QLDC Council

12 December 2024

Report for Agenda Item | Rīpoata moto e Rāraki take [4]

Department: Property & Infrastructure

Title | Taitara: Transport Funding Options – Response to the 2024-27 National Land Transport Programme

Purpose of the Report | Te Take mō te Pūroko

The purpose of this report is to:

- present Queenstown Lakes District Council (QLDC) with options for reprioritising QLDC's 2024/25 – 2026/27 transportation capital expenditure programme following the New Zealand Transport Agency's adoption of the 2024-27 National Land Transport Programme, and

- seek Council agreement of an updated three-year transportation capital expenditure budget for the period 2024/25 to 2026/27.

Executive Summary | Whakarāpopototaka Matua

The 2024-27 National Land Transport Programme (NLTP) sets out how the New Zealand Transport Agency Waka Kotahi (NZTA) plans to invest the National Land Transport Fund (NLTF) over the three-year period spanning financial years 2024/25 to 2026/27 (FY25-27). The NLTF is a major source of funding for QLDC's transportation activities, and was adopted by NZTA in August 2024. QLDC's NLTP allocation is around $11.9 million less than what was assumed when developing capital and operational expenditure budgets for FY25-27.

As a result of NLTP funding being lower than assumed, Council needs to consider options to reprioritise QLDC's residual transportation capital expenditure. Four options have been prepared and are presented in this report for consideration. All options require the deferral of work beyond the FY25-27 period.

The recommended option detailed in this report focusses on maximising available NZTA funding assistance whilst maintaining a balanced expenditure approach across the planned transportation capital programme. The option ensures all key workstreams are advanced, however, will still result in delays to major projects and reduced expenditure on minor improvements and planning activities.

This report does not include further analysis or recommendations regarding transportation operational expenditure. This matter will instead be addressed through future Annual Plan cycles as required.

Recommendation | Kā Tūtohuka

That the Council:

1. **Note** the contents of this report;

2. **Approve** the recommended 2024/25 - 2026/27 transport capital expenditure programme in accordance with Attachment A of the 'Transport Funding Options – Response to the 2024-27 National Land Transport Programme' report; and

3. **Note** that approval of recommendation (2) will enable QLDC to maximise approved 2024-27 National Land Transport Programme funding.

Prepared by:

Name: Simon Mason
Title: Infrastructure Operations Manager

Name: Brent Pearce
Title: Strategy & Infrastructure Planning Manager

Name: Jesse Taylor
Title: Investment & Support Services Manager

Name: Alison Tomlinson
Title: Strategic Asset Manager

Directorate: Property & Infrastructure
19 November 2024

Reviewed and Authorised by:

Name: Tony Avery
Title: General Manager, Property & Infrastructure
21 November 2024

Context | Horopaki

1. The NLTP sets out how NZTA plans to invest the NLTF over the FY25-27 period. The NLTF is a major source of funding for QLDC's transportation activities.

2. QLDC's transportation budgets were approved by Council when the 2024-2034 Long Term Plan (LTP) was adopted on 19 September 2024. The LTP included assumptions around the type and quantum of funding QLDC would receive from NZTA. The LTP noted that the budgeted transportation programme may need to be amended should the actual NLTF allocation vary from QLDC's assumptions (figure 1 refers).

***Fig. 1:** Significant forecasting assumption extracted from the LTP*

Significant forecasting assumption	Risk underlying the financial estimates	Level of uncertainty	Potential effects of uncertainty on financial estimates
A major source of funding for our transportation network comes from NZ Transport Agency (NZTA) Waka Kotahi. It is assumed that a baseline level of funding will be subsidised by NZTA Waka Kotahi at a Funding Assistance Rate (FAR) of 51% for Years 1 to 3 for the operation, maintenance, and renewal of the existing roading network. Funding requests have been submitted for improvements that meet the national outcome priorities. This co-investment makes up a significant proportion of Council's overall transport programme. Co-investment is conditional on the planned transportation activities delivering national priorities and criteria. It is very important we work collaboratively with NZTA Waka Kotahi to deliver these national priorities. These are set every 3 years through the Government Policy Statement on Land Transport.	The risk is that there is reduced funding from NZTA Waka Kotahi due to unaligned priorities or that NZTA Waka Kotahi has insufficient funds to meet the council's request for funding.	High	Council would be required to reduce the transport programme due to insufficient funding.

