

Section 1: Overview

This section must be completed for all Investments.

Section 1A: Basic Investment Information

Investment Title	NZUP Queenstown Package			
Lead Minister	Minister of Transport and Minister of Finance (Joint Ministers)			
Department	Waka Kotahi NZ Transport Agency			
What type of investment this?	Infrastructure	Yes	Data & Digital	NA
	Organisational Change	NA	Specialist Equipment	NA
Investment description	The NZUP Queenstown Package is part of a wider suite of interventions and programmes being implemented to sustainably manage growth, reduce reliance on the private motor vehicles, enable land use and enhance liveability and safety. The transport issues are significant. On State Highway 6A capacity was exceeded more than 140 days in 2019, resulting in high levels of congestion and delay. The NZUP Queenstown Package includes bus priority measures on State Highway 6 / State Highway 6A, bus lanes on State Highway 6, improvements to the existing Frankton bus hub, improvements to the SH6A/SH6 intersection and pedestrian access improvements across SH6 and SH6A. Kā Huanui a Tāhuna (the Queenstown Alliance) was setup to deliver the Queenstown Package of works which includes town centre streetscape improvements, Stage 1 of the Arterials Project, and the NZUP package.			
Impacted Vote(s)	Transport			
Department contact	Craig Mitchell - Deputy Programme Director – New Zealand Update Programme (NZUP)			
Treasury contact	Mark Hodge - Senior Analyst / Vote Manager			

Section 1B: Total Funding Sought

Operating funding sought (\$m)	2022/23	2023/24	2024/25	2025/2026	2026/2027 & outyears	Total
Vote name	Not applicable					
Vote name	Not applicable					
Total	Not applicable					

Capital funding sought (\$m)	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	Total
Vote name											
Transport	31	24	22	18							95
Total	31	24	22	18							95

Section 2: Cost Escalation and Impact

Section 2A: Cost Escalation Information

Answers must not exceed 1-2 paragraphs per section.

You can share supporting papers that have been provided to project governance boards on the impact to scope/benefits, the actual cost escalation and its impacts/risks, and the confidence in the analysis of the funding sought, as an alternative to the below. Please append the relevant documents to your claim and make clear reference to paragraphs of importance and which questions they are addressing.

Relevant cost escalation drivers	Market volatility	Yes	Inflation	Yes	Labour and skill shortages	Yes
	Programming delays	NA	Regulatory compliance costs	NA	Supply shortages	Yes
Cost escalation	<u>Description:</u> The Queenstown Package was allocated it's March 2021 baseline P50 cost estimate of \$115 million by Cabinet in May 2021. Since the March 2021 baseline cost estimate, a combination of design updates to achieve the original scope, expansion of original scope, property costs and increased escalation has led to an estimated increase in costs of \$65 million (P50) to \$95 million (P95). The current P50 cost estimate is now \$180 million and P95 of \$210 million. This has been outlined in the October 2022 briefing (refer BRI-2571). Details of the increase are below: - Increases in material and labour costs since March 2021 plus significant future cash flow escalation above the baseline estimate. This continues to be volatile and subject to change. - Additional requirements for Frankton North Project - Property prices have increased and additional land is required Waka Kotahi is unable to fund these escalations from the National Land Transport Fund (NLTF) given existing commitments and constraints on the NLTF As discussed in the 2 August 2022 cost pressure choices briefing (BRI-2516 refers), there are limited choices to reduce cost for projects currently in construction and limited impact on the overall cost pressures in reducing costs for the smaller projects. Choices are being considered across the remaining NZUP projects (larger, less progressed projects) and a further briefing will be issued on these on 25 October 2022. <u>Impact:</u> If the project isn't fully funded this will result in a reduction and/or delay of originally proposed outcomes and benefits. <u>Risk:</u> Reputational damage for Waka Kotahi is likely to be realised. The full scope of works for these projects has already been engaged and / or consulted on with stakeholders and the community and they clearly support a multimodal, safe and effective transport system.					
Cost escalation management	Waka Kotahi has been monitoring the changing cost escalation environment and are considering a number of responses that will be important for NZUP. The responses range from short-term to long-term actions. Refer to BRI-2364 NZUP Cost Pressures Joint Ministers briefing for the short-term and long-term responses. Specific cost management techniques in place for NZUP Projects include; - Strong level of Governance scrutiny (costs have been formally endorsed and reviewed by multiple layers of Governance in the project and NZUP programme team) - Completion of a Quantitative Risk Assessment (QRA) - Cost estimates have been completed and peer reviewed - Quarterly cost assurance review updates					
Urgency of funding	The Queenstown Package is currently progressing through design and commercial agreements. It is critical confirmation of funding is obtained as soon as possible to provide commercial certainty and confirmation to deliver the Package.					

