

# Third Reforecast of Operating and Capital Expenditure

## Recommendation

That the Board:

- i) Receives the report.

## Executive Summary

This report discusses the third reforecast of operating and capital expenditure for 2013/14.

Key issues are:

- The capital spend for 2013/14 will be under the initial budget. This was reflected in the reforecast conducted earlier in the year. The latest reforecast capital spend is now \$778 million predominantly reflecting CRL property purchase delays, offset by the acquisition of additional vested assets. There are also some further timing differences in some projects.
- These forecasts appear overly optimistic. They assume a significant acceleration in our monthly capital spend. February results, available since these forecasts were completed, indicate that the level of monthly capital spending is not reaching the increased rate of monthly spend required to achieve a full year spend of \$778 million. A more realistic spend is probably in the range of \$700 million to \$720 million.
- The Operating Surplus is forecast to be slightly above the original budget of \$53 million however there are a number of significant underlying movements since both the budget and the previous forecast. Most notably, vested assets have offset shortfalls elsewhere and we have incorporated a \$16.7 million write-down in the value of rolling stock.

## Strategic Context

The 2012 LTP established an operating budget and capital programme for AT, that fits within the AT and NZTA funding constraints. This budget was subsequently revised as part of the 2013/14 Annual Plan process.

The current reforecast is based on the organisation's spend to the end of January, and reforecasts of expected operating and capital spend to the end of the 2013/14 financial year.

## Background

### Capital Expenditure Reforecast

Total budgeted capital expenditure for 2013/14 is \$859.5m of which \$346.1m is for ring-fenced projects and \$513.3m for core projects.

This reforecast of capital expenditure of \$778.4m is \$81.1m down compared to the original budget but is \$36.6m higher than the previous reforecast. The \$36.6m increase since the previous forecast is due to \$55.5m of vested assets partly offset by an \$18.9m reduction in core and ring-fenced capital expenditure.

Forecast capital expenditure on ring-fenced projects of \$207.5m is now down on budget by \$138.6m and \$10.5m below the previous reforecast due to expenditure being deferred to future financial years.

Forecast capital expenditure on core projects of \$515.3m is up by \$2.0m against budget and down by \$8.4m on the previous reforecast.

Forecast changes of over \$2m to project budgets are outlined in Attachment 1.

Forecast changes of over \$2m to previous forecast are outlined in Attachment 2.

## Capital Funding Reforecast

Total available funding for 2013/14 capital expenditure is \$882.8m, of which \$859.5m comes from the approved Annual Plan and \$23.3m from approved funding from AC carried forward from 2012/13. Available funding is allocated to ring-fenced projects \$349.0m, and core projects \$533.8m.

This reforecast estimates capital funding of \$778.4m which is \$81.1m below budget due to reduced funding requirement from AC on ring-fenced projects of \$138.6m and core projects of \$11.2m; and a reduced NZTA funding requirement of \$10.1m. This is partly offset by vested asset income of \$55.5m and \$23.3m of additional funding from AC for projects carried forward from 2012/13.

The reforecast capital funding of \$778.4m is \$36.6m up on the previous reforecast due to vested asset income of \$55.5m partly offset by reduced funding requirement from AC on ring-fenced projects of \$10.5m and core projects of \$8.4m.

Attachment 3 shows the monthly spend which would be required by the organisation in order to achieve the forecast capital spend.

## Operating Revenue and Expenditure Reforecast

This third reforecast review indicates an operating funding shortfall of \$4.7m.

Attachment 4 provides details of all forecast changes. Attachment 5 shows the impact of the reforecast on AT's Financial Statements.

AT will seek additional NZTA subsidy for the forecast increase in costs for Super Gold. If the application is successful it has the potential to reduce the funding shortfall by \$1.1m, to \$3.6m.

The main changes between the second and third forecast reviews are as follows:

- *Reduced operating revenue* of \$5.6m mainly due to decreased enforcement revenue of \$4.7m and reduction in rental income of \$1.5m, partly offset by increased roading revenue of \$0.6m. The major change of decreased enforcement revenue is the result of revenues from legacy Ministry of Justice infringement debt decreasing faster than expected.
- *Reduced operating expenditure* of \$3.9m due to reduced costs for Public Transport \$3.3m, Parking and Enforcement \$1.5m, EMU finance costs \$1.0m and depreciation \$0.6m. This is partly offset by increased costs for Super Gold \$1.1m, Internal Support \$1.1m and Roothing \$0.3m.
- NZTA operating subsidy has decreased by \$2.3m, \$1.8m due to lower operating expenditure and \$0.5m due to lower than budgeted EMU interest costs
- Additional forecast adjustments for increased vested asset income of \$55.5m and a decrement on the revaluation of rolling stock of \$16.7m have been included in the third reforecast review. Rolling stock will be revalued at 30 June 2014 to their estimated sale value of \$15m, resulting in a \$16.7m revaluation decrement.

