

Office of the Minister of Corrections

Chair, Cabinet Government Administration and Expenditure Review Committee

Waters Infrastructure Programme Tranche 2A Detailed Business Case

Proposal

- 1 I seek Cabinet's endorsement of the Waters Infrastructure Programme Tranche 2A Detailed Business Case and approval of the draw down of the tagged contingency provided in Budget 2023 of \$56.00m capital and \$18.72m operating for Tranche 2A of the Waters Infrastructure Programme. This will fund construction and non-construction activities at identified custodial sites to uplift the condition and management of Corrections' three waters assets.

Relation to government priorities

- 2 The Government's Affordable Waters Reforms have identified that risks resulting from historical underinvestment in three waters assets (wastewater, stormwater, and drinking water) now require urgent attention to ensure that water services are in good condition and resilient, meeting the challenges presented by population growth, climate change and natural disasters. These reforms seek to provide New Zealanders with the safe and reliable wastewater, stormwater, and drinking water systems that our communities and environments depend on.
- 3 He Whakakaupapa mō Te Hanganga o Aotearoa – the Infrastructure Action Plan, details the Government's commitment to create efficient, equitable, resilient, and sustainable infrastructure systems.

Executive summary

- 4 Access to safe, healthy, and reliable three waters services is critical to ensuring the wellbeing of staff and people under the care and management of Corrections. Any disruption to these services directly impacts the core functions of the department and the attainment of its strategic outcomes.
- 5 The mature stewardship of three waters assets is a core supporting pillar to the responsibility Corrections has to improve public safety and contribute to the maintenance of a just society. Corrections must ensure that custodial sentences are administered in a safe, secure, humane, and effective manner. Simply, and as articulated by Corrections' Cabinet endorsed strategy Hōkai Rangi, the purpose of Corrections' work is the wellness and wellbeing of people.
- 6 The existing three waters assets at the 18 custodial sites Corrections is responsible for are typical of the broader challenge facing the sector; historical underinvestment in these assets has resulted in many of them now having a high (and increasing) risk of asset and/or compliance failure that could compromise service delivery, network

capacity, safety to staff and the people under the management of Corrections, and regulatory and compliance obligations.

- 7 The primary objectives of the Waters Infrastructure Programme (WIP) are to meet this challenge through foundational improvements that embed the policies, processes and resourcing required to uplift the capability of Corrections to manage its three waters assets, including defining levels of service and resiliency requirements, as well as construction activities focused on targeted investigations and investments in three waters infrastructure that reduces failure and compliance risks. Through this, the Waters Infrastructure Programme seeks to ensure that the risk of harm to people from failures in Corrections' waters services is materially reduced.
- 8 This objective will be obtained by meeting two important investment objectives, ensuring:
 - 8.1 All prison facilities have a reliable provision of three waters services; and
 - 8.2 All prison facilities meet regulatory requirements for human health and environmental standards.
- 9 Cabinet consideration of this Detailed Business Case (DBC) follows its confirmation of the 3 Waters Programme Case (2021 PBC) in August 2021, which proposed a 16-year programme divided in to four tranches. Funding was provided in Budget 2021 for Tranche 1 of the programme, with funding for future tranches to be sought progressively through future budget bids and business cases. This paper seeks approval of funding for Tranche 2A of the programme, progressing until June 2027 and positioned as the first of three tranches of the delivery of construction and non-construction activities at custodial sites.
- 10 The eight sites considered in the DBC for Tranche 2A represent four where Corrections is now classed as a supplier of drinking water under the Water Services Act 2021 and are currently non-compliant with the Water Services (Drinking Water Standards for New Zealand) Regulations 2022, as well as five priority sites selected based on an assessment of asset risk criticality.¹
- 11 These sites (noting Christchurch Men's Prison is considered under both categories) are:

Classification	Description of what is in scope	Sites
Priority sites	Interventions to deliver construction and non-construction investment, informed by site investigations and assessment	Mt Eden Corrections Facility Rimutaka Prison Arohata Prison Rolleston Prison Christchurch Men's Prison

¹ Christchurch Men's prison is considered in both categories, as one of the water safety sites and one of the priority infrastructure sites.

