



Proactive Release

The following documents have been proactively released by the Department of the Prime Minister and Cabinet (DPMC), on behalf of the Deputy Prime Minister, Hon Grant Robertson:

Progress report on Implementation Unit Assignments

The following documents have been included in this release:

Title of paper: Progress report on Implementation Unit Assignments
(CAB-21-SUB-0519 refers)

- Implementation Unit Work programme update
- Progress Update on Actions from the Mid-Term Review of the Budget 2019 Mental Health and Addiction Package
- New Zealand Upgrade Programme Transport Assessment
- Report: Emergency and Transitional Housing
- Jobs for Nature Stocktake of Progress
- Infrastructure Reference Group Programme Status Update

Title of minute: Progress report on Implementation Unit Assignments (CPC-21-MIN-0034 refers)

Title of minute: Report of the Cabinet Priorities Committee: Period Ended 10 December 2021
(CAB-21-MIN-0519 refers)

Title of paper: Stocktake of Progress Report – Carbon Neutral Government Programme
(CAB-22-SUB-0006 refers)

- Carbon Neutral Government Programme Stocktake of Progress

Title of minute: Stocktake of Progress Report – Carbon Neutral Government Programme
(CBC-22-MIN-0006 refers)

Title of minute: Report of the Cabinet Business Committee: Period Ended 25 February 2022
(CAB-22-MIN-0045 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.



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Briefing

NEW ZEALAND UPGRADE PROGRAMME TRANSPORT ASSESSMENT

To: Hon Grant Robertson
Deputy Prime Minister

Date	19/11/2021	Priority	medium
Deadline	03/12/2021	Briefing Number	DPMC-2021/22-747

Purpose


The purpose of this briefing is to provide an assessment of the working arrangements between agencies that support the delivery of the transport component of the New Zealand Upgrade Programme (NZUP), to help ensure that the new governance structures are embedded rapidly and advise on possible improvements to monitoring and performance reporting.

Recommendations

1. **Note** that Waka Kotahi and KiwiRail have responded positively to the new delegations and revised responsibilities for the NZUP Programme, have reviewed their governance arrangements and are making changes to strengthen them to account for their new responsibilities.
2. **Note** that the Ministry of Transport, the Treasury, Waka Kotahi and KiwiRail are working together to identify, agree and document by 17 December 2021 the working arrangements, processes and timeframes that will give effect to their respective responsibilities.
3. **Note** that Waka Kotahi and KiwiRail have agreed to provide additional information in their reports to Joint Ministers - a summary of the impact and materiality of issues and risk at a project level and cumulatively across the Programme, together with a summary of the actions being taken to address and or mitigate the impact of significant issues. They are also considering how to better report project progress other than by the current budget spent metric.

- 4. **Direct** the Implementation Unit to review the effectiveness of the working arrangements between agencies with responsibilities associated with the NZUP Transport Programme and advise on any improvements that could be made to reporting to Joint Ministers, and report to the Deputy Prime Minister by 29 April 2022. YES / NO

- 5. **Agree** that this briefing is proactively released, with any appropriate redaction where information would have been withheld under the Official Information Act 1982, in February 2022. YES / NO



Katrina Casey
Executive Director, Implementation Unit

19/11/2021



Hon Grant Robertson
Deputy Prime Minister

...../...../2021

Contact for telephone discussion if required:

Name	Position	Telephone		1st contact
Katrina Casey	Executive Director, Implementation Unit	s9(2)(a)	s9(2)(a)	✓

Minister's office comments:

- Noted
- Seen
- Approved
- Needs change
- Withdrawn
- Not seen by Minister
- Overtaken by events
- Referred to

