

# Chapter 7 Claims and programme reviews

## 7.1 Overview

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**Introduction** This chapter describes the process for making claims for financial assistance and how the NLTP is reviewed during the course of the financial year.

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## 7.2 Claims

<b>Introduction</b>	This section describes the process for making claims for financial assistance.
<b>Progress claims</b>	Progress claims may be made monthly for all qualifying expenditure that is supported by certified invoices. An approved organisation need not have made an actual payment at the time of claiming financial assistance. These claims shall be based on the estimated value of works in place.  <b>Rule:</b> Claim items are to be listed in accordance with the work categories identified in the approved programme. Calculations are to the nearest dollar.
<b>Community focused activities</b>	Land Transport NZ recognises that payment for some community focused activities carried out by not-for-profit entities need to be made in advance of the activities being delivered.
<b>Submitting and paying claims</b>	Land Transport NZ requests that approved organisations submit monthly claims to Land Transport NZ regional offices by the <b>7th working day</b> of the following month. As a minimum, claims will be required to the end of September, December and each month following, through to the final claim. This may be varied by agreement with Land Transport NZ's partnership manager for approved organisations with small programmes.  Land Transport NZ will pay claims within 21 days of their receipt. Approved organisations being paid by electronic means will be advised of the payment date and if the value of the payment varies from the claim.
<b>Certifying claims</b>	Unless Land Transport NZ specifically requires otherwise, payment of financial assistance is dependent on the officer certifying the claim form accepting responsibility for appropriate design, construction/implementation procedure, and quality of materials. The value of work claimed must be certified by the approved organisation's Chief Executive or approved delegate.  The endorsement of the claim form will be taken to certify that these matters were undertaken to a standard fit for their intended purpose.  <b>Note:</b> Financial assistance is also dependent upon the council's adoption of agreed standards as set forth in Land Transport NZ's <i>Standards and guidelines manual</i> .
<b>Internet claims</b>	Approved organisations must claim for payment via the internet. Land Transport NZ will issue a secure password to an authorised representative of each approved organisation. That representative must be given the appropriate delegation to certify the claim.  <b>Note:</b> The certification comprises the same information as contained on the form on the next page.
<b>Form 7.1</b>	This form serves as a certification and summary of claims for financial assistance. This form is replicated in the internet claim system.

## 7.2 Claims, continued



Form 7.1

## Tax invoice and claim for payment

To Land Transport NZ Office		Date	
Name and address only (USE BLOCK LETTERS)			
Supplier's GST Registration N <sup>o</sup>			
Claim N <sup>o</sup>		Period of claim	1 / 7 / __ to __ / __ / __

Summary of claims		Total
Activity class 1, claim to date		\$
Activity class 3, claim to date		\$
Activity class 5, claim to date		\$
Activity class 7, claim to date		\$
Activity class 8, claim to date		\$
<b>Total claim to date (excluding GST)</b>		\$
Less previous payments	( 1 to ____ )	\$
Amount now payable (excluding GST)		\$
GST amount		\$
<b>Total amount now payable (including GST)</b>		\$

**Approved organisation certificate**

**Note:** The attention of the certifier is drawn to the offence provisions of sections 76 and 77 of the Public Finance Act 1989.

I CERTIFY –

- (i) that the expenditure included in the claim has been incurred in accordance with the requirements of the Land Transport Management Act
- (ii) that all expenditure included in this claim has been recorded in the land transport disbursement account in the form and detail prescribed by the Land Transport NZ New Zealand, and the documents supporting the expenditure are available for examination, if necessary
- (iii) that the expenditure included in this claim is for an approved output or capital project in terms of the Land Transport Management Act, is eligible for funding by Land Transport NZ New Zealand, has been incurred on the work claimed, and is reasonable for the type of work done
- (iv) that payment has been made<sup>1</sup> or the work has been completed to the value for which payment has been claimed
- (v) that the work is in accordance with Land Transport NZ's standards and guidelines
- (vi) that to the best of my knowledge and belief, the foregoing claim is true and correct in all respects.

Acting under authority from:

\_\_\_\_\_  
(signature of)

Chief Executive Officer/Principal Administration Officer

<sup>1</sup> For community focused activities only. It may be necessary for Councils to pay for some community focused activities in advance of the project being delivered.

