

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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Treasury Report: Ministerial engagement on investment management

Date:	21 February 2024	Report No:	T2024/243
		File Number:	ST-4-8-2-1-7-M101776

Action sought

	Action sought	Deadline
Hon Nicola Willis Minister of Finance	Agree to the focus areas for the Treasury's engagement with you on the investment management system	4 March 2024
Hon Chris Bishop Minister for Infrastructure	Indicate if you have other priority areas related to investment management where you wish to receive Treasury advice	

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Phillip Hall	Principal Advisor, Investment Management System (IMS) ^[39]	^[35]	
Erana Sitterlé	Head of Investment Management Policy, IMS		✓
Craig Murphy	Manager, IMS		

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: Yes (attached)

Treasury Report: Ministerial engagement on investment management

Executive Summary

The Investment Management System (IMS) is part of the broader public finance system. Cabinet Office circular (23) 9: Investment Management and Asset Performance in Departments and Other Entities sets out Cabinet's expectations for how delivery agencies are required to manage investments through the lifecycle, from long-term strategic and asset management planning through to management of assets to the end of their life.

The IMS is designed to provide Ministers and Cabinet with information and decision points through the investment lifecycle and outlines the investment disciplines necessary to ensure value for money. The recent Office of the Auditor General report *Making infrastructure investment decisions quickly, a review of the New Zealand Upgrade Programme and Shovel Ready Programme*, highlights the importance of transparent and robust decision-making and reporting processes as well as accountability for investment decisions.

Over the last two years, the Treasury has been improving investment planning, reporting, assurance and delivery, with the objective of improving the outcomes of capital investment – the necessary infrastructure and public assets that deliver high quality public services to New Zealanders to improve their lives. There is significant work still to do, but we are beginning to see some very early improvements. Agencies are much more engaged in investment management and investment reporting is improving. This means we are able to provide higher quality and more complete advice to Ministers to support investment decision-making. We propose to structure Ministerial engagement on the IMS around:

1. Government investment portfolio governance: quarterly reporting on the Government's capital investment portfolio to provide Ministers and Cabinet with a strong basis to scrutinise information at key milestones, actively prioritise and sequence the investment portfolio, manage risk and develop a deliverable pipeline.
2. Investment management system settings: ensuring IMS expectations and frameworks including the Circular, Better Business Case planning and Gateway assurance frameworks are operating as intended, are affecting the system improvements needed and reflect other policy development, such as the 30-year infrastructure plan once the Infrastructure Commission has completed this work.

December 2023 quarter-end investment reporting returns from agencies have now been received, which show the following themes:

- There is a large portfolio of investments in delivery, totalling \$57.4 billion capital and \$17.4 billion operating across 177 projects. Many of these investments are still early in delivery, with a significant level of forecast expenditure in the near term.
- The value of reported cost pressures for investments in delivery is continuing its upward trend from \$4.7 billion in the September 2023 quarter to \$6.0 billion in the December 2023 quarter. This represents 7.9 percent of the portfolio in delivery, which we expect is underreporting the actual value of cost pressures.
- The value of investments in planning (that have not received funding) has reduced from \$123.5 billion to \$87.1 billion of capital expenditure. This is largely due to the removal of Auckland Light Rail, New Zealand Battery and Let's Get Wellington Moving, but it also includes 10 investments totalling \$0.738 billion capital and \$0.5 billion operating that agencies have withdrawn.

Recommended Action

We recommend that you:

- a **agree** to the proposed focus areas for the Treasury’s engagement with you on the investment management system:
 - a. Government investment portfolio governance
 - b. investment management system settings

Agree/disagree.

- b **indicate** if you have other priority areas related to investment management where you wish to receive Treasury advice

Craig Murphy
Manager

Hon Nicola Willis
Minister of Finance

_____/_____/_____

Hon Chris Bishop
Minister for Infrastructure

_____/_____/_____

Treasury Report: Ministerial engagement on investment management

Purpose of Report

1. This report outlines the role of the Investment Management System (IMS) to support Ministers and Cabinet in providing investment and fiscal discipline to enable better value-for-money investment. The report sets out:
 - a. Why Ministerial and Cabinet oversight and governance of capital investment is needed and how the IMS provides for this need.
 - b. The focus of recent improvements to the IMS to better support Ministers and Cabinet and improve outcomes for New Zealanders from capital investment.
 - c. Focus areas for the Treasury's engagement with you on the IMS to support you to achieve the Government's objectives for capital investment and infrastructure.
 - d. Key themes from the December 2023 quarter-end investment reporting.
2. We have attached a slide deck at annex A that provides more information on the Investment Management System and an overview of the December 2023 Quarterly Investment Report at annex B.

The Investment Management System provides for Cabinet governance

There are clear roles for agencies and Ministers in capital investment

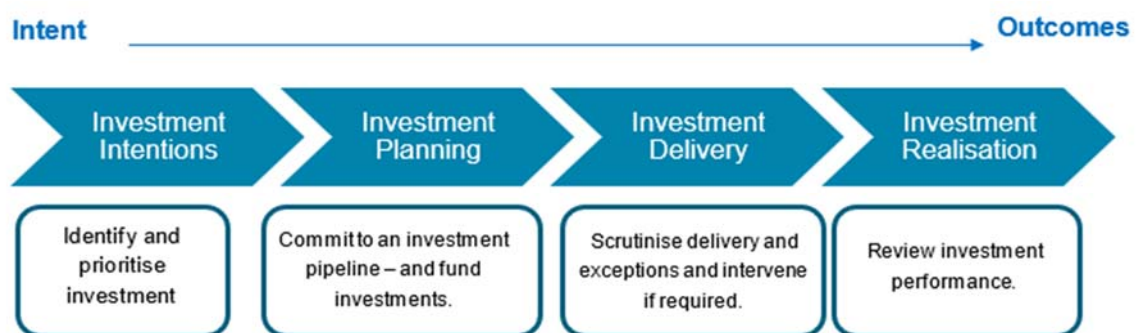
3. Capital investment planning and delivery in the public service is largely devolved to agencies – a mix of both government departments (such as Ministry of Education, Ministry of Justice, Department of Corrections) and large crown entities (New Zealand Transport Agency, Kāinga Ora, Health New Zealand). This is important to ensure decisions sit at the appropriate level of expertise and accountability, and to maintain delivery momentum.
4. This devolved approach needs to be balanced with the right level of Cabinet oversight, direction and decision-making:
 - a. Agencies, and portfolio Ministers, are incentivised to focus only on their own investment portfolio and progressing the priorities in these individual areas. The Minister of Finance and Cabinet, with the support of the Treasury, need to consider the needs and priorities across all portfolios to prioritise and sequence the highest value for money investments that will best achieve the Government's objectives.
 - b. Capital investment can involve large sunk costs during the planning and delivery phases, which requires timely and transparent reporting so choices can remain available if a change of direction is needed. While it's important not to get in the way of agencies when they are undertaking capital investment, clear controls and Cabinet stage gates are needed to manage this fiscal risk.

- High profile investment failures in the late 1990s (New Zealand Police IT investment the Integrated National Crime Information System – INCIS) and early 2010s (the Ministry of Education’s web-based payroll system, Novopay) led to the development of an IMS to enable Ministers and Cabinet to have improved oversight and governance of capital investment.

The investment management system provides for investment and fiscal discipline

- The IMS is part of the broader public finance system and supports the Government’s fiscal strategy. It provides for the investment and fiscal disciplines required by agencies to successfully plan and deliver capital investment, fully realise the benefits of this investment, and achieve value for money.
- Cabinet Office circular (23) 9: Investment Management and Asset Performance in Departments and Other Entities (the Circular) sets out Cabinet’s expectations for how delivery agencies are required to manage investments through the lifecycle, from long-term strategic and asset management planning through to management of assets to the end of their life. The Circular also outlines Cabinet’s expectations of central agencies such as the Treasury and other system leaders, including the Infrastructure Commission and the government procurement lead (which sits with the Ministry of Business, Innovation and Employment).
- The IMS is structured around the investment lifecycle shown in Figure One.

Figure One Investment Lifecycle



Ministerial direction is most critical during the intentions and planning phases

- By the time investments enter delivery (following award of major contracts), it becomes increasingly difficult for Ministers to meaningfully intervene when issues and risks arise. This is because the direction of the investment has been set, contractual obligations will now be in place, and there are stakeholder expectations that the investment will proceed. The main levers to address issues and risks during delivery are to ensure strong governance and oversight, operating with tight controls over budget, scope changes and use of contingency. These should be set up during the planning phase before investment decisions are finalised.
- Our experience, and international best practice, highlights that Ministerial and Cabinet involvement early in the investment lifecycle – during the intentions and planning phases – creates a better chance of delivering value for money from the investment and improved outcomes. It is much easier to address concerns and set clear expectations (for example, on procurement processes, or cost and risk management) before detailed planning is complete, funding approved and delivery has started.
- This approach is also aligned with your priority for development of a 30-year infrastructure plan to signal what infrastructure investment is required, including both better utilisation of existing assets and new investment.

Recent improvements to the Investment Management System

12. This has been focused on the intentions and planning phases for this same reason – to ensure expectations for agencies, including the Treasury, are clear and support the vision of a well-planned, long-term pipeline of investments that provides a greater level of market and agency certainty and delivers the infrastructure and assets needed to start to address the infrastructure gap. These improvements have focused on the following:
 - a. Regular reporting to the Minister of Finance and Cabinet on the Government's investment portfolio. This comprises data from agencies on all investments they have in their respective portfolios, to provide a complete view to Ministers and Cabinet of investment need and investments in delivery and associated recommendations to improve outcomes.
 - b. A revised Circular to improve agencies' understanding of, and compliance, with their obligations. These changes streamline reporting requirements to the Treasury, clarify and strengthen requirements for asset management (including asset registers for service critical assets, which are needed to support the development of a 30-year infrastructure plan), and agency Chief Executive accountability through an annual attestation process to confirm agencies have complied with the requirements in the Circular.
 - c. Initial changes to the business case, assurance and approval processes to provide better quality, timely information to Ministers and Cabinet as agencies move into the investment planning process and provide a clear Cabinet decision point on whether to progress with new investment proposals.
13. While these changes are still bedding in and significant further work is required, we are beginning to see some initial improvement. Agencies are much more engaged and focused on the quality of reporting, which is resulting in improved data quality and therefore we are able to provide higher quality and more complete advice to Ministers. As the data has improved, we can have more confidence to use it to inform fiscal strategy and Budget advice.
14. The next stage of the programme will include a more substantive review of the business case and Gateway assurance frameworks to improve the efficiency of investment and planning approval processes, and to support Cabinet to prioritise and sequence the investment pipeline. We are looking at working with the United Kingdom Institute of Civil Engineers over the next three to six months, which has offered to support this work through its Enabling Better Infrastructure international outreach programme.¹

¹ <https://www.ice.org.uk/news-insight/policy-and-advocacy/enabling-better-infrastructure>

Areas of Ministerial engagement on the Investment Management System

We are currently focused on the capital process for Budget 2024

15. As part of Budget 2024, there are three elements to the capital process:
 - a. Reprioritisation to identify reprioritisation options (Capital Pipeline Review).
 - b. Cost pressure initiatives for investments in delivery.
 - c. New capital initiatives.
16. The Treasury, working with the Investment Panel which is comprised of senior officials from system leader organisations², will assess Budget 2024 capital initiatives and provide advice to inform the overall draft Budget package advice for Budget Ministers. As part of this draft Budget package advice, we will provide an annex covering the Investment Panel assessment, key themes and actionable recommendations to improve investment planning, delivery and outcomes for the capital initiatives.

We propose a structured way for Ministerial engagement on the IMS

17. In addition to Budget, we propose two areas to structure our engagement with you on the IMS.

Government investment portfolio governance

18. The Minister for Infrastructure is currently considering advice on the establishment of an Investment and Infrastructure Ministers Group (the Group) to optimise value from new and existing investments and assets for current and future generations of New Zealanders [T2024/215 refers].
19. The advice proposes that whilst decisions and day to day responsibility for specific investments will remain with Cabinet and responsible Ministers respectively, the functions of the Group should focus on three key areas:
 1. Leading high-quality investment decision-making
 - i Scrutinize investment information at key milestones.
 - ii Commission advice on investments from officials.
 2. Managing the performance and risk of investments throughout their lifecycle
 - i Scrutinise progress reporting (Quarterly Investment Reporting).
 - ii Commission reports and reviews as needed.
 - iii Refer projects to Cabinet and its Committees for additional scrutiny/decision-making as required.
 3. Developing infrastructure and investment management to be more effective and efficient
 - i Oversee work to establish a National Infrastructure Agency.
 - ii Develop and manage a broader programme of change to improve capability and performance across infrastructure and investment (e.g.,

² Government Chief Digital Officer, Government Chief Data Steward, Government Chief Information Security Officer, Government Procurement and Property, Construction Accord, Inland Revenue as Service Transformation lead, Infrastructure Commission as infrastructure lead, Ministry for Environment as environment lead.
T2024/243 Ministerial engagement on investment management

Better Business Case and Gateway improvements, pipeline, Infrastructure Priority list, 30-year National Infrastructure Plan).

iii Hold system leaders to account for their services and system performance.

20. What this involves from an IMS perspective: IMS Quarterly reporting on the Government's capital investment portfolio will be a critical enabler for the Group and Cabinet. This will provide you with a strong basis to scrutinise information at key milestones, actively prioritise and sequence the investment portfolio, manage risk and develop a deliverable investment pipeline. This will also include what agencies are forecasting to seek Budget funding for, to inform the Budget strategy for capital investment.
21. This IMS Quarterly reporting will cover:
- a. new investment proposals, for Ministers to confirm whether these should progress to business case, including any conditions if appropriate (such as expected planning timeframes, additional assurance requirements, specific investment options for the business case to include)
 - b. upcoming business case approvals (with the ability for Ministers to provide direction on timing if needed, to sequence the investment pipeline)
 - c. analysis on issues such as emerging risks, market trends or system performance issues (with corresponding recommendations for action where appropriate)
 - d. summary of the highest value, highest risk investments in the portfolio.
22. Having this visibility will enable Ministers to:
- a. take decisions on what should proceed to planning at the start of the process (before agencies have undertaken significant amounts of work)
 - b. provide direction to agencies on investments in planning, to ensure business cases will meet Ministerial expectations, particularly on cost, timing, options to be considered and quality of analysis to be provided
 - c. take decisions on any required interventions for investments in delivery where risks or issues arise (for example, monthly reporting for investments with significant risk or issues that require a higher degree of oversight)
 - d. identify other policy interventions or system setting changes needed to improve investment planning and delivery (e.g. to inform future changes to the Circular)
 - e. hold agencies to account for the performance of their investment portfolios.
23. What support we will provide: the Treasury will provide you with quarterly reports setting out the information, analysis and advice mentioned in paragraph 21 above. Once you and Cabinet have considered the quarterly report and made its decisions, the Treasury will work with agencies to implement these decisions.

Investment management system settings

24. Treasury is supporting the Minister for Infrastructure in developing the work programme to strengthen the overall infrastructure system to deliver on the Government's infrastructure priorities and commitments in the Coalition Agreements.

25. What this involves from an IMS perspective: the programme of work referred to paragraph 14 is an important aspect of strengthening the overall infrastructure system and will be incorporated in the work programme. Ensuring the performance of the system will also involve providing Ministerial direction on investment management expectations and frameworks including the Circular and Better Business Case and Gateway assurance frameworks to ensure these are operating as intended, are affecting the system improvements needed and reflect other policy development, e.g., reflection of the 30-year infrastructure plan once the Infrastructure Commission has completed this work.
26. As with the quarterly investment reporting, we propose that progress on this work is governed by the Infrastructure and Investment Ministers Group, with matters and decisions referred to Cabinet as required.
27. What support we will provide: the Treasury will engage with the Infrastructure Commission as it develops the 30-year infrastructure plan to ensure we are reflecting this work in the quarterly investment reporting process, capital process for Budget and IMS settings. We will keep you informed of progress on the review of the business case and Gateway assurance frameworks to improve the efficiency of investment and planning approval processes.

