

29 August, 2016

Significant investment and solid financial performance for Auckland Council in 2015/2016

Significant investment in transport, community facilities, water supply, wastewater and stormwater infrastructure projects complemented a solid financial performance for the Auckland Council Group in 2015/2016, its unaudited financial results show.

Released to the NZX, the results provide a preliminary financial overview for the year ended 30 June 2016, ahead of audit completion by the Auditor-General.

Group highlights include:

- Revenue of \$3,705 million, ahead of the prior year by \$147 million;
- Operating surplus before gains and losses of \$250 million, against a prior-year surplus of \$80 million;
- Total net Group debt (after cash on hand) was \$7,483 million, \$324 million lower than forecast; and
- Total assets amounted to \$44.7 billion, an increase of \$2.5 billion from the prior year.

Auckland Council Group Chief Financial Officer Sue Tindal says the Group's financial performance shows it is balancing the need for prudent financial

management with the investment required to address the growth challenge Auckland faces.

“Given that our population has increased by more than the entire population of Tauranga in the last five years, the challenges this council is facing are unprecedented,” Ms Tindal says.

“Yet these financial results show that the council is on track to deliver the largest programme of investment ever seen in Auckland over the next decade.

“This last year alone the group delivered \$1.4 billion of investment, which saw some major projects such as the City Rail Link begin.

“Other areas of transport saw significant spend, with \$349 million for roads and footpaths, and \$202 million on public transport improvements and investment.

“This investment in our infrastructure will play a key role in helping to keep Auckland moving over the coming decade,” Ms Tindal continued.

“2015/2016 also saw the old Nelson Street motorway off-ramp transformed into award-winning Te Ara I Whiti cycleway and walkway, helping to provide more options for Aucklanders to get around the city.

“We have also made significant inroads into the housing challenge, with 68 Special Housing Areas (SHAs) created this year, bringing the total number to 154. The potential final yield of the SHAs is estimated at over 62,000 dwellings.

“There was \$285 million spent on water and wastewater infrastructure, and \$111 million spent on parks and sporting facilities for communities to enjoy.

“These long-term assets are funded by debt in line with our strategy to spread costs over the generations that benefit.

“The council continued to diversify its funding sources and during the year we issued debt in both NZD and AUD while at the same time continuing to raise debt through the Local Government Funding Agency. The low interest rate environment has contributed to a lower cost of funds during the course of this financial year.

“We maintained our credit ratings of AA (stable) from Standard and Poor’s and Aa2 from Moody’s Investor Services, confirming our prudent fiscal management and strong debt servicing capability. These continue to remain among the strongest credit ratings in New Zealand.

“Our financial strategy sets limits on the council’s borrowing, to maintain debt at a sustainable level. While total Group debt is projected to reach \$11.6 billion by 2025, it will still remain at a prudent level relative to our income.

“The Group’s asset base is expected to grow from \$45 billion to \$60 billion and we are on target to achieve the \$2.74 billion in accumulated efficiency targets included in the Long-term Plan 2015-2025.

“Going forward we will continue to operate in a fiscally sound and prudent manner, whilst maintaining our focus on enabling the growth and delivery of the vision for Auckland.”

The full audited Auckland Council Group Annual Report 2015/2016 will be published in September.

Ends

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