

Reference: 20240621

27 September 2024

Andrew Riddell
fyi-request-27887-1db7d213@requests.fyi.org.nz

Dear Andrew

Thank you for your Official Information Act request, received on 2 August 2024. You requested the following:

Please provide copies of the Quarterly Investment Reports for June 2023, September 2023 and December 2023, being the reports missing from your web page on quarterly investment reporting.

On the 13 August 2024, the Treasury extended the timeframe for working on your request by 20 working days. This was due to the consultations necessary for completing the request.

Information being released

Please find enclosed the following document:

Item	Date	Document Description	Decision
1.	11 August 2023	Treasury Report T2023/1394: Investment Management System Quarterly Update	Release in part

I have decided to release the relevant parts of the document listed above, subject to information being withheld under one or more of the following sections of the Act:

- section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials,
- section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions,
- section 9(2)(g)(ii) – to maintain the effective conduct of public affairs through protecting Ministers, members of government organisations, officers and employees from improper pressure or harassment,
- section 9(2)(i) – to enable the Crown to carry out commercial activities without prejudice or disadvantage,
- section 9(2)(j) – to enable the Crown to negotiate without prejudice or disadvantage and,
- section 9(2)(k) – to prevent the disclosure of information for improper gain or improper advantage.



1 The Terrace
PO Box 3724
Wellington 6140
New Zealand
tel. +64-4-472-2733

<https://treasury.govt.nz>

Direct dial phone numbers of officials have been redacted under section 9(2)(k) in order to reduce the possibility of staff being exposed to phishing, social engineering and other scams. This is because information released under the OIA may end up in the public domain, for example, on websites including Treasury's website.

Information publicly available

The following information is also covered by your request and is publicly available on the Budget 2024 website:

Item	Date	Document Description	Website Address
2.	4 December 2023	Treasury Report T2023/1967: Improved management of the capital investment portfolio	https://budget.govt.nz/information-release/2024/finance.htm
3.	21 February 2024	Treasury Report T2024/243: Ministerial Engagement on investment management	https://budget.govt.nz/information-release/2024/finance.htm

Accordingly, I have refused your request for the documents listed in the above table under section 18(d) of the Official Information Act - the information requested is or will soon be publicly available.

Some relevant information has been removed from documents listed in the above table and should continue to be withheld under the Official Information Act, on the grounds described in the documents.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Lucy Connell
Head of Investment Policy

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TE TAI ŌHANGA
THE TREASURY

Treasury Report: Investment Management System Quarterly Update

Date:	11 August 2023	Report No:	T2023/1394
		File Number:	

Action sought

	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Refer this report to the Prime Minister, associate Ministers of Finance and Ministers of capital-intensive agencies.	21 August 2023

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Rebecca Wembri	Senior Analyst, Investment Management System (IMS)	s9(2)(k)	N/A (mob) ✓
Erana Sitterle	Head of Investment Management Policy, Investment Management System (IMS)	s9(2)(k)	s9(2)(g)(ii)
Craig Murphy	Manager Investment Management System	s9(2)(k)	s9(2)(g)(ii)

Minister's Office actions (if required)

Return the signed report to Treasury.
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Note any feedback on the quality of the report

Enclosure: Yes (attached)

IN-CONFIDENCE**Treasury Report: Investment Management System Quarterly Update****Executive Summary**

There has been a significant allocation of capital funding in recent years in response to a range of issues, from economic headwinds before and after COVID to the recent extreme weather events. This has led to an investment pipeline larger than the market has capacity to deliver. While there may be fiscal headroom for increased capital investment, the operating funding requirements for capital investments will also make it challenging to achieve increases in investment given the pressure on operating expenditure. System-level insights from the March to June 2023 quarterly investment reporting period indicate that agency intentions remain short term focused, and large-scale capital projects dominate in upcoming budget years.

Given these challenges, there is a need for reprioritisation and sequencing of the investment pipeline, to ensure we are focused on the highest priority investments and can deliver on Government objectives. We are developing initial principles for prioritisation of capital expenditure, structured around asset management, cost escalation, and de-risking projects. This will be developed further as part of Budget 2024 design and strategy.

Recommended Action

We recommend that you:

- a **refer** to the Prime Minister, associate Ministers of Finance and Ministers of capital-intensive agencies.

Refer/not referred.

Craig Murphy
Manager, Investment Management System

Hon Grant Robertson
Minister of Finance

_____/_____/_____

IN-CONFIDENCE**Purpose of Report**

1. This report provides you with:
 - a the macroeconomic and fiscal context and the market capacity considerations that are impacting deliverability
 - b proposed principles to guide reprioritisation and sequencing of investments to inform Budget 24 design,
 - c key system-level insights from the March to June 2023 quarterly investment reporting period.

The investment pipeline is far larger than the capacity to deliver

The investment pipeline has grown significantly but agency investment intentions remain short-term focused

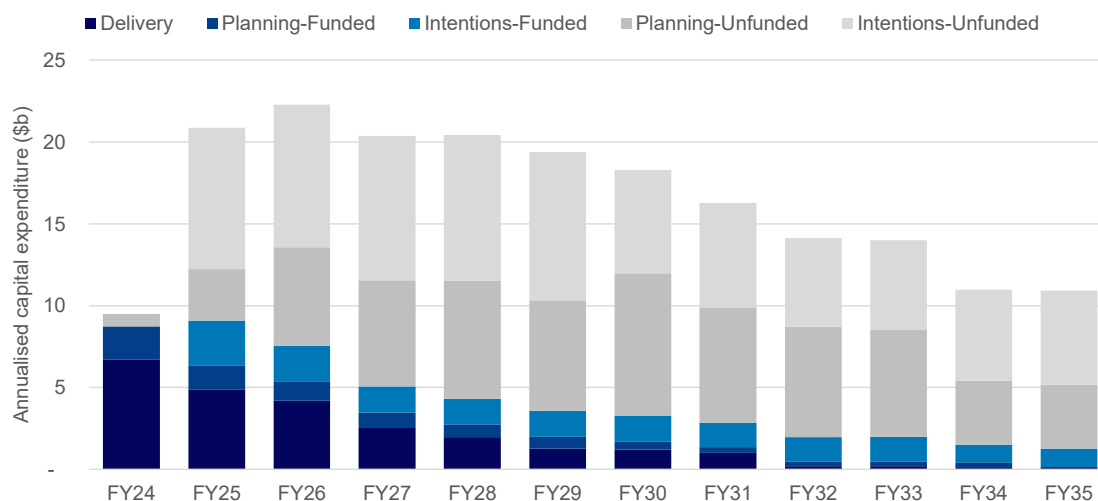
2. There has been a significant allocation of capital and related operating funding in recent years including the New Zealand Upgrade Programme, the Infrastructure Reference Group projects, the Infrastructure Acceleration Fund, and more recently the National Resilience Plan. These programmes have been in response to a range of issues:
 - the impact to the construction market due to economic headwinds prior to COVID and as a result of COVID;
 - improving housing affordability through the provision of funding for infrastructure to support housing;
 - improving the resilience of infrastructure;
 - responding to regions severely hit by recent extreme weather events; and
 - responding to the long-run infrastructure gap in New Zealand.
3. We have greater visibility over what agencies are planning through the Treasury's Quarterly Investment Reporting (QIR), including the backlog of asset maintenance and renewals which are needed to continue delivering expected levels of service.
4. There has also been a growth in 'mega projects' being planned by agencies, including Auckland Light Rail, Let's Get Wellington Moving, New Zealand Battery Project and Additional Waitemata Harbour Connections. These large-scale capital investments dominate likely funding requests in upcoming Budgets over the forecast period.
5. At the same time, however, investment intention (pre-business casing) reporting remains short-term focused, with 40 of 56 investments expected to seek funding between 2025-29. There also remain large gaps in this data; a third of agencies are not submitting investment intentions data, with Te Whatu Ora being the most significant gap at this stage.

