

Capital programme 2023/24 Update

For decision: For noting:

Ngā tūtohunga / Recommendations

That the Auckland Transport Board (board):

- a) Note:
 - i. Auckland Council (AC) consulted on an Annual Plan which provides \$1,058 million of capital funding for Auckland Transport (AT) for 2023/24 and on 9 June 2023, the AC Governing Body approved the AC Group 2023/24 budget; and
 - ii. That AT's capital programme will be approximately 50/50 funded by local and central Government.
- b) Approve the proposed capital programme for 2023/24 as set out in Attachment 1.
- c) Note that certain contracts that extend beyond June 2024 may not be able to be awarded, until further certainty around funding is obtained. In the event assurances are not received, the shape of the proposed capital programme may need to be altered.

Te whakarāpopototanga matua / Executive summary

1. AC's 2023/24 Annual Plan provides for AT to have a capital programme of \$1,058 million, a 10% reduction from the original Regional Land Transport Plan (RLTP) capital budget for 2023/24 of \$1,186 million.
2. The capital programme in the Annual Plan was prepared prior to the January/February storm events and significant reprioritisation has been required to accommodate the additional storm repair spend.
3. The 2023/24 capital programme also needs to consider the cost pressures and funding constraints which are causing a pinch point in 2024/25 and 2025/26 – and the extent to which AT can start new projects that extend beyond the end of June 2024.
4. A revised baseline capital programme scenario for 2023/24 has been developed which prioritises AT's storm related response and is consistent with the Mayor's Letter of Expectation (LoE). This scenario is shown in Attachment 1, which compares the proposed budget to the RLTP, the draft consultation budget and the draft budget endorsed by the board on 28 March 2023. The revised scenario:
 - a) Allows \$293 million for renewals, which is around 89% of the RLTP.
 - b) Allows for additional storm recovery capital expenditure of \$125 to \$150 million. Central Government funding levels for the storm recovery works is to be confirmed based on available National Land Transport Fund (NLTF) but is expected to be up to 71%.

- c) Prioritises committed projects (Eastern Busway (EB), Northwest Bus improvements (NWB)), Low Emission Ferries and projects on a critical path such as City Rail Link (CRL) Day One related projects (Electric Multiple Units (EMUs) and stabling etc).
 - d) Provides \$16 million for the start of Eastern Busway Alliance (EBA) Total Outturn Cost (TOC) 2.
 - e) Ensures essential AT investment programmes are continuing (including safety, customer and business technology) albeit at reduced levels.
 - f) Ensures continued spend, to the extent possible, on projects enabled by targeted funding streams such as the Regional Fuel Tax (RFT), the Climate Action targeted Rate (CATR) or the Climate Emergency Response Fund (CERF).
 - g) Enables progress of prioritised Urban Cycleway Programme (UCP) projects over an extended multi-year period and ongoing cycling programme and projects to be considered on case-by-case basis.
 - h) Results in significantly less budget being available for other non-committed projects.
5. An exercise has been undertaken to ensure alignment with the LoE and Tāmaki Makaurau Transport Plan (TMTP). The TMTP prioritisation criteria is shown in Attachment 2.

Ngā tuhinga ō mua / Previous deliberations

Date	Report Title	Key Outcomes
March 2023 (board)	2023/24 Draft Budget	The board endorsed draft budget
June 2023 (Design and Delivery Committee (committee))	2023-24 Capital Programme update	The committee recommended the draft budget for endorsement by the board

Te horopaki me te tīaroaro rautaki / Context and strategic alignment

- 6. AC's Governing Body has now approved the 2023/24 AC Group Annual Plan following consultation.
- 7. The Mayor's LoE asks AT to do a better job of managing infrastructure assets, completing existing transport projects on time and on budget, getting the most out of the existing transport system by halting low-priority initiatives that are not yet underway, and making significant gains in network performance through use of technology.