3. The NLTP has been developed by NZTA in accordance with the Government Policy Statement on land transport 2024 (GPS). The GPS's overarching strategic priority for investment is economic growth and productivity, which has been reflected through the NLTP's focus on maintaining existing roading networks and moving people and goods efficiently, quickly, and safely.

4. The NLTP was adopted by NZTA in August 2024, resulting in a reduced contribution of around $14.8 million to QLDC relative to the amount of funding assistance assumed in the LTP. Subsequently, QLDC received notification that three resilience-focussed projects attracted funding support at an enhanced Funding Assistance Rate (FAR) of 76 percent. The revised impact is a reduced funding contribution of around $11.9 million relative to the amount of funding assistance assumed in the LTP.

5. QLDC's NLTF approved allocation is provided by NZTA on a matched-funding basis; this means QLDC must meet a 'local share' contribution requirement in order to uplift eligible funding from NZTA. Generally, the FAR provided by NZTA is 51 percent, with QLDC funding the remaining 49 percent (so QLDC must spend $0.49 to uplift $0.51 from NZTA). There are some exceptions where the FAR may differ for specific projects or programmes (an example being QLDC's approved resilience projects which have attracted an enhanced FAR).

Operating funding

6. The level of NZTA operational funding assistance is around $1.6 million less than budgeted in the LTP. Key areas impacted by this reduced funding are environmental maintenance (e.g. vegetation control, grit/calcium magnesium acetate ‘CMA’ application), minor event responses, footpath and cycleway maintenance, and road safety promotional activities.

7. As a result of the reduced operational funding assistance, some reprioritisation within operational expenditure categories will need to occur to ensure contractual obligations are met and impacts on service levels can be appropriately managed.

8. This report does not include further analysis or recommendations regarding transportation operational expenditure; this matter will instead be addressed through future Annual Plan cycles as required.

Capital funding

9. The level of NZTA capital funding assistance is around $10.3 million less than budgeted in the LTP. Key areas impacted by reduced funding are minor improvements, strategic projects (specifically a new Arthurs Point Bridge and the Capell Avenue extension), environmental and footpath/cycleway renewals, and network and asset management planning activities. Conversely, funding assistance for some renewals activities is slightly higher than anticipated; this additional funding can be uplifted should QLDC increase its corresponding local share contribution.

10. On 24 October 2024, Council approved the first FY25 capital expenditure reforecast. Through this reforecast, transportation budgets materially impacted by the NLTP allocation were adjusted to reflect the confirmed funding position. These ‘approved adjusted’ LTP transportation budgets form the basis of the ‘current budget’ figures presented in this report.

11. During September and October 2024, QLDC officers presented the NLTP outcome to elected members. Through these engagements, elected members provided officers with high-level feedback to guide the development of a pragmatic suite of options for Council consideration (i.e. the matter contemplated by this report). As a result of feedback received, options presented within this report focus on how the approved adjusted transportation capital expenditure budgets can be redistributed across transportation investment activities.

Analysis and Advice | Tatāritaka me kā Tohutohu

12. This report identifies and assesses four reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002. The options are summarised below alongside planned expenditure in the originally adopted LTP and current approved adjusted budgets (table 1 refers). Options are further detailed in the paragraphs to follow.

