NZ Transport Agency Waka Kotahi initial Performance and Efficiency Plan

NZ TRANSPORT AGENCY
WAKA KOTAHI

Te Kāwanatanga o Aotearoa
New Zealand Government

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More information

NZ Transport Agency Waka Kotahi
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About this plan

Purpose and scope

This *Performance and Efficiency Plan* (PEP) outlines the work underway to improve NZ Transport Agency Waka Kotahi (NZTA) and other road controlling authority (RCA) management of costs, risks and project development that will lead to more efficient and effective delivery of state highway and local road improvements, better road maintenance outcomes and value for money.

The plan has been prepared in response to the draft Government Policy Statement on land transport 2024–27 (GPS), which sets out that 'NZTA will be expected to develop a PEP that will drive performance and efficiency across all transport investments.' It was prepared, finalised and sent to the Minister of Transport on 26 June, prior to the finalisation of the GPS. For this reason, the document refers to the draft GPS rather than the final GPS that was announced on 27 June 2024.

It's important to note that the Investment Prioritisation Method (IPM, described further on page 40) is a key mechanism to support NZTA to assess and prioritise NZTA and RCA activities for inclusion in the National Land Transport Programme (NLTP), ensure the NLTP gives effect to the GPS, and ensure only activities that are consistent with the GPS are approved for National Land Transport Fund (NLTF) funding.

This plan summarises desired future performance in certain areas and how this will be assessed across NZTA and RCA delivery. In many cases, how we'll measure and demonstrate these improvements requires time to ensure that our response to the GPS has been fully formed and we have sufficient baseline data. Our initial focus is on monitoring delivery against planned milestones, and in parallel, we will continue to confirm and refine performance measures.

The plan must identify how NZTA and RCAs will:

- improve the management of benefits, costs, risk and uncertainty at the programme and activity class level
- increase the capability and capacity of the transport sector
- improve asset management practices across the sector
- provide analysis to inform price/quality trade-offs for maintenance and operations expenditure
- ensure business case and cost estimation reflect best practice
- manage overheads and back-office costs
- respond to the wider ministerial expectations in Section 5 of the GPS 2024
- meet the outcomes the government expects will be achieved in GPS 2024, including:
    - achieving long-term maintenance outcomes of 2 percent rehabilitation of the state highway network each year
    - achieving long-term maintenance outcomes of 9 percent resurfacing of the state highway network each year

— increasing requirements for potholes to be fixed within 24 hours, and

— reducing expenditure on temporary traffic management.

The scope of the initial plan covers:

- state highway pothole prevention
- state highway operations
- local road pothole prevention
- local road operations
- state highway improvements
- local road improvements.

The plan also confirms the scope and role of the refocused Road Efficiency Group.

The NZTA Board is accountable for delivery against the plan and will monitor performance against it alongside monitoring of statutory accountability documents required by the Crown Entities Act 2004 (statement of intent (SOI) and statement of performance expectations (SPE)) which will be finalised by 30 June.

Approach to developing the Performance and Efficiency Plan

Letter of expectations

I expect NZTA to develop a Performance and Efficiency Plan in consultation with the Ministry of Transport. NZTA should leverage existing monitoring systems and processes ensure maximum alignment with the agreed outcomes and priorities in the GPS and ensure that NZTA and local authorities can work towards a common central monitoring approach.

Given time constraints and the need to prioritise statutory accountability documents, we've taken a phased approach to developing this plan. Alongside this work, we're establishing our work programme in response to the draft GPS 2024, where our initial focus has been on ensuring the Minister of Transport's 10 priority actions are well underway.

We'll continue to refine the plan as our response to the draft GPS is further initiated and once the NLTP is adopted by the NZTA Board in August 2024.

Further time and effort are needed to ensure performance measures are in line with relevant comparators, in particular in Australia and based on findings from the New Zealand Infrastructure Commission report on asset management maturity in New Zealand, which is yet to be released.

This initial plan includes:

- describing current state performance and efficiency challenges, and barriers and desired future state performance
- explaining how we'll meet each of the objectives of the plan, including expectations for providing evidence of efficiency and performance improvements

- identifying where more work is needed to provide evidence of meeting the expectations in the GPS
- confirming the scope and functions of the Road Efficiency Group.

Further work to demonstrate performance against these objectives will be confirmed following the minister's feedback on the initial plan. With work beginning in the new financial year to refine our response to GPS 2024 and new government direction on road safety, there's an opportunity to better align our wider performance framework to the objectives of the PEP.

Some improvements to the initial plan will be available at the end of the first quarter of 2024/25. Where additional information is being established, expected availability is included under each of the objectives outlined in this document.

The plan has been developed in close collaboration with the Ministry of Transport and based on ministry guidance. Material in the plan has been informed by the draft GPS, including GPS ministerial expectations and the minister's Letter of expectations.

Monitoring and reporting

Alignment to GPS ministerial expectations

- Demonstrate how NZTA is giving effect to Ministerial expectations in the GPS. Existing NZTA reporting mechanisms are likely to be used wherever possible in this reporting. Possible mechanisms include:
  - Statement of Intent and Statement of Performance Expectations
  - Assessment of how the NLTP gives effect to GPS 2024
  - Annual Report on the NLTF and Annual Report
  - Annual reporting on matters relating to the RNIP
- Reporting on barriers to delivery: NZTA is expected to identify and report to the Minister every six months on any regulatory or other government-controlled barriers to timely delivery, including what changes are needed to reduce project costs and speed up delivery.
- Reporting on expenditure on temporary traffic management on a quarterly basis and reducing this expenditure while maintaining the safety of workers and road users. The initial report will include calculated expenditure on traffic management for each of the three previous financial years to provide a baseline for future savings.

Letter of expectations

I expect to regularly receive the following information from NZTA, and will work with you as Chair to mutually agree on the frequency and threshold for this reporting:

- A briefing summarising where each NZTA capital project in delivery is tracking against its delivery timeframe and cost. I will work with you as Chair to determine what this briefing should include.
- An exceptions report outlining where any maintenance, renewals or capital projects are tracking outside of the estimated cost and delivery timeframe (by a mutually agreed percentage). Where projects are not on track, I expect the reasons for this to be explained in the report. The report should also include an outline of what is being done to return the project to the expected timeframe and cost.

There's overlap between the draft GPS direction, ministerial expectations in the draft GPS, the minister's Letter of expectations and the objectives of the PEP (see figure 1).

We've streamlined monitoring and reporting on these expectations by embedding our response in our SOI and SPE, as our primary performance setting mechanisms, to the extent possible. Detailed information in the PEP augments what's in the SOI and SPE.

Our quarterly report to the minister is being reset in the first quarter of 2024/25 to reflect the new SOI and SPE, and incorporate reporting on the PEP requirements. This work will

integrate with the wider Crown monitoring approach, which supports the Ministry of Transport's role as the monitoring agency for the NZTA (this is a legislative requirement as per the Crown Entities Act 2004).

A GPS work programme and oversight group has been established at NZTA to develop, agree and deliver plans for NZTA actions in the GPS 2024 and ensure the actions led by others are appropriately supported.

We anticipate some areas will require more frequent reporting to the minister, for example on the delivery of the Roads of National Significance (RoNS) programme and temporary traffic management (TTM) improvements, and we are working through this with the Ministry of Transport.

A summary of what we'll monitor and measure under the PEP is included on page 10.

Further work is underway to align Road Efficiency Group reporting.

