



COVERSHEET

Minister	Hon Shane Jones	Portfolio	Regional Economic Development
Title of Cabinet paper	Delivering the 'Shovel Ready' Infrastructure Projects	Date to be published	5 March 2021

List of documents that have been proactively released

Date	Title	Author
5 March 2021	Minute of Decision CAB-20-MIN-0341	Office of Minister for Regional Economic Development
5 March 2021	Delivering the 'Shovel Ready' Infrastructure Projects	Office of Minister for Regional Economic Development

Information redacted

YES / NO (please select)

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Some information has been withheld to protect the confidentiality of advice tendered by ministers and officials, to protect the commercial position of the person who supplied the information, and to maintain the effective conduct of public affairs through the free and frank expression of opinions.

In Confidence

Office of the Ministers of Finance and Regional Economic Development / Infrastructure
Cabinet

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. This paper includes establishing a \$986.3 million appropriation to CIP, \$723.3 million appropriation to the PDU, and \$Commercial Information appropriation to the other delivery agencies. 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 % contingency to the tagged contingency that will remain unallocated for cost overruns. 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 Shortlist Withheld as Contains Commercially Sensitive Information
- 8.2 agreed to keep % percent (\$Commercial Information 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 IRG Ministers have indicated they will seek to transfer over Comme projects, totalling approximately \$986.3 million to CIP to deliver.
- 10 CIP will administer projects across a range of sectors that IRG Ministers have invested in. Specifically, CIP will deliver approximately:
 - 10.1 \$Commercial Information of business projects;
 - 10.2 \$Commercial Information of community and social projects. These projects include a \$Commercial Information digital package, and medium-scale improvements to public amenities, such as swimming pools, sports arenas and an events centre;
 - 10.3 \$Commercial Information for an environmental project that will build a resource recovery network in Auckland;
 - 10.4 \$Commercial Information for social projects;
 - 10.5 \$Commercial Information of housing projects. These projects include significant housing infrastructure and land development packages in Wellington, Waikato, Hawke's Bay, Bay of Plenty, Manawatu-Wanganui and Otago; and
 - 10.6 \$Commercial Information of transport projects. These projects include significant developments relating to PrimePort Timaru, Chatham Islands' Airport – Inia William Tuuta Memorial Airport, Hicks Bay deep water wharf, Queenstown Town Centre, Auckland's ferry basin, and roading infrastructure.
- 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 The majority of CIP-managed projects will be funded by way of a grant. Some projects will require further consideration as to the funding mechanism used (e.g. loan or equity funding instruments), which will typically be projects put forward by commercial entities.
- 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 Commercial Information 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 Commer projects, totalling approximately \$723.3 million, 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 \$Commercial Information of small scale environmental projects. Most of this funding has been set aside for climate resilience and flood management projects. Other projects include waterway revitalisation and landfill projects
 - 20.2 \$Commercial Information of small scale community and social development projects. These projects typically relate to improving public amenities, such as libraries, art galleries, sports facilities, recreation facilities, pools and surf clubs. These projects will typically be delivered by district councils, not-for-profit organisations and iwi groups
 - 20.3 \$Commercial Information of small scale transport projects. These projects include constructing ports, roads, and cycleways
 - 20.4 \$Commercial Information of other small-scale projects.
- 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 The majority of PDU-managed projects will be funded by way of a grant. There are a handful of projects which will require further consideration as to the funding mechanism used (e.g. loan or equity funding instruments), which will typically be projects put forward by commercial entities.
- 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 Comme% 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 \$723.3 million 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 Commercial 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 Commercial Information

[Redacted]

[Redacted]

[Redacted]