***Table 1:** summary of 2024/25 – 2026/27 transportation capital expenditure programme reprioritisation options*

Category	Original LTP budget	Current budget	Option 1	Option 2	Option 3	Option 4
Total	**$60.45m**	**$45.37m**	**$48.16m**	**$47.36m**	**$48.16m**	**$46.99m**
Renewals	$29.03m	$28.47m	$30.80m	$29.44m	$30.79m	$28.47m
Minor improvements	$17.85m	$9.36m	$9.36m	$6.91m	$10.58m	$9.36m
Strategic projects	$6.63m	$1.88m	$1.60m	$5.28m	$0.38m	$1.88m
Resilience	$3.63m	$3.03m	$3.78m	$3.78m	$3.78m	$4.65m
Planning	$2.91m	$2.24m	$2.24m	$1.79m	$2.24m	$2.24m
Travel demand management	$0.38m	$0.38m	$0.38m	$0.16m	$0.38m	$0.38m

13. Note the following points are common to all options:

- Some transportation budgets have been excluded from the analysis presented in this report; exclusions are listed in Attachment A.

- In parallel to this report, the second 2024/25 capital expenditure reforecast has been prepared for Council consideration at the 12 December 2024 meeting. The reforecast includes proposed adjustments to a small number of 2024/25 transportation budgets. The 'current budget' figures presented in this report assume that relevant transportation budget adjustments proposed through the second reforecast are approved.

- Existing contract commitments, essential works, minimum safety-related service levels, and minimum viable asset management and network planning activities can be met under all options.

- Options are presented in 2024/25 dollars.

14. **Option 1: A balanced way forward (recommended)**

Option one focusses on maximising available funding assistance whilst maintaining a balanced expenditure approach across renewals, minor improvements, major projects, and planning activities. Key expenditure movements relative to budget are summarised below (table 2 refers) and detailed in Attachment A.

***Table 2:** Option 1 key budget movements*

Category	Option 1 budget	Variance to original LTP	Variance to current budget
Total budget	**$48.16m**	**($12.29m)**	**$2.79m**
Renewals	$30.80m	$1.76m	$2.32m
Minor improvements	$9.36m	($8.49m)	-
Strategic projects	$1.60m	($5.03m)	($0.28m)
Resilience	$3.78m	$0.15m	$0.75m
Planning	$2.24m	($0.67m)	-
Travel demand management	$0.38m	-	-

Advantages:

- Maximises NZTA funding assistance available, particularly benefiting most asset renewal classes where expenditure will be higher than originally budgeted in the LTP. Renewal investment is fundamental for protecting the integrity of QLDC's existing infrastructure and will help to protect against reductions in levels of service.

- Provides for investment in all categories, supporting progression/delivery of all key activities to varying degrees, including physical works and planning initiatives.

- Sufficient funding is provided to advance early planning activities for the Arthurs Point Bridge and Capell Avenue extension projects, and for the exploration of alternative funding and/or delivery approaches for these important strategic network improvements.

- Consolidation of residual local share budgets enables an agile approach to investment in areas of the transportation network with the greatest need. This differs to budgets with matched-funding requirements, where expenditure is confined to a pre-determined work category.

Disadvantages:

- In order to uplift all available NZTA funding assistance for renewals (higher than budgeted in the LTP), QLDC's corresponding local share contribution will need to increase commensurately. Increasing local share in relevant renewals categories requires an equivalent reduction in local share expenditure within other budgeted transportation activities.

- Planned delivery of major projects, specifically a new Arthurs Point Bridge and the extension of Capell Avenue, will be delayed relative to the timing set down in the LTP.

- Minor improvement expenditure across the roading, public transport, and active travel networks will be lower than originally planned in the LTP. At this reduced level of expenditure, there will be fewer interventions that (a) address safety or technical level of service gaps on the roading network, (b) increase the provision of public transport assets (e.g. bus stops), and (c) improve the connectivity/experience of the active travel network.

- Reduced renewal expenditure on footpaths and cycleways is expected to result in a deterioration in service levels in these areas over the three-year period.

