

# The Treasury

## Delivering the ‘Shovel Ready’ Infrastructure Projects Information Release

**January 2021**

This document has been proactively released by **Hon Grant Robertson, Minister of Finance** on the Treasury website at

<https://treasury.govt.nz/publications/information-release/finance-portfolio-cabinet-material>

### Cabinet Document Details

Title: **Cabinet Minute: CAB-20-MIN-0341: Delivering the ‘Shovel Ready’ Infrastructure Projects**  
Date: **23 July 2020**  
Creator: Cabinet Office

### Information Withheld

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 sections of the Act that would apply have been identified.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to sections of the Act under which information has been withheld:

[33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [33] appearing where information has been withheld in a release document refers to section 9(2)(f)(iv)

### Copyright and Licensing

Cabinet material and advice to Ministers from the Treasury and other public service departments are © **Crown copyright** but are licensed for re-use under **Creative Commons Attribution 4.0 International (CC BY 4.0)** [<https://creativecommons.org/licenses/by/4.0/>].

For material created by other parties, copyright is held by them and they must be consulted on the licensing terms that they apply to their material.

### Accessibility

The Treasury can provide an alternate HTML version of this material if requested. Please cite this document's title or PDF file name when you email a request to [information@treasury.govt.nz](mailto:information@treasury.govt.nz).



# Cabinet

## Minute of Decision

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

### Delivering the 'Shovel Ready' Infrastructure Projects

**Portfolios**

**Finance / Infrastructure / Regional Economic Development**

On 20 July 2020, Cabinet:

#### Background

- 1      **noted** that on 24 June 2020, the Cabinet Economic Development Committee:
  - 1.1     authorised Infrastructure Reference Group (IRG) Ministers to make final decisions on projects from a specified 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 Provincial Development Unit (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 to report back on the programme governance and monitoring arrangements;
  - 1.7     agreed to the high-level PDU and CIP roles to deliver the IRG projects;

[DEV-20-MIN-0114]

## Allocation of the projects and funding

- 2 **noted** that on 11 May 2020, through the COVID-19 Response and Recovery Fund (CRRF) Foundation Package, 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]:

	\$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	-	-

[33]

- 4 **approved** the detailed appropriation and related recommendations set out in Annexes A – K of the paper under CAB-20-SUB-0341 and this minute, to give effect to the decisions in paragraph 3 above, with a corresponding impact on the operating balance and net core Crown debt;

- 5 **agreed** that the expenses and capital expenditure incurred under the decisions in Annexes A – K, and outlined as follows, be charged against the \$3 billion Tagged Contingency described in paragraph 2 above:

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

- 6 **authorised** 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 **authorised** 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   **agreed** that the proposed changes to appropriations for 2020/21 in Annexes A – K of this minute be included in the 2020/21 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- 9   **noted** 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   **noted** that 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   **noted** 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 referred to in paragraph 2 above;
- 12   **agreed** 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   **noted** 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   **authorised** IRG Ministers and the relevant appropriation Minister to draw down the Tagged Operating Contingency funding in paragraph 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   **agreed** 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 paragraph 12 above;
- 16   **agreed** 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   **agreed** 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    **noted** that investment in the ‘shovel ready’ flood protection infrastructure will be used to leverage longer term change in New Zealand’s flood risk management framework and that officials from the Department of Internal Affairs will engage with the PDU to assist with the due diligence of the shovel ready projects related to flood protection infrastructure;
- 19    **agreed** that the PDU can manage shovel-ready projects transferred by IRG Ministers located in New Zealand’s metropolitan areas;
- 20    **agreed** 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;
- 21    **agreed** 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;
- 22    **agreed** 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;

## **Governance and monitoring arrangements**

- 23    **authorised** IRG Ministers, comprising the Minister of Finance, Minister for Infrastructure, together with Associate Ministers of Finance, to make final decisions on projects;
- 24    **agreed** 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 2020 [DEV-20-MIN-0114];
- 25    **invited** IRG Ministers to report back to Cabinet if they choose to progress projects outside the shortlist referred to in paragraph 24 above that total more than 25 projects or a cumulative total of \$500 million in government funding;
- 26    **agreed** that, in making final decisions on projects, IRG Ministers establish rigorous governance arrangements to ensure that projects are progressed in a prudent and timely manner during the recovery;
- 27    **agreed** 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    **agreed** that a key part of the governance arrangements will be clearly establishing the roles and responsibilities of delivery agencies, and that IRG Ministers will direct the delivery agencies to give effect to these roles and responsibilities, including those set out in the paper under CAB-20-SUB-0341;
- 29    **noted** that IRG Ministers will work with the relevant shareholding and portfolio Ministers to direct delivery agencies in respect of their roles and responsibilities;
- 30    **agreed** 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 and expedient delivery, and that the government funding is appropriate to enable the project and represents value for money to the Crown;

- 31   **agreed** that delivery agencies 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   **agreed** that CIP be directed to coordinate and deliver fortnightly progress reports to IRG Ministers and the Treasury with information on how the suite of infrastructure investments is performing as a whole;
- 33   **agreed** that, during the contracting phases, each delivery agency provide fortnightly data to CIP 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;
  - 33.9 key risks 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   **agreed** that once contracting is complete, reporting should take place on a monthly basis;
- 35   **agreed** that for small, low risk projects, IRG Ministers may lower the requirements for due diligence and assurances, if appropriate;
- 36   **noted** 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    **noted** 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 that this will be reflected in the IRG Ministers' direction to delivery agencies;

### **Changes to PGF decision-making delegations**

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

Michael Webster  
Secretary of the Cabinet

[33]

[33]

[33]

[33]

[33]

[33]

[33]

56 [33]  
[33]

[33]

[33]

[33]

[33]

72 [33]

[33]

[33]

[33]

[33]