

Eight Month Budget - 2010/11

Purpose

To provide an update to the Board on progress to determine and validate operating and capital budgets for the eight months of the 2010/11 year.

Executive Summary

The Auckland Transport (AT) Capital Expenditure (Capex) and Operating Expenditure (Opex) budgets for the eight months to 30 June 2011 are now available for review. These have been determined by a workstream run by the Auckland Transition Agency (ATA) with some input from AT staff. The Capex budgets are now reconcilable to the individual projects which make them up but the Opex budgets made available are yet to be fully proven as the overheads allocated to AT is, at best, an estimate and the full operating costs of the newly created business is not yet understood.

Progress to Date

The AT budget was developed by the ATA Reporting and Planning (RAPP) workstream by consolidating the budgets of all existing Auckland local government organisations to form the basis of the Auckland Council eight month Planning Document, which sets the overall budgets for the new organisations, including Auckland Transport, and has been approved by the Office of the Auditor General.

AT staff have worked with the RAPP team to, as best they could, both validate the budget being allocated to AT and also to ensure that adequate levels of overhead were included. This review of overheads resulted in an agreement to have an additional \$3 million added to cover known IT and transition consultancy costs. The project budgets were circulated to AT managers for feedback during late October and were generally agreed to apart from some minor suggestions for changes. Following that process the project budgets were loaded into the AT SAP system and the opportunity was taken to rename some project titles to be more relevant and understandable for AT reporting purposes.

Over the past week AT staff have reconciled the SAP Capex budgets to the AT budgets in the Auckland Council Planning Document but have not yet been able to resolve a \$17m Opex budget discrepancy (there is more allocated than actually mapped to specific Opex projects) although the Service Level Agreement between Auckland Council and AT will require us to pay Auckland Council \$7.69m for services to be provided by Auckland Council for the eight months to 30 June 2011.

Auckland Transport Budget from Planning Document

The Auckland Council Planning Document sets the overall financial parameters for Auckland Transport for the remaining eight months of 2010/11 and the 2011/12 financial year as follows:

| \$000 | Plan 2010/11 (8 months) | Plan 2011/12 |
|-------------------------------------|----------------------------|--------------|
| Capital expenditure on activities | 438,312 | 621,253 |
| Operating expenditure on activities | 488,271 | 786,600 |

This expenditure will be funded by rates funding from Auckland Council, NZTA subsidies, and revenue from Auckland Transport services (e.g. parking fees, parking infringements, passenger transport revenue, rental income etc.).

Attachment A details a breakdown of the 2010/11 budgets to sub-activity level.

Next steps

Auckland Council will commence preparation of its 2011/12 Annual Plan within the next few weeks, and will release this for public consultation in February and March 2011. This provides an opportunity for Auckland Transport to request changes to the overall quantum of our budget, bearing in mind that Auckland Council is constrained in its ability to increase funding by the need to balance its transport and other priorities, while keeping rates affordable.

An issue we would like early input from the board is around debt sitting on Auckland Transport's books rather than Auckland Council books. The reason for this is that Auckland Council shows a significant debt in their Activity Statement for transport which does not reflect in the Auckland Transport statements. We feel for transparency and for sound financial management that this debt should show as Auckland Transport debt but that it would still be raised through the Auckland Council treasury in the same manner as currently.

The process and timeline for Auckland Transport's input to the Council 2011/12 Annual Plan will be determined in the next month.

The 2012-22 LTCCP process provides the first real opportunity for Auckland Transport to develop new budgets reflecting:

- Auckland Transport's priorities given the regional nature of the new organisation
- Auckland Council's transport objectives and priorities, including the priorities of the new Mayor
- Local Board priorities and requests for service level changes
- Funding pressures facing the organisation (e.g. Rail Track Access Charges, EMU and diesel locomotive leasing costs, transition costs)
- Efficiencies from amalgamation of transport functions

Recommendation

That this report be received.

Attachment

Attachment A - Breakdown of the 2010/11 budgets to sub-activity level

| | | |
|-----------------------------------|---|--|
| WRITTEN by | Stephen Smith Finance Manager Nicki Lucas Business Support Manager |  |
| RECOMMENDED by | Dave Foster Chief Financial Officer |  |
| APPROVED FOR SUBMISSION by | David Warburton Chief Executive |  |

Attachment A

| \$000 | Plan 2010/11 (8 months) |
|--|----------------------------|
| CAPITAL EXPENDITURE | |
| Core transport sub-activities | |
| Transport planning | 3,466 |
| Public transport | 92,865 |
| Road network | 315,942 |
| Travel behaviour change | 9,042 |
| Parking and enforcement | 5,354 |
| | |
| Other sub-activities | |
| Major national and international events | 6,866 |
| Commercial property | 1,896 |
| | |
| Total capital expenditure | 434,431 |
| | |
| OPERATING EXPENDITURE | |
| Core transport sub-activities | |
| Transport planning | 80,214 |
| Public transport | 205,894 |
| Road network | 129,730 |
| Travel behaviour change | 7,039 |
| Parking and enforcement | 25,352 |
| | |
| Other sub-activities | |
| Major national and international events | 853 |
| Commercial property | 1,343 |
| Regional street environment and town centres | 2,086 |
| Transport strategy | 1,048 |
| | |
| Overheads and other costs | 35,117 |
| | |
| Total operating expenditure | 488,676 |
| | |
| TOTAL AUCKLAND TRANSPORT EXPENDITURE | 923,107 |
| | |
| Less depreciation not funded | 140,714 |
| | |
| TOTAL EXPENDITURE TO BE FUNDED | 782,392 |
| | |
| Less NZTA and external subsidies | 255,665 |
| | |
| Less Auckland Transport external revenue | 84,964 |
| | |
| Auckland Council funding required | 441,763 |