

BOARD PAPER

Paper no:	2018/03/1214
Meeting date:	1 March 2018
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Board function:	Setting sector and organisational direction
Subject:	Statement of Intent 2018-2022 and Statement of Performance Expectations 2018-2019

It is recommended that the NZ Transport Agency Board resolves to ...

- **Receive** an update on the process for developing the NZ Transport Agency's Statement of Intent 2018-2022 and Statement of performance expectations 2018-2019.
- **Receive** the draft outlines and design concept for the NZ Transport Agency's Statement of Intent and Statement of Performance Expectations.
- **Approve** the Transport Agency's non-financial performance information to be provided to the Ministry of Transport for the Estimates for Vote Transport.
- **Endorse** the assumptions/principles to be used for developing the financial elements of the Transport Agency's Statement of Intent 2018-2022 and Statement of Performance Expectations 2018-2019

The Board has multiple decision points in developing the Statement of Intent and Statement of Performance Expectations

Decision	1 March meeting	Round robin between 29 March and 6 April	20 April meeting
Approve changes to the Transport Agencies strategic framework		✓	
Approve budget assumptions and principles	✓		
Approve Vote Transport non-financial performance measure targets	✓		
Approve KPIs, output class measures, targets and prospective NZ Transport Agency and National Land Transport Programme budgets		✓	✓
Final approval of Statement of Intent 2018-2022 and Statement of Performance Expectations 2018/19			✓

In April 2018, the Board will be asked to approve the NZ Transport Agency's draft Statement of Intent and Statement of Performance Expectations

- On 9 February 2018, the Board received an update on the next steps for developing the Transport Agency's Statement of Intent 2018-2022 and Statement of Performance Expectations 2018-2019 [*Board paper 2018/02/1211 refers*]
- This paper advises the Board of the Transport Agency's approach to developing these documents, budget assumptions and principles, and seeks the Board's approval of performance information required to be provided to Ministry of Transport for the Vote Transport Estimates of Appropriation
- A table later in the paper details future engagements with the Audit, Risk and Assurance (ARA) Board Committee and Board, including:
 - **Between 29 March and 6 April 2018 – Round robin discussion with the Board to consider a draft of the Statement of Intent and core content for the Statement of Performance Expectations**
 - **17 April 2018 - Special ARA Board Committee meeting for the Board Committee to receive assurance on the draft Statement of Intent and Statement of Performance Expectations**
 - **20 April 2018 - Board meeting at which the documents will need to be approved for provision to the Minister of Transport by 1 May 2018**
- The Transport Agency must consider Ministry of Transport's feedback, and finalise and publish the documents before 1 July 2018

Endorsing the budget assumptions and principles

- The Transport Agency uses a number of assumptions and principles to guide its budgeting process
- The following slides outline the assumptions and principles to be used in developing the proposed financial elements of the Transport Agency's Statement of Intent 2018-2022 (SOI) and Statement of Performance Expectations 2018-2019 (SPE)
- The principles and assumptions are broadly consistent with those followed in prior years
- The key difference from 2017-2018 is the inclusion of provision for the net incremental costs of any new capacity or capability required to change planning and investment priorities signalled by the Government (for example, to increase capability in areas such as public transport, integrated land-use planning)

The Transport Agency 2018- 2021 proposed budgets will be prepared based on the following assumptions/principles

Item	Principle	Application in financial budgets
1	The Transport Agency is strategy-led - its budget is the financial translation of decisions made in the business planning process	<i>Budget developed to support strategic alignment, delivery of SPE activities, GPS priorities</i>
2	The Transport Agency is reviewing the operational budget in light of the new Government's priorities and Government Policy Statement on Land Transport (GPS). The Transport Agency will need additional capability on some areas and will have to resource up to provide leadership and assistance to the sector	<p><i>Core operational budgets may change as a result of the business planning process through:</i></p> <ul style="list-style-type: none"> - <i>new activities or projects required to deliver against new agency expectations;</i> - <i>Reduction or removal of activities that are no longer required or justified</i>
3	A base salary increase will be separately approved by the Remuneration and HR Board Committee	<i>Centrally applied adjustment to salary budgets</i>
4	Memorandum accounts balances should fluctuate around zero over the long term. Commissions and transactions costs are expected to reflect realistic projections of volumes and the impact of fee reviews	<i>The budget to reflect those fee reviews where the process is advanced to a stage that the outcome is reasonably certain. It is anticipated that the outcome of the Rail fees Review will be included in the 2018-2019 budget</i>
5	The projected National Land Transport Programme (NLTP) output class expenditure should reflect, as far as practical, the new GPS	<i>Adjustments will be made to output class expenditure to align with the new GPS. (Note that the GPS will move from draft to final during the budgeting/business planning process).</i>

