

# Market Announcement

29 August 2024

## Auckland Council Group delivers biggest ever year for capital delivery

The preliminary results for the Auckland Council Group (the group) for 2023/2024 shows the biggest ever capital delivery programme, alongside continued progress on the recovery from 2023's severe weather events.

The group's record capital investment of \$3.2 billion was \$487 million more than the previous year and included investments into transport-related assets, such as the City Rail Link, water infrastructure and other community investments.

In response to the weather events, the group redirected resources and funding to support the community, and repair damaged assets and infrastructure.

Assisted by the cost-sharing arrangement with central government, the council bought-out 127 properties (paying \$132 million) where an intolerable risk to life from land instability or flooding could not be feasibly managed. The property buy-out process is ongoing and the council's Recovery Office continues to work with homeowners.

Auckland Mayor Wayne Brown said the year's results show progress toward increased financial and physical resilience.

"While inflation and high interest rates worked against us, these results show that our decisions to focus on long-term financial sustainability and balancing our budget, through the 2023/2024 Annual Budget, are working," said Mayor Brown.

"We have also prioritised fixing the infrastructure damaged by last year's weather events, helping affected residents to recover and building the region's resilience to future events."

The group's \$3.2 billion of capital investment included:

- \$1.4 billion on transport-related assets, including progressing the City Rail Link, the Eastern Busway and roading renewals.
- \$1.2 billion on water supply, wastewater and stormwater assets, including progressing the Central Interceptor project, completing the Waikōwhai booster pump station and strengthening of Helensville's Mangakura 1 dam face.
- Around \$600 million on other community priorities, such as upgrades to playgrounds and sports facilities, environmental initiatives, renewals of cultural venues, seawall replacements and storm-affected property buy-outs.

Despite the large capital spend, the group's net debt decreased by \$70 million, as borrowing for capital investment was more than offset by the partial sale of Auckland International Airport Ltd shares (\$833 million).

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As a result of the record capital investment and the decisions made through the 2023/2024 Annual Budget, the group ended the year with \$74 billion of assets, \$12.3 billion of net debt, and a debt-to-revenue ratio of 239 per cent, which is below the group's limit of 290 per cent.

The group's operating expenditure of \$6.5 billion was an increase of \$1.2 billion compared to the prior year, with \$685 million of this relating to recognising the full impact of our planned buy-out of storm-affected properties and investment in property-level risk mitigation projects.

The remaining \$467 million increase mainly relates to the impact of inflation on the cost of delivering services, increased finance costs resulting from higher interest rates and increases to depreciation as a result of our capital investment and the increased value of our infrastructure assets.

Group revenue was \$7.2 billion, an increase of \$517 million on the prior year. This was driven by both the planned rates increases and increased fees and user charges revenues for public transport and water usage.

Auckland Council group chief financial officer, Ross Tucker, says that the group's results show the council's focus on support for Aucklanders despite the challenging economic circumstances.

"We faced a challenging economy with inflationary pressures and rising interest rates. At the same time, we needed to help Aucklanders recover from the 2023 severe weather events and continue to deliver outcomes that Aucklanders deserve. Looking ahead, it is vital that we maintain financial flexibility to sustainably support regional growth and address any other unforeseen events."

The full audited Auckland Council Group Annual Report 2023/2024 will be published at the end of September and will be available on the Auckland Council website.

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