Auckland Council
Te Kaunihera o Tāmaki Makaurau

Date: Thursday 27 June 2024
Time: 10.00am
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 Financial Performance Report

31 May 2024

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

Auckland Council Group capital expenditure

$ million		YTD Actual	YTD Budget	YTD Variance	% YTD Spend	Full year Budget
		31 May 2024				
Capital expenditure	**A**	**2,729**	**2,820**	**(91)**	**97%**	**3,206**
Auckland Council[1]		448	469	(21)	96%	606
Auckland Transport		881	948	(67)	93%	1,058
Watercare Services Limited		963	989	(26)	97%	1,086
Tātaki Auckland Unlimited[1]		52	60	(8)	87%	67
Eke Panuku Development[1]		50	69	(19)	73%	77
Port of Auckland Limited		33	40	(7)	83%	44
Under delivery assumption		-	(72)	72	0%	(78)
Investment in City Rail Link Limited		302	317	(16)	95%	346

A. Capital expenditure year-to-date was $2,729 million which was 97 per cent of $2,820 million budget. There were ongoing variances in various capital projects across the group that are further explained in this and the following page.

Auckland Council (AC): Project delivery highlights in May include:

- Renewals at the Lloyd Elsmore Park Pool have been delivered ahead of schedule.
- Manukau Memorial Gardens, Administration Building and Bob White Lounge - Fibre upgrade service detection works have been completed and now ready to start upgrade.
- CCTV security renewal works completed and commissioned at North Shore Memorial Park.
- Te Whau Pathway project - contractor has progressed to their 18th set of piles behind the Te Atatu Boat Club for the section known as Zone 7 (Rotary Reserve to Roberts Field). For Zone 8 (SH16 to Bridge Avenue), 17 sets of potted piles and two sets of bored piles have been installed.
- Renewal of the rock revetment at Waiwera has been completed as part of Resilient Land & Coast projects.
- Mahurangi West Regional Park - small water supply project has been completed. The project ensures the park's compliance with NZ drinking water standards.

Year-to-date capital expenditure of Auckland Council was $21 million below budget which improved from previous month (April year-to-date capital expenditure was $42 million below budget). Ongoing delays in Healthy Waters projects and re-categorisation of the Central Interceptor Point Erin tunnel Extension Project from capital to operational expenditure contributed to the variance ($13 million). The capital expenditure is now recognised under Watercare instead of Auckland Council parent. Development Programme Office projects were $6 million below budget mainly due to Midtown Programme construction delays resulting from underground utility clashes with light pole foundations. Resilient Land and Coasts projects were $7 million below budget due to delays in mana whenua consultation.

Auckland Transport (AT): Projects highlights in May include:

- Eastern Busway Alliance, Zone 2 Notice of Requirement issued. Reeves Road closure has allowed construction to progress in Zone 2 which was a key risk to the project.
- Bus Priority Programme, practical completion walkover conducted for Te Atatu Peninsula and East Coast Road.
- Pt Chev to Westmere Improvements, visual communication map created for the public, providing information on Meola Road bus routes and accessibility.
- Low Emission Ferry Programme (Landside Infrastructure), Half Moon Bay: Pontoon detail design awarded. Downtown: Pier 4/5 Concept design completed.
- School Speed Management Programme - five raised crossings and two speed cushions were completed.

Capital expenditure was $67 million lower than budget and the variance was mainly due to:

(i) Rapid Transit Rail Projects: $43 million underspend because three units of Electric Train rolling stock delayed into next financial year, Wiri Depot physical works delayed in procurement but underway, the K Road project delayed by local community consultation, and CRL rail level crossings physical works delayed in aligning with Kiwi Rail;
(ii) Bus Projects: $18 million behind budget due to delays in Airport to Botany Bus Rapid Transit Project, Midtown Bus utility works, Double Decker Mitigation construction and Fred Taylor bus route improvement; and
(iii) $6 million underspent in Climate Action Transport Targeted Rate Programme driven by delays in Walking, Cycling and Bus projects.

[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.Work done so far

Watercare: Projects highlights in May include:

- Funding has been confirmed to extend the Central Interceptor wastewater tunnel by more than one kilometre from Grey Lynn to Point Erin, Herne Bay to reduce wet weather overflows and significantly improve water quality in Herne Bay and St Marys Bay waterways and beaches.
- Doubled the number of crews working on flood and cyclone recovery works around the Waitākere dams to deliver crucial repairs before winter sets in. Last year's severe weather events caused extensive damage with landslips taking out watermains, wastewater pipes and causing issues in Western dam catchments.

