

The issue relates to the NZTA Activity class Local Road Pothole Prevention - this is a new activity class for this GPS and has been put in place for RCAs to build resilience and improve level of service on sealed and unsealed roads.

This class includes:

111	Sealed pavement maintenance
112	Unsealed pavement maintenance
113	Routine drainage maintenance
211	Unsealed road metalling
212	Sealed road resurfacing
213	Drainage renewals
214	Sealed road pavement rehabilitation

NZTA actively encourage the movement of funds within this activity class to optimise the use of funding.

In FNDCs case we have met the asset management plan and long-term plan KPI for sealed road resurfacing this year and have “surplus “ of \$1m in activity class 212.

We have a deficit in code 111 and wish to transfer FNDC's local share from 212 to 111. NZTA have approved this internal transfer.

The challenge is FNDC appears to consider 212 sealed road resurfacing a capital item and activity 111 operational.

Consequently, there is local share issues.

This has caused an immediate cash flow issue as we have already expended extra funds in 111 based on initial advice from FNDC finance that the transfer was in line with council finance policy

## SUMMARY

We have a forecast underspend in the reseal program (Sealed Road Resurfacing) and a current overspend in sealed road maintenance (Sealed Pavement Maintenance) activity. We are currently transferring funds from unsealed pavement maintenance and routine drainage maintenance to cover the overspend in sealed pavement maintenance. This will reduce the budget available to deliver our drainage programme this year, and future years if this is not resolved.

As both line items relate to pavement maintenance the current solution is to move funds from 212 Sealed Road Resurfacing to 111 Sealed Pavement Maintenance.

## RECOMMENDATION

**That Te Koukou receive the verbal update from the Roading Engineer to Contract and that:**

**Te Koukou direct the CEO to approve the transfer of the FNDC Local Share from NZTA Activity class Local Road Pothole Prevention category 212 to 111 to advance the final phase of the 2024-25 sealed pavement maintenance programme.**

### **AND THAT**

**Any final accounting variation be addressed by way of a minor amendment to the funding impact statement 2024-25.**

Note: This will need to be carried through to future Annual and Long Term Plans