



Te Tūāpapa Kura Kāinga
Ministry of Housing and Urban Development

18 May 2022

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Hon Michael Wood
Minister of Transport

Action required by:
Monday, 30 May 2022

Hon Grant Robertson
Minister of Finance

Hon Dr Megan Woods
Minister of Housing

AUCKLAND LIGHT RAIL FUNDING AND FINANCING POLICY WORK PROGRAMME

Purpose

To update Ministers on the proposed funding and financing policy work programme for Auckland Light Rail (ALR) and to seek any feedback or early direction.

Key points

- Cabinet considered the Indicative Business Case (IBC) for the ALR project in December 2021 and agreed to progress the project to the detailed planning phase [CAB-21-MIN-0531 refers]. At the time, Cabinet noted that a range of funding and financing tools will be needed to support the costs of ALR, to be refined as part of the detailed planning process led by the ALR Unit (the Unit) which includes the development of the Detailed Business Case (DBC).
- Consistent with Cabinet direction, officials from the Ministry of Transport (the Ministry), the Treasury and the Ministry of Housing and Urban Development have scoped a Funding and Financing policy work programme to support the development of the DBC. Officials propose focussing on five areas: Funding Principles and Tools – core Transport, Funding Commercial Opportunities – Urban Development, Financing Arrangements, Sponsor Financial Arrangements and Financial Delegations and Controls. The five streams and deliverables are summarised in **Annex 1**.
- Cabinet will make decisions on the funding and financing of ALR based on the DBC and related advice from officials when final investment decisions are made in 2024. It is important that the DBC contemplates funding and financing options that Ministers are comfortable with, including the broader context around some options such as possible legislative requirements. You can influence this by providing guidance to the Unit on your expectations.

- We will be providing advice to Ministers in the short term to facilitate guidance to the Unit. The key considerations for Ministers include whether there are any funding tools or methods you may wish to signal a preference for, rule out or place limits on (e.g., affordability constraints).
- Cabinet signalled an intention to use ‘value capture’ as part of the funding package for ALR. There are important choices as to how this is achieved which the detailed planning process needs to take into account, ^{s 9(2)(f)(iv)} [REDACTED]
- Our policy work will progress alongside the development of the DBC and other policy workstreams in the detailed planning phase of ALR. Relevant workstreams include the determination of the scope of urban development contemplated within the programme, the setting of roles and responsibilities for its delivery, and the form and ownership of the delivery entity taking ALR forward. Other policy workstreams outside of ALR that need to be taken into account include the Land Transport Revenue Review and GPS 2024-2027.
- We intend to work collaboratively with Council officials, the Unit and other agencies as necessary (for example Crown Infrastructure Partners, Waka Kotahi, Kāinga Ora, Te Waihanga) to deliver the work programme. This will ensure that relevant perspectives and linkages are reflected in the policy work.
- ALR funding and financing decisions will need to be made in parallel with, and may serve as a test case for, a more nationally consistent approach to funding and financing rapid transit, which is being developed in parallel by the Ministry.

Recommendations

We recommend you:

	Minister of Transport	Minister of Finance	Minister of Housing
1 Note the proposed scope of the ALR Funding and Financing policy work programme.	Yes / No	Yes / No	Yes / No
2 Agree the overall approach of Sponsors providing upfront guidance to the Unit on funding and financing to inform business case development.	Yes / No	Yes / No	Yes / No

<p>3 Agree that we provide advice and seek agreement from Ministers on key funding and financing issues in the near term as follows:</p> <ul style="list-style-type: none"> • Preferences and constraints for the use of funding sources and tools – July 2022 • Mechanisms for value capture – July 2022 • Preferred financing arrangements for the project – August 2022 	Yes / No	Yes / No	Yes / No
<p>4 Provide any feedback on the proposed scope of work</p>	Yes / No	Yes / No	Yes / No
<p>5 Agree that this report be shared with the Mayor and Deputy Mayor ^{s 9(2)(i)} [REDACTED]</p>	Yes / No	Yes / No	Yes / No

C. Gulik

Chris Gulik
**Acting Director Auckland Light Rail,
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Saskia Patton
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Hon Grant Robertson
Minister of Finance

