

Financial Report

Introduction

This report summarises for Auckland Transport:

- the financial results for the four months ended 28 February 2011,
- update on the reforecast results for the eight months ended 30 June 2011.

Abbreviations used in this report

Please note that the following abbreviations are used in this report:

YTD = Year to date

8 Months = 8 month financial period, from 1 November 2010 to 30 June 2011 year end

U = Unfavourable result (e.g. reduced revenue, or increased costs)

F = Favourable result (e.g. increased revenue, or savings achieved in costs)








\$m = Millions of dollars

Plan = Approved budget as per Auckland Council Planning Document for the 8 month period from 1 November 2010 to 30 June 2011

Forecast = The revised forecast financial results following Auckland Transport review of the budgets established in the plan

YTD Variance = This is comparison of actual results compared to YTD forecast.

Key to symbols used:

	: Within tolerable range
	: Below budget, unfavourable variance.
	: Below budget, favourable variance.
	: Above budget, favourable variance.
	: Achieved budget or better
	: Monitoring, some action taken
	: Action required

Executive Summary

YTD results:

	Current month variance \$m	Year to date variance \$m	Year to date results		Year to date Actual \$m
Net operating result	(12.4)	(16.5)	↓	●	(8.9)
Income	(9.8)	(29.4)	↓	●	201.6
Expenditure	(2.6)	12.9	↓	●	210.5
Capital expenditure	(19.8)	(43.5)	↓	●	122.6
Net asset position		(127.0)	↔	●	11,637.0

Net operating result YTD is a deficit of \$8.9m, which is \$16.5m unfavourable to forecast.

Operating expenditure is below forecast by \$12.9m due to savings in personnel costs of \$1.2m (staff vacancies) and reduced other operational expenses of \$11.7m as detailed below:

- Road network \$2.0m: infrastructure project costs.
- Public transport costs \$5.0m: \$1.9m consultants and contractors, \$1.5m internal capitalisation recoveries misallocation, \$1.1m service delivery. This predominantly relates to Rail Contract plan phasing and is forecast to be spent over March to June.
- Support costs \$3.8m: \$1.5m strategy and planning, \$1.1m communication and public affairs, and \$1.0m in IT operating costs; with \$0.6m in delayed licence costs and \$0.1m in communication costs.
- Parking and enforcement \$0.9m: predominantly levies and legal costs.

Income is below forecast by \$29.4m due to reduced NZTA capital funding of \$16.7m, where there have been delays in the capital works programme, and NZTA operating funding of \$12.8m, where operating expenditure is below forecast.

Parking and enforcement income is understated by \$1.4m due to delays with receiving infringement funds back from the courts.

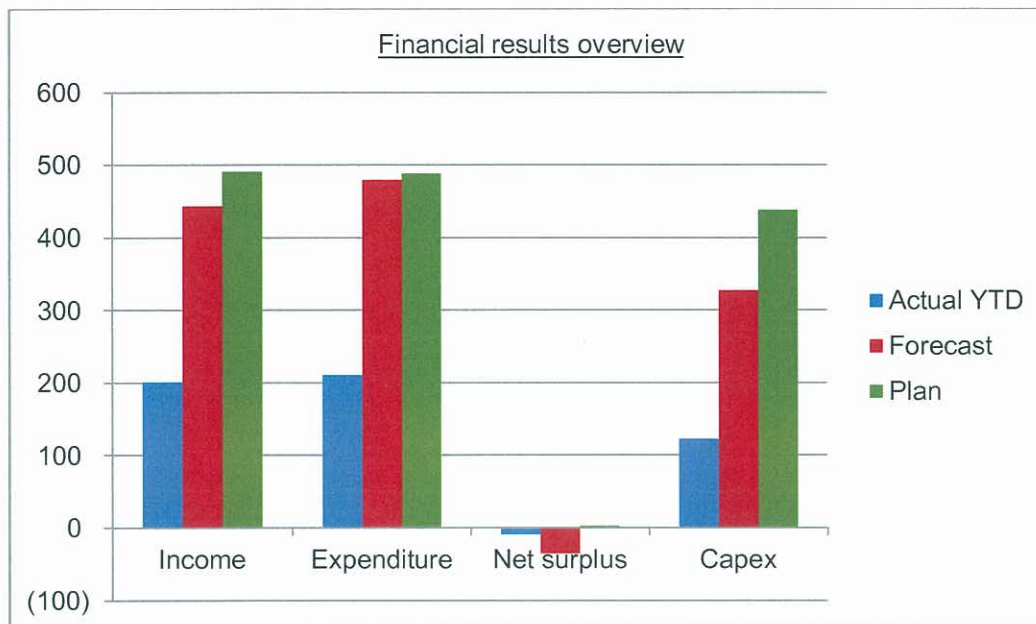
Capital expenditure is significantly underspent with a YTD variance to forecast of \$43.5m.

