

23 August 2022
Job No: 1089394

River Managers Special Interest Group
C/- Greater Wellington Regional Council
PO Box 11646
Wellington

Attention: Graeme Campbell

Dear Graeme

Letter of Engagement

Business Case - National Flood Protection Funding Model

Following our recent discussions and as you requested, we are pleased to confirm the basis on which we will support you in the preparation of a Business Case for a National Flood Protection model for you as our client.

The Business Case will be prepared in accordance with the Better Business Case framework and in close collaboration with key stakeholders including regional Councils, the Department of Internal Affairs (DIA) and Treasury. Put simply, the process provides a framework to agree aims and objectives for a potential national funding model with Treasury and DIA (likely also MBIE). This is the **Strategic Case**. The aims and objectives are then used to guide a 'co-design process' to confirm the best value for money approach to achieving the aims and objectives in the **Economic Case**. Implementation Planning is addressed through the **Management Case** (how the model will be delivered), the **Financial Case** (how the model will be funded) and the **Commercial Case** (how activities will be procured).

From our discussions with you, our support will include working with you to:

- Draft a Strategic Case for a national flood risk infrastructure funding model.
- Complete an Economic Case set out analysis to identify the best value for money option for flood protection infrastructure funding at a national level.
- Drafting Management, Financial and Commercial Cases to support the implementation of the best value for money option identified in the Economic Case.

We note that Tonkin & Taylor Limited (T+T) is already working with the Rivers Group to update analysis on flood protection issues and opportunities, i.e.: additional follow on work recommended in the "Hiding in Plain Sight" report. We anticipate that the update of information (not covered by this Letter of Engagement) will take place in parallel with the development of the Strategic Case.

Scope of work

Strategic Case

The Strategic Case sets out the reason for planned investment and provides an opportunity to clearly define the problem(s) to be addressed, measures of success and 'critical success factors'. For this

case developing a clear Strategic Case provides an opportunity to discuss and agree key drivers for, and objectives of, a national funding model. This is a critical component of the Business Case drafting and provides a medium to ensure that key central government stakeholders are aligned with Regional Councils on the need for funding and the way that success will be measured.

Key tasks during the development of the Strategic Case will be:

- Confirm with Regional Council CEOs key people (5-8) to be involved in framing the Strategic Case (Investment Logic Mapping (ILM) process)
- Engage with key decision makers in DIA, Treasury and MBIE (Shovel Ready team) as part of the preparation for the ILM process. This will include discussion on the framing of the Strategic Case and the anticipated level of analysis of options developed and evaluated in the Economic Case. We would also proactively engage with the Treasury IQA team during preparation so there are no surprises at that later stage of review.
- Complete an Investment Logic Mapping process.
 - Draft a Briefing Paper for ILM participants
 - Complete an ILM process, anticipated to comprise 2 x 2-hour workshops with key stakeholder representatives (5-8 people)
- Draft an Outline Strategic Case – to be ‘socialised’ with DIA, Treasury, MBIE and Regional Councils
- Finalise the Strategic Case

Once the Strategic Case is largely complete, we will confirm the scope and timeline for developing the Economic Case. Our current view on the scope is outlined below.

Economic Case

The economic case will make use of existing information, updates that will be completed in parallel with developing the Strategic Case and potentially additional information identified through the Strategic Case development. The purpose of the Economic Case is to use the Investment Objectives and Critical Success Factors developed agreed with stakeholders and documented in the Strategic Case to identify the best value for money option.

Key tasks in preparation of the Economic Case will comprise:

- Identifying information gaps (if any) based on the Strategic Case
- Developing funding model options (Do Nothing through to ‘protect everything’)
- Completing a preliminary evaluation of options making use of the Investment Objectives and Critical Success Factors set out in the Strategic Case
- Workshop with key project team members to confirm the evaluation
- Document the option development and evaluation process, and preferred option, in the Economic Case.

Once the Economic Case is largely complete and the preferred option identified, we will confirm the scope of the Financial, Management and Commercial Cases that will make up the remainder of the full Business Case. Our current view on the scope for each case is outlined below.