- Reduced asset and network planning expenditure relative to the LTP presents some risk to QLDC's readiness for future budgeting and funding cycles. This will be mitigated as far as practicable by careful and deliberate prioritisation of planning activities and making best use of internal capacity and capability.

15. **Option 2: A focus on strategic projects**

Option two focusses on maintaining planned delivery of key strategic projects (specifically a new Arthurs Point bridge and the extension of Capell Avenue). To achieve this, short-term delivery of minor improvements, asset and network planning activities, and travel demand management interventions will be further reduced from currently budgeted levels. Key expenditure movements relative to budget are summarised below (table 3 refers) and detailed in Attachment A.

Table 3: *Option 2 key budget movements*

Category	Option 2 budget	Variance to original LTP	Variance to current budget
Total budget	**$47.36m**	**($13.09m)**	**$1.99m**
Renewals	$29.44m	$0.41m	$0.97m
Minor improvements	$6.91m	($10.94m)	($2.45m)
Strategic projects	$5.28m	($1.36m)*	$3.40m
Resilience	$3.78m	$0.15m	$0.75m
Planning	$1.79m	($1.12m)	($0.45m)
Travel demand management	$0.16m	($0.22m)	($0.22m)

**$1.36m of Capell Avenue extension budget was deferred to FY28 in the October 2024 capital reforecast; this option does not seek to adjust that timing hence the overall negative variance to the original LTP within the 2024/25-2026/27 period.*

Advantages:

- Enables QLDC to maintain originally planned delivery timeframes for the Arthurs Point bridge and Capell Avenue extension projects. This is the only option that does not result in deferral of these strategic network interventions.

- Unlocks some additional funding assistance from NZTA relative to currently budgeted levels. This funding will support increased expenditure in some asset renewal classes.

- Consolidation of residual local share budgets enables an agile approach to investment in areas of the transportation network with the greatest need. This differs to budgets with matched-funding requirements, where expenditure is confined to a pre-determined work category.

Disadvantages:

- This option represents the lowest level of minor improvements expenditure across roading, public transport, and active travel networks. At this level, there will be a relatively low number of interventions that address safety or technical level of service gaps on the roading network, and few to no interventions that (a) increase the provision of public transport assets, or (b) improve the connectivity/experience of the active travel network. Such a low level of investment in these areas is likely to lead to frustration and dissatisfaction from some areas of the community due to an inability to respond to areas of concern.

- Reduced renewal expenditure on footpaths and cycleways is expected to result in a deterioration in service levels in these areas over the three-year period.

- Only a minimum viable level of expenditure for asset and network planning is retained. At this level, there will be some reduction in asset planning activities such as asset condition or monitoring and an inability to complete some planned continuous improvements.

- Around $0.8 million of funding assistance from NZTA will not be uplifted.

16. **Option 3: A focus on immediate delivery**

Option 3 focuses on funding tactical network interventions that can be delivered within the three-year period through renewals and minor improvements programmes. This is achieved by deferring expenditure primarily associated with key strategic network projects. Key expenditure movements relative to budget are summarised below (table 4 refers) and detailed in Attachment A.

Table 4: *Option 3 key budget movements*

Category	Option 3 budget	Variance to original LTP	Variance to current budget
Total budget	**$48.16m**	**($12.28m)**	**$2.80m**
Renewals	$30.79m	$1.76m	$2.32m
Minor improvements	$10.58m	($7.27m)	$1.22m
Strategic projects	$0.38m	($6.25m)	($1.50m)
Resilience	$3.78m	$0.15m	$0.75m
Planning	$2.24m	($0.67m)	-
Travel demand management	$0.38m	-	-

Advantages:

- This option provides for the greatest level of expenditure on minor improvements across the roading, public transport, and active travel networks. Relative to other options, this approach will enable the most tactical interventions that (a) address safety or technical level of service gaps, (b) increase the provision of public transport assets, and (c) improve the connectivity/experience of the active travel network. However, it should be noted that this option only unlocks an additional $1.28M of investment in these areas, and still represents a significantly lower level of investment compared with the original LTP.