## Funding Reforecast

- **Changes to NZTA revenue:** The NZTA subsidy will reduce by \$2.3m (including EMU subsidy) due to reduction in NZTA fundable operating expenditure
- **Loans from AC:** Reduced by \$1.3m due to lower EMU project costs
- **Investment by AC:** Reduced by \$17.6m of which \$9.3m was for ring-fenced projects being deferred to future financial years
- **Vested Assets income:** Increase of \$55.5m to fund the assets vested to AT

## Attachments

Number	Description
1	Forecast changes of over \$2m to project budgets
2	Project forecast changes of over \$2m to previous forecast
3	Phasing of capital expenditure for remainder of 2013/14
4	Details of Operating and Capital Forecast Changes
5	Financial Statements showing Comparison of Forecast to Budget

## Document Ownership

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# Glossary

Acronym	Description
AC	Auckland Council
AT	Auckland Transport
LTP	Long Term Plan
NZTA	New Zealand Transport Agency
EMU	Electric Multiple Unit
SMART	South-Western Multi modal Airport Rapid Transit

## FORECAST CHANGES OF OVER \$2M TO PROJECT BUDGETS

Project (\$000)	Annual Plan	Current Forecast	Change	Explanation	Total Change
<b>Ring-Fenced Projects</b>					
City Rail Link	167,377	50,601	116,776	Rescheduling property acquisition to later years.	
EMU	154,017	147,447	6,571	EMU depot anticipated to be delivered below budget.	
SMART	5,000	803	4,197	Decrease in amount required for this year, saving will be carried forward to next year.	
Local Board projects	15,900	8,633	7,267	The Local Boards have been slow in identifying new projects which has affected the overall cash flow. The lack of Local Board meetings has resulted in a decrease in allocation of projects. A number of the new Local Boards are reviewing their whole Local Board Initiatives programme which has slowed the decision making process for new projects.	
Other ring-fenced projects	3,848	50	3,798		
<b>Total change in ring-fenced projects</b>					<b>138,608</b>
<b>Core Projects</b>					
Airedale (Disaster Recovery) Programme	0	3,028	-3,028	There was inadequate provision in the LTP for Disaster Recovery, AT has been operating a temporary expensive Disaster Recovery system since 2012, the Board were advised that a robust one stop solution was required and this has now been priced and designed. As the current equipment is due for renewal in mid-2014 it is efficient to deploy the new system asap.	
Staff Relocation – Building fit-out	0	3,614	-3,614	This was not included in the LTP. It includes the cost to fit out the three extra floors of the HSBC tower to enable staff in Bledisloe to relocate as requested by AC.	

Project (\$000)	Annual Plan	Current Forecast	Change	Explanation	Total Change
On Street Parking Machines	3,120	0	3,120	Delay pending Board approval of options. Saving offset by Fleet Vehicle Replacement project that was brought forward.	
Park & Ride Silverdale-stage 2	5,920	380	5,540	This project has been put on hold pending Judicial Review of consent process.	
ATOC Fit-out and IT setup	0	4,125	-4,125	This was not included in the LTP. AC has directed that AT moves it special operations room (MEOC) by April 2014. The AT strategy is to establish a new ATOC operations room to manage the PT network, special events, AT in house major incidents. To do this the various individual rooms that manage and/or monitor various aspects of ATs rail, ferry, and roading and PT operations needs to be consolidated either virtually or physically.	
IT-CCTV Convergence (ATOC)	0	2,101	-2,101	See above under ATOC. Consolidating all the CCTV networks will save \$700k operational expenditure each year as better contracts and renewals have been negotiated. Convergence will also enable better management of the road network.	
PT Real Time Passenger Information Sys	4,111	1,100	3,011	Delay pending NZTA funding approval and supplier selection.	
PT On Street Information & Retail Capex	3,500	1,500	2,000	Project delays mean PT are looking to carry \$2m into 2014/15 for completion of this project.	
Newmarket Crossing	2,862	450	2,412	Delay in construction due to design complexities.	
Parnell Train Station	7,500	196	7,304	Construction deferred to next financial year along with MSQA.	