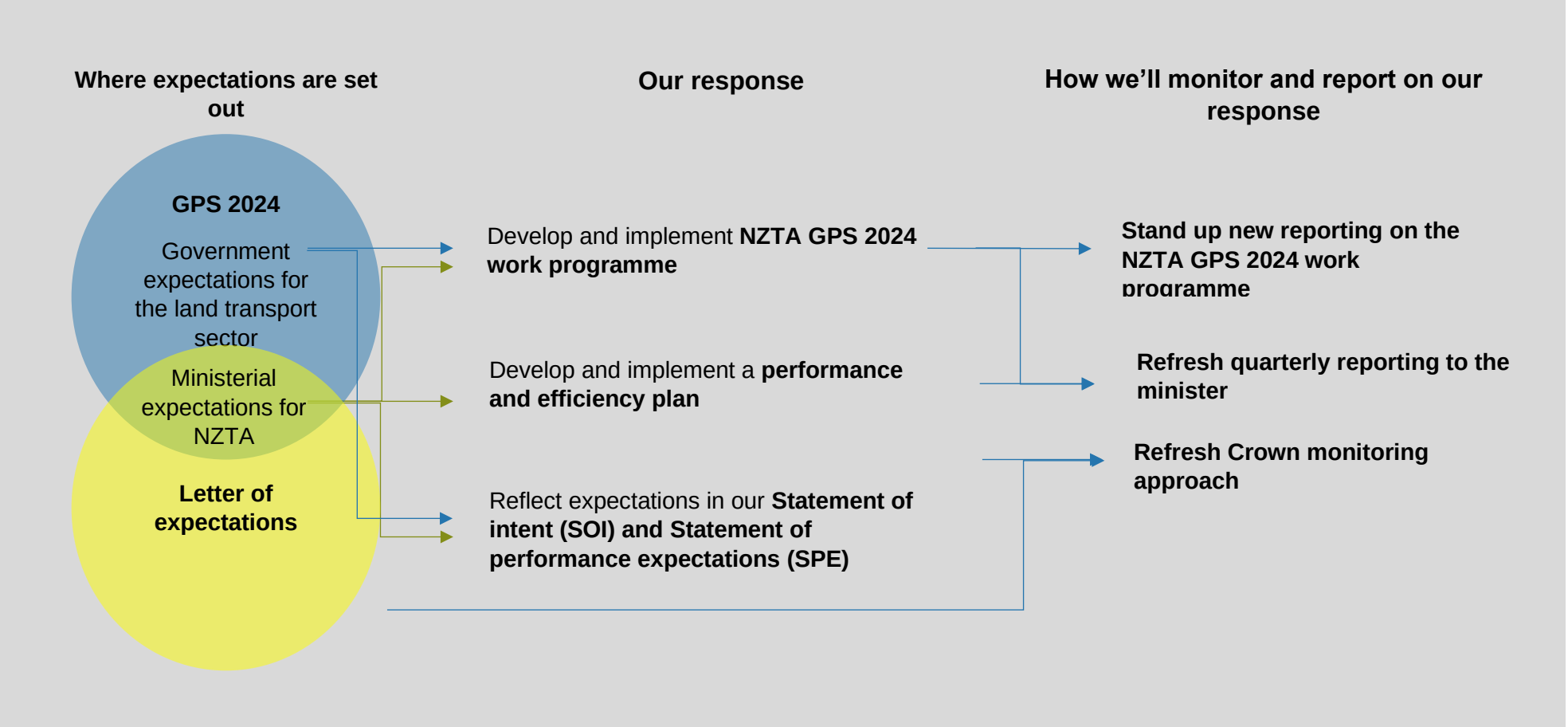

Figure 1 – relationship between performance expectation-setting mechanisms and reporting

Consolidated view of results and measures that will be reported

This table summarises the activities that NZTA will deliver to improve performance and efficiency and how these will be measured. More qualitative measures will be included as activities are implemented and baseline data and information is collected.

Results	What we will monitor and measure	Status	Updates available
Improve the management of benefits, cost, risk and uncertainty at the programme and activity class level			
Comprehensive and consistent forecast benefits data	Information on investment in NLTP toward land transport benefits	Being established	September 2024
Regularly collected benefits management and realisation data	Benefits management reporting approach	Being established	TBC after adoption of the NLTP
Delivery of RoNS programme	Delivery milestones and benefit profiles	Being established	TBC
Delivery of state highway and local road improvements and operations to plan	SPE measures (refer page 37): • Proportion of state highway improvement activities funded by the National Land Transport Fund delivered to agreed standards and timeframes (budget and milestones) • Proportion of local road improvement activities funded by the National Land Transport Fund delivered to agreed standards and timeframes • Proportion of state highway operations activities delivered to agreed budget • All councils have a network asset management plan maintained to agreed standards • Proportion of local road operations activities delivered to agreed budget.	Being finalised in SPE	Annually
	Increased proportion of new state highway projects with standardised designs	Being established	TBC

Results	What we will monitor and measure	Status	Updates available
Portfolio cost management	Monitoring of capital improvement project costs against baseline	Established	Quarterly
Portfolio risk management	Improved identification and monitoring of programme risk	Being established	TBC
	Interim measure: proportion of risks rated green (managed)	Established	Quarterly
Safe, efficient and effective TTM	Reporting against milestones: • implementation of NZ guide to TTM – October 2024 • new capital works – end April 2024 • into maintenance contracts – early 2025 • review of TTM sites – ongoing • new audit and assurance processes – pilot June/July, implementation September-October • expenditure on TTM – baseline costs being established by July 2024 (detailed on page 16).	Established	July 2024, then quarterly
	TTM performance measures	Being established	Report to REG October 2024 then quarterly
Assurance that NZTA investment is being well managed and is	Proportion of technical and procedural approved organisation investment audits completed against plan	Established	Quarterly
	Proportion of technical and procedural approved organisation investment audit recommendations that have been responded to	Established	Quarterly

Results	What we will monitor and measure	Status	Updates available
providing value for money	Proportion of approved organisation audit ratings that are effective, some improvement needed, significant improvement needed and unsatisfactory	Established	Quarterly
Increase the capability and capacity of the transport sector			
Better supplier cost management	Baseline data on PACE scores for suppliers	Being established	From Jan 2025[3]
	Supplier costs with more granularity to allow for better comparison	Being established	From April 2025[3]
Improved capability and capacity of maintenance suppliers	Delivery of IDM and integrated delivery contracts (IDC)	Underway	From December 2024 then quarterly
	IDM performance measures	Being established	TBC
Risk-based approach for temporary traffic management	Support for the delivery of new TTM national training and competency framework (led by TTM industry steering group)	Underway	From end of 2024
Improve asset management practices across the sector			
Improved asset condition (state highway)	SOI and SPE measures (refer page 37): • Proportion of the state highway network that meets minimum asset condition requirements • Expenditure on state highway renewals as a proportion of depreciation (asset sustainability ratio) • Percentage of network with rehabilitated pavement • Percentage of network pavement renewed	Finalised by 30 June	Quarterly or annually - TBC

Results	What we will monitor and measure	Status	Updates available
	• Cost per lane km pavement rehabilitation • Cost per lane km pavement renewal • Percentage of potholes repaired within 24 hours from being logged by contractors.		
Strategic asset management	Delivery of IDM and integrated delivery contracts (IDC).	Underway	From December 2024, then quarterly
	IDM performance measures.	Being established	December 2024
Asset management maturity	Reporting in line with CO 23 (9).	Underway	Quarterly to Treasury
	Transition to compliance with CO (23) 9 through chief executive attestation letter.	Being established	July 2024, then annually
Provide analysis to inform price/quality trade offs			
Further work is needed to define how we will demonstrate progress under this objective			
Ensure business case and cost estimation processes reflect best practice			
More effective and efficient business case process	Delivery of step change in project development (business case) process	By December 2024	Quarterly
	Delivery of cost estimation improvements	Underway	TBC
	Interim: business case approval timelines – proportion of decisions made within 35 days (includes decisions where board approval is required)	Established	Quarterly
	Business case performance measures	Being established	Late 2024, frequency TBC
Manage overhead and back-office costs			

Results	What we will monitor and measure	Status	Updates available
Increased focus and transparency on performance and efficiency	SPE significant activities: • Begin reporting on phase 1 of the Performance and Efficiency Plan required under GPS 2024 to drive performance and efficiency across all transport investments and continue working with the Ministry of Transport to refine the plan. • Deliver an internal effectiveness and efficiency plan aligned with the Performance and Efficiency Plan.	Established	Quarterly
Reduced overheads and increased value for money	NZTA effectiveness and efficiency reporting	Established	Briefing to minister June 2024, then quarterly
Minimised costs of managing the funding allocation for the NLTP	SPE measure: • Proportion of total cost of managing the investment funding allocation system to National Land Transport Programme expenditure – target 1% or less for 2024/25, reducing from 2025/26.	Established	Annually

Detailed analysis of performance and efficiency objectives

This section provides detail on the current and desired future state for each of the PEP objectives.

