

Financial Results for the Seven Months Ended 31 May 2011

Introduction

This report summarises for Auckland Transport:

- the financial results for the seven months ended 31 May 2011,
- update on the reforecast results for the eight months ended 30 June 2011.

Abbreviations used in this report

Please note that the following abbreviations are used in this report:

YTD = Year to date

8 Months = 8 month financial period, from 1 November 2010 to 30 June 2011 year end

U = Unfavourable result (e.g. reduced revenue, or increased costs)

F = Favourable result (e.g. increased revenue, or savings achieved in costs)

\$m = Millions of dollars

Plan = Approved budget as per Auckland Council Planning Document for the 8 month period from 1 November 2010 to 30 June 2011









Forecast = The revised forecast financial results following Auckland Transport review of the budgets established in the plan

YTD Variance = This is comparison of actual results compared to YTD forecast.

Net operating result = Operating income less expenditure

Net Surplus (Deficit) = Net operating result plus income for capital projects

Key to symbols used:

	: Within tolerable range
	: Below budget, unfavourable variance.
	: Below budget, favourable variance.
	: Above budget, unfavourable variance.
	: Above budget, favourable variance.
	: Achieved budget or better
	: Monitoring, some action taken
	: Action required

Executive Summary

YTD results:

	Current month variance to forecast \$m	Year to date variance to forecast \$m	Year to date results		Year to date Actual \$m	Year to date Plan \$m
Total operating income	2.8	(5.3)	↓	●	283.4	304.1
Total operating expenditure	(0.3)	21.5	↓	●	387.1	427.2
Profit/(Loss) from operations	2.5	16.2	↑	●	(103.7)	(123.1)
Income for capital projects	(6.7)	(7.4)	↓	●	93.1	125.9
Net surplus/ (deficit)	(4.2)	8.8	↑	●	(10.6)	2.8
Capital expenditure	12.7	25.8	↓	●	247.2	383.5

Total operating income is below forecast by \$5.3m.

This is due to reduced NZTA operational funding of \$7.0m, where operating expenditure is below forecast.

Parking and enforcement income is \$5.0m below forecast due to traffic infringement notices sent to courts earlier than legacy councils and this revenue written off when sent to the courts. In addition areas where revenue was planned for are now unenforceable.

This has been partly offset by public transport income that is \$1.6m above forecast due to higher public transport patronage and other revenue \$5.1m above forecast mainly due to unbudgeted commercial rental revenue relating to land held for roading purposes.

Total operating expenditure is below forecast by \$21.5m which is split as follows:

Parking enforcement costs of \$4.1m due to internal property rental charges (\$1.5m) cancelled and invoices to be on charged from Auckland Council not yet received where work is being done to quantify and correct these by year end.

Public transport costs of \$8.4m mainly due to:

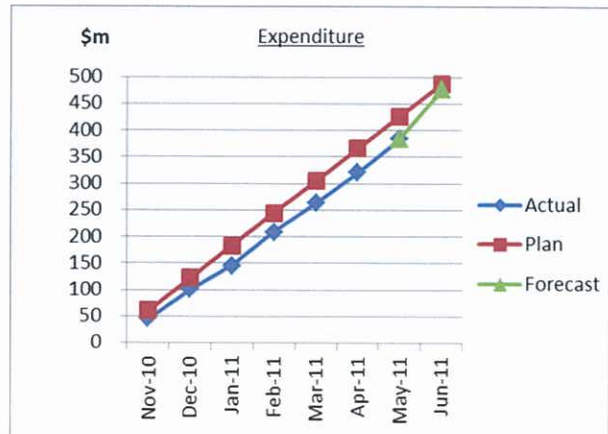
- underspends in bus and ferry contracts (\$1.4m) and ferry operations (\$1.0m) as service enhancements planned were not implemented due to NZTA funding constraints.
- underspend in rail stations (\$1.7m) due to incorrect budget assumptions which will be rectified in 2011/2012.
- community transport underspend (\$1.5m) due to transition.

Road network costs of \$8.0m mainly due to:

- underspend in sealed pavement maintenance programme (\$2m) due to incorrect budget assumptions.
- underspend relating to emergency reinstatement work (\$1.8m) as a result of storm damage in January 2011 where invoices have not yet been received and work is being done to quantify and accrue these by year end.