Project (\$000)	Annual Plan	Current Forecast	Change	Explanation	Total Change
Otahuhu Bus Interchange	4,215	916	3,299	Property, funding approvals and agreement for land lease/acquisition have taken longer than planned.	
AMETI – total	92,660	109,643	-16,983	Increased cost for the completion of phase one construction, including scope additions. Still within original "Project Budget".  Brought forward of property cost for Package 4 (Panmure to Pakuranga stage).	
Albany Highway Upgrade	9,160	3,503	5,657	Construction delayed while pursuing NZTA funding approval. NZTA queries around impact on acceleration of SH18/SH1 projects by Albany Highway project.	
Flat Bush School Rd Upgrade – Stage 4	5,626	3,473	2,153	The delay in approval by Auckland Transport of the Movement of Infrastructure agreement with Vector caused the delay in the relocation of the power cables that was planned for earlier this financial year.	
Total of other smaller changes to core projects	374,655	381,251	-6,596		
<b>Total change to core projects</b>					<b>-1,951</b>
<b>Total change to capital spend forecast</b>					<b>136,657</b>





## PROJECT FORECAST CHANGES OF OVER \$2M TO PREVIOUS FORECAST

Project (\$000)	Previous Forecast	Current Forecast	Change	Explanation	Total Change
<b>Ring-Fenced Projects</b>					
Local Board projects	13,136	8,633	4,197	Project identification, design and approval process was restricted by the number of Local Board meetings held, this has affected the delivery of the Local Board projects.	
Araparera Forestry Joint Venture	2,503	0	2,503	Project yet to be scope, waiting for further information from AC.	
Other ring-fenced projects	202,069	198,901	3,529		
<b>Total change in ring-fenced projects</b>					<b>10,535</b>
<b>Core Projects</b>					
NORSGA	9,636	11,993	-2,357	Resource consents issues in the previous forecast have now been resolved, allowing certainty for construction to start as originally planned.	
Otahuhu Bus Interchange	3,156	916	2,240	Property, funding approvals and agreement for land lease/acquisition have taken longer than planned.	
Total of other smaller changes to core projects	510,897	502,372	8,525		
<b>Total change to core projects</b>					<b>8,408</b>
<b>Total change to capital spend forecast</b>					<b>18,944</b>



Capital Expenditure Forecast February 2014 - Phasing of capital expenditure for remainder of 2013/14

