



Proactive Release

The following documents have been proactively released by the Department of the Prime Minister and Cabinet (DPMC), on behalf of the Minister of Finance, Hon Grant Robertson:

Implementation Unit: Work Programme to 30 June 2023

The following documents have been included in this release:

Title of paper: Implementation Unit: Work Programme to 30 June 2023
(CPC-22-SUB-0045 refers)

Title of paper: Appendix A Implementation Readiness Government Investment in Decarbonising Industry (GIDI) Fund

Title of paper: Appendix B Deep Dive into Mental Health Infrastructure Programme (MHIP)

Title of paper: Appendix C Stocktake of the Delivery of New Zealand's International Climate Finance Commitments

Title of minute: Implementation Unit: Work Programme to 30 June 2023
(CPC-22-MIN-0045 refers)

Title of minute: Report of the Cabinet Priorities Committee: Period Ended 9 December 2022
(CAB-22-MIN-0563 refers)

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act). Where this is the case, the relevant section of the Act that would apply has been identified. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to redaction codes:

- Section 9(2)(f)(iv), to maintain the confidentiality of advice tendered by or to Ministers and officials; and
- Section 9(2)(i), to protect the Crown's commercial activity.

Notes:

The Implementation Unit's work plan was set in December 2022. Since that time the Unit's assignment to undertake a stocktake of the Three Waters reforms has been placed on hold, and the assignment to assess the readiness of the Income Insurance Scheme will not proceed.

~~[In confidence]~~

Office of the Minister Hon Grant Robertson

Deputy Prime Minister

Chair, Cabinet Priorities Committee

Implementation Unit: Work Programme to 30 June 2023.

Proposal

- 1 This paper seeks confirmation of the proposed list of priority programmes for the Implementation Unit (the Unit) to work on from January 2023 to 30 June 2023. It includes follow on or previously agreed assignments; and proposed new assignments.
- 2 Recent reports by the Unit on the Mental Health Infrastructure Programme (MHIP), the Government Investment in Decarbonising Industry(GIDI) Fund, and International Climate Finance Commitments are also attached for the Committee's consideration.

Relation to government priorities

- 3 The Unit's operations are critical to enabling the successful delivery of Government priorities, particularly *accelerating economic recovery and laying foundations for the future*.

Executive Summary

- 4 The Unit's work plan until 30 June 2023 will include follow on work from programmes assessed in 2022, other programmes previously agreed by CPC and new assignments.
- 5 Follow-on work from the Unit's 2022 programme covers Emergency Housing, the Health Reforms, Suicide Prevention, follow up from the year three stocktake of the 2019 Budget Mental Health and Addiction Package, the Agricultural Emissions Pricing Scheme, Three Waters reforms, and the Immigration Rebalance.
- 6 There are three additional priority programmes that I am proposing the Unit adds to its work programme for the first half of 2023. These are the Public Housing Register, the Carbon Neutral Government Programme and Te Pūkenga.
- 7 The IU has recently completed three Reports that are attached for consideration. These are the Mental Health Infrastructure Programme Deep Dive, the GIDI stocktake of readiness, and the stocktake of the delivery of New Zealand's International Climate Finance Commitments.

Background

- 8 On 26 July 2022, Cabinet agreed to a set of programmes for the second half of 2022 that the Unit would continue to work on as well as a number of new assignments (CAB-22-MIN-0021) refers. Some of these assignments continue in the first half of 2023.
- 9 The Unit has capacity for additional assignments in the first half of 2023.

- 10 After the Unit's work programme is finalised, the Unit will prepare commissioning briefs for each new assignment in consultation with relevant agencies. Commissioning briefs for previously agreed assignments will be amended, where required.

IU work programme from January to 30 June 2023

- 11 I propose the Unit's work programme for the first half of 2023 comprise follow on programmes already agreed, and new assignments.

Follow on programmes already agreed or anticipated

- 12 The following assignments were confirmed on 26 July 2022 when Cabinet considered the mid-year review of the Unit's 2022 Work Programme (CAB-22-MIN-0021) refers. Where aspects of scope or timing were to be determined following further scoping or have changed this is reflected in the outline of the assignment.
- 13 **Emergency housing (late January to June 2023):** This assignment is to support the Ministry of Housing and Urban Development (HUD) and the Ministry of Social Development (MSD) to implement a place-based emergency housing model in Wellington and Hamilton. The Unit will work with the delivery agencies to ensure that the lessons learnt in the Rotorua pilot are considered in the design and delivery of the model and the model is implemented in a way that is fit for purpose and responsive to the respective contexts in the two locations. This was agreed by Cabinet in July as part of the mid-year review of the Unit's work programme.
- 14 **Health reforms:** Two of the Health Reform commissions approved as part of a wider brief in the 2022 work programme are proposed for inclusion in the January – June 2023 work programme:
- 14.1. May 2023: Assess the status of the working arrangements between Manatū Hauora (Ministry of Health) and Whaikaha (Ministry of Disabled People). This has been approved for rescheduling from 2022 to May 2023.
- 14.2. February – June 2023: Support Manatū Hauora to develop implementation plans for the Budget 2022 Manatū Hauora Capability Fund from February to June 2023.
- 15 **Suicide prevention (March – April 2023):** The suicide prevention component of the two stocktakes by the Unit of the 2019 Budget Mental Health and Addiction package returned a mixed rating. This assessment will be followed up to assess progress since the year three stocktake was completed in June 2022. The proposal is to expand beyond the 2019 package and undertake a wider stocktake of suicide prevention initiatives to assess delivery of intended outputs and progress towards the key actions outlined in the Suicide Prevention Action Plan 2019-24.
- 16 **Follow up from the Year three stocktake of the 2019 Budget Mental Health and Addiction Package (February 2023):** Four parts of this package returned problematic ratings in this stocktake. These were Health – Forensic Mental Health Services for Youth, and Enhancing Primary Addiction Responses, and for the Department of Corrections – Alcohol and Drug intensive treatment in prisons and Alcohol and Drug aftercare support services. It is proposed that a Rapid Assessment be undertaken to assess subsequent progress.

- 17 **Agricultural Emissions Pricing Scheme (April – May 2023):** This assignment is a stocktake of ^{s9(2)(f)(iv)} [redacted] plan for implementing the agricultural emissions pricing scheme ^{s9(2)(f)(iv)} [redacted]
- 18 **Three Waters Reforms (May – June 2023):** A stocktake of progress on the implementation of the Three Waters reform programme. The assignment aims to identify any barriers to its successful implementation and assess if the right arrangements are in place for the programme to deliver its intended benefits and go live by 1 July 2024. This was confirmed by Cabinet when it considered the Unit’s 2022 work programme in March 2022.
- 19 **Income Insurance Scheme:** Assess the readiness of delivery agencies by reviewing governance, planning, systems, working arrangements and critical milestones to support the new implementation, moved from 2023 to 2025. Cabinet was advised when the 2022 work programme was developed that the timing for a work alongside commission on the Income Insurance Scheme was to be determined.
- 20 Budget 2022 provided funding for ACC to complete preparatory work to allow commencement of the Income Protection Scheme in July 2023. As part of this preparatory work, it was agreed with Ministers that the Scheme would become operational from April 2025, rather than December 2023. As a result, a readiness assessment of delivery agencies would be better placed in May to June 2024.
- 21 **Immigration Rebalance (September to June 2023):** Current work alongside Immigration New Zealand (INZ) will continue as it develops an overarching contingency plan following the IU Rapid Assessment in August 2022. This was recommended by the IU Rapid Assessment and confirmed by Cabinet in September 2022.

Proposed new assignments for January to 30 June 2023

- 22 **Public Housing Register:** A stocktake of the Public Housing Register to identify how an applicant’s housing need is assessed (i.e. how is a household added to the register), and, which households are then placed off the register. The stocktake could consider the operational practices that underpin the application of the Social Allocation System.
- 23 **Carbon Neutral Government Programme (CNGP):** A second stocktake of progress of delivery of the CNGP given tranche one agencies will have delivered their emissions reductions plans (ERPs) in December 2022.
- 24 **Te Pūkenga:** A stocktake of progress in establishing a new operating model for the new entity focussing on some of the following areas (this will be determined with the Tertiary Education Commission (TEC) when the commissioning brief is prepared):
- 24.1. IT systems integration progress and planning
 - 24.2. Suitability of management and governance capability and structures
 - 24.3. Identifying any key barriers to success
 - 24.4. Plans to ensure ongoing financial sustainability

- 24.5. Progress towards integrating work-based, campus-based, and online delivery, including retaining and improving employer engagement.

Final Proposed IU Work Programme for January to June 2023

- 25 I am proposing the following set of existing and new assignments to form the IU's work programme for the first half of 2023:
- a. Public Housing Register (stocktake)
 - b. Health reforms (assessment and working alongside)
 - c. Emergency housing (working alongside)
 - d. Suicide Prevention (stocktake of progress)
 - e. Follow-up of progress on the elements of the 2019 Budget Mental Health and Addiction Package assessed as problematic in the Year three Stocktake (rapid assessment)
 - f. Three Waters Reforms (stocktake of progress)
 - g. Carbon Neutral Government Programme (stocktake of progress)
 - h. Agricultural emissions pricing scheme (stocktake of readiness)
 - i. Immigration Rebalance (working alongside)
 - j. Te Pūkenga (stocktake of progress).

Recent Implementation Unit Reports

Implementation Readiness – Government Investment in Decarbonising Industry (GIDI) Fund

- 26 The focus of the Unit's assignment was to assess the implementation readiness for scaling up the GIDI Fund from \$69m over two years to \$662.883m over four years.
- 27 The Unit reported its findings to me on 17 October 2022. A copy of the Briefing is in Appendix A.
- 28 The Unit's stocktake found that it is too early to form a firm view on overall implementation readiness. The Unit recommended that:
- 28.1. a further stocktake on the implementation rollout take place in nine to 12 months following the design work and pilots under way to inform the next stage of delivery
 - 28.2. that the place of GIDI be assessed alongside other funding options to support decarbonising such as the New Zealand Green Investment Fund (NZGIF), and to understand how well the mechanisms are working together

28.3. EECA develop an overall implementation plan with emission reduction targets, a pipeline of projects, indicative spend profile, projected pace of delivery, and risk mitigation by June 2023

28.4. EECA consider further streamlining of the GIDI technical review and decision-making processes to identify efficiencies to improve the pace of delivery.

29 I have discussed the Report with the Minister of Energy and Resources and we have agreed to the recommendations. The Unit will assist EECA with the implementation of these recommendations.

Mental Health Infrastructure Programme Deep Dive

30 The focus of the Unit's assignment was a deep dive review (review) into each of the 16 projects in the Mental Health Infrastructure Programme (MHIP) undertaken by independent infrastructure expertise (expert reviewers) procured by Te Waihangā.

31 The Unit reported its findings to me on 14 October 2022. A copy of the Briefing is in Appendix B.

32 The Unit's view is that the robustness of the estimated completion dates is critical to understanding the status of delivery. The unit recommended that Te Whatu Ora be asked to:

32.1. report back to joint Ministers by 9 December on project level recommendations with a delivery plan that provides revised estimated completion dates for projects that Expert Reviewers recommend be re-baselined, and immediate actions for projects that expert reviewers recommend require action or decisions to reduce risks to delivery

32.2. implement programme level actions and incorporate into the infrastructure operating model workstream where appropriate.

33 I have discussed the Report with the Minister of Health and we have agreed with the recommendations with one adjustment. We have changed the timing so that Te Whatu Ora does not need to provide a separate report by 9 December (see recommendation in para 32.1 above) but will instead include the items from the recommendation in its December monthly report.

Stocktake of the Delivery of New Zealand's International Climate Finance Commitments

34 The focus of the Unit's assignment was to assess the delivery of New Zealand's \$300m 2019 to 2022 climate finance commitment including spending and the delivery of outputs, and the readiness of the Ministry of Foreign Affairs and Trade (MFAT) to deliver New Zealand's \$1.3bn 2022 to 2025 commitment.

35 The Unit reported its findings to me on 20 October 2022. A copy of the Briefing is in Appendix C.

36 The Unit found that MFAT has put in place appropriate arrangements to spend the commitment. It also found that it has more work to do to be ready to fulfil its role in delivering outcomes, particularly for activities it does not deliver directly.

- 37 The Unit recommended that MFAT's advice to Cabinet on its climate change activities should:
- 37.1. identify how it will know whether outcomes are being delivered for each activity, and its options to intervene if delivery is not on track
 - 37.2. identify proposed progress indicators for each outcome in the Strategy and how it will use indicators to inform or trigger decisions on the portfolio, including whether to activate contingency plans
 - 37.3. indicate how it will equip posts to monitor, report on, manage the delivery of activities and intervene where necessary
 - 37.4. outline how MFAT intends to incorporate expert input into its processes to ensure activities are set up to mobilise private finance.
- 38 The Unit will also consider and advise on whether it should undertake follow-on work as part of its six-monthly work programme reviews.

Consultation

- 39 The Treasury was consulted on the preparation of the Unit's work programme. A copy of the Briefing was provided to Te Kawa Mataaho (Public Service Commission). The Ministry for the Environment, the Ministry of Social Development, the Ministry of Housing and Urban Development, the Ministry of Business, Innovation and Employment, the Energy Efficiency and Conservation Authority, the Accident Compensation Corporation, the Ministry of Education, and the Tertiary Education Commission were consulted on the proposed new assignments, where relevant.

Financial Implications

- 40 There are no direct financial implications arising from this paper.

Legislative Implications

- 41 There are no legislative implications arising from this paper.

Impact Analysis

- 42 An Impact Statement is not necessary for this paper.

Human Rights

- 43 There are no Human Rights implications arising from this paper.

Gender Implications

- 44 There are no gender implications arising from this paper.

Disability Perspective

- 45 There are no matters arising from this paper that require a disability perspective.

Publicity

46 No publicity is planned as a result of this paper.

Proactive Release

47 I intend to proactively release this paper and its associated minute after the standard 30 business days from the decision being made by Cabinet.

Recommendations

I recommend that the Committee:

1. **note** that in July 2022, the Cabinet Priorities Committee (CPC) **noted** that the Deputy Prime Minister will bring a proposed Unit workplan for the first half of 2023 to the Cabinet Priorities Committee in December 2022 [CPC-22-MIN-0021].
2. **note** that the Unit will undertake follow on work or assignments already agreed across the following programmes: Emergency housing, Health reforms, Suicide Prevention, follow up from the year three stocktake of the 2019 Budget Mental Health and Addiction Package, Agricultural Emissions Pricing Scheme, Three Waters Reform, and the Immigration Rebalance.
3. **note** that a readiness assessment for the Income Insurance Scheme should take place in May to June 2024 as the Scheme will not become operational until April 2025.
4. **agree** to the following new assignments and their initial scope being added to the Unit's work programme for the first half of 2023:
 - 4.1. *Public Housing Register*: A stocktake of the Public Housing Register to identify how an applicant's housing need is assessed (i.e. how is a household added to the register), and then, which households are then placed off the register. The stocktake could consider the operational practices that underpin the application of the Social Allocation System.
 - 4.2. *Carbon Neutral Government Programme*: A second stocktake of progress of delivery of the CNGP given tranche one agencies will have delivered their emissions reductions plans (ERPs) in December 2022.
 - 4.3. *Te Pūkenga*: A stocktake of progress in establishing a new operating model for the new entity focussing on some of the following areas:
 - 4.3.1. IT systems integration progress and planning
 - 4.3.2. Suitability of management and governance capability and structures
 - 4.3.3. Identifying any key barriers to success
 - 4.3.4. Plans to ensure ongoing financial sustainability
 - 4.3.5. Progress towards integrating work-based, campus-based, and online delivery, including retaining and improving employer engagement.

5. **note** that the Implementation Unit has recently delivered Briefings to me on:
 - 5.1. a stocktake of implementation readiness for scaling up the Government Investment in Decarbonising Industry (GIDI) Fund.
 - 5.2. a deep dive review into the projects in the Mental Health Infrastructure Programme (MHIP).
 - 5.3. a stocktake on New Zealand's International Climate Finance Commitments.

