

Financial Results for the Nine Months Ended 31 March 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.	31 May 2024

Aronga / Purpose

- This report provides the financial results for the nine months ended 31 March 2024.

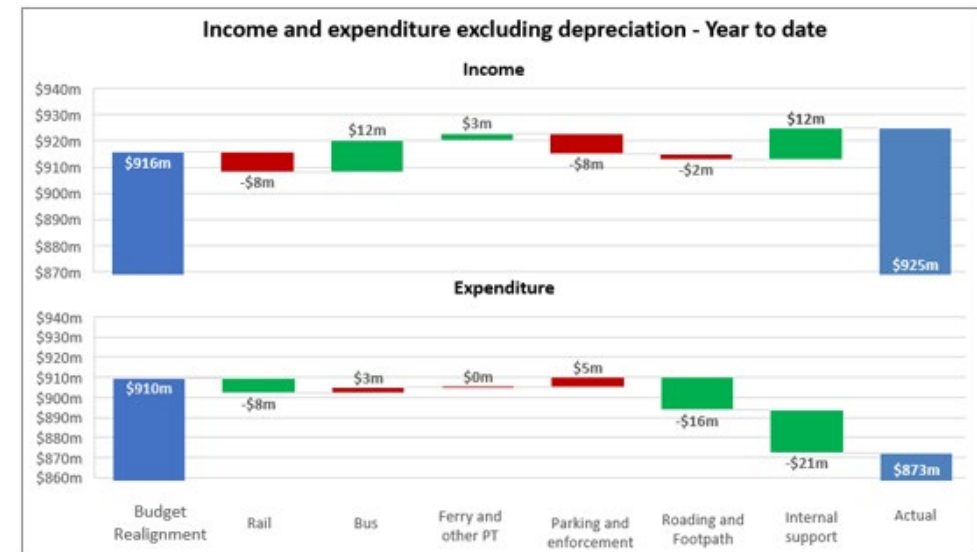
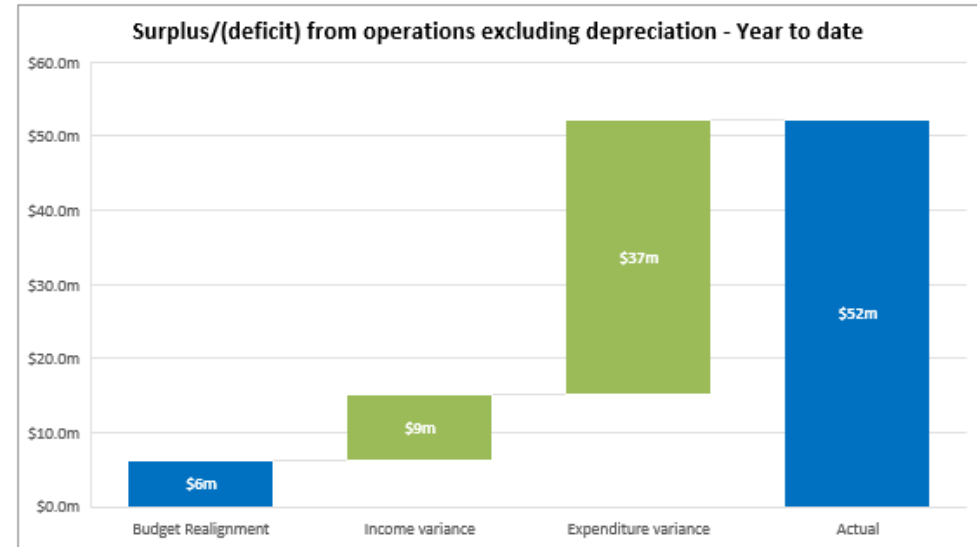
Te tūhonga / Recommendation

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 \$52.2 million, is \$46.0 million favourable to budget. Underlying business performance is pleasing with higher public transport (PT) income and cost savings across all major spend areas. Based on current trends Auckland Transport (AT) is expecting to deliver ahead of the full year budget.
- YTD **Capital expenditure** of \$669.8 million is tracking at 92% of planned spend. The underspend is within renewals and flood recovery works, rapid bus and rail, population growth and active modes projects.



Rail income is unfavourable to budget due to ongoing rail disruptions. **Bus income** is favourable due to higher than expected bus patronage. **Roading and footpath expenditure** is favourable due to lower maintenance costs due to market capacity constraints and **internal support expenditure** is favourable across all major spend areas.