IN CONFIDENCE

Classification	Description of what is in scope	Sites
Water safety sites	Interventions only with a drinking water safety focus, as informed by investigations undertaken in the development of a Drinking Water Safety Plan	Waikeria Prison Whanganui Prison Christchurch Men's Prison Christchurch Women's Prison

- 12 This DBC has been informed by significant work undertaken during Tranche 1 of the programme to investigate the current state of the three waters asset base across the entire prison estate and allow informed investment decisions for the tranche of works it considers. Work undertaken during the first tranche the programme validated the assumptions and desktop assessments of the 2021 PBC and determined the preferred programme option for the entire programme remains valid. This is discussed in further detail in paragraphs 28-34 below
- 13 A tagged contingency of \$56.00m capital and \$18.72m operating for Tranche 2A was provided in Budget 2023 (B23). This was scaled from the programme's original B23 bid informed by the development of this DBC.
- 14 Furthermore, Corrections was unsuccessful with B23 bids for other strategic projects, which has required a significant reprioritisation of the content, value, and timing of infrastructure projects across the portfolio. This has impacted internal capital funding allocation decisions taken after the development of this DBC and will impact the ability of WIP to deliver all interventions the preferred programme option proposes.
- 15 As the tagged contingency and a \$4.00m deferred spend for design works from Tranche 1 to Tranche 2A is the only funding currently available to the programme, WIP intends ^{9(2)(b)(ii)} [REDACTED].
- 16 Engagement with the market is planned to occur based on the full 240 interventions of the preferred option of Tranche 2A, with one of two potential filtering approaches employed to ^{9(2)(b)(ii)} [REDACTED]. The decision as to which filter is employed will be made following engagement with the Managing Contractor and design completion, cross referenced against the critical success factors of the programme. This approach is discussed in further detail in paragraphs 35-47 below.
- 17 On this basis, WIP will implement a scheduled preferred programme option for Tranche 2A:
- 17.1 **Option 3A Proactive Stewardship (scheduled).** A proactive approach to three waters asset management to increase resilience at an asset level, addressing SAR and DWSP findings at high and medium urgencies, ^{9(2)(b)(ii)} [REDACTED].

² Includes \$4.0m deferred spend for design works from Tranche 1 to Tranche 2A already drawdown to Corrections

- 18 WIP is a rolling programme of work considering many assets across multiple sites, over many years. The proposed scheduling of Tranche 2A, and ^{9(2)(b)(ii)} is consistent with the implementation and management of other Corrections initiatives and 'business-as-usual' (BAU) infrastructure programmes with similar considerations.
- 19 Existing Corrections' programme governance and approval processes support the flexibility for ^{9(2)(b)(ii)} that WIP possesses and allows the ^{9(2)(b)(ii)} without impacting the delivery of the preferred programme option for this tranche of work. It is therefore considered appropriate that the full tagged contingency funding is drawn down at this time and managed through Corrections' internal approval processes.
- 20 Following the completion of market engagements and decisions on programme scheduling noted above, the programme will report back to Joint Ministers in June 2024 with confirmation of the final implementation plan for Tranche 2A.

Background

- 21 Corrections manages an extensive three waters asset base (wastewater, stormwater, and drinking water) at its 18 custodial prison sites nationally. This infrastructure has been built up at sites over many years, often in a piecemeal fashion, with many assets now nearing the end of their expected operational life.
- 22 A desktop assessment undertaken in 2021 concluded that 70% of Corrections' three waters assets have a high (and increasing) risk of asset and/or compliance failure that could compromise service delivery, network capacity, safety to staff and the people under the management of Corrections, and regulatory and compliance obligations.
- 23 Capital funding allocations at the time were insufficient to address historical deferred investment and to address the interventions required to improve asset condition, build future resilience, embed asset management policies and practices required of good asset stewardship, and achieve regulatory compliance.
- 24 The Government's expectations of mature asset stewardship, as well as current and pending Affordable Waters Reforms, also impose new and heightened expectations on the management of three waters assets, and place increased regulatory compliance obligations on Corrections.
- 25 In response, Corrections developed a 16-year programme of investigations and investments in three waters infrastructure and the management of three waters assets, broken in to four tranches, with a supporting 3 Waters Programme Business Case (2021 PBC) approved by Cabinet in August 2021 (CAB-21-MIN-0317 refers).
- 26 The 2021 PBC recommended a preferred programme option of 'Proactive Stewardship', consisting of 1,237 proposed interventions, and with an estimated financial cost across all tranches, including inflationary pressures, of \$316.88m capital and \$168.67m operating.

