

The Treasury

Delivering the 'Shovel Ready' Infrastructure Projects Information Release

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[38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice

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Delivering the 'shovel ready' infrastructure projects

Proposal

- 1 This paper seeks agreement to operationalise Infrastructure Reference Group (IRG) Ministers' shovel-ready infrastructure funding decisions. This includes:
 - 1.1 operational changes to the mandate of delivery agencies, where required, so they can manage projects
 - 1.2 establishing appropriations to enable funding to Crown Infrastructure Partners (CIP), the Provincial Development Unit (PDU) and other government agencies, and
 - 1.3 establishing the governance and monitoring arrangements for the management and delivery of projects.

Relation to government priorities

- 2 This paper is part of the implementation of IRG Ministers' shovel-ready funding decisions.

Executive Summary

- 3 On July 1 2020, the Minister of Finance and Minister for Infrastructure announced the global allocation of approximately \$2.6 billion from the \$3 billion tagged contingency announced as part of Budget 2020. This represents more than 150 individual projects across all regions of New Zealand.
- 4 On 24 June 2020, the Cabinet Economic Development (DEV) Committee, with Power to Act, noted that sectors that align with our broader economic priorities were a focus for the overall allocation. These included housing and urban development, transport, community and social development and energy and climate resilience projects [*DEV-20-0114* refers].
- 5 We seek approval for a number of decisions, outlined below, which are required to operationalise shovel-ready infrastructure projects. Specifically, this paper seeks agreement to:
 - 5.1 Change the PDU's mandate to provide certainty that it can manage infrastructure projects that do not meet PGF criteria e.g. community, social, and flood protection projects, and those located in metropolitan areas. It also seeks agreement that the PDU can hold infrastructure projects larger than \$20 million where the PDU is best placed to deliver them
 - 5.2 Establish appropriations to enable funding for delivery agencies, including CIP and the PDU, to implement IRG Ministers final decisions

on projects. [33]

Agencies will then be responsible for contract negotiations, procurement and project management, and

- 5.3 The governance and monitoring arrangements. During the implementation phase, IRG Ministers will likely need to make further decisions relating to final project approval, potential reprioritisation decisions, possible changes to the form of government support and the allocation of [33]

During the contracting phase, we expect each delivery agency to provide CIP with fortnightly information on every approved project, and for CIP to provide a fortnightly report to IRG Ministers about how the suite of infrastructure investments is progressing. Once contracting is complete, reporting to Ministers will occur monthly.

- 6 We also seek approval for changes to the Provincial Growth Fund decision-making delegations so that the Ministers of Finance and Regional Economic Development are authorised to make all funding decisions from August 2020. This is to ensure that projects can continue to be approved in a timely manner after the House rises.

Background

- 7 Cabinet agreed to a \$3 billion tagged contingency to provide investment in infrastructure to support New Zealand's economic recovery as part of the 11 May COVID-19 Response and Recovery Fund *[CAB-20-MIN-0219.04 refers]*.
- 8 On 24 June 2020, the DEV Committee, with Power to Act, agreed to Ministerial delegations to make IRG funding decisions, and government agency roles to deliver these projects. Specifically, the DEV Committee:
- 8.1 authorised IRG Ministers (the Minister of Finance and Minister of Infrastructure, together with the Associate Ministers of Finance) to make final decisions on projects from the attached shortlist to be funded from the \$3 billion Infrastructure Tagged Contingency
- 8.2 agreed to keep [33] of the \$3 billion Tagged Contingency unallocated at this time in case of project cost overruns that could emerge from further due diligence on projects, and for IRG Ministers to make decisions on allocating this contingency including the timing and announcements of those decisions;
- 8.3 agreed that for those projects progressed by IRG Ministers that are best delivered by relevant central government agencies, for those agencies to deliver projects
- 8.4 agreed to appoint Crown Infrastructure Partners (CIP) to deliver projects progressed by IRG Ministers that do not have an existing central government delivery agency best placed to deliver them

- 8.5 agreed that the PDU would be responsible for delivering projects progressed by IRG Ministers under \$20 million where they are best placed to do so
- 8.6 noted that Cabinet agreement may be needed to allow the PDU to deliver projects that are currently outside its mandate, but that it is best placed to deliver
- 8.7 invited IRG Ministers to report back on the programme governance and monitoring arrangements, and
- 8.8 agreed the PDU and CIP's roles to deliver IRG projects. These roles are to carry out any necessary due diligence, negotiations, funding arrangements, establishment of investment objectives and appropriate risk-sharing arrangements; procure projects where necessary; administer funding; monitor projects until their completion [*DEV-20-0114* refers].

