Auckland Council
Te Kaunihera o Tāmaki Makaurau

Date:	**Thursday 28 March 2024**
Time:	**10.11am**
Meeting Room:	**Reception Lounge**
Venue:	**Auckland Town Hall 301-305 Queen Street Auckland**

Tira Hautū / Governing Body

OPEN MINUTE ITEM ATTACHMENTS

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Auckland Council Group

Monthly Performance Report

29 February 2024

Note: This financial information has been prepared on a provisional basis. It will be validated during quarterly reporting.

Auckland Council Group capital expenditure

		29 February 2024				FY24
		YTD Actual	YTD Budget	YTD Variance	% YTD Delivery	Full year budget
Capital expenditure	**A**	**1,858**	**1,980**	**-122**	**94%**	**3,206**
Auckland Council[1]		285	308	-23	93%	606
Auckland Transport		559	643	-84	87%	1,058
Watercare Services Limited		688	736	-48	93%	1,086
Tātaki Auckland Unlimited[1]		35	42	-7	83%	67
Eke Panuku[1]		38	43	-5	88%	77
Port of Auckland Limited		23	29	-6	79%	44
Under-delivery assumption		-	-52	52	0%	-78
Investment in City Rail Link Limited (CRLL)		230	231	-1	99%	346

A. Capital expenditure year-to-date was 94 per cent of budget. As reported previously, flood recovery projects at Auckland Transport (AT), Watercare Services Limited (WCS), Tātaki Auckland Unlimited (TAU) continued to progress but still behind the budget by $65 million. The remaining variance is explained below.

Auckland Council's capital expenditure was $23 million below budget mainly due to the delays within Healthy Waters projects ($12 million), $3.5 million underspent on property renewals and timing of the delivery of ICT lifecycle projects ($5 million).

Auckland Transport's under delivery of budget was mainly caused by delays in rapid bus and rail ($31 million), active modes ($9 million) and population growth ($8 million) projects.

In addition to delays in flood remediation projects, a few other projects at Watercare were behind budget including Kāinga Ora shovel ready project ($17 million), Redhills wastewater project ($13 million), Smart Meter replacement project ($10 million) due to phasing, delays in design, delivery methodology and supply chain issues. Digital projects were also delayed pending the outcome of reform and currently behind plan by $8 million. These were partially offset by higher than anticipated spend on the Central Interceptor project of $35 million because of settling escalated claims and repairing Orakei Main Sewer of $12 million.

Due to the additional funds required these two projects, there has been a significant re-prioritisation of spend for the rest of the financial year.

Deferral in construction of Hobsonville wastewater treatment plant contributed to Eke Panuku's capital expenditure being behind budget. This plant is now expected to be built in FY25 and vested to WCS.

Port of Auckland Limited (POAL)'s under delivery of budget was largely caused by the Engineering Workshop project experiencing delays.

Project highlights in February include:

Auckland Council:

- Corban Reserve stormwater upgrade has achieved practical completion. The new stormwater pipeline will help prevent flooding, improve water quality in Opanuku Stream, health and safety for pipeline maintenance workers, and the environment for people, birds, and stream life.
- Tāmaki Makaurau Auckland Flood Viewer phase 2: Historical Extreme Events Viewer is complete.

Auckland Transport:

- Corridor Safety Programme - construction of the Rata Street improvements has been completed.
- Rodney Targeted Rates Programme – construction of footpath on Point Wells Drive has been completed.
- Electric Trains Tranche 3 (CRL) Retrofit Program, stage 1 completed, and all units returned to service.
- Speed Management Programme, construction of Papatoetoe residential speed management stage 2 has been completed.
- Watercare:
- In late February, the tunnel boring machine (TBM) began the second leg of the journey to dig and install the wastewater pipeline between Warkworth and Snells Beach.
- The flood recovery team installed a strong solution to safeguard Howick beaches and waterways after two slips in mid-November 2023 and in mid-January 2024.
- Tātaki Auckland Unlimited:
- Aotea Centre's loading dock weathertightness works was well underway.
- Go Media Stadium's lower west stand seating renewal was in progress.