..... / /

Fiona Stokes

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**Acting Manager, National Infrastructure
 Unit, The Treasury**

Hon Michael Wood
Minister of Transport

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Hon Dr Megan Woods
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- Minister's office to complete:**
- Approved
 - Declined
 - Seen by Minister
 - Not seen by Minister
 - Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Chris Gulik, Acting Director, Auckland Light Rail, Ministry of Transport	s 9(2)(a)	
Andy Hagan, Funding and Finance lead, Auckland Light Rail, Ministry of Transport		✓
Ben Wells, Principal Advisor, National Infrastructure Unit, Treasury		
Mary Barton, Senior Policy Advisor - Places and Partnerships, Ministry of Housing and Urban Development		

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TE MANATŪ WAKA MANATIRI O TRANSPORT

AUCKLAND LIGHT RAIL FUNDING AND FINANCING POLICY WORK PROGRAMME

Background

- 1 Cabinet considered the Indicative Business Case for the ALR project in December 2021 and agreed to progress the project to the detailed planning phase [CAB-21-MIN-0531 refers]. At that time, Cabinet recognised that in addition to more detailed planning and development by the Unit a significant policy work programme would need to be completed in parallel, covering a range of outstanding policy issues such as delivery and ownership arrangements, urban development and regulation, alongside policy settings for the funding and financing of the project.
- 2 Cabinet directed the Ministry of Transport (the Ministry), the Treasury, and Waka Kotahi to work with Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development (HUD), Auckland Council and the Unit to complete required funding and financing policy work to ultimately support a final recommended funding package that can be implemented for the project.
- 3 A significant amount of public funding may be required over the life of the asset, while financing may be necessary to meet frontloaded costs. Funding and financing choices will determine which population cohorts ultimately meet the costs of ALR, and other key considerations include fiscal impacts, fairness, affordability, incentives and political economy. Decisions on ALR are likely to serve as a precedent for future projects due to its scale and status as a 'mega' rapid transit programme in New Zealand.
- 4 Officials have been developing the scope and requirements of the work programme and its relationship to other ALR and broader policy workstreams. This briefing sets out the proposed detail of the programme with the objective of providing Ministers with visibility of issues, timelines, and dependencies and to seek any feedback on the scope of work before progressing further.

Connections with wider work programme

- 5 Cabinet agreed that the ALR DBC will be progressed as an integrated transport and urban development business case, recognising that there is an opportunity via ALR to achieve a range of transport and urban development outcomes. For example, the DBC will seek to cost the public infrastructure required to support increased density along the light rail corridor required to deliver on these outcomes.
- 6 Other related ALR workstreams, such as for planning, consenting and master planning workstreams will also influence choices for funding and financing ALR.

Proposed scope of funding and financing work programme

- 7 We consider that the objective of the funding and financing policy workstream should be to support the delivery of a DBC that presents options for, and a recommended, funding and financing package consistent with Ministers' and Sponsors' preferences.
- 8 This objective will support a timely final investment decision by informing and facilitating the negotiation of a funding and financing package between Crown, Council and other applicable parties. It will help ensure that financial arrangements underpinning the ALR project reflect Sponsors' expectations. These expectations could include putting into place funding and financing that is efficient and effective, fair and equitable, affordable, and represent value for money.
- 9 The Unit will develop and recommend the detail of the final funding and financing package as part of the DBC. The Unit will have access to the detailed scope, costings and beneficiary analysis necessary to complete this task. Officials will support Ministers to consider the DBC and will provide parallel advice on key elements.

