

# Refreshed Capital Programme for 2013/14

## Glossary

Auckland Transport	(AT)
Auckland Council	(AC)
New Zealand Transport Agency	(NZTA)
Long Term Plan	(LTP)
City Rail Link	(CRL)

## Key Issues (Background)

The starting point for AT's 2013/14 Capital Programme is the 2012-22 LTP. The programme is impacted by working the current year, which may have been delayed for some reason. So in the analysis of the programme we have looked at the Planned 2012/13 programme compared to the re-forecast 2012/13 programme and also the 2013/14 planned programme.

The LTP included \$835m of capital expenditure for AT, to be funded by AC and NZTA.

In December, AC asked AT to consider options for reducing their funding commitment to our capital programme by \$70-100M, to help keep rates rises as low as possible. The goal is to reduce the AC debt funded programme to reduce the impact on rates for the 2013/14 financial year and also subsequent years through lower debt servicing costs. This request has been made to enable the AC to adapt to an emerging financial strategy which has a rates increase level close to the assumed rate of inflation.

## 2012/13 Capital Programme Revision

The 2012/13 capital programme has had a number of changes which have been considered by the Board. A reconciliation of the 2012/13 programme to budget is:

2012/13 Reconciliation			
	Forecast	LTP Budget	Reference
Opening Budget	719,777,000	719,777,000	
Spending Reductions			
<i>Capital Items</i>	89,962,197		List A
<i>Renewals</i>	9,726,763		List B
	<b>99,688,960</b>		
Spending Increases			
<i>Capital Items</i>	66,386,054		List C
<i>Renewals</i>	4,114,260		List D
	<b>70,500,314</b>		
Revised Forecast Spend	690,588,354		
Less Dynamic Programming Provision	6,000,000		
Less CRL Land New Forecast	6,000,000		
Expected Spend Level	<b>678,588,354</b>		
Funded by			
NZTA	156,770,312	119,076,000	
AC Grant	123,949,000	123,949,000	
AC Equity	316,179,043	395,062,000	-78,882,957
Crown Loan	81,690,000	81,690,000	
<b>Total Funding</b>	<b>678,588,354</b>	<b>719,777,000</b>	

The above table shows that the net funding required from AC debt funding in the current financial year is \$72.88m less than the funding approved by the AC. This is due to:

- Not purchasing the Downtown Westfield as was anticipated in this financial year, and making a provision that a number of other properties will be required. The net reduction is \$66.47m
- Recognising that the Local Board fund will not be fully utilised in this financial year, a reduction of \$6.41m

Both of these differences are timing differences. The Land acquisition for CRL will be addressed further below.

At a programme level there are a number of timing movements between years and some overs and unders; these are picked up in the forecasting of the dynamic programme. A number of the smaller changes are due to an assumption error when the plan was collated. The assumption was that a provision (\$20m) for work not completed in 2011/12 would all be in the roading programme. In fact \$8m of the \$20m was within PT programmes.

A more detailed list of the projects and changes in the projects for 2012/13 and 2013/14 are shown in Attachments 1 and 2. Please note that the attached 2012/13 List (Attachment 1) differs from the tables below (Lists A – D) by \$3000 due to not including those items in the changes lists where the changes were less than \$1000.

The following tables show the changes in the programme for the year:

List A	Forecast	Budget	Change
<b>Capital Programme Decreases</b>			
Parking Development	768,992	1,396,298	627,306
Reconstruction	16,419,801	20,618,796	4,198,995
IT	4,330,127	5,203,088	872,961
Customer Service	2,254,435	2,680,444	426,009
Stations	14,923,234	18,556,609	3,633,375
Network Performance	2,307,418	3,092,817	785,399
Safety Improvements	27,131,991	28,493,036	1,361,045
CRL	44,021,445	110,495,004	66,473,559*
Park and Ride	3,472,426	3,841,985	369,559
Rail Infrastructure	12,293,406	16,334,580	4,041,174
Tiverton	9,545,982	10,309,398	763,416
Local Boards	3,900,000	10,309,398	6,409,398
<b>Total</b>	<b>141,369,256</b>	<b>231,331,453</b>	<b>89,962,197</b>