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Market conditions constrain our ability to deliver the pipeline

6. Although conditions are easing, the market continues to be challenging. Delivery of large-scale investments is dependent on large Tier 1 firms which dominate the market and are currently at capacity. System leaders highlight the slowdown in construction activity over the last quarter, indicated by easing labour market conditions, slowing price growth and the decline in the number of new construction consents. This is in line with the wider economic slowdown. Although the labour market has eased, it remains tight and post-COVID supply chains continue to be disrupted globally.
7. Agencies' ability to deliver funded investments is limited by market capacity as demand remains significantly higher than supply. Actual capital expenditure over recent years averages between \$5 billion and \$7 billion, which is far below what agencies are forecasting to spend, as per Figure 1 below. Many of the projects within the investment programmes mentioned in paragraph two above are only just commencing delivery, and supply pressures are exacerbated by additional demand and regional market capacity posed by the cyclone and flood responses.

Figure 1 – Investment capital expenditure



The macroeconomic and fiscal context also makes the pipeline challenging

8. While there may be fiscal headroom for increased capital investment to begin to address some of New Zealand's infrastructure gaps and investment needed to improve public services, the binding constraint over recent years has been market capacity to be able to deliver this investment. In addition, associated operating funding requirements for capital investment (to service and maintain the asset over its life) will make it challenging to achieve an actual increase in investment given the pressure on operating expenditure. For digital investments there is also a trend towards 'as a service' platforms, which moves capital expenditure into operating expenditure.
9. The market has also driven increases in costs; while the market may be softening, costs continue to rise due to high inflation, supply chain issues and high demand.
10. Alongside this advice, we are providing you advice on whether the Multi-Year Capital Allowance should be increased given it is currently at \$1.293 billion. This advice takes into account the current market and economic context, as well as the credibility of the fiscal forecasts and signals to the market (T2023/1583 refers).

IN-CONFIDENCE**Reprioritisation and sequencing is needed across the investment pipeline**

11. In our previous quarterly reporting to you, we have highlighted the need to smooth the investment pipeline to better match market capacity.¹ Delivery delays are acting to 'smooth' the pipeline, but this is resulting in cost over runs and we do not see this as a sustainable approach. A more structured pipeline of investments Cabinet has approved and sequenced will support the market to invest in capability.
12. As part of our continued improvement to quarterly investment reporting, we are seeking to build a better picture of market capacity (including working with Te Waihangā Infrastructure Commission). We are looking to incorporate a wider analysis of market capacity in the economy covering public and private activity to establish a more robust understanding of market capacity.

It is instructive to look to Australia to compare the market context and approach to prioritisation

13. In May 2023, the Australian Federal Government announced a 90-day review of the Federal Government's 10-year, \$120 billion infrastructure pipeline to ensure it is focused on projects which improve long-term productivity, supply chains and economic growth in cities and regions. The New South Wales state government is also reviewing its \$88.4 billion pipeline (projects are currently running 9% behind schedule).
14. Australian commentators and experts are warning that the pipeline of projects is far larger than the sector's capacity to deliver given skills shortages, input cost increases and rising interest rates and there is a need to sequence to align with delivery capacity.

Preparing our approach to prioritisation to inform Budget 2024

15. While the recent rapid savings exercise was focused on operating expenditure, we noted in this advice that there is a need for reprioritisation of capital expenditure (T2023/1409 refers).² Budget 2024 provides an opportunity to ensure the investment pipeline is focusing on the highest priority investments and can deliver on the Government objectives.
16. This is needed to improve deliverability, reduce cost overrun risks and ensure we are not creating future pressures by underfunding of critical asset maintenance and remediation. We are developing initial principles for prioritisation structured around the following elements:
 - a **Asset management** – prioritising the maintenance, renewal and remediation of critical assets so agencies can continue to provide expected levels of service and make more efficient use of assets we have (including rebuilding critical assets following the North Island Weather Events).
 - b **Cost escalation** – as cost escalations are persisting across investments in delivery, there may be a need to factor in fiscal space for these.
 - c **De-risking projects** – this would involve Treasury, working with agencies and system leaders, to review investments in planning to determine whether changes can be made to reduce risk (including cost overrun risk) and improve deliverability. Changes could relate to scope (designing alternative, lower risk, solutions), scale or timing (i.e., phasing large projects into more discrete stages).

¹ T2023/703 refers.

² We note that the data reported by agencies for the June 2023 quarter does not capture changes agreed in the recent rapid savings exercise, as agencies were asked to report on the period ending on June 30. The changes created through the rapid savings exercise will be reported in the September QIR.

IN-CONFIDENCE*Undertaking a prioritisation exercise capitalises on the wider programme of changes to the investment management system*

17. The system setting changes set out in the Cabinet paper *Resetting Cabinet's expectations for investment management*, as well as improved data and analysis through the Treasury's QIR, will provide you and Cabinet with greater visibility of investments and the ability to engage at each stage of the streamlined business case process. This will support any reprioritisation process that is undertaken as outlined above.
18. These system setting changes are the start of wider changes to the investment system to come (to the business case, assurance and reporting process), to support a more disciplined approach to investment planning and improved deliverability of the investment pipeline. We will provide a further update on these changes, as well as approaches to reprioritisation through the September 2023 IMS quarterly update advice and Budget 2024 design and strategy advice to be developed post-election.

Key insights and actions from June 2023 quarterly investment reporting

19. As mentioned above, **intentions** reporting remains short-term focused (see Table 1 below). The most significant absence in intentions data is Te Whatu Ora, which is not yet able to provide intentions reporting. The current expectation is that Te Whatu Ora will be in a position to submit a more fulsome return in the December 2023 quarter.

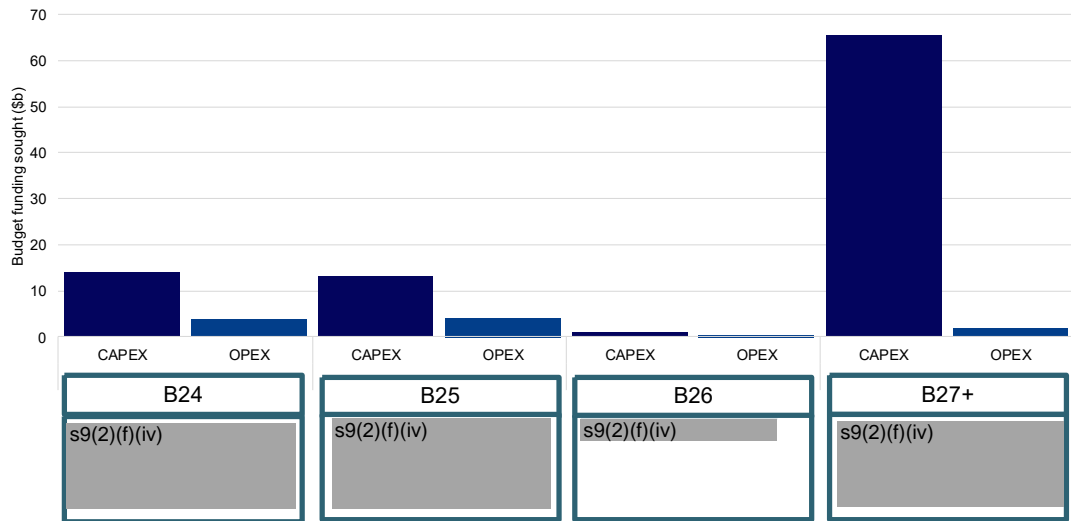
Table 1 – Summary of investment intentions reported

Estimated period when funding sought from Budget	2025-2029	2030-2034	2035+
Data and Digital	6	-	-
Infrastructure	24	6	2
Specialist Equipment	9	7	-
Organisational Change	1	1	-
Total	40	14	2
Estimated total value of funding (midpoint, \$b)	59.4	29.5	4.8

20. Data on **planning** highlights an uneven spread across the next couple of years, with a significant dip for Budget 2026, as shown in figure 2. Large scale capital investments dominate upcoming Budget years – five investments alone make up 77% of the value of investments in planning.