Officials will provide you with advice to support the development of the ALR DBC

- 10 Officials' funding and financing policy work will support the development of the DBC, by ensuring Sponsors' preferences are reflected in its development. We have identified the following five workstreams for the funding and financing policy programme:
- Funding Principles and Tools - core Transport
 - Funding and Commercial Opportunities – Urban Development
 - Financing Arrangements
 - Sponsor Financial Arrangements
 - Financial Delegations and Controls
- 11 The following sections of this report step through each sub-workstream including its objectives, scope, timing and what Ministers can expect to see as the work progresses. **Annex 1** provides a summary of each of these workstreams.
- 12 The DBC is expected to be delivered around two years from the Cabinet decision in December 2021. In the intervening period, a number of interim milestones will occur, including delivery entity establishment, possible early works and early strategic land acquisitions. It is important that funding and financing policy work is sufficiently advanced to inform these and support interim milestones and DBC development.
- 13 Officials propose to provide the following advice to Ministers in the short-term to influence the development of the DBC:
- An approach to value capture
 - Preferences, context and constraints on funding tools for the project

- Preferred financing arrangements for the project.
- 14 In addition to this work, officials will support the development of the DBC as it progresses, including the Unit's consideration of the use of certain funding or financing tools given the Ministry, Treasury and HUD are responsible for different funding and financing regulatory tools.
- 15 In parallel to the ALR policy work programme, the Ministry is developing advice for Minister Wood that sets out how the Government thinks about and funds the delivery of rapid transit from a national perspective. This includes the development of funding principles, clarifying roles and responsibilities and establishing clear expectations of local authority partners. Initial advice reflecting current thinking will be provided in the next few weeks, with further, more substantive updates to follow thereafter. We aim to ensure that decisions made on ALR are consistent with, and can serve as a test case for, this more nationally consistent approach to funding rapid transit.

Sub-workstream one: Funding Principles and Tools – Core Transport

Workstream aim

- 16 The aim of this workstream, and the Urban Development workstream discussed below, is to ensure the Unit delivers a DBC that recommends the use of funding sources and tools consistent with Ministers' and Sponsors' objectives.

Discussion

- 17 In developing the DBC the Unit will need to recommend a final funding and financing package for the project¹, to be accompanied by advice from officials. The DBC will detail, among other things, a recommendation on the funding mix to meet whole of life costs of the project. This would include which population groups provide funding, which tools are used to raise revenue and the timing of contributions.
- 18 The funding mix for the programme represents an important decision that will have a range of implications, and will need to take account of broader context, including:
- how costs are borne and equity considerations across the various cohorts that might contribute to the project, including local residential and business beneficiaries, road users, and taxpayers,
 - fiscal impacts on Sponsors and other contributors,
 - potential incentive/disincentive effects for urban development,

¹ The IBC assessed a range of potential funding tools for the project including the Infrastructure Funding and Financing Levy, General rates, Business rate supplement, Development contributions and strategic land acquisitions, in addition to more traditional funding sources such as the National Land Transport Fund and any direct Crown or Council contribution.

- affordability, both directly (i.e. to meet the costs of ALR) and indirectly (e.g. the impact on general rates to meet potential related Council costs),
 - political economy and social license trade-offs in the use and mix of tools that generate additional revenue to support the programme,
 - the impact of other infrastructure, policy and reform programmes affecting Auckland, and
 - precedent effects for future 'mega' projects including rapid transit.
- 19 In the agreement of a funding and financing package, Sponsors will need to commit to meeting their respective contributions including the use of any funding tools necessary to generate additional revenue to meet the costs of the project.
- 20 The importance of the decisions and the direct impacts on Crown and Council mean it is necessary that Sponsors influence the DBC process such that final recommendations align with Sponsors' direction and broader policy work occurring across the Crown.
- 21 To support Ministers to provide this direction, we expect to build on the work completed by the Unit so far to provide advice on:
- recommended funding principles,
 - preferred tools to raise revenue,
 - options to balance competing principles, such as managing affordability considerations that arise from a beneficiary-pays model.
 - fiscal and balance sheet impacts of Crown and/or Council contributions,
 - deliverability and steps necessary to use tools,
 - the quantum of and types of costs recoverable, and
 - risk management across the programme, including the sharing of funding risks across funding sources.
- 22 Council officials will also need to advise their governing body for the Council to form a view on, and be ready to agree to, Sponsors' preferred funding mix for the programme. Crown officials will work closely with Council counterparts as the work develops to ensure this occurs.
- 23 The exact nature of guidance to the Unit, including options as to when guidance is provided, will be determined over the course of the policy work programme. This could take the form of:
- principles-based guidance, such as the relative importance of beneficiary pays vs affordability principles in recommending options for the funding package, or

- prescriptive guidance, such as the preferences, guidance on which specific tools to use/recommend and any limits on those tools.

