

Capex Programme Review

Purpose

The purpose of this paper is to provide the Board with an update of the recently implemented capital expenditure reforecast for the eight month period from 1 November 2010 to 30 June 2011 for the Infrastructure Division. This summarises the Infrastructure Divisions current and forecast performance against the existing LTCCP budgets including substantial deferrals from the Previous Legacy Government Organisations (PLGO). The paper identifies projects proposed for deferral to future financial years and identifies that these largely result from projects alignment with developments that have slowed due to property or RMA constraints.

Following a review of high priority corridor activities primarily against the Regional Arterial Road Plan (RARP) this paper also seeks the Board's approval to include \$5.8m of additional projects into the Auckland Transport forward programme for the 2010/11 financial year.

Executive Summary

A reforecasting exercise for capex expenditure within the Infrastructure Division was implemented during January 2011. This exercise sought to provide a realistic assessment of forecast expenditure during the period November 2010 to June 2011 and to identify the impacts on the LTCCP inherited from PLGOs.

The result of the reforecasting process has seen a net level of capex deferral identified at \$56.7m in comparison with the original LTCCP budgets plus the substantial \$52.8m deferral of uncompleted works originating prior to the commencement of Auckland Transport. The majority of these identified deferrals have resulted from timing issues where projects have been planned to align with developments that have slowed or due to property or RMA constraints.

The results of the review of projects against the Regional Arterial Road Plan (2009) has indicated that largely on the basis of strategic need an additional \$5.8m of projects should be included within the Auckland Transport forward programme. It should be noted that the identified high priority projects largely relate to proposed investigation and design work leaving decisions around future prioritization and construction funding to be considered in line with the fiscal envelope in which we will be required to operate. This will however provide us with the opportunity to respond more quickly should programming and funding be available to construct these important strategic corridor projects. A separate paper has been provided for the Tiverton Wolverton project which is being proposed to accelerate into the programme for construction. .

The reforecast reported here is incorporated into, and is consistent with, the Financial Report for the two months ended 31st December 2010 and the forecast financial results.

The figures provided reflect projects assigned to Infrastructure. Other capex projects are being delivered by Infrastructure teams, but budget responsibility sits elsewhere in Auckland Transport

Background

On 1 November 2010 the remaining eight month budgets of PLGOs were transferred to Auckland Transport. This included a capex figure (including renewals) across all Auckland Transport divisions of \$438 million. Of this, \$244.6 million was apportioned to Infrastructure. The remaining capital expenditure lies mainly within Operations. In December 2010, an additional budget of \$52.8 million was transferred to Infrastructure. This comprised an additional \$52.4 million budget brought forward from the PLGOs to Auckland Transport along with a reassignment of project accountability between divisions. The resultant total budget for Infrastructure was then \$297.4 million. The funding brought forward reflects the balance of overspend/underspend for the four month budgets from the PLGOs. The changes, including the proposed forecast change, are shown in Table 1 below.

Table 1: Summary of forecast changes to budget for Infrastructure Division

	2010/11 Plan	2010/11 Plan + Deferrals brought forward	Revised 2010/11 Forecast	Forecast Revision
	(\$000)	(\$000)	(\$000)	(\$000)
New Capital Expenditure	244,607	297,385	246,460	(50,925)

2010/11 Reforecast

Infrastructure Division has undertaken a review of forecasts of the 286 separate capital, renewal and expenditure projects, to ensure that the forecasts reflect the work programme and provide a reasonable estimate of expenditure. This has also provided an opportunity to correct budgets that have been incorrectly allocated in the transition from the PLGOs to Auckland Transport.

The net impact of this review is a reduction in current year forecast capital expenditure of \$50.8 million. This comprises increases and decreases to existing budgets – decreases totalling \$86.9m, and increases totalling \$30.2 million, and a further \$5.8 million of projects included in the revised forecasts which currently do not have budgets. Overall, the changes to the forecasts across all projects reflect an assessment of the work programme that has been transferred from PLGOs, an assessment of the timing of the work and the budgets required to complete that work, and address issues with respect to the transition of budgets from PLGOs. The breakdown of changes is shown in Table 2.

