

2014/15 Auckland Transport Budget

Recommendation

That the board:

- i. Approves the adoption of the 2014/15 Operating Budget.

Executive summary

Attached is a detailed operational view of the 2014/15 Budget, by expenditure category and by Division/Management hierarchy. It is consistent with the financial and non-financial targets presented in the 2014-17 Statement of Intent (SOI).

AT has received a request from AC to reduce the capital expenditure budget to enable an AC funding reduction of \$100 million. The Board has previously reviewed the \$833 million capital programme for 2014/15 and this has been approved by Auckland Council (AC). The capital programme will be resubmitted to the Board once discussions with AC over any reduction are completed. This is likely to be within a month.

Strategic context

The Board approved the 2014-2017 SOI on 24 June 2014. The attached Operating Budget is a more detailed view of the operational lines included in the SOI.

Details

The attached reports present a more detailed view by major expenditure category (Attachment One) of the Financial Statement presented in the SOI. The following explanation is provided for major differences between the budget and the actual spend for 2013/14.

Revenue. Non-funder revenue is budgeted to increase by \$10 million or 7%. This is based on patronage growth and assumptions around increased parking revenue.

Personnel. Personnel cost is budgeted to increase by \$10 million reflecting 1,408 staff. Additional staff growth has occurred over the past year including the impact of increased responsibilities such as AIFS management. The increase in headcount has been offset to some extent by reduced professional fees.

Occupancy. Rented space has increased from 16,660 m² to 17,046 m². No additional space, beyond the recent approval for Nelson Street, is intended.

Other opex. Other overheads are being managed down including travel, fees and other expenses.

Rail. Transport contract cost falls as diesel usage is replaced by electricity (the separate electricity cost reflects power to railway stations and other assets). Interest cost on the EMU purchases raises the overall cost. Patronage grows from 11.4 million to 12.1 million.

Bus. Cost increases are largely in line with patronage growth and price level changes. No allowance is made for reduced cost from PTOM contract changes. These are not expected to make a material difference in 2014/15.

Ferry. Transport contract costs increase with additional services in 2014/15.

Roads. Service delivery costs have reduced via savings in Technical Support Services within Road Corridor Maintenance and Professional Services within the Road Corridor Operations group.

Depreciation. The depreciation budget is not an accurate reflection of the likely spend. It is, instead, based on a Council-mandated figure from the previous Long Term Plan. Using \$275 million actual depreciation incurred in 2013/14 we need to adjust for:

- Written down rolling stock will reduce depreciation by \$16 million.
- Introducing EMUs into service will increase depreciation by approx. \$7 million.
- A significant number of assets were capitalised late in 2013/14 and will incur a full year of depreciation in 2014/15. These include EMU depot, AIFS, IT investments, leasehold improvements and a number of renewal projects.
- Revaluation upward of some assets (excluding land and roads) will incur additional depreciation
- New assets created or acquired in 2014/15 will include the Nelson Street fit out and some current work in progress.

The expected depreciation expense is approximately \$280 million, subject to the impact of the revaluation.

Next steps

The 2014/15 budget will be phased by month and reported against for July reporting onwards.





Management will recalculate 2014/15 depreciation and discuss any funding implications of an increase above the 2014/15 budget figure with AC. Management will report back to the Board in August on the results.

Management will continue to engage with AC on any proposed reduced capital funding. The full proposed capital budget will be resubmitted to the Board when finalised.

Attachment

Number	Description
1	2014/15 Operating budget by expenditure category

Document ownership

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

Glossary

Acronym	Description	Business Unit
SOI	Statement of Intent	