



Proactive Release

The following document has been proactively released by the Department of the Prime Minister and Cabinet (DPMC), on behalf of Hon Mark Mitchell, Minister for Emergency Management and Recovery:

Changes to North Island Weather Events Crown Funding Agreements

The following documents have been included in this release:

Title of paper: Changes to North Island Weather Events Crown Funding Agreements (ECO-24-SUB-0135 refers)

Title of minute: Report of the Cabinet Economic Policy Committee: Period Ended 26 July 2024 (CAB-24-MIN-0277 refers)

Title of minute: Changes to North Island Weather Events Crown Funding Agreements (ECO-24-MIN-0135 refers)

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act). Where this is the case, the relevant section of the Act that would apply has been identified. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to redaction codes:

- section 9(2)(a), to protect the privacy of individuals
- section 9(2)(b)(ii), to protect the commercial position of the person who supplied the information, or who is the subject of the information

Office of the Minister Hon Mark Mitchell
Minister for Emergency Management and Recovery

Chair, Cabinet Economic Policy Committee

CHANGES TO NORTH ISLAND WEATHER EVENTS CROWN FUNDING AGREEMENTS

Proposal

- 1 This paper seeks Cabinet approval to move funding between categories for the Auckland, North Island Weather Events 2023 (NIWE) Crown Funding Agreement (CFA) and to amend the scope of some Category 2 risk mitigation projects in the Auckland, Tairāwhiti and Hawke's Bay Agreements. The amendments sought are within current funding allocations and are cost neutral to the Crown.

Executive Summary

- 2 Following the NIWE events in early 2023, the Government negotiated CFAs with local authorities in Auckland, Hawke's Bay and Tairāwhiti. The CFAs reflect the Crown contribution to funding critical aspects of the recovery in the three worst affected regions. The Government's funding focus was on mitigating intolerable risk to life from future events for homeowners and residents.
- 3 For each CFA councils identified their priority risk mitigation and local transport projects, and the associated cost of each project. They estimated the number of residential properties in each category and identified an anticipated cost of the voluntary buyout scheme for properties assessed as Category 3.
- 4 Cabinet approval is sought for changes to NIWE CFAs, to move funding between categories, or to approve projects where the scope has changed from that of the CFA. All proposed changes are within current funding allocations and are cost neutral to the Crown.
- 5 Auckland Council proposes using funding allocated for risk mitigation projects to support more voluntary buyouts. Doing so will provide a greater number of Auckland homeowners with a faster pathway to relocate from properties presenting an intolerable risk to life from a future event. The proposal is to recategorize those residential properties where the community level intervention is expected to take longer than two years to complete.
- 6 This proposal requires funding to be transferred from Category 2C to Category 3. Notwithstanding a decrease in Category 2C residences to justify remaining projects, the Council considers the remaining risk mitigation projects identified in the CFA continue to be a priority as they will build in resilience and reduce the impact and

cost of flooding from future events. Cabinet approval is required for this change in scope.

- 7 The Central Hawke's Bay District Council (CHBDC) proposes to relocate the Waipawa water treatment plant to higher ground out of the flood plain and is seeking approval to use s9(2)(b)(ii) Crown funding, that was previously allocated but not needed for another NIWE regional recovery project, to support this relocation. Cabinet approval is necessary because this project is not included in the CFA.
- 8 Approval is sought for a change to the scope of a specific risk mitigation project for Te Karaka in the Tairāwhiti region. The change is that the number of properties assessed by the Gisborne District Council as having an intolerable risk to life is less than expected meaning the project scope needs to change to reflect that it will largely benefit the wider community. Cabinet approval is required for the change in scope.
- 9 In all cases where a change in scope requires Cabinet approval, the projects will build in resilience, protect communities from flooding and reduce the impact and cost of future events. They remain priorities for the councils and the affected communities despite the decrease in the number of properties assessed as having an intolerable risk to life from a future event.

Background

- 10 NIWE CFAs were negotiated in 2023¹ and were signed for Auckland on 6 October 2023, Hawke's Bay on 10 October 2023, and Tairāwhiti on 6 October 2023. Funding was approved in three categories:
 - to enable residential properties to be remediated or bought out where there is an intolerable risk to life;
 - to undertake risk mitigation projects to protect properties where there is an intolerable risk to life; and
 - to repair local transport infrastructure.
- 11 A summary of the Crown funding agreed under the CFAs is provided in Table 1.