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Figure 2 – Investments in planning – funding sought per Budget year



21. There are 148 investments reported as being in **delivery**, a net increase of six investments from the last quarter. Cost pressures and delays remain an issue and we expect to see further funding requests for cost escalations come through in Budget 2024.

Table 2 – Summary of cost pressures and delivery delays

	Total in delivery		Investments signalling cost pressures		Investments reporting cost pressures			Delivery delays		
	No.	Approved Budget (\$b)	No.	Approved Budget (\$b)	No.	Approved Budget (\$b)	Value of cost pressures (\$b)	No.	Approved Budget (\$b)	Av. delay (years)
Infrastructure	84	45.5	44	31.3	16	14.0	3.1	38	14.8	1.5
Data and Digital	37	6.6	11	2.0	10	0.6	0.1	18	1.9	1.5
Specialist Equipment	15	7.7	2	1.7	1	< 0.1	< 0.1	6	4.6	2.3
Organisational Change	12	1.9	1	0.4	1	0.4	< 0.1	4	0.9	1.3
Total	148	61.7	58	35.4	28	15.0	3.3	66	22.2	-

Note: signalled cost pressures refers to where an agency has indicated a cost pressure is likely but not quantifiable at this stage; reported cost pressures refers to where an agency has indicated a cost pressure is being realised and has been quantified.

22. For this quarter we introduced annual **benefit realisation** reporting for investments completing delivery in FY23. Nine agencies reported 38 investments that fully or partially completed delivery in the year to FY23. Building this data set will give us a better view of the full lifecycle of investments and allow us to better compare delivery against international benchmarks (i.e., outturn costs compared to original budget at the time of funding decision).

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IN-CONFIDENCE*Specific investment updates to note*

23. The **first monthly reporting for the Scott Base redevelopment** has been received. The key points are:
- The tender from the main contractor Leighs Construction has been received and is s9(2)(i) and s9(2)(i) higher than anticipated. In the opinion of the appointed independent Quantity Surveyor who is providing cost analysis advice, proceeding with the Cabinet agreed scope will require additional funding.
 - Overall, the project is behind schedule but is currently on track to meet major milestones – mitigations are in place. However, if the project cannot commence in a timely manner the shipping date may need to be rescheduled by a season.
24. We are working with the Ministry of Foreign Affairs and Trade and will provide you with a further update in the week commencing 14 August 2023.
25. Cost escalations for **Project iReX** make up approximately 36% of the total reported cost escalations. Following your commission, we will provide Ministers with a draft Cabinet paper on 17 August which sets out options for Cabinet consideration on how the project could proceed and what outcomes the Crown is most interested in securing (T2023/1562 refers).
26. You are also taking a paper to Cabinet related to the cost of claims and continuation on the **Parakiore Recreation and Sport Centre Project** (T2023/1553 refers). This paper is aiming for consideration at the Cabinet Economic Development Committee on 30 August and Cabinet on 4 September 2023.
27. Annex 1 provides key data analysis from June 2023 quarter.

Next Steps

28. Table 3 below sets out key areas of activity we will be undertaking:

Table 3: Key areas of activity

Activity	Timeframe
September 23 quarterly investment reporting requests to agencies. This will focus on: <ol style="list-style-type: none"> cost escalations that may require funding any funding requirements to support critical asset renewals or remediation, and improving investment intentions data 	Requests to agencies mid-September Advice to Ministers post-election
Advice on Budget 24 design and strategy, including options on approaches to reprioritisation of capital investment	Post-election

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Annex 1: Quarterly Investment Report key insights (separate attachment)



Investment Management System

June 2023 Quarterly Update

August 2023

Purpose

- This slide deck provides:
 - Investment context
 - An Investment Lifecycle overview
 - An indicative investment cashflow forecast
 - Specific Fiscal Risks in an investment context
 - Monthly Reporting for the redevelopment of Scott Base

Investment context

- Capital allocations continue to be large
 - \$17.4b capital allocated at B23
 - As well as Budget allocations there are large capital programmes including NZUP and Infrastructure Reference Group programme
 - Growth in ‘mega projects’ are being planned by agencies, including ALR, LGWM, NZ Battery and the additional Waitemata Harbour Connections.
- Market conditions are changing, but constraints remain
 - Overall inflation has slowed but pressure is broad-based across non-tradeables and services
 - Manufacturing and services sectors are bearish on sales and lower selling prices
 - Global disinflation is well underway, but renewed commodity price volatility is a risk
 - Pressure across all areas of investment
 - System leader for service transformation: Public sector has capacity for one service transformation
 - Replacing aging IT system across the public sector will be priority investment over next 5-10yrs.

System Leader Update

- Delivery of large scale investments is dependent on large Tier 1 firms which dominate the market and are *currently* at capacity
- Observed slowdown in construction activity over the last quarter, indicated by:
 - Easing labour market conditions
 - Slowing price growth
 - Declining number of new construction consents
- Cyclone and flood response will be impacted by regional market capacity constraints
- The macro shift from capital to operating for data, digital and cyber security investments continues



TE TAI ŌHANGA
THE TREASURY



Government Chief Data Steward



Te Tira Tiaki
Government Communications
Security Bureau

Government Chief Information Security Officer



NEW ZEALAND
INFRASTRUCTURE
COMMISSION
Te Waihanga



DEPARTMENT OF THE
PRIME MINISTER AND CABINET
TE TARI O TE PIRIMIA ME TE KOMITI MATUA



Te Kawa Mataaho
Public Service Commission



Te Tari Taiwhenua
Internal Affairs

Government Chief Digital Officer



Inland Revenue
Te Tari Taake

Service Transformation Lead



MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

Government Procurement and Property
Construction Accord

Investment Lifecycle Overview



Investment Pipeline

67
Investments in Intentions
14
Agencies

171
Investments in Planning
18
Agencies

148
Investments in Delivery
24
Agencies

25
Investments in Realisation
9
Agencies

Intentions	No.
Infrastructure	39
Data & Digital	8
Specialist Equipment	16
Organisational Change	4
Total	67

Planning	No.	Value (\$b)
Infrastructure	110	114
Data & Digital	31	4
Specialist Equipment	20	10
Organisational Change	10	1
Total	171	129

Delivery	No.	Value (\$b)
Infrastructure	84	46
Data & Digital	37	7
Specialist Equipment	15	8
Organisational Change	12	2
Total	148	62

Realisation	No.	Exceed/met expectations
Infrastructure	19	17
Data & Digital	4	1
Specialist Equipment	1	1
Organisational Change	1	1
Total	25	20