Section 2 – Financial results for the nine months ended 31 March 2024

	Current month			Year to date			Full year
	Actual \$000	Budget (Realigned) \$000	Variance \$000	Actual \$000	Budget (Realigned) \$000	Variance \$000	Budget (Realigned) \$000
Operating income							
Auckland Council funding	38,576	38,576	-	310,342	310,342	-	439,358
NZ Transport Agency Waka Kotahi (NZTA) operating funding	38,358	35,616	2,742	336,511	329,244	7,267	432,947
NZ Transport Agency Waka Kotahi (NZTA) operating funding - Top-up from Crown	5,130	4,957	173	32,376	37,544	(5,168)	50,302
Parking and enforcement income	9,568	11,569	(2,001)	81,228	89,026	(7,798)	123,261
Public transport income	18,977	15,956	3,021	135,701	120,283	15,418	162,535
Other revenue incl. other grants and subsidies	2,903	3,801	(898)	28,636	29,359	(723)	38,733
Total operating income	113,512	110,475	3,037	924,794	915,798	8,996	1,247,136
Operating expenditure							
Personnel costs	17,618	19,053	1,435	156,103	160,170	4,067	219,092
Capitalised personnel costs	(4,380)	(2,640)	1,740	(34,158)	(30,577)	3,581	(43,858)
Public transport contracts	53,892	54,487	595	457,587	464,066	6,479	632,997
Contractors-maintenance	6,927	12,353	5,426	83,450	96,796	13,346	132,914
Professional services	4,169	3,432	(737)	22,640	25,868	3,228	36,267
Track and ferry access charges	3,827	3,803	(24)	31,809	32,583	774	44,718
Other expenditure	16,635	16,841	206	139,276	139,694	418	188,730
Finance costs	1,781	2,340	559	15,914	21,064	5,150	28,086
Total operating expenditure excluding depreciation	100,469	109,669	9,200	872,621	909,664	37,043	1,238,946
Surplus/(deficit) from operations excluding depreciation	13,043	806	12,237	52,173	6,134	46,039	8,190
Depreciation and amortisation	43,906	47,550	3,644	393,415	406,642	13,227	552,450
Surplus/(deficit) from operations	(30,863)	(46,744)	15,881	(341,242)	(400,508)	59,266	(544,260)
Income for capital projects							
NZ Transport Agency Waka Kotahi (NZTA) capital co-investment	60,930	40,810	20,120	371,364	360,861	10,503	516,415
Auckland Council capital grant	47,924	42,635	5,289	285,943	351,017	(65,074)	512,441
Other capital grants	1,674	376	1,298	12,449	15,893	(3,444)	29,135
Vested asset income	85,019	45,953	39,066	268,071	196,515	71,556	275,000
Total income for capital projects	195,547	129,774	65,773	937,827	924,286	13,541	1,332,991
Net surplus/(deficit) before tax and derivatives	164,684	83,030	81,654	596,585	523,778	72,807	788,731
Gains/(losses) on derivatives	3,381	-	3,381	2,035	-	2,035	-
Gain/(loss) on disposal of assets/ non-operating items	-	-	-	(897)	-	(897)	-
Net surplus/(deficit) after tax and derivatives	168,065	83,030	85,035	597,723	523,778	73,945	788,731

YTD surplus from operations excluding depreciation is favourable to budget. This includes the receipt of \$8.1 million of funding related to 2022/23 flood/storm response costs and delivery of a \$3 million Auckland Council (AC) efficiency target through lower finance costs.

Estimated high level forecast for the year-end operating surplus / (deficit) outturn is between +\$15 million to +\$35 million above the budgeted \$8.2 million operating surplus.