- Maximises NZTA funding assistance available, particularly benefiting most asset renewal classes where expenditure will be higher than originally budgeted in the LTP.

- Consolidation of residual local share budgets enables an agile approach to investment in areas of the transportation network with the greatest need. This differs to budgets with matched-funding requirements, where expenditure is confined to a pre-determined work category.

Disadvantages:

- This option represents the lowest level of expenditure on the Arthurs Point bridge and Capell Avenue extension projects. Unless alternative funding and/or delivery arrangements can be made, these projects (and their associated level of service benefits) will be delayed by at least three years and will be dependent on reprioritisation of other capital expenditure via the 2027-37 LTP in order to proceed. As a result of these project deferrals, this option is expected to be most consequential for years four to ten of the LTP.

- Not progressing initial works around the Arthur's Point crossing will negatively affect the likelihood of being able to obtain funding support in the 2027-30 NLTP. Delays in the new bridge has flow on impacts for future investment in three waters infrastructure that relies on the new crossing to enable water and wastewater conveyance from one side of Arthur's Point to the other.

- Reduced renewal expenditure on footpaths and cycleways is expected to result in a deterioration in service levels in these areas over the three-year period.

17. **Option 4: Adjust for enhanced resilience funding assistance rate only – otherwise status quo**

Option 4 effectively retains the status quo, including only minor adjustments to account for the enhanced resilience FAR on relevant project and to correct a small reduction in NZTA funding for environmental renewals. Key expenditure movements relative to budget are summarised below (table 5 refers) and detailed in Attachment A.

Table 5: *Option 4 key budget movements*

Category	Option 4 budget	Variance to original LTP	Variance to current budget
Total budget	**$46.99m**	**($13.46m)**	**$1.62m**
Renewals	$28.47m	($0.56m)	-
Minor improvements	$9.36m	($8.49m)	-
Strategic projects	$1.88m	($4.76m)	-
Resilience	$4.65m	$1.02m	$1.62m
Planning	$2.24m	($0.67m)	-
Travel demand management	$0.38m	-	-

Advantages:

- Minimises changes to current approved adjusted budgets.
- Achieves the greatest level of investment in resilience activities relative to other options.

Disadvantages:

- This option provides for the lowest level of renewals expenditure relative to other options and does not meet the levels of investment signalled in the original LTP. Reducing investment in renewals is unlikely to have short-term implications for service levels, however, increased investment in subsequent years will be required to protect against an impact on levels of service into the future.
- Reduced renewal expenditure on footpaths and cycleways is expected to result in a deterioration in service levels in these areas over the three-year period.
- Minor improvement expenditure across the roading, public transport, and active travel networks will be lower than originally planned in the LTP. At this reduced level of expenditure, there will be fewer interventions that (a) address safety or technical level of service gaps on the roading network, (b) increase the provision of public transport assets (e.g. bus stops), and (c) improve the connectivity/experience of the active travel network.
- Does not make best use of the FY25-27 transportation capital expenditure envelop; some budgets would be left with sums of money that are slightly too low or too high to be practical.
- Around $1.2 million of funding assistance from NZTA will not be uplifted, which is a significant lost funding opportunity.

18. This report recommends **Option 1** for the re-prioritisation of QLDC's 2024/25 – 2026/27 transportation capital expenditure programme because it provides for balanced investment across renewals, minor improvements, major projects, and planning activities. Further the option maximises the utilisation of the available funding assistance from NZTA.

Consultation Process | Hātepe Matapaki

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

19. This matter is of medium significance, as determined by reference to the Council's Significance and Engagement Policy 2024 because the options presented in this report have the ability to influence transportation service levels to varying degrees and could influence the timing of future delivery set down in the adopted LTP.