- underspend of \$2.2m for infrastructure-related costs.

Support costs \$1.0m mainly due to lower personnel costs from delay in filling vacancies partially offset by contractor costs in other areas.

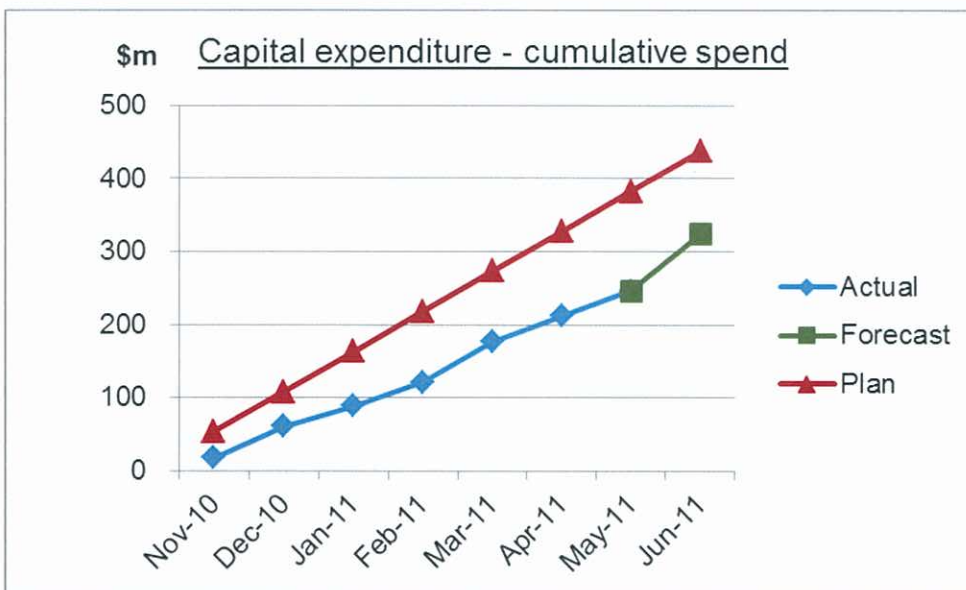
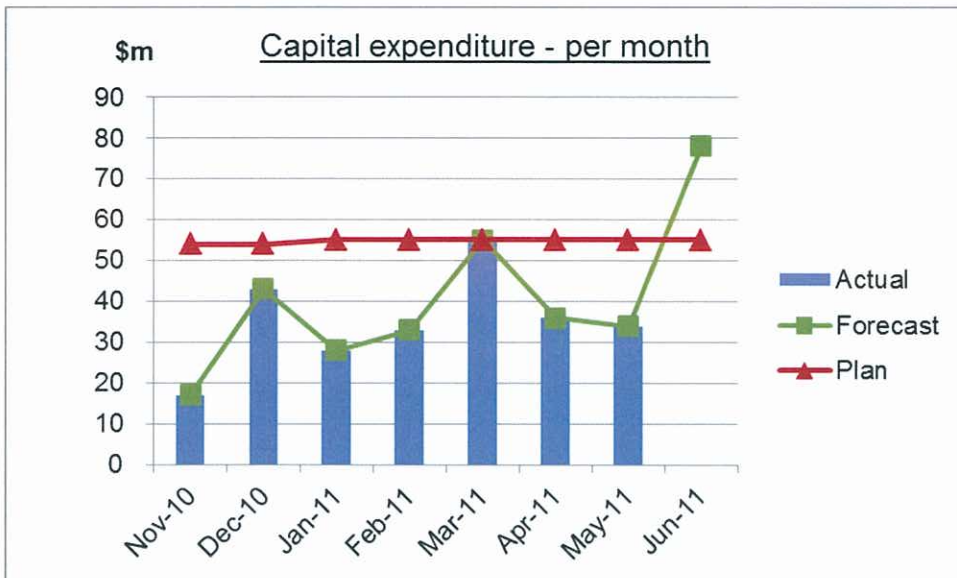


Profit/(Loss) from operations YTD is a deficit of \$103.7m, which is \$16.2m favourable to forecast.

Income for capital projects is below forecast by \$7.4m due to reduced NZTA capital funding of \$10.1m, where there have been delays in the capital works programme.

