



## 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:

### **Implementation Unit Assignments - Progress Report as at June 2022**

The following documents have been included in this release:

- **Title of paper:** Progress Report as at June 2022 on the Implementation Unit's 2022 Assignments (CPC-22-MIN-0016)
- **Appendix A:** Briefing: New Zealand Upgrade Transport Programme - Assessment of working arrangements
- **Appendix B:** Briefing: Infrastructure Reference Group Programme Follow Up Report
- **Appendix C:** Implementation Unit work programme update as at 16 June 2022
- **Title of minute:** Implementation Unit Assignments: Progress Report as at June 2022 (CPC-22-MIN-0016)
- **Title of minute:** Report of the Cabinet Priorities Committee: Period Ended 24 June 2022 (CAB-22-MIN-0243)

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:**

- 9(2)(a) protect the privacy of natural persons, including that of deceased natural persons
- 9(2)(b)(ii) to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information; and
- 9(2)(f)(iv) to protect the confidentiality of advice between Ministers and officials.

~~[In Confidence]~~

Office of the Minister Hon Grant Robertson  
**Deputy Prime Minister**

Chair, Cabinet Priorities Committee

## **Progress Report on the Implementation Unit's Assignments as at June 2022**

### **Proposal**

1. This paper is a progress update against the Implementation Unit's (the "Unit") 2022 work programme.

### **Relation to government priorities**

2. The Unit's operations are critical to enabling the successful delivery of Government priorities, particularly *accelerating economic recovery* and *laying foundations for the future*.

### **Background**

3. On 1 March 2022, Cabinet [**CAB-22-MIN-0057** refers]:
  - a. **noted** that the Unit will undertake follow-on work across the following programmes: *the New Zealand Upgrade Programme-Transport (NZUP-Transport)*, *Carbon Neutral Government Programme (CNGP)*; *Infrastructure Reference Group (IRG)*; *Budget 2019 Mental Health and Addiction Package*; *Emergency and Transitional Housing*;
  - b. **agreed** the following new assignments: *Te Aorerekura*; *Three Waters Reform Programme*; *the Emissions Reductions Plan (ERP)*; *Immigration Rebalance*; *Health System Reforms*; *He Waka Eke Noa*; and
  - c. **noted** that I would report back to the Cabinet Priorities Committee (CPC) in July 2022 on the Unit's progress and any additional programmes of work to be included in the Unit's work programme.
4. On 8 June 2022 I provided a first update to CPC on the Unit's progress in 2022 [**CAB-22-MIN-0231** refers]. This paper provides a further update on the Unit's progress against its 2022 work programme.

### **Completion of a report on the working arrangements between agencies responsible for delivery the New Zealand Upgrade Programme (Transport)**

5. In November 2021 the Unit completed an assessment of the working arrangements between agencies responsible for delivering the New Zealand Upgrade Programme – Transport (the NZUP Transport), following a reset of the Programme which included changed delegations. The reset was in its early stages of implementation and the Unit found that the Ministry of Transport, the Treasury, Waka Kotahi and KiwiRail were in the process of determining and documenting their working arrangements. I commissioned the Unit to provide a report back on the effectiveness of the working

~~IN CONFIDENCE~~

arrangements as they were embedded, and to advise on any improvements that could be made to reporting to Joint Ministers.

6. The Unit reported its findings to me on 29 April 2022. A copy of the Briefing is in Appendix A.
7. Delivery agencies agreed a principles and relationship based working arrangement for NZUP Transport in December 2021. The Unit found that a base of solid trust is being built between the agencies involved in the programme. This has in turn facilitated the establishment of a stronger working relationship between the agencies. Delivery agencies share information early, the Ministry of Transport and the Treasury provide constructive feedback that can be addressed earlier than was previously the case. All agencies undertake joint problem solving. Agencies will review these arrangements every six months, as it is likely that as Business Case processes advance, and delivery progresses that issues may arise which could test these working relationships.
8. As the programme gets deeper into the delivery phase, the Unit has recommended as per the Ministry of Transport's suggestion that it would be useful for the monthly reporting from delivery agencies to include earned value reporting. KiwiRail has started work on this type of reporting. This would give the ability to see when a project is delayed or over budget early on. The Unit also recommended that in addition to the monthly reports from delivery agencies and the bi-monthly meetings with Ministers that periodically discussions focus specifically at the whole-of-Programme level. This would enable early discussion on direction, changes in priorities, and any potential trade-offs across the whole programme.
9. The Unit recommended that when appropriate the Ministry of Transport lead discussions to ensure common understanding about key aspects of the programme thresholds. An example is ensuring a common understanding of "significant impact" on project benefits and outcomes.
10. The Minister of Transport and I will discuss the Report and its recommendations prior to the CPC meeting, and I will provide an oral update to the Committee. I have not directed the Unit to undertake any follow-on work from this commission. I will consider whether any further work regarding NZUP Transport should occur when the reviews of the Unit's work programme occur this month and in December 2022.

**Completion of an assessment of progress of IRG agencies' implementation of the Unit's recommendations from its November 2021 report**

11. In May 2020 we approved the establishment of the IRG to identify a pipeline of shovel ready projects to support the economy during the Covid-19 rebuild (the IRG Programme).
12. In November 2021 the Unit undertook a stocktake of the IRG Programme, finding that it was mostly on track to deliver its intended benefits in the intended timeframe. I directed the Unit to undertake a follow-up on agencies' progress in implementing the recommendations from the Unit's stocktake, and to consider the impact of doing so on the delivery of the IRG Programme.
13. The Unit reported its findings to me on 27 May 2022. A copy of the Briefing is in Appendix B.

14. The Unit found that the IRG Programme remains mostly on track to deliver its intended outcomes, with an increase in projects rated as “medium-risk” highlighting the current challenging delivery environment. Delivery agencies have implemented the Unit’s recommendations in full or in part. Some of the actions have been recent and more time is needed to determine whether there has been a substantive impact on delivery of the Programme. The Unit assessed that the early indications are that delivery had been strengthened.
15. The Unit identified where improvements could be made to delivery. The Kānoa - Regional Development Unit has agreed to strengthen its support of projects in its Climate Resilience Programme, (which includes 7 of its 8 “high-risk” projects). Crown Infrastructure Partners and the Treasury have also agreed to use the process and criteria for agreeing changes to project finish dates as is used for project start dates. This change will also strengthen programme reporting.
16. The Minister of Regional Development and I will discuss the Report and its recommendations prior to the CPC meeting, and I will provide an oral update at the meeting. I have not directed the Unit to undertake any follow-on work from this commission. I will consider whether any further work regarding IRG should occur when a review of the Unit’s work programme occurs in December 2022.

#### **Update on working alongside commissions**

17. The Unit continues to work alongside agencies to assist with the setup of implementation. Some key themes are emerging across the Unit’s commissions:
  - a. As agencies shift from policy to delivery (such as MBIE (Immigration) for the Immigration Rebalance, and MfE for CNGP and the ERP), the Unit is working with agencies to understand and support this shift, and ensure the right tools are in place for implementation.
  - b. Additional funding achieved through Budget 2022 for CNGP, and the ERP will help with resourcing demands, however, this will still need to be used effectively through a mix of secondments and recruitment strategies.
18. A tracker that summarises the progress made by the Unit, as well as key milestones, is included in Appendix C.

#### **Next steps: progress on Briefings and Stocktakes**

19. As the Unit progresses its work programme, I will continue to report on its findings. I will also report on the outcome of the Unit’s June Review of its work programme and seek decisions on the inclusion of additional programmes for the second half of 2022.
20. In July and August, the Unit’s papers will be brought to CPC in line with the schedule in Table 1.

**Table 1: Schedule of Implementation Unit papers through to August 2022**

<b>Date of Committee Meeting</b>	<b>Paper</b>	<b>Purpose of paper</b>
26 July 2022, CPC	Update on the Implementation Unit's 2022 work programme	To report on the outcome of the June review of its work plan, and seek decisions on any updates to, or inclusion of programmes in, its work plan for the second half of 2022.
23 August 2022, CPC	Progress report on 2022 Implementation Unit Assignments	To report on (i) the Unit's findings from its second stocktake of progress against the delivery of the Budget 2019 \$1.9bn Mental Health and Addiction Package, and any decisions made by the Minister of Health and I; and (ii) updates on the Unit's working alongside commissions.

**Consultation**

21. The Ministry of Transport, the Treasury, Waka Kotahi and KiwiRail were consulted as part of the assessment of the working arrangements of agencies' responsible for delivering the NZUP, in Appendix A. Crown Infrastructure Partners, the Kānoa-Regional Development Unit; the Treasury; Ōtākaro, the Energy Efficiency and Conservation Authority, Heritage New Zealand and the Ministry of Justice were consulted as part of the Infrastructure Reference Group Programme follow-up Report, in Appendix B.

**Financial Implications**

22. There are no direct financial implications from this paper.

**Legislative Implications**

23. There are no legislative implications arising from this paper.

**Impact Analysis**

24. An Impact Statement is not necessary for this paper.

**Human Rights**

25. There are no Human Rights implications arising from this paper.

**Gender Implications**

26. There are no gender implications arising from this paper.

**Disability Perspective**

27. There are no matters arising from this paper that require a disability perspective.

**Publicity**

28. No publicity is planned as a result of this paper.

**Proactive Release**

29. I intend to proactively release this paper and its associated minute within the standard 30 business days from its consideration by Cabinet.