NEW ZEALAND UPGRADE PROGRAMME TRANSPORT ASSESSMENT

Executive Summary

1. In January 2020 the Government announced a \$12 billion investment in infrastructure in transport, health and education. This is known as the New Zealand Upgrade Programme (NZUP). \$6.8 billion was allocated to transport projects. After a reset of the NZUP Transport Programme in 2021, a further \$1.926 billion of Crown funding has been put into a tagged capital contingency.
2. The two transport delivery agencies involved in the NZUP Transport Programme are Waka Kotahi and KiwiRail.
3. As part of the NZUP Transport Programme reset, Cabinet agreed the rules and processes that would apply to access to the tagged contingency and agreed changes to the responsibilities for project assurance.
4. The delivery agencies are now responsible for project assurance and monitoring, including being accountable directly to Joint Ministers for these areas. The nature of the monitoring role that the Ministry of Transport undertakes was amended resulting in the disestablishment of the external Oversight Group. The revised roles and responsibilities were documented in Letters of Expectation from the Minister of Transport sent to Board chairs on 24 September 2021. Board chairs responded accepting the delegations and responsibilities in early October 2021.
5. Waka Kotahi and KiwiRail have assessed whether changes were needed to their existing programme governance arrangements. Waka Kotahi has made a change in the Terms of Reference and membership of its existing NZUP Governance Group. These changes will be implemented from the beginning of 2022 and include turning the existing NZUP Steering Group into the NZUP Programme Sponsor's Advisory Group. The Advisory Group will provide support and guidance to the Programme Sponsor and Programme Director on issues and opportunities.
6. KiwiRail has added a separate NZUP Programme Report to the standard KiwiRail Board agenda. This Report will cover the expectations outlined in the Ministers delegation letter. It will be prepared in addition to the Capital Programme reporting the Board receives. KiwiRail has also accepted Waka Kotahi's invitation to join its Programme Governance Board. This enables greater co-ordination between the two when managing projects in the same locations, and greater collaboration, information sharing and learning across the Programme.
7. Neither agency has needed to make significant changes and that, together with an assessment of what was already in place, demonstrates the strength of existing programme governance arrangements. That said, it would be best practice for each agency to periodically review their arrangements, particularly if there are significant shifts or changes in the nature of the Programme and or delivery performance. This will ensure their arrangements remain fit for purpose.

8. The Ministry of Transport and the Treasury retain core responsibilities for monitoring and for providing advice to Joint Ministers. They do this as part of their respective responsibilities: for the Ministry, its vote management and system responsibilities for transport, and for the Treasury, its role to develop and maintain the integrity of the investment management and asset performance system.
9. The four agencies meet fortnightly to discuss any issues and to agree processes and working arrangements to give effect to the content of the Delegation letters. The Ministry is facilitating this process and will have agreed processes developed by 17 December 2021 for implementation in 2022. These processes will include escalation paths.
10. While all four agencies are committed to ensuring effective working arrangements are put in place, it is too early to consider whether new working arrangements are being effectively embedded, and this is something the Implementation Unit should be asked to look at again in 2022.
11. The delivery agencies report directly to Joint Ministers monthly on the delivery of the Programme. Both agencies have agreed to make changes to their reporting. These changes reflect the fact that the impact and materiality of project and overall Programme assessments are not reported to Ministers. It will also be important for Ministers to see what actions the agencies are taking to mitigate and or reduce the impact of reported risks and issues. These changes will, together with the briefings which can cover more detail, lead to richer discussions at the bi-monthly meetings agencies have with Joint Ministers.
12. As projects progress beyond the planning stage KiwiRail and Waka Kotahi are also looking at how they can better report progress (other than via budget spent) and will introduce changes to reporting in this regard next year.

Purpose

13. The purpose of this briefing is to provide an assessment of the working arrangements between agencies that support the delivery of the transport component of NZUP, to help ensure that the new governance structures are embedded rapidly and advise on possible improvements to monitoring and performance reporting.

Scope of this Assessment

14. The Commissioning brief for this Assessment is in Attachment A.
15. This assessment is not a delivery assessment but focuses on actions needed to embed in new responsibilities for oversight, monitoring and reporting, including working arrangements between the key parties to the Programme. It includes comment on improvements to reporting performance of delivery.

Background

16. In January 2020 the Government announced a \$12 billion additional investment to improve and add infrastructure in transport, health and education. \$6.8 billion was allocated to transport projects.

