

Financial results for the five months ended 31 March 2011

Introduction

This report summarises for Auckland Transport:

- the financial results for the five months ended 31 March 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	1.1	(0.9)	↓	●	(73.5)
Operating income	(7.6)	(22.4)	↓	●	192.4
Expenditure	8.6	21.5	↓	●	265.9
Net surplus/ (deficit)	7.6	(8.9)	↓	●	(4.3)
Income for capital projects	6.5	(8.0)	↓	●	69.2
Capital expenditure	(0.2)	22.4	↑	●	177.2
Net asset position		(127.0)	↔	●	11,592.1

Net operating result YTD is a deficit of \$73.5m, which is \$0.9m unfavourable to forecast.

Operating income is below forecast by \$22.4m due to reduced NZTA operational funding of \$15.7m, where operating expenditure is below forecast.

Parking and enforcement income is understated due to delays with receiving infringement funds back from the courts.

Operating expenditure is below forecast by \$21.5m due to savings in personnel costs of \$1.4m (staff vacancies) and reduced other operational expenses of \$20.1m as detailed below:

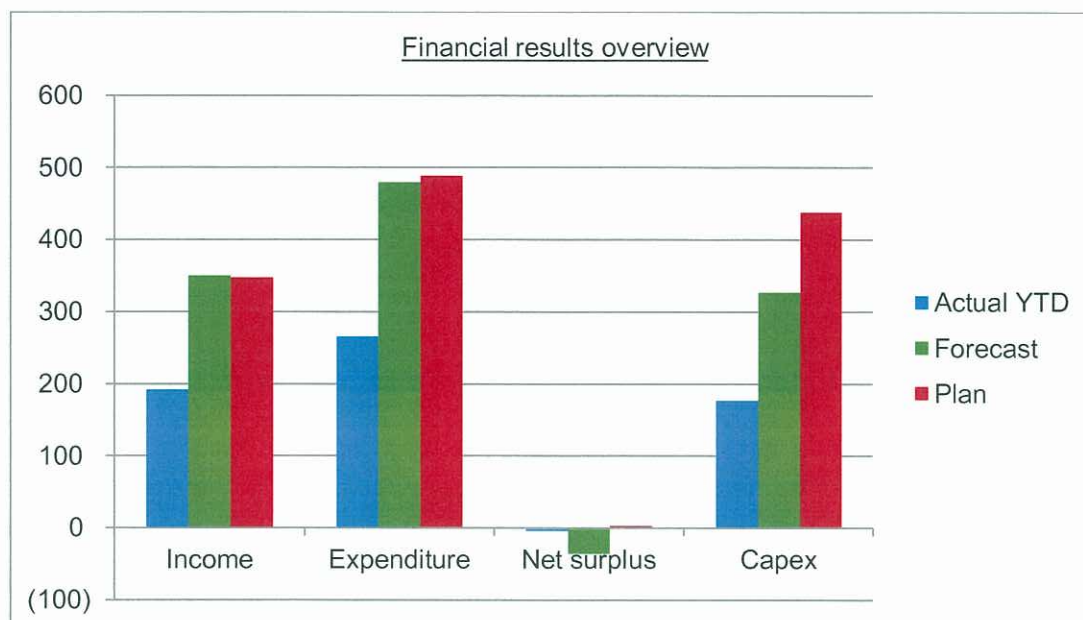
- Road network \$6.6m: infrastructure project costs.
- Public transport costs \$6.6m: This predominantly relates to Rail Contract plan phasing and is forecast to be spent over March to June and is being investigated for the April 2011 forecast.
- Support costs \$8.0m: \$2.8m in IT operating costs, \$1.5m strategy and planning, \$0.9m communication and public affairs.

Income for capital projects is below forecast by \$8.0m due to reduced NZTA capital funding of \$11.3m, where there have been delays in the capital works programme offset by other capital grants not forecasted.

Capital expenditure total spend for the month was \$54.6m and is significantly underspent with a YTD variance to forecast of \$22.4m.

