

AGENDA ITEM 13 BOARD DECISION PAPER	
To:	The Board
From:	Mark Laing, Chief Financial Officer
Reviewed:	Dean Kimpton, Chief Executive Officer
Date:	19 June 2024
Title:	2024/25 Budget

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 commercial interests and to protect information that will soon be publicly available
2. Please provide an estimated date for release of this report.	31 July 2024

Aronga / Purpose

1. This report is seeking approval of the Auckland Transport (AT) 2024/25 operating and capital budgets.

Tuku mana / Delegation

2. Under Part C: Board Delegation to the Chief Executive of the Delegations Register, Board approval is required for AT's Annual Plan (Budget).

Ngā tūtohunga / Recommendations

That the Auckland Transport Board (board):

- a) Approve Auckland Transport's budget for 2024/25 with an operating expenditure (excluding depreciation) of \$1,417 million and a capital budget of \$1,459 million.
- b) Note that risk remains around the level of New Zealand Transport Agency (NZTA) funding with the National Land Transport Plan final approval expected in August 2024.
- c) Note that we are still finalising budget allocations and while the overall budget requirements will not change, there may be some minor movements between cost categories in the final published budget.

Te whakarāpopototanga matua / Executive summary

3. The overall budget and funding parameters for AT's 2024/25 budget are aligned with the first year of the Long Term Plan (LTP) as submitted and approved by Auckland Council (AC).
4. The 2024/25 budgeted operating expenditure (excluding depreciation) is \$1,417 million. This is an increase of \$178 million from the current year budget. The key drivers for the increase are:
 - Cost escalation in Public Transport (PT) services.
 - Higher programme of maintenance work for roads and facilities.
 - Higher track access charges payable to KiwiRail to help mitigate the backlog of track renewal and maintenance work.
 - An increased budget allowance for ongoing 'City Rail Link (CRL) Be Ready' costs (including FTE) funded by City Rail Link Limited (CRL) and AC.
 - National Ticketing Solution (NTS) project costs.
5. The increase in operating expenditure will be funded by:
 - Growth in PT patronage to 93.3 million boardings and an annual fare increase of 5.2%.

- Increase in paid parking areas and additional enforcement from an increase in parking officers and Special Vehicle Lanes.
 - Additional funding approved by AC with co-funding from NZTA of approved activities.
6. AT's 2024/25 planned capital budget for next year is \$1,459 million. This is an increase of 40% compared with the current year. Whilst this is a significant increase it reflects:
- A large portion of the 2024/25 budget is already committed on multi-year projects such as Eastern Busway and the acquisition of additional trains, that are under way or need to be completed to support other large investments such as CRL.
 - An increasing focus on asset renewals to appropriate standards at the right time improving safety and contributing towards climate outcomes.
 - New areas of investment aiming to improve the PT network.
7. Residual risk remains around NZTA funding which is yet to be approved and communicated and we may need to come back to the board and AC in terms of the level of local share funding and gross expenditure if NZTA approved funding is materially lower than the levels assumed in the LTP.

Ngā tuhinga ō mua / Previous deliberations

Date	Report Title	Key Outcomes
16 May 2024 Finance and Assurance Committee (committee)	2024/25 Budget Process Update (presentation)	The committee was provided with an update of budget process and status.

Te horopaki / Background

8. Following the completion of AC's annual plan or LTP process, the board is required to approve the annual budget for AT.

9. The first year of the recently approved LTP sets the net spending and funding parameters for AT's 2024/25 budget development. This paper provides the detail of the operational and capital budgets, the drivers for the increase from the current year's budget and the key outcomes in line with AT's Statement of Intent. (SOI)

Te hononga ki te “Statement of Intent 2023 - 2026”/ Alignment to Statement of Intent 2023 - 2026

10. The budget has been developed working with AC and the Mayor's office and is aligned to the Letter of Expectation and AT's draft (SOI).

Me mōhio koe / What you need to know

Operating Budget

11. The 2024/25 budgeted operating expenditure (excluding depreciation) is \$1,417 million. This is an increase of \$178 million from the current year budget and the key drivers for the increase are:
- Cost escalation in existing PT services including provision for new services expected to be delivered from the Climate Action Transport Targeted Rate (CATTR).
 - Higher programme of planned maintenance work for roads and AT facilities in line with increasing requirements signalled in the Asset Management Plans.
 - Higher track access charges payable to KiwiRail to help mitigate the backlog of track renewal and maintenance work signalled by KiwiRail and the Government.
 - An increased budget allowance for ongoing 'CRL Be Ready' costs (including FTE) as we get nearer go-live date, funded by CRL and AC.
 - A significant step up in IT costs for NTS project with NZTA front loading their funding for the project in the first few years.