17. Waka Kotahi and KiwiRail were given responsibility for delivering the transport projects. As the Programme is funded solely by the Crown, the Ministry of Transport (the Ministry) together with the Treasury, were given responsibility to provide assurance of programme delivery.
18. In July 2020 an Oversight Group was established to support integrated oversight over the NZUP Transport Programme. Its role was to provide independent advice to the Ministry and the Treasury about the delivery, management and governance of the programme. It had an independent chair, two other independent members and officials from the Ministry, Treasury and the Infrastructure Commission. This group was supported by Deloitte with technical advice from Inviser who were tasked with monitoring the delivery agencies.
19. During the latter part of 2020 and early 2021 significant cost pressures and macro-scale scope changes were identified, and all parties involved in the NZUP Transport Programme were engaged in a re-baselining and reset of the Programme. The need for this had become apparent as the elements of the Programme were scoped in greater detail than occurred prior to the Programme's announcement.
20. On 31 May 2021 Cabinet agreed to add \$1.926 billion of Crown funding in a tagged capital contingency to the previously allocated \$6.8 billion [CAB-21-MIN-0192]. Ministers sought advice on how this contingency should be accessed, together with the most appropriate processes and responsibilities for assurance and monitoring. New responsibilities and processes were agreed to by Cabinet on 20 September 2021 [CAB-21-MIN-0374.01].
21. On 24 September 2021 the Minister of Transport wrote to the Board Chairs of both Waka Kotahi and KiwiRail outlining a complete set of expectations and delegations for the delivery of the NZUP Transport Programme. The letters also outlined the roles that the Ministry and the Treasury would undertake with respect to this Programme.
22. The chairs of both Boards responded in early October accepting the delegations and agreeing to the expectations set out in the Ministers letter of 24 September 2021.

Embedding New Programme Oversight Arrangements

Agencies' roles and responsibilities

Delivery agencies

23. The framing for the revised delegations and expectations recognises that the Crown is funding the Programme and remains the owner and that is balanced with giving delivery agencies as much flexibility as possible to use and maximise their delivery capabilities. The Minister of Transport and the Minister of Finance have confidence in Waka Kotahi and KiwiRail to successfully give effect to the revised delegations, and this is reflected in the nature of the additional responsibilities for project assurance and risk identification and management.
24. Delivery agencies (Waka Kotahi and KiwiRail) have delegated accountability for making individual project level decisions against a specified number of projects. They have been made accountable for providing Programme assurance to Joint Ministers. That comes with an acknowledgement that Ministers will put a greater reliance on agencies having very strong internal monitoring and assurance processes and that each agency will be transparent in escalating risks and issues to Ministers.

25. The escalation thresholds and trigger points are very clear, and Ministers retain responsibility for making decisions at key points in a project's lifecycle for high-risk and rescope projects. The process for escalation including engagement with the Ministry and the Treasury as part of that are specified. There is also a very clear process established for access to and decision-making about the tagged contingency fund.
26. Both agencies are responsible for reporting on a monthly basis to Ministers and will provide copies of their reports to the Ministry and the Treasury. They are expected to engage with the Ministry and the Treasury during the process of preparing business cases for higher risk and rescope projects. Through the business case process the agencies are expected to set a new baseline for each project, against which progress against scope, cost and schedule can be measured and reported.

The Ministry of Transport and the Treasury

27. The Ministry and the Treasury share responsibility for programme monitoring – the Treasury in its role to develop and maintain the integrity of the investment management and asset performance system, and the Ministry in its role as system lead for transport.
28. Both agencies play a critical role in providing advice to Ministers on the payment of funding drawdown requests, with the Treasury leading in the case of KiwiRail and the Ministry leading for Waka Kotahi. The difference reflects the different nature of the delivery agencies. The Treasury monitors KiwiRail as a State-Owned Enterprise and the Ministry monitors Waka Kotahi as a Crown Entity.
29. The change in responsibilities is that while the two agencies will monitor the Programme, the Ministry will not be accountable for Programme assurance or the identification of project risks. The Ministry will undertake its role as responsible for Vote Transport management with an additional ability to review reporting and escalate as appropriate.
30. Ministers can at any time on receipt of reports and or briefings from delivery agencies, ask the Ministry and or the Treasury to provide advice on any matters. The Ministry and or Treasury can also provide advice to Ministers or escalate matters if they consider it necessary as a result of reviewing the reports from the Delivery agencies.

Agencies' progress towards embedding programme oversight arrangements

31. The enhancements Waka Kotahi and KiwiRail are making will appropriately strengthen existing programme governance and oversight arrangements. The fact these enhancements are relatively minor reflects the strong programme governance arrangements both agencies already had in place.
32. Waka Kotahi has reviewed all aspects of its programme governance arrangements in response to the additional responsibilities for project and programme assurance. It has also had an independent programme review undertaken. The changes have been accepted by the Programme Governance Group and will result in a change in the Terms of Reference and membership of its existing NZUP Governance Group. These changes will be implemented from the beginning of 2022 and include turning the existing NZUP Steering Group into the NZUP Programme Sponsor's Advisory Group. The Advisory Group will provide support and guidance to the Programme Sponsor and Programme Director on issues and opportunities.