CIP-managed projects

9 [33]

[33]

- 11 CIP will be responsible for managing the shovel-ready infrastructure projects that have a significant Crown financial contribution. The majority of CIP managed projects are over \$20 million.

12 [38]

- 13 Most CIP-managed infrastructure contracts will be structured using a staged approach with payments disbursed upon meeting negotiated milestones. This will allow CIP to effectively manage contracts, while quickly contributing to local economies.
- 14 The shareholding Ministers of CIP (the Minister of Finance and the Minister of State Owned Enterprises) can direct CIP under the company constitution to carry out its delivery agency role.

Implementation of CIP-managed projects

- 15 CIP will establish the appropriate project owning entity that is best placed to deliver each CIP-managed project based on the organisations' financial standing, capability and capacity. This process will be undertaken as discussions with project owners are undertaken;
- 16 CIP will approach all of the Project Owners for the projects it has responsibility for with draft documentation and where necessary any project verifications (at a high level, with more detailed information following) within 14 days of this paper being considered.
- 17 Where required, we will ask the CIP to provide advice relating to a project's overall viability, final funding decisions, timelines, risks and employment creation.
- 18 Where relevant, CIP will aggregate multiple projects into a single contract where the counterparty is the same. This ensures funding will be with organisations as soon as possible. Contract terms will include:
 - 18.1 regular reporting, consistent with the approach that will be developed by both CIP and PDU across all agencies responsible for delivering shovel-ready projects
 - 18.2 verification that works will be initiated within 12 months
 - 18.3 contracted parties will document and verify their procurement processes, material input and the number of additional workers hired to undertake these activities, and
 - 18.4 CIP will monitor projects through regular project reporting, confirming from Project Owners that projects are on track, within budget and scope, and if a project shows an indication of increased risk then CIP will be able to exercise increased oversight and suspension of funding if necessary.

PDU-managed projects

- 19 IRG Ministers have indicated they will seek to transfer [33]
to the PDU to deliver.
- 20 The PDU will administer projects across a range of sectors that the IRG
Ministers have invested in. Specifically, PDU-managed projects will be
delivered in packages, of approximately:
- 20.1 [33]

[33]

- 21 Given the PDU's existing relationships with local government and not-for-profit organisations across the country, it is the agency best placed to deliver most regional projects below \$20 million. This includes those that are community focused but may currently be outside the current mandate of the Unit. PDU managed IRG projects are located throughout New Zealand and while the majority are in regional New Zealand, some are not. The PDU can currently invest in projects in metropolitan centres where these have a benefit to the regions. Its mandate needs to be extended to allow it to manage projects in metropolitan centres. There will be value in the PDU managing metropolitan projects that are part of a package of similar projects across the country, as set out above, to ensure consistency of management across IRG projects.
- 22 [38]
- 23 It is our intention that funding for projects that require simple contracts be administered efficiently, in some cases with payment in full upon completion of due diligence and contract negotiation. Other larger projects will take a staged approach, with payments disbursed upon meeting a small number of milestones negotiated in contracts. This will be consistent with the revised PGF contracting arrangements agreed by Cabinet in May 2020 [CAB-20-0197 refers], with at least 50% of funding distributed on contract signing. We will ensure funding is able to quickly contribute to local economies while balancing the need to be prudent with public funds.

Establishing an appropriation to hold PDU-managed IRG investments

- 24 We propose to establish three new multi-year appropriations (MYA) to hold these investments. These appropriation will be administered by the Ministry of Business, Innovation and Employment with the Minister of Regional Economic Development as appropriation Minister.
- 25 We also propose [33] of the \$3 billion infrastructure tagged contingency be initially transferred to the new multi-year appropriations.