Commercial Information

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 Commercial Information 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 \$847.4 million.
- 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 \$188.1 million for the Energy Efficiency and Conservation Authority (EECA) and the Ministry of Business, Innovation and Employment to deliver energy projects, plus \$22 million for the fair value write-downs of concessionary loans
 - 37.2 \$51.3 million for Fire and Emergency New Zealand (FENZ) to upgrade fire stations
 - 37.3 \$238.7 million for Kāinga Ora and the Ministry of Housing and Urban Development to deliver housing programmes
 - 37.4 \$52 million for KiwiRail to deliver rail projects
 - 37.5 \$14.1 million for the Ministry of Justice to upgrade courtrooms, and \$3.9 million for associated operating costs
 - 37.6 \$3.9 million for the New Zealand Defence Force to maintain its facilities
 - 37.7 \$30 million for the New Zealand Transport Agency to deliver roading projects
 - 37.8 \$183.4 million for Ōtākaro Limited to deliver projects located in Canterbury
 - 37.9 \$25 million for the Police to upgrade police hubs, and \$13 million for associated operating costs, and
 - 37.10 \$22 million to Heritage NZ for Seddon House.
- 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 be 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 Comme per cent 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. Commerc
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- 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 \$2.557 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; Shortlist Withheld as Contains Commercially Sensitive Information
 - 1.2 agreed to keep Commer per cent (\$Commercial Information) 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 **note** IRG Ministers have indicated they will allocate a total of \$2.557 billion of the \$3 billion Tagged Capital Contingency to the following agencies and entities to deliver shovel-ready infrastructure projects:
 - 3.1 \$723.3 million for the Provincial Development Unit (PDU) to deliver Comme projects;
 - 3.2 \$986.3 million for Crown Infrastructure Partners (CIP) to deliver Comme projects;
 - 3.3 \$188.1 million for the Energy Efficiency and Conservation Authority (EECA) and the Ministry of Business, Innovation and Employment to deliver energy projects, plus \$22 million for the fair value write-downs of concessionary loans;
 - 3.4 \$51.3 million for Fire and Emergency New Zealand (FENZ) to upgrade fire stations;
 - 3.5 \$238.7 million for Kāinga Ora and the Ministry of Housing and Urban Development to deliver housing programmes;
 - 3.6 \$52 million for KiwiRail to deliver rail projects;

- 3.7 \$14.1 million for the Ministry of Justice to upgrade courtrooms, and \$3.9 million for associated operating costs;
- 3.8 \$3.9 million for the New Zealand Defence Force to maintain its facilities;
- 3.9 \$30 million for the New Zealand Transport Agency to deliver roading projects;
- 3.10 \$183.4 million for Ōtākaro Limited to deliver projects located in Canterbury;
- 3.11 \$25 million for the Police to upgrade police hubs, and \$13 million for associated operating costs; and
- 3.12 \$22 million to Heritage NZ for Seddon House.
- 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:

Vote	\$m - increase/(decrease)					Totals
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears	
Arts, Culture and Heritage						
Capital expenditure	22.000	-	-	-	-	22.000
Business Science and Innovation: Regional Economic Development						
Operating expenditure	200.000	200.000	150.000	58.339	-	608.339
Capital expenditure	65.000	30.000	20.000	-	-	115.000
Business Science and Innovation: Energy and Resources						
Operating expenditure	101.326	64.624	1.326	1.326	1.326	169.928
Capital expenditure	40.040	0.040	-	-	-	40.080
Courts						
Operating expenditure	0.598	1.521	0.593	0.593	0.593	3.898
Defence Force						
Operating expenditure	3.900	-	-	-	-	3.900
Finance						
Operating expenditure	469.711	350.000	350.000	-	-	1169.711

Housing and Urban Development						
Operating expenditure	178.670	48.750	7.500	3.750	-	238.670
Internal Affairs						
Capital expenditure	34.300	17.000	-	-	-	51.300
Justice						
Capital expenditure	14.100					14.100
Police						
Operating expenditure	0.000	3.250	3.250	3.250	3.250	13.000
Capital expenditure	25.000	-	-	-	-	25.000
Transport						
Operating expenditure	13.000	-	-	-	-	13.000
Capital expenditure	69.000	-	-	-	-	69.000
Total operating	967.205	668.145	512.669	67.258	5.169	2220.446
Total capital	269.440	47.040	20.000	0.000	0.000	336.480
Total	1236.645	715.185	532.669	67.258	5.169	2556.926