	YTD Results \$000	Approved Annual Plan \$000	Include Carry Forward Allocation \$000	Revised Annual Plan \$000	Third 2013/14 Forecast \$000	Variance (Reforecast vs AAP) \$000	Variance (Reforecast vs Revised AP) \$000	Feb forecast	Mar forecast	Apr forecast	May forecast	Jun forecast
<b>AT Core Capex</b>												
<b>New Capital Expenditure</b>												
Roads and Footpaths	109,471	218,994	13,661	232,655	225,136	-6,142	7,519	16,627	23,658	26,739	24,538	24,103
Public Transport	25,069	80,512	1,941	82,453	60,673	19,839	21,780	3,763	6,619	6,536	6,164	12,522
Parking Operations	714	8,299	179	8,478	1,600	6,899	6,878	56	158	277	220	175
Internal Support	8,830	4,983	4,694	9,677	16,892	-11,909	-7,215	1,049	1,793	2,899	1,647	674
<b>Total New Capital</b>	<b>144,084</b>	<b>312,788</b>	<b>20,475</b>	<b>333,263</b>	<b>304,301</b>	<b>8,487</b>	<b>28,962</b>	<b>21,495</b>	<b>32,228</b>	<b>36,451</b>	<b>32,569</b>	<b>37,474</b>
<b>Renewal Capital Expenditure</b>												
Roads and Footpaths	96,524	185,697	0	185,697	196,463	-10,766	-10,766	22,590	23,186	21,210	17,340	15,613
Public Transport	7,400	12,722	0	12,722	12,358	364	364	503	1,171	1,124	816	1,344
Parking Operations	644	2,121	0	2,121	2,159	-38	-38	34	51	258	355	817
Internal Support	0	0	0	0	-	0	0	-	-	-	-	-
<b>Total Renewal</b>	<b>104,568</b>	<b>200,540</b>	<b>-</b>	<b>200,540</b>	<b>210,980</b>	<b>-10,440</b>	<b>10,440</b>	<b>23,127</b>	<b>24,408</b>	<b>22,592</b>	<b>18,511</b>	<b>17,774</b>
<b>Total Core Capex</b>	<b>248,652</b>	<b>513,328</b>	<b>20,475</b>	<b>533,803</b>	<b>515,281</b>	<b>-1,953</b>	<b>18,522</b>	<b>44,622</b>	<b>56,636</b>	<b>59,043</b>	<b>51,080</b>	<b>55,248</b>
<b>AT Ring Fenced Capex</b>												
<b>Ring Fenced Projects</b>												
PT - City Rail Link	18,806	167,377	0	167,377	50,601	116,776	116,776	6,942	6,697	7,056	5,773	5,327
PT - EMU Depot	6,919	18,429	0	18,429	11,007	7,422	7,422	0	0	0	0	0
PT - EMU Procurement	51,478	135,589	-1	135,588	136,439	-850	-851	15,087	19,721	17,868	13,027	23,346
PT - SMART	413	5,000	0	5,000	803	4,197	4,197	40	40	100	100	110
Ring Fenced - Local Board	2,645	15,900	2,841	18,741	8,633	7,267	10,108	534	1,109	1,556	1,553	1,236
Ring Fenced - Renewal	0	2,503	0	2,503	-	2,503	2,503	0	0	0	0	0
Ring Fenced - Seal Ext	50	1,345	0	1,345	50	1,295	1,295	0	0	0	0	0
<b>Total Ring Fenced</b>	<b>80,311</b>	<b>346,143</b>	<b>2,840</b>	<b>348,983</b>	<b>207,533</b>	<b>138,610</b>	<b>141,450</b>	<b>22,603</b>	<b>27,567</b>	<b>26,580</b>	<b>20,453</b>	<b>30,019</b>
<b>AT Capex including Ring Fenced</b>												
Roads and Footpaths	208,690	424,439	16,502	440,941	430,282	-5,843	10,659	39,751	47,953	49,505	43,431	40,952
Public Transport	110,085	419,629	1,940	421,569	271,881	147,748	149,688	26,335	34,248	32,684	25,880	42,649
Parking Operations	1,358	10,420	179	10,599	3,759	6,661	6,840	90	209	535	575	992
Internal Support	8,830	4,983	4,694	9,677	16,892	-11,909	-7,215	1,049	1,793	2,899	1,647	674
<b>Total AT Capex including Ring Fenced</b>	<b>328,963</b>	<b>859,471</b>	<b>23,315</b>	<b>882,786</b>	<b>722,814</b>	<b>136,657</b>	<b>159,972</b>	<b>67,225</b>	<b>84,203</b>	<b>85,623</b>	<b>71,533</b>	<b>85,267</b>
<b>Vested Assets</b>	<b>33,530</b>				<b>55,569</b>	<b>-55,569</b>		<b>22,039</b>				
<i>(funded by vested assets income)</i>												
<b>Total AT Capex</b>	<b>362,493</b>	<b>859,471</b>	<b>23,315</b>	<b>882,786</b>	<b>778,383</b>	<b>81,088</b>	<b>104,403</b>	<b>89,264</b>	<b>84,203</b>	<b>85,623</b>	<b>71,533</b>	<b>85,267</b>



## DETAILS OF FORECAST CHANGES

Description of change forecast	Operational results					Capital expenditure	
	Revenue \$000	Operating costs \$000	Taxation and other adjustments \$000	Net surplus \$000	Funding surplus/ (deficit) \$000	New capital \$000	Renewal capital \$000
<b>Total per Approved SOI (2013/14 Budget)</b>	<b>909,765</b>	<b>(856,688)</b>	<b>-</b>	<b>53,077</b>	<b>-</b>	<b>(656,428)</b>	<b>(203,043)</b>
<b>Forecast changes first quarter</b>							
<b><u>NZTA revenue changes</u></b>							
1 Reduced NZTA income for EMU's due to lower than budgeted interest costs.	-	↔	(1,130)		(1,130)		
2 Reduced NZTA operating subsidy mainly due to transfer of subsidy that was budgeted under operating subsidy but is actually a subsidy for renewal expenditure, partly offset by higher than budgeted NZTA operating subsidy, including subsidy for admin	U	↓	(2,984)		(2,984)	(2,984)	
3 Reduced NZTA funding for new capital projects due to reduced forecast expenditure on NZTA funded projects, including Albany highway and AMETI Sylvia Park.	U	↓	(12,930)		(12,930)		
4 Increased NZTA funding for renewal projects mainly due to transfer of subsidy that was budgeted under operating subsidy but is actually a subsidy for renewal expenditure.	F	↑	9,745		9,745		
<b><u>Operating Revenue changes</u></b>							
5 Reduced revenue for Public Transport due to reduced pricing on travel cards. This is offset by reduced Public Transport expenditure.	-	↔	(374)		(374)		
6 Reduced Parking revenue due to the Karangahape Car Park lease ending. This is offset by reduced Parking expenditure.	-	↔	(720)		(720)		
7 Additional Roding income mainly from change in Road Opening Notice fee structure \$0.3m and signage revenue \$0.1m. This is offset by additional Roding expenditure.	-	↔	421		421		
<b><u>Operating expenditure changes</u></b>							
<b>Depreciation</b>							
8 Increased depreciation of \$23.7m. Actual depreciation is based on updated information and assumptions, including the reclassification of some assets into software which are amortised over a shorter period.	U	↑	(23,738)		(23,738)		
<b>Public Transport</b>							
9 Savings of \$0.4m to fund reduced Public Transport revenue and transfer of \$0.2m to IT for Fibre Optic Cable.	-	↔	623		623		
10 Reduced finance costs for the EMU project \$2.8m due to borrowings occurring later than budgeted. This has no impact on funding as it is offset by reduced NZTA revenue for EMU's \$1.1m, higher than budgeted principle repayments \$1.0m, and funding of IRS close out costs \$0.7m.	-	↔	3,143	(382)	2,761		
<b>Parking and Enforcement</b>							
11 Increased personnel costs for Parking and Enforcement due to restructure \$0.8m, funded from savings within Parking activity.	-	↔	(832)		(832)		
12 Reduced personnel costs for Parking and Enforcement due to learning and development budget transferred to HR \$0.3m.	-	↔	260		260		
13 Inclusion of internal charges for motor vehicles \$1.2m, this is offset by reduced costs in Internal Support.	-	↔	(1,247)		(1,247)		
14 Reduced costs for Karangahape Car Park due to lease ending \$0.7m and reduced contractor and legal costs \$0.7m to fund increased personnel costs.	-	↔	1,547		1,547		