Key themes from December 2023 quarter-end investment report

28. December 2023 quarter-end reporting returns from agencies were due with the Treasury on Friday 2 February 2024. We have now received and analysed these, which show the following themes:
 - a. The value of fully funded capital investments in delivery totals \$57.4 billion capital and \$17.4 billion operating across 177 projects. **The reported cost to complete for these investments is \$48.2 billion (comprising both capital and operating costs), meaning that there are many investments still early in delivery** and that there is a significant level of forecast expenditure in the near term.
 - b. The **value of reported cost pressures** for investments in delivery has increased from \$4.7 billion in the September 2023 quarter to **\$6.0 billion in the December 2023 quarter**. As a percentage of the total value of investments in delivery this is an increase from 6.5 percent of the delivery portfolio to 7.9 percent. Many agencies are also signalling cost pressures which are not yet quantified, so **we expect the actual value of cost pressures to be much higher**.
 - c. Agencies are beginning to review their investment portfolios and withdraw projects from the pipeline. **The value of investments in planning (that have not received funding) has reduced significantly from \$123.5 billion to \$87.1 billion of capital expenditure**. This is largely due to the removal of Auckland Light Rail, New Zealand Battery and Let's Get Wellington Moving, but it also includes 10 investments totalling \$0.738 billion capital and \$0.5 billion operating that agencies have withdrawn. ^{[25] and [33]}
 - d. **Agencies signalled they will request funding totalling \$10.9 billion capital and \$9.2 billion operating over the forecast period through Budget 2024.**
 - e. Overall, the data returned from agencies is improving in quality and completeness. It is more complete, and importantly, shows an improved level of adherence to the

IMS business case stage gates (which indicates that agencies are improving planning practices).

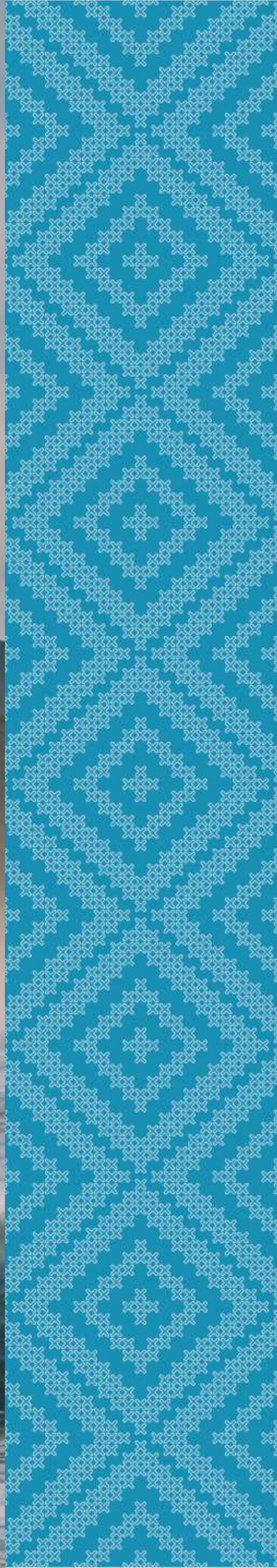
29. Annex B provides an overview of the December Quarterly Investment Report.

Next steps

30. Table one below sets out upcoming activity across the three focus areas:

Table one: Upcoming activity/advice

Estimated timeframe	Activity
4 March 2024	Capital process for Budget Draft Budget package advice, which will include an annex setting out the detail of the Investment Panel analysis and themes
Late April 2024	Government investment portfolio governance March 2024 quarter-end report for Infrastructure and Investment Ministers Group, with draft Cabinet paper for feedback



TE TAI ŌHANGA
THE TREASURY

Investment Management System

Overview

16 FEBRUARY 2024

Contents

1. Introduction

This section introduces the Investment Management System, the Cabinet Office Circular dedicated to Investment Management and the investment lifecycle.

2. History, Recent Improvements and Next Steps

This section provides a short history of the Investment Management System, the recent improvements and the focus for future work.

3. Ministerial Levers

This section provides an overview of Ministerial reporting, Ministerial intervention options and key Ministerial decisions.

4. Market Overview

This section provides an overview of the current Government investment context.

5. Quarterly Investment Reporting

This section provides an overview of the Investment Planning and Investment Delivery phases of the Investment Lifecycle.

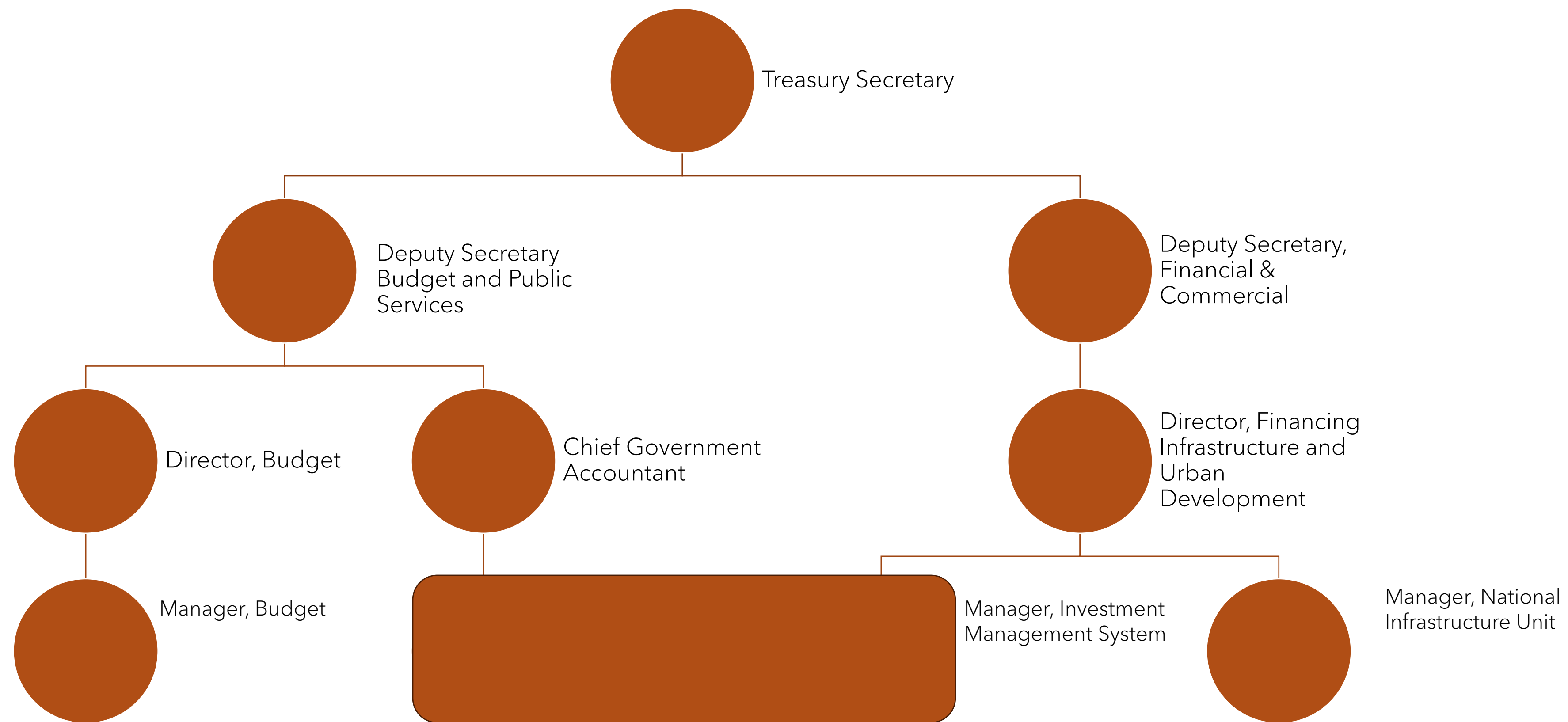
6. The Investment Lifecycle Detail (Annex A)

This section steps through the four phases of the investment lifecycle and the detail of the Investment Planning phase.



Treasury Navigation

The Investment Management System Team is part of the Budget and Public Services Group in the Treasury. It has close links with the Budget Team, part of the Budget Directorate in addition to the National Infrastructure Unit in the Treasury's Financial and Commercial Group.



Investment Management System: *Introduction*

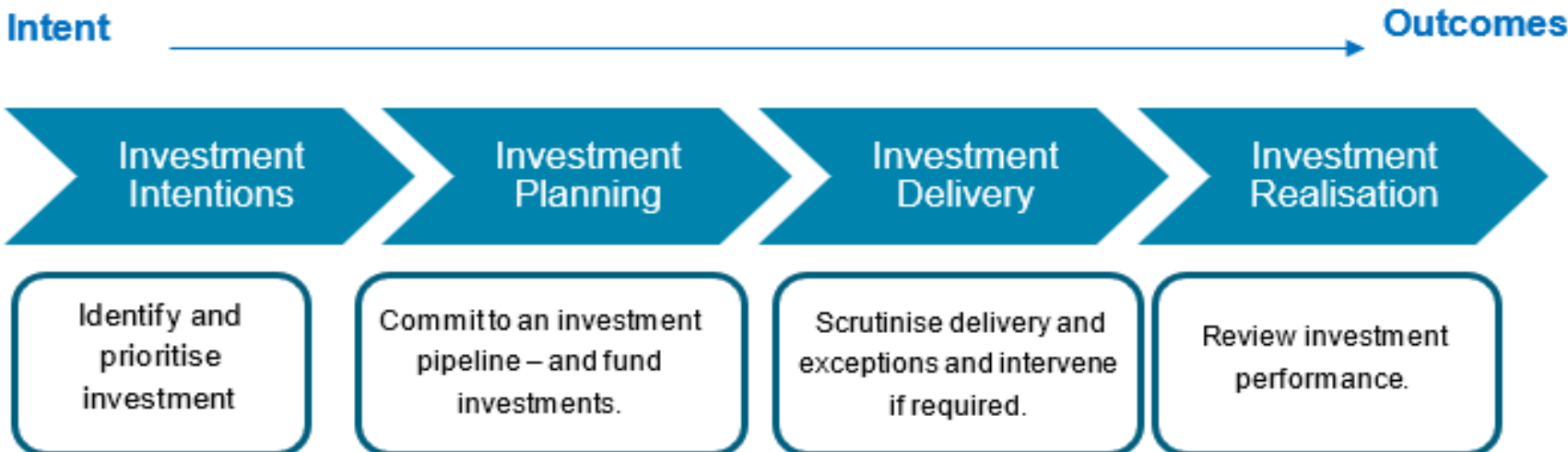
Introduction to the Investment Management System

- The Government invests so New Zealanders can move around the country, connect, learn, stay safe, and live healthy lives both now and into the future. It does this by creating (and renewing) specialist equipment, data and digital, service transformation and infrastructure assets.
- The Investment Management System (IMS) is part of the Public Finance System and supports Cabinet to govern the investment portfolio effectively. Cabinet Office Circular CO(23) 9 (the Circular) sets out Cabinet’s expectations for how delivery agencies are required to manage investments through the investment lifecycle, from long-term strategic and asset management planning, investment planning, delivery and through to management of assets to the end of their life.
- The circular sets out Cabinet’s expectations for departments and Crown entities. Departments must comply with this circular. All other agencies must treat this circular as an expression of government policy.
- The IMS is designed to provide Ministers and Cabinet with information and decision points through the investment lifecycle and outlines the investment disciplines necessary to ensure investments deliver value for money. The recent Office of the Auditor General report *Making infrastructure investment decisions quickly*, a review of the New Zealand Upgrade Programme and Shovel Ready Programme, highlights the importance of transparent and robust decision-making and reporting processes as well as accountability for infrastructure investment decisions.

Investment is defined as the commitment of financial and physical resources to the delivery of government services with the expectation of maintaining, renewing or creating an asset for the department or the Crown.

*The key reporting mechanism bringing together investment information, analysis and decisions is through **Quarterly Investment Reporting** to the Ministers and subsequently Cabinet.*

*Key products in the Investment Management System include the **Better Business Case Framework**, the **Gateway Framework**, the **Capital Budget**, the **Investment Panel** and **Quarterly Investment Reporting**.*



IMS: Roles & Responsibilities

Ministers and Cabinet

- Make significant investment, funding and policy decisions.
- Provide strategic direction for the IMS.

Delivery agencies:

- Accountable for managing a portfolio of investments from long-term strategic and asset management planning, investment planning, investment delivery through to management of assets to the end of their life.

System leaders

- Representatives from public service leaders for Construction, Data, Digital, Cyber Security, Service Transformation, Finance, Infrastructure, Investment and Procurement. The Treasury is the overall system leader for the IMS.
- Roles and responsibilities include:
 - Developing system settings and policies in their area of expertise such as infrastructure, procurement, data, digital etc.
 - Assessment of agency investment capability and performance, including through assessment of investments as they enter the planning phase and as part of the Investment Panel in the Budget process.
 - Provide investment advice and assurance to agencies, Ministers and Cabinet.



Investment Lifecycle: Overview

	Investment Intentions <i>Pre-business casing investments. Should be in the Strategic Plans of agencies and aligned with Govt. strategies.</i>	Investment Planning <i>Investment that are in the process of developing a Business Case.</i>					Investment Delivery <i>Investments that are being delivered by an agency.</i>	Investment Realisation <i>Investments that are "in-service" and benefits are being realised</i>
Planning - Business Case		Strategic Assessment	Indicative Business Case	Detailed Business Case		Implementation Business Case		
Assurance - Gateway Review		Gateway Review	Gateway Review	Gateway Review		Gateway Review	Gateway Review	
Governance - Cabinet Decision		Cabinet approval	Cabinet approval	Cabinet approval	Budget Cabinet Funding Decision	Cabinet approval		
Investment Reporting	Investment Intentions (Annually)	Investment Planning (Quarterly)					Investment Delivery (Quarterly)	Investment Realisation (Annually)

The investment lifecycle is the way we navigate the IMS by setting out **what** needs to happen, **when** it needs to happen, and **who** is accountable for each of the four phases of the Investment Lifecycle:

- The **Investment Intentions** phase involves identifying investment proposals that could deliver benefits. The Treasury will provide intentions reporting to Cabinet annually to help inform the government's fiscal strategy (to provide what the 'bottom-up', agency-led investment needs are to achieve the Government's objectives; the 30-year infrastructure plan, once developed, will provide the 'top-down' investment needs to inform the Government's overall fiscal and capital investment strategy).
- The **Investment Planning** phase involves developing investment proposals through a business case, then prioritising (relative to other investments) through the Budget process. The Gateway process provides independent assurance at four of the five Cabinet approval points in this phase. During this phase, the Treasury will provide Ministers with quarterly reporting which will include an overview of upcoming investment decision.
- The **Investment Delivery** phase involves the agency implementing the investment decision. During this phase, the Treasury will provide Ministers with quarterly reporting that will outline if the investment is on time, on budget, to scope and being delivered in a way that will secure the benefits.
- The **Investment Realisation** phase involves reviewing the actual performance of investments against expectations and reviewing benefits and outcomes, the performance of investments. The Treasury will provide benefits reporting to Cabinet annually

Investment Lifecycle: Overview

	Investment Intentions <i>Pre-business casing investments. Should be in the Strategic Plans of agencies and aligned with Govt. strategies.</i>	Investment Planning <i>Investment that are in the process of developing a Business Case.</i>					Investment Delivery <i>Investments that are being delivered by an agency.</i>	Investment Realisation <i>Investments that are "in-service" and benefits are being realised</i>
Planning - Business Case		Strategic Assessment	Indicative Business Case	Detailed Business Case		Implementation Business Case		
Assurance - Gateway Review		Gateway Review	Gateway Review	Gateway Review		Gateway Review	Gateway Review	
Governance - Cabinet Decision		Cabinet approval	Cabinet approval	Cabinet approval	Budget Cabinet Funding Decision	Cabinet approval		
Investment Reporting	Investment Intentions (Annually)	Investment Planning (Quarterly)					Investment Delivery (Quarterly)	Investment Realisation (Annually)

The **Better Business Case planning framework** is a structured process for developing investment proposals, providing a consistent way for presenting an investment to Cabinet. It consists of four stages (Strategic Assessment (SA); Indicative Business Case (IBC); Detailed Business Case (DBC); and Implementation Business Case (ImpBC)). **Cabinet approval** is required to move from one stage to the next. Each business case consists of five cases (Strategic, Economic, Commercial, Financial and Management) with each successive stage building on the previous phase to greater depth:

- The SA and IBC focus on strategic alignment and potential solutions (i.e. strategic and economic cases).
- The DBC identifies a preferred solution, developed in sufficient detail (i.e. commercial, financial and management cases) to assess the value of the investment. This level of information is used for Cabinet to make a funding decision as part of the Budget process.
- The ImpBC is the completed (or full) business case, in which focuses on how deliverable the investment (management case).