Improve the management of benefits, costs, risk and uncertainty at the programme and activity class level

Alignment to GPS ministerial expectations

- Maintain a tight control on project scope and cost.
- Project specifications should take a “no frills” approach, focusing on delivery of the primary transport objectives that most cost-effectively deliver on the strategic priorities in this GPS.
- Focus on whole of life costs to maximise long-run value.
- Reduce TTM expenditure while maintaining the safety of workers and road users.
- Standardise the delivery of building and maintaining roading infrastructure, while remaining open to new models of delivery that are likely to result in better and smarter services and/or lower costs.
- Ensure that these expectations are, to the extent applicable, incorporated into the requirements placed on other road controlling authorities as a condition of the inclusion of their projects in the NLTP.

Current state

We need to strengthen benefit data collection and mature our benefit monitoring systems and processes. This work is underway as part of developing the 2024–27 NLTP. Measuring the benefits of transport investments can take time and be complex, for example, to ascertain the impact of investment against other factors that can influence the benefits of a project. Some benefits are more easily established than others. Previous GPS evaluations commissioned by the ministry have confirmed this.

We follow NZTA standard guideline for cost estimation (SM014) and project costs are accounted for and reported using Transport Investment Online. We apply standard techniques for assessing risk in a business case and as a project proceeds through the lifecycle. However, risk is being underestimated in some cases resulting in cost increases outside of estimates to complete.

Cost estimation manual (SM014)

Desired future state

Capital project delivery

We’re working to improve the consistency of benefits identification and measurement across investments, to ensure we understand the impact of individual projects and programmes across geographical areas, investment types and nationally. This includes building additional

functionality in our systems and processes to ensure adequate baseline benefit information from NZTA and RCAs is supplied in investment proposals. We're also developing a new benefit tracking and reporting process. Specific benefit information for RoNS projects will be required to ensure value for money and public benefit.

To better manage costs, we're proposing to work toward a decision-led project development process for the RoNS. This will include setting a budget up front and working to that budget at key decision points throughout the project. It also means getting clearer on macro-scope earlier in the project and bringing key decisions earlier to decision makers so important trade-offs can be made at the right time.

We're introducing an addendum to our cost estimation practice, to improve quantification of risk at each project stage and to recognise this in cost-risk certainty. These measures will help projects deliver within budget, driven by a better understanding of cost estimates and robust risk assessment when investment decisions are made.

We're currently reviewing all live projects over $50 million to check for value for money, whole-of-life costs, alignment with the draft GPS and to identify any 'frills' that could be considered for removal. A similar lens is being applied at the project initiation stage of the RoNS projects and will be maintained throughout the project life cycle, keeping a focus on the scope that most cost-effectively delivers on the strategic priorities of the draft GPS.

We are also preparing standardised designs for use on the RoNS projects. These are intended to standardise as much as possible key elements of the projects, therefore reducing design work by professional service suppliers and creating economies of scale in delivery.

We are proposing to adopt the internationally recognised project, programme and portfolio management (P3M) model for all projects being delivered by Transport Services. This is designed to reduce complexity, enable faster decision making, increase transparency and accountability of what we're being asked to deliver and lift our overall performance in project delivery.

Temporary traffic management (TTM)

Together with construction supply chain partners, we're moving at pace to implement the *New Zealand Guide to Temporary Traffic Management* (NZGTTM), a new risk-based approach for TTM, across the state highway network. The approach supports consideration of site-by-site risk so safety management can be right-sized to the risk and context and therefore be more efficient. The guide is now being applied to new capital contracts, and we expect maintenance and operations contracts to transition from 2025 in line with the new Integrated Delivery Model (IDM). We are working with 4 maintenance and operations supply partners to road-test the approach.

New Zealand Guide to Temporary Traffic Management

The significant uplift in high-quality renewal activities over a sustained period will reduce the requirement for smaller fixes and low-risk activities, therefore reducing TTM equipment and costs overall.

The Road Efficiency Group will work with the existing industry steering group and NZTA to support local government to embed this work, and will monitor and report TTM productivity and expenditure on behalf of all RCAs.

The method used to generate the baseline data for the TTM expenditure includes actual costs where available and a sampling and extrapolation approach where required for contracts where there was no TTM costs data either in NZTA or in contractors' systems.

The method includes:

1. obtaining TTM expenditure data from a sample of Network Outcome Contracts and alliances (those that have the information available). The actual data comes from multiple suppliers across multiple types and sizes of work of work and size of work and multiple regions across years.
2. from this sample, estimating total national wide TTM costs taking into account all works activities
3. calculating the estimated total spend on TTM as a percentage of all NZTA expenditure on state highway improvements and maintenance for the last four financial years (the figures calculated are consistent with costs used in other locations, for example capital works with the Christchurch rebuild)
4. applying a correction factor of 2% to account for any sampling bias.

System and data improvements

The upgrade of our enterprise resource planning system (ERP) will be our primary focus for system improvements in the short term and will constrain our ability to progress other improvements for the next 1–2 years. However, the benefits from this investment will be long-term and allow us to leverage modern, more efficient ERP features and functionality, such as improved user interfaces and useability, better access to data and improved reporting enabling greater responsiveness.

The Road Efficiency Group Consistent Condition Data Collection project will provide nationally consistent condition data for all sealed local roads from 2025 onward, to allow greater insight into road maintenance performance and where to apply funding. The state highway pavement data survey project will increase state highway surveys from once every 3 years to annually, greatly improving condition data for the state highway asset and enabling improved and targeted investment.

Our work to roll out the IDM (detailed on page 43) is a key enabler of this objective.

How we will demonstrate progress

Results	What we will monitor and measure	Status	Available
Comprehensive and consistent forecast benefits data	Information on investment in NLTP toward land transport benefits	Being established	September 2024
Regularly collected benefits management and realisation data	Benefits management reporting approach	Being established	TBC after adoption of the NLTP

Results	What we will monitor and measure	Status	Available
Delivery of RoNS programme	Delivery milestones and benefit profiles	Being established	TBC[1]
Delivery of state highway and local road improvements and operations to plan and budget	Increased proportion of new state highway projects with standardised designs	Being established	TBC
	SPE measures (refer to page 37): • Proportion of state highway improvement activities funded by the National Land Transport Fund delivered to agreed standards and timeframes[2] • Proportion of local road improvement activities funded by the National Land Transport Fund delivered to agreed standards and timeframes • Proportion of state highway operations activities delivered to agreed budget • All councils have a network asset management plan maintained to agreed standards • Proportion of local road operations activities delivered to agreed budget.	Being finalised in SPE	Annually
Portfolio cost management	Monitoring of capital improvement project costs against baseline	Established	Quarterly
Portfolio risk management	Improved identification and monitoring of programme risk	Being established	TBC
	Interim measure: proportion of risks rated green (managed)	Established	Quarterly

[1] As per the 2024/24 Letter of expectations for NZTA, the NZTA Board Chair and Minister of Transport will mutually agree the frequency and threshold for regular capital projects reporting.
[2] Includes budget and milestones. These measures will also be appropriately linked to the RoNS measures once established.

Results	What we will monitor and measure	Status	Available
Safe, efficient and effective TTM	Reporting against milestones: • implementation of NZG TTM – October 2024 • new capital works – end April 2024 • into maintenance contracts – early 2025 • review of TTM sites – ongoing • new audit and assurance processes – pilot June/July, implementation September-October • expenditure on TTM – baseline costs being established by July 2024 (detailed on page 16).	Established	July 2024 then quarterly
	TTM performance measures	Being established	Report to REG October 2024 then quarterly
Assurance that NZTA investment is being well managed and is providing value for money	Proportion of technical and procedural approved organisation investment audits completed against plan	Established	Quarterly
	Proportion of technical and procedural approved organisation investment audit recommendations that have been responded to	Established	Quarterly
	Proportion of approved organisation audit ratings that are effective, some improvement needed, significant improvement needed and unsatisfactory	Established	Quarterly

More information on investment audits is included in appendix 5 (page 44)

Increase the capability and capacity of the transport sector

Alignment to GPS ministerial expectations

- Choose the most advantageous combination of whole of life cost and infrastructure quality to meet a “no frills” specification that delivers the primary transport objective of the project in the most cost-effective manner
- Reduce TTM expenditure while maintaining the safety of workers and road users.
- Keep costs under control and identifying savings that can be reinvested back into maintaining or improving the network.

Current state

There is ongoing pressure on internal resource and supply chain capacity that we’re actively managing, including assessing resourcing requirements to deliver on existing and new commitments. We continue to experience unprecedented cost challenges (property, material and labour).

We know that an uncertain investment pipeline limits the sector’s ability to invest in capability and equipment. Several areas of the draft GPS aim to address this issue, including the fast tracking of consents for major infrastructure projects and ten-year investment planning.