The Transport Agency 2018- 2021 proposed budgets will be prepared based on the following assumptions/principles

continued

Item	Principle	Application in financial budgets
6	The sum of the projected National Land Transport Programme output class expenditure should be within the projected National Land Transport Fund funding levels including any carry over surplus and anticipated financing and other funding arrangements	<i>Given the different timelines for completion of the SPE and NLTP, the best information available at the time will be used for NLTF assumptions</i>
7	As far as possible alignment will be sought between the National Land Transport Programme projections and the statement of intent/statement of performance	<p><i>Given the different timelines for completion of the SPE and NLTP, the best information available at the time will be used for SPE budget assumptions – total alignment between the SPE and NLTP will not be possible.</i></p> <p><i>One year only of budget information will be detailed (as for the prior year) to reflect delayed timetable and uncertainty for NLTP 2018-2021, and the potential for a further GPS to be published in 2019</i></p>
8	The cost of managing the funding allocation system (formerly MOFAS) to be less than [1.2%] of the total NLTP expenditure (NLTF & Crown funded / finance project spend), final % to be determined following finalisation of overhead cost allocation and overall agency expenditure budget	<i>Budgets will be tested for compliance with the [1.2%] threshold</i>

Non-financial performance measures for the Transport Agency's activities are also required for the Estimates of Appropriation for Vote Transport

- A proportion (14%) of the Transport Agency's funding comes through standard government budget processes
- Governed by the Public Finance Act 1989, the Vote Transport section of the Government's annual budget comprises of 17 output areas belonging to the Transport Agency in Annual/Permanent and Multi-year Appropriations (see below)

<i>Annual/Permanent Appropriations</i>		<i>Multi-Year Appropriations</i>
Departmental Output Expenses <ul style="list-style-type: none">• Fuel Excise Duty Refund Administration	Non-Departmental Other Expenses <ul style="list-style-type: none">• Bad Debt Provision – Motor Vehicle Registration/Licences and Road User Charges• SuperGold Card – Public transport concessions for card holders• Urban Cycleways – Local Routes	Non-Departmental Capital Expenditure <ul style="list-style-type: none">• Regional State Highways
Non-Departmental Output Expenses <ul style="list-style-type: none">• Crash Analysis• Licensing Activities• Ministerial Servicing by the NZTA• National Land Transport Programme Permanent Legislative Authority (PLA)• Road User Charges Investigation and Enforcement• Road User Charges Refunds• SuperGold Card – Administration of the Public Transport Concession Scheme	Non-Departmental Capital Expenditure <ul style="list-style-type: none">• Auckland Transport Package Loan• NLTP – New Infrastructure for and Renewal of State Highways PLA• NLTF Borrowing Facility for Short-Term Advances• Regional State Highways• Urban Cycleways – Crown Assets	
	Multi-Category Expenses and Capital Expenditure <ul style="list-style-type: none">• Reinstatement of the South Island Transport Corridors	

Non-financial performance measures for the Transport Agency's activities are also required for the Estimates of Appropriation for Vote Transport

continued

- The Transport Agency is held accountable for funding received through appropriations via financial and non-financial performance information in each output area
- In preparation for 2018-2019 budget process, estimated performance against 2017-2018 non-financial measures and confirmation of 2018-2019 non-financial measures and targets are required
- The Estimates of Appropriation for Vote Transport is owned by the Ministry of Transport and the Ministry of Transport process for Estimates of Appropriation for Vote Transport is set out below

Timing	Process step
Before 8 March 2018	Ministry of Transport works with Crown entities on the Estimates of Appropriation
9-22 March 2018	Ministry of Transport works with Treasury on Estimates of Appropriation
23 March 2018	Draft Estimates of Appropriation provided to Ministry of Transport
April 2018	Minister of Transport signs off the Estimates of Appropriation for Vote Transport and provides it to Minister of Finance
Approx late May 2018	Budget Day
March 2018	Make adjustments to the appropriation if required through Supplementary Estimates