- 27 The four tranches of the programme were devised through a risk mitigation approach, determining criticality of risk and intervening progressively, to reduce risk levels from very high to low. The tranches outlined in the 2021 PBC were:
- 27.1 **Tranche 1 “Lay Foundations”** – Delivered over two years and consisting of 597 proposed interventions or actions. This was the necessary first step to significantly improve Corrections’ three waters asset information base through investigations of assets at sites, as well as developing internal capability such as levels of service, design standards, resiliency policies and education programmes that would lay the foundations for interventions through the subsequent tranches. It also included the design required to lay the foundations for Tranche 2 delivery.
 - 27.2 **Tranche 2 “Reduce Critical Risk”** – Delivered over three years and comprising interventions on very high-risk issues, while continuing to build the internal capability from Tranche 1.
 - 27.3 **Tranche 3 “Build Resilience”** – Delivered over four years and comprising of interventions on high-risk issues
 - 27.4 **Tranche 4 “Future Focused”** – Delivered over seven years and comprising of interventions on moderate-risk issues.

Tranche one

- 28 Funding for Tranche 1 of the programme was provided as a tagged contingency in Budget 2021, with drawdown of \$5.44m capital and \$15.20m operating approved by Joint Ministers in September 2021 (B4194 refers) following Cabinet’s confirmation of the 2021 PBC. This funding allowed the programme of investigations to be undertaken and to lay the foundations for the subsequent tranches, with funding for future tranches to be sought progressively via future budget bids.
- 29 Investigative works and desktop assessments of asset condition at all sites were undertaken and informed a detailed Site Assessment Report (SAR) for the five “priority” sites and a Drinking Water Safety Plan (DWSP) for the four “water safety” sites originally considered for Tranche 2A.
- 30 These reports assessed asset failure and compliance risk and proposed interventions to reduce risk levels, with the SAR providing an assessment of asset and compliance failure risks of all water types within scope at the five priority sites, and the DWSP assessing compliance with Drinking Water Standards for New Zealand at the four sites Corrections is classified as a supplier of drinking water under the Water Services Act 2021.
- 31 Corrections is currently non-compliant with Drinking Water Standards for New Zealand at all four water supplying sites (as are many drinking water supplying government and local agencies and councils).
- 32 This proposal includes the improvement programme required to achieve compliance with Drinking Water Standards for New Zealand. The investments identified for drinking water safety do not reflect a material concern with the quality of drinking

water Corrections supplies. Instead, the proposed improvement programme will embed within Corrections the required water asset management policy and frameworks and uplift the capability of Corrections to manage these assets in line with new regulatory expectations, including testing and reporting obligations, as well as undertaking construction activities to install layers of redundancy and protection in to drinking water systems.

- 33 The findings of the five SAR and the DWSP validate, at these sites, the desktop assessments of the 2021 PBC that aging infrastructure represents an unacceptable risk for asset failure and non-compliance. Of the assets identified during investigations as requiring intervention at the eight sites originally considered for Tranche 2A, nearly three quarters have been identified as high risk and a further 21% medium, with the most recognised potential consequence being infrastructure failure, particularly with regards to water reticulation.
- 34 Investigations undertaken during Tranche 1 have greatly improved the quantity of, and confidence in, three waters asset data available to Corrections, and have validated the assumptions used in the options assessment of the 2021 PBC to determine 'Proactive Stewardship' as the preferred way forward.