The Network Outcome Contract (NOC) form is not well suited to our current economic environment, carries the risk of insufficient capability being available to effectively manage state highway assets, and lacks incentive to drive improved quality and value add from our suppliers.

Desired future state

Central to a lift in capability and capacity is the new Integrated Delivery Model (IDM), which will take more of the asset management function in-house to NZTA, letting supply partners focus on delivery. We’ll establish a model for each region with a lead contract in place along with a panel of approved contractors. If non-performance is identified by the lead contractor, NZTA will be able to go to the panel where other contractors can bid on the contract.

Smaller contractors will have the opportunity to bid for work through the IDM. Alongside, they will get a better understanding of the pipeline of work, offers to improve their accreditation and understanding of environmental plans. This will raise their capability and allow them to compete more effectively.

Procurement initiatives led by NZTA will support the IDM and will include performance assessment by coordinated evaluations (PACE) which establish how well contractors are delivering. We’re increasing our internal capability and practices to make assessments. We are also establishing more granular supplier cost data to allow for better cost insight and comparison, and pre-qualification (eg financial due diligence) before entering into agreements.

Through the TTM programme (described on page 16), we will be supporting the delivery of a new national training and competency framework, proposed by an industry-led working group, to uplift skills the sector needs to support the shift to risk-based TTM.

The State Highway Investment Proposal 2024–34 (SHIP) amounts to a large work programme over the next 10 years. It provides the sector with the pipeline of work to build capacity and capability over the first 3 years, to help deliver an even larger programme in years 4 to 10. The 17 RoNS are also being phased to support greater certainty on the future pipeline of both professional service and construction works.

The SHIP also proposes to improve capacity and capability over 2024–27 so that by 2027–30 we can sustainably deliver at the scale and pace required for better cost and value for money, including through standardised approaches and the consistency of construction approach.

The refocused scope and functions of the Road Efficiency Group and its forward work programme in response to the draft GPS 2024 is a key mechanism to support this objective (see page 34).

How we will demonstrate progress

Results	What we will monitor and measure	Status	Available
Better supplier cost management	Baseline data on PACE scores for suppliers	Being established	From Jan 2025[3]
	Supplier costs with more granularity to allow for better comparison	Being established	From April 2025[3]
Improved capability and capacity of maintenance suppliers	Delivery of IDM and integrated delivery contracts (IDC)	Underway	From December 2024 then quarterly
	IDM performance measures	Being established	TBC
Risk-based approach for temporary traffic management	Support for the delivery of new TTM national training and competency framework (led by TTM industry steering group)	Underway	From end of 2024

[3] This is being rolled out incrementally across all suppliers and data will be available quarterly, with increasing coverage over time. Cost data at individual supplier level will be access-restricted to key NZTA employees. Results will be aggregated.

Improve asset management practices across the sector

Alignment to GPS ministerial expectations

- Exercise the highest level of stewardship of its assets and investment funding to enable the people of New Zealand to prosper.
- Select and fund activities and projects that will make the greatest contribution to the government's long-term goals and strategic priorities outlined in this GPS.
- Choose the most advantageous combination of whole of life cost and infrastructure quality to meet a "no frills" specification that delivers the primary transport objective of the project in the most cost-effective manner.

Current state

The state highway network has degraded over the last decade and is under significant pressure due to a combination of unprecedented travel demand, extreme weather events and past under-investment in maintenance. There is increasing pressure on sector capacity and resources.

We continue to focus on lifting our asset management maturity through improving our data and measures of asset condition, service level performance data and analytics, and lifecycle asset management plans that target interventions to maintain levels of service for least cost. We have received a draft report from the Infrastructure Commission on asset management for infrastructure agencies which shows our performance as core, intermediate and advanced in different aspects. The recommendations contained in the report are closely aligned with our asset management maturity programme and we will continue to use this and other relevant benchmarking to refine our desired future state and how we will measure it.

Desired future state

Our SOI targets improved condition of the state highway network and improved asset sustainability. We have made the activity class changes required by the draft GPS to ensure that maintenance funds are prioritised and ring-fenced for road resealing, road rehabilitation and drainage maintenance. Our SPE sets targets for increasing levels of renewal and rehabilitation of the state highway network and fixing 90% of potholes within 24 hours of being logged by contractors.

The SHIP proposes increasing our maintenance programme to deliver greater safety and resilience outcomes, as well as strengthen key freight routes. The proposal includes a large programme of work for the next decade, recognising the current state of the network, including the impacts of recent extreme weather events, and the work required to halt the decline in asset condition and to return it to previous levels of service. We are updating our state highway activity management plan to align with the SHIP.

Activities planned under the IDM through to December 2024 include setting the integrated maintenance and renewal framework and asset management targets. Procurement under the new model will begin from January 2025.

An asset management data standard is being rolled out in collaboration between NZTA and the sector to improve the management of land transport asset information and to support evidence-based decision making.

NZTA is transitioning to full compliance with Cabinet Office Circular 23 (9) on investment management and asset performance and reports regularly to the Treasury as part of quarterly investment reports.

Cabinet Office Circular 23 (9): Investment Management and Asset Performance in Departments and Other Entities

The refocused scope and functions of the Road Efficiency Group and its forward work programme in response to draft GPS 2024 is a key mechanism to support this objective (see page 34).

How we will demonstrate progress

Results	What we will monitor and measure	Status	Available
Improved asset condition (state highway)	SOI and SPE measures: • Proportion of the state highway network that meets minimum asset condition requirements • Expenditure on state highway renewals as a proportion of depreciation (asset sustainability ratio) • Percentage of network with rehabilitated pavement • Percentage of network pavement renewed • Cost per lane km pavement rehabilitation • Cost per lane km pavement renewal • Percentage of potholes repaired within 24 hours from being logged by contractors.	Finalised by 30 June	Quarterly or annually - TBC
Strategic asset management	Delivery of IDM and integrated delivery contracts (IDC)	Underway	From December 2024 then quarterly
	IDM performance measures	Being established	December 2024
Asset management maturity	Reporting in line with CO 23 (9)	Underway	Quarterly to Treasury
	Transition to compliance with CO (23) 9 through chief executive attestation letter	Being established	July 2024 then annually

Provide analysis to inform price/quality trade-offs for maintenance and operations expenditure

Alignment to GPS ministerial expectations

- Choose the most advantageous combination of whole of life cost and infrastructure quality to meet a “no frills” specification that delivers the primary transport objective of the project in the most cost-effective manner
- Select and fund activities and projects that will make the greatest contribution to the government’s long-term goals and strategic priorities outlined in this GPS.

Current state

We apply cost-benefit analysis to funding applications that seek to lift levels of service towards the targets for maintenance and operations specific in the draft GPS. The One Network Framework (ONF) is a national tool to classify our roads and streets. It helps establish transport network function, performance measures, operating gaps and potential interventions for each road and street type to support investment planning and decision making by RCAs.

NZTA is currently developing levels of service under the ONF to support IDM development with sector engagement and refinement being undertaken through the Road Efficiency Group. These multimodal service levels will replace the One Network Road Classification (ONRC) service levels used in the NOC maintenance contracts. They will be used to continue to link up expected service level with current asset condition to help make price/quality trade-offs to best target investment. For example, improved quality outcomes are sought on key networks with higher demands and a lower level of service may be accepted on lower volume routes. NZTA (as an RCA) and other RCAs moderate and tension their investment proposals by making price/quality trade-offs prior to submitting to NZTA. Price/quality trade-offs then also occur through the moderation and tensioning of NZTA and other RCA bids for the NLTP.

Several tools provide information to support this analysis, including the Road Efficiency Group Transport Insights web portal, which shows the effect on level of service against cost, allowing RCAs to understand the trade-offs.

Desired future state

Work underway across planning, design, procurement and funding decisions will support improved analysis of price/quality trade-offs.

We will update the state highway activity management plan to consider the cost impacts of tracking towards the targets set in the draft GPS 2024 for maintenance and operations programmes. We will also request for other RCAs to update their asset management plans in line with this direction.

NZTA has identified a need to improve demand models and forecasts. This will be addressed by developing a cohesive demand model in 2024/25 drawing on the regional demand planning, where currently occurring, and building on other available data sources such as NZTA traffic count systems, EROAD data, Google data and other sources.