33. The KiwiRail Board of Directors has the overall programme governance and decision-making responsibility on its components of NZUP. There are two committees of the Board that are relevant for NZUP (both of which endorse recommendations to the Board). The primary one is the Capital Committee which assists the Board with prioritisation of capital expenditure, delivery and financial performance of capital expenditure programmes and the assurance system over these programmes. The Risk and Assurance Committee assists the Board to discharge its responsibilities in relation to audit, finance and risk management.
34. At the start of the NZUP Programme, KiwiRail positioned its NZUP projects as part of three portfolios which are much larger, i.e.: Auckland Metro rail (focused on delivery of projects integrated with the City Rail Link programme), Wellington Metro rail and Rolling Stock. In all three cases programme management and governance arrangements exist below the Board level with senior managers from KiwiRail, and for the Metro portfolios other stakeholders are also involved (Auckland Transport, Greater Wellington Regional Council and Waka Kotahi). These Programme Boards receive monthly updates and provide advice and endorsement of recommendations to KiwiRail management.
35. KiwiRail has accepted Waka Kotahi's invitation to be part of its NZUP Programme Governance Group – this enables greater co-ordination between the two when managing projects in the same locations, and greater collaboration, information sharing and learning across the Programme. Each agencies' Governance Boards remain accountable for decision making in respect of their programmes.
36. KiwiRail has decided to make some changes to recognise the new accountabilities and has added a separate NZUP Programme Report to the standard KiwiRail Board agenda. This Report will cover the expectations outlined in the Ministers delegation letter. It will be prepared in addition to the Capital Programme reporting.
37. The Ministry is facilitating and documenting the processes and working arrangements that will give effect to key parts of the delegation letters. This is being done with the other agencies. The Ministry is also thinking through how best to leverage these arrangements to co-ordinate work across agencies on other more forward leaning aspects of the Transport portfolio and policy commitments. This is very appropriate given that the NZUP Transport Programme, while very significant, also has implications across areas the Ministry and agencies are working on, for example in the climate change space.
38. The Ministry will ensure that the NZUP Programme delegations for Waka Kotahi and KiwiRail will be kept up to date as changes occur that impact them. The Ministry will continue to assist the Minister of Transport in setting expectations for delivery of NZUP and other capital works' programmes by supporting the Minister's provision of a Letter of Expectations to Waka Kotahi and supporting his review and comment on Waka Kotahi's Statement of Performance Expectations.
39. The Ministry will accept Waka Kotahi's invitation to sit in on Programme Governance Group meetings and will appropriately do so as an observer. Doing so will greatly assist the Ministry's knowledge and understanding of progress, and the nature of the challenges Waka Kotahi faces as the Programme progresses. It will lead to richer conversations when other parts of the working arrangements between the agencies are activated.
40. The Treasury now has a responsibility to monitor and become more involved where there is a potential need to draw down on the centralised tagged contingency. While this is a

new activity for this Programme (as there was previously no tagged contingency), it is only an extension of its approach to monitoring Crown spend to understand value for money.

41. The Treasury will also support the business case process. The reset has formalised some of the work that was underway to implement stronger expectations for business cases through the application of the new Better Business case expectations (Detailed Business Case and Implementation Business Case). Similarly, the delegation's letters formalise work underway to put stronger expectations around the use of Gateway Reviews (where appropriate) to provide assurance.

Working Arrangements between Agencies

42. While this Programme represents a very significant investment by the Crown, it does not have the added complexity of a large number of delivery agencies involved. Ministers have taken the opportunity presented by the Programme Baseline reset to ensure very clear accountabilities exist not just for delivery but also for assurance, risk identification and monitoring. They have set clear expectations on the dimensions of the Programme in terms of specific projects and the way that escalation, access to contingency funding and drawdowns will occur. They have done this while retaining responsibility for Crown funding decisions and ownership of the Programme.
43. In order to give effect to Cabinet decisions and Ministers expectations there needs to be a very clear and well documented outline of how the two delivery agencies and the two monitoring agencies will work together. The Ministry is facilitating this work and the four agencies have been meeting to define and agree appropriate processes. It will be important for the sake of absolute clarity in expectations that these arrangements once agreed are documented and then periodically reviewed at senior levels.
44. The initial focus of discussions has been to get agreement on the Business case engagement and review process. Initial deep dive meetings will occur over the next month and that will be a good test of agencies' understanding of the process they have agreed to. The first Business Case Review process is expected to occur in February 2022.
45. Key to the success of these processes will be engagement by the delivery agencies of the Ministry and the Treasury throughout the process as opposed to the end of the process when Boards have approved Business Cases to go to Ministers. By engaging in this manner, time will be saved in the decision-making process as the Ministry and the Treasury will have a stronger understanding of the Business Case and will be able to provide advice to Ministers in a timelier manner than would otherwise occur.