Midpoint value
\$94b

New RPAs
14

RPA required
8

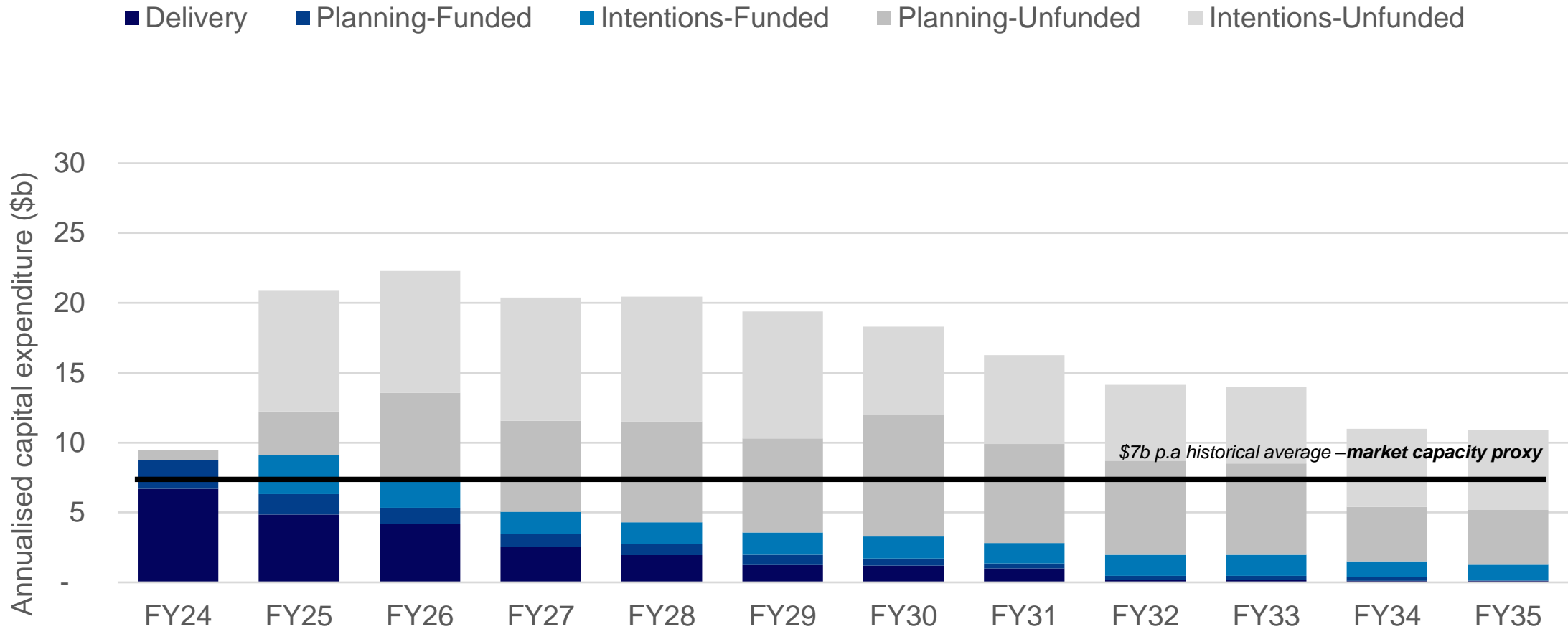
Cost pressures
\$3.3b

Delays
66

Investment Cashflow: *Scenarios*

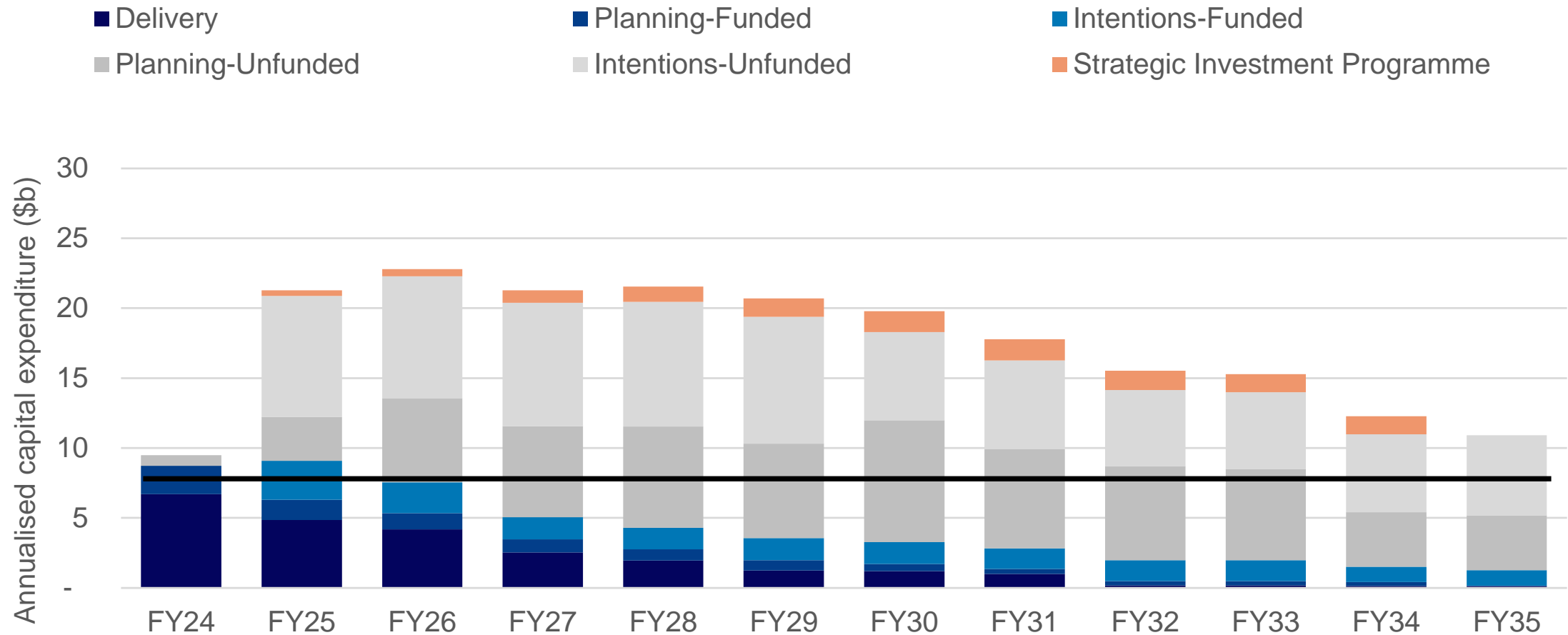
Investment Portfolio: Modelled capex cash flows

Investment capital expenditure - estimated annual cash flows



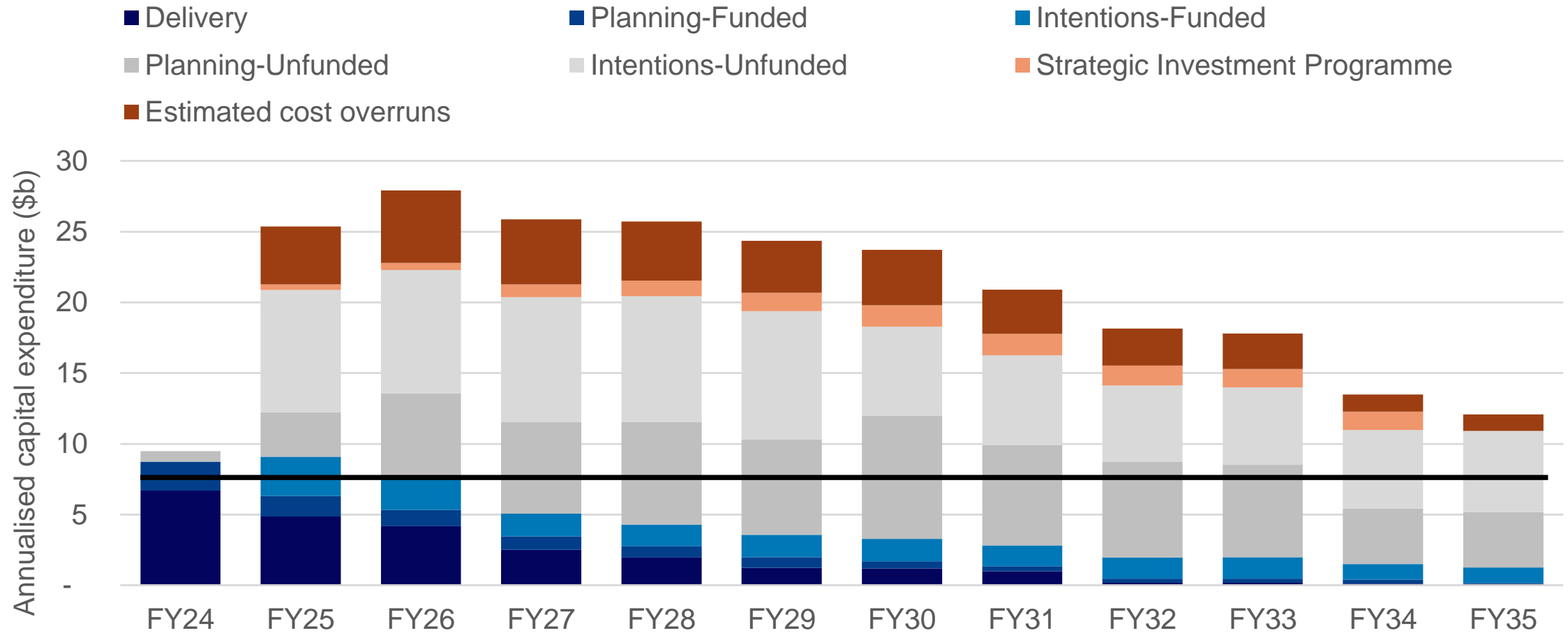
+ Strategic Investment Programme (transport)

