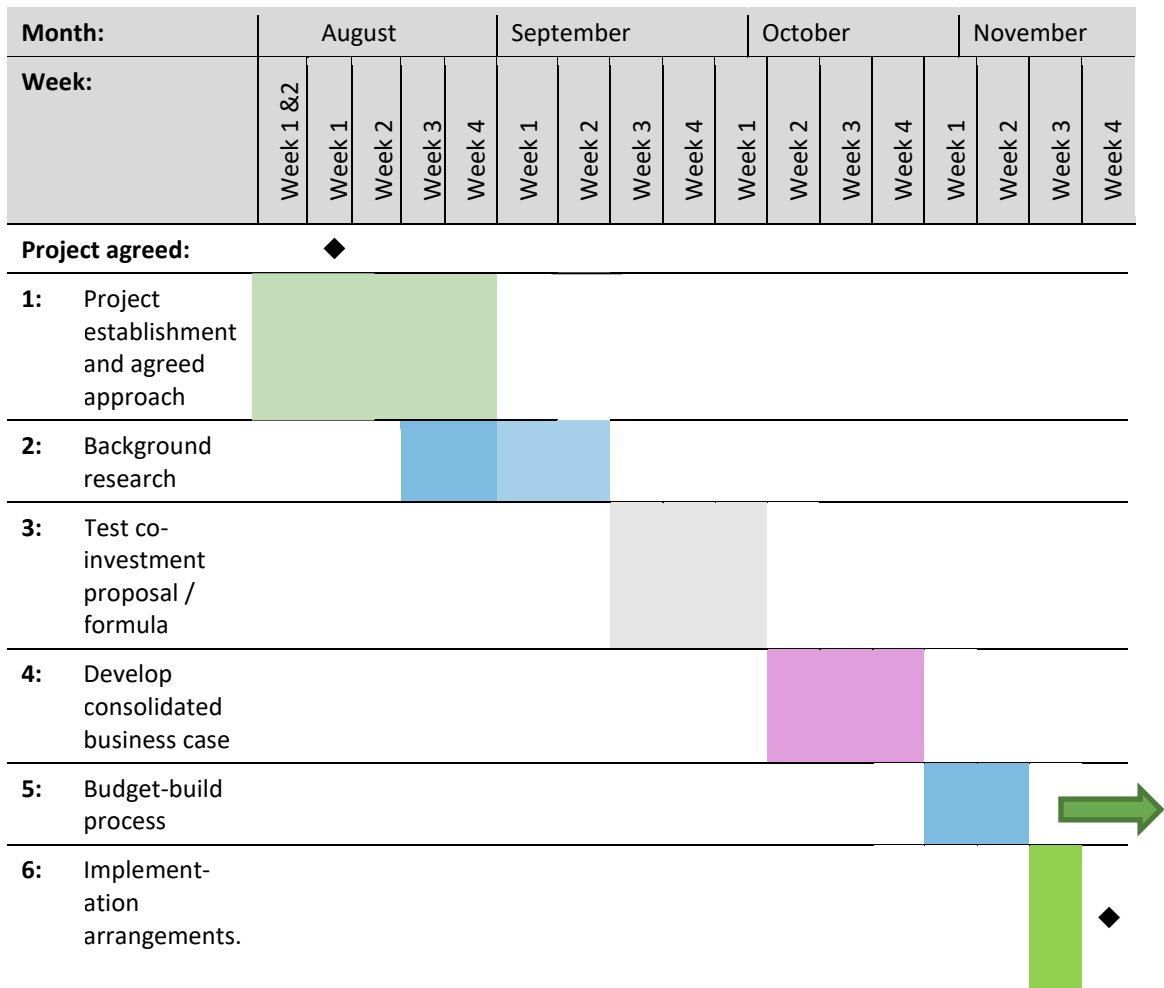


TIMELINE

We envisage the project schedule operating from July through to the end of November 2022 and beyond (for monitoring progress to ensure budget bid is secured). The indicative timeline follows, noting that phases 2-5 will proceed in parallel, albeit with a focus as indicated. Preliminary work should commence as soon as this brief and associated project funding is approved.

The proposed preliminary work will include micro-scheduling of the necessary tasks and the commissioning of necessary specialist ‘input’ research.

In the period following the phases and actions proposed during the five months described below, project leadership is likely to shift from a joint Te Kuru Kahika / DIA approach toward one more centred in DIA – albeit with information and support being readily provided by Te Kuru Kahika and Kānao as required.



Appendix one: Better Business Case Framework

Strategic Case: Compelling case for change – strategic fit and business needs

- Alignment to wider national or sectoral priorities and goals, policy decisions, other multi-agency programmes (if relevant) and with the sponsoring organisation ('s/s') strategic intentions / business strategy
- Clearly defined investment objectives
- Clearly defined problem (supported by evidence) and benefits
- Scope of the project including what is out of scope
- Main constraints, dependencies and risks

Economic Case: preferred option – optimises value for money

- Critical success factors
- Long-list options and initial options assessment against the investment objectives, critical success factors and benefits criteria
- Short-list options and options assessment
- Economic assessment of shortlist options
- Risks and uncertainty
- Preferred option



Commercial Case: commercially viable

- Outline of the intended procurement strategy including needs, outcomes and market analysis (high-level assessment of the potential deal and its likely acceptability to potential suppliers).

Financial Case: Affordable within available funding

- High-level assessment of the overall affordability of short-list options and possible funding sources. This would cover: indicative CAPEX and OPEX costs; whole-of-life costs; and identification of likely sources of funding.

Management Case: Achievable and can be successfully delivered

- High-level assessment of the achievability and deliverability of the project: initial assessment of the capacity and capability of the organisation to implement short-list options; high level plan showing key deliverables, timeframes and decision points
- Evidence of the necessary arrangements being in place for successful delivery of the project: governance model; accountability frameworks; programme management controls, benefits realisation etc.