**Recommendations**

30. I recommend that the Committee:

- (a) **Note** that the Implementation Unit has delivered Briefings on:
  - a. the working arrangements of agencies involved in the delivery of the New Zealand Upgrade Programme – Transport; and
  - b. Infrastructure Reference Group delivery agencies' progress implementing decisions from the Implementation Unit's November 2021 report.

Authorised for lodgement

Hon Grant Robertson  
**Deputy Prime Minister**





# Briefing

## NEW ZEALAND UPGRADE TRANSPORT PROGRAMME - ASSESSMENT OF WORKING ARRANGEMENTS

To: Hon Grant Robertson  
Deputy Prime Minister

Date	29/04/2022	Priority	Routine
Deadline	13/05/2022	Briefing Number	DPMC-2021/22-1827

### Purpose

The purpose of this briefing is to report back on the effectiveness of the working arrangements between agencies that support the delivery of the transport component of the New Zealand Upgrade Programme and advise on any further improvements to reporting to Joint Ministers.

### Recommendations

1. **Note** that the Ministry of Transport, the Treasury, Waka Kotahi and KiwiRail have agreed principles and relationship based working arrangements for the NZUP Transport programme that will be reviewed as change is needed or every six months.
2. **Note** that a solid base of trust is being built by the agencies and so far, has resulted in early sharing of information, constructive feedback and joint problem solving which while it will be tested as the Programme proceeds is the best place the agencies could be at this time.
3. **Note** that Waka Kotahi and KiwiRail have continued to improve their programme reporting and as the Programme progresses, should work with the Ministry of Transport to consider adding "earned value" to reporting which integrates schedule, cost, and scope to give a measure of project performance.


4. **Agree** to discuss with the Minister of Transport periodically scheduling whole of Programme level discussions to: (i)consider whether priorities at this level remain appropriate; and (ii)identify whether any trade-offs may be needed across the Programme. Consider directing the Ministry of Transport to work with agencies to identify the appropriate timing and content of these discussions.

YES / NO

5. **Agree** that this briefing is proactively released, after the briefing has been reported back to the Cabinet Priorities Committee, with appropriate redaction where information would have been withheld under the Official Information Act 1982.

YES / NO


Katrina Casey Executive Director, Implementation Unit
29/04/2022


Hon Grant Robertson Deputy Prime Minister
...../...../2022

**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

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# NEW ZEALAND UPGRADE TRANSPORT PROGRAMME - ASSESSMENT OF WORKING ARRANGEMENTS

## Executive Summary

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1. The Ministry of Transport (the Ministry) co-ordinated the identification of written working arrangements between the agencies with various responsibilities for the NZUP Transport Programme following the Programme reset, revised delegation letters to the KiwiRail and Waka Kotahi Boards and the responses of their Boards.
2. The working arrangements were agreed in December 2021 and are based on principles and relationships and not on identifying every potential scenario agencies will interact over.
3. The working arrangements between agencies have strengthened since the first briefing, and a base level of trust has evolved. Information is being shared earlier than was previously the case and input has been constructive and is seen as adding value. There will be tension, particularly as the Business Case development proceeds and as risks and issues emerge. This will test the working arrangements. It is clear that all parties are committed to working together to ensure the Programme is delivered.
4. The Ministry has accepted the invitation to attend the NZUP Transport Programme Governance Group as an observer. This provides another opportunity to engender wider understanding about the challenges the delivery agencies face and will strengthen the cross-agency problem solving that is already occurring.
5. KiwiRail and Waka Kotahi reporting is of a high standard and they continue to improve their reporting to Ministers and to actively support the bi-monthly meetings.
6. As the Programme gets deeper into delivery, the Ministry has suggested that it may be useful for the monthly reporting from the delivery agencies to look at including information that integrates schedule, costs, and scope to measure project performance. This kind of reporting, known as earned value, aligns to good practice in programme reporting and would enable the Boards and Ministers to clearly see when a project is delayed or over budget early on. KiwiRail is continuing to work on its percentage completed methodology and has reported these factors in its February 2022 Report.
7. It would be useful to consider scheduling discussions between agencies and joint Ministers that focus on the whole of Programme level, thereby enabling early discussion and indication of direction, possible changes in priorities and potential trade-offs across and within the Programme as a whole. This could occur, for example, as part of every second bi-monthly meeting with joint Ministers.
8. There are some things the Ministry could lead a discussion on with other agencies, through the working party set up under the working arrangements. This includes ensuring there is a common understanding about when a threshold is triggered due to “significant impact” on project benefits and outcomes. There would also be benefit in further discussion between agencies to clearly outline the scale of changes to key scope

items that would require a notification, as this could assist to quickly move to mitigations and to avoid delays in seeking assistance.

## **Purpose**

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9. The purpose of this briefing is to report back on the effectiveness of the working arrangements between agencies that support the delivery of the transport component of the New Zealand Upgrade Programme and advise on any further improvements to reporting to Joint Ministers.

## **Background**

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10. Following a reset of the \$6.8 billion New Zealand Upgrade Transport programme and placement of \$1.936 billion of Crown funding into a tagged contingency, the Minister of Transport sent revised delegation letters to the Boards of Waka Kotahi and KiwiRail in September 2021. Board chairs responded accepting the delegations in October 2021.
11. The Implementation Unit (the Unit) was commissioned to assess the working arrangements between agencies under the revised settings, help ensure that new governance arrangements were rapidly embedded and to identify any improvements that could be made to the reporting to Joint Ministers. The Unit reported back on 19 November 2021.
12. The Unit noted that the Ministry, Treasury, Waka Kotahi and KiwiRail were in the process of identifying and documenting what the new working arrangements would entail and that all agencies were approaching this in a constructive manner. The delivery agencies were also in the process of strengthening their governance arrangements to take into account their revised responsibilities.
13. The Unit also noted that the delivery agencies had agreed to provide information in their reporting to Ministers on the materiality and impact of issues and risks at a project level and cumulatively, include more information about the actions being taken to address issues and mitigate risks, and consider how best to assess project progress.

## **Status of Working Arrangements Between Agencies**

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14. Following the revised delegation letters to the Boards of Waka Kotahi and KiwiRail in September 2021, and both Boards' responses in October 2021, the Ministry co-ordinated the identification of working arrangements that would give effect to the agencies' respective responsibilities.
15. All four agencies participated in this process. All agreed to take a principles and relationship-based approach, rather than attempting to anticipate every situation that might occur, and all parties signed off the working arrangements on 22 December 2021.
16. While the arrangements are recent, it is already apparent that there has been a shift in the nature of the working arrangements between agencies. This is most notable in the way that the Ministry and Waka Kotahi are working together. It is assisted by the work moving into a more substantive phase with Business Case development.
17. KiwiRail acknowledges that all agencies have worked hard to improve the relationships since the programme reset and changes in responsibilities and that there is a good

combination of regular meetings and engagement separately on specific projects and/or issues arising. KiwiRail initially found that the nature of the engagement tended to be more compliance focussed. As the programme moves forward, it will be looking for more engagement and support with solutions to major issues. The involvement of the industry experts made available by the Ministry has particularly added value and insight to the rail project discussions.

18. Waka Kotahi and KiwiRail are involving both the Ministry and the Treasury early in their Business Case processes – they are sharing information earlier and inviting officials to workshops as each project is stood up. There is acknowledgement that in some instances the delivery agencies cannot manage the trajectory of cost pressures on their own. This is an important recognition as the extent of the pressures cannot be fully assessed until risk profiles can be gauged from tendering and contracting processes. Early engagement with the Ministry in recognition that there may be difficult trade-offs to be made by Ministers is essential, and there is evidence that is occurring.
19. The Ministry is constructively participating in these discussions and is visibly demonstrating that it shares the delivery agencies' commitment to deliver the Programme. The Ministry will need to work hard to ensure that as it gets early versions of draft Business Cases it focuses on the quality of the content, rather than the parts of the document that are not there yet. This is a trade-off for receiving early information before agencies have completed it and before views are fixed about what the information may portray.
20. There are different expectations between the agencies as to whether the early engagement is early enough. This relates to issues that may lead to triggering the escalation threshold points and the processes that stem from that. This is something that the working group the agencies have established should discuss and resolve.
21. All parties consider a sound base level of trust is being developed. However, all parties rightly acknowledge that the working arrangements and the trust will be tested as the Business Cases are developed, project delivery progresses and as issues materialise – some predicted and some unexpected.
22. Both the Ministry and the Treasury have been invited to attend the NZUP Transport Governance Group meetings as observers. This Governance Group is not a decision-making body as the Boards of the two delivery agencies hold that responsibility. It is a valuable opportunity to gain a richer understanding of how the delivery agencies see and assess their progress. It is also a valuable forum where the Ministry and Treasury can contribute to the discussions and to problem solving as is appropriate. The Ministry has taken up the invitation. The Treasury has at this time declined due to resourcing constraints which have necessitated prioritisation, but it continues to receive information from, and engage with, the Ministry and the delivery agencies under the existing arrangements.

