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Solid financial performance and significant investment for Auckland Council in 2016/17

Significant investment in transport, new community facilities and infrastructure for new housing developments have complemented a solid financial performance for the Auckland Council Group in 2016/17, the unaudited financial results show.

Released to the NZX today, the results provide a preliminary financial overview of the council group for the year ended 30 June 2017. The audit of the financial results will be completed by the Deputy Auditor-General and an audit opinion issued on 28 September 2017.

Group highlights include:

- Revenue of \$4,129 million, ahead of the prior year by \$424 million;
- Operating surplus before gains and losses of \$340 million, against a prior-year surplus of \$250 million;
- Net debt (after cash on hand) was \$7,969 million, \$467 million lower than forecast and an increase of \$486 million from the prior year; and
- Total assets amounted to \$47.4 billion, an increase of \$2.7 billion from the prior year.

Auckland Council Group Acting Chief Financial Officer Matthew Walker says the Group's financial performance shows it is balancing the need for prudent financial management with the investment required to address the growth challenges Auckland faces.

"As a successful and increasingly global city, Auckland's population is growing rapidly. This continually adds to the demands on our transport, three waters, and community infrastructure such as libraries and parks," Mr Walker says.

“Yet, the group results show the council is on track to deliver its largest programme of investment ever over the next decade based on adopted 2015-2025 LTP.

“This last year alone, the group delivered \$1.66 billion of investment.”

“Included within this investment spend is the City Rail Link which is an underground rail line that will link Britomart and the city centre with the existing western line near Mt. Eden. The City Rail Link project is a significant infrastructure project to enhance the capacity and performance of Auckland rail services and improve transport outcomes in Auckland. This project will be co-funded by Auckland Council and the New Zealand Government.

“This investment in transport infrastructure will play a key role in helping to keep Auckland moving over the coming decade,” he says.

“We continue to deliver core infrastructure, including roads, footpaths, public transport and water and waste water infrastructure. This is a key priority area for the council and we remain focussed on this,” Mr Walker says.

“These long-term assets are primarily funded by debt, in-line with our strategy to spread costs over the generations which benefit from them.

“The council sold down part of its Diversified Financial Assets portfolio in August 2016, and issued debt in NZD, Euro, NOK and AUD. Meanwhile, the council continued to raise debt through the Local Government Funding Agency. Low interest rates have contributed to a lower cost of funds during the course of this financial year,” he says.

“The council maintained its 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.

“The council has begun the development of its Long-term Plan 2018-2028 which will bring together our infrastructure planning and our financial strategy, including council’s debt management strategy. While group debt is projected to reach \$11.6 billion by 2025, it will remain at a prudent level relative to our income,” Mr Walker says.

“The Group’s asset base is expected to grow from \$45 billion to \$60 billion over that same period to 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 2016/17 will be published in September.

Capital Expenditure Highlights

- \$310 million on water and wastewater infrastructure;
- \$200 million on parks, sports facilities, libraries, community centres and facilities;
- \$430 million on roads and footpaths;
- \$288 million on public transport;

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