[1] Capital expenditure, income, and operating expenses in relation to Auckland Council-owned assets that are managed by Eke Panuku and Tātaki Auckland Unlimited, such as Auckland Film Studios, are included within Eke Panuku and Tātaki Auckland Unlimited's capital investment and operating performance.

Auckland Council Group capital funding sources

The following table shows how the group funds the capital investment, which should be read in conjunction with the capital expenditure table above. The total amount of capital funding sources aligns to the group's total capital expenditure.

$ million	Notes	29 February 2024 YTD Actual	YTD Budget	YTD Variance	% YTD Variance	FY24 Full year budget
Capital funding sources		**1,858**	**1,980**	**-122**	**-6%**	**3,031**
Development contributions	A	149	179	(30)	-17%	269
Capital grants and subsidies	B	352	365	(13)	-4%	617
Cash proceeds from asset sales	C	13	15	(2)	-13%	164
Insurance recoveries	D	-	60	(60)	-100%	110
Proceeds from Airport share sale	E	833	866	(33)	-4%	866
Change in underlying net debt[2]		(452)	(275)	(177)	64%	-150
Operating funding		963	770	193	25%	1,155

A. **Development Contributions** were $30 million unfavourable to budget. This was due to a delay in adding new investment priority areas to the contributions policy, including Inner Northwest, City Rail Link stations, and Auckland Housing Programme areas in Tāmaki, Māngere, Northcote, Oranga and Mount Roskill. Furthermore, development growth was lower than planned due to economic factors such as interest rates, inflation and property prices.

B. **Capital grants and government subsidies** were $13 million unfavourable to budget. Watercare was $15 million below budget due to $12 million of current year budgeted Kainga Ora shovel ready revenue being recognised in the prior financial year and a timing difference in invoicing which are to be recovered in subsequent months based on reaching project milestones.

C. **Cash proceeds from asset sales** were largely in line with the budget.

D. No insurance recoveries year-to-date as insurers are still processing claims relating to the weather events that took place around Auckland Anniversary/Cyclone Gabrielle in 2023. Auckland Council Group now expects that majority of insurance recoveries will be received in FY25.

E. In August 2023, Auckland Council (AC) sold 7 per cent of Auckland International Airport's shares at an average share price of $8.11 per share which was lower than anticipated and resulted in unfavourable variance. The proceeds of $833 million were used to reduce AC's debt as it matures.

[2] This excludes the change in non-cash accounting adjustments for items such as foreign exchange and commercial paper discount adjustments of $101 million. Refer to Group debt management section in the following page for the movement in the net debt.

Auckland Council Group debt management

Covenant and borrowing thresholds

Requirement	Group/parent	Imposed by	Compliance	Date
Gross borrowings from LGFA <40% of LGFA's total local government assets	Group	LGFA	✓	Feb-24
Net Debt/ Total Revenue <300%*	Parent	LGFA	✓	Jun-23
Net Interest/Annual Rates Income <30%	Parent	LGFA	✓	Jun-23
Net Interest/Total Revenue < 20%	Parent	LGFA	✓	Jun-23
Liquidity >110%	Group	LGFA	✓	Feb-24
Debt/Adjusted Operating Revenue <290%	Group	Council/S&P Global	✓	Jun-23
Balance after capital deficit ratio (5-year average) <20%	Group	Council/S&P Global	✓	Jun-23
Interest/Adjusted Operating Revenues <15%	Group	Council/S&P Global	✓	Jun-23
Minimum credit rating (review date)	Group	Council	Moody's Aa2 ✓	Oct-23
			S&P Global AA ✓	Feb-24

*Alternate net debt to total revenue covenants apply in interim years at 30 June as follows: 2024<290% and 2025<285%

