

## **3 Waters Programme Business Case**

### **Executive Summary and 5 Case Summaries**

**Department of Corrections**

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## Foreword to the 3 Waters PBC

Corrections portfolio of institutional facilities is one of the largest in NZ and covers 18 prisons with allied site support functions, rehabilitative and offender employment facilities and other services adding complexity to our property footprint. An increased focus on strategic asset management and long-term planning to enable a resilient, compliant and fit for purpose custodial network has led us to this Programme Business Case (PBC) centred on 3 Waters infrastructure.

In responding to the essential role 3 Waters infrastructure plays in enabling a resilient prison network, an increasing 3 Waters regulatory and compliance regime and increasing government and public expectations in the management of water resources, this PBC details a pathway which sensibly takes us from investigations and building the Department's insights through to a prioritised capital programme.

The PBC outlines the requirement for investment firstly in the form of urgent investigations and investment in infrastructure which has very high risk of failure. It then outlines a preferred option to meet our 3 Waters service obligations and materially reduce the Department's risk levels of harm to people and the environment by FY 2035/36 while enabling Corrections to meet regulatory requirements for human health and environmental standards by FY 2025/2026 through a staged series of works for which funding will be progressively sought.

Overall, these investments will ensure that Corrections has resilient and compliant infrastructure upon which our critical 24/7 operations depend, with outcomes which fulfil the Governments overarching goals in infrastructure investment management and the management of NZ's water resources, and importantly enables us to align with the priorities of our Crown treaty partners, our communities and our many stakeholders.

In signing this statement, I acknowledge that I am responsible for the information contained in the Programme Business Case.



Andrew Robertson

Deputy Chief Executive – Infrastructure and Digital Assets.

## Executive Summary

This Programme Business Case (PBC) seeks formal approval to expedite significant investment in 3 waters infrastructure and compliance works. This investment will apply to all 18 prisons and 3 Waters types in the Corrections network via a recommended programme option 'Proactive Stewardship'.

This programme will address levels of risk that are unacceptable to the Department, including loss of prison services due to 3 Waters infrastructure and compliance failure and the resulting harm to people and the environment.

The key practical drivers of this risk include: the age of the Department's 3 Waters asset infrastructure; the inability of these assets to meet pending 3 Waters compliance legislation 2021-2026<sup>1</sup>; inability to mitigate increasing climate change impacts; a severe lack of 3 Waters asset data and management tools such as levels of service, resilience policies and design standards, and; the inability of the Department to fund this investment within acceptable timeframes from our current funding envelope.

Continuing with the status quo is not an acceptable option.

The full Proactive Stewardship programme recommended in this PBC consists of 1,237 interventions, sequenced, and costed per prison, and water type, into 4 Tranches over a 16-year delivery period for a forecast financial cost, including inflationary pressures, of \$9(2)(i). The Tranches and component interventions are prioritised by their ability to reduce infrastructure and non-compliance risks as well as by prison criticality<sup>2</sup>. To enable Corrections to execute this recommended programme, the Department is seeking funding through multiple budget bids.

The allocation from Treasury in Budget 2021 was:

- The Budget 21 bid "Critical Infrastructure & Compliance (3 Waters)" established a Capital Contingency of \$5.4m and Operating Contingency of \$15.2m for the Tranche 1 works only, which is the first 2 years of our 16-year delivery timeframe.
- This allocation is contingent on Cabinet considering this PBC.

Corrections will also fund an additional capital expenditure cost of \$9(2)(i) in year 1 and \$9(2)(i) in year 2 respectively, excluding inflation, from within our existing vote envelope. In addition, the Department funds an average \$9(2)(i) opex pa on 3 Waters maintenance which cannot be re-purposed. Funding requests for Tranches 3 'Build Resilience' and 4 'Future Focussed' will be a feature of future business cases.

This PBC assesses 5 Programme Options; to meet our 3 Waters service obligations and to materially reduce our risk levels of harm to people and the environment by FY 2035/36 while enabling Corrections to meet regulatory requirements for human health and environmental standards by FY 2025/2026.

It then outlines the recommended programme, "Proactive Stewardship", as the best option to achieve our investment objectives and obligations within a practical timeframe and with an efficient use of funds. The need for investment is presented across the five cases outlined below and which follow Treasury's Better Business Case guidance.

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<sup>1</sup> 30% of assets are 'very high risk', 39% are 'high' or 'moderate' risk of failure. Economic Case, 'Risk assessment summary'.

<sup>2</sup> Prison criticality is determined by a comparative assessment between all 18 prisons as to difficulty of prisoner relocation.

## The Strategic Case – Making the Case for Change

Corrections is responsible for a significant network of 3 waters infrastructure with an estimated replacement value of more than \$200 million. This asset base has been built up over many years, often in a piece-meal fashion, and with many unknowns. Many assets are now particularly old and close to, or past their intended life. Nearly half of the prison facilities are more than 50 years old.

In administering the prison network, Corrections is committed to its strategic obligations and the objectives that support them. Several key obligations have come to prominence in recent years and have rightly increased government, departmental and community expectations of asset management expertise on the Department. They include:

1. Good asset stewardship including sufficient funding of Prison infrastructure, as per CO (19) 6 'Investment Management and Asset Performance in the State Services'. And as part of this, compliance to pending 3 Waters legislation and reforms due to take effect from 2021–26,
2. The Departments' Hōkai Rangi strategy, endorsed by cabinet, to humanise, heal and improve health, safety, wellbeing, and cultural alignment across the prison network. The Department recognises this is a key factor in reducing re-offending, improving the long-term life outcomes of prisoners and in discharging our duties as a good employer to our staff,
3. The Government's Living Standards Framework, including improved prisoner life outcomes and improved health, safety and wellbeing in our workplaces and communities,
4. A realistic and enduring response to the threat of Climate risks to our services; including drought, floods, and their consequences to the quality of life and rehabilitation programmes for prisoners and
5. Maintain the Department's reputation to levels that help ensure trust in Government.

Three waters infrastructure is a crucial contributor to achieving these strategic obligations.

Corrections believes we must respond to these obligations to materially reduce the service risks we have quantified in this PBC and reduce risk of harm to people in our care, staff, communities and the environment to acceptable levels.

The Department also believes we must respond within a timeframe that prevents an increase in these risks - and that therefore prevents an associated risk of an increase in the cost, time and complexity associated with addressing them.

Corrections' current state analysis and our assessment of the gaps<sup>3</sup> between our current state and what we need to do to achieve reliable 3 waters services to meet our service and compliance obligations confirms the Department will not meet these asset management expectations within a practical timeframe.

The first step we took in our PBC approach was to identify the best way to address these gaps. An Intervention Logic Map (ILM) was developed with Corrections staff from across the Department. We did this with guidance from a Treasury approved ILM facilitator, to explore and define; the problems, material causes and consequences, the investment objectives, and the intended benefits of future investment.








Through this process, two core problem statements were identified, which underpin the need to expedite major investment in our critical 3 waters infrastructure. These are:

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<sup>3</sup> These gaps are related to the state of our asset base condition and data, current and pending non-compliance, lack of resilience to climate change, existing institutional capability and capacity levels and current funding envelope

PROBLEM STATEMENTS	
1	<b>An increasing risk of loss of 3 waters services is compromising our ability to manage people in our care, potentially leading to serious harm (weighted by 60%)</b>
2	<b>Inability to meet community expectations and legal obligations [3 Waters legislation, RMA, and supply agreements] is heightening risk of enforcement action<sup>4</sup> and unplanned prison closure (weighted by 40%)</b>

The risk drivers of these two problem statements are further explained in the figure below.