The **Gateway assurance framework** is an independent peer review process that examines investments ahead of each Cabinet decision of the business case stages to assess progress and rate the likelihood of successful delivery. Gateway is required for high-risk investment proposals (and is optional for medium-risk proposals).

Investment Reporting is provided to Ministers and Cabinet by the Treasury. Quarterly Investment Reporting is provided for the Sept, Dec and Mar quarters covers the planning and delivery phase of the investment lifecycle and will provide an overview of the investment pipeline and upcoming Cabinet decisions. Annual Investment Reporting is provided for the Jun quarter for the four phases of the investment lifecycle in addition to Gateway Review insights and an overview of agency compliance with CO(23).

Investment Lifecycle Data



81
Investments in Intentions
13
Agencies

Intentions	No.
Infrastructure	47
Data & Digital	9
Specialist Equipment	22
Organisational Change	3
Total	81

142
Investments in Planning
19
Agencies

Planning	No.	Value (\$b)
Infrastructure	89	89.3
Data & Digital	34	3.4
Specialist Equipment	12	4.2
Organisational Change	7	0.8
Total	142	97.7

176
Investments in Delivery
24
Agencies

Delivery	No.	Value (\$b)
Infrastructure	104	56.5
Data & Digital	48	8.0
Specialist Equipment	15	7.5
Organisational Change	9	3.6
Total	177	75.6

17
Investments in Realisation
7
Agencies

Realisation	No.
Infrastructure	8
Data & Digital	3
Specialist Equipment	2
Organisational Change	4
Total	17

Cost pressures
\$6.0b

Ministerial Summary

Cabinet Office Circular CO(23)9 is dedicated to Investment Management and sets out Cabinet's expectations for how delivery agencies are required to manage investments through the investment lifecycle.

Ministerial/Cabinet Reporting

1. Monthly Investment Reporting: *Is used where an investment is high risk and close observations, and quick decisions, are needed. Treasury is instructed by Ministers to provide reporting focused on key aspects of the investment e.g., budget, timeline, scope and contingency.*
2. Quarterly Investment Reporting: *Provided by the Treasury for the Sept, Dec and Mar quarters. Covers the planning and delivery phase of the investment lifecycle and will provide an overview of the investment portfolio and upcoming Cabinet decisions.*
3. Annual Investment Reporting: *Provided by the Treasury for the Jun quarter for the four phases of the investment lifecycle in addition to Gateway Review insights and an overview of agency compliance with CO(23)9.*

Ministerial Directed Interventions

1. Centrally coordinated review process: *Generally focused on system, market or national-scale issues, that impact multiple investments – such as the Investment Panel process, to support Budget 2023 decisions with system leader advice for significant investment proposals.*
2. Targeted Investment Review (Bespoke Gateway Review): *Generally used where the Investment is high risk, there are specific concerns and ongoing observation is not required.*
3. Monthly Investment Reporting: *Generally used where an investment is high risk and close observations, and quick decisions are needed. Treasury is instructed by Minister's to provide reporting focused on key aspects of the investment e.g., budget, timeline, scope and contingency.*
4. Leverage system expertise: *Generally used as one-off measure where there are delivery concerns. The relevant system leader is commissioned to review investment and provide Ministers with recommendations.*

Cabinet Decisions in Investment Lifecycle

1. Strategic Assessment: *This provides an initial stage gate of whether the investment should proceed (prioritisation). It also provides an early opportunity for Ministers to provide direction before planning is well underway, including timing of key planning cabinet decision (sequencing).*
2. Indicative Business Case: *Whether to proceed with further planning for the investment (prioritisation) and when to proceed to the next stage of planning (sequencing).*
3. Detailed Business Case: *Whether to support the confirmed preferred option and when that option should be considered for funding in the Budget process (sequencing).*
4. Budget Process: *When (and whether) to fund the investment (sequencing).*
5. Implementation Business Case: *Whether to approve an investment to commence delivery (sequencing).*

**Investment Management
System: *History, Challenges,
Recent Changes and Next
Steps***

Investment Management System: History

- **The initial steps of the Investment Management System included:**
 - Late 1990's: major project monitoring commenced within the State Services Commission for IT investments post the issues experienced with Police's INCIS investment.
 - 2008: the **Gateway assurance** framework was adopted by the State Services Commission.
 - 2010: the **Better Business Case planning** framework was implemented by the Treasury (an early Gateway recommendation).
 - 2010: the first Cabinet Office Circular in the broader investment management space, CO (10) 2, was put in place.
- **The formation of the Investment Management System came about through:**
 - 2014: following the high-profile Novopay project failure the Treasury's **Better Business Case** team was merged with SSC's **Major Project Monitoring/Gateway** team (IMAP formed).
 - 2015: the concept of an Investment Management System formed part of Cabinet Office Circular (15) 5 which also introduced the **Investor Confidence Rating, Long Term Investment Plan, Major Projects Monitoring Report, and the Annual report**
- **A change in Ministerial and Treasury priorities led to:**
 - 2018: the Treasury: **outsourcing BBC training; stopping Major Project Monitoring; stopping Gateway Lessons Learned and stopping the Annual System report.**
 - 2019: Cabinet Office Circular (19) 6 Investment Management and Asset Performance in the State Services refreshed Cabinet's investment management expectations and introduced the Infrastructure Commission. **The ICR had its final assessment round.**

Investment Management System: Challenges

Government Investment Portfolio Governance

- **Investment Management System Data:** Agencies are starting to report to the Treasury through the Quarterly Investment Reporting process. However, there remains limited incentives to do so fully and/or agencies do not have the analysis and data to provide a full picture of their required investment pipeline. Reporting of investment intentions and benefits reporting cannot be provided by all agencies. Planning and delivery data is close to complete; however data integrity issues remain.
- **Development of a deliverable pipeline:** There is need for a top-down investment strategy and a bottom-up investment pipeline that responds to the strategy.

Investment Management System Settings

- **Better Business Case and Gateway frameworks:** Agencies often outsource business case development to consultants. This results in expensive, long business case that take considerable time to complete. Investments are often funded before a detailed business case can be completed – resulting in key information missing for Ministerial decision-making. The Gateway assurance review framework is not uniformly adhered to and further work is required to integrate it into the IMS.
- **Investment Management System Cabinet Circular:** There is a lack of adherence to requirements by agencies when planning and delivering investments. System actors (including agencies, system leaders and vote teams) are not clear on expectations, there is limited enforcement of requirements which reduces incentives to follow the requirements and there are capability gaps across system actors to undertake and support investment planning and delivery.
- **System knowledge and expertise is not well leveraged:** Gateway review outcomes and recommendations aren't shared systematically with vote teams, system leaders or Ministers. There is no systematic review of business cases by system leaders, to support Cabinet decision making and understand the quality of planning/where to target support to improve planning, There is no systematic mechanism or forum for agencies to coordinate investment planning and delivery.

Investment Management System: Recent Changes

Government Investment Portfolio Governance

- In 2022 **Quarterly Investment Reporting** for the planning and delivery phases to the Minister of Finance commenced to provide visibility of the investment pipeline. A summary to System Leaders, CFOs, Review Team Leaders and agencies. Reporting was provided to Ministers and Cabinet across the investment lifecycle for the first time for the June 2023 quarter.
- In 2022 an **intervention framework** was proposed. This included Monthly Reporting (which was implemented on Scott Base) and the centrally coordinated review process (used as part of the 2022 Cost Escalation process, to address cost pressures for investments with key deliverability risks)

Investment Management System Settings

- In 2023 **Cabinet Office Circular (23) 9** Investment Management and Asset Performance in the State Services refreshed Cabinet's investment management expectations. The following changes were made:
 - Chief Executives are expected to sign off on the completeness and quality of their agencies Quarterly Investment Reporting.
 - Chief Executives are expected to provide an annual attestation about the extent of their agency's compliance with the new circular. We will report annually to Ministers and Cabinet on IMS compliance.
 - The summary and recommendations from Gateway reports will be made available to Ministers / Cabinet, System Leaders and Vote Teams.
 - Moderation / assessment process by Treasury and system leaders of the Risk Profile Assessment and the Strategic Assessment. The Strategic Assessment is now a Cabinet decision point to ensure investments are strategically aligned to the Government's strategic direction and a positive decision to continue with the investment is made by Cabinet.
 - Agencies are required to produce a Critical Asset Register to support the development of investment intentions to help build out the investment pipeline.

Investment Management System: Next Steps

Government Investment Portfolio Governance

- **Supporting Ministerial development of a deliverable pipeline through** reprioritisation and sequencing of the investment portfolio to better match market and fiscal capacity through the five Cabinet decision points during the planning phase of the investment lifecycle and increased visibility of the investment intentions phase of the investment lifecycle
- **Improved Investment Reporting** – incl. monthly, quarterly and annual reporting. This will require an improvement from the Treasury in use of data, increased use of system leader intelligence and agency adherence to Cabinet's expectations for investment management (reporting on high value/high risk investments).

Investment Management System Settings

- **Review of the Better Business Case and Gateway Framework underway** – to make business case's shorter, cheaper and delivered faster and deliver more value from the Gateway assurance framework.
- **Reset Cabinet's expectations for how delivery agencies are required to manage investments** through the lifecycle, from long-term strategic and asset management planning, investment planning through to management of assets to the end of their life with a replacement for Cabinet Circular 23(9).

Investment Management System: *Ministerial Levers*

Cabinet's Expectations for Investment Management

Cabinet Office Circular CO(23)9 is dedicated to Investment Management and is a key lever for Cabinet in the delivery of investments. It sets out Cabinet's expectations for how delivery agencies are required to manage investments through the lifecycle - *from long-term strategic and asset management planning, investment planning, investment delivery and through to management of assets to the end of their life.*

Since asset management requirements were first set out in CO(10)2 the investment management cabinet circular has been updated three times, CO(15)5, CO(19)6 and 23(9). Cabinet Office Circular CO(23)9 is set out in five parts:

1. Section A: **Outlines the objective of the government's investment management system and the investment life cycle** - *to optimise value from new and existing investments and assets for current and future generations of New Zealanders.*
2. Section B: **Sets out the operational requirements for agencies** - *which includes financial management, strategic planning, asset management, investment planning, reporting and assurance.*
3. Section C: **Sets out the roles and expectations of other parties involved in the system** – *which includes Cabinet, Ministers, Departmental CEOs, Crown Entity Boards, the Treasury and System Leaders.*
4. Annex 1: **Outlines the general approval thresholds for investments**
5. Annex 2: **Outlines the process to develop the government's prioritised and sequenced investment pipeline**



Cabinet Office

CO (23) 9

Circular

18 September 2023

Intended for
All Ministers
Speaker of the House
All Chief Executives
All Senior Private Secretaries
All Private Secretaries

Investment Management and Asset Performance in Departments and Other Entities

Introduction

- 1 This circular supersedes Cabinet Office circular CO (19) 6, and gives effect to Cabinet's intention to:
 - 1.1 make the best investment choices for current and future generations;
 - 1.2 ensure there is active stewardship of government resources; and
 - 1.3 maintain a strong alignment between individual investments and the government's long-term priorities.
- 2 This circular sets out Cabinet's expectations for the management of investments and both physical and intangible assets by the following types of organisation (agencies):
 - 2.1 departments as defined in the Public Finance Act 1989 (PFA);
 - 2.2 the following types of Crown entities as defined in the Crown Entities Act 2004:
 - 2.2.1 statutory entities;
 - 2.2.2 Crown entity companies;
 - 2.2.3 Crown entity subsidiaries;
 - 2.3 companies listed in Schedule 4A of the PFA.
- 3 Departments must comply with this circular. All other agencies must treat this circular as an expression of government policy.

Ministerial Reporting

Quarterly Investment Reporting replaces the Major Projects Performance Report which was undertaken between November 2015 until June 2017. Quarterly Investment Reporting has been in place since March 2022 and has been progressively developed. The quality of the data from agencies has been a material challenge.

Report	Overview
Annual Investment Reporting	The QIR for June will act as an annual report. It will include reporting on the full investment lifecycle (Intentions, Planning, Delivery, Realisation), Gateway themes and an overview of agency compliance with the Investment Management Cabinet Circular. The first annual report will be provided for the June 2024 quarter.
Quarterly Investment Reporting	<p>The purpose of the QIR is to improve visibility of public. The QIR seeks to:</p> <ul style="list-style-type: none"> • Improve visibility of significant investments across the Government’s investment portfolio • Support Ministerial focus on investments aligned to Government priorities / signal clear decisions for Ministers and Cabinet • Provide useful insights and actionable advice to support prioritisation and sequencing (including when investments will be seeking Cabinet approval and coming to Budget for a funding decision), and leverage data for other purposes (oversight of cost pressures, Budget strategy and planning and build out the medium-term pipeline). <p>The QIR for the September, December and March quarters will include information on the:</p> <ul style="list-style-type: none"> • Planning phase, including where each investment is at within the 5 planning and funding approval points, upcoming cabinet decisions and a forward view on upcoming Budget decisions. • Delivery, including whether investments are on time, on budget, to scope and benefits on track to be realised. Any required interventions needed to ensure investment is on track will also be identified.
Monthly Investment Reporting	<p>For investments where the risk is high and close observations and quick decisions are needed monthly reporting directed by Ministers is an option. This an ongoing measure that uses an independent assessor to report to Ministers, through the Treasury, monthly. It focused on testing if the investment is on time, on budget, to scope and benefits on track to be realised.</p> <p>Monthly Reporting (two cycles) were undertaken for the Government’s Scott Base investment.</p>

Ministerial Intervention Options

Problem	Intervention	Principles of Use	Example
System, market or national-scale issues, that impact multiple investments.	<u>Centrally coordinated review process</u> Commission a process to identify and address the issue.	Leverage the Quarterly Investment Reporting to inform which investments are included in the process. The process should be focused on a particular group of investments.	2022 Cost Escalation process, to address cost pressures for investments with key deliverability risks Investment Panel process, to support Budget 2023 decisions with system leader advice for significant investment proposals The capital pipeline review is also an example of this type of intervention
Investment is high risk and close observations and quick decisions are needed	<u>Monthly reporting</u> As an ongoing measure, direct the investment to provide independent monthly reporting to you	Reporting should be focused on key aspects of the investment e.g., budget, timeline, scope and contingency, to limit reporting fatigue For investments that will have ongoing critical risks that require ongoing attention	Monthly independent reporting commissioned for Antarctica New Zealand's Our place in Antarctica: Redevelopment of Scott Base
Investment is high risk however it's manageable and close observation is not required	<u>Bespoke Gateway review</u> As a one-off measure, direct the investment to undertake a targeted investment review	Used to support the investments deliverability. For investments that are experiencing more isolated issues that, once resolved, the agency can manage	Targeted investment review commissioned for Operational and Regulatory Aviation Compliance and Sustainment Project (ORACS) for Ministry of Defence
Concerns raised about the agency's ability to deliver the investment	<u>Leverage system expertise</u> As a one-off measure, commission the relevant system leader to review investment and provide you with recommendations	Review can be targeted at specific concerns, though should have a limited timeframe to manage system leader resource (e.g., a one-off engagement)	Review of the project objectives commissioned for Department Internal Affairs' by the Government Chief Digital Officer (the Te Ara Manaaki Phase 2 , provided

Cabinet Decisions

Stage gate	Description	Cabinet decision points
Risk Profile Assessment and Strategic Assessment - Seeking approval to proceed to business casing	<p>The <u>Risk Profile Assessment and Strategic Assessment</u> is provided to Treasury and provides a system risk assessment of investments (low, medium, high risk) and an outline of the rationale for an investment.</p> <p>This provides initial visibility of investments in the pipeline and enables system leaders to provide an assessment of risk and whether an investment is aligned to government strategy. This is provided to Cabinet to support decision-making.</p>	<p>This provides an initial stage gate of whether the investment should proceed or not (prioritisation).</p> <p>It also provides an early opportunity for Ministers to provide direction before planning is well underway, including timing of planning (sequencing).</p>
Indicative business case - Seeking approval of shortlisted options or preferred option to progress	<p>The <u>indicative business case</u> sets out the rationale for the investment and outlines the list of options to meet the investment need for decision-makers to confirm and approve.</p> <p>This provides visibility of when (and which) indicative business cases will be coming to Cabinet for consideration.</p>	<p>Whether to proceed with further planning for the investment and the preferred solution, or short list of options, outlined (prioritisation) and when to proceed to the next stage of planning (sequencing).</p>
Detailed business case Seeking confirmation of preferred option and delivery strategy	<p>The <u>detailed business case</u> provides an opportunity for Cabinet to confirm the preferred option and way to progress.</p> <p>This provides visibility of when (and which) detailed business cases will be coming to Cabinet for consideration.</p>	<p>Whether to support the confirmed preferred option and when that option should be considered for funding in the Budget process (sequencing).</p>
Budget , Seeking funding approval to be able to go to tender	<p>This provides visibility of when (which Budget year) a funding decision will be sought.</p>	<p>When (and whether) to fund the investment (sequencing).</p>
Implementation business case Seeking approval to award contract and commence delivery	<p>The <u>implementation business case</u> outlines the detailed implementation plan for an investment and confirms that an investment is actually deliverable within the time, budget and scope constraints previously agreed.</p>	<p>Whether to approve an investment to commence delivery (sequencing)</p> <p>This decision could be delegated to Ministerial rather than Cabinet level.</p>

Investment Management System: *Market overview*

Context

New Zealand Investment Context

New Zealand requires a greater level of capital investment to start to address long-run infrastructure gaps – Te Waihanga Infrastructure Commission assess that New Zealand has a public infrastructure gap of approximately \$104 billion. Increased investment in other critical public services is also needed.

