

## BRIEFING: Christchurch Men's Prison Redevelopment Programme Commencement of Second Market Engagement

To Hon Mark Mitchell, Minister of Corrections

**Date** 29 January 2025

**Deadline** 10 February 2025

**B number** B4871

**Priority** High

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### Purpose

To update on progress made since Cabinet endorsed the Christchurch Men's Prison Redevelopment (CMP Redevelopment) Detail Business Case (DBC) and directed Corrections to commence planning for Phases 1 and 2 of the redevelopment programme, noting each phase will be subject to Budget decisions.

### Key messages

**Cabinet endorsement:** On 19 November 2024, the Cabinet Expenditure and Regulatory Review Committee endorsed the DBC. The Committee agreed to deliver the project through a Design, Build, Finance, and Maintain Public-Private Partnership (PPP) and authorised Corrections to initiate a second round of market engagement. Cabinet also directed Corrections to plan for Phases 1 and 2 of the redevelopment, subject to Budget decisions.

**Public-Private Partnership (PPP) model:** The New Zealand PPP Programme (the Programme) focuses on delivering both infrastructure and enhanced public services. The Programme has successfully delivered multiple infrastructure projects, including corrections facilities, highways, and schools, with positive outcomes. Key benefits of the PPP model include better risk management, long-term cost certainty, improved service delivery, and leveraging private sector expertise.

**Market engagement:** A second round of market engagement is planned for late February 2025, followed by a formal Expression of Interest (EOI) process in late May 2025. Corrections will seek feedback on the project's commercial approach, with a focus on the phased delivery of the programme.

**Phased delivery approach:** The CMP Redevelopment will be delivered in phases, with funding requested for Phase 1 in Budget 2025 and Phase 2 in 9(2)(f)(iv). The phased approach avoids a 9(2)(i) premium associated with consecutive delivery and allows flexibility in funding allocation. Phases 1 and 2 will involve the addition of 480 high security prisoner beds, health services, and staff amenities, while Phases 3 and 4 will include additional accommodation and support facilities as required.

**Procurement strategy:** To maximise value for money, the preferred procurement strategy is to procure a single consortium to design, build, finance, and maintain both Phases 1 and 2 over a 25-year period. The procurement process aims to achieve cost certainty for both phases while awaiting confirmation of Phase 2 9(2)(f)(iv).

**The New Zealand Infrastructure Investment Summit (the Summit), hosted by the Prime Minister:** The CMP Redevelopment Programme is scheduled to be presented at the Summit in Auckland on 13 and 14 March 2025. Corrections has been tasked by the Treasury to prepare a presentation and investor pitch document, highlighting the CMP Redevelopment and other major PPP projects being delivered by the New Zealand Transport Agency (NZTA), Ministry of Justice (MOJ) and Ministry of Defence (MOD).

Recommendations	
It is recommended that you:	
a. <b>Note</b> the content of this Briefing	<input checked="" type="radio"/> YES <input type="radio"/> NO
b. <b>Note</b> phases 1 and 2 will be marketed as a single investment opportunity, noting that it will be subject to Budget funding approval	<input checked="" type="radio"/> YES <input type="radio"/> NO
c. <b>Agree</b> to Corrections updating the market that the Government has agreed to Corrections procuring the Christchurch Men's Prison Redevelopment programme via a Public Private Partnership (PPP)	<input checked="" type="radio"/> YES <input type="radio"/> NO
d. <b>Agree</b> to including a Ministerial foreword in the Information Memorandum for an upcoming market engagement, for which a draft has been supplied as Appendix Two	<input checked="" type="radio"/> YES <input type="radio"/> NO
e. <b>Agree</b> to forward this Briefing with the Minister of Finance and the Minister for Infrastructure.	<input checked="" type="radio"/> YES <input type="radio"/> NO

Sign-off	
 <p>Hon Mark Mitchell  <b>Minister of Corrections</b>  Date signed:  30 / 01 / 2025</p>	 <p>Alastair Turrell  <b>Deputy Chief Executive  Infrastructure and Digital Assets</b>  Date signed:  28 / 01 / 2025</p>

## Cabinet has endorsed the CMP Redevelopment Detailed Business Case (DBC)

- On 19 November 2024, the Cabinet Expenditure and Regulatory Review Committee (EXP) endorsed the CMP Redevelopment Programme DBC [EXP-24-MIN-0069 refers]. As part of this endorsement, the Committee made several key decisions:
  - Agreed to the recommended programme delivery via a Design, Build, Finance, and Maintain PPP
  - Authorised Corrections to begin a second round of market engagement based on the DBFM PPP approach, with the understanding that no commitments will be made pending Budget decisions
  - Directed Corrections to initiate planning for Phases 1 and 2 of the redevelopment, subject to Budget decisions.
- Background on New Zealand's PPP Programme has been attached at Appendix One.