## 7.2 Claims, continued

<b>Final claims</b>	Final claims are those that claim for work done to 30 June <b>within the approved allocation</b> . The final claim must be based on accrued expenditure and be supported by certified invoices or certificates of work done. Claim items are to be listed in accordance with the work categories in the approved programme.
<b>Supplemental requests</b>	Supplemental requests are those that claim for work done to 30 June <b>in excess of the approved allocation</b> . The following applies: <ul style="list-style-type: none"> <li>• Over-expenditure on improvement projects that have an allocation in the next year may be claimed as advanced work.</li> <li>• Over-expenditure on improvement projects in excess of the approved total cost will be considered on a case-by-case basis. Supporting information is required as if it were a request for a price level increase at a review.</li> </ul>
<b>Deadline for final claims and supplemental requests submission</b>	Final claims and supplemental requests are to be submitted <b>separately</b> and received by the regional office <b>no later than 31 July</b> . Supplemental requests are to be submitted as a review request as per section 7.3. Once approved, an electronic claim should then be submitted.
<b>Approved activities</b>	Financial assistance is payable only on expenditure on approved activities and projects included in the NLTP. <p><b>Note:</b> For programme items (other than block allocations) that include fees and/or property with the physical works component, financial assistance for fees or property shall not be claimed until the physical works tender has been contractually committed.</p>

## 7.2 Claims, continued

### Commitments

Where a project has been approved by Land Transport NZ for inclusion in the following year's national land transport programme (NLTP), but the project has commenced in the preceding year, the following process occurs:

Stage	Description
1	Claims for advanced works are to be submitted by 31 July as part of the supplemental request.
2	Such claims will be paid against the preceding year if funds are available for reallocation within the NLTP. The following year's allocation will be reduced accordingly.

### Projects undertaken in previous years

Apart from the above, and with exception of investigation/ design fees and land purchase associated with approved projects, expenditure on works in a previous financial year does not qualify for financial assistance in the subsequent programme year.

### Claims where financial assistance applies to only part of the cost

The financial assistance claim shall only show the expenditure that is eligible for financial assistance, eg:

- street cleaning in urban areas (30 percent of the cost) – refer to section 2.3 - work category 113: *Routine drainage maintenance*
- relocation of services – refer to section 4.22
- construction of stock crossings – refer to section 4.24
- construction and renewal of stock truck effluent disposal facilities (50 percent of the cost) – refer to section 4.25.

### Claims subject to audit

Claims for financial assistance are not checked in detail prior to payment. Land Transport NZ has arranged for periodic audits of selected claims. These are called procedural audits. Land Transport NZ regional staff will regularly monitor the status of claims submitted and may ask to check the balance in the land transport disbursement account to ensure that large credit balances are not being held.

**Note:** Detailed examination automatically follows in any case reported to Land Transport NZ by the Office of the Controller and Auditor-General.

### Cost recording

All expenditure from the land transport disbursement account shall be recorded in that account in a form that is compatible with the approved programme.

## 7.2 Claims, continued

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<b>Record keeping</b>	<p>Whatever form of accounts is adopted by an approved organisation, adequate prime records and working papers must be held to support claims to the satisfaction of the Office of the Controller and Auditor-General and Land Transport NZ's performance monitoring team.</p> <p>The following specific records are to be retained by approved organisations for a period of at least seven years after the end of the financial year to which they relate:</p> <ul style="list-style-type: none"><li>• books of account (whether contained in a manual, mechanical, or electronic format) that record receipts and payments or income and expenditure</li><li>• vouchers, bank statements, invoices, receipts, and such other documents as may be necessary to verify the entries in the books of account</li><li>• accounts (whether contained in a manual, mechanical, or electronic format)</li><li>• procurement documentation that clearly shows the procedure used to contract every supplier of works or services that are eligible for financial assistance from Land Transport NZ.</li></ul> <p><b>Note:</b> Land Transport NZ may, at its discretion and on request by any approved organisation, dispense with the need to retain any of the records specified above.</p>
<b>Over-claims</b>	<p>Over-claims become a debt due to the Crown immediately upon establishment of the debt.</p>
<b>Refund</b>	<p>Where Land Transport NZ agrees to a refund being made by instalments, interest is payable.</p>
<b>False certificates</b>	<p>Attention is drawn to the relevant section of the <i>Public Finance Act</i>, which provides for the imposition of penalties on persons who give false certificates for the purpose of procuring for any approved organisation the improper payment of any public money.</p>

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## 7.3 Monthly programme reviews

### Introduction

Reviews of the National land transport programme (NLTP) are held monthly from July to June of the financial year. Special reviews are held in August to consider supplemental requests from the previous year and end-of-year reconciliation requests.