NZTA is also engaging the national transportation research organisation (NTRO) to better determine the relationship between the demand and decay of our assets by measuring pavement condition measures and providing insight on the consumed pavement life associated with the impact from vehicle numbers on the state highway network. Similar work is underway for local roads being led by the Road Efficiency Group.

We are improving our baseline data and information to support the moderation and tensioning process in future. The asset management data standard will improve the management of land transport asset information and feed into our life cycle asset management plans and forward work programmes. We have developed a tool for RCAs to use for cost-benefit analysis of proposed changes to speed limits to ensure a standard approach to considering travel time impacts, vehicle operating cost impacts and safety impacts.

Procurement initiatives described under ‘Increase the capability and capacity of the transport sector’ and ‘Ensure business case and cost estimation processes reflect best practice’ will support this objective, as will our work on the IDM and a risk-based approach to TTM.

The refocused scope and functions of the Road Efficiency Group and its forward work programme in response to GPS 2024 is a key mechanism to support this objective (see page 34), specifically its programme of standardised data collection and work with the sector to benchmark and lift capability in making these trade-offs.

How we will demonstrate progress

Further work is needed to define how we will demonstrate progress under this objective. We would like to ensure monitoring is in line with relevant comparators, in particular in Australia and based on findings from the New Zealand Infrastructure Commission report on asset management maturity in New Zealand.

Ensure business case and cost estimation processes reflect best practice

Alignment to GPS ministerial expectations

- Build a much more efficient business case process by the end of 2024
- Make business case decisions focussed on the core objectives of the project and in a timely fashion to ensure decisions on progressing projects can occur prior to projects increasing significantly in costs.
- Keep costs under control and identifying savings that can be reinvested back into maintaining or improving the network.

Current state

Our business case approach is consistent with Treasury's Better Business Case approach. We apply standard techniques for assessing risk in a business case and as a project proceeds through its lifecycle. However, our approach can be viewed by the sector as overly expensive and time consuming and we can be more efficient within the overall Better Business Case approach while continuing to meet those standards. Business cases can end up including work that may not be necessary or assessing options that are unlikely to proceed or have already been determined. We also need to ensure our business cases reflect a 'no frills' approach improve our identification of risks that affect time and cost for delivery.

Desired future state

Work is underway to improve the project development (business case) process, and initial changes will be in place by December 2024. Changes include:

- a fundamental step change in our approach to project development, which will be tested on RoNS projects
- improvements in the time and cost to develop business cases through right sizing and ensuring projects are fit for purpose
- a compelling, clear and concise investment story that addresses the right questions
- a reduction in duplication and re-litigation at different phases, along with a significant improvement in the accuracy of cost estimation and the proportion of business cases delivered on time
- not repeating work unnecessarily, bringing key decisions forward to decision makers earlier in the process.

Cost estimation practices will be made more effective and efficient by:

- implementation of a contingency matrix to support the quantitative risk analysis (QRA) process (rollout in June 2024)
- developing a design guideline, similar to the New Zealand Construction Industry Council Guideline, to define and set the expected design maturity at each design milestone,

which will provide a greater understanding of risk and opportunities for future design development

- updating the NZTA *Cost estimation manual* to ensure:
  - clear and definitive traceability to budget adjustments
  - project risks and opportunities are understood, and registers are up to date with clear ownership
  - correct input assumptions on price and risks into the QRA process
  - appropriate and experienced personnel are involved in establishing risks and opportunities.
- use of first principles estimating (bottom up) to rates and key project specific parameters.
- considering aligning cost estimation with specific delivery models (such as build only, design and build, alliance or public private partnership) as each model will have its own specific risk profile and overheads structures.

Specific timing for the delivery of cost estimation improvements will be confirmed once available.

There are close linkages between these measures and activities described under 'Improve the management of benefits, costs, risk and uncertainty at the programme and activity class level'.

How we will demonstrate progress

Results	What we will monitor and measure	Status	Available
More effective and efficient business case process	Delivery of step change in project development (business case) process	By December 2024	Quarterly
	Delivery of cost estimation improvements	Underway	TBC
	Interim: business case approval timelines – proportion of decisions made within 35 days[4]	Established	Quarterly
	Business case performance measures	Being established	Late 2024, frequency TBC

[4] Note: the 35-day target is intended to exclude board decisions. However, current reporting includes board decisions at this stage.

Manage overheads and back-office costs

Alignment to GPS ministerial expectations

- Reduce head office expenditure by 7.5 percent, with those savings reinvested into delivering against the GPS objectives
- Keep costs under control and identify savings that can be reinvested back into maintaining or improving the network
- Monitor operational expenditure and report to the Minister regularly
- Focus on core roles as defined in the Land Transport Management Act 2003.
  - ensure focus is on building and maintaining our state highway roading network and not doubling up on delivery where other agencies have specific obligations
  - discontinue work on programs which are not aligned with NZTA's core purposes or with the GPS
- Find efficiencies in the delivery of services including developing digital and electronic systems and processes and allowing third parties to bid to operate these services.

Current state

Our internal Efficiency and Effectiveness (E&E) programme has a 4-stage framework to accelerate value for money and cost reduction:

- stage 1: return Vote Transport funding in 2023/24
- stage 2: initiatives to deliver short-term savings for 2024/25 to meet 7.5% budget reduction and $25m savings in NLTF
- stage 3: medium- to long-term efficiency initiatives to deliver cost savings from 2025/26 and move NZTA towards a lean delivery model
- stage 4: innovation, culture, and ambition initiatives to create an environment of continuous improvement and efficiency.

Stage 1 is complete. We have stopped programmes and activities as directed, returning funds to Vote Transport. This included the following programmes:

- Clean Car Standard
- Public Transport Bus Decarbonisation
- Retaining and Recruiting Bus Drivers
- Community Connect Programme Administration.

Other programmes stopped in 2023 included work on national and local light vehicle kilometre reduction programmes. In addition to baseline savings, Cabinet has also agreed to return surplus funding related to 2023/24 underspends and initiatives where decisions have previously been taken to end or descope work.

Stage 2 is being executed. We set overall savings targets for 2024/25 and have identified focus areas for efficiency gains, which are being actively pursued and tracked. Our ongoing

effectiveness and efficiency work has been formalised with an internal Efficiency and Effectiveness programme office and a director appointed. Most of the savings activities in this stage fall into the following 3 categories:

- **Operations** includes project costs, travel, consulting spend, lowering our reliance on contractors, reviewing our vendor arrangements and licensing, and assessing our corporate office space.
- **Technology** will remove systems from our environment that are end of life, low value, or can be replaced with enterprise platforms. This will deliver substantial licencing cost savings.
- **People** focuses on organisation design changes.

We have reviewed our functions against the draft GPS, statutory requirements and ministerial direction. This has informed choices about where we will stop work or do substantially less where those services are no longer a government priority. This is being implemented through change processes starting in May.

Desired future state

Stages 3 and 4 of the E&E framework will deliver our desired future state, including work to reduce effort out of major processes and on-going cost reductions and controls. These stages are under development.

We will work across the key enabling functions of our organisation to establish cost controls and support agency-wide improvements that reduce effort in key areas to deliver medium- to long-term efficiencies. These improvements cover cross-functional process, technology and practice changes and are likely to be a combination of work that is already underway and new initiatives where gaps are identified.

How we will demonstrate progress

Results	What we will monitor and measure	Status	Available
Increased focus and transparency on performance and efficiency	SPE significant activities: • Begin reporting on phase 1 of the Performance and Efficiency Plan required under GPS 2024 to drive performance and efficiency across all transport investments and continue working with the Ministry of Transport to refine the plan. • Deliver an internal effectiveness and efficiency plan aligned with the Performance and Efficiency Plan.	Established	Quarterly

Reduced overheads and increased value for money	NZTA Effectiveness and Efficiency programme reporting	Established	Briefing to minister June 2024, then quarterly
Minimised costs of managing the funding allocation for the NLTP	SPE output class measure: • Proportion of total cost of managing the investment funding allocation system to National Land Transport Programme expenditure – target 1% or less for 2024/25, reducing from 2025/26.	Established	Annually

GPS ministerial expectations

The NZTA is expected to demonstrate how it is giving effect to the Ministerial Expectations in the GPS 2024. The section on detailed performance and efficiency objectives outlines alignment to specific expectations aligned with phase 1 of the PEP. There are several broader expectations NZTA is expected to report on – included below.