Table 2: Breakdown of changes to forecasts

	(\$million)
Plan + budget brought forward	297.4
Reforecast changes	(56.7)
- reductions \$86.9m	
- increases \$30.2m	
New projects	5.8
Reforecast	246.6*

(*rounding)

For capital projects, changes have been made to the forecast of most project budgets. The largest 20 reductions account for around \$70.7 million or 81% of the reductions. Changes to 83 projects account for the other \$16.2 million reduction in the forecasts.

Attachment 1 to this report identifies the projects having the highest deferrals and provides a short explanation for those deferrals. The largest reductions are shown in Table 3:

Table 3: Breakdown of reductions to forecasts

Project Name	2010/11 Plan (\$000)	2010/11 Plan + Deferrals brought forward (\$000)	Revised 2010/11 Forecast (\$000)	Reduction (\$000)	Comment
Weiti Toll Road	12,950	14,192	56	14,136	Deferred
NorSGA Massey Nth Westgate	9,933	13,945	5,692	8,253	Timing
Distributed Stabling -Detailed Design	8,860	9,025	2,490	6,535	Alignment
Manukau City Rail Link	10,004	11,892	5,986	5,906	Timing
Manukau Rail Link	2,971	6,128	859	5,269	Timing
NorSGA Hobsonville TC Inds Precinct	9,318	4,589	902	3,686	Timing
SH 20 Local Rd Improvements	1,500	4,168	552	3,616	Savings
Sturges Rd Bridge Upgrade	2,943	5,494	2,984	2,510	Correction
Warkworth Western Collector - SH1	4,167	2,534	222	2,312	Timing
Hobsonville Ferry Terminal	175	3,500	1,203	2,297	Timing
Seal Extensions	5,006	3,206	994	2,212	Correction
Hetana Street Extension - Crown Lynn	3,500	2,107	105	2,002	RMA
Pedestrian traffic	1,581	3,888	1,956	1,932	RMA
Glenfield Road-Kaipatiki Intersection	3,415	1,929	120	1,809	Timing
Land Development Land Purchase	1,562	6,065	4,549	1,516	
Ferry terminal Upgrade Downtown Pier 4	2,913	1,500	0	1,500	Timing
Taharoto/Wairau corridor - construction	1,500	1,728	229	1,499	Timing
HGI Wharves Development (Tryphena)	1,378	1,474	99	1,375	RMA
Porchester Road - Walters to Airfield	1,415	2,940	1,703	1,238	Timing
Rail Related Projects- Super stops	-	1,295	109	1,186	
Remaining 83 other projects with reductions		48,085	31,929	16,156	
Total		149,683	62,739	86,944	

Deferred – Project not on immediate workplan
RMA – Project delivery affected by resource consent or other regulatory issues
Timing – budget more accurately reflects the actual timing of delivery of project
Savings – savings due to lower forecast costs
Correction = correction of budget transferred to Auckland Transport

For capital projects where the forecasts have increased, the largest is an increase of \$14.5 million to New Lynn TOD, with current forecasts showing the project to be accelerated, compared to the forecast from the previous council. Table 4 provides a breakdown of the substantial increases to the original budgets.

Table 4: Breakdown of increases to forecasts

Project Name	2010/11 Plan (\$000)	2010/11 Plan + Deferrals 2010/11 Plan + brought forward (\$000)	Revised 2010/11 Forecast (\$000)	Increase (\$000)	
WCC New Lynn TOD project	47,750	12,229	26,736	14,507	Acceleration
NSCC Sunnynook Bus Station Pedestrian/Cycle	428	(725)	875	1,600	
NSCC East Coast Road (Hastings to Rosedale)	3,877	2,365	3,842	1,477	
ARH Wynyard Crossing Te Wero Bridge	1,896	1,896	3,218	1,322	Correction
MCC Footpaths & Cycleways	1,720	1,720	2,912	1,192	Correction
Remaining 56 projects with increases		68,317	78,406		
Total		85,803	115,989	30,185	

More information on these is included in Attachment 2.