This section identifies the information required from approved organisations seeking programme adjustments at reviews of the NLTP.

### LTP online

Applications for programme adjustments are to be entered in *LTP online*.

### Purpose of reviews

The purpose of reviews of the NLTP is to:

- give approved organisations the opportunity to request adjustments to their approved programmes to meet changing circumstances that arise during the course of the year
- reallocate surplus funds to other activities
- consider applications for approval of emergency and preventive maintenance work
- consider applications for approval of new activities (category 2 to category 1)
- ensure efficient expenditure from the National land transport account
- ensure a balanced expenditure out-turn at year-end.

### Key date

Requests for programme adjustments should be made to Land Transport NZ's partnership manager by the 15<sup>th</sup> of each month.

### Advice of programme adjustments

Approved organisations shall routinely advise Land Transport NZ's partnership manager of any programme adjustments required.

### Early declaration of excess funds

Any excess funds shall be declared as soon as they are identified. Early declaration of excess funds will not preclude the later consideration of a request for reinstatement of funds.

**Note:** These requests will be given first priority for available funds.

## 7.3 Monthly programme reviews, *continued*

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### **Types of programme adjustment**

Requests for programme adjustments will be considered in the following areas:

- suspended, abandoned and withdrawn activities
- road maintenance and renewal
- passenger transport services and operations
- improvement projects:
  - cash flow changes
  - price level changes
  - new activities
- community programmes.

Land Transport NZ's criteria for considering these adjustments are discussed below.

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### **Requests to abandon activities**

Requests to suspend, abandon, or withdraw activities must be accompanied by an explanation.

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## 7.3 Monthly programme reviews, continued

### Requests to adjust road maintenance and renewal

Requests to adjust **road maintenance and renewal allocations** must be supported by detailed explanation.

Land Transport NZ's criterion for **decreased allocations** is that:

- requests will generally be accepted subject to the partnership manager being satisfied that no long-term adverse effects to the land transport network will result in terms of Land Transport NZ's objective *to allocate resources in a way that contributes to an integrated, safe, responsive, and sustainable land transport system*.

Land Transport NZ's criteria for **increased allocations** are that the approved organisation must be able to demonstrate that:

- the need for the increase could not have been foreseen during development of the initial programme and has arisen due to circumstances beyond its control
- the requested increase is unable to be accommodated within the current allocation by deferral of less urgent work
- Land Transport NZ's objective, to allocate resources in a way that contributes to an integrated, safe, responsive, and sustainable land transport system, will be compromised if additional funds are not approved.

**Rule:** Request for increased allocations must be supported by a detailed explanation – see *Information requirements for cost/scope adjustments*.

**Note:** Changes approved at reviews will not alter the base maintenance allocation.

### Requests to adjust passenger transport

Requests to increase **passenger transport allocations** must be supported by detailed explanation.

Land Transport NZ's criteria are that the approved organisation must be able to demonstrate that:

- the need for the increase could not have been foreseen during development of the initial programme and has arisen due to circumstances beyond its control
- the requested increase is unable to be accommodated within the current allocation by service variations or frequency changes.

## 7.3 Monthly programme reviews, continued

### Requests to adjust community programmes

Requests to adjust **community programme allocations** must be supported by detailed explanation.

Land Transport NZ's criteria for **increased allocations** are as set out under 'Requests to adjust road maintenance and renewal' above.

### Requests to adjust cash flow for improvement projects

Land Transport NZ's criteria for improvement projects (cash flow) are:

- requests for reprogramming approved allocations from the current year into subsequent years (or vice versa) will be considered
- requests for cash flow deferments will generally be accepted subject to the approved organisation making every possible effort to progress the activity as per the original programme. Requests for advanced cash flow are encouraged and will usually be supported.

**Note:** Adjustments to cash flow are an extremely important review item as they have the potential to affect the outcomes achieved by the NLTP.

### Requests to adjust price level for improvement projects

Land Transport NZ's criterion for improvement projects (price level) is:

- cost increases or decreases which change the total allocation must be supported by detailed explanation – see *Information requirements for cost/scope adjustments*
- requests must be accompanied by revised assessment profiles including BCRs.

### Change of activity scope

If an approved organisation wishes to change the objectives or scope of an approved activity, a request shall be made via the review process.

### New activities

The LTMA allows requests for the addition of new activities, which were not submitted in the land transport programme, to be considered.

