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2015/16 Auckland Transport Annual Plan/Budget

Recommendation

That the Board:

- i. Note this paper.

Executive summary

The 2015-2025 Long Term Plan (LTP) and 2015-2018 Statement of Intent (SOI) have now been agreed with Auckland Council (AC). Year 1 of the SOI is the AT 2015/16 Annual Plan/Budget. The overall funding has now been turned into internal budgets and aligned with the 2015/16 work programme.

- AC operating funding has been set at \$250 million for 2015/16, up \$14 million (5.9%) from \$236 million in 2014/15
- NZTA operating funding has been set at \$238 million for 2015/16, up \$11 million from \$227 million in 2014/15
- Operational revenue of \$182 million has increased 13% over 2014/15, largely driven by continued Public Transport patronage growth
- Operational expenditure of \$945 million has increased 10% over 2014/15; however this includes a more realistic depreciation figure for 2015/16. \$11 million expenditure for the Light Rail study has been absorbed through forced efficiency targets across the business.
- Capital expenditure for 2015/16 is \$620 million, down \$113 million on the revised 2014/15 programme of \$733 million. We are also assuming \$40 million of carried forward work from 2014/15 will be funded by AC.

A separate Board paper seeks the adoption of the 2015-2018 SOI, including the 2015/16 Annual Plan.

Strategic context

The 2015/16 Budget was developed as part of the 10 Year LTP process in conjunction with AC, with the first three years forming the SOI. Under agreement with AC, the SOI and Annual Plan differ to the LTP at a Revenue and Expense line, but agree at an AC funding level. This was due to the LTP process timeline cutting off earlier than the AT Annual Plan timeline. AC will take a paper to a later Governing Body meeting to confirm a “final” SOI.

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Detail

The 2015/16 Annual Plan is Year 1 of the 2015-2025 LTP. Work on the LTP began in September 2014 and has been through several iterations to arrive at the final plan now agreed with AC. The baseline used for the 2015/16 budget was the 2014/15 reforecast, with an instruction that the business absorb inflation by finding efficiencies. Increases to baseline budgets required a business case. Due to cut-off issues with finalising numbers within AC, AT has a set of numbers that agree to the AC net operational funding, but differ at a Revenue and Expenditure level. This has been communicated and agreed with AC.

Revenue

Total Revenue for 2015/16 is \$770 million, up \$146 million (23.4%) from \$624 million in 2014/15. However, 2015/16 now includes \$100 million for vested assets.

AC Operating funding is \$250 million, up \$14 million from \$236 million in 2014/15.

Fees and user charges are \$182 million, up \$21 million (13.0%) from \$161 million in 2014/15. Previous issues with inflated expectations for enforcement revenue have been resolved. The major change reflects expected AT Metro patronage growth.

Subsidies and grants are \$238 million, up \$11 million (4.8%) from \$227 million in 2014/15.

Expenditure

Total Expenditure for 2015/16 is \$945 million, up \$86 million (10.0%) from \$859 million in 2014/15.

Employee benefits are \$102 million, up \$11 million (12.1%) from \$91 million in 2014/15. This growth reflects ongoing efforts to bring some activities in house where this is more cost-effective and organic growth to reflect workload. It is a net number. Additional staff are also working on CRL and other projects but these will be capitalised. Headcount growth will need to be carefully managed for reasons of public perception and to ensure associated overheads like office space remain tightly managed.

Depreciation and amortisation is \$311 million, up \$45 million (16.9%) from \$266 million AC budget in 2014/15. The large increase reflects an anomaly in the last LTP which under-stated AT depreciation. 2014/15 depreciation will be \$293 million. The increase over the current year actual is \$18 million (6.1%) reflecting last year's asset development, revaluation and vested assets.

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Other operating expenses are \$532 million, up \$30 million (6.0%) from \$502 million in 2014/15. At an activity level the split is as follows:

- Public Transport is \$392 million, up \$23 million (6.2%) from \$369 million in 2014/15. The attached subsidy graphs (Attachment 1) show the expected positive movement in subsidy (ratepayer and the Transport Agency) per passenger as a result of passenger growth on a significant fixed cost and the reduced cost of rail operations as the EMUs are fully rolled-out.
- Road and Footpaths is \$115 million, up \$6 million (5.5%) from \$109 million in 2014/15
- Parking Operations are \$24 million, up \$1 million (4.3%) from \$23 million in 2014/15

The above activities include the allocation of Internal Support costs of \$61 million in 2015/16, up \$12 million (24.7%) from \$49 million in 2014/15. Note however, this includes \$11 million in 2015/16 for the Light Rail business case and CCFAS2.