- 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 \$443.074 million 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	243.074	200.000		

- 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 **Commercial Information**

- 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 Commercial Information
[Redacted]

25 Commercial Information
[Redacted]

- 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 Commercial Information [REDACTED]
- 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

Annex A: Projects to be delivered by the Provincial Development Unit

39 **agree** to establish the following new multi-year appropriations, to run from 1 July 2020 to 30 June 2025:

Vote	Appropriation Minister	Title	Type	Scope
Business Science and Innovation	Minister for Regional Economic Development	Regional Economic Development: Infrastructure Capital Expenditure Investment	Non-departmental Capital Expenditure	This appropriation is limited to capital expenditure on capital infrastructure projects that support economic growth.
Business Science and Innovation	Minister for Regional Economic Development	Regional Economic Development: Infrastructure Investment Provincial Growth Fund Limited	Non-departmental Capital Expenditure	This appropriation is limited to the Crown's investment in Provincial Growth Fund Limited.
Business Science and Innovation	Minister for Regional Economic Development	Regional Economic Development: Supporting Infrastructure Projects	Non-departmental Other Expenses	This appropriation is limited to operating expenses on infrastructure projects that support economic growth.

40 **approve** the following changes to appropriations to provide for the decisions in recommendation 3, with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)	
Vote Business Science and Innovation Minister for Regional Economic Development	2020/21 to 2024/25	2025/26 & outyears
Non-departmental Capital Expenditure: Regional Economic Development: Infrastructure Capital Expenditure Investment	45.000	
Non-departmental Capital Expenditure: Regional Economic Development: Infrastructure Investment Provincial Growth Fund Limited	70.000	
Non-departmental Other Expenses:	608.339	

Regional Economic Development: Supporting Infrastructure Projects		
Total operating	608.339	
Total capital	115.000	

41 **note** that the indicative spending profile for the new multi-year appropriations described in recommendation 40 above is as follows:

Indicative annual spending profile	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25
Non-departmental Capital Expenditure					-
Infrastructure Capital Expenditure Investment	40.000	5.000			
Non-departmental Capital Expenditure Infrastructure Investment Provincial Growth Fund Limited	25.000	25.000	20.000		
Non-departmental Other Expenses Supporting Infrastructure Projects	200.000	200.000	150.000	58.339	
Total operating	200.000	200.000	150.000	58.339	-
Total capital	65.000	30.000	20.000	-	-

Annex B: Projects to be delivered by Crown Infrastructure Partners

- 42 **agree** to establish the following new multi-year appropriation, to run from 1 August 2020 to 1 June 2023:

Vote	Appropriation Minister	Title	Type	Scope
Finance	Infrastructure	Shovel ready project funding – Crown Infrastructure Partners	Non-Departmental Other Expense	This appropriation is limited to grants to Crown Infrastructure Partners to fund or deliver infrastructure projects.

- 43 **approve** the following changes to appropriations to give effect to the policy decision in recommendation 3 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Finance Minister for Infrastructure	\$m – increase/(decrease)	
	2020/21 to 2022/23	2023/24 & outyears
Shovel ready project funding – Crown Infrastructure Partners	986.271	-

- 44 **note** that the indicative spending profile for the new multi-year appropriation described in recommendation 43 above is as follows:

Indicative annual spending profile	\$m – increase/(decrease)			
	2020/21	2021/22	2022/23	2023/24 & Outyears
	386.271	300.000	300.000	-