Financial Case

The Financial Case sets out funding arrangements including providing a forward view on likely costs. For flood protection infrastructure it is expected that the Financial Case will draw on various engineering studies and Asset Management Plans to provide a high-level view of annual and total

spend. In light of current uncertainties regarding cost, related to design, construction and materials supply challenges, we would expect any funding model to provide significant contingency while looking to leverage scale and long term funding to deliver the programme outcomes as efficiently as possible.

Key tasks in preparation of the Financial Case will comprise:

- Developing funding options, in close collaboration with River Managers, DIA and Treasury. We anticipate that this will involve drawing on information in Asset Management Plans and Long Terms Plans across Regional Councils (currently being collated by T+T) as well as linking to Central Government Budget cycles and departmental allocations existing and planned.
- Consideration of how to most effectively link a 10+ year programme with Central Government (1 year cycle) and Local Government (3-10 year cycle) funding processes.
- Given the ideal programme of work is likely to significantly exceed available funding, the Financial Case will need to draw on insights from the Strategic and Economic Cases to reflect the need for prioritisation of spend across New Zealand.

Management Case

The Management Case sets out arrangements for managing the delivery of the preferred approach for the flood protection infrastructure maintenance and upgrade programme of work. This links to the Financial Case including providing a forward view on likely activity with cost set out in the Financial Case.

For flood protection infrastructure it is expected that the Management Case will draw on insights from the delivery of projects under the 'shovel ready' programme of work as well as individual Council activities under their Asset Management and Long Term Plan arrangements. In light of current uncertainties regarding availability of people and resources for design and construction, we would expect the delivery approach to provide significant flexibility while again looking to leverage scale and long term funding to secure resources to deliver the programme outcomes as effectively as possible.

Key tasks in preparation of the Management Case will comprise:

- Review and compile delivery approaches adopted by Regional Councils and the Shovel Ready programme.
- Work with River Managers, DIA and Treasury to set out a national level governance framework to oversee the long term programme.
- Preliminary workforce and construction programming, to establish a programme of work that is achievable in real world conditions, i.e.: strike a balance between aspirations and available people and materials to complete the proposed programme of work.

Commercial Case

The Commercial Case sets out arrangements for procurement associated with the delivery of the preferred approach. This links to the Management and Financial Cases with a focus on understanding the market including potential providers and other activity.

For flood protection infrastructure programme of work it is expected that the Commercial Case will focus on strategic level procurement considerations. This includes the availability of design and construction suppliers, the respective benefits of long term contracts for programmes of work vs procurement discrete packages and any need to grow capability and capacity in the market.

Similar to Financial and Management Cases, we would expect the procurement approach to provide significant flexibility while looking to leverage scale and long term funding to secure resources to deliver the programme outcomes as efficiently and effectively as possible.

Track Record

As previously shared with you, we have extensive experience working on the development of Business Cases for central and local government. Our focus is on combining robust technical knowhow with an understanding of business case process (Better Business Case) and a record of getting things done with central government.

Two examples that illustrate this approach are our current work on addressing Acid Mine Drainage (AMD) at the Stockton Mine and a completed project developing a National Resilience Programme Business Case for Waka Kotahi.

The **Stockton Mine** project is being completed for Treasury with a view to establishing long term funding (150+ years) for the ongoing management of AMD produced at the Stockton Mine. T+T is working with Tregaskis Brown to develop a Strategic Case (90% complete, waiting on final Mana Whenua input) and complete an evaluation of options i.e.: the Economic Case.

This project provides us with current experience navigating the Treasury assurance process as well as insights relating to long term programmes of activity and working with multiple stakeholders.

The **Waka Kotahi Resilience Programme Business Case** developed a Strategic Case for incorporating resilience into decision making across the Waka Kotahi spending programme. The project involved working with multiple stakeholders across New Zealand and identifying and articulating cross linkages with other programmes of work. It is particularly satisfying for our team to see the Programme Business Case now guiding decision making on individual Waka Kotahi projects with resilience becoming a key driver of investment decision making.