## Reporting to Ministers

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23. In its November 2021 Report, the Unit advised that reporting to Ministers on the NZUP Transport Programme could be improved with the inclusion of information about materiality and impact of key risks and issues both at a project level and cumulatively at the programme level. The Unit also advised that the delivery agencies should look at measures



of project completion that were not solely based on percentage of budget spent.

24. KiwiRail has made changes to its monthly report to expand out its assessment of the impact of its top project risks on cost, time, health and safety and reputation. It has also expanded its commentary on mitigation of its top risks. The design of a framework for reporting of project progress in other than expenditure terms is in progress. The changes apply from the February 2022 Report. It is clear where each of the projects sit status wise, and KiwiRail provides headline figures for the programme overall. As the projects progress providing a programme level assessment of completion timeframes and scope change, as well as forecast expenditure, would be an appropriate addition to the reporting.
25. Waka Kotahi has continued to make improvements to its monthly reporting. It provides a narrative summary of impact at a programme level and an easy to see impact on overall health, cost, and time of the status of each of the projects in its part of the programme.
26. Both monthly reports provide the base information that in turn supports briefings to Ministers for the bi-monthly discussions. The briefings are narrative in nature and serve as a point of focus for the discussions. Together with the monthly reports they form a solid base from which to discuss the significant risks and issues, impact, and materiality as well as actions to mitigate risks and address issues.
27. It would be useful to add a planned whole of Programme level discussion to every second bi-monthly meeting with Ministers or alternatively at predetermined points as the Programme progresses. This hasn't been necessary or appropriate to date given the early stage of most projects. The Programme level discussion would be across both KiwiRail and Waka Kotahi projects and would enable an early assessment of potential scenarios and their implications for projects already underway and for those later in the Programme.
28. Periodic discussions at this level would avoid a situation where the choices and trade-offs Ministers could make were not limited to for example having to complete projects that were partially complete and not start projects that are scheduled later in the programme. The earlier direction can start to be discussed at this level the more options available to Ministers and it would enable priorities to be changed if necessary. There are persistent cost pressures being experienced in the construction sector as well as significant risk and uncertainty being signalled across the Programme and it will be some time before the exact impact on delivery and cost of the Programme can be determined – by the time all relevant information is available it may be too late for substantive changes to be made within the Programme .
29. The Ministry and Treasury could use the cross agency working group to pull together an aide memoire that succinctly highlights the emerging whole of Programme level scenarios arising from the monthly reporting and bi-monthly briefings by delivery agencies. This would supplement the reports and briefings provided to joint Ministers by the delivery agencies.
30. The agencies could discuss greater clarity about when a threshold is triggered because of “significant impact” on project benefits and outcomes. It would be helpful to ensure a common understanding of the definition of “significant impact” across agencies. This may assist to ensure timely notifications of boards and the Ministry about delays and issues.
31. This discussion could include clearly outlining the scale of changes to key scope items that would require a notification. Ensuring a common understanding of these terms will also aid in quickly moving to mitigations and avoid delays in seeking assistance at the right time. An example of this would be if a significant objective is to improve accessibility, safety, capacity,

asset quality, resilience to flooding or natural events, hazards etc., then there would be a defined trigger.

32. The reports the delivery agencies provide are of a high standard. As the delivery gets deeper into the Programme, the Ministry has identified that it may be useful for the monthly reporting from the delivery agencies to look at including information that integrates schedule, costs, and scope to measure project performance. This kind of reporting, known as earned value, aligns to good practice in programme reporting and would enable the Boards and Ministers to clearly see when a project is delayed or over budget early on.
33. Incorporating earned value reporting in their monthly reporting for all projects that are “pre-implementation” onwards (post Business Case) could be of benefit to the delivery agencies, as they would then have a better evidence base to underpin requests for support. KiwiRail started using earned value in its percentage complete calculations in its February 2022 report, and continues to work on the methodology it is using.

## Next Steps

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34. There are no improvements or changes that need to be made to the existing working arrangements between the agencies. The working arrangements document is due to be reviewed by all parties every six months or if something occurs that necessitates a change.
35. If Ministers consider there is merit in periodically elevating a bi-monthly discussion to the Programme level, the Ministry of Transport and Treasury could use the working group with delivery agencies to identify appropriate timing and support for these discussions. They do not need to be held frequently, and the monthly reporting and bi-monthly briefings from agencies should form the basis of the discussion.
36. Agencies could usefully discuss and agree an approach to the matters addressed in paragraphs 30 to 32 of this briefing.
37. Any further involvement of the Implementation Unit with the NZUP Programme can be considered as part of the June and December 2022 reviews of the Unit’s work programme.

## Financial Implications

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38. There are no financial implications arising from this briefing.

## Consultation

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39. The Ministry of Transport, The Treasury, Waka Kotahi and KiwiRail were interviewed as part of the preparation of this Briefing and were consulted on the draft.

## Communications

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40. This briefing will be proactively released following its report back to the Cabinet Priorities Committee. It will be released with appropriate redactions under the Official Information Act 1982.

<b>Attachments:</b>	
<b>Attachment A:</b>	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 report to the Deputy Prime Minister by 29 April 2022 on the effectiveness of the working arrangements between agencies that support the delivery of the transport component of the New Zealand Upgrade Programme and advise on any further improvements to reporting to Joint Ministers.

### Background

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

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

As part of the baseline reset, officials 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. New arrangements for roles and responsibilities supported by new delegations were put in place.

The Implementation Unit undertook an initial assessment of the implementation of the new working arrangements and reported to the Deputy Prime Minister in November 2021. This was in the very early stages of the implementation of new programme delegations.

The Implementation Unit found that Waka Kotahi and KiwiRail had responded positively to the new delegations and revised responsibilities for the NZUP Transport Programme. Both agencies had reviewed their governance arrangements and were making changes to strengthen them to account for their new responsibilities.

The Ministry of Transport was working with the Treasury, Waka Kotahi and KiwiRail to identify, agree and document the working arrangements, processes and timeframes that will give effect to their respective responsibilities.

Waka Kotahi and KiwiRail 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

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address and or mitigate the impact of significant issues. They were also considering how to better report project progress other than by the current budget spent metric.

### **Purpose**

The purpose of this assignment is to review the effectiveness of the working arrangements between agencies with responsibilities for the transport component of NZUP and advise of any further improvements that could be made to reporting to Joint Ministers.

### **Scope**

This assessment will:

- Assess the effectiveness of the working relationships between agencies and identify if any changes are needed to the provision of Ministry of Transport/the Treasury oversight and Delivery Agency assurance to Joint Ministers that Transport projects' scheduled benefits will be delivered on time and within budget.
- Identify if appropriate changes have been made by Waka Kotahi and KiwiRail to reporting to Joint Ministers following the Implementation Unit's report in November 2021.
- Identify if any further changes should be made to ensure Joint Ministers receive appropriate reporting so that they have 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. The 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 by the 29 April 2022.

Hon Grant Robertson  
Deputy Prime Minister

Date: 7 March 2022



# Briefing

## INFRASTRUCTURE REFERENCE GROUP PROGRAMME FOLLOW UP REPORT

To: Hon Grant Robertson  
Deputy Prime Minister

Date	27/05/2022	Priority	Medium
Deadline	10/06/2022	Briefing Number	DPMC-2021/22/2236

### Purpose

The purpose of this briefing is to provide a six-month follow-up assessment of the Implementation Unit's ("the Unit") recommendations to strengthen delivery of the Infrastructure Reference Group Programme ("IRG Programme"), as outlined in its November 2021 stocktake.

### Recommendations

- Note** that IRG Programme delivery agencies have implemented the recommendations from the Implementation Unit's (the Unit) November 2021 stocktake (the "Unit Stocktake") in full or in part.
- Note** that 49 projects with a budget of \$179m in IRG Programme funding are complete (as at March 2022), up from 20 when the Unit reported its Stocktake findings (based on August 2021 data). Delivery risks have increased with the number of high-risk projects increasing from 9 to 11, and medium risk projects from 21 to 48. 26% of total projects are medium- or high-risk and 74% are either complete or low risk. 90% of all projects in the programme have commenced construction as at March 2022, up from 71.4% in August 2021.
- Note** the delivery context has worsened with the global impact of COVID-19 further constraining planned construction and infrastructure activities, triggering delays in delivery milestones, and adding rising cost pressures which together are contributing to an increase in reported risk.

- 4. **Note** that Kānoa-RDU has agreed to strengthen its support of its Climate Resilience Programme (CRP) by:
  - 4.1 aligning the work overseen by the CRP Advisory Board with the IRG risk reporting framework so the Board is fully aware of the risks reported to Ministers.
  - 4.2 updating the Advisory Board's Terms of Reference (March 2021) to take account of delegated authorities approved by Ministers (June 2021) to Kānoa-RDU for 54 CRP projects.
  - 4.3 adopting the revised oversight, reporting, and monitoring processes it recently instituted across its IRG projects.
  - 4.4 deploy Regional Team advisors located across the country to support the Investment Team based in Wellington to monitor the CRP projects.
- 5. **Note** that to improve the accuracy of the monthly reporting of risks to Ministers, CIP and the Treasury agree that when agencies propose changes to project start dates, that the impact on planned completion dates are considered as part of the same request, and that the same criteria is applied (significant change in scope, funding and/or timeline).
- 6. **Agree** that after this report has been to Cabinet in June 2022 it will be proactively released within 30 days with any appropriate redaction where information would have been withheld under the Official Information Act 1982.