- 45 **noted** that in the short to medium term, and at the discretion of shareholding Ministers, a portion of the non-departmental capital multi-year appropriation Crown Infrastructure Partners Limited – Equity Injection in Vote Finance from which CIP currently funds its bulk housing infrastructure work can be used to fund CIP’s operating costs associated with the oversight of shovel ready projects in 2020/21;
- 46 **note** that any funding taken from the appropriation in recommendation 45 to fund CIP’s new role would need to be replaced later to allow for the successful delivery of the Infrastructure Funding and Financing Model, for which the appropriation was initially established;

Annex C: Projects to be delivered by Ōtākaro Limited

47 **agree** to establish the following new multi-year appropriation, to run from 1 August 2020 to 1 June 2023:

Vote	Appropriation Minister	Title	Type	Scope
Finance	Infrastructure	Shovel ready project funding – Ōtākaro Limited	Non-Departmental Other Expense	This appropriation is limited to grants to Ōtākaro Limited to fund or deliver infrastructure projects.

48 **approve** the following changes to appropriations to give effect to the policy decision in recommendation 3 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Finance Minister for Infrastructure	\$m – increase/(decrease)	
	2020/21 to 2022/23	2023/24 & Outyears
Shovel ready project funding – Ōtākaro Limited	183.440	-

49 **note** that the indicative spending profile for the new multi-year appropriation described in recommendation 48 above is as follows:

Indicative annual spending profile	\$m – increase/(decrease)			
	2020/21	2021/22	2022/23	2023/24 & Outyears
	83.440	50.000	50.000	-

Annex D: Energy Projects

- 50 **note** that the Minister of Finance has approved the establishment of a new multi-category appropriation “Energy and Resources: Investment in Infrastructure Projects” in Vote Business, Science and Innovation, to be administered by the Ministry of Business, Innovation and Employment and with Minister of Energy and Resources as appropriation Minister, to facilitate funding and operational support for infrastructure projects;
- 51 **note** that the Minister of Finance has agreed that the single overarching purpose of this appropriation is to invest in infrastructure projects which support the Energy sector;
- 52 **note** that the Minister of Finance and the Minister of Energy and Resources have agreed that the categories for this appropriation be as follows:

Title	Type	Scope
Loans and Equity Investments to support Infrastructure Investments	Non-departmental Capital Expenditure	This category is limited to loans and equity investments for infrastructure projects
Grants to support Infrastructure Investments	Non-departmental Other Expenses	This category is limited to grants for infrastructure projects
Other Activities to support Infrastructure Investments	Non-departmental Other Expenses	This category is limited to activities that support the development of infrastructure projects
Capital Infrastructure Investments – fair value write down	Non-departmental Other Expenses	This category is limited to the initial fair value write-down of loans for infrastructure projects
Capital Infrastructure Investments – Impairment of debt and equity investments	Non-departmental Other Expenses	This category is limited to expenses arising from the recognition of the impaired value of infrastructure investment debts and equity investments, including write down and write offs.
Operational Support of Infrastructure Investments	Non-departmental output expense	This category is limited to the supporting infrastructure projects, including the purchase of ancillary services.

53 **approve** the following changes to appropriations to provide for the new multi-category appropriation described in recommendations 50, 51 and 52 above:

Vote Business, Science and Innovation Minister of Energy and Resources	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Multi-Category Expenses and Capital Expenditure: Energy and Resources: Investment in Infrastructure Projects MCA					
Non- departmental Output Expenses: Operational Support of Infrastructure Investments	-	-	-	-	-
Non-departmental Other Expenses: Grants to support Infrastructure Investments	48.000	-	-	-	-
Other Activities to support Infrastructure Investments	-	-	-	-	-
Capital Infrastructure Investments – fair value write down					
Capital Infrastructure Investments – Impairment of debt and equity investments	22.000	-	-	-	-
Non-departmental Capital Expenditure: Loans and Equity Investments to support Infrastructure Investments	-				
	40.000	-	-	-	-