12. From 1 May 2024 the Government ceased its funding of the free under 12 and half price under 25 travel schemes. This results in higher PT farebox revenue offset with a decrease in the Government subsidy that funded these travel discounts.
 13. The 2024/25 budget reflects an emphasis on increasing external revenue generation. However, in finalising the budget we did reduce Parking & Enforcement revenues by \$10 million from the level signalled in the draft LTP reflecting the lower exit rate in 2023/24.
 14. Attachment 1 provides a summary of the 2024/25 operating budget and key movements from the current year budget and projection. We are still finalising budget allocations so while the overall budget requirements will not change there may be some final movements between cost categories in the final published budget.
 15. Key assumptions that underpin the 2024/25 operating budget are provided in Attachment 2.
 16. The budget assumes around 1,922 funded FTE (including roles that are fully cost recovered) net of assumed vacancy rates. FTE as at end of April 2024 stood at 1,754 with a number of roles remaining vacant. Attachment 3 provides further details.
 17. There is still some uncertainty around the level of KiwiRail track access charges. While the Government provided a one off funding increase to KiwiRail for track repairs and renewals in their recent budget we are still working through what this means in terms of the level of track access charges payable by AT to KiwiRail.
- Capital Budget**
18. The approved LTP capital budget is \$1,459 million for 2024/25. This is a 40% increase compared to the current year capital budget of \$1,058 million.
 19. There are a number of large, committed projects that will continue from the current year (including Eastern Busway and the purchase of additional trains for the CRL), with new investment going into areas that will contribute towards:
 - A faster, more reliable PT system.
 - Improved network resilience and sound asset management.
 - Improved safety and reducing deaths and serious injuries.
 - Continued decarbonisation of the transport system towards the 2050 target.
 20. The key areas with higher investment next year are:
 - Asset renewals – a key area of focus is to renew existing assets in line with Asset Management Plans, catching up on the renewals backlog.
 - Ferry projects – to progress Stage 1 of decarbonisation of the ferry fleet.
 - Rail projects – to support CRL Day 1 operations including the next tranche of passenger trains (EMUs).
 - Cycleways – to complete planned cycleways (Glen Innes to Tamaki Drive, Mangere West, CATTR funded cycleways, etc.).
 - Eastern Busway – progressing this key committed infrastructure project.
 - Community response – increased allocation to support customer initiated projects (network improvements).
 - Customer systems – investment in Open Loop.
 21. AC approval of the LTP enabled public consultation of the Regional Land Transport Plan (RLTP) to begin, utilising the same proposed programme. This consultation has an emphasis on capital investment and closes 17 June 2024.
 22. AC has stated an expectation that AC funding for asset renewals will only match the co-funding from Government sources, and not fund renewals (that qualify for co-funding) beyond a 50% share. Any significant deviations to the budget for 2024/25 would require re-engagement with the AT Board and AC to agree the appropriate action.
 23. The capital budget is allocated across a range of annual programmes and projects (RLTP lines).
 24. Attachment 4 provides a summary of the 2024/25 capital budget.

NZTA Funding (operating and capital)

25. NZTA have signalled that they expect a final Government Policy Statement for Land Transport (GPS) in June 2024. This provides national funding ranges for the NZTA Board to set funding from the National Land Transport Fund (NLTF) for various activity classes (categories). The draft GPS has created uncertainty that sufficient funding will be available to fully co-fund some categories, with an especially high risk for PT Infrastructure.
26. On the 6 June 2024 AT received an indication from NZTA on proposed levels of AT funding expected in the NZTA continuous work programmes. Whilst this confirms a substantial portion of our assumed operating co-funding some information is yet to be made available and we are still working through the potential implications.
27. It is expected final NZTA funding levels for continuous programmes (operating and capital) and capital improvements will not be approved until August 2024. As such a residual risk remains around NZTA funding and we may need to come back to the board and AC in terms of the level of local share funding and gross expenditure if NZTA approved funding is materially lower than the levels assumed in the LTP.