Authorised for lodgement

Hon Grant Robertson

Deputy Prime Minister

Appendix A: Implementation Readiness – Government Investment in Decarbonising Industry (GIDI) Fund

Appendix B: Deep Dive into Mental Health Infrastructure Programme (MHIP)

Appendix C: Stocktake of the Delivery of New Zealand’s International Climate Finance Commitments

Proactively Released

Briefing

Implementation Readiness - Government Investment in Decarbonising Industry (GIDI) Fund

To: Hon Grant Robertson
The Deputy Prime Minister

Date	17/10/2022	Security Level	[IN CONFIDENCE]
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Purpose

1. The Purpose of this Stocktake is to assess the implementation readiness for scaling up the Government Investment in Decarbonising Industry (GIDI) Fund from \$69m over two years to \$662.883m over four years.

Executive Summary

2. The New Zealand Emissions Reduction Plan (May 2022) sets out the pathway for how New Zealand will meet its first emissions budgets (2022 to 2035) and achieve long term climate targets. To help meet the requirements of the plan, the Government has increased the funding available.
3. In Budget 2022, The Energy, Efficiency and Conservation Authority (EECA) received a significant increase in funding for the GIDI Fund, in line with an expanded delivery scope. GIDI 1.0 was for \$69m over two years from 1 July 2020 ending 30 June 2022 while GIDI 2.0 is for \$662.883m over four years from 1 July 2022 to 30 June 2026.
4. Under GIDI 2.0, year one (1 July 2022 to 30 June 2023) will focus on design, planning and piloting with continued delivery under the contestable fund and new partnerships with the very large emitters. Years two, three and four (1 July 2023 to 30 June 2026) are expected to centre on the delivery of products and projects through the Equipment Replacement Scheme (ERS), in renewable fuel supply infrastructure, commercial buildings, and partnerships with the very large emitters and continued delivery through contestable funding.
5. EECA is undertaking programme design for the delivery of the expanded GIDI Fund under four market segments:
 - Contestable fund for medium to large businesses.
 - Equipment replacement scheme (ERS) for the medium to small emitters and commercial buildings space and water heating decarbonisations.
 - Partnerships with the very large emitters.
 - Renewable fuel supply infrastructure investment.
6. For GIDI 1.0 the focus was on decarbonisation in the context of economic stimulus and the market targeted was mainly the larger businesses. GIDI 2.0 centres on emission reduction as

its core focus and ranges across the spectrum of business types from small to the largest emitters.

7. The challenges EECA will face in going from \$69m to \$662.883m include:
 - ensuring there is a sufficient pipeline of projects that can be delivered at pace particularly in the three years of funding from 1 July 2023 to 30 June 2026 once all design parameters are in place;
 - that supply chain issues don't thwart delivery;
 - that underlying economic conditions are conducive to co-investment; and
 - that the small to medium market can be understood and realised.
8. These challenges are identified in its risk register and in its reporting to the Board along with high level mitigation measures.
9. This stocktake found that it is too early to form a firm view on overall implementation readiness. EECA is untested in the new areas of the Equipment Replacement Scheme and renewable energy infrastructure and has design work and pilots under way to test the market.
10. Three contestable funding rounds were completed under GIDI 1.0 with all funding committed into projects by April 2022. It is acknowledged that the contestable fund Round Four under GIDI 2.0 is well under way with plans about to be finalised for another round, and that there are promising first steps in the partnerships with the very large emitters.
11. Uncertainties in the national and global context could constrain both EECA and the private sector (large, medium, and small businesses) and affect the pace of delivery. The degree to which the current global and national context will affect business appetite to co-invest in the short rather than medium to long term will be tested through the period of GIDI piloting and design.
12. This assessment recommends that EECA develop an overall implementation plan by June 2023 that draws on the individual implementation plans that exist for specific elements of the programme, and is informed by the conclusions of the pilots, the results of the contestable fund rounds under GIDI 2.0, and delivery in place through partnership agreements with the very large emitters.
13. The overall implementation plan should cover emission targets, abatement cost, the pipeline of projects, spend profile, the projected pace of delivery, and risk mitigation strategies.
14. A further stocktake of implementation rollout is recommended at the conclusion of the design and pilot phases in nine to 12 months. It is too soon to assess the appropriateness of the design and planning and whether it is enough to ensure a significant increase in the scale and pace of implementation.
15. The technical review and assessment processes under GIDI include several technical and assessment/decision steps, which although robust, can lead to a perception it is a lengthy and slow process. The potential for further efficiencies in the technical assessment and decision-making process for GIDI should be actively pursued in order to maximise pace without compromising rigour.

Recommendations

We recommend you:

1. **note** that early indications are that EECA is getting implementation ready for GIDI 2.0 with the design work, pilots under way, delivery in the next contestable fund round, and some partnerships established but that it is too early to form a firm view on overall implementation readiness to scale up.
2. **agree** to discuss with the Minister of Energy and Resources the need for:
 - a) a further stocktake on the implementation rollout in nine to 12 months following the design work and pilots to inform the next stage of delivery YES / NO
 - b) the place of GIDI to be assessed alongside other funding options to support decarbonising such as the New Zealand Green Investment Fund (NZGIF), and to understand how well the mechanisms are working together YES / NO
 - c) EECA to develop an overall GIDI implementation plan with emission reduction targets, pipeline of projects, indicative spend profile, projected pace of delivery, and risk mitigation by June 2023 YES / NO
 - d) EECA to consider further streamlining of the technical review and decision-making processes under GIDI to identify further efficiencies, where possible, to improve the pace of delivery. YES / NO
3. **agree** to proactively release this report, subject to any appropriate withholding of information that would be justified under the Official Information Act 1982. YES / NO


Katrina Casey
 Executive Director
 Implementation Unit

17/10/2022

Hon Grant Robertson
 The Deputy Prime Minister

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Background

16. On 26 July 2022, the Cabinet Priorities Committee agreed to the Implementation Unit (IU) undertaking a stocktake of implementation readiness in relation to the expanded funding of \$650 million for the GIDI Fund. The commissioning brief is attached as Attachment One.
17. Funding of \$69.0 million was allocated and spent under GIDI 1.0 in a COVID recovery context and funded under the COVID Response and Recovery Fund (CRRF) over the years 2020/2021 and 2021/2023.
18. The expanded GIDI funding programme of \$662.883 million over four years from 1 July 2022 to 30 June 2026 is expected to deliver 1.6 million tonnes of emissions reductions in Emissions Budget One (17% of total reductions required, 9.5 million tonnes in Emissions Budget One (27 % of total reductions required), and 7.4 million tonnes in Emissions Budget Three.
19. GIDI 1.0 delivered three rounds of contestable funding and had committed all funding into projects by April 2022. It has helped fund 53 major industrial decarbonisation projects all contracted for completion by April 2024.
20. These projects included \$68.7m of funding from the Fund attracting a total of \$117m private funding for abatement projects. Over their lifetime, these projects are estimated to save 746m tonnes of CO₂, equivalent to taking 134,800 cars off the road. GIDI 1.0 had a single investment approach (a contestable fund targeted mainly to large businesses) with a broad scope covering energy efficiency and economic stimulus.
21. By contrast, GIDI 2.0 has four investment approaches for different business segments and a more singular focus on emissions reduction.

EECA plans to scale up and expand GIDI – what is it currently doing?

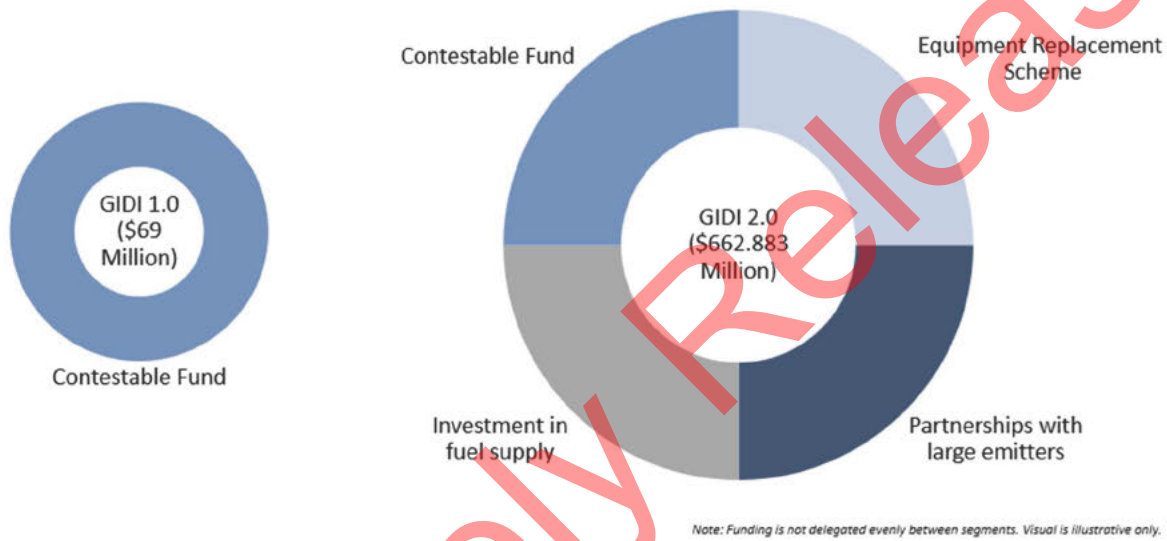
22. The design and piloting phases of new investment approaches, including establishing further partnerships and testing the new markets will be a primary focus for EECA over the next year.
23. EECA's design and planning for GIDI 2.0 reflects its approach to other funding it manages and administers. It is underpinned by strategic cases, programme design, implementation plans, risk management, technical review processes, and monitoring and measuring progress against targets. EECA has a GIDI Risk Register with its top 20 risks outlining cause, effect, mitigation approaches and accountabilities.
24. In addition, EECA is procuring experts to develop a fund investment/carbon abatement forecasting tool.
25. Under GIDI 2.0, EECA is already implementing some contestable investment and partnerships in the market. Round Four of the contestable fund is under way drawing on EECA's experience in managing contestable funds.
26. An expanded GIDI governance group with a new terms of reference has been set up with representation from relevant agencies such as the MBIE and the Ministry for the Environment (MfE) given the link to the Emission Reductions Plan (ERP).
27. The role of the expanded governance group is to ensure that the broader policy intent of GIDI and the Government's energy transition and ERP objectives are considered. There are also bi-monthly delivery meetings with the Minister of Energy and Resources.
28. Other policy connections include the development of the Energy Strategy and an action plan for decarbonising the industrial sector to be completed in 2024, the National Direction on Industrial GHG Emissions and industrial allocation policy, and related initiatives such as the

Gas Transition Plan and the industrial allocation process under the Emissions Trading Scheme (ETS).

What are the markets being targeted?

29. The four market segments are:

- A contestable fund (process heat) for medium to large businesses
- Equipment replacement for medium to small emitters (ERS) and commercial space and water heating decarbonisation
- Partnerships with the very large emitters
- Renewable fuel supply infrastructure investment.



Contestable funding

30. Three rounds of GIDI contestable funding were completed under GIDI 1.0. The target recipients under the GIDI 2.0 contestable fund are medium to large businesses. Given the increase in contestable funding, the investment principles, funding, and eligibility criteria have been updated.

31. The Round Four Request for Proposals (RFP) was launched in June 2022; the round closed in August 2022 and 22 proposals were received. The technical review and assessment processes are under way and decisions are expected in November this year. Round Five details are currently being finalised.

32. The key risks identified by EECA include an insufficient pipeline of projects, supply chain constraints, installation and skills shortages and market confidence to co-invest.

33. s9(2)(f)(iv)



Private finance pilot

- 34. The private finance pilot was launched in June 2022 alongside the GIDI Round Four RFP. It is a new feature of GIDI being tested with financial providers to:
 - a) maximise the reach of GIDI funding available and improve visibility to GIDI applicants; and
 - b) mobilise the finance sector into mainstreaming sustainable finance and offer competitive rates for decarbonisation projects.
- 35. The pilot will continue to operate for the next contestable round of GIDI and EECA will continue to review the process through talking to providers and applicants to see what improvements can be made and to see if the pilot has added value.

Equipment Replacement Scheme (ERS)

- 36. The ERS is a co-funding model initially targeted at medium to small emitters (MSE). It is a mass market approach to support decarbonisation and improve the energy efficiency of smaller, less complex but more prevalent technologies and processes. EECA has broadened the scope to include larger businesses given some large businesses have small and less complex technologies that could be better decarbonised through the ERS.
- 37. EECA is taking a pilot approach to test and optimise scalable delivery models under the ERS. The results of the pilots will further inform the business case and implementation plan to enable scaled delivery of grants under new product offerings.
- 38. Two pilots are in place for motor and lighting systems projects, with the first review date for outcomes in November this year. Scoping is taking place for the third pilot for industrial and commercial hot water heat pumps. Consultants have been engaged to support MSE market insight gathering to inform product design and market engagement. A new ERS Manager began on 26 September who will lead recruitment in the ERS Product lead area. The pilots are due for completion in May 2023.

39. s9(2)(f)(iv) [Redacted]

- 41. The key risks identified by EECA include the capability and capacity to design the programme within the timeframes for delivery, that the products may not be fit for purpose for the diverse and unknown customer needs in the MSE market, and that supply chains cannot support an ERS.

Commercial buildings

- 42. The commercial building programme has been allocated \$40m for space and water heating decarbonisation. During September 2022, EECA held a workshop with government and industry representatives on commercial buildings.
- 43. The strategic case is being developed, informed by the workshop. It follows the strategic case for the ERS programme and is seen as a subcomponent of the ERS work.

Partnering with very large emitting businesses

- 44. As the top very large emitting businesses in New Zealand make up emissions of over 5Mt CO2e/annum, EECA is considering a medium to long term partnership approach to support selected businesses in decarbonisation.

45. s9(2)(i)

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Investment in fuel supply infrastructure

49. The target recipients for investment in fuel supply infrastructure are those organisations in the biomass and electricity ecosystem. A key barrier for businesses to decarbonise is the network and supply constraints. EECA's current Regional Energy Transition Accelerator (RETA) Programme is expected to provide relevant insights. The strategic case and high-level programme timeline are being developed.

50. s9(2)(i)

[Redacted]

51. The identified risks include investment creates demand and supply mismatches, and "picking winners" in a growing industry. In the electricity sector, known risks are multiple actors requiring long-term coordination, regulatory parameters, and unintended consequences for other network users.

52. The expected timeframe is April to June 2023 with early implementation through the pilots.

What are the challenges to scaling up GIDI?

53. Unprecedented global and national supply chain and labour constraints, and inflationary pressures and shocks will impact on what the increased funding will buy (the cost of abatement), and how long it will take to both procure and receive goods such as heat pumps and other equipment where there is competition on the global market as energy needs and options radically shift. There is a perception that GIDI 1.0 reached the 'low hanging fruit' and that development of projects under GIDI 2.0 will require more support.

54. EECA is impacted by the tight labour market as it looks to recruit for greater capacity and capability especially in the technical and engineering areas while there is also high global demand.

55. It has identified labour market challenges as an internal constraint to delivery; those it engages with face the same challenges. The extent to which this will impact on the ability and willingness of business to invest and to make the capital co-investment available when faced with pressing immediate priorities will be tested in these initial phases.

56. Supply chain pressures continue to be a significant factor but there is an expectation that they will ease over time. The potential for New Zealand using GIDI to develop a manufacturing capacity, and/or explore the possibility of bulk procurement to add some heft to New Zealand's purchasing power is also being considered.
57. It is intended that projects are funded earlier i.e. in the short rather than medium to long term where they are envisaged to happen any way as making good business sense. EECA is also encouraging businesses to apply a "bundle of projects" approach to enable calculated gambles to be made.
58. The availability of renewable electricity and electricity supply, the reliability and role of fledging and immature biofuel and biomass markets, and other new and emerging technologies (such as hydrogen) are key contextual factors, which will impact on the speed of delivery and success.