Table 1: NIWE CFAs by region

Region	Category 3 Voluntary buyout	Category 2 Risk Mitigation Projects	Local Transport Projects	Total
Auckland	\$387,000,000	\$380,000,000	\$110,000,000	\$877,000,000
Hawke's Bay	\$67,500,000	\$203,500,000	\$252,592,593	\$523,592,593
Tairāwhiti	\$15,000,000	\$64,000,000	\$125,000,000	\$204,000,000
Total	\$469,500,000	\$647,500,000	\$487,592,593	\$1,604,592,593

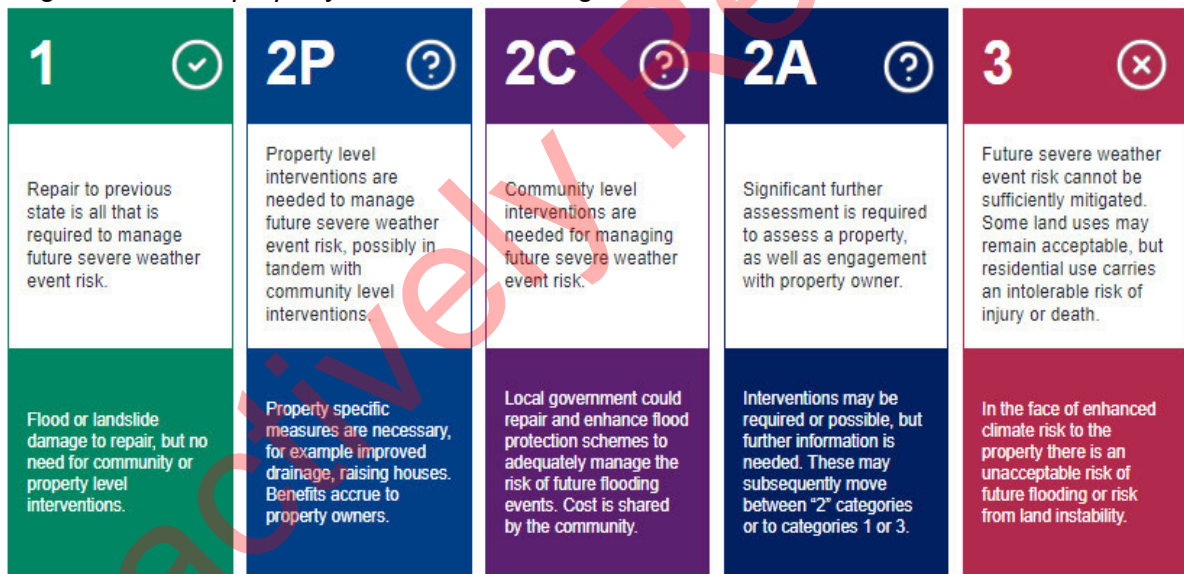
- 12 The CFAs are cost-share agreements and the figures in Table 1 represent the Crown's share only not the total cost. For all regions the Crown's share of the cost of

¹ s9(2)(a)

voluntary buyouts is 50%. The Crown’s share of the costs of risk mitigation projects to mitigate the intolerable risk to life was negotiated based on a Treasury assessment of councils’ ability to fund. The Crown’s share is 62% of the total cost of risk mitigation projects for Auckland, 90% for the Tairāwhiti region and 75.15% for the Hawkes Bay Region. The Government and NZTA fully funded the identified regional transport projects.

- 13 Each region estimated its likely Category 3 voluntary buyout numbers, identified the priority risk mitigation and transport projects and the associated costs. These were not subject to review by the Government, but processes are in place with the Cyclone Recovery Unit contracting Crown Infrastructure Partners to ensure robust project delivery plans (PDPs) are in place, support the councils to deliver and monitor progress and dispense funding according to key milestones. Approval of PDPs by the Minister of Finance and the Minister for Emergency Management and Recovery is required prior to draw down of funding.
- 14 Categorisation is the process by which councils assign properties or groups of properties into classes of policy response (Category 1, 2 or 3) based on the ability to mitigate intolerable levels of risk, as outlined in diagram 1.