The SOI Key Financial Information is included as Attachment 2.

Capital

Total capital expenditure for 2015/16 is \$660 million, down on the revised 2014/15 programme of \$733 million. A summary of the capital plan is included as Attachment 3. This reflects programmes previously provided to the Board and the associated Regional Land Transport Plan. It also reflects carried forward obligations from the current year.

Issues and options

The AT 2015/16 Annual Plan and 2015-2018 SOI do not agree to the AC LTP by individual Revenue and Expenditure lines, but agree at an AC Funding line. AC have agreed to correct this and propose taking an updated paper to an August AC Committee meeting to approve a “final” SOI based on AT Revenue and Expenditure figures. This is similar to the depreciation error in the last LTP. Capital carry-forwards will be addressed in the same decision making by AC.

The budgets reflect a significant tightening of AT’s overall operating expenses. Despite a 5% uplift in funding from AC and the Transport Agency the asset base and activity level expected of AT continues to grow. Around \$20 million of cost pressure has been absorbed by AT in this operating budget, including Light Rail. Nevertheless, the ELT has confirmed that there is sufficient funding to deliver the proposed outputs in the absence of unforeseen events.

The capital programme is also smaller than in past years. CRL is taking up a growing portion of available funding and this does not attract NZTA co-investment. Growing NZTA co-investment in this environment will require discipline to ensure Transport Agency / RLTP projects are suitably prioritised.

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Next steps





The SOI is the subject of a separate Board paper that requires official adoption by the Board. Once adopted, Year 1 (2015/16) will be the official budget and reported against from July 2015 onwards.

Attachments

Attachment Number	Description
1	Subsidy Graphs
2	SOI Financials – Key Financial Information
3	Capital Expenditure
4	Budget by Activity

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Document ownership

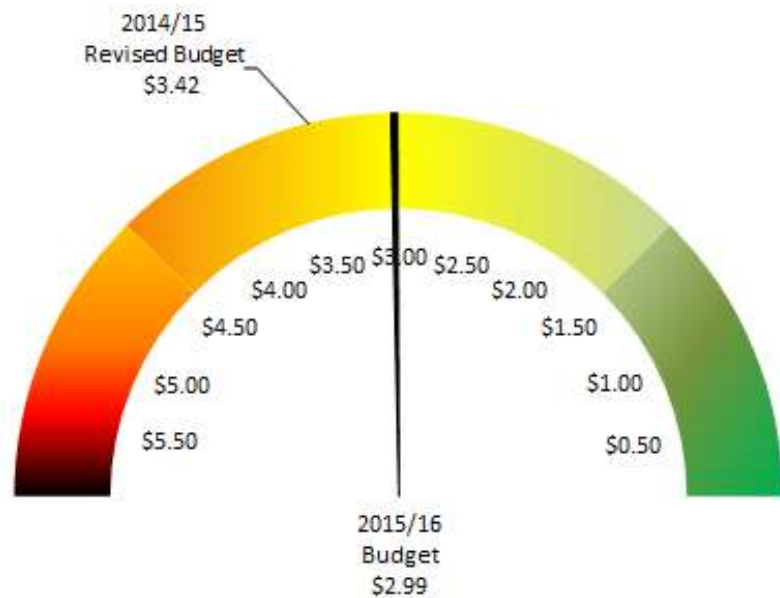
Submitted by	Julian Michael Financial Reporting Manager	
	Stephen Smith Group Manager Finance	
Recommended by	Richard Morris Chief Financial Officer	
Approved for submission	David Warburton Chief Executive	

Glossary

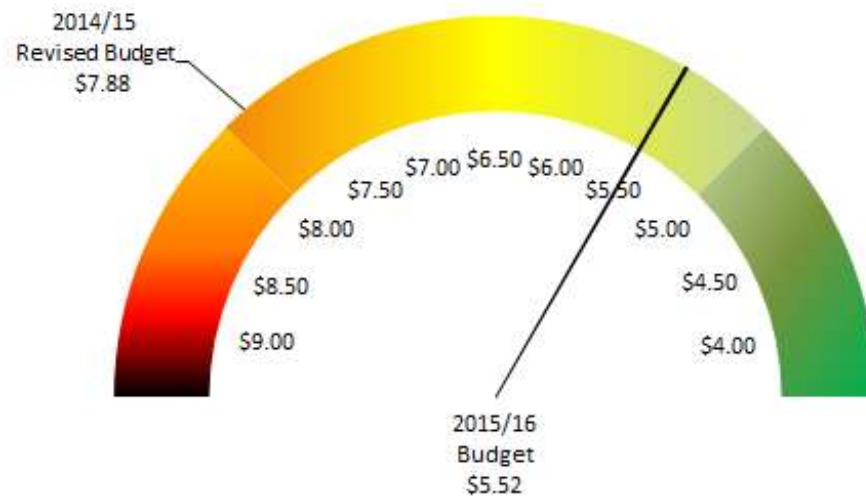
Acronym	Description
AC	Auckland Council
LTP	Long Term Plan
SOI	Statement of Intent