Case and confidence for funding	There is a moderate level of confidence for the Queenstown Package as the project has not started construction yet. There is uncertainty regarding cost escalation given the unprecedented price inflation in the construction sector and that cost escalation will fluctuate over the next 5 years of construction. There is always risk of cost escalation in infrastructure projects given the duration of the projects and the inherent complexities of the work. This cost pressure bid reflects known cost increases and risk allowances.
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Section 3: Funding options summaries

Section 3A: Preferred option cost to complete

Provide an overview of existing funding levels for this investment and the total funding sought to address the cost escalations claimed.

Methodology used to produce the funding profile	- Cost estimates are in accordance with SMO14 - Escalation rates have been developed in accordance to enterprise Procurement's approach to inflation, including forecast rates, at the time of commercial agreement. - Directive given from the enterprise Commercial Capability team on other operational costs e.g. COVID-19 - Contingencies are aligned in accordance with Z44 risk management minimum standards										
Formula and assumptions underlying costings	Appropriation has been provided as a whole of programme rather than an individual project cashflow. Assumptions for purposes of this claim - Total phased values represent the variance between current P95 and current total funding allocation. Current funding allocation for this project is based on P50 estimate provided in 2021 baseline. - Given the timeframes for completing this assessment, cashflows are indicative only. - The calculations for the phased values provided within the Further Detail for preferred option profile table, are based on the phased values within the Capital Funding profile table. - Cashflows for cost changes have been spread on a basis of the overall project										
	Operating Funding profile (\$m)										
[enter only one value per field]	2022/23	2023/24	2024/25	2025/2026	2026/2027 & outyears	Total					
Current and forecasted budget for this investment						NA					
Total funding being requested in this application						NA					
% change between the total funding now needed to complete the investment to the current budget.						NA					
	Capital Funding profile (\$m)										
	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	Total
Current and forecasted budget for this investment	38	30	26	21							115
Total funding being requested in this application	31	24	22	18							95
% change between the total funding now needed to complete the investment to the current budget.	83%	83%	83%	83%							83%

Section 3B: Cost to complete if scaled

Provide an overview of existing funding levels for this investment and the total funding sought to address the cost escalations claimed.

What is the minimum viable option and what has been scaled out to enable this option?	If the scope is reduced the full benefits of the Queenstown Package of works will not be realised which will impact on: - not having public transport/ active travel infrastructure in place to assist in facilitating significant mode shift from the public transport (private car trips make up 83% travel on SH6A which is not sustainable with forecast growth) - not having public transport/ active travel infrastructure in place to support the emissions reduction programme (noting the business base forecast that the Queenstown Package is forecast to reduce emissions by 15% despite nearly a doubling in population due to a mode shift from the private car). Further information on this is available in the October 2022 Briefing to Ministers 'NZUP Smaller Project Changes' (refer BRI-2571). The further requested information in this section is not available.										
Formula and assumptions underlying costings	Not Applicable										
[enter only one value per field]	Operating Funding profile (\$m)										Total
	2022/23	2023/24	2024/25	2025/2026	2026/2027 & outyears						
Current and forecasted budget for this investment	Not Applicable										
Total funding being requested as a scaled option in this application	Not Applicable										
% change between the total funding needed to complete the scaled investment to the current budget.	Not Applicable										
	Capital Funding profile (\$m)										Total
	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	
Current and forecasted budget for this investment											
Total funding being requested as a scaled option in this application											
% change between the total funding needed to complete the scaled investment to the current budget.											