\* Note: CRL Forecast is to be reduced by \$6m noted above, not yet in the system

List B	Forecast	Budget	Change
<b>Renewal Programme Decreases</b>			
Bridges	7,755,665	7,896,741	141,076
CCTV	498,000	517,152	19,152
Wharves		196,120	196,120
IT	105,000	534,732	429,732
Stations	1,535,844	2,232,567	696,723
Footpaths	24,286,679	31,559,780	7,273,101
Drainage	1,967,531	2,072,644	105,113
Signals	2,850,798	3,716,544	865,746
<b>Total</b>	<b>38,999,517</b>	<b>48,726,280</b>	<b>9,726,763</b>

List C	Forecast	Budget	Change
<b>Capital Programme increases</b>			
AIFS	35,919,961	6,384,381	-29,535,580
AMETI	103,939,268	100,004,610	-3,934,658
Bridges	16,609	1,384	-15,225
Bus Infrastructure	2,157,545		-2,157,545
Flat bush	4,748,225	946,375	-3,801,850
Long Bay	1,167,165		-1,167,165
New Lynn TOD	7,017,317	4,985,204	-2,032,113
NORSGA	24,849,037	17,249,269	-7,599,768
Parking Facility Mgt	3,417,341	2,910,674	-506,667
Parking/Enforcement	709,325	506,763	-202,562
PT Facilities	1,732,829	875,184	-857,645
Walking And Cycling	650,760	467,193	-183,567
CCTV	169,371	103,807	-65,564
Wharves	3,338,818	1,826,225	-1,512,593
Real time	1,918,998	1,328,039	-590,959
Intelligent Transport	504,645	127,414	-377,231
SMART	1,780,986	1,701,150	-79,836
Road Improvements	33,864,528	31,585,158	-2,279,370
Signs	20,964		-20,964
Footpaths	122,566	62,284	-60,282
Terminals	5,779,279	2,443,377	-3,335,902
Glenfield	10,601,058	8,795,978	-1,805,080
Dominion Road	3,131,967		-3,131,967
Signals	562,723	207,614	-355,109
Cycling	10,401,027	9,624,175	-776,852
<b>Total</b>	<b>258,522,312</b>	<b>192,136,258</b>	<b>-66,386,054</b>

List D	Forecast	Budget	Change
<b>Renewal Programme Increases</b>			
Signs	659,469	645,315	-14,154
Terminals	1,364,995	1,168,875	-196,120
Rolling stock	6,750,020	5,714,500	-1,035,520
Street Lights	7,535,513	7,505,216	-30,297
Off Street Parking	188,000	186,244	-1,756
Kerb	9,042,285	8,592,842	-449,443
Roads	121,216,117	118,829,147	-2,386,970
<b>Total</b>	<b>146,756,399</b>	<b>142,642,139</b>	<b>-4,114,260</b>

## Summary on 2012/13 Capital Forecast

The reduction in AC required funding in 2012/13 is a timing variation. However, it should be noted that the increased funding requirement for AIFS has been absorbed without recourse to additional AC funding.

## 2013/14 Capital Programme Review

The 2013/14 capital programme has been compiled by Managers and reviewed by Finance. On first glance it shows a programme which picks up all funding in the LTP not yet utilised, ie the underspends for 2012/13 are factored back in. However, a late change to CRL land acquisition reducing the budget by \$85m, included below, significantly reduces AT capital funding requirements.