Ngā ritenga-ā-pūtea me ngā rauemi / Financial and resource impacts

28. The 2024/25 budget allocates sufficient local share to support delivery of outcomes contained in the LTP, consultation draft RLTP, SOI (currently being finalised) and AT's strategic accelerators.
29. Management is working with NZTA to determine whether there will be sufficient NLTF funding in 2024/25 to support the budget with final approval of NZTA funding levels not expected until August 2024.

Ka whaiwhakaaro ki te Tiakanga Taiao / Climate change and sustainability considerations

30. The current capital budget contains investment in infrastructure and services to support some mode shift away from private vehicles and towards PT and active modes.

Ngā whakaaweawe atu anō / Other impacts

Relationship	Consulted Y/N	Views and Perspectives Received
Māori	Yes: <input checked="" type="checkbox"/> No: <input type="checkbox"/>	AC issued the draft LTP for consultation from 28 February to 28 March 2024. The 2024/25 budget is based on the 2024/25 year in the LTP. Mana whenua had the opportunity to provide feedback as part of this process.
Elected members	Yes: <input checked="" type="checkbox"/> No: <input type="checkbox"/>	LTP decision workshops were held with elected members in April and May 2024. The Mayoral budget proposal was approved on 16 May 2024 by the AC Governing Body.
Council Controlled Organisations (CCOs)	Yes: <input checked="" type="checkbox"/> No: <input type="checkbox"/>	CCO feedback from the consultation was considered by AC and, where appropriate, incorporated into the final LTP budgets.



Ā muri ake nei / Next steps

31. Monthly phasing of the 2024/25 operating and capital budgets to be completed during June / early July.
32. Final approval of NZTA funding is not expected until August 2024.

Ngā whakapiringa / Attachments

Attachment #	Description
1.	2024/25 Operating Budget Details
2.	Key Operating Budget Assumptions
3.	Budgeted FTE
4.	2024/25 Capital Budget Project Listing

Te pou whenua tuinga / Document ownership

Submitted by	Recommended by	Approved for submission
Grant Smith Financial Planning & Performance Manager	Mark Laing Chief Financial Officer	Dean Kimpton Chief Executive
		
David Bardsley Group Manager Finance		
		

Attachment 1	2024/25 Operating Budget Details
Paper number 13 – 2024/25 Budget	

	2024		2025	Note	Incr/(decr) from FY2024	
	Budget	Projection	Draft Budget		Budget	Projection
	\$000's	\$000's	\$000's		\$000's	\$000's
Operating income						
Auckland Council operating funding	439,358	439,358	512,444		73,086	73,086
NZ Transport Agency operating funding	432,748	441,141	481,635		48,887	40,494
NZ Transport Agency Waka Kotahi (NZTA) operating funding - Top-up from Crown	50,502	36,256	7,127	1	-43,375	-29,129
Parking and enforcement income	123,261	108,061	130,570	2	7,309	22,509
Public transport income	162,523	191,716	257,226	3	94,703	65,510
Other revenue incl. other grants and subsidies	38,744	36,584	37,880		-865	1,295
Total operating income	1,247,136	1,253,116	1,426,882		179,746	173,765
Operating expenditure						
Salaried staff	209,402	204,400	235,742	4	26,340	31,342
Contract staff	6,240	5,410	5,578		-662	168
Other personnel costs	3,450	2,756	3,976		526	1,221
Personnel costs	219,092	212,565	245,297		26,204	32,731
Capitalised personnel costs	-43,858	-44,015	-47,505	5	-3,647	-3,490
Public transport contracts	632,997	625,090	711,704	6	78,707	86,614
Contractors-maintenance	132,914	118,243	136,164	7	3,251	17,921
Professional service	36,267	36,027	51,132	8	14,865	15,105
Track and ferry access charges	44,718	43,522	59,603	9	14,885	16,081
Other expenditure	188,730	195,842	237,748	10	49,018	41,906
Finance costs	28,086	21,235	22,681		-5,405	1,446
Total operating expenditure excluding depreciation	1,238,946	1,208,509	1,416,823		177,878	208,314
Surplus/(deficit) from operations excluding depreciation	8,190	44,607	10,059		1,868	-34,549
Depreciation and amortisation	552,450	552,450	558,818		6,368	6,368
Total Operating Expenditure	1,791,396	1,760,959	1,975,641		184,245	214,682
Surplus/(deficit) From Operations	-544,260	-507,843	-548,759		-4,499	-40,917