	<b>Localised prison population pressures</b>	Localised prison population changes place further pressure on already strained 3 Waters services. These same population changes have also resulted in Corrections redirecting available funding to maintaining vertical infrastructure and historic growth in prison capacity.
	<b>Climate change</b>	Changes in environmental conditions causing extreme weather events, including drought and flooding, places increasing pressure on 3 Waters infrastructure.
	<b>Historical underinvestment in three waters infrastructure</b>	Aging assets, reactive maintenance practices, limited organisational capability and substantial backlog of replacement and maintenance works all point to an increasing risk of failure both in terms of frequency and severity.
	<b>Poor asset data</b>	Corrections has limited information and low confidence in 3 Waters asset data - especially for below ground assets – leading to unplanned interruptions, contamination, project overruns, delays and higher contract price for services.
	<b>Changing iwi and community expectations</b>	Iwi and community expectations require higher levels of service that minimise risks to people, property, freshwater and the environment, in line with new legislative reform and informing regional planning processes.
	<b>Current non-compliance</b>	There are currently instances of non-compliance with resource consents and supply agreements, causing friction with Councils and water suppliers and giving rise to risk of penalties for non-compliance and reputational risks.
	<b>Future non-compliance</b>	Impending 3 Waters reform will introduce higher standards for 3 Waters infrastructure, driving improved environmental outcomes and necessitating significant investment in 3 Waters assets to comply with these changes.

Maintaining the status quo perpetuates the following consequences and increased risk to seven key areas:

1. To staff wellbeing
2. To the wellbeing of people in Corrections' care
3. Of unplanned prisoner movements and associated risk to prisoners, staff, and the community
4. To the environment through breaches of RMA consents and supply agreements and excessive water waste
5. To continued supply agreements and resource consents
6. To our reputation: deteriorating iwi and community relationships related to use and treatment of water and waterways and reduced license to operate.
7. Of unplanned costs to address unfunded responses to both climate risks (drought and flood) and unplanned emergency repairs.

The above consequences are in addition to our assessment that **70% of the Corrections 3 waters asset base has an unacceptable residual risk rating<sup>5</sup>**. The absence of significant investment also continues to drive the risks of increasing cost inefficiencies and a loss of public confidence in the Department. Put simply, every day that significant investment is not made to enhance Corrections' existing 3 waters infrastructure, is another day that places the health, and safety and wellbeing of our staff, prisoners and the community, and the protection

<sup>4</sup> Pending 3 Waters legislation signals fines could be 6 figures and jail time could result for the most serious offences.

<sup>5</sup> A risk rating measuring a comparative risk of loss of service that combines infrastructure and compliance risk with the risks associated with prison criticality (Prison criticality is determined by a comparative assessment between all 18 prisons as to difficulty of prisoner relocation.)



of our environment, at heightened risk. The current state presents an **unacceptable risk to carry and doing nothing is not an option**. Two examples of these risks are outlined in the case studies below:

Case Study 1	Increasing risk of unplanned prisoner movements	Case Study 2	Reduced License to Operate increases risk to Iwi & Community Relations
<p>In 2019, two units at MECF Remand Prison experienced a significant sewage leak that prompted the movement of high risk and remand prisoners. Sewage breaks or threats to fire-fighting systems including lack of water, are most likely to prompt decant to another prison. This incident happened at night with men gathered in the yard for 3 hours prior to transport. 100 people were moved from MECF to other Auckland prisons and NRCF.</p> <p>The MECF incident caused the men to leave belongings behind, travel far away from whānau, court appointments &amp; legal support which also damaged our reputation with legal &amp; court systems &amp; whānau. Each decant represents an unplanned heightened risk to staff, prisoners &amp; community. Impacts on operations depends on prison capacity levels &amp; prisoner cohort affected.</p>		<p>In 2012 Waikeria Prison's wastewater treatment plant experienced a technical failure resulting in stormwater infiltrating into the wastewater tanks.</p> <p>Iwi and the community were reportedly deeply concerned by the contamination of the river and risks to health. This created a reputational issue for Waikeria Prison who were responsible for discharging high amounts of untreated effluent into the river and causing environmental harm. Iwi and residents laid complaints with the prison. This highlights the reputational risks affecting Corrections when actions are not only non-compliant but conflict with community and iwi environmental standards.</p>	

### OVERALL OUTCOME

The overall outcome sought from this investment in Corrections 3 waters infrastructure is:  
***"To reduce the risk of harm to people from failures in our 3 waters services by FY 2035/36".<sup>6</sup>***

To do this, Corrections seeks to achieve the following two investment objectives:

INVESTMENT OBJECTIVES	
1	All our prison facilities have a <b>reliable provision of 3 waters services by FY 2035/36</b> (weighted by 60%)
2	All our prison facilities <b>meet regulatory requirements for human health and environmental standards by FY 2025/2026</b> (weighted by 40%)

What

is noticeable from the overall outcome required, and the supporting Investment Objectives, is the primacy of risk reduction.<sup>7</sup> Considerations of risk have therefore guided the development of all Programme Options and supporting material in completing this PBC.

Taking swift, decisive, and co-ordinated action to address the risk drivers for investment in 3 waters infrastructure will result in the following **key benefits** for people in our care, our staff, the wider community, and our environment:

1. Continuity of service provision, good asset stewardship and compliance with CO (19)6
2. Compliance with current and pending 3 Waters legislation, consents, and supply agreements
3. Mitigation of risks associated with relocating prisoners within and between prison sites
4. Improve the Departments' resilience to climate risk impacts such as drought and flood
5. Greater cost effectiveness and improved 3 Waters infrastructure management capability
6. Increased health, safety, and wellbeing and improved environmental outcomes
7. Improved environmental outcomes and reduced waste of water resources
8. Increased trust and confidence in the Department and in Government; with iwi, other key stakeholders, and the wider public

<sup>6</sup> Adjusted original 'The risk of harm to people from failures in our waters services is materially reduced by 2035.'

<sup>7</sup> For example, the reliability of 3 waters service provision is a function of the risk of disruption to these services.

## The Economic Case – Exploring the Preferred Way Forward

59 unique types of interventions or actions were shortlisted that collectively respond to the 3 waters infrastructure and non-compliance risks present across our 18 prison facilities and are listed below.

Intervention types		Short-list count
	Investigations	24
	Institutional changes – Levels of service, resilience, design stds, demand mgt	10
	Totex <sup>8</sup> solutions – optimising existing assets	10
	Capex (renewal of assets)	3
	Capex (new assets)	12

When we take into account the 18 prisons, their individual risk profiles and requirements, 3 Water types and 59 intervention types, a total of 1,237 interventions need to be implemented over the next 16 years to meet our Investment Objectives and reduce Corrections' risk profile to acceptable levels.

We took a proactive, risk-based approach to prioritising the implementation of these interventions as we believe this is necessary to meet our Investment Objectives and to maximise value for money. A proactive, risk-based approach has also been determined as the best way to manage 3 Waters supplier capability and capacity risks that exist across New Zealand. This is particularly important given competing policy and investment programmes and a need to mitigate achievability concerns.

This approach is characterised by the preferred Programme Option ("Proactive Stewardship") and is proposed to be delivered in four tranches, over 16 yrs with a net present cost of S 9(2)(i). Please note that the following net present costs are economic costs. The net present cost of S 9(2)(i) for the 16-year Programme is separate from the financial forecast cost of S 9(2)(i):

- Tranche 1 investment "Lay Foundations", delivered over the next two years, consists of 597 interventions or actions, and has a net present cost of S 9(2)(i). It is the necessary first step in the Programme to significantly improve Corrections' 3 Waters asset information base and develop internal capability such as levels of service, design standards, resiliency policies and education programmes. It also includes urgent physical works to address water safety issues and the procurement and design required to lay the foundations for tranche 2.
- Tranches 2-4 are estimated to have a net present cost of S 9(2)(i) and support significant physical works including; optimisation of existing infrastructure such as design and installation of low flow devices for showers, toilets, kitchens and laundries, new assets to increase resilience to; outages, changing localised need in response to climate risks such as securing new water sources, and improving water treatment and water storage, and asset renewals to address aged or non-compliant infrastructure across all prison sites.
- *A high-level outline of the Proactive Stewardship Programme Option is provided this summary.*

The primary benefit of the Proactive Stewardship Option is to - ***fundamentally reduce the residual risk of 3 waters services failure due to infrastructure risks and non-compliance risks across all prisons as per programme scope by FY 2035/36 while enabling Corrections to meet regulatory requirements for pending 3 waters reform and legislation to protect human health and environmental standards, by FY 2025/2026.***

This is demonstrated in the Residual Risk Assessment Tables in this summary where a material reduction in red ('very high'), orange ('high') and yellow ('moderate') infrastructure and compliance risks can be seen across all

<sup>8</sup> Totex is a concept that implements solutions to reduce the total expenditure profile of an asset class and optimise its efficiency.



prison sites and all 3 Waters types within Corrections' control, over time.