**Rule:** Submissions for new activities for consideration must conform with chapter 5 of this manual.

### Land Transport NZ's expectation

Land Transport NZ expects that approved organisations will manage the execution of approved activities in a manner that ensures the optimum and most cost-effective outcome. This includes progressively monitoring activity costs against the approved allocation.

## 7.3 Monthly programme reviews, continued

### Cost/scope increases

There are three situations in which a cost/scope increase to an approved activity shall be brought to the attention of Land Transport NZ. These are:

- when the revision of an estimate prior to the request for tenders exceeds the approved allocation
- when the revised estimate based on the recommended tender price exceeds the approved allocation
- when, during execution of the works it becomes evident that, variations will increase the activity cost above the approved allocation.

**Note:** Approved organisations need to apply for an increased allocation as soon as it becomes apparent that the approved allocation will be exceeded. Land Transport NZ expects additional funding requests for cost/scope increases to be made before the additional cost is incurred. Any organisation that commits additional expenditure over and above the approved allocation does so at its own risk.

### Cost/scope increases prior to award of contract

Where the revised assessment profile including BCR is equal to or above the assessment profile including BCR previously accepted by Land Transport NZ, any additional allocation will be approved subject to the availability of funds and Land Transport NZ's acceptance of the reasons relating to the cost/scope increase.

If the revised assessment profile including BCR falls below the assessment profile including BCR accepted by Land Transport NZ for that activity, Land Transport NZ may withdraw it from the NLTP. If the approved organisation considers that a special case exists for retaining the activity in the NLTP, supporting information shall be supplied for Land Transport NZ's consideration.

**Note:** Land Transport NZ may revise the activity's assessment profile based on the revised BCR or any other revised factors. If the activity is given a lower assessment profile and that revised profile falls below the prevailing funding threshold profile, then Land Transport NZ will either:

- reprioritise the activity
- re-programme the activity, or
- withdraw the activity from the NLTP.

## 7.3 Monthly programme reviews, continued

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### **Cost/scope increases during execution of the work**

Provided that a cost increase is beyond the control of the requesting organisation and there has been no change to the scope of the activity, the additional allocation will normally be approved. Approval may, however, be either conditional on an equivalent allocation being released from elsewhere in the requesting organisation's programme or subject to the availability of funds and Land Transport NZ's acceptance of the reasons relating to the cost increase.

**Note:** Where a cost increase is considered to be within the control of the requesting organisation, or there has been a change in activity scope, each application will be considered on its merits. A consequence may be withdrawal of funding for the activity.

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### **Approval of cost/scope increases**

An approved organisation should **not** assume that, because an activity's assessment profile (which is revised because of a recalculated BCR or any other factor) remains at or above the prevailing funding threshold assessment profile for that activity class or work category, a cost/scope increase will be approved. Land Transport NZ reserves the right to not approve the cost/scope increase of an activity even if the activity's assessment profile remains at or above the previously approved profile.

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## 7.3 Monthly programme reviews, continued

### Request for programme adjustment

A request for programme adjustment is to be submitted by the approved organisation if an adjustment is required.

### Information requirements for cost/scope adjustments

When completing the information requirements in *LTP online*, the 'Reason for change' field shall include a factual, concise statement of:

- what happened
- why it happened
- the effect on the assessment profile including BCR if other than a decrease (eg, why it stayed the same or increased while the cost has risen, and the reason for any increased benefits)
- any other *unusual* circumstances.

In addition to the above information in the 'reason for change' field for physical works increases **greater than 10 percent or \$500,000 and significant increases in large fees activities**, the approved organisation shall provide a **separate, more detailed report** which shall be in a letter or memo.

The report should begin with the important information, ie:

- name of activity (project name)
- current approved total cost
- revised total cost
- increase in cost
- current and revised assessment profile including BCR

followed by an explanation (where applicable) of:

- what happened to cause the increase
- why it happened (is there a consultant or contractor liability?)
- whether or not it could have been prevented
- what action is being taken to mitigate the effect of the increase
- the effect on the assessment profile including BCR if other than a decrease (eg, why it stayed the same or increased while the cost has risen, and the reason for any increased benefits)
- any other *unusual* circumstance.

## 7.3 Monthly programme reviews, *continued*

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### **Information requirements for cost/scope adjustments continued**

For ease of reference and understanding, the report should also include a summary estimate of the main project items for each of the approved and revised total cost such that the areas of increase are readily identified.

Where the increase occurred during the course of the contract, the report should state whether or not the increase was beyond the control of the approved organisation and the reason for this.