Diagram 1: NIWE property classification categories



- 15 Risk mitigation projects were scoped at a high level and the number of properties in each category estimated with the information available at the time. As the work has progressed councils have more detailed and better-quality information from property inspections, flood modelling and engineering reports, as well as the initial planning of community level interventions. Where this process determines that a proposed risk mitigation project is not viable, councils can recategorize 2P and 2C properties as Category 3.
- 16 I am seeking Cabinet approval for changes to NIWE CFAs for Auckland, Hawke’s Bay and Tairāwhiti, to move funding between categories, or to approve changes in the scope of the projects in the CFA.

Changes proposed to Auckland NIWE (2023) CFA

I recommend reallocating funding between Category 2 risk mitigation projects and Category 3 voluntary buyouts, and changing the scope of some CFA projects that have wider benefits to communities affected by NIWE

- 17 The Auckland Council is seeking two changes to its CFA both of which are interrelated. The first is to move funding from Category 2 flood risk mitigation projects to Category 3 to support recategorization of Category 2C properties to Category 3 voluntary buyouts and to account for a larger number of properties assessed as Category 3. The second change is to modify the scope of projects within the remaining Category 2 funding to be focused on flood resilience and risk mitigation in areas affected by NIWE but where the numbers of Category 2C properties alone no longer justify the full cost of those projects.
- 18 The Council has acknowledged that its approach to Category 2C community flood risk mitigation projects – with a ten-year delivery programme – will not be fast enough to protect people living in properties that pose an intolerable risk to life from a future weather event. To considerably speed up providing safety and certainty for approximately 139 homeowners the Council is seeking to adopt a policy to offer a Category 3 voluntary buyout to all qualifying homeowners where Category 2C projects cannot be delivered within two years. This policy is subject to government decisions to accommodate this change within the CFA, and agreement that priority risk mitigation projects in NIWE affected areas continue to be partly funded by the Crown.
- 19 To give effect to this categorisation change \$60.350 million of Crown funding needs to be moved from Category 2 risk mitigation projects to Category 3. There is some spare funding in Category 3 and this figure is the balance needed to give effect to this policy change. This change also increases the cost to Auckland Council as its contribution increases from 38% which applies to Category 2C projects, to 50% which is the cost share amount that applies to Category 3 voluntary buyouts.
- 20 This change results in four projects with an anticipated cost to the Crown of \$72.200 million that have been prioritised for delivery to mitigate the risk to the remaining Category 2 properties that fall within the CFA criteria for this funding category. This includes protecting 56 Category 2C homeowners in Harania and Ararata in Mangere, s9(2)(a), and providing property level mitigations to up to 175 Category 2P homeowners. The Council is bringing these projects forward with anticipated delivery by June 2026. The Council does not require any changes to the CFA to proceed with these projects.
- 21 The Council seeks to retain the remainder of the Category 2C risk mitigation funding so that other priority projects proceed with a change in the scope of the CFA. The Council is developing projects for priority locations in areas where flooding occurred during NIWE and where flooding is expected to recur and cause significant disruption and costs if available risk mitigation measures are not taken. These are all projects included in the CFA.
- 22 Cabinet approval is needed because the Crown funding is tied in the CFA to the mitigation of an intolerable risk to life in residential areas. This risk is significantly

reduced if Category 2C properties move to Category 3. The Council estimates that with these changes the number of Category 2C properties in these areas will reduce from 192 to around 53. While this still means there is a requirement for a community intervention to mitigate risk for the remaining 2C properties, because the balance of the benefit is to the wider community this use of this funding is not currently within scope of the Auckland NIWE CFA. This is because it includes community level projects to protect properties from risk of future floods where there is no predominance of Category 2C properties.