Expectation	How this will be monitored
Progressing against the Performance and Efficiency Plan	SPE activities: • Begin reporting on phase 1 of the Performance and Efficiency Plan required under GPS 2024 to drive performance and efficiency across all transport investments and continue working with the Ministry of Transport to refine the plan. • Deliver an internal effectiveness and efficiency plan aligned with the Performance and Efficiency Plan.
Ensuring investment in rail is directed to busiest and most productive parts of network while also delivering value for money for taxpayers	SPE activity: • Work with KiwiRail to develop the Rail Network Investment Programme (RNIP) for 2024–27. • Annual reporting on matters relating to the RNIP.
Considering alternative funding sources to deliver all major public transport investments	SPE activity: • Investigate new funding and delivery models for major public transport and RoNS investments.
Making better use of existing assets, allowing time-of-use charging or the use of dynamic lanes in main cities to manage demand	TBC once policy settings and NZTA role are clarified.

Focusing on whole-of-life cost to maximise long-run value.	PEP objectives: • Increase the capability and capacity of the transport sector. • Improve asset management practices across the sector. • Provide analysis to inform price/quality trade-offs for maintenance and operations expenditure.
Making better use of existing digital infrastructure and information systems where appropriate	E&E programme • Internal process improvement using existing systems.
Maintaining a tight control on project scope and cost and ensuring project specifications should take a 'no frills' approach.	PEP objectives • Ensure business case and cost estimation reflect best practice.
Focusing on its core roles	SOI and SPE: • SOI sets strategic objectives aligned to GPS. • SPE sets funded core activities.
Keeping costs under control and identifying savings that can be reinvested back into maintaining or improving the network	PEP objectives: • Increase the capability and capacity of the transport sector. • Ensure business case and cost estimation reflect best practice. • Manage overheads and back-office costs. SPE budget
Monitoring operational expenditure and reporting to the minister regularly on this expenditure	SPE budget
Reducing expenditure on general advertising	SPE budget: • Expenditure trends on road safety promotion under safety activity class[5]

[5] Subject to 2024–27 NLTP adoption.

Focusing on providing services that meet the needs and expectations of users	SOI: • Sets strategic objectives aligned to GPS including customer experience. Measures user experience of the state highway network. SPE activity: • Deliver the customer strategy and associated roadmap that will improve the customer experience at NZTA.
Standardising the delivery of building and maintaining roading infrastructure	PEP objectives: • Improve the management of benefits, costs, risk and uncertainty at the programme and activity class level. • Increase the capability and capacity of the transport sector.
Identifying more efficient ways to manage road tolling	SPE activity: • Provide joint advice with the Ministry of Transport on a review of the NLTF's revenue system.
Finding efficiencies in the delivery of its services including developing digital and electronic systems and processes and allowing third parties to bid to operate these services	E&E programme: • Internal process improvement using already available systems.
Considering alternative delivery options for all projects (and implementing a more specific set of tests the board must consider when approving projects)	SPE activity: • Investigate new funding and delivery models for major public transport and RoNS investments.
Maximising its own revenue and considering opportunities to supplement that revenue with contributions from beneficiaries/users whenever possible.	SPE activity: • Provide joint advice with the Ministry of Transport on a review of the NLTF's revenue system.
NZTA will ensure that these expectations are, to the extent applicable, incorporated into the requirements placed on other road-controlling authorities as a condition of the inclusion of their projects in the NLTP.	PEP objective: • Improve the management of benefits, costs, risk and uncertainty at the programme and activity class level. GPS direction is embedded in the IPM (see page 40 for more detail).

Road Efficiency Group scope and functions

Aligned with the draft GPS, the Road Efficiency Group (REG) scope and functions will deliver the following key results areas:

A. Finding efficiency in road maintenance spend:

- Promote existing Transport Insights monitoring and reporting of national and RCA transport outcomes and performance against the national road classification framework.
- Develop new state highway and local road reporting measures for network maintenance delivery and funding trends.
- Expand benchmarking of RCA and NZTA performance against national, regional, and peer group performance, creating competition and scrutiny to deliver more effective outcomes.

B. Effective maintenance outcomes:

- Engage with NZTA to align with contracting models.
- Expand existing REG performance monitoring and assessments to include maintenance outcomes, focusing on resealing, rehabilitation, and response times to faults (eg potholes),

C. Reducing expenditure on Temporary Traffic Management:

- Align and supporting the role of the guidance on TTM as part of existing structures.
- Leverage existing channels to engage with and seek input / feedback from the 69 RCAs.
- Monitor and report TTM productivity and expenditure on behalf of RCAs.

D. **Maintenance protocols and processes:**

- REG Consistent Condition Data Collection (CCDC) project will provide nationally consistent condition data for 100% of sealed local roads from 2025 onward.
- Provide guidance and competency frameworks to improve sector performance and confidence in forward work programmes.

E. **Sector capability and capacity:**

- Mandate use of existing assessment programme to benchmark and monitor RCA performance, providing a pathway toward more efficient and effective planning and delivery.
- Broaden the existing learning and development programme to further increase NZTA and RCAs to apply good customer-focused practice delivering value for money.

F. Asset management and effective delivery practices:

- Provide independent assessment and scrutiny of asset and activity management planning, in the context of REG best-practice guidance.

- Greater integration and alignment with NZTA investment advisors, and the investment requirements and tools provided through the NZTA Planning and Investment Knowledge Base (PIKB). Planning and Investment Knowledge Base

The REG programme structure will change to include two independent governance group members, to be appointed by the minister. These new members will be inducted in July 2024. In August, REG will provide details of the specific programme improvements, including reporting areas and measures, that respond to GPS requirements.

Appendices

Appendix 1: background information

NZTA is required under the Land Transport Management Act 2003 to give effect to the Government Policy Statement on land transport (GPS). This is done through the development of the National Land Transport Programme (NLTP), which sets out the activities that can receive funding from the National Land Transport Fund (NLTF), and other funding sources, and gives effect to the GPS. The NZTA Board will adopt the NLTP in August 2024.

A regional land transport plan (RLTP) sets out a region's land transport objectives, policies, and measures for at least 10 financial years. The direction set by an RLTP is an essential part of the strategic context for any land transport investment proposal. Activities from RLTPs are put forward for inclusion in the NLTP.

Benefits and measures from a benefits framework aligned with the Transport Outcomes Framework to endure over time as GPS strategic priorities change are used in all planning and business cases for transport investment for NZTA and road controlling authorities (RCAs).

The Investment Prioritisation Method (IPM) is used to prioritise an activity or combination of activities for inclusion in the NLTP. NZTA assesses and prioritises phases of activities – firstly for inclusion in the NLTP to ensure the NLTP gives effect to the GPS and secondly to ensure only activities that are consistent with the GPS are approved for NLTF funding. More detail about the IPM is included in appendix 3. The IPM will be published once the GPS is finalised.

The state highway investment proposal (SHIP) is our bid as a road-controlling authority (RCA) for the state highway activities that we propose are prioritised within each RLTP for inclusion in the NLTP. The SHIP takes a national-level, whole-of-system view and describes the work needed in maintenance, operations and renewal programmes, as well as improvements to the network. It takes a 10-year view with a focus on the first 3 years.

State Highway Investment Proposal 2024–34

We are also required under the Crown Entities Act 2004 to set our strategic intentions in a statement of intent (SOI) every 3 years and performance targets in a statement of performance expectations (SPE) every year.[6] The timing of a new SOI coincides with the release of the draft GPS 2024, and both the SOI and SPE have been updated to reflect the strategic priorities, outcomes, activity classes and funding levels set out in the GPS. The SOI and SPE will be finalised by 30 June.

Financial and non-financial performance against the SOI and the SPE are reported quarterly to the Minister of Transport and in our annual report. The annual report for the NLTF[7] provides a statement of performance for each activity class funded by the NLTF and an explanation of how the funding of activities under the NLTP has contributed to the achievement of any outcomes, objectives or impacts set out in the GPS. Statements of service performance and financial statements in these reports are audited by KPMG on behalf of Audit New Zealand.

In addition to these obligations, the draft GPS 2024 requires NZTA to develop a performance and efficiency plan to drive performance and efficiency across all transport investments. The NZTA Board is accountable for delivery against the plan.

[6] https://www.nzta.govt.nz/resources/nz-transport-agency-statement-of-performance-expectations-main-index/
[7] Required under section 11 of the Land Transport Management Act 2004.