IU assessment and findings

59. This assessment found that EECA is generally well regarded through both its technical and account management roles including its technical review processes (developed through GIDI 1.0). There is a stakeholder engagement plan in place and EECA is engaging with industry to get its input to detailed design in some areas.
60. The pilot to test the appetite and relationships between private finance and business is a sound approach to testing the parameters of the private finance market and the willingness to lend using wider decarbonisation aims.
61. This stocktake found that the technical processes EECA is designing will test additionality to ensure that the funding achieves impact over and above business-as-usual investment decisions and the extra incentive to back a decarbonisation project within the business context i.e., that funded projects are unlikely to be implemented, or unlikely to be implemented until a later date without government support.
62. The extent to which business' appetite to participate is dampened by competing priorities because of the supply and labour market pressures (even when co-funding is available) will need testing over the period of funding while acknowledging that the best decarbonisation projects will strategically align with business strategy while meeting the 'additionality' test.
63. EECA is employing into the market known aspects of the Fund such as the Partnerships and Contestable Fund in order to maintain momentum from GIDI 1.0. It is piloting the new funding approaches to test their scalability and to understand more about the small to medium business sector in the areas of motor systems and lighting. There are implementation plans for both the new and the novel approaches, and this stocktake supports the approach taken.
64. Fund governance is supported by investment principles and tailored criteria. These include the ability to deliver, which will help guide the allocation of funding to projects, businesses, and companies. Whether the criterion of additionality is applied robustly will require and face scrutiny.
65. EECA is untested in scale and approach (in the new areas beyond contestable funding) given the changes in size and challenge and an expanded risk profile under GIDI 2.0.

Pace of delivery

66. Phasing and pace will be important over the life of GIDI so that there is enough capacity in the sector to scope and deliver projects. EECA has budgeted to commit \$100 million this financial year in targeted investment principally with the large emitters who it is engaging with

now. s9(2)(i)

67. The programme management approach and disciplines are fit for purpose for specific workstreams within GIDI and represent an end-to-end approach including strategic and business cases, risk management and implementation plans. It is also well placed with the monitoring and evaluation programme GIDI established.
68. EECA will require different strategies for engaging with businesses across the size spectrum from SMEs to very large emitters. EECA is cognisant of this and is using pilots to understand the SME sector more while building on its established relationships with the larger emitters under GIDI 1.0 projects.
69. The role of account managers in delivery may need to change from technical support to focus more on driving delivery and spend under the project plans or partnership agreements.
70. One of the key issues to consider is whether current processes (even adapted) are fit for purpose or whether a more fundamental shift in approach and capability is needed.

Streamlining processes

71. Drawing on the IU's stocktake of the Carbon Neutral Government Programme (CNGP) and the State Sector Decarbonisation Fund (SSDF) process, this assessment recommends that the time and steps needed for technical review and governance should be looked at to see if further efficiencies can be found. Finding process efficiencies could improve the pace of implementation without losing any of the rigour. This stocktake acknowledges that there is already an investment criterion on the ability to deliver and implement.
72. The strategic alignment between business and wider decarbonisation goals will be important to explore and make the case for investing early. Some big businesses already have Energy Transition Accelerator Decarbonisation plans. It is noted that one or two large projects by two or more companies have the potential to make a significant positive impact on emission targets.
73. Existing processes (and plans to adapt them) should help EECA prepare well to implement GIDI 2.0. The ability to create momentum and maintain the pace of delivery is a key factor and whether tweaks to current processes will be sufficient or a more fundamental shift should also be considered.
74. This stocktake recognises the importance of policy frameworks to signal and guide EECA, the large emitters and other businesses such as the development of the Energy Strategy in 2024, and the development of a 'hard to abate' framework.
75. Throughout discussions, it was clear that the new Energy Strategy due for completion in 2024 and the 'hard to abate' framework in 2023 were seen as important strategic signalling tools but that GIDI will need to advance quickly without these being finalised and is likely to inform their development. There will be other signposts along the way, such as the ERP and the Gas Transition Plan.
76. This assessment supports the establishment of the new cross-agency governance group, set up to have policy signals inform GIDI design and delivery.

Alignment of funding options

77. The place of GIDI in relation to other funding mechanisms specifically the New Zealand Green Investment Finance (NZGIF) is an area of interest. The impact of NZGIF needs to be actively considered in relation to the private financing pilot as to whether there is overlap and duplication and a sufficient market for both approaches.

78. This assessment recommends that the place of GIDI should be assessed alongside other funding options to support decarbonising, and how well the mechanisms are working. It is noted that the NZGIF is one of the participants in the private finance pilot that EECA has under way. This assessment could be undertaken by the Implementation Unit (IU) as a follow up action to this stocktake.

Integrated implementation planning

79. There needs to be an overall implementation plan developed across the four market segments that draws on the results of the pilots and design work, delivery to date through contestable funding rounds and partnership agreements, and sets out the emission targets, the pipeline of projects, the indicative spend profile, and risk mitigation. This stocktake recommends that EECA develops this implementation plan by June 2023.

80. Such an implementation plan could be used by the Board and the Chief Executive of EECA to drive delivery and performance across the life of the GIDI Fund. This recommendation has been discussed with EECA who supports this approach and agrees it should follow the design work and pilot results. It will also be informed by the monitoring and evaluation initiatives EECA has under way that includes testing different scenarios.

81. EECA's modelling, review and forecasting capacity to understand when the constraints in the supply chain and labour market start to lift is critical as well as understanding the extent to which it is likely to meet the spending and emission reduction targets set, and if not, why not. It should continue to work closely with MBIE's forecasting and policy arms and build on the scenario work planned.

82. By looking at the pipeline of projects and how the expenditure profile is tracking the implementation plan could be another mechanism to drive performance, increase pace, and test the 'ability to spend' and deliver.

Identified risks to delivery

83. GIDI has a risk register with its top risks reported to the EECA Board monthly. These risks (sufficient pipeline of projects, ability of business to co-fund or have the capacity to engage, supply chain and inflationary constraints) will require active management.

84. Given the nature of the external and internal risks, GIDI may need to be rescoped in the future if the anticipated pipeline of projects does not eventuate, and early spending profiles indicate targets and money will not be met or spent within the expanded period, or there is not sufficient demand for funding.

85. This stocktake found that EECA is aware of these risks and its prudent approach in piloting areas not fully known (and where EECA is untested) is sound. EECA is also developing an investment tool and risk management framework to manage risk across investments.

86. This assessment concludes that it is too early to reach a firm conclusion on EECA's implementation readiness to scale up based on the increased GIDI funding given the design phases under way and the pilots to be completed.

87. Once the design work is complete and delivery begins in the new areas such as the outreach into the SME areas, and the partnership agreements created with the very large emitters, it would be useful for a further stocktake of implementation rollout to take place. This would include an assessment of the Climate Emergency Response Fund (CERF) specific monitoring and reporting obligations, and the degree of delivery in the untested areas for EECA.

88. The stocktake could look at how the results of the pilots are informing GIDI processes and the impact of any complementary measures under the ERP and the policy frameworks still being developed.

- 89. The stocktake would be informed by the development of an overall implementation plan by June 2023 (recommended by this assessment) that would bring together the emission targets, the pipeline of projects, the indicative spending profile and risk mitigation. The impact of contextual changes such as the potential easing of supply chain and labour market constraints could also be looked at again then.
- 90. The procurement under way precluded the IU from discussions with the very large emitters. Should the IU or another part of government undertake a stocktake of GIDI implementation rollout in the future, discussion with the large emitters is recommended.
- 91. EECA is developing relationships with the ^{s9(2)}_(i) very large emitters identified, which it will need to strengthen as GIDI 2.0 rolls out. The relationships it already has was evident from the discussions held with one of the consultancy firms that has provided advice to business through GIDI 1.0 and one of the regional bodies who received funding under GIDI 1.0. Existing relationships with some of the very large emitters have been forged through GIDI 1.0 and it is noted that engagement has already occurred with ^{s9(2)(i)} significant emitters identified.

Treaty of Waitangi considerations and te ao Māori perspective

- 92. This assessment did not look at the extent to which the Treaty of Waitangi and te ao Māori perspectives have been considered.

Financial implications

- 93. There are no financial implications as a result of this Briefing.

Consultation

- 94. This stocktake of Implementation Readiness was prepared with information and support from EECA and MBIE. Discussions were also held with one of the key consultancies providing services and advice to businesses in relation to GIDI 1.0 and in preparation for GIDI 2.0, and one of the regional bodies within GIDI 1.0, and likely to participate in GIDI 2.0.

Next steps

- 95. The next step is for you to meet with the Minister of Energy and Resources to discuss this report and the suggested next steps and recommendations. The Report will then be reported to the Cabinet Priorities Committee.

Attachments:	Title	Security classification
Attachment A:	Commissioning brief: GIDI Fund	In Confidence

Attachment A: Commissioning brief

Implementation Unit: Scope

Government Investment in Decarbonising Industry (GIDI) Fund

Commissioning Agent: Deputy Prime Minister

Commission to: Implementation Unit, DPMC

Scope Statement: The Implementation Unit (IU) will deliver a stocktake of **implementation readiness** for the scaling up of the GIDI Fund. This is to increase confidence in the preparedness of EECA and MBIE to scale up the GIDI fund based on the increased funding of \$650 million over four years.

Background:

The New Zealand's Emissions Reduction Plan (May 2022) sets out the pathway for how New Zealand will meet its first emissions budgets (2022 to 2035) and achieve long term climate targets. To help meet this challenge, the Government has announced expanded funding from the Climate Emergency Response Fund (CERF).

Through Budget 2022, the Energy Efficiency and Conservation Fund (EECA) received a significant increase in funding for the GIDI Fund, in line with an expanded scope. EECA is undertaking programme design and delivery of the expanded GIDI Fund. Four markets segments have been identified for programme design:

- general contestable funding for medium to large businesses
- equipment replacement support for medium to small emitters targeted at both energy efficiency and emission reductions
- emission reduction partnerships with very large emitters (approx. 15)
- investment in renewable fuel supply infrastructure
- commercial buildings space and water heating decarbonisation.

The total investment will be across seven years, and will cover a broader number and type of projects:

- A continued focus on process heat (similar to previous GIDI) including high impact decarbonisation projects of national significance.
- Targeted investment at a regional level for projects that optimise low emission fuel use.
- Funding for electricity transmission and distribution infrastructure upgrades to support fuel-switching, and the early adoption of high decarbonisation energy technologies.
- Help for businesses to buy and install low emission, high efficiency electrical equipment used for industrial and commercial processes, including specifically electric motors and electric heat pumps.
- Help for commercial buildings replacing fossil fuel use for space and water heating, to lower emissions and increase energy efficiency.

The primary objective of the expanded GIDI Fund is to achieve emissions reductions particularly in emissions budget 1. Energy efficiency improvements and wider economic benefits remain priorities, but these are secondary to emission reductions.

Areas of Focus:

The Implementation Unit will:

Provide a stocktake of implementation readiness of:

- the plans, systems, and processes (including risk management) to enable the fund to be scaled up, and the programmes and projects to be developed or completed, where relevant, within the four-year period of the expanded funding of \$650 million
- the resourcing, capacity and capability needed to deliver the expanded GIDI programme across the four market segments, which are different in nature and scope
- the relationship management and outreach plans in place (or under development) to engage with relevant stakeholders from small business to the 15 identified very large emitters
- the pathways for business and stakeholders to access the GIDI Fund to ensure the processes are efficient, effective, and support the intended delivery outcomes of the expanded Fund across the four market segments identified
- the extent to which capacity or supply chain constraints are being considered in the rollout across the four years of new funding.
- the extent to which timely delivery of complementary ERP measures can support the effectiveness and impact of delivery of GIDI.

Parties:

The Implementation Unit will undertake this work with EECA, and the Ministry of Business, Employment, and Innovation (MBIE), where required. Treasury will also support the Unit as required.

Delivery Timeframe

The Unit will report to the Deputy Prime Minister by 14 October 2022. The Unit will also report to the Deputy Prime Minister as part of its regular reporting.

Briefing

Mental Health Infrastructure Programme Deep-Dive

To: Hon Grant Robertson
Deputy Prime Minister

Hon Andrew Little
Minister of Health

Date	14/10/2022	Security Level	IN CONFIDENCE
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Purpose

1. The purpose of this Briefing is to report on the findings and recommended actions from a deep dive review (review) into each of the 16 projects in the Mental Health Infrastructure Programme (MHIP) undertaken by independent infrastructure expertise (expert reviewers) procured by Te Waihangā.

Executive Summary

2. Expert reviewers¹ reviewed 16 MHIP projects and recommended programme and individual project level actions. Te Waihangā will provide a technical report of findings and actions to Te Whatu Ora and Te Aka Whai Ora in October 2022.

Project Assessment

3. Expert reviewers noted that two projects were complete (*Capital and Coast* and *Counties Manukau*), and one project (*Hutt Valley*) will be delivered and largely funded by a third party and while subject to a desk review it was not included in an assessment category (below).
4. Expert reviewers assessed the delivery status of the remaining 13 projects, categorised into three groups, refer Table 1.
5. The Unit's view is that the robustness of the estimated completion dates is critical to understanding the status of delivery and has overlaid the expert reviewer's descriptions in table 1 with likely impact on estimated completion dates where possible (outlined in bold).

Table 1: Delivery status for 13 of the 16 MHIP projects

Categories: Implementation Unit	Expert Reviewer Description	Projects
1. Projects with robust estimated completion dates	Projects where all practical and reasonable steps are being undertaken to ensure delivery is efficient and effective and there where the review has not identified material risks to deliverability	<i>Northland, Canterbury-Relocation, Nelson/Marlborough and Waitematā</i>

¹ Te Waihangā procured two suitably qualified firms Rubix and Rawlinsons to provide the independent infrastructure expertise

Categories: Implementation Unit	Expert Reviewer Description	Projects
2.	Projects that require immediate action	Projects that require action or decisions to be made to reduce risks to delivery <i>Mid-Central and Waikato to meet estimated completion dates</i> <i>Whakatāne, and Tauranga to maintain momentum during business case stage so completion dates can be identified</i>
3.	Projects that need to be re-baselined	Projects where all practical and reasonable steps are being undertaken but need to be re-baselined for time and/or budget to reset expectations <i>Lakes, Tairāwhiti, Taranaki, Canterbury-Stage 1 and West Coast</i>

6. Expert reviewers found there were no opportunities to accelerate projects that would shorten estimated completion dates. They found multiple opportunities to recommend actions to de-risk projects that would provide a higher possibility that estimated completion dates could be met or momentum maintained for projects without approved completion dates (this applies to projects in the business case stage).
7. Expert reviewers reported four projects with budget escalation or cost pressures of s9(2)(f)(iv). Many of the issues across the projects originate with the business cases process, previously led by district health boards (DHBs), lacking sufficient detail to enable informed decisions on cost and timelines at the outset, leading to unrealistic schedules and budgets being set. This review recommends that for a group of projects (in category three) Te Whatu Ora urgently reassess schedules and/or budgets so the organisation is held to reasonable delivery expectations.
8. Capital intentions are in excess of available funding, and the lack of an overall investment strategy has meant the demand for infrastructure investment has been driven bottom-up. Te Whatu Ora will provide advice for Joint Ministers in November 2022 on its approach to budget escalation and cost pressures. That advice should include all funding options, impact on the Capital Health envelope, impact on delivery, funding prioritisation, assurance and controls for projects if approved funding, and how the ring-fenced escalation fund established in 2021 will now be used.

Programme Assessment

9. Expert reviewers identified common issues that need review across all projects, including:
 - a. strengthening, standardising and centralising aspects of business case planning, that historically incentivised a 'light touch' approach (on budgets and timing) by consultants resulting in unrealistic costings, budget escalation and over optimistic schedules.
 - b. clarifying and disseminating to project Senior Responsible Officers (SRO) and project teams the financial delegations, approval thresholds, and communication pathways for aspects of the project sign-off including business case and contract award.
 - c. re-baselining the project schedules to ensure realistic timeframes for the design and approval process, procurement and contract execution, construction duration and the

² Excludes options for the *Tauranga* project that could be up to s9(2)(f)(iv) and will be considered by Joint Ministers following the business case process completing in November 2022, due to report to Joint Ministers in December 2022 (refer attachment C).

allowance of reasonable float. The quality of project schedules varied, with many appearing to have optimism bias with little to no programme float.

- d. standardising approaches to contingency percentages for projects through the different stages of the project lifecycle in line with industry standards; and implementing standard escalation allowances in accordance with industry standards (*underway*).
10. Many of the common project issues are best solved at the programme level. Strengthening programme arrangements are underway as noted in the interim Health New Zealand June 2022 report to Joint Ministers³. Enabling change at the programme level will take time. The Unit's view is that implementing the programme level actions should not delay project level actions being taken with some urgency.