Important additional benefits can also be achieved through this investment including: avoided unplanned/emergency works; avoided emergency prisoner relocation costs and associated risks to health, safety and wellbeing; reduced water consumption; improved capital planning and cost efficiencies through an improved information and evidence base; improved staff wellbeing; improved treatment of water as a taonga within Te Ao Māori, and improved wellbeing of people under Corrections care, our staff and their respective whānau. Other benefits of the Programme are related to protection of the natural environment, increased compliance with legislative and regulatory requirements, decreased risk of reputational damage, and increased trust and confidence in Corrections and Government. The Case Studies below illustrate some of these benefits, using Corrections' examples:

Case Study 3	Reduced unplanned/emergency costs
<p>Corrections is currently spending over \$9(2) p.a. in managing unplanned and emergency 3 waters infrastructure issues. Most notably, over \$9(2)(i) was spent trucking potable water to NRCF following drought conditions and \$9(2) p.a. is being spent mitigating Waste-Water treatment plant issues in Whanganui. It is expected that these costs will continue to grow across the Prison Estate as assets continue to age. In addition, the severity of the issues, and the financial costs of remediation, are also expected to increase over time.</p> <p>The Proactive Stewardship Option would address these known issues within 5 years and would also reduce the likelihood and consequence of similar unknown issues materialising in the future with an economic benefit estimated at \$9(2)(i) (2020, NPV).</p>	
Case Study 4	Improved rehabilitation opportunities
<p>Reliable 3 waters service provision to prisoner work and skills programmes on sites is an important input into rehabilitation opportunities and the ability for prisoners to gain employment skills.</p> <p>As an example, there are numerous providers who want Northland's prisoners to propagate 1000's of seedlings for riparian planting and forestry planting as part of the Government's billion trees programme. This initiative not only provides an important source of seedlings for wider community benefit, it also provides valuable opportunities for the prisoners to connect with the local iwi and community organisations involved in these initiatives and ensures staff can engage prisoners in meaningful activity to address boredom and combat stress and anxiety.</p> <p>However, limited potable water resiliency limits the efficacy of this and similar initiatives. It is expected that the Proactive Stewardship Option will help protect access to 3 waters infrastructure to support employment and skill development for prisoners and help staff to increase rehabilitation opportunities and manage prisoner behaviour.</p> <p><i>"Northland sits within the heart of Ngapuhi, so it's really important to create pathways into employment and careers up here. This propagation work is one way the tāne can learn and find ways to support themselves and their whānau"</i></p>	
Case Study 5	Reduced water consumption
<p>Average water consumption rates across all prison sites is estimated at 408 litres per person per day. A range of proposed interventions across the Proactive Stewardship Option (Leak detection and Asset renewal, investment in water efficient devices such as low flow valves and implementation of water value and use education programmes) would enable total daily demand to reduce to 342 litres per person, per day. This is a combined average of 16% total water demand saving across the network, equating to a saving of 565 m<sup>3</sup>/day (565,000 litres per day) or 206.225m litres per year and is counted as an economic saving.<sup>9</sup> The economic value of this saving is estimated to be \$9(2)(i) (2020, NPV) for Proactive Stewardship. This economic benefit can be realised in reduced water consumption or in the form of increased availability of water for other consumptive purposes. Reducing water consumption also brings wider environmental and sustainability benefits.</p>	

<sup>9</sup> Not all sites pay for their water, so this benefit is an economic benefit to the wider community and not necessarily a cash saving benefit to Corrections. However, even sites that don't pay for water have costs associated with supplying water, where more water=more costs. E.g. Electricity (biggest cost), chemicals, increased wear and tear on pumps.



## Residual Risk Assessment Tables

In the tables below, our current state or 'base case' risks demonstrate how widespread our 'very high' and 'high' risks are across all our prisons and across all 3 Waters types. Tranche 1 'Lay Foundations' and Tranche 2 'Reduce Critical Risks' address our 'very high' (red) risks over a 5-year delivery period. Tranche 3 'Build Resilience' reduces a significant number of our 'high' (orange) risks and some 'moderate' (yellow) risks. Tranche 4 'Future Focused', targets additional high and moderate risks. Each table represents the 'residual risks' remaining after planned interventions within our Proactive Stewardship programme.

High Level Prison Data					CURRENT STATE (BASE CASE)							LAY FOUNDATIONS & REDUCE CRITICAL RISKS							BUILD RESILIENCE							FUTURE FOCUSED						
Prison name	Year opened	Site age	Capacity	Criticality of site	Potable Water IF (Supply)	Potable Water IF (Onsite)	Potable Water CO	Waste Water IF	Waste Water CO	Storm Water IF	Storm Water CO	Potable Water IF (Supply)	Potable Water IF (Onsite)	Potable Water CO	Waste Water IF	Waste Water CO	Storm Water IF	Storm Water CO	Potable Water IF (Supply)	Potable Water IF (Onsite)	Potable Water CO	Waste Water IF	Waste Water CO	Storm Water IF	Storm Water CO	Potable Water IF (Supply)	Potable Water IF (Onsite)	Potable Water CO	Waste Water IF	Waste Water CO	Storm Water IF	Storm Water CO
Northland	2005	15	652	Major																												
Auckland	1968	52	632	Major																												
Mt Eden	2011	9	1119	Extreme																												
Akl Womens	2006	14	456	Extreme																												
Auckland South (PPP)	2015	5	960	Extreme																												
Spring Hill	2007	13	887	Extreme																												
Waikeria	1911	46-109	803	Severe																												
Tongariro	1922	30 - 98	300	High																												
Whanganui	1978	42	551	Serious																												
Hawkes Bay	1989	31	729	Major																												
Manawatu	1979	41	230	High																												
Rimutaka	1967	53	925	Extreme																												
Arohata Women	1944	76	159	Severe																												
Chch Men's	1915	15 - 105	892	Extreme																												
Chch Women's	1974	46	134	Major																												
Rolleston	1958	60	260	High																												
Otago	2007	13	469	Serious																												
Invercargill	1910	110	195	High																												

Key to Prison Residual Risk Assessment – Colours/Definitions from Corrections' Enterprise Risk Management Framework			
Potable Water IF (Supply) – External Supplier risks	IF - Infrastructure	CO - Compliance	Very high risks
Potable Water IF (Onsite) – Risks under our control	Moderate Risks	Low Risks	High risks

Please note with regards the above residual risk assessment:

- The above current state or base case risk assessment was done in mid-2020, prior to the completion of recent 3 waters investment and upgrades at Waikeria prison. This explains why Waikeria very quickly shows a reduction in risk from 'very high' to a mix of moderate and low anticipated residual risks after the current works are completed.
- The residual risks that are still showing as 'very high' (red risks) towards the end of our programme and under the columns labelled 'Potable Water IF (Supply)', are due to some significant potable water infrastructure that is under the control of our water suppliers. While this infrastructure has been assessed as posing very high risks of 3 waters service failure to Corrections, our response needs to be to highlight this to the water suppliers and work with them, we cannot address these risks directly.

The box below contains a more detailed explanation of the above Residual Risk Assessment, including explanations for the higher residual risks remaining after all interventions across the full 16-year programme.

**Potable Water IF Supply** – Our risk profile for potable water Infrastructure when we include risks associated with our water suppliers, which are outside of our direct control.

**Potable Water IF Onsite** – Our risk profile for potable water Infrastructure when we exclude risks associated with our water suppliers, and only include risks within our direct control.