YES / NO

  
Katrina Casey  
Executive Director, Implementation Unit  
27/05/2022

Hon Grant Robertson  
Deputy Prime Minister  
...../...../2022

Contact for telephone discussion if required:

Name	Position	Telephone	1st contact
Katrina Casey	Executive Director, Implementation Unit	s9(2)(a)	✓
Maari Porter	Chief Advisor Implementation Unit	N/A	s9(2)(a)

Minister's office comments:

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

Proactively Released



# INFRASTRUCTURE REFERENCE GROUP PROGRAMME FOLLOW UP REPORT

## Executive Summary

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1. In May 2020, Cabinet approved the establishment of the Infrastructure Reference Group (“IRG”) to identify a pipeline of shovel ready projects to support the economy during the COVID-19 rebuild, allocating \$3 billion in Tagged Contingency Funding as part of the \$50 billion COVID-19 Recovery and Response Fund Foundation Package (the “IRG Programme”) [CAB-20-MIN-0219.04 refers].
2. In November 2021 the Implementation Unit (“the Unit”) completed a stocktake of the IRG Programme (the “Unit Stocktake”), including a deeper dive into projects delivered by the Kānoa Regional Development Unit, located within the Ministry of Business, Innovation and Employment (“Kānoa -RDU”). The Stocktake found the IRG Programme was mostly on track to deliver its intended benefits within the intended timeframe, with 86% of projects in the programme assessed as complete or low risk (based on August 2021 data). Kānoa-RDU’s performance was, however, assessed as problematic in some areas but was positioned to improve with added leadership attention and governance.
3. This report follows up on agencies’ progress in implementing the Unit’s Stocktake recommendations and considers the subsequent impact on the delivery of the IRG Programme.
4. Delivery agencies have implemented the Unit’s Stocktake recommendations in full or in part, although much of this has been very recent. While more time is needed to determine the substantive impact on delivery, early indications are that delivery is being strengthened, which in turn will assist in maximising the achievement of the intended benefits. Overall, the IRG programme remains mostly on track to deliver, however, given the challenging delivery context for the construction and infrastructure industries resulting from COVID-19 and price inflation, delays can reasonably be expected in the near term.
5. Kānoa-RDU has strengthened the oversight of its IRG projects and has substantially improved the accuracy and timeliness of its monthly reporting. This is largely due to adding a role that means there is a senior person whose sole focus is this programme. The Senior Responsible Officer (SRO) started in January 2022.
6. Crown Infrastructure Partners (CIP) has expanded its role advising agencies on their “at risk” projects. It has also had responsibility for the management of three complex projects transferred to it. It is too early to tell the impacts, as the projects were only recently approved for transfer in December 2021 and in April 2022.
7. There has been an increase in projects identified as either medium or high risk. Since the Unit Stocktake, medium risk projects have increased from 21 to 48, and high-risk projects have increased from 9 to 11 out of a total of 228 contracted projects (using March 2022 data). The number of high-risk projects at 11 has however decreased from 18 in December 2021. The high-risk projects as at 31 March 2022 make up \$125 million and the medium risk projects \$595 million of IRG funding, together totalling \$715 million (or 28%) of the \$2.621 billion<sup>1</sup> in contracted projects for IRG funding.

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<sup>1</sup> \$2.641 billion has been allocated to (232) approved projects and of that \$2.621 billion to (228) contracted projects as of 31 March 2022



8. The increase in projects assessed as medium or high risk is, in part, reflective of the worsening delivery context for the construction and infrastructure industries during this time. Delivery agencies have been proactively reporting delays and cost increases due to the impacts of COVID-19 on supply chain, labour supply and rising price inflation.
9. To further strengthen the IRG programme, the oversight, alignment, and monitoring of the Climate Resilience Programme should be re-assessed. There are 54 projects in this part of the programme, seven of which are high risk, making up seven of the eight Kānoa-RDU's high-risk projects. Five of the projects are medium risk. This part of the programme is not monitored by the Kānoa-RDU regional teams but by the Wellington based regional investment team and a separate Advisory Board. It would be beneficial for Kānoa-RDU to consider deploying its regional staff to become involved and to ensure that there are tighter connections to the oversight processes the new SRO has put in place.
10. There has been a practice of agencies seeking Ministers' approval to changes in project planned start dates without getting explicit approval for any consequential changes in completion dates when these become known (acknowledging for some projects planned completion dates were not known at the time). This practice has adversely affected the risk profile. The accuracy of reporting risks to Ministers will improve if agencies request extensions to planned completion dates, in the same way, using the same criteria and (where appropriate at the same time) as requesting extensions to planned start dates. This is consistent with the original purpose of the Approval Report process, and the Treasury agrees that delivery agencies should be advised accordingly.

## Scope

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11. The Commissioning Brief is outlined in Attachment A. This follow-up is to assess the progress of agencies against the implementation of recommendations of the Unit Stocktake and whether the overall progress of the IRG Programme remains on track to deliver its intended benefits within the intended timeframe. It is not a stocktake or deep dive into Kānoa-RDU's (or other delivery agencies') delivery progress.

## Background

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12. In November 2021, the Unit undertook a stocktake on the delivery status of the IRG programme and recommended actions to strengthen delivery across the IRG Programme (the "Unit Stocktake"). These recommendations were agreed to by the Minister for Infrastructure and Minister for Economic and Regional Development in November 2021.
13. Recommendations focused on CIP and Kānoa-RDU, the two delivery agencies with the most significant responsibility under the IRG Programme. The Unit recommended that CIP build on its strengths, through expanding its role by providing expertise and project management skills to at risk projects and to work in greater collaboration with delivery agencies. The Unit Stocktake identified that Kānoa-RDU needed to strengthen its programme oversight, accountability, and reporting, and take action to reduce medium and high-risk project. Kānoa-RDU agreed to actions to achieve this. A complete list of recommendations, with agency actions is in Attachment B.
14. CIP is responsible for regular monthly reporting to Ministers, and reports are available to the public quarterly through the CIP website. Responsibility for delivery is split among 13 government agencies for 228 contracted (and 232 approved) projects. Based on data in the March 2022 monthly report the split is delineated as follows:

- a) CIP administers \$1,205 billion<sup>2</sup> (46%) of total funding across 45 projects
  - b) Kānoa-RDU administers \$683 million (26%) of total funding across 145 projects
  - c) Eleven agencies, being Kāinga Ora (“KO”), the Ministry of Housing and Development (“HUD”), Ōtākaro, EECA, NZ Defence Force, Kiwi Rail, NZ Police, Heritage NZ, Fire and Emergency NZ, Ministry of Justice, Ministry of Business, Innovation and Employment administer the remaining \$753 million (29%) of total funding.
15. Appropriation changes were made in early April 2022 to reflect project decisions made since September 2020. Following these changes, total Government appropriations were \$2,829 billion (which includes project and associated operating funding). The IRG Programme Tagged Operating Contingency is \$121.050 million down from \$185.896 million in September 2020. This reflects a combination of cost overruns, rescoping and reprioritization of projects, which took the contingency to \$171.050 million, with a further \$50 million reprioritised as part of Budget 2022.

### **Delivery Status of the IRG Programme as at March 2022**

- 16. Overall, the IRG programme remains mostly on track to deliver despite the headwinds of COVID-19. As of March 2022, 49 projects (totalling \$179 million in IRG funding) are complete, up from 20 in the August 2021 monthly report.
- 17. At the same time, the number of low-risk projects decreased since December 2021, as more projects have been completed, and as the number of projects that have been identified as medium-risk has increased (from 21 to 48 projects). The IRG programme has progressed with 90% of its projects commenced construction compared to 71.4% (from August 2021 to March 2022).
- 18. The IRG project risk rating framework assesses a range of criteria (including construction start, forecast and completion dates, cost overruns, progress to full time equivalent target) that together is a composite of overall project risk that delivery agencies assign to their projects. This is summarised in Table 1.

**Table 1: IRG Programme Overall Risk Rating Criteria**

Overall IRG Programme Risk (as rated by Govt Agency/Dept based on Project Owner responses and oversight agency judgement)		
High Risk	Medium Risk	Low Risk
IRG Ministers need to be made aware of one or more issues that may require Ministerial decisions	Some issues that are being proactively managed by relevant Govt agency/department	No significant issues that could impact overall project

<sup>2</sup> As a result of Tranche 15 decisions taken in April 2022, CIP now administers \$1,287 billion which includes the transfer of Auckland Transport Electric Vehicles Ferries and Thermal Drying Facility projects from EECA

19. Figures 1 and 2 shows the change in IRG reported risk assessments and IRG funding allocated to contracted projects, August 2021 to March 2022.