- 23 Attachments A and B show the projects and their locations. The maps show the extent of the flooding from NIWE and the properties where there is an intolerable risk to life, many of which the Council will move to Category 3 and offer voluntary buyouts to the owners if the two changes to the CFA are approved. The maps also show the wider benefits of undertaking the flood mitigation projects to residences and commercial buildings.
- 24 Under this proposal the Council will make its own significant investment in these projects, as under the terms of the CFA, funding is matched 62% Crown to 38% investment by Auckland Council. Should any of the projects not proceed for any reason, the associated Crown funding will be returned.
- 25 I support the changes Auckland Council is seeking and consider them technical in nature. These changes will provide safety and certainty faster to homeowners whose properties are assessed as having an intolerable risk to life from a future event. Critical risk mitigation projects that protect the remaining homeowners facing an intolerable risk to life from a future event will be prioritised for delivery and delivered faster than the original plan. Wider flood resilience issues including habitable floor flooding and risks of damage to critical infrastructure (e.g., the eastern wastewater pipeline) will also be addressed for communities impacted by NIWE flooding and who face disruption and cost from future events but where there is no assessed intolerable risk to life.
- 26 Approval for both changes will also mean the categorisation process can be sped up and critical parts of communities provided with information about their options and the work the Council will do faster than otherwise would have been the case.
- 27 All projects will require the Council to prepare a PDP and joint Ministerial approval from the Minister of Finance and the Minister for Emergency Management and Recovery before funding can be drawn down. The financial impact to the Crown is neutral and is shown in Table 2.

Table 2: Revised Crown funding allocation proposed for Auckland

Funding Allocation in NIWE CFA	Category 3 Voluntary buyout	Category 2 Risk Mitigation Projects	Funding for remaining flood resilience projects in NIWE affected location	Regional Transport Projects	Total
Current	\$387,000,000	\$380,000,000	NA	\$110,000,000	\$877,000,000
Proposed	\$447,346,500	\$72,152,012	\$247,501,488	\$110,000,000	\$877,000,000

28 The Council has noted that the number of properties that would move to Category 3 could increase further, for example if more homeowners opt into the categorisation process. Should it be necessary to move more funding from Category 2 to Category 3 to provide for this I am also seeking Cabinet approval to authorise the Minister of Finance and the Minister for Emergency Management and Recovery to jointly approve any further proposals of this nature.

Changes proposed to Hawke's Bay NIWE (2023) CFA

I recommend reallocating NIWE funding to relocate the Waipawa water treatment plant

- 29 The Waipawa water treatment plant provides safe drinking water to approximately 3,500 people in the townships of Waipawa and Otane and is the backup water supply for Waipukurau. It was destroyed in Cyclone Gabrielle when the one-meter stopbank protecting it failed. Waipawa and Otane were without running water for eight weeks until the treatment plant was rebuilt. The plant remains at risk of future flooding events.
- 30 Funding of \$2.500 million was approved from the Local Government Flood Resilience Co-Investment Fund (LGFRCIF) to rebuild the one-meter stopbank to provide short term protection and build an enhanced three-meter stopbank to protect the plant from future flooding. The one-meter stopbank has been reinstated, at a cost of \$0.6m, but the enhanced stop bank could not be consented due to negative downstream impacts and has not proceeded.
- 31 The preferred solution for long term protection of the plant is to move it to adjacent higher ground. s9(2)(b)(ii) [REDACTED] However, this project falls outside of the criteria for the LGFRCIF (which was established to fund projects focused on the proactive management of climate exacerbated flood risk to residents) and the CHBDC cannot fully fund this project.
- 32 There is scope within the CFA for funding to be reallocated across projects as detailed project plans and costing are developed. Hawke's Bay Councils are seeking to repurpose Crown funding originally approved for a NIWE Category 2C risk mitigation project to protect properties at Tangoio Beach. \$4.200 million of Crown funding was allocated for the Tangoio project and is no longer required for that project as those properties have been confirmed as Category 3 properties for voluntary buyout. There is sufficient funding within the Hawke's Bay Category 3 allocation to provide the Crown's cost share for these properties.
- 33 I seek approval for s9(2)(b)(ii) [REDACTED] of Category 2 risk mitigation funding from within the NIWE CFA for Hawke's Bay to be reallocated to the relocation of the Waipawa water treatment plant. The CHBDC will contribute a 24.85% share s9(2)(b)(ii) [REDACTED] to the project in line with the Hawke's Bay NIWE CFA cost share principles. The Crown funds 75.15% of Category 2 projects as set out in Table 3. No new Crown funding is required, and the \$1.9m remaining from the LGFRCIF will be returned to the Crown.

Table 3: Proposed cost share for relocation of the Waipawa water treatment plant

Funding source	\$ (Million)
s9(2)(b)(ii)	

34 In line with CFA requirements, a project delivery plan for this project will be submitted to the Minister of Finance and the Minister for Emergency Management and Recovery for approval before funding is released.