Notes

1. From 1 May 2024 Government ceased the free under 12 and half price under 25 travel scheme and associated Government fare top-up.
2. FY25 budgeted parking fees are \$2.9 million higher and infringement income \$4.2 million higher than the FY24 budget, but \$8.2 million and \$14.2 million higher respectively against the expected 2024 outturn.
3. PT revenue increases based on higher patronage, annual farebox increase and the revenue now being recognised as farebox revenue for the previous free travel schemes that used to be covered by Government subsidies, see note 1 above.
4. Increased FTEs including roles to promote revenue growth and roles fully on-charged plus allowance for 4.7% annual salary increase. See Attachment 3 for further details of FTE increase.
5. More labour recoveries with higher capex programme.
6. Indexation, annualisation of FY24 new services and provision of additional new services in FY25.
7. Growth in maintenance budget in line with increasing requirements signalled in the Asset Management Plans. Nothing in FY24 we are projecting to underspend FY24 budget by circa \$15 million
8. Main driver is an increase in 'CRL Be Ready' cost circa \$12.9 million.
9. Provision for higher KiwiRail track access charges in response to KiwiRail's signalled backlog of track maintenance work requirements.
10. Increases due to NTS/Open Loop \$21.7 million, BT cloud strategy, additional licencing and support, consequential opex, increased bank charges, commissions, security facilities maintenance and indexation.

Attachment 2	Key Operating Budget Assumptions
Paper number 13 – 2024/25 Budget	

Key 2024/25 Operating Budget Assumptions

- 1) PT patronage of 93.3 million (excluding commercial services), 13.7 million higher than the current year budget, or approximately 9.3 million higher than our projected outturn.
- 2) Overall PT fare increase of 5.2%.
- 3) New parking areas creating around 4,000 new paid parking spaces and new zones of Special Vehicle Lanes supported by additional Parking Officers and Licence Plate Recognition (LPR) vehicles.
- 4) Downtown carpark will still be operating (assumed it will be removed from operation in 2026/27).
- 5) NZTA funding has been assumed for all qualifying expenditure. Any impacts of final approved NZTA funding levels will need to be managed.
- 6) Around 1,992 assumed FTE roles (including cost recovered roles) with around 1,922 funded net of assumed vacancy rates (See Attachment 3 for further details).
- 7) A generic vacancy rate of 3% across AT with the exceptions of a specific rate of 4.5% for Parking Officers and 5.5% for Customer Service staff.
- 8) Average remuneration increases of 4.7% from 1 September (in line with central AC assumption).
- 9) PT contract indexation of 5.2%.
- 10) Allowance has been made for:
 - a) Ongoing 'CRL Be Ready' costs (including FTE) funded by CRL and AC
 - b) NTS project costs.

Attachment 3	Budgeted FTE
Paper number 13 – 2024/25 Budget	

FTE Reconciliation	Core FTE	FTE Other ¹	Total FTE	Comments
31 March 2023			1979	Actual FTE
1 July 2023	1798	39	1837	New Approved Structure
December Org redesign December net role changes	13	13	26	Implementing December reorg
Other approved roles	12	45	57	Principally Parking and CRL
Budgeted graduate roles now unoccupied	(23)	0	(23)	Grads placed in permanent roles
FTE re-baseline at 30 March 2024	1800	97	1897	
Actual FTE 31 March 2024	1699	36	1,735	Actual FTE
Current vacancy rate	-6%	-63%	-9%	

Business requests for additional roles	Core FTE	FTE Other ¹	Total FTE	Comments
Parking Officers and Transport Officers		37	37	To deliver on revenue growth and safety
Customer Services & Network Performance	20		20	Includes insourcing 9 temporary call centre staff
Public Transport & Active modes	10		10	Resourcing a key focus area for AT
Strategy & Governance	3		3	Increasing work load in this area of business
BT Security	5		5	Implementation of Security Strategy
People & Performance	5		5	Under resourced since June 2023 reorg
Graduate programme intake FY25	15		15	Proposed new grad intake
Total FTE	1858	134	1992	
Budgeted FTE after vacancy rates applied			1922	

Note:

(1). 'FTE Other' includes additional Parking Officers and Transport Officers, Open Loop and NTS project staff, Flood Recovery staff, Time of Use project staff and 'CRL Be Ready' project staff.