Figure 1: IRG Programme Risk Rating for Contracted Projects August 2021 to March 2022

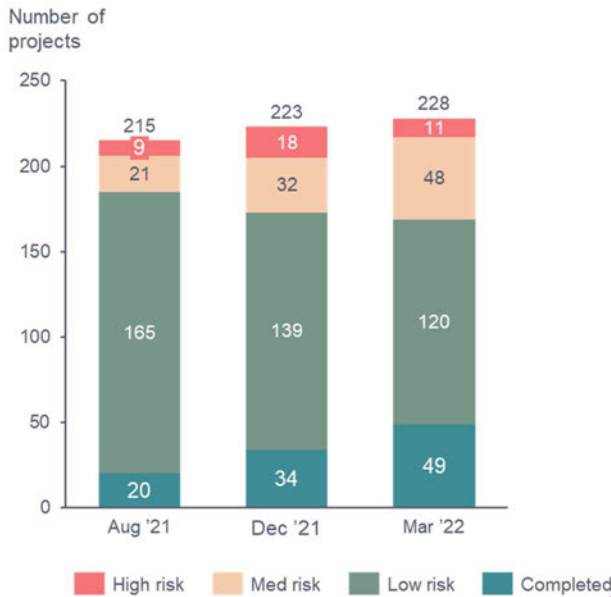
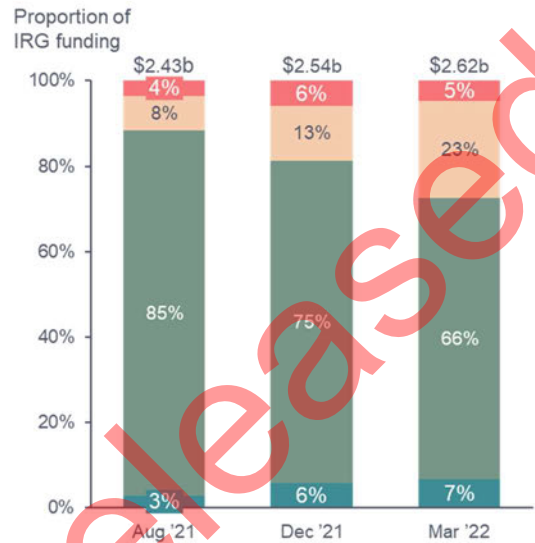


Figure 2: IRG Programme Funding Allocated for Contracted Projects August 2021 to March 2022



20. As at March 2022, 11 projects in the IRG Programme are considered high-risk. This means that there are delays of 13 or more months and/or there is a significant funding gap and predicted cost overruns that Ministers need to be made aware of. This number of high-risk projects and percentage of funding (5%) is small for an infrastructure package of this scale, complexity, and geographic diversity.
21. The number of high-risk projects has reduced to 11 from 18 in December 2021.<sup>3</sup> Of the remaining 11 high-risk projects, s9(2)(b)(ii) [redacted]; and seven are flood and coastal protection projects under the Climate Resilience Programme (CRP) which is led by Kānoa-RDU.
22. As at March 2022, 48 projects are deemed medium risk which is over double the 21 as at August 2021. This means that there are delays of 7-12 months and/or with some funding gaps or cost over-runs that are being proactively assessed and managed by delivery agencies. Of these Kānoa-RDU is responsible for 31 out of the 48, CIP has eight refer Table 2 for risk assessment by agency.
23. In August 2021, Kānoa-RDU had six high risk projects. Since that time Kānoa-RDU has been effective at managing four of these projects to a lower risk status, with the remaining two projects<sup>4</sup> staying high-risk (refer Attachment C). The increase to eight high risk projects in March 2022 is attributable to the flood resilience projects- seven out of eight of its high-risk projects (and five identified as medium risk) are part of the CRP.

<sup>3</sup> Five of these projects have been reduced to medium-risk and two have moved to being deemed low-risk.

<sup>4</sup> s9(2)(b)(ii), s9(2)(f)(iv) [redacted]

Table 2: Agency IRG Programme Risk Rating for Contracted Projects, March 2022

Delivery Agency	Low Risk Projects	Medium Risk Projects	High Risk Projects	Completed Projects
CIP	31	8	1	5
Kānoa--RDU	74	31	8	32
KO/HUD	4	5	-	-
Other Govt.	2	2	-	7
Ōtākaro	3	2	2	5
ECCA	6	-	-	-
<b>TOTAL Contracted Projects</b>	<b>120</b>	<b>48</b>	<b>11</b>	<b>49</b>

**Factors Contributing to Rise in Medium and High-Risk Projects**

20. The increase in projects assessed as medium and high risk has occurred against a backdrop of an operating and delivery context that has worsened for the construction and infrastructure industries. Since the Unit Stocktake, the IRG Programme has been impacted by COVID-19 including lockdowns, the international supply chain, labour supply shortages, escalating cost issues and price inflation.
21. This is delaying some project delivery milestones and creating funding gaps, for example Kānoa-RDU documented in February 2022 that 98 out of 131 project recipients reported impacts relating to COVID-19<sup>5</sup>. This is requiring project owners to raise the additional funds or to descope and redesign the project. CIP has observed that this is proving particularly challenging for the not-for-profit sector who have limited ability to raise capital to close funding gaps, evidenced in the most recent Tranche 15 approval process. Monthly reporting and agency data shows that not all projects are impacted, or delayed, by COVID-19 related issues, and IRG delivery agencies interviewed for this follow-up consistently report that good project planning has been critical in mitigating or avoiding supply chain related delays.
22. Other contributing factors to the increase in medium and high-risk projects include continued delays to resource consenting and public consultation processes; material changes to scope where new issues have come to the surface after either construction has commenced or through the design process; stretched capacity of project owners especially for local government (regional and territorial authorities) as they are often recipients of multiple government funded projects.
23. A further contributing, but more modest, factor to the increase in medium- and high-risk projects stems from a reporting practice. This practice has not enabled agencies to request extensions from Ministers to planned completion dates in the same manner (and using the same criteria) as requests for extensions for planned start dates. As a result, some IRG projects will be persistently reported as either medium- or high- risk, despite being on track to meet their revised contracted deliverables because the original end completion date submitted with the Project Information Form is immovable (refer paragraphs 52 - 54 for actions to address this matter).

<sup>5</sup> Project recipients ranked the severity of the impact on deliverables: 40% reported small or no impact, 31% reported moderate impact and 20% reported a major and severe impact



24. For example, in recent Tranche 15 approvals process Kānoa-RDU requested and had approved start date extensions to three projects.<sup>6</sup> Kānoa-RDU would have benefited from simultaneously requesting, and reflecting in IRG monthly reporting, extensions to planned completion dates. This is because in some cases this would lower the risk rating (if there weren't other material issues that would keep it as medium- or high- risk).

## CIP implementation of recommendations

### ***Unit recommendation 3.1: Extend CIP's role by going beyond their monitoring and reporting functions to advising agencies on their medium- and high-risk projects***

25. CIP is placing additional focus on more closely assessing the performance of individual projects, as reported to CIP by other delivery agencies. Through the course of this follow-up, delivery agencies provided examples of how CIP is engaging with them and advising on at risk projects<sup>7</sup>. The NZ Heritage project manager has benefited from CIP guidance and direction on the NZ Hokitika Building (\$22 million) which requires extensive earthquake strengthening and remediation and is now under the management of CIP. Kānoa-RDU has proactively sought out CIP advice on project issues, such as the s9(2)(b)(ii) [REDACTED] that was recently part of the Tranche 15 process.
26. CIP appointed a dedicated IRG Programme Manager to assist with the expanded role and enable the General Manager Infrastructure Delivery to focus more of his efforts on agency relationships and investing time on delayed projects. More time is needed to reap the potential benefits of this dedicated resource to reduce risks across the programme, as the IRG Programme Manager only started late April 2022. CIP is funding this role from within its existing operating funding arrangements agreed with Treasury and Ministers [refer T2020/2805 and T2020/3183].

### ***Recommendation 3.3: Extend CIP's role by taking a more prescriptive role in assisting Ministers to decide if at risk projects should be transferred to CIP or another agency***

27. CIP has provided advice to Ministers to assist in their decisions to transfer three complex IRG projects to CIP to administer and manage. It was jointly determined, with agencies' leadership, that the nature of the following projects were better suited to CIP capabilities and expertise. These projects are:
- a) Heritage NZ Hokitika Government Building (\$22 million) which was approved for transfer from the Ministry of Heritage and Culture to CIP as part of the Tranche 14 approvals (December 2021)
  - b) New Plymouth Thermal Dryer Facility (\$33.65 million) and the Auckland Transport Electric Ferries (\$27 million) projects were approved for transfer from EECA to CIP as part of the Tranche 15 approvals (April 2022)
28. These projects were flagged in the Unit's Stocktake as needing additional attention. It is too early to assess the impact of these decisions given the transfers to CIP are very recent. Early indications point to improved oversight and increased project management expertise for the NZ Hokitika Government Building.

<sup>6</sup> s9(2)(b)(ii)

<sup>7</sup> On 13 December 2021, IRG Minister Robinson wrote to IRG delivery agencies' Chief Executives setting out the expanded CIP role and expectations of how agencies should engage collaboratively with CIP in implementing its role

**Recommendation 3.4: Prepare advice on the impacts of COVID-19, identify mitigation strategies and keep Ministers informed on progress**

- 29. In its December 2021 report to Ministers CIP advised that project owners were reporting time delays and cost increases due to lockdowns, supply chain challenges, contractor availability and shortage of key supplies, and that the IRG Programme was likely to experience further delays in smaller projects in parts of regional New Zealand.
- 30. To reflect and respond to these challenges, and the legacy of over optimistic planning by project owners in 2020, the risk grading for differences in planned (original dates approved by IRG Ministers) and forecast completion dates was adjusted and reported by CIP to Ministers in February 2022. The 'construction forecast to complete' risk was extended by 3-6 months to accommodate programme wide impacts. Table 3 reflects this.