Changes proposed to the Tairāwhiti NIWE (2023) CFA

I recommend changing the CFA for this project to proceed as providing flood protection from future events benefits the wider community

35 The Tairāwhiti CFA includes Crown funding of \$11.880 million for flood resilience improvements at Te Karaka. This project involves the upgrade or construction of approximately 11km of stop banks around the town of Te Karaka and is part of an ongoing programme to address the impacts of climate change and protect the town.

36 The terms of the CFA require the risk mitigation projects to protect Category 2C (residential) homes. Where this is not the case Cabinet approval is required to change the scope of the project. The Gisborne District Council has not yet assessed any properties as Category 2C, but it is likely that some of the 60 properties currently categorised as Category 2P will be recategorized as Category 2C. The 60 Category 2P properties are eligible for grants for lifting to mitigate the intolerable risk to life from a future event. However, initial assessments found that for some properties lifting will not be feasible, the cost will be prohibitive, or owners may choose to opt out of the process. s9(2)(a)

37 I recommend this project goes ahead as it will have a greater benefit to the wider Te Karaka community affected by the Cyclone. In addition to the Category 2C properties, it will provide flood protection from extreme weather events for 248 dwellings, surrounding agricultural and horticultural land.

38 In line with CFA requirements, a project delivery plan for this project will be submitted to the Minister of Finance and the Minister for Emergency Management and Recovery for approval before funding is released.

Consultation

39 The Treasury and the Department of Internal Affairs were consulted for this paper and feedback has been incorporated. The Cyclone Recovery Unit worked with the Auckland, Gisborne District and Hawke’s Bay Councils and Crown Infrastructure Partners on the detail of the changes being sought.

Financial Implications

- 40 No new Crown funding is being sought. \$1.9 million appropriated to Vote Prime Minister and Cabinet Non-Departmental Other Expenses appropriation Flood Resilience Projects Multi-Year Appropriation (MYA) from the LGFRCIF that was allocated to build a stop bank around the Waipawa Water Treatment Plant is no longer required and will be returned to the centre.

Proactive Release

- 41 I intend to proactively release this paper and its associated minute within the standard 30 business days from the decision being made by Cabinet.

Recommendations

The Minister for Emergency Management and Recovery recommends that the Committee:

1. **note** North Island Weather Events (NIWE) Crown Funding Agreements (CFA) negotiated with the Auckland, Hawke's Bay and Tairāwhiti local authorities, outline the Crown's contribution (\$1.605 billion) to significant parts of the recovery and were signed in early October 2023.
2. **note** Cabinet approval is sought for changes to NIWE CFAs, to move funding between categories, or to approve changes in the scope of some projects in the CFA. All changes proposed are NIWE related and are within current funding allocations.
3. **approve** reallocating \$60.350 million from Category 2C to Category 3 within the Auckland NIWE CFA to enable homeowners assessed as having an intolerable risk to life from a future event, where community risk mitigation projects will take longer than two years, to receive a voluntary buyout offer.
4. **authorise** the Ministers of Finance and Emergency Management and Recovery to approve any further decisions to move funding from within Category 2C to Category 3 in Auckland should the categorisation process significantly increase the number of properties for voluntary buyout.
5. **approve** a change to the Auckland NIWE CFA whereby the Council can use \$247.500 million of Crown funding for flood mitigation projects in areas flooded during NIWE but where a small proportion of homeowners face an intolerable risk to life.
6. **approve** reallocating s9(2)(b)(ii) of Category 2C funding from within the Hawke's Bay NIWE CFA for the relocation of the Waipawa water treatment plant.
7. **agree** that because of changes to the Hawke's Bay CFA, \$1.900 million allocated from the Local Government Flood Resilience Co-Investment Fund to build a stopbank around the Waipawa Water Treatment Plant will be returned to the Crown.

8. **approve** the following change to appropriations to give effect to the policy decision in recommendation 7 above, with a corresponding impact on the operating balance and net debt:

	\$m – increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Vote Prime Minister and Cabinet Minister for Emergency Management and Recovery					
Non-Departmental Other Expenses: Flood Resilience Projects MYA	(1.900)	-	-	-	-

9. **note** that the Flood Resilience Projects MYA referred to in recommendation 8 above expires on 30 June 2025;
10. **agree** that the proposed change to appropriation above be included in the 2024/25 Supplementary Estimates;
11. **approve** a change to the Tairāwhiti NIWE CFA to reflect that the Te Karaka flood mitigation project will protect 248 dwellings and surrounding agricultural and horticultural land as well as homes assessed as Category 2C.