Investment capital expenditure - estimated annual cash flows



+ International cost overrun benchmarks

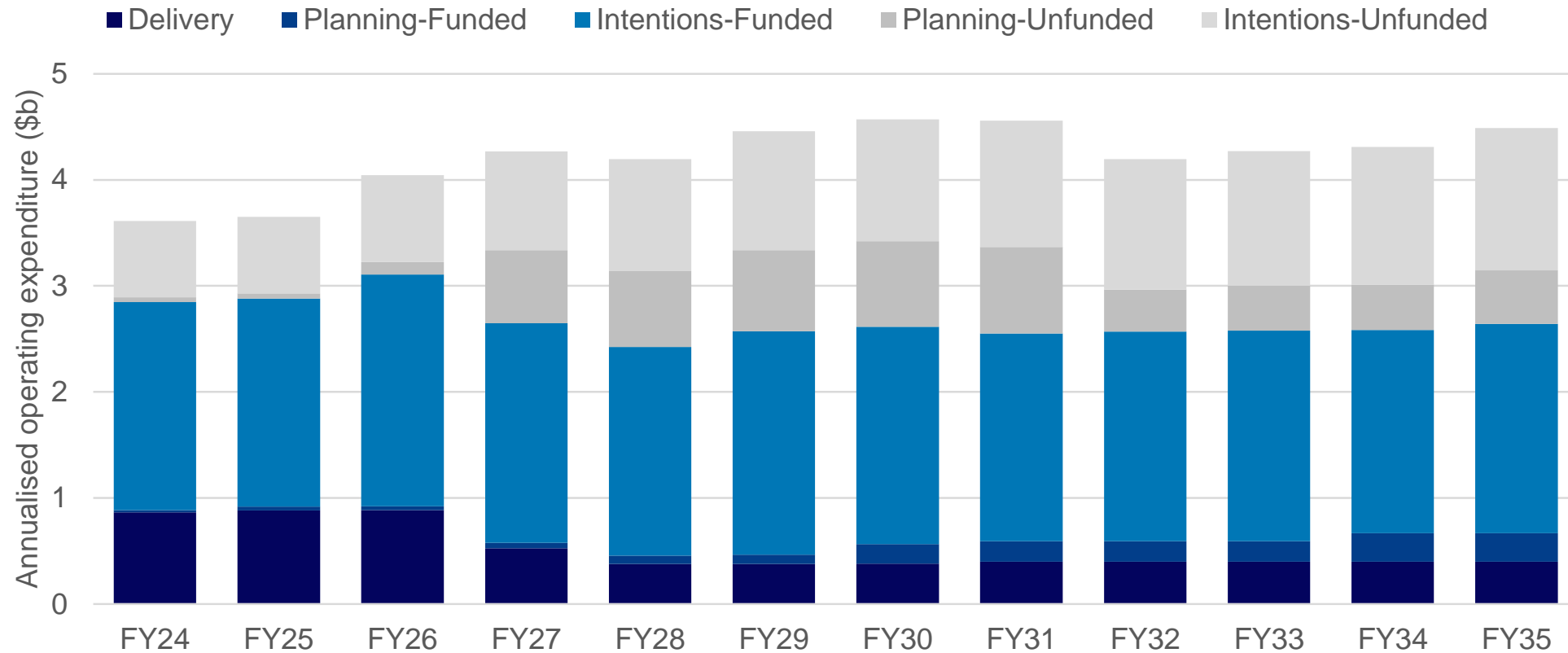
Investment capital expenditure - estimated annual cash flows



Investment Portfolio: Modelled opex cash flows

- OPEX uplift from capital investment is expected to be gradual (c.\$0.1b pa) over the coming 10 years as investments are delivered
- For digital investment there is a continuing trend towards ‘as a service’ platforms, resulting in a shift towards greater OPEX
- ANNEX 2: Investment detail

Investment operating expenditure - estimated annual cash flows



Specific Fiscal Risk: *Scenarios*

Specific Fiscal Risks

Intentions >

Planning >

Delivery >

Realisation

- Data from international benchmarks (Oxford Global Projects) covering 16,000 projects provides information on average and cost overruns across a vast range of investment projects (e.g. schools, roading projects, rail, hospitals etc).
- International themes:
 - The size and number of 'megaprojects' costing over US \$1b is growing globally
 - Megaprojects consistently fail to be delivered on time or on budget
 - Megaprojects span all forms of large capital ventures from construction and infrastructure to national health systems
 - Based on a sample of projects: 27% were on budget, 3% were on budget and on time, 0.2% on budget/time/benefits
- Using this data we can run scenarios on investments reported in Quarterly Investment Reporting

International benchmarking

How Big Things Get Done by Bent Flyvbjerg and Dan Gardner (2023)

Project type	Average cost overrun (%)	% of projects in tail (50%+ overrun)	Average % cost overrun of projects in tail
Buildings	62	39	206
ICT	73	18	447
Defence	53	21	253
Hospitals	29	13	167
Ports	32	17	183
Rail	39	28	116
Roads	16	11	102

Examples

Scenario A: Assumes all reported investments experience **average** cost overrun rates
Scenario B: Assumes all reported investments experience **tail/skew** cost overrun rates

Investment	Total Funding (\$b)	Scenario A (\$b)	Scenario B (\$b)
Second Harbour Crossing	s9(2)(g)(i)		
AT Rail			
NZ Battery			
GWRC Rail			
ALR			
CHCH PT futures			
LGWM			
IREX			

Specific Fiscal Risks

Intentions >

Planning >

Delivery >

Realisation

- Oxford Global Projects cost overrun estimates provide a basis to extrapolate original approved budgets to:
 - Identify investments that have the potential to exceed \$100 in cost overruns over the next four years (SFRs)
 - Benchmark international average cost overruns (>\$100m) with approved cost escalations/revised budgets to date
- s9(2)(g)(i)

s9(2)(g)(i)

s9(2)(g)(i)

s9(2)(g)(i)

s9(2)(g)(i)

Specific Fiscal Risks

Intentions >

Planning >

Delivery >

Realisation

- Planning SFR scenario:
 - Applied Oxford Global average cost overrun rates to publicly announced or funded (budget/other) investments in planning
 - s9(2)(g)(i)
 - s9(2)(g)(i)
- s9(2)(g)(i)

s9(2)(g)(i)

s9(2)(g)(i)

s9(2)(g)(i)

Monthly Reporting: *Redevelopment of Scott Base*

Scott Base Redevelopment – Monthly Reporting

Background

Scott Base is where New Zealand researchers carry out their work to understand Antarctica and the Southern Ocean, collaborate with other National Antarctic Programmes, protect the environment of Antarctica and strengthen the Antarctic Treaty System.

In 2021 Cabinet has approved an investment of **\$344 million** to redevelop Scott Base. In December 2022 Cabinet approved **additional funding of \$159 million** as part of the cost escalation process. The Cabinet approved budget is currently **\$503 million**.