**Table 3: IRG programme milestone risk definitions, updated February 2022**

Construction Start Date	Construction Forecast to Start	Construction Forecast to Complete	Risk
Will be within 12 months of the funding agreement being signed	6 months or less than the planned start date (previously 3 months)	6 months or less than planned completion date	Low
	7 to 12 months later than the planned start date (previously 3-6 months)	7 to 12 months later than the planned completion date	Medium
Will not be within 12 months of funding agreement being signed	More than 13 months later than the planned start date (previously 6-12 months)	More than 13 months later than planned completion date	High

- 31. To strengthen its monthly advice to IRG Ministers, and when reporting on the ongoing impacts of COVID-19 on delivery milestones, CIP should continue to tap into the experiences of other IRG delivery agencies to learn and share across the IRG programme the mitigation strategies adopted by others.

**Recommendation 3.6: Conduct quality assurance assessment on IRG projects to verify and give confidence in reporting of Full Time Equivalent (FTE) jobs**

- 32. Job creation and maintenance is one of the central objectives of the IRG programme, The IRG Programme is making good progress, creating 6,878 FTE jobs as of March 2022 which is 53% to target over the 5 years of the programme. With the assistance of external consultants, CIP is updating its FTE analysis and forecasting model, to enable it to forecast and compare actual reported versus anticipated. It will include these figures in monthly reporting to Ministers from no later than July 2022. This is expected to give greater certainty to Ministers of the ongoing impact of the IRG Programme on employment.

**Recommendation 5: Monthly reporting include a six-monthly completion schedule; and share monthly reports with Kānoa-RDU and other delivery agencies**

- 33. The Unit's Stocktake identified that CIP's monthly reporting and risk assessment framework was effective, and CIP has continued to improve its monthly reporting dashboard to focus on the overall health of the IRG Programme. CIP added programme completion forecasts including the number of projects' that are forecasting delays (slippage) to their planned completion dates to its dashboard. It also now provides a six-month completion schedule in monthly reporting. These changes better enable IRG



Ministers and CIP to assess what to expect for near term delivery and identifies where CIP may need to pay attention and work with an agency to mitigate delays (where practicable). CIP shares its monthly report with Kānoa-RDU in advance, although timeframes are tight due to the frequency of the quality assurance and reporting cycles.

## **Kānoa-RDU implementation of recommendations**

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### ***Recommendation 6: Strengthen leadership, governance, accountability, and reporting, appoint a Senior Responsible Officer, and establish executive leadership oversight***

34. Kānoa-RDU has strengthened the leadership, governance, and oversight of its IRG projects. The SRO, who started in late January 2022, is now accountable for oversight, quality assurance, and reporting across the IRG portfolio. This includes elevating delivery risks to the Deputy Chief Executive as part of a weekly standing meeting.
35. The Senior Leadership Team (SLT) is now briefed fortnightly by the SRO. These briefings are supported by a dashboard together with analysis of actions to be taken and decisions to be elevated to Ministers on medium and high-risk projects. The SLT has also allocated additional staff to support SRO.
36. The SRO is the central point of contact and key relationship holder with CIP, which has resulted in an improved relationship, as well as improving the timeliness and quality of information flows between the two agencies. The SRO started in January 2022, and the most recent performance data is from March 2022. As the changes embed, it is expected that delivery will improve.
37. Early indications show that Kānoa-RDU is making good progress in moving its previous high-risk projects to lower risk. Its new oversight and approach should be applied to the Climate Resilience Programme (CRP) projects which do not have the same monitoring routines applied to it (refer paragraphs 55-58).

### ***Improved monthly reporting***

38. The Unit's Stocktake found that the agency's monthly reporting consistently had errors which required significant effort by CIP and Kānoa-RDU staff to assess, validate and correct. CIP has confirmed that Kānoa-RDU is no longer missing monthly deadlines and the quality of its reporting has substantially improved.
39. Training sessions have occurred for the Kānoa-RDU regional staff and project owners, including targeted outreach to those who have repeatedly had issues with monthly reporting. Kānoa-RDU staff interviewed report the new routines and training is improving the clarity, consistency, and reliability of the reporting process.
40. Regional staff interviewed confirmed they now receive the IRG programme monthly reports and that they now have visibility of their IRG risk rating and the context of their projects within the broader programme. This is an improvement from six months prior where the Unit found that regional staff were not aware of the IRG monthly risk ratings for the projects they were responsible for.

### ***Recommendation 7: Kānoa-RDU agreed to a set of actions to move 13 of the 19 medium and high projects to low risk by December 2021***

41. Kānoa-RDU has partially implemented this recommendation. It had moved three of the 13 projects to low risk by December 2021; by March 2022 two projects had completed

while two remained as low risk. Attachment C shows the movement of all 19 projects from August 2021 to December 2022, with March 2022 data included for completeness.

42. Out of the 13 projects that were expected to be downgraded to low risk, eight projects remained at their risk level in December 2021, with a further three projects risk increased from medium to high. The reasons for the lack of progress are mixed:
- a) two projects had resource consent and public consultation delays
  - b) two projects required a change in scope, which resulted in variations to timeline and cost escalations and
  - c) included eight flood protection projects that are part of the CRP. Kānoa-RDU had agreed to rectify a reporting issue<sup>8</sup> contributing to the risk status of these eight projects.
48. To fully implement this recommendation, Kānoa-RDU will need to focus its attention on the CRP projects to mitigate risks and ensure reporting issues are addressed and reflected in IRG reporting.

***Recommendation 5.2-3: Kānoa-RDU to provide more active management of two high-risk projects and seek Ministerial direction on four medium and high-risk projects in November 2021***

49. Kānoa-RDU actively managed the two projects noted in the Unit Stocktake. As a result, one of the projects moved down from high- to medium- risk, while the other project remains at medium risk due to resource consent and timeline delays (refer Attachment B for the list of projects).
50. Kānoa-RDU did seek Ministerial direction (extending start dates or direction on requests for additional IRG funding) for three of the four projects as part of Tranche 15 in April 2022, not in November 2021 as planned. The other project did not end up needing Ministerial direction, as resource consent issues were resolved. While delayed, the actions of the agency on all four projects were appropriate, with three of the four projects now at medium- not high-risk (refer Attachment B for list of the four projects).

## **Further Actions**

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51. Two further issues have been identified through this follow-up that merit consideration to continue to strengthen delivery across the IRG Programme.

### ***Planned Completion Dates***

52. The Unit recommends that delivery agencies are advised by CIP that they can request extensions to the planned completion dates where there is a significant change in scope, funding, or project milestone(s) (the current criteria for planned start date extensions). This includes where Ministers have already approved an extension to planned start dates.
53. It is reasonable to expect that an extended planned start date approved by Ministers is likely to have an impact on the planned completion date. In these situations, completion

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<sup>8</sup>s9(2)(f)(iv)

dates should be amended as part of Ministerial approval processes to ensure that the reporting remains accurate. In practice when agencies are amending their contracts (which they have delegated authority to do) to reflect the change in start date (approved by Ministers as there has been a significant change in scope, funding, or timing), there are also changes made to the completion date (via contract variation), but the latter is not reflected in IRG reporting of planned completion date, thereby potentially giving an inaccurate picture of project risk.

54. The decision to extend planned start and planned completion dates should continue to sit with Ministers. As a matter of process, CIP will identify all changes to commencement dates approved by Ministers and ensure where appropriate that their planned completion dates have been or will be updated in the next tranche to reflect the change in commencement date.

### **Strengthening Climate Resilience Programme – River Protection and Flood Resilience (CRP)**

55. In the Unit's Stocktake the CRP, a package of 54 projects, was assessed as mixed – some aspects require attention. At the time eight projects were projected to miss critical milestones. This has increased to 12 projects rated as high (seven) and medium (five) risk<sup>9</sup>. The majority (42) of the CRP projects are currently assessed as low risk, guided by the technical expertise of the Advisory Board and the Kānoa-RDU Investment Team.
56. The increase in high-risk projects is due to delays with resource consents, rescoping which has included amalgamation into other related flood protection works, and weather issues for one project. From a programme oversight perspective, risk reporting to the Advisory Board is not aligned with the IRG framework, and Board members receive a different risk assessment that is suited to the management of flood resilience projects but different from what Ministers receive monthly.<sup>10</sup>
57. Kānoa-RDU has delegated authority by Ministers (with overview from the Advisory Board) to vary flood resilience projects where the variations do not fall outside of the IRG Ministers' original approval parameters and meet specified criteria (approved Tranche 11, June 2021). The Advisory Board and its March 2021 Terms of Reference (ToR) were established prior to Ministers approving delegated authority in June 2021.
58. To support the Advisory Board in its role, Kānoa-RDU should update the Advisory Board's ToR to take account of delegated functions from Ministers approved in June 2021. Kānoa-RDU should ensure that CRP projects and their risks are aligned to the revised reporting and programme monitoring that is being applied across its other IRG projects; and deploy similar oversight and routines that the SRO has instituted, including using the regionally based advisors to monitor, validate and assess progress against contract deliverables.