Additional Projects

During the reforecasting process a number of additional projects were identified. These projects are mainly high priority schemes not included in Auckland Transport’s budget. In many cases, these are new projects at the investigation and design stage. These total some eighteen in number with a budget of \$5.8 million in 2010/11. Some of these projects could have substantial financial costs in the following years (totalling approximately \$50m in 2011/12, and \$70m in 2012/13) however this will be dependent on prioritisation, funding and programming constraints. While it is proposed to include these projects in the Auckland Transport forward works programme for major schemes further Board approvals will be required prior to construction. The summary of projects is shown in table 5 and in Attachment 3.

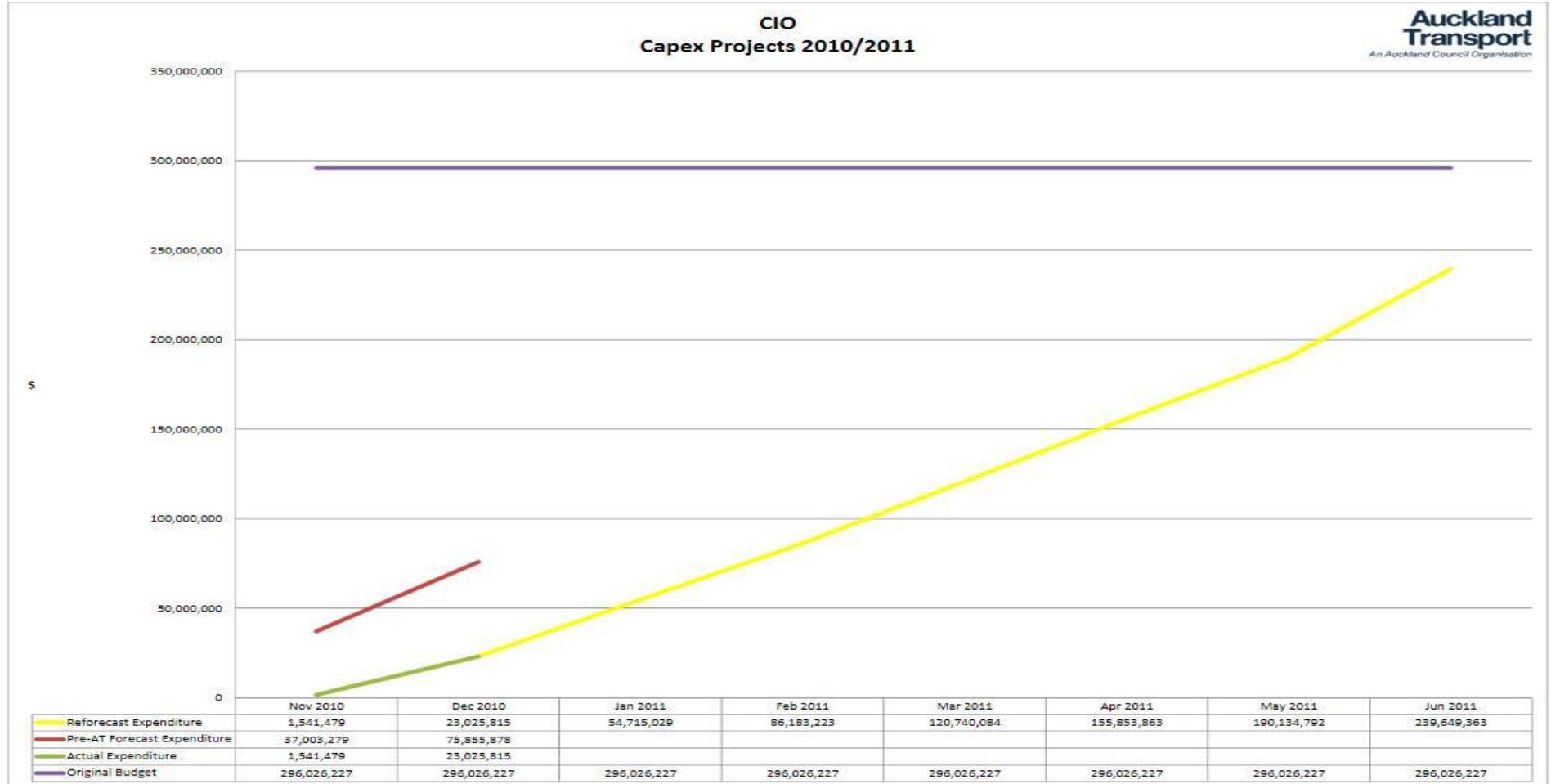
Table 5: Additional Projects

Project Title	2010/11 Budget (\$000)
Neilson Street Upgrade	\$1,114,500
Sturges Road Slope Instability	\$900,000
Investigation and design	\$3,818,500
	\$5,833,000