Attachment 4 | 2024/25 Capital Budget Project Listing

Paper number 13 – 2024/25 Budget

Portfolio	Sub Group	Project	FY25
Public Transport	Bus City Centre	Albert and Vincent Street Improvements	1.0 m
		Downtown Crossover Bus East Stage1	4.2 m
		Midtown Bus Improvements for CRL	19.6 m
		Midtown Bus Improvements West Stage2	1.0 m
	Bus Projects	Airport to Botany Interim Bus Improvements	1.0 m
		Bus Access and Optimisation Programme	6.8 m
		Bus Routes for Climate Action	3.1 m
		Great North Road Improvements	14.8 m
		Northwest Bus Improvements	10.4 m
		Wayfinding for Stations and Bus Information	5.2 m
		Ferry Projects	Decarbonisation of Ferries Stage1
		Ferry Terminal and Berths Pine Harbour	0.5 m
	Rail Projects	EMU Rolling Stock Tranche for CRL	173.3 m
		EMU Stabling and Depots for CRL	14.0 m
		Karangahape Roadside for CRL	12.1 m
		Level Crossings Removal for CRL	21.8 m
		Stations and Wayfinding for CRL	2.6 m
		Public Transport Safety and Amenity	8.8 m
		Rosedale Bus Station and Corridor	10.3 m
		Whangaparaoa Bus Station	2.1 m
	Public Transport Total	397.8 m	
Renewals & Resilience	Asset Renewals	Renewals Parking and Other	5.1 m
		Renewals Public Transport	35.0 m
		Renewals Road Pavement	188.9 m
		Renewals Streets	93.0 m
		Renewals Structures	22.0 m
	Resilience/Adaptation	Flood Response	57.2 m
		Network Discharge Improvements	1.0 m
	Unsealed Road Improvements	6.2 m	
	Renewals & Resilience Total	408.4 m	

Portfolio	Sub Group	Project	FY25	
Urban Development	Cycleway projects	Cycleways Programme (lower cost)	4.6 m	
		Cycling for Climate Action	16.6 m	
		<i>Mangere West Cycleway</i>	10.4 m	
		Point Chevalier to Westmere Improvements	20.8 m	
		Urban Cycleways GI to Tamaki Drive Stage4	27.5 m	
		Urban Cycleways Glen Innes Links	6.4 m	
		Eastern Busway Pakuranga to Botany	264.4 m	
		Priority growth areas	Auckland Housing Programme Improvements	6.6 m
		Carrington Road Improvements	4.4 m	
		Drury Local Road Improvements	20.8 m	
		Wainui and Redhills Growth Improvements	14.0 m	
		Wynyard Quarter Integrated Road Programme	0.5 m	
	Property for growth	Property for Route Protection and Encroachments	26.0 m	
		Supporting Growth Post Lodgement	16.0 m	
	Urban Development Total			439.1 m
	Network & Safety	Community response	Community Cycling and Micromobility	9.4 m
Community Footpaths Programme			4.2 m	
Community Network Improvements			21.8 m	
Walking for Climate Action			3.1 m	
Local Board priority		Local Board Transport Capital Fund	19.8 m	
		Projects for Rodney Transport Targeted Rate	3.1 m	
		Freight Network Improvements	1.0 m	
		Hill Street Intersection Improvement	14.6 m	
		Intelligent Transport Systems	5.2 m	
		Network Operations (ATOC) Programme	1.7 m	
		Network Optimisation	12.5 m	
Parking and other		Parking Programme	3.6 m	
		Room to Move Programme	2.6 m	
		Time-of-use Programme (congestion)	4.4 m	
Road Safety		Marae and Papakainga (Turnouts) safety programme	1.0 m	
		Road Safety Programme	37.0 m	
	Safe Speeds programme	3.8 m		
Network & Safety Total			148.8 m	

Portfolio	Sub Group	Project	FY25
Technology &Change	Customer Systems	Core Technology and Renewals	14.0 m
		Customer and Business Systems	34.5 m
		National Ticketing System (AT assets)	6.2 m
		Open Loop and HOP Hardware Refresh	10.0 m
	Technology &Change Total	64.7 m	
	Total		1,458.8m