Group net debt

$ million	Opening 1 July 2023	Movement	Actual 29 February 2024	Annual Plan 30 June 2024	Variance 30 June 2024
Gross debt	12,457	(249)	12,208	11,903	(305)
Add: Bank overdraft	4	(4)	-	-	-
Less: Cash and term deposits with more than 90 days term	(110)	(300)	(410)	(100)	310
Net debt	**12,351**	**(553)**	**11,798**	**11,803**	**5**

Net debt decreased by $553 million from the start of the year mainly due to the proceeds from the partial sale of Auckland Airport shares (for $833 million) in August 2023 which was used to reduce group debt, partially offset by new borrowings for group capital funding requirements and working capital. Net debt as at year end is expected to be higher than budget mainly due to the lower capital funding sources driven by the timing of receipt of insurance recoveries, timing of asset sales and lower development contributions.

Auckland Council Group operating performance

$ million	Notes	YTD Actual	YTD Budget	YTD Variance	% YTD Variance	Full year budget
		29 February 2024				
Net direct expenditure		**578**	**658**	**80**	**12%**	**1,028**
Direct revenue	**A**	**1,850**	**1,769**	**81**	**5%**	**2,680**
Fees and user charges		1,106	1,093	13	1%	1,646
Operating grants and subsidies		391	374	17	5%	562
Other direct revenue		353	302	51	17%	472
Direct expenditure	**B**	**2,428**	**2,427**	**-1**	**0%**	**3,708**
Employee benefits		773	756	-17	-2%	1,146
Grants, contributions and sponsorship		142	131	-11	-8%	170
Other direct expenditure		1,513	1,540	27	2%	2,392
Other key operating lines						
General rates	**C**	2,205	2,219	-14	-1%	2,225
Targeted rates		303	300	3	1%	300
Vested assets	**D**	390	259	131	51%	456
Finance revenue	**E**	23	5	18	360%	8
Regional fuel tax revenue		99	100	-1	-1%	150
Non-direct revenue	**F**	36	72	-36	-50%	135
Depreciation and amortisation		872	852	-20	-2%	1,293
Finance costs	**G**	384	357	-27	-7%	536
Non-direct expenditure	**H**	483	-	-483	-	(0)

A. Direct revenue continued to be favourable to budget mainly due to higher than budgeted Infrastructure Growth Charges (IGC) and developer revenue generated by Watercare. Operating grants received from various government organisations after the extreme weather events contributed to the favourable direct revenue including grants from NZTA Waka Kotahi for emergency funding, from Department of the Prime Minister and Cabinet for setting up the Recovery Office and Ministry of Social Development for employment of navigators.

Direct revenue from fees and user charges were favourable to budget due to more than anticipated bus patronage and higher volume of building consents, licenses and permits granted partially offset with lower than budgeted water usage and container terminal demand.

B. Direct expenditure was in line with budget.

Employee benefits would be favourable to the budget by $2 million after Watercare's budget re-alignment between this line item and Other direct expenditure. This was mainly driven by longer than expected staff vacancies, particularly in areas that require specialised skills such as engineering and IT.

Unfavourable variance in grants, contributions and sponsorship were primarily attributed to POAL's vested assets to Waikato District Council which was not budgeted. In addition to this, the unfavourable variance was due to TAU grants being budgeted as capital expenditure, however, actuals were recognised in grants expenses.

Other direct expenditure would be $8 million favourable to budget after Watercare's budget re-alignment (refer employee benefits above). This favourable variance is mainly due to lower than budgeted roading network maintenance costs, public transport contract costs, IT and advertising expenses at AT. Also, there is a favourable variance at Watercare in relation to savings in software licensing fees and the capitalisation of the Puketutu Cell Wall project, partially offset by additional costs in relation to road-related asset damage by flooding and the collapse of the Orakei Main Sewer.