Changes to operationalise the PDU to deliver IRG projects

- 26 We propose a number of changes to provide certainty that the PDU can manage and deliver shovel-ready infrastructure projects transferred from IRG Ministers that do not meet the PGF's criteria. Specifically, we propose that:
- 26.1 the PDU can manage shovel-ready community, social and flood protection projects transferred by IRG Ministers, which are currently excluded from the PGF. Cabinet previously agreed to exclude the building and maintenance of social assets (including hospitals, and primary and secondary schools) and three waters management from being eligible for PGF funding [CAB-18-0045 refers]. As part of the PGF response to COVID-19, Cabinet agreed that the PGF could make small scale investments in critical municipal water and flood management schemes [CAB-20-0197 refers], and
- 26.2 the PDU can manage shovel-ready projects located in New Zealand's metropolitan areas. Cabinet agreed to exclude Auckland, Wellington and Christchurch from being eligible for PGF funding [CAB-18-0322 refers]. This change would enable the PDU to manage full packages of projects across the country rather than using different agencies to manage similar projects in different parts of the country.
- 27 These changes do not affect the PGF's criteria, and are limited to the PDU's management of shovel-ready projects IRG Ministers agree it will be responsible for.
- 28 We propose to extend the PDU's mandate in relation to IRG projects to hold projects that are larger than \$20 million where the PDU is best placed to deliver. When the IRG was established, there were initial discussions in which the role of the PDU included government investments of up to \$20 million and those projects already in the PGF pipeline. As outlined above, the DEV Committee, with Power to Act, previously restricted the PDU's role to those lower than \$20 million. IRG Ministers intend to transfer [33] projects to the PDU where Crown contributions are \$20 million or larger. These projects are all in regional New Zealand, and many were known to the PDU before being included in the IRG process.
- 29 Any PDU managed projects that are funded by way of a loan or equity will be held by Provincial Growth Fund Limited (PGFL). The Constitution of PGFL is currently in the process of being amended, from only being able to hold PGF

investments, so that it can hold projects that provide regional economic development benefits.

Implementation of PDU-managed IRG projects

- 30 The PDU will determine the entity that is best placed to deliver each PDU-managed project based on the organisations' capability and capacity. These organisations may include local government or relevant industry bodies. This process will be completed within 14 days of this paper being considered. Regional Delivery Leads, established to accelerate the delivery of PGF projects as part of the PGF's response to COVID-19, could help local councils deliver projects on a needs basis.
- 31 Where required, we will ask the PDU to provide advice relating to a project's overall viability, final funding decisions, timelines, risks and employment creation.
- 32 Where possible, the PDU will aggregate multiple projects into a single contract, consistent with the approach applied for the PDU's road and rail worker redeployment initiatives. This ensures funding will be with organisations as soon as possible.
- 33 Contract terms will include:
 - 33.1 regular reporting, consistent with the approach that will be developed by both CIP and PDU across all agencies responsible for delivering shovel-ready projects
 - 33.2 verification that works will be initiated within 12 months
 - 33.3 contracted parties will document and verify their procurement processes, material input and the number of additional workers hired to undertake these activities, and
 - 33.4 the PDU will monitor projects through site visits, reviewing procurement plans and financial and technical information.
- 34 The PDU will utilise its existing governance and oversight arrangements to monitor the delivery of PDU-managed projects. The PDU will also feed information into the broader IRG oversight and monitoring arrangements, which are outlined in the paper. Cabinet recently agreed to a framework and principles to guide central government intervention in strengthening community resilience including flood protection (DEV-20-MIN- 0120 refers). The investment in flood risk management is the most significant contribution in 30 years from central government. This investment provides an unparalleled opportunity to leverage long-term system change to strengthen the resilience of communities to flood risk. Work on the longer term funding model will be overseen by Community Resilience Ministers as part of the direction agreed by Cabinet.
- 35 To ensure alignment with the principles and framework for community resilience agreed by Cabinet, the PDU will work with the Department of Internal Affairs to

assist with the due diligence of flood protection projects agreed as part of the shovel ready infrastructure package.

Projects managed by other delivery agencies

36 IRG Ministers have indicated they will approve projects that will be transferred to a government department, Crown agent or Crown company, other than CIP and the PDU. These projects total approximately [33]

37 Projects will be transferred where funding will either upgrade infrastructure managed by another agency, or the agency has the expertise to deliver these projects or a mandate within a certain location. IRG projects to be transferred to other delivering agencies will likely include, approximately:

37.1 [33]

[33]

38 We propose to transfer funding from the \$3 billion infrastructure tagged contingency to the agencies listed above, so that they can begin the delivery of these projects.