CIO Capital Expenditure

Figure 1 depicts the forecast and actual capital expenditure for the Infrastructure Division for 2010/11. The red line is the forecast expenditure inherited by Auckland Transport from the PLGO's. The green line is the expenditure achieved during November and December. The yellow line is the reforecast expenditure which falls some \$56 million below the original budget. This graph will be updated monthly as actual expenditure is reported at month end.

Figure 1: Forecast and actual capital expenditure for Infrastructure Division



The level of actual expenditure during November and December was lower than what would be considered normal. This was a consequence of the transition to Auckland Transport. The end of month figures for January and February will provide a clearer indication of the spend level being achieved.

Impact on 2011/12 Budget

The review of capital expenditure and renewal forecasts in 2010/11 results in some expenditure being deferred until 2011/12. The extent of that deferral should be assessed at the same time as the 2011/12 budgets are reviewed. This review is expected to occur over February 2011.

Other Issues

There are a number of projects, most notably Manukau carpark building, where the budget has been allocated to Auckland Council. We understand that there will be the opportunity to transfer these budgets to Auckland Transport, but that transfer may not occur until March/April this year.

There are also a number of land purchase projects, including AMETI and Dominion Road, in Auckland Transport that have material budgets of \$36.7 million. These land purchases are being conducted by Auckland Council on behalf of Auckland Transport.

Next Steps

A similar reforecasting exercise is now underway for capex expenditure proposed for the Infrastructure Division for 2011/12 and subsequent financial years. Subject to Board approval, the outcome of this process will reflect the deferrals identified in this report and will provide visibility of future capex spending forecasts and potential new projects seeking funding.

Recommendation

It is recommended that the Auckland Transport Board:

- 1) Receives this paper
- 2) notes the overall level of proposed capex expenditure deferral in 2010/11 (\$56.7m)
- 3) approves the inclusion and funding from other deferrals of the identified \$5.8m of additional projects into the Auckland Transport forward programme for the 2010/11 financial year

Attachments

- Attachment 1: Major CIO 2010/11 Capex Deferral
- Attachment 2: Major CIO 2010/11 Capex Increases
- Attachment 3: Major New Capex Projects

<p>WRITTEN BY</p>	<p>Mark Fleming / Andy Finch Infrastructure Support Manager / Manager Asset Management & Programming</p>	
<p>RECOMMENDED BY</p>	<p>Kevin Doherty Chief Infrastructure Officer</p>	
<p>APPROVED FOR SUBMISSION by</p>	<p>David Warburton Chief Executive</p>	

Attachment 1: Major CIO 2010/11 Capex Deferral

WBS	Project Title	Original Budget	Reforecast Budget	2010/11 Deferral	Reason
C.001404	Weiti Toll Road	\$14,192,162	\$56,095	\$14,136,067	Project deferred as insufficient NZTA funding available to deliver in line with other Auckland Transport priorities.
C.001479 C.001480	NorSGA Massey Nth Westgate NorSGA Hobsonville Indust. Precinct	\$13,944,520 \$4,588,683	\$5,691,574 \$902,295	\$8,252,946 \$3,686,388	C/1479 – This budget will be spent on design and Works Development Agreements (WDA) C/1480 –Physical works deferred until after the road has been vested by NZTA to Auckland Council, the design is planned to be completed in March and development is based on the development of the surrounding area.
C.001050	City Rail Link	\$11,892,005	\$5,986,014	\$5,905,991	Stage 3 construction due Nov 2011 - Nov 2012 (integrated with MIT).
C.001045	Distributed Stabling- Detailed Design	\$9,025,311	\$2,490,217	\$6,535,094	Scope detailing for the sites prolonged due to lack of future definition for the sites, and balance of stabling provision required for the Network. Additionally staged implementation of DSF projects required to harmonize delivery of stabling capacity with delivery of SA Carriages and increased service frequencies. (Note: Majority of West Auckland Stabling Works brought forward from 2013 to 2011).
C.001101	Manukau Rail Link	\$6,127,709	\$859,000	\$5,268,709	Stage 3 construction due Nov 2011- Nov 2012 (integrated with MIT Development).
C.001108	Land Development Land Purchase	\$6,064,671	\$4,548,503	\$1,516,168	Timing issues related to project related land purchases
C.001517	Sturges Road Bridge Upgrade	\$5,494,221	\$2,984,541	\$2,509,680	The project is most likely to finish in end of March 2011. Reduction is correction of budgets.