C. General rates revenue represents general rates charged for the full financial year. Unfavourable variance to budget is mainly due to an unbudgeted $8 million time-value accounting adjustment (this is temporary and will be reversed fully by year-end) and an additional $3 million in rates discounts.

Auckland Council Group operating performance (continued)

$ million	Notes	YTD Actual	YTD Budget	YTD Variance	% YTD Variance	Full year budget
		29 February 2024				
Net direct expenditure		**578**	**658**	**80**	**12%**	**1,028**
Direct revenue	**A**	**1,850**	**1,769**	**81**	**5%**	**2,680**
Fees and user charges		1,106	1,093	13	1%	1,646
Operating grants and subsidies		391	374	17	5%	562
Other direct revenue		353	302	51	17%	472
Direct expenditure	**B**	**2,428**	**2,427**	**(1)**	**0%**	**3,708**
Employee benefits		773	756	(17)	-2%	1,146
Grants, contributions and sponsorship		142	131	(11)	-8%	170
Other direct expenditure		1,513	1,540	27	2%	2,392
Other key operating lines						
General rates	**C**	2,205	2,219	(14)	-1%	2,225
Targeted rates		303	300	3	1%	300
Vested assets	**D**	390	259	131	51%	456
Finance revenue	**E**	23	5	18	360%	8
Regional fuel tax revenue		99	100	(1)	-1%	150
Non-direct revenue	**F**	36	72	(36)	-50%	135
Depreciation and amortisation		872	852	(20)	-2%	1,293
Finance costs	**G**	384	357	(27)	-7%	536
Non-direct expenditure	**H**	483	-	(483)	-	(0)

D. Vested assets revenue was favourable to budget due to receipt of more assets than planned from developers in Watercare and Auckland Council's Healthy Waters and Community Facilities.

E. Finance revenue was favourable to budget due to investment of the proceeds from the sale of Auckland International Airport shares while waiting for debt to mature over September and October, and higher than budgeted cash holdings from pre-funding.

F. Non-direct revenue was unfavourable to budget mainly due to planned flood-related insurance recoveries that have not yet been received. The insurance claims are currently being reviewed by our insurers expected to be received in FY25.

G. Sale of Auckland International Airport shares took place on 31 August and settled on 5 September which was two months later than the assumption used in budgeting the Finance costs. As the sale of shares took place later, there was a delay in reducing our debt and resulted in higher interest expenses than budgeted.

H. Non-direct expenditure includes a $459 million provision for buying Category 3 properties that were significantly affected by flooding during Auckland Anniversary and Cyclone Gabriell. The rest of the non-direct expenditure relates to the movement in the provision for weathertightness, contaminated land/closed landfill and other sundry non-cash expenses.

Auckland Council operating performance

$ million	Notes	29 February 2024 YTD YTD Actual	YTD Budget	YTD Variance	% YTD Variance	Full year budget
Net direct expenditure		**728**	**769**	**41**	**5%**	**1,228**
Direct revenue	**A**	**345**	**301**	**44**	**15%**	**440**
Fees and user charges		245	206	39	19%	310
Operating grants and subsidies		55	51	4	8%	60
Other direct revenue		45	44	1	2%	70
Direct expenditure	**B**	**1,073**	**1,070**	**-3**	**0%**	**1,668**
Employee benefits		426	428	2	0%	662
Grants, contributions and sponsorship		127	127	-	0%	162
Other direct expenditure		520	515	-5	-1%	844
Other key operating lines						
General rates	**C**	2,217	2,231	-14	-1%	2,236
Targeted rates		303	300	3	1%	300
Vested assets	**D**	144	76	68	89%	125
Development Contribution	**E**	149	179	-30	-17%	269
Finance revenue		138	122	16	13%	186
Regional fuel tax revenue		99	100	-1	-1%	150
Non-direct revenue		66	59	7	12%	88
Depreciation and amortisation		206	220	14	6%	330
Finance costs	**F**	379	352	-27	-8%	528
Non-direct expenditure	**G**	482	-	-482	-	-

A. Direct revenue was ahead of budget as fees and user charges were $39 million favourable to budget. This has been largely driven by higher volume of building consents, inspections, licenses and permits being granted. **B. Direct expenditure** was in line with budget.
$5 million unfavourable variance in Other direct expenditure was attributed to additional costs of processing higher consent volumes. This was partly offset by less employee benefits than budgeted in relation to ongoing unplanned vacancies.