Capacity and Capability Assessment

11. A stronger role for the MHIP team with either direct accountability for delivery or the ability to direct process and progress should be considered by Te Whatu Ora as it works through its operating model workstream. Expert Reviewers found that where Te Whatu Ora has appointed a project director to lead a project, this has resulted in a more robust delivery strategy being developed and adopted and is a good foundation to build from.
12. The Unit noted in its 2022 Stocktake that the Chief Executive of (then) interim Health New Zealand should consider merging the role and functions of IIG with the delivery functions of the regions to create a vertical group with end-to-end responsibility and accountability for delivering all aspects of the health capital works programmes. The Unit remains of this view following this Review.
13. The transition to Te Whatu Ora is an opportunity to build a strong and stable leadership team in IIG that is functionally designed to give effect to an operating model (*underway*) and investment priorities. The Unit advises that the incoming Chief of Infrastructure and Investment should consider how to prioritise mental health infrastructure within the broader health infrastructure portfolio and if an SRO for MHIP, with appropriate delegations, is part of his executive leadership team.

Treaty of Waitangi considerations and te ao Māori perspective

14. Te Aka Whai Ora has assessed reporting by MHIP project teams on Iwi-Māori involvement and found a variable level of partnership and engagement across projects and a lack of social procurement adopted for projects. Te Aka Whai Ora have identified gaps and best practice ("what good looks like") outlined in this briefing that should be considered by Te Whatu Ora as it works on implementing programme and project level actions.


Recommendations

We recommend you:

1. **note** that two out of 16 MHIP projects are complete, and one project is delivered by a third party and not included in an assessment category. Four projects have robust completion dates.

³ Memo: Updated Approach for Improving Delivery of Mental Health Infrastructure Programme Projects June 2022 from Wayne McNee, Acting Chief Infrastructure and Investment Officer to Joint Ministers

- 2. **note** that four projects need to take immediate actions to either meet estimated completion dates or maintain momentum during the business case stage. Five projects need to be re-baselined for time and/or budget.
- 3. **note** there are no opportunities to accelerate MHIP projects in way that shortens the estimated completion dates.
- 4. **note** that Te Whatu Ora will provide a briefing on project budget escalation and cost pressures to Joint Ministers in November 2022.
- 5. **ask** Te Whatu Ora to:
 - a. report back to Joint Ministers by 9 December 2022 on project level recommendations with a delivery plan that provides:
 - i. revised estimated completion dates for projects that Expert Reviewers recommend be re-baselined for time in category three YES / NO
 - ii. immediate actions for projects that Expert Reviewers recommend require action or decisions to reduce risks to delivery in category two YES / NO
 - b. implement programme level actions and incorporate into the infrastructure operating model workstream where appropriate. YES / NO
- 6. **note** that the Unit considers project level actions should be implemented while Te Whatu Ora develops its infrastructure operating model.
- 7. **note** that Te Waihanga will work with Te Whatu Ora to provide support with the implementation of project and programme level actions.
- 8. **agree** to proactively release this report, subject to any appropriate withholding of information that would be justified under the Official Information Act 1982. YES / NO


Katrina Casey
 Executive Director
 Implementation Unit
 14/10/2022

Hon Grant Robertson
 Deputy Prime Minister
/...../.....

<p>Hon Andrew Little Health Minister</p>
<p>...../...../.....</p>

Proactively Released

Background

15. The Government prioritised mental health investments in the 2019 \$1.9b mental health and addiction package (2019 package). The Mental Health Infrastructure Programme (MHIP) was created in early 2021 as 16 individual projects resourced from different funding sources, however, not funded as a programme. MHIP comprises 16 projects with total Crown funding of \$722.5m of which \$235m is from the 2019 package, with the remainder funded through the 2020 New Zealand Upgrade Programme, the 2015 and 2018 budgets, and baseline funding previously held by the DHBs.
16. In June 2022 the Implementation Unit (Unit) completed its second Stocktake of the 2019 package and noted that it could not provide assurance that estimated MHIP completion dates will be met. The Unit recommended an independent expert undertake a deep dive review into each of the 16 MHIP projects.
17. The scope of the review (attachment A) was to provide a status of delivery, the robustness of the estimated completion dates and any risks and barriers; a delivery plan that identifies clear actions, activities and strategies that will create momentum and pace; and an assessment of the capacity and capability to implement the delivery plan. The delivery plan is not included with this briefing as the technical report is still being finalised with Te Waihangā and Te Whatu Ora and is the basis upon which such a plan should be developed.
18. This review occurred following the formation of Te Whatu Ora and Te Aka Whai Ora on 1 July 2022, and disestablishment of the DHBs. Te Whatu Ora is now responsible for the delivery of the 16 MHIP projects with oversight by its Infrastructure and Investment Unit (IIG). The majority of MHIP projects (and their accountability) still sits with the districts, now organised into four regions. The IIG does have direct management accountability for four MHIP projects (*Tairāwhiti, Lakes, Whakatāne and Tauranga*) in accordance with an intervention framework (refer attachment B).
19. The formation of Te Whatu Ora provides the opportunity for more integrated structures for planning, procuring and delivery of MHIP projects. Te Whatu Ora has initiated an infrastructure operating model workstream alongside establishing new governance arrangements for capital investments, both of which were outside the scope of this review.

Methodology

20. On 23 June 2022, the Unit requested Te Waihangā provide assistance with respect to suitable infrastructure expertise for the review. On 26 July 2022, Te Waihangā engaged expert reviewers to provide objective advice.
21. Te Waihangā with IIG and the Unit confirmed a priority order for the review of the projects. In practice, project reviews were conducted in parallel and not always sequentially as originally envisioned to support timely findings. This was largely due to scheduling interviews with, and availability of, interviewees. An agreed three stage process was followed (Stage 1, Document Review; Stage 2, Interviews; Stage 3, Reporting).
22. Projects were reviewed with consideration of the project stage and assessed against a baseline of what the expert reviewers would expect a project at that phase to have documented and in place. In total expert reviewers reviewed over 150 documents and conducted 40 interviews. The Unit and Te Waihangā worked closely with Te Whatu Ora throughout and meet fortnightly with Te Aka Whai Ora officials.

Status of Delivery

Project Status Summary

23. The MHIP projects delivery status, budget, stage, and high-level summary of Expert Reviewers recommendations is provided in Table 2.

Table 2: MHIP projects, budget, stage and summary of recommendations

Project site	Total Approved Budget \$m	Project Description	October 2022	
			Project Stage	Summary: Expert Reviewers Recommendation
Projects Completed				
Counties Manukau	67.5 (2015)	New build of mental health inpatient unit	Debrief: completed	Share lessons learned and apply to future projects.
Capital and Coast	12.8 (2018)	New build individualised service units for high-risk mental health and intellectual disability clients	Debrief: completed	Share lessons learned and apply to future projects.
Projects with robust estimated completion dates				
Nelson/ Marlborough	2.5	Refurbishment of inpatient unit	Design: Post approval design	Consider bringing on an external Project Manager to support timely delivery (<i>now underway</i>).
Canterbury – Relocation	81.8 (2018)	New build to relocate specialist services from Princess Margaret to Hillmorton	Delivery: Construction	No recommendations, significant maturity in the capital development team.
Northland	19.5 <i>Increase from 12.1 in Dec 2021</i>	Refurbishment, co-location, and integration of 4 community mental health service sites	Delivery: Construction	Review actual and committed spend to address any errors, ensuring that actual and sunk cost centres add up to budget.
Waitemata	162.8 <i>Increase from 60 in Apr 2022</i>	New build – replacement of part of the Mason Clinic facilities that are end of life. (Combines Tranches 1A & 1)	Design: Post approval design	Confirm the approval process of the construction contract, and delegate the authority to the Project Steering Group or SRO if possible; additional contingency advisable.
Projects that require immediate action to meet estimated completion dates				
Mid Central	35.4	New build of acute mental health facility currently on the main campus	Design: Post approval design	Significantly over budget. Review supports Te Whatu Ora pragmatic approach to go to market for main contractor in parallel to seeking budget; however, it does create risks in the marketplace if funding not approved.
Waikato	155.1	New build – replacement and capacity expansion of the acute mental health facility	Design: Post approval design	Decoupling of the renal facility from the mental health facility implementation business plan to minimise the risk of extension to estimated completion date.

Project site	Total Approved Budget \$m	Project Description	October 2022	
			Project Stage	Summary: Expert Reviewers Recommendation
Projects that require immediate attention to maintain momentum during business case stage				
Whakatāne	15.0	New build of a 10-bed mental health and addiction service facility	Define: Single stage business case	Subject to business case considerations due November 2022, momentum could be achieved by immediately initiating enabling works to relocate portable buildings, enable services and ground improvements.
Tauranga	30.0	New build of 24-bed mental health facility	New Business Case due Nov 2022	Confirm scope to allow more detailed budget and schedule to be developed.
Projects to be re-baselined for time and/or budget				
Lakes	33.0 <i>Increase from 30 in Sep 2021</i>	New build replacement and capacity expansion of current mental health facility	Design: Post approval design	Conduct a project health check particularly given the indicated project budget increases and challenges with project team.
Tairāwhiti	23.7 <i>Increase from 18.8 in Sep 2021</i>	Refurbishment/ replacement of the existing acute mental health facility	Design: Post approval design	Review budget schedule and construction assumptions, project contingency, consent documentation.
Taranaki	8.0	Refurbishment and upgrade mental health facility	Design: Post approval design	Ensure the project schedule is developed to include all key project tasks and a greater level of sophistication i.e., constraints, interdependencies, linking of tasks to ensure the critical path is understood.
Canterbury- Stage 1	92.3m	Hillmorton Hospital Campus – Stage 1 (project added to MHIP Feb 22)	Define: Single stage business case	Design and resource consent timeline of seven months (in critical path) appears aggressive and overly optimistic for project size, needs review.
West Coast	20.0 <i>Increased from 15 in Dec 2021</i>	New build to provide modern environment (Grey Base Hospital)	Define: Post approval design	Expert Reviewers concern regarding clarity of delivery model is addressed. Risks remain with project schedule.
Project not categorised				
Hutt Valley	8m <i>Crown funding</i>	New build/ replacement of the Te Whare Ahuru Mental Health unit	Design: Post approval design	Project delivered and primarily funded by a third party. Te Whatu Ora still has overall accountability for project.

Delivery Assessment and Discussion

Projects Completed

24. Two projects are completed, *Counties Manukau* in September 2020 and *Capital and Coast* in February 2022⁴.

⁴ Capital and Coast practical completion is in February 2022 and went live in July 2022.

Projects with robust estimated completion dates

25. Four projects were assessed as taking all practical and reasonable steps to ensure delivery is efficient and effective and where the review has not identified material risks to deliverability, these are:
- a. **Northland (\$19.5m)** estimated completion March 2023: Project delivery has progressed well, following a two-year business case process⁵. The project is forecast to complete a few months (July 2023) after the estimated completion date which is considered acceptable by Expert Reviewers from an infrastructure delivery perspective.
 - b. **Canterbury Relocation (\$81.1m)** estimated completion December 2022: The project is progressing with completion being signalled by the project team as April 2023⁶ which is considered robust as there is significant maturity in the capital development team.
 - c. **Nelson/Marlborough (\$2.5m)** estimated completion August 2023: The project is on track with no opportunities for acceleration.
 - d. **Waitematā (\$162.8m)** estimated completion Aug 2025: The project is moving at pace with an aggressive timeline. Project team is awaiting detailed design and an implementation business case (due November 2022) which may, however, change that risk profile.

Projects that require immediate action

26. There are four projects that require action or decisions to be made to reduce risks to delivery. These recommended actions are intended to improve likelihood of meeting estimated completion dates and maintain momentum for those that do not have approved completion dates (due to being in a business case process reporting to Joint Ministers in December 2022).
27. Out of the four projects, two projects require immediate action or decisions to help meet estimated completion dates:
- a. **Mid-Central (\$35.4m)** estimated completion June 2024. The project is making good progress on time but that is subject to a decision on budget escalation ^{s9(2)(f)(iv)} before the end of the year if it is to maintain momentum to meet its completion date (refer attachment C for budget escalation and cost pressures). Procurement is proceeding without budget escalation funding being confirmed which the review affirms is a pragmatic approach to take. However, it is acknowledged that this approach reduces options for decision makers and creates risks in the marketplace should budget escalation not be approved.
 - b. **Waikato (\$155.1m)** estimated completion August 2025. While there are no acceleration opportunities as the schedule is already aggressive, there are several risks to delivering the current programme:
 - i. The Adult Acute Inpatient Facility (AAIF) requires the relocation of renal services into a new building and the demolition of the current renal building, the Waikato Regional Renal Centre (the WRRC). Expert reviewers recommend the WRRC

⁵ Refer to Treasury guidance on business case requirements: <https://www.treasury.govt.nz/information-and-services/state-sector-leadership/investment-management/better-business-cases-bbc/bbc-large-scale-non-high-risk-projects>

⁶ Te Whatu Ora reports that Joint Ministers were informed in August 2022 monthly briefing of the potential change, and that a revised programme will be available in the October briefing

and AAIF be decoupled in terms of the implementation business case approval processes to avoid delays to WRRC and ultimately the AAIF project.

- ii. Expert reviewers recommend the WRRC should be permitted to sign a construction contract in advance of the AAIF implementation business case (as it will not be ready until 6 months later, delaying both projects) so early works can begin.
- iii. The Ministry of Health has advised Te Whatu Ora that the approach noted above is permissible with regards to the implementation business case process. Te Whatu Ora has since indicated it will be preparing advice to approve the release of \$9m from the approved \$155.1m for the WRCC to begin enabling works before the implementation business case is completed. The review endorses this approach.

28. The other two projects require actions or decisions to maintain momentum during the business case stage:

- c. **Whakatāne (\$15m)** prior business case has July 2024 as estimated completion date, however, that may change as the project is now part of a new business case process for consideration with *Tauranga*.
 - i. Expert reviewers recommend that if the project is assessed through the business case process as viable from an infrastructure and service planning perspective, momentum could be achieved by immediately initiating enabling works to relocate portable buildings, enable services and ground improvements (estimated at approximately ^{s9(2)(f)}_(iv) by the project team). Te Whatu Ora is also awaiting the business case to confirm the latest cost estimate (currently at ^{s9(2)(f)}_(iv) budget increase). Refer attachment C for budget escalation summary.
- d. **Tauranga (\$30m)** no estimated completion date: The project is part of a new business case process with five options under consideration which expert reviewers were informed range from ^{s9(2)(f)}_(iv) refurbishment to address immediate health and safety issues) up to ^{s9(2)(f)}_(iv).
 - i. While expert reviewers recommend that from a delivery perspective the refurbishment option to address immediate health and safety issues is the most efficient, the Unit and Te Waihangā recognise there are other important considerations beyond infrastructure acceleration that need to be considered (such as service planning, the model of care and whole of life costs).
 - ii. Expert reviewers recommend that once the scope is decided (due to Joint Ministers in December 2022) further planning and development should be undertaken, to ensure there are robust project cost and timeframes which in turn will set realistic expectations and metrics for accountability, avoiding the mistakes of past business plans.

Projects to be re-baselined

29. There are five projects where all practical and reasonable steps are being undertaken but need to be re-baselined for time and/or budget to reset expectations.

30. Of the five projects, two projects should be re-baselined for both time and budget:
- a. **Lakes (\$33m)** estimated completion August 2024: Project schedule is considered overly optimistic given its size and locality. For example, 14 months construction, 3 weeks fit-out and short approval processes, including for approval of construction contracts appears unrealistic to the expert reviewers. It is recommended that IIG conduct a project health check particularly given the indicated project budget increases and challenges with the project team. IIG has recently taken over this project (July 2022) which is a considered a positive step and is putting up advice on budget escalation^{s9(2)(f)(iv)} to Joint Ministers in November 2022 (refer attachment C). The project was re-baselined from August 2023 to August 2024 in June 2022.
 - b. **Tairāwhiti (\$23.7m)** estimated completion October 2024: The construction duration of 16 months and resource consent timeline appears overly optimistic for the local market and has very short (2-5 days) approvals for construction contracts. The project also has budget escalation^{s9(2)(f)(iv)} which needs to be resolved to maintain momentum (refer attachment C). Project was re-baselined from October 2023 to October 2024 in June 2022.
31. The remaining three projects should re-baseline their estimated completion dates:
- c. **Taranaki (\$92.3m)**, completion October 2024: There is an insufficient level of detail in the project schedule for a project of this size and scope. The expert reviewers recommend that the project schedule is developed to include all key project tasks and a greater level of sophistication i.e., constraints, interdependencies, linking of tasks to ensure the critical path is understood. Te Whatu Ora should also ensure the project schedule is reviewed so that appropriate durations are provided for all tasks.
 - d. **Canterbury-Stage 1 (\$92.3m)**, no approved estimated completion date: Design and resource consent timeline of seven months appears aggressive and overly optimistic for a project of this size. The expert reviewers note this approach was adopted and did deliver on another project (Princess Margaret to Hillmorton) in the region, but it remains a risk. The construction durations do seem realistic. The project could be extended by five to seven months if more time is needed for design and resource consent process. To reduce these risks the expert reviewers recommend clear decision making and approval processes, engagement with main contractor to allow faster transition between detailed design and construction phases should be considered by the SRO and project team.
 - e. **West Coast (\$20m)** completion Oct 2024: There are no acceleration opportunities but there are considerable programme risks. The project schedule provided to the expert reviewers included over-optimistic planning at multiple points especially design and procurement processes. The project schedule needs to be revised and confirmed. The expert reviewers initially noted the lack of clarity with the delivery model and role of Otakaro Ltd not being confirmed. Te Whatu Ora advises this has been addressed with Te Whatu Ora delivering the project.