Description of change forecast	Operational results					Capital expenditure		
	Revenue \$000	Operating costs \$000	Taxation and other adjustments \$000	Net surplus \$000	Funding surplus/ (deficit) \$000	New capital \$000	Renewal capital \$000	
<b>Roading</b>								
15 Increased contractor costs for vegetation control funded from additional Rooding revenue.	-	↔	(421)	(421)				
16 Reduced personnel costs for Rooding due to learning and development budget transferred to HR \$0.1m.	-	↔	55	55				
<b>Internal Support</b>								
17 Increased personnel costs for IT due to restructure.	U	↑	(2,500)	(2,500)	(2,500)			
18 Increased personnel costs for Procurement due to restructure, funded from savings within Internal Support activity.	-	↔	(2,064)	(2,064)				
19 Increased personnel costs for Risk due to additional FTE.	-	↔	(220)	(220)				
20 Increased personnel budget due to transfer of learning and development budget from activities to HR.	-	↔	(359)	(359)				
21 Other minor personnel increases.	-	↔	(135)	(135)				
22 Motor vehicle internal recovery \$3.4m, of which \$1.2m is offset by inclusion of internal charges in Parking.	-	↔	3,371	3,371				
23 Increased operating costs relating to additional IT capital expenditure requirements.	U	↑	(895)	(895)	(895)			
24 Mainly reduced advertising costs \$0.7m.	F	↓	726	726	726			
25 Various other minor savings.	-	↔	95	95				
<b>Capital expenditure changes</b>								
26 Parking							4	
27 Public Transport							3,785	
28 Roads							2,811	
29 Other - including IT							(20,275)	
30 Electric Trains							(523)	
<b>Renewal expenditure changes</b>								
31 Public Transport							-	
32 Roads							(12,310)	
33 Internal support							(1,200)	
<b>Sub-total all changes for first forecast review</b>	<b>(7,972)</b>	<b>(22,591)</b>	<b>(382)</b>	<b>(30,945)</b>	<b>(5,653)</b>	<b>(14,198)</b>	<b>(13,510)</b>	
<b>Total first forecast</b>	<b>901,793</b>	<b>(879,279)</b>	<b>(382)</b>	<b>22,132</b>	<b>(5,653)</b>	<b>(670,626)</b>	<b>(216,553)</b>	

Description of change forecast		Operational results			Capital expenditure	
		Revenue \$000	Operating costs \$000	Net surplus \$000	Funding surplus/ (deficit) \$000	New capital \$000

## Forecast changes second quarter

### NZTA revenue changes

1	Reduced NZTA income for EMU's due to lower than budgeted interest costs.	-	↔	(423)	(423)	
2	Reduced NZTA operating subsidy due to savings in operating expenditure. A favourable variance of \$145k within the net result has been used to fund additional expenditure in CDD.	U	↓	(1,092)	(1,092)	(1,237)
3	Increased NZTA funding for Super Gold concessionary fares that are 100% funded.	-	↔	2,263	2,263	
4	Reduced NZTA funding for new capital projects due to reduced forecast expenditure on NZTA funded projects, including Parnell Train Station, Otahuhu Interchange and Manukau Train Station.	U	↓	(7,132)	(7,132)	
5	Increased NZTA funding for renewal projects due to minor cost increase in local road renewals.	F	↑	204	204	