Total Multi-Category Expenses and Capital Expenditure: Energy and Resources: Investment in Infrastructure Projects MCA	110.000	-	-	-	-
Total Operating	70.000	-	-	-	-
Total Capital	40.000	-	-	-	-

54 **agree** to establish the following new multi-year appropriation, to run from 20 July 2020 to 30 June 2025:

Vote	Appropriation Minister	Title	Type	Scope
Vote Business, Science and Innovation	Minister of Energy and Resources	Energy and Resources: Advice on Viable Energy Storage Projects MYA	Non-Departmental Output Expense	This appropriation is limited to the delivery of advice on the technical, environmental, and commercial feasibility of viable energy storage projects, including an assessment against alternatives.

55 **agree** to increase expenditure to provide for costs associated with the new multi-year appropriation described in recommendation 54 above and ancillary costs, with the following impacts on the operating balance and net core Crown debt:

Vote Business, Science and Innovation	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Operating Balance and Net Core Crown Debt Impact	31.326	64.624	1.326	1.326	1.326
Operating Balance Only Impact	0.008	0.016	0.016	0.016	0.016
Net Core Crown Debt Only Impact	0.040	0.040	-	-	-
No Impact	-	-	-	-	-
Total	31.374	64.680	1.342	1.342	1.342

56 **approve** the following changes to appropriations to give effect to the decision in recommendation 3 and 54 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Business, Science and Innovation Minister of Economic Development	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Multi-Category Expenses and Capital Expenditure: Policy Advice and Related Services to Ministers MCA Departmental Output Expenses: Policy Advice and Related Services to Ministers - Energy and Resources (funded by revenue Crown)	1.326	1.326	1.326	1.326	1.326
Capital Injection: Ministry of Business, Innovation and Employment - Capital Injection	0.040	0.040	-	-	-
Total Operating	1.326	1.326	1.326	1.326	1.326
Total Capital	0.040	0.040	-	-	-
	\$m – increase/(decrease)				
Vote Business, Science and Innovation Minister of Energy and Resources	2020/21 to 2024/25			2025/26 & Outyears	
Non-Departmental Output Expense: Energy and Resources: Advice on Viable Energy Storage Projects MYA	93.298			-	

57 **note** that the indicative spending profile for the new multi-year appropriation described in recommendation 56 above is as follows:

	\$m – increase/(decrease)				
Indicative annual spending profile	2020/21	2021/22	2022/23	2023/24	2024/25
	30.000	63.298	-	-	-

Annex E: Housing Projects

58 **agree** to establish the following new multi-year appropriation, to run from 1 August 2020 to 30 June 2024:

Vote	Appropriation Minister	Title	Type	Scope
Vote Housing and Urban Development	Minister of Housing	Infrastructure Investment to Progress Urban Development	Non-Departmental Other Expense	This appropriation is limited to investment into housing and infrastructure projects to enable urban development, regeneration and housing outcomes.

59 **approve** the following change to appropriations to give effect to the policy decision in recommendation 3 above, with a corresponding impact on the operating balance and debt:

Vote Housing and Urban Development Minister of Housing	\$m – increase/(decrease)	
	2020/21 to 2023/24	2024/25 & Outyears
Non-Departmental Other Expenses:		
Urban Development and Infrastructure Outcomes	238.670	

60 **note** the indicative spending profile for the new multi-year appropriation described in recommendation 59 above is as follows:

Indicative annual spending profile	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25
	178.670	48.750	7.500	3.750	-

Annex F: Fire and Emergency New Zealand projects

61 **agree** to establish the following new multi-year appropriation to run from 1 July 2020 until 30 June 2023:

Vote	Appropriation Minister	Title	Type	Scope
Internal Affairs	Minister of Internal Affairs	Fire and Emergency New Zealand – Rebuild and Upgrade of Fire Stations	Non-Departmental Capital Expenditure	This appropriation is limited to a capital injection to enable Fire and Emergency New Zealand to rebuild and upgrade fire stations.