C. General rates was $14 million (less than 1 per cent) unfavourable to budget mainly due to an unbudgeted $8 million time-value accounting adjustment which will be reversed over the year, and an additional $3 million unbudgeted remission of rates provided following the Jan/Feb 2023 storm and flooding to affected homes (836 accounts).

D. Vested assets revenue was mainly attributable to receipt of stormwater and community assets. Asset acquisition and vesting timing fluctuates depending on factors beyond council's control and these fluctuations mainly cause variances from the annual budget.
E. Development contributions were $30 million unfavourable to budget. This is because there was a delay in adding new investment priority areas to the contributions policy, including Inner Northwest, City Rail Link stations, and Auckland Housing Programme areas - Tāmaki, Māngere, Northcote, Oranga and Mount Roskill. Furthermore, development growth was lower than planned due to economic factors such as interest rates, inflation and property prices.

F. Sale of Auckland International Airport shares took place on in August, two months later than the assumption used in budgeting the Finance costs. Since the Auckland Airport shares were sold later, there was a delay in reducing our debt which was planned to be paid by the sale proceeds and resulted in higher interest expenses than budgeted.

G. Non-direct expenditure was mainly attributed to the $459 million provision for buying Category 3 properties that were affected by the 2023 Auckland Anniversary and Cyclone Gabrielle severe weather events. The remaining movements include a $45 million additional weathertightness provision for new active claims and $4 million capital expenditure write-offs, partly offset by the $22 million reversal of a provision for contaminated land and closed landfill, and $4 million reversal of a provision for legal claims against the council.

Auckland Transport operating performance

		29 February 2024 YTD				
$ million	**Notes**	**YTD Actual**	**YTD Budget**	**YTD Variance**	**% YTD Variance**	**Full year budget**
Net direct expenditure		221	256	35	14%	403
Direct revenue	**A**	**537**	**524**	**13**	**2%**	**802**
Fees and user charges		174	168	6	4%	264
Operating grants and subsidies		326	316	10	3%	477
Other direct revenue		37	40	(3)	-8%	61
Direct expenditure	**B**	**758**	**780**	**22**	**3%**	**1,205**
Employee benefits		109	117	8	7%	173
Grants, contributions and sponsorship		-	-	-	-	-
Other direct expenditure		649	663	14	2%	1,032
Other key operating lines						
AC operating funding		272	280	(8)	-3%	439
AC capital funding	**C**	238	308	(70)	-23%	513
Vested assets	**D**	183	151	32	21%	275
Capital subsidies revenue	**E**	321	321	-	0%	545
Finance revenue		2	-	2	-	435
Capital subsidies revenue - other		-	-	-	-	6
Non-direct revenue		-	-	-	-	-
Depreciation and amortisation		350	359	9	3%	552
Finance costs		12	19	7	-	28
Non-direct expenditure		1	-	(1)	-	-

A. Direct revenue was $13 million favourable to budget mainly from higher than budgeted operating grants due to the additional funding from NZTA Waka Kotahi after the weather events for emergency work.

In addition to this, fees and user charges were ahead of budget as public transport revenue increased in connection with higher bus patronage than budgeted. This was partially offset by unfavourable on-street parking revenue because of lower occupancy and later than budgeted parking tariff increases.

B. Direct expenditure was $22 million favourable to budget due to lower expenses incurred in relation to maintaining the roading network and other minor maintenance, public transport contract costs, IT and advertising.