To address these issues, increased investment must be sustainable and matched with fiscal capacity, as well as agency and market capacity and capability.

Significant levels of capital funding have been allocated in recent years – often in response to external factors (stimulating the economy facing headwinds before and after COVID-19, and to the recent extreme weather events).

Market Context

While construction cost inflation is receding, cost increases are forecast from a new, higher base.

The construction market is still facing upward cost pressures (including continued tight labour market; capacity constraints in the materials sector, and lower NZ dollar exchange rate).

Recent market soundings undertaken by Te Waihanga found that while the wider construction sector may be slowing down (which represents a challenge for 2nd and 3rd tier contractors), there is limited immediate capacity for new work among larger contractors

There is a significant number of public service data and digital investments in the Government's investment portfolio – this is resulting in cost increases, with agencies competing for the same small pool of specialist skills to deliver these investments.

Demand exceeds market capacity

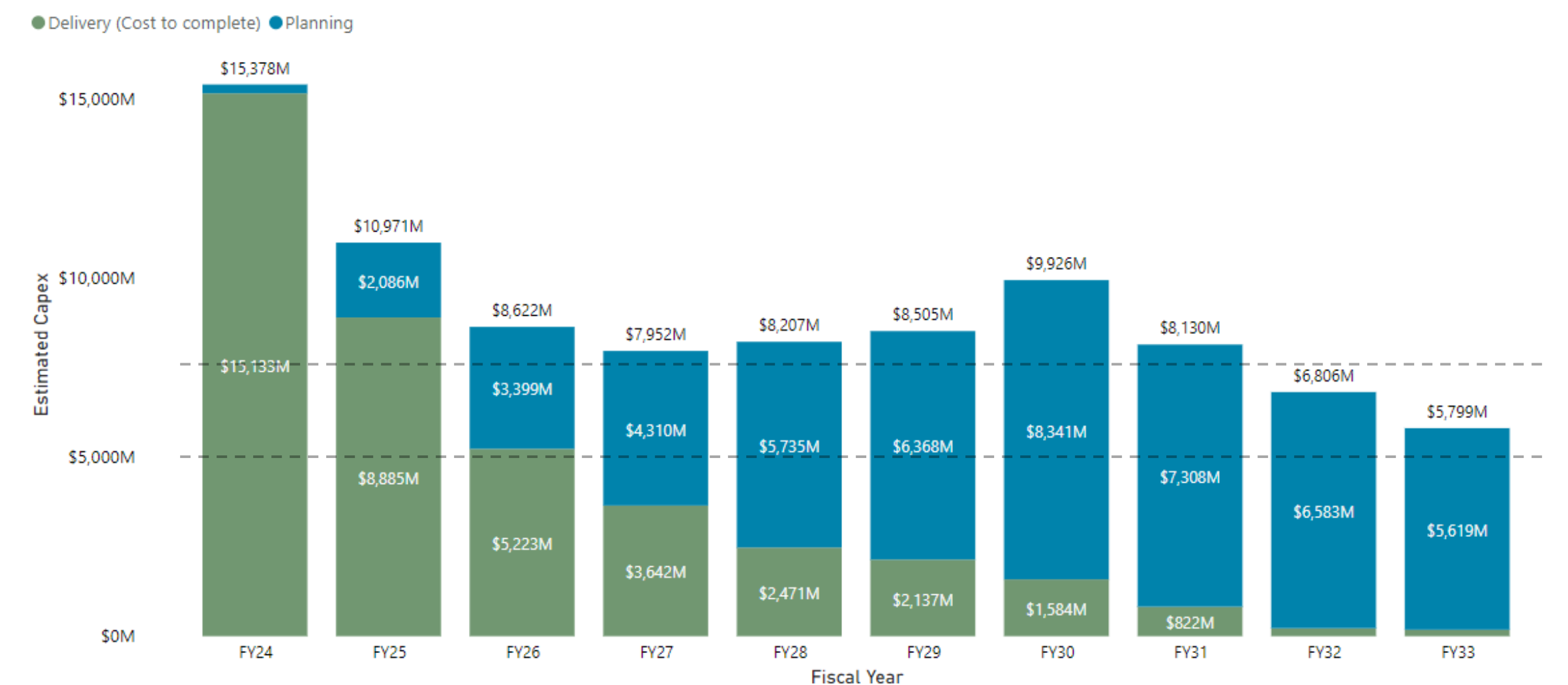
New Zealand has capacity for approx. \$5 - \$7 billion of capital investment per year

Agency demand exceeds this capacity, which will result in cost pressures and delays

Active management of the investment pipeline is required: While reprioritisation is being undertaken as part of Budget 2024, this activity should be ongoing. Specific actions could include:

- Delaying progression of a business case (eg from IBC to DBC or DBC to ImpBC), to ensure approvals align with market capacity
- Deferring delivery of an investment activity if a higher priority proposal comes forward

Estimated capital expenditure for investments in Planning and Delivery
Capex value smoothed over investment delivery period



Capital expenditure averaged over planned or actual delivery timeframes

International comparisons

Australia has been facing similar challenges. A recent (November 2023) review by the Australian Federal Government of its A\$120 billion infrastructure investment programme recommended that 82 projects not yet in construction be ceased. In addition, this review found:

- The current programme is not affordable or deliverable given identified cost pressures of A\$32.8 billion.
- Some projects do not demonstrate merit or align with government priorities.
- A number of projects were allocated funding too early in the planning process, before detailed planning, design and costs was undertaken

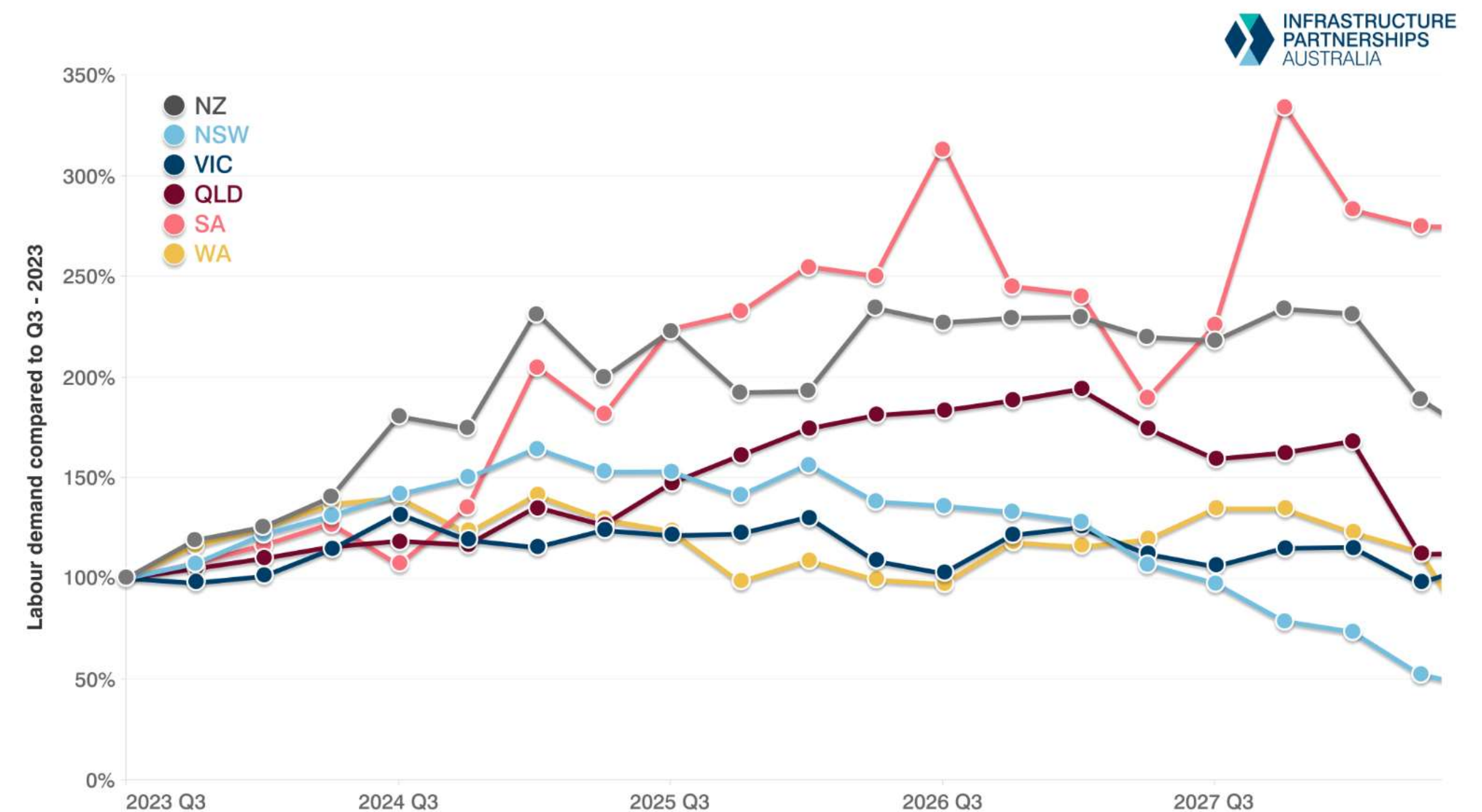
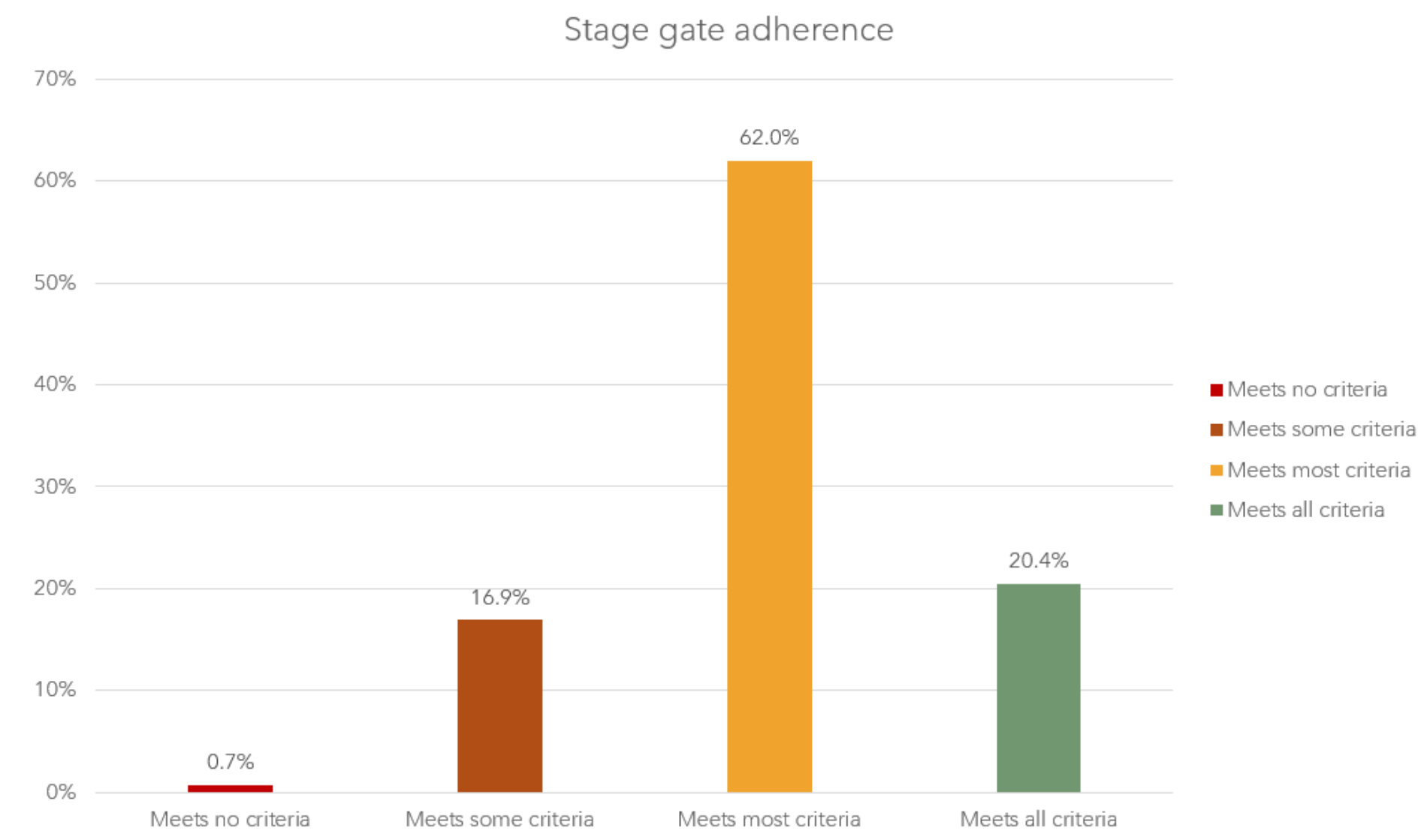


Figure xx: Forecast labour demand – New Zealand and Australian states

Investment Management
System: *Quarterly Investment*
Reporting

System compliance



An investment conforms with Cabinet's expectations for investment planning if it meets the following three criteria

1. The investment has a sequential planning timeline that starts with an Indicative Business Case (IBC) followed by a Detailed Business Case (DBC) followed by an Implementation Business Case (ImBC).
2. The investment has a Cabinet-approved DBC prior to seeking Budget funding.
3. The investment's planned delivery start date must follow a Cabinet-approved ImBC.

Data completeness (Planning)



Data completeness (Delivery)



Data completeness and quality improved between the September quarter to the December quarter:

- Completeness of data for investments in planning - increase from 78% to 87%
- Completeness of data for investments in delivery - increase from 66% to 97%
- Stage gate adherence – increase from 15% to 20%.