As part of the Cabinet approval for the additional \$159 million, the appointment of an independent Quantity Surveyor was required to support MFAT and the Treasury provide independent monthly reporting to the Minister of Finance and the Minister of Foreign Affairs. Barnes Beagley Doherr Limited (BBD) was appointed and their first report was provide on 31 July 2023.

The highlights form the first BBD report are:

- The tender from the main contractor Leighs Construction was received at end of April is approximately s9(2)(j) and s9(2)(i) higher than anticipated. The project has been focused on trying to close this gap through negotiations with Leighs. BBD have indicated that the contract negotiations are protracted. The current forecast cost to deliver the Investment is s9(2)(j) and s9(2)(i) **In the opinion of BBD proceeding with the Cabinet agreed Scope will require additional funding.**
- The main contractor appointment, Leighs Construction, is two months behind schedule. This is delaying the programme however **there is still sufficient float within the project to meet overall milestones if issues can be resolved promptly. However, there are material risks to the critical path that have substantial financial implications** (i.e. if the project cannot commence in a timely manner the shipping date may need to be reschedule by a season)

Annex

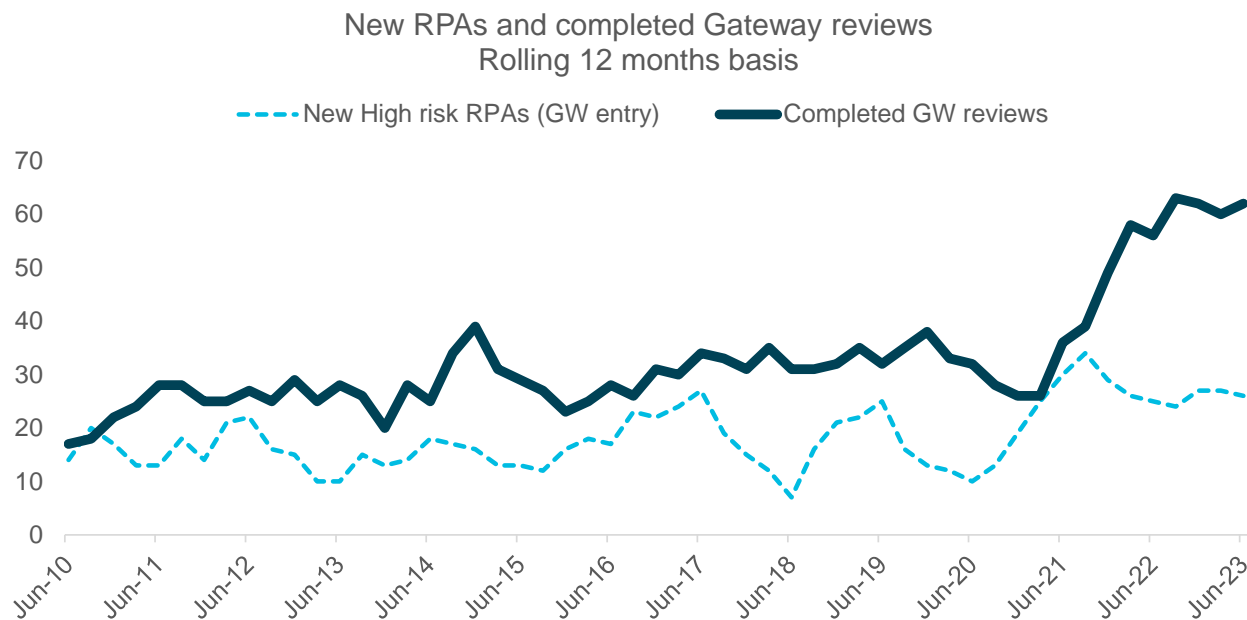
- Investment Planning Overview
- Investment Delivery Overview

Investment Planning Phase: *Investments that are in the process of developing a Business Case.*

Risk Profile Assessments and Gateway Review



- Historically there is a general correlation between new high risk RPA's entering the system and completed GW reviews
- Development of GW drivers and insights are challenging due to historical data management



Sep-23 upcoming Gateway reviews (7)			
Investment name	Investment phase	Gate	Total funding (\$b)
NZP MyPolice Programme	2 Planning	0	s9(2)(f)(iv)
MoE e-asTTLe (Assessment Tool)	2 Planning	1	
WK Melling Interchange Project	2 Planning	3	
NZDF Ohakea Infrastructure Programme	2 Planning	3	
KO Eastern Porirua Regeneration Project	3 Delivery	0	0.4
NZDF ANZAC Frigate Systems Upgrade (FSU)	3 Delivery	4	0.6
WK Funding and Fees	3 Delivery	4	0.0

Investments in Planning – Risk Profile Assessment



- Agencies are expected to complete/submit RPAs at the outset of business casing
- IMS received 15 RPA's during the Jun-23 quarter – 5 RPAs for investments post indicative business casing (late)
- Waka Kotahi: Submitted 3 RPAs during the quarter, all of which were post IBC (2 committed to delivery)

Agency	Project	Investment type	Final risk rating	Value (\$b)		System leader involvement	Green bond potential
Te Whatu Ora	Tauranga Hospital Redevelopment	Infrastructure	High	s9(2)(f)(iv)		TW-M	
Waka Kotahi	Melling Interchange	Infrastructure	High			TW-H	
NZDF	Future Air Mobility Capability Project – Strategic (FAMC-S)	Specialist equipment	Medium				
Waka Kotahi	Takitimu North Link Stage 1	Infrastructure	High			TW-H	
Waka Kotahi	Papakura to Drury	Infrastructure	High			TW-H	
NZDF	Garrison and Training Support Vehicles (GATS)	Specialist equipment	Medium				
Department of Conservation	3 Waters Programme	Data and Digital	Medium				
Te Whatu Ora	Integrated Cancer Service Programme	Specialist equipment	High				
Ministry for the Environment	Resource Management (RM) Digital Reform Programme	Data and Digital	High				
Te Whatu Ora	Therapeutic regulatory regime	Specialist equipment	High				
New Zealand Police	SAP S/4HANA Upgrade	Data and Digital	Medium				
Te Whatu Ora	Linear Accelerator (LINAC)	Specialist equipment	Medium				
Landcare Research	CRI science collaboration and co-location project	Infrastructure	Medium			Early	
Te Whatu Ora	Burwood Radiation Oncology Centre	Infrastructure	Medium			Early	TW-M
Te Whatu Ora	Gisborne Hospital Electrical Infrastructure Upgrade	Infrastructure	Medium			Early	

System leader involvement: H (High) - substantively engaged throughout business case process and/or integrated into its development
 M (Medium) - substantively engaged but contact is irregular
 L (Low) - Engaged but not substantively and are not in regular contact

Investments in Planning – Indicative Business Case



- Sep-23: Agencies reported 7 investments will seek cabinet approval – unlikely given time remaining to 31 August 2023
- Other funding sources: Three investments funded via NLTF, MoJ Balance Sheet and 2021-24 Road Safety Partnership Programme

Agency Name	Investment Name	Investment Type	RPA Rating	Budget Funding (\$b)	Total Funding (\$b)	Year funding sought	Delivery years	Delivery end FY	System leader involvement	Green bond potential	Other funding
KiwiRail	Northern Package - Marsden Point Rail Link	1 Infrastructure	RPA Not Required	s9(2)(f)(iv)			5	FY30	TW-M		
MoJ	Auckland District Court, Hamilton District Court & Wellington High Court Seismic	1 Infrastructure	Medium				4	FY28	TW-L		
Corrections	Modern Prisons (Digital) (Tranche 2-4)	2 Data and Digital	High				7	FY30			
MoJ	Auckland District Court Infrastructure	1 Infrastructure	Medium				4	FY28	TW-L		
Waka Kotahi	New Zealand Driver Licensing Improvement Programme	4 Organisational Change	Medium				10	FY34			
DoC	Addressing damage to Conservation sites and assets caused by NIWE	1 Infrastructure	RPA Required				1	FY24	TW-H		
NZ Police	Impaired Driver programme	3 Specialist Equipment	Medium				1	FY25			

