

CONFIDENTIAL

Financial Results for the Three Months Ended 30 September 2024

Reason for inclusion in closed board meeting session

1. Please state why this report is being considered in the closed board meeting as opposed to the open board meeting. Please refer to the 'reasons for confidentiality' and provide a direct reference to one of these reasons.	To protect information that will soon be publicly available
2. Please provide an estimated date for release of this report.	24 October 2024

Aronga / Purpose

- To provide the financial results for the three months ended 30 September 2024.

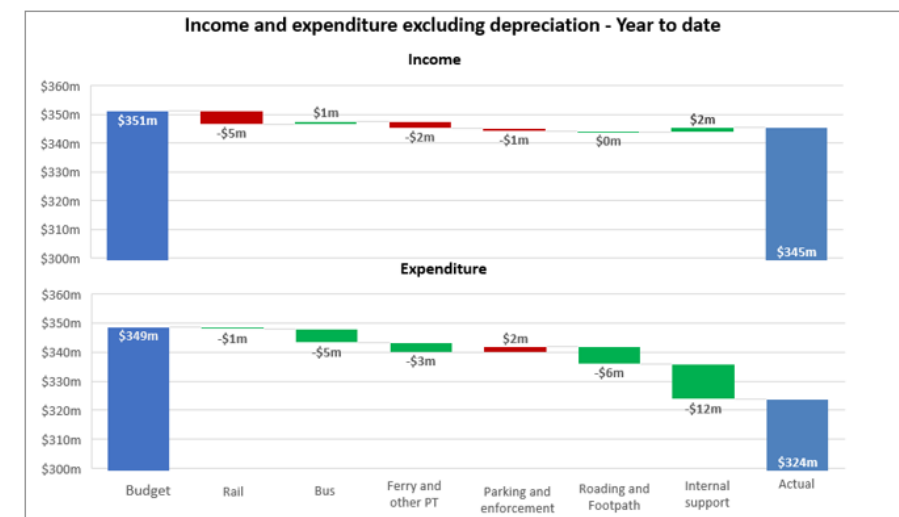
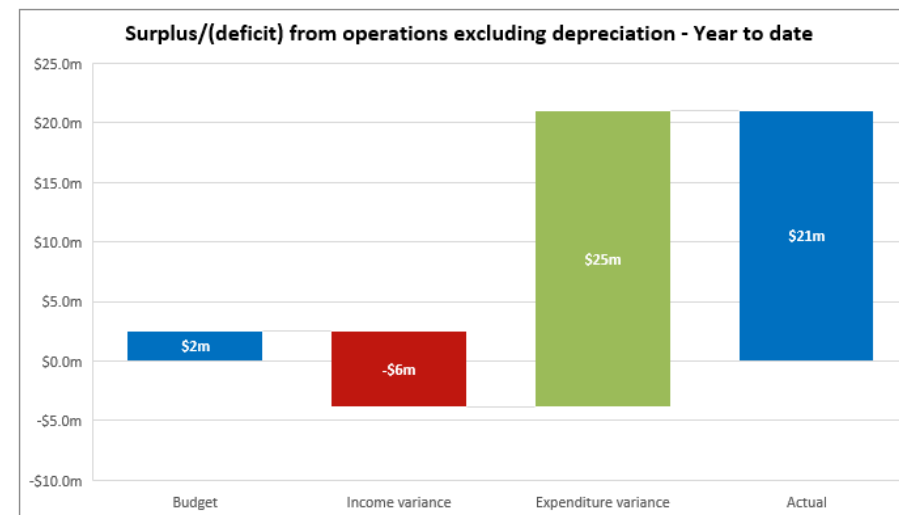
Te tūhunga / Recommendation

That the Auckland Transport Board (board):

- Notes the report.

Section 1 – Te whakarāpopototanga matua / Executive summary

- Year to date (YTD) **surplus from operations excluding depreciation** of \$21.1 million, is \$18.6 million favourable to budget. This favourable variance is primarily due to lower costs across the organisation including personnel costs, contractor maintenance, and other expenditure, partially offset by lower NZ Transport Agency Waka Kotahi (NZTA) income.
- YTD **Capital expenditure** of \$257.7 million is tracking at 77% of planned spend. The underspend is mainly due to pausing of some activity whilst we waited for NZTA approval of the 2024-27 National Land Transport Programme (NLTP) in August, and phasing of some key projects including Ferry, Rail and Eastern Busway.