Also, employee benefits were lower than budget as recruitment in vacant positions took longer and lower discretionary spends incurred including learning and development.

C. AC capital funding was $70 million lower than budget due to under delivery of capital expenditure.

D. Vested assets were $32 million favourable to budget due to more vested assets received from developers. Vested assets have been received mainly at Warkworth, Hobsonville, and Long Bay property developments.

E. Capital subsidies revenue was in line with the budget.

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Tātaki Auckland Unlimited operating performance

$ million	Notes	29 February 2024 YTD YTD Actual	YTD Budget	YTD Variance	% YTD Variance	Full year budget
Net direct expenditure		61	60	(1)	-1%	85
Direct revenue	A	**72**	**67**	**5**	**7%**	**98**
Fees and user charges		37	37	-	0%	54
Operating grants and subsidies		10	7	3	43%	25
Other direct revenue		25	23	2	7%	19
Direct expenditure	B	**132**	**127**	**(5)**	**-4%**	**183**
Employee benefits		58	55	(3)	-5%	78
Grants, contributions and sponsorship		7	4	(3)	-75%	8
Other direct expenditure		67	68	1	1%	97
Other key operating lines						
AC operating funding		64	62	2	3%	86
AC capital funding		35	42	(7)	-17%	67
External Capital Funding		-	-	-	-	-
Finance revenue		1	-	1	-	-
Non-direct revenue		2	-	2	-	-
Depreciation and amortisation		38	37	(1)	-3%	56
Finance costs		-	-	-	-	-
Non-direct expenditure		-	-	-	-	-

A. Direct Revenue was $5 million favourable to budget, mainly driven by more operating grants being received for major events and regional events such as Synthony, ASB Classic Pipeline, NZRL Triple header and Ocean Festival. These events were mainly funded by the Regional Event Fund and took place earlier than planned. In addition to this, the number of visitors at the Auckland Zoo and Maritime Museum were strong.

B. Direct expenditure was $5 million unfavourable to budget mainly because of increases in certain expenses including employee benefits due to the implementation timing of restructuring, and additional casual staff needed for revenue-generating events. Another major increase in expenses relate to capital grants paid by TAU being budgeted as capital expenditure but recognised in operating expenditure. These capital grants were funded by Auckland Council for Stardome and Waka Pacific roof maintenance, Waka Pacific LED replacement and CCTV at Trust Arena.

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Attachment A

Item 7

Eke Panuku operating performance

$ million	Notes	29 February 2024 YTD YTD Actual	YTD Budget	YTD Variance	% YTD Variance	Full year budget
Net direct expenditure	**A**	11	15	4	27%	24
Direct revenue		**12**	**12**	**-**	**0%**	**18**
Fees and user charges		-	-	-	-	-
Operating grants and subsidies		-	-	-	-	-
Other direct revenue		12	12	-	0%	18
Direct expenditure	**B**	**23**	**27**	**4**	**15%**	**42**
Employee benefits		20	22	2	9%	33
Grants, contributions, and sponsorship		-	-	-	-	0
Other direct expenditure		3	5	2	40%	8
Other key operating lines						
AC operating funding		12	16	-4	-25%	24
AC capital funding		-	-	-	-	-
Depreciation and amortisation		0	0	-	0%	0
Finance costs		-	-	-	-	0
Non-direct expenditure		-	-	-	-	-

A. Net direct expenditure was $4 million favourable to budget driven by the favourable direct expenditure explained below.

B. Direct expenditure was favourable to budget as employee benefits were $2 million favourable to budget due to more vacant positions than budgeted and timing differences in training costs.

Moreover, other direct expenditure was $2 million favourable to budget as consultancy and communication costs had been delayed.

