

28 September 2020

Auckland Council Group finances reflect the benefit of prudent financial management

“Auckland Council Group’s unaudited accounts reflect its prudent approach to managing its finances which has put it in a strong position to tackle the financial impact of the COVID-19 pandemic and the drought,” says Acting Group Chief Financial Officer Kevin Ramsay.

The group increased its momentum of capital delivery and investment by delivering an additional \$520 million of capital spend, a 26 per cent increase on the prior year despite the COVID-19 Alert Level 4 lockdown and the restrictions that immediately followed. A total of \$2.6 billion was spent on delivering new and renewed assets. This was funded by a \$1.3 billion increase in net debt, funding from capital grants and other general funding streams. It brought the group’s total asset base to \$56 billion against net debt of \$9.9 billion.

Key highlights included:

- \$1,120 million investment in transport infrastructure including \$258 million on the City Rail Link, \$184 million on renewals of roads and footpaths, \$104 million on the development of the rapid transit network and \$100 million on the city centre and waterfront projects to support the America’s Cup.
- \$748 million investment in water infrastructure, including \$193 million on the water supply network, \$397 million on the wastewater network, and \$158 million on the stormwater network.

Total revenue increased by \$289 million to \$5,168 million compared to the previous year.

Consenting revenues and public transport patronage were once again at record levels prior to the lockdown, as were capital subsidies for the funding of key infrastructure projects. “This put the council in a strong financial position leading into the COVID-19 pandemic and the resulting significant reductions in revenue in the latter part of the year,” says Finance and Performance Committee Chair Councillor Desley Simpson.

Expenses were \$319 million higher than in the 2018/2019 year. This increase was primarily due to employing more public transport and regulatory customer facing staff, operational costs arising from our increasing asset base, weathertightness and contaminated land provisions, and costs associated with responding to the record drought. Financial losses from COVID-19 were partially recovered from government agencies largely in the form of reimbursements for relief work and public transport farebox loss.

The overall operating surplus before gains and losses for the year was \$761 million.

The increase in capital investment, combined with a decline in development contribution revenue and working capital movements, increased the group's reliance on borrowings, increasing net debt by \$1.3 billion to \$9.9 billion. This resulted in a debt to revenue ratio of 264 per cent as at 30 June 2020 which is within the group's 270 per cent policy limit. The group's credit ratings with S&P Global Ratings and Moody's are AA and Aa2 respectively, both with a "stable" outlook.

Information on our outlook for the 2020/2021 year can be found in the group's [Emergency Budget](#).

The full audited Auckland Council Group Annual Report 2019/2020 will be published at the end of October and will be available on the [Auckland Council website](#).

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