24 Officials consider that early and specific guidance is likely to offer a number of benefits, including:

- ensuring options in the DBC best serve Sponsors,
- ensuring the necessary arrangements are in place to allow the use of funding tools as desired by Sponsors, such as the development of specific value capture tools, and that the ensuring delivery entity is able to make required financial delegations,
- ensuring that the final project scope is affordable, based on available funding sources, and represents value for money,
- allowing the Crown and Council to consider and manage the fiscal and operational implications of their respective contributions in line with their planning and budget cycles,
- s 9(2)(i) [REDACTED]
- aligning with feedback from the Unit regarding the need to understand government preferences on key issues sooner rather than later to help inform their work and procurement.

25 Retaining some flexibility through the DBC phase helps ensure that opportunities for innovation can be taken should they arise. This balance will be a key judgement as the policy work on ALR funding and financing progresses and officials recognise the importance of exposing the trade-offs to Ministers. It may be that a balance needs to be struck with some guidance being more specific, such as the method(s) for value capture, and some more open, such as the scope and appetite for commercial opportunities.

Value capture

26 Cabinet agreed that the policy work programme should explore how value capture could be pursued as a core component of any funding solution for ALR. Value capture refers to funding approaches that aim to align incidence of costs with those who benefit by capturing uplift in property values due to project benefits, or alternatively, by charging those beneficiaries directly.²

² On the basis that capital gain due to the project should be equal to the net present value of the future benefits, *net of costs*, expected to be derived by owners or renters of that property.

s 9(2)(b)(ii)

- 28 Consequently, a focus of the funding and financing policy workstream will be making recommendations on the possible mechanism(s) to ensure that beneficiaries of investment meet a fair share of the costs for the project. s 9(2)(f)(iv)

Key upcoming deliverables

- 29 Officials will provide the following advice in the short term:
- July 2022 - Advice on value capture: This report will seek to define the various components of 'value', assess the case for recipients of that value to contribute financially towards the programme, assess the existing funding toolkit's ability to collect funds from those beneficiaries and determine whether there are any gaps in the toolkit. s 9(2)(f)(iv)
 - July 2022 - Funding principles and tool assessment: This report(s) will seek to advise and get feedback from Ministers on proposed principles for project funding, aim to set out what the application of these principles would mean for project funding sources, and seek to assess the available funding tools against the principles including the ability to use the tools to raise the required funding for the project.

Sub-workstream two: Funding and Commercial Arrangements - Urban Development

Workstream aim

- 30 This sub-workstream will support the Unit to deliver a recommended funding package in the DBC that is consistent with Ministers' and Sponsors' objectives.

Discussion

- 31 The IBC recognised that urban development is key to maximising the benefits of the project but contained relatively little analysis of the costs and funding of potential urban development interventions. In response, Cabinet agreed that the detailed planning phase for ALR is taken forward as an integrated transport and urban development programme. Similar to the transport component, Ministerial guidance on urban development funding will support delivery of a successful DBC.

- 32 Decisions are yet to be taken on the scope of urban development contemplated within the programme, the entities responsible for delivering the associated infrastructure as well as the planning and consenting frameworks that could make up part of the ALR investment decision. These are determining factors that will impact the scope and timing of funding and financing work necessary for urban development.
- 33 If existing roles and responsibilities for urban development are retained, funding and financing policy work may be relatively limited as existing funding channels could be broadly appropriate.
- 34 However, new or bespoke arrangements, such as a substantial urban development role for the Delivery Entity, would also require more substantive work and advice.
- 35 The funding and financing workstream will need to consider the impact of urban development costs on the affordability of the core transport component of the programme, including whether total costs borne by local landowners, Crown and/or Council will be affordable. This needs to be well understood to ensure overall affordability of the programme, even if the transport and urban development components are progressing on different timelines.
- 36 The Government's Three Waters reform programme includes plans to have the new Water Services Entities in place by 2024. The funding and financing of bulk water infrastructure will also need to be assessed within the context of these new arrangements.