### Operating Revenue changes

6	<b>Public Transport</b> Recalculated Bus equipment lease revenue based upon the Go Live dates of the operators. Increased by \$1.2m due to more accurate calculations.	F	↑	1,243	1,243	1,243
7	<b>Parking</b> Lower than expected court recoveries partly offset by better than expected income from Central City Parking Zone initiative. This is funded by savings in parking expenditure	-	↔	63	63	
8	<b>Roading</b> Reduction in petrol tax income partly offset by additional income from road opening notices. Funded by savings in Roothing costs.	-	↔	(25)	(25)	
9	<b>Internal support</b> Minor increase in Internal Support income	-	↔	13	13	13

### Operating expenditure changes

#### **Public Transport**

10	Reduction in Rail Contract expenditure due to savings in fuel costs, and driver hire costs as a result of the transfer of KiwiRail drivers to TansDev. Also includes reduction in Bus Services costs.	F	↓		1,709	1,709	1,709
11	Increase in level of Super Gold concessionary fares scheme of \$2.3m. The increase in level of Super Gold Concessionary fares scheme of \$2.3m has been approved by NZTA and is fully funded with an increased in associated subsidy of \$2.3m.	-	↔	(2,263)	(2,263)		
12	Reduced finance costs for the EMU project \$0.4m due to borrowings occurring later than budgeted. The principle repayment has also reduced by \$0.1m. This has a \$0.1m favourable funding impact as it is offset by reduced NZTA revenue for EMU's \$0.4m.	F	↓		358	358	133

#### **Parking**

13	Reduced salaries for Parking due to staff vacancies.	F	↓		162	162	162
14	Lower court costs/lodgement fees as fewer matters are referred to the Court, and savings in legal fees as now in-house.	F	↓		643	643	758

#### **Roothing**

15	Reduced Road Corridor Maintenance costs partly offset by increased personnel costs.	-	↔		672	672	647
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#### **Internal Support**

16	Reduced personnel costs partly offset by increased property rental and professional service costs.	F	↓		2,225	2,225	2,225
17	Increased costs for CDD funded by additional NZTA revenue.	-	↔	(145)	(145)		

Description of change forecast	Operational results				Capital expenditure	
	Revenue \$000	Operating costs \$000	Net surplus \$000	Funding surplus/ (deficit) \$000	New capital \$000	Renewal capital \$000
<b>Capital expenditure changes</b>						
18 Parking					1,970	
19 Public Transport					86	
20 Roads					9,354	
21 Other - including IT					8,712	
22 City Rail Link					114,856	
23 Electric Trains					5,819	
<b>Renewal expenditure changes</b>						
24 Public Transport						(381)
25 Roads						3,842
26 Parking						(38)
27 Internal support						1,200
<b>Sub-total all changes for the second forecast review</b>	<b>(4,886)</b>	<b>3,361</b>	<b>(1,525)</b>	<b>5,653</b>	<b>140,797</b>	<b>4,623</b>
<b>Total forecast</b>	<b>896,907</b>	<b>(876,300)</b>	<b>20,607</b>	<b>-</b>	<b>(529,829)</b>	<b>(211,930)</b>