8. A combination of impacts from the recent storm events, reprofiling of EB, deferrals from previous years Covid-19 pandemic emergency budgets, cost escalation, supply chain impacts, and huge constraints on funding have resulted in consequential changes to the 2023/24 programme and to the following three years.
9. Contractual commitments for EB, EMUs, Low Emission Ferries and CRL Day One projects have had to be considered, prioritising renewals, and timing changes to the spend profile across the programme.
10. Work has almost been completed on the TMTP with Auckland Transport Alignment Project partners, which will develop a single long-term plan for Auckland. It is important that the 2023/24 capital programme is aligned with this plan. AT is also working with Government, advocating for funding commitments, including through the Government Policy Statement (GPS).
11. There is considerable uncertainty about funding beyond 30 June 2024. Attachment 3 sets out advice from AC around AT's ability to continue to award multi-year contracts. AT will need to carefully consider future commitments and forecast funding before entering into multi-year contracts. Attachment 4 sets out an initial view of this.

Ngā matapakinga me ngā tātaritanga / Discussion and analysis

12. A revised baseline scenario for the 2023/24 capital programme has been developed that prioritises AT's storm related response, is consistent with the Mayor's LoE and considers impacts on the TMTP. We have modelled numbers in the plan within the overall capex envelope available whilst accommodating other committed spend.
13. The revised scenario set out in Attachment 1:
 - a) Increases investment in Core Asset Management resilience investment from \$277 to \$293 million, (around 89% of the 2020/21 RLTP and 76% of the Asset Management Plan recommendations). This is to allow for storm and flood recovery capital expenditure of \$125 to \$150 million. The core programme will be funded at a Funding Assistance Rate (FAR) of up to 51%. Waka Kotahi New Zealand Transport Agency (Waka Kotahi) has advised that (subject to NLTF capacity) permanent reinstatement work for the storm and flood recovery is likely to be funded at the special emergency works rate of up to 71%.
 - b) Prioritises committed projects such as EB, Low Emission Ferries and projects on a critical path such as CRL Day One related projects (e.g. EMUs, stabling etc).
 - c) Prioritises the continuation of the NWB project, noting sufficient budget may not be available in 2024/25 to complete the Westgate Station.
 - d) Provides \$16 million for the start of EB TOC 2.
 - e) Ensures essential programmes to maintain an effective, efficient and safe transport system are continuing, including investment in safety, customer and business technology (e.g. Open Loop), Intelligent Transport Systems (ITS) and network performance including investment in dynamic lanes and bus priority improvements as set out in the LoE.

- f) Includes the progressive replacement of the aging ferry fleet with low emission vessels, to contribute to AC's emission reduction objectives, within available funding parameters.
 - g) Enables progress of UCP projects and ongoing cycling programme and projects within an indicative multi-year phased budget envelope (refer Attachment 4) with outer year funding and phasing to be confirmed. Project prioritisation will consider benefits, construction costs, procurement and construction readiness, community and stakeholder support and network contribution. The current prioritised order of UCP projects is Point Chevalier to Westmere, Links to Glenn Innes (GI), Great North Road Stage 1, GI to Tamaki Stage 4B and Great North Road full scope Stage 2. Noting Waitemata Safe Routes has been deferred due to UCP funding envelope constraints. Waka Kotahi co-funding is to be confirmed on a project by project basis. Given the significant level of community interest and engagement on these projects, we have provided the prioritisation of the UCP projects in Attachment 5.
 - h) Stops or reduces investment for corridor improvement projects such as the Connected Communities Programme, Glenvar Road, Lake Road and Lincoln Road. The final approval of projects of this nature will need to consider the cost, value for money and affordability of the final design and critically also the flow on impacts into future financial years where available budget will likely be impacted by CRL cost increases.
 - i) AT also needs to deliver approximately \$48 million for projects, that are expected to be funded 100% from the CERF. These must be delivered by June 2024. Applications for additional or bring-forward of budget from outer years will be supported by Waka Kotahi approval for projects to progress to implementation.
14. Work on the TMTP has highlighted a pinch point in funding in 2024/25 and 2025/26 which creates uncertainty around AT's ability to award contracts that extend beyond June 2024. Attachment 3 sets out AC staff advice that AT can allocate up to the funding levels outlined in the 2021 Long Term Plan (LTP), with the addition of CATR, but if the actual level of funding provided by Government is less than budgeted, then less transport investment would be delivered¹. Given the risks around central Government funding, staff have undertaken a bottom-up estimate of likely funding based on the availability of AC's local share and potential matching Waka Kotahi funding, in light of project approvals and likely FAR rates. This suggests a risk adjusted funding level from 2024/25 onwards of around \$1 billion per year, prior to any potential funding top up.
15. Within this context, officers consider that there is sufficient headroom to award multi-year contracts for the following projects (in priority order):
- EB TOC 2
 - EMU stabling
 - Ferry infrastructure