Attachment 1: Major CIO 2010/11 Capex Deferral

WBS	Project Title	Original Budget	Reforecast Budget	2010/11 Deferral	Reason
C.001501	SH20 Local Road Improvements	\$4,167,539	\$551,935	\$3,615,604	This project is for the former MCC share of local road improvements associated with the construction of the NZTA SH20-1 Motorway Link. The work is fully complete. There is a potential contractual claim from the contractor, the Leighton-Works joint venture. NZTA HNO staff are currently working through the variation claims with the contractor and it is expected that this may take up to another six months to finally resolve.
C.001021	Pedestrian Traffic	\$3,887,662	\$1,955,625	\$1,932,037	Detail design awaiting Resource consent.
C.001056	Hobsonville Ferry Terminal	\$3,500,000	\$1,202,760	\$2,297,240	Timing – construction projected to occur Jan-Oct 2011.
C.001475	Seal Extension	\$3,206,311	\$994,348	\$2,211,963	Original budget incorrect; Legacy budget was \$1,455,000, 2 projects being completed as planned for \$950k.
C.001254	Porchester Road – Walters to Airfield	\$2,940,419	\$1,702,565	\$1,237,854	Timing – stage III in 2011/12.
C.001405	Warkworth Western Collector	\$2,533,784	\$222,255	\$2,311,529	Interface with NZTA SH1 Route of National Significance is taking longer than anticipated.
C.001486	Hetana Street Extension- Crown Lynn	\$2,107,019	\$105,000	\$2,002,019	This is a development led project which has been on hold until 18 January 2011 as a result of plan change requirement.
C.001183	Glenfield Road - Kaipatiki Intersection	\$1,928,606	\$120,000	\$1,808,606	Historical design did not align with strategic objectives. Site became available for parking which provided opportunity for design review

Attachment 1: Major CIO 2010/11 Capex Deferral

WBS	Project Title	Original Budget	Reforecast Budget	2010/11 Deferral	Reason
					and further consultation. This has resulted in an extended programme whereby construction has been pushed out of this financial year.
C.001148	Taharoto/Wairau Corridor- Construction	\$1,728,306	\$229,840	\$1,498,466	Construction deferred until next financial year. Issues around design, land purchase and designation conditions being resolved and finalised.
C.001055	Ferry Terminal Upgrade Downtown Pier 4	\$1,500,000	\$0	\$1,500,000	Work in developing design solutions has not progressed as quickly as envisaged.
C.001013	HGI Wharves Development Tryphena	\$1,473,876	\$98,944	\$1,374,932	Delayed due to RMA process. Anticipate physical works will not commence this financial year. It is anticipated that the hearing will be completed by July 2011 with final design completed by November 2011 and procurement over Dec/Jan with physical works commencing on site in March 2012 (this will coincide with the off peak season for the island).
C.001113	Rail Related Projects	\$1,294,501	\$108,984	\$1,185,517	This is related to the timing of funding required for the bus facilities associated with the Manukau Rail/Bus interchange.
	Totals	\$101,597,305	\$30,810,495	\$70,786,810	