Capital expenditure was $26 million behind plan as a result of various changes in planned capital projects including their priorities. Ongoing delays in capital projects include flood-related projects ($63 million), Kainga Ora shovel ready projects ($21 million), the Smart Meter installation programme ($16 million), Redhill's Wastewater Scheme ($14 million), Southwest Wastewater Conveyance ($13m) and The Huia 1, Nihotupu 1 watermain replacement ($11 million). These were partially offset by higher than anticipated Central interceptor costs for escalated claims ($93 million) and unbudgeted cost of Orakei Main Sewer repair ($18 million).

Tātaki Auckland Unlimited (TAU): Projects highlights in May include:

- Western Springs Stadium flood damage remediation - carpark work completed and handed over for normal use.
- Kahika wastewater upgrade in Glenfield is nearing completion. The new pipeline will replace the current 50-year-old pipeline that has experienced four significant failures, resulting in complex repairs and significant clean-up costs.
- Ponsonby Rugby Club flood damage remediation - building reinstatement work completed and handed over for day-to-day occupation.
- New Zealand Maritime Museum - under wharf structural remediation work has been completed.

Capital expenditure was less than budget by $8 million and it was largely driven by the initial delays with flood remediation work due to difficulty in securing specialist trades. The Auckland Art Gallery Restoration Project also had a delayed start due to delays with procurement and supplies. However, these are committed projects that are already underway, therefore underspent portion of FY24 budget will be requested to be shifted to FY25 without any change to overall costs of projects.

Eke Panuku capital expenditure was $19 million behind budget mainly due to the deferral of a $12 million land purchase in Avondale.

Port of Auckland capital expenditure was $7 million lower than budget due to timing of the Engineering Workshop project. Projects highlights in May include:

- Three converted straddles have commenced operation for training/evaluation.
- Temporary Engineering Workshop, Smart Shelters have now been completed and consent drawings sent to Beca.

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Auckland Council Group capital funding sources

		31 May 2024				
$ million		**YTD Actual**	**YTD Budget**	**YTD Variance**	**% YTD Variance**	**Full year Budget**
Capital funding sources		**2,729**	**2,820**	**(91)**	**-3%**	**3,031**
Development contributions	**A**	204	246	(42)	-17%	269
Capital grants and subsidies	**B**	618	542	76	14%	617
Cash proceeds from asset sales	**C**	17	152	(135)	-89%	164
Insurance recoveries	**D**	1	92	(91)	-99%	110
Proceeds from Airport share sale	**E**	833	866	(33)	-4%	866
Change in underlying net debt[2]		(243)	(136)	(107)	78%	(150)
Operating funding		1,299	1,059	240	23%	1,155

This 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.

A. **Development Contributions** were $42 million unfavourable to budget. This was due to ongoing delays 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 $76 million favourable to budget. This was largely driven by grants received by AT for NZ Upgrade Programme's Eastern Busway funding ($50 million) received earlier than anticipated timing and unbudgeted storm recovery funding ($27 million) from Crown Infrastructure Partners under the cost sharing agreement to repair infrastructure damaged during storm events in January/February 2023. This has been partially offset by ($16 million) lower than budgeted capital funding received from NZTA mainly due to capital underspend. Auckland Council also received unbudgeted $51 million from Crown Infrastructure Partners for the Category 3 property buyouts. This was partially offset by Watercare's less than budgeted grants revenue ($31 million) because of difference between budgeted capital grants for Kainga Ora shovel ready projects.

C. **Cash proceeds from asset sales** were behind budget due to the general slowdown in the property market and certain assets have not been sold as planned.

D. As previously reported, lower than anticipated **insurance recoveries** year-to-date was attributable to insurance claims in relation to the weather events during January/February 2023. Preparation of claims submissions at the group and claims processing by insurers have been taking longer than anticipated. Auckland Council Group now expects that majority of insurance recoveries will be received in FY25.

E. In August 2023, Auckland Council 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 an unfavourable variance. The proceeds of $833 million were used to reduce the council's debt as it matured.

[2] This excludes the change in non-cash accounting adjustments for items such as foreign exchange and commercial paper discount adjustments of $193 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	✓	May-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	✓	May-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 ✓	May-24
			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

($ millions)	Opening 1 Jul 2023	Movement	Actual 31 May 2024	Annual Budget 30 Jun 2024	Variance
Gross debt	12,457	299	12,756	11,903	(853)
Add: Bank overdraft	4	(4)	(0)	-	0
Less: Cash and Term deposits > 90 days	(110)	(730)	(840)	(100)	740
Net debt	**12,351**	**(435)**	**11,916**	**11,803**	**(113)**

Net debt decreased by $435 million from the start of the year. The net debt was reduced by proceeds from the partial sale of Auckland Airport shares (for $833 million). This was partially offset by the Group's new borrowings for capital investment and working capital as other sources of capital funding have been delayed including asset sales, insurance recoveries and lower development contributions. The net debt movement of $435 million includes non-cash adjustments of $193 million made up of unrealised foreign exchange gains of $196 million driven by an overall stronger NZD against borrowed currencies partially offset by $3 million of other book adjustments.