Eke Panuku managed activities operating performance

$ million	Notes	29 February 2024 YTD YTD Actual	YTD Budget	YTD Variance	% YTD Variance	Full year budget
Net direct expenditure		-5	1	6	600%	(1)
Direct revenue	**A**	**36**	**33**	**3**	**9%**	**45**
Fees and user charges		1	1	-	0%	2
Operating grants and subsidies		-	-	-	-	-
Other direct revenue		35	32	3	9%	43
Direct expenditure	**B**	**31**	**34**	**3**	**9%**	**44**
Employee benefits		-	-	-	-	-
Grants, contributions and sponsorship		-	-	-	-	-
Other direct expenditure		31	34	3	9%	44
Other key operating lines						
Depreciation and amortisation		15	15	-	-	23
Finance costs		-	-	-	-	(0)
Non-direct expenditure		-	-	-	-	-
Asset sales target	**C**	13	15	-2	-13%	164

These results relate to the Auckland Council-owned property portfolio which is managed by Eke Panuku. They are not included in Auckland Council's results and exclude the net direct revenue that Eke Panuku has generated for properties managed for Auckland Transport, which was in line with the budget.

A. Direct revenue was $3 million favourable to budget due to $1.1 million of rental revenue from a property in Wynyard Quarter that was expected to be sold in 2023/2024 and a small group of shops in Avondale that was expected to have been demolished. There was a one-off back payment for a rental increase on two tenancies for $0.8 million, and the recovery of operating expenses from tenants was $1.2 million ahead of budget, however the latter was offset in direct expenditure.

B. Direct expenditure was $3 million favourable to budget due to timing difference which is expected to reverse by year end. Regeneration spend was $1.6 million lower than budget and Marinas was $0.6 million below budget.

C. Asset sales were largely in line with the budget.

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Port of Auckland Limited operating performance

$ million	Notes	YTD Actual	YTD Budget	YTD Variance	% YTD Variance	Full year budget
		29 February 2024 YTD				
Net direct expenditure		-67	-80	-13	16%	(122)
Direct revenue	**A**	**224**	**233**	**-9**	**-4%**	**344**
Fees and user charges		214	224	-10	-4%	330
Operating grants and subsidies		-	-	-	-	-
Other direct revenue		10	9	1	11%	14
Direct expenditure	**B**	**157**	**153**	**-4**	**-3%**	**222**
Employee benefits		79	80	1	1%	120
Grants, contributions and sponsorship		8	-	-8	-	-
Other direct expenditure		70	73	3	4%	102
Other key operating lines						
Depreciation and amortisation		29	29	-	0%	44
Finance costs		13	13	-	0%	20
Non-direct expenditure		-	-	-	-	-

A. Direct revenue was $9 million unfavourable to budget mainly due to lower than anticipated demurrage and storage revenue driven by less container volumes and easing of congestion at the container terminal. This was partially offset by the higher than budgeted increased pricing and cruise income.

B. Direct expenditure was $4 million unfavourable mainly due to grants, contributions & sponsorship in relation to building and vesting of an overpass bridge over the main Kiwi Rail line and roading assets to Waikato District Council which were unbudgeted. These are part of conditions for a resource consent given by Waikato District Council to POAL to establish freight hub in Waikato. The overpass bridge connects Kiwi Rail to the freight hub land and roads are around the border of the freight hub site.

Watercare Services Limited operating performance

$ million	Notes	YTD Actual	YTD Budget	YTD Variance	% YTD Variance	Full year budget
		29 February 2024 YTD				
Net direct expenditure		(372)	(360)	12	-3%	(585)
Direct revenue	**A**	**655**	**626**	**29**	**5%**	**981**
Fees and user charges		447	465	(18)	-4%	698
Operating grants and subsidies		-	-	-	-	-
Other direct revenue		208	161	47	29%	283
Direct expenditure	**B**	**283**	**266**	**(17)**	**-6%**	**396**
Employee benefits		81	54	(27)	-50%	80
Grants, contributions and sponsorship		-	-	-	-	-
Other direct expenditure		202	212	10	5%	316
Other key operating lines						
Vested assets	**C**	63	32	31	97%	56
Finance revenue		-	-	-	-	-
Capital subsidies revenue - other	**D**	17	32	(15)	-47%	52
Non-direct revenue	**E**	-	45	(45)	-100%	80
Depreciation and amortisation	**F**	234	193	(41)	-21%	290
Finance costs		98	90	(8)	-9%	139
Non-direct expenditure						