Summary of top 10 investments by value

Summary of top 10 investments by value

Agency Name	Investment Name	Investment Stage	CAPEX (M)	OPEX (M)	IBC/PBC	DBC	ImBC	Start date	End date
Waka Kotahi	SH1 Additional Waitemata Harbour Connections	2 Planning	\$43,000	\$0	Mar 24	Jun 25		Jun 29	Dec 40
Waka Kotahi	Northwest Rapid Transit Corridor	2 Planning	\$8,000	\$0	Dec 18	Sep 24	Sep 26	Jun 27	Dec 33
Ministry of Transport	Hamilton-Auckland Intercity Connectivity Project	2 Planning	\$6,560	\$0	Sep 24	Sep 25	Jun 26	Jun 27	Sep 32
Waka Kotahi	NZUP	3 Delivery	\$5,815	\$32				Mar 20	Dec 30
City Rail Link Limited	City Rail Link	3 Delivery	\$5,493	\$0		Jun 15		Sep 17	Dec 25
Waka Kotahi	NLTP 21-24	3 Delivery	\$4,870	\$2,947				Jun 21	Jun 24
Kāinga Ora	Public and Supported Housing [FY24+FY25]	3 Delivery	\$3,653	\$0				Dec 21	Jun 25
Te Whatu Ora	National Quarantine Capability (NQC)	2 Planning	\$3,000	\$0					
Waka Kotahi	Safety Camera System	3 Delivery	\$13	\$2,514	Mar 22	Dec 22	Jun 24	Mar 23	Jun 30
KiwiRail	RNIP - Rail Network Investment Programme (last 5 years of 10 for Rail Network)	2 Planning	\$0	\$3,109				Sep 26	Jun 31

Planning summary and future Budget requests

Summary of upcoming Budget funding requests

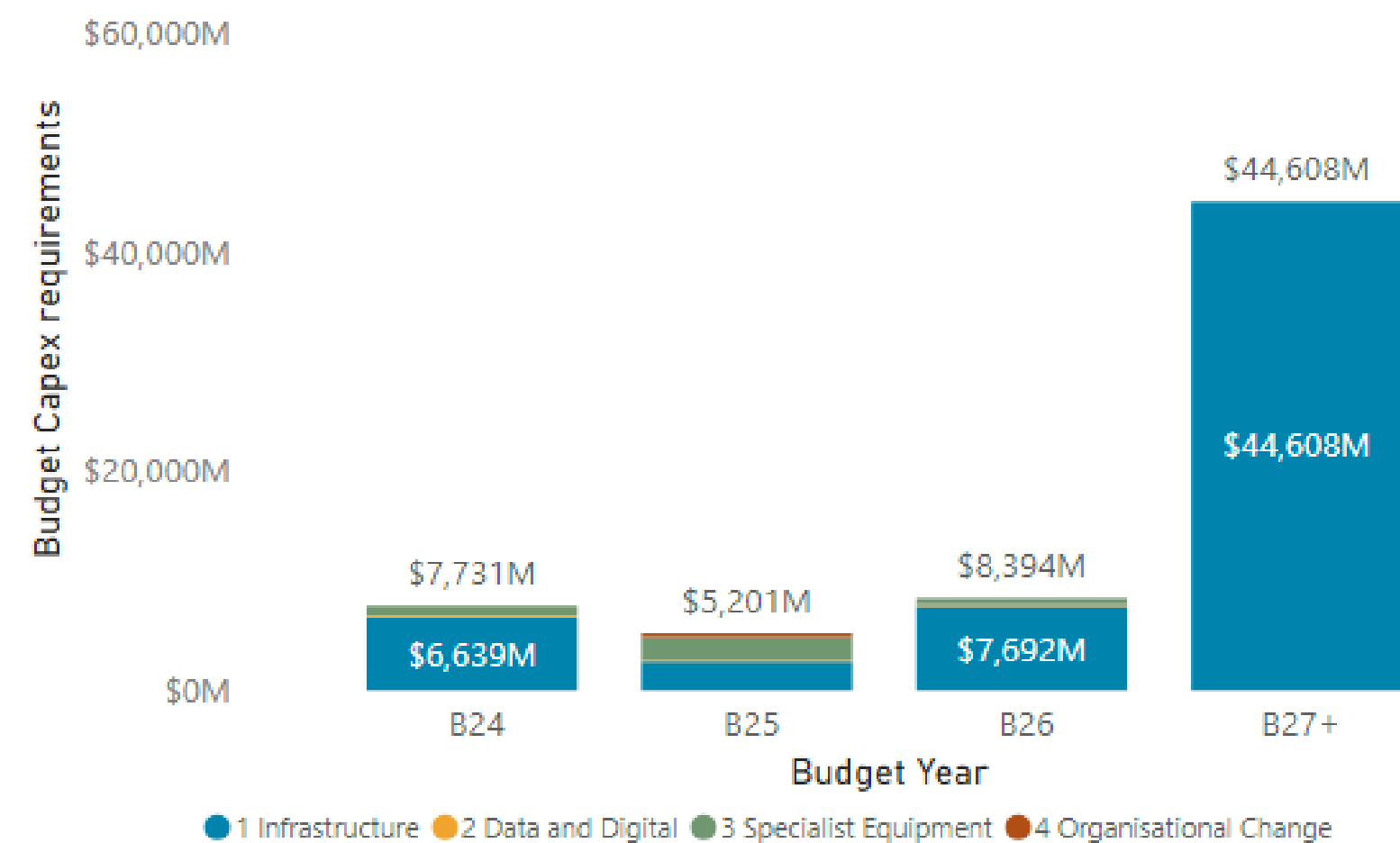
Budget Year	B24		B25		B26		B27+		Total	
	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value
1 Infrastructure	23	\$11,255M	13	\$2,883M	9	\$7,880M	21	\$44,951M	66	\$66,968M
2 Data and Digital	10	\$803M	10	\$1,009M	4	\$926M	8	\$227M	32	\$2,965M
3 Specialist Equipment	5	\$1,098M	6	\$2,535M	1	\$568M			12	\$4,201M
4 Organisational Change	3	\$230M	3	\$559M			1	\$0M	7	\$789M
Total	41	\$13,387M	32	\$6,986M	14	\$9,373M	30	\$45,177M	117	\$74,923M

Value of investments in planning
\$97,685 million

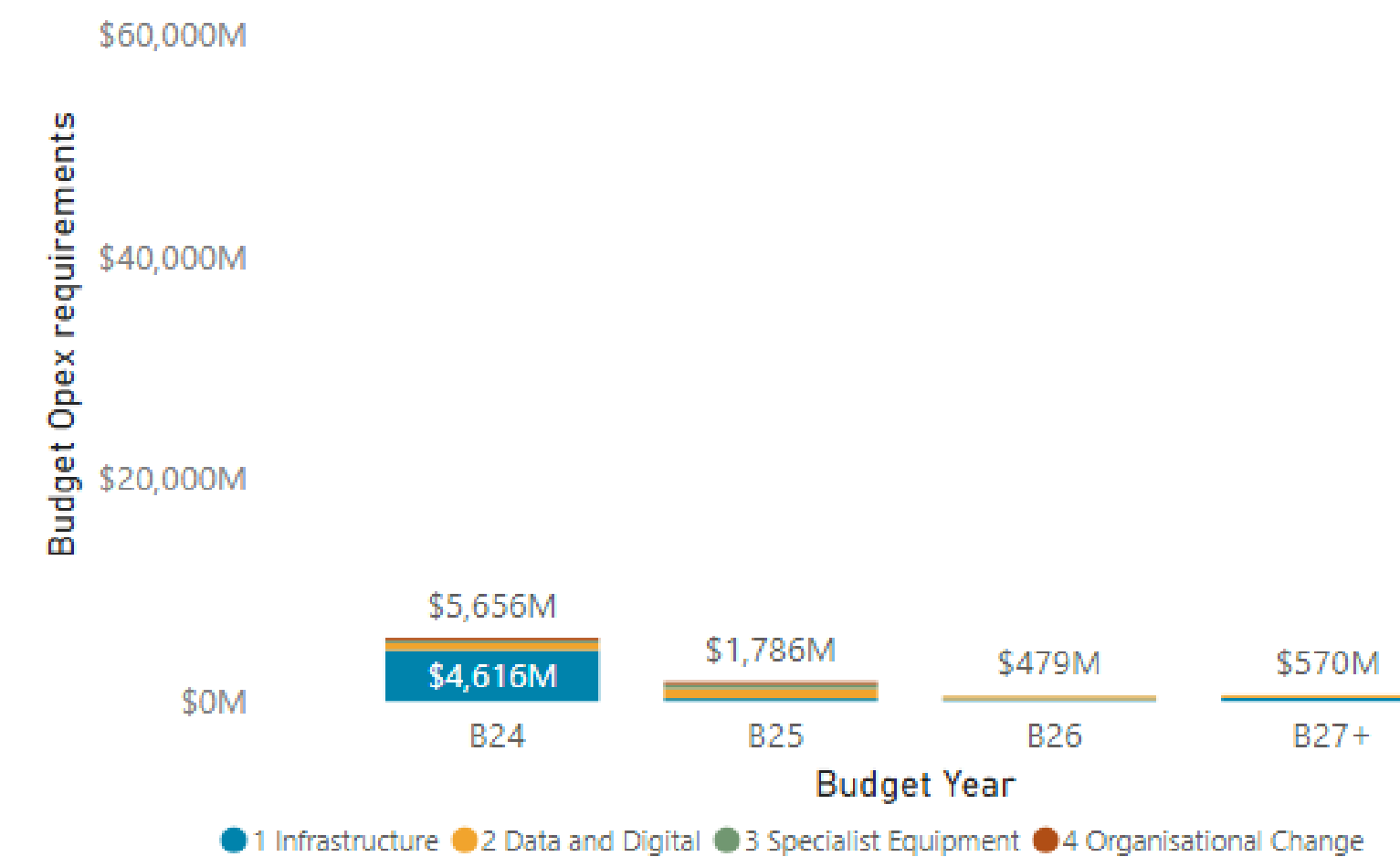
Change since previous quarter
\$(37,532) million

Note: These values include non-Budget funding sources so will be higher than those shown on the rest of this page.

Forecast CAPEX funding requests



Forecast OPEX funding requests



Note: The B27+ Capex figure includes \$43 billion for SH1 Additional Waitemata Connections

Upcoming investment decisions – IBC

Indicative business cases

Agency Name	Investment Name	Risk Rating	OPEX	CAPEX	IBC	DBC	ImBC	Budget year
Department of Conservation	Build a Trustworthy Knowledge base to deliver improved Conservation Outcomes and Reporting. (Deliver Data Strategy)	RPA Required	\$0M	\$0M	Mar 24			2024
Department of Internal Affairs	Te Ara Tahī - Digital Storage & Resilience	High	\$14M	\$17M	Mar 24	Sep 24	Mar 25	2025
Department of Internal Affairs	Te Ara Tahī - Regional Shared Repository for Recorded and Documentary Heritage: Land Purchased and Design	High	\$126M	\$282M	Mar 24	Dec 25	Dec 25	2026
Ministry of Education	Future Schools & Kura Payroll	High	\$300M	\$0M	Mar 24	Mar 25	Sep 25	2025
Ministry of Education	School Managed Network	High	\$25M	\$0M	Mar 24	Mar 24	Mar 24	2024
Ministry of Education	Te Mana Tuhono (Continuing Cybersecurity and Managed IT Services)	High	\$18M	\$62M	Mar 24	Mar 24	Mar 24	2024
Ministry of Foreign Affairs and Trade	Washington Chancery & OR Refurbishment	Low	\$8M	\$88M	Mar 24	Jun 24	Sep 24	2025
Ministry of Justice	Auckland District Court Infrastructure	Medium	\$23M	\$105M	Mar 24	Mar 24	Mar 24	2024
Ministry of Justice	Contact Centre & Workflow	Medium	\$3M	\$6M	Mar 24	Mar 24	Mar 24	
Ministry of Justice	Digital Information Delivery (Te Wheke)	Medium	\$4M	\$10M	Mar 24	Mar 24	Mar 24	
Waka Kotahi	East Coast Resilience Business Cases and Delivery	High	\$0M	\$0M	Mar 24	Sep 24	Dec 24	
Waka Kotahi	SH1 Additional Waitemata Harbour Connections	High	\$0M	\$43,000M	Mar 24	Jun 25		2029

Upcoming investment decisions – DBC

Detailed business cases

Agency Name	Investment Name	Risk Rating	OPEX	CAPEX	IBC	DBC	ImBC	Budget year
Defence Force	High Side Capability Update (HSCU)	Medium	\$25M	\$142M		Mar 24	Sep 24	2024
Defence Force	Information Management Programme Tranche 1	High	\$142M	\$0M	Jun 23	Mar 24	Sep 24	2024
Defence Force	Maritime Helicopter Replacement - Infrastructure Design	Medium	\$6M	\$34M	Mar 23	Mar 24	Mar 25	2024
Defence Force	Maritime Helicopter Replacement (MHR)	High	\$424M	\$1,625M	Mar 23	Mar 24	Mar 25	2025
Department of Conservation	Addressing damage to Conservation sites and assets caused by the 2023 North Island Weather Events – (B24)	RPA Required	\$70M	\$25M	Dec 23	Mar 24	Jun 24	2025
Department of Conservation	Water Service Programme	Medium	\$39M	\$18M	Mar 25	Mar 24	Jun 24	2024
Department of Internal Affairs	Information Management Capability Uplift (IMCU)	Medium	\$5M	\$0M	Sep 23	Mar 24	Mar 24	
Kāinga Ora	Ferndcliffe Farms	Medium	\$0M	\$201M	Dec 22	Mar 24	Mar 24	2022 or earlier
Ministry of Education	Cyber Security and Digital Support (CSDS) Programme (B24)	High	\$349M	\$1M	Dec 23	Mar 24	Jun 24	2025
Ministry of Education	School Managed Network	High	\$25M	\$0M	Mar 24	Mar 24	Mar 24	2024
Ministry of Education	Te Mana Tuhono (Continuing Cybersecurity and Managed IT Services)	High	\$18M	\$62M	Mar 24	Mar 24	Mar 24	2024
Ministry of Justice	Auckland District Court Infrastructure	Medium	\$23M	\$105M	Mar 24	Mar 24	Mar 24	2024
Ministry of Justice	Contact Centre & Workflow	Medium	\$3M	\$6M	Mar 24	Mar 24	Mar 24	
Ministry of Justice	Digital Information Delivery (Te Wheke)	Medium	\$4M	\$10M	Mar 24	Mar 24	Mar 24	
Te Whatu Ora	Capital & Coast District - ED refurbishment and capacity (Front of Whare)	Medium	\$0M	\$276M	Jun 22	Mar 24		2024

Upcoming investment decisions – ImBC

Implementation business cases

Agency Name	Investment Name	Risk Rating	OPEX	CAPEX	IBC	DBC	ImBC	Budget year
Defence Force	Modern Document Management and Intranet (MDMI)	Medium	\$10M	\$0M		Mar 23	Mar 24	2023
Department of Internal Affairs	Information Management Capability Uplift (IMCU)	Medium	\$5M	\$0M	Sep 23	Mar 24	Mar 24	
Kāinga Ora	Ferndcliffe Farms	Medium	\$0M	\$201M	Dec 22	Mar 24	Mar 24	2022 or earlier
MBIE	NIWA's Future Property Programme - Wellington	RPA Required	\$0M	\$160M	Dec 24		Mar 24	2026
Ministry of Education	Digital Identity for Online Learning	Medium	\$6M	\$7M	Sep 22	Sep 22	Mar 24	2022 or earlier
Ministry of Education	School Managed Network	High	\$25M	\$0M	Mar 24	Mar 24	Mar 24	2024
Ministry of Education	Te Mana Tuhono (Continuing Cybersecurity and Managed IT Services)	High	\$18M	\$62M	Mar 24	Mar 24	Mar 24	2024
Ministry of Justice	Auckland District Court Infrastructure	Medium	\$23M	\$105M	Mar 24	Mar 24	Mar 24	2024
Ministry of Justice	Contact Centre & Workflow	Medium	\$3M	\$6M	Mar 24	Mar 24	Mar 24	
Ministry of Justice	Digital Information Delivery (Te Wheke)	Medium	\$4M	\$10M	Mar 24	Mar 24	Mar 24	

Delivery summary and cost pressures

Summary of investments in delivery

Investment Type	No.	Capex	Opex	Spend to date	Cost to complete
1 Infrastructure	104	\$47,235M	\$8,545M	\$28,213M	\$37,444M
2 Data and Digital	48	\$2,590M	\$5,399M	\$1,828M	\$4,940M
3 Specialist Equipment	15	\$7,451M	\$0M	\$4,588M	\$2,714M
4 Organisational Change	9	\$107M	\$3,500M	\$474M	\$3,096M
Total	176	\$57,383M	\$17,445M	\$35,104M	\$48,194M

Value of investments in delivery
\$75,521 million

Change since previous quarter
\$2,835 million

Note: These values reflect the total approved delivery budget as reported by agencies. There is a \$693 million discrepancy between this value and the sum of approved Opex and Capex in the adjacent table, which reflects data quality issues.

