

# 22/23 ANNUAL PLAN – UPDATE 2

## SM018 Three-year Plan Instructions Manual 21-24

23 MAY 2022

VERSION 1

### PURPOSE

As a follow up to SM018: Addendum F, this update is to outline the need to readjust our total programme and budget to within the Allocations provided so that we can successfully complete our 22/23 Annual Plan submission. The completed tasks are due by **COB10<sup>th</sup> June 2022**.

Please understand that you do not need to do a programme reprioritisation by the 10<sup>th</sup> June. However, you may need to based on the outcome of your submission, in time for the September baseline setting.

**You will need to update your Annual Plan for any changes and upload RM approved June version to infoHub (replacing that submitted 15<sup>th</sup> March).** This is necessary so that the allocation for 22/23 can be prepared for release in SAP in July.

### BACKGROUND

The submissions received on the 15<sup>th</sup> March, when collated with our national risk allowance, totalled to an oversubscribed NLTP budget. This appears to be for a variety of reasons:

- Minor changes to the forward work programme,
- Some budgets that were moderated through the original process have been reinstated,
- Some structures budgets have increased,
- Oversubscription of risk allowances (e.g. escalation),
- Other minor items.

The total cost increase is reasonably manageable; however we are seeing ongoing trends of construction costs increasing above the NLTP rates used (of 10 to 15%). For example, this year, we delivered roughly 10-15% less than our forecast but for the same dollars as the full programme.

As a national team, for the remainder of the NLTP we have currently proposed a programme that we believe is undeliverable. In general terms, contracts in the South Island are less of a risk, and North Island contracts are proposing a stretch target programme.

For context, the largest annual programme we have ever delivered is around 2250 lane km of renewals, and the current request is for 2731 lane km for 22/23.

Note – individual networks must stay within their allocated budget. If your NOC has had a major approved risk land, this is separate from our calculations for your individual network, however it does affect the overall national budget (e.g. large variation, retender cost increases). You still need to stay within your readjusted budget including your approved variation (i.e. where a CMR has been accepted).

# TASKS

For the June 10<sup>th</sup> delivery we need to see four things:

- Confirmation that you can deliver your programme (RM approved),
- Confirmation that you can deliver your programme within your budget, cognisant of any likely rate escalation and risk,
- Provide explanations for any movement between the 200 and 100 series,
- Update your AP submission to reflect the above three items.

## Rules

114 and 215 structural funds are to remain untouched and will be managed separately.

Keep to the principles outlined originally for the 21-24 NLTP (table 1, see also [Annual Plan HIP page](#)).

## Deliverability

Confirmation that you can deliver your programme for each WC attached to the FWP (see example, Appendix A). For each key work category, you will need to confirm with your CMT that you are confident you can deliver. These need to be endorsed by your System and Regional Managers.

Key dependencies should be highlighted and risk mitigations for any major issues (e.g. foam bitumen supplier, high PSV chip) noted.

Note that some networks are forward loaded in year 2, and some smoothing into year 3 may be desirable.

**OUTPUT: Update the deliverability on “Deliverability” tab (provided as a tab in 22.23 Annual Plan review (NETWORK NAME) spreadsheet) and provide to SM and RM for approval. Add these confidence values to the “22.23 Detailed Summary” tab.**

*Note, we will be discussing some of the larger programmes with their boards this week, as we can already see a lack of resource being a major issue, particularly in the North Island.*

## Affordability

As noted, total bid costs for the FWP are generally coming in 10-15% higher than our NLTP bids across activities, particularly WC's 212 and 214.

Work through your current programme affordability when considering your historic spend vs annual plan budget.

It is expected that there are a variety of reasons for increased rates, however we all need to manage these within our total allocation/forecast. Hence, if you believe your rates are correct, you can keep your FWP as is. However, you have to manage this within your allocation, so setting your own risk allowance now will save you having to change the FWP during season if the rates do increase.

**OUTPUT: Provide an updated FWP length in the “22.23 Detailed Summary” tab (provided as a tab in 22.23 Annual Plan review (NETWORK NAME) spreadsheet) taking deliverability and affordability into account.**

## **200 series to 100 series justification**

Go through the “22.23 Annual Plan Review (NETWORK NAME)” spreadsheet, provided in your respective Infohub folders, that shows the change flow from the 200 series to the 100 series. Provide explanations in Column V for each of the line items that have been highlighted, particularly any of those that breach the original principles agreed (table 1).

For those changes that you want to keep the same, you need approval from your SM - as per the normal CMR process (e.g. AIA approval).

**OUTPUT: Address all line items in the sheet provided for your network, with appropriate reviews.**

## **22.23 Annual Plan submission**

As previously stated, this review will likely result in some changes to the 22.23 Annual Plans that were submitted 15<sup>th</sup> March 2022. You will need to update your Annual Plan for any changes and upload the RM approved June version to InfoHub (replacing the plan submitted 15<sup>th</sup> March). This is necessary so that the allocation for 22.23 can be prepared for release in SAP in July.

**NETWORK NAME 22.23 Annual Plan (REVISED Jun\_22)**

Table 1: Original NLTP principles

Topic	Decision	May 2022 notes
Asset Growth from capital improvement projects	To be managed within allocation	Still applies
Reactive maintenance	Allocations adjusted to historical spend	Still applies
Professional Services, Vegetation control and Environmental renewals	50% reduction from bid	Still applies
Deliverability	Funding to be released based on confidence on delivery. 95% programme to be released	ACTIONED
Mix of funds held regionally v funds released upon need	Funding for some uncertain activities e.g. TTM variations, re-tender costs – are held centrally and released upon need.	Still applies
Bridge Replacement - 216	Excluded from regional bids	Now includes all Structure non-NOC activities.
Pavement and Surfacing programmes	Maximise length by exploring alternatives and introduce measures to ensure quality outcomes.	Already applied

## SUMMARY

The three-year allocation has already been provided and NLTP submissions approved, this is a rebasing exercise that reflects:

- a) Year 1 actuals, e.g. realised risk, increased FWP costs,
- b) Year 2 and 3 revised programmes e.g. large programmes for all Networks,
- c) Movement within the 200 and 100 series.

This requires a quick turnaround, so that we can confirm your budgets by late June. Note that adjusting the programme is to come after this process has been completed.

If you require any further information or clarification please do not hesitate to contact [Rochelle.Leach@nzta.govt.nz](mailto:Rochelle.Leach@nzta.govt.nz) or [Cara.Lauder@nzta.govt.nz](mailto:Cara.Lauder@nzta.govt.nz)

## APPENDIX A

Network: DO NOT USE - EXAMPLE ONLY – USE THE ACTUAL VERSION IN THE SPREADSHEET							
Programme	Planned quantity (lane.km)	22.23 Preseal repairs complete (%)	Preseal repairs (expected) completion by EOFY (%)	I&D Completion (%)	Confidence rating in delivery (%)	Dependencies (e.g. materials, subcontractor)	Comments to support confidence levels
212 CS	200	65	70	90	90	Repair crews - 3 internal and branch based, 2 externals needed for c. 3 weeks.	Were able to deliver 190 last year, but it was a stretch. Currently discussing delivery of 180 lane.km. All pre-reseal repair dependent
212 SCRIM	10	0	10	75	75		
212 AC	2	0					
212 AC SCRIM	1					GMA issues - working on early delivery of chip	
214 AWT	20	NA	NA	75	100		One RHAB design 90% complete and the other approx. 60%. Test pits and Geometrics are underway.
214 SAC	1	NA	NA	75	100		
<b>Total programme</b>	<b>234</b>		<b>Weighted delivery total</b>		<b>209</b>		