### **Next Steps**

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59. The Unit will continue to receive the monthly IRG reports to Ministers to track the trajectory of medium and high-risk projects and the overall health of the IRG programme

<sup>9</sup> Of those eight projects, two moved into low or complete status, three remained at the same status level and three increased in risk level to high as of March 2022.

<sup>10</sup> Two out of the 12 high- and medium-risk projects have the same overall assessment, whereas the remaining 10 project risk assessments diverge

and will advise the Deputy Prime Minister, as part of its work programme review in December 2022, if further work by the Unit is warranted.

## Financial Implications

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60. There are no financial implications from this follow-up report.

## Consultation

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61. This status update was conducted with the cooperation of the CIP, Kānoa-RDU and NZ Treasury, and interviews with Ōtākaro, Energy Efficiency and Conservation Authority, Heritage NZ, and Ministry of Justice. Findings were shared and tested with the relevant agencies.

Attachments	
Attachment A	Implementation Unit, Infrastructure Reference Group Commissioning Brief
Attachment B	Implementation Unit Stocktake Recommendations (November 2021) and Agency Actions
Attachment C	Kānoa-RDU Changes to 19 Medium and High-Risk Projects from August 2021 to March 2022

# ATTACHMENT A

## IMPLEMENTATION UNIT COMMISSIONING BRIEF INFRASTRUCTURE REFERENCE GROUP FOLLOW-UP

**Commissioning Agent:** Deputy Prime Minister

**Commission to:** Implementation Unit, DPMC

**Commission:** Implementation Unit to check in to assess implementation of recommendations it made in November 2021 and their impact on delivery of the IRG programme by 27 May 2022.

### Background

In May 2020, the Government established the Infrastructure Reference Group (IRG) to identify a pipeline of shovel-ready projects to support the economy during the COVID-19 rebuild and allocated a \$3 billion tagged contingency as part of the COVID-19 Response and Recovery Fund (CRRF) Foundation Package.

In November 2021 the Implementation Unit completed an IRG programme-wide status update, including a deeper dive for projects delivered by Kānoa Regional Development Unit, Ministry of Business, Innovation and Employment. The Unit found that the IRG programme is mostly on track to deliver. A recommendation of the Unit's 2021 review was to check in to assess agencies' implementation of its recommendations and the impact on delivery. It is important for the Unit to identify if its recommendations are impactful for the purposes of improving delivery.

A range of central government agencies, local governments, and non-government partners are responsible for delivering projects. This includes Crown Infrastructure Partners, Kāinga Ora and Ministry of Housing and Development, Ōtākaro Energy Efficiency and Conservation Authority, the Ministry for the Environment and the Ministry of Business, Innovation and Employment (MBIE), specifically Kānoa, the Regional Economic Development & Investment Unit. Other Government departments include NZ Defence Force, Kiwi Rail, NZ Police, Heritage NZ, Fire and Emergency NZ and Ministry of Justice.

### Purpose

The purpose of the Implementation Unit's engagement is to assess implementation of recommendations it made in November 2021 and their impact on delivery of the IRG programme in May 2022.

### Scope

The Implementation Unit will:

- Assess agencies' progress of its recommendations outlined in the November 2021 review, including if the overall progress of the IRG programme remains on track to deliver.
- Interview senior agency leaders to assess the impact of its recommendations, if they were effective and if not, why not.

The Implementation Unit will report to the Deputy Prime Minister on agencies' progress towards meeting programme milestones and delivery of key outputs as part of its regular monthly reporting.

**Parties**

The Implementation Unit will work with relevant senior leaders and teams at Crown Infrastructure Partners, Kānoa - Regional Economic Development & Investment Unit and other relevant IRG delivery agencies as appropriate.

**Timeframe**

The Implementation Unit will provide a report by 27 May 2022. Throughout the course of the Unit's support, it will provide short progress reports to the Deputy Prime Minister as part of its regular reporting cycles.

Hon Grant Robertson  
Deputy Prime Minister  
Date: March 2022

Proactively Released



# ATTACHMENT B

## IMPLEMENTATION UNIT RECOMMENDATIONS AND AGENCY ACTIONS

IU Recommendation November 2021	Agency Implementation Actions May 2022	Timing of implementation
<p>1. <b>Note</b> that, overall, the Infrastructure Reference Group (IRG) Programme is mostly on track, with 86% of projects complete (20 projects) or identified as low risk (165 projects). These 185 projects involve \$2.1 billion of the \$3 billion tagged contingency funding allocated to the Programme</p>		
<p>2. <b>Note</b> that the resurgence of COVID-19 and rising supply chain costs will test progress and place pressure on co-funding sources</p>		
<p>3. <b>Discuss</b> with IRG Ministers whether the Chief Executive of Crown Infrastructure Partners (CIP) should extend CIP's role beyond its programme reporting and monitoring function, and be directed to:</p>	<p>Recommendation was discussed with IRG Minister Robertson as part of monthly reporting meetings. The Minister sent a letter to all delivery agencies setting out CIPs expanded role and expectation of agencies on 13 December 2021.</p>	<p>Implemented from December 2021.</p>
<p>3.1 advise delivery agencies, based on risk, on actions they should undertake to improve the delivery of 'at risk' projects (including medium and high-risk projects, or where the material risks of cost increases and reputational damage to the Crown jeopardise completion). Agencies should be required to take CIP's advice into account and take reasonable steps to implement</p>	<p>CIP implementing recommendation. Risk is assessed based on information in project reports (including CIP's projects as well as all the rest of the IRG projects) and through discussions with agencies/project owners.</p>	<p>Implemented from December 2021</p>
<p>3.2 agencies remain accountable for their project delivery of 'at risk' projects and need to keep CIP informed of their plans to bring projects on track. If CIP has concerns it can request additional project information necessary to provide support and advice to remedy</p>	<p>As above.</p>	<p>Implemented from December 2021</p>
<p>3.3 have a more prescriptive role in assisting IRG Ministers to decide on any projects where the oversight, management and/or delivery of a project should be transferred to CIP or to another agency</p>	<p>Since the Unit Stocktake three projects have been transferred to CIP to administer and manage:</p> <ul style="list-style-type: none"> <li>• <i>Seddon House</i> (\$22 million) transferred from Ministry of Culture and Heritage as part of Tranche 14 in December 2021</li> </ul>	<p>Implemented from December 2021</p>

	<ul style="list-style-type: none"> <li>• <i>Thermal Drying Facility</i> (\$33.65 million) transferred from ECCA and approved as part of Tranche 15 in April 2022</li> <li>• <i>Electric Ferries</i> project (\$27 million) transferred from ECCA and approved as part of Tranche 15 in October April 2022</li> </ul>		
3.4	prepare advice to IRG Ministers on the impacts of COVID-19 and supply chain issues across the IRG programme, identify mitigation strategies, and keep IRG Ministers informed regarding ongoing impacts	CIP reported on COVID-19 in December 2021 briefing and will continue to report as needed. The risk framework was adjusted to take account of programme wide delays due to COVID19. However, feedback and mitigation strategies across the IRG programme has not been sought by CIP.	Implemented December 2021, ongoing.
3.5	conduct a quality assurance assessment on a representative sample of IRG projects to verify and provide confidence in the number of Full Time Equivalent (FTE) jobs reported and forecast	In February 2022, CIP re-engaged consultants to update the initial Full Time Equivalent (FTE) model and to complete analysis and forecasting at both an individual project and overall programme. Updates and findings will be shared in future monthly reports to IRG Ministers.	Implementation initiated, but work delayed due to consultant capacity.
3.6	discuss and share the monthly monitoring report to IRG Ministers with Kānoa-RDU and other delivery agencies to assist with flow of information and improvements to managing delivery risks.	CIP shares monthly reporting time permitting with Kānoa-RDU. Timeliness and quality of reporting by Kānoa-RDU has improved.	Implemented December 2021
	<b>4. Request</b> information from CIP about the potential cost of adding the responsibilities in recommendation 3 and seek Treasury's advice about options for meeting these costs.	CIP are funding their role from within their existing operating funding arrangements agreed with the Treasury and Ministers. CIP recruited a new Project Manager, starting late April 2022, freeing up the CIP capacity to oversee and troubleshoot across the programme.	Implemented 2021
	<b>5. Direct</b> CIP, as part of monthly reporting, to work with delivery agencies to prioritise and present to IRG Ministers a 6-monthly completion schedule. This will clearly communicate when projects are due to deliver, and any risks to not completing on time.	A 6-monthly completion schedule of all IRG projects is now automatically provided with each monthly IRG report that is sent to Ministers.	Implemented December 2021
	<b>6. Note</b> that Kānoa-RDU has agreed to strengthen leadership, governance, accountability and reporting of its IRG projects, including by:		
6.1	appointing a Senior Responsible Officer (SRO) with accountability and authority for delivery, reporting and routines across Kānoa-RDU's IRG project portfolio	Recruited an IRG Programme Director, supported by three staff within her immediate team and access to additional capacity to support reporting and monitoring	Implemented January 2022.
6.2	establishing executive leadership oversight and support to the SRO, elevating IRG programme decisions and delivery risks to the Deputy Chief Executive and Ministers.	The SRO reports to the Deputy Chief Executive and Head of Kānoa-RDU and meets fortnightly with the Executive Leadership team including providing regular risk reporting, commentary, and advice.	Implemented January 2022.