Rail income was lower than budget due to lower patronage and NZTA funding. **Bus expenditure** was lower than budget due to lower than expected indexation. **Roading and footpath expenditure** was favourable, due to less maintenance activity than planned, expected to normalise in coming months. **Internal support expenditure** was favourable in IT support costs, software licenses, events and unplanned maintenance.

Section 2 – Financial results for the three months ended 30 September 2024

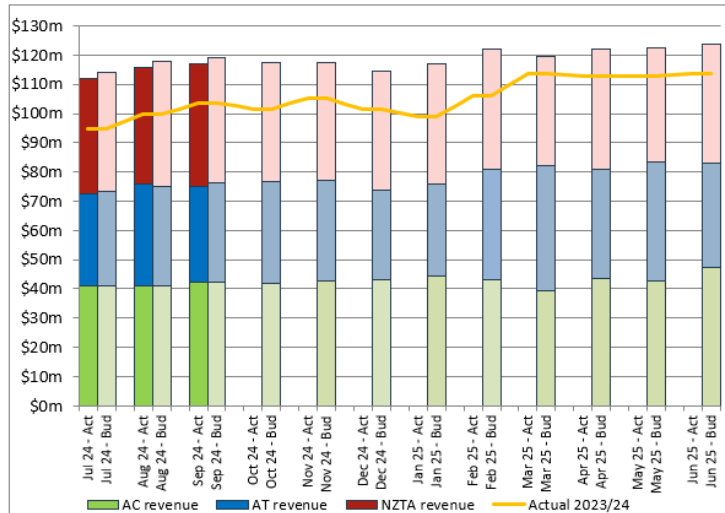
	Current month			Year to date			Full year
	Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Budget \$000
Operating income							
Auckland Council funding	42,150	42,150	-	124,158	124,158	-	512,444
NZTA operating funding	38,265	41,540	(3,275)	114,401	123,036	(8,635)	476,277
NZTA operating funding - Top-up from Crown	3,994	1,043	2,951	7,045	3,131	3,914	12,485
Parking and enforcement income	9,212	10,839	(1,627)	28,693	30,160	(1,467)	130,554
Public transport income	20,511	20,336	175	58,904	61,428	(2,524)	258,300
Other revenue incl. other grants and subsidies	2,970	3,057	(87)	11,593	9,258	2,335	37,023
Total operating income	117,102	118,965	(1,863)	344,794	351,171	(6,377)	1,427,083
Operating expenditure							
Personnel costs	19,975	21,373	1,398	59,026	62,318	3,292	245,293
Capitalised personnel costs	(4,716)	(3,996)	720	(12,866)	(12,802)	64	(47,505)
Public transport contracts	57,223	58,542	1,319	171,522	175,625	4,103	711,704
Contractors-maintenance	9,236	11,284	2,048	26,662	34,019	7,357	136,114
Professional services	3,377	3,689	312	7,535	9,941	2,406	49,789
Track and ferry access charges	5,666	4,796	(870)	16,095	14,434	(1,661)	59,603
Other expenditure	16,403	20,586	4,183	50,166	59,568	9,402	239,168
Finance costs	1,822	1,877	55	5,574	5,576	2	22,858
Total operating expenditure excluding depreciation	108,986	118,151	9,165	323,714	348,679	24,965	1,417,024
Surplus/(deficit) from operations excluding depreciation	8,116	814	7,302	21,080	2,492	18,588	10,059
Depreciation and amortisation	44,099	44,922	823	132,715	133,358	643	558,818
Surplus/(deficit) from operations	(35,983)	(44,108)	8,125	(111,635)	(130,866)	19,231	(548,759)
Income for capital projects							
NZTA capital co-investment	42,420	66,265	(23,845)	126,208	180,620	(54,412)	732,612
Auckland Council capital grant	19,515	43,032	(23,517)	106,544	133,239	(26,695)	679,963
Other capital grants	24,905	21,458	3,447	24,905	21,458	3,447	46,201
Vested asset income	26,659	25,000	1,659	48,952	50,000	(1,048)	275,000
Total income for capital projects	113,499	155,755	(42,256)	306,609	385,317	(78,708)	1,733,776
Net surplus/(deficit) before tax and derivatives	77,516	111,647	(34,131)	194,974	254,451	(59,477)	1,185,017
Gains/(losses) on derivatives	1,722	-	1,722	13,116	-	13,116	-
Net surplus/(deficit) after tax and derivatives	79,238	111,647	(32,409)	208,090	254,451	(46,361)	1,185,017