**Northland (PW IF Onsite)** – a high risk (orange) remains after the "Lay Foundations" stage of our programme. We have deferred related asset renewal interventions within our "Proactive Stewardship" programme due to the infrastructure being relatively new. We anticipate investigations will support this. If this turns out not

To be the case it will be amended under the subsequent SSBC.

**Auckland Women's and Auckland South (SW CO)** - a high compliance risk (orange) remains after effectively all interventions. AW and AS Stormwater treatment non-compliance is being driven by silt ponds requiring de-silting. There is an intervention to complete this, however it is likely to be required every 10 years and hence the likelihood of non-compliance cannot be reduced below 'High' at this stage.

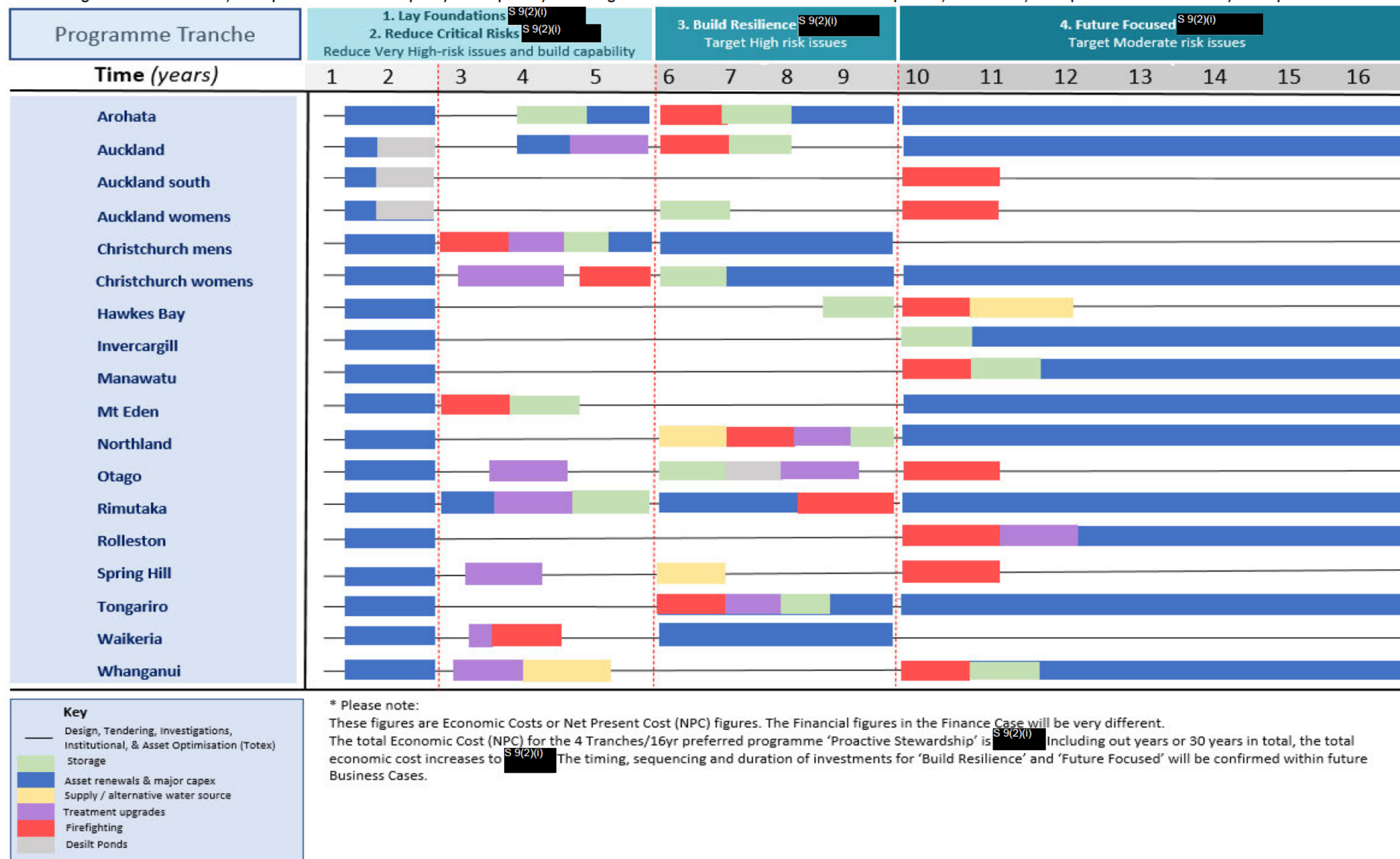
**Springhill (PW IF)** - a high risk (orange) remains after all stages of our programme. This risk is associated with resiliency of potable water storage. There is only one reservoir at this site, however it has suitable storage volume, is relatively new, and subject to the resilience strategy. No additional works are currently recommended.

Springhill (WW IF) a high compliance risk (orange) remains after effectively all interventions. The remaining Springhill disposal non-compliance risk is due to exceeding our volume delegation. There is already sufficient storage at the Waste-Water pump station, hence additional storage is not currently recommended. Instead, the impact of water consumption reduction interventions will be observed as a way of reducing this risk and will be reassessed if needed at a later stage.

**Mt Eden, Tongariro, Rimutaka, Arohata Women's (PW IF Supply)** - very high (red) risks remain after all interventions. These prisons rely on external water suppliers that are currently carrying risks outside of Corrections' control to address directly. There is a programme intervention to review & assess all supplier agreements and relationships risks, implications & options for continued supply to Corrections.

**A high-level outline of the 'Proactive Stewardship' Programme including Economic/Net Present Costs (4 Tranches over 16 years)**

The figure below highlights the investigations and interventions focus of each Tranche of the Proactive Stewardship Programme. Each of the 4 Tranches: 1. Lay Foundations; 2. Reduce Critical Risks; 3. Build Resilience; and, 4 Future Focused, correspond to a reduction in risk through to more acceptable levels which are achieved in Tranche 4. They also correspond to anticipated improvements to Corrections' institutional capabilities and capacity which will lead to; an increase in resilience against loss of services, an improvement in our capacity and capability to manage 3 Waters assets infrastructure and compliance, and overall, an improvement in our ability to be proactive asset stewards





## Proposed procurement, funding, and delivery arrangements

### Procurement

Tranche 1, 'Lay Foundations' is largely comprised of investigations, institutional changes, early optimisation of current assets, and the renewal and construction of smaller scale but critical infrastructure to address our most urgent water safety issues across all 18 prisons. Tranche 1 also comprises the design of more major Tranche 2 capital interventions for Auckland Prison, Rimutaka, and CMP. This tranche will be procured following Corrections' existing go-to-market procurement process, which follows the Government Procurement Rules.

Wherever possible and appropriate, Corrections will utilise our existing AM/FM arrangements with Downer and Cushman & Wakefield and our seconded 3 Waters technical specialists to drive value for money and mitigate market capacity risks. This may result in our AM/FM providers entering into an Alliance or Construction Management or Management Contracting arrangement or otherwise bringing other contractors under Downer or Cushman & Wakefield's project management services as sub-contractors.

However, this does not preclude Corrections from choosing to accelerate works falling within the scope of existing contracts; including investment in new infrastructure and other strategic interventions; by seeking to procure through other channels to build supplier capability, source specialist expertise and or reduce delivery risk through over-reliance on a limited pool of suppliers.

Detailed consideration of the procurement strategy for Tranches 2, 3 and 4 will take place through a Single Stage Business Case planned for each of the individual tranches or major projects within the programme; following approval of this Programme Business Case, endorsement of the recommended programme option and approval to approach the market to procure Tranche 1.

### Funding

The full Proactive Stewardship programme recommended in this PBC consists of 1,237 interventions, sequenced, and costed per prison, and water type, into 4 Tranches over a 16-year delivery period for a forecast financial cost, including inflationary pressures, of \$9(2)(i). The Tranches and component interventions are prioritised by their ability to reduce infrastructure and non-compliance risks as well as by prison criticality<sup>10</sup>. To enable Corrections to execute this recommended programme, the Department is seeking funding through multiple budget bids.