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

March 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	(73.5)	(129.2)	(140.7)	11.5	↑ ●
Operating income	192.4	350.3	347.6	2.6	↓ ●
Expenditure	265.9	479.4	488.3	8.9	↓ ●
Net surplus/ (deficit)	(4.3)	(35.6)	3.2	(38.8)	↓ ●
Income for capital projects	69.2	93.5	143.9	(50.3)	↓ ●
Capital expenditure	177.2	327.2	438.3	(111.1)	↓ ●
Net asset position	11,592.1	11,985.0	11,985.0	-	↔ ●

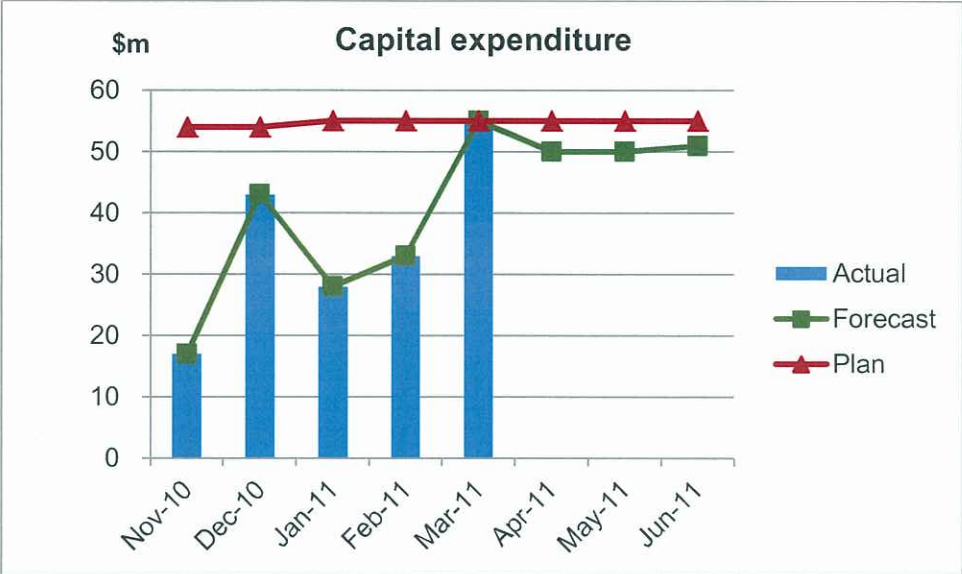
The forecast reported here is as per that presented last month to the Board. No issues have emerged this month that require an amendment to the current forecast. A further forecast review is to be undertaken in April 2011 based on March 2011 YTD actual results and will be reported to the May 2011 board meeting.

Below is a summary of the capital expenditure forecast that was reported in detail in the February 2011 board report that reduced the capital works programme down to \$327.2m from the planned \$438.3m.

Capital expenditure per Annual Plan	\$438.3m
Plus deferrals relating to legacy entities	\$ 52.8m
Less reforecast changes	(\$ 86.7m)
Less provision for non-completion of projects	(\$ 77.2m)
Reforecast budget for capital expenditure	<u>\$327.2m</u>

The YTD recorded capital expenditure is \$177.2m and significant progress was made this month on the capital works programme. Capital expenditure accruals procedure also improved this month.

As part of the reforecast, NZTA income for capital projects will also be reassessed.



Recommendation

- (i) That the report be received.

<p>WRITTEN BY</p>	<p>Name: Chetna Naran Title: Reporting and Planning Accountant</p> <p>Name: Julian Michael Title: Senior Reporting and Planning Accountant</p>	 
<p>RECOMMENDED by</p>	<p>Name: Jenny Livschitz Title: Financial Reporting Manager</p> <p>Name: Steve Smith Title: Manager Finance</p>	 
<p>APPROVED FOR SUBMISSION by</p>	<p>Name: Dave Foster Title: Chief Financial Officer</p>	