¹ This caveat is noted in the LTP itself.

16. These projects collectively cost \$1,015 million over the three years, with a maximum requirement of \$558 million in 2024/25 (over half the budget). This approach enables AT to make progress on critical large-scale projects which are already well advanced. We assess that there will be sufficient remaining funding to support CRL Day One level crossing at current costs, deliver the bulk of the renewals programme and make progress on key annual programmes, although there are likely to be constraints in year 2024/25.
17. Given the constraints, however, decisions on other multi-year projects which are planned to begin in 2023/24 - such as the remaining elements of the UCP; Rosedale Bus Station; Northwest bus improvements - will need to be prioritised or considered on a case by case basis until there is greater visibility over likely funding levels, through the GPS, TMTP and LTP. Management will continue to carefully monitor commitments against forecast funding. Attachment 4 sets out an initial view of this.
18. Management have also considered, at the request of the board, the implications of stopping existing committed projects. Attachment 6 highlights the more significant impacts if existing projects were to be stopped. These include indicative contractual financial impacts, the loss of significant co-funding, and other qualitative aspects such as loss of momentum, reduced industry support, reputational damage for AT and local Government, and impact on transport outcomes. It is recommended that AT does not halt any of its large committed capital projects.
19. Flood recovery costs forecast spend of \$125 to \$150 million in 2023/24, is a work in progress and will keep evolving, meaning there could be differences between the forecast and actual cost incurred. The overall list of projects and programmes will need to continue to be assessed and likely reprioritised (including over-programming) once we have more realistic cost estimates and any changes following stakeholder consultation. The key will be to carefully manage the recovery programme within available budgets. Attachment 7 contains more detailed forecast of reinstatement work. It should be noted that this work may need to be spread out over four years.
20. The budget can only make limited allowance for growth related projects, other than through utilisation of 100% Crown funding mechanisms. Additional budget and funding would need to be made available for additional growth related projects to proceed.

Ngā tūraru matua / Key risks and mitigations

Key risk	Mitigation
Public concern about stopping projects.	The proposed programme prioritises AT's storm-related response and is consistent with the Mayor's LoE. The Mayor has asked AT to focus on basics, and complete projects already underway.
AC 'local share' funding is less than projected in the 2021 LTP, meaning that even conservative assumptions for overall funding are not realised.	Assuming the board proceeds with the key large-scale multiyear projects, then a reduction in funding would need to be met through reducing allocations to core renewals and annual programmes, resulting in reduced reliance and other transport outcomes.

Key risk	Mitigation
Alignment of the 2023/24 programme with the longer-term programme coming out of the TMTP work.	The 2023/24 programme has been developed to consider knock-on implications for TMTP. Includes considering impacts of delivery of the current year's programme.
Cost escalation and supply chain impacts not budgeted for or impacting overall capital plan affordability	Works contracts are already in place for capital delivery, many with indexation priced into agreed tender prices and factored into AT budgets. For new works, AT will assess pricing in competition and will review, check and challenge costs using quantity surveyor input, and prices agreed will ultimately be subject to negotiation. Tenders will not start, and contracts will not be entered into without corresponding budget to meet costs.
Market (Contractor and Professional Services) capacity and resources to deliver programme of works, particularly flood recovery works	AT has established supply panels and processes that optimise time and reduce costs to our private sector partners, therefore enhancing attractiveness of AT works programmes to the contracting market. For flood recovery works, AT is utilising its existing supply chain of Road Corridor Maintenance contractors and related contractual processes (including pricing and value for money approach) in order to ensure deliverability.