**Note:** The report should not be more than three pages.

**Note:** Land Transport NZ's experience is that most cost increases occurring during the course of construction/implementation are due to a combination of insufficient investigation, poor quality of contract documents and poor project management. Land Transport NZ will not favourably consider any cost increase due to poor performance by a consultant or contractor. Land Transport NZ expects approved organisations to have *smart buyer* skills to be able to competently manage their consultants.

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## 7.4 Delegated block allocation transfers

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### Introduction

An approved organisation may adjust its approved:

- road maintenance and renewal programme at any time during the year by transferring funds between work categories comprising the block road maintenance allocation
- passenger transport programme at any time during the year by transferring funds between work categories comprising the passenger transport programme
- allocations for improvement projects by transferring funds between projects in an approved block allocation.

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### Limitations

Transfers are limited by the following requirements:

- Land Transport NZ's share of the total allocation for the relevant year is not increased or decreased by the transfers
- the intended quality objectives of the approved programme are retained.

**Rule:** Transfers between activity classes or across regional boundaries require Land Transport NZ approval.

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### Reporting

Transfers must be advised promptly to Land Transport NZ.

**Rule:** Length adjustments arising from the transfers shall also be reported.

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### Documentation

Reasons for transfers shall be progressively documented by approved organisations throughout the year. This is so that such information is readily available for the audit process.

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## 7.5 Request for approval of category 2 activities

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### **Introduction**

A request for approval of a category 2 activity may be submitted by the approved organisation at any monthly review provided that the activity has achieved category 1 status in terms of its development. The activity details (such as total cost, cash flow, and assessment profile including BCR) must be re-evaluated and confirmed at the time the activity is promoted for approval.

Any organisation that commits or commences a new activity prior to funding approval does so at its own risk.

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### **LTP online**

Applications for category 2 activities are to be entered in *LTP online*.

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## 7.6 End-of-year reconciliation

<b>Introduction</b>	The end-of-year reconciliation is the final review of the year's NLTP and is undertaken in August.
<b>Over-expenditure on approved activities</b>	<p>This topic applies to improvement projects (except minor improvements), emergency work and community programmes.</p> <p>The required information is to be provided <b>no later than 31 July</b>.</p>
<b>Cost increases on completed activities</b>	<p>An approved organisation may request that funds be provided for activities that are complete and overspent relative to the year's allocation but have no allocation in subsequent years.</p> <p><b>Note:</b> The approved organisation shall provide a list of such activities with the details of the over expenditure and revised assessment profile including BCRs.</p>
<b>Cost increases on committed activities</b>	<p>Increases to the <b>total</b> cost of an activity having an allocation programmed over two or more years are <b>not</b> considered at the end of year reconciliation. Approved organisations are to submit these requests at the first review of the following year's NLTP.</p>
<b>Under-expenditure on approved activities</b>	<p>This topic applies to improvement projects (except minor improvements), emergency work, and community programmes.</p> <p>The required information is to be provided <b>no later than 10 August</b>.</p>
<b>Uncompleted activities</b>	<p>Requests for carryover of unspent allocation on uncompleted activities are to be identified, and submitted to Land Transport NZ by entering in <i>LTP online</i>.</p> <p><b>Rule:</b> An explanation stating why the full allocation was not spent is required for each request.</p> <p><b>Note:</b> Uncompleted activities include unspent allocations on emergency works activities. If a financial assistance rate is involved, then it will be recalculated according to Land Transport NZ policy.</p>
<b>Activities not contractually committed</b>	<p>If an activity is not contractually committed and a carryover is requested, then it will be treated as a new activity for the purpose of calculating a financial assistance rate.</p>

## 7.6 End-of-year reconciliation, continued

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### **Block road maintenance allocation**

Over-expenditure of the block road maintenance allocation up to 15 percent of its value may be treated as an advance of the next year's allocation.

**Note:** Where under-expenditure of the block road maintenance allocation occurs, a carryover of the unspent allocation will only be considered in exceptional circumstances.

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### **Minor improvements**

Over-expenditure in the minor improvements work category will be treated as an advance of the next year's allocation.

**Note:** A carryover of unspent allocation in the minor improvements work category will only be considered in exceptional circumstances.

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### **Community focused activities**

The allocations for community coordination (work category 431) and community advertising (work category 433) are made on an annual basis, ie, there are no provision for over-expenditure or carry-over of unspent allocation.

Over-expenditure and under-expenditure on community programmes are subject to end of year reconciliation – see above.

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