Section 4: Further detail for options

Section 4A: Preferred option funding breakdown

Provide a breakdown of what the requested funding in Section 3A will be used for.

Add additional rows to the table as needed to capture each input separately (as well as indicated where different Votes may be impacted).

You can share supporting papers that have been provided to project governance boards on anticipated costings and breakdown as an alternative to the below. Please append relevant documents to your claim and make clear reference to paragraphs of importance.

Input – Operating [enter only one value per field]	Funding profile (\$m)					Total					
	2022/23	2023/24	2024/25	2025/2026	2026/2027 & outyears	Number values only, i.e. 15 or 100000. Do not enter any text, \$ signs or % signs.					
Input Information											
Additional escalation (over 2021 baseline)	3	2	2	2		9					
Change to property estimates	2	2	2	1		7					
Scope change and related costs	8	6	5	4		23					
Other cost changes Project refinements from design, specification alterations and preliminary & general.	8	7	6	5		26					
Funding risk contingency	10	8	7	5		30					
FTE-specific Input Information (if applicable)											
New FTE funding	Not Applicable										
New contractor and consultant funding	Not Applicable										
Additional FTE overhead funding	Not Applicable										
Total	Not Applicable										
# of new FTE's (employees and/or contractors)	Not Applicable										
What's the % increase in FTE compared to baseline FTE numbers	Not Applicable										
What are the top three occupational groups for the new FTE	For more details on current Public Service Commission breakdown of Occupation per agency click here: Data drilldown and technical guidance Te Kawa Mataaho Public Service Commission . Please identify if these new FTEs are for your core department or on behalf of a crown agency (and which one).										
Input – Capital	Funding profile (\$m)										Total
	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	
Total											
Appropriations	This funding would increase the existing NZUP appropriation.										
Existing Contingency	This funding has been developed on the basis of P95 funding (the project was previously funded to P50), so now includes the associated P95 contingency.										

Forecasted
Delivery End Date

Commencement of the main physical works is expected August 2023. Practical Completion is August 2026. This extended programme, over the baseline programme, is influenced by achieving critical land requirements, RMA – designation requirements, and extensive utility relocation and three waters installation works. The timeframe and costs assume there are no Environment Court appeals.

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Section 4B: Scaled option funding summary

Provide a breakdown of what the funding profile for the scaled option described in Section 3B.
Add additional rows to the table as needed to capture each output separately.

Requested information below is not available.

Input – Operating [enter only one value per field]	Funding profile (\$m)					Total					
	2022/23	2023/24	2024/25	2025/2026	2026/2027 & outyears	Number values only, i.e. 15 or 100000. Do not enter any text, \$ signs or % signs.					
Input Information											
E.g. IT equipment											
E.g. Service provider fees											
FTE-specific Input Information (if applicable)											
New FTE funding											
New contractor and consultant funding											
Additional FTE overhead funding											
Total											
# of new FTE's (employees and/or contractors)											
What's the % increase in FTE compared to baseline FTE numbers											
What are the top three occupational groups for the new FTE	For more details on current Public Service Commission breakdown of Occupation per agency click here: Data drilldown and technical guidance Te Kawa Mataaho Public Service Commission . Please identify if these new FTEs are for your core department or on behalf of a crown agency (and which one).										
Funding profile (\$m)											Total
Input – Capital	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	
Total											
Appropriations	Indicate whether this funding would increase existing appropriations (if so, please list the existing appropriation or category that will be used), establish any new appropriations, or alter the scope of an existing appropriation and when it would take effect.										
Existing Contingency	Indicate whether this funding would increase or amend the level of contingency provisioned for the investment, what if any new risks are included, or whether there are implications to an existing tagged contingency										
Forecasted Delivery End Date	Indicate whether the forecasted delivery end date has shifted, what the previous and new forecasted delivery end dates are, and which of the cost pressures are the major influences of the shift.										