Commercial opportunities

- 37 By agreeing to progress the ALR using a 'Public Service Delivery' model in June 2020 [CAB-20-MIN-0300 refers] officials understand that Cabinet explicitly ruled out delivering the project under the New Zealand Public Private Partnership Model or other 'programme level' private financing options similar to the model presented by CDPQ and the New Zealand Super Fund.
- 38 The December 2021 Cabinet decisions that confirmed progressing to the DBC stage [CAB-21-MIN-0531], included continuing work to recommend a funding and financing package, but did not specifically rule in or out any other funding or financing sources.
- 39 There is a need to assess the merits of and provide further clarity to the Unit on the appetite for, smaller scale commercial opportunities in subsets of the programme. This is most likely in respect of Urban Development, but could potentially extend to Transit Oriented Development i.e., station and related facility development.

Key upcoming deliverables

- 40 This work is dependent on further decisions on programme delivery roles and responsibilities, the scope of contemplated urban development, and business case development. These workstreams are currently being developed and further clarity on the timeframe for confirming these factors will be provided following this exercise.

Sub-workstream three: Financing Arrangements

Workstream aim

- 41 The financing arrangements workstream will provide advice to enable decisions on appropriate financing settings for the programme and deliver the necessary arrangements to facilitate these financing arrangements.

Discussion

- 42 Financing arrangements depend on the funding sources and tools contemplated for the programme that is being determined in the first two workstreams. These decisions influence how funds will flow between Sponsor agencies and the Delivery Entity and therefore the entities that will need financing mechanisms.
- 43 Subsequently, we will assess whether suitable financing mechanisms are available and the options for financing if a new mechanism is needed. If Delivery Entity financing is necessary/warranted, our work will assess options to deliver this financing, their pros and cons, and implementation issues arising from decisions made by Sponsors.

s 9(2)(j)

Key upcoming deliverables

- 45 Officials will provide the following advice in the short term:
- August 2022 – Financing options: This report will set out potential options for financing the programme and to the extent a new financing mechanism is required it will set out options for that mechanism and a recommendation for next steps.

Sub-workstream four: Sponsor Financial Arrangements

Workstream aim

- 46 This workstream will support Sponsors to agree the appropriate funding splits, revenue raising tools to fund the project and financing mechanisms to give effect to final investment decisions.

Discussion

- 47 Consistent with the Sponsors' Agreement, both Crown and Council will ideally need to agree:

- in principle, any funding and financing guidance provided to the Unit to support development of the DBC, and
- on actual funding and financing arrangements decided at final investment decision phase.

48 Project financing arrangements are likely to impact both parties' balance sheets and could require authorisation or implementation of the use of specific funding tools, with flow on effects to constituents.

49 The Crown and Council are likely to have different objectives and preferences for funding and financing the project. The Council resolved in December 2021 that it is not in a financial position and cannot contribute to the cost of the construction of Light Rail. s 9(2)(f)(iv)

Agreement will also be needed on the sharing of financial risks such as cost increases across Sponsors once in the delivery phase.

50 Practically, these issues may need to be resolved through negotiations between Crown, Council, and any other contributing parties. The work required to inform negotiations will depend on Ministerial and Council preferences for funding and financing tools, and the extent to which there are different perspectives that need to be resolved.

51 This may occur in stages, firstly to develop joint guidance to support the Unit in the development of the DBC, and then to support Sponsors' agreement on financial arrangements when final investment decisions are made. This workstream will aim to support, and then document, Sponsor agreement across these issues.

s 9(2)(j)

53 The workstream will take account of the range of other transport infrastructure programmes live across Auckland for which Crown funding is being sought and provided, lessons learned from similar projects such as City Rail Link, and consider any broader policy work programmes that could overlap and have implications for funding and financing the ALR programme.

Key upcoming deliverables

54 Work under this sub-workstream is dependent on Ministerial decisions in the Funding Principles and Financing sub-workstreams, and on Sponsor preferences for programme funding. Work will progress once these issues are determined.

Sub-workstream five: Financial Delegations and Controls

Workstream aim

- 55 This workstream supports the establishment of clear and agreed processes around financial management and monitoring of the project and for scope or cost changes as they arise.