Appendix 2: NZ Transport Agency Waka Kotahi performance framework

Our SOI and SPE are the primary documents used to establish our intentions and performance expectations. The documents are guided by our performance framework. The strategic layer of the framework sets our 4 system outcomes, which are the changes to the transport system we'll focus on to achieve our vision and the GPS priorities. Within each outcome, we've identified the relevant impacts GPS 2024 is focused on achieving in the short to medium term, the system changes we need to see, and the results NZTA needs to achieve in the short and medium term to contribute to the vision and priorities set in GPS 2024. Both the SOI and SPE will be updated next year to reflect further government direction on road safety and climate change.

The delivery layer of the framework consists of what we, with our partners, will invest in and deliver to achieve our results. Our delivery measures and milestones tell us whether we are effective in undertaking our significant activities, performing our regulatory function and delivering our significant capital projects.

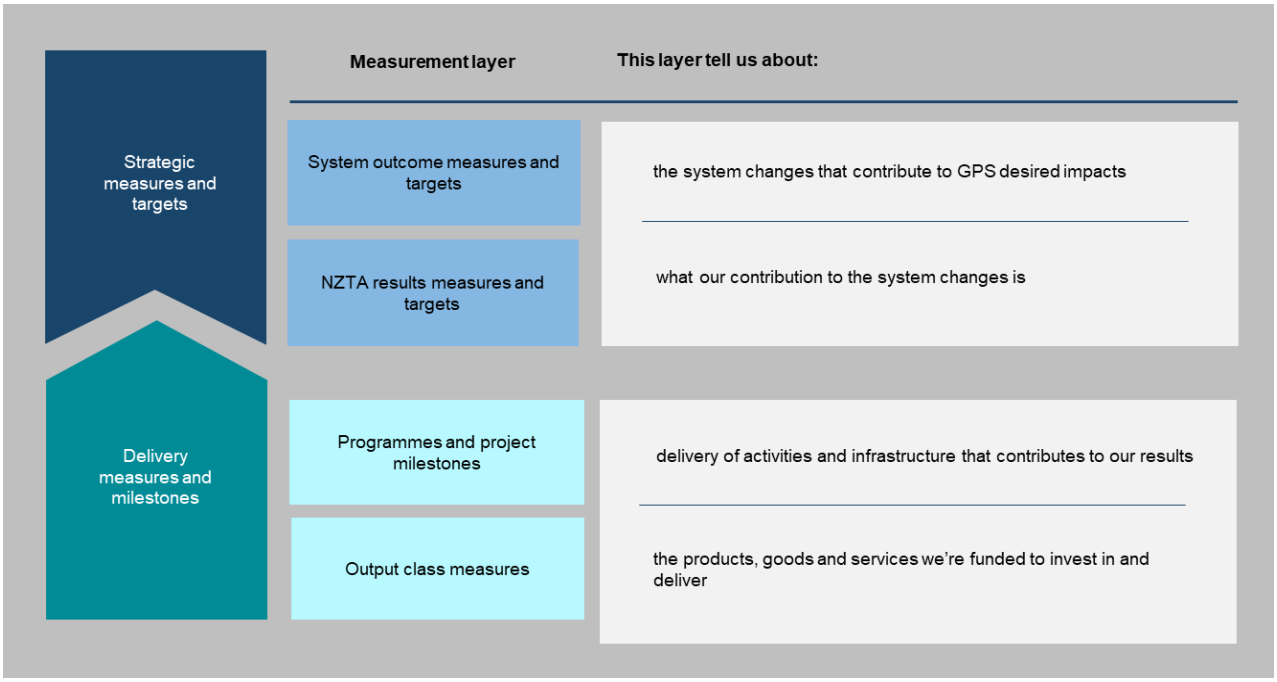

Figure 2 – NZTA performance framework

SOI and SPE 2024/25 measures – asset management

NZTA results measures	2022/23 baseline	2024/25 target	2025/26 target	2026/27 target	2027/28 target
Improved asset sustainability					
Proportion of the state highway network that meets minimum asset condition requirements	93%	93% or greater	93% or greater	93% or greater	97% or greater

Expenditure on state highway renewals as a proportion of depreciation (asset sustainability ratio)	Pavement (base): 94% Pavement (surface): 57% Drainage: 13% Traffic facilities: 18% Bridges: 25%	Pavement (base): 35–100% Pavement (surface): 70–110% Drainage: 25–100% Traffic facilities: 20–75% Bridges: 15–65%	Pavement (base): 75–100% Pavement (surface): 70–110% Drainage: 30–100% Traffic facilities: 25–75% Bridges: 15–65%	Pavement (base): 90–150% Pavement (surface): 70–110% Drainage: 35–100% Traffic facilities: 30–75% Bridges: 15–65%	Pavement (base): 110–175% Pavement (surface): 80–110% Drainage: 100–150% Traffic facilities: 35–120% Bridges: 20–100%

An asset sustainability ratio of 100% indicates that renewals are being done at the level required to maintain asset condition. We have set upper and lower targets for this measure – the upper targets describe the annual ambition for quantity of work if not constrained by capacity, while the lower targets set the minimum level. The capacity of suppliers, weather and other factors can impact our ability to meet these targets.

During the state highway valuation for 2022/23, a valuation parameter changed that led to an incorrect assumption that pavements have a 75–150-year depreciation life. This meant the 2022/23 result was unusually high compared to recent periods. The targets assume that correcting the parameter will lead to a depreciation life of about 50 years, which is consistent with the 2% renewal target set in GPS 2024.

Output class	Measure	2024/25 target
State highway improvements	Proportion of state highway improvement activities funded by the National Land Transport Fund delivered to agreed standards and timeframes[8]	80%
Local road improvements	Proportion of local road improvement activities funded by the National Land Transport Fund delivered to agreed standards and timeframes[8]	80%
State highway pothole prevention	Percentage of potholes repaired within 24 hours from being logged by contractors	90% or greater

[8] Delivery to milestones and budget are equally weighted. Aggregation to the overall result is based on the weighted expenditure of each activity over the total expenditure of the activities in the given year.

	Percentage of network with rehabilitated pavement	GPS long-term target: 2% Interim targets: 0.9% (2024/25) 1.2% (2025/26) 1.4% (2026/27)[9]
	Cost per lane kilometre pavement resealing and resurfacing	Baseline to be set
	Percentage of network with resealed and resurfaced pavement	GPS long-term target: 9% per year Interim targets: 7% (2024/25) 8% (2025/26) 9% (2026/27)
	Cost per lane kilometre pavement rehabilitation	Baseline to be set
State highway operations	Percentage budget variance in SH operations spend (excluding emergency works)	Less than 5% variance
Local road pothole prevention	Percentage of sealed network with resealed and resurfaced pavement	4% or greater[10]
	Percentage of sealed network with rehabilitated pavement	0.2% or greater[11]
	Cost per lane kilometre pavement resealing and resurfacing	Less than $95,000 per lane kilometre[12]
	Cost per lane kilometre pavement rehabilitation	Less than $1,100,000 per lane kilometre[1212]
	Proportion of travel on smooth roads	86% or greater
Local road operations	All councils have a network asset management plan maintained to agreed standards (agreed by REG)	Achieved
	Proportion of local road operations spend (excluding emergency works) delivered within agreed budget	95% or greater

[9] These targets reflect a transition to the draft GPS 2024 requirement, aligned with the 2024–27 NLTP period, to achieve long-term maintenance outcomes of 2 percent rehabilitation of the state highway network each year and 9 percent resurfacing of the state highway network each year.
[10] The targets for the 2024-27 NLTP are 4%, 4% and 4.5%.
[11] The targets for the 2024-27 NLTP are 0.2%, 0.2% and 0.25%.
[12] Including 2% inflation for the second and third NLTP year.

Appendix 3: overview of Investment Prioritisation Method

NZ Transport Agency Waka Kotahi (NZTA) is responsible for developing a 3-year National Land Transport Programme (NLTP) 2024–2027.

The NZTA Investment Prioritisation Method (IPM) is used to support NZTA to give effect to the Government Policy Statement (GPS) on land transport 2024 (GPS 2024) by prioritising activities into activity classes in the 2024–27 NLTP and to confirm priority at the time a National Land Transport Fund (NLTF) investment decision is made.

The IPM is applied at two stages in the investment decision-making process:

- **stage 1: NLTP inclusion decision:** when NZTA decides whether to include an activity or phase of an activity in the NLTP
- **stage 2: NLTF investment decision:** when NZTA decides whether to approve NLTF funding in an activity or phase of an activity.