Implementation

39 Delivery agencies will be transferred funding for the infrastructure projects that they will deliver. For projects where the delivery agency will upgrade its own infrastructure (e.g. Ministry of Justice courtrooms and FENZ fire stations), we

expect that agencies will use their existing procurement and project management practices, and engage with the Infrastructure Commission as necessary. For projects where the delivery agencies need to contract with another entity, we expect that agencies will utilise the same approach as outlined for CIP and PDU managed infrastructure projects.

- 40 Delivery agencies should utilise their existing governance and oversight arrangements to monitor the delivery of their projects. Delivery agencies will also feed information into the broader IRG oversight and monitoring arrangements, which are outlined in the paper.

Establishing the programme governance and monitoring arrangements for the management and delivery of IRG projects

- 41 IRG Ministers have been authorised to make final decisions on projects and this will include establishing appropriate reporting and governance arrangements to ensure that projects are progressed in a prudent and timely manner during the recovery.
- 42 A key part of the governance arrangements will be clearly establishing the roles and responsibilities of delivery agencies. IRG Ministers will direct the delivery agencies to give effect to these roles and responsibilities, including:
- 42.1 due diligence and contractual arrangements to ensure that government support of the projects will achieve the intended benefits, jobs, scope, and expedient delivery
 - 42.2 where appropriate, leveraging the government financial contribution to enable contributions from local government or non-government party to maximise the benefits, enabled jobs and scope of the projects and ensure fast delivery
 - 42.3 ensuring the completion of the projects as a result of the government financial support
 - 42.4 allocating the risk of cost-escalation to the local government or non-government party requesting the funding or, where a central government agency has requested the funding, ensuring prudent management of this risk
 - 42.5 utilising good practise establishment and management of loans, grants, or equity investments, to achieve the Government's objectives with this projects
 - 42.6 providing frequent and rigorous reporting on the progression of projects to IRG Ministers, coordinated by CIP and shared with the Treasury, and
 - 42.7 ensuring that projects apply for fast-track resource consenting under the COVID-19 Recovery (Fast-track Consenting) Act, where appropriate.

- 43 There will be ongoing decisions for IRG Ministers to make during the course of the implementation phase. Delivery agencies will need to seek IRG Ministers approval in a number of situations, including:
- 43.1 final project approval before funding is distributed – in advance of a delivery agency distributing funding to any party to enable a project, the delivery agency will seek approval from IRG Ministers and provide the necessary assurances that the project will achieve the intended benefits, jobs, scope and timing of delivery and that the government funding is appropriate to enable the project and represents value for money to the Crown;
 - 43.2 reprioritisation decisions – where a delivery agency's due diligence reveals that a project cannot progress with the level of government financial support that was requested, the delivery agency will present options to IRG Ministers for different levels of support or alternative project, for their approval before progressing.
 - 43.3 changes to the form of government support – where the form of government financial support requested (such as a loan, grant or equity) is no longer appropriate or adequate to progress the project, the delivery agency will request approval from IRG Ministers to an alternative form of financial support, and
 - 43.4 allocation of cost contingency – for any decisions on allocating the [33] of the \$3 billion Tagged Contingency that Cabinet agreed to keep unallocated in the first instance, in reserve for cost overruns.
- 44 It is our intention that for small projects with low risk, delivery agencies will administer the government financial support efficiently, in some cases with payment in full upon completion of due diligence and contract negotiation. For small, low risk projects, IRG Ministers may lower the requirements for due diligence and assurances if appropriate.
- 45 Larger, more risky projects will take a more staged approach, with payments disbursed upon meeting milestones negotiated in contracts. We want to ensure funding is able to quickly contribute to local economies while balancing the need to be prudent with public funds.