Discussion

- 56 This workstream will deal with the practicalities of managing the ALR programme once in the delivery phase, including contemplated pre-delivery phase works such as property acquisition and early works.
- 57 Clarity will be needed in respect of processes for day-to-day financial management including funding requests and financial controls for significant spending milestones, and the processes and delegations for cost and scope increases over and above any agreed contingency management framework.
- 58 This will be particularly important to manage the risk that the Crown becomes the 'funder of last resort' for unforeseen cost increases, without adequate ability for Ministers to influence outcomes in an appropriate manner.
- 59 Ultimately, these processes and arrangements will likely be documented in a funding agreement and project delivery agreement, similar to the case for City Rail Link (experience from which will also inform this workstream). This will need to be drafted by officials in conjunction with the Unit on behalf of Sponsors.

Key upcoming deliverables

- 60 This workstream is less urgent and will commence once detailed planning work yet to be conducted by the Unit is further progressed.

Relation to other programmes of work

- 61 A number of broader work programmes will be considered in our advice, in addition to other ALR policy workstreams and detailed planning work by the Unit.

Land Transport Revenue Review

- 62 The Land Transport Revenue Review and Mega-projects sub workstream being progressed by the Treasury, the Ministry and Waka Kotahi may have implications for the role of the National Land Transport Fund (NLTF) in funding ALR. That work is highlighting the funding challenges inherent in the NLTF meeting the costs of future National Land Transport Plans and, among other things, suggesting that there may be merit in considering a bespoke approach to the funding of mega-projects.³

³ Projects with high capital costs, national or regional significance and material non-transport benefits.

63 This is on the basis of the financial impact of mega-projects such as ALR on the capital and operating funding capacity of the NLTF; the wider range of benefits implies a wider range of funding sources under a beneficiary pays principle; the regional and activity-class shares that ALR would represent in relation to the National Land Transport Programme, if a significant portion were funded through the NLTF; and, the governance arrangements and processes to access the NLTF.

64 A preliminary framework developed for the review confirms ALR as a megaproject. Consistent with the revenue review, we are expecting the ALR funding principles workstream to recommend a beneficiary pays approach, justifying a broad array of funding sources on a first principles basis. Therefore, although the work is progressing in parallel it is likely that ALR could serve as a test case for future funding sources and structures, including the role of the NLTF, in funding future mega-projects.

Rapid Transit Network funding

65 In agreeing to progress ALR, Cabinet noted the need for a more coherent and consistent national approach to Crown investment in rapid transit projects to be developed. The Ministry is developing advice for Minister Wood that sets out how the Government thinks about and funds the delivery of rapid transit more generally.

66 Similar to the Revenue Review, ALR funding and financing advice will be developed in line with the national approach, while work on ALR may also be used to inform it.

Government Policy Statement on Land Transport

67 Ministry officials are beginning work on the Government Policy Statement on Land Transport 2024, expected to be completed by mid-2023. This will broadly coincide with final investment decisions for ALR.

68 Funding and financing work and the broader detailed planning of ALR will need to integrate with the GPS process to ensure that funding made available through the GPS is consistent with Ministers and Sponsors' preferences for the funding of ALR, including priorities and constraints in the GPS itself.

69 Officials from both the Ministry and the Treasury are closely involved in these processes to ensure appropriate links are made as they respectively progress.

National Policy Statement on Urban Development

70 The ALR project does not fall within the definition of a "planned rapid transit service" under the National Policy Statement on Urban Development (NPS-UD) as it is still in the early planning stage.

71 Auckland Council undertook pre-notification consultation recently on a draft plan change that it is required to notify by 20 August 2022 to give effect to the NPS-UD and the 'medium density residential standards'. In this pre-notification consultation, Auckland Council 'carved out' the proposed ALR corridor from having to apply the NPS-UD given that an investment decision on ALR has not yet been made.

- 72 Officials are continuing to engage with Auckland Council as they prepare to notify their intensification plan change by 20 August 2022 to establish how it will apply and impact land located within the proposed ALR corridor.

s 9(2)(b)(ii)

Future of Local Government Review

- 74 The Future for Local Government Review (FLGR) is due to provide the recommendations of the independent panel to Government in April 2023. As part of the Review, the Panel will consider the funding and financing arrangements for local government, which may result in recommendations for new or changed funding and financing tools.

