

To: Hon Michael Wood, Minister of Transport	MEMORANDUM
From: Bryn Gandy, Deputy Chief Executive, System Strategy & Investment	
CC: Peter Mersi, Chief Executive Brent Johnston, Acting Deputy Chief Executive, System Strategy & Governance	
Date: 11 February 2021	

Subject:

Timeline on upcoming advice for the transport component of the New Zealand Upgrade Programme (NZUP)

Context:

Your office requested a timeline on upcoming advice for the transport component of the NZUP. Your office also sought clarity on why advice for the programme's baseline will be developed in May 2021, when the baselining of the programme is scheduled to be completed in March.

Response:

- Last year, officials indicated that full advice on baselining would be provided at the end of March 2021. Officials intended that this advice would incorporate assurance and advice from the NZUP Oversight Group. This initial timeline was based on an early expectation that baselining information from Waka Kotahi and KiwiRail (the delivery agencies) would be made available in tranches.
- In December 2020, the delivery agencies clarified that the majority of baselining information would be made available following consideration by the Waka Kotahi Board on 25 March 2021, and the KiwiRail Board on 6 April 2021.
- The baselining information for each individual project is expected to be around thirty pages long, along with what is expected to be hundreds of pages of attachments. Across all of the projects, this amounts to a considerable volume of information. Analysis and assurance of this information will be needed to ensure the baselining information is fit-for-purpose for making decisions on resetting the programme, and confirming project scopes.

- The NZUP Oversight Group asked delivery agencies (Waka Kotahi in particular) to make information available earlier if possible. Officials understand that the early provision of information would be considered by Waka Kotahi's internal NZUP governance group on 17 February. Officials from the Ministry, as well as the NZUP Oversight Group's Chair Brian Wood, will attend part of this meeting.
- In the meantime, officials understand that you will want to consider your approach to the Programme earlier than the approval of the baselines by the delivery agencies' Boards. Officials agree that it is important to provide certainty as early as possible, and have started preparing advice that will allow you to re-set the programme iteratively. Initial advice will allow you to start making high-level decisions around your priorities for the programme.
- Baseline information may help with these choices, but it is then essential to confirm revised scopes and funding choices with confidence following high-level prioritisation decisions.
- Officials are taking the following approach to support you in resetting the programme:
 - The Ministry and the Treasury will provide advice that will assist you with considering, at a high level, how the transport component of the NZUP may be re-shaped given forecast cost increases. This will include how projects connect to, and support, other Government priorities. This initial advice will provide you with options for signalling your priorities and directing officials to work with delivery agencies to reset the Programme.
 - Officials will be taking an iterative, "no surprises" approach to advising you on the baselining information once it is received. For example, officials will be testing with your office on whether you would like to engage with the NZUP Oversight Group during this process.
 - While you as Joint Ministers could consider changes to the programme before receiving complete baseline information, officials anticipate that you will want assurance advice before committing to a final scope and funding envelope for each NZUP project.
- If you do choose to scope projects in or out of the overall programme, officials will be able to target advice accordingly on these specific projects.
- All of the above policy work will be carried out in close collaboration with delivery agencies. Officials will also collaborate closely with the Infrastructure Commission, which is also represented on the NZUP Oversight Group.

- The NZUP Oversight Group's key tasks will be to:
 - seek technical assurance in respect of the processes and existing assurance that has already been applied to the baselining material
 - put lines of enquiries to the delivery agencies, to ensure there is shared understanding on how the baselining information for each project is put together. The NZUP Oversight Group will also present a view of its confidence in the projects and the NZUP programme overall
 - agree on a package of advice across the NZUP Oversight Group's agencies (the Ministry, Treasury, the Infrastructure Commission) in close collaboration with delivery agencies regarding the Programme's baselining and any re-set of the Programme.
- The value of the NZUP Oversight Group to date has been to provide independent assurance with a view of broader Government priorities. The NZUP Oversight Group has also discussed how it will work to its role and not duplicate delivery agencies' efforts in supporting you to re-set the NZUP.
- An annotated schedule for the work is attached.

Proactively released
by the Ministry of Transport

Appendix 1: annotated schedule of upcoming NZUP advice

Key activity	Milestone date	Note
Advice on high-level preferences for prioritising the transport component of the New Zealand Upgrade Programme (NZUP) within the fixed funding envelope of \$6.8 billion completed	Early March 2021	<p>This advice seeks your direction on high level preferences for prioritising the transport component of the NZUP. The advice will be provided by the Ministry of Transport, Treasury, and independent advisers.</p> <p>At this stage, there should be enough progress in the baselining work to give us some view of expected issues in the programme, though officials would not expect a full view.</p> <p>While this advice will help you to make high-level prioritisation choices early, a more detailed baseline assessment will still be important to finalise choices on scope and costs for individual projects.</p> <p>Following this advice, officials will also recommend that more detailed advice is developed after the completion of the programme baseline, based on your high level preferences. This advice intends to provide possible phasing and detailed prioritisation options that Joint Ministers can take to deliver the NZUP, within the fixed funding envelope of \$6.8 billion.</p>
Baseline approval by Waka Kotahi Board	25 March 2021	Delivery agencies have advised that the baseline will need to be approved by the delivery agencies' Boards prior to being shared with the Oversight Group, and its independent advisers.
Baseline approval by KiwiRail Board	6 April 2021	Officials are encouraging Waka Kotahi to make baselining information available earlier if possible, noting the challenges that delivery agencies are facing to undertake the baselining work while maintaining momentum in delivering the NZUP.

Key activity	Milestone date	Note
Baseline assessment by NZUP Oversight Group completed	Middle of May, 2021	<p data-bbox="868 309 1455 645">Provision of baseline reports to the Oversight Group was planned to begin in November 2020. Current advice from delivery agencies is that baseline reports will require Board approval first (Waka Kotahi approval on 25 March and KiwiRail approval on 6 April). On this basis officials expect to receive baseline reports between late March and early April.</p> <p data-bbox="868 689 1455 922">Officials will provide early advice once the baselining information is received. However it will take longer for the Oversight Group to indicate its level of confidence in the baseline reports, and to develop a robust assessment of the baselined programme.</p> <p data-bbox="868 967 1455 1227">Officials expect that each baseline report will be around 30 pages long, with the supporting appendices potentially running to hundreds of pages. All of this will require review to confirm the robustness of the baseline and to generate advice to Ministers.</p> <p data-bbox="868 1272 1455 1541">Officials are prioritising the review of the baseline reports, including organising a potential out of cycle Oversight Group meeting to ensure timely comment and feedback to delivery agencies and finalisation of reporting to the May Oversight Group meeting.</p> <p data-bbox="868 1585 1455 1805">There is a risk that delays from delivery agencies, or inadequate information, may delay the baseline assessment. To mitigate this risk, officials are encouraging delivery agencies to make some baselining information available earlier, if possible.</p>

Officials will continue to update your office with regular Weekly Reports, and update briefings after the monthly NZUP Oversight Group meetings. Officials will continue to update you on progress of the milestones above on a “no-surprises” basis.