A. Direct revenue was favourable to budget by $29 million mainly because Infrastructure Growth Charges (IGC) and development revenue continued to steadily improve ($25 million) and the revenue from the contract with Waikato District Council1 continued tracking ahead of plan due to higher than anticipated capital works revenue and funding from the Department of Internal Affairs (DIA) associated with Water Reform secondees. These favourable results were partially offset by unfavourable water and wastewater revenue to budget ($18 million) due to delays in price increases and lower than planned consumption.

B. Direct expenditure was unfavourable to budget by $17 million.

Employee benefits would be higher than planned by $8 million if the budget was re-aligned between employee benefit and other direct expenditure. The unfavourable variance was mainly driven by unbudgeted reform-related labour costs of $3 million (however, this is partly offset in Other direct revenue) and lower than planned contract labour capex recoveries, overtime and timing differences in annual leave utilised.

Other direct expenditure would be unfavourable to budget by $9 million after the budget re-alignment mentioned above. The unbudgeted costs of repairing damaged assets during the 2023 weather events amounted to $11 million. The collapse of the Orakei Main sewer on 25 September has also resulted in $7 million operating cost to date. This has been partially offset by savings in IS Managed Services/Software as a Service/Software Licensing fees and the capitalisation of chemicals associated with the Puketutu Cell Wall project.

C. Vested asset revenue was $31 million favourable to budget due to higher than anticipated completion of works by third parties and vested to Watercare.

D. Capital grants and subsidies relating to Kainga Ora shovel ready projects were $15 million unfavourable to budget due to the timing difference between revenue recognition (recognised in FY23 as milestones achieved) and budgeting (invoiced in FY24 therefore budgeted in FY24). These works are milestone based and it is anticipated that the timing differences will be resolved in subsequent months.

E. Non-direct revenue was $45 million unfavourable to budget mainly due to planned flood-related insurance recoveries that are still in progress. The insurance claim was going through review by the insurance provider. The full year forecast at Watercare now excludes the insurance recoveries value of $80 million as it will unlikely be received by the end of FY24.

F. Depreciation was $41 million unfavourable to budget mainly driven by the asset revaluation at the end of the prior year being higher than expected.

[1] Watercare operates Waikato District's water, wastewater, and storm water services. Waikato District Council owns all the assets, and Watercare manages their water, wastewater and storm water infrastructure above and below ground. This includes providing operational services as well as capital works.

Auckland Council Group operating performance

Other direct expenses

($ millions)	Auckland Council Group YTD Actual	Auckland Council[3] YTD Actual	Auckland Transport YTD Actual	Tātaki Auckland Unlimited[4] YTD Actual	Eke Panuku Development Auckland Limited YTD Actual	Watercare Services Limited YTD Actual	Ports of Auckland Limited YTD Actual
Other direct expenditure	**1,513**	**552**	**649**	**67**	**3**	**202**	**70**
Cost of goods and services	**460**	8	392	9	-	2	49
Repairs and maintenance	**271**	185	16	4	-	65	1
Outsourced works and services	**269**	187	77	11	-	-	-
Rental and lease expenses	**110**	15	78	11	1	5	1
Utilities and occupancy expenses	**51**	33	22	7	-	4	1
Other[5]	**352**	124	64	25	2	126	18

[3] Includes Eke Panuku and TAU managed activities
[4] Excludes TAU managed activities
[5] Other direct expenditure mainly comprises consultancy and professional services costs, legal expenses, audit fees, directors' fee, and travel expenses.