Opportunities to strengthen working arrangements

46. The four agencies meet fortnightly at a working level. This is an opportunity not just to settle in ways of working but also to flag and discuss emerging risks and issues and to ensure discussion at more senior levels in the organisations can occur when necessary. There is a natural tension between delivery and monitoring agencies and appropriately this should from time to time lead to robust discussions.
47. There is an opportunity with the reset to establish streamlined and very clear expectations and processes. It is very clear that all four agencies want the Programme to succeed and all have indicated they are committed to working together where needed and to be open and transparent within their respective accountabilities.

48. Delivery agencies will be providing reports to and meeting with Ministers. The delivery agencies will jointly prepare a briefing for Ministers ahead of their bi-monthly meetings. The nature of the involvement of the Ministry and the Treasury still needs to be tested. The Delivery agencies will circulate a draft briefing and consider feedback is best dealt with by adding comment from the Ministry and the Treasury into a section of the Briefing. There are times when this may be all that is needed. There may be times, for example where contentious issues are being raised, where constructive feedback and discussion on the content of a briefing is more appropriate.
49. Delivery agencies currently provide briefings independently. Better outcomes will occur if delivery agencies align not only their processes but also the nature of the involvement of the Ministry and the Treasury. It is not the role of either the Ministry or the Treasury to dive into NZUP programme governance, assurance or risk identification, nor to verify any part of these processes. But there are very clear markers for their involvement when escalation trigger points on scope, cost and schedule are nearing. It would be better for substantive interaction to occur well before any of these triggers are a reality.
50. There have been misunderstandings between agencies in the past and the work they are undertaking to document the working arrangements that give effect to the delegations and respective roles and responsibilities is good practice. Any issues with how arrangements are working in practice need to be dealt with swiftly at the time, and to that end there should be an escalation path built in. This document should be reviewed either as circumstances change or every six months or so.

Improvements to Performance Monitoring and Reporting

Current programme reporting practices

51. Delivery agencies have been providing reports to Ministers monthly throughout the Programme. This has been done in the context that programme assurance responsibilities were held by an Oversight Group set up by the Ministry. With this mechanism no longer in place and the added responsibilities delivery agencies have for assurance and risk management it is an appropriate time to review the content of the monthly reports.
52. The delivery agencies are reviewing the monthly reporting to Ministers and the pre-briefing arrangements for the bi-monthly Joint Ministers meetings. All parties recognise that there is already comprehensive programme governance and associated reporting arrangements within each delivery agency. The intent in reporting to Ministers is not to duplicate effort.
53. As with programme governance reporting it is important that reporting to Ministers is based on a “no surprises” approach and issues and trigger points for escalation or other decisions should not creep up on Ministers.

Assessment of current programme reporting

54. The two delivery agencies provide their monthly reports together albeit in different formats.
55. KiwiRail has an upfront reminder of the whole Programme in its Report and an easy way of reminding Ministers of nature, scale and cost of its part of the Programme. It is clear on status and application of risks, but some thinking could be done to consider how to communicate action being taken in response to issues and risk, as well as materiality and impact. This could, where relevant to issues and solutions or actions, include reference to

the other agencies it is working with to complete NZUP projects, noting that its NZUP projects are part of larger programmes.

56. Waka Kotahi has got a larger more complex part of the Programme and it is not easy to see the status of the whole programme on a page. More detailed reporting is provided to its governance mechanisms and it is appropriate that is not duplicated in reporting to Ministers. It may assist to rethink the Programme Overview part of the Report to ensure Ministers can see status, have clarity about the issues sitting behind the overall rating, their impact and materiality to the programme and the actions being taken to address issues at a summary level. It is not easy to tell at a programme level what, if any, significant change has occurred since the previous report – including whether things are trending worse or better, and what the significance of the trend is.
57. Much of the information is in the Waka Kotahi Report but discussion of impact and materiality of issues on projects and the Programme should be elevated in some way. It would also be useful for Ministers to have visibility over the actions Waka Kotahi is taking to get projects back on track and to address or mitigate the impact of issues. This applies to the amber rating of the Programme as a whole – why is the Programme rated amber, what is the anticipated impact of this rating, and what actions are being undertaken to reduce the impact. A further example of this is the comment “there is uncertainty of project costs” but no accompanying sense of scale.