This project was the winner of the Excellence in Strategic Planning award in the Institution of Public Works Engineering Australasia (IPWEA) NZ Excellence Awards 2020. The land page for the Programme Business Case is at <https://www.nzta.govt.nz/roads-and-rail/highways-information-portal/technical-disciplines/resilience/national-resilience-programme-business-case/>.

For this project, identifying links with other 'interventions' is an important similarity with DIA's current focus on planning (current and strategic/spatial) mechanisms potentially linking very well with infrastructure investment. The project provides us with directly relevant experience addressing natural hazards, developing approaches that integrate multiple objectives and working with multiple stakeholders across central and local government. The figure overleaf is from the Case and illustrates the links to other aspects of Waka Kotahi's work relating the resilience of the land transport network.

Key lessons learnt during preparation of the Waka Kotahi Programme Business Case were:

- Getting agreement on what the stakeholders want to achieve (in the Strategic Case), is critical to the success of the Business Case.
- Working with stakeholders to define options is valuable, but time consuming.
- Starting discussions with the reviewers early (IQA) adds value to the Business Case preparation and avoids late changes to the approach or document. This was a significant factor in the success of the project.
- Making clear links to complimentary activities or initiatives is critical, no programme or activity can exist in isolation. Identifying linkages, and avoiding conflicts, will be critical for the flood protection infrastructure work as it was for the Waka Kotahi work.