System leader involvement: H (High) - substantively engaged throughout business case process and/or integrated into its development
 M (Medium) - substantively engaged but contact is irregular
 L (Low) - Engaged but not substantively and are not in regular contact

Investments in Planning – Detailed Business Case



- Sep-23: Agencies reported 11 investments will seek cabinet approval – unlikely given time remaining to 31 August 2023
- 5 investments intend to submit both IBC and DBCs simultaneously, limiting cabinet’s time to evaluate options and advice
- KiwiRail Marsden Point Rail Link: s9(2)(g)(i) straight to DBC for cabinet endorsement

	Agency Name	Investment Name	Investment Type	RPA Rating	Budget Funding (\$b)	Total Funding (\$b)	Year funding sought	Delivery years	Delivery end FY	System leader involvement	Green bond potential	Other funding
	Waka Kotahi	NIWE – SH and local road rebuild	1 Infrastructure	N/A	s9(2)(f)(iv)			10	FY33	TW-M		
IBC & DBC	KiwiRail	Northern Package - Marsden Point Rail Link	1 Infrastructure	RPA Not Required				5	FY30	TW-M		
	Te Whatu Ora	Nelson Hospital Redevelopment	1 Infrastructure	High				5	FY30	TW-H		
	NZDF	Enhanced Maritime Awareness Capability (Phase 2) (Fixed Wing ISR)	3 Specialist Equipment	Medium				N/A	N/A			
IBC & DBC	MoJ	Auckland District Court, Hamilton District Court & Wellington High Court Seismic	1 Infrastructure	Medium				4	FY28	TW-L		
IBC & DBC	MoJ	Auckland District Court Infrastructure	1 Infrastructure	Medium				4	FY28	TW-L		
	Corrections	Waters Infrastructure Programme - Phase 2A	1 Infrastructure	Medium				3	FY27	TW-H		
	NZDF	DERP - Anchored to Capability (B24) - OPV	1 Infrastructure	Medium				N/A	N/A	TW-M		
	NZDF	All of Government Maritime Domain Awareness (formally Data Fusion System)	2 Data and Digital	Medium				1	FY26			
IBC & DBC	DoC	Addressing damage to Conservation sites and assets caused by the 2023 North Island	1 Infrastructure	RPA Required				1	FY24	TW-H		
IBC & DBC	NZ Police	Impaired Driver programme	3 Specialist Equipment	Medium				1	FY26			

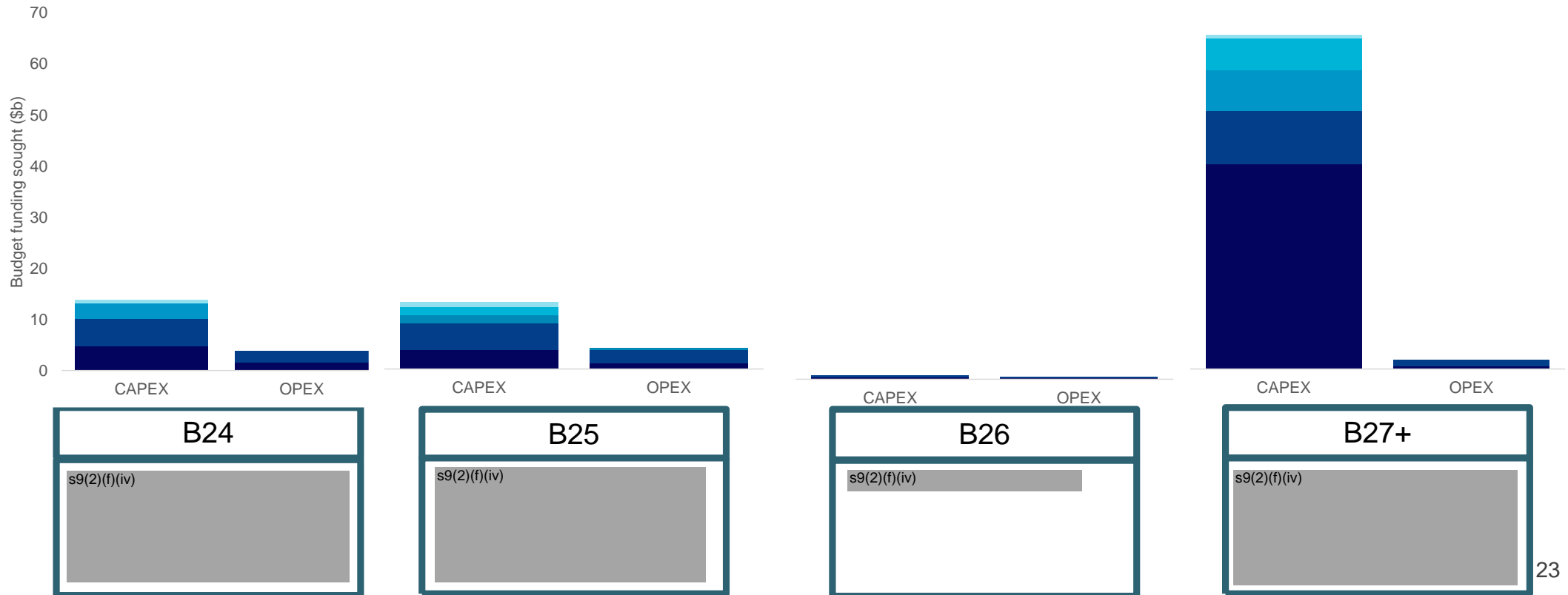
System leader involvement:

H (High) - substantively engaged throughout business case process and/or integrated into its development, **M (Medium)** - substantively engaged but contact is irregular, **L (Low)** - Engaged but not substantively and are not in regular contact

Investments in Planning – Budget funding

Intentions > **Planning** > Delivery > Realisation

- s9(2)(f)(iv)
- We have heard agencies are undertaking early B24 planning and prioritisation work
- s9(2)(f)(iv)



Investment Delivery Phase: *Investment that have secured funding, have contracts signed and have entered the “build phase”*

Investments in Delivery

Intentions



Planning



Delivery



Realisation

- 148 (\$61.7b total approved budgets) investments in delivery, a net increase of 6 investments from last quarter
- 9 investments completed delivery during the Jun-23 quarter, 8 investments were delayed (c.1 year average delay)
- 75% of investments in delivery are either signalling cost pressures and/or experiencing delivery delays

31 March 2023 reporting

Investment Type	Total in Delivery	
	No.	Value (\$b)
Infrastructure	84	\$47.3
Data and Digital	34	\$5.5
Specialist Equipment	14	\$7.6
Organisational Change	10	\$1.1
Total	142	\$61.6

+ 6 investments in delivery

- + 6 investments starting delivery
- + 9 investments not previously reported
- 9 investments completed delivery

30 June 2023 reporting

Investment Type	Total in Delivery	
	No.	Value (\$b)
Infrastructure	84	\$45.5
Data and Digital	37	\$6.6
Specialist Equipment	15	\$7.7
Organisational Change	12	\$1.9
Total	148	\$61.7

6 investments starting delivery

Agency	Investment name	Total funding (\$b)	Delivery (years)	Delivery FY
Waka Kotahi	National Ticketing Solution	0.8	4	FY27
TEC	Te Pūkenga transformation programme (B23)	0.4	5	FY28
KiwiRail	Rail Reinstatement – rebuilding damaged rail lines following weather	0.3	4	FY27
NZDF	Protected Mobility - Protected Vehicles Medium (PV-M)	0.1	5	FY28
NZDF	FSP Comms- Phase 2 Build and Install	0.1	3	FY26
NZDF	Operational and Regulatory Aviation Compliance Sustainment Phase 2B	< 0.1	2	FY25