Description of change forecast	Operational results				Capital expenditure			
	Revenue \$000	Operating costs \$000	Taxation and other adjustments \$000	Net surplus \$000	Funding surplus/ (deficit) \$000	New capital \$000	Renewal capital \$000	
<b>Forecast changes third quarter</b>								
<b><u>NZTA revenue changes</u></b>								
1 Reduced NZTA income for EMU's due to lower than budgeted interest costs.	-	↔	(549)		(549)			
2 Reduced NZTA operating subsidy due to savings in operating expenditure.			(1,798)		(1,798)	(1,798)		
3 Increased NZTA funding for new capital projects due to increased forecast expenditure on NZTA funded projects,			4,504		4,504			
4 Reduced NZTA funding for renewal projects due to subsidy caps being reached on NZTA funded projects.			(4,538)		(4,538)			
<b><u>Operating Revenue changes</u></b>								
5 <b>Public Transport</b> Additional Bus equipment lease revenue, card sales and bus revenue partly offset by reduced rail revenue.	F	↑	15		15			
6 <b>Parking and Enforcement</b> Reduction in enforcement revenue due to drop in legacy receipts \$2.2m, parking initiatives not implemented \$2m, and decrease in court lodgement fee recoveries. The funding impact is partly reduced due to savings in parking expenditure of \$1.5m.	U	↓	(4,655)		(4,655)	(3,111)		
7 <b>Roading</b> Increase in Corridor Access Requests revenue.	F	↑	603		603	254		
8 <b>Internal support</b> Reduction in rental income mainly due to delayed property purchase.	U	↓	(1,507)		(1,507)	(1,507)		
<b><u>Operating expenditure changes</u></b>								
<b>Public Transport</b>								
9 Reduction in Rail Contract expenditure of \$2.5m due to savings in fuel costs, and driver hire costs as a result of the transfer of KiwiRail drivers to TansDev. Also includes reduction in Bus Services costs \$0.7m.	F	↓		3,267	3,267	3,282		
10 Super Gold fares forecast to increase another \$1.1m based on recent levels of patronage. Auckland Transport will seek additional NZTA subsidy to cover this increase in late March, however it is not guaranteed that we will receive the additional funding and therefore it has not been included in the forecast.	U	↑	(1,100)		(1,100)	(1,100)		
11 Reduced finance costs for the EMU project \$0.8m due to borrowings occurring later than budgeted. Forecast principle repayments have increased by \$0.1m. This has a \$0.3m favourable funding impact as it is offset by reduced NZTA revenue for EMU's \$0.4m.	F	↓		1,016	1,016	389		
<b>Parking and Enforcement</b>								
12 Savings in parking expenditure from reduced lease costs, repairs and maintenance and contractor costs. This partly funds reduced parking revenue.	F	↓		1,544	1,544			
<b>Roading</b>								
13 Increased roading costs partly due to reduced capitalised personnel costs. This is funded by additional roading revenue.	U	↑	(349)		(349)			
<b>Internal Support</b>								
14 Increased internal support costs, including higher than planned accommodation and procurement costs.	U	↑	(1,080)		(1,080)	(1,080)		
15 Reduced depreciation of \$0.6m	F	↓		574	574			
<b><u>Other adjustments</u></b>								
16 Additional vested assets income and capital of \$55.6m.	F	↑		55,569	55,569			
17 Rolling stock will be revalued to the estimated sale of \$15m at 30 June 2014, this will result in rolling stock being written down by \$16.7m.	U	↑		(16,666)	(16,666)			
18 Other minor changes for taxation and foreign exchange.	F	↓		52	52			

Description of change forecast	Operational results					Capital expenditure		
	Revenue \$000	Operating costs \$000	Taxation and other adjustments \$000	Net surplus \$000	Funding surplus/ (deficit) \$000	New capital \$000	Renewal capital \$000	
<b><u>Capital expenditure changes</u></b>								
19 Parking						7,900		
20 Public Transport						2,959		
21 Roads						(2,513)		
22 Other - including IT						6,721		
23 City Rail Link						1,652		
24 Electric Trains						1,275		
<b><u>Renewal expenditure changes</u></b>								
25 Public Transport							745	
26 Roads							205	
<b>Sub-total all changes for the third forecast review</b>	<b>(7,925)</b>	<b>3,872</b>	<b>38,955</b>	<b>34,902</b>	<b>(4,671)</b>	<b>17,994</b>	<b>950</b>	
<b>Total forecast</b>	<b>888,982</b>	<b>(871,970)</b>	<b>38,497</b>	<b>55,509</b>	<b>(4,671)</b>	<b>(511,835)</b>	<b>(210,980)</b>	

## Prospective summary income statement

	Full Year			
	Budget	2nd Forecast	3rd Forecast	2nd to 3rd FC
	30 Jun 2014	30 Jun 2014	30 Jun 2014	Variance
	\$000	\$000	\$000	\$000
<b>Income</b>				
Auckland Council funding	230,138	230,138	230,138	-
NZ Transport Agency operating subsidy	219,917	216,548	214,201	(2,347)
Other revenue including other grants and subsidies	153,931	154,555	149,011	(5,544)
NZ Transport Agency capital subsidy	177,639	167,526	167,492	(34)
Auckland Council capital grant	128,140	128,140	128,140	-
Other capital grants	-	-	-	-
<b>Total operating income</b>	<b>909,765</b>	<b>896,907</b>	<b>888,982</b>	<b>(7,925)</b>
<b>Expenditure</b>				
Personnel Costs	108,471	113,396	112,925	471
Capitalised personnel costs	(24,355)	(25,244)	(27,965)	2,721
Depreciation and amortisation	253,422	277,160	276,586	574
Other expenditure	500,865	495,823	496,733	(910)
Finance costs	18,285	14,707	13,691	1,016
<b>Total operating expenditure</b>	<b>856,688</b>	<b>875,842</b>	<b>871,970</b>	<b>3,872</b>
<b>Net surplus/(deficit) before taxation and other adjustments</b>	<b>53,077</b>	<b>21,065</b>	<b>17,012</b>	<b>(4,053)</b>
Rolling stock revaluation decrement	-	-	(16,666)	(16,666)
Vested asset income	-	-	55,569	55,569
(Losses)/gains on derivatives	-	(458)	(458)	-
Tax	-	-	52	52
<b>Net surplus/(deficit) after taxation and other adjustments</b>	<b>53,077</b>	<b>20,607</b>	<b>55,509</b>	<b>34,902</b>

