

Market Announcement

24 August 2023

Auckland Council agrees in principle to cost sharing deal with Government

Auckland Council's Governing Body has endorsed in principle, subject to consultation, a cost sharing deal with the Crown for flood recovery and resilience works.

The following statement issued today by Mayor Wayne Brown, sums up the agreement reached by the council and the Crown and its endorsement by the Governing Body – as outlined in this morning's statement to the NZX [here](#).

Mayoral statement

Auckland Council's Governing Body has voted unanimously to endorse in principle, subject to consultation, a cost sharing deal with the Crown to fund more than \$2 billion of flood recovery and resilience works.

The deal includes:

- **Making Space for Water initiatives:** \$820 million to fund projects that will help build resilience against future flood events, including the core aspects of the Council's Making Space for Water initiatives. These initiatives include increased maintenance, stream rehabilitation, culvert and bridge upgrades, overland flow path management, and the roll out of "blue-green" networks in critical flood-risk areas (which are stormwater solutions that enhance parkland and open space).
- **Transport Network Recovery:** \$390 million towards the recovery costs of the transport network directly impacted by the storms. Example projects include Mill Flat Road Bridge, access to Karekare and Piha and underslips on the Bethells Road.
- **Category 3 buy-outs:** \$774 million to purchase an estimated 700 residential properties where there is an intolerable risk to life and it is not feasible to mitigate this risk.

The cost share agreement secures \$1.076 billion of Government funding for these projects. This includes 62% of the estimated capital cost of the Making Space for Water projects (\$380 million), 79% of the transport recovery costs (\$110 million Crown funding and an expected \$199 million from the National Land Transport Fund via Waka Kotahi), and 50% of the cost of Category 3 buy-outs (\$387 million).

Mayor Wayne Brown noted that the in-principle agreement was a major step forward.

"The Auckland Anniversary floods, and Cyclone Gabrielle had a devastating and lasting impact on many communities, and seven months on, many Aucklanders with damaged homes are still grappling with a challenging future and significant impacts on their mental and social wellbeing.

“While the negotiation process took time, it has resulted in a much better deal for Auckland. This deal will enable us to move faster on our plans to make the region more resilient to future weather events, rolling out the Making Space for Water programme and reinstating a range of transport infrastructure to help our communities return to a sense of normal.”

Councillors and the Mayor also noted the significant financial cost to the Council and ratepayers.

“These efforts to recover and build a more resilient region are expensive, and some of that falls on ratepayers, so we need to consult with them on those costs.

“I have been signalling for some time that we have some major costs coming down the pipe for basic infrastructure. Now more than ever as a Council we need to be thinking seriously about how we are going to focus on what matters most and getting value for our spend,” said Mayor Brown.

A two week public consultation on the proposed Council-Crown co-funding of storm recovery and affected property buy-out will commence in mid-September, including targeted local engagement for affected areas.

Subject to the outcome of that process, more decisions will be required by Councillors and the Mayor on the details of the buy-out scheme and how the Council’s share of the costs will be funded.

The complex process to assess and categorise affected properties continues. The Council has signalled that it would be looking to start direct discussions with homeowners on buyouts towards the end of October.

The Auckland sites currently identified as potentially suitable for proposed blue-green networks include:

1. Wairau Creek (Totaravale, Lower Sunnynook, Milford)
2. Kumeū River (Kumeū)
3. Waimoko Stream (Swanson)
4. Opanuku Stream (Henderson)
5. Porters Stream (Glen Eden)
6. Whau Stream (Blockhouse Bay)
7. Cox’s Creek (Grey Lynn)
8. Gribblehirst Park/St Leonards Road (Meola/Epsom)
9. Te Auaunga Awa (Mt Roskill)
10. Harania Creek (Mangere)
11. Te Ararata Greenway (Mangere)
12. Whangapouri (Pukekohe)

Maintaining our financial position

The additional debt for Auckland Council could add 7-9% to the debt to revenue ratio for the council over the next 5-7 years which remains well within its upper limit of 290%.

The council has all of its usual funding levers available to manage additional costs including capital expenditure choices, asset sales, service reductions, increased debt, and revenue choices including rates.

The council continues to remain committed to prudent financial management with confirmed ratings of AA/Aa2 from S&P Global Ratings and Moody's Investors Service respectively, both on stable outlook.

ENDS

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