Top 10 cost pressures by value

Agency Name	Investment Type	Investment Name	Cost Pressures	% of Budget
Kāinga Ora	1 Infrastructure	Public and Supported Housing [FY26+FY27]	\$1,232M	193.4%
KiwiRail	1 Infrastructure	IREX	\$1,197M	82.6%
Kāinga Ora	1 Infrastructure	Public and Supported Housing [FY24+FY25]	\$404M	11.1%
Waka Kotahi	1 Infrastructure	NZUP	\$382M	5.8%
Department of Internal Affairs	2 Data and Digital	3Waters Reform - Corporate Services and Operational Technology ICT	\$343M	100.0%
Defence Force	1 Infrastructure	DERP - Tranche 1 Additional Funds	\$262M	199.5%
Defence Force	1 Infrastructure	Defence Estate Regeneration - Project Cost Pressures	\$208M	552.5%
Waka Kotahi	1 Infrastructure	NZUP - Papakura to Drury	\$207M	29.0%
KiwiRail	1 Infrastructure	RNIP - Rail Network Investment Programme (first 5 years of 10 for Rail Network)	\$194M	9.1%
Waka Kotahi	1 Infrastructure	NZUP - Takitimu North Link stage 1	\$173M	22.6%
Total			\$4,603M	28.1%

Summary of investments reporting cost pressures

Investment Type	No.	Delivery Budget	Spend to Date	Cost to Complete	Cost Pressures	% of Budget
1 Infrastructure	28	\$29,268M	\$13,389M	\$21,339M	\$5,459M	18.7%
2 Data and Digital	11	\$1,596M	\$618M	\$546M	\$526M	33.0%
Total	39	\$30,865M	\$14,007M	\$21,885M	\$5,986M	19.4%

**Annex A: *The Investment
Lifecycle Detail***



Investment Lifecycle: Overview

	Investment Intentions <i>Pre-business casing investments. Should be in the Strategic Plans of agencies and aligned with Govt. strategies.</i>	Investment Planning <i>Investment that are in the process of developing a Business Case.</i>					Investment Delivery <i>Investments that are being delivered by an agency.</i>	Investment Realisation <i>Investments that are "in-service" and benefits are being realised</i>
Planning - Business Case		Strategic Assessment	Indicative Business Case	Detailed Business Case		Implementation Business Case		
Assurance - Gateway Review		Gateway Review	Gateway Review	Gateway Review		Gateway Review	Gateway Review	
Governance - Cabinet Decision		Cabinet approval	Cabinet approval	Cabinet approval	Budget Cabinet Funding Decision	Cabinet approval		
Investment Reporting	Investment Intentions (Annually)	Investment Planning (Quarterly)					Investment Delivery (Quarterly)	Investment Realisation (Annually)

The investment lifecycle is the way we navigate the IMS by setting out **what** needs to happen, **when** it needs to happen, and **who** is accountable for each of the four phases of the Investment Lifecycle:

- The **Investment Intentions phase** involves identifying investment proposals that could deliver benefits. The Treasury will provide intentions reporting to Cabinet annually to help inform the government's fiscal strategy (to provide what the 'bottom-up', agency-led investment needs are to achieve the Government's objectives; the 30-year infrastructure plan, once developed, will provide the 'top-down' investment needs to inform the Government's overall fiscal and capital investment strategy).
- The **Investment Planning phase** involves developing investment proposals through a business case, then prioritising (relative to other investments) through the Budget process. The Gateway process provides independent assurance at four of the five Cabinet approval points in this phase. During this phase, the Treasury will provide Ministers with quarterly reporting.
- The **Investment Delivery phase** involves the agency implementing the investment decision. During this phase, the Treasury will provide Ministers with quarterly reporting that will outline if the investment is on time, on budget, to scope and being delivered in a way that will secure the benefits.
- The **Investment Realisation phase** involves reviewing the actual performance of investments against expectations and reviewing benefits and outcomes, the performance of investments.

Investment Lifecycle: Overview

	Investment Intentions <i>Pre-business casing investments. Should be in the Strategic Plans of agencies and aligned with Govt. strategies.</i>	Investment Planning <i>Investment that are in the process of developing a Business Case.</i>					Investment Delivery <i>Investments that are being delivered by an agency.</i>	Investment Realisation <i>Investments that are "in-service" and benefits are being realised</i>
Planning - Business Case		Strategic Assessment	Indicative Business Case	Detailed Business Case		Implementation Business Case		
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Governance - Cabinet Decision		Cabinet approval	Cabinet approval	Cabinet approval	Budget Cabinet Funding Decision	Cabinet approval		
Investment Reporting	Investment Intentions (Annually)	Investment Planning (Quarterly)					Investment Delivery (Quarterly)	Investment Realisation (Annually)

- The Better Business Case planning framework is a structured process for developing investment proposals, providing a consistent way for presenting an investment case to Cabinet. It consists of four stages (Strategic Assessment (SA); Indicative Business Case (IBC); Detailed Business Case (DBC); and Implementation Business Case (ImpBC)). Cabinet approval is required to move from one stage to the next. Each business case consists of five cases (Strategic, Economic, Commercial, Financial and Management) with each successive stage building on the previous phase to greater depth:
- The Gateway assurance framework is an independent peer review process that examines investments ahead of each Cabinet decision of the business case phase to assess their progress and rate the likelihood of successful delivery. Gateway is required for high-risk investment proposals (and optional for medium-risk proposals).
- Investment Reporting is provided by the Treasury. Quarterly Investment Reporting is provided for the Sept, Dec and Mar quarters covers the planning and delivery phase of the investment lifecycle and will provide an overview of the investment pipeline and upcoming Cabinet decisions. Annual Investment Reporting is provided for the Jun quarter for the four phases of the investment lifecycle in addition to Gateway Review Insights, an overview agency compliance with CO(23) through the CEO attestation.

Investment Lifecycle: Intentions

	Investment Intentions	Investment Planning					Investment Delivery	Investment Realisation
Planning - Business Case		Strategic Assessment	Indicative Business Case	Detailed Business Case		Implementation Business Case		
Assurance - Gateway Review		Gateway Review	Gateway Review	Gateway Review		Gateway Review	Gateway Review	Gateway Review
Governance - Cabinet Decision		Cabinet approval	Cabinet approval	Cabinet approval	Budget Cabinet Funding Decision	Cabinet approval		

The intentions phase involves **identifying investment proposals that will deliver benefits to New Zealand** based on agencies strategic planning and asset management practices.

The Agency:

- During this phase, and agencies complete their long-term strategic planning. Under CO(23)9, agencies are required to: regularly report to the Treasury on their investment intentions through the QIR; identify all investment intentions (over a minimum of ten years) that would require Cabinet consideration (as early as possible); and identify their service critical assets and maintain details of the identity, condition, and risk exposure of these assets in the agency’s asset register (which will support the development of an agency’s investment intentions).

The Treasury:

- Investment intentions will be shared with Ministers and Cabinet through the June Quarterly Investment Report (the Annual Report) and provide a view on the longer-term investment pipeline when combined with the investments in planning. The Annual Report is expected to be shared with Ministers before going to Cabinet. Reporting quality is dependent on agency data quality.

Cabinet:

- Reviews the Investment Intentions as part of the Annual Report..

Investment Lifecycle: Planning Overview

	Investment Intentions	Investment Planning					Investment Delivery	Investment Realisation
Planning - Business Case		Strategic Assessment	Indicative Business Case	Detailed Business Case		Implementation Business Case		
Assurance - Gateway Review		Gateway Review	Gateway Review	Gateway Review		Gateway Review	Gateway Review	Gateway Review
Governance - Cabinet Decision		Cabinet approval	Cabinet approval	Cabinet approval	Budget Cabinet Funding Decision	Cabinet approval		

- The purpose of the planning phase is to provide Cabinet with five **investment decisions to maximise value from the investment portfolio from an all-of-government perspective**. This phase involves four investment (Strategic Assessment, Indicative, Detailed and Implementation Business Cases) and a funding decision (Budget). The planning phase of the life-cycle is where **Ministers and Cabinet have the greatest involvement. Cabinet approval is required** at each stage gate. This enables Cabinet to reconsider the investment in light of the more detailed analysis undertaken at each successive business case.
- The Treasury has adopted the *Better Business Case* framework as a planning framework for Agencies to follow when developing investment proposals for Cabinet consideration.
 - The SA and IBC focus on strategic alignment and potential solutions (i.e. strategic and economic cases).
 - The DBC identifies a preferred solution, developed in sufficient detail (i.e. commercial, financial and management cases) to assess the value of the investment. This level of information is used for Cabinet to make a funding decision as part of the Budget process.
 - The ImpBC is the completed (or full) business case, in which focuses on how deliverable the investment (management case).
- The Gateway assurance framework has been designed to complement the Better Business Case framework and provides an independent peer-review process at the four business case phases to assess progress and to rate the likelihood of successful delivery.

Investment Lifecycle: Planning (Strategic Assessment)

	Investment Intentions	Investment Planning					Investment Delivery	Investment Realisation
Planning - Business Case		Strategic Assessment	Indicative Business Case	Detailed Business Case		Implementation Business Case		
Assurance - Gateway Review		Gateway Review	Gateway Review	Gateway Review		Gateway Review	Gateway Review	Gateway Review
Governance - Cabinet Decision		Cabinet approval	Cabinet approval	Cabinet approval	Budget Cabinet Funding Decision	Cabinet approval		

The **Strategic Assessment (SA)** sets out how the proposed investment aligns with the Government and the agency's strategic priorities.

The Agency:

- Completes the SA and Risk Profile Assessment (RPA). The RPA identifies the inherent risk of the investment (high, medium, low). Gateway assurance reviews are required for high-risk investment, optional for medium risk and not required for low risk.

The Treasury:

- Convenes the Investment Panel (made of System Leaders, including the Infrastructure Commission) each quarter to evaluate the SA and RPA. The Investment Panel will provide advice to Cabinet (led by the Treasury) quarterly on the strategic alignment of the investment entering the planning phase of the investment lifecycle. The Cabinet Paper: will include feedback from the Treasury Vote Analysts, System Leaders and the outcome of the Gateway assurance reviews for high-risk investments; will include reporting on the timing of IBC, DBC, Budget year and ImpBC decision addition to the indicative delivery timing and cost as part of the QIR (these data points are key elements of the investment pipeline); and is expected to be shared with Ministers and Cabinet's Expenditure Committee before going to Cabinet. Reporting quality is dependent on agency data quality.

Cabinet:

- Decides on whether to progress to an IBC.

Investment Lifecycle: Planning (Indicative)

	Investment Intentions	Investment Planning					Investment Delivery	Investment Realisation
Planning - Business Case		Strategic Assessment	Indicative Business Case	Detailed Business Case		Implementation Business Case		
Assurance - Gateway Review		Gateway Review	Gateway Review	Gateway Review		Gateway Review	Gateway Review	Gateway Review
Governance - Cabinet Decision		Cabinet approval	Cabinet approval	Cabinet approval	Budget Cabinet Funding Decision	Cabinet approval		

The Indicative Business Case sets out the rationale for investment and outlines high-level options.

The Agency:

- Completes the IBC and a Cabinet Paper that seeks approval to progress to the DBC stage with a preferred option for delivering the proposed investment. The Cabinet Paper will include feedback from the Treasury Vote Analyst, System Leader and the outcome of the Gateway assurance review (if high risk).

The Treasury:

- For high-risk proposals, the Treasury will convene a Gateway assurance review (Gateway) which focuses on the strategic alignment of the investment before the IBC is submitted to Cabinet (as the Gateway outcome will be shared with Cabinet). Reporting on the timing of the IBC will be provided through the QIR, which also provides the indicative timing of when a budget decision is planned, delivery timing and cost – key elements of the investment pipeline. The QIR is expected to be shared with Ministers before going to Cabinet. Reporting quality is dependent on agency data quality.

Cabinet:

- Makes two decisions: Prioritisation (whether to continue to develop the proposal) and Sequencing (which Budget cycle funding will be sought).

Investment Lifecycle: Planning (Detailed)

	Investment Intentions	Investment Planning					Investment Delivery	Investment Realisation
Planning - Business Case		Strategic Assessment	Indicative Business Case	Detailed Business Case		Implementation Business Case		
Assurance - Gateway Review		Gateway Review	Gateway Review	Gateway Review		Gateway Review	Gateway Review	Gateway Review
Governance - Cabinet Decision		Cabinet approval	Cabinet approval	Cabinet approval	Budget Cabinet Funding Decision	Cabinet approval		

The **Detailed Business Case** identifies the preferred option for delivering the proposed investment. It focuses on the value of the investment and should be a prerequisite for a Budget decision.

The Agency:

- Completes the DBC and a Cabinet Paper that seeks approval for the preferred option for delivering the proposed investment. The Cabinet Paper will include feedback from the Treasury Vote Analyst, System Leader and the outcome of the Gateway assurance review (if high risk).

The Treasury:

- For high-risk proposals, the Treasury will convene a Gateway assurance review (Gateway) which focuses on the preparedness to approach the market before the DBC is submitted to Cabinet (as the Gateway outcome will be shared with Cabinet). Reporting on the timing of the DBC will be provided through the QIR, which also provides the indicative timing of when a budget decision will be sought, delivery timing and cost – key elements of the investment pipeline. The QIR is expected to be shared with Ministers and Cabinet’s Expenditure Committee before going to Cabinet. Reporting quality is dependent on agency data quality.

Cabinet:

- Makes two decisions: Prioritisation (whether to proceed with the investment) and Sequencing (when to advance DBC for Budget funding).

Investment Lifecycle: Planning (Budget)

	Investment Intentions	Investment Planning					Investment Delivery	Investment Realisation
Planning - Business Case		Strategic Assessment	Indicative Business Case	Detailed Business Case		Implementation Business Case		
Assurance - Gateway Review		Gateway Review	Gateway Review	Gateway Review		Gateway Review	Gateway Review	Gateway Review
Governance - Cabinet Decision		Cabinet approval	Cabinet approval	Cabinet approval	Budget Cabinet Funding Decision	Cabinet approval		

Investment funding decisions are made via the Budget process.

The Agency:

- Obtains Ministerial approval to submit their investment proposal to the Budget process and prepares the investment proposal in line with Ministerial expectations and the Treasury's guidance.

The Treasury:

- Convenes the Investment Panel (made of senior representatives from System Leaders, including the Infrastructure Commission) to evaluate large capital Budget proposals and provide advice to Budget Ministers and Cabinet on the Budget package, noting impacts that approved investments will have on the Investment Pipeline.

Cabinet:

- As part of the overall Budget package, decides whether to approve funding for the investment proposal (sequencing) and any conditions the agency is required to meet as part of the Budget approval.

Investment Lifecycle: Planning (Implementation)

	Investment Intentions	Investment Planning					Investment Delivery	Investment Realisation
Planning - Business Case		Strategic Assessment	Indicative Business Case	Detailed Business Case		Implementation Business Case		
Assurance - Gateway Review		Gateway Review	Gateway Review	Gateway Review		Gateway Review	Gateway Review	Gateway Review
Governance - Cabinet Decision		Cabinet approval	Cabinet approval	Cabinet approval	Budget Cabinet Funding Decision	Cabinet approval		

The Implementation Business Case focused on the deliverability of the investment. It seeks Cabinet approval to enter commercial contracts and commence delivery.

The Agency:

- Completes the ImpBC. If tender process reveals funding approved (via Budget) is insufficient, the ImpBC will propose options to address (which may include additional funding). A Cabinet Paper is completed that seeks approval commercial contracts and commence delivery. It will include feedback from the Treasury Vote Analyst, System Leader and the outcome of the Gateway assurance review (if high risk).

The Treasury:

- For high-risk proposals, the Treasury will convene a Gateway assurance review which focuses on whether the proposal is still needed, remains affordable and is achievable. It is done before ImpBC is submitted to Cabinet (as the outcome of the Gateway assurance review will be shared with Cabinet). Reporting on the timing of the ImpBC will be provided through the QIR, which also provides the indicative delivery timing and cost. The QIR is expected to be shared with Ministers and Cabinet’s Expenditure Committee before going to Cabinet. Reporting quality is dependent on agency data quality.