Project not categorised

32. One project (*Hutt Valley*) is managed and primarily funded by a third-party entity, with Te Whatu Ora having overall accountability for the project. The expert reviewers did complete a desk review but did not interview the project team as with all other MHIP projects.

Capability and Capacity to Deliver

Building strategic, strong and stable system leadership

33. The review has drawn out programme level themes that are common across projects. Many of the themes reflect the broader challenges at play with infrastructure investment and delivery in the health sector and that underpinned the 'case for change' for the health reforms.
34. Work on a revised infrastructure operating model has occurred in parallel to this review and is outside the scope. However, a stronger role for the IIG either with direct accountability for delivery or the power to direct process and progress will be essential to implement the actions in this briefing and supporting technical report by Te Waihangā.
35. There is a foundation to build from as the expert reviewers found the MHIP team within IIG were well regarded by interim regional directors, regional infrastructure leads and MHIP project teams. For projects like *Tairāwhiti*, where the MHIP team has assigned a project director (at Intervention Level 3, refer attachment B) there have been visible positive impacts on aspects of delivery. As the incoming Chief of Infrastructure and Investment builds out his executive leadership team, the Unit advises that consideration should be given to an overall SRO for MHIP, with appropriate delegations (and should work in partnership with the national service lead for mental health).
36. At the project level the expert reviewers found differing capacity to deliver across the projects, ranging from a dedicated team to deliver the projects with strong capabilities (*Canterbury Stage 1 and Canterbury Relocation*) to individuals who are managing these projects in addition to their current position, such as holding clinical roles. The gaps in capability included business case development, defining project budgets, scheduling, and stakeholder management (including with clinical stakeholders, and Iwi Māori).
37. The advantage of health reforms is that it creates the opportunity for teams and individuals with proven infrastructure delivery expertise to be strategically deployed to augment and build capabilities elsewhere in the organisation. There is maturity and health expertise within parts of Te Whatu Ora that could be shared to strengthen project leadership and assigned to priority projects, including building centres of excellence. The task ahead will be to ensure the centre and regions build capability appropriate to their delivery roles and responsibilities, still to be defined through the operating model.
38. At the decision-making level there was a lack of clarity with approval pathways, signoffs, and delegations. Some of this is likely to be a consequence of the transition period. New governance structures are being established with the Te Whatu Ora Capital Investment Committee and a new MHIP Programme Steering Group to monitor programme progress, performance, risk, assurance and quality control that includes membership from all interim regional directors. New regional structures to govern capital infrastructure are also emerging such as the Regional Infrastructure and Investment Group for Te Manawa Taki.
39. While it is too early to comment on the impact of the new governance structures on delivery of MHIP projects, the actions (to follow in table 3) are aimed at improving the clarity, effectiveness and efficiency of the approval pathway at different stages of the project lifecycle, and to avoid the diffuse accountability of the prior operating model.

Programme themes and actions

40. The common project themes and actions are outlined in Table 3, informed by interviews with project teams and the MHIP team in IIG who have initiatives underway to help address several of these themes (e.g., design guidance for acute mental health facilities).

Table 3: Programme level themes and actions

Programme level themes and actions	
Strengthen Business Cases Process	
<p>Business cases often presented cost and project schedules based on limited detail resulting in unrealistic project schedule and budget expectations that were insufficient for informed decision making. The preparation of business cases by external consultants incentivised a ‘light touch’ of information, that despite lengthy reports lacked service planning inputs and sufficient detail on budgets and timelines. This led to project schedules and budgets that were not reflective of the project as it developed through the early design phases. Business case budget estimates can be improved with more robust planning and expertise, but the expert reviewers caution announcing projects too early without sufficient contingency to accommodate the detailed design stage (when more accurate estimates are provided).</p>	
Actions	Standardise the business case process to support a national infrastructure approach.
	Consider centralising business case development based on project type, size and thresholds and determine when to be led by the centre or the region.
	Provide IIG with suitable resources to led and support the preparation of business cases to a sufficiently detailed standard to inform good decision making.
Strengthen Project Budget Expectations & Expertise	
<p>Project budgets are under pressure for several reasons for example, insufficient information and low contingencies set in business cases resulting in unrealistic expectations, price escalation and scope changes. In response projects may stall, de-scope or seek further funding from baseline or Crown funding (both of which are under pressure). In the current market, further delays or descoping leads to price escalation. Refer attachment C for budget escalation or cost pressures of s9(2)(f)(iv)</p>	
Actions	Standardise approach to contingencies for projects through the different stages of the project lifecycle in line with industry standards.
	Implement standard escalation allowances for projects in accordance with industry standards (underway).
	The Unit advises that following the implementation and lessons of the above actions Te Whatu Ora should consider if there is sufficient maturity and confidence in IIG to create two centralised pools, one for contingency and one for escalation to be managed by IIG with appropriate delegations, assurance, reporting and oversight.
Creating Clearer and More Efficient Decision-Making “sign off” Pathways	
<p>The expert reviewers found a general lack of understanding and clarity about delegations and the approval pathways and the timing to submit and receive decisions generally (including for cost pressures, scope change, extensions to completion dates and service planning). The change management process on the projects was not clear, and this led to challenges with decision making and ultimately project momentum being delayed.</p>	
Actions	Clarify and clearly communicate decision making and approval pathways; including the estimated timing to submit and receive decisions; and update project schedules.

Programme level themes and actions	
	Develop and communicate a programme and project plan variation process that clearly identifies roles and responsibilities and delegations (including for service planning and model of care as accountabilities for critical decisions such as number of beds is unclear).
	Clarify whether delegations and authorities are appropriate to enable projects to be efficiently delivered and disseminate thresholds for approval and financial delegations.
Greater Standardisation and National Planning	
There was a duplication of effort and inefficiency through the design and engagement process observed because design thinking, standardisation of room layouts, selection of fittings and other potentially repeatable items were not being well shared nationally ⁷ . There are also differing procurement models and bespoke contracts for consultants and contractors. Te Whatu Ora is working towards greater standardisation, having already developed the facility design guidance, design assurance process and has a workstream to develop specific guidance for safety fixtures.	
Actions	Create key documents and standards and a central repository for delivery teams (such as functional design brief, product specification, and performance specification).
	Consider construction of a mental health mock-up room for national review (done in the educational sector).
	Develop a suite of standardised contracts for projects (i.e., consultant contracts and construction contracts), with additional clauses only included where necessary (completed for two MHIP projects).
	Guidelines should be supported by the master planning and capital roadmaps being developed for each region; supported by the national service planning, the national infrastructure master plan and the national asset management plan.
Increasing Project Delivery Resources and SRO Leadership Support	
There is differing internal capacity to deliver capital works across districts. This ranges from a dedicated team to deliver the projects to individuals which are managing these projects in addition to their clinical or other roles. The use of a significant number of external parties in some cases has led to the interface with the client and facilities being sub-optimal. Without the institutional knowledge of the internal stakeholders, the integration of the new facilities into the existing campus and fit for purpose outcome is hard to achieve. There are a few consultants that appear to be engaged on most of the projects.	
Actions	Capital projects over a certain size or higher risk profile should be nationally supported, regionally managed, whilst ensuring local engagement. Noting there is maturity and health expertise within Te Whatu Ora that could be shared to strengthen project leadership.
	Consider the role of IIG to scale-up and assist with the management of projects to allow people with project delivery skills to assist SROs from a technical perspective.
	Consideration should be given to whether there would be benefit in widening the market engagement criteria to encourage new suppliers and greater innovation.
Strengthen stakeholder engagement skills and guidance	
The expert reviewers noted that for projects progressing well one of the keys to their success (Northland, Counties Manukau) has been the involvement of an internal stakeholder liaison manager on the project team to engage with, and coordinate stakeholders (especially clinicians and facilities management). To maintain a design programme, it is important to set expectations and incorporate	

⁷ A key example is the selection of anti-ligature components. A quantity surveying firm involved in several projects noted that anti ligature components were separately investigated for each project

Programme level themes and actions	
structured feedback from the stakeholder groups in line with the design phases. This finding is consistent with what Robert Rust found in his review of health infrastructure in October 2021 ⁸ .	
Action	Prepare guidelines to stakeholder groups regarding appropriate areas of input into each of the design phases.

Treaty of Waitangi considerations and te ao Māori perspective

41. During the review the expert reviewers asked project teams⁹ to report on Māori engagement, specifically inviting responses to three questions prepared by Te Aka Whai Ora. A summary of the findings was completed by the Unit with Te Aka Whai Ora identifying potential gaps and are summarised in table 4.
42. Te Aka Whai Ora has identified best practice (“what good looks like”) and it should be considered by Te Whatu Ora as it works on programme level recommended actions:
 - a. **Infrastructure investment that brings care closer to where Māori communities need it to better support mana motuhake for Māori, and to realise the health sector principles set out in the Pae Ora (Healthy Futures) Act 2022 and uphold the principles of Te Tiriti o Waitangi.**
 - b. **A system that supports and encourages innovative iwi led infrastructure solutions that build towards a future where Māori increasingly lead and deliver their whānau, hapū and iwi aspirations in their own communities and regions.**
 - c. **Decisions on capital investment for health services that serve Māori communities should be made in partnership with iwi and Māori, and Iwi-Māori Partnership Boards should play an important role, and**
 - d. **Procurement of consultants and contractors has the potential to uplift Māori outcomes in education, training, income and wealth, and progressive progress should be made that industry is responsive to these outcomes.**

Table 4: Summary of findings and gaps to three questions posed by Te Aka Whai Ora for MHIP projects

Te Aka Whai Ora Questions	Findings	Gaps
How are Māori involved in the governance of the projects?	Majority of projects reported that Iwi Māori were active members of the governance structures, such as on the project steering boards, project control groups as well as user groups.	The findings highlight advisory and decision-making inconsistencies. There is a lack of clarity in terms of representation as opposed to partnership or supporting mana motuhake. The impact of Māori representation at true governance level is not assessed so the effectiveness and impact is currently unclear.

⁸ New Zealand Infrastructure Commission, Te Waihangā and Robert Rust Health Infrastructure Review October 2021): recommends a team in IIG to include stakeholder liaison and communication professionals to manage internal and external partners with a strategic, consistent and standardised approach through the project lifecycle

⁹ Excluding completed projects and Hutt Valley which is not directly managed by Te Whatu Ora

Te Aka Whai Ora Questions	Findings	Gaps
How is the Māori worldview included in the design of the project?	<p>Majority of projects reported that Iwi Māori have been engaged in the design process and building the cultural narrative for the project.</p> <p>One project (<i>Mid-Central</i>) noted they have agreed collaborative and decision-making framework with mana whenua for the cultural narrative work.</p>	<p>Engagement is possibly more focused on where there are existing groups or people already engaged and ready to contribute, while this can be efficient and effective, the impact of engagement fatigue and hearing similar voices through these processes is unclear.</p> <p>The benefit of local guidance and oversight as opposed to aspects supported by national guidelines is not clear – there may be some duplication or inefficiency that could be supported nationally.</p>
How do specific social procurement initiatives include Māori?	<p>Majority of projects did not report procuring services from Iwi Māori, and where it did occur on two projects (<i>Lakes and Waitemata</i>) it was for Māori artists and a design firm, not construction. Several projects noted that due to the size of the market in the specific locality their expectation is that the market would struggle to procure services from Māori.</p>	<p>The findings show very few examples of social procurement and notes the limitation to support such initiatives given the market's ability to respond, and concerns on the impact of these types of procurement initiatives on project time and cost.</p>

Financial Implications

43. There are no financial implications arising specifically from this Briefing.

Next steps

44. Te Waihanga is available to work with Te Whatu Ora and Te Aka Whai Ora to support the consideration and implementation of recommended project and programme level actions.

Attachments:	Title	Security classification
Attachment A:	Scope of the Review	In confidence
Attachment B:	Indicative Budget Escalation and Cost Pressures	In confidence
Attachment C:	Te Whatu Ora Intervention Framework	Unclassified

Attachment A:

Implementation Unit: Scope Mental Health Infrastructure Programme

1. What is the purpose of this work?

The Implementation Unit (IU) will deliver a deep dive into each of the 16 projects in the Mental Health Infrastructure Programme (MHIP), in a way that creates momentum for projects as the work is undertaken and utilises independent infrastructure expertise.

2. Who will do the work?

The IU will lead this work and be accountable for all deliverables supported by the Infrastructure Commission, Te Waihanga ('Te Waihanga') and working with the Health Infrastructure Unit (HIU). The IU will coordinate and convene the parties to develop the approach, milestones, and timelines for this work and thereafter on a regular basis, ensuring milestones and deliverables are met. The IU will ensure issues that arise are resolved immediately. The IU is accountable for submitting the final findings to Ministers no later than 14 October 2022.

Te Waihanga is responsible for assembling a team at the earliest opportunity to support the development of deliverables (in section 3), provide infrastructure expertise, advice, and support to the IU in its lead role and act as critical friend to the HIU.

The HIU will work in partnership with the IU and Te Waihanga. It will provide information, data, and reports, and will facilitate access to regional Health New Zealand staff and contractors as requested by Te Waihanga and the IU.

3. What will we deliver?

The focus is on pace of delivery. The IU and Te Waihanga will not wait until 14 October 2022 to inform HIU of activities that have been identified through its work to drive projects closer to construction and completion. The IU will ensure that Ministers are informed of actions as they occur and help HIU to seek any decisions needed from Ministers as appropriate. Together, the IU, Te Waihanga and HIU will work with agility and pace to deliver:

- a) A **deep dive** into each of the 16 MHIP projects. The 16 MHIP projects will first be sequenced by Te Waihanga, in order of priority, to inform when each project is reviewed. For each project (or group of projects), the deep dive will advise on:
 - a. the status of delivery,
 - b. the robustness of the estimated completion dates, and
 - c. any risks, barriers, and issues.
- b) A **delivery plan** for MHIP that identifies clear actions, activities and strategies that will create momentum and pace across the 16 MHIP projects. This will identify where there are tangible and practical options to move projects, or groups of projects where appropriate, closer to construction and completion phases.
- c) An **assessment of the capacity and capability of the HIU** to implement the delivery plan. This will include recommending any immediate actions that need to be taken to build and strengthen leadership and infrastructure expertise of the HIU.