The allocation from Treasury in Budget 2021 was:

- The Budget 21 bid "Critical Infrastructure & Compliance (3 Waters)" established a Capital Contingency of \$5.4m and Operating Contingency of \$15.2m for the Tranche 1 works only, which is the first 2 years of our 16-year delivery timeframe.
- This allocation is contingent on Cabinet considering this PBC.

Corrections will also fund an additional capital expenditure cost of \$9(2)(i) in year 1 and \$9(2)(i) in year 2 respectively, excluding inflation, from within our existing vote envelope. In addition, the Department funds an average \$9(2)(i) opex pa on 3 Waters maintenance which cannot be re-purposed. Funding requests for Tranches 3 'Build Resilience' and 4 'Future Focussed' will be a feature of future business cases.

### Delivery Arrangements

Next steps for the preferred Programme Option are tightly sequenced. Maintaining momentum through regular monitoring of the programme's critical paths will be integral to managing delivery risks implicit in the programme. A continuation of existing expanded Programme governance and management structures will seek to reinforce the following core governance principles:

<sup>10</sup> Prison criticality is determined by a comparative assessment between all 18 prisons as to difficulty of prisoner relocation.

- Clarity of responsibility and accountability
- Timely and effective decision-making
- Separation of decision-making from stakeholder engagement

The top three risks to the successful delivery of the programme have been identified by the Programme Team and are set out below. Strategies to manage these risks will be developed and their management will be a core focus of the Programme Governance function.

- **Asset information risk:** Corrections has a poor record of the condition of our 3 waters infrastructure. The detailed investigation phase in Tranche 1 may expose that the overall condition of our 3 Waters assets are worse than anticipated, and therefore bears a higher risk than is currently understood.
- **Risk to operations:** Prison facilities are at risk of service disruption through the implementation of this programme which could impact on the safety and wellbeing of people in our care and our staff.
- **3 Waters supplier market capacity:** Limited supplier capacity, particularly in light of the highly specialised skillset required for some aspects of programme delivery, increased demand nationally for 3 Waters skills and materials due to wider three waters reform, similar 3 Waters risk profiles across other local and central government bodies and supply constraints compounded by COVID-19 restrictions, such as low immigration and longer lead in times on materials anticipated in the early stages of the programme, may lead to increased programme costs, reduced funding or material delays.

Programme governance and delivery structures will seek to reinforce clarity of responsibilities and accountabilities, along with timely and effective decision-making, risk management and regular reviews and stage gate monitoring.

The approach to communications and engagement within the programme will reflect the reality that the programme team cannot be successful without strong buy-in from, and collaboration with, key stakeholders.

Strong engagement with Corrections' operational arm, Corrections Services, will be critical for the programme to be successful. An overarching communications and engagement plan will be developed for the overall Programme and then within this, for each programme area (tranche of projects). These plans will articulate a communications approach tailored to each site as well as overall to senior stakeholders. It will be driven by the programme team with support from communication and engagement specialists.

Communications and engagement plans will also identify appropriate engagement strategies with Taumata Arowai, Infracom, MBIE, other Government departments embarking on similar 3 waters programmes such as NZDF, DIA, DOC, and Education, our water suppliers and local government, iwi and hapū, unions, AM/FM providers, 3 waters technical specialists, the construction sector, and where necessary the wider community.

### Next Steps

This Programme Business Case seeks consideration from Cabinet of this PBC in order to start the preferred programme of works and to:

- Commence formal engagement with the market to procure goods and services required to deliver Tranche 1.
- Commence formal engagement to sound out the market for the delivery of Tranches 2 to 4.
- Proceed with a Single Stage Business Case for Tranche 2.

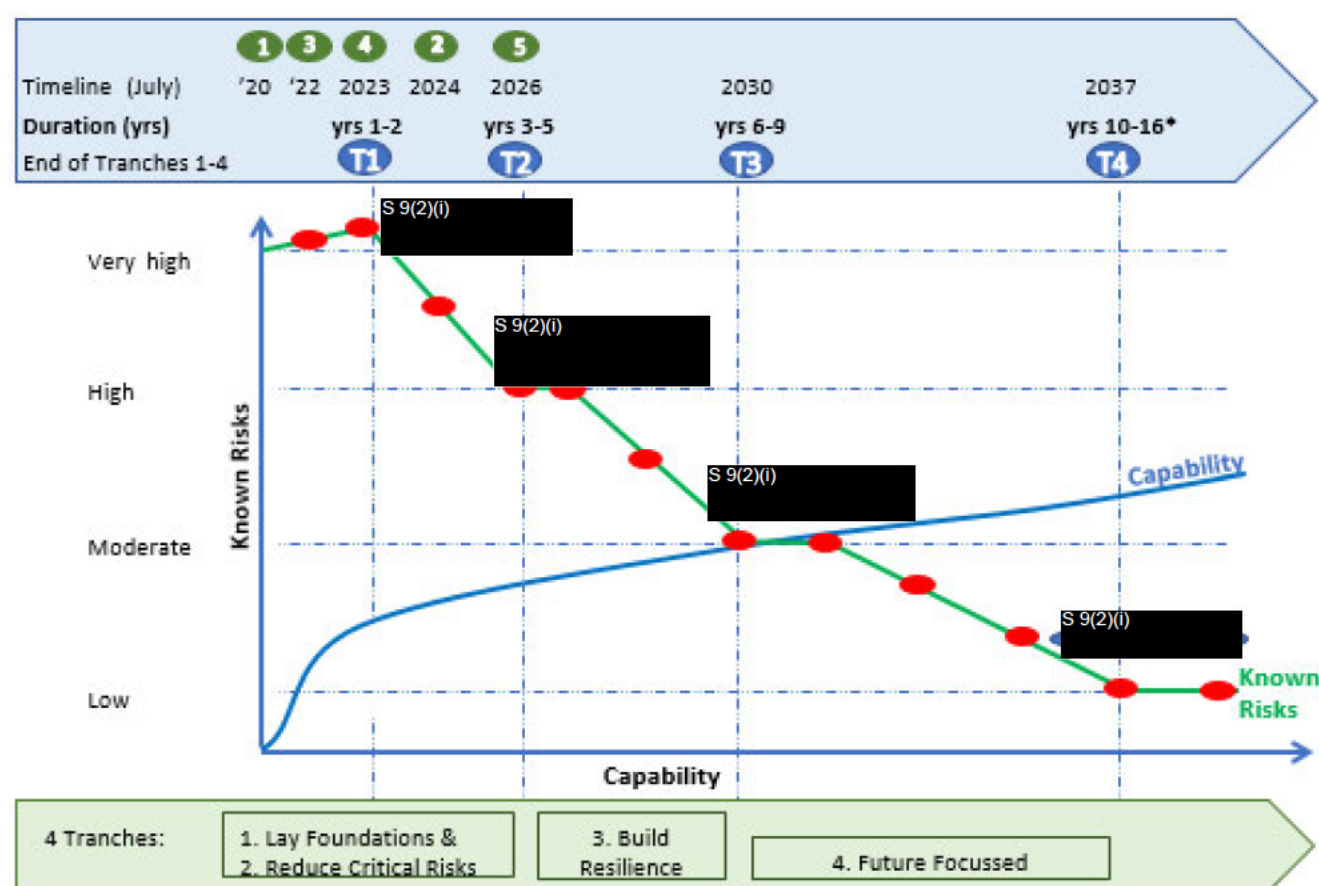


### The Preferred Way Forward - A Future Focused Vision

The Preferred Programme Option is significant in size and scale, with the full programme consisting of four tranches of investment over 16 years, including 1,237 interventions or actions proposed across five different intervention categories; investigations, institutional changes, optimisation of existing assets, asset renewals and new assets; with a total cost of \$9(2)(i). This expenditure is necessary to meet Cabinet expectations for effective asset stewardship, meet pending 3 Waters legislation, meet Correction's obligations under Hōkai Rangi, and achieve wider health and safety and wellbeing requirements for the people in our care, our staff, the public and the environment. The fundamental benefit of this investment is risk reduction, as can be shown in the diagram below.