Cabinet:

- Decides on sequencing: whether to approve the ImpBC. Cabinet may delegate these decisions as part of the Budget process.

Investment Lifecycle: Delivery

	Investment Intentions	Investment Planning					Investment Delivery	Investment Realisation
Planning - Business Case		Strategic Assessment	Indicative Business Case	Detailed Business Case		Implementation Business Case		
Assurance - Gateway Review		Gateway Review	Gateway Review	Gateway Review		Gateway Review	Gateway Review	Gateway Review
Governance - Cabinet Decision		Cabinet approval	Cabinet approval	Cabinet approval	Budget Cabinet Funding Decision	Cabinet approval		

The **delivery phase** is where **the asset is delivered**. This is also known as the construction phase.

The Agency:

- Implements the Cabinet-approved investment decision and delivers the new asset/capability in a way that fully realises the planned benefits and outcomes.
- Provides Ministers with assurance that delivery is proceeding as intended and provides the Treasury with data for the QIR.

The Treasury:

- Reports on investment delivery through the QIR which is expected to be provided to Ministers and the Expenditure Cabinet Committee before being provided to Cabinet. The QIR will highlight if an investment is progressing on time, on budget, to scope, or in a way that puts planned benefits at risk. Reporting quality is dependent on agency data quality.
- For high-risk proposals, the Treasury convenes a Gateway assurance Review. It focus the asset “readiness for service” and is completed before the asset “goes live”.

Cabinet:

- Has oversight of investment delivery through quarterly reporting and makes decisions for investment that are not being delivered as intended (e.g. more intensive reporting).

Investment Lifecycle: Realisation

	Investment Intentions	Investment Planning					Investment Delivery	Investment Realisation
Planning - Business Case		Strategic Assessment	Indicative Business Case	Detailed Business Case		Implementation Business Case		
Assurance - Gateway Review		Gateway Review	Gateway Review	Gateway Review		Gateway Review	Gateway Review	Gateway Review
Governance - Cabinet Decision		Cabinet approval	Cabinet approval	Cabinet approval	Budget Cabinet Funding Decision	Cabinet approval		

During the **Realisation phase**, the delivered asset is operating under “business-as-usual” conditions and **actual performance is compared to expectations**. This is not currently undertaken uniformly across the portfolio.

The Agency:

- Manages the asset to ensure it is delivering the intended levels and methods of service and identifies any other improvements to optimise levels of service and asset performance over time.

The Treasury:

- Convenes a Gateway assurance review on benefits realisation and ensures the themes from those reviews are captured to improve planning and delivery of future investments.
- The outcome of the Gateway assurance reviews and the themes will be provided to Ministers and Cabinet through the June Quarterly Investment Report (the Annual Report).

Cabinet:

- Receives updates on asset performance as required.



TE TAI ŌHANGA
THE TREASURY



TE TAI ŌHANGA
THE TREASURY

Investment Management System

December 2023: Quarterly Investment Reporting

ANNEX B: T2024/243

21 FEBRUARY 2024

Context

New Zealand Investment Context

New Zealand requires a greater level of capital investment to start to address long-run infrastructure gaps – Te Waihanga Infrastructure Commission assess that New Zealand has a public infrastructure gap of approximately \$104 billion. Increased investment in other critical public services is also needed.

To address these issues, increased investment must be sustainable and matched with fiscal capacity, as well as agency and market capacity and capability.

Significant levels of capital funding have been allocated in recent years – often in response to external factors (stimulating the economy facing headwinds before and after COVID-19, and to the recent extreme weather events).

New Zealand has capacity for approximately \$5 - \$7 billion of capital investment per year. Based on the Treasury's Quarterly Investment Reporting agencies have forecast to deliver in excess of \$7 billion in capital investment for the next two years – this is expected to result in cost pressures and delays

Active management of the investment pipeline is required: While reprioritisation is being undertaken as part of Budget 2024, this activity should be ongoing. Specific actions could include:

- Delaying progression of a business case (e.g. from Indicative Business Case to Detailed Business to Implementation Business Case to ensure approvals align with market capacity
- Deferring delivery of an investment activity if a higher priority proposal comes forward

Market Context

Coinciding with the wider market slowdown, market soundings (undertaken by the Infrastructure Commission) uncovered comments that Tier 2 and 3 contractors had reduced confidence in their forward workload and were actively looking for work – with some sub-sectors like 'high density residential' in distress.

However, in the interviews the Infrastructure Commission conducted four months ago, Tier 1 contractors signalled that they were either at or close to capacity for the next year. Beyond one year, some contractors had capacity to engage with front-end procurement, suggesting that they had little capacity to complete physical works on new projects over the next two/three years. We note that some of the recent project cancellations may have freed up some capacity at the Tier 1 level.

There is a significant number of public service data and digital investments in the Government's investment portfolio, such as financial management and payroll systems, many of which are at the end of their useful life across the public service. This is resulting in cost increases, with agencies competing for the same small pool of specialist skills to deliver these investments.

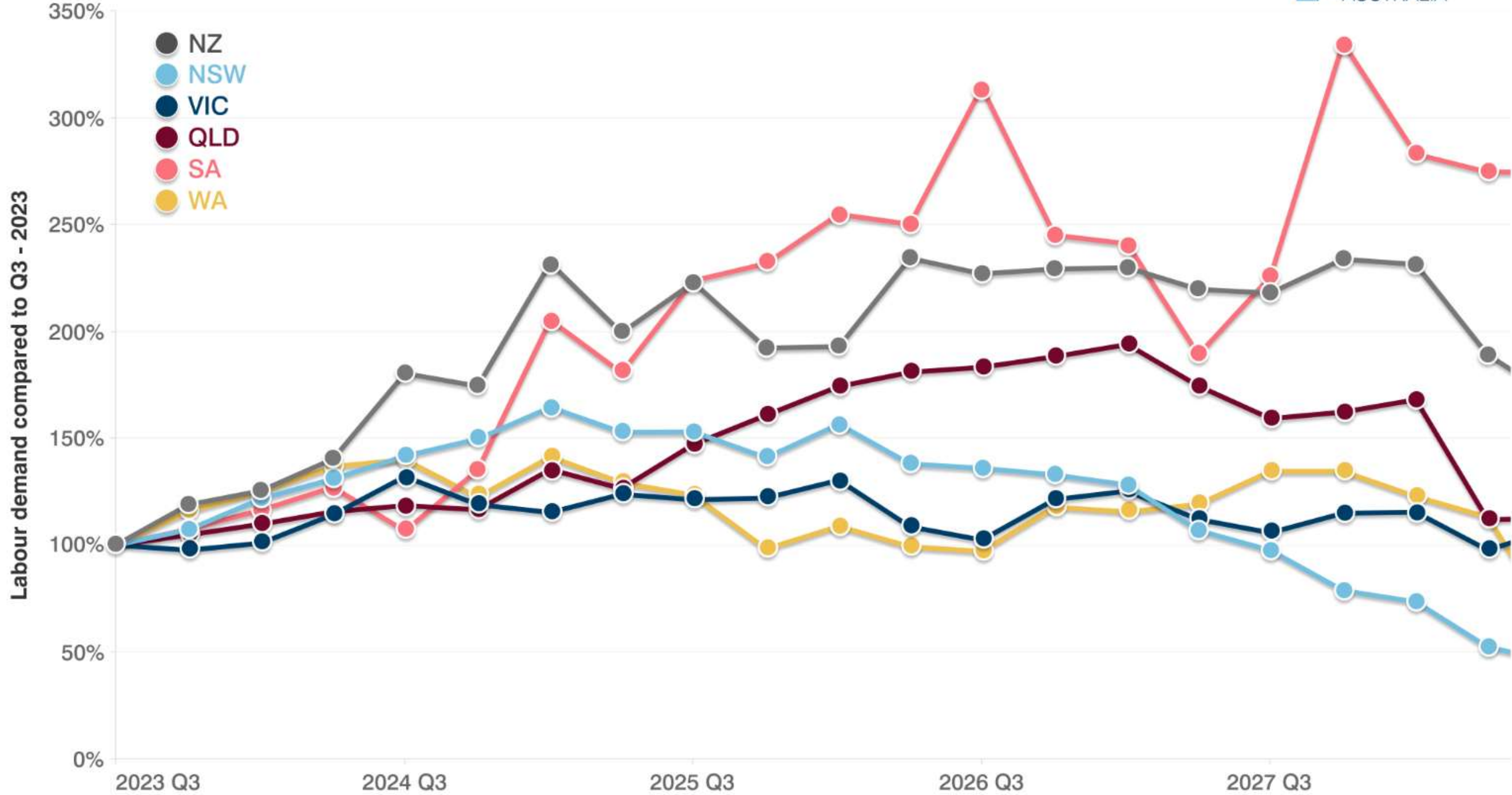
Note:

*Tier 1 contractors: listed companies capable of building projects over \$300m in value
Tier 1 & 2 contractors: smaller companies focused on projects less than \$300m.*

International Comparisons

Australia has been facing similar challenges. A recent (November 2023) review by the Australian Federal Government of its A\$120 billion infrastructure investment programme recommended that 82 projects not yet in construction be ceased. In addition, this review found:

- The current programme is not affordable or deliverable given identified cost pressures of A\$32.8 billion.
- Some projects do not demonstrate merit or align with government priorities.
- A number of projects were allocated funding too early in the planning process, before detailed planning, design and costs was undertaken



Forecast labour demand – New Zealand and Australian states

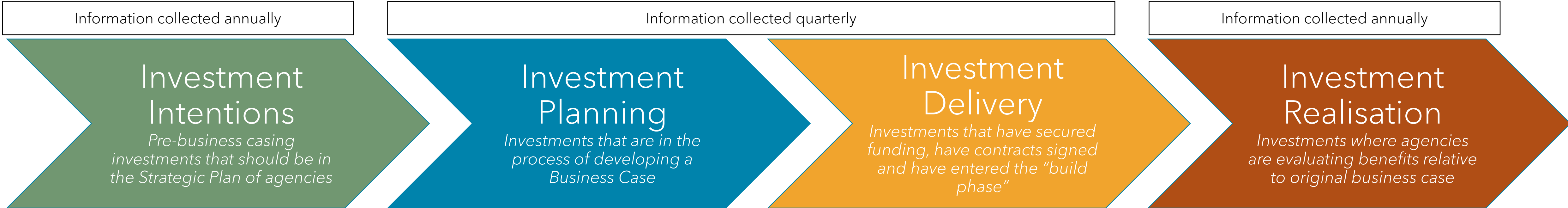
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Investment Reporting	Investment Intentions (Annually)	Investment Planning (Quarterly)					Investment Delivery (Quarterly)	Investment Realisation (Annually)

The investment lifecycle is the way we navigate the Investment Management System by setting out **what** needs to happen, **when** it needs to happen, and **who** is accountable for each of the four phases of the Investment Lifecycle:

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- The **Investment Delivery phase** involves the agency implementing the investment decision. During this phase, the Treasury will provide Ministers with quarterly reporting that will outline if the investment is on time, on budget, to scope and being delivered in a way that will secure the benefits.
- The **Investment Realisation phase** involves reviewing the actual performance of investments against expectations and reviewing benefits and outcomes, the performance of investments. The Treasury will provide intentions reporting to Cabinet

Investment Lifecycle: Data



81
Investments in Intentions
13
Agencies

Intentions	No.
Infrastructure	47
Data & Digital	9
Specialist Equipment	22
Organisational Change	3
Total	81

142
Investments in Planning
19
Agencies

Planning	No.	Value (\$b)
Infrastructure	89	89.3
Data & Digital	34	2.9
Specialist Equipment	12	4.2
Organisational Change	7	0.8
Total	142	97.2

176
Investments in Delivery
24
Agencies

Delivery	No.	Value (\$b)
Infrastructure	104	56.5
Data & Digital	48	8.0
Specialist Equipment	15	7.5
Organisational Change	9	3.6
Total	177	75.5

17
Investments in Realisation
7
Agencies

Realisation	No.
Infrastructure	8
Data & Digital	3
Specialist Equipment	2
Organisational Change	4
Total	17

Cost pressures
\$6.0b

Planning Phase



Investment Lifecycle: Planning

The purpose of the Planning phase is to provide Cabinet with four investment decisions (Strategic Assessment, Indicative, Detailed and Implementation Business Cases) and a funding decision (Budget).

	Investment Intentions	Investment Planning					Investment Delivery	Investment Realisation
Planning - Business Case		Strategic Assessment	Indicative Business Case	Detailed Business Case		Implementation Business Case		
Assurance - Gateway Review		Gateway Review	Gateway Review	Gateway Review		Gateway Review	Gateway Review	Gateway Review
Governance - Cabinet Decision		Cabinet approval	Cabinet approval	Cabinet approval	Budget Cabinet Funding Decision	Cabinet approval		

There are currently 142 investments totalling \$97.2 billion in value in the Planning phase of the Investment Lifecycle. The 10 largest investments (illustrated in the table below) make up 76% of the total value of this phase (\$69.2 billion Capex and \$4.8 billion Opex - \$74.0 billion total).

Agency Name	Investment Name	Investment Stage	Capex	Opex	IBC/PBC	DBC	Budget	ImBC	Start date	End date
Waka Kotahi	SH1 Additional Waitemata Harbour Connections	2 Planning	[33]		Mar 24	Jun 25	[33]		Jun 29	Dec 40
Waka Kotahi	Northwest Rapid Transit Corridor	2 Planning			Dec 18	Sep 24		Sep 26	Jun 27	Dec 33
Ministry of Transport	Hamilton-Auckland Intercity Connectivity Project	2 Planning			Sep 24	Sep 25		Jun 26	Jun 27	Sep 32
Te Whatu Ora	[33]	2 Planning								
Waka Kotahi	Southwest Gateway Programme	2 Planning			Sep 17	Dec 23			Jun 24	Dec 34
Waka Kotahi	North West Alternate State Highway	2 Planning			Jun 19	Mar 22		Jun 33	Jun 35	Jun 40
Waka Kotahi	NZUP - Ōtaki to North of Levin	2 Planning			Dec 18	Sep 22			Sep 25	Dec 29
Defence Force	Maritime Helicopter Replacement (MHR)	2 Planning			Mar 23	Mar 24		Mar 25	Mar 25	Jun 31
Department of Corrections	Prison Capacity / Waikeria Expansion	2 Planning								
KiwiRail	[33]	2 Planning							Sep 26	Jun 31

Total

Planning Phase: Detailed Business Case

The Detailed Business Case (DBC) identifies the preferred option for delivering the proposed investment. It focuses on the value of the investment and should be a prerequisite for a Budget decision. There are currently 30 investments totalling \$15.3 billion by value in the DBC stage, which is 16% of the total value of the Planning phase.

The table below illustrates that there are currently 15 investments totalling \$3.6 billion by value seeking a Cabinet decision on a DBC between January 2024 and March 2024. Data issues can be seen in the investments highlighted in red – 1) expected Cabinet decisions on the IBC, DBC, Budget and ImBC all in the March quarter, 2) business case decision required when the investment is in delivery or intentions and 3) missing Budget year data.