Working with the Unit, Council and other stakeholders


- 75 We intend to work collaboratively with the Unit, Council and other stakeholders as we progress the work programme.
- 76 The Unit's analytical and planning work will be an important input into the policy development process, and ongoing engagement will be important to ensure policy guidance supports a successful detailed business case.
- 77 It will be important to engage closely with our counterparts at the Council, and engage the Sponsors' Representatives Forum, and the Sponsors' Forum, to support a shared understanding and joint position on issues, as our work progresses. Pending your approval, we propose sharing this briefing with the Mayor and Deputy Mayor.
- 78 Other stakeholders we intend to engage as necessary on parts of the programme include Waka Kotahi, Crown Infrastructure Partners (especially in respect of IFF), Te Waihanga, the Department of Internal Affairs (in respect of the Three Waters reform and FLGR) and Kāinga Ora.

Consultation

- 79 The work programme as set out in this advice was co-developed by the Ministry, Treasury and Ministry of Housing and Urban Development. The Unit and Auckland Council were consulted on the work programme and this report.

Council feedback

80 In providing feedback, Council officials highlighted:

- their willingness to assist the work, particularly where Council teams have hands on experience with in-scope funding tools (e.g. targeted rates), at the same time they noted the relatively ambitious timeframes for the work could be challenging to meet.
- s 9(2)(b)(ii) 
- the importance of engaging the Sponsors', and Sponsors' Representatives, Forum as the work progresses, given the prominence of issues and that Council decisions will need to be made as necessary.

Unit feedback

81 The Unit is supportive of the work programme, and of the need for Sponsors to provide guidance on a range of matters to support the DBC process including the scope of urban development, the risk appetite of Sponsors for the project, and Sponsors' preferences for commercial opportunities to support the project.

82 The Unit expressed a desire for this as soon as possible to, among other things, support their procurement processes. The Unit notes the ambitious timeframes given the complexity of work.

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ANNEX 1

Summary of five sub-workstreams for the Funding and Financing policy programme

Title	Objective	Scope	Key upcoming deliverables and priority
Funding Principles and Tools - core Transport Solution	To ensure the Unit delivers a DBC that recommends the use of funding sources and tools consistent with Ministers' and Sponsors' objectives.	Assess funding tools and sources against Ministerial agreed principles Determine any context and constraints on funding tools or sources (e.g., affordability and legislation) Assess and agree approach for value capture within the project Provide guidance on funding framework to Unit for use within DBC	Highest priority <i>July 2022 - Funding principles and tool assessment</i> <i>July 2022 - Value capture assessment</i>
Funding and Commercial Opportunities – Urban Development		As above, for urban development component Assess and agree appetite for any commercial sub-components of programme	Medium/high priority This work is dependent on decisions on programme delivery roles and responsibilities, scope of contemplated urban development and business case development and this work will progress once these factors are determined.

Title	Objective	Scope	Key upcoming deliverables and priority
Financing Arrangements	To enable decisions on appropriate financing settings for the programme and deliver the necessary arrangements to facilitate these settings.	Assess need and options for new financing solutions within the programme Enable agree financing arrangements (e.g., financial powers, documentation)	Medium priority <i>August 2022 - Financing options</i>
Sponsor Financial Arrangements	To support Sponsor agreement on funding splits and use of revenue raising tools to fund the project.	Support engagement between sponsors as necessary Financial component of Sponsors' delivery agreement	Medium priority This work is dependent on decisions in the Funding Principles and Financing sub-workstreams, and on Sponsor preferences for programme funding. Work will progress once these issues are determined.
Financial Delegations and Controls	To ensure there are clear and agreed processes for financial management, monitoring, and scope/cost changes as they arise through the delivery phase.	Determine and document appropriate financial management practices for delivery phase of programme	Lower priority This workstream depends on more detailed planning work yet to be conducted by the Unit and is necessary closer to consideration of the DBC. It will commence once that work is further progressed.