Draft AT Annual Plan 2013/14

Recommendations

It is recommended that the Board:

i). Receives the Draft AT Annual Plan and provides feedback on the document and the budget contained within it.

Executive Summary

The Draft AT Annual Plan (Attachment 1) contains elements of the SOI, the ITP and information about the levels of service for AT. It also contains a budget which is in line with the funding available.

Background

In 2012 AT prepared a LTP which was included within the RLTP and in the Consolidated AC LTP. These documents were publicly consulted using the LGA (2010) Special Consultative procedure. That RLTP set the context for the Annual budgets for the following three years. This Draft AT Annual Plan is based on the second year of those plans.

Prior to Christmas AC indicated that the rates rise for 2013/14 would be lower than planned. As part of the consideration of this, AT was asked to submit a range of options to reduce the AC funding requirements and thereby the level of rates increase required. The Board considered a list of options which were then submitted to AC for their consideration. The target requested from AT was approximately $7m. The list submitted had options totalling approximately $14m. AC accepted the AT suggested options which had an impact on their rates funding of $4m.

The attached Draft AT Annual Plan combines into one document a number of elements within the AT planning framework. They are the SOI, the financial budgets, statements on separate activities and a small part of the ITP in relation to those separate activities.

Strategic Context

AT has prepared a Ten year RLTP and submitted that information to AC which they have incorporated into a consolidated AC Group LTP. The Draft AT Annual Plan targets delivery of year two of the RLTP and LTP subject to agreed modifications.

Issues and Options

The budget contained within the document fits within the funding constraints of AC who determined this month the level of Operating Grant they would pay to AT. AT sought an additional $6.5m from AC to fund additional costs for AIFS operations and also inclusion of the additional capital requirement for AIFS capital for 2013/14 being $14.5m in the approved Capital Programme with an AC funding portion of $3m.

In March the Board considered the financial forecast for the current year which covered identified reductions in Parking and PT revenue. That forecast also identified offsetting reductions in Parking and PT costs and in other areas of the business to balance out to the available funding. The forecast and the emerging trends impacting the business, has formed a revised base for 2013/14 planning.

Auckland Council Grant

The AC Grant in the LTP was $238.9m. This Grant was reduced by $7m due to an allowance for revenue received from the acquisition of the Downtown Shopping Centre for the CRL. As this transaction did not occur and AC had rate funded $7m, AC agreed to lift AT funding by that sum. That gives a revised funding level of $246m. AC deducted the $4m for the service changes mentioned previously and also took back $5.6m of services (e.g. street orderlies, litter bins, graffiti removal), which were previously delivered by AT. Additional revenue is expected to be received from land rental through ACPL and this level has also been deducted from the AC Grant. Also shared services costs from AC reduced both costs and the Grant. We are working with AC on the level of this reduction. AC approved an additional Grant of $2m for the AIFS operating cost increases and allowed the lease revenue from Bus Operators to be retained by AT. This left a difference in funding of around $3m which has been spread through the business into revenue and expenditure estimates rather than carrying a central efficiency target. Given the size of the budgets and our experience to date that level of uncertainty is workable. It equates to 0.5% of operating expenditure. Efficiency initiatives are underway within the organisation.

Roads and Footpaths Activity

This activity has a range of factors impacting on costs. The total cost for the service is $12m lower than the forecast for 2012/13. Part of this reduction is due to the service cut in Berm mowing of $3m accepted by AC, plus $5.5m of servies have passed to AC in accordance with a 2011 agreement on responsibility for service delivery between the organisations. The change has occurred in this year due to alignment with contract renewals. Further services which were delivered for AC but paid for through revenue have also passed back to AC, this amounts to $2.9m which also accounts for the reduction in Other Income.

After taking account of the changes above the Roads and Footpaths activity has absorbed the inflationary impact on services and also reduced costs by about $1m due to efficiency and the new contracts put in place.

Public Transport

Rail

Rail operations reflects an increase in revenue from the current forecast. This is is below the fare revenue included in the LTP and the reasons for this have been considered by the Board separately. Staff have identified a revised patronage projection included in the SOI and the revenue projection has been based on that target at an average fare of $2.86 which is based on information from the AIFS system.

The increase in operating costs is due to the inclusion of the Wiri depot, driver training and conversions which are a consequence of the EMU implementation, plus the impact of inflation on the contracts in place.

Bus

Bus revenue reflects a modest increase in fare revenue in line with patronage expectations and fare levels. NZTA subsidy is expected to rise due to agreed changes to services and enhancements in the North, West and South which were planned for 2012/13, but deferred until 2013/14. This also explains the increased expenditure.

Ferry

The increase in expense reflects new services, and a component of inflationary effects on existing contracts. The subsidy split between Ferry and other PT is being reviewed. Ferry has typically been included as part of the Other PT group but has been extracted as it is a separate mode, whereas other PT is designed to cover multiple mode costs.

Other PT

Other PT is picking up increased operations cost for the AIFS solution. This has been covered by the Board within forecasts. The reason why the increase in AIFS does not reflect between the 2013 forecast and the forecast for 2014 is that the costs began in the current financial year, but as funding was not able to grow to cover those costs they were funded from changes to the PT programme. Therefore this activity is reasonably consistent with the current forecast.

Parking and Enforcement

We have modified the presentation of this activity which was historically split beteen on-street and off-street parking and enforcement. It now reflects the Parking provision separately from Enforcement.

The Parking provision has a modest increase in revenue from the current forecast, however the net contribution to revenue has reduced as the increase in expenses is higher than the increase in revenue.

- Parking revenue has been impacted by two issues this year which were that unrealistic expectation of increased revenue from parking initiatives were included in the 2012/13 AT LTP

  This to a significant extent was a Legacy issue flowing into the new organisation due to the timing of budget preparation for 2012/13.

- The restructuring of the parking fees earlier in the current financial year has also had some impact on revenue

Enforcement

Enforcement income is up from the latest forecast. This reflects changes to approach which were introduced during the year and also higher recovery rates.

Next Steps

The budget and plan will be revised in accordance with Board feedback and resubmitted to the June meeting along with the SOI for consdieration and adoption.

Attachments

Number	Description
1	Draft AT Annual Plan

Document Ownership

Prepared and Recommended by	Dave Foster **CFO**	
Approved for Submission	David Warburton **Chief Executive**	