The asset position is sound with net assets of \$11.6b at the end of February and cash flow funding arrangements in place to ensure all liabilities can be met.

Items to note:

- Final audited and adopted annual reports from the terminating legacy entities were completed at the end of February, except for Papakura District Council and Auckland Regional Council. There is on-going discussion around the apportionment of some of the legacy entity balance sheets between AT and AC, with draft results included in the financial information presented in this report.

February Forecast results for the eight months ended 30 June 2011:



	Year to date Actual \$m	Forecast 8 months \$m	Plan 8 months \$m	Variance Plan vs forecast	Forecast results
Net operating result	(8.9)	(35.6)	3.2	(38.8)	↓ ●
Income	201.6	443.8	491.4	(47.6)	↓ ●
Expenditure	210.5	479.4	488.2	8.8	↓ ●
Capital expenditure	122.6	327.2	438.3	(111.1)	↓ ●
Net asset position	11,637.0	11,985.0	11,985.0	-	↔ ●

The forecast presented to the February 2011 board meeting, was based on the 2 months result to 31 December 2010. In February a further review was undertaken and is summarised here. A further forecast review is to be undertaken in April based on March YTD actual results.

Income was originally forecast down by \$17.9m, and is now forecast to be down by \$47.6m, mainly due to the NZTA capital works income of \$51.2m, reduced parking and enforcement of \$1.4m, offset by increased petrol tax income of \$4.1m. (Refer to further information in the capital expenditure comment below.)

Expenditure was originally forecast down by \$2.5m, and is now forecast to be down by \$8.8m, mainly due to duplicate project budgets in Road Network and refined budget estimates.

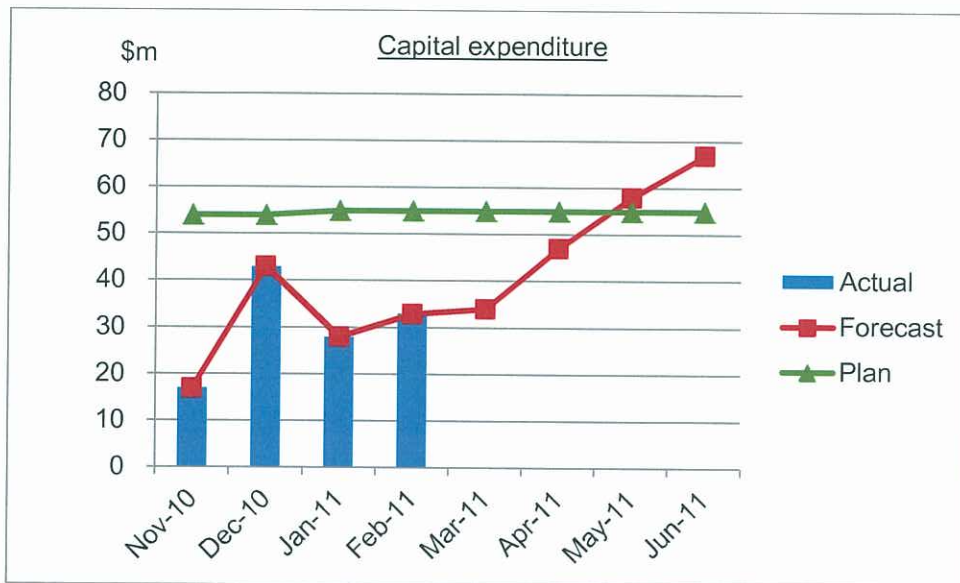
The main changes to the operational expenditure reforecast is due to reduced personnel costs of \$2.1m, reduced depreciation of \$1.5m, and reduced public transport costs of \$6.2m.

Capital expenditure was originally forecast down by \$6.3m, and is now forecast to be down \$111.1m. This is due to a provision for the non-completion of new capital expenditure of \$77m, the removal of the Infrastructure new capital projects added in the previous forecast presented of \$5.8m, and refined

budget estimates with a net reduction of \$23m. This reduces the capital works programme down to \$327m from the planned \$438m.



The YTD recorded capital expenditure is \$123m, however this is understated by approximately \$10m due to the omissions of accruals (including the following projects: New Lynn \$2m, NORSGA \$2m, AMETI \$0.8m, Wynyard Crossing \$1m, Cycleways \$1.5m, Manukau city rail link \$0.6m).

All projects are under constant review and expenditure will be monitored monthly and any changes included in future reforecasts/monthly updates.



Recommendation

- (i) That the report be received.
- (ii) That the financial results and forecast be approved.

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<p>APPROVED FOR SUBMISSION by</p>	<p>Name Title</p>	<p>Dave Foster Chief Financial Officer</p> 