

Financial Results for the Six Months Ended 30 April 2011

Introduction

This report summarises for Auckland Transport:

- the financial results for the six months ended 30 April 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.

Net operating result = Operating income less expenditure

Net Surplus (Deficit) = Net operating result plus income for capital projects

Key to symbols used:

	: Within tolerable range
	: Below budget, unfavourable variance.
	: Below budget, favourable variance.
	: Above budget, unfavourable 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	8.1	13.8	↑	●	(85.9)
Operating income	2.2	(8.1)	↓	●	236.8
Expenditure	5.9	21.9	↓	●	322.7
Net surplus/ (deficit)	8.5	13.1	↓	●	(0.2)
Income for capital projects	0.4	(0.7)	↓	●	85.7
Capital expenditure	12.4	13.1	↑	●	213.0
Net asset position		(127.0)	↔	●	11,618.9

Net operating result YTD is a deficit of \$85.9m, which is \$13.8m favourable to forecast.

Operating income is below forecast by \$8.1m mainly due to reduced NZTA operational funding of \$5.6m, where operating expenditure is below forecast. Parking and enforcement income is \$4.2m below forecast.

Operating expenditure is below forecast by \$21.9m which is split as follows:

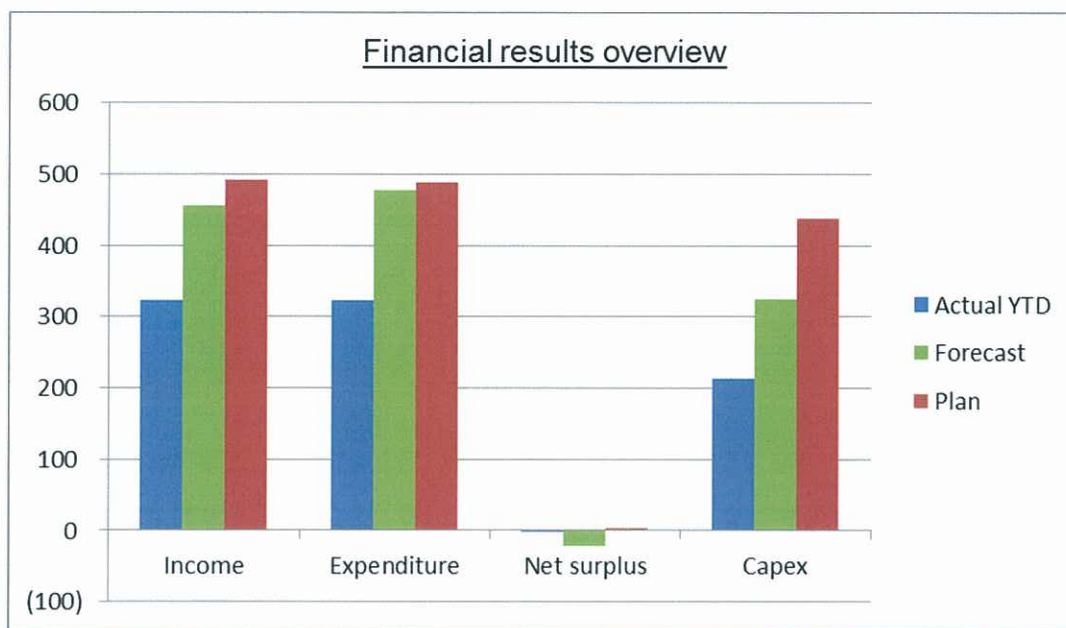
- Parking enforcement costs of \$4.1m
- Public transport costs \$7.5m
- Road network costs \$7.4m
- Support costs \$2.9m.

Income for capital projects is below forecast by \$0.6m.

Capital expenditure total spend for the month was \$35.9m and is underspent with a YTD variance to forecast of \$13.1m.