## Corrections is planning a market engagement exercise in late February 2025, followed by a formal EOI process in May 2025

- When procuring any major infrastructure project, it is essential to give the market adequate notice to ensure a competitive and successful procurement process. This is especially true when utilising a PPP model, where the complexity of the project demands early engagement.

- 4 PPPs require bidding consortiums to include a diverse range of participants, such as debt and equity investors, design and build experts, and asset and facilities management providers, all of whom must commit to a predefined service period. Early market engagement enables key stakeholders to thoroughly assess the project, align their capabilities, and develop competitive, well-structured proposals.
- 5 Corrections has already undertaken one round of market engagement to inform the DBC and plans to conduct a second round in late February 2025. One of the key updates to share during this engagement will be the Cabinet's agreement to deliver the project through a PPP.
- 6 Corrections is developing an Information Memorandum to be provided to the market ahead of an in-person town hall session. The Information Memorandum will update the market on direction provided by Cabinet and seek input on a range of topics to help refine the project's commercial approach. To assist in demonstrating Government's commitment to this project, we would like to include a forward in the Information Memorandum from you. A draft of the forward for your approval is included as Appendix Two.
- 7 As mentioned in paragraph 21 of this briefing, the Prime Minister will host the New Zealand Infrastructure Investment Summit (the Summit) in Auckland on 13 and 14 March 2025. We note that the purpose of the Summit is different to Corrections' planned market engagement, with largely different target audiences.

### Corrections will seek feedback from the market on our preferred approach to procuring Phases 1 and 2 of the CMP Redevelopment Programme

- 8 In endorsing the CMP Redevelopment DBC, Cabinet noted the proposed phased approach designed to spread funding requirements across multiple Budget allocations and provide flexibility while maintaining operational security needs. The table below provides a high-level summary of programme, scope, and cost<sup>1</sup>.

Phase	Timeline	Scope	Cost
<b>Phase 1</b>	Budget bid 2025 for delivery by 2029	<ul style="list-style-type: none"> <li>• High Security Accommodation Building</li> <li>• Intervention Support Unit</li> <li>• Health Centre</li> <li>• Other supporting facilities and infrastructure</li> </ul>	<b>PPP Scope:</b> 9(2)(g)(i)
<b>Phase 2</b>	Budget bid 9(2)(f)(iv)	<ul style="list-style-type: none"> <li>• High Security Accommodation Building</li> <li>• High and Low Security Visits Centre</li> <li>• Staff amenity uplift</li> <li>• Other supporting facilities and infrastructure</li> </ul>	
<b>Retained scope<sup>2</sup> – outside of PPP scope</b>	Delivered across both phases 1 and 2	<ul style="list-style-type: none"> <li>• Kitchen/Laundry</li> <li>• Waste Management</li> <li>• Internal Grounds Maintenance and Store</li> <li>• Removal of Ancillary Buildings and relocation as needed</li> <li>• FM Stores &amp; Logistics Building</li> <li>• Expanded Staff Carparking</li> <li>• Covered Walkways outside PPP zone.</li> </ul>	<b>Retained Scope:</b> 9(2)(i)

<sup>1</sup> CMP site master plan is included in Appendix Three.

<sup>2</sup> Retained scope is outside of the works being procured via a PPP, it will be procured separately and managed by Corrections. It relates to work being delivered inside the wire of the existing site and less complex elements of the programme. Corrections have committed \$100m of its own capital towards the retained scope programme.

- 9 Further to Phases 1 and 2, the site masterplan includes Phases 3 and 4, which provide two additional accommodation buildings and support facilities as necessary. Decisions on the need for the additional two phases will be made in the future and will not form part of the upcoming market engagement or procurement.
- 10 Cabinet has endorsed the funding strategy presented in the DBC of seeking funding for Phase 1 in Budget 2025 and for Phase 2 in 9(2)(f)(iv). This strategy will enable 240 beds to be opened in the short term, as well as avoiding the potential cost premium of delivering each phase independently 9(2)(i) 9(2)(f)(iv).
- 11 Corrections expects that having Phase 2 delivered by the same consortium will provide material construction and operating phase benefits and will minimise the number of interfaces to be managed. However, if the successful consortium is not able to demonstrate value for money on the Phase 2 expansion, the Project Agreement will have 'off ramps' allowing Corrections to procure Phase 2 on an alternative basis.
- 12 While funding for Phase 1 is being sought through Budget 2025, funding for Phase 2 will not be sought until 9(2)(f)(iv). Therefore, the procurement process for Phase 1 will aim to achieve as much cost certainty as possible for both phases, without committing the Crown to Phase 2 at this stage. By considering both phases together, Corrections hopes to encourage the market to propose innovative approaches, including the potential for fixed pricing and the possibility of delivering the 480 beds earlier.