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Attachment A

Item 8

Auckland Council Group operating performance

($ millions)		YTD Actual	YTD Budget	YTD Variance	% YTD Variance	Full year Budget
		31 May 2024				
Net direct expenditure		**814**	**916**	**102**	**11%**	**1,028**
Direct revenue	**A**	**2,565**	**2,460**	**105**	**4%**	**2,680**
Fees and user charges		1,551	1,514	37	2%	1,646
Operating grants and subsidies		524	502	22	4%	562
Other direct revenue		490	444	46	10%	472
Direct expenditure	**B**	**3,379**	**3,376**	**(3)**	**0%**	**3,708**
Employee benefits		1,086	1,049	(37)	-4%	1,146
Grants, contributions & sponsorship		172	159	(13)	-8%	170
Other direct expenditure		2,121	2,168	47	2%	2,392
Other key operating lines						
General rates	**C**	2,215	2,222	(7)	0%	2,225
Targeted rates		303	300	3	1%	300
Vested assets	**D**	655	395	260	66%	456
Finance revenue	**E**	35	7	28	400%	8
Regional fuel tax revenue		136	138	(2)	-1%	150
Non-direct revenue	**F**	47	118	(71)	-60%	135
Depreciation and amortisation		1,210	1,183	(27)	-2%	1,293
Finance costs	**G**	540	492	(48)	-10%	536
Non-direct expenditure	**H**	488	-	(488)	-	(0)

A. Direct revenue continued to be favourable to budget.

Other direct revenue was higher than budget due to improved Infrastructure Growth Charges (IGC) and developer revenue generated by Watercare.

Fees and user charges were favourable to budget attributable to higher than anticipated consenting activities in Auckland Council (refer to page 8), higher than anticipated bus patronage at Auckland Transport, increased charges and revenue from cruises at the port. This was partially offset by lower than budgeted water usage and container terminal demand resulting in favourable revenue from fees and user charges.

Operating grants received from government organisations after the extreme weather events continued to contribute 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.

B. Direct expenditure was broadly in line with budget.

Employee benefits would be $9 million unfavourable to budget after Watercare's budget re-alignment between this line item and Other direct expenditure. The unfavourable variance is further explained in Watercare's operating performance section.

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 $19 million favourable to budget after Watercare's budget re-alignment (refer employee benefits above). Overall variance for these expenditures was favourable as a result of less expenses incurred for maintaining roading assets at AT, partially offset by flood remediation and repair expenses at Watercare and AC. Detailed explanation is provided in the following sections for each entity's operating performance.

C. General rates revenue represents general rates charged for the full financial year. Refer to page 8 for more details.

D. Vested assets revenue was favourable to budget due to more assets vested to the group than planned from developers in parks, roading and water and wastewater.

Auckland Council Group operating performance (continued)

($ millions)		YTD Actual (31 May 2024)	YTD Budget	YTD Variance	% YTD Variance	Full year Budget
Net direct expenditure		**814**	**916**	**102**	**11%**	**1,028**
Direct revenue	**A**	**2,565**	**2,460**	**105**	**4%**	**2,680**
Fees and user charges		1,551	1,514	37	2%	1,646
Operating grants and subsidies		524	502	22	4%	562
Other direct revenue		490	444	46	10%	472
Direct expenditure	**B**	**3,379**	**3,376**	**(3)**	**0%**	**3,708**
Employee benefits		1,086	1,049	(37)	-4%	1,146
Grants, contributions & sponsorship		172	159	(13)	-8%	170
Other direct expenditure		2,121	2,168	47	2%	2,392
Other key operating lines					0%	
General rates	**C**	2,215	2,222	(7)	0%	2,225
Targeted rates		303	300	3	1%	300
Vested assets	**D**	655	395	260	66%	456
Finance revenue	**E**	35	7	28	400%	8
Regional fuel tax revenue		136	138	(2)	-1%	150
Non-direct revenue	**F**	47	118	(71)	-60%	135
Depreciation and amortisation		1,210	1,183	(27)	-2%	1,293
Finance costs	**G**	540	492	(48)	-10%	536
Non-direct expenditure	**H**	488	-	(488)	-	(0)

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 and term-deposits balance.