Ngā ritenga-ā-pūtea me ngā rauemi / Financial and resource impacts

21. The AC 2023/24 approved budget has a capital programme of \$1,058 million, in line with the adjusted LTP, developed as part of last year's budget process but less than the original RLTP capital budget for 2023/24 of \$1,186 million.
22. The programme looks to leverage all available funding sources, and initial modelling shows that the programme would be funded approximately 50/50 by local and central Government:
 - a) AC funding, including RFT and the CATR. Modelling indicates that the revisions to the programme have a minor impact on RFT drawdown for 2023/24 as around \$80 million of RFT will be used for EB and EMUs. In future years, when funding is highly constrained, lower spend on RFT-enabled projects will impact on RFT drawdown, and it will be more difficult going forward to deliver all the other RFT-enabled projects listed in the Order in Council. Approximately \$28 million less CATR will be drawn down during 2023/24.
 - b) Government funding, including NLTF funding, CIP 'Shovel Ready' funding for NWB and EV Maritime ferries, Infrastructure Acceleration Fund funding for Carrington Road and CERF funding for Transport Choices projects, and possibly also public transport (PT) Bus decarbonisation and Vehicle Kilometres Travelled (VKT) reduction.

Ngā whaiwhakaaro ō te taiao me te panonitanga o te āhuarangi / Environment and climate change considerations

23. Many of AT's major projects will help to reduce carbon emissions. The EB will provide dedicated high frequency bus services which will encourage people to use PT instead of private vehicles. The programme continues major investment in bus and ferry decarbonisation. Overall, the proposed programme is optimised for emission reduction and resiliency (flood response) within budget constraints.
24. The CERF and CATR fund projects specifically targeted at VKT reduction, mode shift and corresponding emission reductions.

Ngā whakaaweawe me ngā whakaaro / Impacts and perspectives

Mana whenua

25. AC issued the draft 2023/24 budget for consultation with stakeholders and the community February to March 2023 and the Auckland Integrated Transport Plan was issued for feedback during April and May 2023.

Ngā mema pōti / Elected members

26. Budget decision workshops were held in May 2023, with the Mayoral budget proposal workshop held on 31 May 2023. AC's Governing Body approved the 2023/24 AC Group Annual Plan budget on 9 June 2023 for adoption on 29 June 2023.

Ngā rōpū kei raro i te Kaunihera / Council Controlled Organisations (CCOs)

27. AT participates in forums with CCOs at the Chief Executive level and working groups (multi-agency)

Ngā kiritaki / Customers

28. Stakeholders and community have had the opportunity to provide feedback on AC's draft 2023/24 budget.

Ngā whaiwhakaaro haumaruru me ngā whaiwhakaaro hauora / Health, safety and wellbeing considerations

29. The programme contributes to reduced harm from the transport system through the adoption of Vision Zero principles along with:
- Investment in AT's Safety programme (a wide-ranging programme that includes safer speeds, investment in high risk corridors and intersections and improving outcomes for vulnerable users), Mara and Papakainga Turnouts programme, School Speed Management, and other safety programmes, as well as Waka Kotahi's Safer Networks and other programmes.
 - Investment in mode shift, to encourage a greater uptake of this safer mode of travel.

- c) Delivery of new or improved cycling infrastructure.
- d) The promotion of a number of policy levers to make the transport system safer.




Ā muri ake nei / Next steps

- 30. Continue to monitor ongoing commitments versus funding before any significant multi-year contracts are awarded.
- 31. Continued development of the TMTP.
- 32. Advocating for funding commitments, including through the GPS.

Ngā whakapiringa / Attachments

Attachment number	Description
1	Proposed Capital Programme 2023/24 versus RLTP
2	Prioritisation criteria
3	Advice from AC Group Chief Financial Officer (Email)
4	Capital Programme – Delivery/Commitment View
5	Prioritisation of Urban Cycleway Projects
6	Proposed Capital Programme 2023/24 – Impacts of stopping projects
7	Flood Recovery Impacts

Te pou whenua tuinga / Document ownership

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