

MIN-3565 Local Government New Zealand (LGNZ) Meeting

28 April 2021

Information in preparation for the Minister's meeting with the LGNZ on 6 May 2021

Existing policy about FAR and the NLTP/RLTPs

- As part of the development of each National Land Transport Programme (NLTP), we review and set the Funding Assistance Rate (FAR) for each local authority. This is in line with requirements under the Land Transport Management Act 2003.
- The FARs for the 2021-24 NLTP period were reviewed by the Waka Kotahi Board in August 2020 and rates were confirmed. Waka Kotahi sent letters to councils confirming their rates and also published the rates on our website in August 2020.
- After receiving queries about the basis for changes in the FARs from 2018-21 to 2021-24, we undertook a thorough review of the models and data sets used to calculate FARs going back to 2015. The review identified that some of the data sets used in the 2018-21 FAR model were not the most current available at the time. This resulted in errors in the FAR model for the 2018-21 NLTP period.
- We have corrected the FARs for the 17 Approved Organisations that were disadvantaged and as a result of the error received a lower FAR. We immediately adjusted their FARs for the 2018-21 NLTP period, and affected Councils received a one-off payment to reimburse them for underpayment in the previous two years. Affected councils were contacted and the FAR information on our website was corrected in early December 2020.
- Waka Kotahi is keenly aware of the growing pressure on local government budgets, and on councils' ability to co-invest in local transport infrastructure and services.
- The NLTF is also under significant pressure to meet current commitments and improve the system in line with government priorities and local aspirations. We have advised councils that we are working with the Minister, Ministry of Transport, and the Treasury on a number of funding and financing options that would help the NLTF to fund more activities in the next NLTP period (2021-24) and beyond, but that decisions on these options are still pending.
- There is a significant programme of work already underway across the country funded by local, NLTF and Crown revenue. A significant proportion of the \$13.5 billion anticipated revenue from the 2021-24 NLTF will be needed to meet existing commitments and to fund continuous programmes (for public transport services and road maintenance) at current levels of service. The total minimum spend of \$12.88 billion required across the 11 activity classes further constrains investment choices under the NLTP.
- We have advised local authorities that, without any additional funding or financing, there will be limited room for investment in new improvements to the land transport system. This will constrain the pace and scale of delivery of key results being sought by the GPS – such as large-scale mode shift, significant reductions in deaths and serious injuries, and emissions reduction.

- Waka Kotahi is currently developing the 2021-24 NLTP in line with the GPS strategic direction and current available revenue. The final NLTP will be shaped by ongoing discussions with councils on their continuous and improvement programmes, with Regional Transport Committees due to submit their final RLTPs to Waka Kotahi by 30 June.
- Waka Kotahi will support the Ministry of Transport with any review of the current funding model for land transport, with a view to ensuring that revenue and investment programmes are 'fit for purpose' to deliver a safe, accessible, low-emissions, and resilient land transport system for the future.
- Waka Kotahi has greatly increased its communications and engagement activity with councils on this NLTP round, including newsletters, live calls with the Chief Executive and Executive Leadership Team, attendance at local council meetings, in order meet our stakeholder commitments to be more transparent on our decision making processes and to hear local concerns.

Review of the Investment Decision-Making Framework

- Waka Kotahi appreciates the involvement of LGNZ in the development of the Investment Decision-Making Framework (IDMF).
- There were some initiatives in the IDMF that increased demands on local government, including the requirement to identify the contribution to a GPS priority for inclusion of an activity in the NLTP and to identify benefits in a business case to enable monitoring of benefits.
- Waka Kotahi developed initiatives in the IDMF that sought to reduce complexity and bureaucracy, such as:
 - enabling funding of low-cost low-risk activities up to \$2 million (increased from \$1 million)
 - the ability to use a simplified business case for projects under \$15 million
 - no longer requiring an external peer review of business cases for projects less than \$15 million
 - introducing tools to assist with option selection, simplified procedures for calculating a benefit cost ratio for projects under \$15 million and reducing the information requirements for prioritisation.
- The IDMF was finalised and came into effect for all new business cases from 31 August 2020.
- Waka Kotahi is committed to working with LGNZ to address concerns that some of their members have raised about increased system complexity and bureaucracy.
- Following the release of GPS 2021, we consulted on the draft Investment Prioritisation Method (IPM) for the 2021–24 NLTP and LGNZ participated in this process.
- The IPM was finalised in December 2020 and replaces the Investment Assessment Framework used for the 2018-21 NLTP.
- The IPM applies to activities proposed for the 2021–24 NLTP and will be used to give effect to the GPS 2021.
- It includes moving from two prioritisation factors to three (as was the case before 2018), to give effect to the GPS 2021. This also includes the three-factor priority order matrix and the Indicative Efficiency Rating tool to prioritise activities for inclusion in the 2021–24 NLTP.