Attachment B:

Te Whatu Ora Intervention Framework for MHIP Projects

Level	Description	Intervention Level by Infrastructure and Investment Group (IIG)	Projects (excludes completed projects)
0	BAU Monitoring	<ul style="list-style-type: none"> IIG monitors project performance through monthly reporting on project progress and plans for drawing down Crown funding Project will go through IIG check points 	<i>Northland, Taranaki, Nelson Marlborough, Canterbury Relocation</i>
1	Enhance Governance	<ul style="list-style-type: none"> IIG representative on governance group Project will go through IIG check points Monthly reporting to IIG on project progress and plans for drawing down Crown funding 	<i>Waitematā</i>
2	Apply Resource	<ul style="list-style-type: none"> Targeted intervention, e.g., actions to address specific capability gaps, which can also be scaled back as and when needed IIG representative on governance group Project will go through IIG check points Monthly reporting to IIG on project progress and plans for drawing down Crown funding 	<i>Waikato, Canterbury Tranche 1, Mid-Central</i>
3	Take on Management	<ul style="list-style-type: none"> IIG appointed Project Director, effectively taking over project control and delivery accountability IIG is accountable for delivery and manages project budget Project will go through IIG check points Monthly reporting to IIG on project progress and plans for drawing down Crown funding 	<i>Tairāwhiti, Tauranga, Lakes, Whakatāne</i>
3D	Deliver in partnership	<ul style="list-style-type: none"> IIG appointed Project Director, effectively taking over project control and delivery accountability IIG is accountable for delivery and project budget Project will go through IIG check points Monthly reporting to IIG on project progress and plans for drawing down Crown funding <p>*note the IIG may choose to apply a level 3 intervention utilising a third-party partner where appropriate</p>	<i>Hutt Valley and West Coast (project will shift out of this category as Te Whatu Ora now delivering)</i>

Attachment C:

Indicative Budget Escalation & Cost Pressures

The table below does not include potential funding for *Tauranga* which is proceeding through business case process with options that could cost up to ^{s9(2)(f)(iv)} [redacted]. The business case is due to complete in November 2022, with Te Whatu Ora providing advice to Joint Ministers in December 2022.

Indicative Budget Escalation or Cost Pressures

Project and Approved Funding	Expert Reviewers Reporting on Indicative Budget Escalation or Cost Pressures	Additional Funding Requests
Whakatāne: \$15m, awaiting business case to confirm completion date	Original \$15m budget was based on low level of information from 2019 business case. In late 2020 initial design work increased to near ^{s9(2)(f)(iv)} [redacted] this subsequently went to ^{s9(2)(f)(iv)} [redacted] and is currently sitting at approximately ^{s9(2)(f)(iv)} [redacted]. Business case due to complete in November 2022.	\$27m
Mid-Central: \$35.4m completion Sept. 2024	Budget was expected to be \$35M from design changes to scope, however, development ^{s9(2)(f)(iv)} [redacted] design estimate recently came in at over ^(iv) [redacted] (for largely the same scope so options to reduce scope and realise project benefits appear very limited). Expert Reviewers understand the project will proceed with tendering in two stages without line of sight for additional funding. This presents the largest programme risk to the project currently. Delay in funding will inevitably result in even higher costs due to escalation in the current market.	^{s9(2)(f)(iv)} [redacted]
Lakes: \$33m completion Aug. 2024 <i>Increased from \$30m in Sept. 2021</i>	If value engineering is proposed it should be added to the project timeline.	^{s9(2)(f)(iv)} [redacted]
Tairāwhiti: \$23.7m completion March 2024 <i>Increased from \$18.8m in Sept 2021</i>	Project Team is working to supply information as to confirm what the added cost is, but the latest estimate indicates ^{s9(2)(f)(iv)} [redacted] increase which is substantial). Market engagement with the contractor will help inform this process.	^{s9(2)(f)(iv)} [redacted]
Total		^{s9(2)(f)(iv)} [redacted]

Briefing

Stocktake of the Delivery of New Zealand's International Climate Finance Commitments

To: Hon Grant Robertson
The Deputy Prime Minister

Date	20/10/2022	Security Level	IN CONFIDENCE
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Purpose

1. This stocktake assesses the delivery of New Zealand's \$300m 2019 to 2022 climate finance commitment ('the 2019-22 commitment'), including spending and the delivery of outputs, and the readiness of the Ministry of Foreign Affairs and Trade (MFAT) to deliver New Zealand's \$1.3bn 2022 to 2025 commitment ('the 2022-25 commitment').

Executive Summary

2. In 2018, the Government announced that New Zealand would provide at least \$300m in global climate finance as part of its Overseas Development Assistance spending between 2019 and 2022. In 2021, the Government increased its commitment to \$1.3bn from 2022 to 2025, and in August 2022, launched its International Climate Finance Strategy ('the Strategy').

Status of delivery of the 2019-22 commitment

3. MFAT surpassed the \$300m target in June 2021, 17 months ahead of schedule. As at September 2022, MFAT has spent \$504m across 729 projects and is forecast to spend a total of \$544m on climate change by the end of the 2019-22 commitment period.
4. MFAT did not establish a results framework for the entire 2019-22 commitment. At the time it was established, MFAT's approach was to define results for each activity independently.
5. In 2019, MFAT set up a Climate Change Programme ('CCP') with a set of Programme-wide outcomes. The 23 activities within the CCP are mostly on track, but Programme-wide reporting is 12-18 months behind schedule and only provides a partial view of progress towards CCP outcomes. The delay is because MFAT had to rebuild an internal monitoring function after its outsourced approach failed. Its new approach is fit for purpose, but in an early stage.

MFAT's roles in delivering the 2022-25 commitment

6. MFAT has two roles in the 2022-25 commitment: (1) spending the commitment, including developing and contracting activities, and (2) delivering the outcomes of the Strategy, including in some situations managing delivery of activities and intervening if they are off track.
7. MFAT recognises the importance of both roles. It has put appropriate arrangements in place to spend the commitment. However, it has more work to do to be ready to fulfil its role in delivering outcomes, particularly for activities it does not deliver directly.
8. MFAT will directly contract activities comprising 60-70% of the \$1.3bn commitment. Although not fully tested, MFAT has a range of levers to manage these activities and ensure specific outcomes are delivered.

9. The remainder of the commitment is split in two ways and there are fewer levers available to ensure specific outcomes are delivered. MFAT plans to invest up to 10% of the commitment in direct budget support for partner governments in the Pacific. If these activities are not delivering intended outcomes, MFAT has some levers available to intervene – for example, it can provide direct forms of support.
10. MFAT plans to invest up to 20-30% of the commitment in funds managed by multilateral agencies that in turn deliver specific projects. MFAT has few levers available to directly intervene if these funds are not delivering intended outcomes – at most, it could increase resourcing to try and gain greater influence on the direction of a fund.
11. In November and December 2022, the Minister of Foreign Affairs will seek Cabinet’s approval to proceed with the first tranche of activities against the funding commitment. This will include investments with partner governments and into multilateral funds. Cabinet will have the opportunity to provide direction on the relative balance of activities between the three different types – essentially those that MFAT will directly deliver versus those that will be delivered through other organisations.

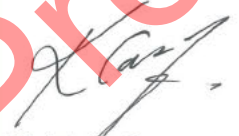
Readiness to deliver the 2022-25 commitment

12. MFAT has made good progress in establishing new governance and management arrangements for its portfolio of climate finance activities ('the portfolio') to reflect the increased size, complexity and risk of the 2022-25 commitment.
13. These arrangements are appropriate to support expenditure of the \$1.3bn commitment. As at September 2022, MFAT is implementing activities representing 30% of the \$1.3bn. It directly delivers most of these activities. The portfolio’s governance group has endorsed activities representing a further 32% of the commitment, leaving 37% (\$487m) with activities yet to be developed. MFAT considers hiring for its portfolio functions to be its most critical risk. The Unit assesses that MFAT is taking appropriate actions to ensure it has the capacity it needs.
14. MFAT’s readiness to deliver on the outcomes of the Strategy depends on several aspects coming into place over the next three to six months.
15. For its largest and most complex activities, MFAT needs to (1) confirm milestones that show whether implementation is on track, (2) identify performance indicators to show outcomes are being delivered, and (3) outline the thresholds for intervention as well as the options for it to intervene if delivery is off track. This is particularly important for MFAT’s investments into funds managed by partner governments or multilateral agencies. MFAT records an investment into a fund as 'spent' once it transfers the grant, regardless of whether the funding is then spent. Accordingly, clear indicators are needed to show the impacts of its spending on outcomes.
16. For activities MFAT delivers itself, its contracts provide appropriate levers to manage delivery of outcomes and it can intervene in a range of ways if necessary. The Unit assesses that MFAT’s planned approach to managing delivery will be appropriate provided that overseas posts are adequately resourced to monitor activities, manage delivery and intervene at the right points in a timely manner if delivery is off track.
17. At the portfolio-level, MFAT needs to (1) finalise and embed its approach to monitoring, evaluation, research and learning (MERL), including portfolio-wide performance indicators for each outcome in the Strategy, and (2) incorporate more expert input to ensure that where possible activities are designed to attract other sources of investment (a goal of the Strategy).
18. MFAT’s internal audit team plans to review the climate finance portfolio in 2023. It would be useful for this review to report on (1) how milestones, performance indicators and the MERL framework are embedded within activities and across the portfolio; (2) MFAT’s internal capacity for portfolio management; (3) implementation progress on the largest and most complex projects, and (4) the suitability of contingency plans in light of progress.

Recommendations

We recommend you:

1. **note** that MFAT will exceed the \$300m 2019-22 commitment target by around \$244m and has established a new, scaled-up approach appropriate for achieving the \$1.3bn spending target for the 2022-25 commitment.
2. **note** that for the \$1.3bn 2022-25 commitment MFAT has levers to ensure it delivers outcomes from the 60-70% of that commitment because it delivers projects directly, but has fewer levers over the 30-40% it plans to deliver through partner governments or multilateral agencies.
3. **note** that MFAT is still developing milestones and performance indicators for key activities and the whole climate finance portfolio, and its readiness to deliver the Strategy depends on whether it can effectively incorporate these measures into portfolio decision-making.
4. **note** that in November and December 2022, Cabinet will consider a series of papers on climate finance including approvals for a range of activities and MFAT’s draft approach to measuring and reporting on outcomes.
5. **discuss** with the Minister of Foreign Affairs whether MFAT’s forthcoming advice to Cabinet in November and December should:
 - 5.1. identify how MFAT will know whether outcomes are being delivered for each activity, and its options to intervene if delivery is not on track **YES / NO**
 - 5.2. identify proposed progress indicators for each outcome in the Strategy and how it will use indicators to inform or trigger decisions on the portfolio, including whether to activate contingency plans **YES / NO**
 - 5.3. indicate how it will equip posts to monitor, report on, manage the delivery of activities and intervene when necessary **YES / NO**
 - 5.4. outline how MFAT intends to incorporate expert input into its processes to ensure activities are set up to mobilise private finance. **YES / NO**
6. **note** that the Implementation Unit will consider and advise on whether it should undertake follow-on work as part of its six-monthly work programme reviews.
7. **agree** to proactively release this report, subject to any appropriate withholding of information that would be justified under the Official Information Act 1982. **YES / NO**


Katrina Casey
 Executive Director,
 Implementation Unit

20/10/2022

Hon Grant Robertson
 The Deputy Prime Minister

...../...../.....

Background

19. New Zealand’s global climate finance agreements establish obligations for expenditure on activities that address climate change. This stocktake assesses MFAT’s delivery of New Zealand’s climate finance commitments. The Commissioning Brief is in Attachment A.
20. In 2018, the Government announced the \$300m 2019-22 commitment, including targets to spend at least two-thirds in the Pacific and at least half on adaptation activities. This was funded from MFAT’s existing Overseas Development Assistance baseline. To help meet the target MFAT established a Climate Change Programme (‘CCP’) to identify \$150m of activities.
21. In 2021, the Government increased its 2022-25 commitment to \$1.3bn, including targets to spend at least half in the Pacific and at least half on adaptation activities. The 2022-25 commitment comprises \$500m from budget baselines and \$800m in new, time-limited funding from the Climate Emergency Response Fund. MFAT also received \$40m in departmental funding to support delivery. Figure 1 illustrates the various commitments and milestones.

Figure 1. Timeline of New Zealand’s global climate finance commitments



Status of delivery of New Zealand’s \$300m 2019-22 commitment

22. MFAT met the \$300m spending target in June 2021, 17 months ahead of schedule. As at September 2022 MFAT has spent \$504m across 729 distinct activities and is forecast to spend \$544m by the end of the commitment period, to exceed the target by \$244m (Figure 2).
23. The amount spent in the Pacific (\$315m) will exceed the \$200m target and the amount spent on adaptation-focussed activities (\$322m) will exceed the \$150m target.

Figure 2. Cumulative spending towards the 2019-22 commitment (actual and forecast)



24. MFAT did not establish a results framework for the entire 2019-22 commitment. When it was established, MFAT’s standard approach was to only define outcomes at the activity level.

25. The Pacific and Development Climate Change Action Plan 2019-2022 provided the basis for defining outcomes at the activity-level. An internal progress assessment in August 2021 found that most of the Action Plan's outcomes were on track, but could only assess progress based on whether activities were occurring as Action Plan did not include performance indicators.
26. MFAT established Programme-wide outcomes for the CCP, which includes 23 of the 729 activities in the 2019-22 commitment totalling \$178m. Establishing Programme-wide outcomes was considered a new approach for MFAT. A summary of CCP activities and their contributions towards outcomes is in Attachment B.
27. MFAT is still establishing its reporting across the CCP and only has a partial view of progress towards Programme-wide outcomes. As at September 2022, reporting on outcomes only covers 13 of 23 activities. The remaining 10 activities are reported on at the activity level only. MFAT's CCP-wide reporting is 12-18 months behind where it should be because MFAT had to rebuild an internal monitoring function after an outsourced approach failed.
28. It is positive that MFAT recognised that the approach was not working and acting accordingly. The Unit has observed the continued development of this function and considers the approach will be fit for purpose once complete. MFAT is currently procuring an evaluation of the CCP to assess overall impact on outcomes.

MFAT's role in delivering the 2022-25 commitment and the Strategy

29. The Strategy has four goals: accelerated climate change mitigation, enhanced resilience and adaptation, improved institutional capability and evidence-based decision-making, and increased leveraged investment. Each goal has a set of outcomes: for example, improving developing countries' National Adaptation Plans or reducing their reliance on fossil fuels.
30. MFAT has two main roles towards delivering the 2022-25 commitment and the Strategy:
 - a) *Spending the commitment*, including working with its partners to develop and contract activities, and track spending as part of day-to-day portfolio management
 - b) *Delivering the outcomes of the Strategy*, including managing delivery, reporting on progress, and intervening where necessary to ensure outcomes are delivered.
31. MFAT recognises the importance of both roles but has placed relatively more focus on its spending role. As a result, New Zealand is well-placed to meet its spending commitment targets, but more work is needed for MFAT to be ready to fulfil its role in delivering outcomes.
32. MFAT envisages an active role for itself in knowing if its spending is delivering intended outcomes and intervening if delivery is off track. It will directly deliver around 60-70% of the \$1.3bn commitment and has a range of appropriate levers available to intervene if needed.
33. MFAT will have fewer levers to intervene in the other 30-40% of the commitment:
 - a) MFAT plans to invest up to 10% of the commitment in direct budget support for partner governments in the Pacific to fund activities from their national climate change plans. If these activities are not delivering intended outcomes, MFAT could intervene by, for example, providing more technical assistance or support for the partner government.
 - b) MFAT plans to invest up to 20-30% of the commitment in funds managed by multilateral agencies that in turn deliver specific projects. MFAT has few levers available to intervene if these funds are not delivering intended outcomes – at most, it could increase resourcing to try and gain greater influence on the direction of a fund but could not intervene directly. This is an intentional trade-off: MFAT can act at greater scale by giving partners greater flexibility and ownership over their development, but has less control of delivery as a result.

Readiness to deliver the \$1.3bn 2022-25 commitment

34. The 2022-25 commitment represents a substantial increase in New Zealand's climate finance funding. MFAT recognises the scale of the increase warrants a step-change in its approach.
35. This section assesses MFAT's readiness to spend the 2022-25 commitment and deliver the outcomes of the Strategy, based on four areas identified with MFAT during initial scoping:
 - a) readiness to scale up portfolio governance and management
 - b) readiness to identify and deliver enough activities to spend the \$1.3bn commitment
 - c) readiness to engage delivery partners amidst increased demands on their capacity
 - d) readiness to scale up monitoring, evaluation, research, and learning (MERL) activities.

Overall findings

36. The Unit considers that the arrangements MFAT is establishing show readiness to spend the totality of the 2022-25 commitment but that readiness to successfully deliver on the outcomes of the Strategy depends on MFAT finalising several aspects over the next three to six months.
37. At the activity level, MFAT needs to confirm milestones and performance indicators for activities and define the thresholds and options for intervention if delivery is off track, particularly for investments delivered by other organisations.
38. At the portfolio level, MFAT needs to finalise its MERL approach and incorporate more expert input to ensure activities are designed, where possible, to leverage outside investment.
39. MFAT is establishing portfolio arrangements while identifying activities and progressing them through approval processes. It is making good progress on spending but will need to continue to adapt its portfolio governance and management routines to incorporate new arrangements as they come into place, and as the largest and most complex activities begin implementation.
40. MFAT has created a portfolio plan (in Attachment C) to show how key milestones, spending targets, and other aspects of the portfolio will come together. This portfolio plan should form part of regular reporting and be updated as details are confirmed, including activity milestones, Cabinet report backs in 2023 and beyond, and goals for portfolio-wide performance indicators.