Tranche 2A programme option and sequencing

- 35 Completed investigations and the development of policy and framework during Tranche 1 has informed further consideration of the implementation and phasing of the future tranches, and for determining the preferred programme option for Tranche 2A. While the risk mitigation approach to tranche implementation outlined in the 2021 PBC remains the driving strategic outcome, delivery of each tranche has been adjusted to sequence interventions that address the most critical risks at priority sites, while also establishing the framework from which to scale up the programme to address the remaining balance of risks and sites over subsequent tranches.
- 36 The four programme options considered for Tranche 2A were:
- 36.1 **Option 1 – High urgency issues only:** Investment to address high urgency issues on the most critical assets across the selected sites, in line with current policy and available funding. This option has 95 asset interventions and a total expected economic cost of 9(2)(b)(ii)
 - 36.2 **Option 2 – Minimum Compliance:** A targeted approach to achieve minimum compliance with SAR and DWSP findings across all selected sites. This option has 202 asset interventions and a total expected economic cost of 9(2)(b)(ii)
 - 36.3 **Option 3 – Proactive Stewardship:** A proactive approach to three waters asset management to increase resilience at an asset level, addressing SAR and DWSP findings at high and medium urgencies. This option has 240 asset interventions and a total expected economic cost of 9(2)(b)(ii)
 - 36.4 **Option 4 – Strategic Resilience:** A further proactive approach to manage three waters assets across high and medium urgencies, seeking to reduce risk

to the lowest possible level with a lens to include future resilience. This option has 248 asset interventions and a total expected economic cost of 9(2)(b)(ii)

- 37 The options were assessed against critical success factors for strategic alignment, market attractiveness, affordability, and value for money, with this analysis confirming Proactive Stewardship as the preferred option, as it:
 - 37.1 best achieves the strategic outcomes of WIP;
 - 37.2 is likely to be the most attractive option to the market; and
 - 37.3 represents good value for money.
- 38 Following the development and assessment of the options described above, the certainty of internal capital funding allocations has changed as Corrections has gone through an internal capital planning and prioritisation process across its entire portfolio of infrastructure.
- 39 This change is partly due to the tagged contingency provided in B23 (\$56.00m capital and \$18.72m operating through to 2026/2027) being scaled from the programme's B23 bid, and partly due to internal reprioritisations resulting from other strategic projects and initiatives within Corrections not being successful with B23 bids, among other considerations.
- 40 As the tagged contingency and a \$4.00m deferred spend for design works from Tranche 1 to Tranche 2A is the only currently identified source of funding for Tranche 2A of WIP available, the programme intends to 9(2)(b)(ii) to implement Tranche 2A 9(2)(b)(ii).
- 41 While Option 2 – 'Minimum Compliance' could be achieved within currently identified funding, this option was discounted as, even when the currently identified funding envelope is considered, 'Proactive Stewardship' best achieves the strategic outcomes and investment objectives of WIP outlined in the 2021 PBC and best achieves the highest weighted assessment criteria used in the option assessment (strategic alignment, market attractiveness, and value for money).
- 42 Tranche 2A will be 9(2)(b)(ii), with phasing and scheduling allowing 9(2)(b)(ii).
- 43 The nature of works to be implemented during the three construction tranches of the programme, as multiple packages of discrete projects at individual sites, allow for 9(2)(b)(ii) without impact the successful delivery of works undertaken. The overall intent of WIP is to deliver the Proactive Stewardship option over the 16-year lifetime of the programme, which remains a proactive approach to managing three waters infrastructure assets to increase resiliency at an asset level, with Tranche 2A the next step in its development and implementation.
- 44 The following approach will be employed to determine sequencing decisions for Tranche 2A:

- 44.1 The preferred procurement approach of this proposal is th 9(2)(b)(ii) who will be engaged on the full Proactive Stewardship option for Tranche 2A (240 interventions across eight sites), with detailed design undertaken so that the potential cost and delivery approach can be understood.
- 44.2 Based on these discussions and early design, 9(2)(b)(ii) to create an initial sequence of works for Tranche 2A. This could occur in one of two ways:
- 44.2.1 9(2)(b)(ii)
- 44.2.2
- 44.3 The decision on which filter is employed will be made based on the insights received from design, cross referenced against the critical success factors, as they are applied to the recommended option.
- 44.4 The remaining interventions (of the 240 identified in the original preferred programme option) will be 9(2)(b)(ii), through the staged business case approach the 2021 PBC outlines.
- 45 On this basis, WIP will implement a scheduled preferred programme option for Tranche 2A:
- 45.1 Option 3A Proactive Stewardship (scheduled). This remains a proactive approach to three waters asset management to increase resilience at an asset level, addressing SAR and DWSP findings at high and medium urgencies, 9(2)(b)(ii)
- 46 Following these market engagements and scheduling decisions, WIP will provide a report back to Joint Ministers detailing the full implementation plan for Tranche 2A.
- 47 This approach still supports the conclusions of the DBC, including the validation of the preferred programme option and the assessment and recommendation of the implementation of this for Tranche 2A. Cabinet's endorsement of the DBC supports the approach to this tranche of works, noting that funding constraints have also been prudently addressed.