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

April 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	(85.9)	(141.0)	(140.8)	(0.2)	↑ ●
Operating income	236.8	336.1	347.6	(11.4)	↓ ●
Expenditure	322.7	477.1	488.4	11.2	↓ ●
Net surplus/ (deficit)	(0.2)	(22.1)	3.1	(25.2)	↓ ●
Income for capital projects	85.7	118.9	143.9	(25.0)	↓ ●
Capital expenditure	213.0	324.4	438.3	(113.9)	↓ ●
Net asset position	11,618.9	11,785.0	11,985.0	(200.0)	↔ ●

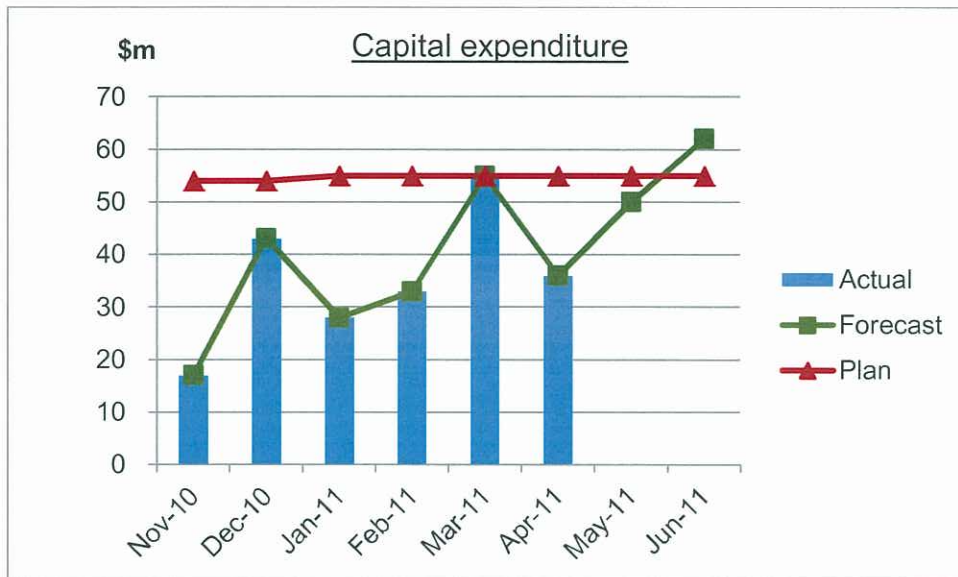
The Board has received information on two previous forecast reviews in February and March. A further forecast review has been undertaken in April based on March YTD actual results and is summarised here. Further detailed information about the forecast review is included in the closed section of the agenda papers.

Capital expenditure was forecast to be down \$111.1m in February 2011, and is now forecast to be down by \$113.9m for the eight month period. The capital programme for the year is forecast to total \$324m for the year, which is 74% of the planned programme of \$438m.

In February 2011 we reported a reduction of approximately \$77m for a portfolio estimate of projects which were likely to not be completed. Further detailed work during this forecast round has identified specific projects which are expected not to be completed by year end of \$60m. A further \$20m provision for non-completion of works across the portfolio is included in this forecast due to risks, particularly in the land acquisition areas. An estimated impact of reduced NZTA funding of \$30m was previously reported and this has been revised down to \$22m; this is \$8m favourable (there is however a reallocation of \$22m of the decrease out of the income to capital projects where it was previously reported, into the operating income section).

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The YTD recorded capital expenditure is \$213m, which included expenditure incurred of \$36m for the month.



Operating Income was forecast up by \$2.6m in February 2011, and is now forecast to be down by \$11.4m for the eight month period. This is mainly due to reduced NZTA subsidies \$13.7m, reduced parking and enforcement income of \$0.8m, transfer of \$3.4m of operational grant funding to capital capital grant funding, offset by increased public transport income of \$3m and increased petrol tax income of \$4.1m. The reduction in NZTA income forecast was previously reported under income for capital projects as a provisional estimate but the detailed third forecast review process has now corrected this. The new revenue items forecast for this period for the first time are an increase in income for licenses (telecos) of \$1.3m and increased income for parking permits and leases of \$0.7m.

Income for capital projects was previously forecast to be lower than the plan by \$50.3m for the eight month period, and this has changed favourably to a reduction of \$25m mainly due to the NZTA changes mentioned above and a transfer of capital grant income of \$3.4m. The reduced NZTA capital works income for the period mainly relates to delays with the completion of the works programme for the year as well as corrections to the original budget calculations provided.

Expenditure was forecast down by \$8.9m in February 2011, and is now forecast to be down by \$11.2m. The new items reported this forecast review represent a net favourable reduction of \$2.3m, the main items are summarised as follows:

Favourable changes:

- Reduced professional services costs of \$4.4m based on expenditure to date on projects and investigations underway (IT projects is \$3m of this),
- Staff cost savings of \$1.4m

Offset by unfavourable changes:

- Unrecoverable labour costs \$3.8m
- Storm damage costs \$3m

Recommendation

- i) That the report be received

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