NZTA has released the NLTP which has confirmed the previously signalled constrained National Land Transport Fund (NLTF) funding levels. This primarily impacts maintenance spend and capital projects (including renewals). We have been working through the details to ensure the best use of available funding.

The 2024/25 budget of \$10.1 million surplus from operations excluding depreciation is funding for the EMU loan principal repayment.

Section 2 – Financial results for the three months ended 30 September 2024 (continued)

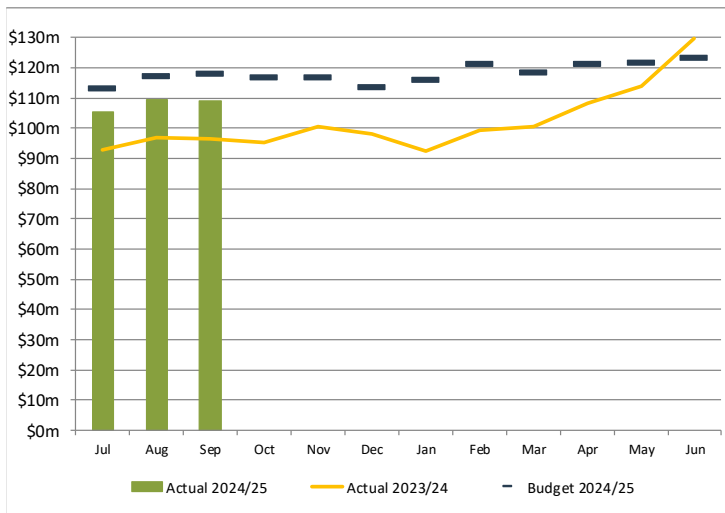
Operating income



Operating income budget variances:

- **NZTA operating funding** is lower than budget reflecting lower NZTA fundable operating costs and capital activities.
- **Enforcement income** is unfavourable primarily due to high compliance rates across the network and slower than budgeted planning and delivery of special vehicle lanes. This is expected to be partially offset by an increase in infringement fees from 1 October.
- **PT income** is unfavourable with lower patronage and yield. Patronage was 97% of budget but expected to increase with the implementation of Contactless Payment in November and additional initiatives being developed to stimulate growth in PT and active modes during the summer and subsequent months.
- **Other income** is favourable primarily due to higher than budgeted petrol tax revenue and miscellaneous income.

Operating expenditure excluding depreciation



Operating expenditure budget variances:

- **Personnel cost** is favourable to budget primarily due to budgeted positions not filled.
- **PT contracts costs** are lower than budget primarily due to lower than budgeted indexation.
- **Contractors-maintenance costs** are below budget due to less maintenance activity than planned, expected to normalise in coming months.
- **Other expenditure** is lower than budget primarily due to lower IT costs (including National Ticketing System Early Integration project costs), software licenses, events, and unplanned maintenance.

Section 3 – Operational funding requirement per passenger

	Current month				Year to date			
	Actual	Budget	Var.	Actual % to Total	Actual	Budget	Var.	Actual % to Total
Rail, Bus and Ferry operations:								
Operating expenditure per passenger	\$9.24	\$8.94	(\$0.30)	100%	\$8.98	\$8.91	(\$0.07)	100%
Operating expenditure per passenger is funded by:								
Customers	\$2.28	\$2.32	\$0.04	25%	\$2.26	\$2.32	\$0.06	25%
NZTA top-up	\$0.53	\$0.13	(\$0.40)	6%	\$0.31	\$0.13	(\$0.17)	3%
NZTA operating funding	\$3.47	\$3.55	\$0.08	38%	\$3.43	\$3.53	\$0.10	38%
Local share funding (AC)	\$2.96	\$2.94	(\$0.02)	32%	\$2.99	\$2.92	(\$0.06)	33%
Total operating expenditure per passenger	\$9.24	\$8.94	(\$0.30)	100%	\$8.98	\$8.91	(\$0.07)	100%