³ Includes \$4.0m deferred spend for design works from Tranche 1 to Tranche 2A already drawdown to Corrections

Tranche 2A Implementation

- 48 Before considerations of scheduling are included, the preferred programme option of 'Proactive Stewardship' proposes 240 interventions, 81% of which are construction activities on waters infrastructure across the eight sites within scope.
- 49 Following Cabinet's approval, the programme will undertake Tranche 2A of the Waters Infrastructure Programme to the proposed high-level milestones:

Milestone	Timeframe
Adopt filtering approach for Option 3A – Proactive Stewardship (sequenced) based on discussions with Managing Contractor	By December 2023
Award contract	By December 2023
Complete delivery programme planning with engaged Managing Contractor	By December 2023
Pre-construction phases (by prison site)	September 2023 – July 2024
Construction and commissioning phases (by prison site)	July 2024 – July 2027

- 50 Construction will target risks identified to drinking water safety, wastewater and stormwater compliance risks, asset failure, and risks to service delivery and work-related safety.
- 51 The number of interventions at each site considered under the full preferred programme option (prior to sequencing decisions) is detailed in the table below:

Site	Number of Proposed Interventions
Arohata Prison	23
Christchurch Men's Prison	64
Christchurch Women's Prison	9
Rimutaka Prison	22
Rolleston Prison	31
Waikeria Prison	10
Whanganui Prison	8
Other ⁴	73

⁴ This includes non-construction and non-site-specific interventions relating to asset management, facilities maintenance, water safety asset management, and programme management.

- 52 While on site construction activities will be the primary focus of the four year delivery of Tranche 2A, the preferred programme option will also complete the final deliverables of the programme's Strategic Asset Management workstream, establishing operational policy and undertaking programme handover requirements to BAU functions regarding water safety asset management.
- 53 Non-construction activity will build upon the foundations laid by the first tranche of the programme to:
- 53.1 Increase available asset information and data;
 - 53.2 Increase Corrections' ability to manage its water assets; and
 - 53.3 Present investment options for the next tranche of the programme.

Cost-of-living Implications

- 54 Tranche 2A of the Waters Infrastructure Programme considers works at sites spread across multiple regions of Aotearoa New Zealand. The package of works considered for each site are ^{9(2)(b)(ii)} [REDACTED], and it is therefore expected that this proposal would have no direct cost-of-living implications for the construction or three waters sectors' impact on the ability of New Zealanders to maintain their standard of living, including as it applies to construction and housing.

Financial Implications

- 55 Cabinet's endorsement of the 2021 PBC provided in-principle support for the 16 years of the programme, estimated at the time to have a total cost of \$316.88m capital and \$168.67m operating, and allowed the draw down of \$5.44m capital and \$15.20m operating for Tranche 1.
- 56 B23 provides a tagged contingency of \$56.00m capital and \$18.72m operating, subject to Cabinet's endorsement of the DBC, with approval of drawdown delegated to Joint Ministers.
- 57 The proposed allocation of funding provided by the tagged contingency across the four years of Tranche 2A is:

<div>\$M Increase / Decrease</div>					
	FY23/24	FY24/25	FY25/26	FY26/27	Total
Capital	12.160	18.480	11.520	13.840	56.000
Operating	4.480	4.880	4.640	4.720	18.720

- 58 As discussed above, the programme will implement scheduling decisions of the preferred programme option for Tranche 2A following the engagement of a Managing

Contractor and the completion of a detailed design providing certainty in programme costs, to 9(2)(b)(ii). Cabinet approval of this DBC is required for WIP to undertake these engagements.