Agency Name	Investment Name	Investment Stage	Planning Stage	Risk Rating	Capex	Opex	Budget Funding	Other Funding	IBC	DBC	Budget year	ImBC
Defence Force	Maritime Helicopter Replacement (MHR)	2 Planning	2 DBC	High	[33]				Mar 23	Mar 24	[33]	Mar 25
Te Whatu Ora	[33]	2 Planning	2 DBC	Medium					Jun 22	Mar 24		
Kāinga Ora	Fernclyffe Farms	2 Planning	2 DBC	Medium					Dec 22	Mar 24		Mar 24
Defence Force	High Side Capability Update (HSCU)	2 Planning	1 IBC	Medium						Mar 24		Sep 24
Ministry of Justice	[33]	2 Planning	1 IBC	Medium					Mar 24	Mar 24		Mar 24
Ministry of Education	Te Mana Tuhono (Continuing Cybersecurity and Managed IT Services)	3 Delivery		High					Mar 24	Mar 24		Mar 24
Defence Force	Maritime Helicopter Replacement - Infrastructure Design	2 Planning	2 DBC	Medium					Mar 23	Mar 24		Mar 25
Department of Conservation	Addressing damage to Conservation sites and assets caused by the 2023 North Island Weather Events – (B24)	1 Intentions		RPA Required					Dec 23	Mar 24		Jun 24
Department of Conservation	[33]	2 Planning	1 IBC	Medium					Mar 25	Mar 24		Jun 24
Ministry of Justice		2 Planning	1 IBC	Medium					Mar 24	Mar 24		Mar 24
Ministry of Justice		2 Planning	1 IBC	Medium					Mar 24	Mar 24		Mar 24
Ministry of Education	Cyber Security and Digital Support (CSDS) Programme (B24)	2 Planning	2 DBC	High					Dec 23	Mar 24		Jun 24
Department of Internal Affairs	Information Management Capability Uplift (IMCU)	2 Planning	2 DBC	Medium					Sep 23	Mar 24		Mar 24
Defence Force	Information Management Programme Tranche 1	2 Planning	2 DBC	High					Jun 23	Mar 24		Sep 24
Ministry of Education	School Managed Network	2 Planning		High					Mar 24	Mar 24		Mar 24
Total												

Note: The sum of Opex and Capex is \$51 million lower than the sum of Budget Funding and Other Funding which reflects data quality issues.

Planning Phase: Budget

Investment funding decisions are made via the Budget process. The table below illustrates the pipeline of Budget decision agencies provided, signed off by the CEO, as at 31 December 2023. This do not reflect what was invited or what was received – more information on what submitted for consideration at Budget 2024 will be provided as part of the Budget process.

Budget Year	B24		B25		B26		B27+		Total	
Investment Type	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value
1 Infrastructure	23	\$11,255M	13	\$2,883M	9	\$7,880M	21	\$44,951M	66	\$66,968M
2 Data and Digital	10	\$803M	10	\$1,009M	4	\$926M	8	\$227M	32	\$2,965M
3 Specialist Equipment	5	\$1,098M	6	\$2,535M	1	\$568M			12	\$4,201M
4 Organisational Change	3	\$230M	3	\$559M			1	\$0M	7	\$789M
Total	41	\$13,387M	32	\$6,986M	14	\$9,373M	30	\$45,177M	117	\$74,923M

Planning Phase: Implementation Business Case

The Implementation Business Case (ImBC) focusses on the deliverability of the investment. It seeks Cabinet approval to enter commercial contracts and commence delivery. There are currently 40 investments totalling \$14.7 billion by value in the ImBC stage, which is 15% of the total value of the Planning phase.

The table below illustrates that there are currently 10 investments totalling \$0.6 billion by value seeking a Cabinet decision on an ImBC between January 2024 and March 2024. Data issues can be seen in the investments highlighted in red – 1) expected Cabinet decisions on the IBC, DBC, Budget and ImBC all in the March quarter, 2) business case decision required when the investment is in delivery or intentions and 3) missing Budget year data.

Agency Name	Investment Name	Investment Stage	Planning Stage	Risk Rating	Capex	Opex	Budget Funding	Other Funding	IBC	DBC	Budget year	ImBC
Kāinga Ora	Fernclyffe Farms	2 Planning	2 DBC	Medium	[33]				Dec 22	Mar 24	[33]	Mar 24
MBIE	NIWA's Future Property Programme - Wellington	1 Intentions		RPA Required					Dec 24			Mar 24
Ministry of Justice	[33]	2 Planning	1 IBC	Medium					Mar 24	Mar 24		Mar 24
Ministry of Education	Te Mana Tuhono (Continuing Cybersecurity and Managed IT Services)	3 Delivery		High					Mar 24	Mar 24		Mar 24
Ministry of Justice	[33]	2 Planning	1 IBC	Medium					Mar 24	Mar 24		Mar 24
Ministry of Education	Digital Identity for Online Learning	3 Delivery		Medium					Sep 22	Sep 22		Mar 24
Ministry of Justice	[33]	2 Planning	1 IBC	Medium					Mar 24	Mar 24		Mar 24
Department of Internal Affairs	Information Management Capability Uplift (IMCU)	2 Planning	2 DBC	Medium					Sep 23	Mar 24		Mar 24
Defence Force	Modern Document Management and Intranet (MDMI)	2 Planning	3 ImBC	Medium						Mar 23		Mar 24
Ministry of Education	School Managed Network	2 Planning		High					Mar 24	Mar 24		Mar 24
Total												

Note: The sum of Opex and Capex is \$160 million higher than the sum of Budget Funding and Other Funding which reflects data quality issues.

Delivery Phase



Investment Lifecycle: Delivery

	Investment Intentions	Investment Planning					Investment Delivery	Investment Realisation
Planning - Business Case		Strategic Assessment	Indicative Business Case	Detailed Business Case		Implementation Business Case		
Assurance - Gateway Review		Gateway Review	Gateway Review	Gateway Review		Gateway Review	Gateway Review	Gateway Review
Governance - Cabinet Decision		Cabinet approval	Cabinet approval	Cabinet approval	Budget Cabinet Funding Decision	Cabinet approval		

The delivery phase is where the asset is delivered and is also known as the construction phase. There are currently 176 investments with a total budget of \$75.5 billion in the Delivery phase.

Investment Type	No.	Capex	Opex	Delivery Budget	Spend to date	Cost to complete	Cost pressures (Reported)
1 Infrastructure	104	\$47,235M	\$8,545M	\$56,474M	\$28,213M	\$37,444M	\$5,459M
2 Data and Digital	48	\$2,590M	\$5,399M	\$7,989M	\$1,828M	\$4,940M	\$522M
3 Specialist Equipment	15	\$7,451M	\$0M	\$7,451M	\$4,588M	\$2,714M	\$0M
4 Organisational Change	9	\$107M	\$3,500M	\$3,608M	\$474M	\$3,096M	\$0M
Total	176	\$57,383M	\$17,445M	\$75,521M	\$35,104M	\$48,194M	\$5,981M

Note: The Total Delivery Budget is \$693 million higher than the sum of approved Opex and Capex, which reflects data quality issues. Similarly, the Cost pressures (Reported) figure is \$1,796 million lower than would be expected if the value of cost pressures were calculated as the difference between the Total Delivery Budget and the sum of Spend to Date and Cost to complete.

Delivery Phase: 10 Largest Investments

There are currently 176 investments totalling \$75.5 billion in value in the Delivery phase of the Investment Lifecycle. The 10 largest investments make up 48% by value (\$35.8 billion).

Agency Name	Investment Name	Capex	Opex	Delivery Budget	Spend to Date	Cost to Complete	Cost Pressures (Reported)	Start date	End date
Waka Kotahi	NLTP 21-24	\$4,870M	\$2,947M	\$7,817M	\$6,224M	\$1,625M	^[33]	Jun 21	Jun 24
Waka Kotahi	NZUP	\$5,815M	\$32M	\$6,540M	\$1,345M	\$5,577M		Mar 20	Dec 30
City Rail Link Limited	City Rail Link	\$5,493M	\$0M	\$5,493M	\$4,195M	\$1,298M		Sep 17	Dec 25
Kāinga Ora	Public and Supported Housing [FY24+FY25]	\$3,653M	\$0M	\$3,653M	\$1,502M	\$2,555M		Dec 21	Jun 25
Waka Kotahi	Safety Camera System	\$13M	\$2,514M	\$2,527M	\$30M	\$2,498M		Mar 23	Jun 30
Defence Force	Air Surveillance Maritime Patrol	\$2,407M	\$0M	\$2,407M	\$1,846M	\$562M		Mar 18	Dec 25
KiwiRail	RNIP - Rail Network Investment Programme (first 5 years of 10 for Rail Network)	\$0M	\$2,122M	\$2,122M	\$940M	\$1,376M		Sep 21	Jun 26
NZ Police	Public Safety Network - Next Generation Critical Communications Programme	\$449M	\$1,327M	\$1,777M	\$131M	\$1,645M		Sep 22	Dec 26
Ministry of Education	National Education Growth Plan (NEGP) (B22)	\$1,493M	\$275M	\$1,768M	\$1,705M	\$1,768M		Sep 22	Dec 30
Kāinga Ora	Mangare LSP	\$1,707M	\$0M	\$1,707M	\$228M	\$1,479M		Mar 19	Dec 36
Total		\$25,900M	\$9,217M	\$35,811M	\$18,145M	\$20,382M			

Note: The Total Delivery Budget is \$693 million higher than the sum of approved Opex and Capex, which reflects data quality issues. Similarly, the Cost pressures (Reported) figure is \$1,704 million lower than would be expected if the value of cost pressures were calculated as the difference between the Total Delivery Budget and the sum of Spend to Date and Cost to complete.

Delivery Phase: Cost Pressure

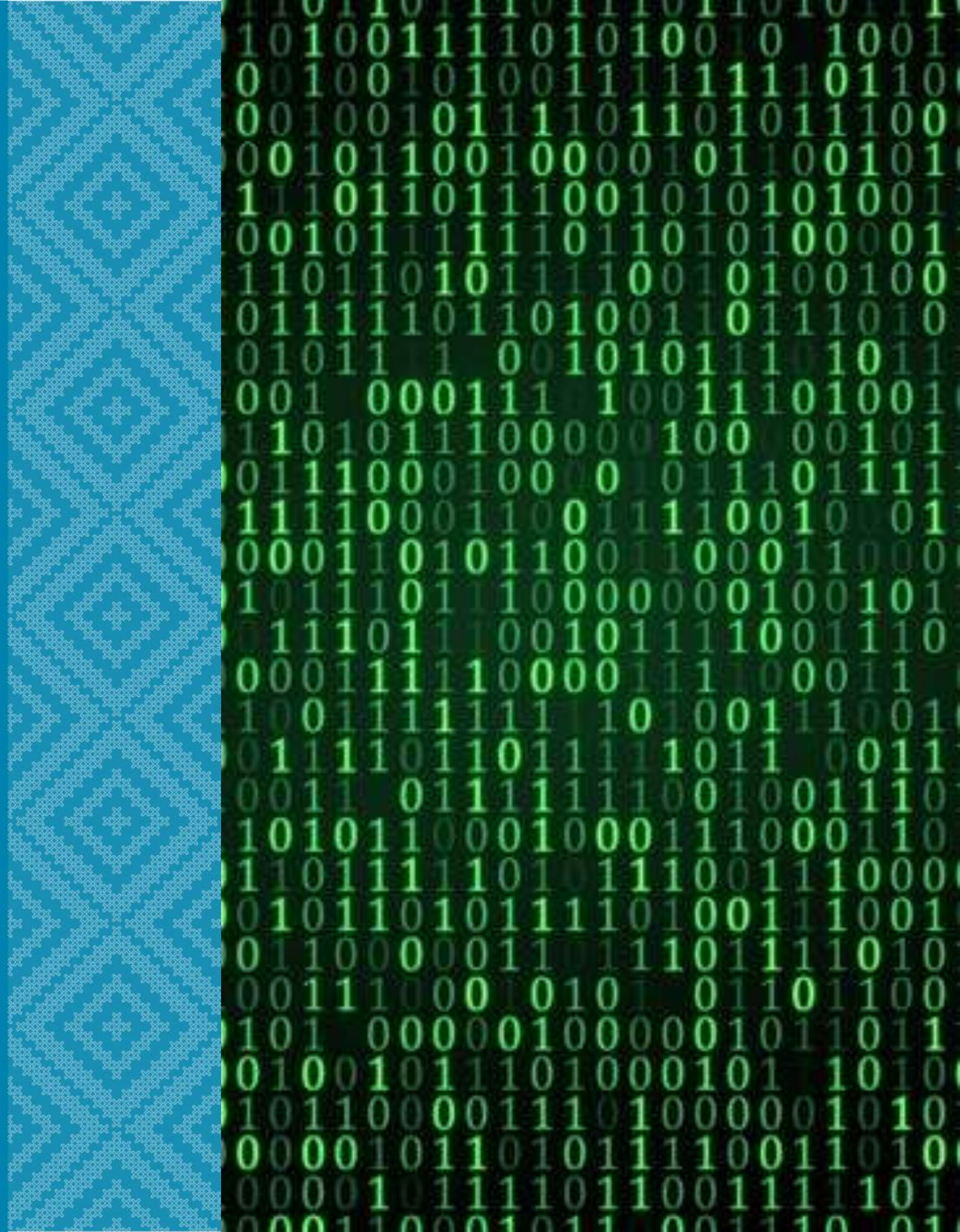
There are currently 39 investments in Delivery (comprising an approved delivery budget of \$30.9 billion) reporting cost pressures of \$6.0 billion, which represents 19% of the approved value of these investments. The 10 largest reported cost pressures (\$4.6 billion) make up 76% of all reported cost pressures.

Top 10 reported cost pressures by value

Agency Name	Investment Name	Investment Type	Capex	Opex	Delivery Budget	Spend to Date	Cost to Complete	Cost Pressures	% of Budget
Kāinga Ora	Public and Supported Housing [FY26+FY27]	1 Infrastructure	\$637M	\$0M	\$637M	\$71M	[33] and [37]	[33] and [37]	
KiwiRail	IREX	1 Infrastructure	\$1,450M	\$0M	\$1,450M	\$424M	\$2,223M		
Kāinga Ora	Public and Supported Housing [FY24+FY25]	1 Infrastructure	\$3,653M	\$0M	\$3,653M	\$1,502M	[33] and [37]		
Waka Kotahi	NZUP	1 Infrastructure	\$5,815M	\$32M	\$6,540M	\$1,345M	\$5,577M		
Department of Internal Affairs	3Waters Reform - Corporate Services and Operational Technology ICT	2 Data and Digital	\$34M	\$309M	\$343M	\$7M			
Defence Force	DERP - Tranche 1 Additional Funds	1 Infrastructure	\$131M	\$0M	\$131M	\$109M	\$284M		
Defence Force	Defence Estate Regeneration - Project Cost Pressures	1 Infrastructure	\$38M	\$0M	\$38M	\$27M	\$219M		
Waka Kotahi	NZUP - Papakura to Drury	1 Infrastructure	\$708M	\$6M	\$714M	\$269M	[33] and [37]		
Waka Kotahi	Manawatū Tararua Highway : Te Ahu a Turanga	1 Infrastructure	\$608M	\$0M	\$608M	\$429M			
Te Whatu Ora	New Dunedin Hospital	1 Infrastructure	\$1,590M	\$0M	\$1,590M	\$287M			
Total			\$14,664M	\$347M	\$15,704M	\$4,469M			

Note: The Total Delivery Budget is \$693 million higher than the sum of approved Opex and Capex, which reflects data quality issues. Similarly, the Cost pressures (Reported) figure is \$680 million higher than would be expected if the value of cost pressures were calculated as the difference between the Total Delivery Budget and the sum of Spend to Date and Cost to complete.

Investment Management System Data



System compliance

Cabinet Office Circular CO (23) 9 introduced a requirement for agencies' Chief Executive (or an approved delegate) to approve quarterly investment returns.

In the December quarter, 23 out of 28 agencies complied with this requirement, however the data reported continues to include omissions and inconsistencies with Cabinet's expectations.

These data quality issues are demonstrated by the significant divergence in submissions received through the Budget process compared to what was signalled in the December quarterly returns.

We will report to you in future quarters on changes in data quality and whether agencies are seeking Cabinet decisions in accordance with the data provided.

Data completeness and quality did improve between the September quarter to the December quarter:

- Completeness of data for investments in planning - increased from 78% to 87%
- Completeness of data for investments in delivery - increased from 66% to 97%
- Stage gate adherence, where an investment conforms with Cabinet's expectations for investment planning, increased from 15% to 20%. Agencies must show the following:
 - The investment has a sequential planning timeline that starts with an IBC, followed by a DBC, followed by an ImBC.
 - The investment has a Cabinet-approved DBC prior to seeking Budget funding.
 - The investment's planned delivery start date must follow a Cabinet-approved ImBC.

System compliance: Agency data

Data completeness (Planning)



Agency Name	Count	Completeness (Planning)
		▲

Stage gate adherence



Agency Name	Count	Stage gate adherence
		▲

Data completeness (Delivery)



Agency Name	Count	Completeness (Delivery)
		▲



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