F. Non-direct revenue was unfavourable to budget mainly due to planned flood-related insurance recoveries have not yet been received. As reported earlier, the insurance claims are expected to be received in FY25.

G. Finance costs is unfavourable to budget due to delay in reducing debts from asset sales, including delayed proceeds from the sale of Auckland International Airport Shares, higher than anticipated interest rates and gross debt balance.

H. Non-direct expenditure includes provisions and other sundry non-cash expenses. Refer to page 8 for more details.

Attachment A **Item 8**

Auckland Council operating performance

($ millions)		YTD Actual	YTD Budget	YTD Variance	% YTD Variance	Full year Budget
		31 May 2024				
Net direct expenditure		**1,025**	**1,088**	**63**	**6%**	**1,272**
Direct revenue	**A**	**464**	**406**	**58**	**14%**	**440**
Fees and user charges		337	286	51	18%	310
Operating grants and subsidies		63	58	5	9%	60
Other direct revenue		64	62	2	3%	70
Direct expenditure	**B**	**1,489**	**1,494**	**5**	**0%**	**1,712**
Employee benefits		599	600	1	0%	662
Grants, contributions & sponsorship		154	153	(1)	-1%	162
Repairs and maintenance		259	249	(10)	-4%	273
Outsourced works and services		259	240	(19)	-8%	277
Other direct expenditure		218	252	34	13%	338
Other key operating lines						
General rates	**C**	2,227	2,233	(6)	0%	2,236
Targeted rates		303	300	3	1%	300
Vested assets	**D**	217	112	105	94%	125
Development Contributions	**E**	204	246	(42)	-17%	269
Finance revenue	**F**	193	170	23	14%	186
Regional fuel tax revenue		136	138	(2)	-1%	150
Non-direct revenue		79	73	6	8%	88
Depreciation and amortisation		288	302	14	5%	330
Finance costs	**F**	532	484	(48)	-10%	528
Non-direct expenditure	**G**	485	-	(485)	0%	-

A. Direct revenue continued to be favourable, rising to $58 million above budget as of May. Fees and user charges from a higher volume of building consents, inspections, licenses and permits than planned mainly contributed to this variance.
B. Direct expenditure was in line with budget (less than 1 per cent). The $34 million favourable variance in other direct expenditure is mainly due to the budget for storm response and recovery expenses held there while actual costs were recognised under outsourced work and services and repairs and maintenance which resulted in these expenses being unfavourable to budget. Other factors that resulted in higher than anticipated outsourced work and services include rising contract costs, ongoing storm recovery work and consenting support.

C. General rates was in line with budget (less than 1 per cent). The variance is mainly due to a $3 million unbudgeted remission of rates provided following the Jan/Feb 2023 storm and flooding to affected homes (836 accounts).

D. Vested assets revenue continued to be strong and was mainly attributable to receipt of stormwater and community assets.

E. Development contributions were $42 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. Finance revenue and finance costs. Variances are explained on page 7.

G. Non-direct expenditure was mainly attributed to the 31 December provision of $459 million for Category 3 property buy-outs, $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. These provisions will be re-estimated at the financial year end.

Auckland Transport operating performance

31 May 2024

($ millions)		YTD Actual	YTD Budget	YTD Variance	% YTD Variance	Full year Budget
Net direct expenditure		**327**	**365**	**38**	**10%**	**403**
Direct revenue	**A**	**748**	**732**	**16**	**2%**	**802**
Fees and user charges		251	241	10	4%	264
Operating grants and subsidies		446	435	11	3%	477
Other direct revenue		51	56	(5)	-9%	61
Direct expenditure	**B**	**1,075**	**1,097**	**22**	**2%**	**1,205**
Employee benefits		155	160	5	3%	173
Cost of goods and services		557	552	(5)	-1%	608
Repairs and maintenance		24	32	8	25%	35
Outsourced works and services		103	119	16	13%	132
Other direct expenditure		236	234	(2)	-1%	257
Other key operating lines						
AC operating funding		399	398	1	0%	439
AC capital funding	**C**	353	464	(111)	-24%	513
Vested assets	**D**	352	237	115	49%	275
Capital subsidies revenue	**E**	528	472	56	12%	545
Finance revenue		3	-	3	-	-
Depreciation and amortisation		487	504	17	3%	552
Finance costs		16	26	10	38%	28
Non-direct expenditure		2	-	(2)	-	-

A. Direct revenue was $16 million favourable to budget. Higher than budgeted operating grants due to the additional funding from NZTA Waka Kotahi after the weather events for emergency work partially contributed favourable direct revenue.