- 59 As Corrections regularly undertakes and manages infrastructure initiatives that consider rolling programmes of discrete and scalable works across multiple sites and over many years, and, as Corrections will adapt the scheduling of Tranche 2A to 9(2)(b)(ii) it is considered appropriate for WIP to be managed through internal Corrections' processes.
- 60 It is therefore proposed that Cabinet authorise the draw down of the full tagged contingency at this time, rather than delegating authorisation to Joint Ministers, with this funding to be managed through Corrections' internal approval processes.
- 61 This approach also aligns with current consultation on CO (19) 6, and the Minister of Finance seeking simplified and expedited Better Business Case processes, to better align processes to match risk, time, and accountability to appropriate levels.

Legislative Implications

- 62 There are no legislative implications associated with the proposal outlined in this paper.

Impact Analysis

Regulatory Impact Statement

- 63 There are no regulatory impacts associated with the proposal outlined in this paper.

Climate Implications of Policy Assessment

- 64 This proposal does not require a CIPA.

Population Implications

- 65 This proposal supports Corrections' Cabinet endorsed Hōkai Rangi strategy to reduce reoffending and the overrepresentation of Māori in the prison population, by creating 'humanising and healing' environments and supporting rehabilitation opportunities and outcomes for people in prison.
- 66 Opportunities for partnership with Māori, which will be explored in the context of programme planning and delivery, are supported by this proposal.

Human Rights

- 67 This proposal will support Corrections in the attainment of 'humanising and healing' prison environments, set as an outcome of its Cabinet endorsed Hōkai Rangi strategy, and help address some of the criticisms of the Chief Ombudsman relating to prison conditions and the treatment of prisoners. It will also help enable consistency with human rights obligations, including with the United Nations Standard Minimum Rules for the Treatment of Prisoners (the Mandela rules).

Use of External Resources

- 68 The 2021 Programme Business Case identified a gap in the capacity and capability of Corrections to undertake the work required of the Waters Infrastructure Programme and defined the attainment of an uplift in the department's capability to effectively manage its three waters assets on an ongoing basis as an objective of the programme.
- 69 Tranche 1 of the Waters Infrastructure Programme was established to lay the foundations for programme delivery, and inform the development of this proposal, between September 2021 and July 2023. External resources were engaged as payroll only contractors in the following roles in the project delivery team for this period:
- 69.1 Programme Manager
 - 69.2 Project Manager x2
 - 69.3 Project Coordinator x2
 - 69.4 Technical Advisor x2
- 70 Additional external professional service firms were engaged in programme management and delivery, procurement, and technical, database, and engineering services over the same time frame.
- 71 Strategic Asset Management deliverables, including policy and framework development and the embedding of new processes, are delivered by the Strategic Asset Management workstream of the programme, led by Corrections staff.
- 72 Implementation of Tranche 2A will be managed using Corrections' Initiative Lifecycle and Investment Management Framework to deliver a defined set of projects and products using the workstreams and governance arrangements established for Tranche 1, and a similar number of external resources will be engaged on a fixed-term project basis, with the intention to transition ongoing asset management responsibilities to BAU Corrections over the lifetime of the programme.

Consultation

- 73 Consultation has been undertaken with the Treasury, the Infrastructure Commission and the Department of the Prime Minister and Cabinet, who have no concerns with this proposal.

Communications

- 74 Pending Cabinet approval, WIP will undertake 9(2)(b)(ii) [REDACTED]
[REDACTED] No other communication activities are intended for this proposal

Proactive Release

- 75 I propose to proactively release this paper within 30 business days, subject to redactions as appropriate under the Official Information Act 1982.

Recommendations

The Minister of Corrections recommends that the Committee:

