Kōmiti ā Pūtea, ā Mahi Hoki / Finance and Performance Committee

OPEN MINUTE ITEM ATTACHMENTS

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<td>Emergency Budget 2020/2021 - Update August 2020</td>
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<td>A.</td>
<td>11 August 2020 - Finance and Performance Committee, Item 9 - Emergency Budget 2020/2021 - Update August 2020 - PowerPoint presentation</td>
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Emergency Budget 2020/2021 update
Finance and Performance Committee
11 August 2020

Emergency Budget context

- Elevated debt levels
- Higher asset recycling
- Capital expenditure deferrals
- Reductions in operating service levels

Key assumptions including:
- COVID-19 alert levels,
- Economic outlook, and
- Announced levels of external funding from central government agencies at a point in time.

Elected members have requested for an approach to be developed and agreed in order to respond to any significant changes in funding and budget capacity.

Together we can recover stronger.
### Managing uncertainty

- Current debt-to-revenue projection of 290% against a quantified limit of 270% in 2020/2021.
- High financial risks in light of increased uncertainty from COVID-19 internationally.

- Revisit four levers:
  - Higher debt levels
  - Higher asset sales
  - Further service reductions
  - Further capital deferrals

Together we can recover stronger.

### Proposed approach

- Prudent to reduce debt for the first half of the financial year.
  - Buffer against shocks
  - Strong signal to credit rating agencies
  - Access to debt markets when needed
  - Long-term Plan capacity (recovery focus)

- Reassessment based on half-year performance and outlook
  - Operating revenue and expenditure trends
  - Capital expenditure trends
  - Asset recycling progress
  - Debt levels

Together we can recover stronger.
Improved funding capacity

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Examples</th>
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<tr>
<td>Shovel Ready</td>
<td>Puhinui Bus-rail interchange</td>
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<tr>
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<td>Ferry Basin Redevelopment - Stage 1</td>
</tr>
<tr>
<td>Other external funding</td>
<td>NZTA operating and capital funding</td>
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<tr>
<td></td>
<td>Kainga Ora contribution on joint projects</td>
</tr>
<tr>
<td>Higher operating revenue</td>
<td>Improved regulatory, transport, community facilities</td>
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<tr>
<td>Working capital surplus</td>
<td>Lower than expected rates postponement (more cash revenue)</td>
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Group revenue update

July update
- Regulatory revenue better than expected
- POAL, Watercare, RFA & Panuku slightly better than expected
- Transport revenue slightly better than expected but remains uncertain
- ATEED and Community on track
## Shovel Ready Projects

- July shovel-ready announcements:
  - North-western bus improvements
  - Te Whau Pathway
  - Puhinui Interchange
  - Ferry Basin Redevelopment – Stage 1
  - Auckland Resource Recovery Network

- August housing-related announcements still being worked through
  - Unlikely to create any debt capacity in the short-term

<table>
<thead>
<tr>
<th>Project name</th>
<th>Council Entity</th>
<th>Funding status before shovel ready</th>
<th>Total agreed shovel-ready funding</th>
<th>Emergency Budget 2020/2021 funding assumption</th>
</tr>
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<tbody>
<tr>
<td>Ferry Basin Redevelopment - Stage 1</td>
<td>Auckland Transport</td>
<td>Funded</td>
<td>$42.0 million</td>
<td>$30 million</td>
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<tr>
<td>Puhinui bus-rail interchange</td>
<td>Auckland Transport</td>
<td>Funded</td>
<td>$22.1 million</td>
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<tr>
<td>North-western bus improvements</td>
<td>Auckland Transport</td>
<td>Unfunded</td>
<td>$50.0 million</td>
<td>$10 million</td>
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<tr>
<td>Te Whau Pathway</td>
<td>Auckland Council</td>
<td>Unfunded</td>
<td>$35.3 million</td>
<td>$5 million</td>
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<tr>
<td>Auckland Resource Recovery Network</td>
<td>Auckland Council</td>
<td>Unfunded</td>
<td>$10.7 million</td>
<td></td>
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<tr>
<td>AHP Programme</td>
<td>Auckland Council</td>
<td>Unfunded</td>
<td>$188 million</td>
<td></td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>Unfunded</strong></td>
<td><strong>$548.1 million</strong></td>
<td><strong>$45 million</strong></td>
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Group savings of over $200m

- Group-wide: $25.0m
- Auckland Council: $120.0m
- Auckland Transport: $35.8m
- Regional Facilties Auckland: $12.6m
- ATEED: $10.7m
- Panuku: $5.4m
- Watercare: $4.3m

Together we can recover stronger.

Auckland Council $120m savings progress

师傅 $120m savings target

- $15m interest savings in FY21 locked in through contracts
- $4m professional services budget reduced
- $2.8m saved by deferral of triennial property revaluation
- 26 fleet vehicles sold = $100k operating cost savings
- $4.3m reduction in grants as per budget decision

Staff-related savings:
- $2.8m from voluntary salary reduction scheme
- $1.2m from reduction in vacant budgeted positions
- $3.7m reduced from staff training budgets (50% reduction)

Together we can recover stronger.
Next steps

- Continued monitoring and monthly updates to F&P committee
- More in-depth monitoring via quarterly reporting process
- After half-year closes, reassessment of financial position and outlook

Questions / Pātai