Reporting

- 46 CIP will be directed to coordinate and deliver fortnightly progress report to IRG Ministers, with information on how the suite of infrastructure investments is performing as a whole. This should include a regional and sectoral split, as well as key achievements and risks that IRG Ministers should be aware of.
- 47 We expect that, during the contracting phases, each delivery agency will provide fortnightly data to CIP for every project approved by IRG Ministers, including, but not limited to, the following:
- 47.1 The number and percentage of projects that have been contracted

- 47.2 The rate of disbursement, including funding paid out and forecasts of expected funding paid out over the life of the IRG
- 47.3 How projects are tracking against budget, and any cost overruns
- 47.4 Specific information sought on projects that Ministers identify as priorities
- 47.5 The number of people currently employed through projects funded by IRG Ministers. This should include the number of people who are currently or have previously worked on each project, and the expected number of workers in the future
- 47.6 The number and percentage of projects that are currently under construction, and for projects that are not currently under construction, information about when construction is expected to commence
- 47.7 If applicable, progress on gaining relevant consents
- 47.8 Key milestones and deliverables, and how each project is performing against these milestones,
- 47.9 Key risk and issues, including proposed mitigations, and;
- 47.10 The establishment and ongoing management of loans, equity or other instruments and contracts that are used to enable the projects.
- 48 Once contracting is complete, reporting should take place on a monthly basis.

Changes to Provincial Growth Fund decision-making delegations

- 49 The PGF's current delegations are that:
 - 49.1 Cabinet makes funding decisions over \$20 million
 - 49.2 Regional Economic Development Ministers make funding decisions between \$1 million and \$20 million, and
 - 49.3 Senior Regional Officials (SROs) make funding decisions under \$1 million.
- 50 There may still be unapproved funding remaining in the PGF in August 2020. There are only two RED Ministers meetings, and five SRO meetings remaining, with two before the House rises. It is likely that funding decisions will be required after the House rises on 6 August.
- 51 To ensure that PGF decisions can be made after the House rises, we propose that PGF decisions may be delegated to the Minister of Finance and Minister of Regional Economic Development from August 2020.

Financial Implications

- 52 Cabinet agreed to a \$3 billion tagged contingency to provide investment in infrastructure to support New Zealand's economic recovery as part of the COVID-19 Response and Recovery Fund. This paper seeks to drawdown [33] billion funding from the Tagged Capital Contingency to provide for projects approved by IRG Ministers. This paper authorises IRG Ministers and the relevant appropriation Minister to make any necessary further changes to appropriations (including establishing any new appropriations) to deliver IRG projects following final decisions on projects by IRG Ministers.

Implications

- 53 There are no legislative, climate, or population implications.

Consultation

- 54 The Treasury, MBIE, and CIP have been consulted on the paper. Delivery agencies have been consulted on the projects they will manage. The Department of Prime Minister and Cabinet was informed.

Communications

- 55 Ministers will announce shovel ready infrastructure investments.

Proactive Release

- 56 This paper will be proactively released within 30 days, subject to redaction as appropriate under the Official Information Act 1982.

Recommendations

The Minister of Finance and Minister for Infrastructure / Regional Economic Development recommend that Cabinet:

- 1 **note** that on 24 June 2020, the Cabinet Economic Development Committee with Power to Act [DEV-20-MIN-0114 refers]:
 - 1.1 authorised Infrastructure Reference Group Ministers to make final decisions on projects from an attached shortlist to be funded from the \$3 billion Infrastructure Tagged Contingency;
 - 1.2 agreed to keep [33] of the \$3 billion Tagged Contingency unallocated at this time in case of project cost overruns that could emerge from further due diligence on projects, and for IRG Ministers to make decisions on allocating this contingency including the timing and announcements of those decisions;
 - 1.3 agreed to appoint Crown Infrastructure Partners (CIP) to deliver projects progressed by IRG Ministers that do not have an existing central government delivery agency;

- 1.4 agreed that the PDU would be responsible for delivering projects progressed by IRG Ministers under \$20 million where it is best placed to do so;
- 1.5 noted that Cabinet agreement may be needed to allow the PDU to deliver projects that are currently outside its mandate, but that it is best placed to deliver;
- 1.6 invited IRG Ministers will report back on the programme governance and monitoring arrangements and
- 1.7 agreed the high-level PDU and CIP roles to deliver IRG projects.