The YTD operational expenditure per passenger was \$8.98 with:

- \$2.26 paid by customers
- \$2.99 subsidised by AC
- \$3.43 subsidised by NZTA
- \$0.31 topped up by NZTA for concessionary fares

	Current month				Year to date			
	Actual	Budget	Var.	Var. %	Actual	Budget	Var.	Var. %
Rail, Bus and Ferry operations:								
Operating expenditure \$000	69,625	70,642	1,017	1%	206,489	212,092	5,603	3%
Less: Fare revenues and other income \$000								
Customers	17,210	18,353	(1,143)	(6%)	51,935	55,266	(3,331)	(6%)
NZTA top-up	3,995	1,043	2,952	283%	7,046	3,132	3,914	125%
Total	21,205	19,396	1,809	9%	58,981	58,398	583	1%
Operating funding requirement \$000	48,420	51,246	2,826	6%	147,508	153,694	6,186	4%
Patronage 000's	7,537	7,900	(363)	(5%)	22,999	23,817	(818)	(3%)
Operating funding requirement per passenger	\$6.42	\$6.49	\$0.06	1%	\$6.41	\$6.45	\$0.04	1%
NZTA operating funding per passenger	\$3.47	\$3.55	\$0.08	2%	\$3.43	\$3.53	\$0.10	3%
Local share funding (AC) per passenger	\$2.96	\$2.94	(\$0.02)	(1%)	\$2.99	\$2.92	(\$0.06)	(2%)
Operating funding requirement per passenger	\$6.42	\$6.49	\$0.06	1%	\$6.41	\$6.45	\$0.04	1%

The YTD net operating funding requirement per passenger (net of fare revenue) of \$6.41 was favourable to budget mainly due to lower than budgeted operating expenditure.

Section 4 – Summary of Capital Expenditure

	Current month			Year to date			Full year
	Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Budget \$000
Regional Land Transport Plan (RLTP) grouping							
Asset Renewals	30,717	22,581	(8,136)	76,797	57,535	(19,262)	343,876
Resilience/Adaptation	12,181	10,610	(1,571)	38,357	31,470	(6,887)	64,485
Bus City Centre	1,352	1,988	636	3,307	4,993	1,686	25,807
Bus Projects	1,725	2,324	599	4,623	7,356	2,733	41,524
Ferry Projects	3,070	12,161	9,091	3,372	26,599	23,227	85,722
Rail Projects	3,422	17,901	14,479	18,195	49,311	31,116	223,804
Rapid Transit Access	556	1,093	537	1,810	2,336	526	21,216
Cycleway projects	1,271	4,392	3,121	6,503	13,435	6,932	86,094
Eastern Busway	14,843	24,590	9,747	64,083	76,207	12,124	264,430
Priority growth area	2,889	7,367	4,478	5,353	12,898	7,545	46,313
Property for growth	3,891	10,152	6,261	7,135	12,133	4,998	42,000
Community response	2,322	2,012	(310)	6,185	5,530	(655)	37,405
Local Board priority	1,573	1,455	(118)	3,399	4,009	610	22,880
Network Optimisation	1,658	3,172	1,514	4,273	7,359	3,086	34,944
Parking and other	216	809	593	778	1,490	712	10,640
Road Safety	1,060	2,688	1,628	1,781	7,566	5,785	42,935
Customer Systems	4,095	5,459	1,364	11,707	15,090	3,383	64,700
Total direct capital	86,841	130,754	43,913	257,658	335,317	77,659	1,458,775

Asset Renewals – continue ahead of budget due to record levels of pre-seal repairs and pavement resurfacing activity (54km for Q1).

Resilience/Adaption - the flood recovery programme is progressing at pace and will be completed ahead of schedule.

Ferry Projects - programme focus is completing the four vessels and progressing associated charging infrastructure. The revised plan is on track.

Rail Projects – are behind budget with delayed EMU milestone payments (in year phasing with no risk to CRL go-live dates) and CRL programme Level Crossing removal land purchases (delayed but will be delivered later this year).