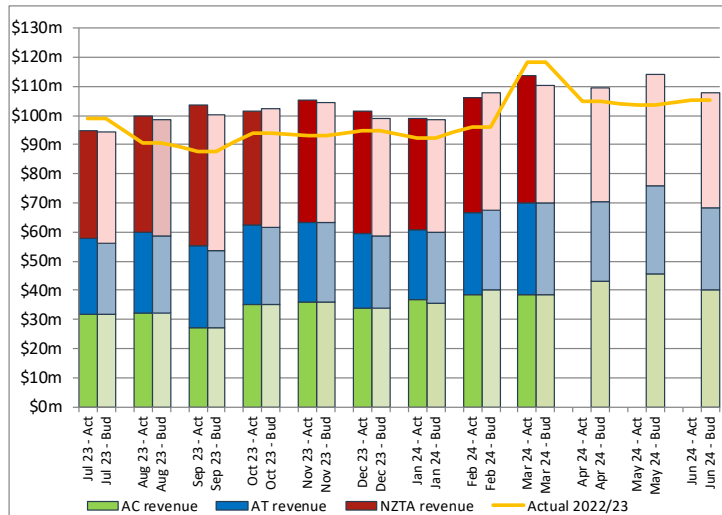
The 2023/24 budget of \$8.2 million surplus from operations excluding depreciation is funding for the EMU loan principal repayment.

Other capital grants is unfavourable to budget due to a change in the accounting recognition timing of Crown Infrastructure Partners (CIP) capital grants.

The budget has been realigned to AT's new organisational structure. The overall AT budget remains unchanged.

Section 2 – Financial results for the nine months ended 31 March 2024 (continued)

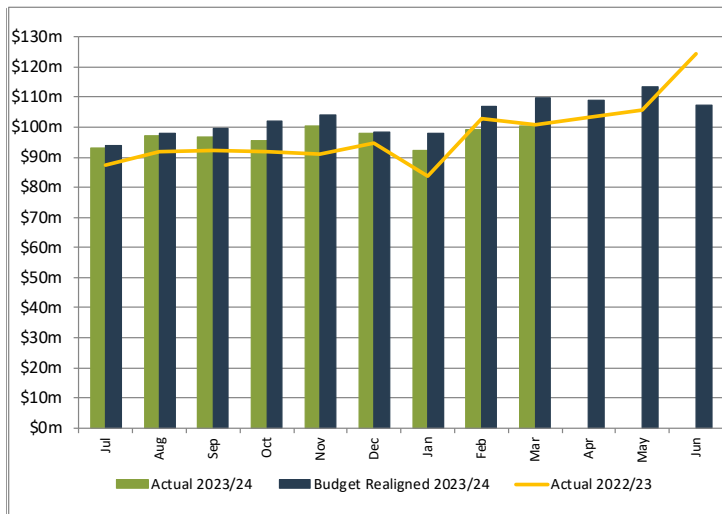
Operating income



Operating income budget variances

- **New Zealand Transport Agency Waka Kotahi (NZTA) operating funding** is favourable to budget due to a claim for additional adverse weather remediation costs funded at a 91% Funding Assistance Rate, \$8.1 million of which relates to costs incurred in 2022/23. This is partially offset by lower fundable costs with higher PT income and lower contract costs.
- **NZTA top up from the crown** is unfavourable to budget mainly due to lower than expected 16-24 year old uptake of the reduced fare concession against budget across all modes.
- **Parking and enforcement revenue** is unfavourable to budget mainly due to lower on-street parking attributed to lower occupancy and a later than budgeted parking tariff increase and lower enforcement income due to a delay in the implementation of new enforcement technology.
- **PT income** is favourable to budget primarily from higher bus patronage. PT patronage is approximately 87% of pre COVID-19 levels up from circa 75% of pre COVID-19 levels at the beginning of the financial year.

Operating expenditure excluding depreciation



Operating expenditure budget variances

- **Personnel cost** is favourable to budget primarily due to budgeted positions not filled and lower contract staff costs and discretionary spend including learning and development.
- **Capitalised personnel costs** are favourable in March due to higher personnel cost recovery in Business Technology, Customer Service and Network Performance and Infrastructure and Place.
- **PT contract costs** are favourable to budget primarily from the City Rail Link (CRL) Be Ready Project due to CRL project delays, reduced costs from lower train kilometres, lower Zero Emission Bus transition costs and ferry service cancellations.
- **Contractors-maintenance** is favourable to budget mainly from lower than expected road maintenance costs reflecting delivery constraints between flood recovery and unsealed road maintenance activity and recovery of costs from KiwiRail for the emergency Tahekeroa rail slip flood recovery works.
- **Professional services** is favourable to budget primarily within the road network operations and transport safety areas as operational constraints impact on operational and capital delivery.
- **Finance costs** are favourable to budget due to lower interest rates due to a loan restructure at the start of the financial year. This is a planned cost reduction to meet AC cost saving initiatives.