Fees and user charges continued to be ahead of budget as public transport revenue increased in connection with higher bus patronage than budgeted and price increase. Fees and user charges achieved 82 per cent of pre-covid level which is good progress given customers are travelling less regularly due to flexible working trends. 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 mainly due to lower outsourced works and services expenses incurred in relation to maintaining the roading network and other minor maintenance, public transport contract costs, IT and advertising. Lower maintenance costs reflects delivery constraints between flood recovery and unsealed road maintenance activities and recovery of costs from KiwiRail for the emergency Tahekeroa rail slip flood recovery works.

Also, employee benefits were lower than budget because of longer than expected vacant positions and lower discretionary spend incurred including learning and development.

C. AC capital funding was $111 million lower than budget due to delays in projects leading to less than anticipated capital expenditure – refer pages 2 and 3 for more detail.

D. Vested assets were $115 million over 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 $56 million favourable to budget. Variances are explained on page 4.

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Tātaki Auckland Unlimited operating performance

($ millions)		31 May 2024 YTD Actual	YTD Budget	YTD Variance	% YTD Variance	Full year Budget
Net direct expenditure		**78**	**79**	**1**	**1%**	**85**
Direct revenue	**A**	**100**	**91**	**9**	**10%**	**98**
Fees and user charges		51	50	1	0	54
Operating grants and subsidies		15	9	6	67%	25
Other direct revenue		34	32	2	6%	19
Direct expenditure	**B**	**178**	**170**	**(8)**	**-5%**	**183**
Employee benefits		81	76	(5)	-7%	78
Grants, contributions & sponsorship		9	5	(4)	-80%	8
Cost of goods and services		12	13	1	8%	15
Repairs and maintenance		6	7	1	14%	7
Outsourced works and services		14	13	(1)	-8%	13
Other direct expenditure		56	56	-	0%	62
Other key operating lines						
AC operating funding		82	80	2	2%	86
AC capital funding		49	60	(11)	-18%	67
Finance revenue		2	0	2	19	-
Non-direct revenue		2	-	2	-	-
Depreciation and amortisation		53	52	(2)	-3%	56

A. Direct Revenue was $9 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 continued to be strong.

B. Direct expenditure was $8 million unfavourable to budget mainly because of higher than budgeted employee benefits. As a part of restructuring, the number of employees were planned to be lower, however, restructuring happened later than anticipated. Additional casual staff needed for revenue-generating events also contributed to higher employee benefits.

Another major increase in expenses relates 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.

Eke Panuku operating performance

($ millions)		YTD Actual	YTD Budget	YTD Variance	% YTD Variance	Full year
		31 May 2024				
Net direct expenditure	**A**	**16**	**22**	**6**	**27%**	**24**
Direct revenue		**17**	**16**	**1**	**0**	**18**
Other direct revenue		17	16	1	0	18
Direct expenditure	**B**	**33**	**38**	**5**	**13%**	**42**
Employee benefits		28	31	3	10%	33
Other direct expenditure		5	7	2	29%	8
Other key operating lines						
AC operating funding		16	22	(6)	-27%	24

A. Net direct expenditure was $6 million favourable to budget driven by the favourable direct expenditure explained below.

B. Direct expenditure was favourable to budget as employee benefits were $3 million favourable to budget due to more vacant positions 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

($ millions)		YTD Actual	YTD Budget	YTD Variance	% YTD Variance	Full year Budget
		31 May 2024				
Net direct expenditure		**(9)**	**(2)**	**7**	**-350%**	**(1)**
Direct revenue	**A**	**51**	**46**	**5**	**11%**	**45**
Fees and user charges		2	2	-	0%	2
Other direct revenue		49	44	5	11%	43
Direct expenditure	**B**	**42**	**44**	**2**	**5%**	**44**
Other direct expenditure		42	44	2	5%	44
Other key operating lines						
Depreciation and amortisation		21	21	-	0%	23
Asset sales target	**C**	17	152	(135)	-89%	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 $5 million favourable to budget due to $1.6 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 be demolished. There was a one-off back payment for a rental increase on two tenancies for $0.9 million, and the recovery of operating expenses from tenants was $1.5 million ahead of budget, however the latter was offset in direct expenditure.

B. Direct expenditure was $2 million favourable to budget due to timing difference which is expected to reverse by year end. Regeneration spend was $1.2 million lower than budget and Marinas was $0.7 million below budget due to timing of spending and are expected to catch up by the end of FY24.

C. Asset sales were unfavourable to budget due to the general slowdown in the property market and certain assets have not been sold as planned.