62 **approve** the following change to appropriations to give effect to the decision in recommendation 3 above, with a corresponding impact on net core Crown debt:

Vote Internal Affairs Minister of Internal Affairs	\$million – increase/(decrease)	
	2020/21 to 2022/23	2023/24 & Outyears
Non-Departmental Capital Expenditure: Fire and Emergency New Zealand – Rebuild and Upgrade of Fire Stations	51.300	-

63 **note** that the indicative spending profile for the new multi-year appropriation described in recommendation 62 above is as follows:

Indicative annual spending profile	\$million – increase/(decrease)			
	2020/21	2021/22	2022/23	2023/24 & Outyears
	34.300	17.000	-	-

64 **note** that the FENZ projects referred in recommendation 3 above will be delivered and managed by FENZ and monitored by the Department of Internal Affairs;

65 **note** that the Department of Internal Affairs and FENZ will enter into a Memorandum of Understanding and Funding Agreement that will include the drawdown process and reporting requirements;

66 **note** that Fire and Emergency New Zealand (FENZ) is currently not subject to capital charge as its Crown funded assets are below the \$15 million threshold established through the 2011 review of capital charge rules for statutory Crown entities [ECC Min (11) 4/1 REV 1 refers];

- 67 **note** that the Crown capital investment provided through recommendation 62 above would mean that FENZ's Crown funded net assets increase above the \$15 million threshold and therefore should be captured by the capital charge regime under current policy settings;
- 68 **note** that the Treasury will provide advice to the Minister of Finance in late 2020 about whether the capital charge regime for statutory Crown entities should apply to FENZ, and if so, how that should be implemented through section 166 of the Crown Entities Act 2004;

Annex G: Justice Projects

- 69 **approve** the following changes to appropriations and departmental capital injections to give effect to the policy decision in the recommendation 3 above, with a corresponding impact on the operating balance and net core Crown debt:

	\$m - increase/(decrease)			
	2020/21	2021/22	2022/23	2023/24 & Outyears
Operating Balance Impact	0.598	1.521	0.593	0.593
Debt Impact	14.100	-	-	-
No Impact	-	-	-	-
Total	14.698	1.521	0.593	0.593

	\$m - increase/(decrease)			
	2020/21	2021/22	2022/23	2023/24 & Outyears
Vote Courts Minister for Courts				
Multi-Category Expenses and Capital Expenditure: Courts, Tribunals and Other Authorities Services, including the Collection and Enforcement of Fines and Civil Debts Services (MCA) Courts, Tribunals and Other Authorities Services, including the Collection and Enforcement of Fines and Civil Debts Services (MCA) <i>Departmental Output Expense:</i> District Court Services (funded by revenue Crown)	0.598	1.521	0.593	0.593
Vote Justice Minister of Justice				
Capital Injection: Ministry of Justice – Capital Injection	14.100	-	-	-
Total Operating	0.598	1.521	0.593	0.593
Total Capital	14.100	-	-	-

- 70 **authorise** the Minister of Finance, Minister of Justice and Minister for Courts to approve the Wellington District Court – Refurbishment and Modernisation of Courthouse Initiative Project Business Case prior to going to market;
- 71 **note** that, as part of Budget 2020, Cabinet agreed to set aside funding in the Justice Property Health and Safety Remediation tagged capital and operating contingencies and authorised the Minister of Finance, the Minister of Justice and the relevant Appropriation Ministers to drawdown from the tagged contingencies, subject to

Cabinet's approval of a programme business case and any individual business cases as necessary (refer CAB-20-MIN-0155.20);

- 72 **note** that as part of the tagged contingencies above, \$6.0 million capital expenditure and \$2.9 million total operating expenditure was set aside for seismic strengthening of the Wellington District Courthouse;
- 73 **authorise** the Minister of Finance, Minister of Justice and Minister of Courts to approve the drawdown of funding in the tagged contingency in recommendation 71 above, as part of the approval process for the Wellington District Court – Refurbishment and Modernisation of Courthouse initiative, without requiring further reference to Cabinet;