A subset of the performance measures in the Statement of Performance Expectations is used for the Vote Transport Estimates of Appropriation

- The appropriation performance measures in Vote Transport are either subsets of, or aligned with, the measures in the Transport Agency's annual Statement of Performance Expectations (SPE). There are more measures in the Statement of Performance Expectations because they cover all Transport Agency funding, not just the appropriations subset
- The timing for approval of measures differs slightly between the appropriations (Vote Transport) and output class (SPE) measures
- The Board is asked to approve the Vote Transport information in Attachment One (appropriation measures) for provision to the Ministry of Transport by 9 March 2018
- In due course, the Board will be asked to approve the full SPE via round robin between 29 March 2018 and 6 April 2018, and to the ARA Board Committee and the Board in April 2018.
- Any changes to the Vote Transport measures or targets, should they be required, could be accommodated in the Supplementary Estimates in March 2019

There are no substantive changes to the information in the Estimates of Appropriation

- The non-financial information provided for the Estimates of Appropriation (refer Attachment One) includes, for each appropriation:
 - a performance measure
 - the 2017/18 standard and estimated actual result, and
 - the 2018/19 target
- The measures and targets represent minimum performance standards for core activities funded through the appropriation (and delivered under the Transport Agency's output classes)

The Statement of Intent and Statement of Performance Expectations will reflect the refreshed strategy

- The outlines and design concept for the Statement of Intent and Statement of Performance Expectations are contained in Attachments Two and Three
- The form and content of the Statement of Intent and Statement of Performance Expectations will reflect the Transport Agency's refreshed strategy post Government Policy Statement (GPS) changes
- The documents will highlight the Transport Agency's contribution to the Government's priorities and how it will deliver on the Minister of Transport's expectations for 2018-2019
- Ministry of Transport officials and KPMG have been advised of the proposed approach and understand the Transport Agency's rationale

The following engagement is planned on the Transport Agency's 2018/19 accountability documents

DOCUMENT CONTENT	BOARD 1 MARCH	BOARD ROUND ROBIN DISCUSSION (BETWEEN 29 MARCH AND 5 APRIL)	CONTENT ASSURANCE ARA 17 APRIL	BOARD 20 APRIL	BOARD & ARA CHAIRS UNDER DELEGATED AUTHORITY BY 1 MAY	BOARD & ARA CHAIRS UNDER DELEGATED AUTHORITY BY 1 JULY
STATEMENT OF INTENT 2018-2022						
📄 Document outline and design concept	✓					
✎ Revised (consolidated) focus areas		✓ draft	✓ final	✓ final		
📄 Final draft statement of intent for provision to responsible ministers					✓	
📄 Final statement of intent reflecting feedback from responsible ministers						✓
STATEMENT OF PERFORMANCE EXPECTATIONS 2018/19						
📄 Document outline and design concept	✓					
✎ Revised (consolidated) focus area commentary		✓ draft	✓ final	✓ final		
✎ Significant activities for focus areas		✓ draft	✓ final	✓ final		
🎯 Measures and targets for key performance indicators		✓ draft	✓ final	✓ final		
🎯 Measures and targets for output classes		✓ draft	✓ final	✓ final		
💰 Financial forecasts for output classes		✓ excluding business planning outcomes	✓ draft	✓ draft		
💰 Financial assumptions and principles	✓	✓ report on compliance	✓ report on compliance			
💰 Prospective financial statements			✓ draft	✓ draft		
📄 Final draft statement of performance expectations (inc. prospective financial statements) for provision to responsible ministers					✓	
📄 Final statement of performance expectations reflecting feedback from responsible ministers						✓

Attachments and supporting information

There are three attachments:

- **Attachment One**

The Transport Agency's non-financial performance information for the Vote Transport Estimates of Appropriation 2018-2019

- **Attachment Two**

The draft outlines for the Transport Agency's *Statement of Intent 2018-22* and *Statement of Performance Expectations 2018-2019*

- **Attachment Three**

The design concept for the *Statement of Intent 2018-2022* and *Statement of Performance Expectations 2018-2019*