### The Proactive Stewardship Programme – Risk and Capability Illustration, including financial costs and mapping to pending 3 Waters legislative compliance requirements

As the programme progresses through each tranche, the known risks to Corrections' 3 Waters infrastructure due to age and non-compliance decreases as the Departments' capability to be effective stewards of 3 Waters asset infrastructure increases. In addition, the programme maps to the pending 3 Waters legislative compliance requirements as we currently understand them (this legislation is in a consultative phase) and provides internal Corrections stage gates to review key steps, incorporate new asset data and lessons learned, and to update risks and programme detail going forward. The monetary figures in the below illustration represent financial costs, including depreciation and capital charge.



\* Total financial cost of all 4 Tranches over 16 years is \$9(2)(i) including inflationary pressure

Key to our Risk/Capability Illustration	
1	2020: New Water Services Regulator Taumata Arowai established, new National Policy Statement for Freshwater Management (NPS-FM), new National Environmental Standards for Freshwater (NES-FW) to regulate activities that risk the health of freshwater & freshwater ecosystems, including some farming & horticultural practices.
2	By 2024: Via the NPS-FM, Regional Councils likely to increase requirements on discharges, potentially on water takes also, likely new farming activity restrictions.
2020-21: A new Water Bill introduced, which may lead to:	
3	2022: All supplies registered under new drinking water register. first compliance monitoring and enforcement strategy made. Water Safety Plans in place for supplies serving 500+ consumers for at least 60 days pa.
4	2023: Estimated date to commence provisions relating to wastewater & stormwater
5	2026: all territorial authorities required to become authorised or have their drinking water services delivered by an authorised supplier. Water Safety Plans in place for all supplies. As part of new water reforms, by yr 5 (2026) it's expected councils will have consolidated their water supply operations with neighbouring councils. Eg. following a Wellington Water model. Prisons without onsite wastewater treatment & supply may have a change in supplier.
—	Our capability in 3 waters asset management increases after each stage in our programme
—	Our known risks within our 3 waters asset class decreases after each stage in our programme and/or our knowledge of them increases
●	Internal Corrections stage gates to review key steps & update; information, risks, & forward plans
\$m	Financial Cost of each Tranche individually (not cumulative)

## Strategic Case Summary

Corrections is responsible for significant 3 Waters assets across 18 prisons, with an estimated replacement value of more than \$200 million. In administering the prison network, Corrections is committed to our responsibility for being proactive asset stewards, with reference to Cabinet Circular CO (19) 6 and to safeguarding and improving the health, safety and wellbeing of those in our care and our staff, with 3 Waters infrastructure being a crucial contributor to this strategy.

The existing three waters infrastructure is not supporting these objectives as it is severely aged with nearly half of the prison facilities more than 50 years old, and 70% of 3 Waters infrastructure presenting with unacceptable risk levels for failure. Our 3 Waters infrastructure is classified as being in a poor condition, with recent fault history suggesting that the condition of assets is deteriorating at an accelerating rate, and in some cases has insufficient functionality to meet Corrections' service and current compliance requirements.

Further compounding these issues are climate risks, pending three waters reform, poor three waters asset data, localised prison population pressures, Covid 19, and changing iwi and community expectations. These issues can be summarised by two core problem statements identified through this PBC, which underpin the need to expedite major investment in critical three waters infrastructure:

1. An increasing risk of loss of three waters services is **compromising our ability to manage people in our care**, potentially leading to serious harm.
2. Inability to meet community expectations and legal obligations (new 3 Waters legislation, RMA, and supply agreements) is **heightening risk of enforcement action and unplanned prison closure**.

Corrections' Strategy, Hōkai Rangī, requires humanising and healing environments that do not further harm people in our care. Therefore, 3 Waters asset failure or service loss is unacceptable. Put simply, every day that significant investment is not made to enhance Corrections' existing three waters infrastructure places the health, safety and wellbeing of our staff, prisoners and the community at heightened risk. The absence of significant investment means we are failing in our role as proactive asset stewards and the risk of non-compliance with CO19 (6) and we will continue to carry significant cost inefficiencies and risk a loss of public confidence in the Department. This is an unacceptable risk to carry and doing nothing is not an option.

The overall outcome sought from the proposed investment in Corrections three waters infrastructure is to: materially reduce the risk of harm to people from failures in our water services by FY 2035/36. To do this, Corrections are seeking to achieve the following two investment objectives:

1. All our prison facilities have a **reliable provision of three waters services by FY 2035/36**
2. All our prison facilities **meet regulatory requirements for human health and environmental standards by FY 2025/2026**

Taking swift, decisive, and co-ordinated action to address our risk drivers for investment in 3 Waters infrastructure will result in **key benefits** for people in our care, our staff and the wider public, including:

- Continuity of service provision, good asset stewardship and compliance with Cabinet Circular CO (19)6
- Compliance with 3 Waters legislation, consents, and supply agreements – current and pending
- Mitigation of health and safety risks associated with relocating prisoners within and between prison sites and cancelling of prisoner rehabilitation activities in response to 3 Waters services disruption
- Improve the Departments' resilience to climate risk impacts such as drought and flood
- Greater cost effectiveness and improved 3 Waters infrastructure management capability by minimising unplanned repairs or enactment of business continuity plans in response to loss of 3 Waters services.
- Increased health, safety and wellbeing and improved environmental outcomes
- Increased trust in the Department with iwi, local authorities, water suppliers, and the wider public
- Improve the Department's resilience to fluctuating demand due to loss in one part of the network
- Increased health, safety and wellbeing and improved environmental outcomes
- Increased trust in the Department with iwi, local authorities, water suppliers, and the wider public
- Improve the Department's resilience to fluctuating demand due to loss in one part of the network

Corrections has an asset improvement programme in place with supporting funding. However, it would likely take us over 100 years to complete all investments required to reduce Corrections risk exposure to below 'moderate'.<sup>11</sup> Put simply – this timeframe is unacceptable and additional investment is required to reduce this risk exposure to more acceptable levels.

Cabinet Circular CO (19)6 – In the absence of formal Department Levels of Service for 3 Waters Critical Assets (which will be developed as a priority within our recommended PBC Programme), Corrections has taken the view that a low residual risk (as our risk appetite) is the correct and prudent target to set in order to demonstrate good asset stewardship, as Jeremy Lightfoot CEO and Andrew Robertson DCE Infrastructure and Digital Assets have been directed to do, by CO (19)6.

**Please note:** This Case was researched and written between July – November 2020 with a short update to finances done post the Budget 2021 announcement. Some information may have changed since then. For example, greater clarity around 3 Waters reform and pending Legislative change which may not now be accurately captured.

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<sup>11</sup> The Financial Case demonstrates that the 'Proactive Stewardship' programme of 16 years duration has an implied cost of S 9(2)(i) (including inflationary pressure). Given that current funding is S 9(2) capex p.a. post FY 22-23 (nominal value - no inflation & no discounting) this implies an investment programme of over 100 years.



## The Economic Case – Summary

The Strategic Case has shown that Corrections must take decisive action to mitigate unacceptable 3 Waters infrastructure risks across the estate. Doing nothing is not an option.

Taking a proactive, risk-based approach to prioritising necessary investment has proven to be the best way to meet the Investment Objectives, maximise value for money and help to address the 3 Waters supplier capability and capacity risks that exist across New Zealand. This is particularly important given competing policy and investment programmes.

59 different types of interventions have been identified that respond to the 3 Waters infrastructure risk present across all 18 prisons. In total, 1,237 interventions are proposed for the next 16 years to meet our Investment Objectives and reduce Corrections' risk profile to largely below moderate across all prisons. Collectively, these 1,237 interventions make up the preferred Programme Option ("Proactive Stewardship") that will be delivered in four tranches with an economic net present cost over the 16 years of the Programme of \$9(2)(i)<sup>12</sup>.

Tranche 1 investments support a range of investigative works, institutional investments, some urgent physical works and some procurement and design to set up for future tranches. Tranches 2-4 constitute the bulk of the Programme cost and supports significant physical works including asset optimisation, new capex, and capex renewal interventions.