Opportunities to strengthen Programme reporting

58. There are some suggestions for the agencies to discuss when they consider improvements to their reports and briefings to Ministers.
59. Ministers have an interest in understanding the state of delivery including what is going well, where challenges are arising, and the materiality and possible impact of each challenge. Where challenges arise, Ministers will want to know what actions agencies are taking to address the root causes and/or mitigate the impacts of each challenge. While impact and materiality of issues on individual projects is important, it would be useful to also discuss cumulative impact of issues and risks, as well as whether any action and/or solutions can be leveraged from one project to apply across a greater part of the Programme.
60. It would be helpful for Ministers if the two delivery agencies consider the risks and issues they have in common and whether it would be advantageous to look at joint solutions. If that is the case, this could be referenced in the Reports. An example where the two agencies are working on an issue that impacts them both is on the sequencing of the processes involved in contracting large pieces of work – this is in recognition that while a company may be able to stand up multiple project teams, it will often have limited resource and capability to respond to multiple bids for work at the same time. The delivery agencies are preparing joint briefings for the bi-monthly meeting with Ministers. This is the opportunity for more targeted information to be provided.
61. The Ministry and at times the Treasury have the capability to be able to assist delivery agencies in working through major issues and there is some precedent for this occurring. These will be some of the more difficult and complex issues to resolve, and there may not be easy or immediate solutions, but it will be of value to Ministers to be aware of the joint work being undertaken. A current example where work is underway is issues with the supply chain.

62. As projects progress beyond the planning stage KiwiRail and Waka Kotahi are also looking at how they can better report progress (other than via budget spent) and will introduce changes to reporting in this regard next year.
63. Consideration could also be given to focusing most of the report on the higher risk projects, only providing narrative on the lower risk projects if there are significant issues arising and short comment if they are impacted by more general risks and issues. The report provides equal weight to each project, when a little more depth on higher risk projects might at times be advantageous.
64. The delivery agencies could consider tweaking their monthly reports and perhaps provide further information on a quarterly basis. The Briefings for Ministers ahead of the bi-monthly meetings should work in the with monthly reports and are an opportunity to ensure impact and materiality of issues and risks together with proposed solutions and actions are discussed – depending on what the purpose of the meeting is and whether or not there is an expectation that Ministers will need to make decisions following the meeting.

Next Steps

65. Delivery agencies are in the process of responding within their organisations to the additional responsibilities and other aspects of the new Delegations letters. This means it has not been possible to fully undertake this commission.
66. From what has been observed, all four agencies are actively working through, and where necessary together, to put enhancements in place to give effect to the requirements outlined in the delegation letters. Examples of where agencies are working together include:
 - a) delivery and monitoring agencies working together to define the working arrangements that will match their accountabilities and responsibilities
 - b) delivery agencies working through how they could improve reporting and briefing to Ministers and are open to receiving feedback and suggestions
 - c) all four agencies working together to more fully understand the real and potential impact of cost pressures on the NZUP.¹
67. All enhancements and or changes will be in place for 2022. It would be appropriate for the Implementation Unit to check in on progress and undertake an assessment of the effectiveness of the working arrangements between agencies once these are in place. It may be appropriate also to check in on how the reporting to Joint Ministers is going. If this was the extent of the brief, the Unit would report back to the Deputy Prime Minister by the end of April 2022.

Financial Implications

68. There are no financial implications as a result of the content of this briefing.

¹ The agencies have signalled to Ministers that the Programme is facing significant cost pressures due to cost escalation for materials, logistics and labour supply, and costs incurred from projects not progressed as part of the NZUP as a result of Cabinet decisions [Refer BRI-2337 'New Zealand Upgrade Programme update']. Waka Kotahi and KiwiRail will provide a detailed briefing to the Joint Ministers in December 2021.