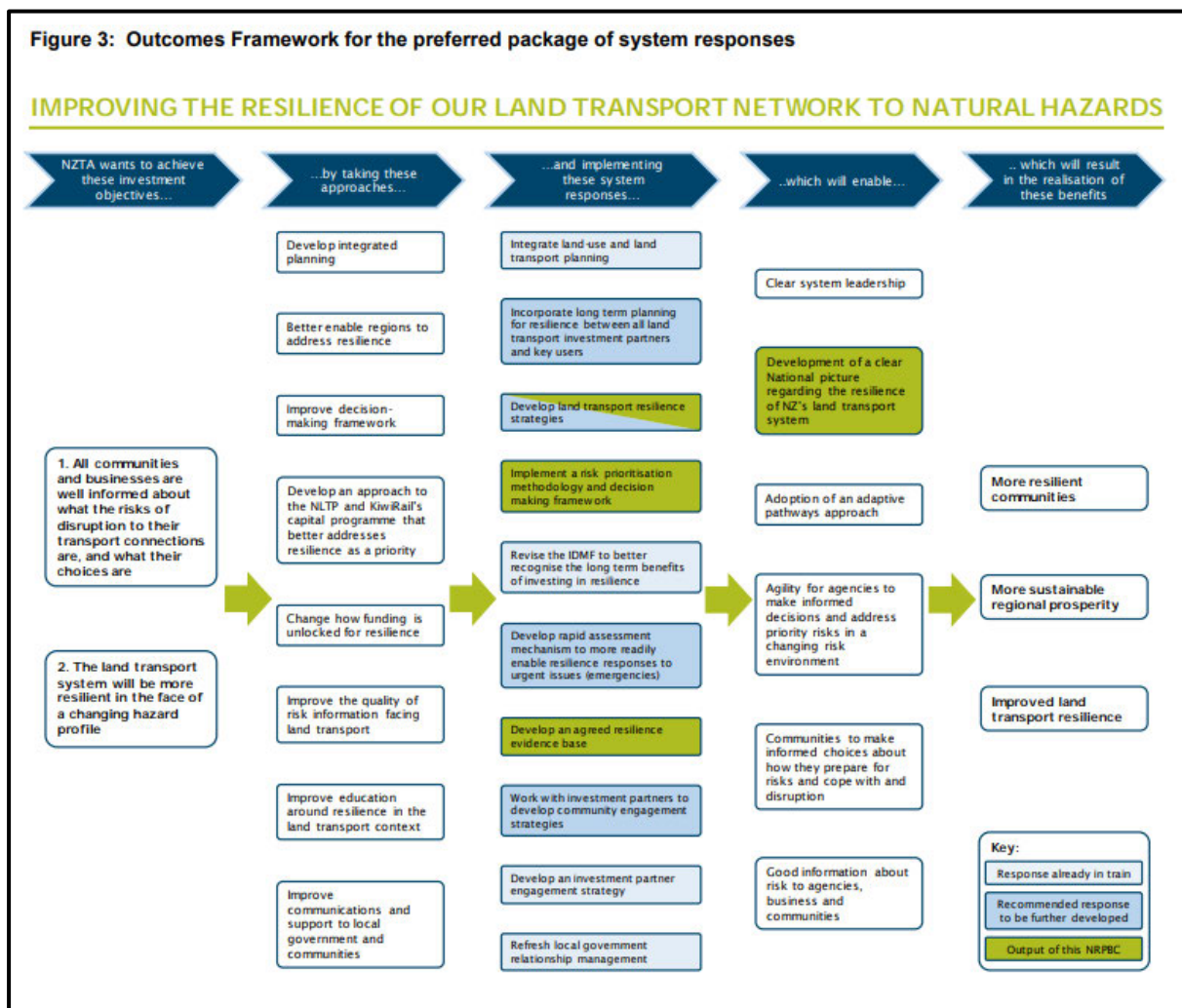


Figure 1: Preferred package – Waka Kotahi National Resilience Programme Business Case

Covid-19

We will use all reasonable endeavours to meet our responsibilities to you, however we cannot be responsible for any delay, event or circumstance outside our reasonable control due to the impact of COVID-19 (including travel disruptions, quarantine or self-isolation requirements, ill health or other delay or inability of our staff or subcontractors to perform or access a site for any reason). If any of these circumstances do arise, we may seek to negotiate with you a variation to this proposal which enables us to complete our work for you on mutually acceptable terms, failing which either party may terminate our engagement.

Programme

We have attached an indicative programme. We anticipate discussion specific items and timeline with you prior to commencement, and as the project progresses.

Fees

We will work with you to prepare a Strategic Case for a lump sum fee of \$50,000 (excluding GST). We have provided indicative lump sum for each of the remaining cases. We anticipate confirming scope and timeline for the Economic Case as we finalise the Strategic Case. Similarly, we will finalise the scope, timeline and cost for the Management, Commercial and Financial Cases as we are finalising the Economic Case (the preferred option is clear). Any work outside of the scope of work outlined above will be carried out on a time and expenses basis or for an additional agreed lump sum. We will agree that fee with you before doing the additional work.

Description	Lump Sum	Indicative timing
Strategic Case <ul style="list-style-type: none"> • Engage with DIA, Treasury and Regional Council staff/CEs • Investment Logic Mapping process • Draft Strategic Case 	\$50,000	Sept – Oct 2022
Total Lump Sum (excluding GST)	\$50,000	
<i>Economic Case (Case drafting and options assessment)</i> <ul style="list-style-type: none"> • Identifying information gaps based on the Strategic Case. • Developing funding model options • Completing a preliminary evaluation of options • Workshop with key project team members • Document the option development and evaluation process <i>Excludes T+T and others technical work</i>	<i>Est \$75 – 150,000</i>	<i>Oct – Dec 2022</i>
<i>Financial Case</i> <i>(incl financial analysis, scope to be confirmed with Treasury)</i>	<i>Est \$50 – 75,000</i>	<i>Jan – Mar 2023</i>
<i>Management Case</i>	<i>Est \$50 – 75,000</i>	<i>Jan – Mar 2023</i>
<i>Commercial Case</i>	<i>Est \$30 – 50,000</i>	<i>Jan – Mar 2023</i>
<i>Compile full Business Case</i>	<i>Est \$20 - 30,000</i>	<i>Mar – Apr 2023</i>

Lump sum fee specified in this letter is based on our rates applying at the date of this letter. These rates are fixed until December 2022, after which time we reserve the right to escalate our rates. If for any reason the project is suspended or delayed for a prolonged period of time (of more than three months), we reserve the right to renegotiate the fees, or terminate this agreement.

We will invoice monthly, on or after the first working day of the month, on a percentage complete basis. If payment becomes overdue and we are unable to agree alternative payment terms with you, we reserve the right to suspend work and to withhold deliverables. This will not apply in the case where you have advised us that you have a genuine dispute with our invoice (or part of our invoice) and you have paid any undisputed amounts.