20. The recommended option seeks to mitigate potential impacts to transportation service levels, allocates spend in a way that is in keeping with the original intention of the LTP budgets, and enables QLDC to uplift the maximum funding assistance available from NZTA.

21. The persons who are affected by or interested in this matter are residents and ratepayers of the Queenstown Lakes District, all users of QLDC's transportation assets and services, NZTA (funder), and to a lesser extent, the Otago Regional Council (provider of the District's public transportation service).
22. The potential effects of reduced NZTA funding were consulted on through QLDC's LTP, with the LTP specifically noting that "Council would be required to reduce the transport programme due to insufficient funding" should funding below QLDC's requested levels be allocated. No further community or iwi consultation is considered necessary for this matter.

Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

23. This matter relates to the financial risk category. It is associated with RISK00013 Unexpected change in cost or funding within the QLDC Risk Register. This risk has been assessed as having a very high inherent risk rating. Approval of the recommended option will allow Council to manage the risk by realigning QLDC's budgets with the approved NLTP allocation, ensuring budgets are accurate and all available funding assistance can be uplifted.

Financial Implications | Kā Riteka ā-Pūtea

24. Approval of the recommended option will increase budgeted FY25-27 capital expenditure by $2.79 million. The $2.79 million increase is offset by additional NZTA funding assistance of $2.79 million, resulting in no net change to QLDC's budgeted local share over the three-year period.

25. The recommended option will change the distribution of FY25-27 transportation capital expenditure between the Whakatipu and Upper Clutha areas. In Whakatipu, expenditure will decrease by around $5.7m relative to the originally adopted LTP, and increase by around $1.9m relative to current approved adjusted budgets. In the Upper Clutha, expenditure will decrease by around $6.6m relative to the originally adopted LTP, and increase by around $0.9m relative to current approved adjusted budgets. Whakatipu's total local share contribution is expected to reduce by around $0.2m, offset by an increase to Upper Clutha's local share contribution of the same value compared to current approved adjusted budgets.

26. Movement in planned expenditure between areas is predominantly driven by:

- NZTA's enhanced resilience FAR primarily benefiting projects budgeted within the Whakatipu area, and

- the greater proportion of spend on renewals in the Whakatipu area (and accordingly the increased quantum of funding assistance from NZTA for renewals relative to LTP assumed funding levels).

Council Effects and Views | Kā Whakaaweawe me kā Tirohaka a te Kaunihera

27. This matter is included in the LTP, and the recommended option is consistent with the LTP:
    - A significant forecasting assumption identified the risk of reduced NZTA funding relative to assumed levels, and noted that the transport programme would need to be reduced should

this occur. The recommended option will result in a reduction to planned transportation capital expenditure over the FY25-27 period relative to the adopted LTP.

- Planned transportation investment is detailed within the infrastructure (transport) activity section. The recommended option enables planned activities to be maintained to varying degrees.

- The LTP identified a significant potential negative effect of a transportation funding shortfall for roading maintenance (particularly reseals and rehabilitations) resulting in the premature degradation of assets. The recommended option achieves planned or greater levels of renewals expenditure by matching available NZTA funding assistance in these renewal categories, and by ensuring sufficient budget is allocated to other critical network management activities such as asset management planning.

Local Government Act 2002 Purpose Provisions | Te Whakatureture 2002 o te Kāwanataka ā-Kīaka

28. Section 10 of the Local Government Act 2002 states the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.

29. The recommended option:
    - will ensure QLDC maximises value-for-money within the approved 2024/25 – 2026/27 transportation capital expenditure funding envelop, without requiring reprioritisation of approved expenditure within other QLDC activities;
    - Can be implemented through current funding allocated in the LTP;
    - Is consistent with QLDC's plans and policies; and
    - Would not significantly alter the intended level of service provision for any significant activity undertaken by or on behalf of QLDC or transfer the ownership or control of a strategic asset to or from QLDC.

Attachments | Kā Tāpirihaka

A	FY25-27 Transport Funding Options

Document revision: 2023-1