9 investments completed delivery

Agency	Investment name	Original approved budget (\$b)	Final approved budget (\$b)	Cost escalation (%)	Delay (years)
NZDF	Frigate Systems upgrade (FSU)	0.4	0.6	s9(2)(f)(iv)	2.0
Kāinga Ora	Greys Ave 139, Auckland	0.2	0.2		0.3
NZ Customs	New Zealand Traveller Declaration (NZTD)	0.2	0.2		
NZDF	Capital Maintenance Total (B22)	0.1	0.1		
Te Whatu Ora	Te Wao Nui - Children's Hospital	0.1	0.1		1.5
NZDF	Dive and Hydrographic Vessel	0.1	0.1		2.0
Te Whatu Ora	Specialist Mental Health Services Relocation	0.1	0.1		0.8
Te Whatu Ora	Energy Centre and Services Tunnel	0.1	0.1		
Te Whatu Ora	Workspace programme	0.0	0.0		0.8

Investments in Delivery – Cost pressures



- 39% of investments in delivery are signalling cost pressures, down 17% from Mar-23: B23 cost pressures are now incorporated into delivery budgets
- \$3.3b cost pressures have been reported by agencies, driven by Kiwirail: IREX ^{s9(2)(f)(iv)} NIWE rail reinstatement ^{s9(2)(f)(iv)}
- Agencies tend to signal investment cost pressures as determined by cost quantity surveyors, but only report cost pressure values when project risks are unable to be mitigated - This introduces a **lag**, particularly investments managed by Crown entities who report directly to Boards

Investment Type	Total in delivery		Investments signalling cost pressures		Investments reporting cost pressures		
	No.	Approved budget (\$b)	No.	Approved delivery budget (\$b)	No.	Approved budget (\$b)	Value of cost pressures (\$m)
Infrastructure	84	\$45.5	44	\$31.3	16	\$14.0	\$3.1
Data and Digital	37	\$6.6	11	\$2.0	10	\$0.6	\$0.1
Specialist Equipment	15	\$7.7	2	\$1.7	1	\$0.0	\$0.0
Organisational Change	12	\$1.9	1	\$0.4	1	\$0.4	\$0.0
Total	148	\$61.7	58	\$35.4	28	\$15.0	\$3.3

Reported cost pressures > \$100m

Agency	Investment name	Total Approved Budget (\$b)	Spend to Date (\$b)	Cost to Complete (\$b)	Cost Pressures (\$b)	Expected delivery FY	Reported delay (years)
KiwiRail	IREX	1.5	0.3	^{s9(2)(f)(iv)}		27	-
KiwiRail	Rail Reinstatement	0.3	0.0			27	3.0
Waka Kotahi	NZUP - Takitimu North Link stage 1	0.8	0.2			28	0.8
Waka Kotahi	NZUP	6.5	1.0			31	-
Waka Kotahi	Manawatū Tararua Highway : Te Ahu a Turanga	0.6	0.3			26	-
Rau Paenga Limited	Parakiore Recreation and Sport Centre	^{s9(2)(j) and s9(2)(i)}				25	3.3
KiwiRail	RNIP (first 5 years of 10 for Rail Network)	2.1	0.7			26	1.0
Waka Kotahi	Low Emission Vehicles - Clean Car Standard	0.4	0.0			24	0.5

Investments in Delivery – Delays



- 45% of investments in delivery are reporting delivery delays, up 3% from last quarter
- Investments experiencing the longest delays (> 2.5 years) present near-term cost pressure risks as original budgets were approved years prior
- Investments with low spend & long delays: NZUP Canterbury Package, LINZ STEP, KiwiRail NIWE rail reinstatement (re-evaluated from Mar-23)

Investment Type	Total		Delivery delays		
	No.	Value (\$b)	No.	Value (\$b)	Avg. delay
Infrastructure	84	\$45.5	38	\$14.8	1.5
Data and Digital	37	\$6.6	18	\$1.9	1.5
Specialist Equipment	15	\$7.7	6	\$4.6	2.3
Organisational Change	12	\$1.9	4	\$0.9	1.3
Total	148	\$61.7	66	\$22.2	1.5

Agency Name	Investment Name	Approved Delivery Budget (\$b)	Spend to date (%)	Cost Pressures (\$b)	Forecasted delivery FY	Delivery delay (years)
Defence Force	Protected Mobility - Protected Vehicles Medium (PV-M)	0.1	72%	s9(2)(f)(iv)	2028	4.8
Waka Kotahi	NZUP - Canterbury Package	0.4	12%		2030	4.0
Te Whatu Ora	Surgical Services Expansion Project	0.0	71%		2024	3.8
Rau Paenga Limited	Te Pae Christchurch Convention Centre	s9(2)(j) and s9(2)(i)			2024	3.5
Rau Paenga Limited	Parakiore Recreation and Sport Centre				2025	3.3
KiwiRail	Rail Reinstatement	0.3	11%		2024	3.0
Defence Force	Maritime sustainment capability	0.5	86%		2027	3.0
Ministry of Education	Te Rito	0.0	43%		2027	3.0
LINZ	Survey and Title Enhancement Programme (STEP)	0.3	47%		2027	3.0
Te Whatu Ora	Dunedin Hospital Transition Programme	0.0	11%		2025	2.8

	Investment Portfolio <i>This is the combination of the Investment Intentions, Investment Planning and Investment Delivery. It illustrates all the investments that are part of the Governments wider portfolio.</i>					Investment Realisation <i>Investments that are "in-service" and benefits are being delivered</i>		
	Investment Pipeline <i>This is the combination of the Investment Intentions and Investment Planning and is considered the "complete" pipeline of investments in planning</i>				Investment Delivery <i>Investments that are in delivery</i>			
	Investment Intentions <i>Pre-business casing investments. These Investment should be in the Strategic Plans of agencies and aligned with Govt. strategies.</i>	Investment Planning <i>Investment that are in the process of developing a Business Case. This process is expected to take between 1.5 to 5 years</i>						
Investment Planning - Business Case <i>(using the 5-case model)</i>	Strategic Planning Asset Management Planning	c. 3 months	c. 3 - 12 months	c. 6 - 18 months	Up to 12 months	c. 3 - 12 months		
		Strategic Assessment <i>(Justifies the need to invest in change - up to 10 Pages)</i>	Risk Profile Assessment <i>(System based inherent risk assessment)</i>	Indicative Business Case <i>(Provides decision-makers with an early indication of the preferred way forward, up to c. 40 pages)</i>	Detailed Business Case <i>(Recommends a preferred option that optimises value for money, and seeks approval from decision-makers to finalise the arrangements for successful implementation, up to c. 80 pages)</i>	Implementation Business Case <i>(Provides more accurate time, cost and resourcing data, based on actual supplier proposals, and confirms that the Preferred Option remains the best value, up to c. 120 pages)</i>		
Assurance - Gateway Reviews		Gateway Review 0 – Strategic Assessment	Gateway Review 1 – Business Justification & Options – Indicative Business Case	Gateway Review 2 – Delivery Strategy – Detailed Business Case		Gateway Review 3 – Investment Decision - Implementation Business Case	Gateway Review 4 – Readiness for Service	Gateway Review 5 – Operational & Benefits Realisation Review
Investment / Business Case Approvals			Cabinet approval (Cabinet Paper and Cabinet Minute): Indicative Business Case	Cabinet approval (Cabinet Paper and Cabinet Minute): Detailed Business Case		Cabinet approval (Cabinet Paper and Cabinet Minute): Implementation Business Case		
Funding Decision / Approval					Budget Cabinet Decision			
Investment Reporting	Investment Intentions Reporting	Investment Planning Reporting				Investment Delivery Reporting	Investment Realisation Reporting	