Making this investment will support a range of important benefits including:

- **Risk reduction and improved health and safety:** The primary benefit is reduced risk to reliable 3 Waters services across all prisons, by FY 2035/36. This includes reduced risk of infrastructure failure and non-compliance, related risks to health and safety of prisoners and staff, prosecution and reputational and relationship damage.
- **Avoided unplanned, emergency works:** Minimising 3 Waters infrastructure issues will reduce unplanned and emergency repairs and 'workarounds' to maintain service levels with an estimated economic value of \$9(2)(i) (2020, NPV).
- **Avoided decant/relocation costs:** Improving 3 Waters infrastructure assets, processes and systems, and mitigating non-compliance risks, will reduce risk of partial or full decant of prison units and sites with an estimated economic value of \$9(2)(i) (2020, NPV).
- **Reduced water demand:** Improving 3 Waters infrastructure assets and implementing water conservation measures will contribute favourably to sustainability and environmental gains, and is also expected to reduce potable water consumption by an average 16% across the Prison Estate with an economic value estimated to be over \$9(2)(i) (2020, NPV).
- **Improved capital planning (through an improved evidence base):** Improving Corrections' asset information base, should reduce the contractor risk premium to 30% (from 40%) with an economic value estimated to be over \$9(2)(i) (2020, NPV). The risk premium should then reduce to 15% once design information is updated, leading to greater expenditure efficiencies.
- **Staff wellbeing:** It is expected that the preferred Programme Option will improve the reliability and resilience of prisons to 3 Waters disruption. This means that stress associated with managing prisoners during 3 Waters outage should diminish.

**Wellbeing of people under Corrections care:** The preferred Programme Option will support uninterrupted access to essential 3 Waters services which underpin health, safety and wellbeing, such as drinking water, provision of showers and waste-water disposal, particularly through

Other benefits relate to protection of the natural environment, improved honouring of Māori cultural values with regards water as a taonga, decreased risk of reputational damage, and increased trust and confidence from water suppliers, other agencies and the wider public.

<sup>12</sup> A discount rate of 5% has been employed in accordance with Treasury circular 2020/12 and CAB Min (10) 41/9.

## Note on Benefit Cost Ratio (BCR)

Corrections have not assessed options based on a Cost Benefit basis, as this business case is risk-based, not benefit-cost-based. We have identified unacceptable risks and the interventions and costs required to address them. As such, we have not included either a Benefit Cost Ratio (BCR) table or an Economic table. We have included finance tables within the finance case of this PBC as confirmation of funding, with the difference being that finance tables include inflation, depreciation and capital charge and represent the cost of the interventions and the amounts requested to fund.



## Commercial Case Summary

The recommended option is comprised of four tranches of risk reduction (risk has been categorised as very high, high, moderate and low), giving priority to highest risk prison sites, then 3 Waters asset classes in the following priority order; potable water, waste water, storm water.

Tranches 1 'Lay Foundations' and 2 'Reduce Critical Risks', when combined, will address the Department's very high risk 3 Waters infrastructure and non-compliance issues. They will also improve the information base, advance the delivery of Single Stage Business Cases (SSBCs) for subsequent Tranches and build much needed capacity and capability. Tranche 3 'Build Resilience' will largely target 'high risk' 3 Waters infrastructure and non-compliance issues and Tranche 4 'Future Focussed' will target 'moderate risk' issues.

The procurement strategy outlined in this business case focuses on delivering Tranche 1, the preferred Programme's foundational framework which will further inform Tranches 2 to 4. The detail for Tranches 2 to 4 is currently high level and aimed at providing decision-makers with some assurance on the likely commercial viability of the proposal. Tranche 1 involves a discovery phase and will inform and validate the capital investment assumptions relating to critical risks for Tranches 2 to 4. Detailed consideration of the procurement strategies for Tranches 2 to 4 will, however take place at each SSBC stage for the individual tranches and major projects within the programme, following approval of this business case and completion of the critical Tranche 1 interventions.

Tranche 1 is comprised of the following interventions/actions and costs, including contingency, across all 18 sites:

- **Investigations** (312 investigations, 66% of full programme investigations, cost \$9(2)(i) Opex): desktop and field work that seeks to create an evidence base of Corrections' 3 Waters infrastructure and non-compliance issues, and to provide critical support for the progression of subsequent Tranches.
- **Institutional changes** (75 interventions, 96% of full programme institutional changes, cost \$9(2)(i) Opex): establishment of plans, policies, and procedures and improvements in information management to increase Corrections' 3 Waters knowledge, capacity and capability and to provide critical support for the delivery of the programme.
- **Intervention design, procurement and construction for the optimisation of current assets, renewal of assets or new assets** (210 interventions, cost \$9(2)(i) Opex and Capex): prioritises addressing critical water safety issues, optimising current assets to reduce water services demand and preparation for interventions that will address the highest risk issues in Tranche 2 – in particular, the design of capital interventions for Auckland Prison (Corrections Services side), Rimutaka and Christchurch Men's Prison.
- **Additional Costs** for delivery and monitoring of the programme, new ongoing AM/FM asset management and facilities maintenance activities, new ongoing internal staff, and production of a SSBC for Tranche 2 (\$9(2)(i) Opex).
- **Depreciation and Capital Charge** \$9(2)(i) Opex.
- **A total** \$9(2)(i) for Tranche 1, including contingency, depreciation, and inflation.

Wherever possible and appropriate, Corrections will utilise our existing AM/FM arrangements with Downer and Cushman & Wakefield and our seconded 3 Waters technical specialists to drive value for money and mitigate market capacity risks. This may result in our AM/FM providers entering into an Alliance or Construction Management or Management Contracting arrangement or otherwise bringing other contractors under Downer or Cushman & Wakefield's project management services as sub-contractors.

However, this does not preclude Corrections from also accelerating works falling within the scope of existing contracts; investing in new infrastructure and other strategic interventions; and or looking to procure through other channels, especially for non-construction interventions and or where this provides justifiable benefit to Corrections while adhering to the Government Procurement Rules.

In accordance with Government Procurement Rules, as a significant procurement, a detailed procurement plan covering each of the core components within Tranche 1 of the recommended programme will be

developed following the approval of this business case and endorsement of the recommended programme option.

This may include:

- The asset investigation component of Tranche 1 (the first two years of works), in accordance with Rule 14.9 d i ii 'Exemption from open advertising' and as part of the existing Downers contractual scope these work packages will be directly negotiated. The resulting capital works will be developed in accordance with Rule 27, 'Technical Specifications'.
  - In accordance with the overriding good procurement principals within the Government Procurement Rules of public value and better outcomes, it would not be fiscally prudent to openly tender the 3 Waters Tranche 1 exploratory and investigation works which are intended to confirm or otherwise, the need for asset optimisation, asset renewals and new assets in Tranches 2–4, nor to tender the capital expenditure planned for completion in Tranche 1 that will optimise or renew current assets or build new assets.
- The consultancy service component of Tranche 1, consisting of institutional change and strategic investigation packages of works may include:
  - Retaining the seconded 3 Waters technical capability currently incumbent within the Corrections 3 Water team to assist the Department to progress a portion of the institutional and strategic investigation interventions while the Department prepares to go to market for suppliers to provide the balance of those interventions.
  - Approaching the Government Consultancy Panel with an Expression of Interest (EOI) to establish a 3 Waters consultancy panel for Corrections' 3 Waters programme.
  - The Department will also seek both technical and value for money alignments with similar procurement endeavours the Department is progressing for their overall Asset Management Master Planning initiative.
- Tranches 2-4 will be openly advertised, contestable work packages.

## Finance Case Summary

The Financial Case sets out the financial implications of the preferred Programme. The Preferred programme consists of 1,237 interventions, categorised into 5 types. These have then been sequenced using a risk-based approach, into 4 Tranches which will be delivered across a 16-year timeframe. The below tables provide first, the number and type of interventions proposed, followed by a summary of the projected costs.