Section 3 – Operational funding requirement per passenger

	Current month				Year to date				Full year
	Actual	Budget (Realigned)	Variance	Actual % to Total	Actual	Budget (Realigned)	Variance	Actual % to Total	Budget (Realigned)
Rail, Bus and Ferry operations:									
Operating expenditure per passenger	\$7.30	\$8.23	\$0.93	100%	\$8.52	\$9.22	\$0.70	100%	\$9.38
Operating expenditure per passenger is funded by:									
Customers	\$2.00	\$1.88	(\$0.12)	27%	\$1.94	\$1.88	(\$0.07)	23%	\$1.89
NZ Transport Agency Waka Kotahi (NZTA) top-up	\$0.58	\$0.63	\$0.05	8%	\$0.50	\$0.63	\$0.13	6%	\$0.63
NZ Transport Agency Waka Kotahi (NZTA) operating funding	\$2.48	\$2.91	\$0.43	34%	\$3.21	\$3.52	\$0.31	38%	\$3.51
Local share funding (AC)	\$2.24	\$2.81	\$0.57	31%	\$2.86	\$3.19	\$0.33	34%	\$3.35
Total operating expenditure per passenger	\$7.30	\$8.23	\$0.93	100%	\$8.52	\$9.22	\$0.70	100%	\$9.38

The YTD operational expenditure per passenger is \$8.52 with:

- \$1.94 paid by customers
- \$2.86 subsidised by AC
- \$3.21 subsidised by NZTA
- \$0.50 topped up by NZTA for under 25 discounts

	Current month				Year to date				Full year
	Actual	Budget (Realigned)	Variance	Variance %	Actual	Budget (Realigned)	Variance	Variance %	Budget (Realigned)
Rail, Bus and Ferry operations:									
Operating expenditure \$000	64,618	64,544	(74)	(0%)	547,880	547,473	(407)	(0%)	746,504
Less: Fare revenues and other income \$000									
Customers	17,686	14,744	2,942	20%	124,965	111,449	13,516	12%	150,145
NZ Transport Agency Waka Kotahi (NZTA) top-up	5,129	4,957	172	3%	32,376	37,544	(5,168)	(14%)	50,302
Total	22,815	19,701	3,114	16%	157,341	148,993	8,348	6%	200,447
Operating funding requirement \$000	41,803	44,843	3,040	7%	390,539	398,480	7,941	2%	546,057
Patronage 000's	8,856	7,843	1,013	13%	64,306	59,388	4,918	8%	79,568
Operating funding requirement per passenger	\$4.72	\$5.72	\$1.00	17%	\$6.07	\$6.71	\$0.64	9%	\$6.86
NZTA operating funding per passenger	\$2.48	\$2.91	\$0.43	15%	\$3.21	\$3.52	\$0.31	9%	\$3.51
Local share funding (AC) per passenger	\$2.24	\$2.81	\$0.57	20%	\$2.86	\$3.19	\$0.33	10%	\$3.35
Operating funding requirement per passenger	\$4.72	\$5.72	\$1.00	17%	\$6.07	\$6.71	\$0.64	9%	\$6.86

The YTD net operating funding requirement per passenger (net of fare revenues and the under 25 top-up) of \$6.07 is favourable to budget mainly due to higher than expected bus patronage.

Free travel for 5 to 12 year olds and half-price travel for 13 to 24 year olds will end early on 30 April 2024, in line with the Government's decision to withdraw funding for these concessions.

Section 4 – Summary of Capital Expenditure

	Current month			Year to date			Full year
	Actual	Budget (Realigned)	Variance	Actual	Budget (Realigned)	Variance	Budget (Realigned)
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Regional Land Transport Plan (RLTP) grouping							
Active Modes	4,061	4,458	397	29,877	39,456	9,579	53,500
Asset Management	41,866	34,827	(7,039)	304,588	308,191	3,603	418,118
Bus Projects	640	1,200	560	8,143	17,646	9,503	40,777
Corridor Improvements	237	1,080	843	2,653	7,201	4,548	11,690
Ferry, Multi-modal, and Park and Ride	7,080	2,382	(4,698)	52,906	40,284	(12,622)	50,202
Local Board Priorities	3,155	1,181	(1,974)	14,872	16,522	1,650	18,479
Network Capacity and Performance	738	2,242	1,504	7,642	16,061	8,419	22,000
Operational Programmes	8,077	2,705	(5,372)	34,132	28,932	(5,200)	37,526
Population Growth	13,430	4,897	(8,533)	29,467	29,150	(317)	41,658
Rapid Transit: Bus Projects	18,273	17,631	(642)	119,296	126,467	7,171	180,000
Rapid Transit: Rail Projects	3,293	5,685	2,392	16,993	42,942	25,949	105,448
Safety	4,364	4,262	(102)	33,231	37,912	4,681	47,000
Sustainability Projects (excl. travel choice projects)	17	49	32	(7)	321	328	500
Climate Action Targeted Rate	5,296	1,223	(4,073)	15,965	16,686	721	31,092
Total direct capital	110,527	83,822	(26,705)	669,758	727,771	58,013	1,057,990