Authorised for lodgement

Hon Mark Mitchell

Minister for Emergency Management and Recovery

Date:

*Attachments A and B are withheld in full under section 9(2)(a) and section 9(2)(b)(ii)



Cabinet

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.

Report of the Cabinet Economic Policy Committee: Period Ended 26 July 2024

On 29 July 2024, Cabinet made the following decisions on the work of the Cabinet Economic Policy Committee for the period ended 26 July 2024:

Out of scope




ECO-24-MIN-0135 **Changes to North Island Weather Events** CONFIRMED
Crown Funding Agreements
Portfolio: Emergency Management and Recovery

Out of scope



Out of scope



Rachel Hayward
Secretary of the Cabinet

Proactively Released



Cabinet Economic Policy Committee

Minute of Decision

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Changes to North Island Weather Events Crown Funding Agreements

Portfolio **Emergency Management and Recovery**

On 24 July 2024, the Cabinet Economic Policy Committee:

Background

- 1 **noted** that North Island Weather Events (NIWE) Crown Funding Agreements (CFA) negotiated with the Auckland, Hawke's Bay and Tairāwhiti local authorities:
 - 1.1 outline the Crown's contribution (\$1.605 billion) to significant parts of the recovery;
 - 1.2 were signed in early October 2023;
- 2 **noted** that:
 - 2.1 Cabinet approval is sought below for changes to NIWE CFAs, to move funding between categories, or to approve changes in the scope of some projects in the CFA;
 - 2.2 all changes proposed are NIWE-related and are within current funding allocations;

Auckland

- 3 **approved** the reallocation of \$60.350 million from Category 2C to Category 3 within the Auckland NIWE CFA as the number of Category 3 properties is higher than first anticipated and budgeted for;
- 4 **authorised** the Minister of Finance and the Minister for Emergency Management and Recovery to make any further decisions to move funding from within Category 2C to Category 3 in Auckland should the categorisation process significantly increase the number of properties for voluntary buyout;
- 5 **approved** a change to the Auckland NIWE CFA whereby the Council can use \$247.500 million of Crown funding for flood mitigation projects in areas flooded during NIWE but where a small proportion of homeowners face an intolerable risk to life;

Hawke’s Bay

- 6 **approved** the reallocation of s9(2)(b)(ii) of Category 2C funding from within the Hawke’s Bay NIWE CFA for the relocation of the Waipawa water treatment plant;
- 7 **agreed** that because of changes to the Hawke’s Bay CFA, \$1.900 million allocated from the Local Government Flood Resilience Co-Investment Fund to build a stopbank around the Waipawa Water Treatment Plant be returned to the Crown;
- 8 **approved** the following change to appropriations to give effect to the policy decision in paragraph 7 above, with a corresponding impact on the operating balance and net debt:

Vote Prime Minister and Cabinet Minister for Emergency Management and Recovery	\$m – increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Non-Departmental Other Expenses: Flood Resilience Projects MYA	(1.900)	-	-	-	-

- 9 **noted** that the Flood Resilience Projects MYA referred to in paragraph 8 above expires on 30 June 2025;
- 10 **agreed** that the change to appropriation above be included in the 2024/25 Supplementary Estimates;

Tairāwhiti

- 11 **approved** a change to the Tairāwhiti NIWE CFA to reflect that the Te Karaka flood mitigation project will protect 248 dwellings and surrounding agricultural and horticultural land as well as homes assessed as Category 2C.

Rachel Clarke
Committee Secretary

Present:

Hon David Seymour
Hon Nicola Willis (Chair)
Hon Chris Bishop
Hon Simeon Brown
Hon Erica Stanford
Hon Paul Goldsmith
Hon Mark Mitchell
Hon Tama Potaka
Hon Matt Doocey
Hon Penny Simmonds
Hon Nicola Grigg
Hon Mark Patterson
Simon Court MP

Officials present from:

Office of the Prime Minister
Office of Hon Simeon Brown
Officials’ Committee for ECO