Readiness to scale up portfolio governance and management

41. MFAT has created a new structure to govern and manage its climate finance portfolio that builds on existing decision-making structures and adds a new Climate Portfolio Steering Group ('the Steering Group'). The Unit considers that the structure is fit for purpose to ensure the commitment is spent and will help MFAT to manage delivery and assess progress towards the outcomes of the Strategy.
42. The Steering Group is well equipped to manage delivery of the 2022-25 commitment. It has a multi-stage process in place to review activities and to ensure they align with the Strategy and that overall spending balances across the different outcomes. Activity owners report that the Steering Group provides useful, unique input and is not just an extra step in the process.
43. A strong portfolio management function provides a high standard of support to the Steering Group and to the business units responsible for developing activities. MFAT considers its key delivery risk to be hiring to support this function. It is currently hiring for several positions to provide specialist expertise and develop business cases and can use its departmental funding to backfill gaps with external expertise in the interim. The Unit assesses MFAT's actions are appropriate for ensuring it has the capacity it needs.

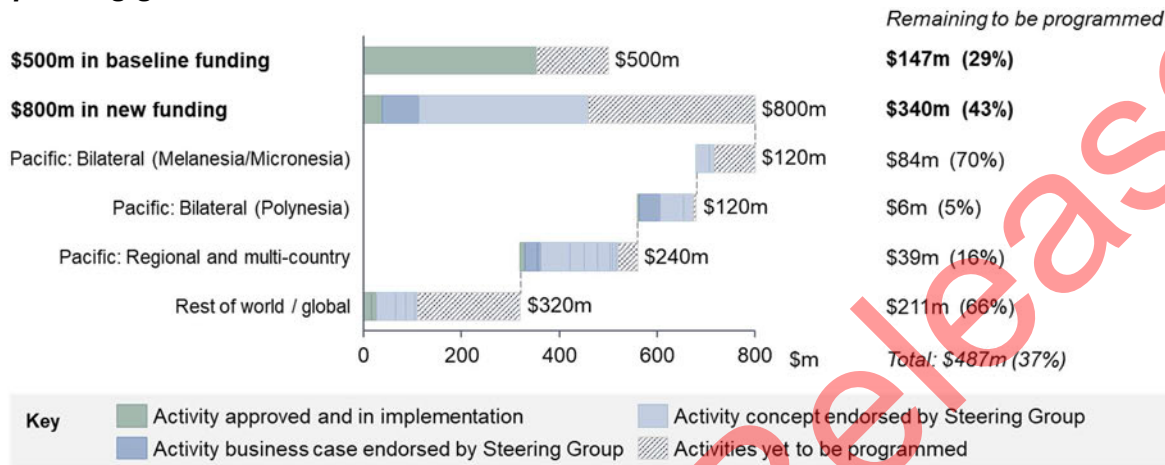
Readiness to identify and deliver enough activities to spend the \$1.3bn commitment

44. The Unit considers that MFAT can develop enough activities to spend the commitment.

45. As at September 2022, \$813m (62% of the \$1.3bn) has been approved or endorsed for specific activities, including \$392m (30%) in activities that have been approved and are in implementation (mostly delivered directly by MFAT) and \$421m (32%) in activities endorsed by the Steering Group in some form but pending final approval.

46. This leaves around \$487m of activities to be identified (Figure 3). This is achievable, especially as most of this will be spent outside the Pacific, where it is relatively easier to identify activities.

Figure 3. Total funding programmed (i.e., approved or endorsed) towards regional spending goals



47. To identify activities for the \$500m (baseline) component of the \$1.3bn, MFAT is using 'business as usual' Overseas Development Assistance processes. These activities tend to be small (around \$2m on average) and MFAT usually delivers these activities directly.

48. To identify activities for the \$800m (new funding) component MFAT is developing 'anchor investments'. These are long-term programmes that include a range of activities that collectively contribute to a theme. Anchor investments are a new approach and will be critical to delivering the Strategy. A full list of anchor investments and partner organisations is in Attachment D.

49. MFAT is developing business cases for specific investments and can strengthen planning by:
- a) identifying key milestones for each investment that can show if implementation is off track
 - b) identifying performance indicators that show how the activity will contribute to outcomes
 - c) identifying thresholds for intervention and developing options to intervene if reporting shows that delivery of outcomes is off track
 - d) developing an approach to systematically identify areas of overlap between anchor investments, including putting in place a portfolio-wide dependencies register
 - e) incorporating greater input from finance experts when developing activities to ensure they are set up to be able to leverage other sources of finance in future, where possible.

50. MFAT advises that three anchor investments will serve as its main contingency plan for increased investment if progress on other projects is not tracking according to plan:

- a) *Multilateral Agencies* – MFAT would make additional contributions to multilateral funds (e.g., the Adaptation Fund, the Global Environment Facility, and the Green Climate Fund)
- b) *Country Flexible Finance* – MFAT would make additional grants to partner governments to directly fund their climate change budget priorities
- c) *Mobilising Private Finance* – MFAT would make additional contributions to international funds that combine multiple sources and types of capital to invest in projects.

51. Increasing funding to *Multilateral Agencies* is straightforward. However, there is a risk that the *Country Flexible Finance* and *Mobilising Private Finance* are not ready to scale up funding if a contingency plan needs to be activated. These investments are primarily delivered by other organisations and the approach is relatively untested for MFAT. Business cases should clearly identify what needs to be in place, by when, to receive increased funding, and the portfolio plan should include explicit check-ins to assess readiness to receive increased funding.

Readiness to engage delivery partners amidst increased demands on their capacity

52. The Unit spoke with a selection of MFAT's partners that have been contracted to provide services and/or have co-designed and co-delivered activities with MFAT. Overall, MFAT has good relationships with key partners and its approach to engaging partners early to develop activities together has improved its overall readiness.

53. Partners were unanimously positive about MFAT, with some referring to MFAT's practices as "gold standard" relative to other governments and multilaterals, citing MFAT's willingness to listen, build trusting relationships, and take onboard partners' input when developing activities.

54. Partners expressed confidence in their ability to scale up but cited hiring staff as the main delivery risk, noting that it can take six to 12 months to hire and onboard staff in the Pacific. To ensure it has visibility over whether partners are on track MFAT will need to identify the right milestones for each activity including partners' progress in hiring key staff.

55. MFAT could also consider addressing the following areas where partners report challenges:

- a) Rotation of MFAT staff creates challenges: knowledge is often not passed on and time is lost during onboarding. MFAT outsourcing parts of its internal processes, such as business case writing, exacerbates these challenges – for example, the authors of a business case or monitoring plan may not be in the organisation once it is being implemented.
- b) Partners report that the three-year funding period of MFAT's International Development Cooperation funding is an improvement on the previous practice of one-year periods but that three years is not long enough to provide the level of certainty that can support longer-term, higher-impact projects that build capability and capacity. Partners report limiting the nature of the activities they propose to MFAT as a result of the limited funding periods. MFAT will support MFA to provide advice to Cabinet in December on this topic.
- c) Partners value co-design but report that it creates high demand on resources, and that it is difficult to plan when to scale up their capacity without visibility over when the activities they co-design will be approved and contracted. This can delay delivery in projects where the implementation phase begins with a lengthy hiring process.

Readiness to scale up monitoring, evaluation, research and learning (MERL) activities

56. The 2022-25 commitment will be the first time MFAT has created a MERL framework at the scale of an entire portfolio. The Unit considers that more work is needed at both the activity level and the portfolio level for MFAT to show readiness for MERL activities.

MERL at the level of individual activities

57. In addition to the milestones and performance indicators discussed above, each activity needs a MERL framework in place to show how it will measure impact. These frameworks are not yet finalised for the largest activities but will be developed once business cases are approved.

58. Multilateral agencies and partner governments will have the primary responsibility for MERL for 30-40% of the commitment. MFAT should ensure that their approaches provide it with the enough information to know whether Strategy outcomes are being delivered. If these organisations' approaches are not appropriate, MFAT should consider augmenting with its own activities. It may be appropriate to elevate milestones for some anchor investments –

such as *Country Flexible Finance* – into portfolio-wide reporting, where there are dependencies across the portfolio.

59. Depending on how MFAT implements the MERL framework, there are likely to be resourcing implications for the posts that manage activities. Some posts reported that they do not have capacity for undertaking robust monitoring at present, prior to the increased commitment. The Steering Group should consider these issues when it discusses the MERL framework, including implications for the allocation of the \$40m departmental funding budget.

MERL at the level of the wider climate finance portfolio

60. MFAT has set spending targets for the 2022-25 commitment but is still developing a portfolio-wide MERL framework, including performance indicators to show progress towards outcomes.
61. The Unit expects a MERL framework would usually be in place ten months into the commitment period. MFAT advise it is not yet in place in part because the main anchor investments have not yet defined milestones or performance indicators and because MFAT is taking care to get its first portfolio-wide MERL framework right and incorporate lessons from the CCP.
62. At the portfolio level, performance indicators and the MERL framework should: show how progress is tracking across the portfolio, including in key activities; measure activities' collective impact in line with the outcomes and goals of the Strategy; inform senior leaders' decisions on what activities to fund or whether to activate contingency plans, and provide for incorporating 'on the ground' insights into monitoring, particularly in areas where qualitative assessments are relatively more important, such as partner capability.
63. MFAT's draft MERL framework will go to the Steering Group in December 2022 and MFAT will then report to Cabinet on its draft approach. MFAT advise that MERL activities will be fully embedded across the portfolio by April 2023. In the interim, the Steering Group endorse activities based on their alignment to the goals of the Strategy. While this cannot replace an assessment of activities' contributions to portfolio-wide indicators, this approach should ensure spending is aligned to outcomes at a high level.

Next steps

64. MFAT has agreed that the portfolio would benefit from a review in mid-2023 to assess the suitability of portfolio arrangements and identify any further opportunities for improvement. MFAT's internal audit team could carry this out as part of its 2022-23 work programme. Alternatively, MFAT could commission external reviewers.

Treaty of Waitangi considerations and te ao Māori perspective

65. Treaty of Waitangi considerations and a te ao Māori perspective were not specifically canvassed for this stocktake as its primary focus is on activities outside of New Zealand.

Financial implications

66. There are no financial implications arising from this paper.

Consultation

67. MFAT was involved in the preparation of this report and MFAT and The Treasury were consulted on the Report itself.

Attachments	Title	Security classification
Attachment A	Commissioning Brief	IN CONFIDENCE
Attachment B	Summary of Climate Change Programme activities	IN CONFIDENCE
Attachment C	Climate finance portfolio 'plan on a page'	IN CONFIDENCE
Attachment D	List of anchor investments	IN CONFIDENCE

Proactively Released

Attachment A

Implementation Unit: Scope

New Zealand's climate finance commitments

Commissioning Agent:	Deputy Prime Minister
Commission to:	Implementation Unit, DPMC
Commission:	To deliver a stocktake of the Ministry of Foreign Affairs and Trade's (MFAT) delivery of New Zealand's 2019-2022 global climate finance commitment and its readiness to deliver on the 2022-2025 commitment.

Background

In 2018, the Government increased New Zealand's global climate finance commitment to \$300m over four years ('the 2019-2022 commitment'). In 2021, the Government committed to providing \$1.3bn between 2022 and 2025 ('the 2022-2025 commitment') comprising \$500m from existing baselines, \$800m in new funding from Budget 2022's Climate Emergency Response Fund, and \$40m for departmental costs.

The commitments are delivered primarily through New Zealand's International Development Cooperation Programme and fund a range of delivery partners to undertake specific activities, including New Zealand government agencies, regional and multilateral organisations, partner governments, non-government organisations, and the private sector.

Areas of Focus

1. **Assess the status of delivery of the 2019-2022 commitment**, including disbursement of funding and delivery of key outputs
2. **Assess the readiness of MFAT to deliver the 2022-2025 commitment**, focussing on:
 - the feasibility of growing the pipeline of investable activities
 - MFAT's progress in building portfolio management capacity to develop and process a higher volume of business cases, investment decisions, and contracts
 - the capacity of the ecosystem of delivery partners to deliver activities
 - MFAT's readiness to scale up its monitoring and evaluation activities and to incorporate findings into ongoing portfolio management
3. **Identify any significant risks or barriers to delivery**, and whether any adjustments would support successful delivery of the 2022-2025 commitment.

Parties

The Unit will work with relevant senior leaders and working teams within MFAT, including staff at post where relevant. As needed and where appropriate, the Unit may work with MFAT to engage partners involved in delivering specific activities.

Timeframe

The Unit will report to the Deputy Prime Minister by 20 October 2022. The Unit will also report to the Deputy Prime Minister as part of its regular reporting.

Hon Grant Robertson
Deputy Prime Minister

Attachment B: Summary of Climate Change Programme activities

Total funding allocation¹ and number of activities in each Pacific country and territory

	Polynesia						Melanesia and Micronesia								
	Tonga	Cook Islands	Tuvalu	Samoa	Tokelau	Niue	Fiji	Vanuatu	Kiribati	Marshall Islands	Solomon Is.	PNG	Palau	Nauru	Micronesia, Fed.
Total activities	11	7	8	6	5	4	9	10	8	7	6	6	5	4	4
Total allocation ¹	\$16m	\$10m	\$8m	\$3m	\$3m	\$2m	\$14m	\$10m	\$8m	\$5m	\$4m	\$3m	\$2m	\$1m	\$1m

Activities in each intervention area, including allocation¹, recipients, and indicative outputs and outcomes