Subsidy Graphs

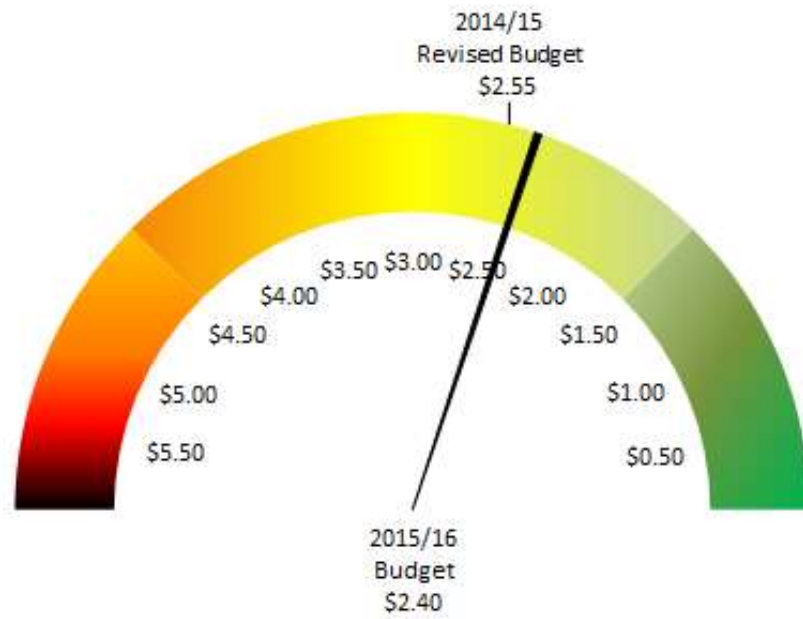
Overall



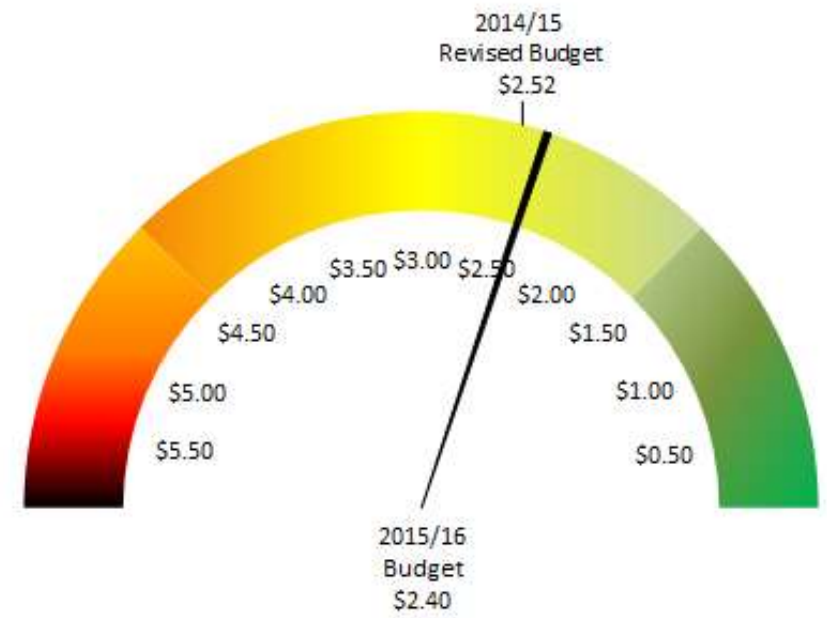
Rail



Bus



Ferry



Auckland Transport SOI Financials

Key Financial Information

Operating budgets (\$million)	Annual Plan1 2014/15	Long-term Plan		
		2015/16	2016/17	2017/18
Revenue				
Funding from Auckland Council	236	250	259	267
Fees and user charges	161	182	290	331
Subsidies and grants	227	238	244	244
Vested assets	0	100	102	103
Total revenue	624	770	895	945
Expenditure				
Employee benefits	91	102	102	103
Depreciation and amortisation	266	311	330	353
Grants, contributions and sponsorship				
Other operating expenses	502	532	654	702
Total expenses	859	945	1,086	1,158
Finance income	0	0	0	0
Finance expense	27	31	32	32
Net operating income	(262)	(206)	(223)	(245)
EMU principal repayments	4	5	5	6
Capital budgets (\$million)				
Total capital expenditure	833	620	720	649
Sources of capital funding:				
Subsidies and grants	182	171	217	150
Auckland Council	651	449	503	499
Total sources of capital funding	833	620	720	649
Shareholder equity ratio	95%	96%	96%	96%