The priority order for an activity is re-assessed at stage 2 based on the information put forward in the application to ensure that the activity's priority order remains above the investment threshold. The NZTA Board sets the investment threshold based on the funding available in each activity class and the priority order of all activities proposed. The reassessment confirms information about costs and benefits as well as the other factors that will have an impact on investment approval.

The investment decision-making framework diagram below (see figure 3) highlights the 2 stages when the IPM is applied.

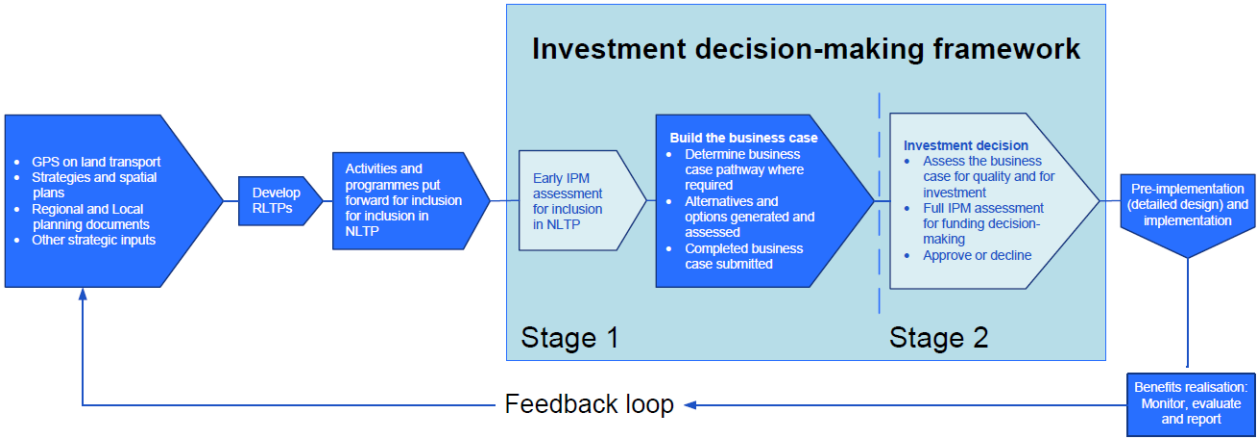

Figure 3 – application of the IPM in the investment decision-making framework

Requirements for prioritisation of the NLTP

Core requirements for the NLTP

Section 19B of the Land Transport Management Act 2003 (LTMA**)** sets out the 'Core Requirements' for NZTA in preparing the NLTP. NZTA must ensure the NLTP:

- gives effect to the GPS
- contributes to the purpose of the LTMA, and

- takes into account any regional land transport plan (RLTP) as well as any national energy efficiency and conservation strategy (NEECS), relevant national policy statement (NPS), relevant regional policy statement (RPS) or plans in force under the Resource Management Act 1991 (RMA).

The implications of these requirements, in relation to prioritisation of the NLTP, are outlined below.

Giving effect to the GPS

A key role of the IPM is to support NZTA to assess and prioritise phases of activities – firstly, for inclusion in the NLTP to ensure the NLTP gives effect to the GPS and secondly, to ensure only activities that are consistent with the GPS are approved for NLTF funding. The IPM achieves this by providing a methodology and criteria to enable a nationally consistent approach to assessing and comparing all proposed activities to determine the best mix of activities for inclusion in the NLTP so that the NLTP reflects the GPS direction and expectations for NLTF funding. NZTA expects that all proposed activities and programmes of activities are optimised to deliver best value for money including by appropriately considering options across the full spectrum of the Intervention hierarchy.

Intervention hierarchy

Contributing to the purpose of the LTMA

The purpose of the LTMA is 'to contribute to an effective, efficient, and safe land transport system in the public interest'. Both the GPS and the NLTP are required to contribute to the purpose. To approve NLTF funding for an activity or a combination of activities (stage 2), the LTMA stipulates that NZTA must be satisfied that specified criteria are met, including that the proposal[1]:

- is included in the NLTP and is consistent with the GPS (as outlined above)
- is efficient and effective
- has been assessed (to the extent practicable) against other land transport options and alternatives, and
- has complied with relevant consultation requirements under the LTMA 2003.

Taking into account RLTPs, NEECS and relevant RMA policy documents

Activities in RLTPs are taken into account in the IPM as follows:

- Every activity (including state highway activities) in the 2024–27 NLTP must be part of an approved RLTP except for nationally delivered activities and programmes of activities[2].
- The LTMA requires an RLTP to identify the order of priority of significant activities for the first 6 years of the RLTP. The IPM will be used to assess phases of activities put forward in those RLTPs for the 3 years of the 2024–27 NLTP.
- The RLTP priority order will be considered when determining an activity's priority ranking and in distinguishing between activities with the same priority order in the 2024–27 NLTP when such activities are at the investment threshold for the activity class.
- When considering the prioritised 2024–27 NLTP, the NZTA Board may consider the extent to which activities and their priority, as determined in the relevant RLTPs, have been reflected in

the IPM priority and whether an adjustment in the NLTP ranking is merited. The board may also consider whether any activities that are not included in the NLTP are appropriate to recommend to the Minister of Transport for Crown funding.

The NEECS and RMA policy documents are also taken into account in RLTPs, on adoption of the NLTP and through the investment approval process.

Appendix 4: Integrated Delivery Model (IDM)

The key outcomes sought from the IDM are world-class asset stewardship and emergency response and to demonstrate value for money with an optimal balance of maintenance and renewals. It also aims to create sustainable and healthy markets and increased market capacity and capability.

The Integrated Delivery Model sees the client (ie NZTA) more closely embedded with the entire supply chain than we have experienced within the network outcomes contract (NOC) model. Key to the model is the client taking an informed position through ownership of strategic asset management, understanding the true condition of the network and allowing them to make the best decisions for their network.

NZTA will also take on the role of integrator, with the help of a professional services provider. The integrator role is key as it brings the supply chain together to collaboratively plan and deliver all works on the network. We want to have greater influence over when works are programmed and who will be delivering them.

Key milestones for next 12 months	Activity	Due date (note that milestones are subject to change on outcomes of big room planning)
Strategic asset management	• integrated maintenance and renewal framework set • asset management targets set.	• Completed and presented to the Program team on June 6. • GLT subgroup (IDM steering group) presentation June 2024
Tactical asset management	• 2025–2030 tactical plan prepared.	• December 2024

Commercial and Transaction	• IDC procurement strategy prepared and approved
	• IDC procurement commences
	• tranche 1 options to be confirmed.
		• Strategy prepared and approved: June 2024
		• Procurement commencement:
		  • Registration for Interest September 2024
		  • Request for tender January 2025
		  • Tender approval date March 2025
		• Tranche 1 options: April 2025

Operating Model	• network activity plan approach implemented • go live capability in place	• 15 December 2024 • June 2025

Appendix 5: investment audits

The Land Transport Management Act 2003 section 95 (1)(j)(ii) and (iii) require NZTA to audit the performance of approved organisations (AOs) in relation to activities approved by NZTA and to audit the operation of the land transport disbursement accounts of those organisations.

The Investment Assurance Programme consists of technical investment audits and procedural investment audits to meet the Land Transport Management Act (LTMA) requirements and to provide assurance to NZTA that its investment in AOs is being well managed and provides value for money outcomes by ensuring compliance with funding assistance requirements and procurement processes.

Procedural investment audits are typically conducted in a 3-yearly cycle to ensure that each AO receives an audit within each NLTP period. AOs with the largest investments are audited every one to 2 years. Procedural audits of regional councils and unitary authorities also include a review of public transportation operations and management including patronage validation, eg SuperGold Card funding and Total Mobility.

Technical investment audits are conducted on average every 6 to 7 years and provide assurance that NLTP investment is being well managed and that value for money objectives are being achieved with respect to network condition and management, activity management planning, data quality and road safety.

The Investment Assurance Programme is undertaken by the independent expert auditors in the Risk and Assurance team.

Audit outcomes are also fed back into NZTA's forward funding decision making and continuous improvement initiatives to enable improvements in industry best practice and guidance and processes for AOs.

The programme has recently been revised and once approved by the board, will be published as an NZTA general circular to all AOs to provide general notice and the timing and planning of the audits will be completed in consultation with each AO.