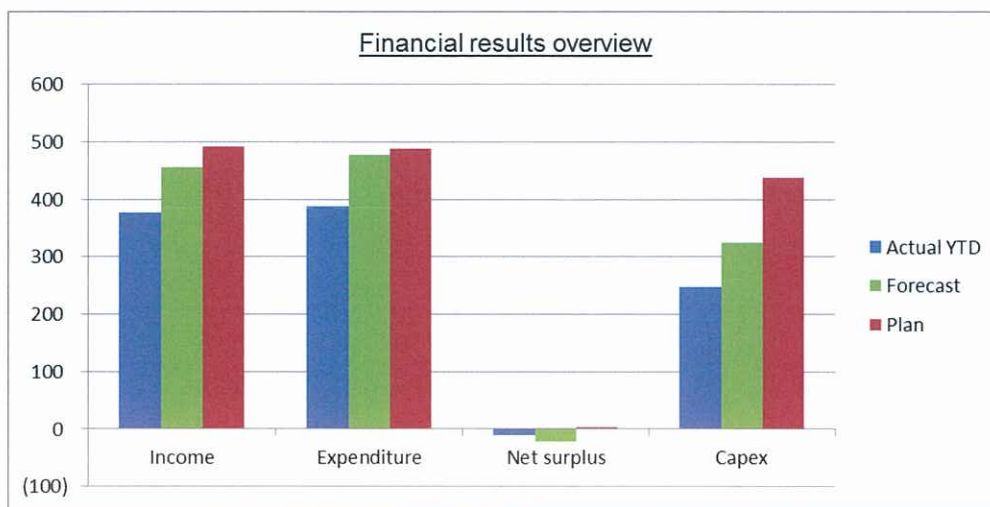


Capital expenditure total spend for the month was \$34.1m and is underspent with a YTD variance to forecast of \$25.8m. This is mainly due to delays associated with land acquisitions, reduction in costs and timing. The YTD recorded capital expenditure is \$247.2m.



The asset position is sound with net assets of \$11.6b at the end of May and cash flow funding arrangements in place to ensure all liabilities can be met.

May forecast results for the eight months ended 30 June 2011



	Year to date Actual \$m	Forecast 8 months \$m	Plan 8 months \$m	Variance Plan vs forecast	Forecast results
Total operating income	283.4	336.1	347.6	(11.4)	↓ 🟡
Total operating expenditure	387.1	477.1	488.3	11.1	↓ 🟢
Profit/(Loss) from operations	(103.7)	(141.0)	(140.7)	(0.3)	↑ 🟢
Income for capital projects	93.1	118.9	143.9	(24.9)	↓ 🟡
Net surplus/ (deficit)	(10.6)	(22.1)	3.2	(25.2)	↓ 🟡
Capital expenditure	247.2	324.4	438.3	(113.9)	↓ 🟡

The forecast is as presented to the Board in April.

Below is a summary of the capital expenditure forecast that was reported in detail in the April 2011 board report that reduced the capital works programme down to \$324.4m for the year, which is 74% of the planned programme of \$438.3m.

Capital expenditure per Annual Plan	\$ 438.3m
Plus deferrals relating to legacy entities	\$ 52.8m
Less reforecast changes	(\$146.7m)
Less provision for non-completion of projects	(\$ 20.0m)
Reforecast budget	<u>\$ 324.4m</u>

Extrapolating to year-end, it is unlikely capital expenditure spend will meet the \$324.4m forecast. A more probable outcome based on capex spend to date is approximately \$300m.



Auckland Council have recently advised that estimated transport vested assets at year end will be approximately \$29m.

Based on results to date, we estimate the year end results will reflect income to be below forecast by approximately \$5m and expenses to be below forecast by approximately \$13m..

Due to delays in obtaining asset information, depreciation has been accrued to plan however the actual depreciation charge will be calculated and reflected in June results.

Recommendation

- (i) That the report be received.

WRITTEN BY	Name: Chetna Naran Title: Reporting and Planning Accountant Name: Julian Michael Title: Senior Reporting and Planning Accountant	
RECOMMENDED by	Name: Jenny Livschitz Title: Financial Reporting Manager Name: Steve Smith Title: Manager Finance	
APPROVED FOR SUBMISSION by	Name: Dave Foster Title: Chief Financial Officer	