

19 February 2021

OC210108

Hon Michael Wood
Minister of Transport**Action required by:**
Monday, 22 February 2021cc Hon Grant Robertson
Minister of Finance

UPDATE ON UPCOMING ADVICE FOR THE NEW ZEALAND UPGRADE PROGRAMME

Purpose

To update you on when advice will be provided on the transport component of the New Zealand Upgrade Programme (the Programme) from now to the beginning of April 2021.

Key points

- Officials are preparing advice on prioritising the Programme, and the assessment of a Programme baseline. We intend to provide three separate pieces of advice up to the first week of April 2021.
 - **The February 2021 Programme update** will provide you with an update on the proceedings of the 10 February Oversight Group (OSG)¹ meeting, and information on the status of the Programme and its key projects. This is being prepared now and will incorporate feedback from the delivery agencies.
 - **Advice on prioritisation in early March** will help you consider high level prioritisation decisions across the Programme in relation to other Government priorities. We understand you may wish to make early prioritisation choices in the Programme, or begin to consider what the key options for prioritising the Programme may be in advance of baseline completion.
 - **Officials have brought forward delivery of the baselining advice by six weeks**, with the aim of briefing you by the first week of April. This reflects that Waka Kotahi has agreed to provide baselining information earlier and iteratively. The OSG will provide assurance advice on the Programme baseline, and on where there are remaining risks that should be taken account of in the purchase of projects.

¹ The OSG is represented by senior officials from the Ministry of Transport, Treasury and the Infrastructure Commission, and also includes three independent experts from industry, one of whom chairs the OSG.

IN CONFIDENCE

- Officials will provide an update in the first week of March on what baselining information has been received to date, how the overall process is tracking, and other information that you will need to know on a “no surprises basis”. Officials will also, via Weekly Reports, report to you regularly on progress with the baselining.
- Officials will collaborate closely with Treasury, the Infrastructure Commission, and delivery agencies in delivering all of the advice.

Recommendations

We recommend you:

- 1 **note** that officials are preparing an update on the current state of the Programme, early advice on prioritisation within the Programme, and will report in early April on the baselining process
- 2 **note** that officials will update you weekly on progress

Bryn Gandy
**Deputy Chief Executive, System
Strategy and Investment**

Hon Michael Wood
Minister of Transport

19 / 2 / 2021

..... / /

- Minister’s office to complete:**
- Approved
 - Declined
 - Seen by Minister
 - Not seen by Minister
 - Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Bryn Gandy, Deputy Chief Executive, System Strategy and Investment		✓
Robert Anderson, Manager, Governance		

Protect the privacy of individuals

UPDATE ON UPCOMING ADVICE FOR THE NEW ZEALAND UPGRADE PROGRAMME

Upcoming advice for the transport component of the New Zealand Upgrade Programme (the Programme)

Officials are preparing advice on both prioritising the Programme at a high level in relation to other Government priorities, and a robust assessment of the Programme baseline

- 1 We previously advised through the December 2020 Programme update (OC200971 refers), that preparation of advice is underway:
 - to assist you with making prioritisation choices across the Programme
 - on a robust baseline of information, particularly on the scope, cost and schedule of individual projects to monitor performance against, and in which Ministers can have confidence in what they are purchasing.
- 2 When the Programme was purchased in early 2020, Waka Kotahi and KiwiRail (the delivery agencies) provided initial information on the price, scope and schedule. The Establishment Reports, published in mid-2020, sought to establish a programme baseline.
- 3 The current baselining process aims to arrive at an appropriate and well founded baseline following a year's work on the Programme, given the need for choices on how to manage within (or increase) its current \$6.8 billion allocation.

Officials will provide three pieces of advice up to the first week of April

- 4 In the next six weeks, officials will deliver three separate pieces of advice. Their purpose, and proposed timeframes are tabled as below:

Table one: upcoming advice on the Programme

Advice	Purpose	Timeframe for delivery
February 2021 update	Provides you with an update on the findings from the 10 February 2021 OSG meeting, as well as a high level update on the status of the Programme and key projects.	First week of March
Advice on prioritisation	Provides you with advice on how the Programme can be prioritised, including in relation to other Government priorities.	First week of March
Advice on baselining	Provides you with advice and an assessment of the Programme's baseline (scope, price and	First week of April

IN CONFIDENCE

schedule), and more detailed advice on project outcomes and benefits.