### **The CMP Redevelopment Programme is on the agenda for the New Zealand Infrastructure Investment Summit, hosted by the Prime Minister in March 2025**

- 13 The CMP Redevelopment Programme is scheduled for discussion at the Summit. The Summit will be held in Auckland on 13 and 14 March 2025. This invitation-only event will bring together senior executives from global infrastructure firms to discuss New Zealand's upcoming infrastructure opportunities.
- 14 Corrections has been tasked by the Treasury to prepare a presentation and an investor pitch document for the Summit. This will highlight the CMP Redevelopment Programme, alongside other major PPP projects, such as the NZTA Northland Roads of National Significance programme.
- 15 Other than a direction to prepare materials for the Summit, Corrections has had no further engagement with the Treasury in relation to the Summit. We are preparing materials in line with the request from Treasury and will engage with your office on these.

### **Appendices**

- 16 All appendices referenced in this paper are outlined below:
- Appendix One – Background to New Zealand's Public Private Partnerships (PPP)
  - Appendix Two – Draft Ministerial foreword for market engagement information memorandum
  - Appendix Three – Christchurch Men's Prison (CMP) Redevelopment site masterplan.

#### **Minister comments**

## Appendix One: Background to New Zealand's Public Private Partnerships (PPP)

- The New Zealand PPP Programme focuses on the enhanced delivery of public services, with the intent that this would challenge, or shift, how we deliver infrastructure across wider asset networks.
- Eight PPP projects have been developed since 2011, including three corrections facilities, two state highways and three bundles of primary and secondary schools.
- On 13 November 2024, the Government released the New Zealand PPP Framework: A Blueprint for Future Transactions (the Blueprint). The Blueprint builds on New Zealand's existing PPP approach and considers both learnings across the eight PPP's to-date and international best practice.
- The Blueprint retains the key objective of providing strong incentives on whole of life performance and service outcomes but seeks to create flexibility in the model to accommodate unique project characteristics and market conditions.
- On 1 December 2024, the Government also established the National Infrastructure Funding and Financing Company (NIFFCO). NIFFCO repurposed Crown Infrastructure Partners and is tasked with managing infrastructure funds. It focuses on partnering with agencies for private finance projects and ensuring transparent, efficient investment processes for Crown projects.
- The release of the Blueprint and the establishment of NIFFCO are strong signals of this Government's approach to engaging with the private sector. Further, the Government have provided signals to the market on its intention to bring new PPP opportunities to market to help us attract the international expertise and capability we need to deliver our significant pipeline of infrastructure projects.
- Corrections is working closely with NIFFCO and the Treasury to ensure that the principles of the Blueprint are well considered and implemented, where appropriate.
- Utilising Corrections' significant inhouse capability developed through the delivery of three prison PPP's to-date, the project team will procure a consortium to design, build, finance and maintain new prison capacity over a 25-year time horizon.
- It is important to note that the PPP will not seek to outsource custodial services to the private sector and the Crown will retain ownership of the new capacity through the service period.

## **Appendix Two: Draft Ministerial foreword for market engagement information memorandum**

Making kiwis safer and restoring law and order is one of this Government's priorities. One of my commitments as Minister of Corrections is to ensure that there is sufficient prison capacity, so that Corrections can continue to safely and effectively manage the prison population, thereby keeping the community safe.

Alongside the Government's investment in more frontline corrections officers and more support for offenders' rehabilitation and reintegration, we are committed to investing more prison capacity. This is needed to ensure capacity, safety and security across the prison network as part of Corrections' long-term planning.

The Government supports the use of Public Private Partnerships (PPP) to help address this infrastructure gap and bring forward investment. Private finance and expertise will help deliver growth, innovation and investment achieving the outcomes we want.

We welcome your feedback and engagement to ensure we have a sensible and enduring approach, and that the redevelopment of CMP is successfully delivered.



## Appendix Three: Christchurch Men's Prison (CMP) Redevelopment site masterplan

Phase 1 is the first tranche of development under the CMP Redevelopment Programme Master Plan. This phase will deliver high security accommodation and related support service facilities for the CMP.

The table below provides an overview of scope elements, responsibility and indicative gross floor area.

Element	Gross Floor Area (GFA) (m2)	Scope Responsibility
<b>1. High Security Accommodation Building (160 Cells for 240 prisoners)</b>	10,000	<b>PPP Scope</b>
<b>2. Intervention and Support Unit</b>	7,600	<b>PPP Scope</b>
<b>3. Receiving Office and Property Store</b>	2,800	<b>PPP Scope</b>
<b>4. Central Health Centre</b>	1,200	<b>PPP Scope</b>
<b>5. Facilities Maintenance, Stores and Logistics Building</b>	1,500	<b>PPP Scope</b>
<b>6. Central Plant, Utilities and Services upgrades</b>	600	<b>PPP Scope</b>
<b>7. Removal of external ancillary buildings and relocation where needed</b>	2,000	<b>Retained Scope</b>
<b>8. Platform preparation including stormwater management</b>	N/A	<b>Retained Scope</b>

### Phase 1 Scope



The table below provides an overview of scope elements, ownership and indicative gross floor area.