Health and safety

T+T is committed to providing and maintaining a safe and healthy working environment at all of our places of work. In line with this commitment, and as required by health and safety legislation, we will consult, cooperate and co-ordinate our activities with you and others who will be working on the project. To assist us in this, please let us know if you have any specific health and safety planning and implementation requirements which are relevant to our services (including known risks) so that we can review these with you.

Terms and conditions

We will carry out the work in accordance with our attached Conditions of Engagement. These terms place certain limitations on our liability and, unless agreed otherwise, they will apply instead of any terms and conditions in any purchase order or other confirming document that you may issue to us.

We provide our reports and other deliverables for your benefit only and they cannot be relied upon by any third parties. However, if you want us to, we may allow a third party to rely on them after signing an appropriate reliance statement with us (so that they acknowledge and accept the limitations of our work and the terms and conditions of our engagement with you).

We understand and agree that you will submit the Business Case to support a Budget Bid and that government as the responsible agency will use the Business Case for the purpose of compiling that Budget Bid.

This offer is valid for three months from the date of this letter.

Closing remarks

We trust that this satisfactorily meets your needs. We look forward to receiving your instruction to proceed and to working with you on this project. You can confirm your acceptance by returning the attached signatory form. Alternatively, we will take your instruction to proceed as confirmation that you accept this proposal.

Please contact [REDACTED] at [REDACTED] or +64 27 536 0951 if you would like to discuss anything about this project.

Yours sincerely

[REDACTED]

[REDACTED]
Project Director

Attached:

- 1 Signatory page
- 2 ACENZ Short Form Agreement Feb 2019
- 3 Indicative Programme

Signatory form

T+T Ref: 1089394
 Date: 23 August 2022
 Contract: Business Case - National Flood Protection Funding Model

Confirmation by Client: I/we acknowledge that I/we have read the proposal for the above contract and the attached Conditions of Engagement, (including the Limitations of Liability), and I/we accept those terms and authorise the above.

Client name: River Managers Special Interest Group
 Client C/- Greater Wellington Regional Council
 address: PO Box 11646
 Wellington
 Attention: Graeme Campbell

Signature: _____

Name: _____

Date: _____

Please provide the following information if different:

Client Name and Address	Invoicing Entity Name* and Address (if different to Client)
_____	_____
_____	_____
_____	_____
_____	_____

* Invoicing entity to also give the "Confirmation by Client" above by signing below

Signature: _____

Name: _____

Date: _____

Please return one signed copy to [REDACTED] of T+T at email [REDACTED] or +64 27 536 0951 or to the address on the letterhead.

Privacy Notice

In your dealings with us, we will collect, use, disclose and hold personal information in accordance with our Privacy Statement (<https://www.tonkintaylor.co.nz/about-us/tonkin-plus-taylor-privacy-statement/>). Unless you advise us otherwise, we will assume that you consent for your information to be used for the purposes outlined in our Privacy Statement. If at any time you wish us to stop using your information for any of the purposes outlined in our Privacy Statement, please email us at privacy@tonkintaylor.co.nz or use the "unsubscribe" facility in the relevant email message.