The table below shows a reconciliation of the 2013/14 LTP to the draft plan programme:

2013/14 Reconciliation			
	Forecast	LTP Budget	Reference
Opening Budget	858,868,134	858,868,134	
Spending Reductions			
<i>Capital Items</i>	22,117,444		List E
<i>Renewals</i>	5,774,478		List F
	<b>27,891,922</b>		
Spending Increases			
<i>Capital Items</i>	19,014,490		List G
<i>Renewals</i>	2,149,098		List H
	<b>21,163,588</b>		
Expected Spend Level	<b>852,139,800</b>		
Funded by			
NZTA	160,000,000	158,579,000	
AC Grant	131,711,000	131,711,000	
AC Equity	430,428,800	438,578,000	8,149,200
Crown Loan	130,000,000	130,000,000	
<b>Total Funding</b>	<b>852,139,800</b>	<b>858,868,000</b>	

The tables below show the lists referred to above

List E	Forecast	LTP	Change
<b>Capital Programme Decreases</b>			
Bus Infrastructure	8,795,950	22,351,968	13,556,018
Enforcement	49,694	51,384	1,690
Ferry Infrastructure	3,039,274	5,405,581	2,366,307
Off-street Infrastructure	1,288,320	1,335,980	47,660
On-street Infrastructure	131,193	135,653	4,460
Road Maintenance	95,658	102,768	7,110
Road Safety	8,629,562	8,922,967	293,405
Rail Infrastructure	360,852,347	355,011,553	5,840,794
<b>Total</b>	<b>382,881,998</b>	<b>393,317,854</b>	<b>22,117,444</b>

List F	Forecast	LTP	Change
<b>Renewal Programme Decreases</b>			
Bus Infrastructure	910,872	942,999	32,127
Ferry Infrastructure	1,364,995	2,029,142	664,147
Footpaths Renewals	30,165,215	32,122,816	1,957,601
Off-street Infrastructure	1,443,468	4,413,097	2,969,629
On-street Infrastructure	4,311,778	4,462,751	150,973
<b>Total</b>	<b>38,196,328</b>	<b>43,970,805</b>	<b>5,774,478</b>

List G	Forecast	LTP	Change
<b>Capital Programme Increases</b>			
Footpaths Renewals	14,374,102	13,179,635	-1,194,467
Intern Support Serv.	5,155,679	2,995,104	-2,160,575
Multimodal Infrastructure	18,408,864	7,496,904	-10,911,960
Multimodal Operation	3,500,000	1,541,515	-1,958,485
Road Renewals and New Roads	232,191,632	229,402,628	-2,789,004
<b>Total</b>	<b>273,630,276</b>	<b>254,615,786</b>	<b>-19,014,490</b>

List H	Forecast	LTP	Change
<b>Renewal Programme Increases</b>			
Enforcement	469,620	259,988	-209,632
Rail Infrastructure	2,654,380	2,262,171	-392,209
Rail Operations	6,750,020	6,445,956	-304,064
Road Renewals and New Roads	153,397,972	152,154,780	-1,243,192
<b>Total</b>	<b>163,271,993</b>	<b>161,122,895</b>	<b>-2,149,098</b>

The changes above reflect the changing prioritisation and changes made to accommodate the increased requirement for the AIFS programme of work between the two years.

While it appears that AT is not meeting the request from AC for a reduction in funding, the table below reconciles the funding requirement from AC to reflect changes within the group and between years for the debt related funding for activities undertaken or supported by AT.

<b>Reconciliation of Real Change in Funding</b>		
LTP Proposed Funding	438,578,000	
Plus Allowance from AC for Inflation Assumption Changes	2,900,000	
Plus Addition item taken from AC	12,725,000	NORSGA
	<b>454,203,000</b>	
<b>Add Funding Not Required in 2012/13</b>		
CRL	72,473,000	
Local Board Fund	6,410,000	
<b>Adjusted Injection Total</b>	<b>533,086,000</b>	
Requested Funds	430,428,800	
<b>Reduction</b>	<b>102,657,200</b>	