Annex H: New Zealand Defence Force Projects

74 **approve** the following changes to appropriations for the New Zealand Defence Force to maintain their facilities in the Southern Region;

	NZ \$m - increase/(decrease)				
Vote Defence Force Minister of Defence	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Departmental Output Expense: Army Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown)	3.900	0.000	0.000	0.000	0.000
Total Operating	3.900	0.000	0.000	0.000	0.000

Annex I: Police Projects

- 75 **approve** the following changes to appropriations and departmental capital injections to give effect to the policy decision in recommendation 3 above, with a corresponding impact on the operating balance and net core Crown debt:

	\$m - increase/(decrease)			
	2020/21	2021/22	2022/23	2023/24 & Outyears
Operating Balance Impact	-	3.250	3.250	3.250
Debt Impact	25.000	-	-	-
No Impact	-	-	-	-
Total	25.000	3.250	3.250	3.250

Vote Police Minister of Police	\$m - increase/(decrease)			
	2020/21	2021/22	2022/23	2023/24 & Outyears
Multi-Category Expenses and Capital Expenditure:				
Policing Services (MCA)				
<i>Departmental Output Expenses:</i>				
Crime Prevention (funded by revenue Crown)	-	0.800	0.800	0.800
Investigations and Case Resolution (funded by revenue Crown)	-	1.280	1.280	1.280
Policy Advice and Ministerial Services (funded by revenue Crown)	-	0.010	0.010	0.010
Primary Response Management (funded by revenue Crown)	-	1.160	1.160	1.160
Total Multi-Category Expenses and Capital Expenditure: Policing Services (MCA)	-	3.250	3.250	3.250
Capital Injections:				
New Zealand Police – Capital Injection	25.000	-	-	-
Total Operating	-	3.250	3.250	3.250
Total Capital	25.000	-	-	-

- 76 **authorise** IRG Ministers and the Minister of Police to approve the Whanganui Police Hub business case prior to going to market;

Annex J: Transport Projects

77 **agree** to establish the following new appropriation, to allow KiwiRail to deliver rail projects:

Vote	Appropriation Minister	Title	Type	Scope
Transport	Minister of Transport	Shovel ready project funding – Rail	Non-departmental Other Expense	This appropriation is limited to grants to KiwiRail Holdings Limited to deliver infrastructure projects.

78 **approve** the following changes to appropriations to give effect to the policy decision in recommendation 3 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Transport Minister of Transport	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Non-departmental Other Expense: Shovel ready project funding – Rail	13.000	-	-	-	-
Non-departmental Capital Expenditure: Rail – KiwiRail Holdings Limited	39.000				
Non-departmental Capital Expenditure: Regional State Highways MYA	30.000				

79 **agree** that the Multi Year Appropriation “Regional State Highways” be adjusted by \$30 million;

80 **note** that the amount shown in the appropriations changes table in recommendation 78 above for the Multi Year Appropriation: "Regional State Highways" is the change to the indicative annual spending profile;

Annex K: Heritage New Zealand Projects

81 **approve** the following changes to appropriations to provide for the decision in recommendations 3 above, with a corresponding impact on net core Crown debt:

	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & outyears
Vote Arts, Culture and Heritage					
Minister for Arts, Culture and Heritage					
Non-Departmental Capital Expenditure: Heritage and Culture Sector Capital (M4)	22.000	-	-	-	-
Total Capital	22.000	-	-	-	-

82 **note** that the Treasury will provide advice to the Minister of Finance in late 2020 about whether the capital charge regime for statutory Crown entities should apply to Heritage New Zealand, and if so, how that should be implemented through section 166 of the Crown Entities Act 2004;