Allocation of the projects and funding

- 2 **note** that through the COVID-19 Response and Recovery Fund (CRRF) Foundation Package on 11 May 2020, Cabinet agreed to establish a \$3 billion Tagged Capital Contingency, phased evenly across the next three years as follows, to provide for investment in infrastructure to support the economic recovery from COVID-19 [CAB-20-MIN-0219.04 refers]:

	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & outyears
COVID-19: Infrastructure Investment – Tagged Capital Contingency	1000.000	1000.000	1000.000	-	-

3 [33]

3.7 [33]

[33]

- 4 **approve** the detailed appropriation and related recommendations set out in Annexes A – K, to give effect to the decisions in recommendation 3 above, with a corresponding impact on the operating balance and net core Crown debt;
- 5 **agree** that the expenses and capital expenditure incurred under the recommendations in Annexes A – K, and outlined as follows, be charged against the \$3 billion Tagged Contingency described in recommendation 2 above:

\$m - increase/(decrease)	
Vote	[33]

[33]

- 6 **authorise** IRG Ministers and the relevant appropriation Minister to make any necessary further changes to appropriations (including establishing any new appropriations) to deliver IRG projects following final decisions on projects by IRG Ministers;
- 7 **authorise** the Minister of Finance and the relevant appropriation Minister to approve jointly any changes to appropriations needed to correct any minor errors or inconsistencies that are subsequently identified;
- 8 **agree** that the proposed changes to appropriations for 2020/21 in the recommendations in Annexes A – K be included in the 2020/21 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 9 **note** that based on the assumptions that delivery agencies have made about the form of funding that will enable projects, the majority of appropriated funding will be in the form of operating expenditure rather than as capital expenditure as assumed in the tagged contingency;
- 10 **note** the final allocation of capital and operating funding will depend on the final form of government funding (such as loans, grants or equity) that is provided to enable IRG projects;
- 11 **note** that now that the funding has been allocated to projects, the funding to be drawn down has a different profile to what was agreed for the Tagged Capital Contingency in recommendation 2 above;
- 12 **agree** that the remaining [33] from the Tagged Capital Contingency that is not being appropriated be set aside in a newly established Tagged Operating Contingency to provide for possible cost overruns or

reprioritisation in relation to IRG projects that may arise during the implementation phase:

	\$m – increase/(decrease)			
	2020/21	2021/22	2022/23	2023/24 & Outyears
COVID-19: Infrastructure Cost Overruns and Reprioritisation – Tagged Operating Contingency	[33]			

- 13 **note** that this change to an operating contingency reflects that the majority of the allocated projects will likely be funded through operating grants rather than via loans or equity;
- 14 **authorise** the IRG Ministers and the relevant appropriation Minister to draw down the Tagged Operating Contingency funding in recommendation 12 above (establishing any new appropriations as necessary), subject to their satisfaction of the requirement of any cost overruns or reprioritisation in relation to the IRG projects;
- 15 **agree** that IRG Ministers will make subsequent decisions on operating expenditure requirements by delivery agencies to deliver the IRG projects and that these costs will be managed from the COVID-19: Infrastructure Cost Overruns and Reprioritisation – Tagged Operating Contingency in recommendation 12 above;
- 16 **agree** that the expiry date for the Tagged Operating Contingency ‘COVID-19: Infrastructure Cost Overruns and Reprioritisation – Tagged Operating Contingency’ be 30 June 2021;

Provincial Development Unit managed projects

- 17 **agree** that the PDU can manage shovel-ready community, social and flood protection projects transferred by IRG Ministers, which are outside the scope of the PGF;
- 18 **agree** that the PDU can manage shovel-ready projects transferred by IRG Ministers located in New Zealand’s metropolitan areas;
- 19 **agree** that the PDU’s mandate be expanded to hold projects transferred by IRG Ministers that are larger than \$20 million where the PDU is best placed to deliver;
- 20 **agree** that PDU managed infrastructure projects transferred from IRG Ministers funded by way of loan or equity will be held by Provincial Growth Fund Limited (PGFL) once the constitution of PGFL is amended;

- 21 **agree** that for small projects with low risk, the PDU will administer the Government financial support efficiently, in some cases with payment in full upon completion of due diligence and contract negotiations;
- 22 **agree** that officials from the PDU will engage with the Department of Internal Affairs to assist with the due diligence of the shovel ready projects related to flood protection infrastructure;

