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2017/18 Internal Budget Strategy

Recommendation

That the Board:

- i. Note that a paper will come to the February 2017 Board meeting proposing resource allocation and priorities for 2017/18.
- ii. Identify any Board priorities with resource implications pending ELT's analysis over January.

Context

1. In putting together a budget and plan for 2017/18 and beyond, AT faces similar issues of:
 - Population growth
 - Customer expectations
 - Influence of technology on service delivery
 - Tightening budgets
2. The Board has endorsed strategic themes and performance measures. It has also received papers on strategic issues likely to influence 2017/18 and beyond including TFUG, HIF, ATAP, Rail Operator contracts, SAFE and innovation in service delivery.

External Context

- Auckland's growth is driving significant investment in future planning and required services
- The external funding environment from AC is tighter than it has been in AT's existence. Borrowing limits are being reached and the new Mayor has committed to lower rates increases than those contained in the LTP.
- The Government is showing greater interest in Auckland and a willingness to fund, but this is likely to come with an expectation of greater interaction with Government

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Internal Context

3. There is a need to continue building organisational capability and capacity as well as redirect some existing resource, in order to deliver an even more ambitious work programme. AT is already committed to some large pieces of work (CRL, LRT, SAFE, rail operator tender, walking & cycling programme, etc.). Internal budgets are tightening. Some forthcoming changes in key personnel increases the need for strongly aligned budget, headcount, work programme and expectations.

Information Gathering

4. Considerable work has been done on strategy alignment and KPIs. The next steps will be collation of financial and non-financial information to align with these. Six sets of information will be sought covering:
 - BAU outputs
 - New or changed outputs
 - Cost and revenue pressures
 - Savings and revenue options
 - What can be de-prioritised or scaled back
 - Capital
5. Attachment 1 provides some examples of these.
6. Past budget processes have provided a work programme balanced to the available funding. The Board has sought more transparency around reallocation, efficiency and allocation of strategic priorities. The Board can expect to see the results of this work at the February 2017 meeting, in time to discuss and make changes prior to submission to AC. Key dates in the AC process are included in Attachment 2.
7. The February 2017 Board paper will demonstrate:
 - That business as usual can be delivered within available resources and to defined targets
 - Where efficiencies are being achieved
 - That strategic priorities are supported by specific deliverables which are resourced

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Outputs to be De-Prioritised

8. Most entities find it easier to identify what extra needs to be delivered. Identifying dis-investment is considerably more difficult. ELT will workshop these options in January.
9. Guidance from the Board would be welcome.

Capital

10. The baseline for 2017/18 is \$742 million, down from \$764 million in 2016/17. The total programme is likely to be heavily committed with significant carry-forwards from 2016/17. Year three of the existing LTP will need to be achieved. A further imperative for 2017/18 will be to ensure future projects under ATAP and TFUG are taken through to design/construction-ready stage.
11. The Transport Agency co-investment will impact both available funding and project prioritisation.
12. AC priorities for Spatial Priority Areas, city centre redevelopment and similar will be collated.
13. A non-exhaustive list of priority areas would include:
 - ATAP and TFUG
 - CRL
 - Renewals
 - Local Board projects
 - Safety programme
 - Park & Rides
 - Walking & Cycling
 - Recent decisions (e.g. Matakana Link Road, Dominion Road and Chapel Road)
 - Busway development and extensions
 - Innovation and ITS
 - Future of HOP
 - CRL
14. The result will be a three year programme, with a high level indicative programme for years four to ten

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Next steps

15. While this is largely a process paper ahead of a February substantive Board discussion, early guidance from the Board would be valuable. Liaison with AC and the NZ Transport Agency will occur to maximise funding and ensure expectations are aligned.

Attachments

Attachment Number	Description
1	Further Details on Information Gathering
2	2017/18 Annual Plan Key Dates

Document ownership

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Approved for submission	David Warburton Chief Executive	

Further Details on Information Gathering

BAU Outputs

- Identify cost, staff and SOI/KPI changes for BAU
- Include risks and assumptions
- Cross organisational impacts e.g. BT, campaigns to be discussed with affected groups
- Examples are:
 - Metro patronage/revenue
 - HOP Card sales/usage

New Outputs

Examples include:

- Growth related projects (TFUG, HIF, ATAP)
- Service projects (SAFE, Parking Apps)
- CRL Ltd support

Cost and Revenue Pressure

Examples include:

- Overall salary and headcount
- Contractual changes such as lease obligations
- Parking revenue base challenges
- Full year impact of current initiatives e.g. vested assets and station gating

Savings and Revenue

The majority of these are likely to be required to offset already identified pressures but the quantum should be transparent. Examples include:

- PTOM
- Third party advertising
- LED lighting and electricity contracts
- Procurement initiatives
- Contracting services in or out
- Opportunities to optimise Transport Agency co-investment
- Discontinued or scaled back outputs from 2016/17
 - SuperGold roll out
 - World Masters Games
 - ATAP

2017/18 Annual Plan Key Dates

Date	Activity
30 November 2016	Mayoral Proposal – lays out his broad intent and identifies items requiring public consultation
8 December 2016	AC Finance and Performance Committee workshop the proposal
13 December 2016	AC Finance and Performance Committee agree the items requiring public consultation
15 December 2016	AC Governing Body confirm the consultation items
2 February 2017	AC Governing Body workshop the Consultation Document and Supporting Information
9 February 2017	AC Governing Body adopt the Consultation Document and Supporting Information
16 February 2017	AT Board review the 2017/18 budget
24 February 2017	AT 2017/18 Budget (including outer nine years) due to AC
27 February 2017 to 27 March 2017	Public consultation period