1. Annual Plan has been adjusted for approved council changes

Auckland Transport
 Capital Expenditure - Project details
 2015-16

Row Labels	Group Activity	Project Description	Base	2015-16	2014/15 Deferrals	2015-16
Core Capital	Capital Land Acquisition	Penlink Toll Road		457,596		457,596
		Te Atatu Rd : Corridor Improvements		1,231,200		1,231,200
		Lincoln Rd - Corridor Improvements		823,837		823,837
		Mill Road Improvements		1,026,000		1,026,000
		NORSGA PC 15 Massey North T/C		2,488,050		2,488,050
		Flat Bush Main Street Collector Link		513,000		513,000
		Newmarket Crossing		748,980		748,980
		Waterview C/W connection		51,300		51,300
		Manukau/Harris/Custom I/Sctn Imp.		343,430		343,430
		Encroachment Resolution		1,248,693		1,248,693
		Capital Land Acquisition Total		8,932,086	-	8,932,086
Internal Support	General AT Asset replacement			6,156,000	1,200,000	7,356,000
	Digital Technology			6,740,820	1,122,000	7,862,820
	Internal Support Total			12,896,820	2,322,000	15,218,820
Local Growth Housing Infrastructure Fund	Growth InfraStructure Fund			35,000,000		35,000,000
	Local Growth Housing Infrastructure Fund Total			35,000,000	-	35,000,000
Parking Operations	Parking Programme			5,130,000		5,130,000
	Parking Operations Total			5,130,000	-	5,130,000
Public Transport	PT Bus Stop Improvements			3,693,600		3,693,600
	PT On Street Information & Retail Capex			1,539,000	200,000	1,739,000
	PT Real Time Passenger Information Sys			1,128,600		1,128,600
	PT Wharves Capex - Minor			615,600		615,600
	Newmarket Crossing			261,630		261,630
	CBD Bus Infra Req - Downtown Interchange			2,052,000		2,052,000
	PT Te Atatu Motorway Bus Interchange			513,000		513,000
	PT Rail Station Minor Capex			307,800		307,800
	PT Bus Station Minor Capex			102,600		102,600
	Manukau Bus Interchange (Lot 59)			9,541,800		9,541,800
	Pukekohe Stn Upgrade			2,584,914		2,584,914
	Glen Eden Park & Ride			906,426		906,426
	East West Link			1,539,000		1,539,000
	Otahuhu Bus Interchange			14,352,985	5,900,000	20,252,985
	Station Amenity Improvements			1,846,800		1,846,800
	Newmarket Station			300,000		300,000
	Manukau/Harris/Custom I/Sctn Imp.			128,250		128,250
	Double decker network mitigation works			6,463,800		6,463,800
	AIFS Expansion			1,846,800		1,846,800
	PT Integrated Fares			6,156,000	1,000,000	7,156,000
	Bus Priority & Trans Imp			4,001,400		4,001,400
	ATOC Integration of JTOC & ATOC			3,591,000		3,591,000
	Halfmoon Bay Passenger Terminal				2,800,000	2,800,000
	Westlake station busway				50,000	50,000
	Downtown Ferry Terminal Pier 4				522,500	522,500
	Otahuhu town centre				15,000	15,000
	New Lynn Rail Station Electronic Gates				95,000	95,000