Governance and monitoring arrangements

- 23 **authorise** Infrastructure Reference Group Ministers (IRG Ministers), comprising the Minister of Finance, Minister for Infrastructure, together with Associate Ministers of Finance, to make final decisions on projects
- 24 **agree** that, in making final decisions on projects, IRG Ministers may choose to progress projects from outside the shortlist agreed to by Cabinet on 24 June 202 [DEV-20-MIN-0114 refers];
- 25 **invite** IRG Ministers to report back to Cabinet if they choose to progress projects outside the shortlist referenced in recommendation 24 that total more than 25 projects or a value of \$500 million in government funding;
- 26 **agree** that, in making final decisions on projects, IRG Ministers will establish rigorous governance arrangements to ensure that projects are progressed in a prudent and timely manner during the recovery;
- 27 **agree** that where projects are scaled or replaced, IRG Ministers will, where practicable, seek to maintain the broad sectoral and regional split across the infrastructure projects;
- 28 **agree** that a key part of the governance arrangements will be clearly establishing the roles and responsibilities of delivery agencies and IRG Ministers will direct the delivery agencies to give effect to these roles and responsibilities, including those set out in this paper;
- 29 **note** that IRG Ministers will work with the relevant shareholding and portfolio Ministers to direct delivery agencies of their roles and responsibilities;
- 30 **agree** that, in advance of any delivery agency distributing funding to enable a project, the delivery agency will seek final project approval from IRG Ministers and provide appropriate assurances that the project can achieve the intended benefits, enabled jobs, scope, expedient delivery and that the government funding is appropriate to enable the project and represents value for money to the Crown;
- 31 **agree** delivery agencies will be directed to seek further IRG Ministers approval in a number of situations, including:
 - 31.1 reprioritisation decisions, including where a delivery agency's due diligence reveals that a project cannot progress with the level of government financial support that was approved

- 31.2 changes to the form of government support, including where the form of government financial support approved (such as a loan, grant or equity) is no longer appropriate or adequate to progress the project;
- 32 **agree** that CIP will be directed to coordinate and deliver fortnightly progress report to IRG Ministers and the Treasury with information on how the suite of infrastructure investments is performing as a whole;
- 33 **agree** that, during the contracting phases, each delivery agency will provide fortnightly data to Crown Infrastructure Partners for every project approved by IRG Ministers, including, but not limited to, the following:
- 33.1 The number and percentage of projects that have been contracted;
- 33.2 The rate of disbursement, including funding paid out and forecasts of expected funding paid out over the life of the IRG;
- 33.3 How projects are tracking against budget, and any cost overruns;
- 33.4 Specific information sought on projects that Ministers identify as priorities;
- 33.5 The number of people currently employed through projects funded by IRG Ministers. This should include the number of people who are currently or have previously worked on each project, and the expected number of workers in the future;
- 33.6 The number and percentage of projects that are currently under construction, and for projects that are not currently under construction, information about when construction is expected to commence;
- 33.7 If applicable, progress on gaining relevant consents;
- 33.8 Key milestones and deliverables, and how each project is performing against these milestones; and
- 33.9 Key risk and issues, including proposed mitigations.
- 33.10 The establishment and ongoing management of loans, equity or other instruments and contracts that are used to enable the projects.
- 34 **agree** that once contracting is complete, reporting should take place on a monthly basis;
- 35 **agree** that for small, low risk projects, IRG Ministers may lower the requirements for due diligence and assurances, if appropriate
- 36 **note** that delivery agencies will utilise their existing governance and oversight arrangements to monitor the delivery of their projects and will feed information into the broader IRG oversight and monitoring arrangements

- 37 **note** that the Infrastructure Commission, Te Waihanga, and the Construction Sector Accord will also play a role in providing advice on the procurement of projects, and this will be reflected in the IRG Ministers direction to delivery agencies

Changes to Provincial Growth Fund decision-making delegations

- 38 **agree** that PGF decisions may be delegated to the Minister of Finance and Minister of Regional Economic Development from August 2020;

Authorised for lodgement

Hon Grant Robertson
Minister of Finance

Hon Shane Jones
Minister for Infrastructure/Regional Economic Development

[33]

53

[33]

67 [33]

[33]

[33]