## Explanations for Major Changes are:

- Projects have had cost reductions: For example, AMETI has progressed ahead of schedule, and has had increased spending in 2012/13 but is projecting less spending in 2013/14. Projections for AMETI spend in 2013/14 have been reduced by \$11m, due to more progress than expected on AMETI during 2012/13.
- Projects have had cost increases: The most notable of these are:
  - An increase of \$13m in the NORSGA budget for 2013/14. The LTP had only \$143k for NORSGA, but contractual commitments and progress with the overall project by AC and developers means that AT can realistically expect to spend \$13m in 2013/14. We have been advised that AC has a lower cost for NORSGA in the 2013/14 year.
  - An increase of \$10M in the AIFS budget for 2013/14
- New projects have been added which were not in the LTP: For example, the AT Board has approved spending of \$1.5m on the Multi-Model East West Study (MMEWS)<sup>1</sup>
- Projects have been deferred from 2012/13 to 2013/14 and later years:

Examples are:

  - The CRL land acquisition budget has been reviewed by the project team and incorporated in the data.
  - Deferral of \$6m of local board projects from 2012/13 to 2013/14
- Projects have been deferred from 2013/14 to outer years: For example, Te Atatu Road corridor implementation

## NZTA Funding

The maximum funding we could receive from NZTA for 2013/14 is \$181m, as shown in the following table:

NZTA Subsidy		
Public Transport <sup>2</sup>	20,972,000	
Roads	91,001,000	
Walking and cycling	3,000,000	
		<b>114,974,000</b>
Renewals	47,019,000	
Renewals – frontloading payback	19,000,000	
		<b>66,019,000</b>
<b>Total</b>		<b>180,993,000</b>

The actual amount of funding AT receives depends on the projects progressed, and the extent to which they are approved for funding by NZTA. Nevertheless, the \$181m of funding available for 2013/14 projects are significantly higher than the LTP forecast of \$158.5m for 2013/14. This is the maximum funding available and depends on all work for AT falling within NZTA priorities and each project spending to the level of approvals. The reality is that the programme is dynamic and therefore the full amount of available funding is unlikely to be achieved. AT have allowed for \$160m of NZTA capital funding. This reflects a higher portion than in past years and reflects improvements made and continuing to be made in Capital programme and NZTA subsidy management.

<sup>1</sup> Approved by AT Board on 21 May 2012

<sup>2</sup> Available subsidy in the PT category is forecast to reduce in 2013/14 due to the recent decision to fund \$13m of AIFS capex this year and repay it in 2013/14 and 2014/15.

## CRL Land Acquisition

Property acquisition for the CRL is a high priority for AC and AT. The project team have been reviewing the expected acquisition profile, taking account of latest information including the requirement to now acquire sub-terranean rights to the Downtown Westfield, which was budgeted to be full property acquisition in 2013 with a subsequent sale in about 2021. This has been adjusted to reflect a profile for compulsory acquisition. The CRL team have advised that they believe the estimate for Land were  $\pm 20\%$  and they are now at  $\pm 10\%$

Property purchase for a capital programme is very uncertain. There are four layers of uncertainty one of which does not impact on the capital cost but does on the funding.

The uncertainties are:

- 1) Uncertainty over the actual properties required.
- 2) Uncertainty over the price to be paid for each property.
- 3) Uncertainty over the timing of the purchase between financial years
- 4) Uncertainty over the revenue flow available from properties to be purchased.

AT is on the receiving end of a number of these items. Under a compulsory acquisition process AT will need to purchase the property when the seller has determined they will sell. The revised Budget profile shows reduced requirements for 2012/13, through to 2013/14 moderately more in 2014/15 and a significant increase in 2015/16.


## Summary

There is the ability to reduce the AC funding requirement by \$100m. There is some minor risk covered above in regards to CRL, but this is within an acceptable level for the dynamic programme.

## Attachments

**Attachment 1** – 2012/13 Project List

**Attachment 2** – 2013/14 Project List

<b>Written and Recommended by</b>	Dave Foster <b>Chief Financial Officer</b>	
<b>Approved for Submission</b>	David Warburton <b>Chief Executive</b>	