23-Aug-22

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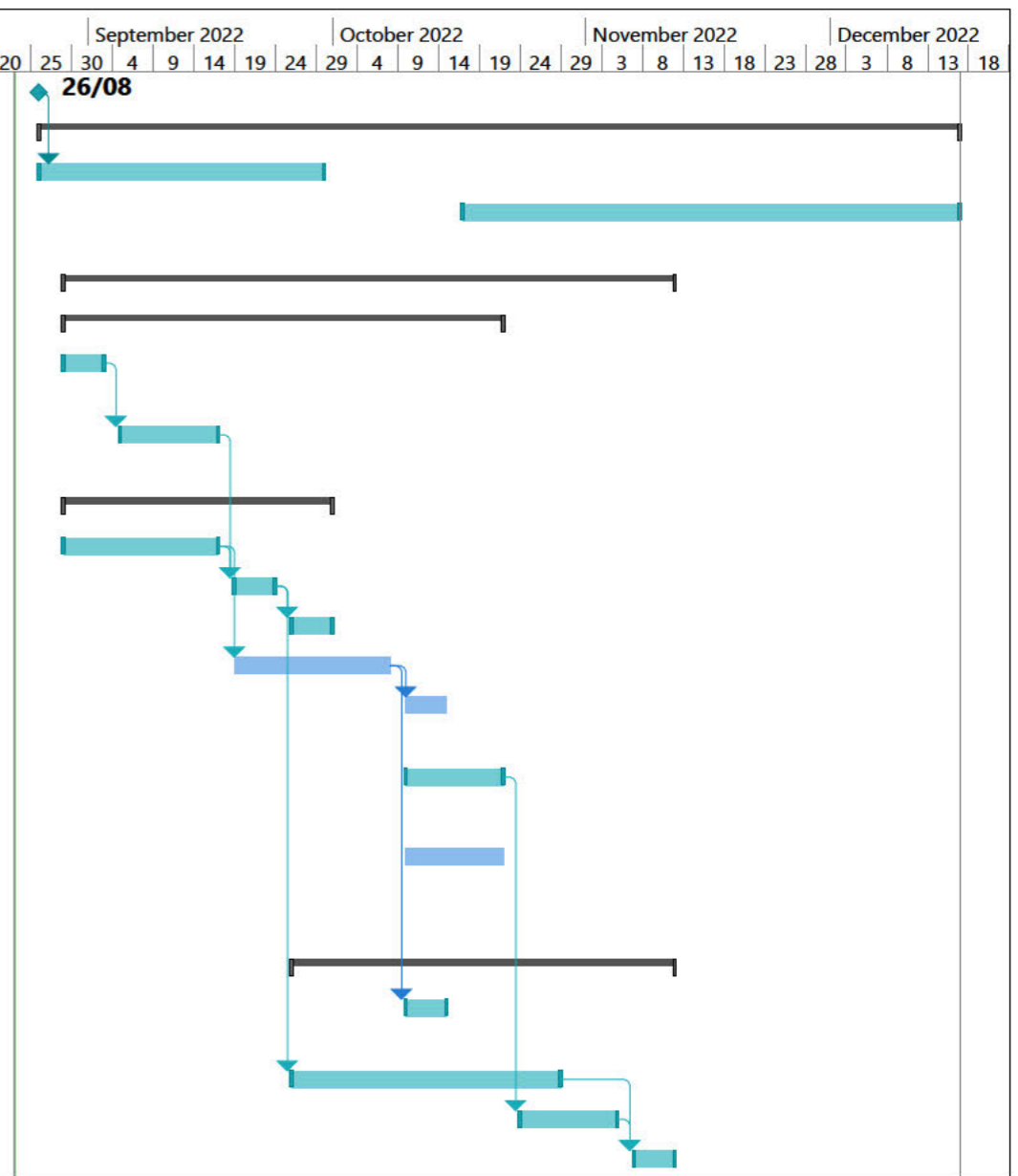
SHORT FORM MODEL CONDITIONS OF ENGAGEMENT