Active modes: – Cycling programme underspend is due to rework or redesign and future funding uncertainty.

Bus – underspend is due to delays in design acceptance and collaboration with utility companies for Midtown projects, future funding uncertainty and transfer of NorthWest Rapid Bus improvement to NZTA.

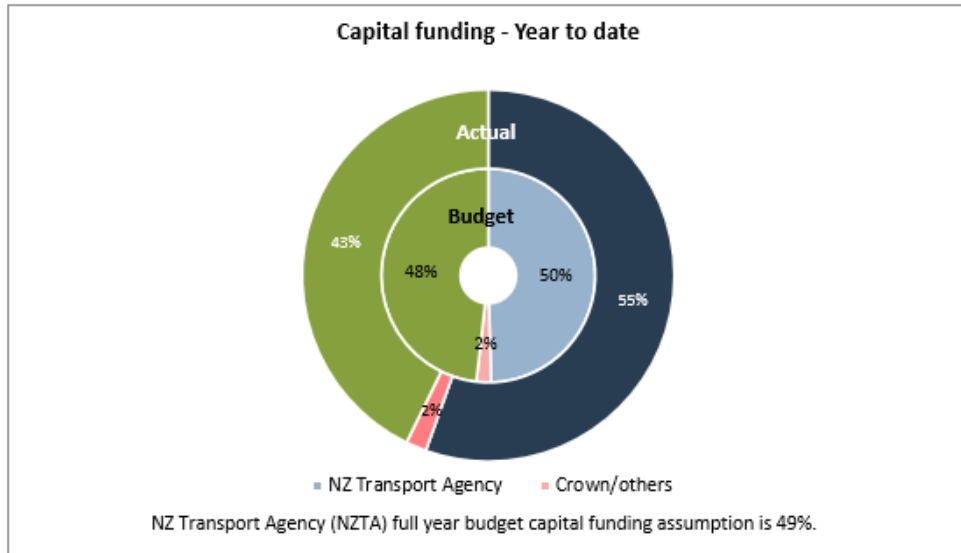
Ferry – is above budget due to a catch up of prior year deferrals.

Rapid transit rail - (EMU rolling stock and stabling) is below budget due to a delay in stabling (Wiri Depot) and scheduling of EMU delivery.

March capital spend was \$111 million against a budget of \$83 million, principally due to timing differences, with year to date spend \$58 million adverse to budget. Funding uncertainty is limiting AT's ability to commit to new projects that extend into the next GPS period which commences on 1 July 2024.

The estimated **full year forecast outturn** is between \$950 million to \$1,000 million, 90% to 95% of the 2023/24 approved capital budget.

Section 5 – Capital funding



AT’s capital funding budget assumes an approximately 50% funding split between local share and central Government/other crown funding.

- **NZTA capital funding** YTD of 55% is higher than the budget of 52% reflecting a catch-up of New Zealand Upgrade Programme (NZUP) funding for Eastern Busway, additional Climate Emergency Response Fund funding for approved PT projects such Raleigh Road and East Coast Road bus priority, and initiatives to support the NorthWest Busway Improvement programme.
- **Other Crown Funding** is primarily CIP funding for EV maritime ferries and NorthWest Busway Improvement programme. CIP funding for flood recovery works is expected next month.
- **AC (local share) funding** is lower than budget due to higher NZTA capital funding and lower than budgeted capital expenditure.

Te pou whenua tuhinga / Document ownership

Submitted by	Recommended by	Approved for submission
Sam Ho Financial Reporting Manager	David Bardsley Group Manager Finance	Mark Laing Chief Financial Officer
		