- 5 Officials have been preparing prioritisation advice with the understanding that Ministers may wish to make some early choices to the scope of the Programme, or get an early understanding of what options exist and their implications.
- 6 Ideally, prioritisation decisions would work from a full set of baselining information, but we can provide a broad understanding of the Programme's benefits earlier. Officials, the OSG and delivery agencies all advise that final decisions on individual projects' scope and cost should be informed by confirmed baseline information.
- 7 However, if you can indicate at an early stage which projects are of the highest priority, we can seek to provide more detailed advice on these earlier with the delivery agencies.

Advice on prioritisation in early March

The advice in early March, will help you make high level prioritisation decisions across the Programme in relation to other Government priorities

- 8 Officials will provide advice in early March on how the Programme can be prioritised at a high level. This is based on an assumption that you would like to prioritise within the existing set of the Programme's transport projects.
- 9 Officials propose that this advice include information on:
 - which projects are important to the delivery of other Government priorities, such as the Auckland Transport Alignment Project (ATAP) and the Future of Rail
 - the current level of material commitment, such as those relating to contractual agreements that have been made on the projects closest to delivery
 - where the greatest risks and concerns are in terms of the Programme's delivery
 - how your broader priorities (such as emissions) could be progressed
 - whether there are projects that could be substantially re-scoped.
- 10 A number of projects have issues to be worked through that may materially impact which projects are selected for reprioritisation. These projects include Northern Pathway, Mill Road and Drury Stations.
- 11 Officials note that Mill Road is a major component of the Programme and will be key in any prioritisation advice presented, particularly in light of its significant and emerging cost pressures. Options for staging components of Mill Road are being explored which may deliver some benefit to the area and reduce funding required.
- 12 Officials are also considering interdependences of projects in South Auckland, including how the stages of the Papakura to Drury South project interact with the Mill Road project, and how these projects relate to ATAP.

IN CONFIDENCE

- 13 All of the above policy work will be carried out in close collaboration with the delivery agencies. Officials will also work with the Infrastructure Commission, which is represented on the OSG.

Advice on baselining in early April (brought forward from mid-May)

Officials have brought forward delivery of the baselining advice by six weeks, with the aim of briefing you by the first week of April

- 14 Delivery agencies are in the middle of preparing baselining reports for each project. They are working to an end of March timeframe, and have reported that this timeframe is challenging and the level of information that is provided will vary by project. Officials expect that in addition to standard baseline information provided for each project, each report will also be supported by up to hundreds of pages of supporting information
- 15 Delivery agencies had indicated that baselining information would be provided, all at once after approval by the agency Boards, at the end of March (for Waka Kotahi) and the beginning of April (for KiwiRail). Waka Kotahi has agreed to provide this information iteratively, meaning it may be the end of March before it has all been received but it will arrive in tranches from this week on.
- 16 As well as working with the delivery agencies, we will work closely with the Treasury and the Infrastructure Commission to provide an assessment on the baselining information. Officials will be supported by the OSG and independent advisors to deliver this advice.

The OSG will provide advice on the Programme baseline to give you a second, independent view, and confidence as to how the Programme may be reprioritised

- 17 The delivery agencies are responsible for developing and assuring the quality of the baseline information, which includes business cases, design, cost and risk work. Officials and the OSG will not second guess the detail of the information presented, but will look at whether the correct steps have been taken, information has been integrated and aligned, and that risks and uncertainties have been appropriately assessed and quantified.
- 18 The OSG will play an oversight and assurance role on assessing the baseline, and accordingly advise on:
- how the baselining information was prepared, and a view on its completeness
 - whether the baselining information has received internal assurance from the delivery agencies
 - how key issues, such as connected infrastructure in South Auckland, have been considered
 - whether the proposed scope of the individual projects will deliver the outcomes that Government wants to achieve.

IN CONFIDENCE

- 19 This will be worked through alongside the delivery agencies, to provide advice on the level of confidence with which each project can be taken forward, and your options for seeking to manage this across the Programme.
- 20 Officials' and the OSG's advice may cover levels of Programme contingency, how to approach projects that bring substantial benefits but also greater risks, whether there is more work that can be done to address remaining risks in projects early, and what the overall challenges may be in delivering the programme.
- 21 Officials will provide an update in the first week of March on what baselining information has been received to date, how the overall process is tracking, and other information that you will need to know on a "no surprises basis". Officials will also, via Weekly Reports, regularly inform you on baselining progress.

Proactively released
by the Ministry of Transport