

The Treasury

Budget 2024 Information Release

September 2024

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- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
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- [31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [40] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment

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25 January 2024

Hon Simeon Brown
Minister of Transport
Parliament Buildings

Dear Simeon

CAPITAL PROCESS FOR BUDGET 2024

Further to my letter to you on 21 December 2023 regarding Budget 2024 and my expectations for delivering on our fiscal objectives across the term, I am now writing to outline the process for capital initiatives in Budget 2024 across three areas:

1. Review of investments to identify reprioritisation options (Capital Pipeline Review).
2. Cost pressures for investments in delivery.
3. New capital initiatives.

Capital expenditure is a key factor in the delivery of the Coalition Government's objectives for a growing economy and high-quality public services. We are committed to improving infrastructure investment by addressing challenges in the planning, funding, consenting and delivery of infrastructure and other capital public investment. The current capital investment pipeline is larger than agencies and the market can deliver, leading to cost increases and delivery delays. It is important that we begin to address this challenge in Budget 2024.

Capital Pipeline Review

Prior to Christmas, Cabinet agreed that Budget 2024 will include a review of funded capital investments to ensure they are aligned with the Coalition Government's priorities, have a strong focus on value for money and better match fiscal, agency and market capacity. Building a more structured long-term pipeline of investments will help to improve deliverability and better manage pressures.

Cabinet agreed all funded medium and high-risk investments in planning and delivery will be within scope of the Capital Pipeline Review with the following exclusions:

1. Investments that are included within the Government's coalition agreements.
2. Investments that have entered into main contracts.
3. Investments with an approved Implementation Business Case that relate to maintaining existing levels of service.

The Treasury has identified the following investments in your portfolio that are within scope of the Capital Pipeline Review in Budget 2024. The Ministry of Transport, as the department responsible for Vote Transport, will need to work with KiwiRail and New Zealand Transport Agency on reviewing these investments:

Vote Transport – Ministry of Transport

New Zealand Transport Agency:

- **New Zealand Upgrade Programme – Melling Intersection (Riverlink)**
- **New Zealand Upgrade Programme - Ōtaki to North of Levin**
- **New Zealand Upgrade Programme – Queenstown Package**
- **New Zealand Upgrade Programme – South Auckland Package**
- **New Zealand Upgrade Programme – SH1 Whangarei to Port Marsden Highway Safety Improvements**
- **New Zealand Upgrade Programme – Canterbury Package**
- **New Zealand Upgrade Programme – Papakura to Drury**

KiwiRail:

- **Wairarapa Rail Upgrades**
- **Rail Network Investment Programme (first 5 years of funding for Rail Network)**
- **Rail Network Growth Impact & Auckland Metro Remediation**
- **National Resilience Plan - minor improvements to rail lines to increase resilience and reliability**
- **Wellington Metro Upgrade Programme III**
- **Wellington Metro Upgrade Programme IV**
- **Rail Network Investment Programme - Public Transport Infrastructure**
- **Northern Package - Whangārei to Otiria**

An investment's inclusion in the Capital Pipeline Review does not necessarily mean that the Coalition Government will be stopping, rescoping or rephrasing the investment. It means that you are being asked to consider the priority of these investments, assess their criticality and cost and to propose options for stopping, rescoping or rephrasing the investments.

These lists outline the priority investments you are required to review. While you are not required to review your entire capital programme/pipeline for Budget 2024 you are encouraged to look beyond the lists above to identify savings opportunities from other investments in your capital pipeline if you are able to.

Cost Pressures for Investments in Delivery

I am aware there may be an urgent need in some agencies for funding for cost pressures to mitigate delivery risk.

I am therefore inviting Ministers and agencies to submit cost pressures for investments in delivery in their portfolios. However, there is a high bar to be considered for new funding. I expect agencies to provide the following information to support assessment of cost pressure submissions and the case for new funding:

1. How the agency has mitigated cost pressures and associated risks to date, and the proposed approach to reduce further cost pressure risks.
2. An outline of options to mitigate cost pressures if no new funding is provided.

3. How reprioritisation options your agency proposes can cover any cost pressures.

New Capital Initiatives

I also recognise there may be new initiatives where there is a need for funding to support the Government's investment priorities.

I am inviting you to submit new capital initiatives that meet the following requirements:

1. Must be critical to delivery of core public services or to meeting commitments made in our Coalition Agreements.
2. Must have been indicated as seeking Budget 2024 funding through Treasury's December 2023 Quarterly Investment Report.
3. Must have a Cabinet approved business case (for example an Indicative Business Case or a Detailed Business Case).

My expectation is that reprioritisation is considered before agencies seek new funding.

Assessment Process

The Treasury and the Investment Panel (the Panel) will work with agencies to assess these submissions. The Panel assessments will form part of the advice that I will consider for the Budget 2024 package.

The Panel is convened by the Treasury to evaluate investments invited to Budget and provide system-wide insights to support Cabinet decision-making.

The Panel is comprised of senior representatives from system and functional leaders covering:

- infrastructure (Infrastructure Commission)
- digital (Government Chief Digital Officer, Department of Internal Affairs)
- data (Government Chief Data Steward, Statistics New Zealand)
- cyber security (Government Chief Information Security Officer, Government Communications Security Bureau)
- procurement (NZ Government Procurement, Ministry of Business, Innovation and Employment)
- service transformation (Inland Revenue Department)
- environment (Ministry for the Environment).

Decisions on reprioritisation options, cost pressures and new initiatives will be made as part of the Budget 2024 decision-making process.

Next Steps

All Budget submissions are due on Friday 16 February. This includes the above submissions on investments invited into the Capital Pipeline Review, capital cost pressures and new capital initiatives. Please ask your agency to contact the Treasury if this timeframe will not be possible.

I have asked Treasury officials to engage with your agency throughout the process and to regularly report to me on risks and opportunities surfaced through these engagements.

I look forward to working with you throughout Budget 2024 to meet our fiscal and policy goals as a Government.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Nicola Willis', with a stylized flourish at the end.

Hon Nicola Willis

Minister of Finance

cc. Hon Paul Goldsmith, Minister for State Owned Enterprises

Hon Matt Dooney, Associate Minister of Transport

Audrey Sonerson, Ministry of Transport

Cassandra Crowley, Chair New Zealand Transport Agency

David McLean, Chair KiwiRail Holdings Limited