Consultation

69. This status update was conducted with the cooperation of, and interviews with, the Ministry of Transport, the Treasury, Waka Kotahi and KiwiRail. Findings were tested with these agencies.

Communications

70. This briefing will be proactively released in February 2022 with any appropriate redactions under the Official Information Act 1982.

Attachments:	
Attachment A:	Commissioning Brief

Proactively Released

ATTACHMENT A

Implementation Unit Commissioning Brief New Zealand Upgrade Programme Transport Assessment

Commissioning Agent: Deputy Prime Minister

Commission to: Implementation Unit, DPMC

Commission: To provide an assessment to the Deputy Prime Minister by 19 November 2021 of the working arrangements between agencies and officials that support the delivery of the transport component of the New Zealand Upgrade programme, to help ensure that the new governance structures are embedded rapidly and advise on possible improvements to monitoring and performance reporting.

Background

The New Zealand Upgrade Programme (NZUP) is a large infrastructure programme announced in January 2020.

In April 2020, the Ministers of Finance and Transport agreed to an external oversight and monitoring approach for the Transport aspects of the NZUP Programme (the Oversight Group, or OSG). In August 2020, the OSG noted significant risk and uncertainty for delivering the full programme and recommended agencies establish a robust baseline for the programme.

The Government announced a baseline reset in June 2021. The transport programme of NZUP currently encompasses 26 projects totalling \$8.7bn in funding.

As part of the baseline reset, officials have reported back to Joint Ministers on the appropriate level of oversight and monitoring arrangements for the Programme, including a robust drawdown process for the tagged contingency, and invited Joint Ministers to report back to Cabinet for a decision on appropriate oversight and monitoring.

Officials and Delivery Agencies have worked collaboratively to develop a set of thresholds that will determine escalation points to Joint Ministers.

Escalation threshold component	Escalation threshold trigger
Scope	Any change to outputs, as defined in the baseline report, that significantly impacts project benefits and outcomes
Cost	Delivery Agency Programme Estimate at Completion (EAC) exceeding available funding for each Delivery Agency, excluding the rescoped projects s9(2)(b)(ii) for Waka Kotahi; s9(2)(b)(ii) for KiwiRail)*
	Project EAC exceeds Delivery Agency allocation plus delivery agency contingency
	Award of contracts with a value over \$100 million (triggered at least 6 weeks prior to the contract being awarded)
Schedule	For projects that <u>have not</u> yet awarded the main construction contract: <ul style="list-style-type: none">- Construction <u>start</u> is delayed by 6 months- Construction <u>end</u> is delayed by 6 months
	For projects that have awarded the main construction contract: <ul style="list-style-type: none">- Construction start is delayed by 3 months- Construction end is delayed by 3 months

Joint Ministers have also agreed the following Vote accountability monitoring with an ability to interrogate reporting and escalate as appropriate.

- This process is currently in place for the Kānoa projects that the Ministry of Transport monitors. Under this option a clear governance construct including applicable delegations and monitoring roles would be documented.
- This approach provides an ability to interrogate the reporting and seek clarifications and further information. An escalation path would be clearly defined with the ability to commission independent reviews from external experts as needed. This approach would provide more ability to investigate reporting and follow limited lines of inquiry.

Purpose

The purpose of this assessment is to assess the working arrangements between agencies and officials that support the delivery of the transport component of NZUP, to help ensure that the new governance structures are rapidly embedded and advise on possible improvements to existing monitoring and performance reporting.

Scope

This assessment will:

- Undertake a stocktake of current governance and programme management structures related to the Transport part of the package as well as related monitoring and reporting routines.
- Assess whether the working relationships between agencies and officials are adequate for providing oversight and assurance to Joint Ministers that Transport projects' scheduled benefits will be delivered on time and within budget.

- Assess whether current programme monitoring and reporting is appropriate for providing Ministers an informed view of progress and delivery risks.

Parties

The assessment will be undertaken by the Implementation Unit which will work closely with the relevant senior leaders and officials from the Ministry of Transport, Waka Kotahi, and KiwiRail. Treasury will support the Implementation Unit as required.

The Implementation Unit will be open and transparent and work constructively with agencies with the expectation that this is reciprocated.

Timeframe

The Implementation Unit will provide its assessment to the Deputy Prime Minister on 19 November 2021, as well as interim updates as part of the Unit's regular reporting cycles.

Hon Grant Robertson
Deputy Prime Minister

Date:

Proactively Released