

Auckland Transport 2011/2012 Budget Update

Executive Summary

The Board received an update in April that identified two remaining issues. Those issues have since been resolved. We have identified mechanisms to address the staffing cost which was not a funding issue but was about treatment on the Statements, the second issue was NZTA funding. Staff have met with representatives from NZTA and worked through this issue. We now believe that the funding available from NZTA will be much closer to the original budget, and so we will leave the budget at the original level.

The budget reflects a savings target indicated from Auckland Council of \$11.2m. This has been deducted from operating costs as a provision and will be managed throughout the year through the forecasting process. As each quarter ends a portion of the efficiency target will be moved from the provision to the budget areas as savings are made.

This now means that the budget put to Auckland Council fits within the expected parameters for Auckland Transport. The Chief Executive presented to the Finance and Strategy Committee on 17 May to outline the budget.

The Capital Programme deliberations and follow up on revenue available and project mechanisms, has brought us to a position that the programme of works needs to total more than the funding available. The term for this is over-programming. The reason for this, as we have seen, is that projects are delayed due to circumstances beyond the organisations control. Where that occurs, we believe other priority works should be undertaken to fill the gap. To do otherwise means that the organisation is very unlikely to spend the capital funding allocated, and the long run implication is that less capital work will be undertaken over the long term. There are a number of artificial items which can constrain the organisation and the flexibility provided by over programming will give greater certainty to the organisation, the Board and Auckland Council regarding the level of spending and the Capital Programme.

We will develop procedures to manage the programme and the substitution mechanisms when a project slows. We have the basic building blocks for these with the forecasting processes and the capital prioritisation work done to date.

Attachments 1 to 3 represent a fuller view of the budgets, giving the Profit and Loss, Cashflows and Balance Sheet plus a breakdown of the costs by each sub-activity of the organisation. We are working on a more complete plan which will include the Key Performance Indicators for each sub-activity, which will be taken from the Statement of Intent. The full Plan will also include a list of the Capital Projects and funding of those. Unfortunately we have not had the time to develop this document as getting the baseline numbers correct has absorbed our available resource. Also as the figures have been very fluid while we were reconciling and identifying the issues, we felt it more important to make progress on resolving those issues.

Next Steps

The collation of the financial information and performance information into a single plan will be presented to the June Meeting for adoption.

Recommendation

- i) That the report be received

Attachments

Attachment 1 - Statement of Comprehensive Income

Attachment 2 - Balance Sheet

Attachment 3 - Activity Revenue and Spending / Overhead Departments

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