Auckland Transport
Capital Expenditure - Project details
2015-16

Row Labels	Group Activity	Project Description	Base	2015-16	2014/15 Deferrals	2015-16
		Parnell Station			3,600,000	3,600,000
		Puhinui Station upgrade			553,677	553,677
		PT Amenity Improvements			6,200,000	6,200,000
Public Transport Total				63,473,005	20,936,177	84,409,182
	Roads & Footpaths	Murphys Rd Bridge Improvements			309,385	309,385
		Long Bay Glenvar Ridge Rd		3,074,306		3,074,306
		Penlink Toll Road		800,280		800,280
		Te Atatu Rd : Corridor Improvements		12,479,291		12,479,291
		Lincoln Rd - Corridor Improvements		974,700	1,169,957	2,144,657
		Albany Highway Upgrade		23,495,400		23,495,400
		Mill Road Improvements		2,052,000		2,052,000
		NORSGA PC 15 Massey North T/C		14,657,743		14,657,743
		Flat Bush Main Street Collector Link		966,492	520,000	1,486,492
		Taharoto/Wairau - Stage 3			1,005,619	1,005,619
		Red Light Camera New		124,302		124,302
		Wynyard Quarter - Integrated Rd Prog		5,540,400	2,156,830	7,697,230
		Street Lighting improvements- regionwide		307,800		307,800
		Improvements Complementing Development		820,800		820,800
		Deferral New Capex		2,820,000		2,820,000
		PC 12 Drury South Tport Implementation		3,100,000		3,100,000
		Seismic strengthening (Exc renewals)		1,026,000		1,026,000
		Network Operating Plan Capital Programme		2,565,000		2,565,000
		AMETI Panmure Roundabout		10,260,000		10,260,000
		Streetlighting Upgrade LED		4,514,400		4,514,400
		Ormiston Preston East Tamaki Intersection			90,000	90,000
		Chivalry Road/Diana Drive Intersection			351,550	351,550
		Whitford bypass			680,000	680,000
		Whitford road upgrade			221,300	221,300
		Flat Bush School Rd Upgrade Stages 2,3 & 4			362,962	362,962
		Ormiston Rd Widening - (TI Drive - Chapel Rd)			40,000	40,000
		Network performance travel demand			320,000	320,000
		Tiverton-Wolverton Stage 2			420,000	420,000
Roads & Footpaths Total				89,578,914	7,647,603	97,226,517
	Safety	Safety around schools		6,156,000		6,156,000
		Safety and minor improvement		13,748,400		13,748,400
		Regional safety programme		2,595,600		2,595,600
Safety Total				22,500,000	-	22,500,000
	Walking and Cycling	W&C Programme		24,624,000		24,624,000
		Waterview C/W connection		3,539,700		3,539,700
Walking and Cycling Total				28,163,700	-	28,163,700

Auckland Transport
 Capital Expenditure - Project details
 2015-16

Row Labels	Group Activity	Project Description	Base	2015-16	2014/15 Deferrals	2015-16
Core Capital Total				265,674,525	30,905,780	296,580,305
Renewals	Parking Operations			2,233,839		2,233,839
	Public Transport			5,881,596		5,881,596
	Roads & Footpaths			190,238,791	2,503,000	192,741,791
Renewals Total				198,354,226	2,503,000	200,857,226
Ring fenced	Capital Land Acquisition	City Rail Link		55,373,557		55,373,557
	Capital Land Acquisition Total			55,373,557	-	55,373,557
	Public Transport	EMU Procurement		26,797,514		26,797,514
		SMART (formerly as SWAMMCP)		2,052,000		2,052,000
		City Rail Link		58,434,844		58,434,844
	Public Transport Total			87,284,358	-	87,284,358
	Roads & Footpaths	Local Board Initiatives		10,260,000	5,500,000	15,760,000
	Roads & Footpaths Total			10,260,000	5,500,000	15,760,000
	Seal Extensions	Seal Extns and Lcal Transport Imp- North		3,333,333	1,147,444	4,480,777
	Seal Extensions Total			3,333,333	1,147,444	4,480,777
Ring fenced Total				156,251,248	6,647,444	162,898,692
Grand Total				620,279,999	40,056,224	660,336,223

Budget by Activity

	2014/15 Revised Budget \$000	2015/16 Budget \$000
Operating Income		
Rail	108,532	116,126
Bus	93,467	102,385
Ferry	12,643	13,359
Other public transport	27,727	29,112
CRL	0	2,073
Parking	41,089	48,073
Enforcement	36,919	31,934
Roading and footpaths	44,196	56,914
Internal support	27,041	21,091
Auckland Council operating funding	235,583	249,755
Total operating income (1)	627,197	670,822
Operating Expenditure		
Rail	158,668	163,424
Bus	159,782	170,735
Ferry	18,010	19,463
Other public transport	41,660	42,625
Parking	13,689	14,862
Enforcement	19,669	20,064
Roading and footpaths	116,419	122,081
Internal support	95,790	111,249
Depreciation	293,020	310,931
Total operating expenditure	916,707	975,434
Surplus/(defecit) from Operations	(289,510)	(304,612)

(1) Excludes vested assets from Attachment 2