# Prospective summary funding statement

	Full Year			
	Budget	2nd Forecast	3rd Forecast	2nd to 3rd FC
	30 Jun 2014	30 Jun 2014	30 Jun 2014	Variance
	\$000	\$000	\$000	\$000
<b>Operating funding</b>				
Total operating expenditure	856,688	875,842	871,970	3,872
Principle payments for Electric Train	720	1,575	1,654	(79)
<i>Less depreciation and amortisation</i>	(253,422)	(277,160)	(276,586)	(574)
<i>Less other minor adjustments</i>	-	984	983	1
<b>Operating expenditure to be funded</b>	<b>603,986</b>	<b>601,241</b>	<b>598,021</b>	<b>3,220</b>
<b>Operating expenditure funded by:</b>				
Operating funding from Auckland Council	230,138	230,138	230,138	-
Revenue from services - NZTA	219,917	216,548	214,201	(2,347)
Revenue from services - Other	153,931	154,555	149,011	(5,544)
<b>Total operating funding</b>	<b>603,986</b>	<b>601,241</b>	<b>593,350</b>	<b>(7,891)</b>
<b>Funding Surplus/(Deficit)</b>	<b>-</b>	<b>-</b>	<b>(4,671)</b>	<b>(4,671)</b>
<b>Capital Expenditure</b>				
Total capital expenditure	513,328	523,690	515,282	8,408
Total capital expenditure - ring fenced	346,143	218,069	207,533	10,536
Vested assets	-	-	55,569	(55,569)
<b>Capital expenditure to be funded</b>	<b>859,471</b>	<b>741,759</b>	<b>778,384</b>	<b>(36,625)</b>
<b>Capital Expenditure funded by</b>				
Capital funding from Auckland Council	128,140	128,140	128,140	-
Investment by Auckland Council - other	207,549	204,708	196,334	(8,374)
Funding shortfall	-	-	-	-
Investment by Auckland Council - ring fenced	192,126	69,347	60,086	(9,261)
Investment by Auckland Council - carry forwards	-	23,316	23,316	-
Loans from Auckland Council	154,017	148,722	147,447	(1,275)
Grants and subsidies	177,639	167,526	167,492	(34)
Vested assets	-	-	55,569	55,569
<b>Total capital funding</b>	<b>859,471</b>	<b>741,759</b>	<b>778,384</b>	<b>36,625</b>

## Summary of financial results by activity

	Full Year			
	Budget	2nd Forecast	3rd Forecast	2nd to 3rd FC
	30 Jun 2014	30 Jun 2014	30 Jun 2014	Variance
	\$000	\$000	\$000	\$000
<b>Operating Income</b>				
Rail	105,077	98,959	94,851	(4,108)
Bus	93,188	93,062	93,061	(1)
Ferry	9,832	9,890	9,988	98
Other Public Transport	24,640	24,669	25,372	703
Parking	37,942	37,741	37,761	20
Enforcement	40,990	40,534	35,859	(4,675)
Roading and footpaths	46,034	45,532	45,469	(63)
Internal support	16,145	20,715	20,850	135
Auckland Council operating funding	230,138	230,138	230,138	-
<b>Total operating income</b>	<b>603,986</b>	<b>601,240</b>	<b>593,349</b>	<b>(7,891)</b>
<b>Operating Expenditure</b>				
Rail	147,095	142,695	139,192	3,503
Bus	157,836	158,979	159,409	(430)
Ferry	14,915	15,127	15,221	(94)
Other Public Transport	44,025	43,424	43,220	204
Parking	14,566	14,899	13,340	1,559
Enforcement	20,976	20,109	20,124	(15)
Roading and footpaths	115,997	115,691	116,040	(349)
Internal support	87,857	87,755	88,835	(1,080)
Depreciation	253,421	277,162	276,588	574
<b>Total operating expenditure</b>	<b>856,688</b>	<b>875,841</b>	<b>871,969</b>	<b>3,872</b>
<b>Profit/(loss) from Operations</b>	<b>(252,702)</b>	<b>(274,601)</b>	<b>(278,620)</b>	<b>(4,019)</b>