§ 9(2)(i)

The above interventions will apply to all 18 prisons. Below is an outline of what is included in each one:

1. **Investigations:** create an evidence base of Correction's 3 Waters infrastructure and non-compliance issues and to provide critical support for the progression of subsequent tranches.
2. **Institutional improvements:** production of plans, policies, standards, and procedures to increase Corrections' 3 Waters capability and capacity to provide critical support for the programme delivery.
3. **Optimisation:** activities to optimise the use of existing assets e.g. Installation of water efficient devices.
4. **Renewal of existing infrastructure:** repair, remediate or replace existing aging or non-compliant assets.
5. **New infrastructure:** new infrastructure to meet pending 3 Waters legal obligations.

The recommended programme option is comprised of four tranches. Each tranche will contribute to Corrections' reduction of our 3 Waters asset infrastructure and non-compliance risks to acceptable levels.

Tranche 1 "Lay Foundations" investment will significantly improve Corrections' 3 Waters asset information base, address the Department's urgent very high risks associated with water safety, and develop internal capability such as levels of service, design standards, resiliency policies and education programmes. It also includes urgent physical works to address water safety issues and procurement and design for Tranche 2.

Tranche 2, 'Reduce Critical Risks' will address the remainder of the Department's very high risks associated with water safety issues, critical resilience issues related to fire-fighting capability, potable water supply and storage and stormwater and wastewater treatment.

When combined, Tranches 1 and 2 will address the Department's very high risk 3 Waters infrastructure and non-compliance issues that are within our control. They will address the gaps in our information base and build much needed capacity and capability. Tranche 3 'Build Resilience' will target 'high risk' 3 Waters infrastructure and non-compliance issues and Tranche 4 'Future Focussed' will target 'moderate risk' issues.

The Financial Case includes a high-level affordability assessment of the recommended programme option and a funding approval request for Tranche 1. A series of Single Stage Business Cases (SSBCs) will be produced to support delivery and refine the funding requirements of Tranches 2 to 4 following approval of this programme business case and completion of the crucial Tranche 1 'Lay Foundations' works.

The forecast financial cost, including inflationary pressures, of our preferred programme is \$§ 9(2)(i) over the expected delivery period of 4 Tranches and 16 years.

To enable Corrections to execute this recommended programme, the Department is seeking funding through multiple budget bids.

**Allocation from Treasury in Budget 2021:**

- The Budget 21 bid “Critical Infrastructure & Compliance (3 Waters)” established a Capital Contingency of \$5.4m and Operating Contingency of \$15.2m for the Tranche 1 works only, which is the first 2 years of our 16-year delivery timeframe.
- This allocation is contingent on Cabinet considering this PBC.



## Management Case Summary

This Management Case sets out the programme level approach that will be taken to deliver the interventions that make up the recommended *3 Waters Proactive Stewardship Programme* as outlined in the preceding Cases. It describes the governance and delivery structures for the recommended programme, along with arrangements for managing programme engagement and communications, benefits, risks, change and assurance.

Programme governance and delivery structures will seek to reinforce clarity of responsibility and accountability, along with timely and effective decision-making. The approach to communications and engagement will reflect the reality that the programme team cannot be successful without strong buy-in from, and collaboration with, key stakeholders. Strong engagement with Corrections' operational arm, Corrections Services, will be critical for the programme to be successful and will be a key feature of programme engagement and communications planning. Planning will also identify appropriate engagement strategies with Taumata Arowai, Infracom, MBIE, other Government departments embarking on similar 3 Waters programmes such as NZDF, DIA, DOC and Education, our water suppliers and local government, iwi and hapū, unions, AM/FM providers, 3 waters technical specialists, the construction sector, and where necessary, the wider community.

The next steps for the programme are tightly sequenced. Maintaining momentum through regular monitoring of the programme's critical path will be integral to managing delivery risks implicit in the programme. In developing this Management Case, consideration has been given as to how the programme can be delivered to prioritise actions that will address the highest risks in our risk profile and enable rapid progress to be made in:

- Improving Corrections' three waters asset information,
- Developing organisational capability and capacity,
- Designing and progressively delivering critical three waters infrastructure, and
- Delivering a 3 waters network that is compliant and poses no water safety issues by FY 2025/2026, that has the capacity and resilience to enable Corrections to be good asset stewards as per CO (19)6, to materially reduce the risk of loss of 3 Waters services due to infrastructure issues and to thereby reduce the risk of harm to people in our care, our staff, their respective whānau, and the wider public by FY 2035/36.

Corrections has developed an indicative programme plan for the delivery of the recommended programme, with an emphasis on critical next steps to both deliver Tranche 1 and gain approval to commence Tranche 2. Indicative timeframes for Tranches 2 to 4 will continue to be tested as better information comes to light, following investigative works to be undertaken in Tranche 1 and subsequent Tranches, and will be the subject of future Single Stage Business Cases (SSBCs).

The table below outlines the main programmes (groups of projects) for delivery in Tranche 1 (July 2021 – June 2023) of the overall 16 yr Programme.

Main Programmes (groups of projects)	Purpose
Establishment, Design and Procurement across the Programme	A project and team to complete all the set-up work for each programme and to support the Programme Director and Programme Managers to deliver the design and procurement components of their Programmes.
Strategic Investigations and Institutional Improvements	Strategic Investigations: Create a strategic evidence base of Correction's 3 Waters infrastructure and non-compliance issues and to provide critical support for the progression of subsequent tranches.  Institutional Improvements: Production of plans, policies, standards, and procedures to increase Corrections' 3 Waters capability and capacity to provide critical support for the programme delivery. E.g. Levels of Service, Resiliency Strategy, water conservations standard operating procedures, education



Main Programmes (groups of projects)	Purpose
	programmes around the value and use of water to reduce demand. Revise asset management plans and contingency plans in line with Levels of Service, Resiliency Strategy and 3 Waters reforms and legislation.
AM/FM Investigations, Asset Optimisation, Asset Renewals. Includes the Asset Data Management Team.	<p>AM/FM Investigations: Add an AM/FM evidence base to the Strategic evidence base above.</p> <p>Asset optimisation: Activities to optimise the use of existing assets e.g. Installation of water efficient devices. Also; Water Safety Plans for relevant Prisons and Water Security Works, Spares management, Ringfencing activities that use potable water and leak detection.</p> <p>Asset Renewals: Repair, remediate or replace existing aging or non-compliant assets</p>
New Assets	<p>New infrastructure to meet pending 3 Waters legal obligations</p> <p>E.g. SCADA infrastructure management system, Backflow prevention and sub metering, Treatment upgrades, Ring Main</p>
Single Stage Business Case	Update the Programme Business Case and produce a Single Stage Business Case ie: provide sufficient justification and a detailed work programme, benefits and costs to obtain funding from Cabinet for the first year of Tranche 2 and to refine the indications of further funding required for the remainder of Tranche 2 and Tranches 3 and 4.

### Outline of critical next steps in the Programme

Phase	Indicative timeframe
Commencement of fast track 'Early Works' investigations project – self funded	Jan 2021
Treasury allocation of Tranche 1 funding and consideration of this PBC by Cabinet	May – June 2021
Procurement of Tranche 1 set up and investigation works	May 2021 ongoing
Commencement of Tranche 1 investigative works and institutional changes	July 2021
Procurement of Tranche 1 design interventions	Sept 2021
Award consultant contracts for Tranche 1 design	Sept 2021-Dec 2021
Completion of Tranche 1	June 2023
Completion of SSBC for Tranche 2*	Nov 2022
Delivery of Tranche 2 with report back, approval SSBC for Tranche 3	July 2023 – June 2026
Delivery of Tranche 3 with report back, approval SSBC for Tranche 4	July 2026 -June 2030
Delivery of Tranche 4 with report back	July 2030 – June 2037

\* Two SSBCs will be produced for Tranche 2, one to cover the first year of Tranche 2 and the second to cover the subsequent 2 years of Tranche 2. This approach will address the risk of the Programme not having enough time within Tranche 1 to develop a SSBC to cover all three years of Tranche 2, and yet needing to submit an SSBC to continue funding for year 1 of Tranche 2.