Attachment 2: Major CIO 2010/11 Capex Increases

WBS	Project Title	Original Budget	Reforecast Budget	2010/11 Increase	Reason
C.001498	New Lynn TOD Project	\$12,229,000	\$26,736,000	\$14,507,000	To accommodate an accelerated programme
C.001508	Wynyard Crossing Te Wero	\$1,896,000	3,217,557	\$1,321,557	
C.001157	East Coast Road (Hastings to Rosedale)	\$2,365,000	\$3,842,000	\$1,477,000	To accommodate a significant variation identified during construction.
C.001128	Footpaths & Cycleways	\$1,720,000	\$2,912,000	\$1,192,000	To meet existing contract commitments and to address a reduction in budget during budget transfer from ELGO.
C.001179	Sunnynook Bus Station Pedestrian/Cycle Route	-\$725,000	\$875,000	\$1,600,000	Budget in SAP was incorrect.
	Totals	\$17,485,000	\$37,582,557	\$20,097,557	

Attachment 3: Major New Capex Projects

Project Title	Reforecast Budget 10/11	Reason
Neilson Street Upgrade	\$1,114,500	Arterial link between SH20 and SH1 to assist movement between freight nodes. Long term NZTA plan (20 – 30 years) is to provide motorway to motorway link.
Sturges Road Slope Instability	\$900,000	Urgent requirement to address land instability issue adjacent to Sturges Road Bridge and consequently mitigate the risk of a slippage impacting upon safe rail corridor operations.
Half Moon Bay - Ferry Terminal Upgrade	\$100,000	Master plan for Ferry Terminal and bus integration scheme will be finalised over 2011. Overall scheme to be implemented will be as agreed as final master plan to be developed during remaining 10/11 and 11/12.
Half Moon Bay - Minor Safety Improvements	\$200,000	The provision of additional capacity to avoid conflict between vehicular ferry, public transport, boat ramp and marina traffic, and to stabilise marshalling area for Waiheke traffic.
Rail Station Upgrades	\$750,000	Accelerated station programme to align with Electrification and arrival of new electric trains in late 2013.
KiwiRail Electrification Bridge Enhancements	\$200,000	Joint project with KiwiRail to seek efficiencies through combining rail electrification bridge clearance work on the western line with Auckland Transport initiatives to improve access across the rail corridor. These are opportunity works for bridge upgrades that will result in overall savings for potential upgrades to bridges.
Albany- Henderson Busway	\$250,000	The feasibility and scheme assessment of the Henderson to Albany Bus Corridor being brought forward to inform the proposed Auckland Transport and NZTA works on Lincoln Road and at the interchange with SH16.
Tiverton to Wolverton Improvements	\$300,000	Project provides key route for New Lynn Town Centre and surrounding areas to link into SH 20 and Sh1. Refer to separate paper.
CBD Rail Link - Pre NOR work and scheme development.	\$1,000,000	Pre-NOR work includes business case support, planning support on critical consultation areas, a delivery strategy including analysis of procurement options and planning of physical site investigations.
Whangaparoa Road HBC Highway to Red Beach	\$208,500	Whangaparoa Road (Arklow to Ladies Mile) for the widening of the Whangaparoa Road between HBC Highway and Red Beach Road. Urgent requirement in lieu of completion of the Weiti Toll Road which would lower traffic volumes on this section of Whangaparoa Road.
South Titirangi Road Footpath	\$300,000	Need for new kerb & channel along South Titirangi Rd. Project consists of investigation, design and construction of the new kerb & channel along the above mentioned road.
Pukekohe Eastern Arterial	\$100,000	The project is for a new rail crossing of the main trunk line in Pukekohe as part of the Pukekohe Eastern Arterial project.

SW Arterial Multi Modal Link	\$200,000	A joint project with NZTA, Auckland Council, Auckland Airport and KiwiRail to investigate a new link to the airport from the CBD.
Ellerslie Station SH1 interface	\$50,000	NZTA driven project to widen SH1. Likely to be 3 way alliance with main funding contribution from NZTA. Platforms likely to require significant slewing and pedestrian overbridge will require significant changes.
Britomart Platform 6	\$50,000	A contribution for advanced concept planning works for the design input into KiwiRail project to provide additional side platform at Britomart, to ensure Onehunga line service frequency.
Maioro Street SH20	\$50,000	Cover costs of investigation into Outline Plan of Works issues with the NZTA.
Advanced Direction Signs	\$60,000	To undertake the detailed design of ADS signs to be implemented in the next two financial years.
Total	\$5,833,000	