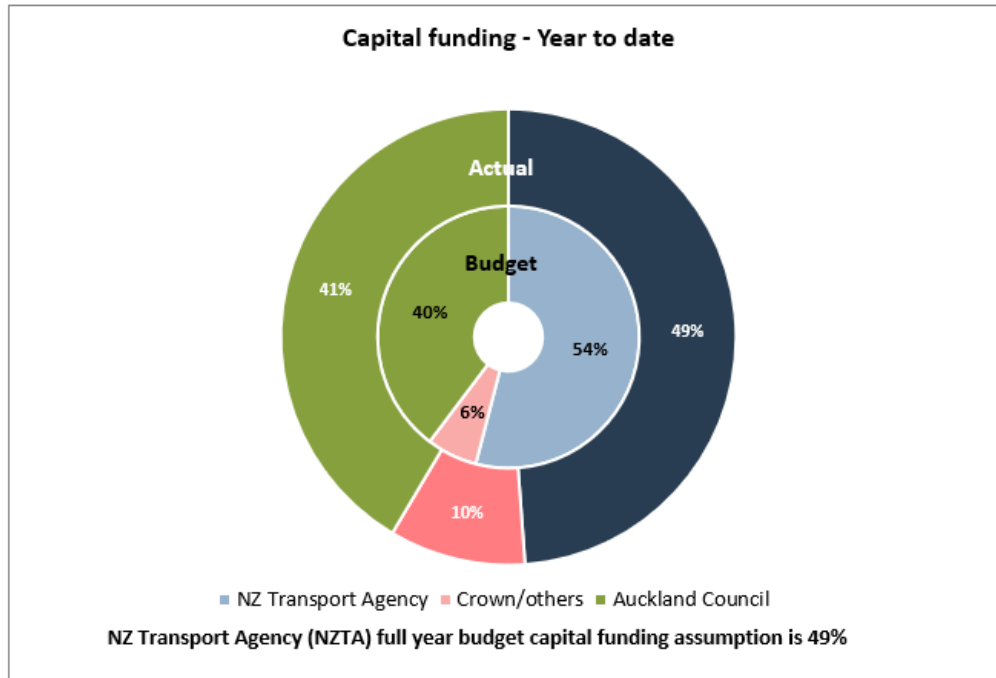
Eastern Busway – The underspend versus budget due to timing differences around property acquisition. Ra Hihi flyover is progressing ahead of plan. The overall programme is on track to complete on time.

Safety and cycleway projects – underspend is due to slower paced delivery whilst waiting for NLTF funding feedback.

Year to date expenditure is tracking at 77% of budget (previous month 84%). The variance is mainly driven by delays in milestone payments (Rail Projects) and property acquisition / settlement (Eastern Busway / Rail Projects) which are expected to take place in the balance of the year. Partially offsetting these are Renewals and Flood response works that are tracking well ahead of budget.

NZTA have confirmed the NLTP. The funding impacts and options have been presented to the Board and Auckland Council with the preferred option to be formally agreed at the end of October 2024. The revised 2024/25 capital budget, presented in a separate board paper for approval, reflects known project phasing changes (such as the Ferry programme) and re-prioritised activity giving clearer direction to delivery in the balance of the year.

Section 5 – Capital funding



Auckland Transport's capital funding budget assumed an approximately 50% full year funding split between local share and central Government / other crown funding, albeit this has now changed since the NLTP was confirmed.

- **NZTA capital funding:** YTD NZTA co-funding is at 49%. Key areas driving the year-to-date variance are:
 - The approved co-funding through the Low Cost Low Risk Programme has been reduced, leading to higher than anticipated AC funding for various programmes, including road safety, community response, local road initiatives, rapid transit access, and network optimisation.
 - Flood response delivery works are attracting a standard Funding Assistance Rate (FAR) prior to becoming eligible for a higher enhanced FAR at the end of October.
 - This has been offset by higher than planned Crown Infrastructure Partners (CIP) recovery for flood response. The flood recovery programme is progressing rapidly and is expected to be completed ahead of schedule.
 - Overall expenditure on approved projects is lower than planned, particularly for Rail Projects and Ferry Projects.

Te pou whenua tuinga / Document ownership

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