1. The Consultant shall perform the Services as described in the attached documents.
2. The Client and the Consultant agree that where all or any of, the Services are acquired for the purposes of a business the provisions of the Consumer Guarantees Act 1993 are excluded in relation to those Services. However, nothing in this Agreement shall restrict, negate, modify or limit any of the Client's rights under the Consumer Guarantees Act 1993 where the Services acquired are of a kind ordinarily acquired for personal, domestic or household use or consumption and the Client is not acquiring the Services for the purpose of a business.
3. In providing the Services, the Consultant must use the degree of skill, care and diligence reasonably expected of a professional consultant providing services similar to the Services.
4. The Client shall provide to the Consultant, free of cost, as soon as practicable following any request for information, all information in the Client's power to obtain which may relate to the Services. The Consultant shall not, without the Client's prior consent, use information provided by the Client for purposes unrelated to the Services. In providing the information to the Consultant, the Client shall ensure compliance with the Copyright Act 1994 and shall identify any proprietary rights that any other person may have in any information provided.
5. As soon as either Party becomes aware of anything that will materially affect the scope or timing of the Services, the Party must notify the other Party in writing and where the Consultant considers a direction from the Client or any other circumstance is a variation the Consultant shall notify the Client accordingly.
6. The Client may order variations to the Services in writing or may request the Consultant to submit proposals for variations to the Services.
7. The Client shall pay the Consultant for the Services the fees and expenses at the times and in the manner set out in the attached documents. Where this Agreement has been entered by an agent (or a person purporting to act as agent) on behalf of the Client, the agent and Client shall be jointly and severally liable for payment of all fees and expenses due to the Consultant under this Agreement.
8. All amounts payable by the Client shall be due on the 20th of the month following the month of issue of each GST Invoice or at such other timing as stated elsewhere in this Agreement. If the Client fails to make the payment that is due and payable and that default continues for 14 days, the Consultant may provide written notice to the Client specifying the default and requiring payment within 7 days from the date of the notice. Unless payment has been made by the Client in full, the Consultant may suspend performance of the Services any time after expiration of the notice period. The Consultant must promptly lift the suspension after the Client has made the payment. Regardless of whether or not the Consultant suspends the performance of the Services in accordance with this clause, the Consultant may charge interest on overdue amounts from the date payment falls due to the date of payment at the rate of the Consultant's overdraft rate plus 2% and in addition the costs of any actions taken by the Consultant to recover the debt.
9. Where the nature of the Services is such that it is covered by the Construction Contracts Act 2002 (CCA) and the Consultant has issued a payment claim in accordance with the CCA, the provisions of the CCA shall apply. In all other cases, if the Client, acting reasonably, disputes an invoice, or part of an invoice, the Client must promptly give the reasons for withholding the disputed amount and pay any undisputed amount in accordance with clause 8.
10. Where Services are carried out on a time charge basis, the Consultant may purchase such incidental goods and/or Services as are reasonably required for the Consultant to perform the Services. The cost of obtaining such incidental goods and/or Services shall be payable by the Client. The Consultant shall maintain records which clearly identify time and expenses incurred.
11. Where the Consultant breaches this Agreement, the Consultant is liable to the Client for reasonably foreseeable claims, damages, liabilities, losses or expenses caused directly by the breach. The Consultant shall not be liable to the Client under this Agreement for the Client's indirect, consequential or special loss, or loss of profit, however arising, whether under contract, in tort or otherwise.
12. The maximum aggregate amount payable, whether in contract, tort or otherwise, in relation to claims, damages, liabilities, losses or expenses, shall be five times the fee (exclusive of GST and disbursements) with a minimum of \$100,000 and a maximum limit of \$NZ500,000.
13. Without limiting any defences a Party may have under the Limitation Act 2010, neither Party shall be considered liable for any loss or damage resulting from any occurrence unless a claim is formally made on a Party within 6 years from completion of the Services.
14. The Consultant shall take out and maintain for the duration of the Services a policy of Professional Indemnity insurance for the amount of liability under clause 12. The Consultant undertakes to use all reasonable endeavours to maintain a similar policy of insurance for six years after the completion of the Services.
15. If either Party is found liable to the other (whether in contract, tort or otherwise), and the claiming Party and/or a Third Party has contributed to the loss or damage, the liable Party shall only be liable to the proportional extent of its own contribution.
16. Intellectual property prepared or created by the Consultant in carrying out the Services, and provided to the Client as a deliverable, ("New Intellectual Property") shall be jointly owned by the Client and the Consultant. The Client and Consultant hereby grant to the other an unrestricted royalty-free license in perpetuity to copy or use New Intellectual Property. The Clients' rights in relation to this New Intellectual Property are conditional upon the Client having paid all amounts due and owing to the Consultant in accordance with clauses 7 and 8. Intellectual property owned by a Party prior to the commencement of this Agreement (Pre-existing Intellectual Property) and intellectual property created by a Party independently of this Agreement remains the property of that Party. The Consultant accepts no liability for the use of New Intellectual Property or Pre-existing Intellectual Property other than to the extent reasonably required for the intended purposes.
17. The Consultant has not and will not assume any duty imposed on the Client pursuant to the Health and Safety at Work Act 2015 ("the Act") in connection with the Agreement.
18. The Client may suspend all or part of the Services by notice to the Consultant who shall immediately make arrangements to stop the Services and minimise further expenditure. The Client and the Consultant may (in the event the other Party is in material default that has not been remedied within 14 days of receiving the other Party's notice of breach) either suspend or terminate the Agreement by notice to the other Party. If the suspension has not been lifted after 2 months the Consultant has the right to terminate the Agreement and claim reasonable costs as a result of the suspension. Suspension or termination shall not prejudice or affect the accrued rights or claims and liabilities of the Parties.
19. The Parties shall attempt in good faith to settle any dispute by mediation.
20. This Agreement is governed by the New Zealand law, the New Zealand courts have jurisdiction in respect of this Agreement, and all amounts are payable in New Zealand dollars.