- 1 **Note** that the recommended programme option of the 2021 3 Waters Programme Business Case, 'Proactive Stewardship', consisted of 1,237 interventions, delivered over a 16-year period, and multiple tranches, with a total indicative financial cost, including inflationary pressures, of \$316.88m capital and \$168.67m operating;
- 2 **Note** that Tranche 1 of the Waters Infrastructure Programme was undertaken following Cabinet approval, with efforts focused on coordinated investigations to confirm the interventions required to three waters assets at Corrections' custodial sites;
- 3 **Note** that the analysis of the findings of Tranche 1 of the Waters Infrastructure Programme have informed the Tranche 2A Detailed Business Case;
- 4 **Note** that the Tranche 2A Detailed Business Case validates the assessments of the 2021 Programme Business Case, determining the preferred programme option of the PBC remains valid, and proposes the next tranche of investments;
- 5 **Note** that the Tranche 2A Detailed Business Case recommends a multi-project investment programme comprising 240 individual interventions across eight prison sites, reducing the assessed risk profile for waters infrastructure across these sites from 'high' to 'medium-low';
- 6 **Note** that on 11 April 2023 Cabinet (CAB-23-MIN-0139 refers):
 - 6.1 Agreed to Tranche 2A of the Waters Infrastructure Programme.
 - 6.2 Agreed to establish tagged capital and operating contingencies associated with the Corrections portfolio of up to the following amounts, to provide for Tranche 2A of the Waters Infrastructure Programme.

\$M Increase / Decrease					
	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Tagged Capital Contingency	-	12.160	18.480	11.520	13.840
Tagged Operating Contingency	-	4.480	4.880	4.640	4.720
Total		16.640	22.360	16.160	18.560

- 6.3 Authorised the Minister of Corrections and Minister of Finance jointly to draw down the tagged operating and capital contingency funding in recommendations 6.2 above, subject to:

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- 6.3.1 A Detailed Business Case being provided to Cabinet; and
- 6.3.2 Their satisfaction with the Implementation Business Case for Tranche 2A of the Waters Infrastructure Programme.
- 7 **Note** that the funding provided in B23 was scaled and is not sufficient to implement the full recommended option of the Tranche 2A Detailed Business Case;
- 8 **Note** that work to be undertaken during Tranche 2A forms part of a larger rolling programme considering many assets across multiple sites over many years, and allows flexibility in scheduling of works to fit within scaled funding that is consistent with the management and delivery of other Corrections initiatives, and it is therefore proposed that the tagged contingency funding is drawn down and managed through Corrections internal approval processes;
- 9 **Agree** that Corrections implement the scheduled programme option “3A – Proactive Stewardship (sequenced)” for Tranche 2A following engagement with the Managing Contractor and design being undertaken, to be delivered ^{9(2)(b)(i)} and with outstanding interventions ^{9(2)(b)(ii)} ;
- 10 **Direct** Corrections to report back to Joint Ministers in July 2024, comprising the substance of an implementation business case and demonstrating that Tranche 2A will be delivered within the allocated funding.
- 11 **Agree** that as the Tranche 1 investigative work and the Detailed Business Case required by recommendation 6 above have been completed, and as per recommendation 9, it is considered appropriate the tagged contingency funding is drawn down at this point and Tranche 2A of the Waters Infrastructure Programme can now proceed;
- 12 **Approve** the following changes to appropriations to provide for the decision in recommendation 11 above, with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
Vote Corrections					
Minister of Corrections					
Departmental Output Expense:					
Re-offending is Reduced (funded by revenue Crown)	0.448	0.488	0.464	0.472	0.472
Capital Injections:					
Department of Corrections Departmental capital injection	12.160	18.480	11.520	13.840	-

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Multi-Category Expenses and Capital Expenditure:					
Public Safety is Improved (MCA)					
<i>Departmental Output Expenses:</i>					
Prison-based Custodial Services (funded by revenue Crown)	4.032	4.392	4.176	4.248	4.248
Total Operating	4.480	4.880	4.640	4.720	4.720
Total Capital	12.160	18.480	11.520	13.840	-

- 13 **Agree** that the proposed changes to appropriations for 2023/24 above be included in the 2023/24 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- 14 **Agree** that the expenses incurred under recommendation 12 above be charged against the Waters Infrastructure Programme – Tagged Operating and Capital Contingencies described in recommendation 6 above;
- 15 **Note** that following the adjustments detailed in recommendation 14, the tagged operating and capital contingencies described in recommendation 6 are now exhausted and therefore closed;
- 16 **Endorse** the Waters Infrastructure Programme Tranche 2A Detailed Business Case;
- 17 **Agree** to delegate to the Chief Executive of Corrections the authorisation to approve the expenditure of the funding made available through Recommendation 11, above.

Authorised for lodgement

Hon Kelvin Davis

Minister of Corrections