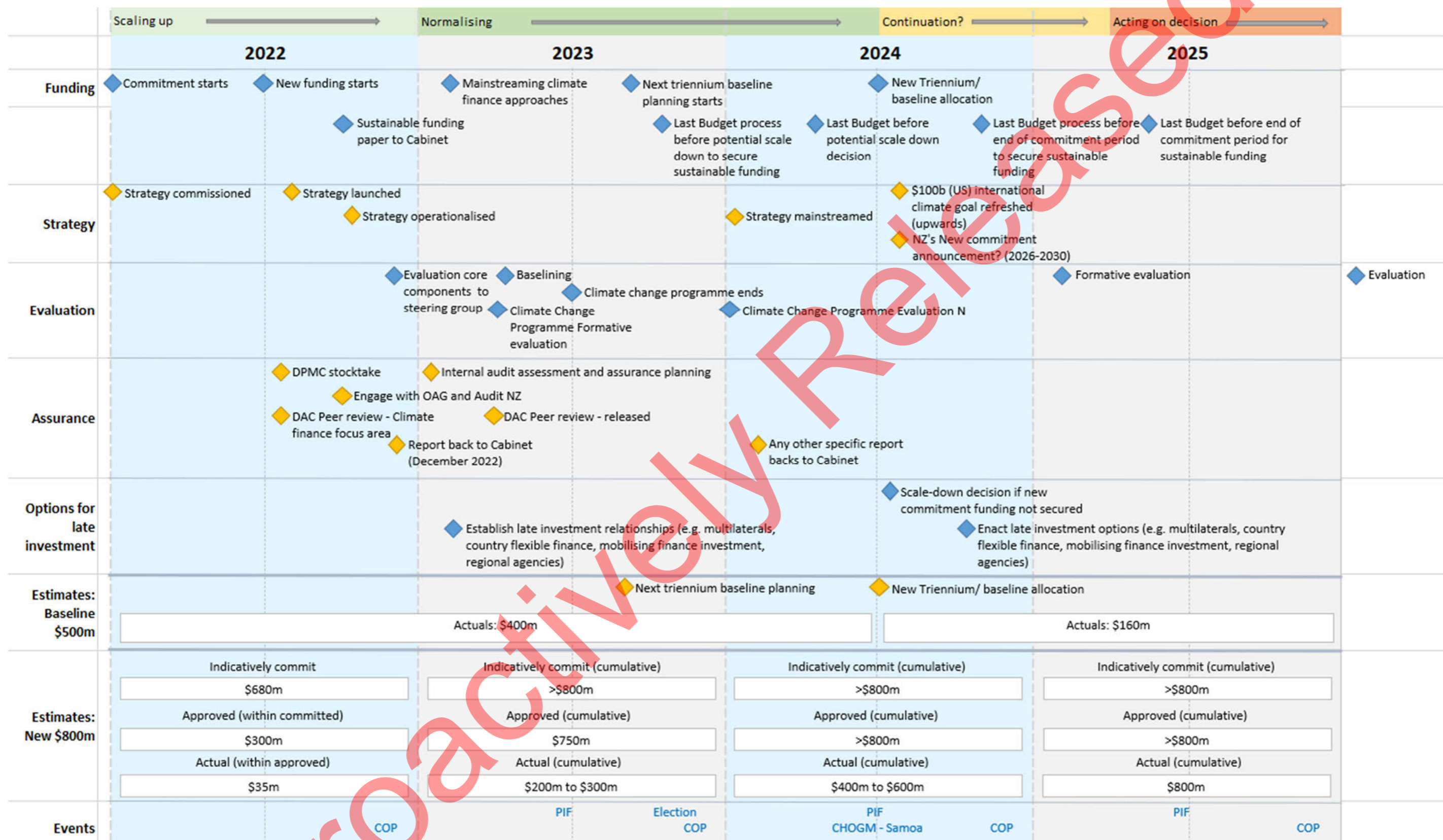
Intervention area	Activity name	Total allocation ¹	Recipients	Indicative outputs and outcomes <i>Progress as at September 2022 shown in bold</i>
Climate Mobility	Climate Mobility	\$21.6m	Pacific Regional/Multi-country/Multi-lateral agencies plus Cook Islands, Fiji, FSM, Kiribati, Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu	Communities are supported to avoid and minimise conflict caused by climate mobility 241 community members trained Develop Standard Operating Procedures (SOPs) for planned relocation guidelines in Fiji SOP's submitted for Fiji Cabinet approval
	Fiji Relocation Trust Fund	\$2.3m	Fiji	
Ecosystems	Ecosystems Resilience	\$12.3m	Pacific Regional/Multi-country/Multi-lateral agencies plus Fiji, Tonga, Tuvalu, Vanuatu	Communities manage their ecosystems (based on alignment of ecosystem management to indigenous knowledge and community engagement) Climate Resilient Islands work is active in an ~32 communities in four countries, and have engaged over 1,200 people in inter-generational talanoa and workshops. Pacific priority invasive species management actions implemented 1 natural enemy release complete (Cooks Islands), 7 more planned. 3 priority weeds feasibility reports/literature reviews completed, 2 rodent eradication feasibility reports underway. 159 invasive species training sessions in 12 countries have been held. National strategies for 4 countries in development.
	Invasive Species Management	\$9.6m	Pacific Regional/Multi-country/Multi-lateral agencies plus Cook Islands, Fiji, FSM, Kiribati, Marshall Islands, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu	NZ influences decisions made by attending Steering Group meetings and providing feedback on proposals 70% complete based on SGs attended and proposals reviewed NZ crowds other donors into this intervention area by actively participating in the Kiwa 14% complete based on NZ contributions and contributions from other donors
	Improving Ecosystem Resilience: Kiwa Initiative	\$5m	Pacific Regional/Multi-country/Multi-lateral agencies	
Global Influence	Green Climate Fund 2020-2023	\$15m	Pacific Regional/Multi-country/Multi-lateral agencies	Work with partners to increase Pacific's presence and visibility at international climate-related negotiations, workshops and events COP26 related social media campaigns complete (Flex to 1.5 TikTok campaign achieved 1.36m views in 2021). COP25, 26 and 27 Pacific Pavilions funded.
	Global Research Alliance (ASEAN)	\$3m	Pacific Regional/Multi-country/Multi-lateral agencies	Global funds growth and performance Green Climate Fund now USD \$37bn. UN Adaptation fund reached 10.4m direct beneficiaries.
	Pacific Voice	\$4.6m	Pacific Regional/Multi-country/Multi-lateral agencies	Global funds projects underway Green Climate Fund funds 190 projects in 127 countries, including 16 in the Pacific. UN Adaptation fund has five pacific countries accessing ~USD \$40m

¹ Total allocation figures represent the budget for the whole-of-life of the activity. This includes the actuals to-date, but also the future forecast. The forecast can change, as part of adaptive project management, and therefore the final actuals may be different. In addition, the nature of some of the work undertaken (e.g. workshops involving multiple countries) means the budget is apportioned on a best efforts basis. As a result, some of the country allocation is indicative.

Intervention area	Activity name	Total allocation ¹	Recipients	Indicative outputs and outcomes <i>Progress as at September 2022 shown in bold</i>
Information for Decision Making	Information for decision-making	\$16m	Pacific Regional/Multi-country/Multi-lateral agencies, plus Cook Islands, Kiribati, Marshall Islands, Samoa, Tonga, Tuvalu, Vanuatu	Improved quality and availability of data, analysis and communications products Cook Islands LiDAR: All data collected for Raratonga, Northern and Southern Group collected (all 14 islands). PARTneR: completed 4 out of 6 country planning visits; 4 out of 6 national baseline risk profiles; 4 out of 6 SPC personnel fully trained in RiskScape and CliDEsc; and updated core building asset datasets in all 6 countries
	COSPAC	\$5.7m	Pacific Regional/Multi-country/Multi-lateral agencies plus Cook Islands, Fiji, FSM, Kiribati, Marshall Islands, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu	Analysis and communications products build on science and indigenous knowledge POCCA: 1 out of 4 draft Assessment reports completed and reviewed
	Improve decision making through Ocean Knowledge	\$4.7m	Pacific Regional/Multi-country/Multi-lateral agencies	1 out of 3 conferences to workshop draft assessments held
	Support to the Pacific Climate Change Centre	\$3.9m	Pacific Regional/Multi-country/Multi-lateral agencies	
Innovative Finance	Adaptation Fund Trust Fund contribution	\$3m	Pacific Regional/Multi-country/Multi-lateral agencies	Develop projects for funding approvals 60% complete based on number of additional GCF projects approved, number of projects in SPC's pipeline, and numbers of proposals and concept notes submitted
	Access to Finance	\$6.6m	Pacific Regional/Multi-country/Multi-lateral agencies plus the Cook Islands	Develop outreach with the GCF and other sources of climate finance 70% complete based on engagement targets with GCF and others
	Disaster Risk Finance	\$6.2m	Pacific Regional/Multi-country/Multi-lateral agencies plus Fiji, Tonga, Vanuatu	Improve government preparedness for disasters 3 national/regional strategies and policy measures introduced or implemented on CDRFI
	Food Security and Ecosystem Resilience funds	\$3m	Pacific Regional/Multi-country/Multi-lateral agencies	Individuals, communities and SMEs can respond and recover quicker with access to and usage of market-based DRF instruments 1388 registered clients of new or improved CDRFI products and services supported by PICAP
	Pacific Resilience Facility (on hold) ²	\$8.7m	Pacific Regional/Multi-country/Multi-lateral agencies	
Public Sector Strengthening	Low Emission, Climate Resilient Planning	\$5.9m	Pacific Regional/Multi-country/Multi-lateral agencies, plus Papua New Guinea, Tonga, Vanuatu	Pacific Island governments have supporting policies, legislation and regulations place to guide public and private sector investment in LECRD Kiribati has met target number of approved Agriculture Action plans, target staff with capacity to implement plans and stakeholders with necessary information to support the implementation.
	Mainstreaming Climate Change in Governance	\$6m	Pacific Regional/Multi-country/Multi-lateral agencies, plus Fiji, Kiribati, Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu	GS&I RID is embedded into community and sector development in a way that will influence national govt. systems 29% complete based on # of budget submissions and sector measures that reference GS&I CC&D risk, and number of targeted implementation projects
	Pacific Regional NDC Hub	\$4m	Pacific Regional/Multi-country/Multi-lateral agencies	Gender and social inclusion representatives actively participate in shaping RID for govt. systems 3 sectors in which a national Ministry responsible for gender supports to develop planning and budget submissions, and 3 national ministries responsible for gender participate in assessment and appraisal of planning and budget submissions
Water Security	Averting water-related emergencies	\$2.6m	Cook Islands, Fiji, FSM, Kiribati, Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu	Monitoring equipment installed. 66 out of 150 radar sensors for household rain water tanks installed (60 in Aitutaki, 16 in Rakahanga). 80 out of 150 radar sensors for household rain water tanks currently being installed on Mangaia and Penryhn.
	Building resilient water management systems	\$10.8m	Pacific Regional/Multi-country/Multi-lateral agencies, plus Kiribati, Palau, Solomon Islands, Tonga	Institutional capability built, incl. investment planning and asset management capability 2 out of 8 visits completed and an inception meeting held for a common database
	Reduce risk of water scarcity	\$17.7m	Cook Islands, Kiribati, Marshall Islands, Nauru, Niue, Papua New Guinea, Tokelau, Tonga, Tuvalu, Vanuatu	Infrastructure provided or upgraded 8 out of 10 community water buildings repaired (80% complete) 2 out of 6 ground water assessments completed (33% complete)

² Note: PRF on hold as Pacific Island Forum Secretariat plans were delayed due to covid. Looking to be relaunched in 2024. CCP Steering group has approved reallocation of funds to other CCP activities. Activities have been identified and transfer is under way.

Attachment C: Climate portfolio plan on a page



PROACTIVE REVIEW

Attachment D: List of anchor investments

Anchor Investment	Description	Partners	Indicative budget
Primarily delivered by partner governments			
Country Flexible Finance	<p>Provides funding to Pacific governments to support the delivery of their climate change priorities; such as National Adaptation Plans, Nationally Determined Contributions, and other national plans responding to climate change. It provides predictable and flexible funding to partners, but will require MFAT to 'walk alongside' its partners to strengthen governance systems as well as national planning.</p> <p>This will be a significant shift in the way MFAT partners with Pacific countries and will establish how MFAT delivers climate finance over the long term.</p>	14 Pacific Island countries, and Australia, World Bank, Asia Development Bank	\$100-\$200M
Primarily delivered by multilateral agencies			
Multilateral Agencies	<p>Provides funding for New Zealand's contribution into the multilateral system for climate action, through global funds and development banks. MFAT's objective with this funding is to influence their role as key alternative sources of climate finance for MFAT's partners, and to increase the scale of our impact particularly beyond the Pacific region.</p> <p>This approach will require MFAT to carefully select which aspects of the multilateral system it focus its efforts and investment in for greatest impact.</p>	World Bank Asia Development Bank, UN multilateral funds, other multilateral funds	TBC
Mobilising Private Finance	<p>Provides funding to draw in alternative sources of funding from the private sector to increase the impact of MFAT's funding for global and regional mitigation and adaptation outcomes.</p> <p>Leveraging private finance will also be essential for meeting future climate finance commitments, as Ministers have already indicated that this is unlikely to be fully met by public funding.</p>	International funds, private and philanthropic funds	TBC, but likely a significant investment (~\$100M)
Primarily delivered by MFAT in partnership with other organisations			
Community Resilience	<p>Provides funding to enhance grass-roots resilience through the non-government sector. This extends MFAT's impact to vulnerable groups that may not be well-served by government funding.</p> <p>It includes strengthening local solutions and ownership by expanding MFAT's funding from being through NZ NGOs to include provision of funding directly to Pacific-based NGOs and community groups.</p>	Selected NZ NGOs, Pacific NGOs and civil society organisations in 14 Pacific countries, Australia	\$20-40M
Climate Evidence and Advice	<p>Provides funding to improve the quality, quantity and application of robust climate information to decision makers. It focusses on improving core climate data, as well as tailoring data to improve economic, social, cultural and environmental resilience. This is a catalyst to all MFAT's other climate finance investments, by improving the evidence-base for mitigation and adaptation planning. It will also require MFAT to 'walk alongside' its partners to increase local capability in technical and decision-making functions.</p>	NIWA, NZ MetService, SPREP, SPC, Australia (DFAT, BOM, GA, CSIRO), UK MetOffice, ADB, NOAA	\$50-100M
Pacific Regional Agencies	<p>Provides funding to selected regional agencies to provide policy, technical and resilience action on climate change to Pacific countries. It will build climate change capacity and capability in the Pacific, including the use of local and culturally relevant approaches, including applying indigenous knowledge to climate responses.</p>	SPREP, SPC, USP, SPTO	\$50-70m
Environment, Biodiversity and Oceans	<p>Provides funding towards the protection and restoration of resilient environment and biodiversity. It also delivers on MFAT's commitments under the Convention of Biological Diversity.</p> <p>Investment in this area provides significant co-benefits for all other climate finance investments.</p>	TBC, potential partners include Pacific regional agencies, NZ CRIs and government agencies, Pacific regional and international funds, development partners, NGOs	TBC
Developing Carbon Markets Reforming Fossil Fuel Subsidies Sustainable Trade Agreements	<p>Provides funding to support developing countries to engage and benefit from the development of new international markets and trade policies that address climate change. The development of international carbon markets, reducing fossil fuel subsidies, and making international trade respond to climate change will be critical international policy shifts, especially to drive emission reductions, with significant potential impacts on economic resilience.</p>	TBC – likely selected partner governments, technical specialists/advisors	TBC, though likely modest expenditure



Cabinet Priorities Committee

Minute of Decision

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Implementation Unit: Work Programme to 30 June 2023

Portfolio Deputy Prime Minister

On 6 December 2022, the Cabinet Priorities Committee (CPC):

- 1 **noted** that in July 2022, CPC noted that the Deputy Prime Minister will bring a proposed Implementation Unit (the Unit) workplan for the first half of 2023 to the Committee in December 2022 [CPC-22-MIN-0021];
- 2 **noted** that the Unit will undertake follow-on work or assignments already agreed across the following programmes: emergency housing, health reforms, suicide prevention, follow-up from the year three stocktake of the 2019 Budget Mental Health and Addiction Package, the Agricultural Emissions Pricing Scheme, Three Waters reform, and the Immigration Rebalance;
- 3 **noted** that a readiness assessment for the Income Insurance Scheme should take place in May to June 2024 as the Scheme will not become operational until April 2025;
- 4 **agreed** to the following new assignments and their initial scope being added to the Unit's work programme for the first half of 2023:
 - 4.1 Public Housing Register, which would involve a stocktake of the Public Housing Register to identify how an applicant's housing need is assessed (i.e. how is a household added to the register), and then, which households are placed off the register; and could also consider the operational practices that underpin the application of the Social Allocation System;
 - 4.2 Carbon Neutral Government Programme (CNGP): a second stocktake of progress of delivery of the CNGP given tranche one agencies will have delivered their emissions reductions plans in December 2022;
 - 4.3 Te Pūkenga: a stocktake of progress in establishing a new operating model for the new entity focussing on some of the following areas:
 - 4.3.1 information technology systems integration progress and planning;
 - 4.3.2 suitability of management and governance capability and structures;
 - 4.3.3 identifying any key barriers to success;
 - 4.3.4 plans to ensure ongoing financial sustainability;

4.3.5 progress towards integrating work-based, campus-based, and online delivery, including retaining and improving employer engagement;

5 **noted** that the Implementation Unit has recently delivered briefings (attached to the submission under CPC-22-SUB-0045) to the Deputy Prime Minister on:

5.1 a stocktake of implementation readiness for scaling up the Government Investment in Decarbonising Industry Fund;

5.2 a deep dive review into the projects in the Mental Health Infrastructure Programme;

5.3 a stocktake on New Zealand's International Climate Finance Commitments.

Jenny Vickers
Committee Secretary

Present:

Rt Hon Jacinda Ardern (Chair)
Hon Grant Robertson
Hon Kelvin Davis
Hon Dr Megan Woods
Hon Carmel Sepuloni
Hon Andrew Little
Hon Poto Williams
Hon Damien O'Connor
Hon Stuart Nash
Hon Jan Tinetti
Hon Michael Wood
Hon Kiri Allan

Officials present from:

Office of the Prime Minister
Department of the Prime Minister and Cabinet
Officials Committee for CPC



Cabinet

Minute of Decision

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Report of the Cabinet Priorities Committee: Period Ended 9 December 2022

On 12 December 2022, Cabinet made the following decisions on the work of the Cabinet Priorities Committee for the period ended 9 December 2022:

[REDACTED]	[REDACTED]	[REDACTED]
CPC-22-MIN-0045	Implementation Unit: Work Programme to 30 June 2023 Portfolio: Deputy Prime Minister	CONFIRMED
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

Rachel Hayward
Secretary of the Cabinet