February 2019



ID	Task Mode	Task Name	Duration	Start	Finish	Predecessors	September 2022							October 2022					November 2022					December 2022					
							15	20	25	30	4	9	14	19	24	29	4	9	14	19	24	29	3	8	13	18	23	28	3
1	🚀	Commission signed	0 days	Fri 26/08/22	Fri 26/08/22																								
2	🚀	Evidence base	81 days	Fri 26/08/22	Fri 16/12/22																								
3	🚀	Update existing information	25 days	Fri 26/08/22	Thu 29/09/22	1																							
4	🚀	Complete additional data collection and analysis (to support the Business Case)	45 days	Mon 17/10/22	Fri 16/12/22																								
5	🚀	Business Case	55 days	Mon 29/08/22	Fri 11/11/22																								
6	🚀	Strategic Case	40 days	Mon 29/08/22	Fri 21/10/22																								
7	🚀	Confirm key stakeholders to involve in problem definition (Treasury, DIA, MBIE, Regional Council CE x 3-5)	5 days	Mon 29/08/22	Fri 2/09/22																								
8	🚀	Engage with key stakeholders (Treasury, DIA, MBIE, Regional Council CE)	10 days	Mon 5/09/22	Fri 16/09/22	7																							
9	🚀	Investment Logic Map	25 days	Mon 29/08/22	Fri 30/09/22																								
10	🚀	- Background briefing material	15 days	Mon 29/08/22	Fri 16/09/22																								
11	🚀	- ILM 1 - Problems	5 days	Mon 19/09/22	Fri 23/09/22	8,10																							
12	🚀	- ILM 2 - Benefits, Business Needs, Responses	5 days	Mon 26/09/22	Fri 30/09/22	11																							
13	🚀	Outline Strategic Case	15 days	Mon 19/09/22	Fri 7/10/22	10																							
14	🚀	Engage with key stakeholders (Treasury, DIA, MBIE, Regional Council CE)	5 days	Mon 10/10/22	Fri 14/10/22	13																							
15	🚀	Final Strategic Case	10 days	Mon 10/10/22	Fri 21/10/22																								
16	🚀																												
17	🚀	BC planning - Confirm scope, cost and timeline for remainder of Business Case	10 days	Mon 10/10/22	Fri 21/10/22																								
18	🚀																												
19	🚀	Economic Case	35 days	Mon 26/09/22	Fri 11/11/22																								
20	🚀	Identify information gaps based on outline Strategic Case e.g. rescoped CBA	5 days	Mon 10/10/22	Fri 14/10/22	13																							
21	🚀	Develop options (Do Nothing through to 'protect everything')	25 days	Mon 26/09/22	Fri 28/10/22	11																							
22	🚀	Preliminary evaluation	10 days	Mon 24/10/22	Fri 4/11/22	15																							
23	🚀	Workshop with Steering Group	5 days	Mon 7/11/22	Fri 11/11/22	22,21																							



Project: Business case draft 220
Date: Tue 23/08/22

Task		Project Summary		Manual Task		Start-only		Deadline	
Split		Inactive Task		Duration-only		Finish-only		Progress	
Milestone		Inactive Milestone		Manual Summary Rollup		External Tasks		Manual Progress	
Summary		Inactive Summary		Manual Summary		External Milestone			