<p>7. Note that Kānoa-RDU has 19 projects out of 140 contracted projects rated medium or high-risk. As of 31 August 2021, these projects are forecast to miss their construction completion or start milestones by 3-6 months or more. Kānoa-RDU has agreed to actions that will result in:</p>		
<p>7.1 13 of the 19 medium and high-risk projects shifting to a low risk by end of December 2021</p>	<p>Limited progress made on this noting recommendation in December 2021, but more progress in March 2022 (below and refer attachment C)</p> <ul style="list-style-type: none"> <li>• two completed</li> <li>• two improved moving to low risk</li> <li>• three worsened moving from medium to high risk</li> <li>• six didn't change risk rating (all six are part of the Climate Resilience Programme)</li> </ul>	<p>Implemented in part, more attention needed to complete.</p>
<p>7.2 more active management of two of the medium and high-risk projects</p>	<p>Kānoa-RDU continued to manage the following two projects:</p> <ul style="list-style-type: none"> <li>• s9(2)(b)(ii) [REDACTED]</li> <li>• s9(2)(b)(ii) [REDACTED]</li> </ul>	<p>Implemented, and ongoing</p>
<p>7.3 seeking IRG Minister's decision in November 2021 to take action to mitigate delivery risks on four medium and high-risk projects.</p>	<p>Kānoa-RDU did not take decisions to IRG Ministers on the four projects in 2021 but did seek Ministerial direction on 3 of the 4 projects as part of Tranche 15 April 2021 – IRG approval process:</p> <ul style="list-style-type: none"> <li>• s9(2)(b)(ii) [REDACTED]</li> <li>• s9(2)(b)(ii) [REDACTED]</li> <li>• s9(2)(b)(ii) [REDACTED]</li> </ul> <p>Kānoa-RDU did not need to seek direction on the fourth project s9(2)(b)(ii) [REDACTED]</p>	<p>Implemented but delayed to April 2022</p>

# ATTACHMENT C

## KANOA-RDU 19 MEDIUM AND HIGH-RISK PROJECTS TRAJECTORY FROM AUGUST 2021 TO MARCH 2022

Project	Funding \$M	Must Start (12 months)	Actual forecast start	Actual forecast complete	IRG Risk Aug 21	IRG Risk Dec 21	IRG Risk Feb 22	IRG Risk Mar 22
s9(2)(b)(ii)								



s9(2)(b)(ii)



Proactively Released

Appendix C – Implementation Unit work programme update as at 16 June 2022

Follow-on work from 2021					2022			
Programme	Commission	Status	Milestone	Update	Q1	Q2	Q3	Q4
Mental Health and Addiction	Follow-on support from the Unit's first report		Complete	The Unit closed out its support at the end of March 2022.	■			
	Second stocktake of progress of the 2019 \$1.9bn package		Complete	The Unit has concluded its assessment. Its findings will be reported to the Cabinet Priorities Committee on 23 August 2022.		■		
New Zealand Upgrade Programme (transport components)	Assessment of the effectiveness of working arrangements between agencies		Complete	The Unit has concluded its assessment. Its findings are included in this report to the Cabinet Priorities Committee.		■		
Infrastructure Reference Group	Assessment of progress of the implementation of the Unit's recommendations from the Nov 21' report		Complete	The Unit has concluded its assessment. Its findings are included in this report to the Cabinet Priorities Committee.		■		
Emergency and Transitional Housing	Rotorua emergency housing pilot lessons learned report		Complete	The Unit's report has concluded its report. Its findings were reported to the Cabinet Priorities Committee on 31 May 2022.	■			
	Working alongside agencies to support implementation of revised emergency housing model	Not started		Support will commence after Cabinet decisions are made on the new design. The Unit's commission will be reviewed in June '22, and revisions to the work programme will be included in the 26 July '22 Cabinet Priorities Committee meeting.				
	Undertake a stocktake of delivery of the revised model	Not started		Proposed date for the stocktake will be revised as part of the Unit's work programme review, and included in the 26 July '22 Cabinet Priorities Committee meeting.				
Carbon Neutral Government Programme (CNGP)	Work alongside delivery agencies to support a review of governance arrangements, strengthen reporting and the revised process for State Sector Decarbonisation Fund (SSDF) approvals	In progress	July '22 – support to conclude	Work continues with the CNGP secretariat agencies on strengthening reporting against the CNGP and with Ministry for the Environment (MfE) on the scope of governance and programme management arrangements due in July 2022. The Unit has supported Energy Efficiency and Conservation Authority (EECA) and the Ministry of Business, Innovation and Employment (MBIE) and the Treasury on draft advice to Ministers on a streamlined SSDF to be delivered in June 2022.	.....			
New Commissions for 2022								
Te Aorere kura	Work alongside the Joint Venture Business Unit (JVBU) to support the transition to the Interdepartmental Executive Board (IEB)	In progress	Aug '22 – support to conclude	Engagement continues with the JVBU to focus on reporting structures to its Board, the ongoing development of the Investment Plan, and the transition to the Interdepartmental Executive Board (IEB).	.....			
	Stocktake of progress against the Action Plan	Not started		Stocktake will commence in early 2023.				
Three Waters Reform Programme	Work alongside agencies to strengthen transition planning and risk mitigation	In progress	Oct '22 – support to conclude	Work with agencies has continued to focus on identifying areas of greatest need for the Unit's support.	.....			
	Stocktake of readiness	Not started		Stocktake will commence in early 2023.				
Emissions Reductions Plan	Work alongside agencies as the IEB is established and Emissions Reduction Plan (ERP) implementation plan developed	In progress	Oct '22 – support to conclude	Work with agencies continues to focus on providing advice on the establishment of the IEB in July '22, from an implementation perspective, and on the development of the implementation plan.	.....			
Immigration Rebalance	Work alongside MBIE as it delivers the Immigration Rebalance programme	In progress	Sept '22 – support to conclude	Work with MBIE continues to focus on the need for an integrated approach to implementation from policy design to delivery, and on effective engagement to build confidence in Immigration New Zealand.	.....			
Health system reforms	Support the Ministry of Health (MoH) to identify its working arrangements with new health agencies	In progress	July '22 – support to conclude	Engagement continues with key senior leaders in MoH to identify the nature of the working arrangements between them and the new agencies in the system.	.....			
	Support MoH as it designs performance frameworks for the redesigned health system	In progress	July '22 – support to conclude	Work continues to assist in the design of interim performance frameworks for Crown entity monitoring and system performance are ready for Day 1.	.....			
	Support MoH to develop plans to implement the additional funding received in Budget '22 to increase its capability	Not started		Support will commence in July 2022.				
	Assessment of the effectiveness of the new working arrangements between agencies	Not started		Assessment will commence in October 2022.				
He Waka Eke Noa	Work alongside MPI and MfE to assist with implementation planning and provide assurance of delivery of programme milestones	In progress	26 Aug '22 – support to conclude	Work continues with MfE, MPI, and the He Waka Eke Noa Partnership's Programme Office to strengthen implementation planning for each policy option. In June, the Unit will support the Programme Office to reorient its focus from policy development to delivering policy milestones.	.....			
	Undertake a stocktake of progress towards the farm-level emissions reporting and planning milestones	Not started		Stocktake will commence in late 2022.				



# Cabinet Priorities Committee

## Minute of Decision

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

### Implementation Unit Assignments: Progress Report as at June 2022

**Portfolio** Deputy Prime Minister

On 21 June 2022, the Cabinet Priorities Committee (CPC):

- 1 **noted** that in March 2022, CPC noted that the Implementation Unit would undertake follow-on work for a number of programmes it monitored in 2021, and agreed to the new assignments for the 2022/2023 work programme, including the New Zealand Upgrade Programme – Transport, and the Infrastructure Reference Group [CPC-22-MIN-0003];
- 2 **noted** that the Implementation Unit has delivered briefings to the Deputy Prime Minister on:
  - 2.1 the working arrangements of agencies involved in the delivery of the New Zealand Upgrade Programme – Transport, attached to the submission under CPC-22-SUB-0016 as Appendix A;
  - 2.2 Infrastructure Reference Group delivery agencies' progress implementing decisions from the Implementation Unit's November 2021 report, attached to the submission under CPC-22-SUB-0016 as Appendix B.

Jenny Vickers  
Committee Secretary

**Present:**

Rt Hon Jacinda Ardern (Chair)  
Hon Grant Robertson  
Hon Kelvin Davis  
Hon Dr Megan Woods  
Hon Chris Hipkins  
Hon Carmel Sepuloni  
Hon Andrew Little  
Hon David Parker  
Hon Damien O'Connor  
Hon Stuart Nash  
Hon Peeni Henare

**Officials present from:**

Office of the Prime Minister  
Officials Committee for CPC





# Cabinet

## Minute of Decision

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### Report of the Cabinet Priorities Committee: Period Ended 24 June 2022

On 27 June 2022, Cabinet made the following decisions on the work of the Cabinet Priorities Committee for the period ended 24 June 2022:

[REDACTED]	[REDACTED]	[REDACTED]
CPC-22-MIN-0016	<b>Implementation Unit Assignments: Progress Report as at June 2022</b> Portfolio: Deputy Prime Minister	CONFIRMED
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

Michael Webster  
Secretary of the Cabinet