

Advice from Council Group CFO

From: Peter Gudsell <peter.gudsell@aucklandcouncil.govt.nz>

Sent: Wednesday, June 14, 2023 12:49 PM

To: Mark Laing (AT) <Mark.Laing@at.govt.nz>

Cc: Pramod Nair <Pramod.Nair@aucklandcouncil.govt.nz>; Ross Tucker <Ross.Tucker@aucklandcouncil.govt.nz>; Kerri Foote <kerri.foote@aucklandcouncil.govt.nz>

Subject: AT Multi-year contracts

Kia ora Mark

In response to your query regarding Auckland Transport's (AT) ability to award multiyear construction contracts in 2023/2024 that will create budget commitments in the subsequent financial years 2025 – 2026, the council is unable to provide assurance or an under-write for any budget / funding shortfalls that may occur in those years, outside of the Long-term plan process.

The current Long-term Plan 2021 – 2031 (LTP) provides for a total \$31.8 billion capital expenditure programme, \$11.4 billion for AT's programme. Even though the council cannot under-write the financial risks, AT can continue to rely on the annual budgets and funding assumptions that are approved in the current LTP (plus additional investment enabled by the CATR which was approved through the 2023 Annual Budget) in making decisions regarding delivery of its capital programme. If current circumstances change materially and / or further shocks arise this may need to be reviewed.

It is also worth noting the LTP assumptions outlined over the period of the plan that if the actual level of funding provided by the Government is less than budgeted, then less transport investment and services would be delivered. This would likely result in reduced transport service levels, worse climate impacts and increased risks to public safety. If more funding is made available than budgeted, then further investment in assets and services could be made and improve the associated outcomes.

A report to the Governing Body would be required if AT was seeking urgent approval for additional budget to cover cost escalation or a reduction in the level of government funding to proceed with a specific planned project or programme within the currently planned timeframe. Any such report would need to clearly explain the reason why an urgent decision is required, what the options available to council are and the pros and cons of proceeding with the alternative options.

Ngā mihi Peter (he/ him/ ia)

Peter Gudsell | Group Chief Financial Officer | Tumuaki, Take Tahua Pūtea